CHAPTER-IV

COMPLIANCE AUDIT - OTHER TOPICS

AGRICULTURE DEVELOPMENT & FARMERS' WELFARE DEPARTMENT

4.1 Unfruitful expenditure of ₹ 88.92 lakh on installation of internet touch screen kiosks

Internet touch screen kiosks installed at a cost of ₹ 88.92 lakh in 76 Krishi Bhavans/offices of Assistant Directors of Agriculture for dissemination of information to farmers became unfruitful as the requisite software was not installed and most farmers were not aware of their installation or purpose.

Government of India, Ministry of Agriculture (Department of Agriculture & Cooperation) (MoA) approved implementation of the National e-Governance Plan – Agriculture (NeGPA) in the Centre and in seven States, including Kerala, in Phase-I at an approved project cost of ₹ 227.79 crore. The project cost was to be shared in the ratio of 90:10 by Central and State Governments. The project envisaged delivery of services to various stakeholders through multiple modes including Government offices, internet touch screen kiosks, Krishi Vigyan Kendras, Kisan Call Centres, agri-clinics, Common Service Centres and mobile phones. MoA and Government of Kerala (GoK) released ₹ 3.57 crore and ₹ 30.88 lakh respectively to SAMETI[1], a Kerala State agency, for meeting the expenditure on different components such as site preparation, training centres, computer purchase and connectivity, manpower, etc. for implementing the project during 2010-11 to 2012-13.

One of the components of the project was installation of internet touch screen kiosks (kiosks) which would act as an extension tool for dissemination of a wide variety of up to date information to the farmers covering various aspects relating to cultivation, marketing, weather forecast, drought relief & management, training, import & export of agriculture produce, monitoring of schemes, etc. by connecting them to the 'Farmers Portal' through internet, at various offices, as suggested by the Principal Agricultural Officers of the districts. Accordingly, kiosks were installed in 76 Krishi Bhavans/ offices of Assistant Directors of Agriculture (ADAs). MoA entrusted the work of supply and installation of the kiosks to M/s Hewlett Packard (HP) and the work of developing and installing the software required for the kiosks to National Informatics Centre (NIC). NIC was to develop the Solution design and System requirement specifications, solution implementation, support etc. in respect of 12 clusters of service which included information on seeds, pesticides, fertilizers, farm machinery, training, weather, prices, marketing, drought relief and management, electronic certification for

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[1] State Agricultural Management and Extension Training Institute.

exports and imports, etc. HP on its part installed the 76 kiosks during the period June to December 2013, each costing ₹ 1.17 lakh. However, the software could not be made ready by NIC at the time of installation of these kiosks. As NIC did not install the required software, the Agriculture Department installed standalone software developed by the Kerala Agricultural University (KAU) in the kiosks, at a cost of ₹ 25 lakh. The software supplied by KAU, however, provided only static information on major crops, cultivation practices, pests and diseases, plant protection, etc. in respect of 12 crops.

Audit examination of records relating to 41 kiosks, including 18 kiosks subjected to joint physical verification with departmental officials, found that 21 of them were not functioning due to non-functioning of UPS, improper/non-installation of software, etc.

Even though the farmers visited Krishi Bhavans for agriculture related requirements, the kiosks were installed mainly in the office of ADAs[2] at Block level, where there was only limited (only during normal office hours and excluding Sundays and holidays) access to farmers. A Survey conducted (November 2016 to January 2017) by Audit in the presence of departmental officials at 10 places found that, more than half the farmers were not aware of the installation of the kiosks or their purpose.

Thus, the installation of 76 kiosks under the NeGPA at a total cost of` ₹ 88.92 lakh[3] did not serve the intended purpose as it failed in enhancing the agricultural knowledge of the farmer community by keeping them abreast with the latest information and developments in the field of agriculture. Besides, most of the farmers were not aware of the installation and purpose of the kiosks.

