

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2014-2016)**

18

SEVENTY FIFTH REPORT
(Presented on 16th December, 2014)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014**

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On

**Paragraphs relating to Health and Family Welfare, Fisheries and
Ports, Planning and Economic Affairs, Forest and Wildlife,
Information Technology and Agriculture Departments
contained in the Reports of the Comptroller and
Auditor General of India for the years ended
31st March 2008, 2009, 2010 and
2011 (Civil)**

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on its behalf, present the Seventy Fifth Report on paragraphs relating to Health and Family Welfare, Fisheries and Ports, Planning and Economic Affairs, Forest and Wildlife, Information Technology and Agriculture Departments contained in the Reports of the Comptroller and Auditor General of India for the years ended 31st March 2008, 2009, 2010 and 2011 (Civil).

The Reports of the Comptroller and Auditor General of India for the years ended 31st March 2008, 2009, 2010 and 2011 (Civil) were laid on the Table of the House on 23-6-2009, 25-3-2010, 28-6-2011 and 22-3-2012 respectively.

The Report was considered and finalised by the Committee at the meeting held on 9th December, 2014.

The Committee place on record its appreciation of the assistance rendered to it by the Accountant General (Audit) in the examination of the Audit Report.

Thiruvananthapuram,
16th December, 2014.

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

REPORT

HEALTH AND FAMILY WELFARE, FISHERIES AND PORTS, PLANNING AND
ECONOMIC AFFAIRS, FOREST AND WILDLIFE, INFORMATION
TECHNOLOGY AND AGRICULTURE DEPARTMENTS

FISHERIES AND PORTS DEPARTMENT

AUDIT PARAGRAPH

Non-recovery of amount paid at enhanced rate to a contractor

Non-completion of work as envisaged in an agreement resulted in payment of ₹ 50.97 lakh at enhanced rates to a contractor for construction of a fishery harbour at Ponnani.

The Superintending Engineer (SE), Harbour Engineering (North Circle), Kozhikode awarded (April 2002) the work of construction of a fishery harbour project at Ponnani to a contractor at a contract amount of ₹ 7.38 crore (20.05 per cent below the estimate based on the 1999 Schedule of Rates) with the scheduled date of completion as 18th December 2003, which was extended to 18th October 2004 by the SE after imposing a penalty of ₹ 0.45 lakh. The contractor did not complete the work and approached (October 2004) the Government for revision of rates and re-scheduling of the work. While the petition was under consideration of the Government, the contractor filed a writ petition in the High Court for revision of rates. Based on the judgment of the High Court in December 2004 directing the Government to dispose of the petition in accordance with law, Government constituted (June 2005) a Technical Committee to evaluate the contractor's representation after considering its technical and financial aspects.

Based on the recommendations of the Technical Committee, Government ordered (May 2006) revision of the rates with 10 per cent increase over the 2004 Schedule of Rates for work done after 1st December 2004. As per the order, the contractor was to complete the work within a period of nine months from the date of execution of the fresh agreement. Accordingly, a supplementary agreement was executed on 30th June 2006 with the firm for ₹ 10.79 crore to complete the balance work by 30th March 2007 and a monthwise target of works was also drawn up as part of the agreement. The contractor again could not complete the work within the stipulated time as per the supplementary agreement and stopped work from March 2007. Subsequently, Government terminated (April 2008) the contract and ordered the balance work to be rearranged at the risk and cost of the contractor. The SE rearranged (December 2008) the balance work at a

contract amount of ₹ 6.77 crore and the work was in progress (June 2009). Meanwhile, the earlier contractor was paid ₹ 1.91 crore between February and June 2007 based on the supplementary agreement for the completed portion of the work. The above payment included ₹ 50.97 lakh at enhanced rates though the contractor did not complete the work by March 2007 as stipulated in that agreement. This constituted an unauthorized aid to the contractor.

Government stated (May 2009) that action was being taken to recover the losses on account of re-arrangement of the work. The SE assessed (June 2009) the risk and cost liability to be recovered from the contractor firm consequent on rearrangement of work as ₹ 4.34 crore (including ₹ 50.97 lakh paid towards enhancement of rates). The Executive Engineer stated (July 2009) that the District Collector, Malappuram had been addressed to initiate revenue recovery action to realise the amount.

[Audit Paragraph 2.2.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2009 (Civil).]

Notes furnished by Government on the above Audit Paragraph is included as Appendix II.

The Committee observed that though the Government had admitted that the contract of the work was executed at an enhanced rate, the amount paid in excess had not yet been recovered. After the commencement of the work the rate had been revised many times and Kaikkara Construction Company which executed the work failed to complete the work within the stipulated time. So the company was terminated from the contract of the work at their own risk and cost. The Principal Secretary, Fisheries and Ports Department informed that steps had been taken to initiate RR proceedings but the amount could not be realized since the contractor filed a case before the High Court of Kerala challenging it.

2. To a query of the Committee, the Principal Secretary, Fisheries and Ports Department submitted that the company is now defunct and so it is not blacklisted.

3. When the Committee enquired whether any disciplinary action had been taken against the officers who were responsible for the over payment, the official from Fisheries and Ports Department apprised that it was due to enhancement of rate and the subsequent supplementary agreement. The contract was terminated due to non-completion of work and the officers could not be blamed for the breach of contract.

4. The Principal Secretary, Fisheries and Ports Department submitted that the High Court of Kerala had issued an interim order to take up the case as a Civil one and the Department had filed a review petition in this regard.

5. The witness, Senior Finance Officer, Fisheries and Ports Department submitted that since the work had to be executed through another contractor, additional expenditure incurred. The excess amount had to be realized from M/s Kaikkara Construction Company as they had been terminated at their own risk and cost.

6. At this juncture the official from the Accountant General's office, pointed out that the lapse on the part of the Fisheries and Ports Department was that while executing the contract for the work, the provision for risk and cost was not included. Then the Committee remarked that the argument put forth by the department is not tenable.

7. The official from Fisheries and Ports Department informed that the contractor had not challenged the termination of work at his own risk and cost in the court. The Committee suggested that measures should be taken to collect adequate amount as bank guarantee before executing the contract. Then the Principal Secretary, Industries and Information Technology Department informed that the amount collected as guarantee is meagre to cover the risk and cost and guarantee amount has been revised as 10% of the total contract amount as per the revised PWD Manual. The Committee decided to recommend to enhance the amount of guarantee enough to cover the risk and cost.

Conclusion/Recommendation

8. The Committee observes that the former contractor abandoned the work in the middle and the balance work had to be re-arranged at higher rates resulting in an additional expenditure of ₹ 50.97 lakh. It remarks that, had the provision for risk and cost was included in the contract of work, the additional expenditure could have been realised from the contractor. It views it as a serious lapse on the part of the department and directs that the Fisheries and Ports Department should be vigilant in avoiding such lapses in future.

9. The Committee analyses that the amount collected as guarantee for the works is meagre when compared to the cost of works and hence it recommends that the Public Works Department should make necessary amendments in the PWD Manual to enhance the amount of guarantee enough to cover the risk and cost.

AUDIT PARAGRAPH

Non-utilisation of Central funds

Failure of the State Government to apprise the Government of India in time about the necessity of modifying the criteria for getting rebates on High Speed Diesel Oil consumed by mechanized fishing vessels resulted in non-utilisation of Central funds of ₹ 3.43 crore for the period 2005 to 2009.

Government of India (GOI) released ₹ 4.78 crore in three instalments during 2005-06 towards the Central share of grant-in-aid for 'Fishermen Development Rebate on High Speed Diesel (HSD) Oil' which was one of the components of the Centrally Sponsored Scheme on 'Development of Marine Fisheries, Infrastructure and Post Harvest Operations', implemented during the Tenth Plan (2002-2007). The rebate was ₹ 1.50 per litre of diesel consumed by mechanized fishing vessels below 20 metre length and was to be shared by Central and State Governments in the ratio of 80:20. According to the guidelines of the scheme, only mechanized fishing vessels added to the fleet of vessels before the end of the Ninth Plan (1997-2002) and registered under the concerned Government agencies were eligible for the rebate.

During 2005-06 to 2007-08, only ₹ 1.35 crore was utilised by the Fisheries Department towards the rebate. The Director of Fisheries informed (December 2007) the Government that the stipulation in the GOI guidelines that vessels were to be registered before the end of the Ninth Plan (1997-2002) for getting the rebate under the scheme was the reason for not achieving the target.

It was seen in audit that the State Government had stopped registration of vessels from 31 December 1994 onwards to streamline the number of boats to regulate fishing activities and restarted the registration only in May 2007.

The scheme was subsequently extended to the Eleventh Plan period (2007-2012) and allocation of ₹ 100 crore was made, but no funds were released by GOI during 2007-09.

Government stated (July 2009) that revision of the guidelines of the scheme had been taken up (September 2008) with GOI to include modified traditional crafts and new boats added to the fleet of vessels up to the Eleventh Plan under the eligibility criteria. Thus, failure to apprise the GOI in time about the necessity of modifying the eligibility criteria for getting the rebate resulted in non-utilisation of Central funds of ₹ 3.43 crore for the last four years and consequent denial of benefits to the fishermen.

[Audit Paragraph 2.4.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2009 (Civil).]

Notes furnished by Government on the above Audit Paragraph is included as Appendix II.

10. The Principal Secretary, Fisheries and Ports Department informed the Committee that the guidelines prescribed by the Government of India for implementation of diesel subsidy scheme could not be followed in our state because of certain ceilings.

11. To the query of the Committee, the Director, Fisheries and Ports Department submitted that there were 3900 mechanised vessel boats registered under the department and the amount sanctioned under the scheme was sufficient to issue subsidy for 3451 boats. She added that the department could not utilise the amount because of the criteria that the beneficiaries should belong to BPL category, monthly ceiling for subsidy of High Speed Diesel Oil would be 500 litres and the vessels should be registered during the 9th plan period etc. The Director, Fisheries and Ports Department continued that the department had represented the matter with the Government of India to revise the guidelines.

12. The Government of India has informed that, to revise the guidelines, the strength of BPL category has to be reassessed and to be submitted the same for consideration.

13. The Committee opined that not only the APL-BPL differentiation but also many other criteria need to be amended and sought the reason behind the stipulation that the vessels should be registered during the 9th plan period. The Principal Secretary, Fisheries and Ports Department replied that it was to restrict the new additions in the list.

14. The Committee recommended that the norms should be revised in accordance with the prevailing circumstances of each state.

15. The Committee viewed that fishermen in our state are purchasing kerosene at market rates and decided to recommend that the steps should be taken to purchase kerosene from IOC and to distribute it with adequate State Government subsidy.

Conclusion/Recommendation

16. The Committee observes that, the hard and fast criteria for availing diesel subsidy is not in favour of the prevailing conditions of the fisher folk. To ensure the fruitful utilisation of central assistance, the Committee directs the Fisheries and Ports Department to take necessary steps to take up the matter with Government of India so that necessary changes could be brought to the guidelines in accordance with the prevailing condition of each state.

17. The Committee recommends that the Fisheries and Ports Department should make necessary arrangements to purchase sufficient quantity of kerosene from IOC and to distribute the same to fishermen at State Government subsidy rates.

Blocking of funds with Matsyafed

Conceptualisation of projects without assessing the situation prevailing in the State resulted in blocking of funds of ₹ 2.53 crore released to Kerala State Co-operative Federation for Fisheries Development Limited (Matsyafed) for implementation of two projects.

The State Government accorded (February 2007) an administrative sanction for implementation of two projects viz. diversification of artisanal fisheries for deep sea fishing (project cost: ₹ 4.88 crore) and value addition and marketing of fish (project cost: ₹ 99.95 lakh), in the fisheries sector under the President's Mission Programmes. Government of India had allocated (August 2006) ₹ 5 crore* for implementation of these two schemes during Annual Plan 2006-07 and released 30 per cent of the allocated amount (₹ 1.50 crore) as one time Additional Central Assistance. The projects were to be implemented by the Kerala State Co-operative Federation for Fisheries Development Limited (Matsyafed). Hence, Government had released ₹ 4 crore and ₹ 99.95 lakh (including their share) in March 2007 and March 2008 respectively to Matsyafed. The following points were noticed during audit of the utilisation of funds:

(i) The project 'diversification of artisanal fisheries for deep sea fishing' proposed to convert 20 inboard motor fitted crafts, as a pilot project, to take up gill netting and long lining in the offshore waters of more than 50m. depth to exploit the resources of tuna, seer fish, bill fishes, perches, etc. These crafts were also to be equipped with fish holds of about 20 tonnes capacity for enabling multi-day fishing. Apart from investment in capital for modifying the existing crafts, training was also to be provided to traditional fishermen in long lining and gill netting for deep sea resources. The project was implemented in seven districts. Out of the total release of ₹ 4 crore by State Government, Matsyafed could utilize only ₹ 2.48 crore as of October 2010 resulting in non-utilisation of ₹ 1.52 crore for the last three years. The Managing Director, Matsyafed intimated (June 2010) that underutilization of funds was due to conversion of only 13 out of 20 inboard motor fitted crafts for deep sea fishing and also due to less expenditure incurred on installation of auxiliary equipments in mother vessel and imparting training to fishermen. Government stated (July 2010) that the Matsyafed had taken steps to utilize the funds in the current financial year itself.

* ₹ 4 crore for 'Diversification of Artisanal Fisheries for Deep Sea fishing' and ₹ 1 crore for 'Value addition and marketing of fish'.

