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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

COMPOSITE COMPLIANCE AUDIT REPORT

for the period 2019-21

SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Kerala

Report No. 8 of the year 2022

Presented in the
State Legislative Assembly on
14 September 2023

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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Preface

This Report for the period 2019-21 is prepared for submission to the Governor of Kerala under Article 151 (2) of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

2 The Report deals with the significant results of the compliance audits of the State Government Departments and State Public Sector Undertakings under the clusters namely Culture and Tourism, Environment, Science and Technology, Public Works, Transport and Industries and Commerce.

3 This Report has been divided into two parts. Part I deals with the Compliance Audit observations of State Government Departments and Part II deals with the Compliance Audit observations of State Public Sector Undertakings.

4 The instances mentioned in this Report are those which came to notice in the course of test audit of records during the period 2019-21 as well as those which came to notice in earlier years but could not be reported in previous Audit Reports. Instances relating to the period subsequent to 2019-21 are also included wherever necessary.

The audit is conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

Overview

The Principal Accountant General (Audit-II), Kerala audits the Government Departments and Public Sector Undertakings to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed by Inspection Reports (IRs) which incorporate irregularities detected during the audit and not settled on the spot.

This Report has been divided into two parts. Part I deals with the Compliance Audit observations of State Government Departments and Part II deals with the Compliance Audit observations of State Public Sector Undertakings.

Part-I Compliance Audit observations relating to State Government Departments

This part of the Report contains 11 Paragraphs pertaining to Departments. The total financial impact of the Paragraphs is ₹145.69 crore. These are discussed in Chapter II. The Government/ Departments have accepted audit observations involving ₹44.12 crore (as of February 2022).

(Paragraph 1.5)

Analysis of IRs issued up to September 2021 disclosed that 6,177 paragraphs relating to 1,041 IRs issued to these Departments remained outstanding at the end of September 2021.

(Paragraph 1.6)

Non-achievement of intended benefits

Unfruitful investment of ₹1.02 crore by the Directorate of Museums and Zoos for implementation of two projects.

(Paragraph 2.1)

Loss of ₹76.07 lakh due to failure to avail of Input Tax Credit

Failure to utilise the Input Tax Credit of Divisions to set off the tax liability on sale of timber by the Depots due to lapse in assessing the provisions of GST Act resulted in avoidable expenditure of ₹76.07 lakh.

(Paragraph 2.2)

Excess payment of Employer's contribution to the Employees' Provident Fund

Undue benefit of ₹11.86 crore to the employees by excess payment of Employer's contribution to the Employees' Provident Fund.

(Paragraph 2.3)

Delay in enrolment of employees and remittance of EPF contributions

Delay in enrolment of employees and consequent delay in remittance of EPF contributions by four Autonomous Bodies resulted in payment of interest and damages to the extent of ₹57.91 lakh.

(Paragraph 2.4)

Delay in completion of bypass roads

Unfruitful expenditure of ₹54.08 crore on three incomplete bypass road works undertaken without ensuring availability of required land in violation of the provisions of PWD Manual.

(Paragraph 2.5)

Avoidable payment of tax and interest

Payment of Goods and Services Taxes and interest amounting to ₹42.78 crore due to failure of the Department to analyse the impact of GST on the transactions of PWD.

(Paragraph 2.6)

Idle investment

Idle investment of ₹24.22 crore for construction of the PWD Complex at Neriamangalam.

(Paragraph 2.7)

Undue favour to contractors

Undue benefit of ₹4.98 crore to contractors by way of Government decision to pay the price difference of bitumen over and above the agreed rates in violation of the contract conditions.

(Paragraph 2.8)

Excess payment to contractors

Failure of the Department to recover the cost index of bitumen added to the cost of bitumen in the estimate of three works resulted in excess payment of ₹1.26 crore to the contractors during July 2016 to December 2019.

(Paragraph 2.9)

Irregular payment

Payment of ₹20.71 lakh to contractors by recording false measure of work by the Departmental Officer.

(Paragraph 2.10)

Non and short levy of tax

Absence of basic checks of the records in the database by the officials at Regional/ Sub-Regional Transport Offices resulted in non and short levy of tax amounting to ₹3.94 crore.

(Paragraph 2.11)

Part-II Compliance Audit observations relating to State Public Sector Undertakings

Inspection Reports issued up to September 2021 pertaining to 65 State PSUs disclosed that 2,167 paragraphs relating to 401 Inspection Reports remained outstanding at the end of September 2021.

Five Compliance Audit Paragraphs relating to State PSUs were issued (August 2021 to October 2021) to the Principal Secretaries/ Secretaries concerned of Government of Kerala with requests to furnish replies within four weeks. Replies on all the four Paragraphs and partial replies to one Compliance Audit Paragraph have been received (June 2022) from the State Government and is suitably incorporated in this Report. The total financial impact of the Paragraphs is ₹127.57 crore.

(Paragraph 3.5, 3.6)

Implementation of Projects for Rejuvenation and Revival of Public Sector Undertakings under Department of Industries and Commerce

Despite investing ₹200.17 crore, none of the completed projects performed as envisaged in their respective project reports. Deficiencies in project evaluation, delay in release of funds by Government, diversion of funds by PSUs, deficient project implementation by PSUs *etc*., led to the non-achievement of intended benefits from the rejuvenation and revival projects.

(Paragraph 4.1)

Avoidable loss

Failure of Transformers and Electricals Kerala Limited to incorporate the provisions of performance security in the contract and invoke 'risk and cost' clause against the supplier who did not supply raw material led to avoidable loss of ₹65.42 lakh.

(Paragraph 4.2)

Avoidable loss due to quoting price lower than the estimated cost

Quoting a price lower than the estimated material cost by Transformers and Electricals Kerala Limited resulted in avoidable loss of ₹2.12 crore and avoidable liquidated damages amounting to ₹1.26 crore. Further, an additional expenditure of ₹0.46 crore was incurred due to defective estimation of transportation cost.

(Paragraph 4.3)

Undue benefit to contractor

Non-inclusion of appropriate clause in the tender document by Kerala State Drugs and Pharmaceuticals Limited for regulating the recovery of interest free mobilisation advance as per CVC guidelines and allowance of excess payment of interest free advance resulted in extension of undue benefit of ₹32.65 lakh to the contractor.

(Paragraph 4.4)

Loss of Central Government assistance

Non-maintenance of records relating to payment of SGST under Saubhagya scheme by Kerala State Electricity Board Limited led to loss of grant of ₹7.30 crore. Failure to provide LED lamps to BPL households under DDUGJY scheme resulted in deprival of benefit.

(Paragraph 4.5)

Part I

State Government Departments

Chapter I

General

Chapter I

General

Introduction

1.1 This part of the Report of the Comptroller and Auditor General of India (CAG) relates to the matters arising from Compliance Audit of 11 Departments[1] of the Government of Kerala (GoK). Compliance Audit refers to examination of the transactions of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with. Compliance Audit also includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety, and prudence.

The primary purpose of this Report is to bring to the notice of the State Legislature, the important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of Audit are expected to enable the Executive to take corrective actions and to frame policies and directives that would lead to improved financial management of the organisations, thus contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides information on follow-up of previous Audit Reports.

Profile of Audited Entities

1.2 The Departments are headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries, who are assisted by Commissioners / Directors/ Deputy Secretaries and subordinate officers.

A brief profile of the 11 Departments covered in this part of the Report, is discussed in ***Appendix 1.***

The summary of fiscal operations of GoK during the year 2019-20 and 2020-21 is given in **Table 1.1:**

[1] Departments of (i) Environment and Climate Change, (ii) Forest and Wildlife, (iii) Public Works, (iv) Science and Technology, (v) Cultural Affairs, (vi) Electronics and Information Technology, (vii) Industries and Commerce, (viii) Ports, (ix) Power, (x) Tourism and (xi) Transport.

Table 1.1: Snapshot of Finances

(₹ in crore)

Sl. No.	Components	2019-20 (Actual)	2020-21 (Budget Estimate)	2020-21 (Actuals)	Percentage of Actual to Budget Estimate	Percentage of Actuals to Gross State Domestic Product
1	Tax Revenue *	50,323.14	67,420.01	47,660.84	70.69	6.28
2	Non-Tax Revenue	12,265.22	14,587.00	7,327.31	50.23	0.97
3	Share of Union taxes/ duties **	16,401.05	20,934.80	11,560.40	55.22	1.52
4	Grants-in-aid and Contributions ***	11,235.26	11,694.09	31,068.28	265.68	4.09
5	**Revenue Receipts (1+2+3+4)**	**90,224.67**	**1,14,635.90**	**97,616.83**	**85.15**	**12.86**
6	Recovery of Loans and Advances	295.32	284.01	263.82	92.89	0.03
7	Other Receipts	27.48	50.00	34.15	68.30	0.00
8	Borrowings and other Liabilities	23,837.47	29,295.39	40,969.69^	139.85	5.40
9	**Capital Receipts (6+7+8)**	**24,160.27**	**29,629.40**	**41,267.66**	**139.28**	**5.44**
10	**Total Receipts (5+9)**	**1,14,384.94**	**1,44,265.30**	**1,38,884.49**	**96.27**	**18.30**
11	**Revenue Expenditure**	**1,04,719.92**	**1,29,837.37**	**1,23,446.33**	**95.08**	**16.27**
12	Interest payments	19,214.70	19,850.00	20,975.36	105.67	2.76
13	**Capital Expenditure**	**9,665.02**	**14,427.93**	**15,438.16**	**107.00**	**2.03**
14	Capital outlay	8,454.80	12,913.22	12,889.65	99.82	1.70
15	Loan and advances	1,210.22	1,514.71	2,548.51	168.25	0.34
16	**Total Expenditure (11+13)**	**1,14,384.94**	**1,44,265.30**	**1,38,884.49**	**96.27**	**18.30**
17	**Revenue Deficit (5-11)**	**14,495.25**	**15,201.47**	**25,829.50**	**169.91**	**3.40**
18	**Fiscal Deficit^ {16-(5+6+7)}**	**23,837.47**	**29,295.39**	**40,969.69**	**139.85**	**5.40**
19	**Primary Deficit^ (18-12)**	**4,622.77**	**9,445.39**	**19,994.33**	**211.68**	**2.63**

Source: Finance Accounts for 2019-20 and 2020-21, Annual Financial Statement- 2020-21.

* *Including State Goods and Services Tax of ₹20,028.31 crore .*

** *Including Central Goods and Services Tax of ₹3,325.63 crore.*

*** *Including ₹6,721.38 crore of compensation for loss of revenue arising out of implementation of Goods and Services Tax (GST).*

^ *Effective Borrowings and other liabilities would be ₹35,203.69 crore as the Department of Expenditure, Government of India had decided that GST compensation of ₹5,766 crore given to the State as back-to-back loan under debt receipts would not be treated as debt of the State for any norms which may be prescribed by the Finance Commission.*

Authority for conducting audit

1.3 Authority of the CAG for audit is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 [CAG's (DPC) Act]. The principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2020 and Auditing Standards, 2017 issued by the CAG.

Planning and conduct of audit

1.4 Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. The frequency and extent of audit are decided based on risk assessment. During the years 2019-20 and 2020-21, 1,858 party days and 1,079 party days were utilised to carry out audit of 175 and 48 units respectively.

After completion of audit of each unit, Inspection Report (IR) containing audit findings is issued to the Head of the Department. The Departments are requested to furnish replies to the audit findings within one month of receipt of the IRs. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of State under Article 151 of the Constitution of India to be tabled in the State Legislature.

Coverage of this part of the Report

1.5 This part of the Report contains 11 Paragraphs having financial impact of ₹145.69 crore pertaining to Departments. These are discussed in Chapter II. The Government/ Departments have accepted audit observations involving ₹44.12 crore (as of February 2022).

1.6 Response of the Government/ Departments to Audit observations

Inspection Reports outstanding

1.6.1 The Principal Accountant General (Audit-II), Kerala audits the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed by IRs which incorporate irregularities detected during the audit and not settled on the spot.

Analysis of IRs issued up to September 2021 disclosed that 6,177 paragraphs relating to 1,041 IRs issued to these Departments remained outstanding at the end of September 2021. The figures as of September 2021 along with the corresponding figures for the preceding two years are given in the **Table 1.2**:

Table 1.2: Details of Inspection Reports outstanding

Particulars	September 2019	September 2020	September 2021
Number of IRs pending for settlement	999	1,033	1,041
Number of paragraphs outstanding	5,513	5,939	6,177

The Department-wise details of the IRs and paragraphs outstanding as on 30 September 2021 and the amount involved are given in the **Table 1.3:**

Table 1.3: Department-wise details of IRs and paragraphs outstanding

Sl. No.	Name of the Department	Number of IRs outstanding	Number of paragraphs outstanding in IRs
1	Industries and Commerce	76	364
2	Power	30	133
3	Cultural Affairs	100	541
4	Electronics and Information technology	22	202
5	Port	17	47
6	Tourism	18	113
7	Transport	279	2,263
8	Environment and Climate Change	9	65
9	Public Works	309	1,641
10	Forest and Wildlife	154	707
11	Science and Technology	27	101
Total		**1,041**	**6,177**

As can be seen from the Table, the pendency in terms of IRs outstanding is highest in the Public Works Department. Age-wise analysis of IRs outstanding and paragraphs is detailed in ***Appendix 2***, which reveals that 598 IRs (57.44 *per cent* of total IRs outstanding) were outstanding for more than five years.

The pendency is indicative of the fact that the Heads of Offices and the Departments need to take effective action to rectify the defects and irregularities pointed out by Audit through the IRs. The year-wise and Department-wise details of IRs and paragraphs outstanding are detailed in ***Appendix 2***.

Departmental Audit Committee Meetings

1.6.2 The Government constituted Audit Committees to monitor and expedite the progress of the settlement of the paragraphs in the IRs. The details of the Audit Committee Meetings (ACM) held during the year 2019-20 and 2020-21 and the paragraphs settled therein are given in the **Table 1.4:**

Table 1.4: Departmental Audit Committee Meetings

Sl. No.	Name of the Department	Number of Audit Committee Meetings held		Number of paragraphs settled	
		2019-20	2020-21	2019-20	2020-21
1	Forest and Wildlife	2	0	17	0
2	Public Works	5	0	132	0
3	Power	3	1	81	49
4	Transport	4	0	371	0
5	Industries and Commerce	3	0	10	0
Total		**17**	**1**	**611**	**49**

It can be seen from the Table that only 17 and one ACM was held during 2019-20 and 2020-21 respectively and settled 611 and 49 paragraphs during these periods. Further, in respect of six Departments *i.e.*, Environment, Science and Technology, Cultural Affairs, Electronics and Information Technology, Ports, and Tourism, no ACM was held during 2019-20 and 2020-21. Similarly, Audit sub-committees were not held in any of these Departments during these periods.

Response of the Departments to the Draft Audit Paragraphs

1.6.3 Statements of Facts followed by Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India were forwarded to the Principal Secretaries/ Secretaries of the five Departments[2] concerned drawing their attention to the audit findings and requesting them to send their response within four weeks. Eleven Paragraphs included in Part-I of the Report were forwarded demi-officially to the Additional Chief Secretaries/ Principal Secretaries/ Secretaries of the Departments concerned between August 2021 and October 2021. Government replies received in respect of the Paragraphs are suitably incorporated in the Report.

Follow-up action on Audit Reports

1.7 The Reports of the CAG represent the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The Finance Department, Government of Kerala issued directions to all Administrative Departments in 2017 to furnish Explanatory

[2] Culture, Transport, Science and Technology, Forest and Wildlife, and Public Works.

Notes to Performance Audits/ Compliance Audits/ Paragraphs included in Audit Reports of the CAG within a period of two months of their presentation to the Legislature for speedy settlement of audit observations. The status of Explanatory Notes on Paragraphs/ Performance Audits not received as of March 2022 is given in **Table 1.5**:

Table 1.5: Explanatory Notes not received as on 31 March 2022

Year of Audit Report	Number of Performance Audits and Paragraphs		Number of Performance Audits and Paragraphs for which explanatory notes were not received	
	Performance Audits	Paragraphs	Performance Audits	Paragraphs
2015-16	1	5	0	1
2016-17	1	7	1	1
2017-18	1	7	0	4
2018-19	0	4	0	3
Total	**3**	**23**	**1**	**9**

The Administrative Departments did not comply with these instructions as detailed in **Table 1.5** and did not submit Action Taken Notes for one Performance Audit and nine Paragraphs for the period 2015-16 to 2018-19 even as of March 2022.

Paragraphs to be discussed by the Public Accounts Committee

1.8 The status of discussion of Performance Audits (PAs) and Paragraphs which appeared in Audit Report of Economic Sector by Public Accounts Committee as on 31 March 2022 is given in the **Table 1.6**.

Table 1.6: Status of discussion of Performance Audits and Paragraphs

Year of Audit Report	Number of Performance Audits/ Paragraphs			
	Appeared in Audit Report		Paragraphs Discussed	
	Performance Audit	Paragraphs	Performance Audits	Paragraphs
2012-13	0	5	0	4
2013-14	0	0	0	0
2014-15	0	0	0	0
2015-16	1	5	0	4
2016-17	1	7	0	0
2017-18	1	7	0	1
2018-19	0	4	0	0
Total	**3**	**28**	**0**	**9**

A review of the position of PAs/ Paragraphs pending discussion by the Public Accounts Committee as of March 2022 showed that three PAs and 19 Paragraphs (pertaining to Forest and Wildlife, Tourism and Public Works Departments) were yet to be discussed.

Chapter II

Compliance Audit Paragraphs of State Government Departments

Chapter II

Compliance Audit Paragraphs of State Government Departments

Culture and Tourism Cluster

Directorate of Museums and Zoos

2.1 Non-achievement of intended benefits

Unfruitful investment of ₹1.02 crore for implementation of two projects.

The Government of Kerala (GoK) accorded Administrative Sanction to the Directorate of Museums and Zoos (Directorate) to implement two projects *viz*., Digital Asset Management System (DAMS) and Zoo Management System (ZMS), in January 2013 and September 2013 respectively. The Directorate issued (January 2013/ December 2013) work orders for implementation of both the projects to Kerala Small Industries Development Corporation (SIDCO), a Public Sector Undertaking designated as Total Solution Provider[3] by GoK. Details of the two projects are given in ***Appendix 3***. Work orders for implementing DAMS and ZMS were issued to SIDCO in January 2013 and December 2013 for ₹63.21 lakh and ₹38.79 lakh respectively. The projects were not operational as of November 2021, though the Directorate paid (June 2014 and April 2014) the entire amount to SIDCO in respect of both the work orders.

Non-utilisation of the projects by the Directorate, despite release of full payment to SIDCO was pointed out by Audit in January 2017. Audit conducted a follow-up examination (April 2021) of further action taken in this regard. It was noticed that the Directorate did not take any action till July/ August 2017 by which time, the warranty/ AMC[4] expired. A meeting held (October 2017) amongst SIDCO, the Directorate and the Department of Culture, GoK for operationalising the projects also did not bear fruit.

As a follow up to the observation made by Audit in January 2017, the Directorate ordered (January 2020) an enquiry into the implementation of the projects by its internal Vigilance Cell. The enquiry found (January 2021) that DAMS was not functional when the final payment was made to SIDCO in June 2014 due to non-availability of server password and non-completion of front-end of the software. The enquiry report of internal Vigilance Cell noted that release of full payment without ensuring completion was unjustified. In respect of ZMS, the

[3] GoK designated certain agencies as Total Solution Providers (TSPs) for providing technical assistance to Government Departments/ Directorates in their computerisation efforts.

[4] Though provided in the agreement with SIDCO, AMC was not entered into in the case of ZMS.

enquiry revealed that hardware components were not supplied, and software had not been installed. Further, the password and IP address of server, URL[5] of the software, username, password *etc*., of ZMS were not available in the Directorate. The release of full payment solely based on self-certification by SIDCO was a significant lapse on the part of the Directorate.

The enquiry report, therefore, revealed that the Directorate had not ensured receipt of all the hardware/ software components and completion of the projects as required by Rule 11.1 of the Stores Purchase Manual. It is also pertinent to note that though the internal enquiry report was received in January 2021, the same was forwarded to Government only in November 2021 and further action on the report was yet to be taken by the Directorate/ Government.

The Government replied (January 2022) that Kerala State IT Mission has been entrusted to conduct a detailed enquiry on the audit findings as part of taking corrective measures, including fixing of responsibility.

Recommendation: The Government may fix responsibility and make efforts to make the projects operational.

Environment, Science and Technology Cluster

Kerala Forests and Wildlife Department

2.2 Loss of ₹76.07 lakh due to failure to avail of Input Tax Credit

Failure to utilise the Input Tax Credit of Divisions to set off the tax liability on sale of timber by the Depots due to lapse in assessing the provisions of GST Act resulted in avoidable expenditure of ₹76.07 lakh.

As per Section 25(4) of The Central Goods and Services Tax Act, 2017 a person who has obtained or is required to obtain more than one registration, whether in one State or Union Territory or more than one State or Union Territory shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act. Section 2(62) of the Act states that "input tax" in relation to a registered person means the Central tax, State tax, Integrated tax or Union Territory tax charged on any supply of goods or services, or both made to him. Section 16(1) of the Act enables every registered person to take credit of the input tax he has already paid on inputs. Also, Input Tax Credit (ITC) cannot be claimed as per Section 16(4) of the Act after the due date for furnishing of return for the month of September following the end of concerned financial year or furnishing of annual return, whichever is earlier.

[5] Uniform Resource Locator.

In Kerala Forests and Wildlife Department (KFWD), the activities of sale of timber are carried out by six Timber Sales Divisions (Thiruvananthapuram, Punalur, Kottayam, Perumbavoor, Palakkad and Kozhikode) through Timber Sales Depots and sale of sandalwood and sandal oil is carried out by Marayoor Sandal Division. For this, KFWD avails the services of MSTC Ltd. (MSTC), a Central Public Sector Undertaking for conducting e-auction of timber, sandalwood, and sandal oil. MSTC charges 0.8 *per cent* of the sale value of the items as service charge and raises bills on the Divisions against their GSTINs for the e-auction service.

