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**TWELFTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC ACCOUNTS  
(2006-2008)**

**TWENTY SEVENTH REPORT**

(Presented on 10th July, 2007)



**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM**

2007

TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE  
ON  
PUBLIC ACCOUNTS  
(2006-2008)**

**TWENTY SEVENTH REPORT**

**On**

**Paragraphs relating to Fisheries Department contained in the Reports of the  
Comptroller and Auditor General of India for the years ended 31st March  
1996 No. 3 (Civil), 1997 No. 3 (Civil), 1998 No. 3 (Civil),  
1999 No. 3 (Civil), 2001 (Civil) and 2003 (Civil)**

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Smt. A. Achamma, Under Secretary.

## INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on their behalf, present the Twenty Seventh Report on paragraphs relating to Fisheries Department contained in the Reports of the Comptroller and Auditor General of India for the years ended 31st March 1996 No. 3 (Civil), 1997 No. 3 (Civil), 1998 No. 3 (Civil), 1999 No. 3 (Civil), 2001 (Civil) and 2003 (Civil).

The Reports of the Comptroller and Auditor General of India for the years ended 31st March 1996 No. 3 (Civil), 1997 No. 3 (Civil), 1998 No. 3 (Civil), 1999 No. 3 (Civil), 2001 (Civil) and 2003 (Civil) were laid on the Table of the House on March 24, 1997, April 23, 1998, April 13, 1999, March 31, 2000, March 15, 2002 and June 28, 2004 respectively.

The Committee considered and finalised this Report at the meeting held on May 16, 2007.

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

ARYADAN MUHAMMED,

Thiruvananthapuram,  
10th July, 2007.

*Chairman,  
Committee on Public Accounts.*

**REPORT**  
**FISHERIES DEPARTMENT**

AUDIT PARAGRAPH

***Unproductive expenditure on a boat building yard.***

Mention was made in paragraph 3.1 of the Report of the Comptroller and Auditor General of India for the year 1982-83 (Civil) about the uneconomic working of the two departmental boat building yards at Sakthikulangara in Kollam district and at Beypore in Kozhikode district.

The poor working of the boat building yard at Beypore was again commented in paragraph 7.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1988, No.6 of 1989 (Civil). A further test-check was conducted by Audit covering the period from 1988-89 to 1994-95 and the details are given in succeeding paragraphs :

(i) The working of the Beypore yard had deteriorated still further during the seven year period from 1988-89 to 1994-95. The total number of boats constructed during this period was seven at an average of 1 per year against the capacity to build 40 boats per year.

(ii) The total number of boats repaired was 26 as against 77 during the preceding seven years from 1981-82 to 1987-88.

(iii) The revenue realised during the period was Rs. 18.80 lakhs (excluding cost of materials: Rs. 30.50 lakhs) which accounted for only 14 *per cent* of the total establishment expenditure of Rs. 1.34 Crores. Of the total of 4.72 lakh man hours available during 1988-89 to 1994-95 only 1.78 lakh man hours (38 *per cent*) could be utilised by the yard.

(iv) Construction of two boats undertaken by the yard during 1991-92 and to be completed by October 1991 was not completed as of December 1995. The construction of the boats which started in September 1991 and December 1991 was discontinued in January 1994 and July 1994 as the anjili wood required for fabrication of engine foundation of the boats could not be procured. Steps initiated for the procurement from the Forest Department had not succeeded as anjili wood of required size was not available in the Forest depots. Efforts to procure anjili wood by inviting tenders in March 1994 also did not succeed as Government sanction of accepting the tender submitted by the department had not been accorded. The anjili wood was later received from the Forest Department in November 1995. The construction of the boats had not been completed as of June 1996.

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From January/July 1994, when the construction of the boats was suspended, the workers were totally idling. The idle wages paid to the workers till November 1995 amounted to Rs. 38.78 lakhs.

Thus, the boat building yard was continuing without adequate work and hence the recurring expenditure of Rs. 17 lakhs per annum (average) on salaries of 44 staff members continued to be liability to Government.

The department stated (August 1996) that there was no demand for wooden boats owing to the technological developments and it was therefore difficult to undertake any fresh construction work with the existing skeleton staff which was reduced as a result of non filling of the posts that became vacant on retirement of the staff. The department further added that the remaining employees of the yard were regular departmental employees covered under Kerala Service Rules and hence eligible for regular salary whether the unit was undertaking any work or not. The reply of the department was not acceptable as department could have taken steps for the profitable redeployment of staff who could not be assigned any worthwhile work.

The matter was referred to Government in April 1996; reply had not been received (August 1996).

[Paragraph 3.7 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1996 No.3 (Civil)]

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

Replying to the Committee's query about the audit paragraph, the witness, Secretary, Fisheries Department informed that Government had decided to wind up the boat building yards at Sakthikulangara and Beypore realising that they were uneconomical.

### **Conclusion/Recommendation**

**2. The Committee finds the explanation satisfactory. Hence no comments.**

AUDIT PARAGRAPH

#### ***Idle hydrojet marine speed boats.***

For patrolling of sea during the trawl ban period and sea rescue operations, the Director of Fisheries placed (October 1981) supply orders with a firm in Indore for supply of three hydrojet speed boats at the total cost of Rs. 70.71 lakhs. The boats were supplied by the firm in July 1982, January 1983 and March 1984. These were allotted to the Zonal Offices at Ernakulam (Boat 1), Kozhikode (Boat 2) and Kollam (Boat 3).

Mention was made in paragraph 6.5 (ix) of the Report of the Comptroller and Auditor General of India for the year 1986-87 (Civil) about their defective construction, poor upkeep and consequential non-use for surveillance work. Government had informed the Public Accounts Committee in October 1993 that one of the boats had already been got repaired and that the repairs of the remaining 2 boats would be arranged, if the repairs done were found to be successful on trial runs. On a further scrutiny by Audit, it was noticed that all boats continued to remain idle. The actual duration of their working and the extent of the idling were as under:

<i>Reference to boat</i>	<i>Date of allotment</i>	<i>Period during which worked</i>	<i>Actual hours/ months of working</i>	<i>Year and month from which docked for repair</i>
Boat 1	July 1982	1982-88	800 hours	1989
Boat 2	March 1985	1985-87	137 hours	September 1987
Boat 3	July 1984	1984-87	36 months	September 1987

As against the expected life span of 15 years, the boats have been practically idling ever since their purchase, the periods of their actual working being nominal or negligible. Thus the investment of Rs. 70.71 lakhs on the boats had been largely unproductive.

The following points were also noticed in audit:

(i) The repair work of the boat number 2 allotted to the Zonal office, Kozhikode was entrusted (June 1991) to a Kochi firm for Rs. 3.55 lakhs. Though the boat was ready for trial run in May 1992 after repair, the trial run was conducted only after 18 months in October 1993 due to non filling of posts of driver and boson, shortage of funds for fuel, etc. Even though, the result of the trial run was termed as satisfactory, by the Chief Civil Engineer, the boat could not be put to use. However, the Deputy Director of Fisheries, Kozhikode, stated that according to the reports of foreman, boson and engine driver who were also present during the trial run, defects were noticed during trial run. As the defect was noticed during the trial run in October 1993, when the guarantee period of six months from October 1993 as per the terms of agreement was not over, the repair work should have been arranged with the firm before the expiry of the guarantee period. The reason for not doing so was not on record. Thus, the repair charges of Rs. 3.10 lakhs (paid to the firm) also did not serve any purpose.

(ii) In May 1994, a committee was constituted by the Director of Fisheries to explore the possibility of repairing and resuming boats number 1

and 3. The committee which was to submit its report within seven days had not submitted it till date (October 1996).

(iii) Idle wages paid to the crew of the boats not in operation till March 1995 amounted to Rs. 6 lakhs. The department also had to incur expenditure on hiring of boats during the period and the amount of hire charges involved during the two years 1994-95 and 1995-96, the details of which were furnished to Audit amounted to Rs. 12.25 lakhs.

The matter was referred to Government in March 1995; reply had not been received (August 1996).

[Paragraph 3.8 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1996 No.3 (Civil)]

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

3. When enquired about the idling of the hydrojet marine speed boats, the witness, Secretary, Fisheries Department admitted that it was a failed experiment. The boats, procured from an Indore based company, were later found to be unsuitable for the purpose for which those were bought. The boat builders did not have the requisite qualifications. The Committee observed that the department should have conducted an enquiry about the reputation and previous record of the Company before entering into the purchase. To the Committee's query whether there was any technical committee to examine the quality of the vessels purchased, the witness replied in the negative. It was added that in order to avoid such bitter experience the department had taken a decision to constitute a technical expert committee before making further purchase.

4. The Secretary, Fisheries Department informed the Committee that hired vessels were used for marine enforcement work since the Department boats were not in good condition. For this, tenders were invited from boat owners during monsoon season. In those hired vessels the marine enforcement wing conducted their rescue operation. The Committee enquired whether these vessels were properly maintained. To this, the Secretary deposed that maintenance of the Department boats with high specification would be a risky task. The witness added that the department had taken the decision to dispose of the boats.

5. The Committee observed that the department should procure well equipped high speed seaworthy vessels designed with international standard for marine enforcement operation through the Kerala State Inland Navigation Corporation which could also be entrusted with the maintenance of such boats.

### Conclusions/Recommendations

6. The Committee observes that there was lapse on the part of the department in not enquiring about the reputation and previous record of the company before entering into the agreement for purchasing the hydrojet marine speed boats. It is clear that the absence of a technical committee/ expert has led to the purchase of defective boats. The Committee desires to know whether the department has actually constituted an expert committee as assured. The Committee directs the department to fix responsibility on the Officers responsible for buying defective boats. The Committee also directs to inform whether the defective boats have been disposed off.

7. The Committee suggests that the department procures well-equipped, high speed, seaworthy vessels designed according to international standards for marine enforcement activities so that hiring of private boats for rescue operations could be avoided. The procurement of such vessels could be through the Kerala State Inland Navigation Corporation, which could also be entrusted with the maintenance of such boats.

#### AUDIT PARAGRAPH

##### *Avoidable expenditure on hiring of boats*

The Kerala Marine Fishing Regulation Act, 1980 came into force in 1980 and the State Government had been regularly ordering banning of bottom trawling from 1988 onwards in order to save the traditional fishermen from the ill effects of bottom trawling by mechanised boats. In order to enforce the ban on bottom trawling, the Fisheries Department had been employing patrol boats. Government issued orders (4 June 1994) prohibiting bottom trawling within the territorial waters of Kerala from 15 June 1994 to 29 July 1994. On 4 June 1994, the Department hired 5 patrol boats from a firm in Tamil Nadu without inviting tenders. The rate agreed to was Rs. 6000 per day per boat. The action of the Department was later ratified by Government in March 1995 and Rs. 13.68 lakh were paid to the firm for 5 patrol boats which had run for a total of 228 days. For the trawl ban period of 1995, the Department took early action in March 1995 and invited quotations for hiring of boats. The lowest quoted rate from two firms was Rs. 3000 per day per boat (after negotiations) which was accepted and agreements executed on 23 May 1995.

Thus, failure of the Department in inviting tenders for hiring of boats in 1994 resulted in an avoidable expenditure of Rs. 6.84 lakh as compared to the rate obtained during tender in 1995.

Government's contention that usual formalities such as inviting tenders etc., could not be observed due to paucity of time and urgency of the matter was

not tenable as banning of bottom trawling had been a regular feature during monsoon since 1988 and as the Department was aware of the non-availability of Government patrol boats, it could have taken early action for hiring of boats observing all the formalities. Further, hiring of boats at Rs. 6000 per day in 1994 was not at all justifiable in view of the fact that in the preceding year (1993) the Department could hire boats at lower rates (Rs. 5000) even for a very short duration (only 11 days).

[Paragraph 3.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 No. 3 (civil)]

Note furnished by Government on the audit paragraph is included as Appendix I.

8. When enquired about the avoidable expenditure on the hiring of boats during the trawl ban period, the witness informed that the issue was over.

#### **Conclusion/Recommendation**

**9. The Committee points out that ban on bottom trawling being a regular feature during monsoon and that department should take immediate steps for procuring boats suitable for patrolling the rough sea and avoid hiring boats for the purpose. The Committee directs the department to fix responsibility and to take action against those officers who had hired the boats on higher rate ignoring all formalities which were to be observed while hiring boats.**

#### AUDIT PARAGRAPH

#### *Extra expenditure due to departmental lapses*

The work Fishing Harbour Project – Munambam- Construction of breakwaters at Munambam (Southern and Northern sides) under 50 per cent Centrally Sponsored Scheme with an estimated probable amount of contract of Rs. 2.39 crore based on Schedule of Rates (SOR) 1990 was awarded to a contractor firm in June 1992 at 52 per cent above estimate. The due date of 2 June 1994 for the completion of the work was extended up to 31 March 1995. The firm stopped work on 12 December 1994 due to non-settlement of work bills amounting to Rs. 86.84 lakh which were cleared in March 1995. The non-completion of the work by the due date, according to both the firm and the department was mainly due to the delay in handing over site, providing weigh bridge and approach road to work to work site, taking decision by the department on laying sand bags into the deeper zone and consequent stoppage of work, delay in making timely payment of work bills and also increase in quantities of various items of work due to improper estimation. The firm in May 1995 demanded 90 per cent enhancement over agreed rates for the work

done after the original due date of completion, as the non-completion was due to delays/lapses on the part of the department. The Chief Engineer (CE), Harbour Engineering Department, suggested in May 1995 to rearrange the balance work through the existing contractor by giving reasonable increase over his quoted rate, as minimum three months time would be required for retendering and the work could not be completed before March 1996 if retendered. The High Level Committee constituted by Government in July 1995 recommended (September 1995) an increase in rate by 95 per cent above 1990 SOR for the balance work amounting to Rs. 1.42 crore subject to the condition that the work should be completed by 30 March 1996. Government accepted the recommendations in December 1995. The extra liability to Government in sanctioning higher rate due to the lapses/delays on the part of the department was Rs. 60.89 lakh. The work was completed in September 1997.

When this was pointed out to Government in September 1996, they stated (January 1997) that there was delay in making payment for want of budget provision and letter of credit and that it was advantageous to get the balance work amounting to Rs. 1.87 crore as per 1992 SOR completed by the existing firm as there was every likelihood of the quoted percentage being above 1992 SOR, if retendered. This was not acceptable as the probable increase in rates on retender over 1992 SOR, according to CE would have been between 20 and 35 per cent. If the maximum increase was taken into account the total amount required for the completion of the balance work would be Rs. 2.52 crore, whereas the amount to be paid on account of the 95 per cent increase on 1990 SOR would be Rs. 2.76 crore.

