

# **REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

**on  
ECONOMIC SECTOR**

**for the year ended March 2016**

**Government of Kerala  
Report No. 6 of the year 2017**



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## **PREFACE**

This Report for the year ended March 2016 has been prepared for submission to the Governor of Kerala under Article 151 of the Constitution of India.

The Report contains significant results of the performance audit and compliance audit of the Departments of Government of Kerala under the Economic Services including Departments of Agriculture Development and Farmers' Welfare, Fisheries and Ports, Industries and Public Works.

The instances mentioned in this Report are those which came to notice in the course of test audit of records during the year 2015-16 as well as those which came to notice in earlier years but could not be reported in previous Audit Reports; instances relating to the period subsequent to 2015-16 have also been included wherever necessary.

The Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



**Chapter I**  
**Introduction**



## CHAPTER-I

### INTRODUCTION

#### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of Government departments and autonomous bodies under Economic Sector.

Compliance audit refers to the examination of transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. On the other hand, performance audit, in addition to compliance audit, also includes examination of whether the objectives of the programme/activity/department are achieved economically, efficiently and effectively.

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

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during compliance audit and follow-up on previous Audit Reports.

#### 1.2 Profile of units under audit jurisdiction

The Principal Accountant General (Economic and Revenue Sector Audit), Kerala conducts audit of the expenditure under Economic Services incurred by 18 departments at the Secretariat level and also the field offices. The audit jurisdiction also extends to 41 autonomous bodies, 98 public sector undertakings, four statutory corporations, two departmental commercial undertakings and one regulatory commission. The departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners/Chief Engineers and subordinate officers under them.

The comparative position of expenditure incurred by the Government during the year 2015-16, with that of the preceding year is given in **Table 1.1**.

**Table 1.1**

**Comparative position of expenditure incurred by the Government**

**(₹ in crore)**

Disbursements	2014-15			2015-16			Percentage (+) Excess (-) Deficit
	Plan	Non-plan	Total	Plan	Non-plan	Total	
Revenue Expenditure							
General Services	133.76	31,298.99	31,432.75	116.98	35,967.70	36,084.68	(+) 14.80
Social Services	5,893.10	17,825.01	23,718.11	7,591.56	20,011.73	27,603.29	(+) 16.38
Economic Services	4,255.73	5,941.84	10,197.57	4,369.95	6,728.47	11,098.42	(+) 08.83
Grants-in-aid and Contributions	---	6,398.00	6,398.00	---	3,903.08	3,903.08	(-) 40.00
Total	10,282.59	61,463.84	71,746.43	12,078.49	66,610.98	78,689.47	(+) 9.68
Capital Expenditure							
Capital outlay	3,880.54	374.05	4,254.59	6,518.48	981.56	7,500.04	(+) 76.28
Loans and advances disbursed	---	---	743.09	407.61	434.64	842.25	(+) 13.34
Repayment of public debt	---	---	5,842.77	---	---	6,060.73	(+) 03.73
Contingency Fund	--	--	--	--	--	---	---
Public Account disbursements	--	--	1,36,242.59	--	--	1,62,824.67	(+) 19.51
Total	3,880.54	374.05	1,47,083.04	6,926.09	1,416.20	1,77,227.69	(+) 20.49
Grand Total	14,163.13	61,837.89	2,18,829.47	19,004.58	68,027.18	2,55,917.16	(+) 16.95

### **1.3 Authority for audit**

C&AG's authority for audit is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971[C&AG's (DPC) Act]. C&AG conducts the audit of expenditure of the departments of the Government of Kerala under Section 13<sup>1</sup> of the C&AG's (DPC) Act. The C&AG is the sole auditor in respect of two autonomous bodies in the Economic Sector which are audited under Sections 19(3)<sup>2</sup> and 20(1)<sup>3</sup> of the C&AG's (DPC) Act. Besides, C&AG also conducts audit of 41 autonomous bodies in the Economic Sector under Section

<sup>1</sup> Audit of (i) all transactions from the Consolidated Fund of the State (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets and other subsidiary accounts.

<sup>2</sup> Audit of the accounts of Corporations established by law made by the State Legislature on the request of the Governor.

<sup>3</sup> Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government.

14<sup>4</sup> & 15 of C&AG's (DPC) Act which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

#### **1.4 Organisational structure of the Office of the Principal Accountant General (E&RSA), Kerala**

Under the directions of the C&AG, the Principal Accountant General (E&RSA), Kerala conducts the audit of Government Departments/Offices/Autonomous Bodies/Institutions under Economic and Revenue Sector, which are spread all over the State. The Principal Accountant General (E&RSA) is assisted by three Group Officers.

#### **1.5 Planning and conduct of audit**

The audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the heads of the offices. The departments are requested to furnish replies to the audit findings within four weeks from the date of receipt of the IRs. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of State under Article 151 of the Constitution of India for being presented to the State Legislature.

During 2015-16, 11,162 party-days were utilised to carry out audit of 929 units (Performance Audit and Compliance Audit) of the various departments/organisations which fall in the audit jurisdiction of the Principal Accountant General (E&RSA), Kerala. The audit plan covered those units/entities which were vulnerable to significant risks as per our assessment.

<sup>4</sup> Audit of all (i) receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹ one crore.

## **1.6 Significant audit observations**

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organisations have also been reported upon.

The present report contains findings of one performance audit and seven compliance audit paragraphs. The significant audit observations are discussed below:

### **1.6.1 Performance audit of programme/department**

#### **1.6.1.1 Licensing and monitoring of quarrying of minor minerals**

The performance audit was conducted to assess the regularity in issuance of licenses for quarrying of minor minerals and effectiveness of monitoring by departments/agencies concerned after issue of licenses.

Issuance of unlimited passes for quarrying area of between 40 to 50 Are in accordance with Consolidated Royalty Payment System under the Kerala Minor Minerals Concession Rules, 2015 and introduction of the system of Registered Metal Crusher Unit paved the way for indiscriminate quarrying. Though Government of Kerala (GoK) ordered (December 2010) that the right to quarrying on government land be auctioned so as to have transparency in the allotment, the same was not put into practice. Similarly, the directions of Government of India (GoI) (May 2011) and the Honourable Supreme Court (February 2012) regarding preparation of mining plan and environment management plan were not implemented in respect of Granite Building Stone (GBS) permit holders till the period covered in Audit. Further, no government agency was entrusted with the monitoring and enforcement of the Kerala Environment Policy, 2009 approved (December 2009) by Government. Lack of awareness by Department of Mining and Geology (DMG) of the boundary/area of forests and assigned forest land led to issuance of quarrying permits in prohibited areas like forest and assigned forest land. The Kerala State Pollution Control Board and State Environment Impact Assessment Authority did not have a system for periodical monitoring to ensure compliance with the conditions specified in their consents. The monitoring of compliance of Kerala Mineral Concession Rules by DMG was not effective as evidenced by the violations noticed by Audit in 21 out of the 27 quarries verified in joint inspection. The poor performance by Regional Mineral squads of DMG made the effort to curb illegal quarrying ineffective.

The collection of royalty on minor minerals extracted is linked to mineral transit passes. We detected misuse of transit passes, movement of minerals without transit passes or by using forged transit passes. The prevailing system to regulate

illegal extraction and transportation of minor minerals was not effective. The staff of DMG lacked expertise in taking measurements of quarried area. So they were unable to assess the quantity excavated illegally/in excess. Quarries operating close to residential areas posed threat to properties and residential buildings.

*(Chapter II)*

## **1.6.2 Compliance Audit Paragraphs**

### **Audit of selected topics**

#### **1.6.2.1 Regulation of Houseboats**

The operation of Houseboats (HBs) is regulated under the Kerala Inland Vessels Rules, 2010, (amended in 2015) which were framed under the Inland Vessels Act, 1917. The procedure mandated for safe operation of HBs in backwaters consisted of survey, registration and dry dock inspection. More than 90 *per cent* of the HBs in Kerala are registered under Port Registry, Alappuzha of which about 53 *per cent* did not conduct the mandatory annual survey. Similarly, about 44.41 *per cent* of the registered HBs had not renewed their Registration Certificates on due dates. Further, about 64.85 *per cent* of the registered HBs did not conduct the mandatory dry dock inspections once in three years. All these pointed to the ineffective monitoring by the surveyor, causing threat to the safety and security of passengers on board. The Survey and Registration Certificates were issued to HBs conditionally, but the Surveyor did not ensure compliance of those conditions. The Directorate of Ports has not constituted an enforcement wing. Consequently, illegal and unauthorised operations of HBs were on the increase. Further, a large number of HBs were operated by unqualified crew, without lifesaving appliances and firefighting equipment. These violations were not monitored by the surveyor and action taken against the defaulters. About 53.88 *per cent* of HBs in the Vembanad lake operated without valid Integrated Consent to Operate from Kerala State Pollution Control Board (KSPCB), polluting the environment. KSPCB did not have adequate monitoring mechanism for identifying the defaulters. Moreover, most of the HBs did not utilise the Common Sewage Treatment Plant and instead, discharged their sewage into the lake.

*(Paragraph 3.1)*

#### **1.6.2.2 Allotment and utilisation of industrial plots**

The Department of Industries (Department) acts as a facilitator for industrial promotion and sustainability of Micro, Small and Medium Enterprises and traditional industries. The Department, under its land allotment scheme provided Development Areas (DAs) and Development Plots (DPs) for industrial use to prospective entrepreneurs either on hire purchase or on lease basis.

Even though since 10 June 2013, industrial land in DA/DP is to be allotted to prospective entrepreneurs on lease basis only, several violations of the rules were

noticed. The Department has not fixed fair value of industrial land allotted on lease, due to which revenue due to Government could not be collected. The land allotment rules prohibited transfer or alienation of such land without the prior written consent of the Government/Director of Industries. But the allottees of industrial land had transferred the same to others without the consent, by adopting methods like change in the constitution of ownership by bringing in new director(s), sub-leasing or by proposing transfer of ownership on the grounds of loan default, etc. Even though the Kerala Land Conservancy Act, 1957 states that, land which is the property of Government is not to be occupied by anyone without permission, instances of encroachment of industrial land were noticed in DP Koppam, in Palakkad district, DA Edayar in Ernakulam district, etc. Due to inordinate delay in completion of development works of multi-storied industrial parks (Gala) in Ernakulam, Palakkad and Thrissur districts, intended to tide over land scarcity in the State, the envisaged objective remained unachieved despite spending ₹ 28.43 crore. Test-check of records and joint verification of DA/DP by Audit with Departmental officials found 11 instances of idling industrial land. It was noticed that even though the allottees deviated from their envisaged purposes, the General Managers (GM) of the DICs concerned did not resume the land. The GMs with the permission of the Director of Industries allowed the allottees to mortgage industrial land, though the allotment rules did not authorise it. There were also issues such as idling, misuse and transfer of allotted land. We noticed that periodical checks to detect violation of allotment conditions were not conducted by the GMs.

*(Paragraph 3.2)*

#### **Audit of other topics**

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

*(Paragraph 4.1)*

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

*(Paragraph 4.2)*

- The Fisheries and Ports Department entrusted the Kerala Police Housing and Construction Corporation Limited with the construction of an office building for the Directorate of Ports in the departmental land at Valiyathura at a cost of ₹ 1.05 crore. An additional amount of ₹ 0.84 crore was also sanctioned (March 2012) for additional civil and electrical works. As the office

building for the Directorate of Ports was constructed without obtaining mandatory building permit, the Department became liable (November 2015) to pay an annual tax of ₹ 2.4 lakh which was three times the normal rate. The building was located within 30 meters of the High Tide Line on the sea shore subjected to heavy winds and saline atmosphere. Consequently, the roof constructed using powder coated sheets over truss work became severely corroded and parts of roof blown away. The salinity damaged the computers, accessories and other office equipment resulting in unfruitful expenditure of ₹ 1.46 crore. The landscaping and gardening done in front of the new building at a cost of ₹ 6.73 lakh perished for want of nurturing. The building constructed for the Directorate along with allied works at a cost of ₹ 2.00 crore was doubtful of its continued use, as the Director requested the Government to shift the Directorate away from Valiyathura due to the unsuitability of its location and the health problems faced by the staff.

The Director diverted ₹ 57.97 lakh sanctioned for renovation of the Signal Station at Kodungallur for constructing a Conference Hall and misled the Government through misrepresentation of facts. Two Solar Power Systems installed at the Directorate through SIDCO at a cost of ₹ 47 lakh without sanction became unfruitful as the same were defunct. Similarly, nine out of the 11 solar power systems costing ₹ 82 lakh installed by KELTRON at 11 port offices without tendering were not functional, defeating the very purpose of their installation. The Director of Ports failed to levy liquidated damages of ₹ 47 lakh from the supplier of the Container Handling Crane for delay in commissioning the equipment.

*(Paragraph 4.3)*

- Inadmissible inclusion of cost index on the cost of bitumen in the estimate of nine works and failure of the Executive Engineers of PWD in recovering the same from the work bills resulted in excess payment of ₹ 3.67 crore to contractors.

*(Paragraph 4.4)*

- Unnecessary inclusion of five *per cent* overhead charges in addition to the ten *per cent* overhead charges allowed in the estimate prepared as per MORTH data resulted in extra expenditure of ₹ 86.26 lakh.

*(Paragraph 4.5)*

## **1.7 Lack of responsiveness of Government to Audit**

### **1.7.1 Outstanding Inspection Reports**

The Handbook of Instructions for Speedy Settlement of Audit Objections/ Inspection Reports issued by the State Government in 2010 provides for prompt response by the Executive to the IRs issued by the Accountant General (AG) to ensure action for rectification in compliance with the prescribed rules and procedures and accountability for the deficiencies, lapses etc. noticed during the inspection. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions and promptly report their compliance to the AG within four weeks of receipt of the IRs. Half-yearly reports of pending IRs are being sent to the Secretaries of the Departments concerned to facilitate monitoring of audit observations.

As of 30 June 2016, 626 IRs containing 2,470 paragraphs were outstanding against Public Works (Roads and Bridges), Water Resources (Irrigation), Agriculture Development and Farmers' Welfare and Forest & Wildlife Departments. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix - 1.1.**

A review of the IRs pending due to non-receipt of replies, in respect of these four departments revealed that the Heads of offices had not sent even the initial replies in respect of 48 IRs containing 290 paragraphs.

### **1.7.2 Departmental Audit Committee Meetings**

During the year 2015-16, five Audit Committee Meetings were held wherein 132 out of 1,423 IR paragraphs pertaining to the period between 2008-09 to 2014-15 relating to departments of Fisheries, Irrigation (Projects), Ports and Public Works (Roads and Bridges) were settled.

### **1.7.3 Response of departments to the draft paragraphs**

Draft Paragraphs and Reviews were forwarded demi-officially to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the departments concerned between November 2016 and March 2017 with a request to send their responses within two weeks. The departmental replies were not received in respect of four out of the seven compliance audit draft paragraphs featured in this Report. The replies received have been suitably incorporated in the Report.

### **1.7.4 Follow-up action on Audit Reports**

The Finance department issued (January 2001) instructions to all administrative departments of the Government that they should submit Statements of Action Taken Notes (ATN) on audit paras included in the Audit Reports directly to the

Legislature Secretariat with copies thereof to the Audit Office within two months of their being laid on the Table of the Legislature.

The administrative departments did not comply with the instructions and eight departments had not submitted Statements of Action Taken for 22 paragraphs for the period 2012-13 and 2014-15 respectively even as of February 2017. ATNs on Audit Paragraphs were due from the departments of Public Works (nine numbers), Agriculture Development and Farmers' Welfare (five numbers), Water Resources (four numbers), Tourism, Co-operation, Forest & Wildlife, Transport and Coastal Shipping & Inland Navigation (one each).

#### **1.7.5 Paragraphs to be discussed by the Public Accounts Committee**

There were 31 paragraphs relating to 10 departments pertaining to the period 2012-13 and 2014-15 pending discussion by the Public Accounts Committee as of February 2017. Pending audit paragraphs include one each from Co-operation, Fisheries & Ports (Harbour Engineering), Forest & Wildlife, Transport and Coastal Shipping & Inland Navigation; two paragraphs each from Information Technology and Tourism; five paragraphs from Water Resources, seven paragraphs from Agriculture Development and Farmers' Welfare and eleven from Public Works Departments.



# **Chapter II**

## **Performance Audit**



## CHAPTER-II

### PERFORMANCE AUDIT

#### INDUSTRIES DEPARTMENT

#### 2. Licensing and monitoring of quarrying of minor minerals

##### 2.1 Introduction

The Industries Department through Department of Mining and Geology (DMG) issues permits<sup>1</sup> and leases<sup>2</sup> for quarrying of minor minerals<sup>3</sup> which include building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purposes and any other mineral declared by Central Government as minor mineral.

In addition, the DMG issues movement permits and dealer's licence for stocking and selling of minor minerals.

The role of the DMG also includes inspection of mines and quarries and implementation of rules and regulations by virtue of the powers vested with it under the Mines and Minerals (Development & Regulation) Act, 1957, the Minerals Concession Rules, 1960, the Kerala Minor Mineral Concession (KMMC) Rules, 1967 and 2015, and collection of revenue on both major as well as minor minerals. DMG is also responsible, through the Kerala Minerals (Prevention of Illegal Mining, Storage and Transportation) Rules, 2015 for curbing illegal mining and clandestine movement of minerals.

Forest/Environmental Clearances (EC)/No Objection Certificates (NOC) required for issuing quarrying permits/leases include:-

- EC from the Ministry of Environment and Forest (MoEF)/ State level Environment Impact Assessment Authority (SEIAA), wherever applicable.
- NOC from the District Collector based on the recommendation of the District Expert Committee constituted by Government in this regard, for extraction of ordinary clay and ordinary sand.

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<sup>1</sup> Quarrying Permit is a short term permit not exceeding one year at a time limited to a maximum further period of two years. It is given at district level.

<sup>2</sup> Quarrying Lease is a mining lease for minor minerals granted for a minimum period of five years and maximum of twelve years. It is given at Directorate level for which a lease deed is to be executed.

<sup>3</sup> Building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purposes and any other mineral declared by Central Government as minor mineral.

- NOC from revenue authorities if the quarrying area is '*poramboke*'<sup>4</sup> land/revenue land.
- NOC from Forest Department if the quarrying area is forest land.
- Consent from the Kerala State Pollution Control Board (KSPCB) to operate quarries in the case of granite building stone (GBS).

Role of the Revenue Department includes issuance of survey map of the area, issuance of certificate of demarcation of boundaries, issue of certificate to the effect that the land has not been assigned for any other purpose, issue of possession and enjoyment certificate, issue of NOC in respect of quarrying in Government *poramboke* land and rendering of assistance in the implementation of KMMC Rules.

In addition to the above, quarry operators should have valid licence from Local Self Government Institutions (LSGI) as per Section 232 of The Kerala Panchayat Raj Act, 1994 and valid explosive licence.

## **2.2 Audit Objectives**

To examine whether:

- licences were issued in accordance with rules and regulations;
- monitoring of compliance with the terms and conditions of licence including environmental aspects was conducted at all levels; and
- existing system was adequate and effective in curbing illegal quarrying operations.

## **2.3 Audit criteria**

Audit criteria are derived from :

- The Mines and Minerals (Development and Regulation) Act, 1957 and rules framed there under;
- Kerala Minor Mineral Concession Rules, 1967 and 2015;
- Kerala Minerals (Prevention of illegal mining, storage and transportation) Rules, 2015;
- Kerala Environment Policy, 2009;
- Various circulars and government orders issued in connection with quarrying and related activities;

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<sup>4</sup> '*Poramboke*' means unassessed lands which are the property of the Government.

- Directions issued by KSPCB in their consent to operate based on Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981;
- Directions issued by SEIAA/ MoEF based on Environmental Impact Assessment (EIA) notifications and Environment Protection Act, 1986;
- Courts orders; and
- EIA notifications.

## 2.4 Audit scope and methodology

The Performance Audit covering the period from 2011-12 to 2015-16 was conducted during February to July 2016 to evaluate adherence to rules and regulations in issuance of permits/leases in respect of quarrying/mining operations of minor minerals other than river sand<sup>5</sup> in the State and its monitoring, with emphasis on environmental aspects.

Out of the 14 districts in the State, five<sup>6</sup> were selected for audit using IDEA package, in addition to which, three Regional Mineral Squads<sup>7</sup> were also selected for audit. All lease orders issued in the test checked districts during the period of audit were covered. Ten *per cent* of the permit files in the five districts were selected based on systematic sampling method and five *per cent* of the illegal mining and transportation cases through random sampling.

In addition to the selected units, audit also covered the offices of Industries, Environment, Revenue and Local Self Government Departments in the Secretariat, KSPCB at Thiruvananthapuram and its district level offices (field offices) in the selected five districts, State level Environment Impact Assessment Authority (SEIAA), Thiruvananthapuram and Department of Environment and Climate Change (DoECC), Thiruvananthapuram, Collectorates in the selected five districts, Commercial Taxes check posts in the districts of Thrissur, Kozhikode and Wayanad, M/s Kochi Metro Rail Corporation Ltd. and Project Implementation Unit of NHAI at Palakkad.

The audit objectives, audit criteria and audit scope and methodology were discussed with the representatives of the above mentioned Departments and agencies during the Entry Conference held on 21 April 2016. Files and records relating to quarrying

<sup>5</sup> Revenue Department issues permits for mining of river sand which is governed by The Kerala Protection of River Banks and Regulations of Removal of Sand Act, 2001 and Rules made there under and hence not covered under this performance audit. A Compliance Audit on "Receipts and utilisation of River Management Fund" concerning sand mining issues has appeared in the Audit Report (para 4.3) on General & Social Sector for the year ended March 2015.

<sup>6</sup> Pathanamthitta, Ernakulam, Thrissur, Kozhikode and Wayanad.

<sup>7</sup> Kerala Mineral Squads are located at Thiruvananthapuram, Thrissur and Kozhikode under the control of Deputy Director, Directorate of Mining and Geology.

permits/leases and Registered Metal Crusher Units (RMCU) issued in the selected five districts and in the Directorate of Mining and Geology, Thiruvananthapuram were verified. Joint physical verification of sites with departmental officials was conducted in selected sites/cases for checking compliance of conditions mentioned in quarrying permits/leases/licences and the effectiveness of monitoring by various agencies such as Department of Mining and Geology (DMG), Revenue Department, LSGIs, KSPCB, SEIAA and Forest Department.

Audit findings were discussed with representatives of Industries, Environment, Forest, Revenue and Local Self Government Departments, SEIAA and KSPCB in an exit conference conducted on 07 March 2017 and their replies have been appropriately incorporated in the Audit Report.

Details of quarrying permits/ leases granted and illegal cases detected during the period from 2011-12 to 2015-16 are furnished in **Table 2.1**.

**Table 2.1**  
**Quarrying permits/ leases granted and illegal cases detected**

Category	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Number of quarrying permits granted	2,401	2,331	1,797	1,538	2,992	11,059
Number of quarrying leases granted for granite building stone including granite dimension stone	75	18	6	21	9	129
Illegal cases detected by DMG	3,870	4,569	4,458	4,191	3,733	20,821

*(Source: Department of Mining and Geology)*

Illegal cases detected include illegal quarrying, illegal transportation and illegal storage of minor minerals. It has no correlation with the number of quarrying permits/leases.

### **Audit findings**

#### **2.5 Non-imposition of restrictions on quarrying ordinary earth**

As per the Office Memorandum (June 2013) of MoEF, the concerned State level Environment Impact Assessment Authorities (SEIAA) were directed to prohibit excavation activity in respect of ordinary earth deeper than two metres from ground level and within 15 m of any civil structure.

However, we observed that the provision was not included in KMMC Rules which regulates quarrying activities in the State. So, a person could extract ordinary earth from his own land for construction of buildings. Only removal of earth from the site required transit passes from DMG. We noticed following

instances where unscientific quarrying of earth caused loss of property and life which shows the necessity of making provisions for regulating quarrying of ordinary earth:

- Unscientific excavation of hill (February 2015) for construction of a building for Hill Top Public School, situated at Thiruthammalthazham in Kozhikode district led to land slide and death of two people.
- Land slide occurred (June 2015) during heavy rain at a site, close to MC Road at Karamala near Muvattupuzha town in Ernakulam district where earth was excavated from five to six months back and led to loss of property.

