FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE

ON

PUBLIC UNDERTAKINGS
(2023-26)

THIRTY SIXTH REPORT

(Presented on 11th February,2025)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2025

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THIRTY SIXTH REPORT

On

Kerala State Poultry Development Corporation

(Based on the Reports of the Comptroller and Auditor General of India for the years ended 31st March, 2016 ,2018 and 2019)

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COMMITTEE ON PUBLIC UNDERTAKINGS
(2023-26)

COMPOSITION

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Shri Venugopal R, Joint Secretary

Shri Anil Kumar B, Deputy Secretary

Shri Mohanan. O, Under Secretary

INTRODUCTION

I,the Chairperson,Committee on Public Undertakings (2023-26) having been authorised by the Committee to present the Report on its behalf, present this 36th Report on Kerala State Poultry Development Corporation based on the reports of the Comptroller and Auditor General of India for the years ended 31st March, 2016,2018 and 2019 relating to the Public Sector Undertakings of the State of Kerala.

The aforesaid Reports of the Comptroller and Auditor General of India were laid on the Table of the House on 23.05.2017, 24-08-2020 and 10.06.2021 respectively. The Reports,besides other things in their findings, brought to light some functional irregularities relating to the Kerala State Poultry Development Corporation. The Committee, in connection with the perusal of the reports, took notice of the comparability of the audit paragraphs pertaining to such irregularities and decided to examine them altogether. The consideration of the audit paragraphs included in this report and the examination of the departmental witness in connection there to were made by the Committee on Public Undertakings (2021-2023) at its meetings held on 20.12.2022,04.09.2023 and 25.09.2023.

This Report was considered and approved by the Committee (2023-26) at its meeting held on 30.10.2024.

The Committee place on record its appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the Audit paragraphs included in this Report.

The Committee wishes to express thanks to the officials of the Animal Husbandry department of the Secretariat and the Kerala State Poultry Development Corporation for placing the materials and information solicited in connection with the examination of the subject. The Committee also wishes to thank in particular the Secretaries to Government, Animal Husbandry and Finance Department and the officials of the Kerala State Poultry Development Corporation who appeared for evidence and assisted the Committee by placing their views before the Committee.

E. CHANDRASEKHARAN,
Chairperson,
Committee on Public Undertakings.

Thiruvananthapuram,

11th February,2025

REPORT
ON
KERALA STATE POULTRY DEVELOPMENT CORPORATION

Audit Paragraph (2015-16)

3.5.3 Irregular engagement of temporary staff

As per the provisions of the Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959, vacancies[1] for contract employment exceeding three months were to be notified to the Employment Exchanges. Further, for such employment, Rules for Reservation in Government Service shall be applicable. According to Rule 14 of Rules for Reservation in Government Service, unit of appointment for the purpose of reservation shall be 20, out of which two shall be reserved for persons belonging to Scheduled Castes and Scheduled Tribes, eight for other backward classes and remaining 10 shall be from the open category. We observed that six[2] PSUs and one department engaged 1686 contract employees, without notifying the vacancies to Employment Exchanges as detailed in Table 3.13.

Table-3.13 :Engagement of temporary staff

Sl.No	Audit Findings	Management/Government Reply
1.	KEPCO[3] KEPCO appointed 230 employees in excess of the sanctioned strength for a period up to one year.	Government replied (November 2016) that as a growing organisation engagement of daily wages and contract employees as per requirement is essential.

1 Does not apply to vacancies in relation to any employment to do unskilled office work.
2 SIDCO, Kerala State Construction Corporation Limited, Kerala State Financial Enterprises Limited, Oil Palm India Limited, Kerala State Poultry Development Corporaton Limited and Kerala State Industrial Enterprises Limited.
3 Kerala State Poultry Development Corporation Limited.

The replies were only partially acceptable as temporary appointment had to be made from Employment Exchange against sanctioned posts only thereby ensuring transparency, equal opportunity and reservation rules in appointments.

[The Audit paragraph 3.5.3 contained in the report of the C &AG for the year ended 31 March 2016.]

The notes furnished by the Government on the audit paragraph are given in Appendix II

Discussion and findings of the Committee

The Committee wanted to know the reason for appointing 230 contract employees in excess of the sanctioned strength. The Managing Director, KEPCO informed that the Government sanctioned 51 permanent posts when the Company started its operations at Kudappanakunnu. After that, the company took up 25 new initiatives and is working actively since 1994. He added that the Company appointed 5 to 17 employees as required every year from 1989 to 2015 and thus it became 230.

To a query of the Committee, the Managing Director informed that there remained no employee who was appointed on a daily basis in 1989 and had only the employees appointed from 2000 and were paid only for the day they work. Then the Committee asked explanation for not appointing such employees through Employment Exchange.

The Managing Director informed that the Company required unskilled labourers for the jobs related to transportation of chicken during night time, waste disposal after meat cutting, meat processing etc. As the Employment Exchange could not provide these classes of employees, the Company used to engage those people through advertisement in newspaper. The Principal Secretary, Animal Husbandry Department informed that a general instruction had been given against appointing employees on daily wages after the audit reference.