[Paragraph 4.12 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 No. 3 (Civil)]

Note furnished by Government on the audit paragraph is included as Appendix I

10. The witness, Director, Fisheries informed that the work of the fishing Harbour Project, Munambam was completed and the Harbour was commissioned.

#### **Conclusion/Recommendation**

**11. The Committee finds that the work, envisaged to be completed in March 1995, could be completed only in September 1997. It is clear from the Department's confession that it has failed in providing funds necessary for the timely completion of the project. The Committee desires that responsibility be fixed against the officers responsible for the lapse that has led to the delay and extra liability of Rs. 60.89 lakh.**

## AUDIT PARAGRAPH

***Departmental lapse in framing tender conditions***

The work 'Replenishment of seaward and leeward breakwaters at Vizhinjam was awarded to a firm in November 1984 for Rs. 16.47 lakh at 66.5 per cent above estimate. The work consisting of replenishment of seaward breakwater (estimate cost : Rs. 1.44 lakh) and leeward breakwater (estimate cost: Rs. 10.81 lakh) was to be completed within 18 months from the date of agreement. Due to paucity of funds, the contractor was asked to carry out work of leeward breakwater only and he completed this work (March 1985) at a cost of Rs. 20.54 lakh.

After one year from the date of completion of the work, the firm demanded extra claims on various grounds and on rejection filed a suit in Sub Court, Thiruvananthapuram in October 1986 for appointment of an Arbitrator. The Court appointed an Arbitrator in October 1986. On the basis of general directions of Government in May 1978, the department had scored off the arbitration clause from the agreement. However, the deletion was not properly authenticated. The Court was of the opinion that the department should have specifically mentioned their intention to exclude the arbitration clause in the agreement itself. The Arbitrator admitted the claims of establishment and overhead charges due to advancement of completion of the work by 13 months (Rs. 7.60 lakh), cost of undersized stones (Rs. 90,000) and charges for blasting of stone (Rs. 2 lakh) and awarded Rs. 10.50 lakh in December 1988 with 12 per cent interest per annum from the date of filing the suit to the date of payment. The Sub Court admitted the award in April 1991 and the decision was upheld by the High Court. Accordingly the Department deposited Rs.18.19 lakh including interest of Rs. 7.69 lakh between January 1992 and March 1995.

The arbitration and the resultant loss could have been avoided had the Department specifically done away with the provision of arbitration by providing suitable clause in the agreement itself.

The matter was referred to Government in March 1996; reply had not been received (October 1997);

[Paragraph 4.13 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 No. 3 (Civil)]

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

12. The witness, Director, Fisheries Department informed that the work of the Replenishment of seaward and leeward break waters at Vizhinjam could be completed only after the rehabilitation issue was fully sorted out. Only works of compound wall, approach road and dredging were still remaining to be completed. In reply to the Committee's query about the omission which had led to the loss of Rs. 18.19 lakh, the witness admitted that there had been omission on the part of the officers who had scored off the arbitration clause from the agreement, but had failed to obtain the contractor's consent. It was added that responsibility had not been fixed so far.

#### **Conclusion/Recommendation**

**13. The Committee desires to be informed whether all the works related to the Project has been completed. The Committee opines that the Department has failed to fix responsibility for the omission, which had led to the loss of Rs. 18.19 lakh. The Committee urges the Department to take necessary steps for fixing responsibility and also for making good the loss brought about by the Department. The Committee enquires whether arbitration clause has been completely deleted. If not, the Committee suggests that clause be permanently omitted.**

#### AUDIT PARAGRAPH

#### *Extra Expenditure on Account of undue enhancement of rates*

A contract for construction of breakwater at Thangassery was awarded in September 1991 to a firm in Kollam at 21 per cent above the estimate of Rs. 9.53 crore. Seaward breakwater 1685 metre long and a leeward breakwater 450 metre long, were to be completed by 7 November 1994. The firm could complete only 51 per cent of the work by November 1994 and requested (November 1994) for extension of time as well as enhancement of rates. The Superintending Engineer (SE) concerned granted (November 1994) extension up to November 1995 after imposing a fine of Rs. 0.10 lakh for slow progress. The Chief Engineer (CE), rejected (March 1995/May 1995) the claims for enhancement of rates except for 75 per cent increase in the rates for the work of leeward breakwater. Subsequently, CE suggested to Government to constitute a High Level Committee (HLC) as required by the firm to consider increased rates. Accordingly, Government constituted the HLC which recommended (September 1995) 75 per cent enhancement over 1990 Schedule of Rates (SOR) for balance work after the original due date of completion i.e., 7 November 1994 involving financial commitment of Rs. 2.78 crore (main breakwater : Rs. 2.01 crore; leeward breakwater: Rs. 0.77 crore). The basis for this recommendation of 75 per cent increase, accepted by Government in December 1995, was not indicated by HLC. The work has since been completed and expenditure up to September 1997 amounted to Rs. 16.24 crore.

The following observations were made :

(i) According to the contract, the leeward breakwater should start from sea shore at Vaddy Mudhakkara area, about 1.25 km from the main breakwater. However, Government changed (March 1994) the location to Pallithottam at the request of local people to increase the area of harbour basin. The change to enlarge the basin under public pressure indicated that the project report was not prepared taking all factors into account.

(ii) However, irrespective of the merits of the decision regarding change of location, the increased compensation to the contractor was valid only for the leeward breakwater whereas upward revision was given for the value of the entire work. The CE informed (March 1995) Government, that strictly as per the terms of the contract, contractor's claims for upward revision of rates were acceptable only for leeward breakwater.

Thus, enhancement of rates for the whole breakwater without confining to the work on leeward breakwater alone, led to extra expenditure of Rs. 2 crore. The HLC was constituted primarily to consider revision of rates on account of departmental delays in handing over the site for the leeward breakwater. They recommended enhanced rates for the works on both the breakwaters executed after 7 November 1994 without limiting it to the work relating to leeward breakwater. This amounted to unjustifiably favouring the contractor as the contractor was responsible for the delays in completion of the seaward breakwater though many extensions were granted.

The matter was referred to Government in January 1997; reply had not been received (October 1998).

[Paragraph 4.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 No.3 (Civil)]

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

14. The witness, Secretary, Fisheries Department informed the Committee that the construction of both seaward and leeward breakwaters at Thankasserry could not be started at the same time as the area of harbour basin of the leeward breakwater had to be increased due to the pressure from the public. There was delay in getting sanction for the extension of the basin from Government of India. Meanwhile the contractor had claimed enhancement of rate and had filed an OP in High Court. As instructed by the High Court, the High Level Committee (HLC) examined the case and recommended an enhancement of 15% above the estimated rate. Now the case was withdrawn from the Court. The witness further informed that the work was partially commissioned and that Government is receiving an amount of Rs. 50 lakh as revenue.

**Conclusion/ Recommendation**

**15. The Committee urges the department to inform whether the work has been fully commissioned, and to enquire and inform the reason for enhancement of rate for the work.**

AUDIT PARAGRAPH

***Loss on disposal of surplus sand.***

Based on the instructions from Chief Engineer (CE), Harbour Engineering Department and Superintending Engineer (SE), the Executive Engineer, Fishing Harbour Project Division, Puthiyappa proposed (March 1994) to sell the dredged sand deposited in the project site to private parties. The disposal of sand and spoils was intended to clear the dumping area to facilitate further dredging and also levelling the site for construction of auction hall, internal roads and parking area under the project. S.E, Harbour Engineering North Circle, Kozhikode unjustifiably fixed (April 1994) the rate of Rs. 7.50 per cubic metre for disposal of the dredged material based on the rates approved by Government in February 1991 for disposal of dredged soil in another project. Between April 1994 and October 1998, 1.76 lakh cubic meters of surplus sea sand/ dredged spoils was removed.

Scrutiny revealed that no proper procedure was followed in this case as no auction was held and the reasonableness of the sale price at Rs. 7.50 per cubic metre was not verified. In response to audit observation, CE informed that the rate had been revised at Rs. 33 per cubic metre from February 1999. Had this been done at the time of disposal of the material, the Department would have recovered Rs. 39.25 lakh more.

The matter was referred to Government in April 1999; reply has not been received (October, 1999).

[Paragraph 4.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 No.3 (Civil)]

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

16. Observing that the department was selling the dredged sand at the Fishing Harbour Project site at a low rate of Rs. 7.50 per cubic metre, the Committee, enquired whether sand could not be sold at a higher rate. The witness replied that sea sand from different areas had different quality. The rate could be fixed only after examining the quality. Though Government rate fixed was Rs. 100 per cubic metre, low

quality sand would not fetch such high price. The Department's intention was to dispose of the dredged sand from the site without involving extra expenditure. Hence the Department had decided to sell the sand and to earn revenue from the sale.

17. Here the Committee expressed its view that it would be more beneficial to the Government, if the Department could invite quotation for the disposal of sand and a rate be fixed on the basis of the average price at which the sand was sold during the previous years. The witness agreed to comply with the suggestions of the Committee hereafter. The Committee also suggested the Department to frame special guidelines for disposal of sand and spoils dredged at Harbours in the State.

#### **Conclusion/Recommendation**

**18. The Committee observes that the departmental rate for disposal of dredged sand has been revised as Rs. 33 per cubic metre which is far below the approved Government rate of Rs. 100. The Committee suggests that fixing a standard rate on the basis of the average price at which sand was sold during the previous year would be more reasonable. The Committee directs the department to auction the sand through open tender. The revenue thus earned could be an additional income to Government. The Committee also recommends for framing suitable guidelines for disposing of the dredged sand and spoils.**

AUDIT PARAGRAPH

#### ***Payment outside the scope of contract***

Superintending Engineer (SE), Harbour Engineering (North) Circle Kozhikode arranged in March 1996 construction of wharf for Mopla Bay Fishing Harbour in Kannur District for a contract amount of Rs. 51.09 lakh. The wharf was completed in January 1998 at an expenditure of Rs. 72.49 lakh.

Audit scrutiny revealed inadmissible payment of Rs. 20.48 lakh to the contractor as discussed below :

For driving cast-in-situ bored piles, temporary ring bunds were formed as the site was submerged in water. The contractor claimed extra rate for this item of reclamation work, before commencement of the work. SE unjustifiably approved (March 1997) an estimate for Rs. 4.50 lakh for the extra item and the contractor was paid Rs. 20.48 lakh for the reclamation work. The estimate provided for execution of the work in underwater condition and it did not contain provision for any reclamation work. Contractors were to quote rates after fully acquainting themselves with the prevailing site conditions. As such, sanction of extra items for ring bund formation incidental to the work, was an undue financial aid to the contractor.

The matter was referred to Government in April 1999, reply has not been received (October 1999).

[Paragraph 4.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 No.3 (Civil)]

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

19. The witness, Secretary, Fisheries Department informed the Committee that the construction of the wharf for Mopla Bay Fishing Harbour had already been completed and commissioned.

#### **Conclusion/Recommendation**

**20. In the statement of Remedial Measures Taken furnished by the Department it is seen that no provision was given for works under water and that the contractors had been informed about the site by the Department making it clear that the work was to be carried out in reclaimed area. Also the contractors were to quote the rate after fully acquainting themselves with the prevailing site conditions. The Department has provided extra payment of Rs. 20.48 lakh to the contractor for reclamation work as the site was submerged. This contradicts the Department stand that the site was already reclaimed. It is evident that there has been lapses in the preparation of estimate. The Committee therefore requires the Department to conduct an enquiry into the various aspects related to the preparation of estimate and to undertake proper investigation before preparing the estimate. The Committee also suggests an enquiry into the sanction of extra item of work resulting in undue financial aid to the contractor.**

AUDIT PARAGRAPH

#### ***Working of Kerala State Co-operative Federation for Fisheries Development Limited.***

Matsyafed was formed in 1984 for all-round development of Fisheries sector to provide overall economic well being of the fishermen community. Implementation of various schemes sponsored/assisted by both the Central and State Governments was tardy. The assistance received from State Government/ Government of India /NCDC were unutilised and misutilised and large sums were diverted for unintended purposes. Larger amounts were lodged in treasury without proper utilisation (Rs. 5.47 crore). Centrally sponsored schemes for setting up of a cold chain and introduction of new generation crafts and NCDC scheme for setting up of fish marketing centers were not implemented. Under the subsidised housing scheme financed by HUDCO, only 3400 houses were

constructed as of March 2001 against the target of 10000 houses in five years from 1993-94. Performance of four prawn hatcheries was very poor due to under utilisation of capacity. Out-board engines (666 numbers) costing Rs. 3.40 crore imported in 1998-2000 were idling as of March 2001. Insurance business transacted during 1996-2000 resulted in loss or non – recovery of dues from beneficiaries (Rs. 48.45 lakh).

#### *7.5.1 Introduction*

Kerala State Co-operative Federation for Fisheries Development Limited (Matsyafed) was registered in March 1984 as an apex federation of the primary level welfare societies for implementation of various schemes for promoting the processing and marketing of fish and fishery products to foster overall development of fishermen community. Some aspects of the functioning of Matsyafed during 1994 to 2001 was reviewed during February – March 2001.

#### *7.5.2 Poor implementation of Central schemes*

##### *(i) Diversion of funds*

(a) A Centrally sponsored scheme for establishment of cold chain projects with 50 per cent Central assistance envisaged development of infrastructure facilities such as, insulated ice tanks, pre-fabricated cold storage units etc. for storage of fish in selected fishing villages, fish landing centers and retail/wholesale markets. The objective of the scheme was to ensure the economic development of the poor fishermen through increase in fish production and avoidance of the sale of fish at the pre-determined rate by middlemen. Out of the total grant of Rs. 4.82 crore received by Matsyafed from State Government under the scheme during 1992-98, Rs. 3.16 crore (66 per cent) was irregularly diverted for repair/maintenance of its Ice and Freezing Plant at Kochi and for expansion of its infrastructure facilities. Such diversion of assistance defeated the objectives of the original scheme. Even balance of Rs. 1.66 crore was also retained by Matsyafed as of March 2001.

(b) The National Co-operative Development Corporation (NCDC) gave (March 1998) assistance of Rs. 19.80 crore to Matsyafed to implement the Integrated Fisheries Development Programme 1998 which included a component “Training, Extension and Consultancy” at a cost of Rs.1.10 crore. During 1998-2000, Matsyafed utilised only Rs. 58.17 lakh on the component while Rs. 52.08 lakh remained unutilised as of March 2001. Scrutiny revealed that Rs. 51.60 lakh was misutilised on unapproved items viz. purchase of computers and vehicles and for meeting day-to-day expenses. Thus, the objective of training the co-operative personnel and fishermen was not achieved at all.

