

## CHAPTER IV COMPLIANCE AUDIT PARAGRAPHS

### Misappropriation

#### AGRICULTURE DEVELOPMENT AND FARMERS' WELFARE DEPARTMENT

##### 4.1. Misappropriation of Government money in Coconut Nursery, Valiyathura, Thiruvananthapuram

**Non-adherence to codal provisions and absence of supervisory controls resulted in misappropriation of ₹1.28 lakh in Coconut Nursery, Valiyathura, Thiruvananthapuram.**

Rule 92 (a) (ii) to (iv) of the Kerala Treasury Code (KTC) requires Government officers who handle cash to enter all monetary transactions in the cash book as soon as they occur and get these attested by the Head of Office in token of check. The Head of Office should verify the totalling of the cash book or have this done by some responsible subordinate other than the writer of the cash book and initial them as correct. Article 7 (2) of Kerala Financial Code Vol.I (KFC) stipulates that the daily collection of each officer should be remitted to the Treasury, on the next working day, or if not possible to do so, at least once in a week.

Article 297 of KFC stipulates that if the Head of Office suspects defalcation or loss of public moneys which involved his office, he should immediately send a preliminary report to the Accountant General, and to the Head of Office and report the case to the Vigilance and Anti-Corruption Bureau. The Head of Office should investigate the matter fully without delay and take further action, including fixing and enforcing responsibility for losses.

The Coconut Nursery, Valiyathura, headed by the Assistant Director of Agriculture (ADA), supplies coconut seedlings to Krishibhavadans, farmers and through sales counter at World Market, Thiruvananthapuram. The sale proceeds paid in cash or Demand draft by the beneficiaries were seen credited to the Special Treasury Savings Bank (STSB)<sup>98</sup> Account of the nursery and the account of District Panchayat (DP)<sup>99</sup>/ head of account<sup>100</sup> of Agriculture Department.

Audit of Coconut Nursery, Valiyathura was conducted from 17 June 2019 to 20 June 2019 covering the period 2017-18 to 2018-19. During the course of audit, cash book, treasury receipts related to the sale of coconut seedlings and details of remittance into STSB and to accounts of District Panchayat/ Scheme, were subject to detailed scrutiny, which revealed the following circumventions of codal provisions.

<sup>98</sup> Treasury Savings Bank account maintained at Principal Sub Treasury East Fort, Thiruvananthapuram

<sup>99</sup> Till 22 April 2018, as directed by Local Self Government Department on 27 February 2003.

<sup>100</sup> '0401-00-119-99 Receipts from Horticulture and Vegetable crops'

- Two ADsA and one Agricultural Officer (AO) held charge of the office during the period 23 December 2017 to 13 August 2018. During this period the officials single-handedly collected the sale proceedings, recorded entries in the cash book and certified the cash, which was against the provisions laid down in KTC. A responsible subordinate officer other than the writer of the cash book had not ensured the correctness of the entries/cash balance.
- During the period 23 December 2017 to 13 August 2018 (203 days), remittances were made only on six days<sup>101</sup>. The daily cash collection was not seen remitted to District Panchayat or head of account of Agriculture Department but retained in hand. Of the six remittances made during the period only three remittances were made to the District Panchayat and the remaining were remitted to the Special Treasury Savings Bank (STSB) Account<sup>102</sup> in violation of Government orders. The recordings made during the above period were marked by over-writings (four instances), striking off entries (two instances), non-accounting of remittances to treasury (two instances) and non-entry/delayed entry of receipts (five instances).
- The AO assumed charge from his predecessor on 26 July 2018 and the second ADA took over charge on 13 August 2018. The opening cash balance on 26 July 2018 when the AO assumed charge, was ₹7,48,673 as per cash book. However, the physical cash balance was not jointly verified and the cash balance recorded in the cash book was not certified by the incoming and outgoing officers.

