

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2011-2014)**

TWENTY NINTH REPORT

(Presented on 9th July, 2013)



SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2013

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On

**Paragraphs relating to Water Resources, Local Self Government and Finance
Departments contained in the Reports of the Comptroller and
Auditor General of India for the years ended
31st March 2009, 2010 and 2011
(Civil) respectively.**

1044/2013.

CONTENTS

	<i>Page</i>
Composition of the Committee	.. v
Introduction	.. vii
Report	.. 1-16
Appendices :	
I. Summary of Main Conclusion/Recommendation	.. 17-19
II. Notes furnished by Government	.. 20-43

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on their behalf, present the Twenty Ninth Report on paragraphs relating to Water Resources, Local Self Government and Finance Departments contained in the Reports of the Comptroller and Auditor General of India for the years ended 31st March, 2009, 2010 and 2011 (Civil) respectively.

The Report of the Comptroller and Auditor General of India for the year ended 31st March, 2009 (Civil) was laid on the Table of the House on 25th March, 2010, 31st March, 2010 (Civil) was laid on the Table of the House on 28th June, 2011 and 31st March, 2011 (Civil) was laid on the Table of the House on 22nd June, 2012 respectively.

The Committee considered and finalised this Report at the meeting held on 2nd July, 2013.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,
9th July, 2013.

DR. T. M. THOMAS ISAAC,
Chairman,
Committee on Public Accounts.

REPORT

WATER RESOURCES, FINANCE AND LOCAL SELF GOVERNMENT DEPARTMENTS

AUDIT PARAGRAPH

Unfruitful expenditure due to partial execution of work

Due to execution of desilting work without a demarcated survey map and obstruction from local residents, a canal work could not be fully executed rendering expenditure of ₹ 81.75 lakh unfruitful

The Superintending Engineer, South Circle, Thiruvananthapuram (August 2006) awarded the execution of the work of Revival of Veli-Kovalam stretch of T.S. Canal (Restoration of Parvathy Puthanar Canal) to a firm for a contract amount of ₹ 4.34 crore with due date of completion as June 2007. The work involved desilting and deepening of the Parvathy Puthanar Canal up to 1.75 metres from Kovalam to Akkulam for a length of 16.045 kilometre to make it navigable.

According to paragraphs 15.2.2 and 22.2.2 of the Kerala Public Works Department Manual (KPWDM) the land required for any work should be ready for being handed over to the contractor to start the work and encroachments in the navigable waterway should be promptly got removed. A demarcated survey map was required to fix the alignment and boundaries and initiate action to remove encroachments/obstacles so as to have a hindrance free site to execute the work. However, the work was awarded without fixing the alignment and demarcation of canal boundaries. It was seen in audit that the Advisor to the Government on Canal Development for Inland Water Ways during inspection observed (March 2007) the necessity of demarcation for further work. Similarly, the Director, Inland Navigation reported (March 2008) to Government that lack of demarcation affected the works adversely. The department deposited (₹ four lakh) funds for demarcation with the District Collector, Thiruvananthapuram in February 2008 only and the demarcated survey map of the canal had not been received as of August 2010.

According to Para 16.10.6 of KPWDM where level sections are taken for computing the quantity of earthwork, the initial and final levels should be entered in properly numbered field books. The site was handed over to the contractor in September 2006 and for convenience of execution, the canal length was divided

1044/2013.

into five reaches. However, initial level measurement could not be commenced in the first two reaches due to strong protests from the local people who used the portion for retting coconut husk. Consequently, the contractor firm could not take up the works in these two reaches. No work could be proceeded within the third reach also due to encroachment and existence of numerous constructions abutting the existing canal. In the remaining two reaches the deepening work was confined to the middle portion of the navigation route and proper depth could not be achieved on either side due to protests from the locals residing on the canal banks. No work was carried out after the due date of completion (June 2007). The contractor firm was paid ₹ 81.75 lakh in March 2008 for the portion of the work executed. Finally the Director, Inland Navigation, Kollam foreclosed the work in March 2009. The Chief Engineer, Irrigation and Administration (August 2010) stated that the aim of dredging the canal in its full width could not be achieved due to the unfavourable conditions prevailing at the site and non-dredging of the sides was due to the administrative inability to evict various encroachments.

The failure of the department to obtain a demarcated survey map and provide a hindrance free site as stipulated in the department manual resulted in unfruitful expenditure of ₹ 81.75 lakh.

The matter was reported to Government in July 2010; reply has not been received so far (November 2010).

