15 -ാം കേരള നിയമസഭ

13 -ാം സമ്മേളനം

നക്ഷത്ര ചിഹ്നം ഇല്ലാത്ത ചോദ്യം നം. 5474 **24-03-2025 - ൽ മറുപടിയ്ക്ക്**

പദ്ധതികൾ സംബന്ധിച്ച് ഓഡിറ്റ് റിപ്പോർട്ടുകളിൽ കണ്ടെത്തിയ ക്രമക്കേടുകൾ

ചോദ്യം		ഉത്തരം	
ശ്രീ. സജീവ് ജോസഫ്		**ശ്രീ. പിണറായി വിജയൻ (മുഖ്യമന്ത്രി)**	
(എ)	മുൻ സർക്കാരിന്റെ കാലം മുതൽ നാളിതുവരെ വിവര സാങ്കേതികവിദ്യ വകുപ്പിൽ നടപ്പാക്കിയ വിവിധ പദ്ധതികൾ സംബന്ധിച്ച് വിവിധ ഓഡിറ്റ് റിപ്പോർട്ടുകളിൽ കണ്ടെത്തിയിട്ടുള്ള ക്രമക്കേടുകൾ എന്തൊക്കെയാണ്; വിശദാംശം ഇനം തിരിച്ച് ഓഡിറ്റ് റിപ്പോർട്ട് അടിസ്ഥാനത്തിൽ വ്യക്തമാക്കുമോ;	(എ)	ഓഡിറ്റ് റിപ്പോർട്ടുകൾ അനുബന്ധമായി ചേർക്കുന്നു.
(ബി)	പ്രസ്തുത ക്രമക്കേടുകളിൽ ഓരോന്നും സംബന്ധിച്ച് വകുപ്പുതലത്തിലും അഴിമതി നിരോധന നിയമപ്രകാരവും നാളിതുവരെ സ്വീകരിച്ച നടപടികൾ എന്തൊക്കെയാണ്; വിശദാംശം വ്യക്തമാക്കുമോ?	(ബി)	30.12.2023 തീയതിയിലെ സഉ(സാധാ) നം.262/2023-ഐ.ടി.ഡി ഉത്തരവ് പ്രകാരം ഐഐഐഐടി-കെ പാലാ സ്ഥാപിച്ചതിനുള്ള റവന്യൂ ചെലവുകളുടെ മിസ്ക്ലാസിഫിക്കേഷൻ പരിഹരിച്ചിട്ടുണ്ട്. ആയതിന്റെ പകർപ്പ് അനുബന്ധം ആയി ചേർക്കുന്നു. മറ്റുള്ള ഓഡിറ്റ് റിപ്പോർട്ടുകളിൽ വകുപ്പ് തലത്തിലും അഴിമതി നിരോധന നിയമപ്രകാരവും നടപടി എടുക്കേണ്ടതായ പരാമർശങ്ങൾ ഒന്നും തന്നെ ഇല്ല.

സെക്ഷൻ ഓഫീസർ

26/KSITIL/C&AG-IR/2019

भारतीय लेखा तथा लेखापरीक्षा विभाग
INDIAN AUDIT AND ACCOUNTS DEPARTMENT
महालेखाकार (आर्थिक एवं राजस्व क्षेत्र लेखापरीक्षा) का कार्यालय
OFFICE OF THE ACCOUNTANT GENERAL
(ECONOMIC AND REVENUE SECTOR AUDIT)
केरल, तिरुवनन्तपुरम - 695 001
KERALA, THIRUVANANTHAPURAM - 695 001

सत्यमेव जयते

KSITIL
CSLFM / GM(T)
11 OCT 2019
INWARD
No. 4764

11/10/19

CAII/C/12-8377/93
Dated: 11.10.2019

To

The Managing Director,
Kerala State Information Technology Infrastructure Limited,
7th floor, Felicity Square,
M.G Road, Statue,
Thiruvananthapuram 695001

Sir,

Sub: Inspection Report on the audit of Kerala State Information Technology Infrastructure Limited for the period 2014-18.

Ref: Letter No 26/KSITIL/C&AG-IR/2019/2752 dated 23/09/2019

With respect to the reference cited, the following further remarks are offered.

Part II B

Para I: **Modification of tender condition on payment terms after award of contract in violation of CVC Guidelines in Technocity project**

The para is not pursued further..

Para II: **Construction of Cyber Park at Kozhikode – Incurring expenditure without protecting the interest of the Company on revenue sharing – ₹25.34 crore**

Further progress made in the sub para 1 & 3 may be furnished.

Para III: **Non-receipt of lease rent of ₹20 lakh from Infopark for IT Park at Thrissur and incurring expenditure of ₹9.52 crore against the terms of agreement**

Following may be furnished.

1. Whether sanction was obtained for diversion of plan fund from IT Park at Koratty to IT Park at Thrissur.
2. The sub para is not pursued further.
3. Further progress made in the settlement of account with Infopark.

Para IV: **Construction of IT Park, Kollam**

दूरभाष /Telephone : 0471 - 2330799 ई-मेल/ / e-mail : agersakerala@cag.gov.in फैक्स / Fax : 0471 - 2330699, 2332022

Following may be furnished.

1. Further progress in modifications made in lease agreement.
2. The sub para is dropped.

3&4. Further progress made in settlement of account with Infopark.

Para V: **Undue favour extended to a private party due to defective clause in lease agreement in the case of PiravomTechnolodge**

Specific reply may be furnished.

Yours faithfully,

Senior Audit Officer

Inward No ...
Date: 02/04/2024

प्रधान महालेखाकार (लेखापरीक्षा II) का कार्यालय, केरला, तिरुवनंतपुरम
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT II) KERALA,
THIRUVANANTHAPURAM-695 001

सत्यमेव जयते

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

यशोदा, भा.लेप.ले.से.
वरिष्ठ उपमहालेखाकार (लेप.प्र.स.-II)
Yashoda, IAAS
Senior Deputy Accountant General (AMG-II)

No. DP Cell/9-69/AR/ 353/2023-24/1
Dated: 02 April 2024

Dear Sir,

I am sending herewith a Statement of Facts titled **"Implementation of KFON Project"**. The issue was noticed during the audit of Kerala State Information Technology Infrastructure Limited for the period 2018-2023.

As this case is being considered for inclusion in the Audit Report of the Comptroller and Auditor General of India, Government of Kerala for the year ending 31 March 2023, I shall be grateful if you could arrange to examine the case and furnish remarks thereon within four weeks, positively.

The facts and figures mentioned in the Statement of Facts may please be confirmed.

With kind regards,

Yours sincerely,

Yashoda
2/4/2024

Dr. Santhosh Babu IAS (Retd.)
Managing Director,
Kerala State Information Technology Infrastructure Ltd.,
1st Floor, Sankethika, PF Road, Vrindavan Gardens,
Pattom P O, Thiruvananthapuram- 695004

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Statement of Facts

Kerala State Information Technology Infrastructure Ltd.

Implementation of KFON Project

Introduction

In the Budget for the year 2017-18 presented on 03 March 2017, the Finance Minister of Kerala, declared that free internet connections would be provided to 20 lakh poor families. For others internet service would be provided at a lower rate. The universal basic internet facility would be made available to all citizens and Government machinery through a new optic fibre pathway created in parallel to KSEB electric power network. It was aimed to complete the network within 18 months.

Towards achieving the above goal of the Government, Administrative Sanction was accorded (18 May 2017) for establishing a state vide optical network named Kerala Fibre Optic Network (KFON). KFON aimed to build a statewide optical fibre network infrastructure for providing high speed connectivity to all Government, educational institutions (approximately 30,000 numbers) and leveraging the network to the Telecom/Internet service providers on non-discriminatory basis to provide quality and affordable internet services to the citizens. The expenditure for providing free internet to 20 lakh poor families was not included in the AS. It was stated that a delivery model would be worked out and an open tender would be floated to provide connectivity to such families.

Implementing Agency of the KFON Project

Kerala State Information Technology Infrastructure Limited (KSITIL) a State Government Company was designated as the implementing agency of the project. After tendering a revised Administrative Sanction for Rs. 1548.08 crore (taxes extra) was issued on 11 November 2019.

As per the Project Note submitted (May 2017) the implementation time for the core network was 18 months and the total time was 30 months including the establishment of access network for connecting the Govt. and Educational institutions.

A Consortium[1] led by M/s Bharat Electronics Limited (BEL)was found L1 among three qualified bidders for the selection of System Integrator (SI) for the execution of the project. KSITIL, then executed the agreement with M/s BEL on 09 March 2019 at a project value (inclusive of capital & operating expenditure) of Rs. 1611.34 Crore (excluding taxes). The details of the agreement value is given below:

[1] The consortium consisted of M/s Bharat Electronics Limited (Lead Bidder). M/s RailTel, M/s SRIT and M/s LS Cable

Sl.No	Description	Amount (Rs. In Crore) excl. of taxes
1	Capital Expenditure for Package A (KFON)	1168.25
2	Capital Expenditure for Package B (KSEBL)	79.67
3	Total Capital Expenditure	1264.92
4	Operating Expenditure for 7 years for both packages	363.42
	Total Agreement value	1611.34

Audit reviewed the conceptualization and execution of the project, to see whether KFON project aligned with the 2017-18 Budget proposal, contracts were executed economically, efficiently, and effectively and monitoring systems for project execution were adequate and effective.

