

**15 -ാം കേരള നിയമസഭ**

**10 -ാം സമ്മേളനം**

**നക്ഷത്ര ചിഹ്നം ഇല്ലാത്ത ചോദ്യം നം. 3168**

**14-02-2024 - ൽ മറുപടിയ്ക്ക്**

**മത്സ്യബന്ധന വകുപ്പിന് കീഴിലുള്ള സ്ഥാപനങ്ങളെ സംബന്ധിച്ച സി.ആന്റ്.എ.ജി ഓഡിറ്റ് റിപ്പോർട്ട്**

ചോദ്യം		ഉത്തരം	
<b>ശ്രീ എം. വിൻസെന്റ്</b>		<b>ശ്രീ സജി ചെറിയാൻ</b> <b>(മത്സ്യബന്ധനം, സാംസ്കാരികം, യുവജനകാര്യ വകുപ്പ് മന്ത്രി)</b>	
(എ)	<p>മത്സ്യബന്ധന വകുപ്പിന് കീഴിലുള്ള സ്ഥാപനങ്ങളിൽ കഴിഞ്ഞ നാല് വർഷ കാലയളവിൽ സി.ആന്റ്.എ.ജി. നടത്തിയ ഓഡിറ്റിൽ എന്തൊക്കെ ക്രമക്കേടുകൾ കണ്ടെത്തിയിട്ടുണ്ട് എന്ന് വ്യക്തമാക്കുമോ;</p>	(എ)	<p>ഫിഷറീസ് വകുപ്പിന് കീഴിൽ ഉള്ള കേരള അക്വാവെഞ്ചേഴ്സ് ഇന്റർനാഷണൽ ലിമിറ്റഡ് (KAVIL)-ൽ 2019-20 സാമ്പത്തിക വർഷത്തിലും മത്സ്യഫെഡിൽ 01/09/2019 മുതൽ 30/11/2020 വരെയുള്ള കാലയളവിലും ഓഡിറ്റ് നടത്തിയിരുന്നു. ഇതിൽ കേരള അക്വാവെഞ്ചേഴ്സ് ഇന്റർനാഷണൽ ലിമിറ്റഡ് (KAVIL)-ൽ നടത്തിയ സി.ആന്റ്.എ.ജി ഓഡിറ്റിൽ ക്രമക്കേടുകൾ ഒന്നും കണ്ടെത്തിയിട്ടില്ല. മത്സ്യഫെഡിൽ 01/09/2019 മുതൽ 30/11/2020 വരെയുള്ള കാലയളവിൽ നടന്ന സി.ആന്റ്.എ.ജി ഓഡിറ്റിൽ സാരമായ ക്രമക്കേട് ഒന്നും പരാമർശിച്ചിട്ടില്ല. എന്നാൽ ചില സാമ്പത്തിക പരാമർശങ്ങൾ ഉൾക്കൊള്ളിച്ചിട്ടുണ്ട്.</p>
(ബി)	<p>പ്രസ്തുത ഓഡിറ്റ് സംബന്ധിച്ച അന്തിമ റിപ്പോർട്ട് സർക്കാരിന് ലഭിച്ചിട്ടുണ്ടോ; എങ്കിൽ ആയതിന്റെ പകർപ്പ് ലഭ്യമാക്കുമോ?</p>	(ബി)	<p>മത്സ്യഫെഡിൽ 01/09/2019 മുതൽ 30/11/2020 വരെയുള്ള കാലയളവിൽ സി.&amp;എ.ജി നടത്തിയിട്ടുള്ള ഓഡിറ്റിന്റെ ഇൻസ്പെക്ഷൻ റിപ്പോർട്ട് അനുബന്ധം ആയി ചേർക്കുന്നു.</p>

സെക്ഷൻ ഓഫീസർ

5 MAR 2021



महालेखाकार (लेखापरीक्षा -I) का कार्यालय, शाखा कार्यालय, तृशूर, केरला  
OFFICE OF THE ACCOUNTANT GENERAL (AUDIT I)  
BRANCH OFFICE : THRISSUR, KERALA - 680020



"Dedicated to Truth in Public Interest"

PM	DGM i/c (CO)	DGM i/c (F)
DGM i/c (E)		
DGM i/c (AO)	DGM i/c (ESMC)	EA to MD LO

No. AMG-I (HQ) IV/III/8-1/2020-21/90

Dated: 09.03.2021

To

The Managing Director,  
Kerala State Co-operative Federation for Fisheries Development Ltd.  
Kamaleswaram, (MATSYAFED),  
Manacaud (P.O),  
Thiruvananthapuram-695009.

Sub: Inspection Report on the local audit of the accounts and registers of the Kerala State Co-operative Federation for Fisheries Development Ltd, (MATSYAFED), Thiruvananthapuram for the period from 01/09/2019 to 30/11/2020:reg.