## **2.6 Non-identification of sensitive areas to be excluded while granting quarrying permits**

The Principal Secretary, LSGD requested the Centre for Earth Science Studies (CESS)<sup>8</sup> to formulate an opinion based on a rapid environment impact assessment study on the functioning of Athani hard rock quarry in Padinjarathara *Grama Panchayath* in Wayanad district. The study report recommended (February 2008) that in view of the landslide proneness of the region, *Grama Panchayath* should dissuade operation of quarries at higher elevation, disallow more than one quarry within an area of two square kilometre and ensure that the distance between two operational quarries is not less than one kilometre. As per the report, terrain disfigurements influenced the weather pattern and distribution of species locally. The report suggested identification of a few quarry sites by the district administration after proper studies for extensive mining, instead of allowing quarries in ecologically fragile highlands.

We noticed that the Government failed to implement the recommendation of the study. Quarrying, especially GBS was possible anywhere in the State except in forest land, if a private party was in possession of either a private land or an NOC from Revenue Department for quarrying in *poramboke* land. Further, DMG/ Government did not identify the areas that had become sensitive as a result of excessive exploitation of GBS or where quarrying posed a threat to the environment or was near the sites of archaeological/tourism importance as evidenced from the following:

- At the time of site visit to Ambalavayal *Panchayath* in Wayanad district, we noticed that a hill had been extensively quarried. We also observed that, 17 quarries were functioning in addition to abandoned quarries nearby. Thus, more than one quarry lease/permit had been granted within two square kilometre.

<sup>8</sup> Now known as National Centre for Earth Science Studies under Ministry of Earth Sciences, GoI

- District revenue authorities of Wayanad issued NOC for quarrying in Government land subject to the condition that no quarrying was to be carried out in such a way that it adversely affected Phantom Rock, a noted tourism spot. However, we observed that DMG had issued no such orders in respect of private lands and had issued quarrying permits in areas close to Phantom Rock as there were no specific provisions in KMMC Rules prohibiting quarrying near such sites of importance.



- In Thrissur district, Honourable High Court of Kerala prohibited (June 2015) quarrying operations close to Muniyattukunnu, a place noted for dolmens<sup>9</sup>, in Mupliyam village. Accordingly, 12 quarries had to be closed (June 2015).

We observed that the Environmental Clearance (EC) conditions issued by SEIAA Tamilnadu, a neighbouring state which shares Western Ghats with Kerala, have placed restrictions on quarrying in Western Ghats in that the total extent of nearby quarries (existing, abandoned and proposed) located within 500 m radius from the periphery of a quarry shall not exceed 25 ha within the mining lease period of an application. The DMG, Government of Kerala (GoK) had not adopted similar restrictive measures.

In the exit conference, the Additional Chief Secretary (ACS), Industries Department accepted the audit observation and assured that identification of ecologically fragile high lands and sites of archaeological/tourism importance would be done in future.

## **2.7 Absence of a streamlined system for issuing quarrying permits**

Government of India (GoI), Honourable Supreme Court and the GoK had issued guidelines/stipulations to be followed as prerequisites for granting of permits. But these guidelines/stipulations were not followed while granting quarrying permits as detailed below:-

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<sup>9</sup> Prehistoric megalithic tombs consisting of a capstone supported by two or more upright stones to form a barrow

- **Non-auctioning of Government land for quarrying**

Government ordered<sup>10</sup> (December 2010) that in order to bring in transparency in the allotment of Government sites for quarrying operations, right to quarry could be auctioned and, medium or long term leases would be given by Revenue Department for quarrying in *poramboke* lands through a simplified auction system. Further, Additional Chief Secretary (Revenue) would examine all aspects.

We observed that Government did not issue concrete orders in this regard and the DMG issued permit/lease to private parties who produced an NOC from Revenue Department, without conducting auction. The non-auctioning of Government land prevented the possibility of getting more revenue for the Government through auctioning, in addition to seigniorage<sup>11</sup> charge. We noticed instances where leases/permits were given for quarrying in government land without auction based on NOCs issued by Revenue department which are detailed in **Appendix – 2.1**.

Government replied (March 2017) that the Revenue department has entrusted the Centre for Management Development for conducting a study in this matter and that a decision would be taken on receipt of the study report.

- **Extension of exemption to existing quarrying permit holders**

A Mining Plan shall incorporate comprehensive details such as plan of the precise area showing the nature and extent of minor minerals body, spots and extent for excavation, detailed cross section, detailed plan for excavation, details of geology and lithology<sup>12</sup> of the precise area, precise area showing natural water courses, forest limits, assessment of impact of mining on forest and environment including air and water pollution, details of restoration by afforestation, land reclamation and other measures under Mine Closure Plan and EC for cluster of minor mineral leases. As per directions (May 2011) of Ministry of Mines, GoI, mining plan submitted by an applicant and duly approved by State Government is a pre-requisite for commencement of quarrying. Honourable Supreme Court in its judgement<sup>13</sup> (February 2012) recommended provision for preparation of approved Mining Plan in the rules governing mining of minor minerals by States and also stressed on the necessity of EC for all quarry operations irrespective of area or period of lease/permit. Further, Clause 13.1 of Kerala State Environment Policy, 2009 stipulated EIA by competent agencies prior to the allocation of sites for mining and quarrying activities.

<sup>10</sup> G.O.(Ms) 239/2010/ID dtd.01.12.2010

<sup>11</sup> Compensation for destruction, removal or appropriation from Government land earth, sand, metal, laterite, lime shell and other notified articles.

<sup>12</sup> General physical characteristics of rocks in a particular area

<sup>13</sup> IA in SLPC No.19628-19629 of 2009.

We noticed that

- GoK did not frame or modify rules in consonance with the GoI directions or the Honourable Supreme Court judgement making approved mining plan a prerequisite for granting quarrying permits. Further, quarrying leases and permits were issued without submission of a mining plan. The new rules were framed only in February 2015, wherein mining plan was included as a prerequisite for granting lease.
- As per the revised KMMC Rules and orders issued by GoK, existing quarrying permit holders of GBS were exempted from submitting mining plan and EC. This was against the spirit of the Honourable Supreme Court order and Kerala State Environment Policy.

GoK replied (March 2017) that at present the department was insisting upon mining plan and EC for grant of any type of concession<sup>14</sup> for mining of minerals.

We presume that the GoK started insisting upon obtaining EC only after the Honourable Supreme Court upheld (December 2016) its earlier direction (February 2012) requiring EC for all quarrying activities.

- **Non-adherence to Kerala Environment Policy, 2009 while issuing quarrying permits**

GoK approved (December 2009) the Kerala Environment Policy, 2009 which provides a framework in which conservation and development can be achieved simultaneously. Section 13 of the policy *inter alia* provides for restoration of the mined and abandoned areas by those responsible for their damage, ensuring compulsory land filling and tree planting in the mined area, prevention of mining and quarrying of hills, etc.

- As per Section 13.3 of the policy, restoration of the mined and abandoned areas are to be done by those responsible for their damage and as per Section 13.4 compulsory land filling and tree planting in the mined areas are to be ensured. We noticed that DMG which issued quarrying permits did not convey the conditions to the permit holders at the time of granting permit. Neither the DMG nor KSPCB maintained data regarding the number of trees planted after expiry of the permit period as against those cut and removed prior to quarrying. During site visits we noticed seven<sup>15</sup> abandoned quarries which were not restored by land filling/plantation of trees.



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<sup>14</sup> Land granted by an authority for some specific purpose.

<sup>15</sup> Arackapady village in Ernakulam district, Kakkattoor in Ernakulam district, Padimon in Pathanamthitta district, Koodal village in Pathanamthitta district, Ambalavayal panchayath in Wayanad district, Mupliyam in Thrissur district and Poolakkode village in Kozhikode district.

- Section 13.8 of the policy intends to prevent mining and quarrying of hills. No restriction was imposed by DMG on quarrying in hills. During joint site verification of locations in Pathanamthitta, Ernakulam and Wayanad districts we noticed quarrying of hills.



GoK replied (March 2017) that the staff of the DMG neither had the competence to monitor the compliance nor powers to enforce environmental laws and hence DMG had no role in enforcing policy related matters. GoK also stated that it was to be monitored by the KSPCB and SEIAA. But in the exit conference the representatives of both SEIAA and KSPCB stated that they were not monitoring post quarrying activities which indicated lack of co-ordination among various agencies in quarrying and post quarrying activities.

**Recommendation No. 1: Government may strengthen its agencies and improve co-ordination among the agencies to ensure compliance with the Kerala Environment Policy, 2009.**

- **Absence of provision requiring Environment Management Plan for quarrying in cluster situation**

Mining Plan includes Environment Management Plan<sup>16</sup> which is also a part of EC. Honourable Supreme Court in its judgement<sup>17</sup> (February 2012) observed the necessity of cluster<sup>18</sup> approach in mining so that State Government or mine owners' associations may facilitate implementation of Environment Management Plan (EMP) in such cluster of mines. In Kerala there are quarries operating close to each other or to abandoned quarries.

GoK replied (March 2017) that EIA notification, 2006 has prescribed procedure for issue of EC for quarrying of minor minerals including cluster situation when the distance from the periphery of one lease is less than 500 m from the periphery of another lease and insists preparation of EMP for grant of EC in cluster situation.

<sup>16</sup> An environment management plan (EMP), is a site-specific plan developed to ensure that all necessary measures are identified and implemented in order to protect the environment and comply with environmental legislation. It is also referred to as an impact management plan and is usually prepared as part of EIA reporting. It translates recommended mitigation and monitoring measures into specific actions that will be carried out by the proponent.

<sup>17</sup> IA in SLPC No.19628-19629 of 2009.

<sup>18</sup> As per Ministry of Mines Guidelines (May 2011), where large numbers of small mines are situated and worked out in clusters, at such places the provisions of quarrying of minor minerals should be done in a systematic and scientific manner. The programme of restoration and reclamation of the mined out area and rehabilitation must be made jointly in phased manner in the abandoned areas in an entire cluster of the minor mineral.

However, we noticed that GoK did not frame any rule or issue guidelines making EMP and EC mandatory in respect of cluster mining before granting of quarrying permits.

## **2.8 Consolidated Royalty Payment System led to reduction in royalty and indiscriminate quarrying**

As per Rule 4(1) of the KMMC Rule, 1967 quarrying permit is a short term permit to extract and remove minor minerals not exceeding 10,000 MT in quantity under one permit. But as per Rule 3 of KMMC Rules, 2015 no limit was prescribed on the quantity that can be quarried under one quarrying permit. The permit holder has the option to pay royalty based on the area of quarrying and number of passes used for transportation. We noticed that the system paved the way for unscientific quarrying as noted below:

### **2.8.1 Lack of restriction on the number of mineral transit passes that can be issued for quarrying areas between 40 to 50 Are**

As per Schedule V of KMMC Rules, 1967 there was a limit on issuance of mineral transit passes with respect to area of excavation under Consolidated Royalty Payment System (CRPS)<sup>19</sup> for laterite building stones (LBS) and granite building stones (GBS). We noticed that during revision of the rules in 2015, though the limit for quarrying permit under CRPS (for LBS and GBS) was restricted to a maximum of 5,000 mineral transit passes up to an area of 40 Are<sup>20</sup> at the rate ₹ 100 per mineral transit pass, there was no such restriction prescribed with respect to area between 40 to 50 Are. Due to this, permit holders under this category could obtain unlimited number of passes on payment of a consolidated royalty of seven lakh rupees without restriction on the quantity extracted, which led to short realisation of revenue. Out of 13 cases verified in the five test checked districts, we noticed that;

- In Thrissur district, 9,000 passes were issued to one Sri P. V. Mathai for quarrying 40.47 Are of land in Mulayam village on payment of a consolidated royalty of seven lakh rupees which resulted in loss of royalty of rupees two lakh<sup>21</sup>.
- In Pathanamthitta district, 11,000 mineral transit passes were issued to Sri. S. Sunilkumar, M/s SKG Granites, Kavungal for quarrying 47.02 Are of

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<sup>19</sup> As per KMMC Rules, 2015 CRPS is a mode of advance payment of consolidated royalty depending upon the extent of quarrying land limiting the number of passes according to the extent of land to a maximum of 50 Are.

<sup>20</sup> 1 Are = 100sqm

<sup>21</sup> Royalty on 9,000 passes at the rate of ₹ 100 per pass worked out to ₹ 9 lakh. Royalty paid as per CRPS was ₹ 7 lakh. Therefore the difference was ₹ 2 lakh.

land in Aruvappulam village on payment of a consolidated royalty of seven lakh rupees which resulted in loss of royalty of four lakh rupees.<sup>22</sup>

GoK replied (March 2017) that Government has decided to amend the KMMC rules restricting issue of mineral transit passes to 7,000 numbers for areas between 40 to 50 Are.

### **2.8.2 Reduction in revenue due to collection of royalty based on Consolidated Royalty Payment System**

As per KMMC Rules, 2015, every applicant for a quarrying permit shall pay royalty in advance to Government at the rates specified in Schedule I or IV,<sup>23</sup> as the case may be. In the case of payment of royalty under CRPS for GBS and LBS, the competent authority may permit an applicant to opt for this system. Under the CRPS, the royalty is paid on slab rate based on the quarry area and number of passes, irrespective of the carrying capacity of the vehicle.

Audit examination revealed that different types of vehicles with varying capacities were used for moving GBS depending on the accessibility to location and machinery used for loading GBS.

The royalty received under CRPS per load was ₹ 100 which was equal to the royalty of 4.167 MT<sup>24</sup> of GBS. But trucks carrying more than 5 MT (and even 15 MT) were being used for transportation of GBS. DMG could easily assess the royalty based on the cumulative quantity despatched. If so, the royalty received would be commensurate with the quantity despatched.

GoK in reply (March 2017) accepted the views of Audit and stated that with the introduction of mining plan, the quantity of mineral that could be extracted would be regulated.

### **2.8.3 Quarrying without bench cutting in violation of KMMC Rules**

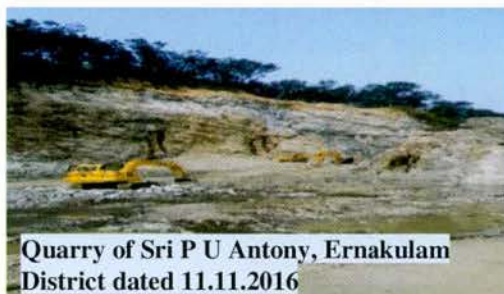
As per Rule 10 of KMMC Rules, 2015 in the case of quarries of GBS, where the depth of pit exceeds six metres, the sides of open workings shall be sloped, stepped or benched<sup>25</sup> or secured by the permit holder in such a manner so as to prevent slope failure. During joint physical verification of four sites we noticed that as the quarrying area under CRPS was small, the permit holders were quarrying the area without bench cutting in violation of the KMMC Rules, 2015 as evidenced from the following photographs.

<sup>22</sup> Royalty on 11000 passes at the rate of ₹ 100 per pass worked out to ₹ 11 lakh. Royalty paid as per CRPS was ₹ 7 lakh. Therefore the difference was ₹ 4 lakh.

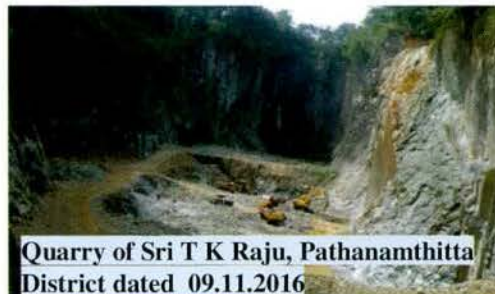
<sup>23</sup> As per Schedule I royalty is paid against quantity mined and as per Schedule IV royalty is paid based on area and number of passes.

<sup>24</sup> ₹ 100 per pass works out to 4.167 MT with royalty at the rate of ₹ 24 per MT.

<sup>25</sup> Sloped, stepped and benched quarrying are various methods adopted in open quarries to ensure safety during operation depending upon the stability of the slope of the quarries.



Quarry of Sri P U Antony, Ernakulam District dated 11.11.2016



Quarry of Sri T K Raju, Pathanamthitta District dated 09.11.2016



Quarry of Sri V K Janardanan, Ernakulam District dated 26.10.2016



Quarry of Sri V R Parameswaran, Thrissur District dated 23.5.2016

#### **2.8.4 Excessive extraction from lease areas registered as Registered Metal Crusher Unit and resultant short collection of royalty**

The Director of Mining and Geology grants quarrying lease for GBS for a particular year limiting the quantity to be quarried as per KMMC Rules. As per an insertion made (March 2002) in KMMC Rules, 1967 and subsequently included in the KMMC Rules, 2015, lease holders have the option to pay consolidated royalty based on jaw size or power of crusher installed, irrespective of the quantity quarried.

A test check of 79 cases that had opted for consolidated payment of royalty based on RMCU showed that the quantity extracted was more than the annual permissible limit specified by DMG and the royalty paid with respect to quantity was short by ₹ 12.21 crore<sup>26</sup> comparing to the consolidated royalty paid as per Schedule I<sup>27</sup> of KMMC Rules, 1967/2015. We observed that lack of restrictions in extraction of GBS under RMCU resulted in indiscriminate extraction of GBS from lease areas.

GoK replied (March 2017) that Government was forced to opt for consolidated upfront royalty payment system as it was difficult to monitor and enforce quantity based payments with the existing manpower and the ensuing implementation of electronic mineral transit pass gives it an opportunity to revisit the issue.

<sup>26</sup> For the year 2013-14, Consolidated Royalty collected as per RMCU for a quantity of 4805894 MT was ₹ 1.96 crore whereas the royalty as per Schedule I worked out to ₹ 7.69 crore at the rate of ₹ 16 per MT ; For the year 2015-16, Consolidated Royalty collected as per RMCU for a quantity of 5168080 MT was ₹ 5.92 crore whereas the royalty as per Schedule I came to ₹ 12.40 crore at the rate of ₹ 24 per MT.

<sup>27</sup> ₹ 16 per MT as per KMMC Rules, 1967 and ₹ 24 per MT as per KMMC Rules, 2015.

The reply was silent on the excessive extraction of GBS which was far more than the prescribed limit sanctioned by the Director of Mining and Geology and may cause damage to the environment.

## **2.9 Issuance of permits in violation of KMMC Rules**

### **2.9.1 Issuance of permits for more than the prescribed period**

As per Rule 8 of KMMC Rules, 1967 and Rule 13 of 2015, no person shall be eligible for a permit on a particular area of contiguous land owned and possessed by him if he has availed permits for quarrying up to a maximum period of three years in different spells on the same land.

We noticed that that this provision was violated by four quarries each in Pathanamthitta and Thrissur districts and five quarries in Ernakulam district, where the quarries were given permits for periods exceeding three years. The Department did not have a data base to check the number of times the permit of each quarry was renewed. Thus, DMG was unaware of the period for which a quarry was working.

GoK replied (March 2017) that with the implementation of e-governance project, such details would be computerised.

### **2.9.2 Granting of quarrying permits under CRPS violating KMMC Rules, 2015**

As per Schedule IV of the KMMC Rules, 2015, payment of royalty under CRPS is limited to an area of 50 Are. If the area is above 50 Are, as per Schedule I royalty is leviable based on the quantity quarried. The Geologist, District office of Mining and Geology, Wayanad issued quarrying permits violating the condition in seven cases<sup>28</sup> where the area exceeded 50 Are, by payment of a lump sum royalty of rupees seven lakh, instead of the royalty based on quantity.

GoK replied (March 2017) that Director, Mining and Geology has been directed to take disciplinary action in this matter.

## **2.10 Quarrying in forest/ assigned forest land**

### **• Quarrying in forest land**

As per Rule 5 of KMMC Rules, 1967 quarrying in forest land is not permissible without the consent of the Forest Department. In Thrissur district, a granite quarry was functioning in forest land for the last 20 years, in Peechi village. The Forest

<sup>28</sup> Shri. Thomas O.D., Shri. M.P. Kuriakose, Shri. Eliyas T.V., Shri. David P.V., Shri. Renjith K., Shri. Babu K.P. and Shri. Sudheesh A.T.

Department failed to identify the quarry and issued a stop memo only in December 2015 when public complaints were received in this regard.

- **Functioning of quarry in assigned forest land**

As per Rule 3 of the Kerala Land Assignment (Regulation of Occupation of Forest Lands Prior to 01 January 1977) Special Rules 1993, assigned forest land could be used only for cultivation, house sites or shop sites. Two quarries and three crusher units were functioning in assigned forest land in Mulayam village of Thrissur district from 2012-13 onwards. The Forest department failed to identify the same in time and issued a stop memo only in May 2016.

In the exit conference, the Assistant Conservator of Forest stated that the forest land/ assigned forest land could not be identified as the forest land was scattered.

The statement was not acceptable as the Forest department failed to monitor violation of the KMMC Rules.

GoK replied (March 2017) that if a map of the forest/assigned forest land with buffer zone (non-mining zone) was issued by Forest department, it would help the Department of Mining and Geology to avoid issue of mineral concession in such areas.

**Recommendation No.2: Responsibility may be fixed for allowing quarrying activities in forest/assigned forest land.**

## **2.11 Non-observance of MoEF directions**

### **2.11.1 Granting of leases to mine areas exceeding five hectare**

As per item 1(a) of the schedule appended to the EIA notification, 2006, mine lease area exceeding five hectare requires Environmental Clearance from SEIAA. Audit examination revealed that,

- Five quarrying leases, each having an area of less than five hectare, were sanctioned to M/s Inchappara Sand & Granites Pvt. Ltd. in Pathanamthitta district by DMG during 2011-12 without EC, circumventing the stipulations even though the total quarrying lease area exceeded five hectare.
- M/s K. J. Vasudevan Nair Granites of Thrissur district and M/s Poabs Granites Pvt. Ltd. of Kozhikode district obtained EC only for the area newly added to the existing lease and not for the original leased land which exceeded five hectare in area in each case.

GoK replied (March 2017) that the department failed to notice the area mentioned in the lease applications and on detecting the mistakes, DMG instructed the lease holders to submit EC. No record of any such instructions issued to the lease holders was, however, furnished to Audit.

## 2.12 Extraction of GBS from Government *poramboke* land using forged NOC

Quarrying in Government *poramboke* land requires NOC from Revenue Department. We noticed that DMG sanctioned (February 2011) lease<sup>29</sup> to extract GBS over an area of 0.3440 ha of Government *poramboke* land in Vengoor West Village, Kunnathunadu *Taluk* in Ernakulam District for 12 years, based on an NOC bearing No.K.Dis-12559/2006 dated 03.07.2007 signed by the *Tahasildar*, Kunnathunad. Revenue Department later (March 2012) detected that the NOC produced was fake and so DMG issued a stop memo. The lease was cancelled (September 2013) by the Director of Mining and Geology and based on the directions of District Collector a case was registered by Vigilance and Anti Corruption Bureau, Ernakulam which was in progress.

We observed that there was no mechanism in DMG to verify the genuineness of NOCs.

GoK replied (March 2017) that in order to avoid forgery of NOC, DMG would cross check with Revenue department in future.

## 2.13 Quarrying in land assigned for agricultural purposes

As per Kerala Land Assignment Rules, 1964 read with Government order<sup>30</sup> (August 2010), land assigned for agricultural purpose cannot be utilised for quarrying purpose. Audit scrutiny revealed that in Ernakulam district, eight permits for quarrying GBS were issued during 2014-15 by the District office of Mining and Geology violating the above condition. We observed that Revenue authorities issued certificates to holders of such assigned land for obtaining quarrying permits though quarrying of GBS was not permissible in these lands.

Industries Department replied (March 2017) that Revenue Department was finalising their stand in that matter.

**Recommendation No.3: Responsibility may be fixed in granting quarrying permits in assigned agricultural land.**

## 2.14 Ineffective monitoring

Quarry operators are required to obtain consent from KSPCB, EC from SEIAA and quarrying permit/lease from DMG before commencing their operation. These consents/clearances require observance of certain conditions stipulated under various Acts/Rules/circulars/conveyed conditions. As per GoK instructions (March 2014) the authority empowered to give clearance, licence, permit, consents has to ensure that no violation thereof is involved. This requires physical

<sup>29</sup> To Shri.Thomas N.A., Njattumkala House, Valamboor, Pattimattam Village, Ernakulam District.

<sup>30</sup> GO No.1222/2010/ID dt 21.08.2010.

verification by the agencies concerned. An analysis of the verifications conducted on adherence to conditions is narrated below:

- **Monitoring compliance of conditions mentioned in the consent of KSPCB and SEIAA**

While issuing consent to operate, KSPCB conveys certain conditions to the quarry operators based on Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981 and Environment Protection Act, 1986. Further, lease holders with a minimum area of five hectare for quarrying GBS require EC from SEIAA. The EC contains certain conditions to be followed by the lease holders.