From the Government reply, the Committee observed that the Company needed unskilled labourers in the area of Meat Processing Plant, Bio Manure Plant, Feed Mixing Plant etc. who do not require any academic qualifications. The employment exchange can't provide these classes of employees. So the Company engaged those people only through advertisement in newspaper or sometimes engage them locally as per the requirement.

The Committee noted that out of 51 sanctioned strength ,only 27 permanent employees were appointed till date. The Committee wanted to know the reason for not filling the sanctioned posts. The Managing Director informed that all these posts were managerial posts. When PSC could not provide candidates, the Board of Directors appointed employees transparently as per Special Rules by giving advertisements in news papers. He further stated that according to the Special Rules, only five or six posts could be filled through PSC while the others were appointed by Board of Directors directly after giving advertisements in newspapers.S The Company followed such an approach considering the financial condition in spite of huge work load. Moreover skilled labourers were essential for the smooth functioning of the farm.

The Committee criticised the Company for not filling the vacancies in the sanctioned posts. To this the Managing Director informed that PSC didn't take action despite repeated requests for providing candidates. Even if employees were appointed, they would leave for better opportunities. Moreover, the Company engaged Daily Wages and Contract Employees to meet labour requirements without financial burden and added that skilled and unskilled workers are essential for the better performance of the Company more than managerial posts.

The Senior Audit Officer pointed out that from the reply furnished by the department it was found that when the Company requested Government to increase the sanctioned strength, M/s. Centre for Management Development conducted a study about the manpower required for the Company in 2009 and suggested that the

Company needed 175 employees. After that, in 2022, the Company engaged M/s. Centre for Management Development to conduct a study for knowing the actual staff requirement in the Company and they suggested 222 employees. He added that it was not clear from the reply that which category of employees the Company needed and the reason for not giving permission to increase the staff strength. The Principal Secretary responded that Government sanction is required to increase the staff strength.

Recommendations/Conclusions

1. ***The Committee noticed that it was misled by the remarks of the officials that Kerala Public Service Commission is not responding to the recruitment of skilled /unskilled workers of KEPCO.***

The Committee was in utter dismay that reservation rules prevailing in the State is tactfully evaded by the Company and depriving the youth of the opportunities for employment in a fair and transparent manner.

2. ***The Committee noted that skilled and unskilled workers are essential for the better performance of the Company and criticised the Company for not filling the vacancies in the sanctioned posts. The Committee opined that the Department/PSU having Special Rules which consists of different names of category, qualification for each category, method of appointment and promotional avenues can make recruitment through Kerala Public Service Commission for each Category.***

The Committee doubts that KEPCO has not issued Special Rules till date and if not so, a copy of the same should be furnished with the Committee. Otherwise Special Rules should be prepared and forwarded to Kerala Public Service Commission and to the Committee within six months and the Secretary, Animal Husbandry Department should take initiative and will be liable to the Committee for the above procedure.

Audit Paragraph (2017-18)

5.6 Delay in finalisation of Annual Accounts in State PSUs

Failure of the Administrative Departments in initiating punitive measures resulted in non-finalisation of the annual financial statements of PSUs within the stipulated period. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investment of ₹5,922.25 crores by the Government of Kerala and expenditure incurred were properly accounted for. Moreover, the Government's investment in such PSUs remained outside the control of State Legislature.

According to the provisions of Section 136 (1) read with Sections 129 (2) and 96 (1) of the Companies Act, 2013, companies are required to finalise their annual financial statements and place the audited financial statements for every financial year along with annual reports in the Annual General Meeting within six months from the end of the relevant financial year (by September). The same shall also be placed in the State Legislature within three months thereafter (by December).

In compliance with the provisions of the Companies Act, 2013, State Public Sector Undertakings were to place their audited accounts up to the financial year 2017-18 along with the annual reports in the Annual General Meeting by September 2018. The same was also to be placed in the Legislature by December 2018.

Audit observed that:

• Out of 121 working PSUs in the State, 13 PSUs finalised their financial statements for the year 2017-18 as of September 2018. Only six PSUs did, however, place their audited financial statements in the State Legislature within December 2018 as shown in the Table 5.2:

Table 5.2: Details of placement of audited financial statements in the State Legislature as of July 2019

Particulars	Total	Annual General Meeting			State Legislature		
		Within 30/09/2018	After 30/09/2018	Not placed so far	Within 31/12/2018	After 31/12/2018	Not placed so far
Number of Working PSUs which finalised accounts up to the financial year 2017-18	13	6	7	0	6	6[4]	1[5]

The remaining 108 PSUs had arrears in finalisation of accounts for periods ranging between 1[6] and 11[7] years. Audit also observed that during the accounts arrear period (2008-09 to 2017-18), the Government of Kerala infused budgetary assistance of ₹5,922.25 crores by way of equity, loans and grants to these PSUs.