(ii) The project 'value addition and marketing of fresh fish to reduce post harvest losses to traditional fishermen' was intended to provide insulated boxes to carry ice to the sea so as to preserve the freshness of the catch and to introduce flake ice machines and temporary storage at the level of primary co-operatives. Though Matsyafed had to identify nine primary co-operative societies for establishing flake ice manufacturing units, only three Societies (two in Thiruvananthapuram district and one in Ernakulam district) were identified (January 2009) to establish flake ice manufacturing units. It was informed (June 2010) by the Managing Director, Matsyafed that as there was no flake ice machine manufacturers in Kerala, national level bidding process for tenders was resorted to and agreement was executed (April 2010) with a Pune based company to supply and install machines within six months. Thus, ₹ 99.95 lakh released in March 2008 for installing flake ice manufacturing machines and providing temporary storage facilities at the level of primary co-operatives remained unutilised as of September 2010. Government stated (August 2010) that the major cause of delay was to identify a qualified manufacturer of flake ice machines and the entire components of the project would be completed during the financial year 2010-11 itself. However, it was further seen (October 2010) in audit that the cost of establishing a flake ice manufacturing unit had increased from ₹ 7 lakh to ₹ 12.70 lakh due to delayed execution of the project and the amount sanctioned under the project (₹ 63 lakh for nine units) for this purpose had become insufficient.

Audit scrutiny also revealed that Matsyafed had not conducted any feasibility study to assess the prevailing situation in the fisheries sector of the State and to identify units/societies for implementing the projects, before giving the project proposals to Government of India. Consequently Matsyafed could not identify the required number of units/societies for implementing the projects during the last three years. Thus conceptualisation of the projects without proper study resulted in blockage of funds amounting to ₹ 2.53 crore (October 2010) with Matsyafed.

[Audit Paragraph 2.3.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2010 (Civil).]

Notes furnished by Government on the above Audit Paragraph is included as Appendix II.

18. The Committee wanted to know the reason behind the interruption of the two projects viz. 'Diversion of artisanal fisheries for deep sea fishing' and 'value addition and marketing of fresh fish to reduce post harvest losses to traditional fishermen'. The Principal Secretary, Fisheries and Ports Department

informed that the most of the societies were not in a position to afford outboard engines and they refunded the amount given. The Director, Fisheries and Ports Department submitted that the cost for converting a unit comprising of one boat and 6 carrier vessels was estimated as ₹ 20 lakh. The societies had completed only 13 units instead of 20 because the actual cost went up to ₹ 35 lakh per unit. In order to raise the additional amount the societies had to rely on bank loan. Hence societies withdrew from the project and the unutilized amount was refunded on 18-3-2013.

19. The Director, Fisheries and Ports Department informed that, though Flake Ice Manufacturing Units were envisaged to establish at a cost of ₹ 7 lakh per unit, it required ₹ 12 lakh to complete one unit. The Primary Co-operative Societies could not afford this much additional amount. The sanction was not accorded from Government for this additional expenditure. Hence the societies withdrew from the project and refunded the amount.

20. The Committee agreed with the observation of Accountant General that the Matsyafed had neither conducted a feasibility study nor had a proper planning and monitoring before submitting the proposal for the project to the Government of India. It suggested that necessary steps should be taken to avoid such lapses in future and before implementing the Centrally Sponsored Schemes there should be feasibility studies and proper planning.

Conclusion/Recommendation

21. The Committee views that the Matsyafed had neither conducted a feasibility study nor had a proper planning and monitoring before submitting the proposal for the project to the Government of India. The Committee laments the negligence on the part of the Fisheries and Ports Department in implementing the Centrally Sponsored Projects without taking into account of the prevailing condition of the state and warns that necessary steps should be taken to avoid such lapses in future.

PLANNING AND ECONOMIC AFFAIRS DEPARTMENT

AUDIT PARAGRAPH

Blocking up of funds with Government Agencies

Government accorded sanction (March 2005) for setting up of a unit on 'Local Self Government Studies and Research' in the Centre for Development Studies (CDS), with the objective of promotion of research, capacity building and usage of research findings to support local level development through Local Self Governments. The project was to be financed by grants (₹ 8 crore) from

State Government for the first four years from 2004-05 at ₹ 2 crore each year and funds (₹ 3.50 crore) mobilised from other funding sources*. From the fifth year the programme was to run on a self-sustainable basis without any external support.

Government released ₹ 1.70 crore in March 2005 and ₹ 2 crore in March 2007 towards the first and second instalments of its committed share. CDS did not start the project as envisaged in the proposal on the plea that non-release of second instalment by Government during 2005-06 had caused some uncertainty in the functioning of the unit. CDS had with it ₹ 2.50 crore in the corpus fund up to 2005-06, including ₹ 0.80 crore being the unspent balance of the erstwhile Kerala Research Programme on Local Level Development and hence CDS could not start the project as envisaged. It was only after the release of the second instalment of ₹ 2 crore that CDS took the initiative to recruit faculty members and commence research and other related activities. As against the expenditure of ₹ 2.51 crore to be incurred on faculty and projects for the four years up to 2007-08, the expenditure incurred was only ₹ 7 lakh. Despite all efforts implementation of the programme could not progress as envisaged.

Government stated (September 2008) that the major activity was 'action research project' for which priority sectors in ten panchayats had been identified and started implementation from 2006-07. The reply is not acceptable as the objective of setting up the unit for promotion of research has not been fulfilled even after three years of release of funds to CDS.

[Audit Paragraph 4.4.4(b) contained in the Report of the Comptroller and Auditor General of India for the financial year ended 31 March 2008 (Civil).]

Notes furnished by Government on the above Audit Paragraph is included as Appendix II.

22. To a query of the Committee regarding the activities of "Research Unit on Local Self Government" in CDS, the Secretary, Planning and Economic Affairs Department submitted that the Government had committed to grant an amount of ₹ 8 crore which is to be paid in instalments of ₹ 2 crore each in 4 years. But the Government had sanctioned ₹ 1.7 crore in the 1st year (2004-05) and ₹ 2 crore in the 3rd year. No amount had been sanctioned in the 2nd year (2005-06). She continued that the fund could not be utilised in the 1st year as it was allotted during the fag end of the financial year 2004-05. Though some activities were done using the income earned as interest from the investment of fund, it did not progress and all the activities were delayed due to

* Such as Indian Council of Social Science Research, Ministry of Rural Development, GOI and International Organisation like the UNDP.

the unavailability of fund for the 2nd year. The Committee asked how much grant had been granted to CDS. The witness deposed that Government had allotted ₹ 3.7 crore as corpus fund for the Research Unit and it is functioning properly. The activities like research, publications and capacity building of the CDS is running very well. The Secretary, Planning and Economic Affairs Department concluded that the activities of CDS were monitored by the department to ensure the usefulness.

Conclusion/Recommendation

No Comments.

FOREST AND WILDLIFE DEPARTMENT

AUDIT PARAGRAPH

Blocking up of funds with Government Agencies

Government sanctioned (February 2005) the Pythalmala Ecotourism Project at a cost of ₹ 60 lakh under 'Integrated Development of Northern Region Tourism Circuit in Kerala' to be completed by December 2005. The Director of Tourism released (March 2005) ₹ 40 lakh to the Director of Ecotourism to credit the amount in the Bank account of the Chief Executive Officer, Thenmala Ecotourism Promotion Society (TEPS) for making payment to Forest Development Agency (FDA), Kannur, the implementing agency.

The Director of Ecotourism accorded sanction to the FDA, to execute the works, namely, camping area, trekking routes, fixing of metal and wooden sign boards, water supply arrangements, etc., at a cost of ₹ 48.50 lakh and released (August 2005) ₹ 14.99 lakh to the FDA, on the condition that work should be completed before 31st December, 2005. The FDA, deposited (October 2005) the amount in their Bank Account along with their own funds. Out of 22 works costing ₹ 48.50 lakh, only 6 items of work costing ₹ 5.57 lakh were tendered (February 2007) by FDA. None of these activities could, however, commence due to non-participation of contractors in the tender except for a small stretch of trek path costing ₹ 0.40 lakh. Further the Divisional Forest Officer, Kannur stated (December 2007) that construction work could not be commenced due to non-completion of a road by Public Works Department leading to the worksite. Thus the Ecotourism project sanctioned in February 2005 had not been completed even after three years and ₹ 39.59 lakh sanctioned for the same remained blocked in the bank accounts of TEPS (₹ 25 lakh) and FDA (₹ 14.59 lakh).

The matter was referred to Government in July 2008; reply has not been received (October 2008).

Thus, taking up of project without conducting proper feasibility study coupled with lack of planning in implementation of schemes resulted in blocking up of Government money of ₹ 8.81 crore.

[Audit Paragraph 4.4.4(C) contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2008 (Civil).]

Notes furnished by Government on the above Audit Paragraph is included as Appendix II.

23. The Committee observed that Pythalmala Ecotourism Project had been wound up due to the lack of feasibility study and proper planning. The Principal Secretary, Forest and Wildlife Department submitted that Pythalmala Ecotourism Project was sanctioned under a Centrally Sponsored Scheme, Integrated Development of Northern Region Tourism Circuit in Kerala. He added that an amount of ₹ 40 lakh was credited to the bank account of the Chief Executive Officer of Thenmala Ecotourism Promotion Society and sanction was accorded for the release of ₹ 15 lakh to the Forest Development Agency, Kannur for the above said implementation.

24. The Director, Ecotourism Department submitted that Pythalmala situated 60 kms. away from Kannur is a famous tourism centre where the main attraction is trekking. He added that out of the ten items of work in the above project, the only work carried out was the construction of trek path for a length of 7.65 km. He supplemented that the main reason for winding up the project is the non-completion of approach road to the project area which was the responsibility of the PWD. The labour charge prevailing in this area was also higher than the PWD rate. The Tourism Department denied additional fund. Moreover it was necessary to submit utilization certificate and completion certificate for getting next instalment of the fund from Government of India. These circumstances led to winding up of the project. He added that for the construction of trek path of 7.65 km. an amount of ₹ 4 lakh was utilized and the unspent balance of ₹ 11 lakh was surrendered to the Director, Ecotourism Department. While accepting the contention of the Forest Department, the Committee remarked that before implementing a Centrally Sponsored Scheme feasibility study should essentially be conducted.

Conclusion/Recommendation

25. **The Committee finds that Pythalmala Ecotourism Project was not implemented as envisaged as the road leading to the worksite could not be constructed. The project had been wound up due to the lack of feasibility study and proper planning. This resulted in blocking up of ₹ 8.81 crore. It recommends that before implementing a Centrally Sponsored Scheme, feasibility study should be conducted and directs the Forest and Wildlife Department to avoid such lapses in future.**

AUDIT PARAGRAPH

Non-utilisation of funds

Due to lack of appropriate follow-up action by the Forest and Wildlife Department, ₹ 3 crore released for protecting an ecologically fragile mangrove ecosystem remained unutilised for more than four years.

In order to protect and rehabilitate the ecologically fragile mangrove ecosystem in the State, Government accorded (February 2006) sanction for the purchase of 50 hectares of mangrove land from private owners through negotiated purchase under the Land Acquisition Act. Based on a proposal from the Chief Conservator of Forests (Social Forestry), Government directed (March 2006) the District Collectors (DCs) of Kollam, Ernakulam, Thrissur, Kozhikode and Kannur to take immediate steps for land acquisition and the Divisional Forest Officers concerned to submit individual applications to the DCs. ₹ 3 crore was drawn (March 2007) for acquiring 49.8649 hectares* of mangrove land in three districts viz. Kollam, Thrissur and Kannur (Ernakulam and Kozhikode were excluded as the cost of acquisition was high) and ₹ 1 crore each was placed at the disposal of the DCs concerned. In accordance with Section 4(1) of the Ecologically Fragile Lands (EFL) Act, 2003, the Government has the power to declare, by notification in the Gazette, any land to be ecologically fragile land on the recommendation of the Advisory Committee. A request was sent by the District Collector to the Forest Department to submit a requisition with the connected documents such as: (i) Government Order sanctioning acquisition of land as per the Land Acquisition Act, (ii) The alignment sketch showing the land to be acquired, and (iii) The copy of the Adangal[†] of the land to be acquired. However, the Forest Department did not submit any requisition notice along with details of land to be acquired to the concerned DCs. It was also noticed that the Forest Department did not verify along with the Revenue Officials, the mangrove areas proposed for acquisition under the EFL Act, 2003. As such, the revenue authorities could not initiate land acquisition steps and utilize the funds. Further, it was decided in the meeting of the Chief Conservators of the Forest held on 18th March, 2009 that land acquisition proceedings would only end up in the mangroves being cut down by the owners and it would be better to modify the scheme. In response to an enquiry by Audit, the department stated (July 2009) that the original proposal for which money was deposited was changed and it was decided to prepare an action plan for giving incentives to owners of mangroves to ensure their protection. However, it was seen that the department had again reverted to the original proposal of acquisition of mangroves and issued (June 2011) directions to the concerned departmental officers to take appropriate action. This indicates

* Kollam: 18.7309 hectares, Thrissur : 5.1340 hectares, Kannur: 26.000 hectares.

† Estimated Value

that the department did not have a clear strategy to address a serious ecological issue, which resulted in the entire amount of ₹ 3 crore remaining unutilised with the DCs.

It was also seen that though no funds were provided for the scheme in the Budget for 2006-07, ₹ 3 crore was obtained in the last batch (March 2007) of supplementary demands for grants and drawn in the same month. There was failure to utilise the funds. Consequently, the aim of protecting the ecologically fragile mangrove vegetation through acquisition of mangroves from private landowners could not be achieved, despite availability of funds. This also indicated the lackadaisical attitude of the department in utilising funds provided for environmental protection.