[Audit Para 2.4.2 contained in the Report of C&AG of India for the year ended 31st March, 2010 (Civil)].

Government notes on the above audit para is included as Appendix-II of this Report.

To the query of the Committee regarding the audit objection, the witness, Principal Secretary, Water Resources Department deposed that the deepening and desilting work of the Parvathi Puthanar Canal could not be executed due to protest from the local inhabitants. Though the first two reaches Kovalam-Panathura and Panathura-Poonthura were tendered, even the initial level could not be ascertained. The Chief Engineer (I & A) added that the protest from the dwellers using Reach I & II for coconut husk retting and the existence of a temple and houses in the area hindered the execution of works by the contractor firm.

2. The Principal Secretary, Water Resources Department explained that initially the amount sanctioned by the 12th Finance Commission for the restoration of Veli-Akkulam lake was given to Inland Navigation Corporation, but as they failed to execute the work properly, the execution of work was entrusted with the Travancore Cements. In the meantime Travancore Cements did the dredging works and the side wall was constructed by KSINC. Now those two works were entrusted to a single agency.

3. Intervening the discussion, the officials from the Accountant General's Office brought to the notice of the Committee that the department had entrusted the work to the same firm, which retreated without completing the work in the initial phase. Moreover no step was taken to black list the firm. To this, the Principal Secretary, Water Resources Department explained that the Government decision was to award the work to the same organisation which started the work, without considering the contractor firm and it would be unfair to blame for that.

4. The Committee noticed that the department had not followed the provisions in the PWD Manual that the site should be cleared off before tendering any work, and found that the remnants of the old bridge was still remaining while proceeding with the construction of a new one. To this the Chief Engineer (I & A) stated that after the Government Order issued in 2005 reiterating the provisions of PWD Manual regarding the procedures to be complied with for the acquisition of land before tendering the work, it was now strictly adhered with. She added that in this case acquisition was not required since the canal was already existing. Once mud filled canal was later found encroached, the department had entrusted the District Collector to demarcate the canal boundaries. Meanwhile the officials from the Office of the Accountant General pointed out that the demarcation work was assigned to the District Collector only in 2008, but the work was awarded during 2006 and the proposed date of completion of the work was June 2007.

5. The Committee analysed that the department had not conducted any feasibility study before awarding the work which resulted in unfruitful expenditure of ₹ 81.75 lakh. The Committee also noticed that the department had awarded the work without handing over the site by-passing the Government Order issued in 2005. The Committee viewed this as a serious lapse on the part of the department authorities in tendering the work without conducting a feasibility study.

Conclusion/Recommendation

6. The Committee views that the department had not conducted any feasibility study before awarding the work which resulted in unfruitful expenditure of ₹ 81.75 lakh. The Committee admonishes that the department had failed to comply with the provisions in the PWD Manual by tendering the work without clearing the site. The Committee observes the act of the department authorities in tendering the work without conducting a feasibility study as a serious lapse and recommends that responsibility should be fixed against officials for taking such a decision hastily and awarded the work without proper plan and without conducting any feasibility study. It also recommends to take stringent action against the officials responsible for and to report the Committee the details thereof.

AUDIT PARAGRAPH

Extra Expenditure due to abnormal delay in finalization of tenders

Due to abnormal delay in finalization of tenders, the department could not consider the lower rates offered by some bidders, resulting in avoidable extra expenditure of ₹ 4.57 crore in four canal works of the Idamalayar Irrigation Project

According to Para 15.7.13 of the Kerala Public Works Department Manual, consideration of tenders and decisions thereon should be completed well before the date of expiry of the firm period noted in the tenders. It is further stipulated that if delays are anticipated, the officer dealing with the tenders should instruct the official who opens the tenders to get the consent of the lowest three tenderers for extending the firm period by one month or more as required. In case the lowest or any tenderer refuses to extend the firm period, their tender cannot be considered.