We observed that KSPCB which issued 1,358 numbers of consents and SEIAA which issued 71 numbers of ECs in the selected five districts did not have a system for periodical monitoring of compliance with the conditions specified in the consent.

- **Non-monitoring of adherence to KMMC Rules by DMG**

DMG issues quarrying permits/leases and the permit/lease holders have to adhere to various conditions specified in the permits/leases. We conducted joint site inspection at 27 quarries and found violation of Rules in 21 of them. The violations included non-observance of safety measures, operation after expiry of permit, operating without explosive licence, non-demarcation of quarry area etc. (Appendix – 2.2).

We observed that the DMG did not conduct periodical inspection of quarry sites to monitor implementation of KMMC Rules.

GoK replied (March 2017) that strict directions have been issued to district officers to ensure compliance with Mining Plan.

## **2.15 Lack of expertise in taking measurements of uneven terrains**

Engineering departments in Kerala adopts level measurement<sup>31</sup> rather than tape measurement to arrive at the actual volume. Similarly, modern equipment like total station are also used for more accurate measurement. Audit scrutiny of relevant records revealed that, in the field, DMG adopted tape measurement rather than level measurement, which made measurement of excess quantity mined beyond permitted area or limit in uneven terrain unascertainable.

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<sup>31</sup> Level measurement is a process whereby the difference in height between two or more points can be determined. The aim of level measurement is to determine the relative heights of different objects on or below the surface of the earth and to determine the undulation of the ground surface. This is used for, among other things, providing data on volumes.

During joint physical verification in Thrissur district we identified working of three quarries after the expiry of permit period. The quantity of minor mineral removed from the site could not be calculated by the DMG officials in two instances and in one instance the quantity was assessed tentatively as the final level was not taken immediately after the permit period.

We observed that absence of data on initial levels had led to incorrect assessment of the quantity after taking the final levels. Necessity for accurate measurements for assessing the quantity quarried is evidenced from the instances mentioned in **Appendix – 2.3**.

GoK replied (March 2017) that as per the new KMMC Rules, 2015 mining plans were insisted upon for issue of concessions. These plans contained the topographic map of the area mined prepared using total stations, cross sections, total resources, minable resources etc. and that the lessee had to submit a scheme of mining every five years, recording the total volume excavated.

The reply is not acceptable as it does not address the audit observation. Moreover, the reply suggests that DMG would rely on information furnished by the lease holder and it was silent about permit holders.

#### **2.16 Failure to address issues of ground water level**

Major part of the State of Kerala is covered by laterites which act as a good aquifer system. Large scale removal of laterite hillocks may result in depletion in ground water table. We noticed that while issuing EC, SEIAA of the neighbouring State of Tamil Nadu conveyed the ground water level to the lease/ permit holder along with the requirement of its monitoring.

However, we observed that DMG, which issues quarrying permits in Kerala, did not convey the ground water level of any of the quarrying sites where quarrying permits were granted. The Director, Ground Water Department stated that quarrying might lead to depletion of water table; but no specific studies have been conducted by the department with respect to quarrying affecting availability of water.

We further observed that there were complaints regarding decrease in the storage capacity of wells due to quarrying, as given in **Appendix – 2.4**.

GoK replied (March 2017) that the impact of quarrying on ground water was studied while mining plans were prepared and possible mitigation measures were suggested. It was further stated that such study was conducted while granting EC. The reply is not acceptable because no record regarding such study was furnished to audit. Further, mining plan and EC were made mandatory to all quarry operators from December 2016 only.

### **2.17 Waiver of the stipulation to maintain distance from residential buildings to GBS quarries**

As per Section 164 of The Metalliferous Mines Regulations, 1961 area within 500m from the place of blasting is danger zone. As per conditions of SEIAA, Tamilnadu, quarrying activity of GBS is not permissible within 500 m of habitation. As per para 7 of the study report of CESS (February 2008), area within 250 m is prone to vibration. Honourable High Court of Kerala had prohibited quarrying within 500 m of Ambedkar Harijan Colony which led to stoppage of quarries in nearby Pettamala located in Kunnathunad *taluk* in Ernakulam district.

We noticed that as per Rule 29/40 of the KMMC Rules, 1967/ 2015 the minimum distance stipulated from a quarry to nearby residential building was 50/100 m.

During the joint site verification of quarries near Valakkavu in Thrissur district, the public complained of damages caused to their houses due to blasting. Local verification showed 14 houses located more than 100 m away from the quarries damaged with cracks on floors/walls, reportedly due to blasting. Other instances of public complaints regarding damages caused by blasting are illustrated in **Appendix – 2.5**.

The Assistant Geologist who accompanied us for the joint verification stated that many geological factors affected the buildings such as waves occurring during blasting, terrain of blasting site and intensity of tremors while blasting.



Cracks to buildings noticed on 25.10.2016



DMG and KSPCB stated that they did not have the capacity to measure the impact of vibrations due to blasts. We observed that the fixation of 100 m distance may require rethinking as functioning of quarries even at a distance of beyond 100 m caused damage to properties and created fear among the public.

GoK replied (March 2017) that in the revised KMMC Rules the use of explosives and ground vibrations were dealt with in mining plans and EC.

## **2.18 System to curb illegal quarrying**

Illegal quarrying not only leads to loss of revenue but also involves indiscriminate quarrying practices. Revenue, Mining & Geology and Police Departments are engaged in detection of illegal quarrying and transportation. There are 14 District offices and three regional mineral squads under the DMG to detect illegal quarrying, transportation and storage of minerals. The District offices are engaged both in the issue of permits and detection of illegal cases. The main function of the regional mineral squads is detection of illegal activities relating to quarrying.

### **2.18.1 Working of squads /committees**

#### **2.18.1.1 Performance of Regional Mineral Squads in detection of illegal cases**

Regional Mineral Squads were constituted for effective implementation of the Kerala Minerals (Prevention of Illegal Mining, Storage and Transportation) Rules, 2015. There are three regional mineral squads functioning under DMG based at Thiruvananthapuram, Thrissur and Kozhikode. These squads are engaged in detection of illegal quarrying, transportation and storage of minor minerals. A test check of the Compounding Registers of the three mineral squads for three months<sup>32</sup> revealed that;

- Though the jurisdiction of each squad was four to five districts they did not cover all the districts in a month. Pathanamthitta, Alappuzha, Ernakulam, Kottayam, Idukki, Wayanad and Kasaragod districts which constituted half the number of districts were not covered in these months.
- The squads functioned only during day time as available staff sufficed only for one shift.

Since all the 14 districts were not covered regularly, there was the risk of illegal quarrying, transportation and storage of minor mineral going undetected.

GoK replied (March 2017) that the area of jurisdiction was very large. It was also stated that as there were only three squads it was not possible to reach all sites of illegal quarrying or storage and detect all cases of illegal transportation.

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<sup>32</sup> October 2012, January 2014 and March 2015.

#### **2.18.1.2 Non-functioning of committees constituted to prevent illegal quarrying**

Government ordered (August 2011) formation of district level<sup>33</sup> and divisional level committees<sup>34</sup> to strengthen the surveillance and enforcement mechanism for preventing illegal quarrying. While the District level committees were to monitor the action taken to redress complaints raised by the public about illegal quarrying, the divisional level committees were to formulate an inspection schedule for visiting all working quarries and redress public complaints on illegal quarrying without delay.

In the selected five districts, though the committees were formed they were not functional, as meetings were not convened regularly. In Thrissur district no meetings were convened after the first meeting held in September 2011 while in Wayanad district no meetings were held after February 2015 and in Ernakulam district the last meeting was held in August 2013.

In Thrissur district, we, during the joint physical verification with the officials of DMG and with the aid of local public and Google maps, identified five illegal quarrying sites in a single day. One was operating without quarrying permit and the other four were continuing their operations even after the expiry of permit period. DMG issued stop memos to all the five quarry operators and realised (February 2017) an amount of ₹ 3.71 lakh towards royalty, price and fine from one quarry operator.

GoK replied (March 2017) that shortage of staff in various departments was one of the reasons for non-functioning of the committees.

**Recommendation No. 4 : Government may adequately staff the Mineral Squads and put in place suitable mechanism to monitor the working of the district and divisional committees to control illegal quarrying.**

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<sup>33</sup> The district level vigilance and monitoring committee members include District Collector (Chairman), District officer of Mining and Geology (convener), District Police Chief, District officer of State Pollution Control Board, Deputy Director of Panchayaths and Joint Director of Urban affairs.

<sup>34</sup> The divisional level vigilance and monitoring committee members include Revenue Divisional Officer (Chairman), Deputy Superintendent of Police, Representative of State Pollution Control Board, Representative of Mining and Geology Department and Deputy/Assistant Director of Panchayaths.

### **2.18.2 Non-maintenance of computerised database to identify repeat offenders**

As per Rules 60A/111 of KMMC Rules 1967/2015 and Rule 32 of Kerala minerals (Prevention of Illegal Mining, Storage and Transportation) Rules, 2015 there is provision for compounding of offences. As per Rule 58/108 of KMMC Rules, 1967/2015 whoever contravenes any provision of these rules shall be punishable with imprisonment for a term which may extend to two years, or with a fine which may extend to five lakh rupees or with both and in the case of continuing contravention, with an additional fine which may extend to ₹50,000 for every day during which such contravention continues after conviction for the first such contravention.

We observed that DMG at the district level and in squad offices, did not maintain a database of offenders to identify the repeat offenders in illegal mining or transportation. Hence, repeat offenders went unnoticed without imposition of additional fine as shown in the **Appendix – 2.6**.

GoK replied (March 2017) that with the implementation of e-governance project the details of the offenders would be computerised.

### **2.18.3 Issues related to transit passes**

Every person who carries a minor mineral from one place to another is required to have a valid mineral transit pass so as to ensure that royalty is collected before issuing passes. The transit passes in the prescribed form are printed in duplicate by the permit holder/dealer and got stamped at concerned district office of Mining and Geology. While transporting minor minerals, the original of the pass is to accompany the material and the carbon copy (duplicate) is to be retained by the permit holder/dealer.

In order to evolve a holistic plan using modern technology to curb illegal mining, Ministry of Mines<sup>35</sup>, Government of India, requested State Governments to prepare an action plan with effect from September 2009 which would include bar coding, use of holograms, end user reporting etc. as a means of tracing unauthorised sale. But these measures were not implemented. We observed that absence of such mechanism paved the way for misuse of transit passes as detailed below:

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<sup>35</sup> Annual Report 2009-10 of Ministry of Mines, Government of India.

- **Defective system followed in issuance of mineral transit passes allowed misuse /forgery**

While transporting minor minerals through the Commercial Taxes check post, Muthanga<sup>36</sup>, Wayanad, copies of the mineral transit passes along with sales bills are submitted at the Check post. We collected copies of the mineral transit passes from the check post and cross verified them with the passes retained by the dealer, through the District office of Mining and Geology, Kozhikode and observed that:

➤ Six mineral transit passes<sup>37</sup> did not match the duplicate carbon copies obtained from the dealers concerned through the District office of Mining and Geology, Kozhikode. In reply to an audit query, Senior Geologist, District Office of Mining and Geology, Kozhikode stated that the passes were forged.

➤ Though we could collect copies of 15 mineral transit passes of book No. 2 in the name of Shri. K.T. Jafar bearing serial numbers 84,85,86,87,89,90,91, 95,96,97,98 and two copies each of 88 and 94 from the check post, it was discovered that transit passes bearing the same serial numbers remained unused with the dealer (11 January 2017). The Assistant Geologist, District office of Mining and Geology, Malappuram confirmed that the transit passes bearing serial numbers from 84 onwards issued to the dealer, Shri.K.T.Jafar, were unused. This indicated that the 15 mineral transit passes obtained from the check post were not bonafide. Further, in respect of another 24 mineral transit passes of the same dealer, the entries made therein did not match the entries in their duplicate copies.

➤ We collected (January 2017) 16 mineral transit passes issued in the name of Shri. P. Abbas for movement of extracted GBS. The Assistant Geologist, District Office of Mining and Geology, Malappuram quoted the declaration of Shri. Abbas which stated that passes bearing serial numbers 651 to 700 (50 passes) were lost six months back. We found that 16 passes bearing serial numbers 659, 660, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 685, 686 and 688 were used during October-November, 2016 for movement of minerals through the check post. Out of these, four passes were used with sale bills of weathered sand of M/s M.P.S. Rock Products, Irivetty P.O, Malappuram district (3 nos.) and M/s Ernad Sand Manufacturing Unit, Karaparamba P.O, Malappuram district (1 no.). Weathered sand was not an item covered under these passes.

The above instances indicate large scale misuse of mineral transit passes and reveals that the prevailing system was not effective in regulating illegal extraction and transportation of minor minerals.

GoK replied (March 2017) that the department had initiated e-pass project under its e-governance programme and said that the project was ready to be launched. It was also stated that in the e-pass project a number of security features like 2D bar code, unique serial number, SMS based e-pass checking etc. were to be

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<sup>36</sup> Check post at Kerala -Karnataka border

<sup>37</sup> Four in respect of Shri.Muhammed Firoz and two in respect of Shri. C.P. Basheer.

implemented and the issue would be resolved once e-pass project was launched. The reply was silent on the action to be taken against offences pointed out by audit.

- **Misuse of mineral transit passes**

Every movement of mineral was to be supported by mineral transit passes and in cases of sale, to be accompanied by sales bill of the seller.

Audit scrutiny of 70 mineral transit passes with corresponding sales bills in the Sales Tax check post, Muthanga for the month of October and November 2016 revealed the following:-

- Sales bills of Shri. Ahammed Adangumpuravan, Kavannoor, P.O, Malappuram district (TIN 32100437215) were used by five different transit pass holders<sup>38</sup> in Kozhikode district in seven instances.
- Three separate sales bills showing Sl. No. 80 were used thrice<sup>39</sup> along with three different mineral transit passes.
- Three mineral transit passes in the name of Shri.C.P.Basheer, Unnikulam P.O, Kozhikode district were used with the sales bills of M/s M.P.S Rock products, Malappuram, once and M/s Ernad Sand Manufacturing Unit, Malappuram, twice.
- Mineral transit passes in the name of Shri.Sukumaran E, Managing Partner, M/s Power Stone Products, Kozhikode district were used with the sales bills of M/s M.P.S Rock Products, Malappuram district, twice.
- Mineral transit pass in the name of Shri.Dinesh K.,Wayanad was used by M/s Power Stone Products, Kozhikode district.
- Mineral transit pass nos.79, 83 and 94 in the name of Shri. K.T.Jafar was used twice on different dates for movement of minor minerals.

These instances indicate widespread misuse of mineral transit passes.

GoK replied (March 2017) that the problem would be mitigated on implementation of KOMPAS<sup>40</sup>. The reply was silent on appropriate action to be taken in instances pointed out by audit.

<sup>38</sup> Shri. Muhammed Firoz, (Three nos) Kallayi P O, Kozhikode district, Shri. Muhammed Basheer, Mavoor P.O, Kozhikode District, Shri. C. P. Basheer, Unnikulam P O, Kozhikode District, Shri. Sukumaran E., Managing Partner, Power stone Products, Eranimavu, Pannikode, Kozhikode District, Shri. Abdul Rasak, Palam PO, Kozhikode district.

<sup>39</sup> On 16.10.2016 (Purchaser Shri. Nizar, vehicle No KA-01/AB-1358), 18.10.2016 (Purchaser Shri. Lalu vehicle No. KA-01 /AC -475) and again on 18.10.2016 (Purchaser Shri. Nizar, vehicle No.KL-33/D-6253).

<sup>40</sup> KOMPAS or Kerala Online Mining Permit Awarding Services is the e-pass project in which security features like 2D barcode, unique serial number, SMS based e-pass checking etc is envisaged.

- **Non-establishment of check posts to verify mineral transit passes at points having high traffic of minor minerals**

Check posts can ensure that a vehicle carrying minor minerals has a valid mineral transit pass, i.e. royalty has been paid, only one pass is issued to a vehicle and that the pass is not reused.

With the aid of Commercial Taxes officials at the four<sup>41</sup> commercial taxes check posts in three districts, we verified 55 vehicles carrying minor minerals and found that seven vehicles did not possess mineral transit passes. We also noticed irregularities such as absence of entries of date/time of transport or both, scored off / overwritten entries etc. in 16 mineral transit passes.

We observed that copies of mineral transit passes were not collected at the above check posts. Had the service of these check posts been utilised for recording and verification of minor mineral transit passes, such irregularities could have been reduced.

GoK replied (March 2017) that establishment of check posts involved creation of posts. It was also stated that the offenders were usually smart and would use alternate routes to bye-pass check post. The reply indicates an attitude of helplessness of Government.

**Recommendation No. 5 : Government may consider utilising the services of police aid posts or commercial taxes check posts to verify transit passes. Incorporating in the KMMC Rules, provisions similar to that of the Kerala Forest Produce Transit Rules, 1975 which specifies the route to be followed in the way permit, may reduce illegal transportation and misuse of passes.**

- **Non-inclusion of directions for end user reporting**

Ministry of Mines requested State Governments to prepare an action plan which includes end user<sup>42</sup> reporting as a means of tracing unauthorised sale of minor minerals. We noticed that no such provisions were included in the KMMC Rules, 2015. Following instances showed the necessity of end user reporting:

- M/s Mc Nath Bharath Engineering Co. Ltd., a sub contractor of M/s Delhi Metro Rail Corporation Limited (DMRC Ltd) for Kochi Metro Rail Project purchased 18,797.300 MT of minor mineral from one Shri Shahul Hameed who used 15 mineral transit passes instead of using 759 separate mineral transit passes for each vehicle load of minor mineral transported.
- M/s URC Construction (P) Ltd., a sub contractor of M/s DMRC Ltd purchased 93,321 cft of minor mineral from one Shri Abu K.K. of Kochi.

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<sup>41</sup> Vettilappara in Thrissur district, Kunhippally in Kozhikode district, Boys Town and Lakkidi in Wayanad district.

<sup>42</sup> End user means the ultimate user of a product.

Audit scrutiny at the district office of Mining and Geology, Ernakulam revealed that Shri. Abu K.K. did not have registration with the office of Mining and Geology to trade in minor mineral.

- During February-December 2016, M/s Five Star Metals Private Limited, Pallavoor, Palakkad district supplied 12,830 MT of manufactured sand to M/s KMC Ltd., the agency engaged in the construction of six laning of Vadakkanchery - Thrissur section of NH 47 under NHDP. With the assistance of officials of District office of Mining and Geology, Palakkad we verified duplicate copies of mineral transit passes retained by M/s Five Star Metals Private Limited which revealed that only 1,475 MT of GBS products were supported by mineral transit passes.

In the exit conference, the Additional Chief Secretary to Government opined that Mineral Squads would do better by detecting such cases and thus get more revenue for the State.

**Recommendation No. 6 : Government may make provisions for end user reporting especially in respect of major projects to ensure realisation of royalty due.**

### **2.19 Conclusion**

Government did not identify areas from where GBS could be extracted with minimal impact on environment/tourism/ archaeological importance.

Absence of a streamlined procedure for granting quarrying permits resulted in allotting government land for quarrying without auction. The existing system of consolidated royalty payment paved the way for indiscriminate extraction of GBS and reduction in realisation of royalty. Department of Mining and Geology issued quarrying permits/leases violating KMMC Rules and disregarding MoEF directions. Licence issuing authorities like KSPCB, SEIAA and DMG failed to effectively monitor the compliance of licence conditions by quarry operators. The mechanism to detect illegal cases was not effective. The present system of issuance and use of mineral transit passes was not effective in preventing misuse, multiple use and use of forged mineral transit passes.

### **2.20 Recommendation**

GoK may take punitive and legal action against all cases of illegal quarrying, forgeries and other offences in cases pointed out through this performance audit, besides taking suitable action to ensure that such instances do not exist in other than the test checked districts in the State.



**Chapter III**  
**Compliance Audit of**  
**Selected Topics**



## CHAPTER-III

### COMPLIANCE AUDIT OF SELECTED TOPICS

#### FISHERIES AND PORTS DEPARTMENT

#### 3.1 Regulation of Houseboats

##### 3.1.1 Introduction

Alappuzha, the 'Venice of the East', is an important backwater destination in Kerala attracting tourists every year. The Vembanad lake, a Ramsar site<sup>1</sup> is spread over 36,500 hectare covering the districts of Alappuzha, Ernakulam and Kottayam. This lake is connected to a network of rivers, canals and drains and is famous for Houseboat (HB) tourism. With the increased arrival of tourists, the HB industry began to grow and developed into a huge source of revenue for the people of the area.

All inland vessels, including HBs, are regulated by the Inland Vessels Act, 1917 (IVA), a Central Act, which came into force in the State of Kerala with effect from 01 December 1987. Subsequently, Government of Kerala (Coastal Shipping and Inland Navigation Department) notified (April 2010) the Kerala Inland Vessels Rules, 2010, under IVA, to regulate and control the operation of mechanically propelled vessels. Later, the Kerala Inland Vessels Rules, 2010, were amended by incorporating provisions for safety and security, pollution control and quality service with a view to foster backwater tourism without compromising on safety, efficiency and pollution aspects and notified the amended rules in April 2015. (The Kerala Inland Vessels Rules, 2010 and their amendment in 2015 are together defined as 'KIVR' hereinafter).

For a vessel to ply in the backwaters, three procedures are mandatory according to KIVR, viz., initial survey/annual survey<sup>2</sup>, registration<sup>3</sup> and dry dock inspection<sup>4</sup>. KIVR also mandates adoption of measures to prevent and mitigate water pollution.

<sup>1</sup> The convention on wetland called the Ramsar convention, is an intergovernmental treaty that provides the framework for national action and international co-operation for the conservation and wide use of wetland and other resources.

<sup>2</sup> Initial Survey/Annual survey: Complete examination of hull, machinery, arrangements, safety and security, pollution aspects and quality of service as required under IVA by the Surveyor under the Directorate of Ports. Initial survey is done before the HB is put in service, whereas the annual survey is done periodically once in 12 months in respect of HBs which are in operation.

<sup>3</sup> Registration: The Chief Registering Authority under the Directorate of Ports issues Registration Certificates to HBs on completion of initial survey. It is a process of documentation and also a proof of ownership of the vessel.

<sup>4</sup> Dry dock inspection: The Surveyor conducts detailed examination of vessels in slip way or dry dock in day light, once in three years, to ensure that all the portions of the hull external are intact.

### **3.1.1.1 Organisational set up**

Director of Ports (DoP), under the Government (Fisheries and Ports Department) regulates inland vessels, including HBs, by virtue of implementing KIVR. Six<sup>5</sup> ports in Kerala are designated (September 2010) as Port Registries, which are places of survey of Inland Vessels. The DoP exercises his powers under KIVR, through multiple officials, such as the Chief Registering Authority, Chief Examiner, Chief Surveyor, Surveyor (Two) and Conservators of the six Port Registries. The functions of these officials with regard to inland vessels include conducting initial/annual survey, issuing Registration Certificates, issuing Competency Certificate to crew, and conducting periodical surprise inspection.

Since the HB industry is closely related to backwater tourism, Directorate of Tourism (DoT), under Government (Tourism Department), executes its tourism promotion activities in this industry through the District Tourism Promotion Council (DTPC). Activities of DTPC with regard to HBs includes fixing tariffs in consultation with HB owners' associations, establishing and operating Common Sewage Treatment Plant (CSTP) for discharging the effluents generated from the bio-tank of HBs etc.

Another stakeholder in the HB industry is the Kerala State Pollution Control Board (KSPCB), which functions under the administrative control of the Government (Environment Department). The main functions of KSPCB with regard to HB industry include issue of Integrated Consent to Operate (ICO) to HBs which is mandatory according to provisions contained in the Water Act, 1974, and the Environment Protection Act, 1986, and periodical inspections to check whether the prescribed parameters of sewage/effluents discharged from the CSTP/bio-tank of HBs are within the limits mentioned in the ICO conditions.

The Local Self Government Institutions (LSGI) are another stakeholder from the Government side in the HB industry. LSGIs are mainly responsible for collection, segregation, and disposal of solid waste generated by HBs in terms of the Solid Waste (Management and Handling) Rules, 2000.

### **3.1.2 Audit objectives and scope**

The objectives of the Compliance Audit were to assess whether:

- the registration and operation of HBs were in accordance with the above Rules and the concerned environmental laws;
- Rules and regulations were in place to standardise the facilities provided, regulate the fees/tariff charged from tourists and regulate the number of people that can be carried in HBs; and

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<sup>5</sup> Alappuzha, Azhikkal, Beypore, Kollam (Thangassery), Munambam (Kodungallur) and Vizhinjam.

