CHAPTER IV
COMPLIANCE AUDIT

AUDIT OF SELECTED TOPICS

DEPARTMENTS OF LABOUR AND SKILLS, SCHEDULED CASTES DEVELOPMENT AND SCHEDULED TRIBES DEVELOPMENT

4.1. Modernisation and Upgradation of Government Industrial Training Institutes

4.1.1. Introduction

Vocational and technical training of labour is a part of the concurrent list of the Constitution of India (Entry 25). While the Ministry of Labour and Employment in the Government of India (GOI) is responsible for vocational training of labour in the country, the Labour and Skills Department is tasked with the responsibility in the State. Government of India introduced the Craftsmen Training Scheme (CTS) in 1950 by establishing Industrial Training Institutes (ITIs) in the States for imparting skills in various vocational trades to ensure a steady flow of skilled workers in different trades for the domestic industry and meet skilled manpower requirement for industrial growth of the country. While the day-to-day administration of ITIs in the States was transferred to the State Governments in 1956, the financial control of ITIs was transferred to the State Governments in April 1969. Government of Kerala (GOK) provided yearly assistance including providing budgetary allocation for construction of new buildings, renovation of existing buildings, providing hostel facilities, procurement of tools and equipment etc., to Directorate of Training for modernisation of ITIs for enabling ITIs to attain National Council for Vocational Training (NCVT) norms. Government of India also selected 38 ITIs for upgradation into Centres of Excellence (COE). As on 31 March 2018, there were 137 Government ITIs and 486 private ITIs in the State. Of the 137 Government ITIs, 91 ITIs including 14 ITIs for women, were administered by the Industrial Training Department (ITD). Besides, there were 44 ITIs under the Scheduled Castes Development Department (SCDD) and two ITIs under the Scheduled Tribes Development Department (STDD).

4.1.2. Objectives, Scope and Methodology of Audit

The Compliance Audit was conducted from May 2018 to August 2018 covering the period 2013-18, to examine whether the Government ITIs in the State complied with the standards stipulated by the NCVT. Audit also examined whether the ITD, SCDD and STDD complied with the financial norms laid down by the GOK/GOI in Codes, Manuals and Rules.

The Compliance Audit (CA) commenced with an Entry Conference held on 25 April 2018 with the Principal Secretary, Department of Scheduled Castes/Scheduled Tribes Development, the Director of Training (DT) and other departmental officers to discuss the scope and methodology of audit. The request of the Principal Secretary during the Entry Conference to exclude Thiruvananthapuram district from audit and instead include a district from the northern region of the State was considered by taking Malappuram district for audit. Three districts *viz*., Kollam, Idukki and Ernakulam from the remaining 13 districts were selected based on Stratified Random Sampling technique. All 32 ITIs in the sampled districts (23 under the ITD, eight under the SCDD and one under the STDD)[45] were selected for detailed scrutiny. Records of Labour and Skills Department, Departments of SC/ST Development and the Directorates under them were also examined during the course of audit. Joint Physical Verification of the 32 selected ITIs was also carried out during the course of audit.

The Exit Conference of the CA was conducted on 21 December 2018, wherein the audit findings were discussed with the Government officials in detail.

Audit findings

During 2013-14 to 2017-18, the number of students admitted to the ITIs under the three departments, showed an increasing trend (25 *per cent*). There was a decline in the dropout of trainees from 14.97 *per cent* in 2013-14 to 11.85 *per cent* in 2016-17. The number of students getting job placements through these ITIs was also on an increasing trend (19 *per cent* increase during 2013-16). Despite increasing demand for the ITI courses, the modernisation and upgradation of ITIs as envisaged by GOI was yet to be achieved, which are discussed in the succeeding paragraphs.

Modernisation of ITIs

4.1.3. Non-adherence to NCVT guidelines

The National Council for Vocational Training (NCVT) is an advisory body set up (1956) by the GOI to prescribe standards and curricula for craftsmen training, advise the GOI on the overall policy and programmes, conduct All India Trade Tests and award National Trade Certificates (NTC). At the State level, the State Council for Vocational Training (SCVT) co-ordinates the Vocational Training Programmes throughout the State.

The NCVT guidelines required training institutions run by Government or by private agencies to issue NTC to trainees after receiving affiliation in respect of trades offered by them. The NTC enjoys national/international recognition for the purpose of employment.

In Kerala, ITIs also offer training in trades which are not affiliated to the NCVT. Though the syllabus followed for imparting training in such trades is the same

[45] Names of test-checked ITIs are included in **Appendix 4.1**.

as NCVT affiliated trades, the trainees are awarded with certificates issued by SCVT. Details of ITIs along with the nature of trades offered for study, are given in **Table 4.1**.

Table 4.1: Details of trades offered by ITIs

Department	Total ITIs	ITIs offering only NCVT trades	ITIs offering only SCVT trades	ITIs offering both SCVT and NCVT trades
ITD	91	6	53	32
SCDD	44	35	3	6
STDD	2	1	0	1
Total	**137**	**42**	**56**	**39**

(Source: Data obtained from respective Departments)

Among the 32 ITIs test-checked, trades affiliated to NCVT alone were offered by nine ITIs, trades affiliated to SCVT alone by 11 ITIs and to both NCVT and SCVT by 12 ITIs. Audit observed that none of the 32 ITIs test-checked complied with all the stipulated NCVT requirements. It was also observed that even such ITIs which were affiliated to NCVT did not possess the requisite facilities. Further, 11 ITIs offering SCVT affiliated trades were granted (August and September 2018) NCVT affiliation despite not complying with standards stipulated in the Guidelines.

Audit further verified the details of admissions made in the 137 ITIs under the ITD, SCDD and STDD in the State during 2013-2018. It was observed that while 62,629 students gained admission under trades affiliated to NCVT, 31,734 students obtained admission to SCVT affiliated trades as shown in **Table 4.2**.

Table 4.2: Details of students admitted to ITIs in the State

Year of admission	Total Sanctioned Strength	Number of students under trades affiliated to NCVT			Number of students under trades affiliated to SCVT			Percentage of seats vacant (in *per cent*)
		Sanctioned	Admitted	Vacant	Sanctioned	Admitted	Vacant	
ITIs under the Industrial Training Department								
2013-14	17614	12403	11231	1172	5211	4763	448	9.20
2014-15	17530	11894	10913	981	5636	5124	512	8.52
2015-16	18280	11052	10527	525	7228	6075	1153	9.18
2016-17	19328	12155	11712	443	7173	6694	479	4.77
2017-18	20832	12191	11788	403	8641	8172	469	4.19
ITIs under Scheduled Castes Development Department								
2013-14	1386	1282	1204	78	104	100	4	5.92
2014-15	1365	1270	1175	95	95	94	1	7.03
2015-16	1407	1333	1233	100	74	74	0	7.11
2016-17	1591	1438	1353	85	253	222	31	7.29
2017-18	1785	1448	1382	66	337	312	25	5.09
ITIs under Scheduled Tribes Development Department								
2013-14	63	42	12	30	21	20	1	49.20
2014-15	63	42	25	17	21	21	0	26.98
2015-16	63	42	11	31	21	21	0	49.20
2016-17	63	42	31	11	21	21	0	17.46
2017-18	63	42	32	10	21	21	0	15.87
TOTAL			**62629**			**31734**		

(Source: Data obtained from respective Departments)

Year-wise analysis of admissions made in all the ITIs in the State showed an increasing trend. From 17,330 admissions made in 2013-14, the number of students admitted in 2017-18 increased to 21,707 (25 *per cent*).

4.1.3.1. Percentage of unfilled seats/dropouts

Analysis of unfilled seats in comparison to the sanctioned strength of ITIs in the State during 2013-14 to 2017-18 indicated that the percentage of vacancy ranged between 4.19 to 9.20 *per cent* in ITIs under ITD and 5.09 to 7.29 *per cent* in ITIs under SCDD. Of the two ITIs under the administrative control of the STDD, the percentage of seats unfilled at ITI Kuttamala, which offered training in the NCVT approved trades of Electrician and Carpentry was very high and ranged between 23.80 *per cent* and 80.95 *per cent.*

Analysis of dropouts of trainees with reference to filled up seats of the ITIs under ITD revealed a declining trend. The percentage of dropouts in 2013-14 declined from 14.35 to 7.38 in 2017-18. Similarly, the percentage of dropouts in the ITIs under SCDD reduced from 22.51 in 2013-14 to 18.48 in 2016-17. The percentage of dropouts in ITIs under STDD also exhibited a declining trend from 40.63 *per cent* in 2013-14 to 23.07 *per cent* in 2016-17. Overall dropouts showed a declining trend during 2013-17[46] (nine *per cent*). While the decline in dropouts of trainees in the ITIs under the ITD is appreciable, the large percentage of dropouts from the ITIs under STDD is not encouraging and needs to be addressed on priority.