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

[Audit Paragraph 3.4.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2011 (Civil).]

Notes furnished by Government on the above Audit Paragraph is included as Appendix II.

26. The Committee wanted to know the impediment in the acquisition of mangrove land using the fund of Forest and Wildlife Department. The Principal Secretary, Forest and Wildlife Department submitted that the District Collectors of Thrissur, Kollam and Kannur were directed to acquire the mangrove land from private parties through negotiated purchase under the provisions of Land Acquisition Act and an amount to the tune of ₹ 3 crore was allotted for the purpose. But the Forest and Wildlife Department failed to verify the mangrove areas proposed for acquisition under the Ecologically Fragile Land Act, 2003. In accordance with the provisions under the EFL Act, the Government has the power to declare by gazette notification that any land as ecologically fragile land on the recommendation of the Advisory Committee. But the Advisory Committee had not been reconstituted as per the rules under the Act and no site examinations were conducted.

27. The Committee criticized that the Forest and Wildlife Department had no strategy in this project, and remarked that the Forest Department did not have any clear cut vision on the implementation of projects. The Principal Secretary, Forest and Wildlife Department assured that the Advisory Committee headed by the PCCF would take necessary steps within 3 months in sending recommendation to the Government. The Committee urged the department to furnish the details of action taken in this regard.

Conclusion/Recommendation

28. The Committee lashes on the inertia and lack of conspicuous vision on the part of the department in implementing the projects and non-utilisation of ₹ 3 crore provided for environmental protection. The Committee was at a loss to note that even the advisory committee to verify whether a land is ecologically fragile had not reconstituted as per the rules. So the Committee recommends the Forest and Wildlife Department to initiate steps on war footing to reconstitute the advisory committee and urges to furnish a report on the steps taken in this regard.

INFORMATION TECHNOLOGY/HEALTH AND FAMILY WELFARE DEPARTMENTS

AUDIT PARAGRAPH

Short collection of cost of tender forms

Non-compliance with provisions of the Stores Purchase Manual resulted in short collection of the cost of tender forms amounting to ₹ 63.24 lakh in INFOPARK and the Malabar Cancer Centre.

Government Orders (November 2004) stipulate that all autonomous bodies, including co-operative institutions and universities should follow the provisions of the Stores Purchase Manual (SPM) while tendering works/making purchases. According to the latest provisions in Paragraph 21(a) of SPM (effective from December 2008), the cost of tender forms to be collected from bidders was as follows:

TABLE 3.1: DETAILS OF COST OF TENDER FORMS TO BE COLLECTED FROM BIDDERS

<i>Estimated cost of tender</i>	<i>Cost of tender forms</i>
Up to ₹ 50,000	₹ 300+VAT
Above ₹ 50,000 up to ₹ 10 lakh	0.2% of the cost of tender rounded to the nearest multiple of 100, subject to a minimum of ₹ 400 and maximum of ₹ 1,500 + VAT
Above ₹ 10 lakh	0.15% of the cost of tender rounded to the nearest multiple of 100 subject to a maximum of ₹ 25,000 + VAT

Audit scrutiny of two State Autonomous Bodies viz. INFOPARK and Malabar Cancer Centre (MCC) revealed that these autonomous bodies were not following the provisions of the SPM regarding the cost of tender forms. Failure to collect the cost of tender forms as per the rate prescribed in the SPM resulted in short collection of receipts of ₹ 63.24 lakh* during the period from February 2009 to March 2011.

In response to Audit's remarks, the Chief Executive Officer of INFOPARK replied (June 2011) that the cost of tender forms to be collected was generally fixed by them at 0.05 per cent of the probable amount of the contract and the MCC replied (September 2010) that the error in short collection was not intentional. The replies cannot be accepted because it was the primary responsibility of all the State Autonomous Bodies to follow the provisions of the SPM as well as the orders issued by the Government from time to time, as these institutions were substantially financed by the State Government. The Government replied (October 2011) that INFOPARK had been directed to levy revised rates fixed for tender forms.

[Audit Paragraph 3.1.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2011 (Civil).]

Notes furnished by Government on the above Audit Paragraph is included as Appendix II.

29. The Committee wanted to know-how the short collection of cost of tender forms occurred or specified in the Audit Report. The Principal Secretary, Industries and Information Technology Department submitted that it was due to the collection of cost of tender forms without noticing the amendment made to the Store Purchase Manual in 2008. As per the present norms, the bidder cost @ 0.15% of the total amount had to be collected but the cost collected was at the former rate i.e. @ ₹ 25,000. As a result, loss to the tune of ₹ 52 lakh was occurred. The witness also submitted that no action was taken against the erred officials as they held the office for a short period. The Committee expressed its displeasure over the lackadaisical attitude of the Department and remarked that huge loss is incurred to the State exchequer. But responsibility could not be fixed on anybody and hence they left scot free. Hence it decided to recommend that scrupulous effort should be taken by the department to avoid such loss in future and up-to-date information regarding the changes in the rules and acts must be imparted to all officials coming under the department.

* INFOPARK: ₹ 52.81 lakh and MCC: ₹ 10.43 lakh.

Conclusion/Recommendation

30. The Committee admonishes the officials of INFOPARK for their languid attitude in complying the provision of Store Purchase Manual resulted in short collection of cost of tender forms to the tune of ₹ 52 lakh and observes that, the responsibility for the loss has not been fixed. The Committee remarks that ignorance is not an excuse for erring. It directs the Information Technology Department to impart training to the concerned officials regarding the changes in the rules and acts periodically to avoid such lapses in future.

AUDIT PARAGRAPH

Acceptance of bank guarantees without adequate documentation

Acceptance of bank guarantees (₹ 2.62 crore) without taking possession of documents relating to their verification resulted in non-detection of their being fake.

INFOPARK* entrusted (August 2007) M/s Farooq Constructions, Alappuzha (contractor), the work of construction of a four-lane road from the Seaport-Airport road to INFOPARK for a contract value of ₹ 15.41 crore. An agreement in this regard was executed between INFOPARK and the contractor in September 2007. M/s KITCO Limited, was engaged as consultant for the project.

As provided in the agreement, the contractor submitted (September 2007) six bank guarantees from Indian Overseas Bank (IOB), Komalapuram Branch, Alappuzha, one for ₹ 0.77 crore towards security deposit and five for ₹ 1.85 crore for obtaining ₹ 1.54 crore as mobilization advance. These bank guarantees were forwarded through the consultant. While taking custody of the bank guarantees there was failure to ask for the original written communication sent to the bank for confirmation of the *bona fides* of the bank guarantees and the confirmation given in writing by the bank. These documents were necessary to establish the veracity of verification having been carried-out when the consultant claimed to have done the verification exercise. It was incidentally observed that the consultant did not seek a written confirmation from the bank. Thus, taking custody of bank guarantees without the associated documents related to verification made the documentation incomplete.

The contractor was slow in executing the work and the contract was terminated (August 2008) at the risk and cost of the contractor. The contractor had executed works worth ₹ 2.88 crore and part payment of ₹ 2.47 crore was

* A society registered under Travancore Cochin Scientific and Charitable Societies Act, 1955, which is functioning under the Information Technology Department, Government of Kerala.

made to the contractor. From the part payment bills, the recovery of mobilisation advance effected was ₹ 0.42 crore. When INFOPARK decided to encash the bank guarantees to recover the balance amount of mobilization advance of ₹ 1.12 crore, it was found that the bank guarantees were fake. Even the amount of ₹ 0.77 crore obtained towards security deposit was backed by a forged bank guarantee.

The balance work was re-tendered for ₹ 19.28 crore which was ₹ 6.75* crore more than the value quoted by the original contractor. As per the terms of the original agreement, the balance work, if re-tendered, was to be executed at the risk and cost of the original contractor.

The Government stated (August 2011) that they took effective measures when the fraud was noticed and instructions were given (September 2008) to the Chief Executive Officer of INFOPARK to file a criminal complaint against the contractor and to issue legal notices to the bank and KITCO. INFOPARK stated (September 2011) that they had filed criminal cases against the contractor for submitting forged guarantees and for dishonouring the cheques† (₹ one crore) submitted by them. INFOPARK also stated that they had filed a civil case before the Sub-Court of Ernakulam for recovering the additional expenditure incurred by INFOPARK in re-tendering the work and the suit was pending before the court. Thus, acceptance of bank guarantees (₹ 2.62 crore) without taking possession of documents relating to their verification resulted in non-detection of their being fake.

[Audit Paragraph 3.4.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2011 (Civil).]

Notes furnished by Government on the above Audit Paragraph is included as Appendix II.

31. Regarding the audit observation, the witness, Principal Secretary, Industries and Information Technology Department explained that it was a case of submission of fake bank guarantee by M/s Farooq Constructions. Being the project consultant actions were taken against KITCO Ltd. and a case was registered against the contractor who had submitted fake documents.

32. When the Committee enquired whether the work was completed by M/s Farooq Constructions, the witness submitted that it was completed after entrusting the same to some other agency. He added that the six bank guarantees submitted as security deposit of mobilisation advance by the firm were fake. KITCO, the project managing consultant, had collected the bank

* ₹ 19.28 crore—(₹ 15.41 crore—₹ 2.88 crore.

† Subsequently submitted in lieu of fake bank guarantees.

guarantee after enquiring its genuineness over phone without resorting for a written statement from the Bank. The contractor received 10% of the mobilization advance and was slow in executing the work and it led to the termination of the contract. When the work was re-tendered the INFOPARK decided to encash the guarantees, it was found fake. A case was filed against M/s Farooq Constructions and it is pending before the Magistrate Court. The witness added that KITCO was blacklisted and MD, KITCO was removed from the Governing Board of INFOPARK.

33. The Committee decided to recommend that contractors who fail to execute works in time and those who submit fake bank guarantees should be blacklisted.

Conclusion/Recommendation

34. **The Committee strongly recommends that the contractors who fail to execute the work in time and submit fake bank guarantees should be blacklisted. It also urges the IT Department to furnish the details of the present status of the case against M/s Farooq Agencies.**

AUDIT PARAGRAPH

Inappropriate selection of site for Information Technology Park

Failure of the Government in selecting suitable land for development of an Information Technology Park based on environment considerations led to abandonment of the site after incurring an expenditure of ₹ 2.61 crore and subsequent relocation of the park to an alternative site.

Government accorded (June 2008) administrative sanction for setting-up an Information Technology Park (ITP) in Purakkad village of Ambalapuzha Taluk, Alappuzha District. Out of the 100 acres* of land proposed for the project, 80.58 acres of land were transferred (August 2008) to the IT Department for assigning to the Kerala State Information Technology Infrastructure Limited (KSITIL), the developer of the project. Out of the 19.73 acres of adjacent land identified for the project, KSITIL acquired 12 acres by direct purchase using the funds provided by the Government. Acquisition of the balance land (7.73 acres†) was pending with the revenue authorities. The land (including the land purchased by KSITIL) earmarked for development of ITP consisted of paddy fields which were submerged in water up to a depth of 1.5 metre.

* 2.47 acres is equal to 1 hectare.

† 5.34 acres of paddy field and 2.39 acres of dry land.

In September 2008, Government of India approved the State Government's proposal for development, operation and maintenance of a 'Special Economic Zone' (SEZ) for the Information Technology/Information Technology Enabled Services sector over an area of 13.44 hectares (33.20 acres), subject to the condition that the development of land would conform to the environmental requirements. Therefore, it was obligatory on the part of KSITIL to obtain environmental clearance before undertaking the developmental works.

Clearance for conversion of land was to be given by the Government based on the recommendations of the State Level Monitoring Committee (SLMC) and the Local Monitoring Committee* (LMC). Before getting formal clearance from the Government, KSITIL developed (May 2010) eight acres (included in 33.20 acres) of land by constructing a bund wall, dredging and filling of waterlogged land by incurring an expenditure of ₹ 2.61 crore. The LMC meeting held on 21st June, 2010 made a recommendation to the SLMC (in which the Chairman, Kerala State Biodiversity Board was a member) for examining the clearance for land conversion. SLMC visited the site on 25th September, 2010. Subsequently, the Chairman, Kerala State Biodiversity Board requested (December 2010) the Government to consider alternative land for setting-up the ITP as the land identified for the park had some environmental issues. Based on this, the Government ordered (December 2010) KSITIL to relocate the proposed ITP to an alternative site (20.40.88 hectares) having no environment problems in Purakkad Village of Alappuzha district.

The Government stated (July 2011) that eight acres of the developed land could be used as a wind energy farm for producing wind energy, after conducting studies. Thus, failure of the Government in selecting suitable land for development of ITP based on environment considerations led to abandonment of the site after incurring an expenditure of ₹ 2.61 crore and subsequent relocation of the park to an alternative site (land for the new site has not been acquired so far).

[Audit Paragraph 3.4.5 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2011 (Civil).]

35. The Principal Secretary, Industries and Information Technology Department submitted that out of the land handed over to Information Technology Department in order to establish INFOPARK at Purakkad in Alappuzha district, 8 acres of waterlogged land was converted and thereby incurred an expenditure to the tune of ₹ 2.61 crore. And later the land thus converted was found not suitable for constructing buildings for INFOPARK, the project was abandoned. The building already constructed was handed over to the Grama Panchayath for establishing a homoeo dispensary.

* Committee constituted for preservation of wetlands.

36. The Committee is displeased to note that no proper study was made before acquiring 100 Acres of land and incurred an expenditure of ₹ 2.61 crore. The witness informed that the land was owned by KSITI Ltd., a company under the control of Information Technology Department.