The matter was referred (December 2016) to Government who accepted the audit findings and stated that the matter would be taken up with Government of India to relocate the kiosks to make them more beneficial to the farmers and that NIC would be liaised with to make available the Malayalam version of their software.

4.2 Idle expenditure incurred on *Pokkali* Paddy Harvester

Failure to rectify the defects noticed during field trials before accepting the supply of the *Pokkali* Paddy Harvester by the Kerala Agricultural University, resulted in idling of the harvester procured at a cost of ₹ 51.48 lakh.

Government of Kerala (Agriculture Department) accorded (February 2009) Administrative Sanction for implementing the project 'Development of Innovative Farms Mechanisation' (DIFM) at an estimated cost of three crore rupees, based on a project submitted by the Kerala Agricultural University (KAU).

[2] Out of 76 kiosks, 60 were installed at ADAs and 16 at Krishi Bhavans.
[3] ₹ 1.17 lakh x 76 (kiosks).

'Development, testing and commissioning of *Pokkali*[4] Paddy Harvester' was a component of the scheme. The *Pokkali* paddy harvester was envisaged to be an amphibian type harvester for harvesting paddy in water-logged agricultural lands. The objective of developing the harvester was to overcome the labour shortage and high cost of farming in marshy paddy fields in *Pokkali* areas which was facing drastic reduction in paddy cultivation. KAU invited (September 2011) open tender and awarded the work of developing, testing and commissioning the equipment to the lowest bidder[5] (supplier) at a cost of ₹ 51.48 lakh. The supplier commissioned the harvester (November 2013) and KAU made the final payment (December 2013).

We observed that during the field trials, the Technical Advisory Committee formed for the guidance of the project implementation, had pointed out (August 2013) certain technical faults in the cutting units of the harvester and instructed KAU to ensure corrective measures by the supplier. But the supplier commissioned the harvester (November 2013) without taking corrective measures and KAU made the final payment (December 2013). The Chairman of the Project Advisory Committee constituted for the implementation of the scheme also expressed (January 2014) his concern over the bigger size of the harvester and the difficulties in maneuverability in working in *Pokkali* area.

We also observed that, as per condition 7(b) of the agreement the University had the power and authority to recover from the contracting party any loss or damage caused to the University by such breach as may be determined by the University. But KAU did not exercise the option and made full payment.

Thus, the *Pokkali* Paddy Harvester procured at a cost of ₹ 51.48 lakh failed to meet the envisaged objective and was lying idle for the past three years (March 2017).

Government replied (March 2017) that the harvester was developed based on a conceptual design taking in to consideration various aspects but admitted that practical difficulties were observed during the operation of the machine due to its large size. It was also stated that a Post Graduate Project had been initiated by KAU to improve the quality of the machine.

[4] Saline, water-logged farmlands where rice and prawns are grown alternately.
[5] M/s Kelachandra Precision Engineers, Kottayam.

FISHERIES AND PORTS DEPARTMENT

4.3 Irregularities in the construction of buildings, installation of solar power systems and other purchases made by the Directorate of Ports

4.3.1 Construction of Directorate building and allied works at Valiyathura

The Fisheries and Ports (D) Department (Department) accorded (August 2010) Administrative Sanction (AS) for construction of an office building for the Directorate of Ports (Directorate) in the departmental land at Valiyathura at a cost of ₹ 75 lakh, in order to provide better facilities and modern working environment to the staff and to save money on monthly rent. The Department entrusted the work to Kerala Police Housing and Construction Corporation Ltd. (KPHCC) in terms of the guidelines issued (September 2007) by Finance (IND & PW-B) Department for regulating execution of civil works of Government through agencies other than Public Works Department (PWD). The Department revised the AS (February 2011) to ₹ 1.05 crore and further an amount of ₹ 84 lakh was also sanctioned (March 2012) for carrying out additional civil and electrical works. KPHCC completed (August 2012) the work at a cost of ₹ 1.93 crore and the Directorate paid ₹ 1.89 crore. The excess expenditure of ₹ 4.26 lakh was adjusted by KPHCC from an advance given by the Directorate for another work.