• In order to ensure that State Public Sector Undertakings adhered to the provisions of the Companies Act on the finalisation of the annual financial statements, the Finance Department, Government of Kerala issued (September 2015) directions to Administrative Departments of the PSUs to withhold 10 to 15 *per cent* of budget allocation of defaulting PSUs. Further, no fresh Government guarantee was to be provided to defaulting PSUs to obtain loan.

During 2015-16 to 2017-18, the Administrative Departments, however, released budget allocation of ₹218.63 crore (2015-16), ₹415.27 crore (2016-17) and ₹317.10 crore (2017-18) in full respectively to 23, 24 and 30 PSUs whose accounts were in arrears. Furthermore, six PSUs were given Government guarantee of ₹567.86 crore during 2016-17 for availing loans. During 2017-18 also, nine

4 The Kerala State Financial Enterprises Limited, Autokast Limited, Indian Institute of Information Technology and Management-Kerala, Steel and Industrial Forgings Limited, Kerala State Power and Infrastructure Finance Corporation Limited, Kerala High Speed Rail Corporation Limited.
5Kerala State Electricity Board Limited.
6 22 PSUs had arrear in accounts of one year.
7 Trivandrum Spinning Mills Limited (2007-08 to 2017-18).

PSUs with accounts in arrears were given Government guarantee to the tune of ₹1,055.37 crore.

Thus, though the Administrative Departments had the responsibility to oversee the activities of the PSUs and to ensure that the accounts were finalised and adopted by these PSUs within the stipulated period, the Administrative Departments did not withhold 10 to 15 per cent of budgetary assistance to PSUs with arrears in finalisation of accounts.

- As per Section 139 of the Companies Act, 2013, the Statutory Auditors of PSUs are appointed by the Comptroller and Auditor General of India (CAG).

Audit observed that the CAG appointed Statutory Auditors for the years in which financial statements were in arrears as far back as September 2008. But these PSUs did not finalise the arrear accounts so far due to non-availability of qualified accounting staff. The Government of Kerala permitted (December 2016) PSUs to employ outside professionals at Government expense to overcome the shortage of accounting staff. But, this possibility was also not explored by 108 PSUs whose annual financial statements were in arrears for 1 to 11 years.

Thus, failure of the Administrative Departments in initiating punitive measures resulted in non-finalisation of annual financial statements within the stipulated period. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investment of ₹5,922.25 crores by Government of Kerala and expenditure incurred were properly accounted for. Moreover, Government’s investment in such PSUs remained outside the control of State Legislature.

GoK replied that the PSUs were directed (17 July 2018) to submit a schedule for finalisation of accounts and complete their audit before 31 July 2018, but most of the PSUs did not comply with the same. The PSUs were directed (August 2018) to furnish a schedule of approval of accounts for each pending year to the Finance

Department by 31 August 2018, failing which further fund release and pay revision of employees of PSUs would be stopped. The Chief Executives/Managing Directors of all PSUs were also informed (31 December 2018) that pay revision of employees in PSUs would be subject to finalisation of accounts up to previous year and also on maintenance of up-to-date accounts.

The reply was not acceptable as the Government did not implement its own earlier directions of withholding grants and denial of fresh government guarantee to PSUs with arrears in finalisation of accounts.

[The Audit paragraph 5.6 contained in the report of the C &AG for the year ended 31 March 2018.]

The notes furnished by the Government on the audit paragraph are given in Appendix II

Discussion and findings of the Committee

When the Committee sought explanation regarding the delay in finalisation of annual financial statements of KEPCO, the Managing Director informed that the delay in finalisation of accounts had occurred due to the delay in appointing Statutory Auditors for the years 2011-12 to 2014-15 by C & AG and it caused delay in the subsequent years also.

At this juncture, the Committee was informed by the office of the Accountant General that auditors had been appointed for the period up to 2021.

The Senior Audit Officer informed that delay would not occur in appointing an auditor for any organization if its accounts are up-to date. He added that when the Company had arrears in finalisation of accounts, auditors could not be appointed in subsequent years.

The Principal Secretary informed that it was not possible to appoint auditors in a company that make delay in finalising the accounts. He added that it was the responsibility of the Company to provide accounts to audit and the auditor appointed by C&AG should audit the same. If the auditor complains the non -availability of the accounts for auditing, it is the fault of the Company, but such complaint had not been raised by the auditors so far. He added that the C&AG had been asked to appoint auditors to audit the accounts of the company from 2016-17 to 2021-22 and they informed that auditors had been appointed till 2021 and it is expected to finalise the accounts by March 2023. The Managing Director added that the accounts up to 31-03-2022 have been finalised and got the approval of the Board of Directors and there had been some lapse on the part of the auditors appointed by C & AG in this matter.

The Committee enquired whether the audit of the seven-years accounts of KEPCO could be completed in three months.

The Senior Audit Officer informed that it was not possible to audit seven years of accounts in three months and he was not aware up to which year the accounts of the Company handed over to the auditors.