GOK replied (December 2018) that, since as per Directorate General of Training norms 30 *per cent* more trainees could be admitted as supernumerary in every trade to take care of dropouts and to ensure optimum utilisation of available infrastructure, there are no unfilled seats in respect of sanctioned strength. The reply is not acceptable as Audit comment was framed on the basis of details of unfilled seats/dropouts furnished by the Departments, which were inclusive of supernumerary seats.

4.1.4. Gaps in adherence to infrastructure standards

The Training Manual issued by the GOI prescribed infrastructure standards to be met by ITIs affiliated to the NCVT. Standards are prescribed for land and building for Training Institute, provision of diesel generating set, lists of hand tools and equipment, maintenance of tools and equipment, etc. Audit test-checked the 32 ITIs in the selected four districts to examine compliance to the stipulated standards and noticed the following.

4.1.4.1. Requirement of space

The NCVT prescribed (December 2003) revised space norms based on intake capacity in each shift, which prescribed 1.50 acres of land in metros/urban/semi urban areas and two acres in rural areas without hostels/staff quarters for ITIs having 201-500 trainees. The norms stipulated availability of two acres in

[46] Data on dropouts for 2017-18 not made available to Audit by SCDD and STDD.

metros/urban/semi urban areas and 2.50 acre in rural areas for ITIs with 501-1,000 trainees, and three acres in semi/urban/semi urban and five acres in rural ITIs with 1,001 or more trainees. Audit observed that all the test-checked ITIs except ITI Kalamassery (W) and ITI Kollam (W) complied with the above norms.

4.1.4.2. Availability of backup power supply

NCVT norms provided for ITIs to install a diesel generator set possessing back up power supply with a capacity of 50 *per cent* of power supply to offer uninterrupted training activities during load shedding/power cut, thereby enhancing efficiency of the training programmes.

During physical verification of 32 ITIs in four selected districts, Audit noticed that no back up power supply system with 50 *per cent* of required power supply was available in 29 ITIs which was in violation of the affiliation norms. Power backup was available only in three ITIs, *viz.*, ITI Kollam (W), SCDD ITI Pathaikkara and SCDD ITI Pandikkad. Thus, the objective of providing uninterrupted training activities during load shedding/power cut for enhancing efficiency of training programmes, could not be ensured. Additional Chief Secretary assured in the Exit Conference (December 2018) that action will be initiated to set up back up power supply unit in these institutions at the earliest.

4.1.4.3. Shortage of tools and equipment

The ITIs are required to maintain tools and equipment as per the standard lists of tools and equipment of the trades concerned, as prescribed by NCVT. In the 32 test-checked ITIs, Audit noticed shortfall in the availability of tools and equipment (**Appendix 4.1**). While in 23 ITIs under ITD, the average shortfall in tools and equipment ranged from 4.25 *per cent* to 65.24 *per cent*, the average shortfall in eight ITIs under SCDD ranged from 15.50 *per cent* to 81.97 *per cent*. The average shortfall in tools and equipment in the ITI under STDD was 46.27 *per cent*. Essential training equipment like Gas Metal Arc Welding Machine (GMAW), AC/DC Gas Tungsten Arc Welding machine (GTAW) and Portable gas cutting machine which were essential for the Welder trade were not available in SCDD ITI, Edappally.

ITI Kalamassery was operating the Surveyor trade with average deficiency of 63.97 *per cent* in equipment since the last syllabus revision in 2014, but tools to the extent of 90 *per cent* procured by ITI Kalamassery (W)[47] for the Surveyor trade in June 2016, remained unutilised due to failure of the ITI to commence the course. Audit observed that since both the ITIs were situated in the same compound, the idling equipment in ITI Kalamassery (W) could have been lent to ITI Kalamassery for productive utilisation till such time the Surveyor trade was commenced in ITI Kalamassery (W). The conduct of industrial training courses by ITIs without the required tools and equipment would adversely affect

[47] ITI for Women

the quality of training delivered to the students and would result in inability of the trainees to acquire the requisite skills for obtaining gainful employment.

The Additional Director, ITD informed in Exit Conference (December 2018) that directions were since issued for transfer of equipment between the ITIs.

4.1.4.4. Adequacy of manpower

Paragraph 50 of Part 3 of the Industrial Training Manual issued (2008) by GOI, prescribed manpower for the Craftsman Training Scheme (CTS) in the ITI. Audit noticed that even though there was no significant shortage of trade instructors, there was deficiency in manpower in other categories of staff (Ministerial staff[48] - 30.13 *per cent*, Workshop Attendant - 68.31 *per cent*, Accountant - 100 *per cent* and Class IV - 41.83 *per cent*, Store keeper - 36.17 *per cent*) in the 32 ITIs test-checked. Computer Instructors were not appointed in any of the 13 ITIs which had Computer Labs contrary to GOI orders (June 2013) which required engaging Computer Instructors who will also look after the work of Audio-visual Instructor. During the Exit Conference (December 2018), the Additional Chief Secretary to Government stated that these posts were not filled for want of sanction and directed the Director, ITD to forward a fresh proposal for filling up the posts.

4.1.4.5. Maintenance of firefighting system

As per NCVT guidelines, every ITI should have basic firefighting equipment like fire extinguishers, fire alarms, sprinklers, etc. Physical verification of 32 ITIs in four districts revealed that 205 of the 285 fire extinguishers available in 29 ITIs were not refilled and thus were not usable. There were no fire extinguishers in ITI Kanjikuzhy, SCDD ITI Pathaikkara and SCDD ITI Pandikkad. Fire extinguishers at SCDD ITI Kulakkada and Oachira were found damaged and unfit for use. A fire alarm with sprinkler system which was an essential firefighting equipment in the workshop of Attendant Operator, Chemical Plant trade, was not provided at Basic Training Centre (BTC) Kollam[49].

During the Exit Conference (December 2018), GOK accepted the audit observations and assured to take appropriate action for rectifying the deficiencies.

4.1.4.6. Provision of Computer Lab

The Director General of Employment and Training, Government of India (DGET) directed (June 2013) all Government and private ITIs to set up an exclusive Computer Lab with Internet Connectivity and multimedia on every computer. This lab was in addition to the lab required for the Computer Operator and Programming Assistant (COPA) Trade.

[48] Administrative staff
[49] The lone ITI in the State providing the course of Attendant Operator (Chemical Plant) trade.

It was stipulated that the computer lab must have minimum ten computers/ workstations and peripherals[50] with internet facility irrespective of trade(s) or trade related computer requirement, for an ITI with seating capacity of 100 students per shift. For each additional unit[51] accredited/affiliated, two computers/workstations must be added. Joint verification revealed that 19 (14 under the ITD, four under SCDD and one under STDD) out of 32 ITIs were not equipped with a Computer Lab, thus depriving the students of the facility. The Computer Labs in the ITIs at Rajakkad, Marancherry and Areacode had no internet connectivity. Audit further observed that six of the 13 ITIs which had IT labs suffered from shortage of computers to the extent of 16.60 to 90.74 *per cent*.

4.1.4.7. Availability of library and reading room

Paragraph 38(e) of Part 2 of the Training Manual for ITIs issued by GOI required maintenance of a Library and reading room in the ITIs with sufficient number of technical books, technical magazines and other books related to the trades taught at the Institutes, for the guidance of instructional staff and trainees. The ITI Affiliation norms 2017[52] issued by GOI also specified the minimum area required for the library and reading room which should be 40 sq.m for up to 160 trainees and 10 sq.m for every additional 40 trainees. Physical verification of 32 ITIs under four districts revealed that 21 ITIs were not provided with libraries. Of the 11 ITIs which had libraries, a Librarian was posted only in ITI Kalamassery. Audit also noticed that no technical magazines as prescribed in the NCVT norms had been subscribed by any of the ITIs.

Audit observed that even such ITIs which had libraries did not comply with the requirement of space. Only four of the 11 ITIs inspected *viz.*, ITIs at Chandanathope, Kattappana, Kalamassery and Chathannoor had libraries with the minimal space of 40 sq.m and out of these, three ITIs did not have the stipulated requirement based on the number of additional trainees[53], as given below.

Table 4.3: Space requirement for Libraries

Sl. No.	Name of ITI	Total number of students	Space required for library (sq.m)	Library space available (sq.m)
1	ITI Chandanathope	1242	310	40
2	ITI Kattappana	636	150	40
3	ITI Kalamassery	1063	260	40

(Source: Data obtained from respective ITIs)

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[50] Devices like Mouse, Keyboard, Printer, Scanner, etc., connected to a computer to increase its functionality.

[51] One Unit = 21 students; 100 students correspond to five units.