Noticing non-adherence to laid down procedures in the day to day management of funds by the auditee unit, Audit undertook (February 2021) a thorough check of entries in the cash book for the period 01 April 2016 to 31 December 2020. Scrutiny revealed that only part of receipts towards sale of coconut seedlings during the period 23 December 2017 to 13 August 2018 had been remitted into STSB/DP account as shown in Table 4.1 below:

Table 4.1: Details of remittance of receipts during the period 23 December 2017 to 13 August 2018

(in ₹)

Total amount collected as cash	Total amount remitted to STSB/DP/Agriculture account	Cash in hand as on 13.08.2018	Short remittance
1	2	3	4 (1-2-3)
9,26,655	7,37,009	61,510	1,28,136

(Source: Records of the Coconut Nursery)

Audit noticed that when the second ADA assumed charge on 13 August 2018, the cash balance recorded in the cash book was ₹8,20,466 when the

<sup>101</sup> 09 January 2018, 16 February 2018, 02 June 2018, 13 July 2018, 18 July 2018 and 02 August 2018

<sup>102</sup> Treasury Savings Bank Account No.701021400000024 maintained at Principal Sub-Treasury East Fort

actual cash balance as per receipts should have been ₹1,89,646<sup>103</sup>. The incoming ADA, despite detecting mismatch of physical cash balance with the recording in cash book, neither informed the Head of the Department/Accountant General nor initiated any action to further investigate the matter, as spelt out in Article 297 of KFC.

On Audit pointing out (July 2019, May 2021<sup>104</sup>) the short remittance, the AO replied (February 2023) that all receipts pertaining to the period have been remitted to the DP/head of account in two bulk credits of ₹1,69,760<sup>105</sup> and ₹9,02,516<sup>106</sup> on 02 August 2019 and 31 August 2019 respectively.

The above two credits were made out of the balance amount in the STSB account, instead of recovering the short amount from responsible officers. This also established irregular parking of funds in STSB, without crediting the amount to the appropriate heads of accounts of DP/Government for over a year and a half, which was a violation of codal provisions.

Government replied<sup>107</sup> (December 2023) that Internal audit of the institution conducted in pursuance of audit observation has revealed that the delay to record the amounts transferred to the STSB account in the cash book on time led to the audit finding as misappropriation of Government funds and that, all amounts due to the Government have been settled correctly later.

The contention of Government was untenable as Audit cross-verified (January 2024) each credit made to the STSB account with the TR 5 receipts of the Coconut nursery and found that no single credit could be linked to the receipts relating to the short-remitted amount. The authorities, instead of recovering the misappropriated amount from the responsible official/s, had made good the loss by utilising Government money flowing from various sources into STSB, which was a blatant violation of rules.

Government replied (March 2024) that an inquiry was conducted by the Directorate which established unauthorised retention of ₹1.28 lakh without remitting to Government account, which resulted in grave misappropriation as observed by Audit. It was also informed that action will be initiated against the ADA to recover the short remittance of money and that explanation will be called for from the Internal Audit wing of the PAO for having wrongly interpreted audit findings.

Systemic deficiencies with regard to recording of entries in cash book and prompt remittances to appropriate heads of account and serious lapse in verification and attestation of entries in cash book being performed by a single official, has led to embezzlement of money in the Coconut Nursery.

<sup>103</sup> ₹61,510 (Cash in hand) + ₹1,28,136

<sup>104</sup> Respective dates of issuing Inspection Report and Statement of Facts to Government

<sup>105</sup> Receipts relating to the period 05 February 2018 to 10 April 2018

<sup>106</sup> Receipts relating to the period 23 April 2018 to 27 June 2019

<sup>107</sup> Reply to the Statement of Facts

Furthermore, the misappropriated amount was replaced with Government money by authorities concerned, signifying weak internal controls. Inquiry needs to be conducted on the matter, responsibility fixed on the officials who held charge during the period and the misappropriated amount recovered from errant persons.

**Recommendation:**

Government should ensure that codal provisions regarding day to day handling of monetary transactions, as laid down in Kerala Treasury Code and Kerala Financial Code, are strictly ensured by Heads of Offices. Weak internal controls should be addressed on priority to prevent misappropriation of funds.

**Unfruitful expenditure**

**HIGHER EDUCATION DEPARTMENT**

**4.2. Unfruitful expenditure on two buildings and consequent idling of equipment**

**Lack of coordination in executing works and absence of effective monitoring by Kerala State Science and Technology Museum resulted in infructuous expenditure of ₹15.03 crore on two buildings and idle investment of ₹5.05 crore on equipment.**

Based on the proposals of the Director, Kerala State Science and Technology Museum (KSSTM), Government of Kerala (GoK) accorded administrative sanction<sup>108</sup> for setting up two infrastructure projects, viz., (i) Space Theatre as part of the Kerala Science City (KSC), Kottayam<sup>109</sup> and (ii) Planetarium at Regional Science Centre (RSC), Chalakudy at ₹28 crore. Audit observed that due to lack of expertise, effective planning and oversight on the part of KSSTM, neither the Space Theatre nor the RSC could be made functional, resulting in idle investment of ₹20.08 crore as discussed below:

