



FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE

ON

**PUBLIC UNDERTAKINGS
(2023-2026)**

THIRTY SIXTH REPORT

(Presented on 11th February, 2025)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2025**

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On

Kerala State Poultry Development Corporation

**(Based on the Reports of the Comptroller and Auditor General of India for the
years ended 31st March, 2016, 2018 and 2019)**

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COMMITTEE ON PUBLIC UNDERTAKINGS
(2023-2026)

COMPOSITION

Chairperson :

Shri E. Chandrasekharan.

Members :

Shri A. P. Anil Kumar

Shri Anwar Sadath

Shri Ahammad Devarkovil

Shri T. V. Ibrahim

Shri P. Mammikutty

Shri K. P. Mohanan

Shri D. K. Murali

Shri P. Nandakumar

Shri Kadakampally Surendran

Shri P. Ubaidulla.

Legislature Secretariat :

Dr. N. Krishna Kumar, Secretary

Shri Venugopal R., Joint Secretary

Shri Anil Kumar B., Deputy Secretary

Shri Mohanan O., Under Secretary.

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2023-2026) having been authorised by the Committee to present the Report on its behalf, present this 36th Report on Kerala State Poultry Development Corporation based on the reports of the Comptroller and Auditor General of India for the years ended 31st March, 2016, 2018 and 2019 relating to the Public Sector Undertakings of the State of Kerala.

The aforesaid Reports of the Comptroller and Auditor General of India were laid on the Table of the House on 23-5-2017, 24-8-2020 and 10-6-2021 respectively. The Reports, besides other things in their findings, brought to light some functional irregularities relating to the Kerala State Poultry Development Corporation. The Committee, in connection with the perusal of the reports, took notice of the comparability of the audit paragraphs pertaining to such irregularities and decided to examine them altogether. The consideration of the audit paragraphs included in this report and the examination of the departmental witness in connection there to were made by the Committee on Public Undertakings (2021-2023) at its meetings held on 20-12-2022, 4-9-2023 and 25-9-2023.

This Report was considered and approved by the Committee (2023-2026) at its meeting held on 30-10-2024.

The Committee place on record its appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the Audit paragraphs included in this Report.

The Committee wishes to express thanks to the officials of the Animal Husbandry Department of the Secretariat and the Kerala State Poultry Development

Corporation for placing the materials and information solicited in connection with the examination of the subject. The Committee also wishes to thank in particular the Secretaries to Government, Animal Husbandry and Finance Department and the officials of the Kerala State Poultry Development Corporation who appeared for evidence and assisted the Committee by placing their views before the Committee.

Thiruvananthapuram,
11th February, 2025.

E. CHANDRASEKHARAN,
Chairperson,
Committee on Public Undertakings.

REPORT ON KERALA STATE POULTRY DEVELOPMENT CORPORATION

Audit Paragraph (2015-16)

3.5.3 Irregular engagement of temporary staff

As per the provisions of the Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959, vacancies¹ for contract employment exceeding three months were to be notified to the Employment Exchanges. Further, for such employment, Rules for Reservation in Government Service shall be applicable. According to Rule 14 of Rules for Reservation in Government Service, unit of appointment for the purpose of reservation shall be 20, out of which two shall be reserved for persons belonging to Scheduled Castes and Scheduled Tribes, eight for other backward classes and remaining 10 shall be from the open category. We observed that six² PSUs and one department engaged 1686 contract employees, without notifying the vacancies to Employment Exchanges as detailed in Table 3.13.

Table-3.13: Engagement of temporary staff

| Sl.No. | Audit Findings | Management/Government Reply |
|--------|---|---|
| 1. | KEPCO ³ KEPCO appointed 230 employees in excess of the sanctioned strength for a period up to one year. | Government replied (November 2016) that as a growing organisation engagement of daily wages and contract employees as per requirement is essential. |

1 Does not apply to vacancies in relation to any employment to do unskilled office work.

2 SIDCO, Kerala State Construction Corporation Limited, Kerala State Financial Enterprises Limited, Oil Palm India Limited, Kerala State Poultry Development Corporation Limited and Kerala State Industrial Enterprises Limited.

3 Kerala State Poultry Development Corporation Limited.

The replies were only partially acceptable as temporary appointment had to be made from Employment Exchange against sanctioned posts only thereby ensuring transparency, equal opportunity and reservation rules in appointments.

[The Audit paragraph 3.5.3 contained in the report of the C &AG for the year ended 31 March 2016.]

The notes furnished by the Government on the audit paragraph are given in Appendix II

Discussion and findings of the Committee

The Committee wanted to know the reason for appointing 230 contract employees in excess of the sanctioned strength. The Managing Director, KEPCO informed that the Government sanctioned 51 permanent posts when the Company started its operations at Kudappanakunnu. After that, the Company took up 25 new initiatives and is working actively since 1994. He added that the Company appointed 5 to 17 employees as required every year from 1989 to 2015 and thus it became 230.

To a query of the Committee, the Managing Director informed that there remained no employee who was appointed on a daily basis in 1989 and had only the employees appointed from 2000 and were paid only for the day they work. Then the Committee asked explanation for not appointing such employees through Employment Exchange.

The Managing Director informed that the Company required unskilled labourers for the jobs related to transportation of chicken during night time, waste disposal after meat cutting, meat processing etc. As the Employment Exchange could not provide these classes of employees, the Company used to engage those people through advertisement in newspaper. The Principal Secretary, Animal Husbandry Department informed that a general instruction had been given against appointing employees on daily wages after the audit reference.

From the Government reply, the Committee observed that the Company needed unskilled labourers in the area of Meat Processing Plant, Bio Manure Plant, Feed Mixing Plant etc. who do not require any academic qualifications.

The employment exchange can't provide these classes of employees. So the Company engaged those people only through advertisement in newspaper or sometimes engage them locally as per the requirement.

The Committee noted that out of 51 sanctioned strength, only 27 permanent employees were appointed till date. The Committee wanted to know the reason for not filling the sanctioned posts. The Managing Director informed that all these posts were managerial posts. When PSC could not provide candidates, the Board of Directors appointed employees transparently as per Special Rules by giving advertisements in news papers. He further stated that according to the Special Rules, only five or six posts could be filled through PSC while the others were appointed by Board of Directors directly after giving advertisements in newspapers. The Company followed such an approach considering the financial condition in spite of huge work load. Moreover skilled labourers were essential for the smooth functioning of the farm.

The Committee criticised the Company for not filling the vacancies in the sanctioned posts. To this the Managing Director informed that PSC didn't take action despite repeated requests for providing candidates. Even if employees were appointed, they would leave for better opportunities. Moreover, the Company engaged Daily Wages and Contract Employees to meet labour requirements without financial burden and added that skilled and unskilled workers are essential for the better performance of the Company more than managerial posts.

The Senior Audit Officer pointed out that from the reply furnished by the Department it was found that when the Company requested Government to increase the sanctioned strength, M/s. Centre for Management Development conducted a study about the manpower required for the Company in 2009 and suggested that the Company needed 175 employees. After that, in 2022, the Company engaged M/s. Centre for Management Development to conduct a study for knowing the actual staff requirement in the Company and they suggested 222 employees. He added that it was not clear from the reply that which category of employees the Company needed and the reason for not giving permission to increase the staff strength. The Principal Secretary responded that Government sanction is required to increase the staff strength.

Recommendations/Conclusions

1. The Committee noticed that it was misled by the remarks of the officials that Kerala Public Service Commission is not responding to the recruitment of skilled /unskilled workers of KEPCO.

The Committee was in utter dismay that reservation rules prevailing in the State is tactfully evaded by the Company and depriving the youth of the opportunities for employment in a fair and transparent manner.

2. The Committee noted that skilled and unskilled workers are essential for the better performance of the Company and criticised the Company for not filling the vacancies in the sanctioned posts. The Committee opined that the Department/PSU having Special Rules which consists of different names of category, qualification for each category, method of appointment and promotional avenues can make recruitment through Kerala Public Service Commission for each Category.

The Committee doubts that KEPCO has not issued Special Rules till date and if not so, a copy of the same should be furnished with the Committee. Otherwise Special Rules should be prepared and forwarded to Kerala Public Service Commission and to the Committee within six months and the Secretary, Animal Husbandry Department should take initiative and will be liable to the Committee for the above procedure.

Audit Paragraph (2017-18)

5.6 Delay in finalisation of Annual Accounts in State PSUs

Failure of the Administrative Departments in initiating punitive measures resulted in non-finalisation of the annual financial statements of PSUs within the stipulated period. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investment of ₹5,922.25 crores by the Government of Kerala and expenditure incurred were properly accounted for. Moreover, the Government's investment in such PSUs remained outside the control of State Legislature.

According to the provisions of Section 136 (1) read with Sections 129 (2) and 96 (1) of the Companies Act, 2013, companies are required to finalise their annual financial statements and place the audited financial statements for every financial year along with annual reports in the Annual General Meeting within six months from the end of the relevant financial year (by September). The same shall also be placed in the State Legislature within three months thereafter (by December).

In compliance with the provisions of the Companies Act, 2013, State Public Sector Undertakings were to place their audited accounts up to the financial year 2017-18 along with the annual reports in the Annual General Meeting by September 2018. The same was also to be placed in the Legislature by December 2018.

Audit observed that:

- Out of 121 working PSUs in the State, 13 PSUs finalised their financial statements for the year 2017-18 as of September 2018. Only six PSUs did, however, place their audited financial statements in the State Legislature within December 2018 as shown in the **Table 5.2:**

Table 5.2: Details of placement of audited financial statements in the State Legislature as of July 2019

| Particulars | Total | Annual General Meeting | | | State Legislature | | |
|--|-------|------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| | | Within 30/09/ 2018 | After 30/09/ 2018 | Not placed so far | Within 31/12/ 2018 | After 31/12/ 2018 | Not placed so far |
| Number of Working PSUs which finalised accounts up to the financial year 2017-18 | 13 | 6 | 7 | 0 | 6 | 6 ⁴ | 1 ⁵ |

4 The Kerala State Financial Enterprises Limited, Autokast Limited, Indian Institute of Information Technology and Management-Kerala, Steel and Industrial Forgings Limited, Kerala State Power and Infrastructure Finance Corporation Limited, Kerala High Speed Rail Corporation Limited.

5 Kerala State Electricity Board Limited.

- The remaining 108 PSUs had arrears in finalisation of accounts for periods ranging between 1⁶ and 11⁷ years. Audit also observed that during the accounts arrear period (2008-09 to 2017-18), the Government of Kerala infused budgetary assistance of ₹5,922.25 crores by way of equity, loans and grants to these PSUs.
- In order to ensure that State Public Sector Undertakings adhered to the provisions of the Companies Act on the finalisation of the annual financial statements, the Finance Department, Government of Kerala issued (September 2015) directions to Administrative Departments of the PSUs to withhold 10 to 15 per cent of budget allocation of defaulting PSUs. Further, no fresh Government guarantee was to be provided to defaulting PSUs to obtain loan.
- During 2015-16 to 2017-18, the Administrative Departments, however, released budget allocation of ₹218.63 crore (2015-16), ₹415.27 crore (2016-17) and ₹317.10 crore (2017-18) in full respectively to 23, 24 and 30 PSUs whose accounts were in arrears. Furthermore, six PSUs were given Government guarantee of ₹567.86 crore during 2016-17 for availing loans. During 2017-18 also, nine PSUs with accounts in arrears were given Government guarantee to the tune of ₹1,055.37 crore.
- Thus, though the Administrative Departments had the responsibility to oversee the activities of the PSUs and to ensure that the accounts were finalised and adopted by these PSUs within the stipulated period, the Administrative Departments did not withhold 10 to 15 per cent of budgetary assistance to PSUs with arrears in finalisation of accounts.
- As per Section 139 of the Companies Act, 2013, the Statutory Auditors of PSUs are appointed by the Comptroller and Auditor General of India (CAG).
- Audit observed that the CAG appointed Statutory Auditors for the years in which financial statements were in arrears as far back as September 2008. But these PSUs did not finalise the arrear accounts so far due to non-availability of qualified accounting staff. The Government of Kerala

6 22 PSUs had arrear in accounts of one year.