The following are findings of Audit:

Compliance with Central Government guidelines and fulfilment of Government promise

1. **Failure of KFON Project to integrate with existing BharatNet led to resource duplication, risking central assistance of Rs. 85 crore and causing users to incur additional internet charges.**

Apex Committee on e-Governance chaired by Chief Secretary, Government of Kerala (GoK) noted on 24 February 2015 that the National Optical Fibre Network (NOFN) would connect 977 Gram panchayats and 152 Blocks of Kerala by the end of March 2015. It was suggested that, overhead fibre could be laid using KSEB poles to extend fibre connectivity from the Block/Grama Panchayats to Govt. Institutions. GoK approved (24 June 2015) the initiative instructing all Government Departments should leverage NOFN for connectivity purpose.

Meanwhile Government of India had suggested (20 May 2015) that Kerala may implement the upgraded model of NOFN i.e. BharatNet through State Government promoted Special Purpose Vehicle to lay the infrastructure and maintain the network with funding to be provided by the Central Government

On July 16 2015, the Apex Committee approved the State-led model for BharatNet in Kerala, forming an SPV, and the decision was conveyed to the Government of India on July 29 2015. The Cabinet meeting on September 16 2015, further endorsed this approach, recognizing BharatNet's potential to overcome NOFN's limitations.

In the second meeting of the Committee to work out the modalities for creation of SPV for the implementation of BharatNet Project in the State dated 24 November 2015, it was decided that the State need not wait for Central fund and that even if Central fund was not received, State had to complete the project with own fund; and project cost could also be covered by the State's Infrastructural Development Fund. .

In a meeting chaired by the Chief Secretary on 04 June 2016 concerns over limited OFC reach hindering high-bandwidth connectivity for government institutions. It was proposed that considering Kerala's placement in the third phase of the BharatNet project starting from 2018 only, KSEB transmission/distribution network may be leveraged for statewide fibre deployment. Kerala State IT Mission was tasked to prepare a project DPR for Government of India submission.

The Apex Committee on e-Governance decided (19 January 2017) to form a committee led by the Chief Secretary to study a project proposal viz. Kerala State Fibre Net Project (Fibernet) aimed to establish a high-speed, reliable fiber network to connect all government and educational institutions, facilitating enhanced services for citizens.

In the Committee meeting on 09 February 2017, the draft DPR for the Fibernet project was reviewed. The revenue models and indirect benefits were discussed, emphasizing cost savings on bandwidth. The committee recommended project approval. Project duration was set at 18 months. It was decided that an SPV, with KSEB representation, would be formed by Kerala State IT Infrastructure Ltd. (KSITIL). Initial funding would be from KIIFB, with later funding sought from GOI's USOF.

The Kerala State IT Mission submitted the DPR on 03 May 2017. Kerala opted for a state-led model for BharatNet, establishing a State SPV. Following review by the Apex Committee, Administrative Sanction was issued for the project with KIIFB funding on 18 May 2017. Cabinet approved the proposal on 11 October 2017.

KFON project was kickstarted in March 2017 with an ambitious announcement in the Budget of 2017-18 that free internet connections would be provided to 20 lakh poor/BPL families. KFON Ltd was incorporated on 06 September 2018 and KSITIL is acting as the implementing agency KSEBL, KSITIL and GOK entered into the JV agreement to form KFON Ltd on 17 August 2019.

Govt. of Kerala vide letter dated 26 August 2017 had requested GoI to provide necessary funding for the KFON project from USOF. Again on 19 November 2018 GoK requested for USOF funding. However, no amount was released by GoI from USOF so far.

In the year 2022-23, Government of India had launched a Scheme named as "Special Assistance to States for Capital Investment 2022-23", under which financial assistance was provided to the State Governments in the form of 50-year interest free loan for capital investment projects. Part V of the scheme was for projects related with Optical Fibre Cable network.

Guidelines on the Scheme for Special Assistance to States for Capital Investment for 2022-23, under Eligibility conditions stipulated under 3(v) (b) that there would be no duplication of the existing Bharatnet projet in setting up OFC network. Existing OFC network of Telecom Licensees/Infrastructure Providers/BBNL should be utilized by the State/UT Government, wherever available/feasible.

KSITIL prepared a proposal for assistance under the Scheme and Govt. of Kerala submitted (22 July 2022) the proposal to Govt. of India certifying that all the mandatory conditions have been complied with. Based on the proposal, Govt. of India had released Rs. 85 crores to the state for implementation of the KFON project in 2022-23.

DoT, GoI in the review meetings held on 13 July 2023 and 20 July 2023 and through letter dated 09 August 2023 urged the State to ensure that BharatNet is utilized in providing FTTH connections KFON Project since funds under special assistance was for utilizing BharatNet infrastructure for providing FTTH connections. KFON Ltd was directed to examine and prepare a detailed plan for collaboration between the KFON Project and the BharatNet for the purpose of utilising the funds received/to be received from GoI as special assistance for capital projects on OFC network of State in consultation with BSNL.

GoI repeatedly emphasized (letters dated 19 October 2023 and 02 November 2023) extending BharatNet to villages for Last Mile Connectivity utilising the Special Assistance and reiterated that there should be no duplication of the existing BharatNet Project in setting up OFC network and requested to provide the details of the project targets and its achievements using the fund to avoid duplication and ensure synergy in implementation of the Amended BharatNet Programme .

Audit noted that the project's implementation strategy diverged from BharatNet Guidelines. It was noticed that by September 2016, 977 Gram Panchayats and 152 Blocks in Kerala were already connected by Optical Fibre through the National Optical Fibre Network (NOFN)/BharatNet project by utilizing Universal Service Obligation Fund (USOF) with an ultimate objective of facilitating delivery of e-governance, e-health, e-education, e-banking, internet and other services to the citizens in rural Kerala. However, KFON Project was implemented in the State with borrowed funds without any provision for integrating with BharatNet, thus creating duplication of fibre network.

KFON's failure to utilize the pre-existing network infrastructure provided by NOFN/BharatNet up to the GP level risked losing Rs. 85 crore Central Assistance and any potential future aid. Additionally, it led to infrastructure duplication and double payment for internet charges for both BharatNet and KFON connections.

Thus, despite the availability of pre-existing network infrastructure through the National Optical Fiber Network (NOFN)/BharatNet project, KFON's failure to integrate with these networks has led to duplication of resources, risking the loss of substantial central assistance and resulting in double payments for internet charges for the users. Moreover, the project's slow progress, marked by a substantial reduction in target numbers and a failure to meet even the revised targets, as explained in subsequent paragraphs, raises concerns about its effectiveness in achieving its stated objectives.

2. Non-Compliance of CSS Guidelines in 2022-23 and its impact on further funding for 2023-24. Non-receipt of GoI Assistance Rs. 1062 crore

Mandatory conditions as stipulated in the Scheme Guidelines for "Special Assistance to States for Capital Investment 2022-23" required full compliance with the official name of all Centrally Sponsored Schemes (CSS) and any guidelines/instructions issued by the Government of India regarding branding of CSSs. Violation of the mandatory conditions would result in the deduction of amounts by the Government of India from devolution of taxes to the State.

The guidelines for preserving the All India Character of Centrally Sponsored Schemes (CSS) emphasized the importance of using names like "National Mission" or "Prime Minister's programme" to reflect their nationwide scope. They also suggest launching these schemes simultaneously in multiple states by dignitaries such as Union Ministers or Members of Parliament to enhance visibility and public awareness.

Govt. of Kerala submitted (22 July 2022) a proposal for assistance under the scheme to Govt. of India certifying that all the mandatory conditions have been complied with. This was factually incorrect regarding branding. Based on the proposal, Govt. of India had released Rs. 85 crores to the state for implementation of the KFON project in 2022-23.

For the year 2023-24 also a similar scheme was announced by the GoI and KSITIL had prepared a proposal for Special Assistance for the year 2023-24 amounting to Rs. 1062 crore.

In the Office Memorandum dated 07 February 2023 issued by Ministry of Finance, GoI, forwarding the Guidelines of the Scheme for Special Assistance to States for Capital Investment 2023-24, also highlighted the compliance by the State Governments of the branding/official name of Centrally Sponsored Schemes.