The Superintending Engineer (SE), Project Circle, Piravom invited (28 December 2006) pre-qualification tenders for four canal works of the Idamalayar irrigation project, fixing the last date of receipt of tenders as 27th February 2007, which was subsequently extended to 14th March, 2007. The firm period for all the pre-qualification tenders was four months (i.e., up to 13th July, 2007). After evaluation, the SE forwarded the tender documents to the Chief Engineer (CE), Project II on 28th March, 2007. The pre-qualification committee meeting of CEs was held only on 2nd July, 2007 due to delay in verification of the authenticity of the experience certificates of the bidders

by the CE's office. The pre-qualification committee approved a list of 30 bidders in the meeting and the CE communicated the same to the SE only on 10th July, 2007 which was received by the SE on 13th July 2007, the date of expiry of the firm period. Though the SE requested the bidders to extend the firm period for a further period of two months, only 15 out of 30 qualified bidders extended the firm period. The price bids of 15 bidders who were willing to extend the firm period were opened on 18th July, 2007 and agreements were executed with the lowest bidders at 45 per cent above the estimated rates after obtaining orders of the Government. However, it was noticed in audit that among the offers of bidders who had not extended the firm period, there were bids offering lower rates ranging from 12 per cent below the estimated rates to 17 per cent above the estimated rates. As these bidders were not willing to extend the firm period, their lower offers could not be considered by the department. Thus, due to the failure to finalise the selection of pre-qualified bidders within the firm period, the department could not consider the bids at lower rates as the firm period of these bidders had expired. Consequently, the selection had to be made from the other bidders who had quoted higher rates, which resulted in avoidable extra expenditure of ₹ 4.57 crore in the four canal works as shown below:

DETAILS OF EXTRA EXPENDITURE

<i>Sl. No.</i>	<i>Name of work</i>	<i>Net work amount excluding items for which tender excess is not allowed (₹ in lakh)</i>	<i>Net difference in tender excess (in percentage)</i>	<i>Excess paid (₹ in lakh)</i>
1	Constructing aqueduct from Chainage 22914 m to 23074 m	136.25	28	38.15
2	Constructing aqueduct from Chainage 23398 m to 23676 m	260.92	57	148.72
3	Constructing aqueduct from Chainage 24102 m to 24442 m	386.23	36	139.04
4	Constructing aqueduct from Chainage 30200 m to 30510 m	327.21	40.1	131.21
Total excess				457.12

Source: Financial offers of the bidders and running account bills.

On this being pointed out, the Government replied (January 2010) that bidders quoting lower rates were likely to have been disqualified while evaluation of the pre-qualified tenders by the SE. Eighteen out of 48 bidders were disqualified. The Government also stated that there was a procedural delay due to the absence of any order fixing time limits for different authorities for processing of tenders. The reply is not acceptable as only bids of qualified bidders had been reckoned by Audit for computing the extra expenditure. Further, the Government should have fixed time limits for the different authorities much earlier and ensured strict compliance. Incidentally, the time limits had not been fixed so far (June 2011).

Based on the audit observation, an enquiry was conducted by a team consisting of officials* of the Water Resources Department. The Government further stated (May 2011) that as a follow-up of the enquiry report, the Chief Engineers had been asked to furnish proposals for issue of clear-cut guidelines for finalization of the pre-qualification process.

The matter was referred to the Government in June 2011. Their reply had not been received (October 2011).

[Audit Paragraph 3.2.7 contained in the Report of C&AG of India for the year ended 31st March, 2011 (Civil)]

Government notes on the above audit paragraph is included as Appendix-II.

7. In connection with the audit objection the Committee enquired the reason for the delay in the finalisation of tenders. The Chief Engineer (P II) Thiruvananthapuram replied that the concerned file revealed that the delay was occurred due to the late receipt of confirmation certificate from the Superintending Engineer. Earlier experience certificate submitted by the contractors along with the tender documents were accepted in good faith but in certain cases it was found that such certificates submitted by contractors were fake and so it was decided to obtain Confirmation Certificate from the Superintending Engineer directly.

8. Regarding the extra expenditure, the Chief Engineer (P II), Thiruvananthapuram stated that the four contractors who quoted lower rates were not willing to extend the firm period and the department could not understand that the quoted rates were either higher or lower before accepting the pre-qualified tenders. The bidders refused to extend the period only when

* Joint Secretary, Under Secretary and Section Officer.

the tender was opened. Therefore a proposal was given to Government during 2010 for amending the existing guidelines regarding the finalisation of pre-qualification process. As the Government decision was pending, it was decided to award works to those who completed 50% of work, and for that a Confirmation Certificate would be submitted.

9. The witness, Principal Secretary, Water Resources Department stressed the need for issuing clear-cut guidelines for finalisation of pre-qualification tenders. He also emphasised the need of furnishing a copy of the Confirmation Certificate to the concerned authority and to the contractor. The Chief Engineer (I & A) opined that if a tender was submitted without Confirmation Certificate it should be obtained from the same agency which issued the certificate earlier, which results further delay. If the certificate would be issued directly to the tendering authority by the agency, the delay could be avoided. He added that proposal for the same was also submitted for Government sanction.