Sir,

I am forwarding herewith the Inspection Report on the local audit of the accounts and registers of the Kerala State Co-operative Federation for Fisheries Development Ltd, (MATSYAFED), Thiruvananthapuram for the period from 01/09/2019 to 30/11/2020. The replies/remarks to the points raised in the report may please be arranged to be furnished through the Secretary to Government, Fisheries & Ports Department, Thiruvananthapuram within four weeks from the date of receipt. In this connection, a reference is invited to Article 63(c) of the Kerala Financial Code Vol. I, impressing upon the essential need for furnishing complete replies to the objections expeditiously.

The Report has been prepared on the basis of information furnished and made available by the auditee institution. The office of the Principal Accountant General (Audit-I), Kerala disclaims any responsibility for any misinformation and/or non-information on the part of auditee.

Receipt of the documents may kindly be acknowledged.

Yours faithfully,

Sr. Audit Officer/AMG I (HQ) IV

Copy to

The Secretary to Government,  
Department of Fisheries and Ports,  
1<sup>st</sup> Floor, Main Block,  
Government Secretariat,  
Thiruvananthapuram-695001.

Sr. Audit Officer/AMG I (HQ) IV

**Inspection Report on the audit of accounts and records of Kerala State Co-operative Federation for Fisheries Development Ltd., (Matsyafed), Thiruvananthapuram for the period from 01.09.2019 to 30.11.2020.**

**PART I**

**A. Introduction**

Kerala State Co-operative Federation for Fisheries Development Ltd. (Matsyafed), was registered on 19<sup>th</sup> March 1984 as an Apex Federation of primary level welfare societies in the coastal fishery sector with the objective of ensuring the economic and social development of the fishermen community by implementing various schemes aimed at promoting the production, procurement, processing and marketing of fish and fish products. To achieve this objective Matsyafed has been implementing various schemes/projects with the financial assistance of Government of Kerala, National Cooperative Development Corporation (NCDC), National Backward Classes Finance and Development Corporation (NBCFDC), National Minorities Development & Finance Corporation (NMDFC), National Fisheries Development Board (NFDB), Rashtriya Krishi Vikas Yojana (RKVY), National Bank for Agriculture and Rural Development-Rural Infrastructure Development Fund (NABARD-RIDF) etc. Fishermen were provided assistance through the Primary Fishermen Development and Welfare Co-Operative societies affiliated to Matsyafed for procuring fishing implements such as Craft (Vallom), Out Board Engines and Webbing in kind, infrastructure facilities for fish marketing and processing to the primaries for the benefit of member fishermen, Working Capital for fish vending and Marketing, construction of office cum Godown for the primary societies and district Offices etc. Micro finance schemes, interest free loans, etc. were provided to support fishing community and SHGs to improve their income as well as protection from private money lenders.

Matsyafed has ten District Offices one in each of the nine Maritime districts and one in the Inland district of Kottayam. Apart from district office Matsyafed Net Factories in Thiruvananthapuram, Kochi and Kannur, Ice & Freezing Plant, Kochi, OBM Division, Kochi, Fish Manure Plants Thrissur and Kozhikode, Chitin Chitosan Plant, Kollam. Hatcheries at Kollam, Thrissur, Malappuram & Kannur, Fish Farms at Kottayam & Ernakulam, Public Aquarium, Thenmala, Community Peeling Centre, Neendakara and

Common Pre Processing Centre, Kollam.

The local audit of the Matsyafed under Section 14 of the CAG's DPC Act 19/1, was conducted from 7/12/2020 to 05/01/2021.

**B. Officers in charge:**

**Dr. Lawrence Harold, Managing Director (01.09.2019 to 30.11.2020)**

**C. Units covered under this audit**

Headquarters of Matsyafed at Manacaud, two district offices at Thiruvananthapuram and Kollam and Net factory at Muttathara, Thiruvananthapuram were covered as part of this audit.

**D. Financial Position:**

Receipt and Expenditure of the Matsyafed during the last three years is as follows:

(Rs lakh)

Name of the Agency	Year	Opening Balance	Fund Received	Funds Utilised	Closing Balance
Director of Fisheries	2017-18	314.55	4,738.49	4,862.32	190.72
	2018-19	190.73	4,267.31	4,361.57	96.47
	2019-20	96.46	2,222.47	2,244.26	34.67
Vizhinjam International Seaport Ltd.	2017-18		333.36	333.36	
	2018-19		974.47	914.47	
National Backward Classes Finance and Development Corporation	2017-18		3,012.30	2,756.14	
	2018-19	256.12	5,012.35	5,055.97	212.50
	2019-20	212.50	3,710.00	3,406.19	516.31
National Minorities Development & Finance Corporation	2017-18		3,211.67	3,211.67	
	2018-19		3,120.00	2,789.25	330.75
	2019-20	330.75	2,614.00	2,709.58	
Director of Agriculture	2018-19		300.00	300.00	
Kerala State Coastal Area Development Corporation Ltd.	2018-19		30.00	30.00	