Audit observed the following:

The CSS Guidelines aimed to maintain uniformity in implementing Centrally Sponsored Schemes across India. However, KSITIL/Govt. of Kerala failed to implement the naming policy of the CSS Guidelines and inform the public that the KFON Project had become a beneficiary of Centrally Sponsored Scheme. This oversight, including the project's inauguration without Union Government representation, violated CSS Guidelines. Further, integration of KFON Project with BharathNet as directed by GoI had not been done. Consequently, this non-compliance might have impacted the rejection of States request for Rs. 1062 crore funding from the Government of India for 2023-24, as no funds were released under the scheme for Kerala whereas most of the other states had already received the funds (February 2024).

Company replied (October 2023) that the Audit Observation has been noted for the future.

3. Failure of KFON Project to deliver promised internet connections

KFON project was kickstarted in March 2017 with an ambitious announcement in the Budget of 2017-18 that free internet connections would be provided to 20 lakh poor families. It was stated in the Administrative Sanction (18 May 2017) that a delivery model would be worked out and an open tender would be floated to provide connectivity to such families.

The first phase of KFON was inaugurated on 15th February 2021. Hon'ble Chief Minister had announced on 18 January 2022 that free internet connections would be provided by KFON to the selected BPL families in each of the 140 Legislative Assembly constituencies across the State. Accordingly, A S was issued in May 2022 declaring that free internet connectivity would be provided to the most eligible 70,000 economically backward families (BPL families) in each of the 140 Assembly Constituencies, covering all Local Self Government Institutions in the State.

Local Self Government Department was requested to identify 70,000 beneficiaries and to furnish the LSG-wise details of the beneficiaries

Again, in May 2022, departing from the earlier declaration, it was announced that KFON would give household connections to 14,000 economically backward families @ 100 families in each of the 140 Constituencies in the State.It was decided (24 June 2022) to fix the number of connections in a legislative assembly as 100 in the first phase and to consider BPL status as the criteria. Connections to be given to those who are residing near to the Points of Presence of KFON and priority may be given to SC/ST category.

However, it was observed that the selection of beneficiaries by the Local Self Government Department could not be completed in a time bound manner as there was confusion in fixing the beneficiary criteria and the authority to fix that criteria

Thereafter, guidelines were issued (31 August 2022) for the selection of beneficiaries (14,000 BPL families) in the initial phase of providing connections as part of KFON project and priority

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percentage of reservation was to be given to BPL families belonging to SC/ST categories. But the beneficiary list was not seen issued by LSGD. Cost for providing free internet connections to 14000 economically backward families was discovered by KSITIL as Rs. 124/- per connection/month. Work order had already been issued to a local ISP M/s Kerala Vision Broadband Ltd. (KVBL) for providing connectivity and the implementation of 14,000 connectivity would have to be done based on the receipt of list of households from LSG Department.

Audit observed that:

a. Even though the target numbers were significantly reduced, till now (February 2024) the KFON project could not provide connectivity even to the diluted target of 14000 BPL families. As of as of 15 January 2024, only around 5050 connections could be given out of 14000.

Company replied (October 2023) that the reason was due to delay in receiving the list of beneficiaries from LSG Department and defects in the list obtained.

The reply is not tenable as it shows the failure of the Government machinery to properly identify a mere 100 BPL beneficiaries from each of the 140 Legislative Constituencies. Further, even after obtaining the list the connections effected are abysmally low.

b. The Budget Speech and subsequent Government Order asserted the provision of free internet connections to 20 lakh poor families /BPL families. However, the clarification regarding the estimation of the number of families and the procedures for providing these connections sought for in Audit is still awaited.

c. The current infrastructure of KFON would be able to support only up to 50,000 connections. Thus, by connecting the existing Government Offices and 14,000 BPL Households, the infrastructure would be near to its 100% capacity. KFON Ltd. in July 2023 submitted a proposal to GoK for extending free KFON connectivity to 2.5 lakh Economically Backward Households in Phase I to be completed by October 2024. The anticipated total cost of Phase I was Rs. 104.45 crore per year. KFON Ltd. requested to sanction this amount so that to complete the Phase I. This was to be followed by additional 5 lakh in Phase 2 by 31 December 2025, additional 6 lakh in Phase 3 by 31 December 2026 and balance 6.5 lakh in Phase 4 by 31 December 2027. The yearly recurring expenditure for this was estimated at Rs. 286.42 crore, Rs.687.20 crore and Rs.929 crore respectively. Thus, once completed, approximately Rs. 929 crores per year would have to be allocated by Government to KFON Ltd. for ensuring free connectivity to 20 lakh families. However, Government did not give any commitment for financial support to KFON Ltd. for this purpose and intimated that the target number of connections to be provided under free connections would be intimated by Government to KFON Ltd. time to time based on fund availability. Thus, it is observed that lack of financial commitment by Government of Kerala hinder the KFON expansion to 20 lakh economically backward families and fulfilment of Budget promise.

Company in reply submitted (October 2023) that Covid pandemic adversely affected the construction work for almost two years and noted down other constraints such as RoW issues etc. However, within these constraints, construction work has been completed in 97 pecent of the feasible parts in the last two years.

The reply failed to address the real issue of failure to fulfil the budget promise of providing free internet connections to 20 lakh poor families.

Delay in the implementation of the project and its impact.

4. Delay in selecting System Integrator for the KFON project

KSITIL had floated an open tender for the selection of agency for the implementation of KFON Project (Package A) and Reliable Communication & Data Acquisition Network (Package B) through the e-procurement platform of Government of Kerala on 14 June 2018 i.e after 12 months from obtaining the AS in May 2017. There were three bidders viz. Consortium of M/s BEL, Consortium of M/s TCIL and Consortium of M/s A2Z Infra Engineering Ltd.

The Technical Evaluation was completed on 21 December 2018, and all the bidders were found technically qualified. The financial bids were opened on 26 December 2018. Consortium of BEL was emerged as the L1 bidder at a cost of Rs. 1531.68 crore (excluding taxes) for CAPEX plus OPEX for seven years for Package A. For Package B the quoted amount was Rs. 79.67 crore plus GST which was to be fully funded by KSEBL Revised AS was accorded on 11 November 2019 for Rs. 1548.08 crore (taxes extra) including Rs. 16.40 crore for meeting expenses in connection with the operations and establishment of the SPV. The Letter of Intent to BEL was issued on 18 February 2019 and the same was accepted by BEL on 23 February 2019.

Audit observed that the DPR cost estimation was done in December 2016. The DPR was submitted to the Government prior to the issue of AS in May 2017. Still, it took 12 months for floating the tender in June 2018. Then there was a further delay of 08 months (June 2018 to February 2019) in selecting the System Integrator. It can be summarised that there was a delay of more than 20 months from the Government approval stage to selecting the System Integrator for a project which was envisaged to be completed within 18 months.

The Company stated (October 2023) that the initial DPR was rough cost estimate and detailed BOQ, survey, and preparation were needed for the floating tender. Collating data for 200 line items was time-consuming. Due to KSITIL's first major project, meticulous consultations were crucial, justifying the duration.

The reply is not acceptable. The Company had appointed a PMU for doing all these tasks. The reduction of fibre length from the initial 50000 kms to approximately 29000 kms on actual execution shows that proper survey was not conducted even after taking so much time. Taking a full year for DPR preparation to Tender invitation was in no way justifiable for a project which was envisaged to be completed within 18 months. Further it took another six months for Technical and Financial Evaluation.

5. Non imposition of Liquidated damages on the System Integrator for delay in execution

The Project Note for KFON Project, drafted in May 2017, outlined an implementation timeline of 18 months for the core network. The total project duration was set at 30 months, which included the establishment of the access network to connect government and educational institutions.

According to the RFP requirements, the project had to be finished within 24 months after signing the contract. M/s BEL, chosen as the System Integrator, signed the Master Service Agreement on March 9, 2019. Their contract lasted for 24 months from the day they received the NOC space

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(May 2019). M/s BEL submitted their revised Work Breakdown Structure (WBS) 2.0 to the 11th Technical Committee on May 20, 2020. The committee reviewed and approved it, outlining the following milestones:

Sl. No.	Name of the Milestone	Start Date	End Date
1	NOC	25 February 2020	30 Sep 2020
2	Core ring + Associated End Offices	13 Dec 2019	12 April 2021
3	Aggregation ring + Associated End Offices	10 Dec 2019	12 Feb 2021
4	Pre-Aggregation ring + Associated End Offices	04 Apl 2020	03 June 2021
5	Spur + Associated End Offices	31 Oct 2020	16 July 2021
6	Project Go Live	11 June 2021	23 July 2021

While accepting the timelines provided in the WBS 2.0, TC opined that any further delay in delivery timeline of each milestone provided in the WBS 2.0 would attract penalty on pro rata as per RFP terms.