Audit was conducted (April 2021 to May 2021) in three of the six Timber Sales Divisions and the Sandal Division and it was noticed that:

i. In the case of sale of timber, the Timber Sales Divisions were eligible to claim and utilise input tax credit of ₹47.34 lakh earned on GST paid to MSTC as of March 2021 (***Appendix 4***). However, the Department did not take steps for utilising the input tax credit either by invoicing at Divisional level or Divisions registering themselves as Input Service Distributors (ISD) so that ITC could be distributed among Depots for utilisation. As a result, the input tax credit available with the Timber Sales Divisions could not be utilised and set off against the tax obligation of ₹6,298.16 lakh (***Appendix 5***) of the Sales Depots. Thus, the failure of the Department in adopting a prudent system of utilising input tax credit resulted in avoidable payment of GST amounting to ₹47.34 lakh.

ii. The Sandal Division, Marayoor was eligible to claim and utilise input tax credit of ₹28.73 lakh as of March 2021 (***Appendix 6***) in respect of GST paid for the service provided by MSTC. The sale of sandalwood and sandal oil was conducted directly by the Sandal Division and the invoices were also issued by the Division itself. The GST of ₹3,765.65 lakh collected (***Appendix 7***) on sale of these items were remitted without setting off the eligible input tax credit of ₹28.73 lakh. This has resulted in avoidable payment of ₹28.73 lakh as GST by Sandal Division, Marayoor.

Due to the lapses in assessing the provisions of GST Act (as availability of ITC and collection and remittance of GST were at different points) in respect of the tax liability, the Department was not able to avail the eligible Input Tax Credit which resulted in avoidable expenditure of ₹76.07 lakh.

The matter was referred to Government (September 2021) and the Government replied (February 2022) that:

i. Directions were issued to the Principal Chief Conservator of Forests (P&D) to take steps to take credit of the eligible input tax from September 2021 onwards; and

ii. Decisions are taken to avail ITC from 2020-21 onwards by taking registration as a Seller by Sales Depots and MSTC to generate invoices claiming service charge as well as GST in the name of Timber Sales Depots instead of Divisions.

Science and Technology Department

2.3 Excess payment of Employer's contribution to the Employees' Provident Fund

Undue benefit of ₹11.86 crore to the employees by excess payment of Employer's contribution to the Employees' Provident Fund.

As per the Employees' Pension Scheme (EPS) created under Section 6A of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act), the employer has to pay 12 *per cent* of the employee's pay as employer's contribution which consists of two components[6] - eight and one-third *per cent* and three and two-third *per cent* of the employee's pay to be remitted into EPS and EPF (Employees' Provident Fund) respectively. As per the said scheme, the maximum pensionable pay was ₹15,000[7] and contributions to the pension fund and provident fund were to be calculated on pay limited to that amount.

In order to bring propriety in the EPF related matters, the Government had issued guidelines (October 2011) for strict compliance by all PSUs/Autonomous Bodies/Grant-in-aid institutions, *etc*. The Government directed that the institutions which were following the irregular practice of making employer's contribution without any upper limit shall forthwith stop such practices and limit the contribution within the statutory limits. Thus, the maximum monthly contribution the employer was liable to pay is only ₹1,800 out of which ₹1,250 has to be remitted to EPS and ₹550 to EPF.

The Kerala State Council for Science, Technology and Environment (KSCSTE), an Autonomous Body under the Department of Science and Technology and its Research and Development (R&D) Centres were liable to implement the EPF scheme for their employees as they were fully funded by the State Government and were bound to comply with all the directions of the Government.

During audit (February 2021) of KSCSTE, the records relating to the remittance of contributions by the Autonomous Bodies under KSCSTE were scrutinised and it was noticed that the institutions remitted employer's contribution at 12 *per cent* of actual pay instead of restricting to the maximum pensionable pay of ₹15,000. Although the institutions remitted towards EPS at 8.33 *per cent* of the maximum pensionable pay (₹1,250 per month) but remitted towards

[6] Eight and one-third *per cent* to employees' pension scheme and three and two-third *per cent* to Employees Provident Fund.

[7] Initially this amount was ₹6,500 which was revised to ₹15,000 with effect from 01 September 2014 as per notification GSR-609 dated 22 August 2014.

EPF the remaining balance amount of 12 *per cent* of the actual pay, which was in excess of ₹550 per month for the period from April 2016 to December 2020. Non-compliance to the statutory provisions of the EPF Act resulted in excess expenditure of ₹11.86 crore towards employer's contribution to EPF in respect of KSCSTE and five R&D Centres (separate Autonomous Bodies) (***Appendix 8***).

Audit further noticed that KSCSTE had approached the Government (December 2018) and sought permission to remit the employer's EPF contribution without the ceiling limit as decided in its Executive Committee Meeting held in October 2018. The Government communicated (May 2019) that the proposal cannot be considered as KSCSTE was functioning with hundred *per cent* financial assistance from the Government and hence had to adhere to all the directions of the Government. KSCSTE was directed to limit employer's contribution to 12 *per cent* of ₹6,500 in respect of contributions payable up to 01 September 2014 and 12 *per cent* of ₹15,000 for the period thereafter. It was also directed to find out a solution to recover or adjust the excess amount remitted by the employer by ensuring the co-operation of the employees. KSCSTE neither took any action for adjustment of the excess contributions already made nor discontinued the practice of excess remittance of the EPF contribution.

The matter was referred to the Government (September 2021) and the Government (February 2022) replied that:

i. KSCSTE Rule, Section II, Part 1, Clause 1.3. states that all employees shall be required to subscribe to the Employee's Provident Fund. The Employer's share of the provident fund shall be 12 *per cent* of Pay and DA and that of Employee's share of Provident Fund shall not be less than 12 *per cent* of Pay and DA. These rules were approved by State Council of KSCSTE chaired by the Hon'ble Chief Minister and are made applicable to all employees of KSCSTE and its R&D Centres;

ii. Section 26 (6) of the EPF Act provides provision for the employer to decide the contribution over and above the minimum limit of 12 *per cent* of ₹15,000. The State Council of KSCSTE has approved the higher subscription of the employers and it is provided in the KSCSTE Service Rules and other Relevant Rules and Regulations as above. The decision taken by the State Council of KSCSTE cannot be interfered with by the Government and it amounts to violation of the contents in a Government Circular[8] which stated that Government does not have direct control over the institutions/societies registered under Travancore-Cochin Literary Scientific and Charitable Societies Registration Act 1955.

[8] Circular No.64068/Cdn.3/2006/GAD dated 11 April 2007.

The reply of the Government is not tenable for the following reasons:

i. All establishments coming under the purview of the EPF Act and the Scheme are bound to comply with the provisions of the EPF Act and Scheme. Only the Parliament has the powers to amend the EPF Act or the scheme. The KSCSTE Rule therefore, cannot modify or overrule the provisions of the EPF Act or Scheme. The KSCSTE Rule is inconsistent with the EPF Act. Further, the claim in the Government reply that these rules were approved by State Council of KSCSTE chaired by the Hon'ble Chief Minister is incorrect as Audit noticed that in the 14th meeting held on 24/12/2019, the State Council had considered a proposal that EPF contribution may be made at the rate of 12 *per cent* on pay of an employee, which is not limited to any amount and decided to approach the Government with a proposal for approval. Meanwhile, in response to KSCSTE's request dated 06/12/2018, the Government had intimated (May 2019) that since KSCSTE was fully funded by the Government but failed to comply with Government directions, the proposal for remitting employer's contribution at 12 *per cent* without any limit, cannot be acceded to and also gave directions to comply with the specific provisions regarding the EPF Act regarding employer's contribution. The claim that KSCSTE was registered under the Travancore-Cochin Literary, Scientific and Charitable Societies Act and hence Government does not have direct control over the institutions is untenable as the Act does not contain any specific provision which grants autonomy for governmental institutions/societies.

ii. There is no Section 26 in the EPF Act. It appears that the reference is to Paragraph 26 of EPF Scheme. This paragraph relates to classes of employees entitled and required to join the fund. Sub-paragraph (6) of the paragraph allows an employee to contribute on pay more than ₹15,000 of his pay per month provided a joint request of himself and the employer is submitted to EPFO. The sub-paragraph enables only an employee to contribute on pay more than ₹15,000 and it does not require that the employer should also contribute on pay more than ₹15,000. Further, the reply of the Government is contradictory to its own reply of May 2019 given to KSCSTE.

Recommendation: Government may fix responsibility on those who were responsible for violating Government directions regarding EPF contribution by employers and continued to remit excess employer's contribution.

2.4 Delay in enrolment of employees and remittance of EPF contributions

Delay in enrolment of employees and consequent delay in remittance of EPF contributions by four Autonomous Bodies resulted in payment of interest and damages to the extent of ₹57.91 lakh.

The Employees Provident Fund and Miscellaneous Provisions Act, 1952 (EPF Act) is an Act to provide for the institution of Provident Funds (Pension

Fund and Deposit-Linked Insurance Fund) for employees in factories and other establishments. The employees of the Kerala State Council for Science, Technology and Environment (KSCSTE), an Autonomous Body under Government of Kerala and its Research and Development (R&D) Centres were liable to be enrolled in the EPF scheme as per the Act.

On a review of the records relating to the enrolment of employees to the fund and remittance of contributions by the autonomous bodies under KSCSTE, Audit noticed lapses in the following Autonomous Bodies:

i. The Kerala Forest Research Institute (KFRI), Thrissur failed to enrol 35 employees appointed between April 2012 and May 2016 to the scheme. The institution did not pay the statutory contributions (both the employees' and employer's share) to the fund. The non-compliance to the provisions resulted in payment of damages and interest amounting to ₹28.78 lakh between March 2017 and March 2018.

ii. The Jawaharlal Nehru Tropical Botanical Garden and Research Institute (JNTBGRI), Thiruvananthapuram deducted the requisite contributions from their employees, but did not remit the same along with its matching contribution to the fund in certain months during the years 2016-17 to 2019-20, for which the Institute paid ₹16.57 lakh as interest and damages between October 2016 and September 2019.

iii. The Centre for Water Resources Development and Management (CWRDM) made delay in enrolment of three employees who joined the Centre during June 2011 to September 2017. The remittance of the contributions was made by CWRDM during the period May 2017 to March 2018, for which the EPF authorities demanded interest of ₹6.02 lakh and damages of ₹10.90 lakh. Against this, the Centre paid interest of ₹6.02 lakh and filed appeal before the Hon'ble Central Government Industrial Tribunal-cum-Labour Court (193/2018) for waiver of damages and the Hon'ble Tribunal ordered to reduce the damages to ₹6.54 lakh in January 2021. The institution paid the damages of ₹6.54 lakh in September 2021.

iv. The Kerala School of Mathematics (KSoM), Kozhikode failed to enrol eight employees to EPF from the respective dates of their joining during March 2009 to February 2019. Later, an amount of ₹12.26 lakh was collected (May 2017 to February 2019) from the employees as arrears of contribution for the period from the date of their joining to the date of enrolment (March 2019) in the EPF. Even though the institution recovered the employee's share, the amount collected was parked in a Savings Bank account in Indian Bank and not transferred to the EPF (February 2022) as required. The delay in transfer of the remittance to EPF attracts interest and damages.

Thus, the delay in enrolling the employees to the EPF Scheme and delay in remittance of contributions led to avoidable expenditure on interest and damages of ₹0.58 crore. Besides, the employees were without social security measures during the period the contributions were not being credited.

The matter was referred to the Government in September 2021. The Government in its reply (February 2022) accepted the delay in enrolment of employees to EPF and the consequent payment of interest and damages due to insufficient non-plan grant, non-reporting of previous lien by employees to the EPF scheme and various unforeseen reasons.

Recommendation: Government may ensure that the Institutions follow the Statutory responsibilities under the EPF Act strictly in future and also fix responsibility for the delay and consequent payment of penalty and interest.

Public Works Cluster

Public Works Department

2.5 Delay in completion of bypass roads

Unfruitful expenditure of ₹54.08 crore on three incomplete bypass road works undertaken without ensuring availability of required land in violation of the provisions of PWD Manual.

The Section 2003 of the Kerala Public Works Department Manual (hereinafter referred to as "the Manual"), (Revised edition 2012) state that before bids are invited for a work, there should be 100 *per cent* possession of hindrance free land. However, in the case of road projects, bid can be invited with prior permission of Government, provided 60 *per cent* of land required is available and the balance land can be made available during the course of the construction.

As per the pre-revised Manual, all the land required for the work should have already been acquired or the steps taken for its acquisition should have reached a stage where there is reasonable prospect of land becoming available before the contractor starts the work. The Public Works Department (PWD) had issued circulars (October 2010 and July 2015) directing to strictly ensure availability of hindrance free land before tendering any work.

Audit examined (February 2021) records relating to the planning and execution of bypass road works undertaken by the PWD in the State since the year 2010. Audit noticed the following issues in respect of three works (**Table No. 2.1**) out of the total 17 works undertaken by PWD from the year 2010 onwards:

Table No. 2.1: Details showing the status of three bypass roads

Sl. No.	Road Works	Date of handing over of site	Scheduled Date of Completion of work after handing over	Status of the Road Works currently	Reason for non-completion of the Road Works
1	**Kalmandapam Bypass**	28/09/2015	9 months	Not Completed	Land corresponding to chainage km. 0/572 to 0/678 and 0/722 to 0/750 to be acquired
2	**Nilambur Bypass**	24/02/2016	18 months	Not Completed	Land corresponding to 2.527 kms to be acquired.
3	**Thankalam Bypass**				
(i)	**Road work**	08/01/2010	18 months	Work terminated on 26/10/2019	0.2589 ha[9] to be acquired
(ii)	**Bridge work**	27/10/2009		Work completed on 30/09/2011	-

In the proposal for the Administrative Sanction, the Department included cost of acquisition of land as a lump sum, which was not based on any realistic valuation carried out by the Revenue Department and the Government accepted the same. The extent of land required for the works was also not mentioned in the proposal and only the length of the road was given in the respective proposals. The Administrative Sanctions for the works were issued even before funds for land acquisition was provided in full and without assessing the availability of funds for completing the land acquisition. In the case of Thankalam Bypass, a major portion of the fund for land acquisition (₹7.46 crore out of ₹9.48 crore) was released in tranches during the period 2008-2015, after issue of the Administrative Sanction for the work. The fund of ₹35.20 crore was released in tranches between September 2013 and November 2016 for land acquisition of Nilambur Bypass work. No fund was released for Kalmandapam Bypass.

The total stretch of the Thankalam Bypass included a bridge, and the work of bridge was completed on 30 September 2011 at a cost of ₹183.03 lakh. The bridge had been idling for almost 10 years due to non-completion of land acquisition for the Thankalam Bypass Road.

[9] Total land proposed for acquisition was 4.2263 ha which was arrived at by multiplying the length and breadth of the road (*i.e.*, 2,817.50 m x 15m). But this area includes purambok land and crossing with already existing roads for which land was already available. Hence, actual extent of land remaining to be acquired was only 0.2589 ha.

The failure of the Department to initiate timely action for acquisition of encumbrance free land and to synchronise the construction of road with the construction of the bridge resulted in unfruitful expenditure of ₹54.08 crore (₹7.57 crore for road works, ₹1.83 crore for bridge work and ₹44.68 crore for land acquisition) besides the cost overrun and time overrun of five years ten months to ten years eleven months (May 2022).

The matter was referred to the Government (September 2021) and the Government (January 2022) replied that:

i. For the Kalmandapam Bypass, the land acquisition process by Palakkad Municipality is going on smoothly and the balance land required is expected to be handed over at an early date.

ii. For the Nilambur Bypass Phase I, the delay in construction was due to the procedural delay from Revenue Department and there was no financial loss.

iii. For the Thankalam to Kozhippilly Bypass Road, a small portion of the land belonging to Kothamangalam Municipality and Excise Department are to be acquired. The Municipality has not issued the NOC for the land transfer till date (January 2022). Further, the Excise Department was not willing to issue the NOC for land transfer.

The Government reply reinforces the Audit observation that the work was tendered and started without the unhindered possession of the required land, and it continues to be the main reason for the indefinite delay in completion of the work (January 2022).

Recommendation: Government may ensure that the conditions prescribed in the PWD Manual regarding tendering of road works as per Section 2003 is followed strictly. The Divisional authorities may be required to furnish an undertaking that the whole land required for the road works could be acquired before time of completion of the road works.

2.6 Avoidable payment of tax and interest

Payment of Goods and Services Taxes and interest amounting to ₹42.78 crore due to failure of the Department to analyse the impact of GST on the transactions of PWD.

As per the Kerala Public Works Department Manual, revised edition 2012 (Clause 2104 and Appendix 200B), bitumen shall be issued from the Public Works Department (PWD) for works costing up to ₹ one crore.

Consequent on the enactment of the Goods and Services Tax (GST) Act, Bharat Petroleum Corporation Limited (BPCL) apprised (July 2017) the Chief Engineer

(Roads and Bridges) (henceforth, CE) regarding the changes required in the billing pattern so that the Divisions could avail the eligible Input Tax Credit (ITC). The CE issued directions (August 2017) to the Divisions to comply with the provisions under the GST Act/ Rules. The CE requested the Administrative Department in September 2017 to issue necessary instructions regarding the new billing pattern proposed by BPCL in view of GST implementation. Accordingly, the Government directed (January 2018) all the establishments which undertake public works to take GST registration compulsorily.

Audit scrutiny of the records revealed that:

i. The directions (August 2017) of the CE and the Government (January 2018) to take GST registration were not implemented by any of the 15 Roads Divisions during 2017-18. However, 13 Divisions took registration in the year 2018-19 and the remaining two Divisions took registration in 2019-20. As a result, BPCL continued to issue invoices in 'Business to Consumer' (B2C) format, considering the Divisions as an unregistered consumer.

ii. The Roads Divisions under PWD purchased bitumen valuing ₹324.48 crore (cost ₹274.99 crore plus GST ₹49.49 crore) from BPCL during July 2017 to June 2019. Failure of the Department to obtain GST registration in time resulted in ineligibility to claim ITC for the period corresponding to these invoices. Four[10] Divisions out of 15 commenced claiming and utilisation of their credit to set off their GST liability in the year 2017-18. Six[11] Divisions set off their credit against GST liability from 2018-19 and one Division (Thrissur) in 2019-20. The remaining four Divisions[12] failed to claim and utilise ITC to set off their GST liability.

iii. The Director General of GST Intelligence (DGGSTI), Thiruvananthapuram after enquiry into the departmental supply of bitumen by PWD to contractors intimated (May 2020) that the Departmental supply was to be treated as sale as per Section 4 of Sale of Goods Act 1930 while PWD (post-GST) continued to treat the cost of bitumen supply to contractors as expenditure of the work. It was intimated that the GST at 18 *per cent* payable by the 15 Road Divisions for the period from July 2017 to June 2019 was estimated at ₹50.68 crore. However, PWD calculated the net liability of the 15 Divisions as ₹42.78[13] crore (***Appendix 9***) after adjusting the amount paid voluntarily and eligible ITC.

[10] Alappuzha, Ernakulam, Palakkad and Pathanamthitta.

[11] Kannur, Kasaragod, Kottayam, Kozhikode, Muvattupuzha, Thiruvananthapuram.

[12] Idukki, Kollam, Manjeri and Wayanad.

[13] Inclusive of interest calculated for the period up to 31/03/2021 in respect of Pathanamthitta Division, 31/08/2020 in respect of Kasaragod Division and 31/07/2020 in respect of remaining Divisions.

In order to avoid the penalty and further accumulation of interest, the Administrative Department with the concurrence of the Finance Department sanctioned (November 2020, February 2021, November 2021) payment of ₹44.68 crore for 15 Divisions.

iv. Due to the continuation of the earlier system of recovering the cost of bitumen as deduction from the Running Account Bill, the Department could not collect the GST from the contractors by raising GST invoice. Thus, the Department had to bear the GST liability of ₹42.78 crore on supply of bitumen.

The matter was referred to the Government (October 2021), and the Government (February 2022) replied that the PWD Divisions did not conceive the idea of issue of materials to work as a supply leviable to tax under GST. It was also stated that 'Handbook on Departments GST – things to do', the directions issued by the Chief Engineer (August 2017) and the Government Order (January 2018) were not very illuminating regarding the transactions in PWD. It was also stated that since PWD Divisions are Government entities, they did not possess PAN required for GST registration initially, besides many other factors led to procedural delay in obtaining the registration. Further, it was stated that the nature of departmental supply of bitumen to contractors were quite different from the commercial realm where the materials purchased can be freely used for further supply of goods and hence there was no irregularity but for a different interpretation by GST Department. The Government stopped[14] the Departmental supply of bitumen when the principle of departmental supply was overlooked by the GST Department.

The reply is not acceptable as there was incorrect interpretation of the provisions of GST Act, Sale of Goods Act, 1930 and the 46th Constitutional amendment which brought transactions similar to the supply of departmental bitumen under the purview of sale. The Department also took GST registration belatedly as stated in the para (i) and the decision to stop the system of Departmental supply (2019) of bitumen for works, did not exempt the Government from the GST liability of ₹42.78 crore on supply of bitumen.

2.7 Idle investment

Idle investment of ₹24.22 crore for construction of the PWD Complex at Neriamangalam.

The Public Works Department (PWD) decided (October 2008) to construct a PWD Complex at Neriamangalam for the purpose of establishing a training centre for its engineering staff as the Department did not have a dedicated institution solely for providing training. The complex was planned to consist of three buildings (one each for Training Centre, Rest House and Convention Centre).