10. The Committee then enquired whether the department had data base regarding eligible contractors. The Chief Engineer (I & A) replied in the negative.

11. The Committee rejected the arguments put forth by the department that the extra expenditure was occurred due to lack of clear cut guidelines in the PWD Manual regarding the processing of pre-qualification tenders. The Committee observed that the reason for extra expenditure was due to the opening of tender before obtaining consent from the contractors for extending the firm period which ultimately resulted in the retreat of the lower bidders. Having suspected corruption in the dealings, the Committee directed to take appropriate action against those responsible for the abnormal delay in the finalisation of tenders and report it to the Committee within two months. The Committee opined that it was unfortunate that the department could not amend the guidelines for the pre-qualification of tenders, though the proposal for the same was submitted in 2010 and urged the department to seek explanation in this regard. To this, the witness clarified that the proposal was received from the Chief Engineer only on 9-11-2011 and the same was forwarded to Public Works Department, and now a reply in this regard was awaited from that department.

12. The Committee then exhorted the department to take a decision on the proposal within a period of two months and furnish a detailed report to the Committee.

Conclusion/Recommendation

13. Regarding the extra expenditure due to abnormal delay in the finalization of tenders, the Committee criticises the arguments of the departmental officials that lack of clear cut guidelines in the PWD Manual regarding pre-qualification tender procedure was the reason for the delay. The Committee is of the opinion that the extra expenditure incurred was due to the opening of tenders before obtaining consent from the contractors for extending the firm period which resulted in the retreat of the lowest bidders. The Committee suspects corruption in the dealings and directs the department to take appropriate action against those responsible. While considering the audit paragraph, the Committee wanted the department to intimate the action taken in this regard within 2 months. But the department had not complied with the directions. The Committee expresses its dissatisfaction over the negligence on the part of the officials in incurring extra expenditure from the exchequer and also in not taking any steps to rectify the mistake. The Committee directs the Water Resources Department to fix the responsibility for the infructuous expenditure and to take disciplinary action against the delinquent.

14. The Committee surprisingly notes that the proposal for amending the guidelines for pre-qualification tenders submitted in 2010 was not effected even in 2012. The Committee directs the department to take a decision on the proposal within 2 months and submit a report to the Committee.

LOCAL SELF GOVERNMENT DEPARTMENT

AUDIT PARAGRAPH

Fraudulent claims

Failure on the part of officials to check fraudulent claims submitted by a Mahila Pradhan Kshetriya Bachat Yojana agent resulted in overpayment of incentive allowance and bonus amounting to ₹ 5.71 lakh

Mahila Pradhan Kshetriya Bachat Yojana agents were appointed by the State Government for encouraging deposits under the National Savings Scheme. Each agent was attached to a post office and the job assigned to these agents was to enrol new depositors, collect regular monthly deposits and remit the same to the respective accounts in post offices. The agents were given a monthly

incentive allowance based on the amounts collected and deposited in the post offices and an annual incentive bonus based on the total collections in a year. The rates of monthly incentive allowance were as below:

<i>Collection</i>	<i>Incentive</i>
Up to ₹ 1,000	Nil
Above ₹ 1,000 but less than ₹ 5,000	at the rate of ₹ 25 for every 1,000
₹ 5,000	₹ 150
Above ₹ 5,000 but less than ₹ 10,000	₹ 150 + at the rate of ₹ 30 for every 1,000 above 5,000
₹ 10,000	₹ 300
Above ₹ 10,000	₹ 300 + at the rate of ₹ 40 for every ₹ 1,000 above ₹ 10,000

The annual incentive bonus was at the rate of 1.25 per cent of the annual collection.

According to the procedure in vogue in the department, the agents were to submit the claims at the end of every month in the prescribed form, supported by statements of deposits issued by the Postmasters of the concerned post offices in Form No. ASLAAS. Scrutiny (April 2009) of records at the Block Development Office (BDO), Chittur, Palakkad district, revealed that the number of deposit schedules mentioned in the abstract of monthly claims for September 2008 submitted by an agent for payment of the incentive was 34 whereas the actual number of schedules enclosed with the claim was only 19. A detailed verification of the statements of deposits made by the agent for the period from January 1999 to December 2008, furnished by the postal authorities, showed that incentives were not paid based on the actual deposits made by the agent in the post office in almost all the months. Overpayment of monthly incentive allowance and annual incentive bonus during the period January 1999 to September 2008 based on fraudulent claims submitted by the agent was ₹ 5.71 lakh.