**4.2.1. Space Theatre at Kerala Science City, Kottayam**

The Director, KSSTM executed (September 2014) agreement with Habitat Technology Group (HTG), which was to be the Architectural and Structural consultant to the work of Space Theatre<sup>110</sup>. HTG prepared designs of each element of the project, tender drawings, specifications, detailed estimate of the work and submitted to KSSTM in April 2015. The Director, KSSTM entrusted (November 2014) proof checking of the design of space theatre building prepared by HTG to Indian Institute of Technology (IIT) Chennai. The Project Management Consultancy (PMC) of the work was entrusted (February 2015) to

<sup>108</sup> On 12 December 2013 for KSC, Kottayam and 13 July 2015 for RSC, Chalakudy

<sup>109</sup> The components of KSC included Science Centre, planetarium, full dome digital theatre, Edutainment components, cafeteria, etc.

<sup>110</sup> Comprising planetarium and space gallery

M/s Hindustan Life care Ltd. (HLL). The site was handed over to HLL in July 2015 and work was scheduled to be completed by October 2016.

The structure of the building could not be completed due to inability to execute micro-concreting<sup>111</sup> on the cap brim<sup>112</sup> of the ornamental structure surrounding the Space Theatre despite repeated extension upto August 2018, and it remains incomplete (September 2024). Initially the design was sent for vetting to IIT Chennai, wherein reservation was conveyed on use of micro-concreting for finishing of the cap brim. The mock micro-concreting (January 2017) conducted in the presence of the Technical Committee members failed. Realising the hurdles in execution of micro-concreting of the structure, HTG proposed (February 2017) an alternate material, which also did not get the approval of the Director.

Subsequently, the technical expertise of a retired professor of IIT Chennai was sought by KSSTM (October 2017) for studying the issues related to micro-concreting and to get feasible alternate designs. The Technical expert appointed by KSSTM had opined that the possibility of rusting of steel trusses supporting the heavy cantilever<sup>113</sup> cap brims could not be ruled out. The trusses entrapped in the void space between the top and bottom skins of the cap brims being inaccessible, ascertaining their structural stability and maintenance would be extremely difficult.

Scrutiny of records and joint physical verification (October 2019) by audit revealed that no progress in work was recorded during the period 2018 to 2019, while the structure of micro-concreting was seen stacked in open, leading to its rusting. As per directions of the new Technical Committee, which took over in November 2019, the work of erection and fixing of main frame and sub frames of the micro-concreting structure was undertaken in February 2020 and completed in later part of 2020. However, KSSTM stated to audit (June 2022) that the contractor<sup>114</sup> to whom work was entrusted by HTG in September 2015 did not have sufficient experience in micro-concreting work. The PMC and HTG could not give proper guidance to the contractor for executing the work.

During the latest joint physical verification with the engineers of KSSTM in February 2023, Audit noticed that even after incurring an expenditure of ₹13.16 crore, the construction of Space theatre building was incomplete due to technical issues regarding the micro-concreting work. The erection of the cantilever frames using steel pipes was seen executed over which the proposed micro-concreting was to be done. Additional works such as erection of dome, interior works, finishing works, installation of planetarium equipment including projectors etc., were also pending completion.

<sup>111</sup> Micro-concrete is a cement based coating applied to tiles, wood, etc. to provide the look and feel of concrete at a fraction of the weight and cost of real concrete.

<sup>112</sup> Cap brim of the structure protects the exposed portion of the building from sun, rain, etc. It serves as a cladding/finishing material over the covered decking plate

<sup>113</sup> A rigid structural element that extends horizontally and is unsupported at one end

<sup>114</sup> M/s Karuthedathu Constructions





Figure 4.1: Architectural design of Space Theatre with cap brims fixed with micro concrete, prepared by Habitat Technology Group



Figure 4.2: Incomplete structure of Space Theatre, Kottayam. Photo taken by Audit party on 24 February 2023

The Director KSSTM stated that the envisaged profile in architectural design could not be achieved by micro-concreting the profile formed after erecting the framework. Additionally, it was also noted that despite the construction of Space Theatre coming to a standstill, KSSTM proceeded with the acquisition of an elaborate and delicate projection dome costing ₹1.87 crore from M/s Carl Zeiss in February 2019. Thus, the building work for the Space Theatre remains to be completed due to the inability of KSSTM, HLL and HTG to decide upon a course of action for the micro-concreting work on the cap brim.