Conclusion/Recommendation

37. The Committee expresses its displeasure over the lackadaisical approach of the IT Department which incurred an infructuous expenditure of ₹ 2.61 crore by acquiring land for a particular project and then abandon the same in the middle. It evaluates that implementing a project without proper study is the reason for the failure and directs the Information Technology Department that before implementing a project feasibility study should be conducted.

AGRICULTURE DEPARTMENT

AUDIT PARAGRAPH

Blocking of Funds

Release of ₹ 1.05 crore to the Kerala State Seed Development Authority for construction of five seed storage godowns and two seed processing units even before ensuring availability of land, resulted in blocking of funds during the period March 2003 to June 2009, besides incurring an expenditure of ₹ 1.19 crore towards rent for hiring godowns from April 2004 to March 2011.

The Director of Agriculture issued instructions (September 2002) for construction of five seed storage godowns in lands available with Krishi Bhavans/farms in the districts of Alappuzha, Kottayam, Ernakulam, Thrissur and Palakkad and two seed processing units in Alappuzha and Thrissur districts. These instructions were issued in connection with the 'Macro Management of Agriculture—Work Plan 2002-03'. The total estimated cost for the five seed storage godowns (₹ 75 lakh) and two processing units (₹ 30 lakh) was ₹ 1.05 crore. The task of implementation was entrusted to the Kerala State Seed Development Authority, Thrissur (KSSDA*). KSSDA requested (February 2003) the Director of Agriculture to issue necessary administrative sanction for construction of the godowns and also to deposit the entire amount in the bank account of KSSDA.

Availability of free sites was essential for smooth progress of work. Without ensuring availability of land, ₹ 1.05 crore was drawn and transferred to the bank account of KSSDA during the period March to May 2003. Though there were repeated discussions within KSSDA between May 2003 and

* A State autonomous body under the Agriculture Department.

November 2008, they could not make any progress in the construction of godowns. The Government stated (July 2011) that the construction had not materialised due to procedural ineptitude and difficulty in finding suitable sites in the five districts. In November 2008, KSSDA decided to construct a Central Seed Godown-cum-Processing Centre at Alappuzha through the Kerala State Nirmithi Kendra* (KESNIK) instead of executing the work plan envisaged for construction of five seed godowns and two seed processing units. For this purpose, ₹ 89.16 lakh was given to KESNIK in five instalments during the period July 2009-March 2011. The construction of the godown was completed.

Non-construction of the godowns resulted in continued hiring of the godowns of Kerala State Warehousing Corporation† on rental basis since 2002-03 for storing seeds in these five districts‡ and the expenditure incurred towards rent during April 2004 to March 2011 was ₹ 1.19 crore.

Thus, release of funds to KSSDA without ensuring availability of suitable sites for construction of godowns resulted in blocking of funds with KSSDA during the period March 2003 to June 2009. Besides, there was expenditure of ₹ 1.19 crore towards rent for hiring of godowns.

[Audit Paragraph 3.4.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2011 (Civil).]

Notes furnished by Government on the above Audit Paragraph is included as Appendix II.

38. To a query of the Committee the Witness, Secretary, Agriculture Department submitted that, though directions had been given to construct seed storage godown of Kerala State Seed Development Authority in 5 districts, the State Agricultural Engineers were incapable to implement the project as envisaged. Then it was decided to construct a big godown with 2000 MT capacity instead of 5 small godowns and land for this purpose was identified in Alappuzha District. The construction was entrusted to Nirmithi Kendra and the godown was commissioned in 2011. He apprised that though some delay occurred in identifying the land and entrusting the work rather than carrying-out the same with the Engineering Groups in the department, the Seed storage godown in Alappuzha is functioning properly. The Committee accepted the explanation put forth by the department.

* A State autonomous institution engaged in construction works using cost-effective technology.

† Kerala State Warehousing Corporation is a Statutory Corporation having 50 per cent share capital by Central Warehousing Corporation and 50 per cent share capital by Government of India.

‡ Alappuzha, Ernakulam, Kottayam, Palakkad and Thrissur.

Conclusion/Recommendation

No Comments.

AUDIT PARAGRAPH

Improper management of funds deducted towards General Provident Fund from employees of Kerala Agricultural University and consequent interest burden

Failure to manage funds deducted from salaries of employees towards General Provident Fund resulted in shortage of funds in Provident Fund account which led to extra burden of ₹ 15.93 crore to Kerala Agricultural University towards interest.

As per the Kerala Agricultural University (KAU) Act, 1971, KAU has constituted a Provident Fund (PF) for the benefit of its employees and the Government subsequently notified (June 1972) that the General Provident Fund (Kerala) Rules would be applicable to the employees of KAU. The Provident Fund transactions were being carried-out through a Treasury Public (TP) account* maintained at the District Treasury, Thrissur and a Savings Bank account† opened in State Bank of Travancore, Thrissur. The University invested the PF balances in fixed deposits and ₹ 17.81 crore was available as of March 2008 in the District Treasury, Thrissur and Subtreasury, Thrissur. Interests realised on these fixed deposits were being credited to the TP account maintained at the District Treasury, Thrissur and in the Savings Bank account in the State Bank of Travancore, Thrissur. Payments, such as temporary advances, part final withdrawals and final withdrawals, out of the PF account of the employees were effected from the above two accounts by the University.

From 2001-02 onwards, the deductions made towards PF from the salary of the employees were not being credited in full to either the TP account or to the bank account. Consequently, as against the balance of ₹ 80.75 crore (including interest credited) that should have been available in the PF account as per the University records, the actual balance (₹ 18.95 crore) as at the end of March 2008, in the savings bank account, treasury public account and fixed deposit account taken together was short by ₹ 61.85 crore. During 2001-02 to 2007-08, the actual interest accrued on the deposits/refunds made by the employees was ₹ 34.70 crore whereas the interest received by the KAU from the investments made out of PF collections was ₹ 18.77 crore. This resulted in an avoidable burden of interest by ₹ 15.93 crore to KAU from their own resources.

* Account number 723

† Account number 57006546359

Thus, failure of the KAU to manage its funds deducted from the salary of its employees towards PF resulted in shortage of funds in the PF account which, in turn, led to extra burden of ₹ 15.93 crore on KAU towards payment of interest to PF subscribers. The State Government stated (September 2010) that the KAU could not deposit the full amount deducted from the employees towards PF from 2001-02 onwards to either the Treasury Public account or to the bank account due to inadequate allocation of Non-Plan grant by Government. The reply cannot be accepted as it was the obligation of the Government to provide sufficient funds for all the activities envisaged in the KAU Act.

[Audit Paragraph 2.5.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2010 (Civil).]

Notes furnished by Government on the above Audit Paragraph is included as Appendix II.

39. The Secretary, Agriculture Department submitted that Kerala Agricultural University diverted the Provident Fund contribution of employees to meet the expenditures like payment of salary etc., defying the Government direction in this regard.

40. The Committee criticized the practice of making payment of salary using the PF contribution and decided to recommend to take action against the responsible officers. The Secretary, Agriculture Department submitted that the Agricultural University faced dearth of fund for meeting the day-to-day expenditure. He informed that the Commission appointed for studying the financial condition of Universities had recommended to aid the University with a grant of ₹ 100 crore.

41. Since the grant allotted was not sufficient to meet with the requirement of the expenditure, the PF deduction of employees had to be diverted and the deficit accrued over years turned up to ₹ 100 crore in the year 2008-09.

42. The Committee decided to recommend that the Government should make one-time settlement to resolve that issue. It suggested that an additional amount should be provided to the Agricultural University to cover the deficit and necessary amendments should be brought to the statutes to ensure that PF contribution deducted from the salary of employees should not be utilized for administrative purposes in future.

Conclusion/Recommendation

43. The Committee accuses the Agriculture Department for not monitoring the improper management of funds by University authorities especially amount deducted towards General Provident Fund from the salary of the employees of Kerala Agricultural University which resulted in an extra burden of ₹ 15.93 crore towards the payment of interest. It directs that the practice of diverting the amount deducted towards the PF contribution for meeting administrative expenditure should be curtailed and statutes of all universities should be amended accordingly.

44. It also recommends that Agriculture Department should check the feasibility for extending an aid to the Agricultural University as one-time settlement to resolve the issue.

Thiruvananthapuram,
16th December, 2014.

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

APPENDIX I

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusion/Recommendation</i>
(1)	(2)	(3)	(4)
1	8	Fisheries and Ports	The Committee observes that the former contractor abandoned the work in the middle and the balance work had to be re-arranged at higher rates resulting in an additional expenditure of ₹ 50.97 lakh. It remarks that had the provision for risk and cost was included in the contract of work, the additional expenditure could have been realised from the contractor. It views it as a serious lapse on the part of the department and directs that the Fisheries and Ports Department should be vigilant in avoiding such lapses in future.
2	9	Public Works	The Committee analyses that the amount collected as guarantee for the works is meagre when compared to the cost of works and hence it recommends that the Public Works Department should make necessary amendments in the PWD Manual to enhance the amount of guarantee enough to cover the risk and cost.
3	16	Fisheries and Ports	The Committee observes that, the hard and fast criteria for availing diesel subsidy is not in favour of the prevailing conditions of the fisher folk. To ensure the fruitful utilisation of central assistance the Committee directs the Fisheries and Ports Department to take necessary steps to take up the matter with Government of India so that necessary changes could be brought to the guidelines in accordance with the prevailing condition of each state.

(1)	(2)	(3)	(4)
4	17	Fisheries and Ports	The Committee recommends that the Fisheries and Ports Department should make necessary arrangements to purchase sufficient quantity of Kerosene from IOC and to distribute the same to fishermen at State Government subsidy rates.
5	21	”	The Committee views that the Matsyafed had neither conducted a feasibility study nor had a proper planning and monitoring before submitting the proposal for the project to the Government of India. The Committee laments the negligence on the part of the department in implementing the centrally sponsored projects without taking into account of the prevailing condition of the state and warns that necessary steps should be taken to avoid such lapses in future.
6	25	Forest and Wildlife	The Committee finds that Pythalmala Ecotourism Project was not implemented as envisaged as the road leading to the worksite could not be constructed. The project had been wound up due to the lack of feasibility study and proper planning. This resulted in blocking up of ₹ 8.81 crore. It recommends that before implementing a Centrally Sponsored Scheme, feasibility study should be conducted and directs the Forest and Wildlife Department to avoid such lapses in future.
7	28	”	The Committee lashes on the inertia and lack of conspicuous vision on the part of the department in implementing the projects and non-utilisation of ₹ 3 crore provided for environmental protection.

(1)	(2)	(3)	(4)
			<p>The Committee was at a loss to note that even the Advisory Committee to verify whether a land is ecologically fragile had not reconstituted as per the rules. So the Committee recommends to initiate steps on war footing to reconstitute the Advisory Committee and urges to furnish a report on the steps taken in this regard.</p>
8	30	Information Technology	<p>The Committee admonishes the officials of INFOPARK for their languid attitude in complying the provision of Store Purchase Manual resulted in short collection of cost of tender forms to the tune of ₹ 52 lakh and observes that, the responsibility for the loss has not been fixed. The Committee remarks that ignorance is not an excuse for erring. It directs the Information Technology Department to impart training to the concerned officials regarding the changes in the rules and acts periodically to avoid such lapses in future.</p>
9	34	”	<p>The Committee strongly recommends that the contractors who fail to execute the work in time and submit fake bank guarantees should be blacklisted. It also urges the IT Department to furnish the details of the present status of the case against M/s Farooq Agencies.</p>
10	37	”	<p>The Committee expresses its displeasure over the lackadaisical approach of the IT Department which incurred an infructuous expenditure of ₹ 2.61 crore by acquiring land for a particular project and then abandon the same in the middle. It evaluates that implementing a project without proper study is the reason for the</p>

(1)	(2)	(3)	(4)
11	43	Agriculture	<p>failure and directs the IT Department that before implementing a project feasibility study should be conducted.</p> <p>The Committee accuses the Agriculture Department for not monitoring the improper management of funds by University authorities especially amount deducted towards General Provident Fund from the salary of the employees of Kerala Agricultural University which resulted in an extra burden of ₹ 15.93 crore towards the payment of interest. It directs that the practice of diverting the amount deducted towards the PF contribution for meeting administrative expenditure should be curtailed and statutes of all universities should be amended accordingly.</p>
12	44	„	<p>It also recommends that Agriculture Department should check the feasibility for extending an aid to the Agricultural University as one-time settlement to resolve the issue.</p>

NOTES FURNISHED BY GOVERNMENT

Government of KeralaFisheries and Ports (B) Department**ACTION TAKEN REPORT ON PARA 2.2.1 REGARDING NON RECOVERY OF AMOUNT PAID AT ENHANCED RATE TO A CONTRACTOR**

Sl. No.	Paras No.	Recommendations of the Committee	Action taken by Government
1	2:2.1	Non-completion of work as envisaged in an agreement resulted in payment of Rs. 50.97 lakh at enhanced rates to a contractor for construction of a fishery harbour at Ponnani.	The work 'Construction of Breakwaters at Ponnani' was awarded to the petitioners in April 2002 by the 3 rd respondent, fixing the schedule of rate of completion as 18 th December 2003. But the contractor did not complete the work of Rs. 45,000/-. The contractor did not complete the work within this extended period also. As the progress was very slow, during this period, the work was terminated but later it was revoked by the 2 nd respondent following the request of the contractor. Meanwhile the contractor requested for rate revision and further extension of time. Government sanctioned rate revision with 10% excess over 2004 schedule of rates with a condition to complete the work within 9 months. But the contractor could not complete the work within this period also and requested for further extension. Government sanctioned time extension upto 31 st October 2007 with a fine of Rs. 36.44 lakhs for the period from 01.04.07 to 31.10.07 and a fine of Rs. 21,956/- per day after 31.10.07. But the contractor did not execute the work after this. Hence the work was terminated by the 3 rd respondent on 29.04.08 at full risk and cost of the contractor as per tender condition and the work is rearranged. The extra liability due

to rearrangement of the work is Rs. 4,34,12,105/-. This amount has to be remitted by the contractor. As he did not remit the amount revenue recovery action was initiated against the contractor. This is as per the existing tender conditions and rules.