*(ii) Introduction of new type of craft*

Government of India sanctioned (February 1992) a scheme for development of small scale marine fisheries through introduction of Plywood Beach Craft on a pilot basis in Kerala. The scheme was renewed by the Government of India in May 1993. State Government released its share of subsidy of Rs. 36 lakh (1993-94): Rs. 20 lakh and (1994-95) Rs. 16 lakh. As of March 2001, Matsyafed utilised Rs. 9.27 lakh for giving subsidy to fishermen and retained the unutilised amount of Rs. 26.73 lakh for the last 5 years. However, it furnished utilisation certificate for Rs. 6.18 lakh only. Matsyafed stated (February 2000) that there was little acceptability for the new type of crafts among fishermen and that being a bank- loan-linked scheme, it was not practicable to chalk out any time bound action plan for the utilisation of the unspent amount. The amount is, thus, required to be refunded to GOI.

*7.5.3 Assistance for NCDC projects not utilised**(i) Integrated Fisheries Development Project*

Matsyafed received Rs. 41.64 crore during 1991-97 for implementing NCDC assisted Integrated Fisheries Development Project Phase III sanctioned in 1991-92 with an outlay of Rs. 35.53 crore and the sub project for Rs. 6.75 crore sanctioned in September 1996. Though the project was completed by the extended period of March 1998, benefiting nearly 21 thousand fishermen, the outlay of Rs. 3.45 crore for providing marketing infrastructure had not been utilised (March 2001). Matsyafed proposed to Government to adjust the unspent balance against future release of funds. The failure to refund the unutilized balance during the last five years cast an unnecessary interest burden of Rs 1.48 crore on Matsyafed.

*(ii) Fish Marketing Centres*

NCDC approved setting up of Fish Marketing centers by Matsyafed at a cost of Rs.3.39 crore including beneficiary contribution of Rs. 26.70 lakh. Government released Rs. 3.12 crore in March 1999 (Loan: Rs. 1.69 crore and subsidy : Rs. 1.43 crore) of which Rs. 2.08 crore (Loan: Rs. 1.13 crore, Subsidy : Rs. 0.95 crore) remained unutilised as of October 2001. The interest liability to be borne by Matsyafed on the unutilised amount would be Rs. 55.82 lakh at the end of October 2001. Though Government stated (March 2001) that the scheme would be completed by March 2001, it remained incomplete as of October 2001.

#### 7.5.4 Poor performance of prawn hatcheries

##### (i) Poor working results

Matsyafed was running four prawn hatcheries at Thirumullavaram (Kollam District), Velliyamcode (Malappuram District), Mopla Bay (Kannur District) and Kaippamangalam (Thrissur District). Against the installed capacity for production of prawn fingerlings ranging from 3 to 4 crore, the average annual production during 1995-2000 ranged between 0.59 lakh (Kaippamangalam) and 32.85 lakh (Mopla Bay). The total income earned was only Rs.1.06 crore against the expenditure of Rs. 1.69 crore resulting in loss of Rs. 63 lakh. The shortfall in production was attributed to poor facilities and lack of water purification system in three hatcheries and prevalence of viral disease. Steps taken by the management to improve the working of the hatcheries have not been intimated (March 2001).

##### (ii) Irregular payments to contractor

Matsyafed decided (August 1994) to improve the hatchery facilities at Mopla Bay, Kannur at Rs. 15 lakh. Neither detailed estimates were prepared nor tenders invited before the execution of the work. The work was got irregularly executed by a contractor who was selected on the suggestion of the consultants. He was paid advances of Rs. 32.22 lakh between January 1995 and October 1995 without any agreement or sufficient security. Though the work was completed in October 1995, a further advance of Rs. 4 lakh was paid in September 1998 on the ground that 'verification of the bills would take some time'. The advances remained unadjusted as of October 2001.

##### (iii) Avoidable expenditure towards royalty

For achieving improved production by the Prawn Hatchery at Mopla Bay, the terms offered by the technical consultants (UNITEC, Kochi) (July 1994) was payment of royalty by Matsyafed at 20 paise for every fish seed sold in the first two cycles. However, in the work order issued in September 1994, the terms and conditions were changed to read as 20 paise per seed 'produced or sold' in the first two cycles. Government stated that the terms and conditions stipulating royalty were altered due to insistence of the consultants during subsequent discussion. This is not tenable as the alteration resulted in huge loss without any valid reason. The matter calls for investigation. Though 58.18 lakh seeds were produced during the first cycle (August to December 1995) only 4.50 lakh seeds (8 per cent) were sold due to lack of adequate publicity and field level extension among the farmers about the availability of the seed. Consequently, Matsyafed unnecessarily paid Rs. 10.74 lakh as royalty for 53.68 lakh unsold seeds. No action had been taken against the officials responsible for the loss as of March 2001.

### *7.5.5 Excess release of housing subsidy*

Under the HUDCO aided subsidised housing scheme, construction of 10,000 houses for fishermen was entrusted with Matsyafed. Matsyafed took up construction of 1400 houses during 1993-94 and 2000 houses during 1995-96. Government released Rs.1.40 crore during 1993-94 to 1996-97 towards subsidy for the scheme. Though the scheme envisaged construction of 10,000 houses over a period of five years from 1993-94, only 3400 houses had been constructed as of March 2001. Matsyafed released Rs. 51 lakh towards subsidy for 3400 houses and retained the balance amount of Rs. 89 lakh with them. Matsyafed attributed (March 2000) the shortfall to the low unit cost and less subsidy component. Although implementation of the scheme through Matsyafed was discontinued after 1997, the unspent subsidy amount of Rs.89 lakh had not been refunded to State Government as of March 2001.

### *7.5.6 Import of defective engines*

Based on Memorandum of Understanding (MoU) entered into in September 1996 with foreign suppliers and renewed each year, Matsyafed imported 1040 new model outboard engines each costing Rs. 0.51 lakh during 1998-99 and 650 engines during 1999-2000. It was noticed that there were widespread complaints from fishermen and the demand for the engines was lukewarm. Out of 1040 engines imported during 1998-99, 676 engines and all the 650 engines imported during 1999-2000 were held in stock as of March 2000 without any issue to fishermen. The foreign suppliers rectified the defects in the engines only in February-March 2000 and by March 2001, the closing stock came down to 666 engines (out of 1326). The loss of interest at 15 per cent (the rate of interest payable by Matsyafed on Government loans) on the blocked capital (Rs. 3.40 crore) amounted to Rs. 50.30 lakh.

### *7.5.7 Defective implementation of insurance schemes*

#### *(i) Avoidable loss*

Matsyafed brought all its members under the personal accident insurance scheme for fishermen with National Insurance Company during 1995-96. Instead of remitting the premium on the basis of actual number of fishermen members of the societies, Matsyafed remitted advance premium based on estimated number of fishermen ranging from 1.5 lakh in 1996-97 to 2 lakh in 1999-2000 reckoned in rounded off figures.

As against Rs. 69.42 lakh remitted in advance during the period 1996-2000, the premia actually collected subsequently from fishermen were only 1043/2007.

Rs. 46.88 lakh. Remitting the premium on assessed number of beneficiaries and non-collection of the premium from the beneficiaries resulted in an avoidable loss of Rs. 22.54 lakh.

Government stated (March 2001) that the matter would be referred to the Board of Directors.

*(ii) Avoidable financial liability*

Matsyafed decided in February 1999 to insure the fishing inputs of the fishermen assisted under the Integrated Fisheries Development Project, 1998 with National Insurance Company. The insurance premium was 5.25 per cent of the amount of loan availed. Though Matsyafed remitted Rs. 71.64 lakh towards premia during March 1999 to January 2000, Rs. 45.73 lakh only was recovered from the beneficiaries leaving Rs. 25.91 lakh unrecovered as of October 2000. Government stated (March 2001) that action was being taken to recover the dues from the beneficiaries.

*7.5.8 Supply of fish through a franchisee*

Ice and Freezing Plant Kochi supplied fish to an individual franchisee at Thiruvananthapuram free of transportation expenses and with 10 per cent discount. On receipt of value of fish from various Government departments, 10 per cent commission was paid to the franchisee. The agreement executed in July 2000 did not provide for any security deposit by the franchisee. As of October 2001, Rs. 7.92 lakh apart from rent for the walk-in-freezer was pending realisation from him.

The above points were referred to Government in July 2001; no reply has been received (October 2001)

[Paragraph 7.5 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2001 (Civil)]

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

21. Noting the lapses in the implementation of various development schemes started for the welfare of fishermen, the Committee observed that the functioning of the Kerala State Co-operative Federation for Fisheries Development Limited (Matsyafed) should be made more effective.

22. Though there were a number of primary societies, most of them were not genuine, they were not doing much for implementing the schemes properly. The Committee enquired whether steps could not be taken for reducing the number of societies and improving their functioning. In reply, the witness,

Secretary, Fisheries Department informed that the Director, Fisheries Department had already given orders for terminating bogus societies. The witness, Managing Director, Matsyafed added that the delay in getting the allotted fund was the main reason for the non implementation of the schemes. Granting more autonomy to Matsyafed was necessary for solving the problems.

23. When enquired about the diversion of funds for the scheme for establishing cold chain project, a centrally sponsored scheme, the witness, Director, Fisheries Department replied that in the project which started in 1992, an amount of Rs.63 lakhs had been included for the repair of Ice and Freezing Plants. The amount had later been revised to Rs. 322 lakh. The witness added that the plant had been commissioned. The Committee observed that many ice plants which are idling could be entrusted to local self government bodies so that they could run them. The witness informed that the running of ice plants were not economical to Government.

24. The Committee enquired about the non-utilisation of the fund provided for the development of marketing infrastructure. The witness, Director, Fisheries Department informed that Rs. 378 lakh provided in 1991 for the purpose could not be utilised because the societies were unwilling and did not have the capability to undertake the marketing facility. Hence the fund had been diverted in 2000-'01 to another scheme assisted by NCDC. Government had later ratified the action.

25. The witness, Director, Fisheries informed that all the 100 fish marketing centers sanctioned had been started.

26. Regarding the reasons for the shortfalls in the production and for the loss in the functioning of few prawn hatcheries in the State, the witness, the Director of Fisheries, stated that while two hatcheries at Kollam and Kannur were in a stage of picking up, Tsunami at Kollam and flood at Kannur during the last year had damaged them. Both the hatcheries needed reclamation.

27. The witness, Director, Fisheries informed that out of the total amount of Rs. 140 lakh released by Government towards subsidy for the housing scheme, Matsyafed had distributed Rs. 51 lakh in total @1500 per house. The balance amount of Rs. 89 lakh was proposed to be used for the constructions of 500 individual toilet units and 13 toilet blocks for fishermen. For this all the local self government bodies had been instructed to identify suitable location for the purpose. The Committee enquired whether the subsidy amount earmarked for housing scheme could be diverted to other purpose such as the construction of toilets etc. The witness answered in the affirmative. He stated that both the housing and sanitation components came under such norms and the amount

provided for the purpose was the State Government subsidy. The Committee opined that it was learned from the media that there were 50,000 Housing proposals for Tsunami affected families in the State, but their actual number were estimated to be 6000 only. The Committee opined that Tsunami affected families must be given top priority and as a 2nd priority the surplus houses could be given to the poor fishermen community after identifying them through an agency like Matsyafed. If the Tsunami Housing Scheme of the State Government is combined with the ongoing housing schemes for the fisher folk, maximum number of members of that community could derive the benefit out of it.

28. In reply to the Committee's query about the import of defective engines, the witness, Director, Fisheries Department informed that the suppliers had rectified the defects of the engines and all those engines since repaired were supplied to fishermen.

29. When enquired about an avoidable loss incurred due to the advance remittance of premium based on estimated number of fishermen, the witness, Secretary, Fisheries Department informed that in such schemes the usual practice was to remit the premium in advance based on the assessed numbers of its members rather than the actual numbers. The witness, Managing Director, Matsyafed contended that, the loss sustained could not really be termed as loss as such since the Insurance Company had already paid Rs. 356 lakh as compensation to the members whereas the total amount of premium remitted was only Rs.158 lakh. The Audit objected to the contention by saying that the main issue was that the Matsyafed had failed to recover those premium amount from the beneficiaries, for whom the amount was remitted in advance by Matsyafed. The witness pleaded that the scheme should be considered as a welfare measure to fishermen. It was added that Matsyafed now insures only those who pay the premium.

30. The witness, Secretary, Fisheries Department informed that there had been only one instance of delay in recovering the amount from the Franchisee.

#### **Conclusions / Recommendations**

**31. The Committee observes that the functioning of the Kerala State Co-operative Federation for Fisheries Development Limited (Matsyafed) formed for all round development of fisheries sector depicts a dismal picture as it is not functioning in the right direction as intended at the time of its formation. Non-utilisation/misutilisation of funds received from Government & Government Agencies, large scale diversion of money earmarked for the implementation of specific schemes etc are the common features of Matsyafed.**

32. The Committee feels that the prevalence of large number of bogus primary societies under Matsyafed which are not doing much, has adversely affected the implementation of various schemes in the Matsyafed. Therefore streamlining its functions by terminating those bogus societies is the need of the hour to make the implementation of the schemes more effective. The Committee hopes that the Department's move to terminate bogus societies would bring about a change for the better functioning.

33. The Committee observes that it is high time the Department took steps for utilising the funds received for the purposes for which it is provided, strictly following the rules and procedures set down for the utilisation of money from Public Exchequer.

34. The Committee requires the department to provide a report on whether the scheme for starting Cold Chain Projects for developing infrastructure facilities in selected fishing villages/markets has achieved its objective. The Committee desires to be informed whether the unspent balance amount of Rs. 1.66 crores retained by Matsyafed has been refunded.

35. The Committee urges the department to take necessary measures to revive idle ice plants and to entrust the running of the ice plants to local self government bodies.

36. The Committee requires the department to inform about the present position regarding the functioning of two prawn hatcheries at Kollam and Kannur under Matsyafed.