The General Extension Officer (GEO) of the BDO was to verify claims submitted by agents and certify their accuracy. Based on these certificates, the BDO was to pass the claims for payment. It was revealed during audit that lack of proper check and verification by the control centres, viz., section clerk, the

concerned GEO and the BDO was the reason for overpayment. It was also seen that there was no system to verify the claims submitted by the agents with the post offices periodically to guard against the bogus and inflated claims.

Audit unearthed this fraud.

The BDO, Chittur admitted (May 2009) that there was lack of proper control on the part of the section clerk, GEO and BDO. The agent had wilfully lodged bogus excess claims and the BDO's office had honoured such claims in toto, without proper scrutiny.

The Finance Department of Government admitted (July 2009) that a mere physical verification of the number of schedules could have detected this malpractice. However, the GEO or BDO had not conducted any such verification, which resulted in the fraudulent practice being continued from 1998 to 2008. Government added that ₹ 1.60 lakh (out of ₹ 5.71 lakh) had been recovered from the agent, necessary steps would be taken to recover the balance amount from the agent and the concerned officers and preventive steps would be taken to avoid such incidents in future.

[Audit Paragraph 2.1.2 contained in the Report of C&AG of India for the year ended 31st March, 2009 (Civil)]

Notes furnished by Government on the above audit paragraph is included as Appendix II of this Report.

15. Regarding the audit objection towards fraudulent claims submitted by a Mahila Pradhan Kshetriya Bachat Yojana Agent, the witness, Principal Secretary, Local Self Government Department admitted the flaw occurred on the part of the department and an amount of ₹ 5.71 lakh was paid in excess of the amount actually due to the agent towards the monthly incentive allowance and bonus. He informed that Smt. V. Omana, MPKBY agent had remitted the entire amount worth ₹ 5.71 lakh and interest to the tune of ₹ 25,580 in the treasury.

16. The Committee observed that the amount recovered towards interest was too low and if interest for one year was calculated @ 18%, then it would be much higher than ₹ 25,580. The witness clarified that the misappropriated amount of ₹ 5.71 lakh was accrued for over a period of 9 years and hence interest may not be as high. The Committee wanted the department to take adequate action to recalculate the interest and to recover the additional amount from the concerned person. The Committee observed that the department had shown a compassionate attitude towards the officers, who failed to conduct proper verification of the claim submitted by the agents.

Conclusion/Recommendation

17. Regarding the audit objection the Committee notices that the entire amount of ₹ 5.71 lakh and its interest @18% had been remitted by Smt. V. Omana, the Mahila Pradhan Kshetriya Bachat Yojana Agent. However the Committee doubts as to the calculation of interest and arrival of the amount of ₹ 25,580 as interest and recommends the Local Self Government Department to recalculate the interest for ₹ 5.71 lakh @ 18% and to recover the additional amount, if any found short, from the concerned person. The Committee also directs to take departmental action against the officers responsible for the misappropriation. The Committee suggests that the department should formulate steps for conducting periodical inspections and random checks with the post offices against the claims put forth by the agents so as to curtail such fraudulent activities in future.

AUDIT PARAGRAPH

Blockage of funds on 'Yuvashree Project'

Failure of the Government to modify the 'Yuvashree' project for educated unemployed youth resulted in blocking of Plan funds of ₹ 25.86 crore with Kudumbashree.

Government announced a special employment programme in the State Budget during 2004-05 for providing employment opportunities to educated unemployed youth and designated the State Poverty Eradication Mission (Kudumbashree) to implement the programme. Based on a detailed project report prepared by Kudumbashree, Government accorded (June 2004) administrative sanction to the project known as 'Yuvashree'. The programme was proposed to be completed within nine months by February 2005. The scheme envisaged creation of 50,000 employment opportunities for educated youth in the age group of 18 to 35 years through self-employment by identifying innovative areas to set up micro-enterprises for youths from BPL families, providing handholding and escort services to new generation entrepreneurs, etc., at a total project cost of ₹ 146.73 crore. Of the total project cost, ₹ 79.23 crore was to be provided by the Government, ₹ 52.50 crore was to be financed by banks and ₹ 15 crore would be the share of Local Self Governments for creation of infrastructure. The role of Kudumbashree was identification, training and placement of micro-enterprises consultants for identifying potential individuals/group entrepreneurs and providing financial support to identified entrepreneurs by way of backend subsidy for setting up the units.