7 Trivandrum Spinning Mills Limited (2007-08 to 2017-18).

permitted (December 2016) PSUs to employ outside professionals at Government expense to overcome the shortage of accounting staff. But, this possibility was also not explored by 108 PSUs whose annual financial statements were in arrears for 1 to 11 years.

Thus, failure of the Administrative Departments in initiating punitive measures resulted in non-finalisation of annual financial statements within the stipulated period. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investment of ₹5,922.25 crores by Government of Kerala and expenditure incurred were properly accounted for. Moreover, Government's investment in such PSUs remained outside the control of State Legislature.

GoK replied that the PSUs were directed (17 July 2018) to submit a schedule for finalisation of accounts and complete their audit before 31st July 2018, but most of the PSUs did not comply with the same. The PSUs were directed (August 2018) to furnish a schedule of approval of accounts for each pending year to the Finance Department by 31st August 2018, failing which further fund release and pay revision of employees of PSUs would be stopped. The Chief Executives/Managing Directors of all PSUs were also informed (31 December 2018) that pay revision of employees in PSUs would be subject to finalisation of accounts up to previous year and also on maintenance of up-to-date accounts.

The reply was not acceptable as the Government did not implement its own earlier directions of withholding grants and denial of fresh government guarantee to PSUs with arrears in finalisation of accounts.

[The Audit paragraph 5.6 contained in the report of the C & AG for the year ended 31 March 2018.]

The notes furnished by the Government on the audit paragraph are given in Appendix II

Discussion and findings of the Committee

When the Committee sought explanation regarding the delay in finalisation of annual financial statements of KEPCO, the Managing Director informed that the delay in finalisation of accounts had occurred due to the delay in appointing Statutory Auditors for the years 2011-12 to 2014-15 by C & AG and it caused delay in the subsequent years also.

At this juncture, the Committee was informed by the office of the Accountant General that auditors had been appointed for the period up to 2021.

The Senior Audit Officer informed that delay would not occur in appointing an auditor for any organization if its accounts are up-to date. He added that when the Company had arrears in finalisation of accounts, auditors could not be appointed in subsequent years.

The Principal Secretary informed that it was not possible to appoint auditors in a Company that make delay in finalising the accounts. He added that it was the responsibility of the Company to provide accounts to audit and the auditor appointed by C&AG should audit the same. If the auditor complains the non-availability of the accounts for auditing, it is the fault of the Company, but such complaint had not been raised by the auditors so far. He added that the C&AG had been asked to appoint auditors to audit the accounts of the Company from 2016-17 to 2021-22 and they informed that auditors had been appointed till 2021 and it is expected to finalise the accounts by March 2023. The Managing Director added that the accounts up to 31-03-2022 have been finalised and got the approval of the Board of Directors and there had been some lapse on the part of the auditors appointed by C & AG in this matter.

The Committee enquired whether the audit of the seven-years accounts of KEPCO could be completed in three months.

The Senior Audit Officer informed that it was not possible to audit seven years of accounts in three months and he was not aware up to which year the accounts of the Company handed over to the auditors.

The Principal Secretary informed that the auditors were initially appointed for the period 2017-18. Hence the accounts up to the said year was given to the auditor. Though the Company was ready to hand over the accounts of remaining years, the Accounts Officer informed that the accounts of the remaining period need not be handed over to Accountant General.

Recommendations/Conclusions

3. The Committee understands that if qualified officials were appointed on regular basis in accounting and other posts, the Company would not have been suffered as such. The Committee observes that KEPCO has seven years of accounts to be audited. Hence the Committee directs the Department to give a detailed report on the current status of the finalisation of accounts.

Audit Paragraph (2018-19)

5.5 Idling of investment

Delay in completing civil works, deficiency in tendering and unjustified denial of consultancy fee resulted in avoidable delay in completing the project and idling of investment amounting to ₹7.31 crore.

The Government of Kerala (GoK) approved (May 2011) a proposal by Kerala State Poultry Development Corporation Limited (Company) for setting up an Environmentally Controlled Hi-Tech Commercial Layer Farm (ECHCL farm) at a cost of ₹10.00 crore at Kudappanakunnu in Thiruvananthapuram. The Company later decided (January 2014) to change the type of farm from ECHCL to High-Tech Commercial Layer Farm of 'Open Type Housing with Collapsible Walls with Battery Cages having Automatic Feeding System, Egg Collection and Manure Removal System' (Open Type farm) on the ground that the protocol for operation of ECHCL farms in India was not standardised. Rooh Global Traders (Consultant) was appointed (June 2014) as the consultant for the project at a fee of 4.70 per cent of the project cost. The GoK released (July 2011 to July 2014) ₹9.80 crore to the Company for implementing the project. As of May 2020, the project was yet to be commissioned though the Company incurred ₹7.31 crore.

Audit examined the implementation of the project by the Company and observed the following:

- The project included three major areas of works viz., civil works, procurement and installation of machinery and super-structural works. The civil works were to be completed first. The Company awarded (January 2015) the supply and installation of machinery for ₹4.62 crore to Big Dutchman Agriculture (India) Private Limited with a scheduled delivery in April 2015. The Company awarded the civil works to Kerala Agro Industries Corporation Limited (KAICO), a Public Sector Undertaking in March 2015 and stipulated three months for the completion of works. Subsequently, the Company entrusted (June 2015) additional works such as cutting of trees and blasting of rocks in the work site to KAICO without defining any specific timeframe for completion. The civil works were not completed before the delivery of the machinery

which was delivered in June/ July 2015 and had to be stored in a temporary shed constructed at Kudappanakunnu incurring ₹13.27 lakh. KAICO completed the civil works only in March 2016.

- The Central Vigilance Commission (CVC) had stated⁸ (December 2002) that the prequalification criteria for a tender needs to be fixed in advance specifying the minimum qualification, experience and number of similar works executed. Further, the term 'similar works' is to be clearly defined. Rule 9.1 of the Stores Purchase Manual (SPM) states that all the aspects to be accounted for evaluating the tenders are to be incorporated in the tender enquiry document without any ambiguity. No new condition should be brought in while evaluating the tenders. As per Rule 7.50 of the SPM, while inviting tenders in two-bid system, the technical bids are to be opened in the first instance and evaluated with reference to the parameters prescribed in the tender documents. In the second stage, the financial bids of only the technically acceptable offers are to be opened for further scrutiny, evaluation, ranking and placement of contract.
- The Company awarded (December 2015) the super-structural works to KAICO to be completed in June 2016. KAICO, in turn, re-tendered (December 2016) the works as only two bids were received in response to the first tender (February 2016). Though the criteria for qualifying in the technical evaluation in the re-tender stated that the contractor should be capable of supplying and erecting similar type of material including pre-fabricated structures, it did not define the term 'similar type of material'. A Technical Committee, including representatives of the Company, the Consultant and KAICO, prequalified (January 2017) only one out of the four bids received on the ground that the remaining three bidders lacked experience in sandwich panel work. For getting more competitive bids, KAICO opened (February 2017) the financial bids of two out of the three bidders who were not prequalified. After evaluation, KAICO recommended to select the lowest bidder who happened to be one of the bidders who failed in the technical evaluation. As the Consultant objected to this, the Company referred (June 2017) the matter to the Chief Technical Examiner, Department of Finance, GoK through the Department of Agriculture.

⁸ Vide Office Memorandum No. 12-02-1-CTE-6.

The Chief Technical Examiner stated that the action of the Technical Committee to reject the bids citing lack of previous experience in sandwich panel construction without specifying the same in the notice inviting tenders⁹ was not in order. Based on this, the Agriculture Department directed (March 2018) the Company to re-tender the works. Thus, ambiguous eligibility criteria in the tender document led to defective evaluation of tenders and delay in implementation of the project from March 2017 to March 2018. Further, as per directions issued (May 2015) by GoK, Public Sector Undertakings shall follow e-Government⁹ procurement for all tenders above ₹5 lakh. The estimated cost of super structural works awarded to KAICO was ₹2.46 crore. While inviting tenders for executing the work, KAICO, however, did not follow e-Government procurement.

- The Company floated (July 2014) tender for the supply of machinery based on the specifications furnished by the Consultant. Though the Consultant was eligible to receive fee at 4.70 per cent of the value of machinery, the Company decided (April 2016) not to pay the consultancy fee amounting to ₹17.61 lakh on the ground that it directly procured the machinery. Since the Company did not pay the fee as agreed, the Consultant refused to provide revised estimate for floating fresh tender for the super-structural works. The Company referred the matter to Law Department, GoK as directed (October 2019) by the Minister for Agriculture, GoK. The Law Department advised (January 2020) to pay the consultancy fee after ascertaining whether there was any breach of agreement conditions on the part of the Consultant. The unjustified denial of consultancy fee, thus, stalled the project from March 2018 onwards.
- As per the agreement with Big Dutchman Agriculture (India) Private Limited for supply and installation of machinery, the warranty of the machinery would be up to 18 months from the date of delivery. As the machinery was delivered in June/July 2015, the warranty of the machinery expired in January 2017 and the machinery has been idling for 60 months up to May 2020. The Company might have to incur additional expenditure if any repairs were necessitated due to prolonged storage of the machinery.

9 It is the e-Submission Tender System of GoK that enables the tenderers to download the Tender Schedule free of cost and then submit the bids online through the portal 'www.etenders.kerala.gov.in'.

The GoK replied (November 2020) that the Company has admitted to lapses in project management which was caused by absence of qualified technical manpower, dependence on accredited agencies, differing interpretations of agreement conditions and the absence of a proper technical advisory/ oversight mechanism within the Company. It was assured that GoK shall ensure that adequate mechanisms were in place to avoid such lapses in future. The project was estimated to be completed within six months.

The GoK reply was to be seen against the fact that the project sanctioned by GoK in 2011 was yet to be completed despite incurring ₹7.31 crore and ₹2.49 crore out of the ₹9.80 crore released by GoK remained unutilised since March 2017.

Thus, the delay in completion of civil works, deficiency in tendering and unjustified denial of consultancy fee resulted in avoidable delay in completing the project and idling of investment amounting to ₹7.31 crore¹⁰.

Recommendation 5.5: Necessary steps may be taken to avoid such lapses in future so as to complete the projects in a time bound manner.

[The Audit paragraph 5.5 contained in the report of the C &AG for the year ended 31 March 2019.]

The notes furnished by the Government on the audit paragraph are given in Appendix II

Discussion and findings of the Committee

5.5. Idling of Investment (2018-19)

The Committee noted that Government has sanctioned ₹9.80 crore in 2011 for setting up an environmentally controlled Commercial Layer Farm at Kudappanakunnu, Thiruvananthapuram, and in spite of spending ₹7.31 crore, the project could not be completed till date. The machinery purchased in 2015 had been idling for more than 7 years. The Committee wanted explanation regarding this. The Principal Secretary replied that the order was given to import the machinery from Germany with the expectation that it would take maximum 3 to 6

¹⁰ Purchase of machinery ₹4.62 crore, civil works ₹1.62 crore and ₹1.07 crore towards consultancy fee, customs duty, bank charges.

months for constructing a shed of 42500 square feet. He informed that out of the total cost of ₹7.56 crore till date, ₹4.69 crore was for the purchase of the machine and ₹44 lakh was for insurance and banking charges, ₹24 lakh spent for customs duty and thus ₹5.30 crore was paid for the machine. Then he admitted that there was a delay on the part of the Company in completing the project in time bound manner though it was sanctioned by Government of Kerala in 2011. He added that the cost required for the construction of building chicken rearing system using sandwich panel was ₹1.69 crore. He also informed that this was a unique project with a new technology and there was a lapse on the part of the officials in doing things timely.