The Master Service Agreement with BEL stipulated that they must meet project timelines and service level agreements with penalties for breach as outlined in the RFP. In case M/s BEL wasn't solely at fault, penalties would be deducted proportionately, decided in consultation with the authority. Penalty structure was as follows:

SLA Parameter	Delay in implementation milestone	Penalty
Delays in milestones attributable to SI	<=1 week	No Penalty
	≥1 week to < 4 weeks	0.5% of the milestone payment
	>=4 to <6 Weeks	1% of milestone payment
	>=6 to < 8Weeks	2% of milestone payment
	8 weeks	3% of milestone payment
	>8 Weeks	Additional 1% for every week's delay beyond 8th week capped at 10% of total project capex

During an address to project stakeholders on May 29, 2020, the Chief Minister emphasized the project's significance and expressed the expectation for its completion by December 2020. M/s BEL reiterated their commitment to complete the project by December 2020 and make it a successful model for other states.

By the end of November 2020, Core connecting 7 districts POPs and 23 Aggregation POPs were only ready along with fully operational NOC, though the Project was promised to be commissioned by December 2020. The reasons attributed were, impact of COVID-19, Right of Way (RoW) permission delays, material logistics issues, manpower and slow progress of work on ground. A partial launch of the Project (Phase 1 launch) was done by the Chief Minister on 15 February 2021, though the project was no-where near the milestones set.

BEL had requested project extension up to 30 October 2022 citing various delays in the project and also 4 months of lockdown in 1st wave of COVID-19 and 2 months of lockdown in 2nd wave respectively. 21st TC (24 September 2021) extended time for six months up to March 2022 without any cost implication. It was decided that no revisions were to be allowed as delay was attributable to issues on behalf of SI. However, it is unfolded that this was followed by a series of requests for time extensions by BEL one after another.

Sl. No	**Technical Committee Meeting Date**	**Extension granted up to**
1	21st TC 24 September 2021	31 March 2022
2	22nd TC 29 November 2021	30 June 2022
3	26th TC 18 July 2022	31December 2022
4	28th TC 30 September 2022	31 December 2022
5	30th TC 17 January 2023	31 March 2023
6	31st TC 10 April 2023	30 September 2023
7	38th TC 16 December 2023	31 March 2024

Major reasons cited by M/s BEL included delays due to COVID-19, affecting work for several months. Material supply and transportation were disrupted, along with shortages in router semiconductor materials. Delays in road widening and Right of Way (RoW) approvals also impeded progress. Insufficient manpower significantly slowed down project activities. Additionally, frequent rains and the festive season further contributed to delays by reducing labour working days as well as funding delays resulting in postponement of field team mobilization.

The following table shows the status of KFON Project as on 31 December 2023

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KFON Status as on 31 December 2023

SI. No	Deliverable 36 Reply to Audit Requisition No 2 (1)es	Scope	Feasible Scope	Completed as on 31/12/2023	% Completed
1	Backbone (Km)	8,551	6,992	6,840	98%
2	Access (Km)	26,410	21,201	19,537	92%
3	PoP-Nodes (Nos)	376	375	374	100%
4	NoC & DR – Network Centre	1	1	1	100 %
5	End Offices Connected	30,438	30,309	28,435	94%
6	End Offices - Live	30,438	25,000	19,706	79 %
7	End Offices – Connected & Using	30,438	19,706	9,758	50 %
8	Providing Free Internet to BPL households	14,000	14,000	5,432	39 %

Audit observed the following:

The KFON project, initially set for completion by September 2018, then by March 2021, and later extended to July 2021, remains incomplete as of February 2024. Despite multiple extensions, including the last one until March 2024, no liquidated damages were seen deducted from payments to M/s BEL for missed milestones for reasons attributable to them. Failure to enforce penalties for delays indicates inadequate project supervision and undue leniency towards the System Integrator.

Company in its reply stated (October 2023) that the Covid pandemic adversely affected the construction work for almost 2 years. Further, other issues such as RoW, cashflow issues etc. So the delay in implementing the project was not attributable to the System Integrator. Hence the Technical Committee of KFON and Board of KFON Ltd, had decided not to impose LD at this stage.

The reply that construction work affected for two years due to Covid pandemic is not supported by any evidence. There were 4 months of lockdown in the 1st wave of Covid 19 and 2 months in 2nd wave. Technical Committee in its 21st meeting 24 September 2021 i.e after Covid lockdowns only had approved 6 months extension up to March 2022 as against request for up to October 2022 and stated that no revisions are allowed as delay was attributable to issues on behalf of SI. The reply also brings out the failure of the implementing agency in ascertaining the exact causes of delay.

6. Delay in Data Acquisition Project of KSEBL due to delay in KFON Project

The Reliable Communication Project of KSEBL aimed to connect substations through 24-core OPGW under KFON's Package B. Fifty percent of the cost of this Project is met from Power System Development Fund Grant and was expected to be completed by May 2022. KSEBL's urgent requests to KSITIL for completion have been met with slow progress from the appointed contractor, affecting the Reliable Communication Project's completion. Delays arose due to the slow pace of work by KSITIL's appointed contractor. KSEBL's urgent requests for completion were met with delays in surveying and material supply. As of May 2023, 59 additional crucial links remained incomplete. Despite survey and BOQ approval for 37 links, installation progress was insufficient. Material supply delays further hindered the project. Audit noted the Master Service Agreement extension to March 2024, attributing project delays to KSITIL's failure, impacting KSEBL's Reliable Communication Project

The Company replied (October 2023) that the delays affected mostly the additional links demanded by KSEBL which were not included in the initial scope in 2019. The delay in links reported by KSEBL submitted only during 2020 and 2021. Package B was also extended in accordance with the extension of Master Service Agreement.

Reply confirms the delay even after intimation by KSEBL in 2020 and 2021.

7. Delay in establishing KFON Connection to schools

Educational institutions were also part of 30,000 Government institutions aimed to connect with KFON project announced in the Budget.
The Kerala Infrastructure and Technology for Education (KITE) project, formerly known as the IT @School project had been in partnership with BSNL to provide broadband internet connection to the High/Senior Secondary schools in the State since 2007. Later, KIIFB-funded Hi-Tech School Project were implemented in 4,752 High Schools, Higher secondary & Vocational Higher Secondary schools from 2017, including 11,275 Hi-Tech Labs in primary schools from 2018.
In January 2020, KITE CEO requested KSITIL for FTTH broadband connectivity for Hi-Tech schools. By August 2020, KFON connectivity lists were sent to KSITIL, suggesting a switch from BSNL by 2022. Noticing slow progress, KITE repeatedly urged KSITIL for establishing KFON connectivity. In October 2022, the Chief Minister decided to enable 25,000 institutions by November 30, 2022 and based on this KITE directed primary schools not to renew connections beyond March 31, 2023. In March 2023, KITE CEO emphasized connecting Hi-Tech schools before BSNL's March 31, 2023 deadline, suggesting that if needed the schools can renew the connections on their own with no financial support from Government.

Audit on a test check of communication observed that the pace of KFON connectivity to schools was poor and there were instances of the schools across the state complaining about disruption in their core activities due to non-connectivity, lack of speed, delay in shifting of connection by KFON etc. KFON cited implementation phases and challenges such as RoW issues, reducing feasible end institutions from 30,000+ to 19,000. As of December 31, 2023, 30,309 offices were feasible, but only 9,758 were fully connected and using it. Out of 13,916 Hi-tech project schools, only 5,612 were connected to KFON. The remaining 8,304 lack primary internet for essential activities. The schools not connected with KFON would have to incur the internet expenses from their own source which would not be sustainable as the charges during the last three years ranged from ₹ 6.35 crore to ₹ 9.72 crore

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Despite KITE's initial communication to KSITIL four years ago and two formal inaugurations of the KFON project by the Chief Minister in February 2021 and June 2023, only 40% of schools have been covered under the government's commitment to provide broadband connectivity through KFON.

Company replied (October 2023) that even though the committed institutions for connectivity was 30,000 plus, due to various reasons such as national highway renovation work, RoW issues etc feasible end institutions as on date was approximately 18972.

Reply is not tenable as 8,304 out of 13,916 schools were deprived of promised KFON connectivity.

8. Integration of KFON with KSWAN

In 2005, Government of India mandated the establishment of State Wide Area Network (SWAN) throughout the Country with an intention to connect each of India's States and Union Territories to support National e-Governance Plan (NEGP) initiatives for Government-to-Government and Government-to-Consumer services. SWAN project focuses mainly on high service delivery. Accordingly, in 2008, Government of Kerala had set up a State Wide Area Network to extend the State Information Infrastructure (SII – consisting of three Network Operating Centres (NOC) at Thiruvananthapuram, Kochi and Kozhikode and the e-Governance Data Centre at Thiruvananthapuram) to the 14 District 14 District PoPs (Point of Presence), 152 Block PoPs and 63 Mini POPs and connecting to NOC, Thiruvananthapuram.