[52] The earlier DGET norms 1999 and 2001 stipulated the space requirement for library and reading room as 45 sq.m up to 250 trainees. For every additional 250 trainees, the norms envisaged additional 15 sq.m for the purpose.

[53] 40 sq.m for up to 160 trainees and 10 sq.m for every additional 40 trainees.

4.1.5. Failure of instructors to undergo mandatory training under the Craftsmen Instructor Training Scheme

Government of India (GOI) stipulated (May 2014) norms for vocational instructor qualification for trades under the Craftsmen Instructor Training Scheme (CITS). As per these norms, every instructor who has already joined ITI must complete CITS course within three years of joining, which shall be a mandatory condition for the purpose of affiliation and promotion. The CITS envisaged the National Skill Training Institutes under the GOI to train Instructors in the techniques of transferring hands-on skills for training semi-skilled/skilled manpower for industry. Audit noticed that 14 out of 283 permanent instructors of the selected 23 ITIs under Industrial Training Department and four out of 14 permanent instructors of the selected eight SCDD ITIs failed to undergo the training (August 2018). Two out of the three permanent instructors in ITI Nadukani under STDD have not received training under the CITS.

4.1.6. Internal Inspection of Institutes

Paragraph 60 of Part 3 of the Training Manual for Industrial Training required regular internal inspections of the ITIs to be carried out for ensuring smooth working of the training programmes and to increase efficiency of administration. The inspections were to be carried out at two levels *viz.*, Group Instructors and Principals. It was also stipulated that details of the inspections conducted, deficiencies observed and remedies suggested were to be suitably recorded. Action taken on these suggestions was also to be verified and recorded at the time of the next inspection.

Audit observed during verification of 32 selected ITIs that contrary to the above provisions, the Principals/Group Instructors of eight ITIs[54] carried out no such inspections. Principals of 24 ITIs informed Audit that though inspections were conducted as required, no records were maintained. In the absence of stipulated records, Audit could not ascertain the authenticity of the claims of the Principals that Inspections were actually conducted.

4.1.7. Training and Placement Cell

Orders of DGET (June 2008) stipulated setting up of Training and Placement Cells in every ITI to help the graduates gain employment in different industries. Such Placement Cells were to maintain details of all trainees graduating from the ITIs including name, address, telephone number, etc. Placement cells were to organise campus selections to facilitate industries to recruit trainees with requisite skills. The Placement Cells were also required to keep track of graduates until they were suitably employed or for at least three years after completing training from the Institutes.

[54] ITI Chathannoor, ITI Elamadu, ITI Thevalakkara, ITI Chadayamangalam, ITI Kottarakkara, ITI Keraladheeswarapuram, ITI Ponnani and ITI Pathaikkara

Verification of records and procedures at 30 ITIs[55] revealed that BTC Kollam, ITI Kattappana and ITI Areacode complied with the aforesaid norms in setting up of Training and Placement Cell. The Placement Cells in the remaining 27 ITIs were found to be deficient in maintenance of student details, providing career guidance and counselling to the trainees, etc. Data on placement of trainees during 2013-16 was not furnished to Audit by five[56] of the 30 ITIs since the data was admittedly not available with them. In the remaining 25 ITIs, the number of students getting job placements showed an increasing trend (19 *per cent* increase during 2013-16). Audit observed that ITIs at Kattappana, Keraladheeswarapuram and Edappally recorded high rate of placement during the audit period (**Appendix 4.2**). None of the 31 trainees who passed out of ITI Nadukani under STDD during 2013-16 could obtain placement. In ITI Areacode which had a full-fledged Placement Cell, the average rate of placement of trainees during 2013-16 was only 12.27 *per cent*.

Audit observed that a Job Portal developed (July 2012) by the DT at a cost of ₹11.65 lakh with the assistance of Keltron to help trainees of ITIs to gain employment with registered prospective employers did not yield the desired results. Even though the portal was active (September 2018), it was seen that neither the ITIs enrolled their students nor did the employers/industry register themselves with the portal, resulting in failure to deliver employment services to the students.

4.1.8. Laxity in maintenance of bio-metric attendance and monitoring system

The GOK accorded Administrative Sanction (AS) in three phases (March 2012, September 2012 and August 2013) for installation of bio-metric attendance and monitoring system in all ITIs and Related Instruction Centres (RICs) under the ITD. The real time online system was intended for monitoring the attendance of the staff as well as the students of the ITIs since the maintenance of trainees attendance was posing problems leading to unwanted incidents.

Test-check of the 23 ITIs under ITD revealed that the biometric attendance system was not installed in two ITIs at Kottarakkara and Chadayamagalam. In the remaining 21 ITIs under the ITD, biometric attendance system was not functional in five ITIs since 2014, in 10 ITIs since 2015, three ITIs since 2016 and three ITIs since 2017. Scrutiny of records revealed that Keltron did not undertake maintenance of the biometric systems after expiry of the warranty of one year due to failure of ITD to execute Annual Maintenance Contract (AMC) with them.

The ITD stated (October 2018) that considering the possibility of electronic machines getting damaged, there was need for execution of AMC. ITD also informed that AMC would be executed after rectification of system faults. The reply of the ITD does not justify the laxity of the Department in timely execution

[55] Excluding ITIs at Kottarakkara and Chadayamangalam which commenced functioning in 2017-18
[56] ITI Kalamassery, ITI Kalamassery (W), ITI Chathannoor, ITI Chandanathope, ITI Kollam (W)

of AMC and resultant failure to effectively monitor the attendance of staff and students of the ITIs.

4.1.9. Status of Civil Works other than PPP

Creation of infrastructure by way of construction of class rooms, workshops, hostel buildings, etc., was an essential element reckoned for upgradation of ITIs. Observations of Audit on the status of Civil Works undertaken by the test-checked six of the 26 ITIs targeted for upgradation under PPP have been reported in paragraph 4.1.12.1. Audit also examined the status of civil works undertaken by the ITIs without the assistance of Public Private Partners. The findings of audit are given below.

4.1.9.1. Works not taken up and resultant parking of funds with external agencies

Audit observed three instances of construction works of ITIs entrusted to the PWD and other agencies, but not taken up for execution till date (September 2018). Details are as given in **Table 4.4**.

Table 4.4: Details of works not taken up

Sl. No.	ITI/Name of work	Agency entrusted with the work	Amount released for the work (₹ in lakh)	Year of release	Status of work as on September 2018	Remarks
1.	ITI Thevalakkara/ Construction of compound wall	Kerala State Construction Corporation Ltd.	30.00	March 2014	Work not started	Dispute between ITI and neighbours regarding boundary wall remaining unsettled
2.	ITI Kalamassery/ Modification of workshop	Nirmithi Kendra	3.00	December 2014	Work not started	Non-clearance of tool and equipment kept in the site by Advanced Vocational Training Systems Institute Kalamassery due to which work could not be started
3.	ITI Kollam (W)/ Construction of Ladies' amenities centre	Public Works Department (PWD)	7.19	December 2017	Work not started	Proposed site was not suitable for the construction leading to change of site.

(Source: Data obtained from Directorate of Training)

Thus, ₹40.19 lakh remained parked with PWD and other agencies for periods ranging from one to four years.

4.1.9.2. Release of ₹17.80 crore to an implementing agency for implementing civil works without ensuring competence of the agency

Based on the proposal of DT, GOK allotted (November 2013) ₹10 crore for upgradation of three ITIs at Thevalakkara, Chengannur and Chackai into world-class standards and ITI Kannur for upgradation of existing trades and expansion of infrastructure. As stipulated in the Government order, the amount was drawn and deposited (December 2013) in the Special Treasury Savings Bank account no. 12 of the implementing agency, Kerala Academy for Skills Excellence (KASE)[57], for the execution of the works. GOK also released (February 2014) ₹7.80 crore to KASE for the construction of workshops and classrooms in Government ITI Kalamassery (₹4.80 crore) and for the construction of new buildings in three Women ITIs at Kalamassery, Chengannur and Chalakkudy (₹3.00 crore).

It was seen that KASE, citing lack of expertise and resultant inability to undertake the construction works refunded ₹17.73 crore (December 2015) to the DT after expending ₹7.25 lakh on various activities.

Audit observed that the injudicious transfer of ₹17.80 crore to an agency without assessing its ability to undertake such projects led to failure to commence the work and resultant blocking up of funds for a period up to two years. The seven ITIs were thus unable to upgrade existing trades and could not derive the benefits that would have accrued from the additional infrastructure (October 2018).

4.1.9.3. Deficiencies in implementation of civil works

Audit scrutiny of records revealed that 24 works, proposed for construction by 20 ITIs under the ITD at an estimated cost of ₹42.35 crore during 2012-17, were pending completion (**Appendix 4.3**).

Significant deficiencies noticed in the execution of works in the test-checked ITI Kattappana and ITI Elamadu are given in **Appendix 4.4**.