- mechanisms existed for effective monitoring of adherence to these rules.

As of April 2016, out of a total of 926 tourist inland vessels registered with the six Port Registries of Kerala, 847 were registered with the Port Registry, Alappuzha. Hence, compliance audit was limited to the activities under the Port Registry at Alappuzha.

Audit scrutiny covered the records of the Directorate of Ports, Directorate of Tourism and KSPCB, their Administrative departments<sup>6</sup> and relevant subordinate offices with special focus on survey, registration, safety of passengers and environmental aspects relating to HBs covering the period from 2010-11 to 2015-16. Audit also examined the records of KSPCB and DTPC in Alappuzha and Kottayam districts and that of Alappuzha Municipality, interacted with various stakeholders and raised audit queries. In addition, the audit team along with departmental officers jointly verified 42 HBs, which operated in Vembanad lake. (Detailed in **Appendix – 3.1.1**)

An Entry Meeting with the departmental officials concerned was held on 20 July 2016 and an exit meeting at the close of audit was conducted on 30 December 2016 to share and discuss the audit findings.

### **3.1.3 Audit findings**

#### **3.1.3.1 Registration of Houseboats**

##### **i) Houseboats operating without valid registration**

Rule 5(1) of KIVR requires all HB owners to intimate the Chief Surveyor regarding construction of new vessels. After the Surveyor completes the stage inspection, KSPCB verifies the HBs and issues the ICO. On receipt of ICO, the vessel is registered with the Port Registry concerned. Initially the registration had to be renewed annually. Subsequently, the validity period of registration was increased (March 2013) to five years. Further, in terms of Rule 31(2) (c) of KIVR, the Surveyor is duty-bound to conduct surprise inspection of vessels to ensure that they comply with mandated requirements. On detecting violations, the Surveyor recommends suspension/cancellation of the Registration Certificate (RC) /Survey Certificate of the vessel to the DoP and serves detention order to defaulting HB owners.

We observed that, as of 31 March 2016, 326 (44.41 *per cent*) out of the 734 HBs registered under Port Registry, Alappuzha, had not renewed their registration as detailed in **Table 3.1**.

<sup>6</sup> Department of Fisheries and Ports, Department of Tourism and Environment Department.

**Table 3.1**

**Details of HBs which had not renewed registration**

Sl. No.	Year from which renewal of registration was pending	Number of HBs pending renewal of registration
1	2011-12	238
2	2012-13	70
3	2013-14 <sup>7</sup>	18
<b>Total</b>		<b>326</b>

(Source: Records of Port Office Alappuzha)

A joint verification of 42 HBs revealed that 23 of them were plying in Vembanad lake without registration (**Appendix – 3.1.2**). Of the 42 HBs subjected to physical verification, we found that seven out of the eight HBs operated by M/s Kerala Backwaters were unregistered. Further, as per the DoTs estimation, there were 1,500 HBs operating in Alappuzha. However, we observed that only 734 (48.93 per cent) HBs were registered with the Port Registry Alappuzha, as on 31 March 2016.

Detection of a substantial proportion of unregistered boats pointed to ineffective monitoring by the Surveyor causing threat to the safety and security of the passengers on board.

- ii) Rule 14 (2) of KIVR stipulates that RC issued to a vessel shall be valid for a maximum period of five years, but the registering authority may issue RC for a shorter period considering the ecological parameters of each water body.

We observed that the Registering authority under DoP issued RC subject to fulfillment of certain conditions regarding certificate of survey (including stability), third party insurance, competency certificate of crew, pollution control aspect, provision of firefighting equipment and life-saving appliances etc. These conditions were to be satisfied by the HBs within 30/60/90 days of the issue. The Port Registry, after the issue of RC did not verify compliance of those conditions by the HB owners even though many of these conditions related to safety of passengers. During joint verification it was found that HBs operating with conditional RCs had not fulfilled the prescribed conditions and hence were not safe for operation. Further, absence of third party insurance could deprive passengers of compensation and protection under law in the event of an accident.

Port Officer, Alappuzha, replied that prior to implementation of KIVR (September 2010), HBs were registered under Canals and Public Ferries Act, 1890. On implementation of KIVR, the existing HBs were issued registration certificates conditionally. The reply of the Port Officer, Alappuzha, was

<sup>7</sup> Since 2014-15, registration is issued for five years; hence audit observation is up to 2013-14.

silent about the HBs operating without fulfilling the RC conditions and the consequent risk to the safety of passengers.

- iii) According to Section 19 C of IVA, a book containing all particulars of the RC shall be kept by the Registering Authority after due authentication by the authority. Further, a true copy of the book should be sent to the State government within a month, together with the number of every RC granted.

We observed that registration details were not completely recorded in the Registration book and not duly authenticated by the Registering Authority, as prescribed. Moreover, the copy of the Registration book was not sent to Government every month as mandated. Hence, veracity of the registrations recorded in the book could also not be assured by Audit.

- iv) In terms of Section 71 of IVA, all fees payable may be recovered as fines. Schedules I and II of KIVR prescribes the rate of fees payable by HB owners for the registration, survey etc. According to Rule 26 of KIVR, registration fee was to be collected by the registering authority at the rate of ₹ 50 per ton of vessel weight, subject to a minimum of ₹ 3,000.

A scrutiny of the records revealed that as on 31 March 2016, registration fees amounting to ₹ 11.26 lakh was pending from 326 HB owners who had not renewed their registration as detailed in **Table 3.2**.

**Table 3.2**

**Details of unrealised registration fee**

Sl. No.	Year from which registration was pending	Number of HBs pending renewal of registration	Amount pending realisation (in ₹)
1	2011-12	238	8,19,250
2	2012-13	70	2,45,250
3	2013-14 <sup>8</sup>	18	61,100
<b>Total</b>		<b>326</b>	<b>11,25,600</b>

(Source: Records of Port Office Alappuzha)

The Port Officer, Alappuzha, stated in this regard, that due to non-receipt of application from HB owners for renewal of registration, it could not realise the fee from them.

The above reply was not acceptable, as the main reason for non-realisation of registration fee was the lack of a monitoring system whereby the Port Officer would be alerted of the due dates of RC renewal without waiting for the HB owners to submit applications. Also, had the Surveyor carried out surprise

<sup>8</sup> Since 2014-15, registration is issued for five years; hence audit observation is up to 2013-14.

inspections as mandated in KIVR, a substantial number of HB owners could not have escaped from renewing their registration.

**v) Issue of Registration Certificates without considering the carrying capacity of Vembanad lake**

The Government (Fisheries and Ports Department) accorded (June 2012) administrative sanction for conducting 'Environmental Study of Vemabanad lake', considering the large number of HBs operating in the lake and resultant pollution. Accordingly, the DoP entrusted (September 2012) the Centre for Water Resources Development and Management (CWRDM), Kozhikode to identify the carrying capacity of the lake for each category of vessels. CWRDM reported (November 2013) that the recreational carrying capacity of the lake was 262 HBs. Subsequently, DoP directed (June 2014) the Port officials that only those applicants who had submitted their application for survey on or before 31 December 2013 but had not presented their vessels for survey on or before 31 March 2014 could be permitted to present their vessel till 30 June 2014. Further, according to note below rule 54 of KIVR, new RC shall be issued only against deregistration and condemnation of existing vessels.

But, as reported (December 2013) by DoP, registrations were issued to 588 HBs, which was nearly double the carrying capacity of the lake, thus threatening the environmental stability of the lake.

Further, the directions (June 2014) of the DoP were violated by the registering authority as it had issued RC to 22 HBs during 2014-15, 55 during 2015-16 and nine during 2016-17 respectively, even though the owners of these vessels had not presented their vessels for survey on or before 30 June 2014. Further, the new RCs issued were not against deregistration or condemnation of existing HBs. Also, this direction of the DoP issued in June 2014 was irregular because the CWRDM had reported to the DoP in December 2013 itself that the carrying capacity of the lake was only 262 HBs as against 588 in operation. Hence, permission granted by the DoP for conducting further survey to enable registration of new HBs without ensuring decommissioning of old HBs was in total disregard to the recommendations of CWRDM for the environmental sustainability of the lake and actually enabled increasing the number of HBs in the lake.

The Port Officer, Alappuzha replied that registration was given only to those HBs who had submitted their application prior to 31 December 2013. The reply was factually incorrect, as the department had issued fresh RCs to 86 HBs which were presented for survey even after the cut-off date of 30 June 2014.

### 3.1.3.2 Survey of houseboats

**i) Failure to conduct surveys, enforce compliance with certificate conditions and recover survey fees**

- In terms of Rules 3 (1)(ii) and 3(3) of KIVR, every vessel shall be subjected to survey before it is put in service. The Surveyors in the Port Registry conduct survey before the vessel is put in service, annual survey once in 12 months, additional survey as occasion demands and dry dock inspection once in 36 months in a dry dock or slip way in day light to ensure that the external hull is undamaged.

The initial survey includes inspection of hull, machinery and equipment to ensure that they are in satisfactory condition and fit for service for which the vessel is intended. Further, the HB owners shall make an application for survey to the Surveyor, who fixes the date, time and place of survey and intimates the same to the applicant.

Though conduct of annual survey for HBs was mandated under KIVR to ensure their operational worthiness, we observed that as of 31 March 2016, out of 734 registered HBs under the jurisdiction of Port Registry, Alappuzha, 304 HBs (41.42 *per cent*) did not renew their periodical annual certificate and 85 had not been subjected to annual survey. During joint verification of 42 HBs, we observed that, 27 HBs had not presented themselves for even a single survey (**Appendix – 3.1.2**) and five HBs had not got their survey certificate renewed (January 2013-March 2016). This scale of non-compliance existed even though Surveyors were empowered to conduct surprise inspections onboard the HBs.

We further observed that in order to fully automate implementation of KIVR, a Computerised Management Information System (CMIS) was introduced in the Port Registries. But due to ineffectiveness of CMIS, expiry of validity of these mandatory certificates could not be monitored as the system did not alert the Port Registry of such expiry in advance for it to take necessary action.

On this being pointed out, Port Officer, Alappuzha, replied that due to non-receipt of application for renewal from the HB owners in time and absence of CMIS, the port authorities could not conduct the survey periodically. The reply was not acceptable as KIVR mandated that Surveyors should conduct these surveys annually. By not doing so, port authorities were being indifferent to the safety of passengers onboard.

- We also observed that the survey certificates issued by the Surveyor were provisional, subject to certain conditions such as valid crew certificate, insurance certificate, approved stability booklet etc., to be complied with within stipulated period. Many of these conditions were related to the safety of passengers. There was nothing on record to establish that the boat owners had

fulfilled the prescribed conditions. Further, Surveyor did not take any steps to ensure that the HBs fulfilled the conditions within the stipulated time.

Port Officer, Alappuzha replied that due to heavy work load, shortage of staff and absence of CMIS in Port Department, follow-up action in respect of conditional survey certificate could not be carried out within the stipulated time.

- DoP fixed the fees for annual survey based on the gross tonnage of vessel. As on 31 March 2016, the total fees forgone by the DoP due to non-renewal of annual survey certificates in respect of 389 HBs for the period from 2010-11 to 2015-16 worked out to ₹ 44.46 lakh (**Appendix – 3.1.3**).

Port Officer, Alappuzha, stated that, if annual survey application was not received within the stipulated time, double the rate was imposed even for a lapse of one day. The reply was silent about the department's failure in collection of annual survey fees due from the HB owners. This also enabled the HB owners to ply without displaying the mandatory distinguishing mark as required under Rule 18 of KIVR. Of the 42 HBs jointly verified, only one had the distinguishing mark.

## **ii) Non-conducting of dry dock inspection**

- In terms of Rule 3(4) of KIVR, all vessels shall be inspected once in every 36 months by the Surveyor in a dry dock during the hours of day light. The Surveyor shall go on board any vessel and inspect it or any part thereof or any machinery or article thereon relevant to the purpose of the Act.

We observed that as on 31 March 2016, 476 HBs were pending to be inspected in dry dock, of which 251 had not undergone even a single dry dock inspection since the vessel was put to use (**Appendix – 3.1.4**). This compromised the safety of passengers.

Port Officer, Alappuzha, replied that Surveyor could not conduct the dry dock inspection unless the vessel was dry docked. Besides, due to non-availability of sufficient dry dock yards, all vessels could not be dry docked in time. The reply is not tenable, as KIVR required the Surveyor to conduct surprise inspection to ensure that the HBs plying in the backwaters were dry docked in time.

- According to Schedule I of KIVR, the fee for dry docking was ₹ 3,000 per vessel which was enhanced (October 2014) to ₹ 3,750 with effect from 01 October 2014. We observed that as on 31 March 2016, the Department had forgone revenue of ₹ 17.66 lakh due to non-enforcement of mandatory dry dock inspection (**Appendix – 3.1.5**).

Port Officer, Alappuzha, replied that the operators evaded dry docking due to personal interest and lack of awareness and that lack of CMIS prevented effective monitoring by them. The reply is not acceptable as the Surveyor failed to ensure mandatory dry docking survey, leaving the safety of the passengers to the mercy of the HB owners.

#### **3.1.3.3 Deployment of crew in the houseboats**

In terms of Section 21 of IVA and Rule 33 of KIVR, when the mechanically propelled vessel proceeds on any voyage, the crew shall possess Competency Certificate (CC) and that every vessel shall have a minimum of one Serang, Driver and a Lascar<sup>9</sup> possessing CC on board. Further, according to Section 59 of IVA, any crew proceeding on any voyage without possessing a CC shall be punishable with fine extending to five hundred rupees.

Of the 42 HBs (**Appendix – 3.1.6**) jointly verified, in 29 HBs the Serang did not possess CC, in 31 HBs the Drivers did not possess CC and in 27 HBs, the Lascars did not possess CC. In six HBs, validity of CC of all the crew had expired. In 13 HBs sufficient number of competent crew were not in place and in four HBs the cook, helper or lascar operated the HB. Port officer stated that during peak season sufficient competent crew were not available which resulted in operation of HBs by unauthorised persons. The reply of the Port Officer is not acceptable since the operation of HBs by unauthorised persons affects the safety of passengers. Further, increasing number of HBs by granting RCs to new HBs without considering the directions of DoP regarding the carrying capacity of HBs in lake also contributes to the shortage of sufficient crew members. Out of the 42 HBs jointly verified, 36 HBs did not have competent crew. No action was taken by Surveyor even against the HBs mentioned in the joint verification report.

We also observed that of the 17 surprise inspections conducted by Port/Police departments during the period 2011-12 to 2015-16, fine was imposed in the case of 38 HBs which did not have crew with valid CC.

Lack of monitoring and failure to enforce rules by Port/Police Departments facilitated the owners to operate their HBs in violation of the rules, which endangered the safety of the passengers.

#### **3.1.3.4 Safety and security of houseboats**

##### **i) Insufficient life saving appliances and firefighting equipment in houseboats**

- Rule 103 of KIVR stipulates that each vessel shall be provided with one life jacket for each passenger and crew onboard plus 10 *per cent* extra and one

<sup>9</sup> Serang is the person who controls the wheel of the HB while the vessel is on voyage and acts as the master of the vessel. Driver is the person in charge of the engine (operation and maintenance) of the HB. Lascar is the person who assists the Serang during embarking and disembarking of the vessel.

lifebuoy for two persons onboard and these should be kept in position for quick deployment in case of emergency.

A joint verification of 42 HBs (**Appendix -3.1.7**) revealed that, 23 HBs did not have adequate number of life jackets and lifebuoys. Further, 11 HBs were plying without any life jackets and 10 HBs were plying without any lifebuoys. We observed that life-saving appliances were kept on the upper deck of the HBs, which is not easily accessible by passengers in an emergency. The Surveyor did not ensure that HBs were provided with adequate number of life-saving appliances through periodical surveys as required under Rule 31 (2) (c) of KIVR.

Port Officer, Alappuzha, replied that they ensured that the required number and type of life-saving appliances were available on board at the time of survey. But, later the owners of HBs remove some of these items, which would only come to the notice of the team which conducts surprise inspections to ensure compliance. The reply was not tenable because, Surveyors were responsible for conducting periodical surprise inspections in terms of KIVR. Large scale non-compliance to KIVR mandating provision of lifesaving appliances, as found out during joint verification by Audit, revealed lapse on the part of the authorities concerned in ensuring safety and security of passengers onboard.

- According to Rule 109 of KIVR, all inland vessels shall be provided with the approved type of firefighting equipment on board. Fire alarm and smoke alarm should be located in gallery and engine room, fire pump should be capable of being switched on from main deck and LPG used onboard should have gas fuse/spark arrester fitted.

A joint verification in 42 HBs (**Appendix – 3.1.8**) revealed that fire and smoke alarm was not provided in 38 HBs and fire pump in 33 HBs. Besides, none of the HBs had gas fuse /spark arrester for LPG cylinder and 19 HBs did not have sufficient number of fire extinguishers. During joint inspection the Audit team witnessed a fire incident in HB bearing KIV No. 1149/13. This HB did not have any firefighting equipment and the fire was suppressed using firefighting equipment from adjacent HBs. Even though the Surveyor issued survey certificate after conducting detailed survey of HBs, including firefighting equipment, the Surveyor did not conduct frequent surprise inspections to ascertain the presence of the equipment on board the HBs, as mandated by KIVR.

Port Officer, Alappuzha, replied that it ensured compliance with the requirements at the time of survey and it was the responsibility of HB operators to maintain sufficient number of lifesaving appliances on board during operation. However, the Surveyor had conducted annual survey in only 345 cases out of 734 HBs registered with Port Registry, Alappuzha, as referred in Para 3.1.3.2(i). Absence of continued monitoring enabled non-compliance to safety measures.

**ii) Lack of data on passengers on board and schedule of journey**

According to Rule 148 of KIVR, owner of the vessel has to maintain a passenger register in its on-shore office and it is the responsibility of the DoP to ensure that these requirements are adhered to by the HB owners. Further, as per sub Rule 6(h) of Rule 136, schedule of journey shall be made available at the off-shore office.

We observed that the 42 jointly verified HBs had neither maintained the passenger register nor the schedule of journey. Consequently, in the event of an accident, it would not be possible to identify the persons on board. By virtue of being the competent authority under KIVR, the DoP was responsible to ensure that HB owners maintained passenger lists and schedules of journey, as mandated by KIVR.

The Port Officer, Alappuzha, replied (March 2017) that all HBs which had applied for survey had been given instructions and further a circular was displayed at various offices to instruct HBs in this regard. The reply was unacceptable because by virtue of being the implementing authority for KIVR, the DoP was responsible to ensure compliance to provisions in this regard in KIVR and moreover displaying a circular at various offices did not ensure compliance to provisions in this regard. We suggest compulsory display of mandatory conditions in all HBs at a prominent place where passengers can read them.

**iii) Non-establishment of enforcement wing**

Rule 143 of KIVR made it mandatory for the DoP to establish an enforcement wing with three divisions, one each at Alappuzha, Ernakulam and Kottayam for periodical inspection of the operation of the HBs. The wing was to be constituted under a Deputy Superintendent of Police assisted by a Sub-Inspector in each division. The main objective of this was to carry out patrolling in inland waters to ensure the safety of the passengers on board including at night halt centres.

However, the DoP had not constituted the enforcement wing as of November 2016. The Department did not contest the audit observation.

**iv) Non-conduct of annual safety audit of inland vessels jetties**

Rule 140 (1) of KIVR stipulates that as a precaution against accidents during embarking and disembarking of passengers, overcrowding of vessels at jetties should be avoided and each jetty shall have safe boarding arrangements. With this end in view, KIVR mandates that jetties have to be identified and selected as approved jetty for vessels and that safety audit be conducted every year. The safety measures prescribed by Port officials for approving jetties included road

connectivity, depth of pile, materials used, present condition, draft<sup>10</sup> available, hand rails and their strength, handling capacity etc.

We observed that though there were 78 jetties in Alappuzha, none had been approved as a safe jetty. Further, as safety audit was pending (March 2017) in all cases, it could not be ensured whether these jetties had the requisite safety measures to prevent accidents during embarking and disembarking of passengers.

The Port Officer, Alappuzha, replied (March 2017) that a Safe Jetty Inspection Committee had been formed for this purpose and safety auditing is pending. Thus, on the one hand there were 734 HBs as against the recreational carrying capacity of the lake being 262 HBs, unsafe jetties further added to the risk to safety of passengers.

### **3.1.3.5 Operation of houseboats without third party insurance**

Section 54 C of IVA mandates that every mechanically propelled vessel shall take insurance against third party risks and further in terms of section 62 B of IVA non-compliance in this regard is punishable with a fine extending to ₹ 1,000. In addition, Rule 15 (2) (d) of KIVR stipulates that copy of such insurance certificate shall be submitted along with the application for registration to the Port Registry.

We observed that out of 734 registered HBs (against recreational carrying capacity of only 262 HBs), only 225 had valid insurance certificate against third party risks. The remaining 509 HBs (69.35 *per cent*) were operating without valid third party insurance. It was also noticed that 196 HBs (26.70 *per cent*) had never taken a policy. Further, during joint verification of 42 HBs, we noticed that 23 did not have third party insurance.

We also observed that during the 17 surprise inspections conducted by Port/Police departments during the period 2011-12 to 2015-16, fine was imposed on 49 HBs which did not have valid third party insurance. Absence of valid insurance could deprive the passenger and the crew of legal benefits and compensation in the event of any mishap.

The Port Officer, Alappuzha, replied (November 2016) that the survey certificate was issued only on production of valid insurance certificate. The reply was not acceptable as conditional survey certificates were issued by the Surveyor directing the HB owners to produce third party insurance certificate within the period prescribed in the certificate. But, it was clear that HBs did not comply with this condition, as was seen from the fact that 69.35 *per cent* of HBs operated without valid third party insurance. Laxity in monitoring was the reason behind non-compliance of conditions relating to third party insurance.

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<sup>10</sup> The draft of a ship or boat is the distance between the surface of the water and lowest point of vessel.

### **3.1.3.6 Non-conduct of surprise inspections by the Port Registering Authority**

According to Section 19 (O) (2) of IVA, the registering authority can either suspend or cancel the registration if the vessel is found unfit for service during inspection. Further, in terms of Rule 31(2) (c) of KIVR, the Surveyor shall conduct surprise inspection on board vessels and verify all the mandatory requirements. In case of default, he shall detain the vessel and make necessary recommendations for suspension/cancellation of the RC/survey certificate, to the registering authority. Further, according to Sections 55 to 64 of IVA and Rule 139 of KIVR, penalties can be imposed on HBs for non-compliance to various Sections/Rules in the Act/Rules. Further, the DoP had instructed (April 2011) that inspection of vessels under KIVR shall be carried out based on a quarterly inspection plan to be prepared by Registering Authority/Chief Surveyor/Chief Examiner and approved by the DoP.

We observed that out of the 237 HBs inspected, though provisional detention order was issued to 170 HBs, none was detained due to non-availability of safe place for keeping the detained vessels. Further, 117 HBs were penalised, of which 31 HBs only remitted the fine to Government (**Appendix – 3.1.9**). In the remaining 86 cases, no further action was initiated by the Port Officer, Alappuzha, to recover unpaid fines. No monitoring was done by the DoP to ensure that HBs had rectified the shortfalls noticed during inspection. Further, the Registering Authority/Chief Surveyor/Chief Examiner had never prepared and presented the quarterly inspection plan as directed by DoP for his approval.

Port Officer, Alappuzha, replied that Government had not constituted a separate inspection team and the department did not have sufficient space for keeping seized vessels in safe custody. The Port Officer also added that service of more personnel were required for the safe custody of confiscated vessels which were not presently available with the department.

The reply was silent about the department's failure to prepare inspection plan, recover unpaid fines, and follow up on rectification of shortfalls by HB owners or suspend registration of violators.

### **3.1.3.7 Inadequate manpower to monitor compliance of KIVR**

In terms of Rule 31 and 32 of KIVR, the duties and powers of surveyor includes conducting of initial/annual survey, dry dock inspection and surprise inspection of all inland vessels such as HBs, passenger boats, motor boats, speed boats and barges. The sanctioned strength of surveyors in DoP was one Chief Surveyor and two surveyors (contract basis) for all the six port registries in Kerala.

The shortfall in renewal of registration and conduct of annual/periodical surveys and dry dock inspections noticed were as detailed in **Table 3.3**.