## Part II

### A. Significant Audit Findings

Nil

### B. Other Incidental Findings

#### I. Supply of Kerosene to fishermen of the area in and around Vizhinjam International Sea Port Limited.

Government had constituted (July, 2015) a Livelihood Impact Appraisal Committee (LIAC) to identify hardship to affected persons due to the construction of Vizhinjam International Sea Port Limited (VISL) and for fixing compensation package to the persons affected. Based on the recommendation of LIAC, Government of Kerala had ordered (vide GO (MS) No. 25/2017/FPD dated 10.11.2017) to supply kerosene oil free of cost to fishermen of Vizhinjam South, Vizhinjam North and Adimalathurai coastal areas as these fishermen have to cover additional distance of around 6 KM daily for fishing due to the ongoing construction of brake water project by Vizhinjam International Sea Port Limited (VISL). Government had sanctioned Rs 27,18,14,400/- for this purpose for two years (VISL project period) based on the calculation given below:

Engine Capacity of boat	Number of boats	Kerosene to cover 6 KM/day -Ltr.	Total quantity required	Amount required for a day @ Rs 60 per Ltr.
8 HP	14	3	42	2,520
9.9HP	2299	4	9196	5,51,760
25HP	30	5	150	9,000
40HP	10	5	50	3,000
	2353	Total		5,66,280

Total amount required for two years (estimated fishing days in a year is 240) was calculated as Rs5,66,280/- x 240 x 2 = Rs27,18,14,400/-.

Scrutiny of records at Matsyafed office revealed that the beneficiaries for this free supply of kerosene was subsequently reassessed (2353 was as per Matsyafed records) jointly by VISL and Fisheries department by conducting field survey and the number of beneficiaries came down to 1973. Opportunity was also given to file appeal against the selection. The distribution of kerosene to the selected beneficiaries was entrusted to Matsyafed and the supply was made from their kerosene bunk at Vizhinjam on specific dates in a month. Payment for the supply of kerosene was released by Government to Matsyafed through VISL.

In this regard audit makes the following observations:

- It was observed from the records that Government had released funds in advance to Matsyafed and Matsyafed transferred (DBT) this amount to the bank account of individual beneficiaries for buying their quota of kerosene from the bunk operated by Matsyafed. The amount spent by beneficiaries for this purchase was subsequently reimbursed to their bank account for next month purchase. This system of advance release of fund to beneficiary account ensured funds in their bank account for purchase of kerosene for next month. However, this system failed in those cases where the beneficiary did not turn up for buying kerosene even after getting amount in their bank account. This was evident from the fact that five beneficiaries to whom the initial advance payment was released in 2018 had not turned up yet for purchasing the kerosene. Rs.28,937/- released to this five persons was not utilised for purchasing kerosene so far and the amount became undue benefit to them. Instances of subsequent abstaining by beneficiaries for kerosene purchase after getting advance were seen from the records of Matsyafed.

It was replied that the reasons for not availing the fuel from bunk after receiving the advance amount or not enjoying the benefit continuously by some fishermen are to be examined by the concerned authorities and proper action are to be taken. Matsyafed was entrusted only for the supply of the fuel to the beneficiaries as per the instruction.

- The free supply of kerosene was introduced to reduce the hardship faced by the fishermen during the period of construction (estimated as two years) of brake water project by VSIL. Since the free supply was started in February 2018 it was due for completion by February 2020. But due to delayed release of funds by Government, only 13 months supply was made till November 2020. As per the decision of the Government (vide GO dated 10.11.2017) the free supply was to be continued for 16 months, indicating the scheme would end after three months of distribution. However, during field visit audit ascertained (after interaction with a few local people) that construction of brake-water project was not reached or progressed to such a stage that the fishermen have to commute additional distance or alternate route for fishing. They still use the same route that was being used before VISL takes over the site for their construction activities. So, the necessity of giving this

benefit for all these months was non-existent and benefit of free supply of kerosene was without assessing the ground reality.

## II. Establishment of Matsyafed Fishnet Factory at Muttathara

Kerala State Co-operative Federation for fisheries development limited (Matsyafed) is the apex federation of primary fishermen co-operative societies with 90 per cent State Government shares in the federation. The main objective of the federation is to improve the socio-economic condition of the traditional fishermen of the State, for which Matsyafed was implementing various departmental schemes with assistance from Central and State Governments.

As part of developmental programme, Matsyafed proposed to establish a fishnet factory (with an estimated production capacity of 500 MT) at Muttathara with assistance from central (RKVY-Rs.27 crore), State (Rs.2 crore) and its own share (Rs.1 crore). So far, Matsyafed had received Rs.27.16 crore (Rs.0.16 crore administrative expenses) as RKVY fund and Rs.2crore as State Government share and incurred Rs11.04 crore civil/electrical works and Rs19.98 crore for purchasing machinery for establishing the factory. As per the records, the factory was established in February 2016 and started production of fishnet in 2016-17. Scrutiny of records relating to establishment of factory and its performance for the last four years revealed the following.

- Though the net factory was established with an estimated production capacity of 500 MT per annum, production remained less than 200MT during the last four years (2016-17:104MT, 2017-18:142MT, 2018-19:197MT, 2019-20:137MT).
- It was observed from the records that the building constructed for the factory is still classified under 'Unauthorized' category by Thiruvananthapuram Corporation, consequently Matsyafed had to pay three times buildings tax amounting to Rs.16,12,575/- (Rs.537525/- X 3) for the period from 2017-18 to 2019-20. Further, factory does not have fire safety clearance and effluent treatment plant, being a condition stipulated in the Pollution Control Board clearance. Functioning of the factory without necessary permissions/licenses is considered as failure on the part of the management.