37. The Committee points out that Matsyafed could construct only 3400 houses utilising Rs. 51 lakh against the target of 10,000 houses to be completed under the HUDCO aided subsidised housing scheme. The decision to construct toilets for fishermen using the unspent balance of Rs. 89 lakh is a move towards the welfare of the fishermen community. The Committee points out that 50,000 houses had been proposed for families affected by Tsunami. But affected families actually come about only 6000 in number. The Committee therefore recommends to allot the surplus houses to the poor fishermen families after identifying the needy through Matsyafed. The Committee also suggests to combine the Tsunami Housing Scheme with other ongoing housing schemes for the fishermen community so that they could derive maximum benefit from it.

38. The Committee desires to be informed whether Matsyafed is still under agreement with the foreign firm for supplying outboard engines.

39. The Committee requires the department to inform about the actual amount which the department could collect from the fishermen, towards the premia for personal accident insurance scheme and also whether the National Insurance Company has refunded the excess premium remitted by Matsyafed.

**40. The Committee directs the department to constitute a Committee for conducting an indepth study on Matsyafed and to submit its report to the Committee within 3 months so as to bring about a qualitative charge in the functioning of that body. The Committee also directs the department to enquire into the allegations and to fix responsibility on the officers concerned and to take necessary action against them.**

AUDIT PARAGRAPH

*Loss due to rejection of a tender*

To facilitate construction of Quay \* Wall, Auction Hall and Gear shed for the development of Vizhinjam Harbour Project, the Executive Engineer, Fishery Harbour Project Division, Vizhinjam invited (May 1999) tenders for dredging and removal of an approximate quantity of 60000 cubic metres of earth from harbour basin. The tender notice stipulated that the bidders were to undertake dredging work at their own expense and to make payment to the Department towards cost of earth dredged and removed at quoted rates. Out of six bids received, Chief Engineer, Harbour Project Department recommended (August 1999) to Government the negotiated rate of Rs. 12 per cubic metre for acceptance as the sale of dredged soil at recommended rate was advantageous to Government after considering the cost of dredging and removing earth departmentally. Government rejected (March 2000) the tender on the ground that the rate offered was too low compared to the rate of Rs. 42.85 per cubic metre paid to the contractors for supply of earth. Government also directed to stock the dredged soil for eventual sale to contractors undertaking works under Harbour Engineering and Public Works Department.

Accordingly, the Superintending Engineer (SE), Harbour Engineering South Circle, Thiruvananthapuram concluded two contracts in January 2001 and May 2001 for dredging and removing an estimated quantity of 86000 cubic metres of earth from Harbour basin. The works were completed between March 2001 and August 2001 at a total cost of Rs. 61 lakh. Out of 92700\* cubic metres of dredged soil, no earth could be sold or otherwise disposed of till April 2003 when another quantity of 118950 cubic metres of excavated earth dumped earlier in four yards remained unsold. Though the SE attributed remoteness of harbour area and lack of road works requiring large scale filling as reasons for non-disposal of the stocked earth, the CE did not bring the same to the notice of Government well in advance.

Government's decision to reject the tender received in May 1999 was not prudent as the rate of Rs. 12 per cubic metre offered by first tenderer was advantageous by generating revenue to the extent of Rs. 11.12 lakh on sale of dredged soil. Apart from the revenue loss, the imprudent decision resulted in avoidable expenditure of Rs. 61 lakh on dredging.

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\* a platform lying along side or projecting into water for loading and unloading ships.

\* 48580 cu. m. @ Rs. 75.26 per cu. m and 44120 cu. m @ Rs. 55.39 per cu. m.

Government stated (November 2003) that they sold nearly 25000 out of 92700 cubic metres of dredged soil for Rs. 27 lakh and used the remaining quantity for the levelling work in the harbour area. The reply of the Government confirms the loss of Rs. 45.12 lakh due to its imprudent decision. As the original tender of May 1999 was for dredging and removal of dredged soil and as there was another quantity of 118950 cubic metres of earth remaining unsold even at the time of awarding the contracts in January – May 2001, the decision of the Government to go in for dredging of soil @ Rs. 65.80 per cubic metre lacked justification. The contention that the remaining quantity was used for levelling work in the harbour area could only be construed as an after thought.

[Paragraph 4.2.3 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2003 (Civil)]

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

41. The Witness, Director, Fisheries Department informed that though tender was invited to remove soil from the basin area, Government did not accept the offer of Rs. 12 per cubic metre as it was considered too low. Therefore it was decided to dredge and remove the soil departmentally. The expenditure incurred was Rs. 65 per cubic metre. Really, there was not much loss as the dredged soil was sold for Rs. 97 per cubic metre and later for Rs. 187 per cubic metre. A part of the remaining soil was used for levelling the low lying areas.

#### **Conclusion/ Recommendation**

**42. The Committee desires to know whether the balance quantity of the dredged soil has been sold. The Committee directs the department to fix responsibility and to take action against officers who were involved in the selling of sand and bringing about loss to Government.**

Thiruvananthapuram,  
10th July, 2007.

ARYADAN MUHAMMED,  
*Chairman,*  
*Committee on Public Accounts.*

## APPENDIX I

## SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department Concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1.	6	Fisheries	The Committee observes that there was laps on the part of the department in not enquiring about the reputation and previous record of the company before entering into the agreement for purchasing the hydrojet marine speed boats. It is clear that the absence of a technical committee/expert has led to the purchase of defective boats. The committee directs the department to fix responsibility on the Officers responsible for buying defective boats. The Committee desires to know whether the department has actually constituted an expert committee as assured. The committee also directs to inform whether the defective boats have been disposed of.
2.	7	„	The Committee suggests that the department procures well-equipped, high speed, seaworthy vessels designed according to international standards for marine enforcement activities so that hiring of private boats for rescue operations could be avoided. The procurement of such vessels could be through the Kerala State Inland Navigation Corporation, which could also be entrusted with the maintenance of such boats.
3.	9	„	The Committee points out that ban on bottom trawling being a regular feature during monsoon and that department should take immediate steps for procuring boats suitable for patrolling the rough sea and avoid hiring boats

(1)	(2)	(3)	(4)
			for the purpose. The committee directs the department to fix responsibility and to take action against those officers who had hired the boats on higher rate ignoring all formalities which were to be observed while hiring boats.
4.	11.	Fisheries	The committee finds that the work, envisaged to be completed in March 1995, could be completed only in Septemeber 1997. It is clear from the department's confession that it has failed in providing funds necessary for the timely completion of the project. The Committee desires that responsibility be fixed against the officers responsible for the lapse that has led to the delay and extra liability of Rs. 60.89 lakh.
5.	13	„	The committee desires to be informed whether all the works related to the project has been completed. The Committee opines that the department has failed to fix responsibility for the omission, which had led to the loss of Rs. 18.19 lakh. The Committee urges the department to take necessary steps for fixing responsibility and also for making good the loss brought about by the department. The committee enquires whether arbitration clause has been completely deleted. If not the Committee suggests that the clause be permanently omitted.
6.	15	„	The committee urges the department to inform whether the work has been fully commissioned and to enquire and inform the reason for enhancement of rate for the work.
7.	18	„	The committee observes that the departmental rate for disposal of dredged sand has been revised as Rs.

(1)	(2)	(3)	(4)
			<p>33 per cubic metre which is far below the approved government rate of Rs. 100. The committee suggests that fixing a standard rate on the basis of the average price at which sand was sold during the previous year would be more reasonable. The committee directs the department to auction the sand through open tender. The revenue thus earned could be an additional income to Governemnt. The committee also recommends for framing suitable guidelines for disposing of the dredged sand and spoils.</p>
8.	20.	Fisheries	<p>In the statement of remedial measures taken furnished by the department it is seen that no provision was given for works under water and that the contractors had been informed about the site by the department making it clear that the work was to be carried out in reclaimed area. Also the contractors were to quote the rate after fully acquainting themselves with the prevailing site conditions. The department has provided extra payment of Rs. 20.48 lakh to the contractor for reclamation work as the site was submerged. This contradicts the Department stand that the site was already reclaimed. It is evident that there has been lapses in the preparation of estimate. The committee therefore requires the department to conduct an enquiry into the various aspects related to the preparation of estimate and to undertaken proper investigation before preparing the estimate. The committee also suggests an enquiry into the sanction of extra item of work resulting in undue financial aid to the contractor.</p>

(1)	(2)	(3)	(4)
9.	31.	Fisheries	The committee observes that the functioning of the Kerala State Co-operative Federation for Fisheries Development Limited (Matsyafed) formed for all round development of fisheries sector depicts a dismal picture as it is not functioning in the right direction as intended at the time of its formation. Non-utilisation/misutilisaiton of funds received from Government & Government Agencies, large scale diversion of money earmarked for the implementation of specific schemes etc are the common features of Matsyafed.
10.	32	„	The committee feels that the prevalence of large number of bogus primary societies under Matsyafed which are not doing much has adversely affected the implementation of various schemes in the Matsyafed. Therefore streamling its functions by terminating those bogus societies is the need of the hour to make the implementation of the schemes more effective. The committee hopes that the department’s move to terminate bogus societies would bring about a change for the better functioning.
11.	33	„	The committee observes that it is high time the department took steps for utilising the funds received for the purpose for which it is provided, strictly following the rules and procedures set down for the utilisation of money from Public Exchequire.
12.	34	„	The committee requires the department to provide a report on whether the scheme for starting Cold Chain Projects for developing infrastructure facilities in selected fishing villages/markets has

(1)	(2)	(3)	(4)
			<p>acheived its objective. The committee desires to be informed whether the unspent balance amount of Rs. 1.66 crores retained by Matsyafed has been refunded.</p>
13.	35	Fisheries	<p>The Committee urges the department to take necessary measures to revive idle ice plants and to entrust the running of the ice plants to local self government bodies.</p>
14.	36	„	<p>The committee requires the department to inform about the present position regarding the functioning of two prawn hatcheries at Kollam and Kannur under Matsyafed.</p>
15.	37	„	<p>The committee points out that Matsyafed could construct only 3400 houses utilising Rs. 51 lakh against the target of 10,000 houses to be completed under the HUDCO aided subsidised housing scheme. The decision to construct toilets for fishermen using the unspent balance of Rs . 89 lakh is a move towards the welfare of the fishermen community. The committee points out that 50,000 houses had been proposed for families affected by Tsunami. But affected families actually come about only 6000 in number. The committee therefore recommends to allot the surplus houses to the poor fishermen families after indentifying the needy through Matsyafed. The committee also suggests to combine the Tsunami Housing Scheme with other ongoing housing schemes for the fishermen community so that they could derive maximum benefit from it.</p>

(1)	(2)	(3)	(4)
16.	38	Fisheries	The committee desires to be informed whether Matsyafed is still under agreement with the foreign firm for supplying outboard engines.
17.	39	„	The committee requires the department to inform about the actual amount which the department could collect from the fishermen, towards the premia for personal accident insurance scheme and also whether the National Insurance Company has refunded the excess premium remitted by Matsyafed.
18.	40	„	The committee directs the department to constitute a committee for conducting an indepth study on Matsyafed and to submit its report to the committee within 3 months so as to bring about a qualitative change in the functioning of that body. The committee also directs the department to enquire into the allegations and to fix responsibility on the officers concerned and to take necessary action against them.
19.	42	„	The committee desires to know whether the balance quantity of the dredged soil has been sold. The committee directs the department to fix responsibility and to take action against officers who were involved in the selling of sand and bringing about loss to Government.

## APPENDIX II

**FISHERIES & PORTS (A) DEPARTMENT**  
**STATEMENT OF REMEDIAL ACTION TAKEN ON AUDIT PARA 3.7 &**  
**3.8 IN THE REPORT OF C & AG FOR THE YEAR**  
**ENDED 31-3-1996 (CIVIL)**

<i>Audit para No.</i>	<i>Subject</i>	<i>Action Taken Statement</i>
(1)	(2)	(3)
3.7	<p><i>Un Productive expenditure on a boat building Yard.</i></p> <p>Mention was made in paragraph 3.1 of the Report of the Comptroller and Auditor General of India for the year 1982-83 (Civil) about the uneconomic working of the two departmental boat building yards at Sakthikulangara in Kollam district and at Beypore in Kozhikode district.</p> <p>The poor working of the boat building yard at Beypore was again commended in paragraph 7.1 of the Report of the Comptroller and Auditor General of India for the year ended 31st March 1988, No. 6 of 1989 (Civil). A further test-check was conducted by audit covering the period from 1988-89 to 1994-95 and the details are given in succeeding paragraphs.</p> <p>(i) The working of the Beypore Yard had deteriorated still further during the seven year period from 1988-89 to 1994-95. The total number of boats constructed during this period was seven at an average of 1 per year against the capacity to build 40 boats per year.</p>	<p>Government Vide G. O. (Rt. No. 191/2001/F/PD dated 21-4-01 accorded sanction to wind up the activities of the departmental Boat Building Yards at Beypore, Sakthikulangara and Boat Repairing Yards and service station Baliapattom with immediate effect and to dispose of the unserviceable materials in those years. As per G. O. (Rt. No. 108/02/F/PD dated 6-4-05). Governemnt have accorded sanction to transfer the surplus stores and machineries available in the wound up yards and to M/s Steel Industries, Kerala Limited, at the assessed value fixed by the department or in mutually agreed value. Accordingly the unserviceable materials in these wound up yards were transferred to the Steel Industries, Kerala Limited at the mutually agreed value, vide proceedings No. A6-11040/01 dated 3-4-02. Hence no review committee was constituted as recommended by Public Accounts Committee.</p>

(1)	(2)	(3)
(ii) The total number of boats repaired was 26 as against 77 during the proceeding seven years from 1981-82 to 1987-88.	(iii) The revenue realised during the period was Rs. 18.80 lakhs (excluding cost of materials Rs. 30.50 lakhs) which accounted for only 14 per cent of the total establishment expenditure of Rs. 1.34 crores of the total of 4.72 lakh man hours available during 1988-89 to 1994-95 only. 1.78 lakh man hours (38 per cent) could be utilised by the yard.	The wooden articles were transferred to Harbour Engineering Department in connection with the construction of Fisheries Staff Training Centre, Kodungalloor, Ernakulam.
(iv) Construction of two boats undertaken by the yard during 1991-92 and to be completed by October 1991 was not completed as of December 1995. The construction of the boats which started in September 1991 and December 1991 was discontinued in January 1994 and July 1994 as the anjali wood required for fabrication of engine foundation of the boats could not be procured. Steps initiated for the procurement from the Forest Department had succeeded as anjali wood if required size was not available in the forest depots. Efforts to procure anjali wood by inviting tenders in March 1994 also did not succeed as government sanction of accepting the tender submitted by the department had not been accorded. The anjali wood was later received from the Forest Department in November 1995.		The staff attached to the boat building yards has been deployed for other activities of the department.