**Table 3.3**

**Shortfall in renewal of registration and conduct of annual/periodical surveys and dry dock inspections**

Year	Number of HBs where		
	registration not renewed	initial/annual survey not conducted	periodical dry dock inspection not conducted
2010-11	0	206	239
2011-12	238	48	60
2012-13	70	18	29
2013-14	18	63	58
2014-15	0	21	34
2015-16	0	33	56
<b>Total</b>	<b>326</b>	<b>389</b>	<b>476</b>

We observed that inadequate monitoring by the surveyors and deficiency in detection of violations resulted in non-compliance of several provisions in KIVR. Moreover, joint verification of 42 HBs conducted by Audit revealed that HBs were operating in the backwaters without sufficient/competent crew, lifesaving appliances and firefighting equipment which was an indication of insufficient monitoring which in turn compromised safety of passengers. Further, ineffective monitoring also resulted in non-realisation of revenue due to Government.

In the exit meeting, the Registering Authority, DoP replied that due to shortage of surveyors in the department, the above functions could not be carried out by them.

**3.1.3.8 Non-fixation of maximum tariff rate for houseboats**

Section 54 A of IVA stipulates that the State Government may fix the maximum rate per kilometer for passengers of any class travelling on inland mechanically propelled vessels.

We observed that neither the DoP nor the DoT had fixed the tariff rate. Though IVA empowers the State Government to make rules for tariff rates of vessels, the State Government/DoP/DoT did not take any action for incorporating the stipulation either during framing of KIVR or during its amendment in 2015. DoP replied that it was issuing only the RC for the HBs after conducting necessary survey and as the Tourism department was controlling the HB industry and facilitation of tourists, the authority to fix the maximum rate rested with DoT. However, the DoT replied that, at present, DTPC had no role in fixing the tariff rate for HBs in Kerala. Further, the DoT had no control over the operation of HBs as DoT was only implementing the classification scheme for HBs having RC from registering authority. As a result the passengers were left to the mercy of HB operators.

### 3.1.3.9 Impact on environment

#### i) Operation of HBs without renewal of Integrated Consent to Operate

Section 25 of the Water (Prevention and Control of Pollution) Act, 1974 (Water Act), stipulates that previous consent of KSPCB is necessary to establish any industry or any treatment or disposal system, which is likely to discharge sewage or trade effluents into a stream or on land. For this purpose KSPCB issues ICO to industries. Further, in terms of KIVR, the Surveyor issues the certificate of annual survey based on the ICO issued by KSPCB.

We observed that, even though ICO was mandatory for obtaining the certificate of survey/RC, the Surveyor issued conditional survey certificate directing the HB owners to produce ICO within the prescribed time limit. The Surveyor also did not ensure that the HB owners fulfilled the condition within the stipulated time, as discussed below.

We observed that out of 811 HBs that had applied (2010-11 to 2015-16) for ICO to the Environmental Engineer (EE), KSPCB, Alappuzha, validity of ICO had expired in respect of 324 HBs (39.95 *per cent*) and 113 HBs (13.93 *per cent*) were operating without ICO as on 31 March 2016.

It was also noticed that, though 811 HBs applied for ICO, only 734 HBs were registered with Port Registry, Alappuzha. We observed that initial survey of HB was compulsory for obtaining ICO while registration was not. Hence, many of the HBs which underwent initial survey obtained ICO but failed to apply for registration. This resulted in discrepancy between the number of HBs that were registered and those which obtained ICO. This discrepancy occurred due to lack of coordination between the Port Registry, Alappuzha and KSPCB, Alappuzha.

The results of joint verification conducted by Audit to ascertain the compliance of HBs to mandatory requirement of ICO are given in the **Table 3.4**.

**Table 3.4**  
**Details of HBs operating without ICO**

Particulars	Number of Houseboats		
	subjected to JV by Audit	which never obtained an ICO	where validity of ICOs had expired
Kerala Backwaters Pvt. Ltd.	8	7	0
Kerala Tours Backwaters	2	1	0
Other individual HBs	32	14	3
<b>Total</b>	<b>42</b>	<b>22</b>	<b>3</b>

(Source: Joint verification reports)

Joint verification of 42 HBs revealed that ICO had expired in the case of three<sup>11</sup> HBs, whereas 22 HBs (**Appendix – 3.1.8**) never obtained an ICO. Of the 22 non-compliant HBs, M/s Kerala Backwaters Pvt. Ltd. owned the maximum number.

Audit analysis further revealed that, out of 22 HBs, seven (owned by M/s Kerala Backwaters Pvt. Ltd.) were unregistered since 2010 and seven had not been surveyed since 2010. KSPCB had not taken any punitive action against these HBs, as stipulated in the Act/Rules.

## **ii) Non-conduct of periodical inspection and water analysis**

In terms of Rules 118(1) and 115(5) of KIVR, every HB should be fitted with bio-tank for collecting the sewage from the toilets and all exhaust pipeline of bio-tank should be fitted above the water line mark of HB. Further, according to Ministry of Environment and Forests, Government of India notification (December 1999), KSPCB should inspect and analyse water samples from the final outlet pipe of each HB once in six months and ensure that the prescribed parameters of discharged water were within the acceptable limit (BOD<sup>12</sup>- 30 mg/l). Further in terms of section 21(1) of Water Act, 1974, KSPCB had to take samples.

We found that in all the 42 HBs jointly verified, the final outlet pipes from the bio-tank of HBs were fitted below the water line mark of HBs. This meant that sewage from the bio-tank was discharged through the final outlet pipe below the water surface. Consequently, collection of mandated water samples from the final outlet pipes of HBs, which was inside water, for periodical analysis was impossible due to its incorrect position. Moreover, had the Surveyor in the Port Registry ensured that the final outlet pipe of bio-tank of HBs was fitted above the water line mark, during initial/annual survey of HBs, KSPCB could have monitored the quality of discharged water with respect to the prescribed parameters.

We also observed that 811<sup>13</sup> HBs had applied (2010-11 to 2015-16) for ICO. Further, as inspection and analysis of water samples from the final outlet pipe of each HB was mandated twice annually, the stipulated inspection of HBs by KSPCB for the purpose would come to 1,622 annually<sup>14</sup>. However, KSPCB had not inspected and collected water samples in any of the HBs up to March 2016. KSPCB, Alappuzha replied that it was practically difficult to collect effluent samples from the final outlet of bio tank with the existing facilities and hence samples could not be taken for analysis. Due to non-availability of speed boat and shortage of man power, the Board could not conduct frequent inspection in HBs.

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<sup>11</sup> Regn Nos (1) KIV/ALP/HB/919/11; (2) KIV/ALP/HB/1149/13; and (3) CIB 872.

<sup>12</sup> Biochemical Oxygen Demand (BOD) is the amount of dissolved oxygen needed by aerobic biological organisms in a body of water to break down organic material present in a given water sample at a certain temperature over a specific time period.

<sup>13</sup> HBs registered in KSPCB, Alappuzha for obtaining ICO.

<sup>14</sup> 811 HBs x 2 mandatory sample analysis to be done annually = 1,622 targeted inspections.

### iii) Under-utilisation/functioning of CSTP

The Common Sewage Treatment Plant (CSTP), operated by District Tourism Promotion Council (DTPC), Alappuzha, started functioning from March 2014. The sewage from HBs was discharged into the CSTP for effluent treatment. According to specific condition 3.12 of ICO issued by EE of KSPCB, not less than four discharges per year shall be made by each HB into the CSTP. Further, in terms of condition 3.2 of ICO, samples of effluent should be collected from all outlets and analysed in any laboratory approved by the board at least once in six months<sup>15</sup>.

The status report of CSTP usage by the HBs indicates large scale non-compliance in this regard, as shown in the **Table 3.5**.

**Table 3.5**  
**Details of discharges made by HBs into CSTP**

Year	Number of discharges				Total usage
	4 times	3 times	2 times	One time	
2014	Nil	1	13	240	269
2015	Nil	1	33	298	367
2016	Nil	Nil	15	202	232
<b>Total</b>	<b>Nil</b>	<b>2</b>	<b>61</b>	<b>740</b>	<b>868</b>

(Source: Records of District Tourism Promotion Council, Alappuzha)

Though 811 HBs had applied for ICO to KSPCB, Alappuzha, in different years, only an average of 290 HBs (35.75 per cent) had discharged sewage during the years 2014 to 2016, which pointed to unauthorised methods employed for sewage discharge by HBs.

We further observed that District Office, KSPCB, Alappuzha, did not conduct periodical water analysis/inspection of the CSTP since its commissioning in March, 2014. During joint verification, water samples from the final outlet of the CSTP were collected and analysed and found that BOD level and suspended solids were 118 mg/l and 116 mg/l respectively, which was beyond the limit prescribed (30 mg/l and 100mg/l).

In reply to an audit query DTPC, Alappuzha, stated that the under utilisation of CSTP by HBs was due to lack of strict monitoring on the part of KSPCB. However, District Office, KSPCB, Alappuzha, stated that due to shortage of staff and lack of infrastructure, they could not ensure compliance with the conditions. The reply was unacceptable as the condition of the water samples, as discussed above, warranted urgent action on the part of KSPCB to put in place the prescribed monitoring mechanisms.

<sup>15</sup> As per the requirement of Ministry of Environment and Forests notification, 1999.

**iv) Defective management in collection, segregation and disposal of solid waste and hazardous waste**

According to specific condition 3.11 of ICO issued by EE of KSPCB, solid waste shall be disposed as per Solid Waste (Management and Handling) Rules 2000. Further, schedule II of the said rules stipulates that solid waste shall be segregated and disposed of scientifically by LSGIs. Further, Rule 146 of KIVR requires vessel owners to provide separate bins to dispose solid waste scientifically. Similarly, as per Hazardous Waste (Management and Handling) Rules, 1989, waste engine oil shall be disposed through collection agents authorised by KSPCB.

We observed that none of the 42 HBs subjected to joint verification were provided with separate bins for segregation of wastes. Plastic and paper wastes were being collected in a single container and disposed of by burning in private lands or on the banks of the backwaters where the HBs were anchored. Waste oil was disposed of by the HB owners on the land or by applying it on the interior part of the hull. None of the owners of HBs disposed it through collection agents authorised by KSPCB.

We observed that the LSGI did not provide facilities for collection of solid/hazardous wastes from these HBs in the land area for scientific disposal as required under the rules.



*Solid waste floating in water body/heaped and burnt on the land and waste oil inside the hull*

KSPCB replied that LSGI, Alappuzha did not follow a routine system for collection, segregation and disposal of solid wastes from HBs while the LSGI<sup>16</sup> stated that, it was the responsibility of HB owners to dispose of the solid wastes at the source itself. However, Schedule II of the Solid Waste (Management and Handling) Rules, 2000, stipulates that it is the responsibility of the LSGI to manage the solid waste.

<sup>16</sup> Alappuzha Municipality.

Environment Department replied that the disposal of solid waste was the responsibility of the LSGI and that the Port Authority was directed to ensure that no waste was dumped into the lake. It was also stated that the HB owners were informed that they had to provide own facilities to dispose of organic wastes and also to give plastic wastes only to recyclers. The reply also stated that the possibility of providing a mobile unit was also under consideration.

#### **3.1.4 Conclusion**

About 44.41 *per cent* of HBs registered under Port Registry, Alappuzha, had not renewed their registration. Further, about 53 *per cent* of the HBs did not conduct the mandatory annual survey required under KIVR. This pointed to ineffective monitoring by the Surveyor causing threat to the safety and security of the passengers on board. Though the recreational carrying capacity of Vemabanad lake was only 262 HBs as found out by CWRDM in the Environment study of Vembanad lake, DoP issued registration to 734 HBs as of March 2016 which is approximately three times the carrying capacity of the lake. This action of the Ports department posed a serious threat to the environmental stability of the lake. Ineffective monitoring by the surveyors of DoP also resulted in non-conduct of dry dock inspection (64.85 *per cent*) once in three years. While compromising the safety of passengers onboard, this also resulted in revenue loss of ₹ 17.66 lakh to the Government.

Even though the survey certificate/registration were issued to HBs conditionally, DoP did not ensure that the HBs operating in the backwaters complied with the conditions. Inadequate monitoring mechanism increased the number of unauthorised HBs operating in the back waters. Further, non-constitution of an enforcement wing by DoP emboldened them to operate illegally. Meagre penalties for employing unqualified crew and insufficient surprise inspections by the surveyors failed to deter the HB owners from repeating the same offence. Surveyors of DoP also failed to ensure the provision of life saving appliances and fire fighting equipment in HBs. Non-fixing of tariff rate by the Government/Department paved the way for charging high rates from the tourists.

KSPCB did not have adequate monitoring mechanism for identifying the offenders. Most HBs did not utilise the CSTP and could be discharging their sewage into the lake, thus polluting the environment.

During exit meeting (December 2016), details of all paras mentioned above were discussed with the department. The department did not contest the audit observations.

The matter was referred (December 2016) to Government and reply is awaited (March 2017).

## **INDUSTRIES DEPARTMENT**

### **3.2 Allotment and utilisation of industrial plots**

#### **3.2.1 Introduction**

The Department of Industries (Department) acts as a facilitator for industrial promotion and sustainability of Micro, Small and Medium Enterprises (MSME) and traditional industries sector. The Department, under its land allotment scheme, provides Development Areas<sup>17</sup> (DAs) and Development Plots<sup>18</sup> (DPs) for industrial use to prospective entrepreneurs either on hire purchase or on lease basis. Assignment of government land for industrial purposes is governed by the 'Rules of assignment of government land for industrial purposes, 1964'. Other than assignment, allotment and utilisation of DA/DP are governed by 'Rules for the allotment of land in DA/DP on hire purchase basis' (1969 and 1970) and 'Rules for lease of land in industrial DA/DP for industrial purposes' and orders issued under them from time to time. Since June 2013, the Department provides land for industrial purposes on lease basis only. The Department had promoted 38 DAs/DPs up to March 2016 having a total acquired area of 2,443.72 acres, of which 2,049.506 acres<sup>19</sup> were allotted to 2,583 industrial units in these DAs/DPs as on 30 September 2016.

The Department is headed by the Additional Chief Secretary to Government of Kerala (Industries), assisted by the Director of Industries & Commerce (Director), who in turn is assisted by the General Managers (GMs) in 14 District Industries Centres (DICs).

#### **3.2.2 Audit objectives and scope**

The compliance audit was conducted to ascertain whether, the allotments were transparent and in compliance with the rules framed for the purpose; there was a prescribed methodology for fixing the price of industrial plots; and appropriate and effective mechanism existed for ensuring and enforcing the utilisation of land for the intended purpose.

We examined the records at the Government Secretariat/Directorate/field units, interacted with the personnel at the audited entities, raised audit queries, and discussed the audit findings with the management. Records of 385 land allotment cases were examined in the DAs/DPs of five sampled districts, viz. Ernakulam, Kannur, Kozhikode, Palakkad and Thrissur which were selected using Probability Proportionate to Size without Replacement method. Joint physical verification was also conducted along with the departmental officials in some DAs/DPs. The audit was conducted from June to September 2016.

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<sup>17</sup> DA is land acquired by Government for the purpose of the industrial development of an area

<sup>18</sup> DP is area divided into convenient small plots of land

<sup>19</sup> The balance includes area for common facilities, internal roads and about 38 acres under development

## **Audit Findings**

### **3.2.3 Non-updating of land value in line with fair value and consequent non-collection of revenue**

As per the Rules for lease of land in industrial development area and development plot for industrial purposes – 2016 (lease rules), which came in to effect from 10 June 2013, the lease premium<sup>20</sup> realisable from the entrepreneur is the fair value of land fixed by Government from time to time or the cost of acquisition inclusive of all administrative overheads plus development charges (acquisition either by LA Act, 1894 or outright purchase or transfer by Government/Local Self Government Institution), whichever is higher. Government has not fixed the cost of industrial land so far. Hence, the Department has not been able to derive financial benefit of lease premium. Government replied that the Revenue Department had not fixed fair value of industrial land and that the Department would review its land pricing policy.

### **3.2.4 Allotment of land in violation of lease rules**

The land in DA/DP is to be allotted to prospective entrepreneurs only on lease basis since 10 June 2013. According to the lease rules, the land is allotted only for industrial purposes for a term not exceeding 30 years. This term can be extended for another 30 years subject to leaseholders satisfying the terms and conditions of the earlier lease.

We observed that allotments were made in violation of the lease rules in the cases illustrated below, which resulted in loss of lease premium and rent to the Department while giving a right to the allottee to possess the land without time restriction, subject to allotment conditions.

- The GM, DIC, Thrissur transferred (June 2016) land (52 cents) allotted to a defunct unit<sup>21</sup> (plot number 13) situated in DP Velakkode to another firm<sup>22</sup> in terms of Hire Purchase (HP) rules instead of the lease rules. The GM replied (March 2017) that the allotment was made on the directions (May 2016) of the Director.
- The Revenue Department assigned (December 2015) industrial land measuring 2.50 acres in DA Edayar resumed from M/s Cochin Leathers Pvt. Ltd. to M/s Cochin Minerals and Rutilles Ltd. The Government stated (March 2017) that the transfer was done at the instance of DIC by Revenue Department as it was assigned land. The reply is not acceptable as the assigned land was resumed by the Department and hence the new lease rules should have been applied on re-allotment.

<sup>20</sup> The lease premium is a lump sum compensation payable by the licensee in consideration of the lease of land.

<sup>21</sup> M/s Speed Lubes.

<sup>22</sup> M/s NCI Paints.

### **3.2.5 Transfer of land in violation of allotment rules**

According to rules for allotment of land for industrial purposes, transfer or alienation of such land is not permissible without the prior written consent of the Government/Director. Any entrepreneur who desires to cease operation should intimate his intention to the Government/Director, who will resume the land and re-allot it to applicants from the priority list. The Director also instructed (December 2015) the GMs to ensure that industrial land was not allowed to be used as a means to make private gains by engaging in real estate deals.

We observed that the allottees of industrial land transferred the same to others in contravention of the rules by adopting methods like changing the constitution of ownership of the firm by bringing in new director(s) or sub-leasing or by proposing transfer of ownership on the grounds of loan default, etc. Details of such instances are given in **Appendix – 3.2.1**. An example is detailed below:

- Industrial land measuring 23.22 acres was allotted (August 2004) to M/s Dhaan Ispat Pvt. Ltd. in the New Industrial Development Area (NIDA), Kanjikode, Palakkad. The original allottee was Shri. G.R. Elangovan who was also the Managing Director of the industrial unit. As the land was kept idle, the GM, DIC Palakkad held (October 2006) a personal hearing of the allottee. But instead of the original allottee, the meeting was attended by Shri. C.K. Ismail Haji and Shri. Abdul Rahiman, who were directors of M/s Dhaan Ispat Pvt. Ltd. Subsequently, Shri. Sushil Vijoy Arora also was inducted (December 2015) as a director and the new list of directors furnished by the firm to the GM, DIC Palakkad did not contain the name of the original allottee. The change of directors was in effect transfer of ownership and hence a land deal. The firm had not undertaken any industrial activity on the allotted land other than possessing it and transferring it through change of directors. The Government reply (March 2017) was silent on the audit observation.
- A joint inspection conducted (September 2016) by the audit party with departmental officials at DP Ayyankunnu, Thrissur revealed transfer of land without the knowledge of the DIC, Thrissur. The land (25 cents) allotted (May 2010) to M/s Promise Industries was found to be used by M/s Envirogreen Carrybags India Pvt. Ltd. without the approval of DIC. The Government stated (March 2017) that the transfer has been regularised by the Director.

Further, in a survey conducted (November 2016) by DIC, Ernakulam, 72 cases of violations relating to unauthorised transfers of land/ change of constitution were identified and show cause notices issued which reiterates the audit observation (**Appendix – 3.2.2**).

We observed that the Department did not have an exit policy to enable entrepreneurs who wanted to discontinue their ongoing profitable industry for

personal or other reasons. If they surrendered their industry to the Department as prescribed by rules they stood to lose most of their investment by way of resumption interest payable to Government. This prompted them to transfer the land to others without departmental consent. Government in reply (March 2017) accepted the audit observation.

### **3.2.6 Issues relating to utilisation of land**

#### **3.2.6.1 Encroachment of industrial land**

Section 5 [8] (1) of the Kerala Land Conservancy Act, 1957, stipulates that the land which is the property of Government is not to be occupied by anyone without Government's permission. If any person occupies any land unauthorisedly, he is liable to pay a fine and may be summarily evicted by the Collector. Moreover, any crop or other product raised on the land will be forfeited and any building or structure erected or anything deposited thereon will also, if not removed by him even after receipt of written notice from the Collector, be forfeited.

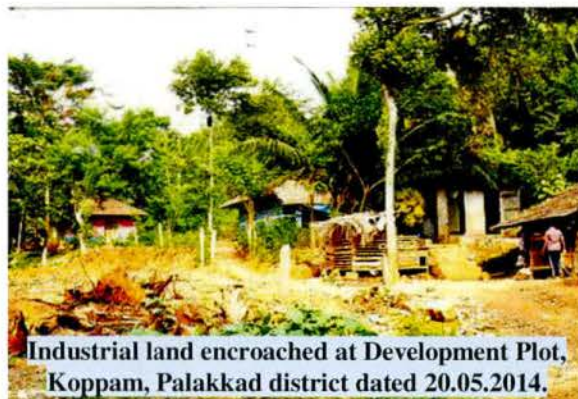
Audit examination revealed that:

- Revenue Department had acquired 9.53 acres of land (1965) in Koppam village of Palakkad district and handed over (July 1967) the same to Industries Department. Out of 9.53 acres, three acres were allotted to an entrepreneur in July 1965 itself. The land was declared as DP in 1987. The balance 6.53 acres of land was kept idle without allotting to prospective entrepreneurs and proper monitoring. Consequently, over the years it was encroached upon by 54 families. The encroachment was first reported (1992) to Revenue Department for eviction.

We observed that the GMs of DIC, Palakkad had failed to detect the encroachments in time and report the same to Revenue Department for eviction since 1967. We also observed that none of the encroachers have been evicted so far (March 2017).

Government accepted (March 2017) the audit observation and replied that it has been proposed to give alternate land to the encroachers under zero landless scheme<sup>23</sup> of Revenue Department.

<sup>23</sup> A scheme by Kerala Govt. to provide land to land less (citizen) in the State.



- A survey (1998) of the 1.50 Acres of land allotted to M/s Cochin Petro Mine (P) Ltd. in DA Edayar, Ernakulam district found that 10 cents of land had been encroached upon. The Government accepted the fact and stated (March 2017) that the *Tahsildar*, Paravur *Taluk* has been asked to resurvey the land. It was further stated that appropriate action would be taken against encroachers.
- An extent of 90.96 acres of excess land in the possession of M/s Instrumentation Ltd, Palakkad was resumed and transferred (July 1994) to Industries Department for setting up a DA/DP in Pudussery, Palakkad. The land has been kept idle till date without allotment, though applicants have been waiting for allotment. During joint verification (March 2017) it was found that around 30 cents of land was encroached by a few families but not yet evicted. In reply (March 2017) Government stated that the land was never under DIC, Palakkad. The reply is not acceptable as the land was transferred (July 1994) to Industries Department and the GM, DIC, Palakkad took over the land on 22 July 1997.

#### **3.2.6.2 Failure to obtain land in lieu of land handed over to KSEB**

The Revenue Department allotted (December 1988 and July 1992) free of cost an extent of 115.097 acres of industrial land at Kanjikode under DIC Palakkad to Kerala State Electricity Board (KSEB) on the condition that KSEB would acquire and hand over an equal extent of similar land nearby to Industries Department forthwith. The industrial land was required by KSEB for installing 220 KV Substation and for setting up of a wind farm in NIDA, Kanjikode.

But neither KSEB handed over the agreed land nor did the Industries Department take steps to obtain the same. The Government stated (March 2017) that the issue had been taken up with KSEB and they had assured to handover an equal extent of land in return.

### 3.2.6.3 Inordinate delay in completion of development works

The Department proposed setting up of multi-storied industrial parks (Gala) in Ernakulam, Palakkad and Thrissur districts to tide over land scarcity in the State. The implementation of the project at Ernakulam was entrusted (March 2010) to M/s Kerala Police Housing Construction Corporation Ltd. with a completion period of eighteen months and those at Palakkad and Thrissur to Kerala Small Industries Development Corporation Limited (SIDCO) in February 2013 and July 2013 respectively with a completion period of 24 months. In Ernakulam and Thrissur districts, civil works costing ₹ 16.93 crore were completed (August 2016) but the structures were not provided with electrical and water connections. In Palakkad, the Industries Department deposited ₹ 7.5 crore with SIDCO, but the work had not yet started. Instances of idling were also observed in the two DPs, one each at Kattipara in Kozhikode district and at Varavoor in Thrissur district, which were under development at a cost of rupees four crore. In respect of DP at Kattipara, the DIC could not provide (September 2016) hindrance free land. The development works at these two locations acquired in October 2003 and October 2010 respectively were still in progress. Thus, despite spending ₹ 28.43 crore<sup>24</sup> the department could not achieve the desired objective.