- Since the beginning of operation, accounts of the factory showed profit in last two years only. However, accumulated loss at the end of 2019-20 was Rs 1.26 lakh, which demands increased production as well as sale of the webbings.

DGM (Commercial) replied that due to change of Government in 2016, newly elected Government has taken a decision to review all the decisions taken by the previous Government and this led to delay in getting of permission from the various agencies and constant attempts are being made from Matsyafed to avail the building permit and necessary clearance from PCB and Fire and Safety Department. Regarding non-attainment of intended target in production it was replied that market demand was mainly on small mesh size choodavala and thanguvala and direct sales from the net factory started only during financial year 2019-20. Further, action is being taken to get sufficient man power for making the factory production in full swing at the earliest. During the field visit of the factory, audit team observed that vitrified tiles laid on the floor of the building came out in some part of the building. This was due to poor workmanship of the contractor who carried out the work. As per the records, KITCO was already paid Rs 40.79 lakh for consultancy charges and it is failure on the part of KITCO to ensure the quality of the work carried out by the contractor. Action taken in this regard may please be stated. It was replied that due to the shortcomings of the consultancy (KITCO) on various fronts, their payment have not been settled fully.

### III. Integrated Fisheries Development Project:

The National Cooperative Development Corporation (NCDC) assisted Integrated Fisheries Development Project aims at meeting the credit needs for development of marketing facilities of fishermen members of the primary co-operatives affiliated to Matsyafed. The activities provided under the project are modernization of fishing implements, Group ownership system of fishing implements, increase in the net income of fishermen with better price realization for their catch, strengthening of primary fishermen co-operatives etc. The components of the project are replacement/renewal of existing fishing implements, input security, margin money for working capital of fish marketing, infrastructure development for post-harvest operations and marketing, women employment generation programme, infrastructure facilities, extension and training and project management cost.

Based on the proposal given by Matsyafed, NCDC approved IFDP schemes every year and released the project amount to Government of Kerala as loan and subsidy. For



implementing the components of the said project, state government released funds to Matsyafed (in advance) and NCDC reimburses/releases these funds subsequently. Matsyafed distributes IFDP project funds through primary fishermen co-operative societies based on the requirements of fishermen and normally the project for a particular year was implemented over a period of three to four years. It was observed from the records of Matsyafed that IFDP scheme for 2013-14 to 2017-18 was in operation during the audit period. Details of project outlay, amount received by Matsyafed from State Government, etc. are given in table below:

(Rs. Lakh)

Year	Total outlay	Loan	Subsidy	To Matsyafed	Month of release
2014-15	4242.66	3215.90	500.00	3715.90	8/15 to 10/19
2015-16	4889.66	3711.00	500.00	4211.00	3/17 to 10/19
2017-18	3568.69	2737.16	385.43	1328.92	12/18 to 10/20

Scrutiny of records relating the implementation of IFDP schemes revealed the following

- Out of the components included as part of project, funds earmarked for purchase of fishing inputs was seen utilized fully in all the years upto 2017-18. However, the register maintained for recording the utilization of Funds revealed that in respect of following components funds are remaining unutilized at the end of November 2020.

(Amount in Lakh)

Year	Name of the scheme	Funds earmarked	Unutilised balance
2011-12	Infrastructure facilities for post-harvest operations	168.00 (BC:10%)	102.15
2012-13	Assistance to fish vendors (Bike with accessories)	80.00 (BC:10%)	6.40
2013-14	Godown-cum-office facilities	90.00 (BC:10%)	45.00
2014-15	Office-cum-godown facilities	51.00 (BC:10%)	51.00
2015-16	Working Capital assistance for fish auction and marketing	1040.00	93.60
2017-18	Working Capital assistance for fish auction and marketing	810.00	573.50

Unutilised amounts prior to 2015-16 indicate that proposals were made without assessing the capacity for utilization consequently funds remained unutilized even after three to six years. Since substantial portion of the funds were received as loan, non-disbursement of the amount resulted in unnecessary burden to Matsyafed by way of payment of interest. DGM (Projects) replied that the delay in implementation was due to delay in getting funds from Government and unutilised funds in respect of above schemes would be utilized soon.