[14] Government Order (Rt)No.1029/ 2019/ PWD dated 20/08/2019.

The construction was planned to be undertaken in three phases (***Appendix 10***). Later, in June 2013, the PWD planned to set up a Regional Quality Control Lab (RQCL) within the same compound.

The Government initially sanctioned (March 2009) ₹2.00 crore for Phase I of the project. This was later revised (March 2010) to ₹4.48 crore. Subsequently, the Government sanctioned ₹21.35 crore for Phases II (₹7 crore), III (₹ 10 crore) and III (Balance work) (₹4.35 crore) during March 2013 to January 2019. For the construction of RQCL, an amount of ₹0.67 crore was sanctioned in March 2013. The PWD completed the construction of the buildings for Training Centre, Rest House and RQCL in December 2016, December 2018 and March 2015 respectively by incurring an expenditure of ₹24.22 crore.

Examination of the records revealed the following lapses in this project:

i. The Regional Quality Control Lab was not part of the original proposal for the PWD Complex and was also not included in the Master Architectural Plan. It was decided to set up the RQCL in the same compound of the PWD Complex in the year 2013 after commencement of construction of the buildings for the Complex. Further, after completion of the construction of building for the lab (March 2015), the PWD decided not to shift the Regional Laboratory to Neriamangalam[15] from its original place of functioning at Kakkanad, citing logistic issues of remote location of the lab and proceeded to construct another building for the lab at Kakkanad at a cost of ₹1.11 crore (November 2017). This led to avoidable expenditure of ₹0.69 crore on the construction of building for RQCL at Neriamangalam;

ii. The PWD installed and commissioned (between July 2018 and January 2020) electrical and electronic equipments, including generator and lift, and purchased furniture and accessories for kitchen at a total cost of ₹3.02 crore (***Appendix 11***). In February 2020, the PWD submitted an estimate of ₹0.93 crore to Chief Engineer (Electrical) for the Phase III of the construction, which included electrification of buildings, providing of air-conditioning and a 200 KVA transformer. The work of electrification is still under progress (May 2022), as a result of which the electrical equipment so installed, and the buildings constructed remained idle. Further, the Defect Liability Period[16] in respect of the completed works expired (except in the case of Phase III Balance Work) even before the building was put to use (***Appendix 12***). The failure in synchronising the various activities like installation and commissioning of electrical and electronic equipment, purchasing of furniture and obtaining of power

[15] Neriamangalam is a village under Ernakulam District (around 80 Kms from the city) and Kakkanad is the District Headquarters of Ernakulam (around eight Kms from the city).

[16] The Defect Liability Period for Phase I was from 02/07/2013 to 01/07/2015, for Phase II was from 01/12/2016 to 30/11/2019, for Phase III was from 17/12/2018 to 16/12/2021 and for RQCL building was from 11/03/2015 to 10/03/2018.

supply connection and completion of the construction of the building, resulted in delays and consequent expiry of warranty periods of the procured items. This could also lead to avoidable expenditure on repairs and maintenance when they are put to use.

iii. The construction of Convention Centre was not taken up.

Due to the above lapses, the completed buildings (Training Centre and RQCL) constructed at a cost of ₹24.22 crore, including furniture and equipment procured for ₹3.02 crore, remained idle.

In their reply, the Government stated (February 2022) that for electrification of Training Centre a request for Administrative Sanction of an amount of ₹0.93 crore was submitted. Regarding warranty, it was stated that all switches have warranty of five years and service warranty for the project can be bought as third-party service after completing the installation procedure. The building for RQCL was constructed at Neriamangalam as no land was available for PWD near Ernakulam and the decision to set up the Regional Lab at Ernakulam for Zonal Office was due to the proximity of its jurisdictional districts. Further, it was stated that the RQCL building at Neriamangalam can be used for administrative functioning once the Training Centre starts functioning. The project was executed in a phased manner due to limitation of fund and hence more time was required to complete the project than a project with full fund in hand.

The reply of the Government is not acceptable as the reply does not address the reasons for the delay in approaching for A.S for electrification. One of the major reasons for not commencing the functioning of the Training Centre was the non-availability of power supply. Due to non- synchronisation of the activities, the benefit of major portion of warranty period was lost and buying the Service Warranty would entail additional cost. The abandoning of the newly constructed building of Regional Quality Control Lab at Neriamangalam and proceeding to construct a new Lab at Kakkanad on account of its remote location and to use the RQCL as an Administrative Wing for the Training Centre cannot be justified. The reason for delay in completing the project even after a period of 12 years is also not justifiable.

Recommendation: Government may ascertain the reasons for the delay and ensure that the requisite infrastructural amenities and services required for operationalisation of the completed building are addressed and completed at the earliest.

2.8 Undue favour to contractors

Undue benefit of ₹4.98 crore to contractors by way of Government decision to pay the price difference of bitumen over and above the agreed rates in violation of the contract conditions.

The Clause 3.3.8 of the Standard Bidding Document (SBD) for Public Works prescribes that the rates and prices quoted by a bidder shall remain firm during the entire period of contract in the case of works for which the original time of completion does not exceed 18 months. The Government of Kerala ordered (November 2018)[17] that the difference in price of bitumen between the date of closing of tender and the date of invoice, would be paid to the contractor on production of original invoice, for the actual quantity purchased on or after 1st November 2018, in the cases of ongoing works with effect from 1st November 2018. The Government modified (April 2020)[18] the said order to the extent that the price difference of bitumen as on the date of agreement and the date of invoice (on or after 1st November 2018) would be paid/recovered. It was further clarified (September 2020)[19] that, in the case of open tenders, the price difference of bitumen as on date of closing of tenders would be allowed and in the case of nomination, the price difference of bitumen as on the date of agreement and date of invoice (on or after 1st November 2018) would be payable.

Audit (February 2020-August 2021) of the nine[20] out of 15 Roads Divisions revealed that price difference of bitumen (difference of actual purchase price and market price prevailed on the last date of submission of tender for tendered works and date of execution of agreement for nomination works) was allowed in 44 works (***Appendix 13***). The price difference was allowed, despite the fact that the works were tendered on item rate basis, and as per the provision in the contract, the rates and prices quoted by a bidder would remain firm during the entire period of contract in the case of works, for which the original time of completion does not exceed 18 months. The Superintending Engineers, while accepting the bids, had reiterated that the rates once fixed would not be increased on any account.

The Government order issued in November 2018 and its subsequent modifications in general diluted the tenet of the tender system, since the tender/agreement in respect of 44 works were executed with completion stipulation within 18 months. The Clause 3.3.8 strictly applies, and the orders issued subsequently cannot be applied for those ongoing works. The order of Government rendered undue benefit of ₹4.98 crore to the contractors in 44 works, out of which, an amount of ₹3.10 crore was already paid and an amount of ₹1.88 crore was sanctioned but pending payment at various stages.

The matter was referred to Government of Kerala (October 2021), and Government (March 2022) replied that it was a policy decision to avoid stoppage of works in the whole State due to the steep increase in the cost of bitumen. It was also stated that the bitumen is manufactured and sold by Government Agencies only and hence no undue gain was made by any contractor or any private agency.

[17] GO(Rt)No.9386/2018/Fin dated 13/11/2018.

[18] GO(Rt)No.2816/2020/Fin dated 17/04/2020.

[19] GO(Rt)No.5502/2020/Fin dated 25/09/2020.

[20] Thiruvananthapuram, Kottayam, Thrissur, Palakkad, Malappuram, Wayanad, Kozhikode, Kannur and Kasaragod.

Audit found the reply of the Government untenable as the contractors were bound to the terms and conditions of the contract and were to bear the increase in cost themselves. The Hon'ble High Court of Kerala had in WP(C) 23576 of 2021 observed that "subsequently issued Government Orders cannot alter the rights and liabilities of concluded commercial contracts". Further, the Government's stand that it was a policy decision is against the Standards of Propriety prescribed in Kerala Financial Code as it benefitted the contractors, and the increased cost of bitumen was borne by Government.

However, vide GO(P) No.96/2022/Fin dated 26/08/2022, Government ordered discontinuance of the provisions for allowing the price difference/recovery of the price reduction of bitumen ordered earlier vide Government Orders dated 13/11/2018 and its subsequent modifications, with prospective effect, for all future tenders. It indicates that the irregularity pointed out by Audit has been admitted by Government. But the corrective measure taken was insufficient because the order was given prospective effect only. In fact, the audit point was the irregular alteration of conditions of commercially concluded contracts with retrospective effect. By this latest order also, instead of a reversal, this irregularity is allowed to continue till the date of order (26/08/2022) which is against the financial interests of Government.

Recommendation: Government may reverse the orders granting the benefit of price difference to the contractors with retrospective effect and recover the loss as such a liability undertaken was outside of the contractual conditions.

2.9 Excess payment to contractors

Failure of the Department to recover the cost index of bitumen added to the cost of bitumen in the estimate of three works resulted in excess payment of ₹1.26 crore to the contractors during July 2016 to December 2019.

The Kerala Public Works Department tendered and arranged road works with provisions for departmental supply of bitumen in case of works costing up to rupee one crore. In all such works, the cost of departmental materials is compulsorily recovered from the contractor at the time of payment of Running Account Bills. The cost of departmental materials to be recovered is calculated at rates adopted for preparation of the Detailed Estimate.

In the case of departmental supply of bitumen for large works costing above the limit fixed by Government, an alternative system[21] was that the contractor is authorised to purchase the bitumen from the supplier based on the indent issued by the Executive Engineer of the Division and he is reimbursed on the actual cost of the bitumen on furnishing the original invoice. The cost of bitumen purchased and used in the work is borne by the Department, and hence it was treated as departmental supply of bitumen. Contractors were allowed to purchase bitumen

[21] Vide G.O(P)No.50/PWD/2003 dated 6/09/2003.

directly from M/s Bharat Petroleum Corporation Ltd., (BPCL) and submit invoices for reimbursement. The cost of the bitumen was then to be recovered from the contractor's Running Account Bills.

During the audit (February 2020) of the office of the Executive Engineer, PWD Roads, Kottayam for the period from July 2016 to December 2019, it was noticed that in three works executed by the Superintending Engineer, Roads and Bridges, South Circle, Thiruvananthapuram during 2014-15 and 2015-16, the estimates were prepared based on the data calculated by applying 34 *per cent* cost index on all items including bitumen. As per the Special Conditions in the agreement signed with the contractor, the cost of departmental bitumen was to be recovered at the rates plus cost index. But, in the aforesaid three works, cost of departmental bitumen was recovered at estimate rates excluding the element of cost index. Failure to include cost index in the cost of bitumen recovered resulted in excess payment of ₹1.26 crore to the contractors as detailed in ***Appendix 14***.

As this was a test-audit of works in a selected Roads Division and the audit observation is of a nature that may reflect in other works not covered in the test-audit, the Department may examine the position in rest of the works with a view to ensure that steps were taken to recover the excess payments.

The matter was referred to Government of Kerala (October 2021), and the Government (February 2022) replied that:

i. If cost index of 34 *per cent* is added towards cost of bitumen in recovery side, then same 34 *per cent* may be effected towards cost of bitumen purchased by the contractor;

ii. For the work "NABARD-RIDF-XVIII-XIX – Improvements to Thekkemuri – Andoor – Padinjattinkara – Thamarakulam – Edanad Road" the closing of the bills without applying cost index was profitable to the Government.

iii. For the work "Providing BM & BC to Mannanam – Kudamalloor Road Ch: 0/000 to 2/300 km", an amount of ₹3,04,851 was to be paid to the contractor towards difference in cost/cost escalation in price of bitumen;

iv. For the work "Improvements to 1st reach of Kappilkunnu - Vilakkumaruthu-Palakkad – Kizhaprayar road Ch: 0/000 to 9/000 km", an amount of ₹4,06,440 will be recovered shortly from the contractor towards excess payment.

The reply of Government is not acceptable as the calculations arrived at by adding Cost Index to the actual purchase cost of bitumen is incorrect and is in violation of the prescribed and established system of recovery of estimate of cost of bitumen and reimbursement of actual cost to the contractor as stipulated in para 10.3.8 of PWD Code.

Recommendation: Government may assure that the Department strictly adheres to the directions issued regarding recovery of cost of bitumen.

2.10 Irregular payment

Payment of ₹20.71 lakh to contractors by recording false measure of work by the Departmental Officer.

As per clause 2211.3 of the Kerala PWD Manual 2012, all payments to the contractors are governed by the measurements recorded either in Measurement Book or in Level Field Book. If false, incorrect or excess measurements are recorded, it leads to payment not due and Government money is misappropriated.

Audit test-checked (August 2020–November 2020) four out of 72 records in the Office of the Executive Engineer (Roads Division), Muvattupuzha under the Roads Central Circle, Aluva for the period March 2017 to July 2020 and noticed deficiencies in the following one road work.

Improvement to Cheranganal – Muthankuzhy - Chengara- Punnakkad - Avolichal Road (from chainage 0/000 to 25/000 km)

The Superintending Engineer (SE) (Roads), Central Circle, Aluva awarded (May 2016) the work for a contract value of ₹9.86 crore to the Contractor. The work was completed in May 2019 and the final payment was sanctioned in July 2020. The total cost of the work came to ₹8.32 crore. Audit scrutinised the measurements as recorded in the Measurement Book and Level Field Books and cross checked it with the Design/Drawings approved by SE for the work and noticed that for calculating the volume of work done, the initial levels reckoned were those taken in the year 2017. As per Measurement Book, the items of Granular Sub Base (GSB) and Wet Mix Macadam (WMM) were laid with the same thickness of 10 cm-15 cm[22] , after removing the road surface at a uniform depth of 15 cm[23]. After execution of each item of work, *viz*., earthwork excavation[24], GSB[25] and WMM[26] , the existing levels of the road would have raised correspondingly and the final level of WMM would be higher than the initial level of Bituminous Macadam (BM) as recorded in Level Field Book (***Appendix 15***). Hence, the final levels of BM recorded in Level Field Book in respect of the said reaches were not practical/feasible. The Department calculated the quantity of BM taking into account the final level of BM recorded in January 2019 and the initial levels taken in 2017 and thereby disregarded the other three items of work, *viz*. excavation and laying of GSB and WMM already executed. The excess quantity calculated based on the fictitious measurements recorded in the Measurement Book was 208.52m^3 for BM and 24.27 m^3 for Bituminous Concrete (BC) for which ₹20.71 lakh was paid.

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[22] Measurements recorded in pages 10 to 12 of the Measurement Book no. 678/13-14.

[23] Measurements recorded in pages 6 to 9 of Measurement Book no. 678/13-14.

[24] Measured on 26th and 28th November 2018.

[25] Measured on 3rd December 2018.

[26] Measured on 10th December 2018.

The matter was referred to the Government (October 2021) and the Government replied (February 2022) that the Audit observation that for calculating the volume of work done, the initial levels reckoned were the levels taken for the road in the year 2017 and that after executing each item of work the existing levels of the road would have raised correspondingly have no meaning.

The reply of the Government is not acceptable as Audit used the same method for calculation of levels of various layers of work as stated by the Government *i.e.*, at the start of road work, the top level of the existing road was measured in the year 2017 (Initial Level 2017) and this was the initial level for the road work. The road work was to be carried out by first excavating the existing road to a depth of 15 cms. and then the layers GSB at a thickness of 10 cms, WMM at a thickness of 10 cms, BM at a thickness of 5.5 cms, and BC at a thickness of 3 cms are laid one after the other in the order mentioned. The initial level of one layer would be the top level of the previous layer and the level of the new road under construction would rise in correspondence to the thickness of the layers laid. Audit observed that, after executing earth work excavation and laying of GSB and WMM, the level of the road would rise to five cms. above Initial Level 2017. However, as per the Measurement Book, BM was laid from the Initial Level 2017 which was below the level achieved after laying WMM. As BM can be laid only above WMM, this was not feasible. As a result, the quantity of BM executed increased due to the increased thickness recorded in the Measurement Book. Due to the fictitious measurements recorded in the Measurement Book, the excess quantity of BM and BC shown as executed were 208.52 m^3 and 24.27 m^3 respectively for which ₹20.71 lakh was paid.

Recommendation: The Department may take necessary disciplinary action to fix responsibility for the misappropriation of funds.

Transport Cluster

Motor Vehicles Department

2.11 Non and short levy of tax

Absence of basic checks of the records in the database by the officials at Regional/ Sub-Regional Transport Offices resulted in non and short levy of tax amounting to ₹3.94 crore.

The receipts from the Transport Department are regulated under the provisions of the Central and the State Motor Vehicles Acts and Rules made thereunder. The Transport Department functions under the administrative control of the Principal Secretary, Transport Department at the Government level and the Transport Commissioner at the department level. The levy and collection of tax in the State is governed by the Motor Vehicles Act, 1988, Central Motor Vehicles Rules, 1989, and the Kerala Motor Vehicles Taxation (KMVT) Act, 1976. The Motor

Vehicles Department fully automated its functions by implementing application software 'SMART MOVE', which was developed by National Informatics Centre in January 2007. It, *inter-alia*, included a Demand Collection module for watching the demand and collection of taxes.

There were 18 Regional Transport Offices (RTO) and 55 Sub Regional Transport Offices (SRTO) under Motor Vehicles Department. Test check of records of 17 RTOs and 29 SRTOs during 2019-20 revealed non-levy of Green Tax and short levy of motor vehicle tax and one-time tax. Audit pointed out some of the similar omissions in the earlier years also. Not only do these irregularities persist, but they also remain undetected till the next audit is conducted. A few illustrative audit observations involving ₹3.94 crore are mentioned in the succeeding paragraphs.

2.11.1 Non-levy of Green Tax

Section 3 A of the KMVT Act as amended by The Kerala Finance Act, 2016 stipulates that Green Tax shall be levied and collected, in addition to the tax levied under the Act, at the rate of ₹400 for every five years for non-transport vehicles having four or more wheels and completed 15 years from the date of its registration; at ₹200 for every year for light transport vehicles having four or more wheels and have completed 10 years from the date of its registration; at ₹300 for every year for medium transport vehicles which have completed 10 years from the date of its registration; and at ₹400 for every year for heavy transport vehicles which have completed 10 years from the date of its registration. As per circular issued (December 2016)[27] by the Transport Commissioner, payment of Green Tax was to be ensured at the time of fitness test in the case of transport vehicles and at the time of renewal of registration in the case of non-transport vehicles.

Audit noticed that 17[28] out of 18 Regional Transport Offices during 2018-19 and 29[29] out of 55 Sub Regional Transport Offices during 2017-19 did not collect Green Tax from 27,673 vehicles out of a total of 1,21,124 vehicles at the time of fitness test in the case of transport vehicles and renewal of registration in the case of non-transport vehicles. This resulted in non-collection of ₹87.70 lakh as shown in ***Appendix 16***.

The Government replied (February 2022) that the RTOs/ SRTOs collected Green Tax amounting to ₹55.75 lakh out of ₹87.70 lakh pointed out by Audit. Further progress is awaited (May 2022). The Government may take necessary steps to collect the remaining amount of tax at the earliest to reduce the arrears of revenue.

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[27] Vide Circular No. 31/2016 dated 23 December 2016.

[28] Alappuzha, Attingal, Ernakulam, Idukki, Kannur, Kasargod, Kollam, Kottayam, Kozhikode, Malappuram, Muvattupuzha, Palakkad, Pathanamthitta, Thiruvananthapuram, Thrissur, Vadakara and Wayanad.

[29] Alathur, Chengannur, Cherthala, Devikulam, Guruvayoor, Kanjirappally, Kodungallur, Koilandy, Kothamangalam, Kuttanad, Mallappally, Mananthavady, Mannarkkad, Mattanchery, Mavelikkara, Nilambur, North Paravur, Ottappalam, Pala, Perinthalmanna, Perumbavoor, Ponnani, Ranni, Thaliparambu, Trippunithura, Udumbanchola, Uzhavoor, Vandiperiyar and Wadakkanchery.

2.11.2 Incorrect levy of one-time tax at the time of registration

As per second proviso to Section 3(1) of the KMVT Act, in respect of new motorcycles, motor cars and motor cabs, one-time tax from the date of purchase of the vehicle shall be levied at the rates specified in the Schedule of the Act at the time of first registration of the vehicle.

Applicable rate of one-time tax as per Schedule are:

- In respect of motorcycles, eight *per cent*, 10 *per cent* and 20 *per cent* of the purchase value of the vehicle having purchase value up to ₹1.00 lakh, above ₹1.00 lakh and up to ₹2.00 lakh and above ₹2.00 lakh respectively.

- In respect of motor cars, six *per cent*, eight *per cent*, 10 *per cent*, 15 *per cent* and 20 *per cent* of the purchase value of the vehicle having purchase value up to ₹5.00 lakh, more than ₹5.00 lakh and up to ₹10.00 lakh, more than ₹10.00 lakh and up to ₹15.00 lakh, more than ₹15.00 lakh and up to ₹20.00 lakh and more than ₹20.00 lakh respectively.

- In respect of motor cabs, six *per cent*, 20 *per cent*, 10 *per cent*, 15 *per cent* and 20 *per cent* of the purchase value of the vehicle having cubic capacity below 1,500 cc and purchase value up to ₹20.00 lakh, below 1,500 cc and purchase value more than ₹20.00 lakh, 1,500 cc and above having purchase value up to ₹15.00 lakh, 1,500 cc and above and having purchase value more than ₹15.00 lakh and up to ₹20.00 lakh and 1,500 cc and above and having purchase value of more than ₹20.00 lakh respectively.

Audit observed (2019-20) that tax at applicable rates were not levied in respect of 13 out of 77,361 vehicles registered during 2018-19 in the case of three RTOs and 19 out of 1,28,185 vehicles registered during 2017-19 in the case of seven SRTOs resulting in short collection of one-time tax of ₹19.40 lakh as detailed in ***Appendix 17***.