Audit scrutiny revealed the following:

- Rule 4 (2) of Kerala Municipality Building Rules, 1999 (KMBR), among other things, stipulates that for construction of a new building or altering an existing one prior permit should be obtained from the Secretary of the Local Self Government Institution.

  We observed that before constructing the building the Director did not obtain the mandatory building permit from the Secretary, Thiruvananthapuram Corporation. Consequently, the Department became liable (November 2015) to pay an annual tax of ₹ 2.4 lakh which was three times the normal rate. The Department had not remitted the amount (March 2017).

- According to the Kerala PWD Manual[6], the site selected for a building should be most advantageous for the intended purpose and have a suitable neighborhood for the purpose for which the building is to be constructed. Kerala PWD Manual[7] also states that, while selecting a site it should be ensured that the building is not exposed to heavy winds without protection.

[6] Clauses 6.1.1 and 6.1.3 (a).
[7] Clause 6.1.3 (h).

We found that the building was constructed within 30 metres of the High Tide Line (HTL) on the sea shore and subjected to heavy winds and saline atmosphere. Consequently, the roof of the building (constructed with powder-coated sheets over iron truss work), furniture and fixtures, etc. became severely corroded and damaged and parts of roof blown away. The above facts were confirmed in a joint physical verification (June 2016) of the site by Audit with the Deputy Director of Ports. The staff of the directorate complained of inadequate public conveyance facilities and remoteness of the directorate from the Government Secretariat and other connected offices. They had also raised issues like the presence of anti-social elements in the area, the proneness of the area to contagious diseases and the constant sea breeze which caused health problems. The above issues had prompted the Director to seek (November 2014) Government permission to shift the Directorate from Valiyathura.

Thus, the selection of site for constructing the Directorate building was done without conducting proper feasibility study. As a result, the Directorate building constructed at a cost of ₹ 1.93 crore was in a deteriorating condition and its continued use was doubtful. During the exit meeting (November 2016) the Department accepted the audit observations.

Part of roof blown away (as of 02.06.2016)

False ceiling blown away (as of 02.06.2016)

- The Director awarded (August 2012) the work of Landscaping and Gardening (*Nakshatra vanam*) in front of the new building to KPHCC at a cost of ₹ 8.30 lakh and paid (December 2012) the full amount in advance. KPHCC executed (September 2013) the work at a cost of ₹ 6.73 lakh.

We observed that, the Director did not make any arrangement for the maintenance and nurturing of the plants even though the KPHCC had advised (August 2012) the Director to make such arrangement. Consequently, the *Nakshatra vanam* had perished.

Thus, ₹ 6.73 lakh spent on the construction of *Nakshatra vanam* became infructuous. Further, the Director did not recover (October 2016) the balance amount of ₹ 1.57 lakh from KPHCC.

- The Department issued (June 2012) AS for constructing ramps on either side of the pier at Valiyathura at a cost of ₹ 32 lakh with the intention of providing road connectivity over the pier to the public who were using the port compound for road connectivity. The Director awarded the work to Harbour Engineering Department (HED) and paid the full amount (June 2012) to HED in advance.

We observed that, HED did not execute the work due to protest of local fishermen who demanded to construct Valiyathura Fishing Harbour first. Hence, a closure agreement was executed (February 2014) with the contractor. But the advance was yet to be recovered (January 2017) from HED.

During the exit meeting the Department accepted the audit observations and agreed to look into the refunds due from KPHCC and HED.

4.3.2 Renovation of Signal Station at Kodungallur Port

Kerala PWD Manual[8] states that any development or extension work found necessary during progress of work but not covered by earlier sanction, must be covered by a supplementary estimate. This supplementary estimate is to be treated as an original estimate and AS should be obtained for it from the same authority which sanctioned the original estimate, even if the cost can be met from savings in the original estimate.