- While releasing the loan for the purchase fishing inputs, 4 *per cent* of the loan amount (2 *per cent* from the beneficiary) was recovered as input security, which was to be utilized for meeting the future repair/maintenance expenses of the fishing inputs purchased as part of the project. Since the amount is to be treated as insurance premium for meeting the future expenses, amounts so collected/recovered shall be kept in a separate fund. It was observed that no such system was in force in Matsyafed and the amount (2 *per cent* of the loan amount received as subsidy from the Government and 2 *per cent* of the loan amount recovered from the loanee) collected was merged with corpus of the Matsyafed. It was replied that the funds of MISS will be deposited in separate bank account.
- One of the components of the project was working capital assistance for fish auction and marketing. For implementing this component Matsyafed receives 50 *per cent* of the amount as loan and the remaining amount as subsidy. It was observed from the records that Matsyafed releases the entire amount as loan to primary co-operative societies at 6 *per cent* interest rate and recovered from the societies. Though the scheme was aimed at providing 50 *per cent* of the fund as share capital investment to primary co-operative societies, deviation from the intended objectives resulted in accumulation of share capital in Matsyafed.
  - Extension and training is another component and Matsyafed received Rs96.50 lakh for the IFD Project since 2011-12. Since the amount was received as subsidy, ensuring the proper utilization of the fund was the responsibility of the Matsyafed. Data collected from Matsyafed revealed that amount incurred for conducting the training to primary co-operative societies and fishing communities to spread the awareness on the schemes during last few years was very meager. This has resulted in underutilization of the fund earmarked for the purpose. It was replied that Flood 2018 and 2019 and Covid-2020 seriously

affected the training programme and it will be ensured the proper utilization of fund under training for creating awareness among fisher folk and society functionaries.

**IV. Inadmissible pay and allowances given to Mrs. Rema R Menon, Assistant Manager.**

Mrs. Rema R Menon was appointed as Project Officer in Matsyafed on 03.04.1995. She was relieved to attend JDC training from 16.09.1999 to 02.05.2000 and she was paid pay and allowances for the period of training.

As per circular No. 43/84 issued vide No. (P.G. (2)-39980/84, dated 17.09.1984 read with circular No. 50/89, issued vide No.E.M.(2) 26219/89 dated 11.08.1989, issued by Registrar of co-operative societies, in case a person who have not attended the required co-operative training is appointed to a post which require co-operative training, on or after 01.01.1974, should attend the training on their own expenses. Pay and allowances for the period of training was also not admissible to such persons.

In the light of the above circulars, the pay and allowances disbursed to Mrs. Rema R Menon during the period of her co-operative training from 16.09.1999 to 02.05.2000 may be reviewed and necessary action taken. Similar cases, if any, may also be reviewed and fact intimated to audit. DGM (Finance) replied that the training to the officers was given not for the interest of the employee but for the benefit of Matsyafed and fishery sector. But, the post in which these employees are recruited demand co-operative training (JDC/HDC) and payment of pay and allowance during the period of training was not admissible as per Government Orders.

**V. Claiming of excess interest subsidy from State Government resulted in undue benefit to Matsyafed.**

Matsyafed has been implementing the scheme – Interest Free Loan (IFL) to fish vending women since 2008-09. Under the scheme, fish vending women will be granted interest free loans of Rs.10,000/- or Rs.20,000/- repayable in 50 equal weekly instalments. Fish vending women, who applies for the first time for the loan will get a loan of Rs.10,000/- and subsequent eligibility will be for Rs.20,000/-. In case of delay in re-payment, interest and penal interest is charged beyond the interest free period. The funds for this loan are met from the funds already available with Matsyafed under NMDFC and NBCDFC schemes. The loss of interest sustained to Matsyafed due to

the implementation of the scheme is compensated by State Government. For the year 2017-18, State Government has sanctioned one crore Rupees for this scheme as interest subsidy and the amount was allotted to Matsyafed in two instalments, i.e. Rs.62,16,600/- on 25.02.2018 and Rs.37,83,400/- on 27.03.2018. The rate of interest calculated (@ 6 per cent per annum of EMI method) by Matsyafed for the year 2017-18 was Rs.756/- for a loan of Rs.20,000/- (estimated number of beneficiaries 12000) and Rs.378/- for a loan of Rs.10,000/- (estimated number of beneficiaries 1500).

After scrutinising the scheme implementation records audit makes following observations:

- Audit observed that Government have been releasing interest subsidy (amount of interest Matsyafed supposed to pay for NMDFC/NBCDFC loans) to Matsyafed in respect of NMDFC/NBCDFC funds released as IFL. Accordingly, Matsyafed received Rupees one crore in February/March, 2018. But the disbursement of IFL was started only from February 2019 and the disbursement is still going on. As per the data furnished, IFLs were disbursed to 12,123 women (Rs.20,000/- to 12,001 persons and Rs.10,000/- to 122 persons) at the end of October 2020. Delayed disbursement of IFL, even after getting interest subsidy from State Government in advance, resulted in undue benefit by way of bank interest accrued to bank deposit of Matsyafed.
- Fund for the disbursement of IFL was met from the funds available with Matsyafed under NBCFDC and NMDFC schemes. It was observed that NBCFDC charges interest @ 2 per cent and NMDMC @ 1 per cent. However, Matsyafed claims interest subsidy @ 6 per cent from the State Government and Government releases it accordingly. Claiming of interest at the rate of 6 per cent provided undue benefit to Matsyafed.
- Further, State Government released Rs.1,25,80,455/- as interest subsidy to Matsyafed vide GO (Rt)No.449/2020/F&P dated 16.08.2020 for implementing IFL scheme for 2019-20, to fish vending women, based on the project proposed by Matsyafed. Delayed implementation of the IFL schemes not only resulted in blocking up of funds with Matsyafed but also resulted in avoidable additional expenditure to the State Government by way of advance release of excess interest subsidy.