Under KSWAN 4890 number end offices were operating and they were also getting connected to KFON. Since both networks were co-existent, it would be an additional expenditure for government to manage both networks. Hence the integration/migration of KSWAN with KFON was essential and an integration plan was chalked out between Kerala State IT Mission and KSITIL which was communicated to the Secretary (Electronics & IT Dept.) Govt. of Kerala in January 2023. As per the plan, priority should be given to KSWAN offices connected through leased lines (BSNL/RailTel) and these offices would retain KSWAN as the redundant connectivity. When KFON enters the O&M phase these leased line connections should gradually be discontinued. Once all the KSWAN end offices have been on-boarded to KFON network, the KSWAN PoPs would be discontinued in a phased manner except Campus LAN (CLAN) at district collectorates. As per the three phase plan it was to ensure 100% KFON connectivity in KSWAN offices by June 2023, decommissioning of Mini PoPs & Block HQs in a phased manner by December 2023 and hand over the entire KSWAN assets to KSITIL by February 2024.

As per the minutes of the meeting regarding KSWAN- KFON integration held on November 2023, it was reported that out of the 4,896 KSWAN connected institutions, only 1,374 had KFON equipment installed, and merely 724 offices were actively using KFON or discovered at the KFON - NOC. Hence the balance 4172 Govt. institutions connected with KSWAN were either not connected or not integrated with KFON thereby thwarting the timely implementation of the KSWAN-KFON integration plan. When pointed out the Company replied (October 2023) that there was huge difference in technologies between KSWAN and KFON and integration required a lot of co-ordination between the two organisations. Work was on for the balance integration work and it would be completed by December 2023. The reply is not acceptable as only 15 % of the KSWAN connected offices were using KFON by December 2023. Had it been timely implemented, the Govt. institutions which were using the Internet leased lines of BSNL/Railtel could have migrated to KFON as per the integration plan submitted to Govt. or converted their exiting connection to a secondary one thereby avoiding/limiting the expenditure on account of other broadband charges including leased line charges which are on the higher side.

Tender condition violations

9. Selection of PMA on single tender basis

As per the Government Order dated 30.07.2015 single tenders shall not normally be accepted for the first time and the same can be considered for acceptance only in emergent situations that too subject to recording of detailed justifications in support of acceptance with the approval of competent authority. Consequent to invitation of tenders, if only one bid is received or only one bid is found eligible after technical evaluation, such a bid shall be termed as single tender/bid. If a single bid is received during the first invitation, authority inviting the bid shall not open the bid. The authority may either opt to re-tender the work or extend the last date for acceptance by 15 working days to elicit response of other prospective bidders. If no bid received during the extended time, re-tender shall be resorted to. However, in doing so, the single bid received earlier shall not be opened.

The Request for Proposal (RfP) for selecting a Project Monitoring Agency (PMA) for the KFON project was issued on September 7, 2019, with bids opened on October 11, 2019. Four companies participated: M/s Telecommunication Consultants India Limited, M/s Hesel Engineering Private Limited, M/s Thomas Constructions, and M/s CDAC Technology Promotion Centre.

In the 4th Technical Committee (TC) meeting on October 21, 2019, M/s CDAC was deemed ineligible as they were registered under the Societies Act, not the required Companies Act/LLP Act, 2008. In the subsequent 5th meeting on October 30, 2019, M/s Hesel Engineering's solvency certificate was deemed invalid as it was issued to their holding company, M/s Henry & Farad. Only M/s Thomas Constructions and M/s TCIL qualified for technical bid evaluation.

After evaluating technical bids, M/s TCIL was the sole qualifier. They were invited for a technical presentation in the 6th meeting on November 2, 2019. Following this, M/s TCIL was recommended for financial bid evaluation, leading to the signing of the Master Services Agreement on December 20, 2019. Thus, it is observed that the acceptance of M/s TCIL as PMA for the KFON project was on single tender basis which was against the extant Government Order in this regard.

Company replied that (October 2023) single tender was resorted because of the reasons such as tender was extended two times, quick boarding of PMA was required since the project had already commenced and the bidder was a GoI PSU. The reply highlighted that the selection of the PMA was delayed significantly, occurring much after the selection of the System Integrator in March 2019. This delay resulted in a shortage of time and led to violation of norms.

10. Procurement of OPGW from China violating Tender conditions (AO No. 06)

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Request for Proposal (RFP) for the Implementation of the Kerala Fibre Optic Network & Reliable Communication and Data Acquisition Network specifies in clause 5.2 of Vol I that the optical ground wire (OPGW) must be procured from an Indian Manufacturer. M/s LS Cable India Pvt. Ltd. was the consortium partner for the supply and installation of OPGW.

Technical Committee of KSEBL noted (23 September 2019) that RFP Pre-qualification criteria states that the OPGW shall be from an Indian Manufacturer. This clause had been given in tune with the "Make in India" program of the Central Government. Hence, KSEBL insisted that OPGW shall be from Indian manufacturer. However, it was also pointed out that the decision on admitting the material other than the one committed in the tender document was vested with the agreement/work order authority.

One Asst. Executive Engineer from KSEBL was deputed to witness the sample selection for the type test of OPGW cable (under Package-B) at the manufacturing plant at M/s LS Cable India Pvt. Ltd, Haryana on 04 November 2019. It was reported that the manufacturing plant of M/s LS Cable India Pvt. Ltd. had no facility to manufacture the Optical unit of OPGW cable. It was observed that the entire Optical unit of OPGW (i.e Optical fiber with buffer tube, FRP and thermal barrier binding inside the Aluminium tube) would be imported from China. The manufacturing process being done at M/s LS Cable India Pvt. Ltd was cladding of Aluminium on steel wire and winding of Aluminium clad steel wire on the Optical unit of OPGW. It was remarked that as per Commercial bid letter 1142/mktg/HLS &SCB/KFON101 dtd 31 October 2018 Item rate BOQ the offered make for OPGW was "LS cables" and 'Sterlite power" only. It was pointed out by KSEBL that TGG China was a manufacturer other than offered in the bid and quality control could not be ascertained. Hence, it was recommended not to accept "TGG China" and to insist that manufacturer of Optical unit and OPGW shall be as per RFP and Commercial bid letter.

In the meeting held on 04 November 2011, with M/s LS Cable by KSEBL and PMU, LS cable informed that Optical Unit will be sourced from TGG China. KSEBL and KSITIL informed that they would review and necessary approval shall be obtained from the authority.

The Technical Committee of KSEBL noted (11 November 2019) that M/s LS Cable had changed the fibre part of OPGW from the Indian manufacturer to China company M/s TGG, which was contrary to the documents submitted at the time of the tender. M/s LS Cable would be importing not only fibre but also the whole fibre assembly from M/s TGG, China and this was a new information for KSEBL. The Committee of KSEBL outlined several concerns regarding the optical ground wire (OPGW) procurement process before proceeding with type tests in China such as failure of LS Cable to give satisfactory explanation regarding fibre change, importing costlier fibre part from China not complying with RFP condition that the product shall be form an Indian manufacturer, despite availability of Indian manufacturers like M/s Sterlite and M/s Corning, LS Cable planned to import it from China without satisfactory explanations etc. Hence, the Technical Committee of KSEBL suggested that the above points may be examined by a High-level committee/independent third party/another subject expert committee and based on their recommendations only, shall be proceeded for the type tests. Only after ensuring the validity of accreditation certificate of the testing lab for conducting all the type tests listed in the RFP on OPGW including fibre part, the approval for conducting type tests shall be given.

LS cable intimated (02 December 2019) that as per Notification of Department of Telecommunication (DOT) dated 29 August 2018 for categorising the product as 'Make in India' the local content should be a minimum of 55%, in lieu of the same a Chartered Accountant had certified that the local content in the cost of production of the OPGW as 58 % , hence it satisfied the criterion of 'Make in India'. The said OPGW could be deemed as manufactured in India, which was in line to the RFP criteria. M/s LS Cable has also produced a Certificate from a Chartered Accountant which stated that percentage of cost of production in OPGW imported content share was 42 % (source TGG, China) and Indian content share was 58 %.

KSITIL intimated (03 December 2019) KSEBL that BEL had submitted the clarification on the comments raised by KSEBL and on scrutiny it was found that the conditions of 'Make in India' was being satisfied and they have addressed the requirements in other queries viz., the accreditation of the lab and the tests conducted there.

KSITIL further intimated (17 December 2019) to KSEBL that as the Tendering Authority, KSITIL observed that LS Cable, the manufacturer of OPGW cable satisfies the conditions of Indian Manufacturer as mentioned in RFP (5.2 Prequalification Criteria. Global company which is registered in India and has manufacturing.

Based on KSITIL's direction as above KSEBL concluded that as the tendering authority decided to accept the OPGW manufactured by M/s LS Cable by importing optical fiber unit from China and confirmed the accreditation requirement of Sanghai National Center for Testing and Inspection for Electrical Cable & Wire Co. for conducting Type tests, further scrutiny by Technical Committee was irrelevant.