The Government replied (February 2022) that the RTOs/ SRTOs collected ₹6.68 lakh out of ₹19.40 lakh pointed out by Audit. Further progress is awaited (May 2022). The Government may recover the balance amount of tax at the earliest and ensure that steps are taken to raise demand for tax from all the vehicles as and when the tax amount becomes due.

The issue still persists despite the fact that it was pointed out in the Reports of the Comptroller and Auditor General of India on Revenue Sector for the year ended March 2017 and March 2018.

2.11.3 Non-levy of one-time tax on reclassification of vehicles

Section 3(1) of KMVT Act states that in respect of motor cycles, three wheelers and motor cars which were registered on or after 01/04/2007 and motor cabs registered on or after 01/04/2014 which were reclassified from the category of transport vehicles to non-transport vehicles shall be levied one-time tax on percentage basis with respect to the age of the vehicles as specified in Part C and F of the Annexure I to the Act.

Audit reviewed (2019-20) the database of Motor Vehicles Department and noticed that 17 RTOs and 29 SRTOs did not collect one-time tax at the time of re-classification of 1,773 vehicles from transport vehicles to non-transport vehicles. This resulted in non-collection of one-time tax amounting to ₹2.81 crore during 2018-19 in the case of 17 RTOs and during 2017-19 in the case of 29 SRTOs as detailed in ***Appendix 18***.

The Government replied (February 2022) that the RTOs and SRTOs collected ₹1.18 crore from the short collection of tax pointed out by Audit. There was no change in the percentage of tax even after reclassification of vehicles in respect of seven cases. Further, revenue recovery proceedings have been initiated in respect of nine cases. Progress in collection of tax in respect of the remaining cases were awaited (February 2022).

The reply of the Government mentioning that there was no change in the percentage of tax even after reclassification is not acceptable. The tax levied at the time of reclassification was applicable only for the remaining period of the life of the vehicle. The Act does not exempt the payment of proportionate one-time tax (at the rate applicable for reclassified vehicle) for the period from the date of first registration to the date of reclassification. Further, the Government may pursue to collect the balance of amount of tax at the earliest.

2.11.4 Non and short levy of tax in respect of transport vehicles

Motor vehicles tax in respect of transport vehicles are to be levied as per the provision of KMVT Act. Review of database of 11 RTOs/ SRTOs, however, revealed the following.

2.11.4.1 Non-levy of tax in respect of contract carriages

As per Section 3 (1) of KMVT Act, tax in respect of contract carriages shall be levied according to the number of passengers permitted to carry and type of seats at the rates in Schedule to the Act.

Scrutiny of database in SRTOs at Alathur, Mannarkad, Ottapalam, and Perumbavoor revealed that tax was not levied at rates specified in Schedule to the Act in respect of six out of 1,082 cases resulting in non-collection of tax amounting to ₹2.27 lakh.

2.11.4.2 Short levy of tax in respect of stage carriages

As per proviso 4 of Section 3 (1) of KMVT Act, tax in respect of new stage carriages registered or assigned new registration mark or altered from any category other than stage carriage shall be levied based on the floor area of the vehicle at the rate of ₹1,300 per sqm or part thereof for ordinary services other than city/ town services, ₹1,100 per sqm or part thereof for ordinary city/town services and ₹1,400 per sqm or part thereof for fast passenger and other higher class services with effect from 18/07/2016.

Prior to 18/07/2016, tax was to be levied based on the seating capacity and Kerala Motor Vehicle Rules 269 stipulates that minimum seating capacity of a stage carriage shall be directly proportionate to the wheelbase of the vehicle. The tax was to be levied at the rate of ₹600 per seat for seating capacity and ₹210 per seat for standing capacity[30].

Audit observed that in the case of six vehicles registered after 18/07/2016 at RTO, Kannur, tax was levied based on wheelbase instead of floor area of the vehicles. Similarly, in the case of three vehicles registered prior to 18/07/2016 at RTOs Vadakara and Muvattupuzha, tax was levied for a lesser number of seats which was not in proportion to the wheelbase of the vehicles. This led to short collection of tax amounting to ₹2.24 lakh in respect of nine out of 945 vehicles examined in audit.

2.11.4.3 Short levy of tax in respect of goods carriages

As per Section 3 (1) read with Schedule to the Act, the rate of tax for goods carriage with tipping mechanism and having gross weight more than 20,000 kg with effect from 1/4/2018 was ₹7,440 + ₹220 for every 250 kg or part thereof in excess of 20,000 kg.

Analysis of database in RTOs at Alappuzha, Kottayam and Vadakara and SRTO at Kanjirapally revealed that in 46 out of 1,095 cases, tax was not collected at the applicable rate which led to short levy of tax amounting to ₹1.04 lakh.

[30] For example, a stage carriage with wheelbase between 4,330 mm and 4,960 mm should have minimum 40 seats. Tax at the rate of ₹600 per seat will be levied for 36 seats (after deducting two seats for conductor and driver and two seats for stage carriage with separate entry and exit doors). Tax at the rate of ₹210 per seat will also be levied for standing capacity which is 25 *per cent* of seats on which tax is to be levied.

These led to short levy of tax amounting to ₹5.55 lakh in respect of 61 vehicles during 2018-19 in the case of RTOs and 2017-19 in the case of SRTOs.

The Government replied (February 2022) that the RTOs/ SRTOs collected ₹1.01 lakh out of ₹2.27 lakh in respect of contract carriages; ₹0.99 lakh out of ₹2.24 lakh in respect of stage carriages; and ₹0.52 lakh out of ₹1.04 lakh in respect of goods carriages. Progress in collection of tax in respect of the remaining cases were awaited (May 2022). The Government may take earnest steps to recover the balance amount of tax.

Recommendation: It is recommended that the Department may take steps to monitor the Demand Collection module of the SMART MOVE periodically so that non-realisation of revenue can be arrested.

Part II

State Public Sector Undertakings

Chapter III

General

Chapter III

General

Introduction

3.1 State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and they occupy an important place in the economy of the State. As on 31 March 2021, there were 144 State PSUs in Kerala which included 122 Government Companies (excluding 18 inactive Government Companies) and four Statutory Corporations under the audit jurisdiction of the Comptroller and Auditor General of India (CAG).

Audit universe and coverage

3.2 Out of total 144 State PSUs, audit of 95 State PSUs[31] is entrusted to this Office (Office of the Principal Accountant General, Audit-II, Kerala) whereas audit of remaining 49 State PSUs is entrusted to Office of the Principal Accountant General, Audit-I, Kerala. During 2019-20 and 2020-21, 283 units pertaining to 95 State PSUs were under the audit universe of this Office. Besides financial attest audit of State PSUs, 22 units of 16 PSUs and 17 units of 11 PSUs were selected for Compliance Audit during 2019-20 and 2020-21 respectively.

Authority for conducting audit

3.3 Authority of the CAG for audit is derived from the provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts, 2020 and Auditing Standards, 2017 issued by the CAG.

Planning and conduct of audit

3.4 Audit process starts with the assessment of risks faced by various PSUs based on expenditure incurred, criticality/ complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. The frequency and extent of audit are decided based on risk assessment. During the years 2019-20 and 2020-21, 1,010 party days and 794 party days were utilised to carry out audit of 25 and 17 units respectively.

[31] Seventy-eight working companies, three Statutory Corporations and 14 non-working companies.

After completion of audit of each unit, Inspection Report (IR) containing audit findings is issued to the Head of the PSU and the Administrative Department concerned. The PSUs and Departments are requested to furnish replies to the audit findings within one month of receipt of the IR. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Government of Kerala under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 as amended from time to time.

Compliance Audit Paragraphs

3.5 For Part-II of the Compliance Audit Report of the CAG for the year ended 31 March 2021, five Compliance Audit Paragraphs relating to State PSUs were issued (August 2021 to October 2021) to the Principal Secretaries/ Secretaries concerned of Government of Kerala with requests to furnish replies within four weeks. Replies on all the four Paragraphs and partial replies to one Compliance Audit Paragraph have been received (June 2022) from the State Government and suitably incorporated in this Report. The total financial impact of the Paragraphs is ₹127.57 crore. These are discussed in Chapter IV.

Follow up action on Audit Reports and Inspection Reports

3.6 The Report of the CAG is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The Finance Department, GoK issued (2017) instructions to all Administrative Departments to submit replies/ explanatory notes to Compliance Audit/ Paragraphs/ Performance Audits (PAs) included in the Reports of the CAG within a period of two months of their presentation to the Legislature, in the prescribed format, for speedy settlement of audit observations.

Table 3.1: Position of explanatory notes on Audit Reports related to State PSUs as on 31 March 2022

Year of Audit Report	Date of placement of Audit Report in the State Legislature	Total number of PAs and Paragraphs related to State PSUs		Number of PAs and Paragraphs for which explanatory notes were not received	
		Performance Audit	Paragraphs	Performance Audit	Paragraphs
2015-16	23/05/2017	3	11	1	5
2016-17	19/06/2018	2	10	1	5
2017-18	24/08/2020	1	7	0	5
2018-19	10/06/2021	1	10	1	8
Total		**7**	**38**	**3**	**23**

Source: Compiled based on explanatory notes received from respective Departments of GoK.

Explanatory notes on three Performance Audits and 23 Compliance Audit Paragraphs were pending till March 2022.

Audit observations noticed during audit and not settled on the spot are communicated through IRs to the Heads of respective State PSUs and Departments concerned of the State Government. The Heads of State PSUs are required to furnish replies to the IRs within a period of one month.

IRs issued up to September 2021 pertaining to 65 State PSUs disclosed that 2,167 paragraphs relating to 401 IRs remained outstanding at the end of September 2021. Company-wise status of IRs and paragraphs as on 30 September 2021 is given in ***Appendix 19***. In order to expedite settlement of paragraphs outstanding, 12 Audit Committee meetings were held in five State PSUs during 2019-20 and 141 paragraphs were settled wherein position of paragraphs outstanding were discussed with the Executive/ Administrative Departments to ensure accountability and responsiveness.

Discussion of Audit Reports by Committee on Public Undertakings (CoPU)

3.7 The status of discussion of Performance Audits and Compliance Audit Paragraphs that appeared in Audit Reports (PSUs) by CoPU as on 31 March 2022 was as under:

Table 3.2: Performance Audits/ Compliance Audit Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 31 March 2022

Year of Audit Report	Number of Performance Audits/ Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2015-16	3	11	2	2
2016-17	3	11	2	2
2017-18	2	10	1	1
2018-19	1	7	0	0
Total	**9**	**39**	**5**	**5**

Source: Compiled based on the discussions of CoPU on the Audit Reports.

Chapter IV

Compliance Audit Paragraphs of State Public Sector Undertakings

Chapter IV

Compliance Audit Paragraphs of State Public Sector Undertakings

Industries and Commerce Cluster

4.1 Implementation of Projects for Rejuvenation and Revival of Public Sector Undertakings under Department of Industries and Commerce

Despite investing ₹200.17 crore, none of the completed projects performed as envisaged in their respective project reports. Deficiencies in project evaluation, delay in release of funds by Government, diversion of funds by PSUs, deficient project implementation by PSUs *etc.*, led to the non-achievement of intended benefits from the rejuvenation and revival projects.

Introduction

4.1.1 The Industrial Policy 2011 and 2015 of Government of Kerala (GoK) aimed at strengthening Public Sector Undertakings (PSUs) through comprehensive enterprise-specific modernisation/ diversification/ expansion packages and restructuring. In line with this policy, GoK provides financial support through budgetary provision every year for rejuvenation and revival of viable PSUs. During 2014-15 to 2018-19, GoK provided ₹867.35 crore as budget allocation for this purpose. As per the Budget Documents, the Department of Industries and Commerce (Department) through Public Sector Restructuring and Internal Audit Board (RIAB)[32] identifies PSUs for revival. As of March 2021, there were 45 working Government Companies under the administrative control of the Department.

Audit objective, scope and sample

4.1.2 The audit objective was to examine whether:

i. applicable rules and regulations were complied with while implementing projects,

ii. propriety was observed in implementation of projects; and

iii. implemented projects performed as envisaged.

Twenty-nine capital projects (each costing ₹2.00 crore or above) with a total outlay of ₹617.30 crore were implemented or being implemented during 2014-15 to 2018-19 by 18 PSUs under the administrative control of the Department.

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[32] RIAB, functioning under the Department of Industries and Commerce, GoK, constituted in 1994, executes State-owned enterprise reform initiatives.

These 18 PSUs had a total accumulated loss of ₹1,501.74 crore as of March 2014. Out of the 29 projects, Audit selected [33] 16 projects of 15 PSUs with a total outlay of ₹484.04 crore. The sample included six completed, eight ongoing and two abandoned projects. Details of the selected projects are given in ***Appendix 20***. The PSUs incurred a total expenditure of ₹279.95 crore up to March 2021 for these projects. Audit covered the activities related to implementation of these projects during the period from 2014-15 to 2018-19. Facts and figures were updated up to March 2021.

Audit criteria

4.1.3 Following criteria were adopted in audit:

i. Administrative Sanction and fund allocation orders issued by GoK,
ii. Detailed Project Reports/ Project Proposals,
iii. Contracts entered into by the PSUs for implementing the projects; and
iv. Stores Purchase Manual issued by GoK.

Audit findings

Post-implementation of rejuvenation and revival projects incurring ₹200.17 crore, the actual capacity utilisation of the plant and facilities ranged between 1.25 *per cent* and 48.75 *per cent* up to 2020-21. Consequently, implementation of projects did not lead to rejuvenation and revival of PSUs as intended. Audit analysed the implementation of projects and findings thereon are summarised under four broad heads *viz*., Project evaluation and approval, Implementation of projects, Release and utilisation of funds, and Operational performance.

4.1.4 Project evaluation and approval

Projects for modernisation/ revival are identified by the PSUs and submitted[34] to RIAB. GoK mandated (1990/ 1993/ 2014) RIAB to analyse the performance of PSUs and recommend on future strategy to be adopted in respect of PSUs and report to GoK. The technical and commercial viability of the projects were evaluated by RIAB and forwarded to the Department. Administrative Sanction to the projects was accorded by a Working Group of the Department based on the recommendation of RIAB.

Audit observed that RIAB/ GoK made changes to the funding pattern of two projects without assessing the impact of such changes on its viability. RIAB/ GoK evaluated project reports without exercising due diligence which led to approval of two projects which had defects such as absence of details of equipment to be

[33] Selected using Stratified Random Sampling Without Replacement method.

[34] Except in the case of Kerala State Cashew Development Corporation Limited and Kerala State Coir Corporation Limited, where the project proposals were not required to be routed through RIAB.

procured and mismatch in project report. Approval of projects by RIAB without ensuring their technical/ commercial feasibility led to either abandonment or under performance of projects, instances of which are detailed below:

4.1.4.1 GoK approved a proposal of The Travancore Cochin Chemicals Limited (TCCL) to increase production capacity of caustic soda plant from 175 Ton per day (TPD) to 225 TPD and achieve energy savings of ₹11.88 crore per year. As per the project report, project cost of ₹65.00 crore was proposed to be funded by GoK grant (₹50.00 crore) and own funds (₹15.00 crore).

Based on the recommendation (August 2014) of RIAB, GoK approved (March 2015) the project with a modified funding pattern *viz*., loan from GoK (₹20.00 crore), loan from financial institution (₹25.00 crore) and own funds (₹20.00 crore). Audit noticed that as of March 2013, TCCL had an accumulated loss of ₹15.17 crore which could materially affect its ability to raise funds. Thus, the change in funding pattern by RIAB was done without assessing the capacity of TCCL to raise funds through loans/ internal accruals. Consequently, though TCCL received (August 2015) ₹10.00 crore from GoK, it could not proceed with the project as funds could not be mobilised internally or from financial institutions. The project was abandoned by TCCL and the envisaged benefits of increased production of 225 TPD and resultant energy savings of ₹11.88 crore per year could not be achieved.

Government replied (April 2022) that the entire net worth of TCCL had eroded as of March 2015 due to which it could not raise internal funds or avail loan from banks.

The reply affirms the fact that RIAB did not assess the ability of TCCL to mobilise funds either through internal resources or borrowing before recommending the project to GoK.

4.1.4.2 The GoK sanctioned (March 2014) a proposal of Kerala State Coir Corporation Limited (KSCCL) for setting up of PVC[35] tufting unit at an estimated cost of ₹39.42 crore. As per the project report, viability of the project was based on funding pattern of promoter's contribution of ₹3.70 crore, GoK grant of ₹34.22 crore and loan funds of ₹1.50 crore.

While sanctioning, GoK, however, modified the funding pattern limiting its contribution to ₹17.00 crore, of which ₹8.00 crore was investment loan. As per the sanction order issued by Government, the remaining funds (₹17.22 crore) were to be raised through internal accruals and bank loan. Audit noticed that as per the latest finalised accounts[36] of the KSCCL available at the time of sanction, they had an accumulated loss of ₹12.92 crore which could materially affect its ability to raise funds. Thus, Government approval was without analysing the ability of KSCCL to raise funds.

[35] Polyvinyl Chloride.

[36] For the year ended 31 March 2010.

Though GoK released (January 2011 to March 2014) its share amounting to ₹17 crore, KSCCL could not raise own/ borrowed funds. KSCCL completed the project by diverting ₹8.15 crore allotted to it by Government for implementing four other projects. Thus, the four projects namely, Defibering unit costing ₹0.94 crore, spinning unit costing ₹1.46 crore, Curling unit costing ₹3.53 crore and Coco Pith Briquetting Unit costing ₹2.21 crore which were beneficial for the traditional coir industry could not be implemented.

KSCCL replied (October 2021) that sanction was accorded (March 2015) by GoK to utilise the unspent amount in treasury account for the projects which received Administrative Sanction, but financial sanction was pending. As the project was in full swing and KSCCL was not getting funds, the amount sanctioned for other projects were diverted as per the above directions of GoK. Reply of Government is awaited.

The reply of KSCCL is not tenable. The Government Order mentioned in the reply was applicable only for those projects for which financial sanction was pending. Hence, the diversion for funds earmarked for other projects was irregular since GoK had released its share for the project for setting up PVC tufting unit.

4.1.4.3 GoK released an amount of ₹22.97 crore between February 2011 and September 2017 to Autokast Limited (AKL) for creation of facilities for steel casting line for manufacturing railway bogies.

Audit noticed that the project report for 'Setting up steel casting line' envisaged supply of bogie to the Indian Railways (Railways) and stated that they insisted on steel melting in an arc furnace. But the project report proposed purchase of induction furnace at an estimated cost of ₹1.75 crore instead of arc furnace. RIAB did not notice this mismatch and recommended the project and Government approved (September 2010) the same. Accordingly, AKL purchased (November 2010) induction furnace under that project. Later, AKL submitted another project report (2017) which included purchase of arc furnace at an estimated cost of ₹2.55 crore and RIAB recommended (May 2017) the same. AKL became (March 2019) eligible for orders from the Railways only after it procured arc furnace under the new project.

Government stated (October 2021) that the project report was prepared based on a joint venture with Railways during February 2009. This did not materialise as Government could not firm up the extent of business association between AKL and the Railways during 2012-13. Hence, the focus was shifted to induction furnace. Later, considering AKL becoming a regular supplier for railway frame casting during 2017, arc furnace was purchased.

The reply is not tenable as the project report submitted by AKL in 2010 proposed purchase of induction furnace while arc furnace was mandatory for meeting requirements of the Railways. The events that led to shifting focus to induction furnace occurred during 2012-13 while GoK approved the project in 2010 itself.

4.1.4.4 The project report for modernisation submitted by Forest Industries (Travancore) Limited (FITL) did not contain the details of machinery and equipment to be procured and the nature of capital works to be undertaken in the factory building. The machinery procured (August 2013 to January 2014) by FITL included machines worth ₹1.14 crore which required technically skilled labour for its operation. Since the project did not envisage requirement of skilled labour for operating the machinery, FITL procured the machinery without ensuring the same. This led to idling of the machinery and resultant blocking up of funds amounting to ₹1.14 crore.

Government replied (April 2022) that there was delay in imparting training to the employees and that corrective action is being undertaken. The reply confirms that project was proposed without assessing the need for skilled labour. Hence, the machinery worth ₹1.14 crore was idling since 2013-14.

4.1.5 Implementation of projects

Audit observed deficiencies in the implementation of projects like extension of undue benefit of ₹4.16 crore to the contractor, delay of up to 82 months in completion of projects, non-utilisation of machinery/ equipment, and non-implementation of approved project as discussed below.

4.1.5.1 Undue favour to contractor

SAIL-SCL Kerala Limited (SSKL) implemented a TMT bar plant with an annual installed capacity of 65,000 MT. Audit noticed that SSKL issued commissioning certificate (June 2015) and performance guarantee test certificate (June 2016) diluting the contractual terms and without ensuring attainment of performance guarantee parameters as detailed below.

i. As against 95 *per cent* guaranteed conversion efficiency during commissioning, the plant achieved 80.25 *per cent* only. Similarly, the plant did not achieve guaranteed production capacity of 532.55 MT for continuous operation of 72 hours during the commissioning test.

ii. The contractor conducted performance guarantee test from 23/05/2016 to 28/05/2016. The test results indicated that performance tests were conducted for two types of TMT bars against six types as envisaged. Though the agreement stipulated performance guarantee test for a minimum of 700 MT of TMT bars, the contractor conducted tests for 332.284 MT only. Further, the plant did not achieve parameters such as production rate, production yield and furnace oil consumption as guaranteed by the contractor.

As per the contract, SSKL was to levy liquidated damages equivalent to 7.50 *per cent* (₹4.26 crore) of the contract price as the plant did not meet the required parameters. SSKL, however, levied liquidated damages of ₹0.10 crore only. Thus, SSKL accepted the plant though it did not meet the guaranteed technical parameters, without invoking contractual remedies against the contractor.