The Principal Secretary informed that the auditors were initially appointed for the period 2017-18. Hence the accounts up to the said year was given to the auditor. Though the Company was ready to hand over the accounts of remaining years, the Accounts Officer informed that the accounts of the remaining period need not be handed over to Accountant General.

Recommendations/Conclusions

3. The Committee understands that if qualified officials were appointed on regular basis in accounting and other posts, the Company would not have been suffered as such. The Committee observes that KEPCO has seven years of accounts to be audited. Hence the Committee directs the Department to give a detailed report on the current status of the finalisation of accounts.

Audit Paragraph (2018-19)

5.5 Idling of investment

Delay in completing civil works, deficiency in tendering and unjustified denial of consultancy fee resulted in avoidable delay in completing the project and idling of investment amounting to ₹7.31 crore.

The Government of Kerala (GoK) approved (May 2011) a proposal by Kerala State Poultry Development Corporation Limited (Company) for setting up an Environmentally Controlled Hi-Tech Commercial Layer Farm (ECHCL farm) at a cost of ₹10.00 crore at Kudappanakunnu in Thiruvananthapuram. The Company later decided (January 2014) to change the type of farm from ECHCL to High-Tech Commercial Layer Farm of 'Open Type Housing with Collapsible Walls with Battery Cages having Automatic Feeding System, Egg Collection and Manure Removal System' (Open Type farm) on the ground that the protocol for operation of ECHCL farms in India was not standardised. Rooh Global Traders (Consultant) was appointed (June 2014) as the consultant for the project at a fee of 4.70 *per cent* of the project cost. The GoK released (July 2011 to July 2014) ₹9.80 crore to the Company for implementing the project. As of May 2020, the project was yet to be commissioned though the Company incurred ₹7.31 crore.

Audit examined the implementation of the project by the Company and observed the following:

- The project included three major areas of works viz., civil works, procurement and installation of machinery and super-structural works. The civil works were to be completed first. The Company awarded (January 2015) the supply and installation of machinery for ₹4.62 crore to Big Dutchman Agriculture (India) Private Limited with a scheduled delivery in

April 2015. The Company awarded the civil works to Kerala Agro Industries Corporation Limited (KAICO), a Public Sector Undertaking in March 2015 and stipulated three months for the completion of works. Subsequently, the Company entrusted (June 2015) additional works such as cutting of trees and blasting of rocks in the work site to KAICO without defining any specific timeframe for completion. The civil works were not completed before the delivery of the machinery which was delivered in June/ July 2015 and had to be stored in a temporary shed constructed at Kudappanakunnu incurring ₹13.27 lakh. KAICO completed the civil works only in March 2016.

- The Central Vigilance Commission (CVC) had stated[8] (December 2002) that the prequalification criteria for a tender needs to be fixed in advance specifying the minimum qualification, experience and number of similar works executed. Further, the term ‘similar works’ is to be clearly defined. Rule 9.1 of the Stores Purchase Manual (SPM) states that all the aspects to be accounted for evaluating the tenders are to be incorporated in the tender enquiry document without any ambiguity. No new condition should be brought in while evaluating the tenders. As per Rule 7.50 of the SPM, while inviting tenders in two-bid system, the technical bids are to be opened in the first instance and evaluated with reference to the parameters prescribed in the tender documents. In the second stage, the financial bids of only the technically acceptable offers are to be opened for further scrutiny, evaluation, ranking and placement of contract.

The Company awarded (December 2015) the super-structural works to KAICO to be completed in June 2016. KAICO, in turn, re-tendered (December 2016) the works as only two bids were received in response to the first tender (February 2016). Though the criteria for qualifying in the technical evaluation in the re-tender

8Vide Office Memorandum No. 12-02-1-CTE-6.

stated that the contractor should be capable of supplying and erecting similar type of material including pre-fabricated structures, it did not define the term 'similar type of material'. A Technical Committee, including representatives of the Company, the Consultant and KAICO, prequalified (January 2017) only one out of the four bids received on the ground that the remaining three bidders lacked experience in sandwich panel work. For getting more competitive bids, KAICO opened (February 2017) the financial bids of two out of the three bidders who were not prequalified. After evaluation, KAICO recommended to select the lowest bidder who happened to be one of the bidders who failed in the technical evaluation. As the Consultant objected to this, the Company referred (June 2017) the matter to the Chief Technical Examiner, Department of Finance, GoK through the Department of Agriculture.

The Chief Technical Examiner stated that the action of the Technical Committee to reject the bids citing lack of previous experience in sandwich panel construction without specifying the same in the notice inviting tenders was not in order. Based on this, the Agriculture Department directed (March 2018) the Company to re-tender the works. Thus, ambiguous eligibility criteria in the tender document led to defective evaluation of tenders and delay in implementation of the project from March 2017 to March 2018. Further, as per directions issued (May 2015) by GoK, Public Sector Undertakings shall follow e-Government[9] procurement for all tenders above ₹5 lakh. The estimated cost of super structural works awarded to KAICO was ₹2.46 crore. While inviting tenders for executing the work, KAICO, however, did not follow e-Government procurement.