Government released ₹ 28.54 crore during 2004-05 to 2007-08 to Kudumbashree for implementation of the project. Kudumbashree identified 283 micro-enterprise consultants and got them trained during 2004-05, incurring an expenditure of ₹ 3.30 lakh. It was seen in audit that as of February 2009, only 742 units were sanctioned subsidy of ₹ 2.32 crore, benefiting 2487 members (5 per cent of the target). The total expenditure incurred by Kudumbashree on the project up to 2007-08 was only ₹ 2.68 crore (9 per cent), leaving an accumulated balance of ₹ 25.86 crore. In reply to an audit observation, Kudumbashree stated (April 2009) that the youth in the age group, not having exhausted the scope for employment in Government/quasi-Government organisations were not ready to take the risk of starting micro-enterprises with bank loans to develop their future. The reply does not explain why no serious attempt was made to find out the exact constraints faced in the implementation of the project and to overcome them by effecting necessary modifications. This resulted in blocking of Plan funds of ₹ 25.86 crore with Kudumbashree, defeating the objective of creating employment opportunities for unemployed youth.

Government stated (June 2009) that in view of the poor field response to the 'Yuvashree' scheme, Kudumbashree had proposed reallocation of funds of ₹ 13.75 crore to lease land farming. The reply does not explain the reasons for the delay in modifying the scheme, based on the poor response from the youth which resulted in blocking of ₹ 25.86 crore and non-achievement of the objective of fostering economic development by creating jobs.

[Audit Paragraph 2.4.3 contained in the Report of Comptroller & Auditor General of India for the year ended 31st March, 2009 (Civil)]

Notes furnished by Government on the above audit paragraph is included as Appendix II.

18. Regarding the audit paragraph, the witness, Principal Secretary, Local Self Government Department informed that it was a major project intended to provide employment opportunities to the educated unemployed youth in the age group 18 to 35 from BPL families through micro enterprises. Of the total project cost ₹ 79.23 crore was provided by the Government, ₹ 52.50 crore was financed by Banks and ₹ 15 crore would be the share of Local Self Government Institutions. The intention of the project was to identify the beneficiaries for starting micro-enterprises. He clarified that the project could not achieve its goal as the educated youth in the prescribed age group were looking for jobs in the

organised sector. The witness again stated that ₹ 111.37 lakh out of ₹ 28 crore released as first instalment of the project was diverted to lease land farming component, which was later ratified by Government and the remaining amount was utilised for starting rural micro enterprises. He informed that now the projects were terminated and now Yuvashree was functioning as an employment exchange for the members of Kudumbashree units.

19. The Committee then enquired the details of Government Order amending the norms of the project. To this the Executive Director (in-charge), Kudumbashree stated that they had fully utilised the amount on the basis of a circular revising the norms in age and qualification of the beneficiaries. The unspent amount was carried over to succeeding years and during 2009-10 Kudumbashree had utilised ₹ 121.88 crore even though the allotment was only ₹ 30 crore. During 2010-11 they could expend ₹ 89.88 crore even if the allotment was ₹ 50.70 crore.

20. While the Committee pointed out the audit objection that the department had utilised the amount for certain programmes without obtaining prior Government sanction, the Executive Director (in-charge), Kudumbashree disclosed that Government had issued revised guidelines and funds were released under three heads.

21. The Committee observed that the project Yuvashree was an unrealistic one as land lease farming was not included in micro-enterprise and assistance was limited to the age group below 35 years. Later Government had revised the order for ratifying it. When noticed that only the expenditure of ₹ 11.13 lakh was ratified by Government and the remaining was yet to be ratified, the Committee decided to recommend that the department should take immediate steps to get ratified the remaining amount of expenditure.

Conclusion/Recommendation

22. The Committee finds that the project Yuvashree was an unrealistic one and observes that an amount of ₹ 25.86 crore sanctioned for Yuvashree Project had been utilised by Kudumbashree for certain other purposes without prior sanction. Out of the total amount of expenditure, ₹ 11.13 crore only was ratified by Government so far. The Committee therefore recommends that the Local Self Government Department should take immediate steps to ratify the expenditure of the remaining amount by the Government at the earliest.

FINANCE DEPARTMENT

AUDIT PARAGRAPH

Irregular payment of employer's contribution to Employees' Provident Fund

Irregular payment of employer's contribution to Employees' Provident Fund (EPF) resulted in additional burden of ₹ 1.72 crore to the State Government in respect of employees of five State autonomous institutions.