Government, while accepting (October 2021) the audit observations, stated that SSKL made deductions lesser than required from the contractor due to deviation of data entered in the invoice of the contractor from the records of SSKL. It was further stated that SSKL justified the lower conversion efficiency with unsupported reasons.

The reply is not acceptable because it is silent on the steps taken by SSKL to recover the balance amount of liquidated damages and the steps taken to avoid such instances in future.

4.1.5.2 Delay in implementation of projects

As of March 2021, 12 projects were completed fully or partially and commenced commercial production. There were delays ranging from three to 82 months (***Appendix 20***). Audit noticed that there was delay in completion of projects due to poor project implementation practices such as defective prioritisation of works, non-finalisation of technical specification, deficient assessment of infrastructural requirements *etc*., all of which were controllable factors as discussed in succeeding paragraphs. Audit further observed that for the remaining two projects, the PSUs concerned or GoK did not mention any specific time schedule for completion. Project-wise delay in completion is given in **Table 4.1:**

Table 4.1: Statement showing delay in completion of projects

Sl. No.	Name of PSU	Name of project	Scheduled completion	Actual completion
1	KSDP	Betalactam Injection Plant	March 2013	August 2017
2	KEL	Cast Resin Transformers Unit	February 2014	August 2015
3	SSKL	TMT Bar Rolling Mill	March 2015	June 2015
4	KCCL[37]	High CV Value Capacitors and High Voltage Radial Capacitors	March 2014	January 2015
5	KSCCL	PVC Tufting Unit	December 2014	July 2015
6	AKL	New Steel Casting Line for Manufacturing Railway Bogies	December 2018	February 2021
7	KEL	Power Transformer Unit	April 2014	February 2021
8	KELTRON[38]	Creation of SMT Reflow Facility	August 2018	January 2020
9	UEIL	Facility for Manufacturing LED streetlights and Smart Energy Meters	October 2018	March 2019
10	TKCL[39]	Modernisation of Facilities	September 2018	December 2019
11	SIFL	16 Ton Pneumatic Hammer and Mobile Forging Manipulator	Not fixed	June 2016
12	FITL	Modernisation of Facilities	Not fixed	January 2019

[37] Keltron Component Complex Limited.

[38] Kerala State Electronics Development Corporation Limited.

[39] The Kerala Ceramics Limited.

i. Kerala State Drugs and Pharmaceuticals Limited (KSDP) placed orders for purchase of equipment for injection filling line and air conditioning in December 2012 while orders for civil and electrical works were placed in April 2013 and May 2013 respectively. Though the equipment for air conditioning and injection filling line valuing ₹5.94 crore arrived in March/ April 2013, the injection plant could be commissioned only in August 2017 due to delayed completion of civil works (August 2016) and electrical works (September 2016). Audit noticed that in addition to ₹4.26 crore released (March 2012) by Government, KSDP utilised (as of August 2014) own funds amounting to ₹5.05 crore[40] for the project. As sufficient funds were available, the delay which led to increase in project cost by ₹2.24 crore[41] was not justifiable.

Government replied (April 2022) that civil works had to be retendered due to poor response which resulted in a delay of four months in the initial stage. The project got delayed as Government released ₹4.20 crore against the project cost of ₹9.89 crore. KSDP would ensure that proper prioritisation will be done in future.

The reply is not tenable. KSDP was aware that the civil works, having completion time of five months, would not be completed before receipt of equipment as tenders for civil works could not be finalised at the time of issuing orders for equipment. The reply regarding shortage of funds was not correct as GoK released ₹5.00 crore in November 2014 in addition to ₹4.26 crore released in March 2012.

ii. FITL placed (June 2013) orders for purchase of machineries at a cost of ₹2.88 crore which were supplied between August 2013 and January 2014 as against scheduled supply by 15 September 2013. There was delay in utilising the machineries due to delay in completing civil and electrical works. Further, tools required for commissioning the machineries were procured only in August/ September 2018.

Government stated (April 2022) that defective prioritisation occurred due to lack of expertise and corrective measures were under progress.

iii. GoK released funds in March 2013 (₹4.50 crore) and April 2014 (₹4.00 crore) to Kerala Electrical and Allied Engineering Company Limited (KEL) for implementing Cast Resin Transformer project. The project was to be completed by February 2014. KEL, however, spent only ₹0.22 crore for the project up to March 2014. Audit noticed that changes had to be made in the original design of the factory building. Consequently, the project could be completed only in August 2015. Thus, there was

[40] GoK subsequently sanctioned (November 2014) ₹5.00 crore against this.

[41] Actual cost: ₹12.13 crore *less* Sanctioned cost: ₹9.89 crore.

deficiency in assessing the requirements of building and associated facilities for the project.

Government replied (March 2022) that, in addition to the changes in design of factory building area, additional construction was required to comply with fire and safety requirements which delayed the completion.

The reply confirmed the audit finding. Further, statutory requirement should have been considered while designing the project.

iv. As per work order issued (March 2011) by AKL for Heat Treatment Furnace, the works were to be completed within six weeks. The Heat Treatment Furnace was, however, commissioned only in May 2018, after a delay of seven years due to contractor's failure to complete the works and technical defects in trial runs. AKL had to engage another firm to commission the project after rectifying the technical defects. Audit noticed that the purchase order issued by AKL did not contain the provision for liquidated damages in case of delay in erection and commissioning. The purchase order also did not contain provision for terminating the contract and completing the works at the risk and cost of the contractor in case of their failure to complete the work as required by Stores Purchase Manual.

Government, while accepting the audit observation stated (October 2021) that, in future, specific clause for termination and work completion at the risk and cost of the contractor would be included in works contracts. Further, AKL initiated legal remedies against the contractor and an execution petition was pending before the City Civil Court, Bangalore.

4.1.5.3 **Infructuous expenditure**

Audit noticed that the machinery procured by two PSUs were not utilised as discussed below:

i. KSDP purchased (March 2013) a bung washer[42] for ₹16.60 lakh which required pure steam for its operation. As KSDP did not ensure the availability of pure steam required for the bung washer, the same could not be put to use and remained idle. KSDP met its requirement for sterile bungs by purchasing ready-to-use bungs. Thus, the entire expenditure incurred for purchasing the bung washer became infructuous.

Government replied (April 2022) that bung washer was not used as presence of endotoxin, which could be fatal, was detected in bungs washed in the bung washer. Bung washer needed pure steam generator, which was not installed in KSDP and ready-to-use bungs were easily available.

[42] As part of Betalactum Injection Plant project.

It was further replied that KSDP was exploring the possibility of pure steam generators installed for another plant to be utilised in bung washer.

Reply of GoK is not tenable. KSDP should have ensured the availability of pure steam required for operating the bung washer before purchasing it.

ii. Kerala State Coir Corporation Limited (KSCCL) procured (April 2014) packing machine for ₹34.22 lakh which was not utilised even though commercial operation of PVC tufting unit commenced in October 2015. Further, KSCCL was aware that the packing unit would remain idle as it did not purchase a finishing unit which was a pre-requisite for operating the packing unit.

KSCCL stated (October 2021) that packing unit was not used, as the finishing unit initially proposed could not be installed due to lack of funds. It was further replied that KSCCL has received sanction from GoK for setting up finishing unit. Reply of Government is awaited.

The reply of KSCCL is not acceptable. The project envisaged a fully automatic tufting unit which included finishing and packing units also. Further, purchase of packing machine without having a finishing unit lacked prudence.

4.1.5.4 Non-implementation of approved project

The proposal of Malabar Cements Limited (MCL) for setting up facilities for bulk cement terminal and logistic hub with capacity of 0.60 Million Tonnes Per Annum (MTPA) at an estimated cost of ₹160 crore was approved (October 2014) by GoK. For implementing the project, MCL took land on lease from Cochin Port Trust. Government released ₹48.67 crore between March 2016 and January 2017 to MCL for the project.

Subsequently, MCL submitted (October 2017) a revised proposal increasing capacity of the proposed facilities to 1.00 MTPA with an estimated cost of ₹275.88 crore. Justification for increasing the capacity was, however, not on record. While examining the revised proposal, Government directed (December 2019) MCL to prepare an alternate proposal in view of declining performance of MCL since 2016-17. Accordingly, MCL prepared (March 2021) a project report, reducing the capacity to 0.30 MTPA with an estimated cost of ₹166.55 crore. The project is yet to be commenced. Thus, due to revision of the project after GoK's approval, MCL could not derive any benefit from the expenditure of ₹66.33 crore[43] up to March 2021.

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[43] Payment to Cochin Port Trust towards upfront lease premium and annual lease rent up to March 2021 (₹61.81 crore), preliminary expenses (₹1.09 crore) and interest expenses (₹3.43 crore).

Government replied (April 2022) that MCL incurred losses during 2017-18 to 2019-20 and did not have investible surplus. Therefore, it was proposed to implement the project in a phased manner. Accordingly, MCL submitted DPR for setting up 0.3 MTPA Cement Blending Terminal and Logistics Hub for approval. However, the financial position of MCL is not stable at present to undertake the project.

The reply is not acceptable as it did not state the reason for revising the project after its approval by GoK and for which funding arrangement was already agreed upon by GoK. The reply confirms the audit finding that MCL proposed the revised project without assessing its feasibility.

4.1.6 Release and utilisation of funds

There was delay in release of funds by Government in respect of one project which led to additional expenditure of ₹3.43 crore. It was also noticed that five PSUs diverted funds amounting to ₹21.52 crore for working capital needs, purchase of equipment which were not covered in the project, payment of voluntary retirement compensation *etc*., which was against the conditions of sanction as discussed below.

4.1.6.1 As per Administrative Sanction (October 2014), MCL was to complete bulk cement terminal and logistic hub project in two years without any cost escalation. The estimated cost of ₹160 crore was to be financed by Government by way of interest free loan from Kerala Value Added Tax (KVAT) remittances made by MCL. As per the procedure, the disbursement of interest free loan will be on quarterly basis, starting from April 2015, through a specific budget head for MCL.

Audit noticed that MCL remitted KVAT of ₹64.94 crore between October 2014 and December 2015. But Government did not release funds as envisaged till March 2016. Consequently, MCL availed bank loan of ₹50.00 crore in January 2016 and remitted (January 2016) ₹57.89 crore to Cochin Port Trust towards upfront premium for lease land for the project. MCL received ₹48.67 crore from Government from April 2016 to March 2017 which was used to close the bank loan. In the process, MCL incurred avoidable interest expense of ₹3.43 crore.

The reply furnished (April 2022) by GoK confirmed the facts mentioned above but did not state the reason for delay in release of funds.

4.1.6.2 Audit noticed that the five PSUs diverted funds released by Government for implementing rejuvenation and revival projects for other purposes. The Metal Industries Limited (MIL) and United Electrical Industries Limited (UEIL) diverted project funds amounting to ₹3.78 crore and ₹1.40 crore respectively for working capital needs. TCCL and AKL diverted ₹10.00 crore and ₹5.24 crore respectively for other capital expenditure which were not envisaged in the approved project. These diversions were made without the approval of Government. KEL diverted ₹1.10 crore with the approval of Government for payment of voluntary retirement compensation. These diversions totalled to ₹21.52 crore out of ₹49.25 crore released by Government for implementation of projects. In the case of MIL and TCCL, proposed projects were not taken up.

Government stated (October 2021) that a request of MIL to regularise the diversion was rejected. Regarding AKL, it was stated that the funds sanctioned vide Government Order dated 1/7/2017 was meant for revamping the existing facilities and completing steel casting. Since funds amounting to ₹5.24 crore was used for revamping the existing facilities, there was no diversion. In the case of TCCL, GoK replied (April 2022) that all equipment procured were required as a prelude to modernisation and upgradation. As the funds were used for upstream equipment upgradations, there was no diversion. The reply (April 2022) of GoK in respect of UEIL did not address the finding.

The replies were not tenable as the Administrative Sanction authorised the PSUs to spend Government funds for the proposed project only. In the case of TCCL, the utilisation certificate (October 2017) included equipment worth ₹6.04 crore purchased prior to submission (August 2014) of the project proposal to GoK. As per the details furnished by AKL, ₹5.24 crore was used for urgent repairs of existing line of operation to avoid bottlenecks, due to non-generation of surplus funds from its operation.

4.1.7 Operational performance

Implementation of 12 projects with sanctioned cost of ₹215.05 crore were fully or partially completed as of March 2021 incurring ₹200.17 crore. Performance of completed projects was not reviewed either by the Government or by the PSUs concerned, and the reasons for poor performance remained unaddressed. Audit analysed the performance of eight completed projects and findings thereon are discussed in succeeding paragraphs. Performance of the remaining four projects which were completed between December 2019 and February 2021 was not reviewed since the duration of operation was insufficient to arrive at conclusions.

4.1.7.1 Unfruitful investment

SSKL implemented 65,000 TPA TMT Rolling Mill Project for ₹59.81 crore and the project report envisaged annual net sales realisation of ₹212.97 crore and guaranteed conversion rate (from billet to TMT bar) of 95.00 *per cent*.

Audit noticed that since commissioning (June 2015), the rolling mill was operated for 97 days up to December 2016 and thereafter remained idle due to scarcity of funds to procure billets. The capacity utilisation during this period was 8.95 *per cent* with conversion efficiency of 90.58 *per cent*. Hence, SSKL could achieve net sales realisation of ₹3.92 crore in 2015-16, ₹4.14 crore in 2016-17, ₹0.07

crore in 2017-18 and no revenue thereafter. This increased the accumulated loss of SSKL from ₹34.62 crore in 2014-15 to ₹119.93 crore in 2019-20.

In the absence of skilled employees, SSKL engaged (September 2015) the contractor who supplied the rolling mill to operate the plant. As per the agreement, the contractor was eligible for conversion charges for a guaranteed minimum rolling quantity[44] of billets to be converted as TMT and was liable to ensure production yield of 95.50 *per cent*. As a back-to-back arrangement, SSKL entered (October 2015) into an agreement with Steel Authority of India Limited (SAIL) for conversion of billets into TMT bars at a conversion charge of ₹2,700 per MT with guaranteed yield of 95 *per cent*.

However, the agreement with SAIL did not provide for guaranteed minimum rolling quantity of billets. Hence, adequate input billets could not be made available to the contractor for conversion. As a result, SSKL had to pay conversion charges to the contractor for 37,305 MT though the actual production was 8,690.77 MT only during the currency of agreement, resulting in avoidable payment of ₹2.16 crore. Further, SAIL deducted ₹1.49 crore from the conversion charges paid to SSKL for non-achievement of guaranteed yield. SSKL, however, did not recover this from the contractor though agreement between SSKL and the contractor had a provision for it.

Due to low levels of production, SSKL could not avail input tax credit of ₹3.09 crore on capital goods under Kerala Value Added Tax Rules, 2005 within the stipulated time, *i.e.*, by November 2016. A request (March 2017) of SSKL for refund of unutilised input tax credit was turned down (March 2018) by the authorities concerned citing elapse of time.

Government while accepting (October 2021) the audit observations stated that its appeal with the Taxes Department to refund the unutilised credit was turned down.

4.1.7.2 Technical issues due to prolonged storage of high-end equipment

The equipment for Betalactam Injection Plant received by KSDP in March/April 2013 could be installed only in August 2017 due to delay in completion of civil works. Though trial run of the plant was completed in August 2017, production could be commenced only in December 2018. Capacity utilisation of the plant ranged from 34 to 38 *per cent* of the annual operative capacity up to March 2021. Audit noticed that the delay in commencing production and low-capacity utilisation was due to technical problems[45] of the plant caused by prolonged storage of sensitive and high-end equipment.

[44] Minimum rolling quantity of 3,000 MT per month at ₹850 per MT from September to December 2015; 2,500 MT per month at ₹850 per MT from January to March 2016 and 2,500 MT per month at ₹925 from April 2016 onwards.

[45] Complaints in autoclave, conveyor belt, humidifier, heater power bank, boiler and sealing machine, high temperature in tunnel *etc*.

KSDP received orders worth ₹14.75 crore during 2019-20 and 2020-21. Audit noticed that these supplies were made with delays ranging from four to 18 months due to frequent interruptions in operation caused by technical problems. As a result, payments against supplies made were not received in time leading to blocking up of working capital.

Government stated (April 2022) that any plant would have teething problems while starting up. The supplies were delayed only because of the teething problems which has since been sorted out.

The fact, however, remains that the teething problems were caused by long period of idling of machinery due to inefficient project execution.

4.1.7.3 Lack of marketing initiative and absence of finishing unit

The PVC tufting unit of KSCCL achieved average capacity utilisation of 19.04 *per cent* during 2015-16 to 2020-21 as against 85 *per cent* envisaged in project report. Similarly, as against projected sales realisation of ₹430 per square metre of tufted coir mats, the actual sales realisation ranged between ₹258 and ₹345 per square metre during 2015-16 to 2020-21. The price for export sales during this period averaged from ₹515 to ₹532 per square metre.

In spite of having a committed buyback agreement for 60 *per cent* of quantity produced in a year, KSCCL was not able to achieve capacity utilisation of more than 25 *per cent* even after five years. Audit noticed that about 10 to 13 *per cent* of total production was defective and unsaleable. KSCCL, however, did not consider the cost of production of defective mats while fixing the selling price of good quality mats. This resulted in shortage of working capital, which, in turn, affected the capacity utilisation. Further, the PVC tufting unit was selling semi-finished tufted coir mats as it did not have a finishing unit. This limited the scope of selling products other than under buyback agreement.

KSCCL stated (September 2021) that shortage of working capital and high cost of coir yarn affected capacity utilisation. Further, maximum capacity could not be achieved as increasing the machine speed beyond a certain limit[46] would result in higher wastage of material. From February 2021 onwards, as suggested by Audit, total cost of production including wastage was considered for cost estimation. Finishing unit could not be established due to paucity of funds. Reply of the Government is awaited.

The reply is not tenable. As per the sanction order of GoK, KSCCL was responsible for arranging working capital. The technical issue cited in the reply was not reported either at the time of acceptance of the machines or before release of performance guarantee to the contractor, implying that the plant was accepted

[46] The maximum projected capacity was 1,200 m^2 per shift. The maximum capacity achieved was 960 m^2 per shift (*i.e.*, 79 *per cent* of installed capacity).

without ensuring guaranteed technical parameters. Even with the technical limitation, the plant could have achieved up to 79 *per cent* capacity utilisation.

4.1.7.4 Idling of created facilities

UEIL implemented projects for manufacturing smart meters and LED streetlights under rejuvenation and revival scheme.

In the case of smart meter project, UEIL could not commence production as it did not get any orders. Audit noticed that projects for installation of 1.12 crore smart meters were being implemented in 22 States/ Union Territories of which 34.25 lakh meters were installed as on 24/12/2021. UEIL, however, did not participate in any tender for supply of smart meters except a tender invited (September 2018) by Kerala State Electricity Board Limited (KSEBL) in which it did not qualify. In the case of LED streetlights, as against envisaged average production of 1.27 lakh lights *per annum*, UEIL produced only 4,667 lights during 2018-19 to 2020-21, of which 160 units were sold up to March 2021. This resulted in blocking up of funds of ₹1.24 crore. Audit also noticed that during 2018-19 to 2020-21, UEIL executed orders for LED streetlights valuing ₹41.72 crore received from Local Self Government Institutions. As the orders were for specific brands, they were executed through sub-contractors. Further, UEIL did not take up with the GoK or the Department concerned against issuing orders for specific brand which was disallowed by Stores Purchase Manual (Rule 4.1).

Government replied (April 2022) that smart meter production was not commenced as KSEBL did not invite further tenders and all efforts were being taken by UEIL for obtaining orders for smart meters. Further, UEIL was actively marketing their own LED streetlights to achieve planned target and 180 units were sold subsequently.

The reply is not tenable as UEIL did not participate in tenders for smart meters invited by entities other than KSEBL. As the number of LED streetlights sold as of April 2022 was only 7.28 *per cent* of the total production, the efforts taken by UEIL to sell own brand were not adequate.

4.1.7.5 Failure to meet export obligation

Steel and Industrial Forgings Limited (SIFL) implemented a project for replacing 10 Ton hammer which outlived its life with a 16 Ton hammer and a mobile forging manipulator incurring ₹20.99 crore. The hammer was imported under Export Promotion Capital Goods (EPCG) Scheme, 2013 and availed customs duty exemption of ₹4.36 crore. The exemption of customs duty was given under the condition that the Company would export products valuing ₹26.18 crore by September 2019. SIFL, however, achieved export sales of only ₹9.00 crore up to September 2021. A request (January 2020) of SIFL for extension of two years for meeting the remaining obligation was rejected in 2020-21. Hence, SIFL was liable to pay ₹4.36 crore towards customs duty with interest amounting to ₹4.71 crore (up to March 2021).

Audit noticed that SIFL opted for EPCG Scheme to avoid payment of customs duty due to financial constraints without a business plan to obtain more export orders. Further, the Honourable High Court of Kerala suspended continuous operation of the plant for three and a half years (March 2015 to October 2018) as SIFL replaced the existing hammer with a higher capacity hammer which caused high vibration and noise pollution.

Government stated (October 2021) that SIFL was in the process of obtaining extension for another five years for meeting the export obligation and was hopeful of achieving it within the extended period.

The reply is not tenable as the competent authority has already rejected a request of SIFL for extension of two years. Hence, chances of getting extension for five years are remote. Further, the reply was silent regarding the rationale for replacing the existing hammer with a higher capacity hammer.

Conclusion

4.1.8 The project reports submitted by PSUs in respect of four out of 16 projects were cleared by RIAB/ Government without a diligent vetting process. RIAB/ Government also made changes to the funding pattern of the projects without assessing the impact of such changes on its viability. These led to abandonment/ underperformance of projects.