4.1.10. Infructuous expenditure for modernisation of ITIs due to non-utilisation of assets

4.1.10.1. Failure to commence computer courses despite availability of newly constructed building

The GOK accorded Administrative Sanction (September 2007) for the construction of six buildings, at an approximate cost of ₹10 lakh each, in six ITIs under the SCDD for commencing two NCVT approved Computer courses[58]. The buildings were to be constructed in the ITIs at Mariyapuram,

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[57] The Kerala Academy for Skills Excellence (KASE), a non-profit company set up by GOK as a nodal agency for facilitating and coordinating various skill development initiatives of the State to help develop an industry-ready workforce.

[58] One year Computer Operator and Programming Assistant (COPA) course and six month Data Entry Operator (DEO) course.

Vettikkavala, Pandalam, Madapally, Keraladheeswarapuram and Cheruvathoor.

During test-check of ITIs Keraladheeswarapuram and Vettikkavala under the SCDD, Audit observed that even though construction of the buildings was completed on 20 August 2009 and 15 September 2010 respectively at a total estimated cost of ₹23.76 lakh, the SCDD is yet to commence the two Computer courses envisaged (September 2018).

The SCDD informed Audit (September 2018) that buildings in the other four ITIs were also completed between 05 March 2009 and 15 September 2010. No action was taken by the SCDD to commence the trade and the buildings constructed as early as in March 2009 remained idle (September 2018). The Department replied (September 2018) that a proposal forwarded to GOK (January 2012) for commencement of new trades in the newly constructed building was yet to be approved by the Government.

4.1.10.2. Idling hostels

The Government accorded (September 2010) AS for the construction of a 50 bedded boys' hostel and a 17 bedded girls' hostel at ITI Nilambur at a cost of ₹2.33 crore for accommodating students belonging to SC, ST, OBC[59] and OEC[60]. The Director, Industrial Training Department was to furnish Utilisation Certificate to Director, SCDD, who will ensure completion of construction before 31 March 2011. The GOK sanctioned (March 2013) an additional amount of ₹1.36 crore to meet the escalation in cost due to revision in rates as per 2012 Schedule of Rates. Audit observed that though the construction of girls' and boys' hostels was completed on 30 April 2016 and 15 January 2018 respectively, these hostels were idling till date (October 2018) due to non-sanctioning of the post of Assistant Hostel Superintendent and lack of required furniture. Thus, students belonging to SC/ST/OBC/OEC were deprived of hostel facilities in a remote area as in Nilambur, where 80 *per cent* of the sanctioned intake belong to SC/ST communities. In the Exit Conference (December 2018), ACS assured that proposal for appointing hostel warden at ITI Nilambur will be sent to Finance department and in the meanwhile an instructor will be given additional charge to start the functioning of the hostel.

4.1.11. Avoidable expenditure on High Tension electric connection leading to huge recurring expenses in ITI Thevalakkara

ITI Thevalakkara offered training in three trades *viz.*, Surveyor, Plumber and Welder. The required power norms for conducting the trades was 22 KW (three KW each for Surveyor and Plumber trades and 16 KW for Welder trade). Thus, the power requirement of the ITI could have been fully met under the category

[59] Other Backward Communities
[60] Other Eligible Communities

of Low Tension (LT) connection by KSEB[61], which permits 100 KVA to its consumers.

Audit noticed that ITI Thevalakkara, instead of seeking LT connection wrongly applied (April 2016) for High Tension (HT) connection after incurring expenditure of ₹14 lakh including purchase and installation of 160 KVA transformer. Besides, the ITI was also liable to pay fixed charges of ₹13,300 per month towards the HT connection.

Audit further observed that the ITI, which was earlier incurring electrical charges of ₹1,623 per month in March 2017 on consumption of 259 units, was forced to remit electricity charges of ₹19,340 per month with the consumption reckoned as 736 units for June 2017. The inflated assessment of connected load by the ITI and consequent billing under the HT category resulted in the ITI incurring additional electricity consumption charges of ₹1317.61[62] per month. GOK replied (December 2018) that though KSEB has been contacted to reduce the connected load from 50 KVA to 15 KVA to bring down the average consumption charges payable, no action has been taken by KSEB so far.

Upgradation of ITIs

4.1.12. Vocational Training Improvement Project

The Vocational Training Improvement Project (VTIP) of GOI, conceived (2004) to establish Centres of Excellence (COEs) and upgrade training imparted under conventional trades in 500 out of the 1,896[63] Government ITIs in the country in two phases[64]. The main thrust of the programme was to provide appropriate infrastructure, equipment, update syllabi and introduce new courses in the ITIs. Of the 38 ITIs[65] selected by GOI from the State, for upgradation into COEs, five[66] ITIs were to be upgraded utilising domestic resources in the first phase and seven[67] ITIs in the second phase through World Bank funding. In the third phase, the remaining 26 ITIs (including four ITIs run by the SCDD) were to be upgraded through Public Private Partnership (PPP) during the Eleventh Five Year plan period ending 2011-12. Upgradation of the ITIs was to be achieved by the upgradation of existing trades, introduction of new trades/ additional units and the overall development of the ITIs by improved pass percentage, placement of trainees, etc.

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[61] Kerala State Electricity Board

[62] Tariff for LT 6A category customer: up to 500 units - ₹5.50 per unit; above 500 units - ₹6.30 per unit
Energy charges to be paid for 736 units if LT connection had been continued: ₹4236.80 {(500 x ₹5.50) + (236 x ₹6.30)}
Excess energy charges paid by ITI, Thevalakkara: ₹5554.41 - ₹4236.80 = ₹1317.61

[63] As on 1 January 2007

[64] In the first phase (2005-06), 100 ITIs were to be upgraded into COEs utilising domestic resources. In the second phase (2006-09), 400 ITIs were to be covered under the World Bank assisted VTIP

[65] 5+7+26 ITIs selected from Kerala in the first, second and third phases

[66] ITIs at Kalamassery, Chackai, Chalakudy, Kollam and Ettumanoor

[67] ITI Kollam (W) and ITIs at Pallikathode, Dhanuvachapuram, Aryanad, Koyilandy, Kalpetta and Malampuzha.

The Guidelines on Upgradation of the remaining 1,396 Government ITIs in the country through PPP, issued (April 2008) by the GOI stipulated that an Institute Management Committee (IMC) be constituted for each selected ITI, which would be registered under the relevant Societies Registration Act. The IMCs were entrusted with the responsibility of managing the affairs of the ITIs under the scheme. The project envisaged release of interest free loan of ₹2.50 crore per ITI by GOI to the IMC, repayable after a moratorium of ten years from the year in which the loan was released to the IMC. An amount of ₹65 crore was received by the 26 IMCs during the period 2007-12. It was envisaged that after the moratorium period, repayment of loan would commence in equal annual instalments spread over a period of 20 years, starting from the 11th anniversary of day of drawal.

Audit, examined the implementation of the third phase of the project, since the audit period (2013-18) coincided with the period of utilisation of the loan amount. Six of the 26 ITIs were test-checked to assess status of upgradation *vis-à-vis* providing infrastructure, equipment and introduction of new trades in the ITIs. The findings are given below.

4.1.12.1. Civil Works under PPP

Undertaking of civil construction works were vital for the upgradation of ITIs. Audit observed that while five of the six test-checked ITIs had completed the civil construction works undertaken by them, the civil works in ITI Kattappana remained to be completed (September 2018) despite obtaining loan as early as in 2008-09 and expending ₹85.82 lakh out of the envisaged ₹99.80 lakh.

4.1.12.2. Equipment

Scheme guidelines provided for utilisation of loan amount for the procurement of tools and equipment for the upgradation of existing NCVT affiliated trades and starting of new trades. As stated in paragraph 4.1.4.3, Audit noticed shortfall in tools and equipment in all the 32 ITIs test-checked. These included six[68] ITIs which were identified for upgradation into COEs under the PPP scheme. Audit observed that 88.32 *per cent* of the target amount, as per the Institute Development Plan (IDP) formulated by the IMC within the ITIs, was spent for the procurement of tools and equipment for the period up to 2017-18, since the beginning of the scheme. However, there was average deficiency in tools and equipment ranging from 17.77 *per cent* to 36.58 *per cent* in the trades in the above six ITIs under the PPP scheme as already pointed out in **Appendix 4.1**.

Audit observed that there was no justification for these ITIs to be suffering from shortage of equipment since they had been identified for conversion into COEs and funds as earmarked by them in the IDP were available to them for upgradation of tools and equipment.

[68] ITIs at Chathannoor, Kattappana, Nilambur and Areacode, ITI Kalamassery (W) and BTC Kollam

4.1.12.3. Introduction of new trades/additional units to existing trades in ITIs

The upgradation of ITIs under the PPP mode included offering new trades to aspiring trainees besides revamping existing NCVT affiliated trades, through introduction of additional units[69] in existing trades. The Appendix to PPP Guidelines issued by GOI clarified that NCVT affiliation was mandatory before commencement of new courses by the ITIs.