Assistant Manager replied that Matsyafed is paying 0.75 per cent guarantee commission to Government plus GST (18%) under RCM for the loan availed from NMDFC/ NBCLDFC. But, this claim do not justifies the excess interest claimed from State Government.

**VI. Avoidable expenditure by way of GST payment – Construction of District Office Building at Kasargode – Rs4.07 lakh**

Matsyafed decided to construct a new District Office building at Kasargode using Rs36 lakh allocated under the IFDP 2012-13 funds. Accordingly prepared estimate for Rs36 lakh and obtained Administrative Sanction and Technical Sanction vide No.M fed /D1/1147/2018 dated 25.07.18 and No.14/2018/price dated 25.07.18 respectively. The estimate was prepared based on the Delhi Schedule of Rates 2016 with cost index at 138.24 per cent. Tender was floated with an estimated PAC of Rs.33,22,710/- after deducting electrical and other works from the sanctioned estimate. The work was awarded to the lowest tenderer who quoted 11.82 below estimate rate.

During the work some extra works for an amount of Rs.1,39,345/- awarded to the same contractor. While preparing the estimate of extra works of handrails item No.9.48.2 of DSR was used, but the contractor agreed to do the same in item No. 10.26.3 of DSR so that the amount became lesser than estimated rate of Rupees two lakh for the extra works. Later electrical and other works also awarded to the same contractor. Matsyafed awarded the total work for a quoted amount of Rs.33,94,630/- to the contractor. As per the final bill the work was completed for Rs.33,94,630/-. In addition to the value of work done an additional amount of Rs.4,07,356/- was paid to the contractor as GST (12%).

While accepting the tender of the contractor, the rates included (for all the items of works) in the tender were all inclusive of taxes. Further, as per Circular No.18/2019/Fin dated 01.03.2019 of Finance (Industries & Public Works) Department when the estimate was prepared based on the Delhi Schedule of Rates 2016 with cost index at 138.24 per cent the additional GST component cannot be added to the value of work done. Matsyafed prepared the estimate using cost index at 138.24 per cent (indicating inclusion of VAT/GST component). Hence, the payment of GST above the total value of work done Rs.33,94,630/- was irregular and the payment of Rs.4,07,356/- to

contractor towards GST above the value of work done was avoidable and became expenditure to Matsyafed.

Similar excess payment of GST was noticed in the following cases

Name of the work	Agreed PAC including tax	Work done	GST paid
Fish Booth at Mallapally, Pathanamthitta	948821	819075	98290
Fish Booth at Chembukavu, Thrissur	849336	710236	85228
Fish Booth at Poothakulam, Irinjalakudam	859329	807853	96942
Fish Booth at Punalur	894346	857929	102952

Assistant Engineer replied that, as the schedule is a computer generated format the print out for the same will only have the heading for total amount with taxes and the contractor has to be paid GST as per the norms. This argument is not acceptable as it is the responsibility of the officers inviting tenders to make available unambiguous format by making all corrections required in the computer generated format. This was not being done and also audit could not find any records that tenderers were quoted rates excluding taxes. The circular quoted in the reply (Circular no.18/2019/fin dated 1.3.2019) was issued after finalizing the tender and hence it is not applicable in the present case. Further, the cost index applied for the preparation of estimate was not as per the rates mentioned in the circular.

#### **VII. Loss due to awarding work to bidder quoted higher-Rs13.65 lakh**

Fishermen in Alappuzha and neighboring districts are coming to Aroor market for selling their catches as the market was located near NH Bypass and a number of fish exporting companies are located near the market. In view of this Matsyafed has proposed to modernise this market, which will help the fishermen and exporters. After executing lease agreement (for thirty years), Aroor Grama Panchayat handed over the market to Matsyafed. Matsyafed had obtained administrative sanction (Vide GO (Rt.) No.365/2017/F&PD dated 09.05.2017) for an estimated amount of Rs85 lakh and the source of funding for the project was from G o K (Rs50 lakh), MLA Asset Development Fund (Rs25 lakh) and from Aroor Grama Panchayat (Rs10 lakh). Subsequently, the estimate (to Rs92 lakh) was revised based on the design given by the consultant, Central Institute of Fisheries Technology.

The tender for the civil works (estimated PAC Rs 87,46,394) was floated on 18.6.2018 and as per item no.26 of General condition of tender, the rate quoted by the contractor shall be deemed to be inclusive of all taxes and any increase thereon. Six tenders were received and the quoted rates were 14.92 per cent, 14.11 per cent, 12.1 per cent, 9.98 per cent, 8.19 per cent and 7.06 per cent below the estimate rate. The person who quoted 14.92 per cent included a condition in his tender that the rates quoted were exclusive of GST rate and he demanded to pay applicable GST separately. Overlooking this condition Matsyafed awarded the contract to the Contractor who quoted 14.92 per cent below the estimated rate. The work was completed for the accepted PAC of Rs.79,39,870/- and an amount Rs.14,29,177/- was paid to contractor separately as 18 per cent GST.