The Managing Director informed that as the civil works engaged to Kerala Agro Industries Corporation was done satisfactorily, the Board of the Company awarded the super structural work also to them in December 2015. But delay occurred in the work due to non-adherence of CVC Guidelines and Stores Purchase Manual Rules. M/s KAICO invited tender for the work and the Technical Committee comprising of the Company, Consultants and M/s KAICO pre qualified only one out of four bids received. But M/s KAICO opened all the financial bids and selected the lowest bidder who failed in the technical bid evaluation without complying with the terms of SPM and CVC and the Company objected to it. The Chief Technical Examiner informed the matter to the Government. The Government directed the Company to re-tender the works. He added that the Company had already floated tender in November 2022 and the work is expected to be completed before March 31, 2023. He also informed that some parts of the machinery might have got damaged and the machinery can be installed at the earliest after rectifying the same.

To a query of the Committee, the Principal Secretary informed that this was unique and environment-friendly project of rearing chickens in an air-conditioned environment and the Company having lack of own engineering wing, M/s KAICO had been engaged to implement the project.

When the Committee asked whether the contractor had participated in the first tender to whom the work was now awarded, the Managing Director informed that he did not participate in the first tender.

The Committee was not satisfied by the replies of the witness and directed the Department to furnish a detailed report on the current status of the project, without delay and informed the witness that they have to appear before the Committee later to discuss the status of project.

The Committee later called on the Department officials of KAICO on 4-9-2023 and enquired about the status of the civil works awarded by KEPCO to KAICO by giving three months time for completion of works and additional works such as cutting of trees and blasting of rocks without defining any specific timeline. The Committee wanted an explanation regarding this. The Managing Director, KAICO informed that although KEPCO had engaged KAICO to complete the super structural works in 2015, due to irregularities in inviting tenders and tender procedures, the project could not be materialised.

To a query of the Committee, the Managing Director, KAICO informed that there is no vigilance investigation in this regard and KEPCO has not given permission to re-tender the work so that they were not able to resume the work.

The Committee sought explanation regarding the amount received by KAICO from KEPCO for completion of work. The Managing Director informed that amount has been received after completing the construction of the foundation, but no amount has been received for super structural works as the construction of the super structure was in the tender stage.

To a query of the Committee regarding the construction of the superstructure, Additional Secretary, Agriculture Department informed that from the examination of files, it was found that there was a loss in the invitation of tender and purchase of machinery for the preliminary works and a letter has been issued to take disciplinary action against the then MD.

The Committee commented that in the Government reply it was stated that a quick verification has been conducted by the Vigilance and Anti Corruption Bureau and based on their recommendation, the Managing Director, KAICO has been instructed to take disciplinary action against the then Managing Director and Chief Engineer.

The Managing Director, KAICO informed that KEPCO was entrusted to complete the tender process and to give the work order, but permission was not received so far. The officials added that although it was mentioned in the audit report that KAICO was assigned to undertake the work and re-tendering in 2017, no such instruction was conveyed to KAICO and KEPCO had appointed the consultant and procured the machinery.

The Committee sought clarification regarding the status of disciplinary action. The concerned official informed that as part of the vigilance investigation, the list of Managing Directors and Engineers of KAICO during that period was given to the Agriculture Department. After that, the then Managing Director and Deputy Chief Engineer were called for a meeting but the meeting was not held that day and further notification has not been received yet. He added that all the officials of that period had retired from service.

The Committee enquired about the stance of the Agriculture Department regarding the vigilance investigation. The Additional Secretary, Agriculture Department stated that the Managing Director, KAICO should take action regarding this. But the Managing Director, KAICO informed that they will take necessary action if the Agriculture Department gives necessary instructions.

The Committee observed that the Principal Secretary of the Animal Husbandry Department had informed the Committee at the meeting held on 20-12-2022 that the work would be completed by March 2023 itself. The Committee commented that since no explicit reply has been received about the audit reference from Agriculture and Animal Husbandry Departments, the matter would only be clarified if both were called together. Therefore, the Committee decided to take evidence from the officials of the Department of Agriculture and the Department of Animal Husbandry together on 25-9-2023.

The Committee in its meeting held on 25-9-2023 observed that the project to establish an environmentally controlled commercial layer farm at Kudappanakunnu in Thiruvananthapuram was started in 2011 and could not be completed even in 2023 and in this regard the Government has sanctioned ₹ 9.80 crore and has spent ₹7.31 crore. The Committee further stated that the machinery was purchased without completing the super structural works and was kept unusable and the Committee wanted to find the responsible officials and take stringent action against them.

The Committee sought explanation regarding the current status of commercial layer farm. The Secretary, Animal Husbandry informed that the project was envisaged to construct an environmentally controlled commercial layer farm which involves four phases namely civil works, super structural works, installation of plant & machinery and engineering works; out of which 100% of the civil works and 65% of the super structural works have been completed. The witness informed that the construction of the road will be started soon and after completing the super structural works, the remaining engineering works will be done. He added that the expected project cost was ₹9.80 crore in the beginning but now it had been hiked to ₹25 crore. They have only ₹12.80 crore in hand and an additional ₹12 crore is required and have approached KSIDC for a loan of ₹5 crore for the same and also expecting ₹7crore as plan fund of the current year.

The Secretary, Animal Husbandry Department informed that the dispute between KEPCO and KAICO during the tender procedures between 2018 and 2023 have caused the delay of the project and currently the site is being visited every month to assess the situation in order to complete the project in time.

To a query of the Committee about the current condition of machinery, the KEPCO Managing Director informed that German-made machinery was purchased, even before the completion of first stage of works in 2014-15. During the inspection conducted by the supplying company two months ago, it was

informed that no damage was caused to the machinery, but rubberised consumables worth about 12 lakh rupees had to be replaced. He admitted the observation of the Committee that even more updated machinery is available today.

The Committee got agitated pointing out the chance of the machinery getting damaged in future due to idling of about eight years.

The Managing Director informed that a tender of ₹ 4.23 crore was awarded to M/s Glades Engineering & Contracting Private Limited, Kochi, a firm specialised in superstructure work in 2022. He added that the previous tender was for ₹ 2.41 crore and Rooh Global Traders is still continuing as the consultant.

The Committee enquired about the officials responsible for the loss caused by delay in implementation of the project. The Managing Director, KEPCO informed that as the civil works of the superstructure were carried out by KAICO in 2016, they were awarded the superstructure work and when the tender was called, four bids were received but only one was technically qualified. He added that instead of opening the qualified bid, KAICO opened all four bids that participated in the tender and KEPCO informed that it could not have done so. The Committee criticised KAICO for opening all the bids instead of opening only the qualified bid, violating the recommendation of the Technical Committee.

The Committee enquired the reason for the decision not to pay the consultancy fee to the consultant. The Managing Director replied that the consultancy fee was fixed at 4.7% of the project cost and the Board of the Company has decided not to pay the consultancy fee as the equipment/machinery was purchased directly by KEPCO for ₹4.2 crore. The decision was reported to the Government and the Administrative Department referred this matter to the Law Department and they advised to pay it and Corporation has given the consultancy fee. The Committee, observed that the machinery was purchased as per the opinion of the consultant and the decision to not to pay the consultant fee also is one of the reason for the delay of the work.

To a query of the Committee, the Managing Director informed that KEPCO is currently unprofitable and it would become profitable after three/four years of implementation of this project. The MD added that out of the 204 employees in KEPCO, 11 are permanent employees and the rest are contract workers but as per the report of Centre for Management Development only 148 employees are adequate for the working of the Corporation. The Managing Director of the KAICO informed the Committee that they have 75 permanent employees and 100 temporary employees and last year's turn over was ₹108 crore. The Secretary further informed that after completion of the ongoing project it would be possible to produce about 60000 eggs per day.

The Committee opined that only 5% of the eggs and chickens required by the State are being produced in Kerala and the remaining 95% comes from outside the State and it was a shame that an institution under the control of the Government is not functioning well after such a long time. The Committee criticised that the delay in implementing the project not only escalated the project cost but also affected the profit it could have been obtained from the market and doubted the officials' intention in delaying the project.

The Committee observed that all the civil works related to the project were completed and only the engineering works are pending but the statement of the official for the need of further additional ₹12 crore raised doubt as how the project cost would be doubled after finishing 80% of the total works. The Committee wanted to know the reason for the delay in each phase and instructed to find out the responsible officials in each phase of the project implementation.

The Committee observed that the Managing Director of KAICO at that period was not a Government employee and was transferred and the Deputy Chief Engineer who was on deputation has retired from service. The Committee opined that the officials opened the four bids intentionally. The Committee criticised the officials of KAICO and Agriculture Department for not taking any action against the responsible officials and commented that if such delinquent officials are not punished, it will pave way for more such irregularities.

The Additional Secretary, Agriculture Department informed the Committee that Vigilance and Anti Corruption Bureau instructed the Animal Husbandry Department to seek explanation from MD and Chief Engineer and to take disciplinary action if found guilty. The matter was conveyed to the Agriculture Department only in 2019 and they sought explanation and file was submitted to Hon. Minister for Agriculture. But the file was returned with an instruction to furnish the report of the Chief Technical Examiner and the file with the same was resubmitted in 2022.

The Committee observed that huge loss has been incurred to the Government by delaying the project for 12 years and also led to increase in project cost of about ₹12 crore. The Committee also doubted the increase in the cost of the project to ₹25 crore even after the purchase of machinery and the first stage of project and even completing 65% of superstructural works. The Committee also criticised for the delay in the implementation of the project and commented that latest technology has to be adopted in each project and here the delay occurred will be a failure in the competition in the market and wanted the Corporation to enhance the production to increase the market share it possess now.

The Committee demanded KEPCO and KAICO to submit a detailed report within one month regarding the irregularities occurred at different stages of implementation of the project and the details of the responsible officials.

Observations/Recommendations

(4) The Committee is at a loss to understand why KEPCO awarded superstructural works to KAICO which has no expertise in that field even when the consultant was working with KEPCO. The Committee made it clear that overall picture of the project highlights the competition between KEPCO and KAICO in delaying the completion of the project with the strong belief that nothing will happen against them.

The Committee comments the following;

In our State 95% to 99% of the daily consumption of chicken is met by other neighbouring states where the poultry is being reared upto 45 days by giving unhealthy foods and even injecting antibiotics and hormones etc. which is lethal to the human being for consumption.

The KEPCO chicken now available in the market where the poultry is rearing under standard protocol and hygienic conditions could not even meet 1% of the total daily requirement of the State.

In this context the delay in completion of the project which is not so complex to construct or time consuming is seriously looked into.

The Committee also notices that the advice of the VACB to seek explanation from Managing Director and Chief Engineer and to take disciplinary action if found guilty had not been monitored by Animal Husbandry Department.

On observing all these facts Committee recommends that the Chief Technical Examiner, Technical Wing of Finance Department should go through all the files of the project pertaining to KAICO, KEPCO, Agriculture and Animal Husbandry Departments and report to the Committee answering the following points within six months.

(a) At what level the decision was taken to import the machinery even before completing the civil works. The copy of any decision taken by the Expert Committee should also be appended with.