Audit observed that 16 new trades with two new units each were introduced by six ITIs without obtaining prior NCVT affiliation. One additional unit each to existing eight trades was also introduced in two[70] of the six ITIs. One of the trades to which an additional unit was added was revamped[71] from 2015 onwards. Admissions to these trades commenced from 2013 onwards. However, NCVT affiliation, as mandated by the PPP Guidelines, was not obtained for these trades/additional units, before admission of students.

4.1.12.4. Achievement of Key Performance Indicators in the audit period

The IDPs formulated by the IMC within the ITIs set for themselves Key Performance Indicator (KPI) targets to assess the outcome of PPP scheme, with reference to percentage of candidates appearing in examinations, percentage of pass-outs, revenue generation, etc. The Institutions themselves set the targets in the KPIs. Audit examined KPI of the six test-checked ITIs for the years 2014-19[72] and observed as follows.

Performance of trainees

Audit analysed the status of achievement of KPI 1, by measuring the number of trainees who appeared in the final semester examination *vis-à-vis* sanctioned intake capacity during the period 2014-17[73] in the six test-checked ITIs identified for upgradation into COEs. It was observed that against the sanctioned intake capacity of 4,191, number of trainees enrolled in various trades was 3,975, of which 727 candidates (18.29 *per cent*) failed to appear in the final semester examination, indicating probable dropout from the course, as shown in **Appendix 4.5**. In the test-checked ITIs, ITI Kattappana failed to achieve the target set in all the three years, while ITI Kalamassery (W) did not achieve the target in the year 2016-17.

Audit also observed that in respect of KPI 2, which examined the percentage of candidates passing out *vis-a-vis* candidates appearing in the examination, 1,126 of the 3,248 trainees (34.67 *per cent*) who appeared for the final semester examinations failed to pass the examination as shown in **Appendix 4.6**. ITI

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[69] One unit corresponds to a batch of students undergoing training in a trade, in one shift.

[70] BTC Kollam, ITI Areacode

[71] At BTC Kollam, from 2015 onwards, Food production (Vegetarian) trade (one unit SCVT and one unit NCVT) has been revamped as Food Production General (2 units) and affiliated to NCVT from August 2018

[72] The first KPIs were set for the initial five years which ended in 2013-14. The second KPIs were set for the next five years from 2014-19.

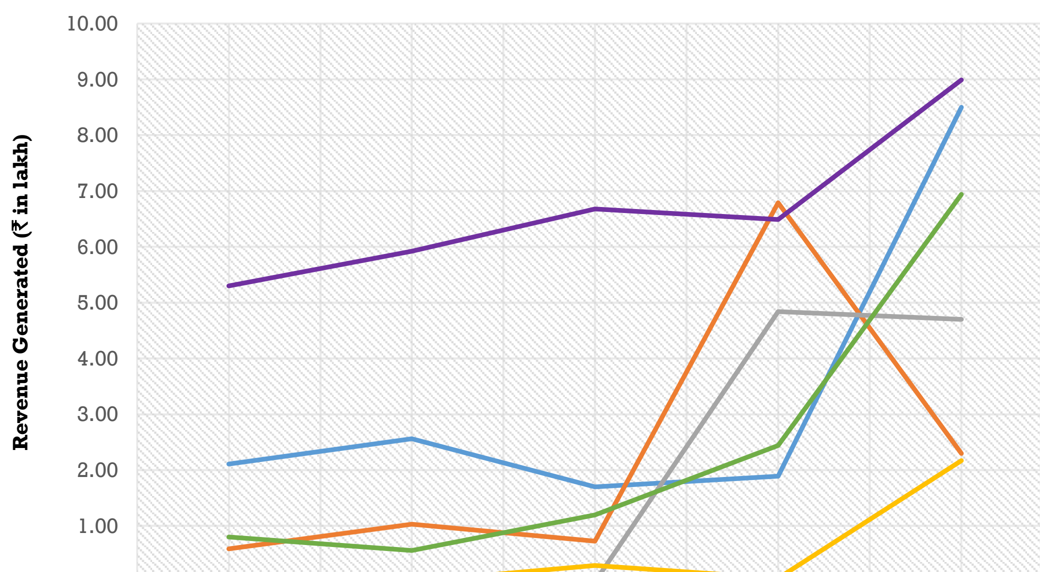
[73] The second KPIs were set for the period 2014-19.

Kattappana failed to achieve the set target in all the three years, while BTC Kollam failed to achieve it in 2015-16 and 2016-17. ITI Chathannoor failed to achieve the target in 2015-16 while ITI Kalamassery (W) and ITI Areacode failed to achieve the target in the year 2016-17.

Revenue generation

The PPP Guidelines stipulated that the GOK and the IMC of the ITI would undertake measures to generate sufficient revenue not only for running of the ITI but also for the repayment of the loan taken under the scheme. Thus, the IMCs were to generate sufficient funds for purchase of consumables and materials for training. The repayment of the loan amount of ₹2.50 crore was to start in equal instalments of ₹12.50 lakh per annum from the eleventh anniversary of the date of drawal of the loan, over a period of 20 years. It was envisaged that the main source of revenue generation would be setting up of production centres, short-term training courses, regular training courses, consultancy, attracting private funds, etc. The yearly target fixed for revenue generation during the years 2014-15, 2015-16 and 2016-17 was ₹ five lakh, ₹10 lakh and ₹15 lakh respectively. Audit observed that this was not achieved in any of the six test-checked ITIs except ITI Areacode, which attained the target of ₹ five lakh in the year 2014-15.

Chart 4.1: Revenue generation in six test-checked ITIs



	2013-14	2014-15	2015-16	2016-17	2017-18
ITI Chathannoor	2.11	2.56	1.70	1.89	8.50
BTC Kollam	0.59	1.03	0.73	6.79	2.30
ITI Kattapana	0.00	0.00	0.00	4.84	4.70
ITI Nilambur	0.00	0.00	0.29	0.06	2.17
ITI Areacode	5.30	5.92	6.68	6.49	8.99
ITI Kalamassery (W)	0.80	0.56	1.20	2.44	6.94

4.1.13. Conclusion

None of the 32 ITIs test-checked complied with all the stipulated NCVT requirements. Even such ITIs which were affiliated to NCVT did not possess the requisite facilities. The services delivered by the ITIs under STDD needs to be strengthened to generate better outcomes. Deficiency in tools and equipment was noticed in the ITIs including six ITIs identified for being upgraded into Centres of Excellence. The upgradation of ITIs was hampered due to inefficiencies in execution of civil works and idling of assets. Despite demand for the ITI courses and the enhanced likelihood of obtaining jobs, the modernisation and upgradation of ITIs as envisaged by GOI was yet to be achieved. The identified deficiencies need to be addressed so that ITIs in the State are modernised and upgraded to ensure that the trainees are better equipped to avail of employment opportunities.

FAILURE OF OVERSIGHT/ADMINISTRATIVE CONTROLS

CONSUMER AFFAIRS DEPARTMENT

4.2. Non-adherence to codal provisions led to misappropriation of ₹0.28 lakh

Non-adherence to codal provisions facilitated misappropriation of ₹28,202 by the Inspector, Legal Metrology, Circle II, Neyyattinkara.

Provisions of the Kerala Treasury Code (KTC) require all Government officers who handle cash to enter all monetary transactions in the Cash Book as soon as they occur and to be attested by the Head of Office. The Head of Office should verify the totalling of the Cash Book or have this done by some responsible subordinate other than the writer of the Cash Book and initial it as correct. At the end of each month, the Head of Office should verify the cash balance in the Cash Book and record a signed and dated certificate to that effect. The KTC also requires that when Government moneys in the custody of a Government officer are paid into the Treasury or the Bank, the Head of the Office making such payments, should compare the Treasury Officer's/the Bank's receipt/the pass book with the corresponding entries in the Cash Book before attesting them and satisfy himself that the amounts have been actually credited into the Treasury or the Bank.

The Kerala Legal Metrology Manual (Manual) recognises the Inspector to be in charge of the maintenance of the Cash Book and other office records. It also stipulates that the various fees[74] collected by the Legal Metrology

[74] Fees like verification and stamping fee, compounding fee, licence fee, registration fee, duplicate verification certificate fees and such other fees.

Officers shall be written in the Cash Book. Similarly, the remittances[75] into the Treasury shall be entered in the Cash Book, daily. The monthly abstract was to be written and signed by the Legal Metrology Officer, concerned.