The Government replied (March 2017) that Gala at Ernakulam was fully operational and allotments were done. In Thrissur, the delay in execution was due to the managerial problems of the implementing agency, SIDCO which had been sorted out. In the case of Palakkad the work was resumed from SIDCO and reassigned to another implementing agency. The development works in Varavoor and Kattipara would be completed in six months and ten months respectively.

### 3.2.6.4 Non-resumption of idling industrial land

All Government orders regulating the allotment of industrial land insist that land should be used only for the purpose for which it is allotted, within the period stipulated. As per the lease rules, if the lessee is unable to commence industrial activity within the stipulated time, it can be extended for six-monthly periods, subject to a maximum of four times, after remitting 5, 10, 20, and 25 *per cent* of lease value respectively as penalty. The land allotted under assignment, hire purchase or lease was not to be alienated (in the form of gift, mortgage, transfer, etc.) without the written permission of Government/Director. On violation of any or all of the agreement conditions, the Department shall resume the allotted industrial land. The responsibility to resume the unutilised land vested with the GM.

(a) Test-check of records and joint verification of DAs/DPs by Audit with departmental officials found 11 instances of industrial land kept idling. The instances detected showed that in one case the land was idling since its allotment ten years back, while in another case it was idling for more than 30 years. In two

<sup>24</sup> ₹ 16.93crore + ₹ 7.5 crore + ₹ 4 crore = ₹ 28.43 crore

other cases, the industries which functioned on the allotted lands had shut down nearly 10 years back after defaulting on electricity and sales tax dues. Details of the cases detected are given in **Appendix – 3.2.3.**

(b) We also observed that there was delay in resumption of land even after the department noticed the violations. The resumption clause was to be invoked in case of violation of allotment conditions, but the GMs did not take any action. Delay in resumption ranged from two-and-a-half years to ten years (**Appendix - 3.2.4**). The Government stated (March 2017) that estate managers had since been appointed in all the DA/DPs so as to closely monitor utilisation of industrial land in future.

### **3.2.6.5 Mortgage of industrial land**

According to the delegation of powers<sup>25</sup>, the GMs are authorised to accord permission to mortgage the superstructure put up by the allottee in the allotted land to avail institutional finance. But the then Director decided (December 1995) to allow mortgaging of the land also and authorised the GMs to issue such permission under intimation to the Director. The Director observed (June 2016) that entrepreneurs got land at a low price, while on mortgaging they got 70 *per cent* of the market value. Revenue Department issued (June 2011) a circular stating that the ownership of any Government land was vested with them and any orders relating to Government land should be issued with the concurrence of the Revenue Department. The Principal Secretary to Government (Revenue) objected (April 2013) to the mortgaging of industrial land.

The Government stated (March 2017) that the procedure followed for issuing mortgage permission by GM was not wrong as the Director would ratify such cases and the ultimate responsibility continued to reside with the Director. The reply is not acceptable since the land allotment rules do not authorise mortgaging of industrial land without prior permission of the Government/Director.

We observed that as a result of the irregular decision of the Director, the GM permitted the allottees to mortgage industrial land in addition to the superstructure. On non-repayment of loan, the financial institutions which held the first charge on the land, auctioned it to recover their dues. We noticed that in the following cases, the land auctioned was not being used for industrial purpose due to mortgage and subsequent auction:

- Department allotted (December 1970) 8.29 acres of land to M/s Trio Packaging Company in DA Angamaly, under DIC, Ernakulam, for industrial purpose on hire purchase basis and issued the title on remitting the full value of land. The Department allowed (February 1975) the Managing Partner of the unit to mortgage the land to State Bank of India for a loan. Due to default on repayment of the loan, the Bank filed a case in the

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<sup>25</sup> Vide order No. G.O.M.S 15/79/P&ARD dated 02.07.1979.

court of law. On obtaining a favourable decree the land was sold (1988) in auction to Shri Kuruvila who neither utilised the land for industrial purpose nor approached the Department with any proposal for starting industry. It was seen from the file that the land was subsequently sold to several other parties in parts and the purchasers did not get the transactions regularised by the DIC. As the land was lying idle, it should have been resumed in terms of HP rules. However, DIC did not resume the idling industrial land.

The Government accepted (March 2017) that the land has been transferred several times to several users and that GM, DIC has been directed to initiate resumption proceedings in respect of transferees who have not started industrial activity.

- In another case, 8.66 acres of land allotted to M/s Kerala Acids and Chemicals Ltd. in DA Edayar, Ernakulam, was auctioned by the official liquidator as per the directions (August 2004) of the Honourable High Court. In the permission granted by the Court, it was specifically mentioned that the sealed tenders for sale were to be invited on the condition that the property notified for sale was an industrial area. In the sale deed signed (July 2005) by the official liquidator, however, a clause was inserted permitting the purchaser to use the land without any reservation.

As this was an assigned industrial land, it was bound by the Assignment Rules, 1964 which required that the land shall be used only for the purpose for which it was assigned. As the sale deed permitted use of the assigned industrial land for any purpose without reservation, it was diverted for non-industrial activities like container parking, godown, training centre etc. We came across several such instances (**Appendix – 3.2.5**).

In reply (March 2017) Government stated that the transferees of the plots were using 1.07 acres for manufacturing of ready-mix concrete, 2.23 acres for the manufacture of PVC pipes and the remaining 5.36 acres for service sector activities such as container parking, godown, training centre etc. A very narrow definition of industry cannot be taken especially when a major port such as Cochin Port is in the vicinity and offers opportunities in logistics. The reply is not acceptable as the activities of those entrepreneurs have not been regularised by DIC, Ernakulam.

In terms of the new lease rules, leasehold right alone is allowed to be mortgaged after entering into a tripartite agreement among the Department, the entrepreneur and the financial institution which is a good practice.

#### **3.2.6.6 Misuse of industrial land**

The Department decided (February 2014) to allot land not exceeding five *per cent* of total land area of DA/DPs to service sector industries such as logistics, godown, food court etc. being supporting infrastructure for industries operating in them.

We observed that the land thus allotted were misused in most of the cases and their activities did not support the industries operating in the DA/DP at all. It was also seen that some entrepreneurs protested against the unauthorised activities of these units. Moreover, according to the details provided by GM, DIC, Ernakulam, the land allotted to service industries in DA Edayar in Ernakulam district was more than the permissible five *per cent*. We observed that the GM allotted land to the service sector in excess of the prescribed limit on directions from the Director, which was irregular. The following examples illustrate misuse of industrial land:

- An extent of 12.21 acres of land located in Cheruvannur village, Kozhikode Taluk, was allotted (May 1964) to M/s West India Steel Company for steel re-rolling mill, foundry and workshop activity. The company was non-functional since the year 1997. During joint physical verification with departmental officials we observed that the land was being used by M/s Indus Motors ( authorised Maruti dealer) as vehicle showroom, which was a violation of the land allotment conditions. Thus, the land allotted for industrial activity was not being used for the intended purpose and the GM, DIC, Kozhikode failed to ensure its proper utilisation.

The Government stated (March 2017) that this allotment predated issue of the rules for DA/DP in 1969/1970. Therefore, it was not fair to apply the same yardsticks as in the other cases to this case. The reply is not acceptable as the unit violated agreement condition No 4 (b) stipulating that the land should be used only for the purpose of establishing a steel re-rolling mill, foundry and workshop.



- In another case, an extent of 1.01 acres of land in DP Kalamassery assigned (March 1987) to M/s Anand Wire and Allied Industries Pvt. Ltd., was transferred (March 2006) to M/s Kerala Cars Pvt. Ltd. to set up an automobile body building unit. The allottee did not utilise the land for the intended purpose till April 2009 after which, the land was being used as a Ford service station, which was not an industrial activity. This was a lapse of GM, DIC, Ernakulam.



The Government replied (March 2017) that the land was being utilised for manufacturing automobile body which was the sanctioned activity. The reply is not tenable since during joint physical verification (August 2016) with DIC staff, we observed that a Ford service station functioned on the land.

A few more cases of similar violation are shown in the **Table 3.6**.

**Table 3.6**

**Details of service sector industries not supporting the activities of the industries in the DAs/DPs**

Sl. No.	Name of DIC / DA	Name of Unit	Extent of land allotted in cents	Remarks
1	2	3	4	5
1	Ernakulam/ DA Edayar	M/s Kerala acids and chemicals Pvt. Ltd.	866.00	The land is used for container parking and training centre which is not regularised by the DIC and not required by other entrepreneurs.
2	Ernakulam/ DA Edayar	M/s Goldstar Rubber Products	60.50	Used as cement godown, though the entrepreneurs in the DA did not require it.
3	Ernakulam/ DA Edayar	M/s New Generation Minerals and Warehousing Pvt. Ltd.	310.00	The proposed activity is warehousing, but used as cement godown which is not required by the entrepreneurs in the DA.
4	Palakkad/ DA Kanjikode	M/s Dhaan Ispat Pvt. Ltd.	1,432.00	Few containers are dumped on the land against the approved activity of cold storage & logistics park.
			<b>2,668.50</b>	

(Source: Data furnished by the Directorate of Industries and Commerce)

The GMs concerned were responsible for permitting the unauthorised activities as timely action was not taken to resume such land.

The Government replied (March 2017) that as the DA was in the vicinity of Cochin Port, the allotment in excess of permissible five *per cent* and utilisation of land for container parking, godown etc. was not a misuse of industrial land. The reply is not tenable as the Government had ordered (February 2014) that not more than five *per cent* of land area in DA/DPs be allotted for service sector industries. In the case of DIC, Ernakulam, the industrial land allotted for service sector activities are more than the permissible five *per cent*.

### **3.2.7 Departmental lethargy in vacating stay on resumption granted by Government**

In DP Koppam, out of three acres of industrial land held by one Smt. Valsala Paulson, 2.5 acres were resumed (July 2010) by GM, DIC, Palakkad as the land was not being utilised for industrial purpose. But on the basis of a representation submitted by one Shri. K.P. Abdul Naser to the Minister of Industries, the Additional Chief Secretary stayed (October 2011) the resumption until disposal of the petition. The stay has not been vacated till now even after the lapse of five years. The Government stated (March 2017) that the case had been taken up for immediate disposal.

### **3.2.8 Lack of monitoring**

As per Rule 22 of Assignment Rules, 1964, the *Tahsildar* and the District Industries Officer (GM) shall conduct periodical check to ensure that the conditions of assignment are not violated and shall immediately bring to notice of the Collector and Director of Industries & Commerce in case of contravention of the provisions of the rules or orders.

We noticed that periodical checks to detect violations of allotment conditions were not conducted by the GMs as envisaged. Though there were serious issues such as idling of land, misuse, transfer etc. departmental inaction varied from months to years. Some of the cases of idling or transfers were detected by the department only after several years of their occurrence. A few examples in this category are given below:

- During the joint inspection conducted (August 2016) by Audit with the departmental officials in DP, Andoor, under DIC, Kannur, the official who accompanied the team was unable to identify many of the units. This indicated inadequacy in monitoring.
- In DPs at Ayyankunnu, Athani and Velakkode under DIC, Thrissur, the official who accompanied the audit team discovered illegal transfers and unauthorised activities in the DPs during the joint physical verification only.

- The Women Apparel Park in DP Kalamassery, functioned without an agreement. Though the lease period expired in the year 2011, the unit continues to function and the rent was yet to be fixed.

The Government stated (March 2017) that the department had conducted a detailed survey to identify cases of unauthorised activity, illegal transfers, etc. in November 2016.

### **3.2.9 Conclusion**

Non-fixation of fair value of industrial land resulted in non-collection of revenue due to Government. Even though the new lease rules came into force from 10 June 2013, allotments were made violating them. The Department did not take any action to evict the encroachments on industrial land. It also failed to get 115 acres of land from KSEB in lieu of an equal extent of industrial land given to KSEB. The Department did not take timely action to resume unutilised/underutilised industrial lands. Erroneous decision to permit entrepreneurs to mortgage industrial land in contravention of the orders issued by Revenue Department resulted in loss of land. The General Managers concerned were unaware of the violation of allotment conditions by industrial units in the DA/DPs, due to ineffective monitoring of the units and failed to take timely remedial action.



**Chapter IV**  
**Compliance Audit – Other Topics**



## CHAPTER-IV

### COMPLIANCE AUDIT - OTHER TOPICS

#### AGRICULTURE DEVELOPMENT & FARMERS' WELFARE DEPARTMENT

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

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

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

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

<sup>1</sup> State Agricultural Management and Extension Training Institute.

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

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

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

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

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

## **4.2 Idle expenditure incurred on Pokkali Paddy Harvester**

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

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

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<sup>2</sup> Out of 76 kiosks, 60 were installed at ADAs and 16 at Krishi Bhavans.

<sup>3</sup> ₹ 1.17 lakh x 76 (kiosks).

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

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

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

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

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

<sup>4</sup> Saline, water-logged farmlands where rice and prawns are grown alternately.

<sup>5</sup> M/s Kelachandra Precision Engineers, Kottayam.

## **FISHERIES AND PORTS DEPARTMENT**

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

#### **4.3.1 Construction of Directorate building and allied works at Valiyathura**

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

Audit scrutiny revealed the following:

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

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

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

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<sup>6</sup> Clauses 6.1.1 and 6.1.3 (a).

<sup>7</sup> Clause 6.1.3 (h).

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

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



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

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

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

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

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

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

#### **4.3.2 Renovation of Signal Station at Kodungallur Port**

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

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

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

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<sup>8</sup> Clause 10.1.7.1.

<sup>9</sup> Kerala Industrial and Technical Consultancy Organisation Ltd.

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

#### **4.3.3 Procurement of furnishings/equipment violating financial principles**

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

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

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

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

##### **4.3.4.1 Diversion of fund**

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

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

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

During the exit meeting the Department accepted the audit observations.

<sup>10</sup> Agency for Non-conventional Energy and Rural Technology.

#### 4.3.4.2 Non-achievement of projected benefits of solar power systems

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

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

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

**Table 4.1**

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

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

(Source: Data furnished by Directorate)

<sup>11</sup> Kerala State Electricity Board.

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

<sup>13</sup> ₹ 35 lakh + ₹ 12.12 lakh.

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

<sup>15</sup> 20KW solar power system installed in April 2014.

<sup>16</sup> 20KW solar power system stopped functioning in November 2014.

During the exit meeting the Department accepted the audit observations.

#### 4.3.4.3 Installation of solar power panels in Port Offices

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

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

During the exit meeting the Department accepted the audit observation.

#### 4.3.5 Non-recovery of liquidated damages

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

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

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

<sup>17</sup> Installed only in 11 port offices.

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

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

## **PUBLIC WORKS DEPARTMENT**

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

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

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

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

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

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<sup>20</sup> PWD Roads Divisions, Thiruvananthapuram and Alappuzha.

<sup>21</sup> Chief Engineer (Roads & Bridges) - four works and Superintending Engineer (Roads & Bridges), South Circle, Thiruvananthapuram - five works.

<sup>22</sup> This is to equalise the cost of materials to the prevailing rates, as DSR would be of earlier period.

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

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

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

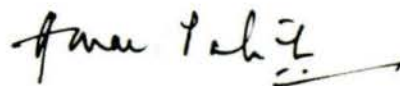
According to the guidelines (September 2007) issued by GoK for execution of works through agencies other than PWD, the estimate for the construction should be based on latest PWD Schedule of Rates and Technical Sanction for civil works can be issued by the executing agency, provided the cost of work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

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

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

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

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



Thiruvananthapuram,  
The **25 MAY 2017**

(AMAR PATNAIK)  
Principal Accountant General  
(Economic and Revenue Sector Audit)  
Kerala

Countersigned



New Delhi,  
The **14 JUN 2017**

(SHASHI KANT SHARMA)  
Comptroller and Auditor General of India

## Appendices



### Appendix – 1.1

#### Year-wise break up of outstanding Inspection Reports (IRs) as on 30 June 2016

(Reference : Paragraph 1.7.1 - Page : 8)

Year	Up to 2011-12	2012-13	2013-14	2014-15	2015-16	Total
<b>PUBLIC WORKS (ROADS AND BRIDGES) DEPARTMENT</b>						
Number of IRs	44	13	15	20	10	<b>102</b>
Number of paragraphs	205	99	98	233	130	<b>765</b>
Number of IRs for which initial reply has not been received (number of paragraphs)	NIL	NIL	NIL	2 (17)	7 (91)	<b>9 (108)</b>
<b>WATER RESOURCES (IRRIGATION) DEPARTMENT</b>						
Number of IRs	41	24	28	67	38	<b>198</b>
Number of paragraphs	122	48	70	260	195	<b>695</b>
Number of IRs for which initial reply has not been received (number of paragraphs)	NIL	NIL	NIL	4 (16)	10 (41)	<b>14 (57)</b>
<b>AGRICULTURE DEVELOPMENT AND FARMERS' WELFARE DEPARTMENT</b>						
Number of IRs	19	NIL	13	101	75	<b>208</b>
Number of paragraphs	36	NIL	26	279	218	<b>559</b>
Number of IRs for which initial reply has not been received (number of paragraphs)	NIL	NIL	NIL	3 (16)	NIL	<b>3 (16)</b>
<b>FOREST AND WILDLIFE DEPARTMENT</b>						
Number of IRs	19	3	20	50	26	<b>118</b>
Number of paragraphs	40	4	57	238	112	<b>451</b>
Number of IRs for which initial reply has not been received (number of paragraphs)	1 (1)	NIL	4 (7)	16 (100)	1 (1)	<b>22 (109)</b>

**Appendix – 2.1**

**Instances of NOC granted for quarrying in Government land without auction**

(Reference: Paragraph 2.7 - Page : 17)

Sl No	Name of NOC Holder	NOC issuing authority	Month and year of issue of NOC	Extent of land	Period (in years)
1	Shri. K.N. Madhusoodanan Managing Director, M/s Mavanal Granites Pvt. Ltd., Kalanjoor	District Collector, Pathanamthitta	August 2013	4.0469 ha	10
2	Shri. K.N.Madhusoodanan, Managing Partner, M/s Vajra Rock Mining Industries, Kalanjoor	District Collector, Pathanamthitta	February 2014	4.6785 ha	12
3	Seven NOCs- Three to Shri Reji Kuriakose, Two to Smt. Jeeva Reji and One each to Smt. Kumari Joy and Smt. Rema Rajiv	Tahasildar, Kothamangalam	2011-13	6.7291 Acre	12
4	Shri. Sathyan, Kalathingal vedu, Kumbaleri P O	District Collector, Wayanad	July 2015	0.0808 ha	1
5	Shri George K. Vallamattom, Managing Director, Vallamattom Stone Aggregates, Arakuzha village	Additional Tahasildar, Muvattupuzha	February 2015	1.25 Acre	6

## Appendix – 2.2

## Details of violations of KMMC Rules identified during joint site verification of quarries

(Reference : Paragraph 2.14 - Page : 26 )

Sl. No.	Quarry owned by	Violations of rules identified
1.	Shri. Thomas Mathai, Konnithazham Village, Pathanamthitta District	No display board containing details of quarrying permit and approach road not tarred.
2.	Shri.Baby Kutty Jacob, Konnithazham Village, Pathanamthitta District	No display board containing details of quarrying permit, no fencing around the quarry, demarcation was not properly done, access road not tarred, and no safety measures to labourers.
3.	Smt. Susamma John, M/s.Johnson Rocks Payyanamon, Konni, Pathanamthitta District.	No proper display board and no bench cutting in the quarrying area.
4.	Shri. Jobin Varghese, M/s. Pyramid Granites (P), Pathanamthitta District	No demarcation of area, no fencing and no display board. The entire quarrying area was part of a hill.
5.	Shri. Sudheer Sukumaran,MD., M/s.Aswathy Granites, Koodal Village, Pathanamthitta	No bench cutting and no proper fencing and demarcations.
6.	Abandoned quarry, Murinjakal, Pathanamthitta	No proper fencing and demarcation.
7.	Shri. PaulVarghese,M/s. Cement Bricks & Allied Industries, Choorakode, Vellangu (PO), Ernakulam District.	No bench cutting and no safety measures to the labourers. Number of trees cut and removed from the quarrying site was not available
8.	Shri. P.V.Santhosh, Ernakulam District.	Number of trees cut and removed from the quarrying site was not available. Explosive licence specifying quarrying areas at survey Nos.410/10 and 301/2-2 was not available. But licence to keep magazine at survey No.409/9 was produced.
9.	M/s.Cochin Granites, Pulickal Associates, North Mazhuvannoor, Ernakulam District.	Explosive licence for keeping explosive magazine at survey No.282/3-2 was available. However explosive licence specifying quarrying areas with survey Nos. was not available. In the consent of KSPCB (No/PCB/DO-EKM/IQR-204/08 dt.06.02.2016)survey No.284/1-3 was not specified.  Bench cutting was not done, approach road to quarry was in damaged condition and display board was not available.
10.	Shri. V. R. Parameswaran, VRP Rock Sand, Mupliyam, Varandarappilly Village, Thrissur District	Display board not filled with statutory details and validity period of D&O licence (No.A1/237/15 dt.03.06.2015) had already been expired.  No valid explosive licence, no proper fencing and there was no licensed person to supervise the blasting operations.

Sl. No.	Quarry owned by	Violations of rules identified
11.	Shri. T.T. Michael, Mupliyam, Varandarappilly Village, Thrissur District	Details of quarrying permit not shown in the display board, validity period of the permit had already expired; details of D&O licence and consent of KSPCB were not shown in the display board. Though validity of the permit expired the blasted markings on the rocks were very clear and prominent which indicated that the quarry was illegally operated. No benching in the quarried area and there was no demarcation to identify the area of permit.
12.	Shri. Haridasan A.V, Mupliyam, Varandarappilly Village, Thrissur District	Abandoned quarry. The display board was partially damaged, bench cutting was not done in the quarry and quarry area was not demarcated and properly fenced in.
13.	M/s. Victory Granites and Metal quarry, Mupliyam, Thrissur District	Abandoned quarry, located very close to forest area, approach road to quarry was in between forest area and 'junda' <sup>1</sup> and the road was not tarred. Fencing was not provided around the quarry especially the water logged portion and the quarry was part of a hillock.
14.	Shri. Augustine Jose (Kalapurakkal Jose) Varandarappilly Village, Chalakudy Taluk, Thrissur Dist.	There was no statutory display board, no demarcation to identify the area of extraction and no bench cutting in the quarrying portion.
15.	M/s. Poabs Rock Products Pvt. Ltd., Nellikaparambil, Kozhikode	Lease areas (3 Nos. of leases) were not segregated though two leases were not registered under RMCU.
16.	Shri. AbdulRahman, Director, Marva Granites, Kodyathur Village, Kozhikode	Approach road to quarrying area was not tarred. The dealer's licence of the attached crusher unit had expired and the transit passes of the expired licence was used to move granite aggregates.
17.	Shri. C.P. Muhammed, Kodyathur Village, Kozhikode	No separate demarcation.
18.	Quarries in revenue land granted to 17 persons, Wayand District	The quarries were not fenced.
19.	M/s.CBM Enterprises, Kolagappara, Wayanad District.	Fencing was not provided around quarrying area and no demarcation. Approach road to quarry was not tarred.
20.	Shri. M.P. Kuriakose, Krishnagiri Village, Wayanad District.	Demarcation and fencing were not done; approach road to quarry was not tarred.
21.	Quarry of Shri. Renjith K. in Wayanad district.	Fencing was not provided. No separate water tank to keep the contaminated water. No mechanism to control dust, no bench cutting and no display board.

<sup>1</sup> 'junda' is a permanent conical structure of stones constructed to demarcate forest boundary.