(b) The circumstances that led to the opening of the bids that technically failed, tendered for the construction of superstructural works by KAICO and the officials responsible for such activity should also be probed.

(c) The context by which the purported delay made in taking a decision to disburse the consultation fee even when it is endorsed by rules. The responsible officials and copy of any decision taken at higher levels for the delay in disbursing the consultation fee also be unearthed.

(d) The Committee could not take in a breathe the cost escalation by double the estimated amount for completing the project even after completing 80% of civil works and a mere ₹12 lakhs for repairing the machinery. Whether the sanction is accorded for the revised estimate or how can the amount is justifiable.

5) The Committee urges the Agriculture and Animal Husbandry Departments, KAICO & KEPCO to submit all files relating to this project to the Chief Technical Examiner, Technical Wing (Finance) Department within 3 months from the date of presentation of this report.

*Thiruvananthapuram,
11th February, 2025.*

E. CHANDRASEKHARAN
*Chairperson,
Committee on Public Undertakings .*

APPENDIX-I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

| Sl No. | Para No. | Department Concerned | Conclusions/Recommendations |
|--------|----------|----------------------|---|
| (1) | (2) | (3) | (4) |
| 1 | 1 | Animal Husbandry | <p><i>The Committee noticed that it was misled by the remarks of the officials that Kerala Public Service Commission is not responding to the recruitment of skilled /unskilled workers of KEPCO.</i></p> <p><i>The Committee was in utter dismay that reservation rules prevailing in the State is tactfully evaded by the Company and depriving the youth of the opportunities for employment in a fair and transparent manner.</i></p> |
| 2 | 2 | Animal Husbandry | <p><i>The Committee noted that skilled and unskilled workers are essential for the better performance of the Company and criticised the Company for not filling the vacancies in the sanctioned posts. The Committee opined that the Department/PSU having Special Rules which consists of different names of category, qualification for each category, method of appointment and promotional avenues can make recruitment through Kerala Public Service Commission for each Category.</i></p> <p><i>The Committee doubts that KEPCO has not issued Special Rules till date and if not so, a copy of the same should be furnished with the Committee. Otherwise Special Rules should be prepared and forwarded to Kerala Public Service Commission and to the Committee within six months and the Secretary, Animal Husbandry Department should take initiative and will be liable to the Committee for the above procedure.</i></p> |

| (1) | (2) | (3) | (4) |
|-----|-----|------------------|--|
| 3 | 3 | Animal Husbandry | <p>The Committee understands that if qualified officials were appointed on regular basis in accounting and other posts, the Company would not have been suffered as such. The Committee observes that KEPCO has seven years of accounts to be audited. Hence the Committee directs the Department to give a detailed report on the current status of the finalisation of accounts.</p> |
| 4 | 4 | Animal Husbandry | <p>The Committee is at a loss to understand why KEPCO awarded the superstructural works to KAICO which has no expertise in that field even when the consultant was working with KEPCO. The Committee made it clear that overall picture of the project highlights the competition between KEPCO and KAICO in delaying the completion of the project with the strong belief that nothing will happen against them.</p> <p>The Committee comments the following;</p> <p>In our State 95% to 99% of the daily consumption of chicken is met by other neighbouring states where the poultry is being reared upto 45 days by giving unhealthy foods and even injecting antibiotics and hormones etc. which is lethal to the human being for consumption.</p> <p>The KEPCO chicken now available in the market where the poultry is rearing under standard protocol and hygienic conditions could not even meet 1% of the total daily requirement of the State.</p> <p>In this context the delay in completion of the project which is not so complex to construct or time consuming is seriously looked into.</p> |

The Committee also notices that the advice of the VACB to seek explanation from Managing Director and Chief Engineer and to take disciplinary action if found guilty had not been monitored by Animal Husbandry Department.

On observing all these facts Committee recommends that the Chief Technical Examiner, Technical Wing of Finance Department should go through all the files of the project pertaining to KAICO, KEPCO, Agriculture and Animal Husbandry Departments and report to the Committee answering the following points within six months.

(a) At what level the decision was taken to import the machinery even before completing the civil works. The copy of any decision taken by the Expert Committee should also be appended with.

(b) The circumstances that led to the opening of the bids that technically failed, tendered for the construction of superstructural works by KAICO and the officials responsible for such activity should also be probed.

(c) The context by which the purported delay made in taking a decision to disburse the consultation fee even when it is endorsed by rules. The responsible officials and copy of any decision taken at higher levels for the delay in disbursing the consultation fee also be unearthed.

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| | | | (d) The Committee could not take in a breathe the cost escalation by double the estimated amount for completing the project even after completing 80% of civil works and a mere ₹12 lakhs for repairing the machinery. Whether the sanction is accorded for <i>the</i> revised estimate or how can the amount is justifiable. |
| 5 | 5 | Animal Husbandry | The Committee urges the Agriculture and Animal Husbandry Departments, KAICO & KEPCO to submit all files relating to this project to the Chief Technical Examiner, Technical Wing (Finance) Department within 3 months from the date of presentation of this report. |

Notes furnished by Government on the Audit Paragraph

ഗവൺമെന്റ് റിപ്പോർട്ട് 2016 (പാർട്ടി 3.5) സംബന്ധിച്ച് കേരളാ സ്റ്റേറ്റ് പബ്ലിക് വെൽഫെയർ കോർപ്പറേഷൻ

| Para | Recommendation | Report |
|-------|--|---|
| 3.5.3 | <p>Irregular appointment of employees in PSUs, Forest and Public Works Departments</p> <p>Appointment of employees in violation of existing Government directions and irregular regularisation of temporary employees resulted in failure to ensure transparency and fairness in recruitment.</p> <p>KEPSCO appointed 230 employees in excess of the sanctioned strength for a period upto one year</p> | <p>കോഴിപ്പുറത്തു് മേഖലയുടെ നഷ്ടപ്രശംഭം വീണ്ടെടുക്കുക. ആദായകരമായ ഒരു ഉപതൊഴിലായി കോഴി വളർത്തലിനെ വളർത്തിയെടുക്കുക തൊഴിലില്ലായ്മയുടെ തുടക്കം കുറയ്ക്കുക തുടങ്ങിയ ലക്ഷ്യങ്ങളോടെയാണ് 1989-ൽ കേരള സ്റ്റേറ്റ് പബ്ലിക് വികസന കോർപ്പറേഷൻ രൂപീകൃതമായത്. സമ്പന്നതയെ കോഴിവളർത്തൽ രംഗം പുനരുദ്ധരിക്കുക എന്നതാണ് പ്രധാന ലക്ഷ്യം. 1956 ലെ കമ്പനി ആക്ട് പ്രകാരം രജിസ്റ്റർ ചെയ്തിട്ടുള്ളതാണ് ഈ സ്ഥാപനം.</p> <p>കോർപ്പറേഷനിൽ അനുവദിക്കപ്പെട്ട 51 സ്ഥിര തസ്തികകളാണ് നിലവിലുള്ളത്. 1994-ജനുവരി 05 ലെ സർക്കാർ ഉത്തരവ് നം. ജി.ഒ (എം.എസ്.)നം.3/94/എ.ഡി പ്രകാരം, 1994 ലാണ് ഈ 51 സ്ഥിര തസ്തികകൾ കോർപ്പറേഷന് അനുവദിച്ചു നൽകിയത്. അക്കാലത്ത് കോർപ്പറേഷൻ ഉദ്യോഗ വേണ്ടിയു പ്രവർത്തനങ്ങൾ ഒന്നുതന്നെ ആരംഭിച്ചിട്ടില്ലായിരുന്നു. കടപ്പുറത്തിൽ ഒരു ബ്രോയിലർ ബ്ലഡ് ഫാമിയെയും, ഹാച്ചറിയെയും പ്രവർത്തനം മാത്രം നടന്നുവരുന്ന സമയമായിരുന്നു അത്.</p> <p>വൈവിധ്യവൽക്കരണ പ്രവർത്തനങ്ങളുടെ ഭാഗമായി താഴെപ്പറയുന്ന സ്ഥാപനങ്ങൾ/യൂണിറ്റുകൾ കോർപ്പറേഷൻ ആരംഭിച്ചിട്ടുണ്ട്</p> <p>1. തിരുവനന്തപുരം ജില്ലയിലെ കടപ്പുറത്തിൽ :</p> <p>എ. ബ്രോയിലർ ബ്ലഡർ ഫാമിം ഹാച്ചറിയും ബി. കോഴിത്തീറ്റ നിർമ്മാണ കേന്ദ്രം സി. കോഴിത്തീറ്റയുടെ മൂന്നു നിലവാര പരിശോധനാ കേന്ദ്രം</p> |

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| | <p>ഡി. ജൈവവള സംസ്കരണ യൂണിറ്റ്</p> <p>ഇ. ജൈവവളത്തിൽ നിന്നുള്ള വിദ്യുത് ചൂട് ഉല്പാദന യൂണിറ്റ്</p> <p>2. ജൈവവളപ്പരം ജീവിയുടെ പെട്ടയിൽ :</p> <p>എ. കോഴിയിറച്ചി സംസ്കരണ ശാല</p> <p>ബി. കോഴിയിറച്ചിയിൽ നിന്നുള്ള മേല്പുരയിൽ ഉല്പാദന യൂണിറ്റ്</p> <p>സി. ശീതികരിച്ച സംഭരണ യൂണിറ്റുകൾ</p> <p>ഡി. കെപ്കോ വിപണന ശാലകളും, വിപണന ശൃംഖലയും</p> <p>ഇ. കെപ്കോ എസ്സി നെസ്റ്ററൽ</p> <p>എഫ്. കെപ്കോ സ്റ്റാക്സ് കോർണർ</p> <p>ജി. കെപ്കോ ന്യൂനവില റെറ്റാർനി ഓസലിക്കൽ കോപ്പ്</p> <p>എച്ച്. കെപ്കോ ടെക്സ്റ്റൈൽ സർവ്വീസ് സെന്റർ</p> <p>ഐ. കെപ്കോ ടെയിനിംഗ് സെന്റർ</p> <p>ജെ. ഇഗോ സ്റ്റാഡി ഓസലിക്കൽ</p> <p>3. കോഴും ജീവിയുടെ കോഴിത്തണ്ട് :</p> <p>എ. ചെന്തർ ബ്രീഡർ ഫാമും ഹാച്ചറിയും</p> <p>ബി. ഡക്ക് ബ്രീഡർ ഫാമും ഹാച്ചറിയും</p> <p>സി. കോഴിത്തീറ്റ നിർമ്മാണ കേന്ദ്രം</p> <p>ഡി. കോഴിത്തീറ്റയുടെ ഗുണ നിലവാര പരിശോധനാ കേന്ദ്രം</p> <p>4. തട്ടൂർ ജീവിയുടെ മാറ്റയിൽ :</p> <p>എ. ചെന്തർ ബ്രീഡർ ഫാമും ഹാച്ചറിയും</p> <p>ബി. കോഴിത്തീറ്റ നിർമ്മാണ കേന്ദ്രം</p> <p>സി. കോഴിത്തീറ്റയുടെ ഗുണ നിലവാര പരിശോധനാ കേന്ദ്രം</p> <p>5. കേന്ദ്ര-സംസ്ഥാന സർക്കാരുകളുടെ സഹായത്തോടെ വിവിധ ക്ഷേമ പദ്ധതികൾ ആവിഷ്കരിച്ച് നടപ്പിലാക്കുന്ന ഏജൻസി.</p> <p>വൈവിധ്യവൽക്കരണ പ്രവർത്തനങ്ങളിലൂടെ കോർപ്പറേഷന്റെ വാർഷിക വിറ്റുവാൻ 198 കോടി രൂപയിൽ നിന്നും 24 കോടി രൂപയായി ഉയർന്നു. കോർപ്പറേഷന്റെ വിവിധ യൂണിറ്റുകളിൽ ഉല്പാദനങ്ങൾ</p> |
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സെന്ററുകളിൽ കരാർ-ദിവസം-വേതന ജീവനക്കാരെ നിയോഗിച്ചിട്ടില്ലെങ്കിലും അവരുടെ കൂടി ശ്രമഫലവുമായിട്ടാണ് ഈ നേട്ടം ലഭിച്ചത്. കരാർ-ദിവസം-വേതന ജീവനക്കാരെ കോർപ്പറേഷന്റെ വിവിധ പ്രവർത്തനങ്ങളിൽ നിയോഗിക്കുന്നത് പത്രപ്രവർത്തകർ നൽകി തികച്ചും സുതാര്യമായ രീതിയിലാണ്. മിറ്റ് പ്രോസസ്സ് ഫ്ലാൻറ്, ഫീഡ് മിക്സിംഗ് ഫ്ലാറ്റുകളിൽ മാത്രം പ്രത്യേകത തൊഴിൽ-പ്രവർത്തനങ്ങളുള്ള വിദേശ തൊഴിലാളികളാണ് ജോലികളിൽ ഏർപ്പെടുന്നത്. അതിനാൽ എംപ്ലോയേഴ്സ് എക്സിപെൻഡിച്ച് നിന്നും ഈ വിഭാഗത്തിൽപ്പെട്ട തൊഴിലാളികളെ കോർപ്പറേഷന് കിട്ടാറില്ല. ആരോഗ്യ പ്രശ്നങ്ങൾ മൂലം മാനസ സംസ്കരണ ഫ്ലാറ്റിലും, ഫീഡ് മിക്സിംഗ് ഫ്ലാറ്റുകളുള്ള തൊഴിലാളികൾക്ക് ദീർഘ കാലം ജോലി ചെയ്യാൻ കഴിയുകയില്ല. ഈ സാഹചര്യത്തിൽ കോർപ്പറേഷൻ ഈ വിഭാഗത്തിൽപ്പെട്ട തൊഴിലാളികളെ സ്ഥിരമായി ഈ സ്ഥലങ്ങളിൽ നിയോഗിക്കുന്നതിന് നിർബന്ധിതമാവുകയോ, അതനുസരിച്ച് തൊഴിൽ സ്ഥലത്ത് മാറ്റം വരുത്തുകയോ ചെയ്യുന്നു.