#### 4.2.2. Planetarium Building in Regional Science Centre, Chalakudy

The Director KSSTM executed (March 2017) an agreement with HTG for the work of Construction of planetarium building at RSC, Chalakudy at Thrissur with completion time of 13 months. The site was handed over to HTG in May 2017. Audit observed that the date of completion of the planetarium building was extended multiple times due to change in design, modifications in structure of dome from horizontal to tilted, delay in approval from KSSTM for revised design, etc.

Initially the construction was planned to accommodate 15m diameter horizontal dome. When the construction reached roof level, the horizontal dome was changed into tilted one. Hence the dome originally planned to a height of 10m, was raised to 11.5m and concreting done without modifying the structural design. As per the original schedule of work and estimate, the dome structure after concreting was to be plastered with cement mortar over the concrete, after which water proofing was to be done. However, the water proofing works were seen done<sup>115</sup> before plastering of the dome structure.

During the monsoon in June 2019, there was considerable water seepage through the construction joints of the dome. The then Assistant Executive Engineer of KSSTM had suggested (June 2019) that the under deck acoustic works were to be taken up only after executing plastering and water proofing,

<sup>115</sup> October 2019

as the exact location of water seepage would not be visible once underside is covered. However, the then Director of KSSTM, disregarding the technical advice, decided to proceed with the acoustic panelling. Audit observed that though acoustic panelling was an item included in the main work awarded to HTG, the Director, without attributing reasons, entrusted (February 2020) the work to another agency<sup>116</sup>, incurring an extra expenditure of ₹5.24 lakh<sup>117</sup>. Plastering of dome over concrete surface was carried out by HTG only in October 2020 and the construction of the building was reported as completed in January 2021, expending ₹1.87 crore. However severe leakage occurred from the dome during the rain in July-August 2021 and the building could not be made functional.

Joint physical verification conducted (February 2023) by Audit along with Assistant Director KSSTM revealed that the building could not be handed over to KSSTM yet, due to persistent leakage and dampness in the dome. The cement plastering covering the outer surface of the dome had cracked and was damaged. The sound proof materials fitted inside the planetarium were seen damaged from contact with seeping water. The costly equipment including tilted dome imported from USA (₹78.32 lakh), projector from France (₹2.40 crore), seatings to be setup in the planetarium, etc., were seen stacked in the planetarium building, gallery building and cafeteria building.

As could be seen from the two afore-cited instances, lack of coordination in executing works, lack of ensuring synergy among agencies involved and absence of stage-wise monitoring on the part of KSSTM resulted in the buildings constructed not being put to intended use. KSSTM was to oversee the progress in work and ensure that it was to be completed in a timely manner so as to achieve the intended benefits. The unwanted haste in purchase of equipment despite the buildings not being made functional resulted in highly expensive imported equipment left idling for over five years. Government should fix responsibility for the negligence and inaction on the part of the officials concerned and initiate action to operationalise the projects.

The Director KSSTM in his reply (July 2024) stated that after continuous interactions the PMC has submitted estimate for tensile fabric roofing instead of micro-concreting to complete the balance works of construction of Space Theatre. Once revised Administrative sanction is obtained from Government, the tender formalities to award the work will be started. As regards Planetarium building, it was replied that HTG had assured that all works related to leakage will be completed within ten days, once the solution suggested by the contractor is approved by Chief Technical Examiner and Technical Committee. It was also informed that after the satisfactory completion of leak proof work in the planetarium building, KSSTM will intimate the supplier to take immediate steps to install the dome.

<sup>116</sup> M/s Artisans Development Co-operative Limited (ARTCO) Alappuzha

<sup>117</sup> KSSTM spent an amount of ₹7.86 lakh for acoustic paneling of the Dome through ARTCO, whereas if approved schedule of quantity was followed, the expenditure on the item would have been ₹2.62 lakh

The reply confirms the audit finding that despite passage of nine years and spending of ₹20.08 crore, construction of both structures remains incomplete and they were unable to be opened to public.

The Draft paragraph was issued to Government (July 2024). Despite issuing reminders on 02 September 2024 and 26 September 2024, reply has not been received.