Audit observed that in all other tenders the rates quoted were inclusive of taxes (no separate condition was specified as in the above case) and awarding of work to the contractor who demanded extra GST. Had the work been awarded to the lowest tenderer, who quoted 14.11 per cent below the estimate rate including GST, there could have been avoided an extra expenditure to the tune of Rs.14,93,489/- .

The Assistant Engineer replied that all the contractors can quote the basic rates excluding GST as per the Government circular no.19/2017/fin dated 14.12.2017. But in the present case estimates were prepared by applying cost index which was inclusive of all taxes. Further, price software could not prepare estimates without GST during that period. Hence the estimate prepared by Matsyafed was inclusive of GST and payment of additional GST over and above the quoted rate was extra benefit to the contractor.

**VIII. Delay in utilisation of funds released for Gender Equality and women empowerment programme:**

Matsyafed has submitted a project proposal for women empowerment through entrepreneurship and training to Self Help Groups (SHGs) under Gender Equality and Women Empowerment Policy. Accordingly, Director of Fisheries vide proceedings No.N2/6720/2017 dated 15.12.2018 sanctioned an amount of Rupees ten lakh for the project, to be implemented through Matsyafed. The objective of the project is to provide entrepreneurship training to women SHGs affiliated to primary fishermen co-operative societies of Matsyafed. It was seen that, the fund for the project was released in

December 2018 and Matsyafed conducted one state level workshop for its officers on 15/11/2019, nine district level workshops for society representatives during January/February 2020 and 50 cluster level workshop for SHG members during January/February 2020 and incurred Rs7.55 lakh

Audit observed that there was substantial delay in implementing the project by Matsyafed as the process of implementing the programme was started only after receipt of funds. Consequently, the training programmes were conducted one year after the receipt of funds. Further, there was unutilised balance of Rs2.45 lakh with Matsyafed even after two years of receipt of fund from the Fisheries Department.

Remarks on the audit observation may please be furnished. DGM (E&MC) replied that Covid-19 lockdown from March hindered the conduct of few training scheduled and the balance unspent will be utilized shortly without fail.

**IX. Usage Matsyafed vehicle for unintended purpose:**

It was noticed from the records of Matsyafed that a Maruti Ciaz car purchased in 2016 was permanently transferred to the office of Minister for Fisheries and the fuel charges, wages of driver, other maintenance charges are being included in the expenditure of Matsyafed. In this regard following observations are made by audit.

- Every time a vehicle was purchased by a Department/institution, it was after ascertaining the unavoidable need for the vehicle in the department/institution. Transfer of vehicle immediately after the purchase, for use of another office indicates lack of necessity for purchase of the vehicle in the office of the Matsyafed.
- It was observed that Shri. Jayakumar T, was the driver (a casual labourer) of the vehicle and he was being paid his wages from the account of Matsyafed based on the certificate issued about his duty in the office of the Minister for Fisheries. Scrutiny of his duty certificate for the last three months revealed that he was paid wages for his normal duty (almost all days of the month) and additional wages for his overtime (more than 2/3<sup>rd</sup> days of the month). Further, the duty certificate of the driver revealed he worked almost all days including days on which state holiday was declared. This creates suspicion on the genuineness of the certificate issued. Audit also noticed that the certificate was not issued by any competent officer of the Fisheries Department. Thus, the wages and



overtime wages were charged on the expenditure of Matsyafed without getting benefit to Matsyafed.

DGM (E&MC) replied that as part of austerity measures to curb expenditure in purchase of vehicle by Government, the said vehicle was spared from liaison work for the department related issues, works related to Legislative Assembly and Secretariat and follow up. It was also stated that vehicle was used for field level functions and meeting and monitoring of fishing operations in connection with harbor management society. These explanations could not be verified as the log book of the vehicle was not furnished before audit for scrutiny. The signing of duty certificate by Assistant Private Secretary could not be accepted as the person was not competent to do so.

Further, Audit noticed that vehicles of the Matsyafed carrying the board of 'Kerala State' painted in red colour. As per Notification (No.74/2015/Tran.) dated 19.11.2015 of Transport (B) Department of Government of Kerala, vehicles of Matsyafed should display a board in front and rear indicating the name of the unit on the top of the board other than the board showing the registration mark and the letters 'A State Government undertaking' below name of the office/unit recorded on the top of the board. The background of the board shall be in light blue colour and the letters shall be in white colour. The size of the name plate shall be 30X10 cm and the letters shall have a height of 40 millimeter with thickness of 6 millimeter. This violation of displaying board on the front and rear of Matsyafed vehicles are brought to notice for rectification. It was replied that action for complying the direction shall be adopted in the in case of display board on vehicles.