As the contractor did not execute the work within the extended period, the work was terminated on 29.04.2008 and re-arranged. The extra liability due to the re-arrangement was worked out to Rs. 4,34,12,105/-. The contractor was asked to remit this amount to Government within 15 days of receipt of notice. But the notice came back unclaimed. A second notice was issued on 28.05.2009 and the contractor received the same on 08.06.2009. But he did not remit and settle the dues. Hence the proposal for revenue recovery action was submitted to the District Collector, Malappuram on 30.06.2009. The Collector, Malappuram returned the proposal instructing to submit the same to the District Collector, Kollam as the contractor against whom recovery has to be initiated belongs to Kollam district. Accordingly the proposal was submitted to the District Collector, Kollam for revenue recovery action against the contractor.

Then the contractor filed a writ petition WPC) No. 31363/2009 before the Hon'ble High Court Challenging the issuance of demand notice issued by the Executive Engineer, Harbour Engineering Division, Malappuram for remitting an amount of Rs. 4,34,12,105/- with interest consequent to termination of the work contract awarded for the petitioner for re-arrangement at his risk and cost. The Hon'ble Court passed interim order on 03.06.2010 in the above case, directed

to take steps to file a suit for damages against the petitioner before the appropriate civil court. The Government vide Letter No. 19015/233/2010/Law dated 11.10.2010 directed to file appeal against the interim order dated 03.06.2010.

Accordingly a review petition was filed for revising the order dated 03.06.2010 which was pending on the files upto February 2012 and thereafter a writ appeal as W.A. No. 723/2012 was filed by the State before Division bench of the Hon'ble High Court of Kerala challenging the interim order dated 03.06.2010 of the Single judge.

The above writ appeal No. 723/2012 filed by the State was disposed by judgement dated 16.10.2012 by the Division bench of the Hon'ble High Court directing that as it is now 2012 the parties could insist upon deciding the writ petition on merits. Advocate General has been addressed for taking further action based on judgement.

The writ petition WP(C) No. 31363/2009 is still pending with Hon'ble High Court with stay order on implementation of Ext. P7 (Notice No. D1/1643/2009/EE dated 28.05.2009) Revenue recovery proceedings of the Executive Engineer. Hence action in the revenue recovery proceedings against the contractor by Tahsildar (RR) Kollam could not be proceeded further. The Revenue Recovery action can be continued only after the disposal of the writ petition.

Government of Kerala
Fisheries and Ports (B) Department

**ACTION TAKEN REPORT ON PARA 2.4.1 REGARDING NON UTILIZATION OF CENTRAL FUNDS IN THE
REPORT OF CEAG FOR THE YEAR ENDED 31.03.07 (CIVIL)**

Sl. No.	Paras No.	Recommendations of the Committee	Action taken by Government
1	2:4:1	<p>Government of India (GOI) released Rs. 4.78 crore in three instalments during 2005-06 towards the Central share of grant-in-aid for Fishermen Development Rebate on High Speed Diesel (HSD) oil which was one of the components of the Centrally sponsored scheme on 'Development of Marine Fisheries, Infrastructure and post Harvest Operations', implemented during the Tenth Plan (2002-2007). The rebate was Rs. 1.50 per litre of diesel consumed by mechanized fishing vessels below 20 metre length and was to be shared by Central and State Governments in the ratio of 80:20. According to the guidelines of the scheme, only mechanized fishing vessels added to the fleet of vessels before the end of the Ninth Plan (1997-2002) and registered under the concerned Government agencies were eligible for the rebate.</p>	<p>The proposal for sanctioning Fishermen Development Rebate on HSD oil for 4021 mechanized fishing boats was submitted to Government of India during 2005. As per the guidelines issued by Government of India for the implementation of diesel subsidy scheme, fishing boats below 20 m. OAL, registered under the State Government, using fuel from approved diesel outlets and added to the fishing fleet before the end of 9th Plan period would be granted rebate on HSD oil for Rs. 1.50 per litre. The selection of beneficiaries has been done on the basis of the above criteria. The rebate was shared by Central and State Government in the ratio 80:20. An amount of Rs. 477.52 lakhs was allotted by the Central Government for the implementation of this scheme during 2005-06.</p> <p>In 2005-06 period, about 70% fishing vessels were not registered, licensed under the Department of Fisheries which made the implementation process difficult even though a large number of boats were constructed during the 9th plan itself. The registration of</p>

<p>During 2005-06 to 2007-08, only Rs.1.35 crore was utilised by the Fisheries Department towards the rebate. The Director of Fisheries informed (December 2007) the Government that the stipulation in the Government of India guidelines that vessels were to be registered before the end of the Ninth Plan (1997-2002) for getting the rebate under the scheme was the reason for not achieving the target.</p> <p>It was seen in audit that the State Government had stopped registration of vessels from 31st December 1994 onwards to streamline the number of boats to regulate fishing activities and restarted the registration only in May 2007.</p> <p>The scheme was subsequently extended to the Eleventh Plan Period (2007-12) and allocation of Rs. 100 crore was made, but no funds were released by Government of India during 2007-08.</p> <p>Government stated (July 2009) that revision of the guidelines of the scheme had been taken up (September 2008) with Government of India to include modified traditional crafts and new boats added to the fleet of vessels up to the Eleventh Plan under the eligibility criteria. Thus, failure to apprise the Government of India in time</p>	<p>vessels was stopped in order to streamline the number of boats in the sector to control the fishing activity.</p> <p>As per the Government Order dated 16.03.07, the Government of Kerala insisted that all the fishing vessels operating in the territorial water of Kerala coast should obtain registration/license. Based on the above instruction, majority of the fishing vessels have obtained registration/license from the Department of Fisheries even though they are constructed in 9th plan period. The process of registration was delayed only due to technical reasons.</p> <p>In order to include the vessels added to the fishing fleet after the 9th plan period and also to include inboard engine crafts in the scheme, Government of India has been requested to revise the guidelines vide Government letter No.4524/B1/2009/F&PD dated 30/4/2009. It may be noted that till the end of the financial year 2007-08 around Rs. 134.82 lakh has been expended for the implementation of the scheme. By the end of 2008-09 Department of Fisheries disbursed Rs.221.33 lakhs and Utilization Certificate for this amount was submitted.</p> <p>As per the letter No. 3301-3/2007(FY(H)) dated 19.02.2009, Government of India revised the guidelines. The subsidy limited to Rs. 3.00/litre of HSD Oil with a ceiling of 500 litre per month during active fishing months and also limited to boat owners of BPL category. The Director of Fisheries requested the Government of India for revision of the guidelines of the Scheme and to</p>
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<p>about the necessity of modifying the eligibility criteria for getting the rebate resulted in non-utilization of Central funds of Rs. 3.43 crore for the last four years and consequent denial of benefits to the fishermen.</p>	<p>include modified traditional crafts and new boats added to the fleet of vessels up to the eleventh plan under the eligibility criteria. The Department also demanded to extend the benefits of the scheme to all bonafide fishermen irrespective of APL or BPL classification and to extend benefits to all vessels registered irrespective of plan period and also demanded to remove the ceiling of 500 litres per vessels for active fishing months.</p> <p>Vide letter No. 4524/B1/09/F&PD dated 30.04.09 State Government requested Government of India to revise the guidelines.</p> <p>Government of India vide DO NO. 30035-23/2004-FY(T-1) dated 10.08.09 has informed that to amend the scheme suitably they had collected some data from all states. The guidelines were not revised by the Government of India so far and hence the unutilized amount was remitted in treasury by District Officers.</p>
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C & AG Report (Civil) for the year ended 31st March 2010 - Statement of Action Taken Report

Para No.	Objection	Action Taken Report
2.3.1	<p><u>Blocking of funds with Matsyafed</u></p> <p>Conceptualization of Projects without assessing the situation prevailing in the State resulted in the blocking of funds of Rs.2.53 crores released to Matsyafed for implementation of two projects.</p>	<p>'Diversification of artisanal fisheries for deep sea fishing' and 'Value Addition and Marketing of Fish' are the two projects mentioned in the C&AG Report.</p> <p><u>I. Deep sea fishing:-</u> As of now the unspent balance under the project with Matsyafed is Rs.129.15 lakhs out of the amount Rs.400 lakhs. In the meeting held on 05/01/2012, the Administrator of Matsyafed has decided as per resolution No:88/2012 to explore the possibility of spending the balance and the Federation has given direction to the Project Division of the Organisation in this regard. Instruction has been issued to the Managing Director, Matsyafed to refund the unutilized amount.</p>

2. **Value addition and marketing:-** Administrative Sanction was accorded for the project viz. Value Addition and Marketing of Fresh Fish, to reduce post harvest losses to traditional fishermen - Phase II with an outlay of Rs.99.95 lakh vide G.O (Rt) No:70/07/F&PD dated 09/02/2007. The project comprises introduction of Flake Ice Machines and temporary storage at the level of Primary Co-operatives so that the fishermen have ready access to ice without being exploited by private suppliers.

The approved project cost is given below:

Sl. No	Project Component	Outlay	Subsidy
1	Facility to Primary Coops*	96.66	GOK 96.66
2	Training and Project Management	3.29	3.29
	Total	99.95	99.95

*Facility to Primary Cooperatives

Sl. No	Particulars	Nos.	Rate (Rs)	Cost (Rs) in Lakhs
1	Flake Ice Unit-3 TPD	9	7,00,000	63.00
2	Insulated Boxes 100 l	450	3,300	14.85
3	Insulated Boxes 150 l	270	4,300	11.61
4	Plastic Crates 50 l	1800	400	7.20
	Total			96.66

Matsyafed has completed the primary steps for implementation of the project. Supply of Flake Ice Machine was the major hurdle in implementation. In Kerala there is no supplier/manufacturer for Flake Ice Machine and all over India only a few firms are involved in this business. Matsyafed had invited tenders from approved firms for supplying Flake Ice Unit for the selected unit. After negotiation with the Companies, supply order was given to M/s Pateel Industries Pune.

but the firm did not turn up to install the units and hence the supply order was cancelled and re-tendered on 18/12/2009. Only one tender from M/s Push Engineering, Pune was received and after negotiation, the agreement with M/s Push Engineering Company, Pune for supplying Flake Ice was executed on 14/04/2010. The cost of Flake Ice Unit of 3 T capacity in the approved project is Rs.7 lakhs. But the actual amount required since rose to Rs.12.70 lakhs.

Matsyafed could not establish any unit as the societies have no source of fund for meeting the additional expenditure in this regard. Hence the implementation of the project was badly delayed.

In the circumstances, in order to implement the project within the time limit, the Board of Directors of Matsyafed vide resolution No. 1064 dated 07/08/2010 have decided to reduce the number of units from 9 to 7 and to revise the project cost as below:

Project Cost		Amount in Lakhs		
Sl. No.	Particulars	Cost	Outlay	Subsidy
I	Facility to Primary Co-operatives			
1.	Flake Ice Unit 3 TPD 7 Nos. @ Rs.12.70	88.90		
2.	Contingency @ Rs.1.10 (7 Units)	7.76		
	Total	96.66	96.66	96.66
II	Training and Project Management	3.29	3.29	3.29
	Total	99.95	99.95	99.95
<p>Matsyafed has refunded the unspent amount of Rs.99,95,000/- (Rupees Ninety nine lakhs and ninety five thousand only) being the amount sanctioned for the project vide Chalan No: 1140 dated 11/04/2012 (Copy enclosed).</p>				

Original

CHALLAN
FORM TR.12
See Rules 102(c) and 124 of Kerala Treasury Code)
Chalan for Payment of Money into the
District Treasury/Sub Treasury/
State Bank of India/State Bank of Travancore

1150
1114

VALUE ADDITION AND MARKETING OF FRESH FISH TO REDUCE POST HARVEST LOSSES TO TRADITIONAL FISHERMEN- PHASE II-PROJECTS

At...FORT.....

Computer Seq. No

Date

10-Apr-12

Head Of Account

2405	99	105	98			
Mal	Stml	Mln	Sub	Det	Obj	S obj

DDO Code : (Dept)

(DDO)

SDO code :

By whom paid and name (or designation) and address of the person whose behalf money is paid	Purpose of remittance and authority, if any	Amount Rs. Ps	Order to the Bank
KERALA STATE CO-OPERATIVE FEDERATION FOR FISHERIES DEVELOPMENT LTD. (MATSYAFED)	Matsyafed- Surrender of Project Funds to Government	99,95,000	CORRECT
			Receive and grant receipt
Signature & Designation of the Departmental Officer Countersigning the remittance	Total	0	Treasury Officer

Signature & Designation of the Departmental Officer countersigning the remittance

Total in words Ninety nine lakhs ninety five thousand only

Signature of remitter

District/Sub-Treasury

(Received Rs.99,95,000/- from MATSYAFED for Project Funds) (For cash only)

State Bank of

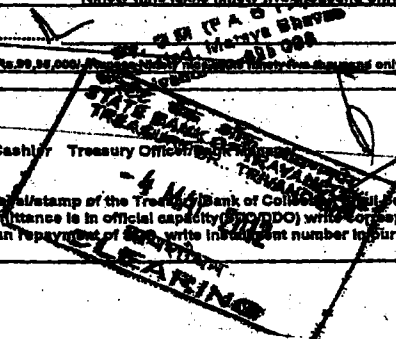
Date .10/4/2012

Signature of Treasurer/Cashier

Treasury Officer

Note:

The seal/stamp of the Treasury Bank of Collection must be affixed if remittance is in official capacity (DDO) write corresponding code if for loan repayment of Govt. write instrument number in purpose column.