The Government accorded (October 2011) AS for ₹ 56.21 lakh for renovating the Signal Station of Kodungallur in which the Port Office functioned, with a view to address space constraints and to solve the problem of flooding of the premises during high tides. The work was entrusted to KITCO[9] and the Director executed agreement (February 2012) with them.

We observed that after receiving the sanction, on the instructions of the Director the scope of the work was changed from 'Renovation of Signal Station' to 'Construction of Conference Hall'. Further, instead of renovating the Signal Station, KITCO constructed a Conference Hall in the same premises. The Director did not obtain Government sanction for the new work; instead, obtained a revised AS (June 2014) for ₹ 57.97 lakh from Government presenting the work as 'Renovation of Signal Station'. Thus, the Director misled the Government through misrepresentation of facts and executed an unauthorised work diverting the fund sanctioned for another work.

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8 Clause 10.1.7.1.

9 Kerala Industrial and Technical Consultancy Organisation Ltd.

A joint site verification conducted (May 2016) by Audit with departmental officials found that the roof of the conference hall was in a deteriorated condition with damaged false ceiling and other fixtures. During the exit meeting the Department accepted the audit observation.

4.3.3 Procurement of furnishings/equipment violating financial principles

Financial principles in the Kerala Financial Code require every government servant to be watchful constantly to see that the best possible value is obtained for all public funds spent by him or under his control and to guard scrupulously against every kind of wasteful expenditure from public funds.

We observed that, disregarding the saline atmosphere of the locality, the Director had procured steel furniture instead of wooden furniture which was most suited to the atmosphere. Consequently the furniture became corroded due to salinity. Further, the computers and other electronic equipment purchased were also not functioning or functioning partially as detailed in **Appendix – 4.3.1.**

During the exit meeting, the Department accepted the audit observation.

4.3.4 Installation of solar power system at the Directorate and Port Offices

4.3.4.1 Diversion of fund

The department accorded AS (March 2013) for ₹ 35 lakh for installation of solar power systems at four port offices *viz*., Valiyathura, Vizhinjam, Azhikkal and Beypore.

We observed that, instead of executing the work as specified in the AS, the Director of Ports utilised the fund for installing an off-grid solar power system of 20 Kilo Watt (KW) capacity at the Directorate through Kerala Small Industries Development Corporation Ltd. (SIDCO) for which no sanction was obtained from the Department. This amounted to unauthorised expenditure and diversion of fund. In addition to this, a 10 KW off-grid solar power system was also installed at the Directorate at a cost of ₹ 12.12 lakh.

It was also observed that condition No.12 of the terms and conditions contained in the work order issued to SIDCO (March 2013) stipulated that the final payment was to be effected only after submitting a certificate from ANERT[10]. But the Directorate made payment to SIDCO without obtaining the requisite certification from ANERT whereby the quality of the equipment supplied could not be ensured.

During the exit meeting the Department accepted the audit observations.

[10] Agency for Non-conventional Energy and Rural Technology.

4.3.4.2 Non-achievement of projected benefits of solar power systems

The solar power systems were installed at the Directorate on the recommendation of the Chief Mechanical Engineer (CME) who informed the Director that the average cost of power consumed by the Directorate per month amounting to ₹ 30,000 could be saved by installing them and that it did not involve recurring expenses. The CME also stated that power connection from KSEB[11] required installation of a transformer at a cost of ₹ 30 lakh.

We observed that, as per the estimate prepared (February 2014) by KSEB, the actual expenditure for supplying 78 KW power to the Directorate of Ports, including installation of a 100 KVA transformer worked out to ₹ 11.63 lakh only. Further, the highest saving of monthly electricity charges achieved during the period in which the solar power systems were functional was ₹ 11,368[12] only as against ₹ 30,000 projected by the CME.

Thus, the CME projected inflated benefits of the solar power systems and suppressed the fact on the cost of installing the KSEB transformer. This resulted in avoidable expenditure of ₹ 47.12[13] lakh on the installation of two solar power systems which ultimately became unfruitful due to damage as detailed in **Table 4.1**.