മാനസ സംസ്കരണ ശാല, ജൈവമാലിന്യ നിർമ്മാർജ്ജന യൂണിറ്റ്, കോഴിത്തീറ്റ ഉല്പാദന കേന്ദ്രങ്ങൾ മുതലായവയിൽ പ്രത്യേക തൊഴിൽ-പ്രവർത്തനങ്ങളുള്ള വിദേശ തൊഴിലാളികളാണ് ആവശ്യമായുള്ളതെങ്കിലും അവർക്ക് പ്രത്യേക വിദ്യാഭ്യാസ യോഗ്യതകളൊന്നും വേണ്ടതല്ല. എംപ്ലോയേഴ്സ് എക്സിപെൻഡ് ഈ വിഭാഗത്തിൽപ്പെട്ട തൊഴിലാളികളെ നൽകാറില്ലാത്തതിനാൽ കോർപ്പറേഷൻ ഈ വിഭാഗത്തിൽപ്പെട്ട തൊഴിലാളികളെ മാത്രമാണ് പത്രത്തിൽ പരസ്യം ചെയ്യുക വഴിയോ, അല്ലെങ്കിൽ ചിലപ്പോൾ ആവശ്യാനുസരണം പ്രാദേശികമായോ ഏർപ്പെടുത്തുന്നത്.

2009 ൽ M/s. സെന്റർ ഫോർ മാനേജ്മെന്റ് ഡെവലപ്മെന്റ് [CWD] എന്ന സ്ഥാപനം കോർപ്പറേഷന് ആവശ്യമുള്ള മാനവശേഷി

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| | <p>സംബന്ധിച്ച വിശദമായ ഒരു ഫാറം നടത്തുകയുണ്ടായി. ഈ പഠനത്തിന്റെ അടിസ്ഥാനത്തിൽ 2009 ൽ 175 ജീവനക്കാർ കോർപ്പറേഷൻ ആവശ്യപ്പെടുന്നത് അവാർ നിർദേശിച്ചു. വളർത്തുവാൽന മായ സ്ഥാപനങ്ങൾ നിലയിൽ കോർപ്പറേഷന്റെ കൈമാറ്റം മറ്റു പ്രവർത്തനങ്ങളുടെ സ്പെഷലൈസ്ഡ് നാൽക്കിനായി കർമ്മ-ജീവനാ മേൽന ജീവനക്കാരുടെ സേവനം ആവശ്യപ്പെടുന്നുണ്ടെങ്കിലും ഉപയോഗപ്പെടുത്തുന്നതുകൊണ്ടാണ് ഇപ്പോഴും കോർപ്പറേഷൻ നിലനിൽക്കുന്നത്.</p> |
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SHEELA P
Joint Secretary to Government
Appt. (Animal Husbandry) Dept.
Govt. Secretariat
Thiruvananthapuram

CAG Report for the year ending 31st March 2019 (para 5.5) regarding Setting up of Hi-Tech Commercial Layer Farm at Kudappanakunu of Kerala State Poultry Development Corporation, Thiruvananthapuram

| Para | Recommendation | Report |
|------|--|---|
| 5.5 | <p>Delay in completing civil works, deficiency in tendering and unjustified denial of consultancy fee resulted in avoidable delay in completing the project and idling of investment amounting to Rs.7.31 crore.</p> | <p>The Government has sanctioned an amount of 10.00 crore to Kerala State Poultry Development Corporation Limited for Setting-up a Hi-Tech Commercial Layer Farm at Kudappanakunu in Trivandrum District and it is a unique project in the state and the Corporation having no technical team to supervise this type of projects, the Board of the Corporation has engaged a Consultant to this Project. M/s. Rooh Global Traders, as the Consultant. The consultation fee for this Project is 4.70 per cent of the project cost. The Government has released a total amount of Rs.09.80 crore to the Corporation for implementing the project.</p> <p>The project included three major areas of works viz., civil works, procurement and installation of Equipments/Machinery and Super Structure Works. The Civil Works was completed by engaging M/s. Kerala Agro Industries Corporation (A Government of Kerala Undertaking). The Corporation procured Equipments/machinery from M/s. Big Dutchman Agriculture (India) Private Limited, Hyderabad by completing all the tender formalities.</p> |

The civil works engaged to M/s. Kerala Agro Industries Corporation was done satisfactorily; the Board of the Corporation had awarded the Super Structure Works also to them. M/s. KAICO had invited tender for the Super Structure Works as per the specification and drawing given by the project consultant. A Technical Committee, including representative of the Corporation, the Project Consultant and officials of M/s. KAICO, selected one out of the four bids received on the ground that the remaining three bidders lacked experience in sandwich panel work. But the Board of Directors of M/s. KAICO opened all the financial bids and selected the bidder who quoted the lowest amount. But this bidder failed in the technical bid evaluation. So the Consultant of the project objected that the bidder selected by Board of M/s. KAICO can't be accepted because they are not technically qualified. Hence the Corporation referred the matter to the Chief Technical Examiner, Department of Finance, Government of Kerala through the Department of Animal Husbandry. Accordingly, the Chief Technical Examiner advised to re-tender the works.

The Corporation floated tender for the supply of machinery based on the specifications and drawings furnished by the Project Consultant. Mean while the Board of the Corporation refused to pay the third bill towards Consultancy Fee to the Project Consultant stating that the Equipments/machinery was directly purchased by the Corporation, and the consultation fee can't be paid to the value of Equipments/machinery. When this matter was consulted with Law Department, they advised to pay the consultancy fee after ascertaining whether there was any breach of agreement on the part of the Consultant.

As per the advice of the Law Department, the Corporation had made the payment for the due amount of Consultancy charges to M/s. Rooh Global Traders (Project Consultant) and advice received from the Chief Technical Examiner, the Corporation invited e-tender for the Super Structure Works. All the specification and drawings for e-tender was provided by the Project Consultant and the same was vetted by a technical committee constituted by the Government. The last date of receipt of e-tender is 09th August 2021. The e-tender will be opened by the Technical Committee and will be proceed accordingly. It is expected that the whole works of this project can be completed within next six months.

Seale

SHEELA P
Additional Secretary to Government
(Additional Husbandry Dept.
Govt. Secretariat
Thiruvananthapuram)

KERALA STATE POULTRY DEVELOPMENT CORPORATION
REPORT TO COMMITTEE ON PUBLIC
UNDERTAKINGS(2021-23)

| Audit Para | Year | Report from MD,KSPDC |
|---|---------|--|
| 3.5.3 Irregular Engagement of Temporary Staff | 2015-16 | <p>Kerala State Poultry Development Corporation is a Government Company registered under the Companies Act 1956, engaged in the development of Poultry Sector in the State of Kerala. The Corporation is presently having a sanctioned staff strength of 51 only, which was sanctioned in 1994. At that time, the Corporation has not started any commercial activities. Only one Broiler Breeder Farm and Hatchery was under construction at Kudappanakkunnu. The Turnover of the Corporation in 1994 was 4.26 Lakhs. Now the Turnover of the Corporation has increased above 2600 Lakhs.</p> <p><u>Now the Corporation engaged diversified activities like -</u></p> <ol style="list-style-type: none"> a. Broiler Breeder Farm and Hatchery at Kudappanakkunnu b. Layer Breeder Farm and Hatchery at Kottiyam c. Duck Breeder Farm and Hatchery at Kottiyam d. Layer Breeder Farm and Hatchery at Mala e. Feed Analytical Laboratory at Kudappanakkunnu & Kottiyam. f. Bio Manure & Electricity Production Plant at Kudappanakkunnu g. Feed Mixing Plant at Kudappanakkunnu h. Feed Mixing Plant at Kottiyam i. Feed Mixing Plant at Mala (under construction) -j. Meat Processing Plant at Pettah, Trivandrum k. Value Added Production Unit at Pettah, Trivandrum l. Kepco A/c Restaurant at Pettah, Trivandrum |

- m. Kepco Snacks Corner at Pettah, Trivandrum
- n. Kepco Nyayavila Veterinary Medical Shop at Pettah, Trivandrum
- o. IGNOU Study Centre at Pettah, Trivandrum
- p. Kepco Technical Service Centre at Pettah, Trivandrum
- q. Implementing Agency for various Welfare Schemes of Government of Kerala and Government of India
- r. Meat Processing Plant at Kottukal, Kollam (will be constructed soon)
- s. Hi-Tech Commercial Layer Farm at Kudappanakunnu (under construction)

The Corporation could increase its turnover from 4.26 Lakhs to 2600 Lakhs with the active participation of all categories of employees including Daily Wages and Contract Employees in various Units / Production Centers of the Corporation.