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(1)	(2)	(3)
	<p>The construction of boats had not been completed as of June 1996.</p> <p>From January/July 1994, when the construction of the boats was suspended, the workers were totally idling. The idle wages paid to the workers till November 1995 amounted to Rs. 38.78 lakhs.</p> <p>Thus the boat building yard was continuing without adequate work and hence the recurring expenditure of Rs. 17 lakhs per annum (average) on salaries of 44 staff members continued to be liability to Government.</p> <p>The department stated (August 1996) that there was no demand for wooden boats owing to the technological developments and it was therefore difficult to undertake any fresh construction work with the existing skeleton staff which was reduced as a result of non-filling of the posts that became vacant on retirement of the staff. The department further added that the remaining employees of the yard were regular departmental employees covered under Kerala Service Rules and hence eligible for regular salary whether the unit was undertaking any work or not. The reply of the department was not acceptable as department could have taken steps for the profitable redeployment of staff who could not be assigned any worthwhile work.</p> <p>The matter was referred to government in April 1996; reply had not been received (August 1996).</p>	

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(1)	(2)	(3)
3.8	<p data-bbox="483 478 878 961"><i>Idle hydrojet marine speed boats</i></p> <p data-bbox="483 527 878 961">For patrolling of sea during the trawl ban period and sea rescue operations, the Director of Fisheries (October 1981) supply orders with a firm in Indore for supply of three hydrojet speed boats at the total cost of Rs. 70.71 lakhs. The boats were supplied by the firm in July 1982, January 1983 and March 1984. These were allotted to the Zonal Offices at Ernakulam (Boat 1), Kozhikode (Boat 2) and Kollam (Boat 3).</p> <p data-bbox="483 982 878 1220">Mention was made in paragraph 6.5 (ix) of the Report of the Comptroller and Auditor General of India for the year 1986-87 (Civil) about their defective construction, poor up keep and consequential non use for surveillance work.</p> <p data-bbox="483 1241 878 1684">Government had informed the Public Accounts Committee in October 1993 that one of the boats had already been got repaired and that the repair of the remaining 2 boats would be arranged. If the repairs done were found to be successful on trial runs. On a further scrutiny by Audit, it was noticed that all boats continued to remain idle, the actual duration of their working and the extent of the idling were as under.</p>	<p data-bbox="889 478 1260 772">The Three hydrojet Boats, 1, 2, 3 were purchased during 1982, 83 and 84 respectively. Jet boat No. 1 worked for 7 years and after that, it was under repair. Since the repair works could not be completed successfully, the boat was idling from 1992 onwards.</p> <p data-bbox="889 793 1260 982">The jet boat No. 2 was taken over charge during 1983 and used till 1987. The service of Bosen, Driver and Oilman, posted on daily wages, were terminated.</p> <p data-bbox="889 1003 1260 1507">Jet boat No. 3 was purchased during 1984 and used till 1987. The service of the crew of the three jet boats were utilised for the operation of other patrol boats of the department. The main problem was that the operational trouble noticed in these boats, could not be repaired successfully. However the expected life span of the boats was 3 years. Later a condemnation and action was taken for the disposal of above three boats.</p> <p data-bbox="889 1528 1260 1684">Out of the three boats, hydrojet boat No. 1 was already disposed and the other two hydrojet boats No. 2 &amp; 3 are proposed for disposal.</p>

<i>Reference to boat</i>	<i>Date of allotment</i>	<i>Period during which worked</i>	<i>Actual hours/ months of working</i>	<i>year and month from which docked for repair</i>
Boat 1	July 1982	1982-88	800 hours	1989
Boat 2	March 1985	1985-87	137 hours	September 1987
Boat 3	July 1984	1984-87	36 months	September 1987

As against the expected life span of 15 years, the boats have been practically idling over since their purchase the periods of their actual working being nominal or negligible. Thus the investment of Rs. 70.71 lakhs on the baots had been largely unproductive.

The following points were also noticed in audit.

(1) The repair work of the boat number 2 allotted to the Zonal Office, Kozhikode was entrusted (June 1991) to a Kochi firm for Rs. 3.55 lakhs. Though the boat was ready for trial run in May 1992 after repair the trial run was conducted only after 18 months in October 1993 due to non filling of posts of driver and boson, shortage of funds for fuel, etc. Even though the result of that trial run was termed as satisfactory, by the Chief Civil Engineer, the boat could not be put to use. However, the Deputy Director of Fisheries, Kozhikode stated that according to the reports of foreman, boson and engine driver who were also present during the trial run defects were noticed during the trial run. As the defect was noticed during the trial

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(1)	(2)	(3)
	<p>run in October 1993. When the guarantee period of six months from October 1993 as per the terms of agreement was not over, the repair work should have been arranged with the firm before the expiry of the guarantee period. The reason for not doing so was not on record. Thus the repair charges of Rs. 3.10 lakhs (paid to the firm) also did not serve any purpose.</p> <p>(ii) In May 1994, a committee was constituted by the Director of fisheries to explore the possibility of repairing and resuming boats number 1 and 3. The committee which was to submit its report within seven days had not submitted it till date (October 1996).</p> <p>(iii) Idle wages paid to the crew of the boats not in operation till March 1995 amounted to Rs. 6 lakhs. The department also had to incur expenditure on hiring of boats during the period and the amount of hire charges involved during the two years 1994-95 and 1995-96, the details of which were furnished to Audit amounted to Rs. 12.25 lakhs. The matter was referred to Government in March 1995; reply had not been received (August 1996).</p>	

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**FISHEREIS & PORTS (B) DEPARTMENT**

NOTES ON REMEDIAL MEASURES TAKEN ON AUDIT PARA 3.1 IN  
THE REPORT OF THE C & AG OF INDIA FOR THE  
YEAR ENDED 31ST MARCH 1997

<i>Sl No.</i>	<i>Para No. &amp; Title</i>	<i>Remedial Measure s Taken</i>
(1)	(2)	(3)
1.	<i>3.1 Avoidable expenditure on hiring of boats</i>	<p>The Kerala Marine Fishing Regulation Act, 1980 came into force in 1980 and the State Government had been regularly ordering banning of bottom trawling from 1988 onwards in order to save the traditional fishermen from the ill effects of bottom trawling by mechanised boats. In order to enforce the ban on bottom trawling the Fisheries Department had been employing patrol boats. Government issued orders (4th June 1994) prohibiting bottom trawling within the territorial waters of Kerala from 15th June 1994 to 29th July 1994. On 4th June 1994, the Department hired 5 patrol boats from a firm in Tamil Nadu without inviting tenders. The rate agreed to was Rs. 6000 per day per boat. The action of the department was later ratified by Government in March 1995 and Rs. 13.68 lakhs were paid to the firm for 5 patrol boats which had run for a total of 228 days. For the trawl ban period of 1995, the department took early action in March 1995 and invited quotations</p> <p>The State Government have been imposing ban on bottom trawl since 1988. Decision to impose trawl ban is taken each year. Arrangement for enforcing the ban is taken only after the notification to that effect is published in the Gazette. During the year 1994 ban on bottom trawling was imposed for a period of 45 days with effect from 15-6-1994 to 29-5-1994. The notification was published in the Kerala Gazette dated 4-6-1994.</p> <p>The Department needed suitable patrol boats for effecting implementation of the ban order. Since the Departmental patrol boats were not suitable for use in rough sea, the Director of fisheries requested government to accord sanction for hiring patrol boats from Tamil Nadu. Subsequently the Director of Fisheries hired 5 boats from Tamil Nadu in anticipation of Government sanction. The Department hired boats from Tamil-nadu on an urgent basis since it had</p>

(1)	(2)	(3)
<p>for hiring of boats. The lowest quoted rate from two firms was Rs. 3000 per day boat (after negotiations) which was accepted and agreement executed on 23rd May 1995.</p>	<p>to implement the ban order from the mid night of 14th June 1994. The action of the Director of Fisheries was subsequently ratified by govt. vide GO. (Rt) No. 156/95/F &amp; PD dated 28-3-1995.</p>	
<p>Thus, failure of the Department in inviting tenders for hiring of boats in 1994 resulted in an avoidable expenditure of Rs. 6.84 lakhs as compared to the rate obtaining during tender in 1995.</p>	<p>Tenders were not invited for hiring the boats as it was very urgent for hiring the boats from 15-6-1994 in order to overcome the tense situation that may probably arise during the ban period.</p>	
<p>Government's contention that usual formalities such as inviting tenders etc. could not be observed due to paucity of time and urgency of the matter was not tended as banning of bottom trawling had been a regular feature during monsoon since 1988 and as the department was aware of the non-availability of govt. patrol boats it could have taken early action for hiring of boats observing all the formalities. Further, hiring of boats at Rs. 6000 per day in 1994 was not at all justifiable in view of the fact that in the proceeding year (1993) the department could hire boats at lower rates (Rs. 5000) even for a very short duration (only 11 days).</p>	<p>Since the decision to impose trawl ban is taken each year the department could not take early action for hiring boats through open quotation.</p>	

**FISHEREIS & PORTS (B) DEPARTMENT**

NOTES ON REMEDIAL MEASURES TAKEN ON AUDIT PARA 4.12 &  
4.13 UNDER CHAPTER IV OF THE REPORT OF C & AG OF  
INDIA FOR THE YEAR ENDED 31ST MARCH 1997 (CIVIL)

<i>Sl No.</i>	<i>Para No. &amp; Title</i>	<i>Remedial measures taken</i>
(1)	(2)	(3)
1.	<i>4.12. Extra expenditure due to departmental lapses</i>	
	<p>The work 'Fishing Harbour Project Munambam Construction of breakwaters at Munambam (Southern and Northern sides)' under 50 percent Centrally Sponsered Scheme with an estimated probable amount of contract of Rs. 2.39 crore based on Schedule of Rates (SoR) 1990 was awarded to a contractor firm in June 1992 at 52 per cent above estimate. The due date of 2nd June 1994 for the completion of the work was extended up to 31st March 1995. The firm stopped work on 12th December 1994 due to non-settlement of work bills amounting to Rs, 86.84 lakh which were cleared in March 1995. The non-completion of the work by the due date, according to both the firm and the department was mainly due to the delay in handing over site, providing weigh bridge and approach road to work site, taking decision by the department on laying sand bags into the deeper zone and consequent stoppage of work, delay in making timely</p>	<p>The delay in completing the work was beyond the control of the department. The breakwater was being formed in sea and as the construcion of breakwaters was progressing the depth along the alignment of breakwaters was considerably changed due to scour in front of breakwater as the work progressed. The quantity of various sizes of stones to be used for the construction of breakwaters also increased considerably. The work of this nature could not be stopped at this stage due to increase in quantity. The whole length of the breakwaters is to be completed for satisfying the design of the harbour. Hence there was no question of stopping the work due to increase in quantity.</p> <p>Further some delays have also occured for payment of bill in time due to delay in getting allotment of funds and letter of credit in time.</p> <p>It may also be noted that had the work been retendered this would have resulted in enormous cost over run and also time over run,</p>

(1)	(2)	(3)
	<p>payment of work bills and also increase in quantities of various items of work due to improper estimation. The firm in May 1995 demanded 90 percent enhancement over agreed rates for the work done after the original due date of completion as the non-completion was due to delays lapses on the part of the department. The Chief Engineer (CE), Harbour Engineering Department, suggested in May 1995 to rearrange the balance work through the existing contractor by giving reasonable increase over his quoted rate, as minimum three months time would be required for retendering and the work could not be completed before March 1996 if retendered. the High Level Committee constituted by Government in July 1995 recommended (September 1995) an increase in rate by 95 percent above 1990 SoR for the balance work amounting to Rs. 1.42 crore subject to the condition that the work should be completed by 30th March 1996. Government accepted the recommendations in December 1995. The extra liability to Government in sanctioning higher rate due to the lapses/ delays on the part of the department was Rs. 60.89 lakh. The work was completed in Septembers 1997.</p>	<p>particularly, in such works in sea. If the construction of breakwater had been delayed inordinately it would have adversely affected the whole project of Fishing Harbour and the ultimate beneficiaries i.e., the poor fishermen, would have suffered.</p> <p>In the light of the above facts, the excess expenditure incurred is ignorable since the action taken to complete the work was solely for government and public interest.</p>

(1)	(2)	(3)
	<p>When this was pointed out to Government in September 1996, they stated (January 1997) that there was delay in making payment for what of budget provisions and letter of credit and that it was advantageous to get the balance work amounting to Rs. 1.87 crore as per 1992 SoR completed by the existing firm as there was every livelyhood of the quoted percentage being above 1992 SOR, if retendered. This was not acceptable as the probable increase in rates on retender over 1992 SOR, according to CE would have been between 20 and 35 per cent. If the maximum increase was taken into account the total amount required for the completion of the balance work would be Rs. 2.52 crore, whereas the amount to be paid on account of the 95 per cent increase on 1990 SOR would be Rs. 2.76 crore.</p>	
2.	<p><i>4.13 Departmental lapse in framing tender conditions</i></p>	
	<p>The work 'Replenishment of seaward and leeward breakwaters at Vizhinjam' was awarded to a firm in November 1984 for Rs. 16.47 lakhs at 66.5 percent above estimate. The work consisting of replenishment of seaward breakwater (estimate cost Rs. 1.44 lakh) and leeward breakwater (estimate cost Rs. 10.81 lakhs) was to be completed within 18 months from</p>	<p>The clause relating to arbitration ie. clause No. 3 in the agreement and clause No. 24 in the NIT (Form No. 83) is scored off and the contractor had signed on the same page of the agreement which is a token of acceptance of all the conditions including the additions and delations. Even though specific mention is not seen made in the agrrement, the contractor was well aware of the fact as the copy of the agreement was</p>

(1)	(2)	(3)
	<p>the date of agreement. Due to paucity of funds, the contractor was asked to carry out work of leeward breakwater only and he completed this work (March 1985) at a cost of Rs. 20.54 lakh.</p> <p>After one year from the date of completion of the work, the firm demanded extra claims on various grounds and on rejection filed a suit in sub Court, Thiruvananthapuram in October 1986 for appointment of an Arbitrator. The Court appointed an Arbitrator in October 1986. On the basis for general directions of Government in May 1978, the department had scored off the arbitration clause form the agreement. However, the deletion was not properly authenticated. The court was of the opinion that the department should have specifically mentioned their intention to exclude the arbitration clause in the agreement itself. The Arbitrator admitted the claims of establishment and overhead charges due to advancement of completion of the work by 13 months (Rs. 7.60 lakh), cost of undersized stones (Rs. 90,000) and charges for blasting of stone (Rs. 2 lakh) and awarded Rs. 10.50 lakh in December, 1988 with 12 percent interest per annum from the date of filing the suit to the date of payment. The Sub Court admitted</p>	<p>handed over to him by scoring off the concerned item of arbitration and he had never raised any objection to this.</p>

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(1)	(2)	(3)
	<p>the award in April 1991 and the decision was upheld by the High Court. Accordingly the department deposited Rs. 18.19 lakh including interest of Rs. 7.69 lakh between January 1992 and March 1995.</p>	
	<p>The Arbitration and the resultant loss could have been avoided had the department specifically done away with the provision of arbitraiton by providing suitable clause in the agreement itself.</p>	
	<p>The matter was referred to government in March 1996, reply had not been received (Ocotber 1997).</p>	

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**NOTES ON REMEDIAL MEASURES TAKEN ON AUDIT PARA 4.1 OF  
THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL  
OF INDIA FOR THE YEAR ENDED 31-3-1998 (CIVIL)**

Government of India in their letter No. 3313-24/83/FY (H) dated 11-10-1988 have conveyed the administrative approval to the construction of Fishing Harbour at Thangasserry at an estimate cost of Rs. 1411.00 lakhs. Accordingly Government of Kerala in G. O.(Ms) 13/89/F &PD dated 22-3-1989 issued administrative sanction for Rs. 1411.00 lakhs for the above scheme with 50% CSS. The main item of work was instruction of 2 number of breakwater ie. main Breakwater for a length of 1685 m. and Lowered Breakwater for a length of 450 m. The lowest tender at 21% above estimate rate (Lowest out of 9 pre-qualified tenders) was accepted and work awarded to M/s. Kaikkara Construcion Co. Kollam. The agreement for the work was executed on 12-9-1991 vide agreement No. 03/HEOC/91-92.