Audit observed that KSITIL did not utilize available mechanisms in the DOT Notification for settling doubts/complaints regarding local content by referring to Telecommunications Engineering Centre (TEC) or technical auditor as accredited by DoT. Despite strong reservations from KSEBL against LS Cable's OPGW adherence to Make in India standards and RFP violations and quality assurance issues, KSITIL favoured LS Cable without proper verification. KSITIL relied solely on LS Cable's documents and affirmed that the OPGW met Make in India standards without even checking whether the DoT notification as suggested by LS Cable was applicable for OPGW. The DOT Notification of August 2018 specified a 55% local content requirement for Optical Fibre Cable (OFC), not for Optical Ground Wire (OPGW). When KSITIL accepted LS Cable's OPGW, there was no fixed standard for OPGW in India. A standard was introduced later in November 2021 by the Ministry of Power, setting a minimum local content of 60%. Relying on the KSITIL's affirmation, KSEBL was also forced to accept the OPGW supplied by LS Cable It would have been prudent for KSITIL to refer the matter to a high-level committee or independent third party, as requested by KSEBL, to protect national interests and adhere to tender conditions. KSITIL's acceptance of Chinese-made OPGW from LS Cable violated the national policy on preference to Make in India and tender conditions.

The Company replied (October 2023) that Optical unit used for manufacturing of OPGW supplied under KFON project had been sourced from China and same was mentioned in the data requirement sheet of OPGW. Manufacturing of OPGW using the optical unit had been done at the factory of LS Cable India Pvt. Ltd., Haryana. To substantiate "Make in India" as per point no 5 of Gazette notification of Department of Telecommunication dated 29.08.2018 for categorizing the product as "Make in India" where in it was mentioned that local content should be minimum of 55%. A Chartered Accountant certificate was submitted by M/s BEL certifying that local content used for manufacturing of OPGW was 58%. The Technical Committee of KFON stated that the product satisfied Make in India. Hence no tender condition was violated.

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The company responded (October 2023) that while the optical unit used in manufacturing the OPGW for the KFON project was sourced from China, the actual manufacturing of the OPGW occurred at the LS Cable India Pvt. Ltd. factory in Haryana. They provided a Chartered Accountant certificate confirming that the local content in the manufacturing process amounted to 58%, exceeding the minimum requirement of 55% stipulated in the Department of Telecommunication's Gazette notification dated 29.08.2018. The Technical Committee of KFON concluded that the product satisfied the Make in India criteria. Hence, no tender condition was violated

Company's reply fails to address the fundamental issues of applicability of OFC standards for OPGW for Make in India compliance and not using the high-level committee review mechanism prescribed in the DOT Notification. KSITIL's failure to verify compliance with Make in India standards before accepting LS Cable's OPGW from China violated national policy and tender conditions.

Cost Implications of KFON Project Mismanagement

11. Extra cost on PMA charges due to delay in the completion of the project Rs. 6.38 crore

A Master Service Agreement between KSITIL and Telecommunications Consultants India Limited (TCIL) was entered on 20 December 2019 appointing TCIL as the Project Monitoring Agency (PMA) for Kerala Fibre Optic Network and Reliable Communication & Data Acquisition Network. As per the Agreement, the total value of the contract was Rs. 19,98,29,483 including all taxes. This tentative cost comprized of two parts: A. Deliverables for Rs. 9,11,87,308 and B, Manpower for Rs. 7,81,59,712 plus taxes of Rs. 3,04,82,463. The Manpower cost is worked out for the provision of specified quantity manpower for 16 months. It was also mentioned in the agreement that the number of months (16 months) for Manpower is indicative and shall increase as per the duration of the contract.

As per clause 8 Duration of the contract, the contract shall be valid for a period of 24 months or Project Go-Live, whichever is latest subject to maximum period of 30 months from the date of signing the contract.

Though 24 months of contract was over by 19 December 2021, since the Project Go-Live is not achieved, the contract is still valid.

The magnitude of work was reduced from 53,000 Km of OFC to approximately 30,000 Km of OFC laying post survey and hence the effort of monitoring the same. The following table shows the payment status to TCIL:

Quarter	Period	Amount (Rs.)
Q1	Jan-March 2022	15717932
Q2	Apl-June 2022	15873856
Q3	July-Sept 2022	16680121
Q4	Oct-Dec 2022	15527146

Total		63799055

From the above table it can be observed that during the first four quarters of the extended period alone Rs. 63799055 was paid to M/s TCIL. For the 1st[th] quarter of 2023 invoice for Rs. 15031916 was raised by PMA, but the payment was yet (Feb 2024) to be made. Details of PMA manpower charges from 2023 onwards was awaited. There is uncertainty over the date of completion of the project resulting in chance of continued payment to the Project Monitoring Agency. The rationale of continuing with the present strength of manpower by PMA when the physical progress of the work was nearly completed sought for in Audit was not furnished.

Thus, the delay in completing the project in time has resulted in excess expenditure towards consultancy charges for manpower provision to the Project Monitoring Agency which was avoidable.

Company, in its reply (October 2023) explained that the reason for the project extension was due to covid pandemic, natural calamities and interdependency on KSEBL regarding getting timely shutdowns for the project execution resulting in unavoidable delay and consequent extension of service of PMA also.

The reply confirms the fact that the inability of KSITIL in completing the project had resulted in unwarranted payment to PMA.

12. **Unwarranted extra payment for Survey of route, design and submission of drawings**

Request for Proposal (RfP) included one item; Survey of route, design and submission of drawing for approval and detailed list of materials required for the work and providing as built drawings after the execution of work as a combined activity, it was not specified as a separate line item in the agreement with M/s BEL. The rate quoted for the above item was Rs.681.76 per Km for 49330 Km excluding GST. Total quoted amount including tax was Rs. 3,96,84,840.

Despite the initial survey covering approximately 49,000 km, the actual fiber installation length was optimized to 30,000 km. As a result, the length for survey activity and actual fibre installation was different. The Technical Committee recommended billing based on the initial surveyed length, without considering potential savings due to omitted activities in the reduced scope. The lack of proper initial surveying suggests inefficiency, leading to unwarranted payment for activities not performed. KSITIL failed to negotiate with M/s BEL for scope limitation and rate revision. This resulted in undue benefits to M/s BEL or its consortium partner, although the exact gain couldn't be determined by Audit due to incomplete details.

Company replied (October 2023) that in the BOQ as per the tender there was no separate line item for design and providing as built drawing. Though the Company tried to negotiate with System Integrator M/s BEL, they had not agreed for the revision on the contention that they have completed the survey for the entire 49330 Km.

The reply throws light on the faulty BOQ specification in the tender.

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13. Payment of Mobilization Advance- Irregularities and undue interest gain to the contractor Rs. 36,35,57,844

Potential bidders in the tender for selection of Agency for Implementation of Kerala Fibre Optic Network & Reliable Communication and Data Acquisition Network reported to have requested that mobilization advance be included in the tender considering the huge investment in working capital and the return they are receiving.

It is noticed from the files produced to Audit that the then Secretary E&IT and Chairman of the Company, Shri M Sivasankar over phone intimated to the KSITIL officials to revise the payment terms of KFON tender and also to incorporate the mobilization advance at the rate 10% to be provided to System Integrator. Based on this, a meeting was conducted on 28 September 2018, for discussing the matters related to Corrigendum for KFON Tender, wherein senior officers from KSITIL, KSEBL were participated. It was decided that decision on the percentage for Mobilization Advance may be finalised after discussion with Secretary- E&IT Dept. Members representing KSEBL had remarked that mobilization advance offered by the Company should be with interest and hence this may be mentioned in the corrigendum. The interest rate could be equivalent to what KSEBL offers which is the current MCLR rate plus 2%. Members observed that the mobilization advance may be set off against the payment against supply and should not be extended further. It was also decided in the meeting that the KSEBL team should take concurrence on the payment terms from their Financial Advisor before releasing the corrigendum. Further to this meeting, it was intimated by GM (T) (as per the discussion between GM (T) and E&IT Secretary) that it was not required to mention about the interest on mobilization advance in the corrigendum to be issued.

Financial Advisor KSEBL had pointed out (06 October 2018) that "nothing was mentioned on the interest rate of advance payment. It should be fixed at SBI MCLR + 3 %. Interest should be recovered from the first part bill itself.

Corrigendum (No. KSITIL/MD/KFON/18/CRM-12(1)/2014) to the Tender was issued on 06 October 2018. In the corrigendum it was included that 10% of the total supply value of materials against submission of BG of equivalent amount valid till 60 days beyond implementation period will be provided as mobilization advance. It is noted in the file that letter from KSEBL containing the recommendation of the Financial Advisor KSEBL was received in KSITIL on 16 October 2018. But IT Secretary had confirmed on 06 October 2018 that KIIFB agreed to provide Mobilization Advance and it was not required to mention about the interest on Mobilization Advance. The tender was awarded to the L1 bidder, a Consortium led by M/s BEL. Master Service Agreement with BEL was signed on 09 March 2019.