Table 4.1

Electricity charges before installation of solar power systems, after their installation and after they stopped functioning

Month & Year	Electricity charges in ₹	Month & Year	Electricity charges in ₹
December 2013	26,821	March 2015	11,511
March 2014	14,935[14]	April 2015	10,670
May 2014	347[15]	May 2015	10,274
June 2014	1,774	June 2015	5,175
July 2014	2,087	July 2015	3,824
August 2014	1,722	August 2015	8,452
September 2014	1,317	September 2015	6,403
October 2014	143	October 2015	7,076
November 2014	1,006	November 2015	7,225
December 2014	2,029	December 2015	7,522
January 2015	10,135[16]	January 2016	8,235
February 2015	8,047	February 2016	8,027

(Source: Data furnished by Directorate)

11 Kerala State Electricity Board.

12 Difference between the highest electricity charges after solar power system stopped functioning and during the period when it was fully functional : ₹ 11,511 (March 2015) - ₹ 143 (October 2014).

13 ₹ 35 lakh + ₹ 12.12 lakh.

14 10KW off-grid solar power system installed in February 2014 stopped functioning in March 2014.

15 20KW solar power system installed in April 2014.

16 20KW solar power system stopped functioning in November 2014.

During the exit meeting the Department accepted the audit observations.

4.3.4.3 Installation of solar power panels in Port Offices

The Department gave (November 2013) AS for ₹ 1.64 crore to install solar power panels in 14 Port Offices[17]. The work was awarded to KELTRON without tender and the Directorate paid (March 2014) an advance of ₹ 68 lakh to KELTRON, being 50 *per cent* of the cost relating to 12 ports. In addition to the above, battery backup essential for online activities was also provided to three ports at a cost of ₹ 14 lakh. Details of the 14 solar power systems are given in **Appendix – 4.3.2**.

We observed that, even after two years of awarding the work and spending of ₹ 82 lakh, nine out of the 11 systems installed at the 11 Port Offices were not functioning for want of net meters, inspection by Electrical Inspectorate, etc.

During the exit meeting the Department accepted the audit observation.

4.3.5 Non-recovery of liquidated damages

The Department sanctioned (June 2012) purchase of a 40 feet Container Handling Crane for use at Kollam Port from M/s. Liebherr (Supplier) at a cost of ₹ 12.08 crore. The crane was to be delivered and commissioned at Kollam port. The amended supply order required the Supplier to commission the crane within five months from the date of opening of Letter of Credit (LC). Since the LC was opened on 11 June 2013, the supplier should have commissioned the crane by November 2013. But, it was commissioned only on 29 April 2014.

We observed that, the reasons for delay in commissioning the crane were two amendments made in the LC by the Director on the request of the Supplier. There was one amendment (January 2014) made by the Director on the request of the supplier on account of non-availability of vessel for shipment of the crane until 28 March 2014. Hence on that amendment the supplier was liable to pay liquidated damages in terms of clause 5b of the agreement. However, the Director did not levy liquidated damages of ₹ 47 lakh (₹ 11,69,64,135[18] x 0.5 *per cent* x 8 weeks[19]) which amounted to extension of undue benefit to the Supplier.

During the exit meeting the Department accepted the audit observation and agreed to look into the matter.

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17 Installed only in 11 port offices.

18 Cost of crane = ₹12,07,89,754 - ₹38,25,619 (AMC charges).

19 Out of total 16 weeks (01.01.2014 to 29.04.2014) delay attributable to the Supplier, less eight weeks for transportation, erection and commission.

PUBLIC WORKS DEPARTMENT

4.4 Excess payment to contractors due to non-recovery of cost index on the cost of bitumen reimbursed at market rate

Failure to recover cost index added on the cost of bitumen in the estimate of nine works by the Executive Engineers from work bills resulted in excess payment of ₹ 3.67 crore to contractors.