The Employees Provident Fund and Miscellaneous Provisions Act, 1952 envisages that the employer's contribution shall be paid at the rate of 12 per cent of the basic wages (including dearness allowance, retaining allowance, if any, and cash value of food concessions) and employee's contribution shall be equal to the contribution payable by the employer subject to the condition that the employer shall not be under an obligation to pay any contribution over and above the contribution payable under the Act. Further, employees who were drawing more than ₹ 6,500 per month at the time of enrolment and employees who were drawing lesser amount at the time of enrolment and whose monthly pay subsequently exceeded ₹ 6,500 were considered as 'excluded employees' under the EPF Scheme. However, those employees whose monthly pay exceeded ₹ 6,500 would be allowed to continue in the EPF Scheme and could contribute more than ₹ 6,500 per month, based on the undertaking that the employer would pay the administrative charges* payable and comply with all statutory provisions of the scheme. Even in such cases, the employers' contribution was to be limited to the amount payable on a monthly pay of ₹ 6,500 [proviso to paragraph 26A (2) of EPF Scheme, 1952]. Thus the maximum amount payable by the employer towards contribution per annum for an employee would be ₹ 10,616 only at 13.61 per cent of ₹ 78,000 (₹ 6,500 x 12).

Audit scrutiny of the implementation of the EPF Scheme in the State autonomous institutions revealed that contributions were made by these institutions irrespective of the pay limit fixed (₹ 6,500 per month) as per the scheme. Excluded employees (whose pay exceeded ₹ 6,500) were also seen enrolled contrary to the provisions in the scheme. As the autonomous institutions are substantially financed by the State Government, sanctions from the Government should have been obtained to pay employers' contribution in excess of the prescribed limits.

* 1.61 per cent of the salary of the employee 0.5 per cent towards Employees' Deposit Linked Insurance fund (EDLI), 1.1 per cent towards pension fund and 0.01 per cent towards Administration Charges of EDLI.

A detailed scrutiny of the annual returns for the period from 2004-05 to 2007-08 submitted to the EPF authorities by five* State autonomous institutions revealed that these institutions were contributing towards their share of EPF in excess of the prescribed limit and the excess payment on this account worked out to ₹ 1.72 crore during 2004-08. As no specific sanction to contribute in excess of the prescribed limit was obtained from Government, the payment was irregular and caused additional burden to the State exchequer without their knowledge.

On this being pointed out in audit, the Finance Department issued (May 2010) instructions to all Government autonomous institutions having the EPF Scheme and paying excess employer's contribution, to enquire into the irregularities and to inform the action taken to the Accountant General. The Finance Department also intimated (September 2010) that the concerned administrative departments (Higher Education and Science and Technology) under whom the autonomous institutions functioned had been directed to initiate disciplinary action against the officers responsible for remitting the excess amounts ignoring the statutory provisions and to recover the excess amount. The Finance Department added that it would monitor the action taken by the administrative departments.

[Audit Paragraph 2.2.1 contained in the Report of C&AG of India for the year ended 31st March, 2010 (Civil)]

Notes furnished by Government on the above audit paragraph is included as Appendix II.

23. Regarding the audit objection the Committee enquired about the number of institutions that adopted the EPF Scheme. The witness, Secretary (in-charge), Finance (Expenditure) Department deposed that at present about 13 institutions were included in the Scheme. While enquired about the circular issued by the Finance Department in this regard the witness stated that the circular emphasised two points. Primarily it emphasised the essentiality of obtaining prior approval from Government for adopting EPF Scheme. Secondly employees whose monthly

* Kerala State Audio Visual and Reprographic Centre (₹ 4.14 lakh)

National Transportation Planning and Research Centre (₹ 24.99 lakh)

Tropical Botanic Garden and Research Institute (₹ 59.88 lakh)

Kerala Forest Research Institute (₹ 74.39 lakh)

Lal Bahadur Sastri Centre for Science & Technology (₹ 9.07 lakh)

pay exceed ₹ 6,500 were excluded from the scheme. He added that employees whose monthly pay exceed ₹ 6,500 would be allowed to enroll in the scheme only after obtaining prior approval of Government and in such cases the Government contribution would be allowed at the prescribed rate of the monthly pay, subject to a maximum pay ₹ 6,500.

24. At this juncture the Committee opined that the pay limit of ₹ 6,500 was unrealistic and enquired when the limit was fixed and the category of employees coming under the purview of the scheme. The witness submitted that the pay limit was a provision in the EPF Act and usually employees belonging to the worker class were included in the scheme. He also pointed out that even though the prescribed limit (₹ 6,500) was meagre, the enhancement of the limit would be a burden to the exchequer. He suggested that in the case of profit making institutions and PSUs the eligibility limit could be enhanced subject to Government approval.