During the compliance audit of the Legal Metrology Department conducted from May 2018 to August 2018, records in five of the nine offices of Senior Inspectors/Inspectors in Thiruvananthapuram district were test-checked. Test-check at the Office of the Inspector, Legal Metrology, Circle II, Neyyattinkara, Thiruvananthapuram District of the office copies of TR5[76] receipts including Departmental receipts[77] and counterfoils of challans showing remittances into the Treasury for the period August 2016 to October 2017 revealed that all receipts were not fully remitted into the Government account. Against ₹12.72 lakh collected as receipts by the Inspector during the period June 2017 to October 2017, only ₹12.44 lakh was remitted into the Government account indicating short remittance of ₹27,852 into the Treasury.

Audit conducted a detailed examination of the entries made in the Cash Book with reference to TR5/Departmental receipts and challan counterfoils for the period. Audit observed that the Cash Book was not maintained as per the codal provisions. The Inspector, who was the writer of the Cash Book was also the Head of Office who was responsible for ensuring correctness of entries made in the Cash Book. Entries in the Cash Book were written shabbily with a number of erasures and overwriting. The audit examination revealed that the receipts were overstated/ understated in the Cash Book on seven occasions during 01 June 2017 and 31 October 2017, which had a cumulative effect of understatement of cash balance by ₹557 at the end of October 2017. Besides, on 28 June 2017, the cash balance was wrongly recorded as ₹2,680 against the actual ₹30,325[78] revealing understatement of cash balance and resultant misappropriation of ₹27,645. Thus, Audit identified misappropriation of ₹28,202 by the Inspector, Legal Metrology, Circle II, Neyyattinkara during the period June 2017 to October 2017.

The fact that the Inspector who was the writer of the Cash Book was also the Head of Office, indicated lack of proper controls and checks, and facilitated misappropriation of Government money. Besides, the jurisdictional Assistant Controller, who is required to conduct quarterly inspections of offices under his jurisdiction, had conducted (July 2012)

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75 Remittances into Treasury are to be made on designated days *viz.*, every Wednesday, 15th of the month and the last working day of the month

76 A Government servant who receives any money including money received in the form of Postal Money Order on behalf of the Government shall give the payer a receipt in form TR5 unless in any case the Government have by a general or special order dispensed with the grant of receipt.

77 While Stamp fees is collected by issuing Department receipts, all other receipts such as compounding fees, licence fees, packing registration fees, etc. are collected by issuing TR 5 receipts.

78 Opening Balance ₹71985 + Receipts ₹2680 = Total Receipts ₹74,665;
Total Receipts ₹74,665 – Remittance into Treasury ₹44,340 = Closing Balance ₹30,325.

quarterly inspection of the Office of the Inspector, Legal Metrology, Circle II, Neyyattinkara, covering the period only up to December 2011. Annual inspections by the Deputy Controller as required in the Manual, were conducted (April 2017) covering the period up to December 2016. The misappropriation could have been detected earlier had timely inspections been held.

Thus, non-adherence to codal provisions facilitated misappropriation of ₹28,202 by the Inspector, Legal Metrology, Circle II, Neyyattinkara.

Government of Kerala replied (January 2019) that based on the audit observation, the Inspector concerned was placed (November 2018) under suspension. Further, Vigilance Officer of the Legal Metrology Department has been authorised to conduct an inquiry into the matter and explanation has been sought from the Deputy Controller and Assistant Controller concerned on laxity on their part in conducting regular inspections.

CO-OPERATION DEPARTMENT

4.3. Unfruitful expenditure of ₹8.91 crore due to abandonment of construction of buildings for a proposed engineering college

Failure of the Co-operative Academy of Professional Education to correctly assess the funding pattern for construction of an engineering college resulted in avoidable, infructuous expenditure of at least ₹8.91 crore.

The Co-operative Academy of Professional Education (CAPE), an autonomous Society promoted by the Co-operation Department of Government of Kerala (GOK), proposed (April 2012) to start a new engineering college in Thrissur District. The decision was taken based on the recommendations (April 2012) of a Committee consisting of the Principals of four engineering colleges[79] (Committee) under CAPE. Accordingly, the decision to start the college was announced in the Budget Speech for the year 2012-13. The GOK also sanctioned (June 2015) transfer of 5.40 acres of land to the CAPE to start an Engineering College at Wadakkancherry in Thrissur District. Consequently, CAPE issued Administrative Sanction (August 2015) for construction at an estimated cost of ₹46 crore. It proposed to mobilise the expenditure of ₹46 crore by utilising ₹ four crore allotted as grant-in-aid in the State Budget 2015-16, ₹12 crore as Assistance from the Education fund of Co-operative societies, ₹20 crore as loan from Kerala State Co-operative Bank (KSCB) and ₹10 crore from its own resources.

Tenders were invited (August 2015) by the Director, CAPE and the work was awarded (September 2015) to M/s. FINS Engineers and Contractors Private

[79] CAPE engineering colleges at Thalassery, Pathanapuram, Vadakara and Punnapra

Ltd., (Contractor) for ₹43.42 crore (5.20 *per cent* below estimated rate). An agreement was executed (September 2015) with the Contractor for completion of the work by April 2017.

While the work was progressing, the Director, CAPE, citing non-availability of anticipated funds and dearth of supervisory staff, issued (July 2016) stop memo to the Contractor directing temporary stoppage of work for three months. Later, in a meeting convened (August 2016) by the Minister, Co-operation Department, the Director, CAPE informed of the severe financial crisis it was facing and the resultant difficulty to continue the work. It was decided in the meeting that the works like construction of retaining walls, etc., which were essential to safeguard the work executed so far, be assessed. An inspection team comprising engineers of CAPE and Kerala State Housing Board (KSHB) recommended (August 2016) continuing the construction of Block II for at least one floor, completing retaining walls and backfilling. These works were completed in August 2017.

Audit noticed that of the ₹12.41 crore booked (July 2018) as expenditure on the project, payment of ₹8.91 crore was made, including ₹0.28 crore paid as consultancy fee to KSHB. The expenditure of ₹8.91 crore was met by drawing ₹8.60 crore from the Kerala State Co-operative Education Fund Scheme 2015 (KSCEF Scheme) and ₹0.31 crore from own funds of CAPE. Payment of ₹3.50 crore remained to be made (October 2018).

CAPE formally decided (June 2017) to stop the work and transfer the land and building to the Industries Department. However, the Industries Department rejected (July 2018) the offer since the building was designed for a college and was not suited for industrial purposes.

Thus, the entire expenditure of ₹8.91 crore on the construction of an engineering college remained unfruitful. The Director, CAPE stated (September 2017) that CAPE did not have sufficient means to raise bank loans as envisioned in the project and consequent to poor admission rate in its engineering colleges there was a deficit in revenue of the organisation.

The reply is not tenable in view of the fact that CAPE disregarded the recommendation (April 2012) of the Committee which had envisaged that the project would require financial support from GOK to cover about 75 *per cent* of the total capital expenditure. The rest of the financial requirement was to be met by way of loans from banks and financial institutions. Thus, to make the project financially viable, ₹34.50 crore of the ₹46 crore envisaged as capital expenditure, should have been received from GOK and the balance of ₹11.50 crore was to be met by availing loan from Banks and financial institutions.

However, CAPE disregarded this vital aspect while according (August 2015) Administrative Sanction for the work. Contrary to the recommendations made by the Committee, CAPE limited the GOK contribution to a mere ₹ four crore while committing to fund the balance from its own resources, by a loan from the KSCB and assistance from the Education Fund of Co-operative Societies.

The GOK stated (October 2018) that it was exploring the possibility of utilising the construction for other Government ventures under Industries Department and a committee was constituted for the same. However, the fact remains that CAPE failed to correctly assess the funding pattern for the project which resulted in avoidable, infructuous expenditure of at least ₹8.91 crore on construction of buildings for the proposed engineering college.

FISHERIES DEPARTMENT

4.4. Infructuous expenditure of ₹1.29 crore in the procurement of marine diesel engines

The violation of CVC guidelines by Matsyafed, and the resultant failure to exercise due diligence in the procurement of marine diesel engines and finding a viable alternative to the existing kerosene engines resulted in infructuous expenditure of ₹1.29 crore.

The Central Vigilance Commission (CVC), issued (February 2011) guidelines for procurement of equipment/plants which are complex in nature. The CVC opined that it would be prudent for procuring organisations that may not possess full knowledge of the various technical solutions available in the market, to invite expressions of interest and proceed to finalise specifications, based on technical discussions/presentations with experienced manufacturers/suppliers in a transparent manner. The CVC Guidelines[80] (January 2002) also stipulated that "in order to give wide publicity, generate enough competition and to avoid favoritism, as far as possible, issue of Advertised/Global tender inquiries should be resorted to and published in the Indian Trade Journal and select national newspapers."