2. According to the original layout, the leeward breakwater was located from Jonakapuram side of the harbour project. The sanction for the commencement of Leeward Breakwater at Pallithottam was issued during 6/94 and a length of 500 m was completed against the estimate provision of 450 mts. to accommodate tranquility in the entrance channel.

3. As per the agreement, the time of completion of the work was 36 months, from the date of commencement. The time for completion as per the original agreement ended on 7-11-1994.

4. The Superintending Engineer in his order No. D4/3983/88/SE dated 17-11-94, has granted extension for time of completion upto 7-11-1995, imposing a fine of Rs. 10,000. The firm also represented the Government to consider the request for enhancement of rates, by referring the matter to a High Level Committee. The chief engineer refused the contention of the contractor and the contractor filed an O.P. in Hon'ble High Court. Since the O.P. was not finalised, the work was not terminated. At this Juncture, with a view to complete the work early and based on the petition dated 3-5-1995 of the contractor, the government was requested to constitute a High Level Committee, as was done in the case of Puthiappa Breakwater Construcion, to examine the whole dispute. Accordingly, Government constituted a High Level Committee in July 1995.

5. The Chief Engineer in his letter No. W3/5234/94 CE dated 20-3-1995 addressed to the government had furnished three options for carrying out the works.

- (a) Rearrange the balance work departmentally.
- (b) Retender the balance work.
- (c) Rearrange the balance work through the existing contractor, by giving reasonable increase in his quoted rate.

6. Considering the petition of the contractor, and all the aspects of the contractor's claim and options put forward by the chief engineer, the High Level Committee recommended the Government to allow 75% increase above 1990 schedule of rates for the balance works done after 7-11-1994. Based on the above recommendations Government issued orders in G. O. (Ms) No. 69/95/F & PD dated 6-12-1995, enhancing the rates.

7. The work awarded to the contractor at 1990 schedule of rates and subsequently there was a rate revision in 1992. That rate was also due for revision in 1994, hence the committee found that it would be reasonable and fair to allow the contractor a reasonable increase to continue the work by granting the agreed rate to the work done after 7-11-1994. Accordingly the High level Committee constituted by government had decided to allow 75% escalation on 90 schedule of rates for the work done after 7-11-1994, after examining all aspects of the petition submitted by the contractor and to ensure timely completion of the work. The decision to enhance 75% rates on 1990 schedule of rates was conscious decision taken by the High Level Committee considering all the aspects involved and it was based on this recommendation of High Level Committee that government issued orders granting 75% escalation to the work done after 7-11-1994. Hence the interpretation of the Audit that revised rates recommended by the High Level Committee should have been applicable only to the work on leeward breakwater and that application of enhanced rates to work on both breakwaters executed after 7-11-1994 tantamount to favouring the contractor and thereby lead to unjustified financial aid beyond the scope of contract is not correct.

**FISHEREIS & PORTS (B) DEPARTMENT**STATEMENT OF REMEDIAL ACTION TAKEN ON AUDIT PARA 4.2 &  
4.3 IN THE REPORT OF C & AG FOR THE YEAR  
ENDED 31-3-1999 (CIVIL)

<i>Sl No.</i>	<i>Audit para No. &amp; Title</i>	<i>Remedial measures taken</i>
(1)	(2)	(3)
1.	4.2. <i>Loss on disposal of surplus sand</i>	
	Rs. 39.25 lakhs lost due to fixation of unjustified low rate for disposal of dredged material/ surplus sea sand.	Disposal of sea sand by sale is resorted only for the accumulated/ dredged spoil which other wise would have to be removed departmentally. As pointed out by the Audit, sale of sand from Puthiyappa Fishery Harbour started with effect from 10/94 at Rs. 7.50/M3+ ST the rate then approved at Neendakara Fishery Harbour. For the sale dredged spoil, situation at Puthiyappa Fishery Harbour was identical with Neendakara Fishery harbour and hence same rate approved by Government and adopted at Neendakara Fishery Harbour was made applicable at Puthiyappa also. Sea sand and dredged spoil is a good material for filling. But this will be used for filling purpose only when the cost of the same is less than gravel or red earth, which is locally available. In the PWD Schedule of Rate for the year 1990, 1992 and 1996 value of sea sand is given as Rs. 15, Rs. 25 and Rs. 33 respectively. This amount is inclusive of the labour required for excavating, lifting and loading upto a distance of 50 m.
	Based on the instruction from Chief Engineer (CE)/Harbour Engineering Dept. and Supdtng. Engineer (SE), the Executive Engineer, Fishing Harbour Project Division Puthiyappa proposed (march 1994) to sell the dredged sand deposited in the project site to private parties. The disposal of sand and spoils was intended to clear the dumping area to facilities further dredging and also leveling the site for construction of auction hall, internal roads and parking area under the project. S.E. Harbour Engineering North Circle, Kozhikode unjustifiably fixed (April 1994) the rate of Rs. 7.50 per cubic metre for disposal of the dredged material based on the rates approved by Govt. in February 1991 for disposal of dredged soil in another project. Between April 1994 and October	

(1)	(2)	(3)										
1998, 1.76 lakhs cubic metres of surplus sea sand/dredged spoils was removed.	Scrutiny revealed that no proper procedure was followed in the case as no auction was held and reasonableness of the sale price at Rs. 7.50 per cubic metre was not verified. In response to audit observation, CE informed that the rate had been revised at Rs. 33 per cubic metre from February 1999. Had this been done at the time of disposal of the material, the department would have recovered Rs. 39.25 lakhs more.	<p>2. The cost element of sand worked out taking into account the market cost of labour is 1991 and the value of sand based on P.W.D. Schedule of rate is as follows.</p> <p>Taking the market rate of labour in 1991 as</p> <table border="0"> <tr> <td>Men mazdoor</td> <td>Rs. 50/E</td> </tr> <tr> <td>Boy</td> <td>Rs. 30/E</td> </tr> </table> <p>Cost of labour for excavating 10 M3 of sand with lead of 50 m and lift of 1.5 m will be</p> <table border="0"> <tr> <td>0.9 Man</td> <td>Rs. 50/E</td> <td>45.00</td> </tr> <tr> <td>2.75 Boy</td> <td>Rs. 30/E</td> <td><u>82.50</u></td> </tr> </table> <p style="text-align: right;">127.50/10 M3=12.75 m3</p> <p>Cost of sand as per 1990 Schedule of rate is Rs. 15/M3.</p> <p>Hence cost element of sand = Rs. 15-Rs.12.75= 2.75/M3.</p> <p>Eventhough the cost element of sand works out only to be Rs. 2.25/M3 sand was sold in this particular case at a rate of Rs. 7.50 = S.T./M3. hence it can be seen that there is no loss sustained to Govt. by way of the sale of sand.</p> <p>3. The main objective of the department in selleing the sand from the harbour basin at Puthiyappa is not to increase revenue to the department but to accomplish the removal of sand deposited in the harbour basin which otherwise would have to be removed incurring huge</p>	Men mazdoor	Rs. 50/E	Boy	Rs. 30/E	0.9 Man	Rs. 50/E	45.00	2.75 Boy	Rs. 30/E	<u>82.50</u>
Men mazdoor	Rs. 50/E											
Boy	Rs. 30/E											
0.9 Man	Rs. 50/E	45.00										
2.75 Boy	Rs. 30/E	<u>82.50</u>										

(1)	(2)	(3)												
		<p>expenditure. As pointed out by the audit, if the department had increased the sale rate of sand at par with the revision of schedule of rates, the revenue to the department would have been much higher. But the objective of the department in selling sand ie. to maintain the harbour basin to sufficient depth will not be fulfilled. On perusal of the sale statistics for the last three years, as given below, it can be seen that the view of the audit that a reasonable increase in the sale price would not have reduced the number of buyers as the materials was dearer in the area is not correct.</p>												
		<table border="1"> <thead> <tr> <th data-bbox="857 995 927 1022"><i>Period</i></th> <th data-bbox="954 989 1065 1035"><i>Quantity of sand sold</i></th> <th data-bbox="1154 1001 1198 1022"><i>Rate</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="837 1052 938 1073">3/97-8/97</td> <td data-bbox="954 1052 1065 1073">24010 M3</td> <td data-bbox="1084 1052 1219 1073">7.5/M3 + S.T.</td> </tr> <tr> <td data-bbox="837 1098 938 1119">3/98-8/98</td> <td data-bbox="954 1098 1065 1119">21455 M3</td> <td data-bbox="1084 1098 1219 1119">7.5/M3 + S.T.</td> </tr> <tr> <td data-bbox="837 1144 927 1165">3/99-8/99</td> <td data-bbox="954 1144 1065 1165">11835 M3</td> <td data-bbox="1084 1144 1227 1165">33.00M3+S.T.</td> </tr> </tbody> </table>	<i>Period</i>	<i>Quantity of sand sold</i>	<i>Rate</i>	3/97-8/97	24010 M3	7.5/M3 + S.T.	3/98-8/98	21455 M3	7.5/M3 + S.T.	3/99-8/99	11835 M3	33.00M3+S.T.
<i>Period</i>	<i>Quantity of sand sold</i>	<i>Rate</i>												
3/97-8/97	24010 M3	7.5/M3 + S.T.												
3/98-8/98	21455 M3	7.5/M3 + S.T.												
3/99-8/99	11835 M3	33.00M3+S.T.												
		<p>The increase in sale price has reduced the demand by more than 50% resulting in accumulation of silt in the harbour area.</p>												
		<p>The sale price of sand was increased to Rs. 33/M3 + S.T. based on 1996 schedule of rate in view of the objection raised by the audit to the increase was based on the revised schedule of rates, no seperate orders were issued in this regard, subsequent on the enhancement of sale price of sand in 1/99. No sand was sold during that month. After that, the number of takers increased, but the quantity sold was only less than 50% of the quantity sold prior to revision</p>												

(1)	(2)	(3)
		<p>of sale price. Due to the lack of sufficient funds the dept. could not arrange to remove the surplus sand from the basin area during the succeeding periods and as such the siltation in the harbour basin has increased considerably. Following the revision of schedule of rate in 7/99, the sale price of sand has been further increased to Rs. 100-M3 + S.T. and this may affect further sale also. The non removal of deposited sand from the harbour area had decreased the depth of basin and approaches affecting the purpose for which the harbour was constructed.</p> <p>4. According to the economic theory of elasticity the co-reaction of cost and demand are such that whenever the cost goes up, the demand decreases correspondingly. This applies to any commodity including sand as in this case. So had the cost of sand been higher, there would have been less takers in which case the dredged spoil would have accumulated at site, adversely affecting the functioning of the project. For the effective functioning of the project, it is also essential to ensure early disposal/removal of the spoil from the site. Hence, if the cost of sand had been higher and demand correspondingly lower, this department would have been forced to bear extra expenditure for shifting the dredged spoil. this aspect also would have lead to the no acceptance of the higher rate recommended by site officers.</p>

(1)	(2)	(3)
2.	<p><i>4.3. Payment outside the scope of contract</i></p> <p>Although the contract provided for execution of work in underwater condition. Rs. 20.48 lakhs was unjustifiably paid for ring bunds put up for enabling pile driving.</p> <p>Superintending Engineer (SE), Harbour Engineering (North) Circle, Kozhikode arranged in March 1996 construction of wharf for Mopla Bay fishing Harbour in Kannur District for a contract amount of Rs. 51.09 lakhs. The wharf was completed in January 1998 at an expenditure of Rs. 72.49 lakhs. Audit scrutiny revealed inadmissible payment of Rs. 20.48 lakhs to the contractor as discussed below :</p> <p>For driving cast-in-situ bored piles, temporary ring bunds were formed as the site was submerged in water. The contractor claimed extra rate for this item of reclamation work, before commencement of the work. SE unjustifiably approved (March 1997) an estimate for Rs. 4.50 lakh for the extra item and the contractor was paid Rs. 20.48 lakh for the reclamation work. The estimate provided for execution of the work in under water condition and it did not contain provision for any reclamation work. Contractors were to quote rates after fully acquainting themselves with the</p>	<p>The Harbour Engineering Department had already initiated action for reclamation of the area proposed for the construction of wharf at Mopla Bay at the time of preparation of estimate for the wharf . Hence while issuing technical sanction for the work, no provision for working in under water condition was given in the estimate.</p> <p>Usually for boring work in or under water, provision for forming temporary bunds/floating platform for supporting the boring plant will be given in the estimate. In the sanctioned estimate for the work, no such provision is given. Also provision for boat conveyance is not included in any of the sanctioned data. Only 20% extra labour for compensating the short out turn due to tidal variation is given for bottom beam concreting. The contractors participating in the tender, especially specialised work like construction of wharf will be conversant with the rates for various works involved and an examination of the tender schedule itself will be able to understand the provisions given in the estimate for the work. No where in the tender scheduled it is stated that the work is to be carried out under water. Also, the contractors participating in the tender who had contacted the site officers had been informed of the actions already initiated by the department for reclaiming the proposed wharf construction site.</p>

(1)	(2)	(3)
	<p>prevailing site conditions. As such sanction of extra items for ringbund formation incidental to the work, was an undue financial aid to the contractor.</p> <p>The matter was referred to Government in April 1999; reply has not been received (October 1999).</p>	<p>Kindly be noted that :-</p> <ol style="list-style-type: none"> <li>1. The department had already initiated action for the reclamation of the proposed site before tendering the work of wharf construction.</li> <li>2. No provision is given in the sanctioned estimate for carrying out workers in under water condition.</li> <li>3. The contractors visiting the site had been informed about the action taken by the department for reclamation of the proposed site by site officers.</li> </ol> <p>In this connection it is also pointed out that the Mopla Bay wharf was tenders on 17-11-1995.</p> <p>Tenders for other construction works at Mopla Bay fishing harbour and Chombal were also invited at the time of tendering the construction of wharf at Mopla Bay. The percentage of tender excess sanctioned by the tender committee for such work are detailed below :</p> <ol style="list-style-type: none"> <li>1. Construction of administration office cum Guest House at Mopla Bay (tender on 29-9-1995.) } 157% above estimate rate</li> <li>2. Construction of quarter at Mopla Bay type IV &amp; Duplex (tendered on 29-9-95) } 157% above estimate rate</li> </ol>

(1)	(2)	(3)
		3. Construciton of canteen building at Mopla Bay (tendered on 24-4-96) } 144% above estimate rate
		4. Constrcution of water tank at Mopla Bay (tendered on 24-4-96) } 199% above estimate rate
		5. Construction of Chombal Fishing Harbour providing infrastructural facilities (tendered on 18-5-96) } 170% above estimate rate

All the above works are carried out on land. Hence it can be presumed that the tender excess of 125% above of wharf at Mopla Bay is also for carrying out the work in the reclaimed land and not for the work in under water condition.