- The Company floated (July 2014) tender for the supply of machinery based on the specifications furnished by the Consultant. Though the Consultant was eligible to receive fee at 4.70 *per cent* of the value of machinery, the Company decided (April 2016) not to pay the consultancy fee amounting to

9 It is the e-Submission Tender System of GoK that enables the tenderers to download the Tender Schedule free of cost and then submit the bids online through the portal 'www.etenders.kerala.gov.in'.

₹17.61 lakh on the ground that it directly procured the machinery. Since the Company did not pay the fee as agreed, the Consultant refused to provide revised estimate for floating fresh tender for the super-structural works. The Company referred the matter to Law Department, GoK as directed (October 2019) by the Minister for Agriculture, GoK. The Law Department advised (January 2020) to pay the consultancy fee after ascertaining whether there was any breach of agreement conditions on the part of the Consultant. The unjustified denial of consultancy fee, thus, stalled the project from March 2018 onwards.

- As per the agreement with Big Dutchman Agriculture (India) Private Limited for supply and installation of machinery, the warranty of the machinery would be up to 18 months from the date of delivery. As the machinery was delivered in June/July 2015, the warranty of the machinery expired in January 2017 and the machinery has been idling for 60 months up to May 2020. The Company might have to incur additional expenditure if any repairs were necessitated due to prolonged storage of the machinery.

The GoK replied (November 2020) that the Company has admitted to lapses in project management which was caused by absence of qualified technical manpower, dependence on accredited agencies, differing interpretations of agreement conditions and the absence of a proper technical advisory/ oversight mechanism within the Company. It was assured that GoK shall ensure that adequate mechanisms were in place to avoid such lapses in future. The project was estimated to be completed within six months.

The GoK reply was to be seen against the fact that the project sanctioned by GoK in 2011 was yet to be completed despite incurring ₹7.31 crore and ₹2.49 crore out of the ₹9.80 crore released by GoK remained unutilised since March 2017.

Thus, the delay in completion of civil works, deficiency in tendering and unjustified denial of consultancy fee resulted in avoidable delay in completing the project and idling of investment amounting to ₹7.31 crore[10] .

Recommendation 5.5: Necessary steps may be taken to avoid such lapses in future so as to complete the projects in a time bound manner.

[The Audit paragraph 5.5 contained in the report of the C &AG for the year ended 31 March 2019.]

The notes furnished by the Government on the audit paragraph are given in Appendix II

Discussion and findings of the Committee

5.5. Idling of Investment. (2018-19)

The Committee noted that Government has sanctioned ₹9.80 crore in 2011 for setting up an environmentally controlled Commercial Layer Farm at Kudappanakunnu, Thiruvananthapuram, and in spite of spending ₹7.31 crore, the project could not be completed till date. The machinery purchased in 2015 had been idling for more than 7 years. The Committee wanted explanation regarding this. The Principal Secretary replied that the order was given to import the machinery from Germany with the expectation that it would take maximum 3 to 6 months for constructing a shed of 42500 square feet. He informed that out of the total cost of ₹7.56 crore till date, ₹4.69 crore was for the purchase of the machine and ₹44 lakh was for insurance and banking charges, ₹24 lakh spent for customs duty and thus ₹5.30 crore was paid for the machine. Then he admitted that there was a delay on the part of the Company in completing the project in time bound manner though it was sanctioned by Government of Kerala in 2011. He added that the cost required for the construction of building chicken rearing system using sandwich panel was

10 Purchase of machinery ₹4.62 crore, civil works ₹1.62 crore and ₹1.07 crore towards consultancy fee , customs duty, bank charges.

₹1.69 crore. He also informed that this was a unique project with a new technology and there was a lapse on the part of the officials in doing things timely.

The Managing Director informed that as the civil works engaged to Kerala Agro Industries Corporation was done satisfactorily, the Board of the Company awarded the super structural work also to them in December 2015. But delay occurred in the work due to non-adherence of CVC Guidelines and Store Purchase Manual Rules. M/s KAICO invited tender for the work and the Technical Committee comprising of the Company, Consultants and M/s KAICO pre qualified only one out of four bids received. But M/s KAICO opened all the financial bids and selected the lowest bidder who failed in the technical bid evaluation without complying with the terms of SPM and CVC and the Company objected to it. The Chief Technical Examiner informed the matter to the Government. The Government directed the Company to re-tender the works. He added that the Company had already floated tender in November 2022 and the work is expected to be completed before March 31, 2023. He also informed that some parts of the machinery might have got damaged and the machinery can be installed at the earliest after rectifying the same.

To a query of the Committee, the Principal Secretary informed that this was unique and environment-friendly project of rearing chickens in an air-conditioned environment and the Company having lack of own engineering wing, M/s KAICO had been engaged to implement the project.