Committee on Public Accounts (2008-2011) Remedial measures taken on Audit Paragraph 4.4.A. (b) contained in the Report of Comptroller & Auditor General for the year ended 31.3.2008. Action Taken Report

Department	Para No	Clot of Para	Remedial Action taken
Planning & Economic Affairs Department	4.4.(b)	<p>Government accorded sanction (March 2005) for setting up of a unit on 'Local Self Government Studies and Research' in the Centre for Development Studies (CDS), with the objective of promotion of research, capacity building and usage of research findings to support local level development through Local Self Governments. The project was to be financed by grants (Rs. 8 crore) from State Government for the first four years from 2004-05 at Rs.2 crore each year and funds (Rs.3.50 crore) mobilized from other funding sources. From the fifth year the programme was to run on a self-sustainable basis without any external support.</p> <p>Government released Rs.1.70 crore in March 2005 and Rs.2 crore in March 2007 towards the first and second instalments of its committed share. CDS did not start the project as envisaged in the proposal on the plea that non-release of second instalment by Government during 2005-06 had caused some uncertainty in the</p>	<p>The State Government vide G.O.(AS)No.2905/Pg dated 30th March, 2005 approved the proposal to set up the "Research Unit on Local Self Government" at the Centre and committed to provide a total Corpus Fund of Rs.8 crore on yearly installment of Rs.2.00 crore per financial year for five years from the financial year 2004-05. The income earned from investment of Corpus is to be utilized for the activities of the Research Unit. From the fifth year, the programme is to run on a self-sustainable basis without any external support.</p> <p>This request for not scale up in the activities as envisaged is noted below:</p> <ol style="list-style-type: none"> 1. The Government's contribution of Rs.1.70 crore for the financial year-2004-05 was released at the end of the financial year i.e. in March, 2005. Since the funds were released in March, 2005, the Centre could not carry out any activities during the financial year 2004-05. 2. The amount of Rs.1.7 crore was considered as Corpus Fund and invested in April, 2005. With the anticipated income of Rs.12 lakhs, a modest plan of activities were finalized and implemented in 2005-06. 3. The request for non-usage of income from the investment of unspent funds of Rs.80 lakhs of the Kerala Research Programme on Local Level Development is given below. <p>The funds of the erstwhile KRPLLD could not be used for the activities of the Research Unit since the income was specifically earmarked to meet expenses towards publication, dissemination etc. of the wound up KRPLLD programme in 2005-06. A good number of books were published during 2005-06.</p> <p>The second installment of Rs.2 crore due for release in 2005-06 was not released in time due to certain constraints. Government also tried to explore the possibility of providing Grants-in-aid in the range of Rs.20-25 lakhs instead of one time yearly corpus of Rs.2 crore from 2005-06, but could not. The timely non release of funds as originally</p>

	<p>functioning of the unit. CDS had with it Ra.2.50 crore in the corpus fund up to 2005-06, including Ra.0.80 crore being the unspent balance of the erstwhile Kerala Research Programme on Local Level Development and hence CDS could not start the project as envisaged. It was only after the release of the second instalment of Ra.2 crore that CDS took the initiative to recruit faculty members and commence research and other related activities. As against the expenditure of Ra.2.51 crore to be incurred on faculty and projects for the four years upto 2007-08, the expenditure incurred was only Ra.7 lakh. Despite all efforts implementation of the programme could not progress as envisaged.</p> <p>Government stated (September 2006) that the major activity was 'action research project' for which priority sectors in ten panchayats had been identified and started implementation from 2006-07. The reply is not acceptable as the objective of setting up the unit for promotion of research has not been fulfilled even after three years of release of funds to CDS.</p>	<p>envisaged has caused uncertainty in planning a full scale research programme for the Unit. However, the programme was launched in a reasonable scale in ten panchayats in Kasargod District in June, 2006.</p> <p>The Government released the second instalment of Ra.2 crore in March, 2007. Had the second instalment been released in the first month of the year, a concrete research plan could have been in place in the beginning of 2006-07. With the addition of Ra.2 crore to the Corpus, the Unit started earning Ra.35 lakhs from the financial year 2007-08 only. To avoid depletion of Corpus due to inflation, 15% of the income was earmarked for reinvestment in the corpus. Thus, the remaining income of Ra.30 lakh was available from the beginning of the financial year 2008-09.</p> <p>The research projects take at least two to three years to complete and the availability of funds is an important factor in their timely completion. Since the State Government only partially fulfilled its commitment, the accumulation of the Corpus has been much lower than what was originally envisaged. The Centre therefore could not draw up a broad based programme of work for the Research Unit. In order to sustain the accumulation in the Corpus, part of the expenditure for running the Unit (especially for faculty cost) has been met out of CDS general budget.</p> <p>Based on the availability of income from Corpus a detailed work plan for 2007-08 was finalized and implemented. The programme of activities were further scaled up during 2008-09.</p> <p>The Government did not release the third instalment in 2007-08. The amount of income earned out of the income from investment of Corpus from the year 2005-06 has been reinvested and the Corpus has grown from Ra.3.70 crore to Ra.4.35 crore as on 31.3.2009.</p> <p>It may be noted that it is due to the uncertainties in fulfilling the commitments by the State Government, the Unit has not been able to actively pursue its objectives during the first three years, i.e. 2004-05 to 2006-07. However, with the funds available a set of research and training activities were finalized in 2007-08 which culminated into a number of activities.</p> <p>Since the inception of the Research Unit, every year, the Annual Report consisting of the progress made, work plan and budget were presented to the Governing Body and the Committee of Direction of the</p>
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Centre for their comments and approval. The Secretary, Planning & Economic Affairs Department, Government of Kerala represents the Government in these Bodies. The Annual Report are also presented to the Programme Advisory Council of the Research Unit in which the Vice Chairman or his nominee of the State Planning Board and the Principal Secretary, Department of Local Self Governments represent the State Government. Thus, there is a formal arrangement to get the feed back on the performance and activities of the Unit from the State Government. The three bodies that has been overseeing the activities and performance of the Unit have expressed satisfaction of its functioning and research output produced.

The activities of the Unit for the years 2005-06 to 2007-08 were reviewed by an external Review Committee consisting of Dr.S.Meenakshisundaram, former Secretary, Government of India and presently Executive Chairman, MYRADA, Bangalore and Shri T.R.Raghunandan, former Joint Secretary, Ministry of Panchayati Raj, Government of India. The Committee expressed satisfaction in the progress of work.

The Unit has brought out the following major publications out of the Unit's Research by 2008-09:

1. E-Governance in Local Governments of Kerala
2. Possibilities and Limits of 'Deater' politics
3. A study of the National Rural Employment Guarantee Programs in Three Grama Panchayats of Kasargod District, Malayalam)
4. How to make the plans of Panchayats effective (a book in Malayalam)

The Publication in SI.No:4 have been sent to all Panchayats in the State as part of the dissemination activities of the Unit. The CDS is receiving reports that these publications are being used widely for the benefit of elected representatives of Panchayats and training of officials of Panchayats.

Remedial Measures Taken in respect of Audit paragraph 4.4.4 (c) contained in the Report of the C&AG for the year ended 31.3.2008

1.	Department	Forest and Wildlife Department
	Subject/Title of the review para	Blocking up of funds with Government agencies - Forest & Wildlife Department
	Para No.	Para No. 4.4.4 (c)
	Report No. & Year	31.3.2008 (Civil)
2.	Date of receipt of the Draft para/review by the Department Date of reply	7.7.2009
3.	Gist of para review	Blocking up of funds with Government agencies - Non completion of Pythamala Eco Tourism Project.
4.	Does the Department agree with the facts and figures included in the paragraph	No
5.	If not please indicate areas of disagreement and also attach copies of relevant documents in support	<p>The Pythamala Eco Tourism Project in Thaliparamba Range was given administrative sanction as per G.O (Rt) No. 1562/05/GAD dated 28.2.2005. The project was sanctioned under the Integrated Development of Northern Regional Circuit in Kerala with an estimated cost of Rs.60,00,000/- (Rupees Sixty Lakhs only).</p> <p>Director, Eco Tourism, released Rs.40,00,000/- to the Chief Executive Officer, Thenmala Eco-Tourism Promotion Society and the amount was credited to the bank account of the Chief Executive Officer of Thenmala Eco-Tourism Promotion Society and sanction was accorded for the release of Rs. 15,00,000/ (Rupees Fifteen Lakhs only) to the Forest Development Agency, Kannur for the above work.</p> <p>Out of 10 items of work in the above projects, the only work carried out was the construction of trek path for a length of 7.65 K.M and the project has been wound up. The main reason for winding up the project is the non-completion of approach road to the project area, which was the responsibility of the Public Works Department. Without the proposed road, materials cannot be brought to the site.</p>

	<p>The labour charge prevailing in this area is also higher than the Public Works Department rate. Moreover, the items of works were not in conformity with the Eco-Tourism guidelines. All these reasons led to the non completion of the project within the stipulated time.</p> <p>The Director, Eco-Tourism informed that Government had totally declined the request for extension of time for the completion of the project and directed to surrender the unspent balance of money sanctioned for Pythalmala Project. Since, the expenditure incurred for the construction of trek path for a distance of 7.65 KM is Rs.3,96,819/- (Rupees Three lakhs Ninety Six Thousand Eighty hundred and Nineteen only), the unspent balance to be surrendered was Rs.11,02,181/- (Rupees Eleven lakhs Two Thousand One hundred and eighty one only). The unspent balance of Rs.11,02,181/- was surrendered to the Director, Eco Tourism by the Divisional Forest Officer, Kannur as per crossed cheque No. 145351 dated 13.5.2009.</p> <p>There is no fault on the part of Forest Department for the non completion of Pythalmala Eco Tourism Project. In view of the above facts para may be dropped.</p>
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COMPTROLLER AND AUDITOR GENERAL OF INDIA - (AUDIT REPORT (CIVIL) FOR THE YEAR ENDED 31ST MARCH 2011 STATEMENT SHOWING

Para No	Recommendation	Remedial measures Taken
3.4.2	<p>Non utilisation of funds</p> <p>Due to lack of appropriate follow-up action by the Forest and Wild Life Department Rs. Three Crore released for protecting an Ecologically Fragile mangroves eco-system which remained unutilised for more than four years.</p>	<p>The proposals were received from three districts viz, Kannur, Kollam, Thrissur for acquiring mangroves for a total area of 86.0102 Ha. The proposals received are under scrutiny of the Advisory Committee under Ecologically Fragile Lands Act and Chief Conservator of Forests, Ecologically Fragile Lands. The Principal Chief Conservator of Forests and Head of Forest Force (Chairman of Advisory Committee) has been advised to decide on this issue at the earliest.</p>

GOVERNMENT OF KERALA
INFORMATION TECHNOLOGY (A) DEPARTMENT

**STATEMENT OF ACTION TAKEN REPORT - RMT STATEMENT ON AUDIT PARAGRAPHS CONTAINED IN THE
REPORT OF C & AG 3rd 2nd Report issued 31-3-2011**

Sl. No.	Para No.	Subject	Action taken report.
1	3.1.2	<p>Loss due to short collection of tender forms</p> <p>Non-compliance with provisions of Stores Purchase Manual resulted in short collection of cost of tender forms amounting to Rs 63.24 lakh in Infopark and Malabar Cancer Centre</p>	<p>1. Infopark was following the norms in vogue for fixing the cost of tender documents till the time it was brought to the notice that Infopark has to follow the norms in the Store Purchase Manual (SPM). The norms till that time were that of Kinfra who started Infopark. Infopark, as directed by Government is selling tender documents at the cost as per SPM now.</p> <p>2. i) For Infopark, the tender documents for major works are prepared by the Consultants and they supply the required number of copies to Infopark for sale as this has been made a part of their obligation. Therefore the reasons for enhancement of cost of tender documents as mentioned in the GO was not applicable to Infopark as Infopark is not utilizing own stationery or materials for production of tender documents.</p> <p>ii) The tenders invited by Infopark is generally multi-discipline tenders which may include civil, electrical, air conditioning, plumbing & sanitary, firefighting, structural glazing, lifts, interior fit out works, workstations, chairs etc., sometimes all of them put in a single package. Such multi-discipline contracts can be handled only by specialized agencies and all of them were participating in the bidding since the cost of the tender documents was reasonable. Now after the SPM norms are adopted the number of documents being</p>

			<p>sold for similar work has come down. Hence the assumption that Infopark has incurred a loss by not adopting the SPM norms after the GO was issued in this regard is incorrect.</p> <p>iii) By reducing the cost of tender documents more participation was ensured and greater competition between the bidders, resulting in substantial savings in cost of work.</p>
2	3.4.4	<p>Acceptance of bank Guarantees without adequate documentation</p> <p>Acceptance of the Bank Guarantees (Rs. 2.62 Crores) without taking possession of documents relating to their verification resulted in non-detection of their being fake.</p>	<p>1. M/s. KITCO was engaged as a Project Management Consultant for the detailed engineering and construction management for the construction of 4 lane road to Infopark from the Airport Seaport road on nominated basis as per the decision of Board of Governors of Infopark held on 17-01-2007. Right from the inception of Infopark, Managing Director, KITCO was a member of Board of Governors of Infoparks Kerala vide GO (Ms) 17 /2004/ITD dated 30-06-2004. In all the decisions taken by the Board of Governors of Infoparks with respect to 4 lane road, MD, KITCO was present as a member of the Board and as well as a consultant for the project. The Board of Governors nominated KITCO as PMC in view of the following.</p> <p>i) KITCO is a Government Agency.</p> <p>ii) MD, KITCO is a member of Infopark Board so that the full technical and commercial support of KITCO is available for execution of the project.</p> <p>iii) KITCO has sufficient manpower in the technical, commercial and finance department to work in lieu of Infopark especially to support in those areas where Infopark has manpower deficiency.</p> <p>iv) KITCO has sufficient experience and exposure in undertaking similar jobs for Government Institutions.</p>

v) KITCO is undertaking many jobs for the Government agencies like Tourism Department, Goethree on deposit basis including receiving Bank Guarantees, verifying etc.