SSKL accepted TMT rolling mill costing ₹59.81 crore though it did not meet the guaranteed technical parameters. SSKL also did not invoke the contractual remedies against the contractor for non-achievement of guaranteed yield. MCL expended ₹66.33 crore for the approved project. Implementation of project did not move forward as MCL revised the project, for which Government approval is awaited. Poor project implementation practices led to non-utilisation of equipment and delay up to 82 months in completion of projects.

The delay in release of funds by Government in respect of a project led to additional expenditure of ₹3.43 crore. Five PSUs diverted funds amounting to ₹21.52 crore for other purposes.

Despite investing ₹200.17 crore, none of the completed projects performed as envisaged in their respective project reports and the intended benefits from the rejuvenation and revival projects did not accrue to the PSUs. Further, performance of completed projects were not reviewed by the Government and the reasons for poor performance remain unaddressed.

Recommendations: Audit recommends that Government may:

- ***Ensure that vetting of the project is based on scientific project appraisal techniques to establish viability of the project.***
- ***Initiate disciplinary action against officials wherever undue favour to contractors/ irregularities were noticed in the implementation of the project.***
- ***Ensure that a mechanism is devised for release of funds based on schedules stipulated for implementation of the project and steps may be taken to avoid diversion of funds earmarked for the project.***
- ***Ensure that ongoing projects are reviewed on priority to resolve the pending issues, if any, and to fast track their implementation.***
- ***Review performance of completed projects to assess the achievement of objectives and to address the reasons for poor performance.***

Transformers and Electricals Kerala Limited

4.2 Avoidable loss

Failure of the Company to incorporate the provisions of performance security in the contract and invoke 'risk and cost' clause against the supplier who did not supply raw material led to avoidable loss of ₹65.42 lakh.

Transformers and Electricals Kerala Limited (Company) is engaged in the manufacturing of heavy electrical equipment such as power transformers, turbines *etc*. The Company placed (December 2016/ January 2017) two purchase orders on Nexus Electro Steel Limited (NESL) for supply of 3,45,632 kg and 6,13,672 kg of Cold Rolled Grain Oriented (CRGO) steel[47] at the rate of ₹143 per kg and ₹129 per kg respectively. As per the terms and conditions of the contract in the event of failure to supply within the stipulated time, the Company was authorised to purchase CRGO steel from elsewhere at the risk and cost of the supplier.

Audit observed that NESL supplied 1,74,300 kg and 1,54,928 kg against the first and second purchase orders respectively with delay ranging from two to 70 days. Since NESL failed to supply the remaining quantity (6,30,076 kg)[48] of CRGO steel, the Company purchased the same from other parties at higher prices and incurred extra expenditure of ₹92.42 lakh (May/ July/ August 2017). The Company deducted liquidated damages of ₹21.72 lakh from NESL for delayed supplies. However, the Company failed to invoke 'risk and cost' clause against NESL when it purchased CRGO steel from other parties though it was an essential requirement for recovering the extra expenditure from NESL. Further, it was noticed that the Company failed to include the provisions of

[47] CRGO steel is one of the major items of raw material used in the manufacture of power transformers.

[48] 1,71,332 kg against first purchase order and 4,58,744 kg against second purchase order.

performance security[49] in the terms and conditions of contract as envisaged by Stores Purchase Manual (SPM) of Government of Kerala. The Company did not obtain performance security of ₹64.30 lakh[50] as required, but retained an earnest money deposit of ₹27 lakh only. Non-recovery of the extra expenditure led to avoidable loss of ₹65.42 lakh[51].

The GoK replied (December 2021) that the Company was at present insisting on furnishing performance guarantee. Due to this, major suppliers were either not quoting or selectively quoting with higher price and were insisting for letter of credit for payment. The smaller suppliers who quote were not giving performance bank guarantee and, in such cases, the only way out was to withhold equivalent amount payable to them. Hence, the Company was finding it difficult to fully enforce the conditions of SPM. It was further replied that NESL went bankrupt unexpectedly and no amount was due to them from which recovery could be made.

The reply is not acceptable as obtaining of performance guarantee is mandated by SPM and is essential to protect the financial interest of the Company in the event of suppliers failing to perform. The unexpected bankruptcy of NESL underscored this requirement. Further, since 'risk and cost' clause was not invoked before purchasing material from other parties, the Company lost the opportunity to recover the extra expenditure through legal recourse.

Recommendation: It is recommended that the Company may strictly comply with the provisions of SPM for procurement.

4.3 Avoidable loss due to quoting price lower than the estimated cost

Quoting a price lower than the estimated material cost resulted in avoidable loss of ₹2.12 crore and avoidable liquidated damages amounting to ₹1.26 crore. Further, an additional expenditure of ₹0.46 crore was incurred due to defective estimation of transportation cost.

Transformers and Electricals Kerala Limited (Company) participated (June 2013) in a tender floated by Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL) for supply of 29 transformers, including 29 Nitrogen Injection Fire Prevention and Extinguishing Systems (NIFPES). The tender conditions specified certain mandatory technical requirements for the transformers. Also, as per clause 3.27.4 of the tender conditions, the prototype had to be subjected to type tests *viz*., Lightning impulse test, Temperature rise test and short circuit test to determine copper loss, at Central Power Research Institute.

As per the procedure prevailing in the Company for participating in a tender, the Design Department estimates the material cost and prepares the technical details. A commercial review of the above is conducted by Marketing Department and a

[49] Performance security equivalent to five *per cent* of the value of contract.

[50] Five *per cent* of the value of purchase orders, *i.e.*, (₹7.92 crore + ₹4.94 crore) x 5 *per cent.*

[51] Extra expenditure: ₹92.42 lakh – Earnest money deposit retained: ₹27.00 lakh.

committee headed by the Managing Director approves the price to be quoted. In the instant case, Design Department estimated (19 July 2013) the manufacturing cost per transformer to be ₹2.58 crore[52]. Material cost of ₹1.68 crore included cost of raw material, components, consumables, packing and NIFPES. The committee headed by the Managing Director reduced the estimated material cost to ₹1.58 crore and excluded labour and overhead costs. The ex-works price per transformer was fixed as ₹1.63 crore. This was done on the ground that Design Department would reduce the cost of material by one *per cent* and Materials Department would reduce the raw material cost by two *per cent* and components cost by six *per cent*. The price quoted by the Company turned out to be the lowest and it was awarded (December 2013) the supply order for manufacture and delivery of 18 numbers of transformers.

Audit observed (August 2016) that the assumption of reduction in material cost by Design Department and Material Department was accepted by the Company without ensuring its feasibility. The cost reduction claim of Design Department was contingent on successful testing of transformers manufactured with reduced quantity of raw material. As the prototype failed to meet the required technical specifications, Design Department had to redesign the transformer which resulted in increased material cost. Similarly, the cost reduction claim of Material Department was based on the assumption that material could be procured at discounted price owing to high volume. The Company, however, could not resort to bulk purchase due to financial constraints. An analysis of sales realisation from the above purchase order revealed that the total sales price failed to recover even the material cost, resulting in a loss of ₹2.12 crore[53].

The purchase order (31 December 2013) from RRVPNL required to supply the first unit within six months from the date of purchase order and two units per month thereafter. Accordingly, the supply had to commence from 30 June 2014. Though a prototype was developed in June 2014, it did not meet the required specifications. Hence, the first unit could be delivered only in December 2014. This delayed the supply of remaining units and the last unit was supplied in May 2016. Due to the delay, RRVPNL deducted liquidated damages amounting to ₹1.26 crore in March 2017.

While quoting in the bid, the Company estimated the transportation cost based on cost of mechanical trailer though mechanical trailer could not be used as per notification[54] issued by Ministry of Road Transport and Highways. Eventually, the Company had to use hydraulic trailer to supply the transformers which resulted in extra expenditure of ₹0.46 crore. Thus, the Company incurred a loss of ₹3.84 crore (*i.e.*, ₹2.12 crore + ₹1.26 crore + ₹0.46 crore) while executing the above supply order.

The Government replied (February 2022) that due to market conditions at the time of tendering, the Company was not having sufficient orders and was not able

[52] Material - ₹1.68 crore, labour - ₹0.40 crore and overheads - ₹0.50 crore.

[53] Total sales realisation *less* material cost.

[54] Notification No. 728 (E) S.O. 517 (E), dated 26/05/2000.

to feed the shop. There were no major orders in the medium capacity category. The Company needs a combination of product mix: small, medium and large transformers to cross break-even. Due to this, RRVPNL contract was undertaken by the Company in a thin margin with the expectation of achieving benefits of design improvement and bulk procurement. However, the project had to face multiple hurdles before its completion.

The reply is not acceptable as executing orders at a price lower than the estimated material cost for achieving desired product mix leads to cash loss. Further, a Committee of the Board of Directors, after enquiring into the matter, reported (June 2019) that the price (₹1.63 crore) quoted by the Company was not based on any cost considerations and the claims of reduction of cost per transformer from ₹2.58 crore to ₹1.63 crore by way of reduction in material content and savings through bulk purchase was not based on factual data.

Recommendation: Since the management decision was not based on any factual data, responsibility may be fixed. It may also be ensured that price to be quoted in tenders are finalised based on realistic cost estimates and factual data.

Kerala State Drugs and Pharmaceuticals Limited

4.4 Undue benefit to contractor

Non-inclusion of appropriate clause in the tender document for regulating the recovery of interest free mobilisation advance as per CVC guidelines and allowance of excess payment of interest free advance resulted in extension of undue benefit of ₹32.65 lakh to the contractor.

Kerala State Drugs and Pharmaceuticals Limited (Company), engaged in the manufacturing and supply of essential and lifesaving medicines, issued (30 December 2017/ 10 January 2018) two work orders[55] for ₹8.81 crore to Ashrae Clean Room Presentation Private Limited (contractor). The Company released (February 2018) an advance payment of ₹2.64 crore, *i.e.*, 30 *per cent* of value of work orders, to the contractor against bank guarantee for an equivalent amount as per the terms and conditions of the tender. The works were to be completed within 90 days from the date of work orders, *i.e.*, by 30 March 2018 and 10 April 2018 respectively.

To regulate recoveries of advances, the Central Vigilance Commission (CVC) issued guidelines (10 April 2007), which *inter alia*, provides that interest free mobilisation advance should not be encouraged. Any mobilisation advance extended to contractors should be recovered in a time bound manner without linking the same with the progress of work. Further, each of the proposed recovery instalments should be covered by bank guarantee so that at any point of time,

[55] (i) Supply, installation, commissioning and validation of heating, ventilation and air conditioning works (₹3.92 crore) and (ii) Supply, installation and commissioning of clean room panel works using pre-coated galvanised iron panels (₹4.89 crore) for the Non-Betalactam Plant.

recovery of advance could be ensured. The CVC guidelines (17 February 2011) further provided that bank guarantee taken towards security of mobilisation advance should be at least 110 *per cent* of the advance so as to enable recovery of not only principal amount but also the interest portion, if so required. A clause in tender enquiry and the contract of cases providing for interest free mobilisation advance may be stipulated that if the contract is terminated due to default of the contractor, the mobilisation advance would be deemed as interest bearing advance at an interest rate[56] to be compounded quarterly.

The tender conditions specified that no mobilisation advance shall be paid, but the terms of payment in the tender provided for payment of advance. The Company, however, neither stipulated the mode and period of recovery of mobilisation advance nor the rate of interest in case of delayed recovery of mobilisation advance. Recovery of advance was, hence, linked with the actual progress of the work. The Company also did not comply with the CVC guidelines (17 February 2011) on inclusion of a clause in the tender enquiry for treating the interest free advance as interest bearing in the event of termination of the contract due to default of the contractor.

The contractor failed to complete the work in stipulated time and the contract was terminated (September 2021). Out of the advance amount of ₹2.64 crore, the Company could recover ₹2.09 crore through running account bills till September 2020 after 815 days in respect of the first work order and 860 days in respect of the second work order[57]. The balance amount was recovered by encashing (August 2021) bank guarantees maintained against the advance and the full recovery was completed after 1,188 days. Non-recovery of advance even after the stipulated period of completion of works led to extension of undue benefit of ₹32.65 lakh[58] to the contractor up to August 2021.

As per the tender conditions, an advance of 30 *per cent* of the basic value of the equipment to be supplied was to be paid along with the work orders, while no advance was to be paid for erection.

It was noticed that as per the work orders issued to the contractor, the basic value of equipment to be supplied in respect of the work orders dated 30 December 2017 and 10 January 2018 was 90.25 *per cent*[59] and 89.46 *per cent* respectively of the total value of work. Accordingly, the contractor was eligible for advance amounting to ₹2.37 crore. The Company, however, paid advance equivalent to 30 *per cent* (₹2.64 crore) of the total value of work orders. This led to excess payment of advance amounting to ₹0.27 crore to the contractor.

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[56] To be stipulated depending on the prevailing rate at the time of issue of tender enquiry.

[57] Calculated from 07 May 2018 for the first work and from 12 May 2018 for the second work, *i.e*, after 90 days from the date of payment of advance as the work was to be completed in 90 days as per work order.

[58] Calculated based on the rate of interest (9.50 *per cent*) at which the Company availed loans from the GoK. The undue benefit was calculated on the amount of advance outstanding after 90 days of payment of advance, *i.e.*, from 07 May 2018 for the first work and from 12 May 2018 for the second work.

[59] Based on revised work order dated 12/05/2018.

Government replied (March 2022) that since advance was clearly stated in the tender document which was available to all prospective bidders and tender document was silent on interest on advance, no undue benefit was extended to any particular contractor. The Company informed Government that based on the audit observation, all advance payments to suppliers were made interest bearing.

The reply is not acceptable as Audit has not objected to extending interest free advance to contractors. The audit finding is about linking the recovery of interest free advance with the actual progress of work, which was not consistent with the CVC guidelines. Further, the risk of misuse of such advances by contractors proved beneficial to the contractor due to the non-completion of the project. The reply was silent on the excess payment of advance to the contractor.

Thus, non-inclusion of appropriate clause for recovery of interest free advance in a time bound manner as per CVC guidelines resulted in extension of undue benefit of ₹32.65 lakh to the contractor.

Recommendation: Government may direct PSUs to strictly adhere to guidelines of Central Vigilance Commission regarding granting and recovery of interest free advance to contractors.

Power Cluster

Kerala State Electricity Board Limited

4.5 Loss of Central Government assistance

Non-maintenance of records relating to payment of SGST under Saubhagya scheme led to loss of grant of ₹7.30 crore. Failure to provide LED lamps to BPL households under DDUGJY scheme resulted in deprival of benefit.

Government of India (GoI) launched (December 2014) 'Deen Dayal Upadhyaya Gram Jyoti Yojana' (DDUGJY) scheme for rural electrification. Another scheme *viz*., 'Pradhan Mantri Sahaj Bijli Har Ghar Yojana' (Saubhagya) was launched (September 2017) by GoI for universal household electrification. REC Limited (REC) was the Nodal Agency for operationalisation and implementation of the schemes.

The approved project cost of DDUGJY in the State of Kerala was ₹485.37 crore and that of Saubhagya was ₹90.00 crore. The funding pattern for the schemes was envisaged as 60 *per cent* GoI grant, Utility share of 10 *per cent* and remaining 30 *per cent* by way of borrowing from financial institutions. Kerala State Electricity Board Limited (KSEBL) completed (September 2018) Saubhagya works and submitted (February 2020) Closure Report to REC for ₹95.75 crore. Similarly, KSEBL completed (September 2019) DDUGJY works and submitted (September 2020) Closure Report for ₹507.03 crore. REC approved the closure reports for ₹88.45 crore and ₹493.03 crore for Saubhagya and DDUGJY schemes respectively.

4.5.1 Loss of grant in Saubhagya scheme

REC informed (February 2019) KSEBL that wherever State taxes/ State Goods and Services Tax (SGST) included in the project cost has not been informed by Project Implementing Agency, a provisional amount of State GST at the rate of nine *per cent* would be withheld from project cost for calculating the eligible claim amount. On receipt of actual State taxes/ SGST amount in the final execution cost during closure of projects, the same would be adjusted suitably while releasing final instalment. In cases where the Project Implementing Agency provided the segregation of State taxes/ SGST from project cost, the same would be deducted from project cost for calculation of eligible subsidy amount.

Audit noticed that the Closure Report for ₹95.75 crore submitted by KSEBL to REC showed the amount of State tax/ SGST as 'Nil'. Based on the Closure Report, REC approved (August 2020) the final project completion cost for ₹88.45 crore after disallowing ₹7.30 crore towards State tax/ SGST. KSEBL was not maintaining separate details of GST (CGST and SGST) incurred by it for purchasing materials. Hence, it was not in a position to furnish relevant details to REC along with the Closure Report which resulted in disallowance of ₹7.30 crore.

Government replied (February 2022) that reconnection of households de-electrified during flood was carried out under mission mode within a short period by using the material already available in different stores and locations. Hence, it would be difficult to extract the State tax amount in respect of purchased material and get it audited for submitting documentary evidence for claiming State tax.

The reply was not tenable as inability of KSEBL to account for the payment made against State tax/ SGST resulted in losing substantial amount of subsidy. Besides, KSEBL had sufficient time to compile State tax/ SGST as Closure Report was submitted in February 2020, after 17 months from the completion of works.

4.5.2 Loss of grant in DDUGJY scheme

As per the Tripartite Agreement with REC for implementing DDUGJY, GoK and KSEBL agreed to provide free electricity connections with LED lamp or other better innovative energy saving lamp to Below Poverty Line (BPL) households under DDUGJY. For this, 100 *per cent* subsidy was available at the rate of ₹3,000 per connection.

Audit noticed that claim of KSEBL in the Closure Reports ranged from ₹2,700 to ₹1,700 for providing free service connection to each BPL household. Considering that the maximum allowable amount under the scheme was ₹3,000 per connection, KSEBL could have provided LED lamps costing minimum ₹300 per connection. But KSEBL did not provide LED lamps to the 1.27 lakh BPL households to whom service connections were provided under the scheme which resulted in loss of GoI subsidy of minimum ₹3.81 crore[60]. Consequently, the BPL households were deprived of the benefit of receiving LED lamps free of cost under the scheme.

Government replied (February 2022) that even though LED lamps were not made available at the time of giving service connection, the same were provided subsequently to BPL households.

The fact, however, remains that omission on the part of KSEBL resulted in loss of opportunity to avail GoI subsidy under DDUGJY scheme. Further, the reply was not specific as to whether subsequent supply of LED lamps covered all the beneficiaries identified under DDUGJY scheme.

Recommendations: Government may:

- ***Ensure that all the required data are compiled and documents prepared while implementing Centrally assisted schemes so as to claim eligible grant.***
- ***Ensure that all components of a scheme are implemented to ensure that the envisaged benefits reach the target group and to avail maximum eligible grant from Government of India.***

Thiruvananthapuram,
The 02 February 2023

(Dr. BIJU JACOB)
Principal Accountant General (Audit II),
Kerala

Countersigned

New Delhi,
The 08 February 2023

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

[60] 1,27,196 connections @ minimum ₹300 per connection.

Appendices

Appendix 1

Profile of audited entities

(Referred to in Paragraph 1.2)

Sl. No.	Name of the Department	Objective/ Functions of the Department
1	**Environment and Climate Change**	The main objective of the Directorate of Environment and Climate Change (DoECC) under Environment Department is placing the environmental concerns at the forefront of sustainable development for maintaining the quality of life of the people of the State by strengthening environmental governance for maintaining environmental sustainability of the State; Integrating environmental aspects in the development processes; Investment in environmental management programmes in the State at community level and create a civic movement on upkeep of environmental sustainability.
2	**Forests and Wildlife**	The objectives are to conserve and expand unique and complex natural forests of Kerala for posterity, in particular with regard to water; biodiversity; extent; productivity; soil, environmental, historical, cultural and aesthetic values, without affecting their ecological processes, to conserve, maintain and enhance the existing gene pool of the State for posterity, to reduce pressure on forest through appropriate interventions, to sustainably conserve and manage biodiversity-rich and sensitive ecosystems such as mangroves, sacred groves, coastal areas, wetlands, homesteads, private plantations *etc*., which are outside the control of the Forest Department, to meet the livelihood needs of tribals and other forest dependent communities, to improve the standard of living of the forest dependent tribals and village communities *etc*.
3	**Public Works**	The Public Works Department is the Statutory Authority for designing, planning, monitoring, constructing and undertaking maintenance of public works of the State Government such as Government Buildings, Roads, Bridges *etc*., irrespective of the source of funds for the same
4	**Science and Technology**	The objectives are to promote new areas of Science and Technology and to play the role of a nodal Department for organising, coordinating and promoting Science & Technology activities in the country.

Sl. No.	Name of the Department	Objective/ Functions of the Department
5	**Industries and Commerce**	The objectives are to create necessary industrial infrastructure and provide adequate logistical support to facilitate industrial growth in the state.
6	**Power**	The objective is to increase power generation to ensure availability of power in tune with increased demand.
7	**Cultural Affairs**	The Department of Culture is formed to preserve and promote Kerala's unique culture, art, literature and rituals.
8	**Electronics and Information Technology**	The Department aims to promote digital innovations and make Kerala No.1 digital state.
9	**Port**	The Department aims to enhance the productivity of the ports through innovation and implementation of latest technology solutions in various areas of Port operations and functions.
10	**Tourism**	The Department formulates policies and programs for the co-ordination of activities for the development and promotion of tourism in the State.
11	**Transport**	Aims to have a sustainable, efficient, safe and internationally comparable quality of road infrastructure in general and State Highways infrastructure in particular to achieve enhanced connectivity, quick mobility to a level which accelerate socio-economic development.