### Appendix – 2.3

#### Instances showing necessity of accurate measurement for assessing the quantity quarried

(Reference : Paragraph 2.15 - Page : 27)

Sl No	Details of quarry	Particulars showing the necessity for accurate measurement
1	Quarry owned by Shri. N. D. Joseph, Muvattupuzha taluk in Ernakulam district	The Geologist in Ernakulam district assessed the seigniorage payable for quarrying a quantity of 4,87,500 MT of GBS, based on which the <i>Tahasildar</i> , Muvattupuzha taluk in Ernakulam district directed (June 2014) the NOC holder to pay seigniorage for the quantity. However, on a request (August 2014) of the lease holder the quantity was re-assessed and the quantity on which seigniorage was payable was reduced (September 2014) to 2,02,608 MT only, citing the reasons that there were differences in the fixing of boundary of NOC land and the data regarding the period of quarrying of adjacent land was not available.
2	M/s United Metals, Palakuzha in Ernakulam district	The quarrying lease holder, quarried beyond their permitted area from the government land surrounded by their lease land which was detected (August 2015) by Revenue department. Consequent to the submission of mine plan, the Geologist, Ernakulam visited the quarry and found (August 2016) that the area was encroached up on and mined illegally beyond the permitted area, and ordered (September 2016) to remit an amount of ₹ 34.80 lakh towards royalty for 31,737 MT and fine for the violation. As per the report (November 2016) of <i>Tahasildar</i> , Muvattupuzha the assessed quantity would be more than what was arrived at so far and in order to arrive at the actual quantity, service of surveyors equipped with total station was sought for from the District Collector.
3	M/s Luxury Sand Kerala Private Limited, Elanji village, Ernakulam district	DMG found (June 2016) that the lease holder illegally quarried from the non lease government land surrounded by their quarrying lease land. As the Geologist could not ascertain the actual quantity extracted, the service of taluk surveyor of Muvattupuzha taluk was obtained for the purpose. As the surveyor's calculation was felt to be wrong, the Geologist, Ernakulam requested (November 2016) the District collector for revision of measurements with the observations that the surveyor excluded some portions.

**Annexure – 2.4**

**Instances of public complaints on quarrying affecting availability of water**

(Reference : Paragraph 2.16 - Page : 27)

SI No	Details about complainants	Nature of complaints
1	Inhabitants near to a laterite quarry located in Payanithradam Hill, Thalappilly taluk, Thrissur	Quarrying affected their drinking water sources adversely
2	Shri. K. R. Remanan, an inhabitant of Kannimangalam, Naduvattam PO, Ernakulam district	Working of a GBS quarry and crusher unit close to his residence reduced the water level in his well
3	Public complained Vengoor Panchayath authorities in Ernakulam District	Scarcity of water due to operation of quarry located at Munippara, Kombanad area
4	Priyadarsini Cultural Forum, Wayanad District Committee	Operating more than one GBS quarry located at Manimalakunnu in Thrikkaippatta village, caused reduction of spring water
5	Public in Kozhukkalloor village in Kozhikode district	Quarrying of laterite from nearby hill caused depletion of water level in their wells and they had to depend on far away sources for drinking water.

### Appendix – 2.5

#### Instances of public complaints on quarrying causing vibrations/damages to residential buildings

(Reference : Paragraph 2.17 - Page : 28)

Sl No	Details of complainants	Nature of complaints and further action
1	Inhabitants of Ayyampuzha village in Ernakulam district.	Public complaints against a quarry which caused damages to their houses due to blasting.
2	Complaints of inhabitants residing close to a quarry owned by M/s K. J. Vasudevan Nair, Thrissur district	Complaints were made regarding cracks to walls, roof tiles sliding down and vibration to house buildings due to the blasting in the quarry KSPCB was of the view that consent was given based on the distance criteria of 100 m from residential buildings and that cracks on buildings and vibrations did not come under their purview.
3	Public complaints against quarries which used heavy explosives (Arakkuzha, Ernakulam District)	Vibrations of the blast in the quarry were felt and flying pieces of rock caused damages to buildings and property and fear to the residents. As reported by the Revenue Divisional Officer, Muvattupuzha in Ernakulam district, residential buildings, store shed and cattle sheds located even 400 m away from two quarries (M/s St. Mary's quarries and a quarry owned by Shri. Babu Varkey at Arakkuzha) were found damaged.
4	Public complained against the functioning of a quarry located at Kabanigiri in Padichira village, in Wayanad district	Complaints were that blasting in the quarry caused vibrations and damages to the roof of residential buildings.
5	Public in Kodassery Village in Thrissur district complained about the functioning of a quarry	The quarry was causing nuisances such as dust, sound and vibration and damage to houses. The Additional <i>Tahasildar</i> , Mukundapuram reported that cracks were detected on the walls of residential buildings situated more than 200 m away from the quarry owned by M/s Edathan Granite, Kodassery.
6	Shri. Viswanathan K., Choorakkodumala, Adoor Taluk	Quarry activity caused damage to a residential building. The District Geologist, Pathanamthitta stopped the operation of a GBS quarry owned by Shri. G. Rajeevan of Erathu village based on complaints from various corners.

**Appendix – 2.6**

**Examples of repeat offenders**

**(Reference : Paragraph 2.18.2 - Page : 31)**

<b>Sl No</b>	<b>Name of repeat offender</b>	<b>Data collected from</b>	<b>Nature of offence</b>	<b>Number of times offence committed</b>
1	Shri. T.T. Michael	District office of Mining and Geology, Thrissur	Illegal quarrying	2
2	Shri. Sojan. C.J	District office of Mining and Geology, Thrissur	Illegal transportation	3
3	Shri. Sunil	District office of Mining and Geology, Thrissur	Illegal transportation	2
4	Shri. M.P. Kuriakose	District office of Mining and Geology, Wayanad	Illegal quarrying	2
5	Shri. Binoj. K. Baby	District office of Mining and Geology, Wayanad	Illegal quarrying	2

**Appendix – 3.1.1****Details of 42 Houseboats subjected to joint verification****(Reference : Paragraph 3.1.2 - Page : 39)**

Sl. No	Name of Boat	Identification number <sup>2</sup>	Sl. No	Name of Boat	Identification number	Sl. No	Name of Boat	Identification number
1	Syndicate	Nil <sup>3</sup>	15	Anthem of Lake	Nil	29	Princess	Nil
2	Bhasura	1059	16	No name	1149/13	30	Nandhanam	0471/13
3	Holiday Home	Nil	17	Kerala Tours Backwaters, holiday	0033/10	31	Lakes and Lagoons No.9	532
4	ABC	0088/10	18	Kerala Tours Backwaters -2	Nil	32	Vinayaka Tours	Nil
5	Venice Tour	Nil	19	Kerala Backwaters No.2	Nil	33	Gloria	Nil
6	Maddonna	Nil	20	Kerala Backwaters No.4	Nil	34	Thejas	Nil
7	Venice	Nil	21	Kerala Backwaters No.6	Nil	35	Sreepadmam	Nil
8	Gouri	0090/10	22	Kerala Backwaters No.7	0892/11	36	Bamboo green	1306
9	Kerala Backwaters	Nil	23	Kerala Backwaters No.8	Nil	37	Ursala	1080/13
10	No name	0919/11	24	Kerala Backwaters No.9	Nil	38	Mayooram	Nil
11	Blue Jelly	Nil	25	Kerala Backwaters No.10	Nil	39	Sabhwereeshan	Nil
12	Ever Green Tours	99	26	No name	CIB 872	40	Golden Mist	366
13	No name	KIV 299	27	Maidhili	223/11	41	Summer breeze	543
14	Spice Coast-5	0174/10	28	No name	KIV 1105	42	Freedia waters	Nil

*(Source: Joint Verification Report)*<sup>2</sup> KIV No. issued by Port authorities.<sup>3</sup> 'Nil' mentioned in the table refers to unregistered HBs.

**Appendix – 3.1.2**

**Position of survey, registration and distinguishing mark noticed during joint verification of 42 Houseboats**

(Reference : Paragraph 3.1.3.1(i) / 3.1.3.2.(i) – Page : 40/43 )

Unregistered HBs	Dry dock inspection not conducted so far	Not applied for dry dock inspection periodically (36 months)	Annual survey not conducted so far	Not applied for renewal of annual survey certificate	HBs without distinguishing mark
Syndicate	Syndicate		Syndicate		Syndicate
	Bhasura			Bhasura	Bhasura
Holiday Home	Holiday Home				
					ABC
Venice Tour	Venice Tour		Venice Tour		Venice Tour
Maddonna	Maddonna		Maddonna		Maddonna
Venice	Venice		Venice		Venice
	Gouri				Gouri
Kerala Backwaters	Kerala Backwaters		Kerala Backwaters		Kerala Backwaters
		No name/KIV 919	No name/KIV 919		No name/KIV 919
Blue Jelly	Blue Jelly		Blue Jelly		Blue Jelly
					Ever Green Tours
		No name/KIV 299		No name/KIV 299	No name/KIV 299
	Spice Coast-5		Spice Coast-5		Spice Coast-5
Anthem of Lake	Anthem of Lake		Anthem of Lake		Anthem of Lake
				No name/KIV 1149/13	No name/KIV 1149/13
					Kerala Tours Backwaters, holiday
Kerala Tours Backwaters -2	Kerala Tours Backwaters -2		Kerala Tours Backwaters -2		Kerala Tours Backwaters -2
Kerala Backwaters No.2	Kerala Backwaters No.2		Kerala Backwaters No.2		Kerala Backwaters No.2
Kerala Backwaters No.4	Kerala Backwaters No.4		Kerala Backwaters No.4		Kerala Backwaters No.4
Kerala Backwaters No.6	Kerala Backwaters No.6		Kerala Backwaters No.6		Kerala Backwaters No.6
		Kerala Backwaters No.7		Kerala Backwaters No.7	Kerala Backwaters No.7

Unregistered HBs	Dry dock inspection not conducted so far	Not applied for dry dock inspection periodically (36 months)	Annual survey not conducted so far	Not applied for renewal of annual survey certificate	HBs without distinguishing mark
Kerala Backwaters No.8	Kerala Backwaters No.8		Kerala Backwaters No.8		Kerala Backwaters No.8
Kerala Backwaters No.9	Kerala Backwaters No.9		Kerala Backwaters No.9		Kerala Backwaters No.9
Kerala Backwaters No.10	Kerala Backwaters No.10		Kerala Backwaters No.10		Kerala Backwaters No.10
CIB 872	CIB 872		CIB 872		CIB 872
	Maidhili			Maidhili	Maidhili
					No name/KIV 1105
Princess	Princess		Princess		Princess
		Nandhanam			Nandhanam
		Lakes and Lagoons No.9			Lakes and Lagoons No.9
Vinayaka Tours	Vinayaka Tours		Vinayaka Tours		Vinayaka Tours
	Gloria		Gloria		Gloria
Thejas	Thejas		Thejas		Thejas
Sreepadmam	Sreepadmam		Sreepadmam		Sreepadmam
	Bamboo green				Bamboo green
	Ursala				Ursala
Mayooram	Mayooram		Mayooram		Mayooram
Sabhwereeshan	Sabhwereeshan		Sabhwereeshan		Sabhwereeshan
	Golden Mist		Golden Mist		Golden Mist
			Summer breeze		Summer breeze
Freedia waters	Freedia waters		Freedia waters		Freedia waters
<b>23 numbers</b>	<b>31 numbers</b>	<b>5 numbers</b>	<b>27 numbers</b>	<b>5 numbers</b>	<b>41 numbers</b>

**Appendix – 3.1.3**

**Details of survey fees forgone by the department**

(Reference : Paragraph 3.1.3.2(i) – Page : 44)

Year	Total number of HBs registered each year	HBs not applied for renewal of annual survey as on 31.03. 2016	Annual survey not conducted so far	Total	Survey fees including fine due to be collected as on 31.03.2016 (in ₹)
2010-11	400	164	42	206	27,90,250
2011-12	81	31	17	48	5,83,250
2012-13	25	13	5	18	1,78,750
2013-14	123	55	8	63	5,69,500
2014-15	40	14	7	21	1,47,000
2015-16	65	27	6	33	1,76,750
<b>Total</b>	<b>734</b>	<b>304</b>	<b>85</b>	<b>389</b>	<b>44,45,500</b>

**Appendix – 3.1.4**

**Details of Houseboats pending dry dock inspection**

(Reference : Paragraph 3.1.3.2(ii) - Page : 44)

Year of registration	No. of HBs registered	No. of HBs not applied for renewal of dry dock inspection	No. of HBs not applied for dry docking so far	Total
2010-11	400	161	78	239
2011-12	81	48	12	60
2012-13	25	16	13	29
2013-14	123	0	58	58
2014-15	40	0	34	34
2015-16	65	0	56	56
<b>Total</b>	<b>734</b>	<b>225</b>	<b>251</b>	<b>476</b>

**Appendix – 3.1.5**

**Details of dry dock fees forgone by the department**

(Reference : Paragraph 3.1.3.2(ii) - Page: 44)

Year of registration	No. of HBs registered	No. of HBs not applied for renewal of dry dock inspection	Fees pending due to non-renewal (₹)	No. of HBs not applied for dry docking so far	Amount of fees pending (₹)	Total amount due to Government (₹)
2010-11	400	161	6,00,000	78	2,85,000	8,85,000
2011-12	81	48	1,80,000	12	45,000	2,25,000
2012-13	25	16	60,000	13	48,750	1,08,750
2013-14	123	0	0	58	2,10,000	2,10,000
2014-15	40	0	0	34	1,27,500	1,27,500
2015-16	65	0	0	56	2,10,000	2,10,000
<b>Total</b>	<b>734</b>	<b>225</b>	<b>8,40,000</b>	<b>251</b>	<b>9,26,250</b>	<b>17,66,250</b>

**Appendix – 3.1.6**

**Details of Houseboats not having with sufficient and competent crew out of the 42 jointly verified Houseboats**

**(Reference : Paragraph 3.1.3.3 - Page : 45)**

Serang not holding valid licence	Driver not holding valid licence	Lascar not holding valid license	HBs operated by cook/ helper	Validity of Competency Certificate expired	Sufficient numbers of crew not available
Syndicate	Syndicate	Syndicate			
	Bhasura	Bhasura			
	Holiday Home	Holiday Home			
	ABC	ABC			
Venice Tour	Venice Tour	Venice Tour			
Maddonna	Maddonna	Maddonna			
Venice	Venice	Venice			
	Gouri	Gouri			
Kerala Backwaters	Kerala Backwaters	Kerala Backwaters			
No name/KIV 919	No name/KIV 919	No name/KIV 919			
Blue Jelly	Blue Jelly	Blue Jelly			
	Ever Green Tours	Ever Green Tours			
No name/KIV 299					
Spice Coast-5	Spice Coast-5	Spice Coast-5			
Anthem of Lake	Anthem of Lake	Anthem of Lake			
No name/KIV 1149/13	No name/KIV 1149/13	No name/KIV 1149/13			
	Kerala Tours Backwaters, Holiday	Kerala Tours Backwaters, Holiday			
Kerala Tours Backwaters -2	Kerala Tours Backwaters -2	Kerala Tours Backwaters -2			
Kerala Backwaters No.2	Kerala Backwaters No.2	Kerala Backwaters No.2		Kerala Backwaters No.2	
Kerala Backwaters No.4	Kerala Backwaters No.4	Kerala Backwaters No.4		Kerala Backwaters No.4	
Kerala Backwaters No.6	Kerala Backwaters No.6	Kerala Backwaters No.6		Kerala Backwaters No.6	

Serang not holding valid licence	Driver not holding valid licence	Lascar not holding valid license	HBs operated by cook/ helper	Validity of Competency Certificate expired	Sufficient numbers of crew not available
Kerala Backwaters No.8	Kerala Backwaters No.8	Kerala Backwaters No.8		Kerala Backwaters No.8	
Kerala Backwaters No.9	Kerala Backwaters No.9	Kerala Backwaters No.9		Kerala Backwaters No.9	
Kerala Backwaters No.10	Kerala Backwaters No.10	Kerala Backwaters No.10		Kerala Backwaters No.10	
CIB 872	CIB 872	CIB 872			
Maidhili	Maidhili	Maidhili			
	No name/KIV 1105	No name/KIV 1105			
Princess					Princess
					Nandhanam
					Lakes and Lagoons No.9
Vinayaka Tours	Vinayaka Tours		Vinayaka Tours		Vinayaka Tours
Gloria	Gloria				Gloria
			Thejas		Thejas
Sreepadmam	Sreepadmam				Sreepadmam
Bamboo green					Bamboo green
Ursala	Ursala	Ursala			
			Mayooram		Mayooram
Sabhwereeshan					Sabhwereeshan
Golden Mist					Golden Mist
			Summer breeze		Summer breeze
Freedia waters	Freedia waters				Freedia waters
<b>29 numbers</b>	<b>31 numbers</b>	<b>27 numbers</b>	<b>4 numbers</b>	<b>6 numbers</b>	<b>13 numbers</b>

**Appendix – 3.1.7****Details of Houseboats not having sufficient life saving appliances out of the 42 jointly verified Houseboats**

(Reference : Paragraph 3.1.3.4(i) – Page : 46)

HBs without adequate lifebuoys	HBs without any lifebuoys	HBs without any life jackets	HBs without adequate life jackets
			Syndicate
Bhasura			Bhasura
Holiday Home			Holiday Home
ABC			ABC
Venice Tour		Venice Tour	
Maddonna		Maddonna	
Venice			Venice
Gouri			Gouri
Kerala Backwaters			Kerala Backwaters
No name/KIV 299			No name/KIV 299
	No name/KIV 1149/13	No name/KIV 1149/13	
Kerala Tours Backwaters, Holiday			Kerala Tours Backwaters, Holiday
Kerala Tours Backwaters -2			Kerala Tours Backwaters -2
	Kerala Backwaters No.2		Kerala Backwaters No.2
Kerala Backwaters No.4			
Kerala Backwaters No.6			Kerala Backwaters No.6
	Kerala Backwaters No.7	Kerala Backwaters No.7	
Kerala Backwaters No.8			Kerala Backwaters No.8
Kerala Backwaters No.9			Kerala Backwaters No.9
Kerala Backwaters No.10			Kerala Backwaters No.10
	CIB 872	CIB 872	
		Maidhili	
No name/KIV 1105			No name/KIV 1105
Princess			Princess
	Nandhanam	Nandhanam	
			Lakes and Lagoons No.9
Vinayaka Tours			Vinayaka Tours
	Gloria	Gloria	
	Thejas	Thejas	

HBs without adequate lifebuoys	HBs without any lifebuoys	HBs without any life jackets	HBs without adequate life jackets
	Sreepadmam	Sreepadmam	
Bamboo green			Bamboo green
			Ursala
	Mayooram	Mayooram	
Sabhwereeshan			Sabhwereeshan
Golden Mist			Golden Mist
Summer breeze			
	Freedia waters		
<b>23 numbers</b>	<b>10 numbers</b>	<b>11 numbers</b>	<b>23 numbers</b>

**Appendix – 3.1.8****Details of Houseboats not provided with sufficient firefighting equipment and valid ICO out of the 42 jointly verified Houseboats****(Reference : Paragraph 3.1.3.4.(i)/3.1.3.9(i) – Page : 46/52)**

<b>HBs not provided with fire extinguishers</b>	<b>HBs not fitted with fire and smoke alarm</b>	<b>HBs not fitted with fire pump</b>	<b>ICO not obtained so far</b>	<b>ICO not renewed</b>
Syndicate	Syndicate	Syndicate	Syndicate	
	Bhasura	Bhasura	Bhasura	
	Holiday Home			
	ABC	ABC		
Venice Tour		Venice Tour	Venice Tour	
Maddonna	Maddonna	Maddonna		
Venice	Venice	Venice		
	Kerala Backwaters		Kerala Backwaters	
	No name/KIV 919			No name/KIV 919
	Blue Jelly		Blue Jelly	
	Ever Green Tours	Ever Green Tours		
	No name/KIV 299	No name/KIV 299		
No name/KIV 1149/13	No name/KIV 1149/13	No name/KIV 1149/13		No name/KIV 1149/13
	Kerala Tours Backwaters, holiday	Kerala Tours Backwaters, holiday		
	Kerala Tours Backwaters -2	Kerala Tours Backwaters -2	Kerala Tours Backwaters -2	
	Kerala Back waters No.2	Kerala Back waters No.2	Kerala Back waters No.2	
Kerala Backwaters No.4	Kerala Backwaters No.4	Kerala Backwaters No.4	Kerala Backwaters No.4	
	Kerala Backwaters No.6	Kerala Backwaters No.6	Kerala Backwaters No.6	
	Kerala Backwaters No.7		Kerala Backwaters No.7	
Kerala Backwaters No.8	Kerala Backwaters No.8	Kerala Backwaters No.8	Kerala Backwaters No.8	
Kerala Backwaters No.9	Kerala Backwaters No.9	Kerala Backwaters No.9	Kerala Backwaters No.9	
Kerala Backwaters No.10	Kerala Backwaters No.10	Kerala Backwaters No.10		
CIB 872	CIB 872	CIB 872	CIB 872	CIB 872
	Maidhili	Maidhili		

HBs not provided with fire extinguishers	HBs not fitted with fire and smoke alarm	HBs not fitted with fire pump	ICO not obtained so far	ICO not renewed
	No name/KIV 1105			
Princess	Princess	Princess		
Nandhanam	Nandhanam	Nandhanam		
Lakes and Lagoons No.9	Lakes and Lagoons No.9	Lakes and Lagoons No.9		
	Vinayaka Tours	Vinayaka Tours	Vinayaka Tours	
Gloria	Gloria	Gloria	Gloria	
Thejas	Thejas	Thejas	Thejas	
Sreepadmam	Sreepadmam	Sreepadmam	Sreepadmam	
	Bamboo green	Bamboo green		
	Ursala	Ursala		
Mayooram	Mayooram	Mayooram	Mayooram	
Sabhwereeshan	Sabhwereeshan	Sabhwereeshan	Sabhwereeshan	
	Golden Mist	Golden Mist	Golden Mist	
	Summer breeze	Summer breeze	Summer breeze	
Freedia waters	Freedia waters	Freedia waters	Freedia waters	
<b>19 numbers</b>	<b>38 numbers</b>	<b>33 numbers</b>	<b>22 numbers</b>	<b>3 numbers</b>

**Appendix – 3.1.9**

**Details of surprise inspections conducted by Ports/Police departments during 2010-16**

(Reference : Paragraph 3.1.3.6 – Page : 49)

Sl No	Date	Number of HBs inspected	Number of HBs penalised	Number of HBs which remitted the penalty	Number of HBs for which provisional detention order issued	Number of HBs not marked registration number	Number of HBs with no valid survey certificate/no survey certificate	Number of HBs with no registration certificate on board	Number of HBs with no valid insurance	Number of HBs with no valid crew license	Number of HBs with insufficient crew	Number of unregistered HBs
1	06.12.2013	8	0	0	8	4	8	0	1	0	0	4
2	20.12.2013	12	6	0	6	0	0	0	0	0	0	0
3	16.01.2014	9	2	0	7	0	7	0	7	7	0	7
4	19.08.2014	22	22	7	17	0	0	0	0	0	0	18
5	03.09.2014	46	13	11	46	0	0	0	0	0	0	46
6	03.09.2014	37	10	10	37	0	0	0	0	0	0	37
7	29.10.2014	6	0	0	6	1	0	0	1	0	1	1
8	26.12.2014	8	2	0	6	2	1	0	1	1	0	0
9	20.05.2015	12	1	0	11	1	1	0	1	1	0	0
10	06.08.2015	8	1	0	7	0	1	0	1	0	0	0
11	01.09.2015	7	2	0	6	2	2	1	0	0	0	2
12	02.09.2015	5	4	0	0	1	4	0	3	1	0	0
13	14.10.2015	5	5	0	2	2	2	0	1	1	0	2
14	29.12.2015	16	16	0	0	9	13	5	10	6	4	0
15	12.03.2016	7	7	0	7	6	6	1	6	3	1	0
16	07.04.2016	12	12	0	0	8	11	0	10	11	0	0
17	23.04.2016	17	14	3	4	13	5	9	7	7	0	3
	<b>Total</b>	<b>237</b>	<b>117</b>	<b>31</b>	<b>170</b>	<b>49</b>	<b>61</b>	<b>16</b>	<b>49</b>	<b>38</b>	<b>6</b>	<b>120</b>

**Appendix – 3.2.1**

**Transfers of industrial plots and related issues**

(Reference : Paragraph 3.2.5 – Page : 58)

Sl. No.	Name of DIC	Name of Unit, DA / DP	Extent of land allotted	Date of allotment	Transfer details	Remarks
1	DIC, Palakkad	M/s Dhaan Ispat Pvt. Ltd./ DA Pudusserry	2322 cents	18.08.2004	On 22.12.2015 change of board of directors intimated to DIC.	In December 2015 a new director was appointed. Change in the constitution of ownership is transfer.
2	DIC, Ernakulam	M/s Nenmani Agro Mills / DA Aluva	150 cents	07.10.1996	Sub-lease of plant and machinery sanctioned on 23.12.2015 by Director.	Requested for sub-lease to M/s Elite retail ventures India LLP. This was approved by the Director in contravention to existing rules.
3	DIC, Ernakulam	M/s Penta Milk Products Pvt. Ltd / DP Aluva	100 cents	11.11.1997	Change of name to M/s Rhema Dairy Products India (P) Ltd was approved by Director on 26.08.2015.	Change in constitution of ownership is not allowed within five years of a previous change. Though change was approved on 26.08.2015, the Chairman resigned and his son was introduced in the Board of Directors on 09.05.2016, thus violating the conditions.
4	DIC, Thrissur	M/s Speed Lubes / DP Velakode	52 cents	03.03.2011	Transferred the land to M/s NCI Paints on 04.06.2016	The transfer was not as per the new lease rules. As the Government has enacted lease rule to overcome the defects of existing rules, transfers shall be done as per the lease rules.
5	DIC, Thrissur	M/s Promise Industries / DP Ayyankunnu	25 cents	13.05.2010	Party proposed to transfer the land to M/s Envirogreen Carrybags (India) Pvt. Ltd	The party mortgaged the land and defaulted on loan repayment. To overcome the financial problem, transfer was proposed. On joint verification it was found that the unit was being run by M/s Envirogreen Carrybags (India) Pvt. Ltd. without the permission of DIC.