## AGRICULTURE DEVELOPMENT AND FARMERS' WELFARE DEPARTMENT

### 4.3. Idle investment on an agricultural market complex

**An agricultural market complex at Vattavada set up at a cost of ₹2.45 crore in an unsuitable site without motorable approach road, is idling since its inauguration, for the last four years.**

State Horticulture Mission (SHM)<sup>118</sup>, proposed (December 2014) the construction of an agricultural market complex at Vattavada in Idukki district under the Rashtriya Krishi Vikas Yojana (RKVY)<sup>119</sup> during 2014-15. An amount of ₹260 lakh was allocated for the project. The market complex was to function as a procurement and auction centre for vegetables produced by local farmers. The construction was to be undertaken by the District Nirmithi Kendra (DNK) Idukki and the technical supervision including preparation of Detailed Project Report (DPR) was entrusted (March 2015) to NABCONS<sup>120</sup>. The Principal Agricultural Officer (PAO) was entrusted with the monitoring of the construction activity.

Vattavada Grama Panchayat (GP) identified (May 2015) 47 cents of land at Edamon for construction of the market complex. The DPR prepared (June 2015) by NABCONS certified that the selected site was a fairly settled land suitable for setting up agricultural marketing infrastructure and that the project was technically feasible and economically viable. Agreement was executed between PAO and DNK in October 2015, with completion in June 2016 and ₹259.65 lakh was sanctioned for the market complex. However, the newly elected Panchayat Committee decided (December 2015) against constructing the market complex in the originally identified site, citing that the area had been allotted as playground to Government Higher Secondary School, Vattavada long back. Audit observed that ₹2.47 lakh had already been spent by then, for preparing the site for construction.

<sup>118</sup> The State Horticulture Mission is a registered society set up under the Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 to implement the National Horticulture Mission program a centrally sponsored scheme, introduced during the financial year 2005-06.

<sup>119</sup> RKVY was a 100 per cent GoI sponsored scheme launched in 2007 as an umbrella scheme for ensuring holistic development of agriculture and allied sectors by allowing states to choose their own agriculture and allied sector development activities as per the district/state agriculture plan.

<sup>120</sup> NABARD (National Agricultural Bank for Rural Development) Consultancy Services Private Ltd.



Thereafter, Vattavada GP identified (February 2016) another site at Oorkad for construction of the market complex. A revised estimate for ₹260 lakh was prepared (March 2016) by DNK as per which construction works at the new site commenced (June 2016), with date of completion as 31 May 2017. Audit observed that the site was located in an elevated area with no motorable approach road. Though it was incumbent on SHM to arrange a feasibility study afresh to assess the suitability of the new site to the proposed activity, no such action was initiated.

On completion of construction, the market complex building was inaugurated in September 2019. An amount of ₹2.45 crore was paid to DNK for construction of the building. The building was transferred to HortiCorp<sup>121</sup> in August 2020 for the procurement of cool season vegetables. But the steep nature of the place where the market complex is located and lack of a motorable road posed hindrance to the functioning of the market complex. Ever since its inauguration, the market complex has not been used for the envisaged purpose for the last four years.



*Figure 4.3: Idling agricultural market complex at Vattavada  
Photo taken by field audit party on 12 October 2022*

Audit observed that the steep ascending path to the building could not be traversed up and down by loaded vehicles like vans/lorries. This prevented farmers from bringing their produce directly to the market complex for sale. The Mission Director SHM replied (August 2023) that due to difficulty in bringing vegetables in lorries to the market complex, the vegetables were directly lifted from the field by HortiCorp. Though the revised estimate for agricultural market complex at the new site included the cost of construction of a motorable approach road, DNK stated (October 2023) that the road work could not be executed, owing to public protest against converting the existing common pathway to an exclusive road for the market complex.

Audit observed that SHM did not ensure a feasibility study on the appropriateness of the new site, which would have exposed the nature of terrain and lack of free access to the site. Instead, SHM went ahead with the

<sup>121</sup> Kerala State Horticultural Products Development Corporation Ltd.

construction of market complex building without addressing the inadequacies of the newly chosen site. The PAO, as part of effective monitoring, was to ensure that the building constructed was put to use for the purpose envisaged.

Government stated (December 2023) that the steep nature of the place and lack of proper road to access the site had posed difficulties in functioning of the market complex. It was further stated that to facilitate construction of a motorable road, a land transfer application was submitted (August 2022) to the District Collector, Idukki and survey of land executed (July 2023).

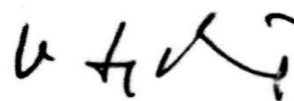
However, the inability of SHM in assessing the suitability of site for the market complex resulted in construction of a building in an inappropriate site. This has resulted in the non-functioning of the market complex and consequent idle investment of ₹2.45 crore for the last four years.



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**Countersigned**



**(K. SANJAY MURTHY)**  
**Comptroller and Auditor General of India**

**New Delhi,**  
**The 11 June 2025**