The Kerala State Co-operative Federation for Fisheries Development Ltd. (Matsyafed[81]), initiated (March 2006) a process to propagate an alternative propulsion system to replace two-stroke kerosene engines to reduce the fuel bill of the fishermen and increase their per capita income. It held discussions (March 2006) with M/s. Yanmar S P Company Ltd., Thailand (M/s. Yanmar) and received (November 2006) free of cost, two four-stroke, long tail, diesel engines (Model TF 115 HM) from M/s. Yanmar. Trial runs conducted from December 2006 to February 2007 in different parts of the State using these Yanmar engines revealed that the local fishermen found it difficult to operate their boats fitted with these engines due to difficulty in controlling in rough seas, inconvenience in operation of nets, lack of forward-reverse gears, etc. To make the Yanmar engines acceptable to the fishermen, Matsyafed contacted a local gear maker,

[80] CVC guidelines on 'Common irregularities/lapses observed in stores/purchase contracts and guidelines for improvement in the procurement system' published in January 2002.

[81] MATSYAFED –An Apex Federation of primary level welfare societies in the coastal fishery sector with the objective of ensuring the economic and social development of the fishermen community by implementing various schemes aimed at promoting the production, procurement, processing and marketing of fish and fish products.

an innovator[82], for development of reduction gears for the engine. A Committee consisting of experts from CIFNET[83], CIFT[84] and a few officers from Matsyafed recommended (March 2008) for the commercialisation of the Yanmar engines in Kerala and to develop a beach landing model considering regional variations and fishermen preference. Trial runs were conducted from December 2008 after fitting the Z drive system developed by the innovator to the Yanmar engines.

However, even before trials runs of Yanmar engines fitted with Z drive were conducted, Matsyafed imported (July 2008) 25 diesel engines (Model TF 99 HM) of Yanmar for ₹11.68 lakh. It also procured (April 2010) 24 Z drive systems costing ₹11.86 lakh from the local innovator for fitting on these engines. Scrutiny of records during audit of Matsyafed for the period 2010-11 to 2016-17 conducted in February and April 2017 revealed that the Yanmar engines fitted with the Z drives developed troubles frequently like engine failure, problem with gear, malfunctioning of propeller, etc. and there were complaints of long idling of boats, making these engines unattractive to the fishermen. Due to the poor interest shown by the fishermen to the Yanmar engines fitted with Z drive, 11 out of 25 engines procured by Matsyafed in 2008 remained unsold as of July 2013. Despite this poor interest shown by fishermen, Matsyafed submitted (July 2013) a project to the Government of Kerala (GOK) for distributing 100 units of Yanmar engines with Z drives after subsidising 70 *per cent* of the cost of the engine, subject to a maximum of ₹ one lakh. The project was approved (August 2013) by GOK. Matsyafed imported (July 2014) 90 Yanmar diesel engines (Model TF 105 HM) for ₹67.87 lakh and purchased 100 Z drives costing ₹67.25 lakh during August – November 2014. The import of 90 more Yanmar diesel engines by Matsyafed when 11 of the 25 engines it procured in 2008 were still unsold due to low acceptability among the fishermen was not justifiable.

As of September 2018, 89 out of 115 Yanmar diesel engines and 98 out of 124 Z drives remained unsold which clearly indicated the failure of the scheme to replace kerosene engines of fishing boats.

GOK replied (February 2019) that the product was not a standard one and was evolved through several technical interventions and that the process of expression of interest inviting other bidders would have jeopardised the interest of the stakeholders involved in the product development. GOK further stated that all efforts are being taken to disburse the engines.

The reply is not acceptable as the failure of Matsyafed to adhere to the CVC guidelines requiring it to invite Expressions of Interest and to finalise specifications after technical discussions with experienced manufacturers and suppliers resulted in failure to obtain valuable technical advice from multiple sources to identify the best possible solution for an alternate propulsion system for country craft in Kerala. Matsyafed also violated the CVC guidelines on

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82 Shri. Mohanlal, Proprietor, M/s. Kavery Engineering Works, Alappuzha.

83 Central Institute of Fisheries Nautical and Engineering Training, Kochi.

84 Central Institute of Fisheries Technology, Kochi.

ensuring transparency in procurement and tendering processes. Moreover, Matsyafed had entered (February 2007) into a Memorandum of Understanding (MOU) with M/s. Yanmar whereby Matsyafed was granted exclusive dealership for Yanmar TF series engines for marine applications in Kerala and three[85] coastal districts of Tamil Nadu. The MOU also stipulated that Matsyafed would not try to promote any other competitors products during the period of exclusivity[86]. More significantly, the MOU reveals that Matsyafed had committed to place orders for 500 units of TF 99 HM engines during April 2007 to March 2008. The fact remains that Matsyafed ignored other national/international vendors and persisted with Yanmar engines even though it was established that these engines were not suitable for fishing boats operating in Kerala.

Thus, the violation of CVC guidelines by Matsyafed and the resultant failure to exercise due diligence in the procurement of marine engines and finding a viable alternative to the existing kerosene engines resulted in infructuous expenditure of ₹1.29 crore.

GENERAL EDUCATION DEPARTMENT

4.5. Infructuous expenditure on construction of a temporary additional floor at Pareeksha Bhavan

The injudicious decision of the Director of Public Instructions to construct a temporary additional floor on the six-storeyed building of Pareeksha Bhavan, and failure of the Public Works Department to rightly assess the structural soundness of the work led to partial collapse of the structure and resultant infructuous expenditure of ₹2.35 crore.

The General Education Department, Government of Kerala (GOK) accorded (February 2012) Administrative Sanction (AS) to the proposal of the Director of Public Instruction (DPI) for construction of a temporary additional floor with trussed roof to accommodate a computer lab, server rooms, system manager's room, toilets, etc., on the existing[87] six-storeyed building of Pareeksha Bhavan[88], Thiruvananthapuram. Technical Sanction (TS) was accorded (March 2012) by the Chief Engineer (Buildings), Public Works Department (PWD) and the work awarded to a Contractor (June 2012). The GOK also sanctioned ₹one crore (February 2012) and ₹1.96 crore (February 2013) for civil and electrical works respectively. The GOK, further sanctioned (October 2014) ₹0.13 crore to the Electrical Division of PWD for carrying out the SITC[89] of Ductable Split AC Unit and re-arrangement of electrical installation and providing plug sockets

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[85] Kanyakumari, Tirunelveli and Tuticorin districts in Tamil Nadu.
[86] One year from the start date of MOU *viz.*, 23 February 2007.
[87] The Pareeksha Bhavan building was constructed in 1978.
[88] The Pareeksha Bhavan conducts examinations for school leaving certificates, arranges for the valuation of answer scripts, processes marks, and announces results and issues diplomas, degrees and certificates
[89] Standard Industrial Trade Classification

in the newly constructed hall to comply with SITC standards. The civil works were completed (September 2014) incurring an up to date expenditure of ₹0.97 crore. The Executive Engineer of Electrical wing PWD (EE) reported (May 2018) that electrical works and works pertaining to installation of firefighting system were completed incurring an expenditure of ₹1.38 crore.

Scrutiny of records revealed that the Joint Commissioner, Pareeksha Bhavan had written (June 2016) to the DPI and PWD that despite spending sizeable funds in the last four years, the additional floor was not functional due to lack of co-ordination between the civil and electrical wings in PWD. He therefore sought co-ordinated efforts of both wings of PWD for timely completion of work. Subsequently in the same month, a portion of the newly constructed structure including parts of the ceiling collapsed and the aluminium fabrications were blown away due to strong wind, rendering the newly constructed structure unfit for use.

The National Building Code stipulated that wind forces and their effects should be taken into account while designing buildings, structures and components. However the approved design provided for normal wind pressure only and avoided cross ventilation which could have minimised the high wind pressure on the sixth floor. The EE stated in reply (January 2019) that the then Executive Engineer and the Superintending Engineer had discussed (September 2012) the impact of wind force on the temporary structure on the sixth floor. The reply is not tenable in view of the fact that PWD did not conduct a feasibility study to assess the structural soundness of the construction or calculate wind-load to be withstood by the building prior to according TS in March 2012.

Joint verification conducted by Audit (October 2018) along with officials of Pareeksha Bhavan revealed that the newly constructed floor still remains unfit for use. Glass panels, which made up the sidewalls, were either blown away or broken to pieces and remnants of false ceiling were seen hanging from the roof, or totally missing at some places, as seen in the photographs below.

Picture 4.1: Sidewalls blown away and glass panels broken to pieces at Pareeksha Bhavan, 16 October 2018

Picture 4.2: Remnants of false ceiling hanging from the roof at Pareeksha Bhavan, 16 October 2018

Audit observed that the Joint Commissioner, Pareeksha Bhavan had voiced his disagreement (October 2011) to the idea of a temporary structure on the sixth floor of the 33-year old building. Instead, he had suggested constructing a new building in the open space in the premises, with the allotted funds. This decision was overruled by the DPI who went ahead with the proposal of constructing a temporary additional floor on the existing building.