Considering the above points, it can be presumed that the contractor who participated in the tender for the said work had quoted their rates. Considering the above facts and as such, the rate of 125% above estimate rate quoted by the contractor is for carrying out work on the reclaimed land.

The work was entrusted to the contractor as it was essential and was not envisaged in the original schedule for the work as per the original agreement and on the best public interest to complete the works in time.

REPORT OF THE COMPTROLLER & AUDITOR GENERAL FOR THE  
YEAR ENDED ON 31-3-2001 (CIVIL)—STATEMENT OF ACTION TAKEN

**7.5 Working of Kerala State Co-operative Federation for Fisheries  
Development Limited**

<i>Audit para</i>	<i>Statement of Action Taken</i>
(1)	(2)

*7.5.2 Poor Implementation of  
Central Schemes*

*(i) Diversion of funds*

(a) A Centrally sponsored scheme for establishment of cold chain projects with 50 per cent central assistance envisaged development of infrastructure facilities such as, insulated ice tanks, pre-fabricated cold storage units etc. for storage of fish in selected fishing villages, fish landing centres and retail/wholesale markets. The objective of the scheme was to ensure the economic development of the poor fishermen through increase in fish production and avoidance of the sale of fish at the pre-determined rate by middlemen. Out of the total grant of Rs. 4.82 crore received by Matsyafed from State Government under the scheme during 1992-98, Rs. 3.16 crore (66 percent) was irregularly diverted for repair/maintenance of its Ice and Freezing Plant at Kochi and for expansion of its infrastructure facilities. Such diversion of assistance defeated the objectives of the original

(a) During the financial years from 1993-1994 to 2000 the State Government released to Matsyafed a sum of Rs. 481.90 lakhs under the centrally sponsored scheme for establishment of cold chain as follows :

		(Rs. In lakhs)
1.	G.O(Rt) 146/93 F&PD dt. 31-3-93	165.00
2.	GO (Rt) 343/94 F&PD dt.31-3-94	30.00
3.	GO (Rt) 139/96 F&PD dt. 31-3-96	50.00
4.	GO (Rt) 140/97 F&PD dt. 31-3-97	50.00
5.	Proceedings No. F3/639/97 dtd.22-8-97 of director of Fishereis	4.50
6.	GO (Rt) 144/98 F&PD dt. 30-3-98	182.40
Total		481.90

Matsyafed has spent a sum of Rs. 419.79 lakhs as on 31-3-2005 under the cold chain project for the various activities as follows :

Ice & Freezing Plant	Rs. 322.00 lakhs
Ice Plant, Quilandy	Rs. 10.89 lakhs
Ice Plant, Thanoor	Rs. 24.04 lakhs
Ice Plant, Thalai	Rs. 26.23 lakhs
Ice Plant, Kasaba	Rs. 26.38 lakhs
Ice Plant, West Hill	Rs. 10.25 lakhs
Total	Rs. 419.79 lakhs

(1)	(2)
<p>scheme. Even balance of Rs. 1.66 crore was also retained by Matsyafed as of March 2001.</p>	<p>The renovation of the Ice and Freezing Plant at Kochi was a project component approved by the Central Government. This ice plant was renovated under this scheme with modern processing facilities at par with EEC standards for intervening in the market through primary co-operative societies for eliminating exploiter middlemen to ensure fair price to fishermen and supplying quality fish at reasonable price to customers. It has also become possible to exploit the export market and to fetch fair price to exportable varieties brought by the fishermen. Matsyafed could by now successfully link the Ice &amp; Freezing Plant with fish landing centres and the various ice plants renovated under this scheme. As these facilities are effectively utilised to help store fish to any extent in any peak landing season this plant has turned an invaluable link in the cold chain justifying the expenditure.</p>
<p>(b) The National Co-operative Development Corporation (NCDC) gave (March 1998) assistance of Rs. 19.80 crore to Matsyafed to implement the Integrated Fisheries Development Programme 1998 which included a component 'Training, Extension and Consultancy' at a cost of Rs. 1.10 crore. During 1998-2000, matsyafed utilised only Rs. 58.17 lakh on the component while Rs. 52.08 lakh remained unutilised as of March 2001. Scrutiny revealed that Rs. 51.60 lakh was misutilised on unapproved items viz. purchase of computers and vehicles and for meeting day-to-day expenses. Thus, the objective of training the co-operative personnel and fishermen was not achieved at all.</p>	<p>(b) The Integrated Fisheries Development Project 1998 approved by the National Co-operative Development Corporation consisted among others, a component for training, extension and consultancy with a view to bringing about the desired attitudinal changes among the members of the fisher folk and to equip them to collectively and independently manage micro level co-operative institutions. The activities envisaged were generally seminar and training, extension support and entrepreneurship training for women. The project component, namely 'Extension Support' as approved by the NCDC in the project report envisages procurement of <i>insfrasturcture for information system and transportation</i>. The purchase of computers and vehicles was made according to this particular provision.</p>

(1)	(2)
<p>(ii.) <i>Introduction of new type of craft</i></p> <p>Government of India sanctioned (February 1992) a scheme for development of small scale marine fisheries through introduction of Plywood Beach Craft on a pilot basis in Kerala. The scheme was renewed by the Government of India in May 1993. State government released its share of subsidy of Rs. 36 lakhs (1993-94 Rs. 20 lakhs and 1994-95 Rs. 16 lakhs). As of March 2001 Matsyafed utilised Rs. 9.27 lakhs for giving subsidy to fishermen and retained the unutilised amount of Rs. 26.73 lakhs for the last 5 years. However, it furnished utilization certificate for Rs. 6.18 lakhs only. Matsyafed stated (February 2000) that there was little acceptability for the new type of crafts among fishermen and that being a bank-loan linked scheme, it was not practicable to chalk out any time bound action plan for the utilisation of the unspent amount. The amount is, thus, required to be refunded to Government of India.</p> <p>7.5.3 <i>Assistance for NCDC projects not utilised</i></p>	<p>(ii) The centrally sponsored scheme entitled, 'Popularisation of New Generation Crafts' envisaged to provide subsidy of 25% of the cost of crafts' made of fiberglass, marine plywood or aluminum, subject to a maximum of Rs. 30,000. During the years 1993-94 and 1994-95 a sum of Rs. 36 lakhs was released to Matsyafed. The progress of implementation of the scheme was very slow, for the fishermen were them not accustomed with that specified type of crafts. The crafts have since been popularised and there had been improvement in expenditure. The Matsyafed till 2002-03 had spent a sum of Rs. 27.38 lakhs. A proposal of the Matsyafed to ratify the expenditure incurred by it beyond 31-3-2000 and to sanciton continuance of the scheme utilising the balance provision of Rs. 8.62 lakhs is under the consideration of the Government.</p>
<p>(i) <i>Integrated Fishereis Development Project</i></p>	<p>(i) The Project was implemented during the period from 1991 to 1997. Though the</p>

(1)	(2)
<p>Matsyafed received Rs. 41.64 crore during 1991-97 for implementing NCDC assisted Integrated Fishereis Development Project Phase. In sanctioned in 1991-92 with an outlay of Rs. 35.53 crore and the sub project for Rs. 6.75 crore sanctioned in September 1996. Though the project was completed by the extended period of March 1998, benefiting nearly 21 thousand fishermen, the outlay of Rs. 3.45 crore for providing marketing infrastructure had not been utilised (March 2001). Matsyafed proposed to government to adjust the unspent balance against future release of funds. The failure to refund the unutilised balance during the last five years cast an unnecessary interest burden of Rs. 1.48 crore on Matsyafed.</p>	<p>proposal to equip the societies with their own marketing infrastructure with a view to maximising the returns to the fishermen, owing to lack of experience and managerial skill the societies were reluctant to avail of the credit facilities then. government have since given sanction in GO (Rt) No. 18/02/F&amp;PD dated 14-1-2002 to adjust the outstanding sum of Rs. 378.78 lakhs for implementation of the Integrated Fisheries Development Project 2000-01.</p>
<p><i>(ii) Fish Marketing Centres</i></p> <p>NCDC approved setting up of Fish Marketing Centres by Matsyafed at a cost of Rs. 3.39 crore including beneficiary contribution of Rs. 26.70 lakhs. Government released Rs. 3.12 in March 1999.(Loan Rs. 1.69 crore and subsidy Rs. 1.43 crore) of which Rs 2.08 crore (Loan Rs. 1.13 core and subsidy Rs. 0.95 crore) remained unutilised as of October 2001. The interest liability to be borne by Matsyafed on the unutilised</p>	<p><i>(ii)</i> The scheme for establishment of 100 fish marketing centres with an outlay of Rs. 339.00 lakhs (including 10% beneficiary contribution) was sanctioned by NCDC. The State Government released Rs. 312.30 lakhs to the Federation during July 1999 for the implementation of the Project.</p> <p>The scheme was proposed to be implemented through the primary fishermen cooperative societies, which are located in the coastal area and affiliated to the Federation. Ninety nine</p>

(1)	(2)
<p>amount would be Rs. 55.82 lakh at the end of October 2001. Though government stated (March 2001) that the scheme would be completed by March 2001, it remained incomplete as of October 2001.</p> <p>7.5.4 Poor performance of prawn hatcheries</p> <p>(i) <i>Poor working results.</i></p> <p>Matsyafed was running four prawn hatcheries at Thirumullavaram (Kollam District) Velliyancode (Malapuram District), Mopla Bay (Kannur District) and Kaippamangalam (Thrissur District) against the installed capacity for production prawn finger lings ranging from 3 to 4 crore. The average annual production during 1995-2000 ranged between 0.59 lakhs (Kaippamangalam) and 32.85 lakhs (Mopla Bay). The total income earned was only Rs. 1.06 crore against the expenditure of Rs. 1.69 crore resulting in loss of Rs. 63 lakhs. the shortfall in production was attributed to poor facilities and lack of water purification system in three hatcheries and prevalence of viral disease. Steps taken by the management to improve the working of the hatcheries have not been intimated (March 2001)</p>	<p>(99) Fish Marketing Centres have since been set up. the entire amount has been spent and Utilisation Certificate had been submitted.</p> <p>(i) Of the four prawn hatcheries of Matsyafed, that at Kaippamangalam is yet to be commissioned. The Thiruvillavaram hatchery was commissioned only on 1-6-2000. In the Veliyancode hatchery. Matsyafed experienced much delay in getting power connection. By the time power could be connected in October 2001, the water supply and aeration system had been damaged. The high incidence of white spot viral disease, the ever increasing price of mother prawns that ranged from Rs. 500 to Rs. 40,000 per animal, the influx of seeds from outside, though of uncertain quality and a recent general decline in prawn culture had been major reasons for the low returns. The system could be improved and the hatcheries showed a profit of Rs. 19.23 lakhs in 2000-01 and Rs. 17.59 lakhs in 2001-02. The inherent problems in the field had again cropped up and the hatcheries again showed a negative trend. Research activities with a view to improving the quality of seed are intensified. The Matsyafed is exploring the potential market for its seed in other states and in particular W. Bengal, Andhra Pradesh, Karnataka and Goa.</p>

(1)	(2)
(ii) <i>Irregular payment to the contractor</i>	<p>(ii &amp; iii)</p> <p>The matter is being enquired into by the Vigilance and Anti Corruption Bureau. The records of the case have been taken into custody by the Bureau.</p> <p>Matsyafed decided (August 1994) to improve the hatchery facilities at Mopla Bay, Kannur at Rs. 15 lakhs. Neither detailed estimates were prepared nor tenders invited before the execution of the work. The work was got irregularly executed by a contractor who was selected on the suggestion of the consultants. He was paid advances of Rs. 32.22 lakh between January 1995 and October 1995 without any agreement or sufficient security. Though the work was completed in October 1995 a further advance of 4 lakh was paid in September 1998 on the ground that 'verification of the bills would take some time'. The advances remained unadjusted as of October 2001.</p>
(iii) <i>Avoidable expenditure towards royalty</i>	<p>For achieving improved production by the Prawn Hatchery at Mopla Bay, the terms offered by the technical consultants (UNITEC, Kochi) (July 1994) was payment of royalty by Matsyafed at 20 paise for every fish seed sold in the first two cycles. However, in the work order issued in</p>