When the Committee asked whether the contractor had participated in the first tender to whom the work was now awarded, the Managing Director informed that he did not participate in the first tender.

The Committee was not satisfied by the replies of the witness and directed the department to furnish a detailed report on the current status of the project, without delay and informed the witness that they have to appear before the Committee later to discuss the status of project.

The Committee later called on the Department officials of KAICO on 4-09-2023 and enquired about the status of the civil works awarded by KEPCO to KAICO by giving three months time for completion of works and additional works such as cutting of trees and blasting of rocks without defining any specific timeline. The Committee wanted an explanation regarding this. The Managing Director, KAICO informed that although KEPCO had engaged KAICO to complete the super structural works in 2015, due to irregularities in inviting tenders and tender procedures, the project could not be materialised.

To a query of the Committee, the Managing Director, KAICO informed that there is no vigilance investigation in this regard and KEPCO has not given permission to re-tender the work so that they were not able to resume the work.

The Committee sought explanation regarding the amount received by KAICO from KEPCO for completion of work. The Managing Director informed that amount has been received after completing the construction of the foundation, but no amount has been received for super structural works as the construction of the super structure was in the tender stage.

To a query of the Committee regarding the construction of the superstructure, Additional Secretary, Agriculture Department informed that from the examination of files, it was found that there was a loss in the invitation of tender and purchase of machinery for the preliminary works and a letter has been issued to take disciplinary action against the then MD.

The Committee commented that in the Government reply it was stated that a quick verification has been conducted by the Vigilance and Anti Corruption Bureau and based on their recommendation, the Managing Director, KAICO has been instructed to take disciplinary action against the then Managing Director and Chief Engineer.

The Managing Director, KAICO informed that KEPCO was entrusted to complete the tender process and to give the work order, but permission was not received so far. The officials added that although it was mentioned in the audit report that KAICO was assigned to undertake the work and re-tendering in 2017, no such instruction was conveyed to KAICO and KEPCO had appointed the consultant and procured the machinery.

The Committee sought clarification regarding the status of disciplinary action. The concerned official informed that as part of the vigilance investigation, the list of Managing Directors and Engineers of KAICO during that period was given to the Agriculture Department. After that, the then Managing Director and Deputy Chief Engineer were called for a meeting but the meeting was not held that day and further notification has not been received yet. He added that all the officials of that period had retired from service.

The Committee enquired about the stance of the Agriculture Department regarding the vigilance investigation. The Additional Secretary, Agriculture Department stated that the Managing Director, KAICO should take action regarding this. But the Managing Director, KAICO informed that they will take necessary action if the Agriculture Department gives necessary instructions.

The Committee observed that the Principal Secretary of the Animal Husbandry Department had informed the Committee at the meeting held on 20-12-2022 that the work would be completed by March 2023 itself. The Committee commented that since no explicit reply has been received about the audit reference from Agriculture and Animal Husbandry Departments, the matter would only be clarified if both were called together. Therefore, the Committee decided to take evidence from the officials of the Department of Agriculture and the Department of Animal Husbandry together on 25-09-2023.

The Committee in its meeting held on 25-09-2023 observed that the project to establish an environmentally controlled commercial layer farm at Kudappanakunnu in Thiruvananthapuram was started in 2011 and could not be completed even in 2023 and in this regard the Government has sanctioned ₹ 9.80 crore and has spent ₹7.31 crore. The Committee further stated that the machinery was purchased without completing the super structural works and was kept unusable and the Committee wanted to find the responsible officials and take stringent action against them.

The Committee sought explanation regarding the current status of commercial layer farm. The Secretary, Animal Husbandry informed that the project was envisaged to construct an environmentally controlled commercial layer farm which involves four phases namely civil works, super structural works, installation of plant & machinery and engineering works; out of which 100% of the civil works and 65% of the super structural works have been completed. The witness informed that the construction of the road will be started soon and after completing the super structural works, the remaining engineering works will be done. He added that the expected project cost was ₹9.80 crores in the beginning but now it had been hiked to ₹25 crores. They have only ₹12.80 crores in hand and an additional ₹12 crores is required and have approached KSIDC for a loan of ₹5 crores for the same and also expecting ₹7crores as plan fund of the current year.

The Secretary, Animal Husbandry Department informed that the dispute between KEPCO and KAICO during the tender procedures between 2018 and 2023 have caused the delay of the project and currently the site is being visited every month to assess the situation in order to complete the project in time.

To a query of the Committee about the current condition of machinery, the KEPCO Managing Director informed that German-made machinery was purchased, even before the completion of first stage of works in 2014-15. During the inspection conducted by the supplying company two months ago, it was informed that no damage was caused to the machinery, but rubberised consumables worth about 12 lakh rupees had to be replaced. He admitted the observation of the Committee that even more updated machinery is available today.

The Committee got agitated pointing out the chance of the machinery getting damaged in future due to idling of about eight years.