**X. Loss due to construction of building without obtaining long term agreement:**

For the expansion of business, Matsyafed decided to construct fish booths and base station in different districts. Accordingly, Matsyafed requested local bodies and other institutions to allot vacant land in prime locations under their custody to construct fish booths. It was observed that Matsyafed constructed fish booths (in most of the cases) on the land allotted based on permissive sanctions. Because of the allotment of land was based on permissive sanction the Matsyafed was asked to vacate the land whenever the grantee found uncomfortable with the fish booths. This had resulted in wasteful expenditure for Matsyafed. A few instances are listed below:

**a) Kottayam base station**

At the request of Matsyafed, Kottayam Municipality (vide council resolution No.29/23.04.2010) allotted 7 cent land at Thiruvathuckal Municipal Shopping Complex for the construction of base station and fish booth. Matsyafed spent Rs.21,96,242/- for Civil works (Order No. MFIED/D1/2271/12 dated 2.03.2015) and the facility started functioning. In 2017 Kottayam Municipality ordered to shift the base station from the Municipality land due to unhygienic condition of the premises. Subsequently, based on the request of Matsyafed, Municipality gave permissive sanction for another land at Kodimatha. It was observed that soil filling work was completed for an amount of Rs22.71 lakh at the newly allotted land and the base station is working in a rented building.

**b) Fish booth at Chembukavu, Thrissur**

Matsyafed had constructed a fish booth at Chembukavu, Thrissur in the land owned by Thrissur Corporation based on the permissive sanction to construct the fish booth. Matsyafed expended an amount of Rs.7,95,464/- for the construction of fish booth and the fish booth started working from April 2019. On 27.08.2020 Matsyafed was asked to demolish the fish booth as Thrissur Corporation wanted to construct a shopping complex in that area.

Thus, absence of sufficiently long period of agreement with land owners, forced Matsyafed to demolish/dismantle the facility constructed for fish booth and base station, and amount incurred on erecting the facility became wasteful. DGM (Commercial) replied that Matsyafed does not have commercial space in important towns and the only way to start fish marts in different towns is to get space from LSGs and they used to give space on permissive sanction basis only. In this situation it is suggested permission for sufficiently long period may be obtained to avoid loss on expenditure incurred on construction.

**XI. Accumulation of arrears in repayment of various loans-Regarding**

The objective of Matsyafed is to carry out activities for promoting production, procurement, processing and marketing of fish and fishery products for the total development (Economic, Social and Culture) of fishermen community. In order to achieve this objective Matsyafed has been channeling funds from National Backward Community Development Finance Corporation (NBCDFC) and National Minority

Development Finance Corporation (NMDFC) and distributing it through various primary fishermen welfare co-operative societies. Following are three types of loans distributed by Matsyafed.

Type of loan	Interest rate	Remarks
Term loan	6%	For purchasing fishing inputs to fishermen
Microfinance	6%	For Self Help Groups for micro level livelihood activities.
Interest free loan	--	Loan to fish vending women with a re-payment period of one year. Non-refund beyond this period will attract interest and penal interest. Matsyafed gets interest subsidy from State Government

The above loans are disbursed through fishermen welfare co-operative societies (primary societies), where the applicant beneficiary is a member. The primary societies also have to collect the re-payment of the loan and it should be remitted to Matsyafed @ 5 per cent interest (one percent interest is the margin for the primary societies). Matsyafed is monitoring all these activities in the field through Project officers and motivators.

Audit scrutiny of DCB statement prepared upto March 2020 revealed that in respect of term loan repayment was 79 per cent, in respect of Micro Finance repayment was 98 per cent and in respect of IFL repayment was 99 per cent of the demand. Though statewide position in respect of repayment of term loan was 79 per cent, repayment position of two districts viz. Kollam (71 per cent) and Alappuzha (74 per cent) was lower than the state average. Audit of records of two district offices (Thiruvananthapuram and Kollam) revealed that accumulation of arrears in repayment was mainly due to defunct societies and also due to inaction to recover from the guarantors of the loan.

Assistant Manager replied that one of the pertinent issues that Matsyafed is facing is that of absence of proper recovery mechanism. Not even a single statutory notice can be issued by Matsyafed as per co-operative law and parent department's delay in taking timely recovery action is badly tampering the financials of Matsyafed.

**PART III**

**Outstanding paragraphs of previous Inspection Reports**

Sl. No	IR No.	Period	Paras Outstanding		IR-Para
			II A	II B	
1	8-2755/2007-08	2008-09	---	II (a)	1-1
2	8-2840/2008-09	2009-10	I, II, IV, VI	I, VI, VII, VIII, IX, XII, XIII	1-11
3	8-2989/2009-10	2011-12	I	I, II, IV, V, VII, VIII, IX	1-8
4	8-3728/2015-16	2017-18	I	I, II	1-3
5	8-3783/2016-17	2018-19	---	I to VII	1-7
6	06-82/2017-19	2019-20	I	I to VIII	1-9

**PART IV**

**Best Practices**

Nil

**PART V**


**Acknowledgement**

The records called for were made available to audit and full co-operation was extended for the conduct of audit.

**Disclaimer:**

The Inspection Report has been prepared on the basis of information furnished by the Headquarters of Matsyafed at Manacaud, two district offices at Thiruvananthapuram and Kollam and Net factory at Muttathara, Thiruvananthapuram. Office of the Principal Accountant General (Audit I), Kerala, Branch: Thrissur disclaims any responsibility for any misinformation and non-information on the part of the auditee.

  
 Sr. AO/AMG-I (HQ-IV)

  
 9/8/2021