M/s BEL raised an Invoice dated 02 May 2019 on KSITIL for an amount of 1,093,802,413 (including GST) as Services POC Initial Advance and also submitted a Bank Guarantee (BG No. 0505319BG0001764 dated 26 April 2019) for Rs. 92,69,51,198 equivalent to 10% of the total supply value of materials. The amount was transferred to M/s BEL on 14 August 2019 (Rs. 539387606) and 28 October 2019 (Rs.55,44,14,808).

The following Audit Observations are made in this regard:

As per clause 12.17 of Chapter 12 of the Stores Purchase Manual, 2013 advance to suppliers should generally be interest bearing, suitable percentages for which would be decided on case to case basis.

Central Vigilance Commission (CVC) issued circulars on mobilization advance from time to time. The circulars stipulate the following:

- Decision to provide interest free mobilization advance in the tender document should rest at the level of Board in the organisations.
- Payment of interest free mobilization advance should be discouraged, and if Management feels it is necessary in specific cases, then it should be clearly stipulated in the tender document and its recovery should be time based and not linked with progress of work to ensure that misuse of such advance could be reduced.
- The bank guarantee taken towards mobilization advance should be at least 110 per cent of the advance and the mobilization advance should not be paid in less than two instalments except in special circumstances for the reasons to be recorded.

The interest rate to be charged for the Mobilization Advance was omitted to be disclosed in Corrigendum at the demand of then Secretary, Information Technology Department Shri. M Sivasankar.

Further, while disbursing the Mobilization Advance to M/s BEL, KSITIL failed to reach an agreement with M/s BEL as to the interest rate of the Mobilization Advance and method of recovery of advance in future bills. This was in violation of clauses in Stores Purchase Manual and CVC Circulars.

The company also did not recover the advance so given from the subsequent RA Bills till date. This has resulted in undue interest gain of Rs. 36,35,57,844 to M/s BEL calculated at 9 % interest rate and avoidable blocking up of Government funds.

It is also noticed that approval of the Board of Directors of KFON Ltd was not obtained for payment of Mobilization Advance to M/s BEL.

The Bank Guarantee obtained from M/s BEL was for Rs. 92,69,51,198 only by excluding the GST component of the invoice. CVC guideline requiring a bank guarantee of 110 % of the amount of Mobilization Advance to be collected was disregarded.

In the absence of details Audit could not ascertain, how M/s BEL disbursed the Mobilization Advance received amongst the consortium partners.

The Company replied (October 2023) that similar projects executed by other states including Bharat Net had similar payment of mobilisation advance towards material supply without interest. As per the current payment payment milestone, mobilisation advance is the first milestone payment. The payment milestone was designed in such a way that the advance amount would be automatically absorbed from subsequent payments. For example: the second milestone payment was 40% of material delivery cost. The second running bill submitted by M/s BEL towards supply was Rs. 100.34 crore i.e 40 % of the material cost against which the total value of material delivered was Rs. 250 crores. So, there was no undue gain in such a transaction.

The company's response that similar projects in other states had mobilization advance payments without interest does not justify the lack of interest-bearing mobilization advance in this case. The Stores Purchase Manual and CVC circulars clearly outline the requirement for interest-bearing advances and discourage interest-free mobilization advance unless explicitly stated in the tender

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document, approved by the Board, and recovered in a timely manner. The absence of an agreed interest rate and method of recovery with M/s BEL violates procurement guidelines and exposes the company to financial risk. Furthermore, failing to recover the advance from subsequent bills and not obtaining Board approval for the payment demonstrate procedural lapses. The company's assertion that the advance amount is automatically absorbed from subsequent payments does not mitigate the need for interest-bearing mobilization advance and adherence to procurement guidelines. The undue interest gain to M/s BEL and disregard for CVC guidelines regarding bank guarantee amount further highlight the irregularities in the process. Therefore, the company's response does not address the fundamental concerns raised by the audit observations regarding the lack of interest-bearing mobilization advance, procedural violations, and financial implications.

The company's explanation that similar projects in other states had interest-free mobilization advance does not justify the departure from guidelines requiring interest-bearing advances outlined in the Stores Purchase Manual and CVC circulars. The absence of an agreed interest rate and recovery method with M/s BEL violated procurement guidelines and exposes the company to financial risk. Additionally, the failure to obtain Board approval demonstrates procedural lapse. The company's assertion that the advance amount was automatically absorbed from subsequent payments did not mitigate the need for interest-bearing mobilization advance and adherence to procurement guidelines. The undue interest gain to M/s BEL and disregard for CVC guidelines regarding bank guarantee amount highlighted irregularities in the process. Therefore, the company's response does not adequately address the concerns raised by the Audit.

Monitoring of the implementation of the project

14. Ineffective implementation of Project Management Software (AO No. 18)

The Project Management Software (PMS), costing Rs. 2,32,02,203 intended to streamline project planning, scheduling, tracking, and reporting, faced significant challenges and delays throughout its implementation phase. Audit observed that,despite initial commitments and deadlines set by the System Integrator (SI), M/s BEL, the PMS failed to become fully operational according to the agreed-upon timelines.

Key issues identified include:

- Delays in delivering operational PMS tools.
- Lack of commitment and transparency from the SI regarding timelines and deliverables.
- Incomplete features and functionalities, such as live tracking in GIS, inventory management, and dashboard updates.
- Instances of missing or changing data within the PMS.
- Complaints regarding functionality issues, including incomplete records, missing data, and login problems.
- Disconnect between actual project work and PMS updates.

As a result of these challenges, the intended benefits of the PMS, which was agreed to be delivered in February 2020 was not ready even in June 2022.Thus, the subpar implementation of PMS severely hampered project management.

Company replied (October 2023) that as the project had already commenced there was data gap which could not be bridged because a lot of work had already been done in the field. While noting the audit observation for compliance, Company stated that they had intimated the SI to take necessary action for making the PMS as an effective tool for monitoring the Project implementation as well as O&M.

The reply confirmed the audit observation.

Monetisation and sustainability of the Project

15. Delay in monetisation-Failure to meet operational expenditure from revenue

The Administrative Sanction issued by Government of Kerala on 11 November 2019 stated that the cost of operating expenditure of KFON for seven years amounted Rs. 428.85 crore (inclusive of Taxes) shall have to be met from the project revenues.

The funding from Government and KIIFB was only for creation of the KFON Infrastructure. The Operational and Maintenance (O&M) cost should be met from the revenue generated from the monetization of the KFON infrastructure. The yearly financial commitment of KFON Ltd would include the following:

Sl.No.	Components of Cost	Financial Commitment
1	O&M cost to BEL	Rs 61.00 Crores/year
2	RoW	Rs 3 Crore/year
3	Annuity (Principal + Interest) to KIIFB for 11 years	Rs 135.7 Crores/year
4	Annual payments to KSEBL	Rs 16.00 Crores/year
5	AGR	Rs 31.89 (8% of annual revenue)
6	Administration cost	Rs 15.00 Crores/year
7	Revenue share with partners (LCOs, LNP, MSP etc)	Rs 74 Crores/year
8	Bandwidth charges	Rs 1.00 Crores/year
9	Tech Upgrade	Rs 30 Crores/year
	Total	Rs 367.59 Crores

As per the proposal for working capital submitted by KSITIL to GoK on 02 November 2023, it was informed that system augmentation including tech upgradation charges amounting to Rs. 100 crore yearly capital expenditure was required because of the nature of the project. The proposal pegged the expected revenue for the year 2024-25 at Rs. 196.27 crore whereas the projected expenditure for the Financial Year 2024-25 at Rs. 413.73 crore. It was pointed out that KFON Ltd. needed to earn a minimum revenue of Rs. 342 crore per year to meet all obligations and breakeven.

KFON demanded (16 January 2023) yearly grant of Rs. 200 crores from the State Government for meeting operational expenditure of giving connections to Government institutions instead of billing each individual office, which may increase cost. However, GoK is yet (February 2024) accede to the request of KFON thereby severely affecting the working capital position of KFON.

Thus, it was inevitable for KFON project to be monetised at the earliest. However, there was significant delay in decision making process within KSITIL and Government level as described in the following chronology:

Preparation and Engagement (2020-2021):

- Meetings with TSPs and LCOs held on 03/03/2020 and 20/12/2021 to gauge industry demands.
- Proposal to invite Expression of Interest (EoI) from interested parties to determine demand and pricing.

Board Discussions (2022):

- January: Detailed discussion during the 10th Board meeting; Managing Director was directed to revisit the agenda.
- February: 11th Board meeting, Chairman approved minutes except for monetization plan, deferred for further discussion.
- April: 12th Board meeting, consensus not reached due to Chairman's objections on RfP for channel partners.
- August: 13th Board meeting, no decision made on RfP for channel partners.

Government Intervention and Committee Formation (2022):

- December: 14th Board meeting chaired by new Chairman, noted the status of the monetization project.
- GoK issued orders on 17/11/2022 forming a committee to finalize the monetization policy.
- Committee held 6 meetings between 22/11/2022 and 11/01/2023, arriving at a monetization model.