The Managing Director informed that a tender of ₹ 4.23 crore was awarded to M/s Glades Engineering & Contracting Private Limited, Kochi, a firm specialised in superstructure work in 2022. He added that the previous tender was for ₹ 2.41 crore and Rooh Global Traders is still continuing as the consultant.

The Committee enquired about the officials responsible for the loss caused by delay in implementation of the project. The Managing Director, KEPCO informed that as the civil works of the superstructure were carried out by KAICO in 2016, they were awarded the superstructure work and when the tender was called, four bids were received but only one was technically qualified. He added that instead of opening the qualified bid, KAICO opened all four bids that participated in the tender and KEPCO informed that it could not have done so. The Committee criticised KAICO for opening all the bids instead of opening only the qualified bid, violating the recommendation of the Technical Committee.

The Committee enquired the reason for the decision not to pay the consultancy fee to the consultant. The Managing Director replied that the consultancy fee was fixed at 4.7% of the project cost and the Board of the Company has decided not to pay the consultancy fee as the equipment/machinery was purchased directly by KEPCO for ₹4.2 crore. The decision was reported to the

Government and the Administrative Department referred this matter to the Law Department and they advised to pay it and Corporation has given the consultancy fee. The Committee, observed that the machinery was purchased as per the opinion of the consultant and the decision to not to pay the consultant fee also is one of the reason for the delay of the work.

To a query of the Committee, the Managing Director informed that KEPCO is currently unprofitable and it would become profitable after three/four years of implementation of this project. The MD added that out of the 204 employees in KEPCO, 11 are permanent employees and the rest are contract workers but as per the report of Centre for Management Development only 148 employees are adequate for the working of the Corporation. The Managing Director of the KAICO informed the Committee that they have 75 permanent employees and 100 temporary employees and last year's turn over was ₹108 crore. The Secretary further informed that after completion of the ongoing project it would be possible to produce about 60000 eggs per day.

The Committee opined that only 5% of the eggs and chickens required by the State are being produced in Kerala and the remaining 95% comes from outside the State and it was a shame that an institution under the control of the Government is not functioning well after such a long time. The Committee criticised that the delay in implementing the project not only escalated the project cost but also affected the profit it could have been obtained from the market and doubted the officials intention in delaying the project.

The Committee observed that all the civil works related to the project were completed and only the engineering works are pending but the statement of the official for the need of further additional ₹12 crores raised doubt as how the project cost would be doubled after finishing 80% of the total works. The Committee wanted to know the reason for the delay in each phase and instructed to find out the responsible officials in each phase of the project implementation.

The Committee observed that the Managing Director of KAICO at that period was not a Government employee and was transferred and the Deputy Chief Engineer who was on deputation has retired from service. The Committee opined that the officials opened the four bids intentionally. The Committee criticised the officials of KAICO and Agriculture Department for not taking any action against the responsible officials and commented that if such delinquent officials are not punished , it will pave way for more such irregularites.

The Additional Secretary, Agriculture Department informed the Committee that Vigilance and Anti Corruption Bureau instructed the Animal Husbandry Department to seek explanation from MD and Chief Engineer and to take disciplinary action if found guilty. The matter was conveyed to the Agriculture Department only in 2019 and they sought explanation and file was submitted to Hon. Minister for Agriculture. But the file was returned with an instruction to furnish the report of the Chief Technical Examiner and the file with the same was resubmitted in 2022.

The Committee observed that huge loss has been incurred to the Government by delaying the project for 12 years and also led to increase in project cost of about ₹12 crore. The Committee also doubted the increase in the cost of the project to ₹25 crore even after the purchase of machinery and the first stage of project and even completing 65% of superstructural works. The Committee also criticised for the delay in the implementation of the project and commented that latest technology has to be adopted in each project and here the delay occured will be a failure in the competition in the market and wanted the Corporation to enhance the production to increase the market share it possess now.

The Committee demanded KEPCO and KAICO to submit a detailed report within one month regarding the irregularities occurred at different stages of implementation of the project and the details of the responsible officials.

Observations/Recommendations

(4) The Committee is at a loss to understand why KEPCO awarded the superstructural works to KAICO which has no expertise in that field even when the consultant was working with KEPCO. The Committee made it clear that overall picture of the project highlights the competition between KEPCO and KAICO in delaying the completion of the project with the strong belief that nothing will happen against them.

The Committee comments the following;

In our State 95% to 99% of the daily consumption of chicken is met by other neighbouring states where the poultry is being reared upto 45 days by giving unhealthy foods and even injecting antibiotics and hormones etc. which is lethal to the human being for consumption.

The KEPCO chicken now available in the market where the poultry is rearing under standard protocol and hygenic conditions could not even meet 1% of the total daily requirement of the State.

In this context the delay in completion of the project which is not so complex to construct or time consuming is seriouly looked into.

The Committee also notices that the advice of the VACB to seek explanation from Managing Director and Chief Engineer and to take disciplinary action if found guilty had not been monitored by Animal Husbandry Department.