The Corporation required skilled labours in the area of Meat Processing Plant, Bio-Manure Plant, Feed Mixing Plant, etc, who does not require any academic qualifications. The employment exchange can't provide these classes of employees. So the Corporation engaged those people only through advertisement in newspaper or sometimes engage them locally as per the requirement. In 2009 M/s. Centre for Management Development [CMD], a Government Organization, has conducted a detailed study about the Manpower required of the Corporation. They suggested 175 employees are required to the Corporation in 2009. In

2022, the Corporation engaged M/s. Centre for Management Development (CMD) to conduct a Study for

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| | | <p>knowing the actual staff requirement in the Corporation now. They have submitted a report and suggested that "Now the Corporation requires 222 employees in the Corporation". As a fast growing organization, the Corporation engaged Daily Wages and Contract Employees as per requirement to perform the Corporation in this industry. The Corporation will engage permanent employees immediately after getting the posts sanctioned.</p> |
| <p>5.6 Delay in finalization of Annual Accounts in State PSUs</p> | 2017-18 | <p>The Corporation has finalized its accounts, completed Internal Audit and approved by the Board of Directors up to 31st March-2022.</p> <p>The Board has given top most priority to the preparation and Finalization of Annual Accounts in time. The Board also constantly watching the adherence of procedure of completion of accounts. So the Corporation could prepare, finalize and adopted the accounts by the Board up to 31st March-2022 in time. The delay happened to complete the Statutory Audit in time, is because of the appointment of Statutory Auditors for the Year 2011-12 to 2014-15 by the Comptroller & Auditor General of India so that delay is carry forwarded now also. The Statutory Auditors for the Year 2015-16 to 2018-19 started the work and completed up to 2015-16 and rest of the period is audited now and yet to receive the reports. It is expected that Statutory Audit up to 31st March-2022 can be completed by 31st March-2023.</p> |

Industries Corporation (A Government of Kerala Undertaking). The Corporation procured Equipments/machinery from M/s. Big Dutchman Agriculture (India) Private Limited, Hyderabad by completing all the tender formalities.

The civil works engaged to M/s. Kerala Agro Industries Corporation (KAICO) (A Government of Kerala Undertaking) was done satisfactorily; so the Board of the Corporation had awarded the Super Structure Works also to them. M/s. KAICO had invited tender for the Super Structure Works as per the specification and drawing given by the project consultant. A Technical Committee, including representative of the Corporation, the Project Consultant and officials of M/s. KAICO, selected one out of the four bids received on the ground that the remaining three bidders lacked experience in sandwich panel work. But the Board of Directors of M/s. KAICO opened all the financial bids and selected the bidder who quoted the lowest amount.

But this bidder failed in the technical bid evaluation. So the Consultant of this project M/s. Rooh Global Traders objected that the bidder selected by Board of M/s. KAICO can't be accepted because they are not technically qualified. Hence Corporation referred the matter to the Chief Technical Examiner, Department of Finance, Government of Kerala through the Department of Animal Husbandry. Accordingly, the Chief Technical Examiner advised to re-tender the works.

The Corporation floated tender for the supply of machinery based on the specifications and drawings furnished by the Project Consultant. Mean while the Board of the Corporation refused to pay the third bill towards Consultancy Fee to the Project Consultant stating that the Equipments/machinery was directly purchase by the

STAGES OF FINALIZATION / AUDIT OF ACCOUNTS

As on 02nd October - 2022

| | | |
|-----|--|-------------------------------------|
| 01. | Finalization of Accounts and Internal Audit by the Chartered Accountants Completed | Up to 31 st March - 2022 |
| 02. | Board of Directors Adopted / Approved the Accounts | Up to 31 st March - 2022 |
| 03. | Statutory Audit Completed | Up to 31 st March - 2016 |
| 04. | AG's Audit Completed | Up to 31 st March - 2015 |
| 05. | Printing and Submission of Accounts before the Legislative Assembly completed | Up to 31 st March - 2015 |

5.5
Idling of
Investment

2018-19

Government has sanctioned an amount of Rs. 10 Crores to Kerala State Poultry Development Corporation Limited for Setting-up a Hi-Tech Commercial Layer Farm at Kudappanakunnu in Trivandrum District in 2011. It is a unique project in the state and the Corporation having no technical team to supervise this type of projects, the Board of the Corporation has engaged a Consultant to this Project. M/s. Rooh Global Traders, Coimbatore, Tamil Nadu. The consultation fee for this Project was fixed as 4.70 per cent of the total project cost. The Government has released a total amount of Rs. 09.80 Crores to the Corporation for implementing the project.

The project included three major stages of works viz., civil works, procurement and installation of Equipments/Machinery and Super Structure Works. The Civil Works was completed by engaging M/s. Kerala Agro

value of Equipments/machinery. This was reported to the Government. The administrative department referred the matter to Law Department. The Law Department advised to pay the consultancy fee after ascertaining whether there was any breach of agreement on the part of the Consultant.

As per the advice of the Law Department and advice received from the Legal Consultant of the Corporation and Internal Auditors (Chartered Accountants), the Board of Directors of the Corporation had made the payment for the due amount of Consultancy charges to M/s. Rooh Global Traders (Project Consultant). As per the advice received from the Chief Technical Examiner, the Corporation invited e-tender for the Super Structure Works. All the specification and drawings for e-tender was provided by the Project Consultant and the same was vetted by a technical committee constituted by the Government. Now the Corporation arranged to check the technical specification by the machinery supplied and expecting that the whole works of this project can be completed within next six months.

Salim K.T.

SECRETARY TO GOVT.
CORPORATION

9-10-10/143

എല്ലാ വിവരങ്ങളും - സാക്ഷരത നിലവാരം ഉയർത്തുന്നതിനായി ഉപയോഗിക്കേണ്ടതാണ്.

GOVERNMENT OF KERALA
INDUSTRIES (E) DEPARTMENT

STATEMENT OF REMEDIAL MEASURES TAKEN ON THE COMPLIANCE AUDIT OBSERVATIONS RELATING TO
KERALA STATE COIR CORPORATION LIMITED AND FOAM MATTINGS (INDIA) LIMITED IN THE REPORT OF
THE COMPTROLLER & AUDIT GENERAL OF INDIA ON PUBLIC SECTOR UNDERTAKINGS FOR THE YEAR ENDED 31 MARCH 2019

| Para No. | AUDIT PARA | REMEDIAL MEASURES TAKEN |
|----------|--|---|
| 5.1 | <p><i>Compliance to the Government of Kerala guidelines for Implementation of Enterprise Resource Planning initiatives by Public Sector Undertakings :</i></p> <p>The Government of Kerala (GoK) issued (September 2009) guidelines for implementation of e-governance initiatives in the State, detailing therein the procedures to be followed in the development of Software Systems.</p> <p>The implementation of Enterprise Resource Planning (ERP) system was a failure in Foam Mattings (India) Limited (FOMIL).</p> | <p><u>Kerala State Coir Corporation Limited</u></p> <p>Kerala State Coir Corporation Limited has successfully implemented and running the ERP since 2014.</p> <p><u>Foam Mattings (India) Limited</u></p> <p>Foam Mattings (India) Limited (FOMIL) informed the Government that, non-availability of competent IT personnel in the Company deeply affected implementing ERP system successfully..</p> |

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| 5.1.1 | <p>Leadership & Co-ordination of the implementation process:</p> <p>The e-governance guidelines (the Guidelines) stipulated that organizations implementing e-governance project shall appoint a nodal officer who, even if not from the IT wing, would at least be not more than on level below the Head of the Organization. As per the guidelines, the Nodal Officer plays a proactive role in implementation of ERP systems and is responsible for change management in the event of any adverse situation.</p> <p>Audit, however, observed that except TCCL, none of the PSUs instituted a formal mechanism for ensuring involvement of top management in the implementation of ERP.</p> <p>In case of COIR CROP the role of Nodal Officer was entrusted to the System Analyst, such an arrangement was, however, absent in FOMIL and the ERP systems in these PSUs were not yet completed (November 2019).</p> <p>FOMIL replied (June 2020) that a nodal officer was not appointed due to lack of any competent IT personnel. The reply only validates the audit observation that non-appointment of properly qualified and suitably senior nodal officers as required in the Guidelines affected the timely implementation of ERP systems in the PSUs.</p> | <p>Kerala State Coir Corporation Limited</p> <p>The System analyst who is one of senior officer was appointed as Nodal Officer in Coir Corporation. It has been reported that, the ERP was timely implemented in Coir Corporation.</p> <p>Egam Mattings (India) Limited</p> <p>Lack of competent IT personnel in FOMIL affected the successful implementation of ERP system in the company. The post (Junior Officer Computer) was later filled by Kerala Public Service Commission. This officer will be appointed as a nodal officer for implementing similar projects in future. It is also reported by FOMIL that, since the installation of ERP was not completed in the stipulated time, the company has initiated legal action against the firm.</p> |
| 5.1.2 | <p>Development of Detailed Project Proposal:</p> <p>The Guidelines stipulated that all IT enabled project should invariably have a Detailed Project Proposal (DPP) prepared either in-house or by taking external help from a Total Solution provider (TSP)/ Professional Consultancy Agency. The proposal shall consist of User Requirements Specification (URS), Functional Requirements Specification (FRS), Technical Analysis and an Implementation Plan. None of the PSUs, however, prepared DPPs/ its Components resulting in the following issues:</p> | <p>Coir Corporation had prepared the FRS and SRS before publishing the tender. There was an implementation plan also.</p> |

5.1.2.1

Non-preparation of URS & FRS:

As per the Guidelines, URS & FRS should be prepared by functional experts within the organization by defining the user requirements exhaustively, and practically feasible process reforms should be included in the FRS. Tenders for software development should be invited based on FRS which, in turn, shall form the basis for development of System Requirements Specification (SRS) to be delivered by implementing Agency (IA).

Audit observed that since the user requirements were not exhaustively identified through URS by the PSUs themselves, no process reforms could be identified and brought out through FRS. The PSUs assigned the work of developing SRS to the IAs without identifying the user requirements and FRS. The SRS development by the IAs, hence, suffered from the following shortcomings which affected the development process.

As no URS was prepared in FOMIL, demands for changes cropped up immediately after the installation of the software. Reports & Invoices generated through the system did not meet the statutory and business requirements and the software remained non-functional despite incurring 8.19 lakh (80 per cent of the contract amount).

FOMIL replied (June 2020) that due to lack of competent officials it was not aware of the procedures to be followed. Due to absence of exhaustive user requirement study in the beginning, COIR CORP had to bring in a number of additional features during the course of development for which an extra amount of 2.30 lakh was paid. Conversely, though the PSU did not require a Training module, the ERP system included it as it was not backed by a user requirement study. Thus, the module could not be utilised despite spending 0.50 lakh for it.

COIR CORP replied (June 2020) that FRS was prepared

Kerala State Coir Corporation Limited

Coir Corporation had prepared the FRS & SRS before publishing the tender in the website. This is available under 19.1 (Page 10-14) of the tender document. The additional features brought in various modules were done based on the new requirements of the company which came in after the implementation of ERP in 2014. For example, the changes in the existing documents related to GST rules, reports based on GST etc. It has been reported that these requirements were not in 2013 when the Company had invited the tender. The functional requirements in the tender were only outline information. However Coir Corporation held detailed discussion with the IA regarding such requirements.

Foam Mattings (India) Limited

Since there was no competent person in the company who is well versed with IT related matters during that time, the implementing agency was instructed to study the requirements of company and prepare customised software. Since the installation of ERP was not completed in the stipulated time, the company has initiated legal action against the firm.