(1)	(2)
<p>September 1994, the terms and conditions were changed to read as 20 Paise per seed 'produced or sold' in the first two cycles. Government stated that the terms and conditions stipulating royalty were altered due to insistence of the consultants during subsequent discussion. This is not tenable as the alteration resulted in huge loss without any valid reason. The matter calls for investigation. Though 58.18 lakh seeds were produced during the first cycle (August to December 1995) only 4.50 lakhs seeds (8%) were sold due to lack of adequate publicity and field level extension among the farmers about the availability of the seed. Consequently, Matsyafed unnecessarily paid Rs. 10.74 lakh as royalty for 53.68 lakh unsold seeds. No action had been taken against the officials responsible for the loss of March 2001.</p>	
<p>7.5.5 <i>Excess Release of Housing subsidy</i></p>	
<p>Under the HUDCO aided subsidy housing scheme, construction of 10,000 houses for fishermen was entrusted with Matsyafed. Matsyafed took up construction of 1400 houses during 1993-94 and 2000 houses during 1995-96.</p>	<p>7.5.5 As the implementation of the Housing Scheme stands transferred to the local bodies from 1997-98 onwards, Matsyafed has not taken up any further construction of houses. However, since the fishing villages in the Thiruvananthapuram District lag behind in basic amenities, sanitation facilities and access to drinking water, Matsyafed has proposed a</p>

(1)	(2)
<p>Government released Rs. 1.40 crore during 1993-94 to 1996-97 towards subsidy for the scheme. Though the scheme envisaged construction of 10,000 houses over a period of five years from 1993-94, only 3400 houses had been constructed as of March 2001. Matsyafed released Rs. 51 lakh towards subsidy for 3400 houses and retained the balance amount of Rs. 39 lakh with them. Matsyafed attributed (March 2000) the shortfall to the low unit cost and less subsidy component. Although implementation of the scheme through Matsyafed was discontinued after 1997, the unspent subsidy amount of Rs. 89 lakh had not been refunded to State Government as of March 2001.</p>	<p>basic sanitation programme targeting the frusherfolk with emphasis in Thiruvananthapuram District by utilising the unspent balance amount of Rs. 89 lakhs. Lack of proper basic sanitation facilities forcing those living in coastal areas use the beach as a public lavatory and the unhygienic circumstances in general there and the overcrowding owing to the peculiar settlement pattern have been causing intermittent outbreaks of epidemic in the coastal area affecting mainly the fishermen. The gravity of the situation is aggravated during the monsoon season due to natural conditions coupled with convergence of all sea going fishermen, fish vendors, fish merchants etc. Untold are the difficulties of fish vending women who are forced to work in marketplaces from dawn to late night without any facility.</p> <p>Taking into account the above and the high incidence of water born epidemics. Matsyafed proposed to provide proper sanitation facilities in coastal areas and marketplaces by constructing individual type latrines as well as community lavatories. It proposed to construct 500 individual toilet units at a cost of Rs. 10,000 each and 13 toilet blocks consisting of two separate blocks, one for ladies and the other for gents at a unit cost of Rs. 3 lakhs. Matsyafed has approached the Local Self Governments to identify suitable locations and hand over the sites to take up the work.</p>
<p><i>7.5.6 Import of defective engines</i></p>	<p>7.5.6 Matsyafed has been importing both Yamaha and Suzuki OBMS for supplying to member fishermen under various institutional schemes and as direct sales. From 1996-97</p>

(1)	(2)	
each year, Matsyafed imported 1040 new model outboard engines each costing Rs. 0.51 lakh during 1998-99 and 650 engines during 1999-2000. It was noticed that there were widespread complaints from fishermen and the demand for the engines was lukewarm. Out of 1040 engines imported during 1998-99, 676 engines and all the 650 engines imported during 1999-2000 were held in stock as of March 2000 without any issue to fishermen. The foreign suppliers rectified the defects in the engines only in February-March 2000 and by March 2001, the closing stock came down to 666 engines (Out of 1326). The loss of interest at 15% (the rate of interest payable by Matsyafed on Government loans) on the blocked capital (Rs. 3.40 crore) amounted to Rs. 50.30 lakh.	onwards Matsyafed has commenced direct import of Yamaha OBMS from M/s. Yamaha Motor Company, Japan. The details of import and sale of 9.9 HP Yamaha OBMS from 1996-97 onwards is given below :	
	<i>Year</i>	<i>Import</i>
	<i>Sale</i>	
	1996-97	257 units
	1997-98	1170 „
	1998-99	990 „
	1999-2000	650 „
	2000-01	350 „
	2001-02	501 „
	Total	3918 „
		3399 „
	Upto 1998-99 OBM recorded a good sale. But during 1999-2000 the sale has come down mainly due to some manufacturing defects in the gear part of the 9.9 HP OBM. The problem was brought to the notice of the company on time. M/s. Yamaha Motor Company have deputed their mechanics and replaced the defective part of the OBM at the company's cost and rectified the problem. In addition, the company introduced sales promotion schemes and conducted service campaigns through out Kerala and attend the complaints to the satisfaction of the fishermen. Due to the concerted effort taken by Yamaha Motor Company Ltd. and Matsyafed, the problems could successfully be rectified. The stock of OBMS held with Matsyafed as on 31-3-2001 has since been completely sold out.	

(1)	(2)
	During 2000-01, 2001-02 and 2002-03 Matsyafed has imported 9.9 HP Yamaha OBMS from the same company. No complaints were reported about these OBMS. All these OBMS have also been sold out.

*7.5.7 Defective implementation of insurance schemes*

*(i) Avoidable loss*

Matsyafed brought all its members under the personal accident insurance scheme for fishermen with National Insurance Company during 1995-96. Instead of remitting the premium on the basis of actual number of fishermen members of the societies, matsyafed remitted advance premium based on estimated number of fishermen ranging from 1.5 lakh in 1996-97 to 2 lakh in 1999-2000 reckoned in rounded off figures.

As against Rs. 69.42 lakh remitted in advance during the period 1996-2000, the premia actually collect subsequently from fishermen were only Rs. 46.88 lakh. Remitting the premium on assessed number of beneficiaries and non collection of the premium from the beneficiaries resulted in an avoidable loss of Rs. 22.54 lakh.

The Director Board of Matsyafed decided to insure the entire members of the primary co-operatives affiliated to Matsyafed by effecting the payment of premium in advance by the Federation. The advance payment was made with the good intention of covering all the member fishermen, taking into consideration their highly risky operations for livelihood. The fact that the Insurance Company had to pay off about double the premia to settle the claims by itself justifies the necessity to cover all the fishermen. All steps have been taken to collect the premia from all the members of the primary co-operatives. The Matsyafed is now paying towards the premia only based on the number of fishermen who have actually remitted the amount.

(1)	(2)
Government stated (March 2001) that the matter would be referred to the Board of Directors.)	
<i>(ii) Avoidable financial liability</i>	
Matsyafed decided in February 1999 to insure the fishing inputs of the fishermen assisted under the Integrated Fishereis Development Project, 1998 with National Insurance Company. The insurance premium was 5.25% of the amount of loan availed. Though Matsyafed remitted Rs. 71.64 lakh towards premia during March 1999 to January 2000, Rs. 45.73 lakh only was recovered from the beneficiaries leaving Rs. 25.91 lakh unrecovered as of October 2000. Government stated (March 2001) that action was being taken to recover the dues from the beneficiaries.	The amount remitted to the Insurance Company in advance towards the Input Insurance Premia of the NCDC assisted Integrated Fishereis Development Programme 1998 had since been recovered.
<i>7.5.8 supply of fish through a franchisee</i>	
Ice and freezing Plant, Kochi supplied fish to an individual franchisee at Thiruvananthapuram free of transportation expenses and with 10 percent discount. On receipt of value of fish from various government departments 10 percent commission was paid to the franchisee. The agreement executed in July 2000 did not provide for any security deposit	<i>7.5.8</i> Matsyafed has been supplying fish to government institutions viz; Jails, Schools for the hearing impaired, Mental Hospital etc. in Thiruvananthapuram. Frozen fish from the Ice and Freezing plant was supplied to these institutions. Since these insititutions are situated in different locations and since the fish has to be supplied in the early hours, Matsyafed has installed a wlak-in-freezer having one-tone capacity for storing the frozen fish transported from Kochi for supplying to institutions. Also,

(1)	(2)
<p>by the franchise. As of October 2001, Rs. 7.92 lakh a part from rent for the walk-in-freezer was pending realisation from him.</p> <p>The above points were referred to Government in July 2001; no reply has been received (October 2001).</p>	<p>a franchise, which was selling fish through stalls, was entrusted with the timely supply. The franchisee had to arrange local transportaiton and meet expenses for supplying fish to the insititutions. For this service rendered by the franchisee 10% commission was paid. The agreement executed with the franchisee did not provide for any security deposit. However, blank cheque leaves were collected as security.</p> <p>Matsyafed had been instructed to recover the outstanding dues from the franchise including the rent for the walk-in-freezer and report compliance.</p>

ACTION TAKEN STATEMENT IN RESPECT OF PARA NO. 4.2.3 OF THE  
REPORT OF THE COMPTROLLER AND AUDITOR GENERAL  
OF INDIA FOR THE YEAR ENDED MARCH 2003 (CIVIL)

<i>Audit para No.</i>	<i>subject</i>	<i>Action Taken Statement</i>
(1)	(2)	(3)
4.2.3	<p><i>Loss due to rejection of a tender</i></p> <p><b>Government decision to reject a tender for dredging at tender's own expense and removal of earth resulted in loss of Rs. 72.12 lakh.</b></p> <p>To facilitate construction of Quay Wall Auction Hall and Gear for the development of Vizhinjam Harbour Project, the Executive Engineer, Fishery Harbour Project Division, Vizhinjam invited (May 1999) tenders for dredging and removal of an approximate quantity of 60,000 cubic metres of earth from harbour basin. The tender notice stipulated that the bidders were to notice stipulated that the bidders were to undertake dredging work at their own expense and to make payment to the department towards cost of earth dredged and removed at quoted rates. Out of six bids received, chief engineer Harbour Project Department recommended (August 1999) to Government the negotiated rate of Rs. 12 per cubic meter for acceptance as the sale of dredged soil at recommended rate was</p>	<p>The department had invited quotations for the removal of 60,000m<sup>3</sup> of earth from basin area at contractor's own expense and paying cost to the department. The highest offer received was Rs. 12/m<sup>3</sup>. But government rejected this offer.</p> <p>Meanwhile, Government decided to commission the Vizhinjam Fishery Harbour partially and the dredging work was arranged by the department through contractors at an average rate of Rs. 65.36/m<sup>3</sup> after observing tender formalities. This dredged earth was dumped in the dumping yard behind the wharf. The expenditure incurred in this connection is Rs. 65.36/m<sup>3</sup> while the rate offered by the earlier quotationer for taking the sand at his cost was Rs. 12/m<sup>3</sup>. Hence it can be considered that the cost involved for 1 m<sup>3</sup> of sand is Rs. 77.36 (ie. Rs. 65.36+ Rs.12). Later tender for the sale of dredged sand was invited and the highest offer received was</p>

(1)	(2)	(3)
	<p>advantageous to Government after considering the cost of dredging and removing earth departmentally. Government rejected (March 2000) the tender on the ground that the rate offered was too low compared to the rate of Rs. 42.85 per cubic metre paid to the contractors for supply of earth. Government also directed to stock the dredged soil for eventual sale to contractors undertaking works under Harbour Engineering and Public Works Department.</p> <p>Accordingly, the Superintending Engineer (SE), Harbour Engineering South Circle, Thiruvananthapuram concluded two contracts in January 2001 and May 2001 for dredging and removing an estimated quantity of 86000 cubic metres of earth from harbour basin. The works were completed between March 2001 and August 2001 at a total cost of Rs. 61 lakhs. Out of 92700 cubic metres of dredged soil no earth could be sold or otherwise disposed of till April 2003 when another quantity of 118950 cubic metres of excavated earth dumped earlier in four yards remained unsold. Though the SE attributed remoteness of harbour area and lack of road works requiring large scale filling as reasons for non-disposal for the stocked earth, the CE did not bring the same to the notice of Government well in advance.</p>	<p>Rs. 97 + S.T. (total Rs. 106.70/m<sup>3</sup>). From the above it can be seen that the offer received was economical and beneficial to government and hence no loss was sustained to government by way of rejecting the offer received earlier ie. at Rs. 12/m<sup>3</sup>.</p> <p>The actual quantity of earth obtained by dredging two reaches was 92700 m<sup>3</sup> and this dredged earth was dumped in the dumping yard which was a low lying area behind the proposed harbour basin. Tenderes were invited for the removal of sand upto a level of + 2.50 m. The balance quantity of sand is available at the dumping yard. Now tenders were again invited for the removal of sand from the harbour area and the highest offer received is Rs. 185/m<sup>3</sup> + taxes. But the removal of sand is now completely stopped due to strong protest of local people and jama-ath in connection with the rehabilitation issues.</p> <p>Eventhough a huge quantity of earth is to be removed from the basin in between wharves it cannot be removed due to the existence of a Khabar at the middle of the basin. Hence there is every scope of selling excess sand from harbour area at a higher rate than the rate of Rs. 77.36/m<sup>3</sup>.</p>

(1)	(2)	(3)
<p>Government's decision to reject the tender received in May 1999 was not prudent as the rate of Rs. 12 per cubic metre offered by first tenderer was advantageous by generating revenue to the extent of Rs. 11.12 lakhs on sale of dredged soil. Apart from the revenue loss the imprudent decision resulted in avoidable expenditure of Rs. 61 lakhs on dredging.</p>	<p>Government stated (November 2003) that they sold nearly 25000 out of 92700 cubic metres of dredged soil for Rs. 27 lakhs and used the remaining quantity for the leveling work in the harbour area. The reply of the Government confirms the loss of Rs. 454.12 lakhs due to its imprudent decision. As the original tender of May 1999 was for dredging and removal of dredged soil and as there was another quantity of 118950 cubic metres of earth remaining unsold even at the time of awarding the contracts in January-May 2001, the decision of the government to go in for dredging of soil @ Rs.65.80 per cubic metre lacked justification. The contention that the remaining quantity was used for leveling work in the harbour area could only be construed as an after thought.</p>	<p>It is further stated that as per the administrative sanction for the project sanctioned by both the Central and State Governments, provision is included to dredge and dispose the sand within the harbour area. But in the interest of Government, the department had tried to sell the sand from harbour area at the expense of the contractors after remitting the cost of sand to department. The disposal of sand will be resumed as and when the local issue is solved and the basin area is dredged. Considering the present rate of sand it can be inferred that the rejection of the offer by Government for selling the sand at Rs. 12/m<sup>3</sup> is beneficial to Government.</p>