**Appendix – 3.2.2****List of industrial plots transferred/changes made in the constitution of Board of Directors without departmental permission****(Reference : Paragraph 3.2.5 - Page : 58)**

Sl. No.	Name of unit	Name of DA/DP	District
1	L&J Rubber Reclaims Pvt. Ltd.	DP Kalamasserry	Ernakulam
2	Chakkiath Engineering works	DP Kalamasserry	Ernakulam
3	Babu Chand Controls	DP Kalamasserry	Ernakulam
4	DV Deo Industries	DP Kalamasserry	Ernakulam
5	Leetha Industries	DP Kalamasserry	Ernakulam
6	Glitter Paints and Chemicals	DP Kalamasserry	Ernakulam
7	Athullya Foods Pvt. Ltd.	DP Kalamasserry	Ernakulam
8	United FRP Industries	DP Kalamasserry	Ernakulam
9	Plants India Agro Machineries Pvt. Ltd.	DP Kalamasserry	Ernakulam
10	Vadakedath Tools	DP Kalamasserry	Ernakulam
11	OKAY Nitrous Pvt. Ltd.	DP Kalamasserry	Ernakulam
12	T-Gaurden	DP Kalamasserry	Ernakulam
13	Int-Decs	DP Kalamasserry	Ernakulam
14	Yes Vees Metal Finishers	DP Kalamasserry	Ernakulam
15	Polo cast	DP Kalamasserry	Ernakulam
16	RK Industries	DP Kalamasserry	Ernakulam
17	Bright Cartons	DP Kalamasserry	Ernakulam
18	Master Crafts Man India Pvt. Ltd.	DP Kalamasserry	Ernakulam
19	Cochin Nitrides	DP Kalamasserry	Ernakulam
20	Nino Brothers	DP Angamaly	Ernakulam
21	Neroth Agro foods	DP Angamaly	Ernakulam
22	Kodandaram Roller Flour Mills Pvt. Ltd.	DP Angamaly	Ernakulam
23	A-one Industries	DP Angamaly	Ernakulam
24	Sea Line Polymers Pvt. Ltd.	DA Vazhakulam	Ernakulam
25	Anaha Timber Industries	DA Vazhakulam	Ernakulam
26	Silpi Agro Tech	DA Vazhakulam	Ernakulam
27	Vajra Plastics	DA Vazhakulam	Ernakulam
28	Safa Polymers	DA Aluva	Ernakulam
29	Mideast Exports	DA Vazhakulam	Ernakulam
30	High-Tech Thermo coatings	DA Vazhakulam	Ernakulam
31	Intrans Electro Components	DA Vazhakulam	Ernakulam
32	Derry Foams	DA Vazhakulam	Ernakulam
33	Intimate Multi Plast	DA Vazhakulam	Ernakulam
34	Sree sastha Plywoods	DA Vazhakulam	Ernakulam
35	J&J Bio-Tech	DA Vazhakulam	Ernakulam

Sl. No.	Name of unit	Name of DA/DP	District
36	Prima Beverages	DA Vazhakulam	Ernakulam
37	Thripura fertilisers Pvt. Ltd.	DA Vazhakulam	Ernakulam
38	Green valley Specified Rubbers Pvt. Ltd.	DA Vazhakulam	Ernakulam
39	Falcon Elastomers Pvt. Ltd.	DA Vazhakulam	Ernakulam
40	Malabar Polymers	DA Vazhakulam	Ernakulam
41	AAK Fibers Pvt. Ltd.	DA Angamaly	Ernakulam
42	Elixir Exotic Foods and Allied Products Pvt. Ltd.	DA Angamaly	Ernakulam
43	Accellar Steels Pvt. Ltd.	DA Angamaly	Ernakulam
44	Three Star Engineering Company	DA Angamaly	Ernakulam
45	Kancor Flavors and Extracts Ltd.	DA Angamaly	Ernakulam
46	Sayeg paints	DA Angamaly	Ernakulam
47	Jayemjay Techno Foams	DA Angamaly	Ernakulam
48	Euro Polymers	DA Edayar	Ernakulam
49	Panagattu Polymers	DA Edayar	Ernakulam
50	Millennium Poly pack	DA Edayar	Ernakulam
51	Southern Composites Pvt. Ltd.	DA Edayar	Ernakulam
52	Marksmen Marine products	DA Edayar	Ernakulam
53	Ultra Tech Ready Mix	DA Edayar	Ernakulam
54	Nexa Condiments	DA Edayar	Ernakulam
55	Hi-Tech Engineering and Eco Solutions	DA Edayar	Ernakulam
56	Five star Industries	DA Edayar	Ernakulam
57	Madassery Industries	DA Edayar	Ernakulam
58	JBS Intermix & Rubber Products	DA Edayar	Ernakulam
59	Sunrise TSR Factory	DA Edayar	Ernakulam
60	Sherine Hi-Fabs	DA Edayar	Ernakulam
61	Vinayaka Industries	DA Edayar	Ernakulam
62	Ramand Elecro Coats	DA Edayar	Ernakulam
63	Five Star Industries	DA Edayar	Ernakulam
64	ETA Technologies	DA Edayar	Ernakulam
65	South Indian Fertilizers Pvt. Ltd.	DA Edayar	Ernakulam
66	Ellickal Enterprises	DA Edayar	Ernakulam
67	MKH Industries	DA Edayar	Ernakulam
68	Techno flex Cables Pvt. Ltd.	DA Edayar	Ernakulam
69	Koshy Chemiclas	DA Edayar	Ernakulam
70	KSOV Corporation	DA Edayar	Ernakulam
71	Deepak Glasses	DA Edayar	Ernakulam
72	K.J. Polymers	DA Edayar	Ernakulam

**Appendix – 3.2.3****List of idling un-resumed industrial land****(Reference : Paragraph 3.2.6.4 (a) - Page : 62)**

Sl. No.	Name of DIC	Name of Unit/DA,DP	Extent of land allotted	Date of allotment	Reason for resumption	Remarks
1	DIC, Palakkad	M/s Dhaan Ispat Pvt. Ltd./ DA Pudusserry	1432 cents	18.08.2004	Idling since allotment	Industrial land not utilised within the specified period shall be resumed and re-allotted to prospective entrepreneurs.
2	DIC, Palakkad	M/s Vira Constructions / DP Kappur	41 cents	05.01.2006	Idling since allotment	Land kept idle, not resumed so far
3	DIC, Palakkad	M/s Kalpaka Biotech / DP Kappur	123 cents	12.05.2010	Idling since allotment	Land kept idle, not resumed so far
4	DIC, Ernakulam	M/s Asiatic Products / DA Edayar	15 cents	28.01.1997	Idling since allotment	Land kept idle, not resumed so far
5	DIC, Ernakulam	M/s Geeyes Concrete Block / DA Edayar	75 cents	09.03.2010	Idling since allotment	Land kept idle, not resumed so far
6	DIC, Ernakulam	M/s Nelpurayil Rubbers Pvt. Ltd./ DP Kalamassery	36.5 cents	02.05.1970	Idling after 1983	Land kept idle even after transfer to legal heirs.
7	DIC, Ernakulam	M/s Malayalam Chemicals Ltd /DA Edayar	50 cents	18.05.2002	Idling after 2005	Electricity charge dues to KSEB ₹ 1,79,67,846 not paid, hence disconnected electricity supply and the firm became defunct since October 2005.
8	DIC, Ernakulam	M/s Cliff India Corporation / DP Angamaly	(10 + 17.5) 27.5 cents	21.02.1986 & 20.04.1988	Idling	Land kept idle, not resumed so far

Sl. No.	Name of DIC	Name of Unit/DA,DP	Extent of land allotted	Date of allotment	Reason for resumption	Remarks
9	DIC, Thrissur	M/s Tera Tile Consortium Pvt. Ltd./DP Velakode	400 cents	04.07.2005	Idling	Land idling due to lack of clay (raw material)
10	DIC, Thrissur	Diamond Complex & Training Institute/ DP Velakode	100 cents	07.12.2005	Idling since allotment	Land is not utilised for the purpose for which it is allotted.
11	DIC, Ernakulam	M/s Bhagavathy Beverages Pvt. Ltd./ DA Angamaly	330 cents	06.02.1986	Idling since 2004	Proposal for 'Logistic Park' was rejected by Director. But, Government (Industries Department) directed to grant permission on 06.06.2015.

**Appendix – 3.2.4****Details showing delay in resumption of land****(Reference : Paragraph 3.2.6.4 (b) - Page : 62)**

Sl. No.	Name of DIC	Name of Unit/DA,DP	Extent of land allotted in cents	Reason for resumption	Year from which the unit became defunct/idling	When Resumed	Delay in years
1	DIC, Palakkad	M/s Palakkad Industries/ DA Pudussery	930	Idling	2002	August 2010	8
2	DIC, Palakkad	M/s Sky Like/ NIDA Kanjikode	40	idling	2011	June 2014	2.5
3	DIC, Ernakulam	M/s Jinnees Enviochem / DA Edayar	177	idling	2000	2007	7
4	DIC, Ernakulam	M/s West Coast Concrete Products/ DA Angamaly	566	idling	September 2006	November 2014	8
5	DIC, Kozhikode	M/s Poyilakada Fisheries/ DP West hill	129	idling	2004	August 2014	10
6	DIC, Palakkad	M/s Walayar Cements/ NIDA Kanjikode	200	idling	September 2011	March 2015	3.5

**Appendix – 3.2.5**

**Mortgage/auction and related cases**

(Reference : Paragraph 3.2.6.5 - Page : 63)

Sl No	Name of DIC	Name of Unit/DA,DP	Extent of land allotted in cents	Date of allotment	Mortgage Permission granted or not	Remarks
1	DIC, Ernakulam	M/s Oasis Environmental/ DA Edayar	177	Old case. Not available	Land mortgaged to KFC without permission and defaulted the loan	M/s Jinnees Enviochem purchased on 05.06.2000 through auction from Kerala Financial Corporation and the land is idling since then.
2	DIC, Ernakulam	M/s JJ Roller Flour Mills/ DA Vazhakulam	75	19.03.1997 & assigned on 15.09.2006	Mortgage permission granted by GM, DIC on 20.01.1998 instead of Government (Industries Department).	Government has to accord sanction for mortgage permission to assigned land, instead of Director's ratification prior permission from Government is needed.
3	DIC, Ernakulam	M/s Kodandram Roller flour Mills (P) Ltd/ DA Angamaly	247	02.03.1987 & assigned on 11.12.1991	Mortgage permission granted by GM, DIC on 23.06.1997 instead of Government (Industries Department)	Government has to accord sanction for mortgage permission to assigned land. Instead of Director's ratification (02.12.1997) prior permission from Government is needed.
4	DIC, Ernakulam	M/s Ponolil Modern Rice Mills/ DA Aluva	125	16.02.1996	Mortgage permission granted by GM, DIC on 03.02.1998.	Land attached by Revenue Recovery as ₹ 3.22 crore loan due. Land auctioned on 09.10.2007.
5	DIC, Thrissur	M/s Promise Industries/ DP Ayyankunnu	25	13.05.2010	Mortgage permission granted by GM, DIC on 25.03.2011	Party mortgaged the land and defaulted on loan repayment. To clear the dues, land transfer is proposed by the party.
6	DIC, Ernakulam	M/s Kerala Acids & Chemicals Ltd/ DA Edayar	866	16.12.2004	Court ordered to windup the company by official liquidator as industrial land.	The successful auctioneer is using the land for godown and training centre which is not regularised by DIC.

**Appendix – 4.3.1****Purchases made for the new building of the Directorate****(Reference : Paragraph 4.3.3 - Page : 75)****(₹ in lakh)**

Sl. No.	Item purchased	Cost	Present condition	Remarks
1	Furnishings	53.94	Steel furniture in rusted condition	AS for ₹ 53.94 lakh was given (March 2012) for purchase of furniture from Forest Industries Travancore Ltd. (FIT) - a manufacturer of wooden furniture. But, on specific request from Port Directorate FIT procured and supplied proprietary steel items from M/s Godrej and Boyce which were not suited to the local climate. The Director had paid FIT only ₹ 43.15 lakh. The Director had also violated the provision of the Stores Purchase Manual regarding purchase of proprietary items; since such purchases could be made only where no alternative or substitute existed.
2	Computers and Accessories	53.28	Many non-functional	A joint physical verification found the computers and accessories damaged due to salinity dumped in a room.
3	Audio Visual system	25.82	Partially functioning	Not fully functional due to corrosive atmosphere and deposit of salt in the electronic gadgets.
4	Security Surveillance System	12.95	Malfunctioning	Malfunctioning attributed to saline environmental conditions of the coastal area.
<b>Total</b>		<b>145.99</b>		

*(Source: Records of Directorate)*

**Appendix – 4.3.2**

**Status of solar power systems installed in Port Offices**

(Reference : Paragraph 4.3.4.3 - Page : 77)

Sl. No.	Administrative sanction		Advance paid (₹)	Sanctioned amount for battery back up (₹)	Up to date expenditure (₹)	Status of the work
	Name of Port	Amount (₹ In lakh)				
(1)	(2)	(3)	(4)	(5)	6= (4) + (5)	(7)
1	Kasargode	11.00	5,23,540	--	5,23,540	Non-functional for want of net meter & inspection by Electrical Inspectorate
2	Azhikkal	11.00	5,23,540	--	5,23,540	--do--
3	Kannur	11.00	5,23,540	--	5,23,540	--do--
4	Thalassery	11.00	*	--	--	* Shifted to Alappuzha port, hence not considered
5	Badakara	11.00	5,23,540	--	5,23,540	Not considered for installation
6	Bey pore	11.00	5,23,540	--	5,23,540	Non-functional for want of net meter & inspection by Electrical Inspectorate
7	SPC Office Bey pore	11.00	5,23,540 *	3,51,222	8,74,762	Functional * Shifted from MEW Neendakara, Kollam.
8	MEW Bey pore	11.00	5,23,540	--	5,23,540	Non-functional for want of net meter & inspection by Electrical Inspectorate
9	Ponnani	11.00	5,23,540	--	5,23,540	Non-functional- damaged
10	Kodungallur	11.00	5,23,540	--	5,23,540	Non-functional for want of net meter & inspection by Electrical Inspectorate
11	Alappuzha	11.00	5,23,540 *	3,51,222	8,74,762	Functional * Shifted from Thalassery.
12	MEW Kollam	11.00	*	--	--	* Shifted to SPC office Bey pore
13	Kollam Thangassery	21.00	10,18,990	7,02,444	17,21,434	Non-functional. Require change of installation from godown to electrical control room
14	Kollam Asramam office	11.00	5,23,540	--	5,23,540	Non-functional for want of net meter & inspection by Electrical Inspectorate
<b>Total</b>		<b>164.00</b>	<b>67,77,930</b>	<b>14,04,888</b>	<b>81,82,818</b>	

(Source: Data furnished by Directorate)

**Appendix – 4.4**

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

**(Reference : Paragraph 4.4 – Page : 78)**

Sl. No	Name of Work, Agreement No. & Contractor	Division	Tender variation	Technical Sanction Authority	Type of bitumen	Rate of bitumen (including cost index) provided in the Estimate (for 1MT) (₹)	Rate of bitumen recovered from the work bills (for 1MT) (₹)	Balance to be recovered (₹)	Quantity of bitumen used (in MT)	Excess payment (₹)	Total (₹)	Excess payment after reckoning tender variation (₹)
1	2	3	4	5	6	7	8	9=(7-8)	10	11=(9 x10)	12	13={12 ± (12x4)}
1	Improvement to twelve roads leading to Games village and Karyavattom Stadium (108/SESC/2014-15 dt.12.01. 2015 Sreedhanya Construction Company	Thiruvananthapuram	10% above	Chief Engineer (R&B)	VG 10	72,282	50,600	21,682	493.315	1,06,96,056		
					VG 30	75,349	52,747	22,602	475.19	1,07,40,244		
					Emulsion	55,769	39,040	16,729	81.216	13,58,662		
					<b>Total</b>						2,27,94,962	2,50,74,458
2	Improvements to Thiruvallam Junction-Pachalloor-Vazhamuttom road ch 0/000-04/050 and Pachalloor-Poonkulam road from ch 0/000 to 2/200- Poonkulam Junction to Agricultural college Vellayani road from ch 0/000 to 01/200 and Agricultural college internal road upto Stadium at Vellayani (88/SESC/2014-15 dt.26.11.2014), Kerala State Construction Corporation Ltd	-do-	0.05 % below	-do-	VG 10	71,852	50,600	21,252	144.104	30,62,498		
					VG 30	71,852	52,747	19,105	230.73	44,08,097		
					Emulsion	55,437	39,040	16,397	21.668	3,55,290		
					<b>Total</b>						78,25,885	78,21,972

SL No	Name of Work, Agreement No. & Contractor	Division	Tender variation	Technical Sanction Authority	Type of bitumen	Rate of bitumen (including cost index) provided in the Estimate (for 1MT) (₹)	Rate of bitumen recovered from the work bills (for 1MT) (₹)	Balance to be recovered (₹)	Quantity of bitumen used (in MT)	Excess payment (₹)	Total (₹)	Excess payment after reckoning tender variation (₹)
1	2	3	4	5	6	7	8	9=(7-8)	10	11=(9 x10)	12	13={12 ± (12x4)}
3	Maintenance of Fly-over including repairs of hand rail and Maintenance of Ring road from CSN Stadium Squash Court (91/SESC/2014-15 dated 27.11.2014), A.Thajudeen, Thoppil Constructions	-do-	7 % below	-do-	VG 10	72,282	50,600	21,682	36.19	7,84,672		
					VG 30	75,349	52,747	22,602	31.727	7,17,094		
					Emulsion	55,769	39,040	16,729	3.999	66,899		
					<b>Total</b>						15,68,665	14,58,858
4	Improvements to Jawahar Balabhavan Junction- Swimming Pool and Vellayambalam road from ch 0/000 to 0/675 and Manaveeyam road from 0/000 to 0/325 (92/SESC/2014-15 dated 27.11.2014), A Thajudeen, Thoppil Constructions	-do-	3.3% below	-do-	VG 10	57,132	50,600	6,532	40.802	2,66,519		
					VG 30	56,580	52,747	3,833	33.628	1,28,896		
					Emulsion	41,400	39,040	2,360	6.216	14,670		
					<b>Total</b>						4,10,085	3,96,552
5	Improvements to the approach road to Shooting range in the CPT ground Vattiyoorkavu providing BM and BC to the leading road Sasthamangalam, Maruthankuzhy Vattiyoorkavu CPT road (86/SESC/2014-15 dated 22.11.2014), Revive Construction Company (India) Private Ltd	-do-	6.11% below	Superintending Engineer R&B South Circle	VG 10	62,100	50,600	11,500	44.697	5,14,016		
					VG 30	60,000	52,747	7,253	41.363	3,00,006		
					Emulsion	45,000	39,040	5,960	4.682	27,905		
					<b>Total</b>						8,41,927	7,90,485

SL. No	Name of Work, Agreement No. & Contractor	Division	Tender variation	Technical Sanction Authority	Type of bitumen	Rate of bitumen (including cost index) provided in the Estimate (for 1MT) (₹)	Rate of bitumen recovered from the work bills (for 1MT) (₹)	Balance to be recovered (₹)	Quantity of bitumen used (in MT)	Excess payment (₹)	Total (₹)	Excess payment after reckoning tender variation (₹)
1	2	3	4	5	6	7	8	9=(7-8)	10	11=(9 x10)	12	13={12 ± (12x4)}
6	Improvements to the approach road to Shooting range in the CPT ground Vattiyoorkavu urgent maintenance to the balance portion to the leading road Sasthamangalam Maruthankuzhy Vattiyoorkavu CPT ch 0/000 to 2/500. (118/SESC/2014-15 dated 26.02.2015), AR Nasarudeen, Revive Construction Company (India) Private Ltd	-do-	Estimate rate	-do-	VG 10	62,100	50,600	11,500	22.28	2,56,220		
					VG 30	61,500	50,600	10,900	38.006	4,14,265		
					Emulsion	45,000	45,000	0	3.271	0		
					Total					6,70,485	6,70,485	
7	Improvements to Koppam-Plakeezhu road to swimming pool – Pirappancode. (93/SESC/2014-15 dated 27.11.2014), A Thajudeen, Thoppil Constructions	-do-	3.3% below	-do-	VG 30	60,000	50,600	9,400	18.644	1,75,254		
					Total						1,75,254	1,69,471
8	Improvements to Poomthoppu Vembanad Kayal road (87/SESC/2014-15dated 26.11.2014) N Kalesan	Alappuzha	2.33% below	-do-	VG 30	55,200	40,000	15,200	8.603	1,30,766		
					Emulsion	41,400	0	41,400	2.36584	97,946		
					Total						2,28,712	2,23,383
9	Improvements to Charamparambu Kshethram Kayaltheeram road (90/SESC/2014-15 dated 27.11.2014), Sebastian J Pooney	-do-	0.77 % below	-do-	VG 30	55,200	48,400	6,800	9.501	64,607		
					Emulsion	41,400	36,300	5,100	2.648	13,505		
					Total						78,112	77,511
	Total										3,45,94,087	3,66,83,175

### Appendix – 4.5

#### Details of extra expenditure due to allowing of additional five per cent Overhead charges in estimate data

(Reference : Paragraph 4.5 – Page : 80)

Sl No	Name of Work and details of Technical Sanction	Agreed Probable Amount of Contract (₹ in lakh)	Extra commitment due to inclusion of additional five per cent OH charges (₹ in lakh)	Upto date expenditure (₹ in lakh)	Extra expenditure due to inclusion of additional five per cent OH charges (₹ in lakh)
1	Widening Carriage way and providing BM & BC to Tirur-Kadalundy Road Km 18/000 to 27/000 (TS No.CC/GM(E)/CLT-501/013/7885(A) dated 15.02.2013 for ₹ 7,57,45,000)	713.01	33.95	373.91	17.60
2	Widening Carriage way and Providing BM & BC surfacing to Tanalur-Puthenathanni Road Km 0/000 to 13/000 (TS No.CC/GM(E)/CLT-501/013/7883(A) dated 15.02.2013 for ₹ 10,22,56,000)	965.55	45.98	606.10	28.34
3	Improvements of various junction to Chamravattom-Tirur-Kadalundy Road-Improvements of Parappanangady-ROB Junction in Tirur-Kadalundy Road Part I (TS No.CC/GM(E)/TCR-516/013/95(A) dated 22.04.2013 for ₹ 40,20,000)	38.62	1.84	38.62	1.81
4	Widening and providing BM & BC surfacing to Tirur-Chamravattom Road Km 3/200 to 11/500 (TS No.CC/GM/W-474/012/7762(A) dated 07.01.2013 for ₹ 6,05,96,000)	605.18	23.36	605.18	23.40
5	Improvements to Nariparambu-Pothannur-Perumparambu-Edappal Road by providing BM & BC from km 0/000 to km 6/950 (TS No.CC/GM/W-474/012/7760(A) dated 07.01.2013 for ₹ 4,12,21,000)	411.68	16.67	402.62	15.11
	<b>Total</b>		<b>121.80</b>		<b>86.26</b>