It is understood that KITCO accepted the Bank Guarantees furnished by M/s. Farooq Constructions, Alappuzha for the deposit works undertaken by KITCO for some other Government organisations from the same Indian Overseas bank, Kottaparam Branch, Alappuzha District and the Bank Guarantees were also found to be forged. It is also understood that no cases have been charged and the contractor was allowed to complete these works and mobilization advances were thus recovered.

2. In the 9th meeting of the Board of Governors of Infopark held on 23rd August, 2007, the board requested the Managing Director of KITCO who was present in the Board meeting to closely monitor the progress of work in his capacity as the member of the Board and MD of KITCO.

3. As per verification of the credentials of various bidders for qualifying them for the price bid opening in the two bid system, the solvency certificate proposed by M/s. Farooq Constructions from the same Indian Overseas Bank branch was also verified and accepted by KITCO making them eligible for price bid opening.

4. At the time of award of the PMC contract to M/s. KITCO, Infopark did not have a Finance Manager or Finance wing to undertake the due process of verification and acceptance of BGs. The format for mobilization advance BG (Bank Guarantee) was part of the tender document. The contractor furnished the BG in the required format. KITCO received the bank Guarantees from the contractor, got it verified and given it in writing by them to

Infopark that they have duly verified the bank guarantees. This was done by KITCO as part of their responsibility as the consultant of the project. On the basis of this written confirmation from KITCO regarding the genuineness of all bank guarantees submitted by the contractor, Infopark have accepted the said BGs and released mobilization advance to the contractor.

It may also be noted that the confirmation to the effect that BGs for mobilization advance "accepted" was given by none other than senior Consultant (Finance) of KITCO. Acceptance of the BGs was issued by KITCO on the letter Farooq /INFO EKM/2007 dated 24-09-2007, marked to MD, KITCO for information. The original of the letter was addressed to CEO, Infopark with the request for releasing mobilizing advance. Senior Consultant (Finance) KITCO accepted the originals of the BGs along with copy of the letter addressed to CEO, Infopark with the intention of verifying the genuineness of BGs. Hence it is clear that KITCO took the responsibility of verifying the genuineness of the BGs for mobilization advance. Subsequently on 25-09-2007 vide letter No: 2336 : DP -382: VKG: 2007 dated 25-09-2007, forwarded original copies of all the six BGs submitted by the contractor and confirmed that all the BGs are duly verified by them. The Managing Director, KITCO in the 14th meeting of the Board of Governors of Infopark held on 13th October, 2008 explained that they have verified the genuineness of the bank Guarantee over telephone with the bank and there had been a lapse on their part in not getting written confirmation directly from the bank. At no time till a case was filed against them, KITCO did not deny that the verification of the due process to ascertain the genuineness of BG was undertaken by them or they are responsible for the same.

From the above, it can be seen that the process of due verification of the BG for mobilization advance was undertaken by the PMC on behalf of the beneficiary M/s. Infopark.

5. Due to the slow progress of the work, the contract was terminated as per the direction of the Board of Governors of Infopark on 16-08-2008. The excess amount available with the contractor (un recovered mobilisation advance) is as given below.

a) Total Amount paid to the Contractor by Infopark

- i) Mobilisation advance : Rs. 154 lakhs
- ii) Payment against RA Bill NO : I : Rs. 63 lakhs
- iii) Payment Against RA Bill No : II : Rs. 101 lakhs

Total amount paid to the contractor (A)

The Gross amount of the work done

by the Contractor

Lakhs

: Rs. 287

After effecting the statutory deductions,

Payable to the contractor (B)

: Rs. 265 Lakhs

Hence the excess amount available with

Contractor (Un Recovered Mobilisation.

advance) (A - B)

: Rs. 52 lakhs

6. As above the balance excess amount available with the contractor is only Rs. 52 Lakhs. After termination of the contract, the balance road work was re-tendered and awarded to M/s. Sreedhanya Constructions at the contract amount of Rs. 19.28 Crores which was Rs. 6.75 Crores more than the value quoted by the original contractor. This work was re-tendered at the risk and cost of the original contractor as per the terms of contract. Infopark has taken all possible measures against the

terminated contractor and consultant for recovering the loss suffered by Infopark due to re-tendering the balance work and other losses. The details of the several cases filed by Infopark are as given below.

a) Infopark has filed a civil case against M/s. Farooq Constructions in Sub Court at Ernakulam (O. S. No : 854 /2009) for recovering the additional expenditure incurred by Infopark in re-tendering the work and other losses suffered by Infopark from the terminated contractor. Total loss suffered by Infopark as claimed in the said suit is Rs. 791 lakhs as given below.

- | | |
|---|-----------------|
| i) The excess amount available with the contractor | : Rs. 52 Lakhs |
| ii) Loss due to re-tendering the balance work | : Rs. 675 Lakhs |
| iii) Loss of income due to delay in re-tendering the work | : Rs. 64 lakhs |
| Total Loss suffered | : Rs. 791 Lakhs |

KITCO is also made co respondent in the said suit along with M/s. Farooq Constructions. In the said case it is specifically alleged that KITCO is bound to verify the bank guarantees furnished by the contractor and inform Infopark about the invalid nature of the Bank Guarantees as a consultant for this work. It is also alleged that KITCO colluded with the contractor in advising Infopark to accept the Bank Guarantees furnished by M/s. Farooq Constructions. The Court has given notice to M/s. Farooq Constructions, KITCO and Indian Overseas Bank, Komalapuram Branch, Allappuzha regarding this case. This case is progressing in the Honorable court and next hearing is posted in July,2013.

b) Also another Criminal case (CC 1803/2009) was filed against

3	3.4.5	Inappropriate selection of site for Information Technology Park at Ambalappuzha	<p>M/s. Farooq Constructions for submitting forged bank guarantees towards Security Deposit and for getting mobilization advance in Judicial First Class Magistrate Court I, Aluva. The Honorable Court has directed Thricketakara Police to investigate this case. Thricketakara Police as per the Court direction has submitted the FIR on 21-04-2009 stating that the respondent is missing. Police has submitted charge sheet against Mr. R.Baiju, the proprietor of M/s: Farooq Constructions based on the FIR submitted in the Hon,ble Court on 31-12-2010. The Court has issued warrant against Mr. Baiju in this case.</p> <p>c) Infopark has filed three criminal cases (ST 326/2010, ST 268/2010, and ST 105/2012) against M/s. Farooq Constructions, Allappuzha in the Judicial First Class Magistrate Court, Aluva for dishonoring the three cheques submitted by them for surrendering the excess amount available with them at the time of termination. Out of the three cases, Hon,ble Court has issued warrant as per CrPC sections 82/83 against Mr. R. Baiju , the proprietor of M/s. Farooq Constructions in all the three cases. All the three cases are in the hearing list.</p> <p>d) Board of Governors of Infopark has removed MD, KITCO from the members of the Board of Governors of Infopark vide GO (Rt) No. 229/2008/ITD dated 28-10-2008. It was also decided that no more PMC contracts shall be awarded to KITCO in future.</p>
			<p>As per GO(MS)No.20/2008/ITD dated 3.6.2008 administrative sanction was inter alia given for setting up of an IT park at Puraikod village of Ambalappuzha Taluk of Alappuzha district. Later LMC meeting held on 21.6.2010 made recommendation to the SLMC stating that there is no objection for using the said land for setting up of IT park.</p>

Initially the Central Government approved SEZ status for the 33 acres of land, out of this 8 acres was filled up by KSITIL by expending Rs.2.61 crores under the presumption that a formal approval will be got from the SLMC and Government.

But it was the decision of the Biodiversity Board that forced Government to select an alternate land proposed by the chairman, Biodiversity Board. The alternate land (50.4295 acres of land comprised in Sy. Nos. 247, 252, 253, 259 and 260 in Block No.21 in Purakkad village) suggested by Biodiversity Board was also found not feasible for setting up of IT park.

At last in the meeting held on 6.11.2012 Government decided to abandon both proposed sites at Gandhi Smrithivanam area since both places are ecologically fragile and invite huge development cost.

The Chief Executive Officer, Infopark informed that the proposed site developed by KSITIL by expending Rs.2.61 crores in the 33 acres of SEZ approved land can be used for various environment friendly projects.



GOVERNMENT OF KERALA

Abstract

Information Technology Department - Infopark - Kochi - Board of
Governors - MD, KITCO dropped from the Board - Orders issued .

INFORMATION TECHNOLOGY (A) DEPARTMENT

G.O.(Rt)No. 229/2008/ITD. Dated, Thiruvananthapuram, 28.10.2008.

Read:- G.O(Rt)No.170/06/ITD dated 10.10.2006.

ORDER

As per GO read above Government have reconstituted the Board of
Governors of Infopark, Kochi.

Government now order that MD, KITCO be dropped from the Board
of Governors of Infopark, Kochi.

(BY ORDER OF THE GOVERNOR)

DR. AJAY KUMAR

Secretary to Government

To

All members of the Board of Governors,
The Chief Executive Officer, Infopark,
MD, KITCO.
Stock file/Office Copy.

Forwarded/By Order

Section Officer



GOVERNMENT OF KERALA

Abstract

Information Technology Department - Setting up of District IT Parks in the Districts of Kollam, Alappuzha, Kasargode and Kannur - Administrative sanction accorded - Orders issued.

INFORMATION TECHNOLOGY (A) DEPARTMENT

G.O.(Ms) No.20/2008/ITD.

Dated, Thiruvananthapuram 03 -06-2008.

Read:- Minutes of the meeting held by the Hon'ble Chief Minister on 7-5-2008.

ORDER

The IT Policy 2007 articulates a "hub and spoke" model of development for widening the IT industrial base within the State. Under this model Technopark in Thiruvananthapuram and Infopark in Kochi would be hub around which smaller IT Parks in other District would operate. Ideally, the extent of land required for setting up of District IT Park is about 100 acres. The minimum extent of land required for setting up of IT/ITES, SEZ is 10 ha (about 25 acres). A typical District IT Park with an area of about 50 acres, when fully occupied is expected to generate direct employment for about 20,000 to 25,000 persons. The creation of these District Level IT Parks for IT/ITES Companies is based mainly on availability of land. Accordingly proposals were received from District Collectors and people's representatives regarding sites where IT Parks could be set up in the districts.

The demand for IT space is mostly in SEZs because within the SEZ the IT Companies get several financial benefits. This is especially relevant because the existing benefits available to IT Companies under the STPI Scheme are temporary. The urgency for setting up SEZs also arises from the fact that the demand for IT SEZ space which is there presently may not continue after two years or so by which time acquired land may be available. A request for grant of SEZ status for an IT Park can be made only after at least 25 acres of land is physically taken in possession of applicant. Moreover any land acquired after April 2007 will not get SEZ approval.

Chief Minister held an inter departmental meeting with Departments of Revenue, Forest, Industries, Finance and Information Technology on 7-5-2008 to finalise the setting up of IT Parks in the districts. The meeting discussed in detail the issues relating to setting up of District IT parks and decided that immediate action will be taken for assigning land for District IT Parks in the Districts of Kollam, Alappuzha, Kannur and Kasargod.

Considering the huge potential of IT Sector to generate employment in the State, and the urgent need for setting up SEZ based IT Parks, Government are now pleased to accord administrative sanction to Kerala State Information Technology Infrastructure Limited (KSITIL) for the setting up of IT Parks in the Districts of Kollam, Alappuzha, Kasargod and Kannur in the lands detailed below. The following lands shall be transferred immediately to Kerala State Information Technology Infrastructure Limited (KSITIL) as per details below:

i. Kollam District

An extent of 10 hectares (approximately 24.7 acres) of Kaval land in Resurvey No. 392/1-2 and 407/1-2 of Mulwana Village, Kollam Taluk, Kollam District was leased to Kerala Ceramics Ltd. for locating the earth moving equipment and for dumping of soil from the mines for a period of 10 years with effect from 1984 vide G.O. (Ms) No. 1108/83/RD dated 20.12.1983 and the lease was further extended vide G.O. (Ms) No. 71/2002/RD dated 5.4.2002. The lease has since expired. Further about 17.61 Ha (43.5 acres) of land (12.15 Ha in R.S. No. 407/1-2 and 5.46 Ha in R.S. No. 392/1-2) is lying unutilized.