Conclusion/Recommendation

25. Regarding irregular payment of Employer's contribution to Employees Provident Fund (EPF), the Committee finds that only employees whose monthly pay did not exceed ₹ 6,500 were coming under the purview of the EPF Scheme and so it opines that the pay limit of ₹ 6,500 was unrealistic and meagre. The Committee recommends that the Finance Department should take up the matter with appropriate authorities for the enhancement of the limit of pay from ₹ 6,500 per month to a reasonably higher amount.

Thiruvananthapuram,
9th July 2013.

DR. T. M. THOMAS ISAAC,
Chairman,
Committee on Public Accounts.

APPENDIX I

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

<i>Sl. Paragraph No.</i>	<i>Department No. concerned</i>	<i>Conclusion/Recommendation</i>
(1)	(2)	(3)
(1)	(2)	(4)
1	6 Water Resources	The Committee views that the department had not conducted any feasibility study before awarding the work which resulted in unfruitful expenditure of ₹ 81.75 lakh. The Committee admonishes that the department had failed to comply with the provisions in the PWD Manual by tendering the work without clearing the site. The Committee observes the act of the department authorities in tendering the work without conducting a feasibility study as a serious lapse and recommends that responsibility should be fixed against officials for taking such a decision hastily and awarded the work without proper plan and without conducting any feasibility study. It also recommends to take stringent action against the officials responsible for and to report the Committee the details thereof.
2	13 ,,	Regarding the extra expenditure due to abnormal delay in the finalization of tenders, the Committee criticises the arguments of the departmental officials that lack of clear cut guidelines in the PWD Manual regarding pre-qualification tender procedure was the reason for the delay. The Committee is of the opinion that the extra expenditure incurred was due to the opening of tenders before obtaining consent from the contractors for extending the firm period which resulted in the retreat of the lowest bidders. The Committee suspects corruption in the dealings and directs the department to take appropriate action against those responsible. While considering the audit paragraph, the Committee wanted the

(1)	(2)	(3)	(4)
			<p>department to intimate the action taken in this regard within 2 months. But the department had not complied with the directions. The Committee expresses its dissatisfaction over the negligence on the part of the officials in incurring extra expenditure from the exchequer and also in not taking any steps to rectify the mistake. The Committee directs the Water Resources Department to fix the responsibility for the infructuous expenditure and to take disciplinary action against the delinquent.</p>
3	14	Water Resources	<p>The Committee surprisingly notes that the proposal for amending the guidelines for pre-qualification tenders submitted in 2010 was not effected even in 2012. The Committee directs the department to take a decision on the proposal within 2 months and submit a report to the Committee.</p>
4	17	Local Self Government	<p>Regarding the audit objection the Committee notices that the entire amount of ₹ 5.71 lakh and its interest @18% had been remitted by Smt. V. Omana, the Mahila Pradhan Kshetriya Bachat Yojana Agent. However the Committee doubts as to the calculation of interest and arrival of the amount of ₹ 25,580 as interest and recommends the Local Self Government Department to recalculate the interest for ₹ 5.71 lakh @ 18% and to recover the additional amount, if any found short, from the concerned person. The Committee also directs to take departmental action against the officers responsible for the misappropriation. The Committee suggests that the department should formulate steps for conducting periodical inspections and random checks with the post offices against the claims put forth by the agent so as to curtail such fraudulent activities in future.</p>

(1)	(2)	(3)	(4)
5	22	Local Self Government	The Committee finds that the project Yuvashree was an unrealistic one and observes that an amount of ₹ 25.86 crore sanctioned for Yuvashree Project had been utilised by Kudumbashree for certain other purposes without prior sanction. Out of the total amount of expenditure, ₹ 11.13 crore only was ratified by Government so far. The Committee therefore recommends that the department should take immediate steps to ratify the expenditure of the remaining amount by the Government at the earliest.
6	25	Finance	Regarding irregular payment of Employer's contribution to Employees Provident Fund (EPF), the Committee finds that only employees whose monthly pay did not exceed ₹ 6,500 were coming under the purview of the EPF Scheme and so it opines that the pay limit of ₹ 6,500 was unrealistic and meagre. The Committee recommends that the Finance Department should take up the matter with appropriate authorities for the enhancement of the limit of pay from ₹ 6,500 per month to a reasonably higher amount.