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| | <p>before publishing the tender and the same was included in the tender document. Also, the additional requirements were for meeting regulatory requirements like Goods & Services Tax (GST) which were not applicable when tenders were invited. Audit, however, observed that COIR CORP provided an outline of functional requirements in the tender document which was not comprehensive due to absence of detailed user requirement study. Hence, additional features, which were functional in nature, had to be included later.</p> | |
| <p>5.1.2.2</p> | <p>Absence of Technical Analysis:</p> <p>As per the Guidelines, technical analysis shall be carried out base on the URS and different alternatives for connectivity, operational platform (Operating System, RDBMS etc) and risks associated therewith. Audit, however, observed that none of the PSUs carried out any detailed technical analysis of the proposed ERP systems which led to the following issues:</p> <p>As per the Guidelines, free and open source based software would be used, wherever possible. Audit, however, observed that only CASHEW CORP used open Source platform in its ERP system while other PSUs used proprietary platforms. Three PSUs (KEL, HORTICORP and WARE HOUSING CORP) spent ' 2.95 lakh towards licence fee for proprietary software.</p> <p>COIR CORP stated (June 2020) that MS SQL was selected due to its better data management and security features. FOMIL stated (June 2020) that technical analysis was not done due to non-awareness of procedure and absence of competent IT personnel.</p> <p>The fact remained that the selection of proprietary software was not followed by any technical analysis.</p> | <p><u>Kerala State Coir Corporation Limited</u></p> <p>Coir Corporation selected MS SQL due to its better data management and security features. According to Coir Corporation, this is supported by the fact that even after 9 years of implementation the ERP is running smoothly in the Company.</p> <p><u>Foam Matings (India) Limited</u></p> <p>The process involved in coir industry is complicated when compared to other industries; a customised software was required suiting the complicated production, wages (including CIRC wages) calculation, etc. Hence, the Company entrusted an agency to study and prepare customised software suiting their particular requirements. According to FOMIL this was done in good faith. Since the installation of ERP was not completed within the stipulated time, the company has initiated legal action against the firm.</p> |

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| 5.1.2.3 | <p>Absence of Implementation Plan:</p> <p>As per the Guidelines, an implementation plan containing an estimate prepared on the basis of total cost of ownership, the expected benefits quantified based on higher revenue generation or cost reduction and the time schedule for the pilot phase and final rollout for the project shall be prepared. Audit, however, observed that the PSUs did not envisage any definite objective for implementation of ERP systems. In the absence of the implementation plan, Audit could not assess the outcome or impact of ERP projects that were completed and the opportunity cost of those that were delayed beyond the target date.</p> | <p><u>Kerala State Coir Corporation Limited</u></p> <p>Coir Corporation had clear objectives which were also put in writing in Tender documents. The objectives were fulfilled timely. The implementation period was 6 months. ERP is used in Head Office, 3 factory divisions and all showrooms of Coir Corporation. There is real time access to various data related to Production, Purchase, Sales/ Finance, Personnel departments of Coir Corporation. It is reported that, Coir Corporation has successfully implemented and running the ERP since 2014.</p> <p><u>Foam Matings (India) Limited</u></p> <p>FOMIL reported that, as per their work order it was strictly mentioned to complete the software installation to ensure successful running within 90 day from the date of work order. It was also instructed that a thorough study of the process and operations should be undertaken before finalizing the modules. A two year service guarantee was also incorporated in the work order.</p> |
| 5.1.3 5.1.3.1 | <p><i>Application Development and Project Rollout:</i></p> <p><i>Invitation of tender:</i> As per the Guidelines, application development involving a third party agency shall be through a transparent tendering process based on FRS, detailed technical architecture, implementation plan and information security policy of Kerala State IT Mission (KSITM) / Computer Emergency Response Team-IN (CERT-IN). The PSUs, however, did not comply with this stipulation and entered into tendering with bare minimum specifications of the functional processes to be</p> | <p><u>Kerala State Coir Corporation Limited</u></p> <p>There were minor deviations in the early stage, which is requested to be condoned. It is also to be considered that, Coir Corporation implemented ERP within the stipulated time in 2014 and even after 9 years it is functioning well.</p> |

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| | covered by the software. | | <u>Foam Mattings (India) Limited</u> Tender procedures for installing the ERP system was done, floating tender document. Lack of competent authority to scrutiny the technical aspects caused issues. |
| 5.1.3.2 | Prequalification Criteria: The Guidelines stipulated that there shall be a prequalification process to shortlist the bidders. As per the Central Vigilance Commission (CVC) guidelines, the average annual financial turnover of the bidders is to be included as one of the prequalification criteria in the tender document to ensure the financial soundness of the firm. CVC guidelines also stipulated that all important tender evaluation criteria need to be specified in unambiguous terms in the bid documents so that the evaluation of bids can be made without any subjectivity. Audit, however, observed that the criteria stipulated by FOMIL, TCCL and COIR CORP did not include parameters for ensuring financial soundness of the bidders while that of FOMIL were too vague to ensure participation of only ERP vendors. Similarly, WAREHOUSING CORP. COIR CORP and TTPL did not include the evaluation criteria, subsequently used for prequalifying the bids, in their tender documents. The absence of or ambiguous prequalification criteria led to selection of inexperienced implementation Agencies resulting in non-implementation / delayed implementation of the ERP Systems by the Implementing Agencies. COIR CORP relied (June 2020) that the experience of the firm was stipulated as criteria instead of fixing turnover. Also, the financial statements of the last five years were scrutinised. The fact, however, remains that the CVC guidelines were not complied with by the PSUs, with adverse impact on implementation of the ERP Systems. | <u>Kerala State Coir Corporation Limited</u> Instead of Turnover, Coir Corporation stipulated successful implementation of the software in the Coir Industry as prequalification criteria. The minimum experience stipulated was 10 years. However, the financial statements of last 5 years from the date of tender were also scrutinised and on the basis of same profit making, financially sound IA was selected. The Company was able to successfully implement the project. | <u>Foam Mattings (India) Limited</u> According to FOMIL, since the Company was not having an IT person with knowledge of prequalification criteria, tender was floated mentioning specific requirement of ERP system suitable for their process. |

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| 5.1.3.3 | <p>Evaluation of bids and awards of work:</p> <p>The following deficiencies were noticed in bid evaluation and award of work :</p> <p>FOMIL selected the IA though the firm did not meet the criteria of having supported ERP systems of at least two PSUs in Kerala and twenty-five-year experience in IT Sectors prescribed for the technical qualification of the bidders. As per the Stores Purchase Manual (SPM), price bids if technically qualified bidders alone shall be opened. FOMIL, however, opened the price bids of all the four bidders including that of two technically disqualified bidders and evaluated them.</p> <p>FOMIL replied (June 2020) that 25 years' experience criteria was overlooked. The bid of the firm that had implemented ERP projects in government aided agencies were considered as equivalent to PSUs.</p> <p>The reply was not tenable as the evaluation was not in line with the criteria stipulated in the tender document.</p> <p>The Guidelines stipulated that the estimated cost of an IT project should be assessed based on total cost of ownership and that cost comparison among various software should include cost of all necessary licences and recurring expenses for first three years, Costs related to licensing and annual maintenance (varying from 10 to 12 per cent)</p> <p>FOMIL replied (June 2020) that the failure to incorporate maintenance cost in the tender was due to lack of expertise/absence of an IT Official.</p> | <p>Kerala State Coir Corporation Limited</p> <p><i>(No remarks are there against Coir Corporation in this Para)</i></p> <p>Foam Matings (India) Limited</p> <p>As per the tender conditions, the bidder should have supported ERP in two Public Sector Units and the bidder submitted certificates from Alleppey Coir Cluster Development Society and Kerala Coir Mats and Matings Cooperative Society. Considering a client who is funded by Govt of India that too in the same sector as a credential of IA, this was done in good faith, especially in the complicated process involved in coir sector. Also Nova Soft has submitted a letter stating that they were appointed as the IT consultant by Coir Board (Government of India) for providing Technical expertise for implementing Business solution for the entire Coir Industry and they were awarded as Best BDS Award from Coir Board for providing excellent IT service to the coir industry in the year 2010.</p> <p>Since the installation of ERP was not completed in the stipulated time, the company has initiated legal action against the firm.</p> | <p>Kerala State Coir Corporation Limited</p> <p>Coir Corporation admitted that, they should have entered into SLA with the IA but they also reported that, the Company has Annual Maintenance Contract with the IA and their service is satisfactory.</p> |
| 5.1.3.4 | <p>Service Level Agreement:</p> <p>As per the Guidelines, System Requirements Specification (SRS), detailed acceptance test plan based on the SRS, application software with fully documented source code and all necessary licenses are the deliverables expected from the IA. Accordingly, a detailed Service Level Agreement (SLA)</p> | | |

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| 5.1.3.5 | <p>needs to be entered into with the IA covering all the aspects of development, implementation and maintenance of the software.</p> <p>Audit observed that PSUs (FOMIL & COIR CORP) did not enter into any SLA with the respective IAs and therefore these PSUs did not have clear-cut guidelines regarding the service obligations of the IAs and the associated service deliverables during the implementation process.</p> <p>COIR CORP accepted (June 2020) that they did not enter into SLA with the IA, while FOMIL replied (June 2020) that they were unaware of the guidelines regarding SLA.</p> <p>The fact remained that the PSUs did not comply with the Guidelines. The replies of the PSUs were also silent on the absence of provision for comprehensive acceptance testing. Absence of or incomplete SLA would result in inadequate mapping of deliverables expected from the implementation of ERP systems.</p> | <p><u>Foam Mattings (India) Limited</u></p> <p>Even though FOMIL had not entered in to a service level agreement, the Company had given a detailed work order with a clause of guarantee for two years specifically mentioning that if the system fails by any reason or doesn't meet Company's requirements, the same has to be replaced/rectified at the cost and risk of implementing agency.</p> |
| | <p><u>Acceptance Testing:</u></p> <p>The Guidelines stipulated that Acceptance Test Plan (ATP) along with sample data should be ready by the time the application software is developed and that testing is conducted by functional experts within the organisation. The Financial Acceptance Testing (FAT) should be conducted by a professional agency appointed through a transparent process.</p> <p>Audit observed that documentation regarding in-house acceptance testing was not available in any of the PSUs nor did the PSUs involve any external agency for FAT since there were no agreement clauses regarding the same. Absence of ATP or FAT led to the following issues in PSUs:</p> <p>FOMIL released about 80 per cent of the contract price without conducting any testing. Even though the IA claimed successful completion of ERP, various departments in FOMIL raised complaints/ demanded changes in the software which the IA did not carry out. As a result, FOMIL went for</p> | <p><u>Kerala State Coir Corporation Limited</u></p> <p>The payment to IA for the development and implementation of ERP in Coir Corporation was made according to the progress and after detailed checking of modules developed and implemented. The testing was held in house. The same was documented properly.</p> <p><u>Foam Mattings (India) Limited</u></p> <p>As per the work order of FOMIL, 50% payment will be given as advance along with work order and 30% after installing the software and 10% after user training and balance 10% retention money for a period of 2 years as performance guarantee. But Company didn't paid advance of 50% along with work order. The payment was done only after IA's claim</p> |


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| | <p>litigation.</p> <p>The replies of Gok and FOMIL were not acceptable as the Guidelines mandated final acceptance test by an external agency selected through a transparent process.</p> <p>The failure to conduct ATP or FAT resulted in the delayed development and fine-tuning of the ERP software based on actual requirements.</p> | <p>of software installation with a request to release the agreed amount of 80%.</p> |
| 5.1.3.6 | <p>Other Contract Management Issues :</p> <ul style="list-style-type: none"> As per Rule 7.33 of the SPM, a minimum of 15 days should be given to submit the tenders. However, the PSU allowed only six days (30 April 2013 to 6 May 2013) which was not justified as there was no urgency. As per the tender conditions, the successful bidder was to furnish a performance bank guarantee for an amount equivalent to 10 per cent of the quoted value. The PSU, however, did not insist for its compliance by the IA. Even though the Annual Maintenance Contract (AMC) for the ERP commenced three years ago, the PSU did not sign any agreement with the IA detailing the terms and conditions thereof. COIR CORP replied (June 2020) that as it wanted to implement the project in the shortest possible time, the bid submission date was fixed short. Since the IA was not able to furnish bank guarantee. A deduction of 10 to 25 percent from bill amount was made which was released after six months of successful implementation of the project. Further, the software was under the warranty period of three years and an agreement was being entered into with the IA for future AMC. <p>However, COIR CORP did not comply with the provisions of the SPM and the tender conditions. By shortening the bid submission date, the PSU did not provide equal chance to all the prospective bidders to</p> | <p>Kerala State Coir Corporation Limited</p> <ul style="list-style-type: none"> Coir Corporation invited tenders on 30 April 2013 and the last date of submission of the tender was on 6th May 2013. The Company wanted to implement the project in the shortest possible time. They also got sufficient responses. As the ERP service provider was not able to furnish bank guarantee, Coir Corporation deducted 10%- 25% from the amount of bill of each module. The withheld amount was released only after 6 months of successful running of the module. The warranty period of the software was for 3 years. Annual Maintenance Contract for further support costs 10% of the value of the project. Coir Corporation has already entered into agreement with the IA for AMC. <p>The Coir Corporation assured that, lapses occurred in the initial stages will not be repeated and due care will be taken to follow the recommendations in the Audit Report in future.</p> |