It is ordered that about 43.5 acres of land will be assigned to Kerala State Information Technology Limited (KSITIL) taking back the land from Kerala Ceramics Limited. The exact extent of land to be taken back from Kerala Ceramics Limited will be jointly identified by Revenue Department and the Kerala State IT Infrastructure Ltd. The value of land shall be treated as share capital contribution of Government in the equity of the Company and the value of the land will be fixed by Government in consultation with the District Collector, Kollam.

ii. Alappuzha District

About 600 acres of land in Parakkad village of Ambalappuzha Taluk of Alappuzha district has been under acquisition by the Revenue Department based on the request of Forest Department under the Gandhi Smritivanam Scheme. Out of the 600 acres, about 100 acres is proposed to be offered for setting up IT Park. The Forest Department has conveyed its consent to transfer of identified 100 acres of land out of the 600 acres to IT Department for setting up an IT Park. The portions of land which have already been acquired will be immediately handed over to IT Department for assigning to KSITIL Ltd. The remaining patches within 100 acres shall be acquired undertaking Fast Track Process. Necessary requisition in this regard will be furnished by KSITIL Ltd. After the land is transferred to IT Department, it will be assigned to Kerala State Information Technology Infrastructure Limited. The value of land will be treated as share capital contribution of Government in the equity of the company and the value will be fixed by Government.

iii) Industrial Growth Centre, Cherthala.

It is ordered that about 60 acres of land in Industrial Growth Centre, Cherthala in Alappuzha District shall be transferred by Kerala State Industrial Development Corporation Limited to Kerala State Information Technology Infrastructure Limited for setting up of IT Park. The value of the land will be decided by Government separately.

iv. Kasargode

The land measuring an extent of 100 acres in R.S. No. 260/1A1C (p) of Cheemeni village is surplus land taken over possession to Government and vested with Government. At present the land is under the interim management of Plantation Corporation of Kerala as per G.O. (Ms) No. 1173/77/RD dated 22.08.1977.

One of the conditions of lease is that either the entire or any portion of land may be resumed by Government if it is required for public purpose/Government purposes, without paying any compensation for land. However, the value of the improvements if any, which are raised by the Plantation Corporation of Kerala (PCK) on such land shall be given to the Corporation. The above 100 acres of land

will be assigned to Kerala State IT Infrastructure Ltd. taking back the land from PCK. The exact land to be taken back will be jointly identified by Revenue Department and the Kerala State IT Infrastructure Ltd. The value of improvements if any shall be paid by Kerala State IT Infrastructure Ltd. to PCK. The value of land shall be treated as share capital contribution of Government in the equity of the company. The value of the land will be fixed by Government in consultation with the District Collector, Kasargode.

v. Kannur

About 30 acres of surplus land at Eramom at Thaliporambu Taluk in R.S. No. 310 is presently in possession of Revenue Department. It is lying unutilized and the proposal for assigning the said land to KSITI Ltd is presently under the consideration of Government in Revenue Department. The said about 30 acres of land will be assigned to Kerala State Information Technology Infrastructure Limited. The value of land will be treated as share capital contribution of Government in the equity of the company. The value of the land will be fixed by Government in consultation with the District Collector, Kannur.

Revenue/Industries/Forest Department will take immediate necessary action to assign the lands mentioned above in the Districts of Kollam, Alappuzha, Kasargod and Kannur to the Kerala State IT Infrastructure Limited.

Kerala State Industrial Development Corporation will take immediate steps to transfer about 60 acres of land in Industrial Growth Centre to Kerala State Information Technology Infrastructure Limited.

It is further ordered that the aforesaid IT Parks will be recommended for SEZ to Board of Approval, Ministry of Commerce, Government of India. Kerala State Information Technology Infrastructure Limited will make necessary applications for the purpose.

BY ORDER OF THE GOVERNOR

DRAJAY KUMAR
Secretary to Government

To

Managing Director, KSITI Limited, Technopark, Thiruvananthapuram
The Chief Executive Officer, Technopark, Thiruvananthapuram
The Chief Executive Officer, Infopark, Kochi.
District Collectors, Kollam/Alappuzha/Kasargod, Kannur.
The Managing Director, KSIDC, Thiruvananthapuram.
The Managing Director, Kerala Ceramics Limited, Kundara, Kollam.
The Managing Director, Plantation Corporation, Kottayam.
The Accountant General (A&E)/Audit, Kerala, Thiruvananthapuram
Revenue Department/Finance Department, Industries Department
Forest Department
The Commissioner for Land Revenue, Thiruvananthapuram
General Admin(SC) Department (vide item No.2282 dated.31-5-08)
Stock file/Office copy

Forwarded/By Order

Section Officer

Remedial Measures Taken Statement on the Report of the Comptroller & Auditor General of

India for the year ended 31st March, 2011

Para No.	Recommendation	Action Taken	Remarks
3.4.1	<p>Release of Rs.1.05 crore to the KSSDA for construction of five seed storage godowns and two seed processing units even before ensuring availability of land, resulted in blocking of funds during the period March 2003 to June 2009, besides incurring an expenditure of Rs.1.19 crore towards rent for hiring godowns from April 2004 to March 2011.</p>	<p>In the year 2002-03 Government of India funds have been received under seed sector for construction of seed godowns. The amount was drawn by the following 5 officers and handed over to KSSDA as these officers and State Agriculture Engineers were not able to perform the construction activities.</p> <ol style="list-style-type: none"> 1. Principal Agricultural Officer, Thrissur - Rs.30 lakh 2. Asst. Executive Engineer (Agri), Alappuzha - Rs.30 lakh 3. Asst. Executive Engineer (Agri), Ernakulam - Rs.15 lakh 4. Asst. Executive Engineer (Agri), Palakkad - Rs.15 lakh 5. Asst. Executive Engineer (Agri), Kottayam - Rs.15 lakh <p style="text-align: right;">Total - Rs.105 lakh</p>	<p>The action taken by the department to construct the seed godowns with processing facilities have not succeeded. Seed Godowns are integral part as the seeds are to be stored in viable condition till next seasons. The absence of good seed godowns had badly affected the seed storage and distribution in the state. Registered seed growers programme also could not succeed in the state before 2008 because of the deficiencies in procurement and storage of seeds.</p>

In this situation the Board of KSSDA in its 9th Board meeting on 14.07.2008 had decided to start the construction of a big godown with 2000 MT capacity instead of the proposed small 5 godowns. The intention was to reduce the cost of construction, sedentary charges and for having better supervision and control. The construction was entrusted to Kerala State Nirmithi Kendra. In Alappuzha near seed laboratory land was identified. Though it was not suitable the land was suitably reclaimed and filled. The godown construction was completed by 2nd week of October 2011 and started functioning after inauguration on 16.11.2011 by Hon'ble Minister for Agriculture. The amount of Rs.105 lakh is fully utilized and the activities of seed processing, storage and distribution are started in this godown. Now seed authority is meeting the seed demand of farmers in 6000 padasekharams in the State reviving Registered Seed Growers Programme and the achievement of seed replacement ratio is 50% which could be achieved by four States in India. The Utilization Certificate is enclosed as Annexure. As the amount allotted by Government of India is fully utilized and the objective is achieved, the objection may kindly be dropped.

**GOVERNMENT OF KERALA
AGRICULTURE (FARMS) DEPARTMENT**

**STATEMENT OF REMEDIAL MEASURES TAKEN ON THE RECOMMENDATIONS ON PARA 2.5.3 OF THE REPORT OF
C&AG FOR THE YEAR ENDED 31/03/2010.**

Sl.No.	Para No.	Recommendations	Action Taken Report
1	2.5.3	<p>As per the Kerala Agricultural University (KAU) Act 1971, KAU has constituted a Provident Fund (PF) for the benefit of its employees and the Government subsequently notified (June 1972) that the General Provident Fund (Kerala) Rules would be applicable to the employees of KAU. The Provident Fund transactions were being carried out through a Treasury Public (TP) account maintained at the District Treasury, Thrissur and a Savings Bank Account opened in State Bank of Travancore, Thrissur. The University invested the PF balances in fixed deposit and Rs.17.81 crore was available as of March 2008 in the District Treasury, Thrissur and Sub-Treasury, Thrissur. Interests realized on these fixed deposits were being credited to the TP account maintained at the District Treasury, Thrissur and in the Savings Bank account in the State Bank of Travancore, Thrissur. Payments, such as temporary advances, part final withdrawals and final withdrawals, out of the PF account of the employees were effected from the above two accounts by the University.</p> <p>From 2001-2002 onwards, the deductions made towards PF from the salary of the employees were not being credited in full to either the TP account or to the Bank account. Consequently, as against the balance of Rs.80.75</p>	<p>The Audit Monitoring Committee of Agriculture Department reviewed the pendency position of Audit paras/PAC/PUC paras etc. including para 2.5.3 contained in the Report of the C&AG (Civil) for the year ended 31.3.10 captioning "Improper Management of funds deducted towards General Provident Fund from the employees of KAU and consequent Interest Burden". The Audit Monitoring Committee expressed displeasure on the diversion of funds deducted towards GFP of the employees by the University. It was decided that even in the absence of sufficient Non Plan provision diversion of funds deducted from the salary of employees towards GFP cannot be allowed.</p> <p>In this circumstance the Registrar & Comptroller, KAU have given necessary direction to avoid diversion of funds deducted towards GFP of the employees and not to recur such instances in future. A copy of the same is attached as Annexure-1.</p>

	<p>crore (including interest credited) that should have been available in the PF account as per the University records, the actual balance (Rs.18.95 crore) as at the end of March 2008, in the savings bank account, Treasury Public account and fixed deposit account taken together was short by Rs.61.85 crore. During 2001-2002 to 2007 - 08 the actual interest accrued on the deposits/refunds made by the employees was Rs.34.70 crore whereas the interest received by the KAU from the investments made out of PF collections was Rs.18.77 crore. This resulted in an avoidable burden of interest by Rs.15.93 crore to KAU from their own resources.</p>	
	<p>Thus failure of the KAU to manage its funds deducted from the salary of its employees towards PF resulted in shortage of funds in the PF account which in turn, led to extra burden of Rs.15.93 crore on KAU towards payment of interest to PF subscribers. The State Government stated (September 2010) that the KAU could not deposit the full amount deducted from the employees towards PF from 2001-02 onwards to either the Treasury Public account or to the bank account due to inadequate allocation of Non plan grant by Government. The reply cannot be accepted as it was the obligation of the Government to provide sufficient funds for all the activities envisaged in the KAU Act.</p>	
	<p>The proposals furnished by the KAU to provide additional fund are being examined by Government in consultation with Finance Department. Government have accorded administrative sanction for an amount of Rs.10 crore for settling pension arrears. Copy of the same is attached as Annexure-II. Steps are being taken to release the amount in due course.</p>	

**GOVERNMENT OF KERALA**

No.22753/AF2/2011/AD

**Agri (Farms) Department,
Thiruvananthapuram,
Dated 30/01/2012.**

From

The Secretary to Government.

To

The Registrar, Kerala Agricultural University, Thrissur.**The Comptroller, Kerala Agricultural University.**

Sir,

**Sub:- Agriculture Department - Report of C&AG of India for the
year ended 31st March 2010 (Civil Report No.2) - Reg.****Ref: Letter SAIA/31095/2011 dated 04/10/2011 and 09/01/2012 from
the Comptroller, Kerala Agricultural University.**

I am to invite attention to the letter cited and to inform you that the Audit Monitoring Committee of Agriculture Department reviewed the pendency position of Audit paras/PAC/PUC paras etc. pertaining to Agriculture Department in general and particularly discussed the para 2.5.3 contained in the Report of the C&AG (Civil) for the year ended 31.3.10 captioning "Improper Management of funds deducted towards General Provident Fund from the employees of KAU and consequent Interest Burden". The Audit Monitoring Committee expressed displeasure on the diversion of funds deducted towards GPF of the employees by the University. Even in the absence of Non Plan provision diversion of funds deducted from the salary of employees towards GPF cannot be allowed. Hence I am to request you to avoid diversion of funds deducted towards GPF of the employees in future. It is also informed that if the necessity for funds arose to the University, Government may be addressed and funds can be obtained additionally in consultation with Finance Department in Government. It was also decided that urgent instruction may be given to the University authorities so that such instances do not occur in future.



GOVERNMENT OF KERALA
Abstract

Agriculture Department - Administrative Sanction for an amount of Rs.10 Crore (Rupees Ten Crore only) - For settling the Pension arrears of Kerala Agricultural University - Sanction accorded - Orders issued.

AGRICULTURE (FARM#) DEPARTMENT

G.O. (Rt) No. 2404/2011/AD Dated, Thiruvananthapuram, 26/12/2011.

Read: - Letter No. Pen.D1/28194/2011 dated 06/08/2011 from the Comptroller, Kerala Agricultural University, Thrissur.

ORDER

As per the letter read above, the Comptroller, Kerala Agriculture University has reported that pensionary benefits of the employees who have retired from the year 2008 are pending with Kerala Agricultural University for payment and said arrears can be settled only after getting financial assistance from Government. It is also reported that the amount of arrear due on the above account as on 31/03/2011 would come around Rs.27.77 crore.

(2) Government have examined the matter in detail and are pleased to accord administrative sanction for an amount of Rs.10 crore for settling the pension arrears of the employees of Kerala Agricultural University under the head of account "2415-01-277-99-31 (NP) grant-in-aid general salary".

(By Order of the Governor)

T.P.BABU
Deputy Secretary to Government.

To

The Registrar, Kerala Agricultural University, Thrissur.
The Comptroller, Kerala Agricultural University, Thrissur.
The Additional Sub-Treasury Officer, Jai Hind Market Building, Thrissur.
The Accountant General (A&E), Kerala, Thiruvananthapuram.
The Principal Accountant General (Audit), Kerala, Thiruvananthapuram.
The Finance Department. (Vide U.O No.70122/PU-B1/2011/Fin.dated 09/12/2011).
Stock File / Office Copy.

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