Thus, the injudicious decision of the DPI to construct an additional floor on the existing six-storeyed building of Pareeksha Bhavan, coupled with failure of the PWD to consider the impact of wind force while designing the structure, resulted in partial collapse of the structure and resultant infructuous expenditure of ₹2.35 crore.

The GOK replied (January 2019) that the matter was brought to the notice of the PWD by the DPI and that steps were being taken by GOK to rectify the matter.

WATER RESOURCES DEPARTMENT

4.6. Deficiencies in implementation of a Water Supply Scheme led to infructuous expenditure of ₹8.50 crore

Kerala Water Authority commenced the work of laying pipelines for a Water Supply Scheme without complying with conditions stipulated by Government of Kerala. The work was subsequently stopped resulting in infructuous expenditure of ₹8.50 crore, besides inability to provide an additional water source to the Kollam Water Supply Scheme.

The Kollam Water Supply Scheme (Kollam WSS), commissioned in 1957, draws water from Sasthamcotta Lake[90] for providing potable water to Kollam Corporation and adjoining panchayats. The lake is a designated wet land of international importance under the Ramsar Convention[91], which emphasised its conservation by reducing extraction of water. Considering the drastic fall in the water level of Sasthamcotta Lake during the summer of 2013 which affected the water supply to Kollam Corporation, the Government of Kerala (GOK) accorded (October 2014) Administrative Sanction (AS) to the Kerala Water Authority (KWA) to implement a new WSS with the Kallada River as source, at an estimated cost of ₹14.50 crore.

The scheme, ‘Providing additional water source to the Kollam WSS from Kallada River at Kadapuzha’ envisaged pumping raw water from the Kallada River with intake point at Kadapuzha and conveying the water to the existing

[90] The largest fresh water lake in Kerala is located at a distance of about 26 km from Kollam town and is one of the main source of drinking water of Kollam district.

[91] The Convention on Wetlands, called the Ramsar Convention, is an inter-governmental treaty that provides the framework for the conservation and wise use of wetlands and their resources. The Convention was adopted in the Iranian city of Ramsar in 1971 and came into force in 1975.

Water Treatment Plant at Sasthamcotta, for treatment and distribution to Kollam Corporation. Since the riverbed at the intake point at Kadapuzha is below mean sea level, saline intrusion from the nearby Ashtamudi Lake which opens into the Arabian Sea, is common due to tidal variation. The Detailed Project Report (DPR) of the Scheme prepared (October 2014) by KWA also clarified that since the chloride content level at the intake point during the drought season was three to six times above the acceptable limit, additional drawal of water could further magnify the intensity of saline intrusion at the intake point. The DPR therefore recommended construction of a suitable salt-water intrusion barrier across the Kallada River and ensuring its effective functioning before drawal of water from Kadapuzha for the water supply scheme. The DPR also required conduct of a detailed Environmental Impact Assessment (EIA)[92] study by an accredited agency prior to finalisation of the project proposal.

Accordingly, GOK issued (October 2014) AS to KWA to implement the scheme only after constructing a suitable saline intrusion barrier across Kallada River and ensuring its effectiveness. While the components of laying the pumping main and other allied[93] works were to be executed by KWA, the design and construction of the salt-water intrusion barrier was deemed the responsibility of the Irrigation department by GOK.

Audit observed (October/November 2017) that KWA ensured neither the conduct of EIA study nor construction of the saline intrusion barrier by the Irrigation department before commencing work on the raw water pumping main for the Scheme. KWA tendered (October 2014) and entered into agreements (May 2015) for the raw water pumping main, with a Contractor for two works *viz.*, the supply, laying, testing and commissioning of 800 mm MS[94] pipes for a length of 3800 m from the Kadapuzha intake point to Sasthamcotta Treatment Plant, and the work of supplying, laying, testing and commissioning of 800 mm HDPE[95] pipes across the Sasthamcotta Lake for a length of 930 m for ₹8.44 crore and ₹3.44 crore, respectively. The target date for completion of the works was fixed as 24 January 2016.

The Contractor, citing reasons such as the onset of monsoon and delay on the part of KWA in making payments, sought (December 2015) extension of time up to 31 May 2016, which was granted (February 2016). Though the Contractor requested to further extend the time of completion till 31 May 2017 citing delayed payment of funds by KWA, extension was granted until 31 December 2016 only. Scrutiny of records revealed that the Contractor supplied the entire

92 As per the Wetlands (Conservation and Management) Rules, 2010, any construction of a permanent nature except for boat jetties within 50 m. from the mean high flood level observed in the past ten years was prohibited within the wetlands. Similarly, withdrawal of water or the impoundment, diversion or interruption of water sources within the local catchment area of the wetland ecosystem shall not be undertaken without the prior approval of the State Government. In such cases, the State Government shall ensure that a detailed Environment Impact Assessment is carried out in accordance with the procedure specified in the notification of GOI in the Ministry of Environment and Forests.

93 Supplying and laying 800 mm MS and HDPE pipes, construction of intake well cum pump house and construction of transformer room including supply, erection, testing and commissioning.

94 Mild Steel

95 High Density Poly Ethylene

contracted quantity of 3800 m of MS pipes and 930 m of HDPE pipes required for the work. However, the Contractor had laid only 1559.05 m of MS pipes, when the work was stopped by KWA. Reason for stopping the work was reported to be land issues related to the intake well. Audit observed that the work of laying of HDPE pipes procured at a cost of ₹2.41 crore across Sasthamcotta Lake had not even commenced (August 2018).

The violations noticed by Audit in the award of work were brought to the notice of KWA/GOK for remarks (May 2018). The Managing Director, KWA, stated (June 2018) that tenders for laying pipeline were invited in compliance to directions issued in a meeting convened by Additional Chief Secretary on 21 October 2014 and that construction activities could commence after issue of AS (July 2015) for the saline intrusion barrier by the Irrigation Department. It was also stated that no EIA study was required since the proposed weir[96] across Kallada River had been changed to regulator cum bridge[97]. GOK replied (November 2018) that the work order was issued only after the declaration of construction of weir/regulator during the Chief Minister's Jana Sambarka Paripadi[98]. It was also stated that notification of Ministry of Environment and Forestry on EIA dated 14 September 2006 did not suggest any EIA study for Water supply schemes.

The reply is not tenable since GOK clearly stipulated (October 2018) that the work on the proposed WSS should be taken up "after ensuring the construction of the salt water intrusion barrier since the success of the project depended on the success of the saline intrusion barrier" and KWA should have ensured completion of construction of saline intrusion barrier by the Irrigation department before commencing the work of laying pipelines. The justification offered by GOK for not ensuring conduct of EIA study is also not tenable since the Ashtamudi and Sasthamcotta Lakes have been categorised as Ramsar Wetlands of International Importance under the Ramsar Convention and therefore governed by the Wetlands (Conservation and Management) Rules, 2010 issued by GOI. GOK was therefore bound to ensure conduct of detailed EIA since the construction of either a weir or a regulator to serve the purpose of a saline intrusion barrier across the Kallada River could have adverse environmental consequences on these two Ramsar sites.

Considering the fact that the mandatory EIA has not been conducted and the AS issued to the Irrigation department for the construction of the Regulator across Kallada River at Kadapuzha at an estimated cost of ₹19 crore has lapsed, the probability of completion of the WSS is remote. The Irrigation Department has also confirmed to Audit (March 2018 and April 2018) that no assurance was

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96 A low dam built across a river to raise the level of water upstream or regulate its flow.

97 The main objective is to evolve sufficient storage for meeting the drinking water supply and the effective control of saline water intrusion into the upstream side of regulator. Besides, the river when bridged connecting the two banks, will improve the communication facilities, transportation distance and the employment opportunities in that area. The proposal for construction of salt water intrusion barrier across Kallada River was modified by the Irrigation Design and Research Board (IDRB) for construction of a Regulator across the river.

98 Mass Contact Programme

given to KWA regarding the construction of saline intrusion barrier across the Kallada River and that the department is yet to obtain Technical Sanction for the work.

The haste shown by KWA in awarding the work of laying pipeline for the pumping main without satisfying the mandated stipulations and subsequent stoppage of the work has resulted in infructuous expenditure of ₹8.50 crore[99], besides inability to provide additional water source to Kollam Water Supply Scheme.

(S. SUNIL RAJ)
Accountant General
(General and Social Sector Audit), Kerala

Thiruvananthapuram,
The 28 January 2020

Countersigned

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

New Delhi,
The 29 January 2020

99 ₹8.50 crore comprising payment made to contractor ₹6.67crore and balance ₹1.83 crore payable by KWA for work done.