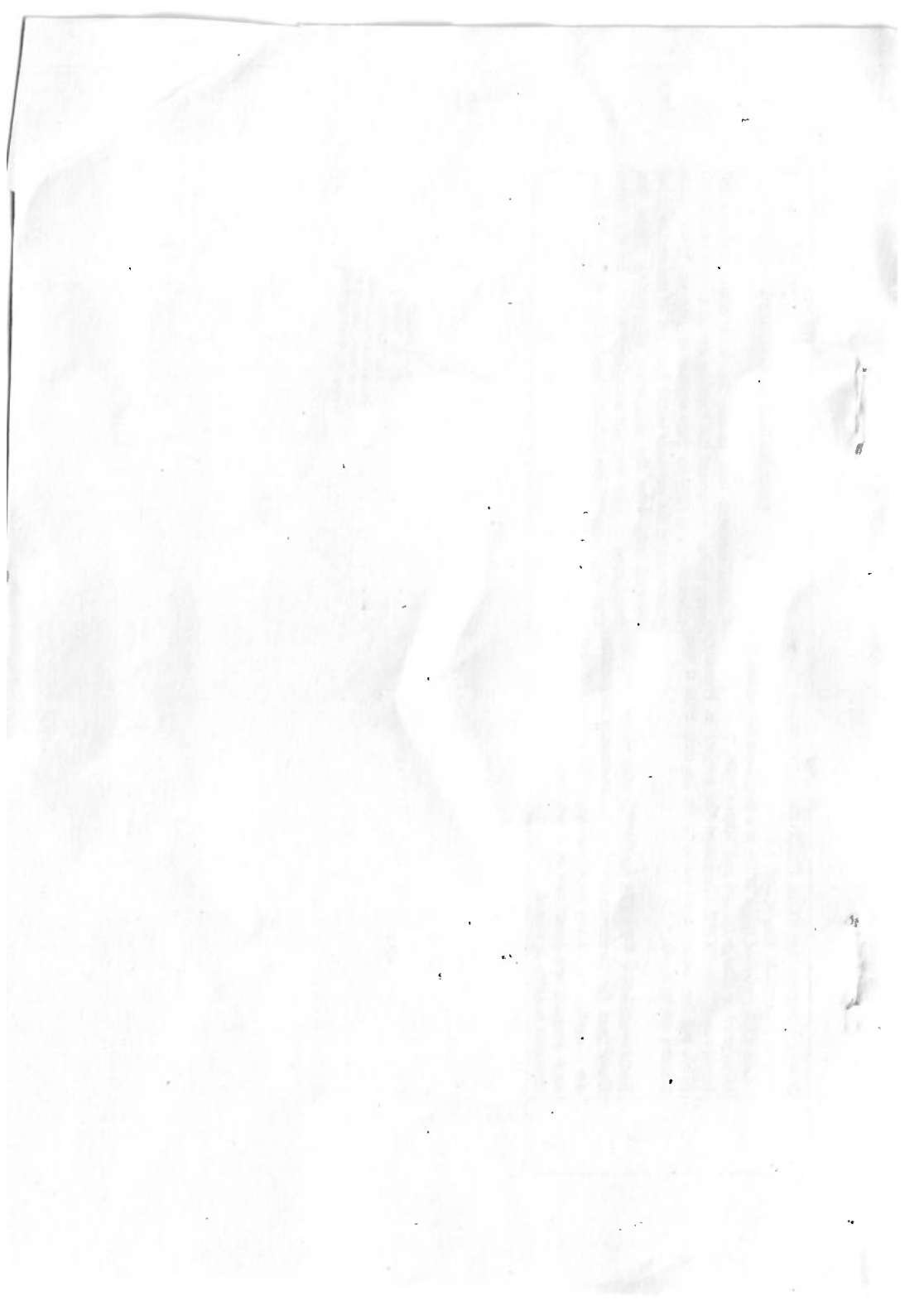
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| | <p>participate in the tender. The delay in entering into an agreement for the AMC would entail the risk of non/poor performance from the IA.</p> <p>• FOMIL</p> <p>As per the tender conditions, no advance payment could be made to any suppliers. The SPU, however, agreed to pay 50 per cent advance along with work order while issuing work order to the IA. The conditions under which the PSU agreed to pay the advance, were not forthcoming from the records made available in audit.</p> <p>FOMIL replied (June 2020) that in the absence of subject expert with the company, management believed the IA and released the payment.</p> | <p><u>Foam Mattings (India) Limited</u></p> <p>Even though an advance payment of 50% was mentioned in the work order, FOMIL didn't release that advance payment and the payment was only released after installing the software.</p> |
| 5.1.4 | <p>Procurement of Hardware :</p> <p>The Guidelines also stipulated that no e-governance initiative should plan for common IT infrastructure like server since the facility in the State Data Centre could be made use of and duplicate expenditure avoided.</p> <p>COIR Corp was hosting database through Amazon Web Services and incurred 2.68 lakh (from March 2017 onwards) as hosting charges. In the case of remaining five PSUs, four PSUs including FOMIL spent 9.49 lakh for procuring the server machines.</p> <p>FOMIL replied (June 2020) that the procurement of server was made without the knowledge that common state level facilities existed. COIR CORP replied (June 2020) that server space was not available in IT mission when it approached then in 2013-14. In-house server was used for two or three years until it became non-functional. Amazon Web Services were availed by the company as their cost was cheaper compared to new server machine.</p> <p>The replies were not acceptable as the procurement of data.</p> | <p><u>Kerala State Coir Corporation Limited</u></p> <p>During the year 2013-14 Coir Corporation had approached IT mission for server space and IT mission informed that service space was unavailable. So Coir Corporation had to arrange the server system in house and this ran for 2-3 years. Coir Corporation considered buying a new server, when the in-house first server became non-functional. But when the cost of new server was compared with that of Amazon web services, the cost of Amazon web services was found cheaper and hence from 2017 onwards Coir Corporation is using the Amazon Web Services which according to the Company is cost effective.</p> <p><u>Foam Mattings (India) Limited</u></p> <p>FOMIL reported that they were unaware of a common state level facility to provide support for IT infrastructure and hence purchased a server in good faith for storing company data.</p> |

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| | hardware by PSUs was not in line with the Guidelines issued by GoK. Further COIR CORP did not ascertain the availability of server space with the State Data Centre/ IT Mission before it opted for Amazon Web Services in 2017 or thereafter. | |
| 5.1.5 | Security of Hardware and Data: | <u>Kerala State Coir Corporation Limited</u> |
| 5.1.5.1 | Information Security Policy : As per the Guidelines, an organization should either use Information Security Policy published by KSIITM (based on CERT-IN) or use a modified version to suit their requirement. Audit, however, noticed that none of the six PSUs (including Coir Corporation) adopted Information Security Policy of KSIITM or prepared a modified version. | The ERP system of Coir Corporation is hosted on Server of Amazon Web services. According to Coir Corporation, it is one of the widely used, reliable, secure and cost effective server. Further, in Coir Corporation the operations in ERP is controlled by assigning individual username and password and there is provision to assign rights in ERP to each employee. <u>Foam Mornings (India) Limited</u> FOMIL reported that, the company was not aware of information security policy of Kerala state IT Mission, then. |
| 5.1.5.2 | Server Security: As per the System Security Guidelines issued by CERT-IN, physical access to a server should be limited to only the administrator and other server operators. Audit, however, noticed that this was not ensured in PSUs. | <u>Kerala State Coir Corporation Limited</u> The ERP system of Coir Corporation is hosted on Server of Amazon Web services. <u>Foam Mornings (India) Limited</u> FOMIL has a separate server room, where access is restricted only to the Administrator. |
| 5.1.5.3 | Database security: As per the Database Server Security Guidelines issued by CERT-IN, database server supplying information to a website should never be on the same machine as the webserver. | <u>Kerala State Coir Corporation Limited</u> The ERP system of Coir Corporation is hosted on Server of Amazon Web services. According to Coir Corporation, it is one of the widely used, reliable, secure and cost effective |

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| | | server. | <u>Foam Mattings (India) Limited</u> FOMIL reported that, the company was then not aware of the Database Server Security Guidelines issued by CERT-IN. |
| 5.1.5.4 | Data backup policy: COIR CORP replied (June 2020) that data backup was done by the IA on weekly basis. However, the PSUs except TTPL were yet to formulate a documented data backup policy as required under the Guidelines which may weaken the regular data backup procedures and audit trail. | | <u>Kerala State Coir Corporation Limited</u> Responsibility for data backup in Coir Corporation was entrusted to IA. Weekly data backup is taken from the ERP by IA. <u>Foam Mattings (India) Limited</u> FOMIL reported that, since the ERP was not installed successfully in the Company, they couldn't plan for a data backup. But they used their server to save data. |
| 5.1.6 | Other related Issues : | | <u>Kerala State Coir Corporation Limited</u> Coir Corporation reported that, they are maintaining Change Control Documents which is mainly through emails and Source code will be handed over to the company by IA shortly. Coir Corporation informed the Government that, they had enthusiastically took steps for implementing e-governance as per the guide lines. They had successfully implemented ERP in time bound manner and the same is working satisfactorily for the last 9 years. Minor deviations from the guidelines happened were due to certain unavoidable circumstances. |
| 5.1.6.1 | Training, documentation and change management: The Guidelines stipulated that all users and stakeholders of the new system shall be imparted knowledge about the new systems to ensure proper use and operation of applications and infrastructure. The Guidelines read with Regulation No161 of Regulation on Audit and Accounts issued by the CAG of India also required that all documents such as the URS, FRS, SRS, Design Documents, Change Control Documents, Training Materials, Source Code etc., shall be kept under safe custody of the IT Division so that maintenance and change management are carried out smoothly. | | |

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| | <p>It was observed that COIR CORP did not maintain change control documents, source code etc. COIR CORP replied (June 2020) that they have demanded the IA to provide change control and source code. However, COIR CORP completed the project in February 2014, but the request was made to the IA only after it was pointed out by Audit.</p> <p><i>Recommendation 5.1 : The GoK/PSUs may ensure that the Guidelines for implementation of e-governance initiatives are complied with while implementing ERP systems so that such projects are completed in a time bound manner and intended benefits achieved.</i></p> | <p style="text-align: center;"><u>Foam Mattings (India) Limited</u></p> <p>FOMIL reported that, as per the work order executed by them, it was mentioned that training should be provided to all concerned and time to time support on request. It was also mentioned in the payment terms that 10% of the cost will be released only after the completion of training. Since the installation of ERP was not completed within the stipulated time, the company has initiated legal action against the firm (IA).</p> |
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