Public Works Department (PWD) ordered (February 2004) that the contractors should purchase bitumen themselves for road works costing above ₹ 15 lakh and the actual cost would be reimbursed to the contractors. Government ordered (April 2013) adoption of Delhi Schedule of Rates (DSR) in PWD with effect from 01 October 2013.

Scrutiny of records relating to 30 works executed during 2014-15 in connection with the 35th National Games conducted (January-February 2015) in Kerala revealed that in nine works arranged by two PWD Roads divisions[20]in two districts, the technical sanctioning authorities[21] allowed cost index[22] on the cost of bitumen while preparing estimates. Even though the actual cost of bitumen was reimbursed to the contractors, at the time of passing the contractors' work bills, the Executive Engineers of the Divisions concerned deducted the cost of bitumen only from the bills but did not recover the element of cost index applied thereon. This resulted in excess payment of ₹ 3.67 crore to contractors (**Appendix – 4.4**).

The matter was referred (February 2017) to Government. In the exit meeting (February 2017) the Department accepted the audit observations and assured to recover the entire excess payments within a month.

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[20] PWD Roads Divisions, Thiruvananthapuram and Alappuzha.

[21] Chief Engineer (Roads & Bridges) - four works and Superintending Engineer (Roads & Bridges), South Circle, Thiruvananthapuram - five works.

[22] This is to equalise the cost of materials to the prevailing rates, as DSR would be of earlier period.

4.5 Extra expenditure of ₹ 86.26 lakh in five works entrusted to M/s Kerala State Construction Corporation Limited

Inclusion of five *per cent* OH charges in addition to the ten *per cent* included in the estimates prepared as per MORTH data resulted in extra expenditure of ₹ 86.26 lakh for five works.

According to the Standard Data Book of Ministry of Road Transport and Highways (MORTH), the data for items of works includes overhead (OH) charges of 10 *per cent* so as to cover elements of office furniture, site accommodation, sales/turnover tax, etc. The standard data book of state Public Works Department (PWD) did not contain such provision for OH charges. Considering the liability of contractors towards taxes and duties, Government of Kerala (GoK) approved (May & December 2010) OH charges of five *per cent*, to be included in the estimate data of works as per PWD specifications.

According to the guidelines (September 2007) issued by GoK for execution of works through agencies other than PWD, the estimate for the construction should be based on latest PWD Schedule of Rates and Technical Sanction for civil works can be issued by the executing agency, provided the cost of work does not exceed the Administrative Sanction amount by more than 15 *per cent*. Government subsequently (February 2012) ordered that, data based on Indian Roads Congress standards and MORTH specifications along with PWD schedule of rates would be used for preparing estimates for PWD projects.

GoK accorded (October 2012) sanction for five road works at a cost of ₹ 35.35 crore in order to improve the riding quality of the connected roads to Chamravattam Regulator Cum Bridge, which were under the jurisdiction of PWD Roads Division Manjeri and decided to entrust these works to M/S Kerala State Construction Corporation Limited (KSCC).

Scrutiny of the estimate records relating to these road works entrusted with KSCC revealed that, the Managing Director, KSCC accorded technical sanctions (January 2013 to April 2013) to these five works based on MORTH specifications, allowing additional OH charges of five *per cent* in the estimate data. As MORTH data already included OH charges, inclusion of OH charges as per state PWD specifications was unnecessary. It was observed that the data relied upon for the issue of Administrative Sanction for these works also included additional OH charges of five *per cent*.

The unnecessary inclusion of five *per cent* OH charges over and above the ten *per cent* OH in the estimates prepared as per MORTH data resulted in extra financial commitment of ₹ 1.22 crore in respect of these works. Up-to-date extra expenditure (September 2016) on this account worked out to ₹ 86.26 lakh (**Appendix – 4.5**) resulting in extra benefit to the contractor.

The matter was referred to Government in March 2017 and the reply is awaited.

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Countersigned

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