Appendix 2

Statement showing age-wise analysis of Inspection Reports and paragraphs outstanding in Departments

(Referred to in Paragraph 1.6.1)

Sl. No.	Name of Department	Number of Inspection Reports outstanding				Number of paragraphs outstanding			
		Older than five years	Between three to five years	Up to three years	Total	Older than five years	Between three to five years	Up to three years	Total
1	Industries and Commerce	50	12	14	76	140	73	151	364
2	Power	19	8	3	30	68	44	21	133
3	Cultural affairs	62	25	13	100	236	175	130	541
4	Electronics and Information technology	15	4	3	22	122	58	22	202
5	Port	12	5	0	17	29	18	0	47
6	Tourism	12	3	3	18	61	21	31	113
7	Transport	80	144	55	279	259	1,365	639	2,263
8	Environment and Climate Change	6	1	2	9	35	8	22	65
9	Public Works	237	38	34	309	1,015	311	315	1,641
10	Forests and Wildlife	83	3	68	154	298	5	404	707
11	Science and Technology	22	2	3	27	69	16	16	101
Total		**598**	**245**	**198**	**1,041**	**2,332**	**2,094**	**1,751**	**6,177**

Appendix 3
Details of Digital Asset Management System and Zoo Management System projects implemented by Directorate of Museums and Zoos
(Referred to in Paragraph 2.1)

Particulars	DAMS	ZMS
Administrative Sanction	January 2013 - ₹63.21 lakh[61].	September 2013 - ₹38.79 lakh.
Objectives	Digitisation of assets and inventory management of assets, online sharing of information through web *etc*.	Keeping records of various aspects of animals, their feeding and food stock, medical history *etc*.
Work Order issued to SIDCO	Issued in January 2013 for ₹63.21 lakh.	Issued in December 2013 for ₹38.79 lakh.
Date of agreement with SIDCO	February 2013.	December 2013.
Role of SIDCO as per agreement	Undertake System Requirement Study, Design Development and implementation of DAMS within six months.	Undertake System Requirement Study, Design Development, and implementation of Software within four months.
Warranty as per agreement	12 months from the date of implementation.	12 months from the date of implementation.
Annual Maintenance Contract (AMC) as per agreement	On completion of warranty period, SIDCO shall undertake AMC for next two years (Cost of AMC included in the total project cost).	On completion of warranty period, SIDCO shall undertake AMC at agreed rates and conditions.
Status of completion as intimated by SIDCO	SIDCO intimated (February 2014) that the project was satisfactorily completed.	SIDCO intimated (June 2014) the Directorate that the project was completed.
Details of payment made to SIDCO	The Directorate paid the entire amount of ₹63.21 lakh by June 2014.	The Directorate paid the entire amount of ₹38.79 lakh by April 2014.
Status of project as of November 2021	Not operational.	Not operational.

[61] Including additional amount of ₹2.25 lakh sanctioned in June 2014.

Appendix 4

Details of payment of Service Charge and GST by Forest Divisions to MSTC Limited

(Referred to in Paragraph 2.2)

Name of division	Financial Year	Sale value of timber through MSTC (₹ in lakh)	Service charge paid to MSTC (₹ in lakh)	GST paid to MSTC on service charge (₹ in lakh)
Timber Sales Division, Kottayam	2017-18	830.69	6.65	1.2
	2018-19	2,225.37	17.8	3.2
	2019-20	1,235.24	9.88	1.78
	2020-21	1,492.98	11.94	2.15
	Total	**5,784.28**	**46.27**	**8.33**
Timber Sales Division, Palakkad	2017-18	4,658.86	37.27	6.71
	2018-19	4,436.54	35.49	6.39
	2019-20	4,754.26	38.03	6.85
	2020-21	6,476.4	51.81	9.33
	Total	**20,326.06**	**162.6**	**29.28**
Timber Sales Division, Perumbavoor	2017-18	1,592.62	12.74	2.29
	2018-19	1,803.84	14.39	2.59
	2019-20	2,296.22	18.37	3.31
	2020-21	1,073.71	8.56	1.54
	Total	**6,766.39**	**54.06**	**9.73**
Grand Total		**32,876.73**	**262.93**	**47.34**

Source: Details furnished by the Forest Divisions

Appendix 5

Details of sale value and GST paid thereon by Timber Sales Divisions

(Referred to in Paragraph 2.2)

Name of division	Financial Year	Sale value of timber through MSTC (₹ in lakh)	GST amount remitted to Government Accounts on sale of timber (₹ in lakh)
Timber Sales Division, Kottayam	2017-18	830.69	204.12
	2018-19	2,225.37	396.15
	2019-20	1,235.24	284.86
	2020-21	1,492.98	301.06
	Total	**5,784.28**	**1,186.19**
Timber Sales Division, Palakkad	2017-18	4,658.86	920.45
	2018-19	4,436.54	937.20
	2019-20	4,754.26	879.41
	2020-21	6476.40	1,081.35
	Total	**20,326.06**	**3,818.41**
Timber Sales Division, Perumbavoor	2017-18	1,592.62	253.58
	2018-19	1,803.84	373.83
	2019-20	2,296.22	492.33
	2020-21	1,073.71	173.82
	Total	**6,766.39**	**1,293.56**
Grand Total		**32,876.73**	**6,298.16**

Source: Details furnished by the Forest Divisions

Appendix 6

Details of payment of Service Charge and GST to MSTC Limited by Sandal Division, Marayoor

(Referred to in Paragraph 2.2)

Name of division	Items	Financial Year	Sale value of timber through MSTC (₹ in lakh)	Service charge paid to MSTC (₹ in lakh)	GST paid on service charge (₹ in lakh)
Sandal Division, Marayoor	Sandal Wood	2017-18	3,130.23	25.04	4.51
		2018-19	6,807.53	54.46	9.8
		2019-20	3,813.58	30.51	5.49
		2020-21	6,167.82	49.34	8.88
	Sandal Oil	#	32.69	0.26	0.05
Total			**19,951.85**	**159.61**	**28.73**

Source: Details furnished by the Forest Divisions

Sandal oil sales with respect to 15/01/2019, 26/06/2019 and 20/12/2019 only.

Appendix 7

Details of sale value of sandal wood and sandal oil and GST paid thereon by Sandal Division, Marayoor

(Referred to in Paragraph 2.2)

Name of Division	Items	Financial Year	Sale value of timber through MSTC (₹ in lakh)	GST amount remitted to Government Accounts on sale of timber and sandal oil (₹ in lakh)
Sandal Division, Marayoor	Sandal Wood	2017-18	3,130.23	583.86
		2018-19	6,807.53	1,286.62
		2019-20	3,813.58	720.77
		2020-21	6,167.82	1,165.72
	Sandal Oil	#	32.69	8.68
Total			**19,951.85**	**3,765.65**

Source: Details furnished by the Forest Divisions

Sandal oil sales with respect to 15/01/2019, 26/06/2019 and 20/12/2019 only.

Appendix 8

Excess contribution to EPF in respect of KSCSTE and five R & D Centres

(Referred to in Paragraph 2.3)

Sl. No.	Institution	Amount (₹ in lakh)
1	The Kerala State Council for Science, Technology and Environment (KSCSTE), Thiruvananthapuram	84.84
2	Jawaharlal Nehru Tropical Botanical Garden and Research Institute (JNTBGRl), Thiruvananthapuram	421.85
3	Centre for Water Resources Development and Management (CWRDM) , Kozhikode	268.44
4	National Transportation Authority for Planning and Research Centre (NATPAC), Thiruvananthapuram	129.69
5	Sophisticated Test and Instrumentation Centre (STIC), Kochi	62.02
6	Kerala Forest Research Institute (KFRI), Peechi, Thrissur	219.50
Total		**1,186.34**

Source: Details furnished by the department

Appendix 9

Net GST liability of the 15 PWD Divisions

(Referred to in Paragraph 2.6)

(₹ in lakh)

Division	Date of Registration	Value of Bitumen	Total GST to be paid	Input tax credit utilised				Balance to be paid	Interest due	Total liability
				2017-18	2018-19	2019-20	Total			
Thiruvananthapuram	03/07/2018	2,016.60	362.99	0.00	149.52	23.79	173.31	189.68	109.79	299.47
Kollam	07/06/2018	2,464.14	443.55	0.00	0.00	0.00	0.00	443.55	151.62	595.17
Pathanamthitta	06/09/2018	2,309.81	415.77	8.42	248.25	31.04	287.71	128.06	137.53	265.59
Alappuzha	01/10/2018	1,871.67	336.90	1.62	205.94	29.98	237.54	99.36	91.69	191.05
Kottayam	30/06/2018	3,287.22	591.70	0.00	321.54	59.57	381.11	210.59	161.30	371.89
Muvattupuzha	26/04/2018	1,355.38	243.97	0.00	119.98	43.39	163.37	80.60	64.44	145.04
Idukki	01/08/2019	1,733.87	312.10	0.00	0.00	0.00	0.00	312.10	98.50	410.60
Eranakulam	20/04/2018	1,473.69	265.26	14.32	132.46	46.28	193.06	72.20	68.64	140.84
Thrissur	11/12/2018	2,158.13	388.47	0.00	0.00	53.74	53.74	334.73	121.13	455.86
Palakkad	05/04/2018	1,936.30	348.53	26.88	220.41	23.90	271.19	77.34	78.60	155.94
Malappuram	05/09/2019	1,712.85	308.32	0.00	0.00	0.00	0.00	308.32	97.23	405.55
Kozhikode	16/05/2018	1,300.40	234.07	0.00	137.37	23.68	161.05	73.02	61.00	134.02
Wayanad	01/10/2018	1,151.01	207.18	0.00	0.00	0.00	0.00	207.18	66.01	273.19
Kannur	05/06/2018	1,210.66	217.92	0.00	100.71	43.81	144.52	73.40	54.71	128.11
Kasargod	30/01/2019	1,517.28	273.11	0.00	30.27	20.51	50.78	222.33	83.02	305.35
Total		**27,499.01**	**4,949.84**	**51.24**	**1,666.45**	**399.69**	**2,117.38**	**2,832.46**	**1,445.21**	**4,277.67**

Source: Details furnished by PWD

Appendix 10

Multiple revision of design of the buildings for the PWD Complex, Neriamangalam

(Referred to in Paragraph 2.7)

Phase	Year of finalisation of design	Details of buildings	Year and Amount of A.S. accorded	Construction	Expenditure including Civil Works, Electrical Works, Furniture and other equipment (₹ in lakh)	Remarks
I	2008	Design included the following: Single building with two floors – Training rooms, lecture hall, canteen, kitchen Quality Control Lab on Ground Floor and dormitory, suite *etc*. on first floor	2009	Phase-I (Training Centre)Work of Cellar, Ground Floor, First Floor and Staircase room in Second Floor included.	342.55	Initial A.S.
	2010		2010 **₹448 lakh** (revised AS)			Revised A.S.
Phase I Work completed in July 2013						
II	2009	Design modified to include the following: Single building with 3 floors – car parking in Ground floor, Audio-Visual room, kitchen, offices, entrance lobby on first floor, conference hall, library utility to Conference Hall, meeting rooms on second floor, guest rooms on third floor.	2013 **₹700 lakh**	Phase II Second Floor and Terrace Floor are included. Work completed in December 2016	811.56	Design was revised from a two-floor building to three floor building
Phase II Work completed in December 2016						
III	2010	Design modified to include the following three buildings: 1)Training Block Car parking in cellar, dining hall, kitchen, dormitory, VIP dining hall, entertainment/reading room, lounge in ground floor, library, seminar halls (5 Nos.) on first floor, one conference	2015 **₹1,000 lakh**	Phase III Construction of Compound Wall, Rest House and Furniture, PH Works provision for water supply and sanitary arrangements, construction of Septic Tank, *etc*., At the time of commencement of the work, it was found that by providing access to the	794.44	Design was again revised and three buildings, one each for Training Centre, Hostel and Convention Centre included in the plan.

Phase	Year of finalisation of design	Details of buildings	Year and Amount of A.S. accorded	Construction	Expenditure including Civil Works, Electrical Works, Furniture and other equipment (₹ in lakh)	Remarks
		hall, one mini conference hall and one audio-visual room on second floor 2)Rest House 13 rooms each on Basement 1, Basement 2 and ground floors, 4 suites and 6 rooms on first floor 3)Convention Centre Dining hall on ground floor and auditorium on first floor.		already completed training centre, the architectural plan was not suitable as per site profile. Hence the architectural drawing was revised with four story building with basement-II, Basement-I, Ground Floor, First Floor and second floor. Basement-II, Basement-I and Ground Floorwork **completed in December 2018**		
	2013	Regional Quality Control Laboratory	2013 **₹67 lakh**	Work commenced in March 2014 and **completed in March 2015**	69.06	Construction of Regional (Quality Control) Laboratory and Quality Control Regional Office
III Balance Work	2017	Balance work of Rest House	2019 **₹434.91 lakh**	Construction of first and second floor, Machine room, Head Room, retaining wall, furnishing of basement I and II, electric works, electronic works. **Completed in March 2021**	404.33	….
Total			**₹2,649.91 lakh**		**2,421.94**	

Source: Details furnished by PWD

Appendix 11

Details of electrical and electronic equipment, furniture and kitchen equipment and accessories procured and their warranty status - PWD Complex, Neriamangalam

(Referred to in Paragraph 2.7)

Sl. No.	Item	Cost (₹ in lakh)	Date of installation/ commissioning	Warranty period	Remarks
1	Furniture	85.65	30/07/2018	-	
2	Furniture & Kitchen accessories	109.20	10/11/2020	-	Though order was placed for the items costing ₹111.24 lakh only items for ₹109.20 lakh was supplied.
3	Electrical & Electronic items				
	(i) LAN, Voice Server, Smart Classroom	24.55	-	5 years warranty and performance warranty of 10 years only for LAN.	LAN was having a warranty upto five years/performance warranty of 10 years. However, the Voice Server and Smart Classrooms were not covered by warranties. The items could not be commissioned due to non-availability of electric connection.
	(ii) Firefighting equipment	10.69	21/05/2019	3 years	
	(iii) Electrical work of 2nd floor and installation of power generator	23.64	12/01/2019	3 years	
	(iv) Passenger lift	48.00	09/01/2020	3 years	
Total cost		**301.73**			

Source: Details furnished by PWD

Appendix 12

The present status of the defect liability period of the buildings in PWD Complex, Neriamangalam

(Referred to in Paragraph 2.7)

Phase No.	Name of contractor	Date of completion of work	Defect Liability period	Amount incurred (₹ in lakh)	Date of expiry of defect liability period
I	K Ramesh Babu	02/07/2013	2 years	333.95	01/07/2015
II	K Ramesh Babu	01/12/2016	3 years	704.68	30/11/2019
III	K Ramesh Babu	17/12/2018	3 years	591.57	16/12/2021
III Balance Work	K Ramesh Babu	09/03/2021	3 years	404.33	08/03/2024
QC building	Jibi Paul	11/03/2015	3 years	64.67	10/03/2018

Source: Details furnished by PWD

Appendix 13

Details of 44 works under nine PWD Divisions in which undue benefit of ₹4.98 crore rendered to contractors

(Referred to in Paragraph 2.8)

Division	Sl. No.	Agreement Number and date	EPAC (₹ in lakh)	Original ToC (in months)	Tender closing date	Cost difference allowed (₹)	
						Already paid	Payment pending
Thiruvanan thapuram	1	58/SESC/17-18 dt. 25/05/17	249.39	6	05/05/17	6,20,118	0
	2	85/SESC/17-18 dt. 13/07/17	519.29	10	08/05/17	0	22,83,037
	3	40/SESC/18-19 dt. 09/07/18	795.34	12	13/03/18	0	35,02,457
	4	204/SESC/17-18 dt. 05/12/17	226.44	6	04/11/17	0	8,79,820
	5	75/SESC/19-20 dt.15/11/19	2,222.06	2	08/08/19	0	22,40,605
Kottayam	6	213/SESC/17-18 dt. 28/12/17	1,851.87	18	06/11/17	30,55,865	0
	7	41//SESC/17-18 dt 11/07/18	233.36	12	19/06/18	3,13,743	0
	8	175/SESC/18-19 dt 31/12/18	169.99	6	26/05/18	1,76,304	0
	9	211/SESC/17-18 dt 21/12/17	776.27	12	05/08/17	0	17,90,495
	10	18/SESC/18-19 dt 16/05/18	118.74	6	24/04/18	2,47,759	0
	11	126/SESC/17-18 dt 02/08/17	283.99	12	15/07/17	13,32,720	0
	12	120/SESC/17-18 dt 28/07/17	343.79	7	14/06/17	8,26,041	0
	13	191/SESC/17-18 dt 01/11/17	373.33	12	19/09/17	8,77,352	0
	14	116/SESC/17-18 dt 26/07/17	148.76	12	09/05/17	3,63,132	0
Thrissur	15	154/SECCA/17-18 dt 23/02/18	139.70	9	27/12/17	0	2,52,155
	16	63/SECCA/18-19 dt. 08/11/18	391.49	12	11/10/18	14,89,383	0
	17	53/SECCA/18-19 dt. 20/10/18	294.57	12	19/09/18	7,63,867	0
	18	36/SECCA/17-18 dt. 08/08/18	135.74	12	06/07/18	3,39,458	0
	19	97/SECCA/17-18 dt. 16/08/17	144.07	9	26/05/17	61,095	0
	20	127/SECCA/17-18 dt.23/10/17	162.10	9	09/06/17	10,93,595	0
	21	26/SECCA/18-19 dt 04/07/18	107.17	4	12/06/18	4,18,205	0
	22	160/SECCA/17-18 dt.26/03/18	139.96	6	06/02/18	2,70,858	0
Palakkad	23	SE(K)10/18-19 dt 03/05/18	144.81	6	16/03/18	0	1,27,749
	24	SE(K)28/18-19 dt. 08/06/18	148.15	8	27/04/18	5,17,498	0
	25	SE(K)95/17-18 dt 19/07/17	185.79	6	30/06/17	10,99,797	0
Kozhikode	26	SE(K)51/17-18 dt. 27/06/17	282.63	12	15/05/17	18,66,013	0
	27	SE(K)52/18-19 dt. 23/07/18	231.59	9	16/06/18	13,78,075	0
Malapuram at Manjeri	28	SE(K)08/18-19 dt 02/05/18	146.67	6	16/03/18	9,14,339	0
	29	SE(K)73/18-19 dt 12/09/18	468.47	9	13/07/18	9,25,543	0
	30	SE(K)13/18-19 dt 04/05/18	149.25	6	23/03/18	10,62,288	0
	31	SE(K)74/18-19 dt 13/09/18	296.24	7	03/08/18	0	10,61,493
	32	SE(K)104/17-18 dt 20/07/17	261.05	8	12/05/17	0	8,22,782
	33	SE(K)58/18-19 dt 31/07/2018	298.87	8	29/06/18	13,37,714	0
	34	SE(K)2/18-19 dt 23/04/2018	198.31	6	23/03/18	13,70,497	0
	35	SE(K)82/18-19 dt 29/09/2018	98.42	6	18/08/18	2,94,227	0

Division	Sl. No.	Agreement Number and date	EPAC (₹ in lakh)	Original ToC (in months)	Tender closing date	Cost difference allowed (₹)	
						Already paid	Payment pending
Wayanad at Kalpetta	36	SE(K) 211/17-18 dt 14/11/17	993.58	12	19/05/17	0	58,89,056
Kannur	37	SE(K)14/18-19 dt. 10/05/18	1,170.40	9	02/02/18	20,76,656	0
	38	SE(K)67/17-18 dt. 14/08/18	295.27	9	13/07/18	1,50,338	0
	39	SE(K)204/17-18 dt. 07/11/17	297.93	6	07/10/17	15,66,028	0
	40	SE(K)92/18-19 dt. 10/10/18	324.25	7	29/08/18	2,43,515	0
	41	SE(K)273/17-18dt. 31/03/18	588.58	8	02/02/18	12,47,992	0
	42	SE(K)77/17-18 dt 30/06/17	441.18	6	26/05/17	11,93,141	0
	43	SE(K)86/18-19 dt 03/10/18	115.00	6	14/09/18	2,83,721	0
Kasaragod	44	SE(K)/47/2017-18 dt 24/06/17	348.12	6	09/06/17	12,07,780	0
Total						**3,09,84,657**	**1,88,49,649**

Source: Details furnished by PWD

Appendix 14
Details of excess payment due to non-recovery of cost index from payment to PWD Contractors
(Referred to in Paragraph 2.9)

(Amount in ₹)