On observing all these facts Committee recommends that the Chief Technical Examiner, Technical Wing of Finance Department should go through all the files of the project pertaining to KAICO, KEPCO, Agriculture and Animal

Husbandry Departments and report to the Committee answering the following points within six months.

(a) At what level the decision was taken to import the machinery even before completing the civil works. The copy of any decision taken by the Expert Committee should also be appended with.

(b) The circumstances that led to the opening of the bids that technically failed, tendered for the construction of superstructural works by KAICO and the officials responsible for such activity should also be probed.

(c) The context by which the purported delay made in taking a decision to disburse the consultation fee even when it is endorsed by rules. The responsible officials and copy of any decision taken at higher levels for the delay in disbursing the consultation fee also be unearthed.

(d) The Committee could not take in a breathe the cost escalation by double the estimated amount for completing the project even after completing 80% of civil works and a mere ₹12 lakhs for repairing the machinery. Whether the sanction is accorded for the revised estimate or how can the amount is justifiable.

5) The Committee urges the Agriculture and Animal Husbandry Departments, KAICO & KEPCO to submit all files relating to this project to the Chief Technical Examiner, Technical Wing (Finance) Department within 3 months from the date of presentation of this report.

E.CHANDRASEKHARAN,
Chairperson,
Committee on Public Undertakings .

Thiruvananthapuram,
11th February, 2025.

APPENDIX-I SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS			
Sl No.	Para No.	Department Concerned	Conclusions/Recommendations
(1)	(2)	(3)	(4)
1	1	Animal Husbandry	*The Committee noticed that it was misled by the remarks of the officials that Kerala Public Service Commission is not responding to the recruitment of skilled /unskilled workers of KEPCO.* *The Committee was in utter dismay that reservation rules prevailing in the State is tactfully evaded by the Company and depriving the youth of the opportunities for employment in a fair and transparent manner.*
2	2	Animal Husbandry	*The Committee noted that skilled and unskilled workers are essential for the better performance of the Company and criticised the Company for not filling the vacancies in the sanctioned posts. The Committee opined that the Department/PSU having Special Rules which consists of different names of category, qualification for each category, method of appointment and promotional avenues can make recruitment through Kerala Public Service Commission for each Category.* *The Committee doubts that KEPCO has not issued Special Rules till date and if not so, a copy of the same should be furnished with the Committee. Otherwise Special Rules should be prepared and forwarded to Kerala Public Service Commission and to the Committee within six months and the Secretary, Animal Husbandry Department should take initiative and will be liable to the Committee for the above procedure.*
3	3	Animal Husbandry	*The Committee understands that if qualified officials were appointed on regular basis in accounting and other posts, the*

			Company would not have been suffered as such. The Committee observes that KEPCO has seven years of accounts to be audited. Hence the Committee directs the Department to give a detailed report on the current status of the finalisation of accounts.
4	4	Animal Husbandry	*The Committee is at a loss to understand why KEPCO awarded the superstructural works to KAICO which has no expertise in that field even when the consultant was working with KEPCO. The Committee made it clear that overall picture of the project highlights the competition between KEPCO and KAICO in delaying the completion of the project with the strong belief that nothing will happen against them.* *The Committee comments the following;* *In our State 95% to 99% of the daily consumption of chicken is met by other neighbouring states where the poultry is being reared upto 45 days by giving unhealthy foods and even injecting antibiotics and hormones etc. which is lethal to the human being for consumption.* *The KEPCO chicken now available in the market where the poultry is rearing under standard protocol and hygenic conditions could not even meet 1% of the total daily requirement of the State.* *In this context the delay in completion of the project which is not so complex to construct or time consuming is seriouly looked into.* *The Committee also notices that the advice of the VACB to seek explanation from Managing Director and Chief Engineer and to take disciplinary action if found guilty had not been monitored by Animal Husbandry Department.*

			On observing all these facts Committee recommends that the Chief Technical Examiner, Technical Wing of Finance Department should go through all the files of the project pertaining to KAICO, KEPCO, Agriculture and Animal Husbandry Departments and report to the Committee answering the following points within six months. *(a) At what level the decision was taken to import the machinery even before completing the civil works. The copy of any decision taken by the Expert Committee should also be appended with.* *(b) The circumstances that led to the opening of the bids that technically failed, tendered for the construction of superstructural works by KAICO and the officials responsible for such activity should also be probed.* *(c) The context by which the purported delay made in taking a decision to disburse the consultation fee even when it is endorsed by rules. The responsible officials and copy of any decision taken at higher levels for the delay in disbursing the consultation fee also be unearthed.* *(d) The Committee could not take in a breathe the cost escalation by double the estimated amount for completing the project even after completing 80% of civil works and a mere ₹12 lakhs for repairing the machinery. Whether the sanction is accorded for the revised estimate or how can the amount is justifiable.*
5	5	Animal Husbandry	*The Committee urges the Agriculture and Animal Husbandry Departments, KAICO & KEPCO to submit all files relating to this project to the Chief Technical Examiner, Technical Wing (Finance) Department within 3 months from the date of presentation of this report.*