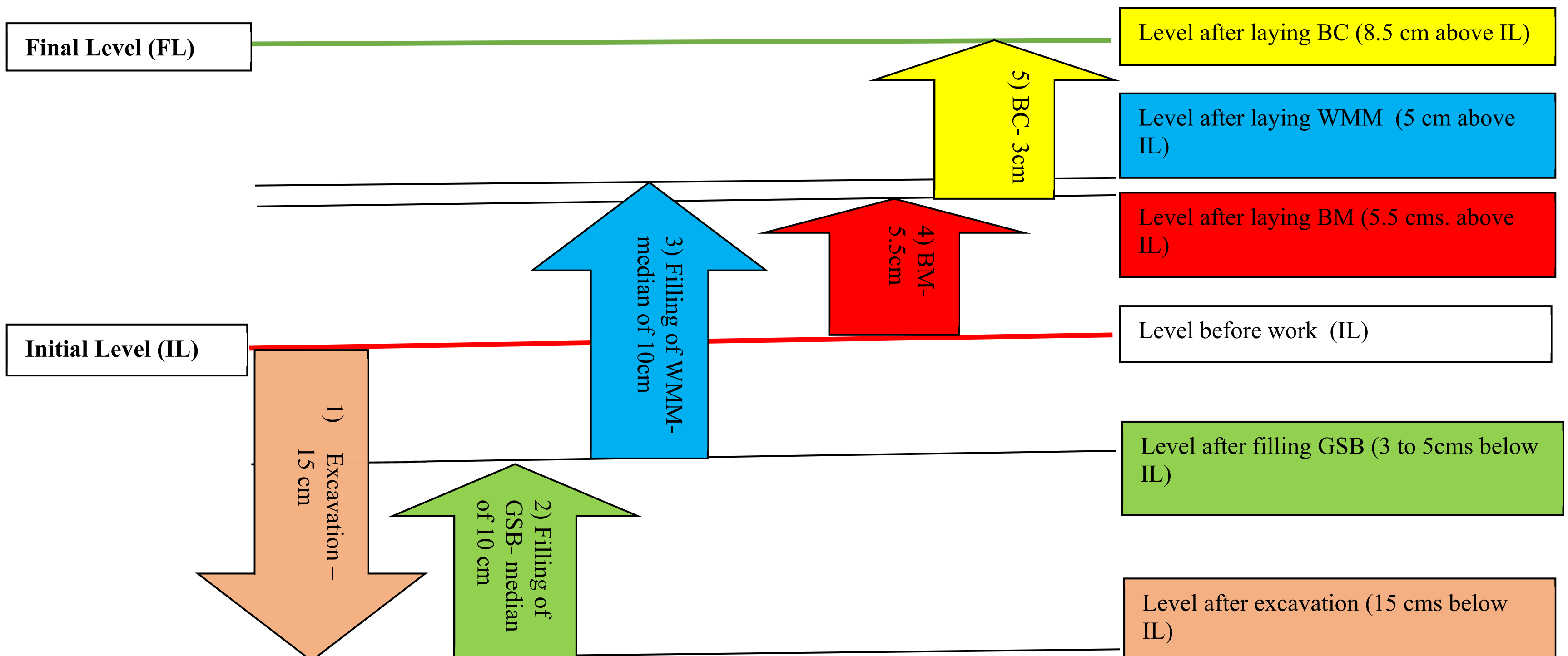
Details of work	Quantity of bitumen used as per final adequacy (MT)		Scheduled rate of bitumen plus cost index (per MT)	Amount to be recovered	Amount recovered	Difference	Tender excess/ rebate calculated for difference paid (Col. 7 x Tender excess/rebate)	Total excess payment
1	**2**	**3**	**4**	**5 [3 x 4]**	**6**	**7 [5 – 6]**	**8**	**9 [7 + 8]**
Providing BM and BC to Mannanam-Kudamaloor Road-Ch. 0/000 to 2/300. Agrmt. No.119-SESC-2014-15 dt 03/03/2015.	VG 30	106.608	54,940	58,57,043.52	43,70,928.00	14,86,115.52	0	14,86,115.52
	Emulsion	14.386	40,200	5,78,317.20	4,31,580.00	1,46,737.20	0	1,46,737.20
Improvements to 1st reach of Kappilakkunnu-Vilakkumaruthu -Palakkadu-Kizhprayar road-Ch. 0/000 to 9/000 including Thazhaveli-Kochukottaram Road Ch. 0/000 to 1/000. AgrmtNo.121-SESC-2015-16 dt. 19/11/2015.	VG 30	241.740	54,940	1,32,81,195.60	99,11,340.00	33,69,855.60	Tender Excess 11.32% 3,81,467.65	37,51,323.25
	Emulsion	21.628	40,200	8,69,425.50	6,48,825.00	2,20,600.50	24,971.98	2,45,572.48
Nabard RIDF XIX-Improvements to Thekkumuri – Andoor – Padinjattinkara-Thamarakkulam –Edanad road. AgrmtNo.168-SESC-2015-16 dt. 16/01/2016.	VG 30	545.703	54,940	2,99,80,922.82	2,23,73,823.00	76,07,099.82	Tender Rebate 15.12% -11,50,193.49	64,56,906.33
	Emulsion	55.136	40,200	22,16,467.20	16,54,110.00	5,62,357.20	-85,028.41	4,77,328.79
Total				**5,27,83,371.84**	**3,93,90,606.00**	**1,33,92,765.84**	**-8,28,782.27**	**1,25,63,983.57**

Source: Details furnished by PWD

Appendix 15

Figure 1

(Referred to in Paragraph 2.10)



Observation: After doing 1st, 2nd and 3rd works, execution of **4th** work is not at all possible at the final level of BM recorded and cannot work out the volume of BM with respect to initial level taken in 2017.

Further, in case of **5th** work, the volume of BC calculated with respect to final levels of BM is also not correct.

Appendix 16
Statement showing non-levy of Green Tax
(Referred to in Paragraph 2.11.1)

Sl. No.	Name of Office		Period	Transport Vehicles		Non-Transport Vehicles		Total	
				No. of cases	Amount (₹)	No. of cases	Amount (₹)	No. of cases	Amount (₹)
1	RTO	Alappuzha	2018-19	52	13,500	39	15,600	91	29,100
2	RTO	Attingal	2018-19	277	1,37,700	118	47,200	395	1,84,900
3	RTO	Ernakulam	2018-19	200	48,600	439	1,75,600	639	2,24,200
4	RTO	Idukki	2018-19	89	23,400	31	12,400	120	35,800
5	RTO	Kannur	2018-19	411	1,20,000	189	75,600	600	1,95,600
6	RTO	Kasargod	2018-19	895	2,34,200	163	65,200	1,058	2,99,400
7	RTO	Kollam	2018-19	795	2,11,200	771	3,08,400	1,566	5,19,600
8	RTO	Kottayam	2018-19	338	86,000	379	1,51,600	717	2,37,600
9	RTO	Kozhikode	2018-19	499	1,23,900	61	24,400	560	1,48,300
10	RTO	Malappuram	2018-19	390	93,600	245	98,000	635	1,91,600
11	RTO	Muvattupuzha	2018-19	54	15,400	57	22,800	111	38,200
12	RTO	Palakkad	2018-19	1,596	4,44,600	221	88,400	1,817	5,33,000
13	RTO	Pathanamthitta	2018-19	317	82,400	102	42,000	419	1,24,400
14	RTO	Thiruvananthapuram	2018-19	846	2,12,000	399	1,59,600	1,245	3,71,600
15	RTO	Thrissur	2018-19	662	2,04,900	0	0	662	2,04,900
16	RTO	Vadakara	2018-19	71	16,000	22	8,800	93	24,800
17	RTO	Wayanad	2018-19	190	44,700	68	27,200	258	71,900
18	SRTO	Alathur	2017-19	370	87,100	301	1,20,400	671	2,07,500
19	SRTO	Chengannur	2017-19	72	17,000	209	83,600	281	1,00,600
20	SRTO	Cherthala	2017-19	237	58,300	218	87,200	455	1,45,500
21	SRTO	Devikulam	2017-19	265	60,800	199	79,600	464	1,40,400
22	SRTO	Guruvayoor	2017-19	845	2,02,000	440	1,76,000	1,285	3,78,000
23	SRTO	Kanjirappally	2017-19	64	13,900	342	1,36,800	406	1,50,700
24	SRTO	Kodungallur	2017-19	43	9,800	5	2,400	48	12,200
25	SRTO	Koilandy	2017-19	366	83,900	180	72,000	546	1,55,900
26	SRTO	Kothamangalam	2017-19	112	27,200	201	80,400	313	1,07,600
27	SRTO	Kuttanad	2017-19	104	30,500	40	16,000	144	46,500
28	SRTO	Mallappally	2017-19	86	19,800	105	42,000	191	61,800
29	SRTO	Mananthavady	2017-19	273	64,200	278	1,10,800	551	1,75,000
30	SRTO	Mannarkkad	2017-19	337	83,800	169	67,600	506	1,51,400
31	SRTO	Mattanchery	2017-19	574	1,79,400	235	93,600	809	2,73,000
32	SRTO	Mavelikkara	2017-19	74	20,400	292	1,16,800	366	1,37,200
33	SRTO	Nilambur	2017-19	63	14,600	254	1,01,600	317	1,16,200
34	SRTO	North Paravur	2017-19	692	1,67,000	699	2,55,300	1,391	4,22,300
35	SRTO	Ottappalam	2017-19	315	77,000	86	34,400	401	1,11,400
36	SRTO	Pala	2017-19	419	98,900	678	2,71,200	1,097	3,70,100

Sl. No.	Name of Office		Period	Transport Vehicles		Non-Transport Vehicles		Total	
				No. of cases	Amount (₹)	No. of cases	Amount (₹)	No. of cases	Amount (₹)
37	SRTO	Perinthalmanna	2017-19	130	29,200	254	1,01,600	384	1,30,800
38	SRTO	Perumbavoor	2017-19	1,042	2,69,800	444	1,77,600	1,486	4,47,400
39	SRTO	Ponnani	2017-19	106	23,200	69	27,600	175	50,800
40	SRTO	Ranni	2017-19	78	20,000	214	85,600	292	1,05,600
41	SRTO	Thaliparambu	2017-19	203	53,300	411	1,64,400	614	2,17,700
42	SRTO	Trippunithura	2017-19	464	1,21,600	384	1,53,600	848	2,75,200
43	SRTO	Udumbanchola	2017-19	320	70,500	378	1,51,200	698	2,21,700
44	SRTO	Uzhavoor	2017-19	90	23,200	440	1,76,000	530	1,99,200
45	SRTO	Vandiperiyar	2017-19	344	76,400	277	1,10,800	621	1,87,200
46	SRTO	Wadakkanchery	2017-19	433	1,06,400	314	1,29,600	747	2,36,000
Total				**16,203**	**42,21,300**	**11,420**	**45,48,500**	**27,623**	**87,69,800**

Appendix 17

Statement showing short levy of one-time tax

(Referred to in Paragraph 2.11.2)

Sl. No.	Office		No. of cases	Amount (₹)
1	RTO	Kannur	3	1,51,824
2	RTO	Kozhikode	9	10,54,863
3	RTO	Malappuram	1	19,951
4	SRTO	Cherthala	2	8,547
5	SRTO	Mannarkad	5	2,21,311
6	SRTO	Pala	7	1,09,553
7	SRTO	Ranni	2	92,712
8	SRTO	Thaliparamba	1	1,13,613
9	SRTO	Tripunithura	1	12,451
10	SRTO	Uzhavoor	1	1,55,551
Total			**32**	**19,40,376**

Appendix 18

Statement showing non/short levy of one-time tax in respect of vehicles reclassified from transport vehicles

(Referred to in Paragraph 2.11.3)

Sl. No.	Office		No. of cases	Amount (₹)
1	RTO	Alappuzha	21	3,20,100
2	RTO	Attingal	21	1,82,535
3	RTO	Ernakulam	75	12,43,899
4	RTO	Idukki	8	1,36,834
5	RTO	Kannur	36	1,62,338
6	RTO	Kasaragod	9	64,023
7	RTO	Kollam	39	4,39,541
8	RTO	Kottayam	37	4,04,167
9	RTO	Kozhikode	40	1,82,141
10	RTO	Malappuram	93	6,63,790
11	RTO	Muvattupuzha	18	3,12,245
12	RTO	Palakkad	48	4,29,189
13	RTO	Pathanamthitta	24	2,72,711
14	RTO	Thrissur	78	8,05,467
15	RTO	Trivandrum	55	9,98,579
16	RTO	Vadakara	20	2,44,846
17	RTO	Wayanad	15	55,400
18	SRTO	Alathur	27	2,33,026
19	SRTO	Chengannur	22	2,25,871
20	SRTO	Cherthala	91	89,59,910
21	SRTO	Devikulam	22	1,75,612
22	SRTO	Guruvayoor	40	7,93,492
23	SRTO	Kanjirapally	44	5,91,126
24	SRTO	Kodungallur	10	1,04,771
25	SRTO	Kothamangalam	30	2,18,174
26	SRTO	Koyilandy	32	1,29,530
27	SRTO	Kuttanad	19	1,97,416
28	SRTO	Mallappally	11	67,123
29	SRTO	Mananthavady	13	1,06,836
30	SRTO	Mannarkad	66	4,50,081
31	SRTO	Mattancherry	44	6,99,267
32	SRTO	Mavelikkara	24	2,40,857
33	SRTO	Nilambur	33	4,59,495
34	SRTO	North Paravoor	88	9,63,444
35	SRTO	Ottappalam	52	4,58,988
36	SRTO	Pala	45	6,98,711
37	SRTO	Perinthalmanna	40	2,92,659
38	SRTO	Perumbavoor	71	12,32,477
39	SRTO	Ponnani	39	6,11,987
40	SRTO	Ranni	68	10,76,555
41	SRTO	Thaliparamba	32	1,10,773
42	SRTO	Tripunithura	44	6,91,714
43	SRTO	Udumbanchola	25	2,46,358
44	SRTO	Uzhavoor	9	1,06,969
45	SRTO	Vadakkancherry	35	5,06,184
46	SRTO	Vandiperiyar	60	4,83,733
Total			**1,773**	**2,80,50,944**

Appendix 19

Statement showing age-wise analysis of Inspection Reports and paragraphs outstanding in Public Sector Undertakings

(Referred to in Paragraph 3.6)

Sl. No.	Name of PSU	Number of Pending IRs				Number of paragraphs outstanding			
		Older than five years	Between three to five years	Up to three years	Total	Older than five years	Between three to five years	Up to three years	Total
1	The Kerala State Coir Corporation Limited	0	2	0	2	0	9	0	9
2	Foam Mattings (India) Limited	0	2	1	3	0	9	4	13
3	Forest Industries (Travancore) Limited	1	2	1	4	2	9	10	21
4	Handicrafts Development Corporation of Kerala Limited	0	2	0	2	0	12	0	12
5	Kannur International Airport Limited	0	1	0	1	0	21	0	21
6	Kerala Artisans Development Corporation Limited	3	1	0	4	10	6	0	16
7	Kerala Cashew Board Limited	0	0	1	1	0	0	8	8
8	Kerala Clays and Ceramics Products Limited	0	0	1	1	0	0	6	6
9	The Kerala Minerals and Metals Limited	0	3	1	4	0	18	5	23
10	Kerala State Bamboo Corporation Limited,	1	2	1	4	4	11	10	25
11	The Kerala State Cashew Development Corporation Limited	0	1	1	2	0	0	7	7
12	Kerala State Coir Machinery Manufacturing Company Limited	0	0	1	1	0	0	7	7
13	Kerala State Drugs and Pharmaceuticals Limited	0	2	0	2	0	13	0	13
14	Kerala State Film Development Corporation Limited	0	2	1	3	0	8	8	16

Sl. No.	Name of PSU	Number of Pending IRs				Number of paragraphs outstanding			
		Older than five years	Between three to five years	Up to three years	Total	Older than five years	Between three to five years	Up to three years	Total
15	Kerala State Handloom Development Corporation Limited	0	1	1	2	0	10	15	25
16	Kerala State Mineral Development Corporation Limited	0	2	0	2	0	9	0	9
17	Kerala State Palmyrah Products Development and Workers Welfare Corporation Limited	1	3	0	4	3	13	0	16
18	Kerala State Textile Corporation Limited	2	2	0	4	5	13	0	18
19	Malabar Cements Limited	2	2	0	4	2	21	0	23
20	Muziris Projects Limited	0	0	1	1	0	0	6	6
21	Sitaram Textiles Limited	2	1	0	3	4	7	0	11
22	The Kerala Ceramics Limited	0	0	1	1	0	0	3	3
23	The Travancore Cements Limited	1	2	0	3	1	15	0	16
24	The Travancore Cochin Chemicals Limited	0	2	1	3	0	4	7	11
25	Travancore Titanium Products Limited	0	0	1	1	0	0	5	5
26	Trivandrum Spinning Mills Limited	1	1	0	2	2	14	0	16
27	Bekal Resorts Development Corporation Limited	1	2	0	3	2	18	0	20
28	Indian Institute of Information Technology and Management-Kerala	0	2	0	2	0	11	0	11
29	Kerala State Information Technology Infrastructure Limited	1	2	0	3	2	11	0	13
30	Kerala State Maritime Development Corporation Limited	0	2	0	2	0	18	0	18

Sl. No.	Name of PSU	Number of Pending IRs				Number of paragraphs outstanding			
		Older than five years	Between three to five years	Up to three years	Total	Older than five years	Between three to five years	Up to three years	Total
31	Kerala Tourism Development Corporation Limited	0	2	1	3	0	31	15	46
32	Kerala Tourism Infrastructure Limited	0	2	1	3	0	5	5	10
33	Kerala Transport Development Finance Corporation Limited	1	4	1	6	3	40	8	51
34	Vizhinjam International Seaport Limited	0	1	0	1	0	12	0	12
35	Autokast Limited	0	2	0	2	0	9	0	9
36	Kerala Automobiles Limited	1	3	0	4	0	13	0	13
37	Kanjikode Electronics and Electricals Limited	3	0	0	3	8	0	0	8
38	Kerala Electrical and Allied Engineering Limited	0	3	1	4	0	6	12	18
39	Keltron Component Complex Limited	2	2	0	4	4	12	0	16
40	Keltron Electro Ceramics Limited	0	2	0	2	0	14	0	14
41	Kerala High Speed Rail Corporation Limited	0	1	0	1	0	1	0	1
42	Kerala Industrial Infrastructure Development Corporation	3	2	1	6	9	11	16	36
43	Kerala State Electronic Development Corporation Limited	0	2	0	2	0	27	0	27
44	Kerala State Industrial Enterprises Limited	1	2	0	3	2	17	0	19
45	Kinesco Power and Utilities Pvt Ltd	0	2	0	2	0	10	0	10
46	Kinfra Export Promotion Industrial Parks Limited	1	1	1	3	3	10	5	18
47	Kinfra Film and Video Park Limited	1	1	0	2	6	4	0	10
48	Kinfra International Apparel Parks Limited	2	1	0	3	4	6	0	10

Sl. No.	Name of PSU	Number of Pending IRs				Number of paragraphs outstanding			
		Older than five years	Between three to five years	Up to three years	Total	Older than five years	Between three to five years	Up to three years	Total
49	Kerala State Industrial Development Corporation Limited	1	3	0	4	2	35	0	37
50	Marine Products Infrastructure Development Corporation Limited	0	0	1	1	0	0	5	5
51	The Metal Industries Limited	1	1	0	2	4	4	0	8
52	SAIL-SCL Kerala Limited	2	2	0	4	3	19	0	22
53	Kerala Small Industries Development Corporation Limited	0	2	1	3	0	21	10	31
54	Steel and Industrial Forgings Limited	3	4	0	7	4	15	0	19
55	Steel Industrials Kerala Limited	3	3	1	7	8	18	7	33
56	Transformers And Electricals Kerala Limited	0	2	1	3	0	12	8	20
57	Traco Cable Company Limited	2	1	2	5	11	9	36	56
58	United Electrical Industries Limited	0	2	1	3	0	14	9	23
59	Kerala State Road Transport Corporation	33	42	5	80	106	162	70	338
60	Kerala State Electricity Board Limited	55	74	13	142	189	487	99	775
61	Kerala State Power and Infrastructure Finance Corporation Limited	0	1	0	1	0	5	0	5
62	Kerala Construction Corporation Limited	0	2	1	3	0	2	11	13
63	Roads and Bridges Development Corporation of Kerala	0	2	1	3	0	7	9	16
64	Road Infrastructure Company Kerala Limited	0	1	1	2	0	6	4	10
65	Kerala Forest Development Corporation Limited	1	1	1	3	2	1	7	10
	Total	**132**	**220**	**49**	**401**	**405**	**1,325**	**437**	**2,167**

Appendix 20

Details showing scheduled *vs.* actual completion and sanctioned *vs.* actual cost of the selected projects as of March 2021

(Referred to in Paragraph 4.1.2)

(Amount in ₹ crore)

Sl. No.	Name of PSU	Name of project	Approval by GoK	Scheduled completion	Actual completion	Sanctioned cost	Actual cost up to March 2021
Completed Projects (at the time of sample selection)							
1	KSDP	Betalactam Injection Plant	February 2012	March 2013	August 2017	9.89	12.13
2	KEL	Cast Resin Transformers Unit	January 2013	February 2014	August 2015	8.50	6.33
3	SSKL	TMT Bar Rolling Mill	Not available*	March 2015	June 2015	64.76	59.81
4	KCCL	High CV Value Capacitors and High Voltage Radial Capacitors	October 2012	March 2014	January 2015	3.95	4.12
5	SIFL	16 Ton Pneumatic Hammer and Mobile Forging Manipulator	August 2012	Not fixed	June 2016	18.14	20.99
6	KSCCL	PVC Tufting Unit	March 2014	December 2014	July 2015	39.42	35.00
Ongoing Projects (at the time of sample selection)							
7	AKL	New Steel Casting Line for Manufacturing Railway Bogies	September 2010 and July 2017	December 2018	February 2021	22.97	17.73
8	KEL	Power Transformer Unit	January 2013	April 2014	February 2021	12.50	12.50
9	FITL	Modernisation of Facilities	June 2012	Not fixed	January 2019	4.00	4.00
10	KELTRON	Creation of SMT Reflow Facility	July 2017	August 2018	January 2020	3.92	3.92
11	UEIL	Facility for Manufacturing LED streetlights and Smart Energy Meters	October 2017	October 2018	March 2019	4.21	2.60
12	TKCL	Modernisation of Facilities	August 2017	September 2018	December 2019	23.00	21.04
13	KSCDC$	Modernisation and Partial Mechanisation of Cashew Factories	March 2018	March 2019	Not completed	40.00	13.45
14	MCL	Bulk Cement Handling Unit and Logistics Hub	October 2014	October 2016		160.00	66.33
Abandoned Projects							
15	MIL	Small Forging Unit	January 2014	December 2014	Abandoned	3.78	0.00
16	TCCL	Increasing capacity of caustic soda plant	March 2015	September 2016		65.00	0.00
					Total	**484.04**	**279.95**

* As part of revival plan of Steel Complex Limited (SCL), the GoK and Steel Authority of India Limited (SAIL) formed (2010) a joint-venture namely SAIL-SCL Kerala Limited (SSKL). The project report prepared (October 2008) in connection with the revival of SSKL proposed implementation of a rolling mill project.

$ The Kerala State Cashew Development Corporation Limited.

https://cag.gov.in/ag2/kerala/en