The committee had examined the features of two models i.e. Proprietor Model and the Manager Model for KFON Ltd. In the report, the Committee pointed out the following areas (KFON Monetisation Products) for revenue generation.

i. Revenue from Government Institutions
ii. Revenue from leasing dark fiber
iii. Revenue from providing Internet Leased Line (ILL)
iv. Commercial connections to households- Fiber to the Home (FTTH)
v. KFON WiFI
vi. Monetizing Co-Location of assets in the Network Operating Center (NOC) and 375 Points of Presence (POPs)

The Committee had recommended for Proprietor model and recommended a Managed Service Provider (MSP) may be selected through tender process to support KFON Ltd. on day to day technical and commercial activities. GoK had approved the recommendations of the Committee vide GO dated 16 March 2023. After the issue of GO approving the monetisation plan, KFON Ltd had selected a Managed Service Provider (MSP) through tender and the work was awarded on 24 March 2023.

Audit observed that there was significant delay in the monetisation of the KFON project because of the delay in deciding on the model for monetisation resulting in project failing to meet the operational expenditure which was envisaged to meet from revenue of the project. The additional maintenance expenditure till complete Go-Live was proposed to be capitalised by KSITIL instead of meeting it from the revenue of the project which was against the DPR proposal or Administrative Sanction given by the GoK.

It is further observed that no definite timeline for implementation of the monetisation plan and revenue realisation has been finalised by KSITIL or KFON Ltd. This would cast doubt on the ability of the KFON Ltd. to raise the bare minimum funds for its sustainability requirements such as debt servicing, operation and maintenance expenditure to System Integrator, RoW charges and power charges to KSEBL, administrative overheads of KSITIL and KFON Ltd. etc. which was estimated to be around Rs. 342 crore per year.

Repeating the various discussions of the Board and Committee meetings as stated above in its reply, Company further stated (October 2023) that to commence operations, the ISP hardware, software and licenses were required and the same were being procured to enable KFON Ltd. to give connections to 5 lakh customers.

The reply reiterates the audit observation. The consultations and meetings and procurement of different hardware and licenses could have been done parallel to the implementation of the project to avoid the delay and achieve break even at the earliest.

Conclusion

Status of giving connections to Government Offices including schools as at 31 December 2023 showed that out of 30309 nos. of feasible scope of End Offices, only 19,706 End Offices were visible as live and a meagre 9,758 (32 *per cent*) End Offices were using KFON connection. In the case of free internet connection to 14,000 BPL families, as of 15 January 2024, only around 5,050 (36 *per cent*) connections could be given. Thus, the prestigious project of the government announced in the Budget more than six years ago is still in the status of 'work in progress' even after spending ₹ 724 crore.

Yeshod
2/4/2024
Sr. Deputy Accountant General (AMG II)

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सत्यमेव जयते

प्रधान महालेखाकार (लेखापरीक्षा II) का कार्यालय, केरला, तिरुवनंतपुरम
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT II) KERALA,
THIRUVANANTHAPURAM-695 001

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

06 JAN 2023

No. CA. II/A/12-8895/ 48
Date: 04/01/2023

To

The Registrar,
Centre for Development of Imaging Technology
(C-DIT), Thiruvallom,
Thiruvananthapuram – 695 027

Sir,

Sub: Forwarding of the Inspection Report on the audit of accounts of **Centre for Development of Imaging Technology (C-DIT), Thiruvananthapuram** for the period **2016-22**

I am to forward herewith the Inspection Report on the audit of accounts of **Centre for Development of Imaging Technology (C-DIT), Thiruvananthapuram** for the period **2016-22**. Your remarks on the Inspection Report may please be furnished so as to reach this office not later than four weeks from the date of receipt of this letter. A copy of the report has been sent to Secretary, Government of Kerala for remarks.

Receipt of the Report may please be acknowledged.

Yours faithfully,

SENIOR AUDIT OFFICER

06/1/23

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INSPECTION REPORT ON THE COMPLIANCE AUDIT OF CENTRE FOR DEVELOPMENT OF IMAGING TECHNOLOGY (C-DIT), THIRUVANANTHAPURAM FOR THE PERIOD 2016-2022

PART I

Introduction

The Centre for Development of Imaging Technology (C-DIT) was established in December 1988 and registered under the Travancore Cochin Literary, Scientific and Charitable Societies Act, 1955. The main objectives of the Institution are to become the leading service provider and product innovator in new media information technology systems, tools, applications and content development of sustainable and appropriate imaging technology for science and development communication. C-DIT engages for executing different projects/works in the above fields for various Government departments/PSUs/Govt. institutions etc for which C-DIT receives required funds from them for meeting the expenses concerned.

Organizational Set up

When C-DIT was started (i.e. in 1988) it was under the Cultural Affairs Department and later vide the Govt. Notification No. G.O(Ms) No.462/2005 dated 20.12.2005, it was put under the control of General Administration Department. At present the C-DIT comes under the Administrative Control of Electronics and Information Technology Department (Vide G.O (Ms) No. 239/2017/GAD dated Thiruvananthapuram 24.07.2017). C-DIT has a Governing Body and an Executive Committee with representatives from Government Departments along with a Governing Body. The Director is the ex-officio head of the Society and was in charge of projects undertaken. He shall be appointed by the Government and shall be in overall management of the affairs of the Society subject to the control and supervision of the Executive Committee. The Registrar shall be appointed by the Government and the account and cash of the Society shall be under the immediate supervision and control of the Registrar. The Registrar is in charge of all administrative matters including appointments.

C -DIT has three regional Centers.

Sl No	Name of Regional Centers
1	Kayamkulam
2	Ernakulam
3	Kannur

The Cybersri project (Training Centre for SC/ST students) under C-DIT is functioning at Harippad.

Financial Information

Sl No.	Financial Year	Income (₹ in Lakh)	Expenditure (₹ in Lakh)
1	2016-17	4545.10	3710.40
2	2017-18	5556.89	5267.56
3	2018-19	6805.30	6685.31
4	2019-20	5018.85	4778.27
5	2020-21	4066.75	4342.23
6	2021-22	5215.53	4174.70

Statutory Audit

Statutory Audit of C-DIT has been conducted upto Financial Year 2018-19 only and the same is pending from F.Y. 2019-20

Authority

Compliance Audit for the period 2016-22 was conducted under section 14 of the Comptroller and Auditor General of India's (DPC) Act, 1971

Disclaimer

This Inspection Report has been prepared on the basis of information furnished and made available by the audited entity. The Office of Principal Accountant General (Audit-II), Kerala disclaims any responsibility for any misrepresentation and/or non-information on the part of the audited entity. Only audit observations which merit inclusion have been included in the Inspection Report.

PART II - (A)

(Significant Audit Findings)

I. Lapses due to procurements without proper planning

Agreements was entered into between KSFE and C-DIT (09/11/2017 and 13/11/2017), to carry out infrastructure audit of KSFE central office and all branches, as part of KSFE Pravasi Chitty Programme, for a sum of ₹110 lakhs. In connection with this, it was decided to procure the necessary hardware and software required for executing the work. Accordingly, C-DIT has procured testing and measuring instruments, workstations, servers, analytics software and asset management software for aiding in the infrastructure audit. The following procurements were made on the basis of this agreement.

1. **Supply, Installation and training of Copper and fiber analyzer kits for physical network assessment and certification. [Reference Number: OBS-482751]**

As per GO (Rt) No. 16/2018/ITD dated 20/1/2018 administrative sanction was accorded for the plan schemes of the C-DIT for the year 2017-18 for an amount of ₹500 lakh. Out of which ₹237.91 lakh was provided for 'network testing and IT asset management facility with state of the art tools for WAN and LAN testing'. Further as per allotment order of the C-DIT, ₹97,47,456/- has been provided for the hardware component 'Test and Measuring Equipment'. C-DIT invited (1/1/2018) e-tender for the supply, installation and training of Copper and fiber analyzer kit for physical network assessment and certification as part of setting up a network testing lab. The source of fund was state plan fund for the year 2017-18. Against the tender, 2 bids were received and M/s Sinetec Automation Pvt Ltd was the L1 bidder which quoted an amount of ₹63.45 lakhs inclusive of all taxes. So, the purchase order was issued to M/s Sinetec Automation Pvt Ltd, Coimbatore for an amount of ₹63.45 lakhs vide purchase order No 190/2017-18 dated 10/2/2018 as detailed below.

Sl No	Description	Qty	Unit price (₹)	Amount including 18% GST
1	Copper and fiber cable testing system with PC Software for recording and archival	1	27,88,380	32,90,288.40
2	Copper cable analyser	14	1,53,265	25,31,942.00
3	Training for 2 day	1	1,95,500	2,30,690.00
4	AMC Charges (Payable after one year)	1	2,47,443	2,91,983.00
	Total			**63,44,903**

Subsequently, vide email dated 21/3/2018, C-DIT requested a quote for additional quantity of one unit of 'copper and fiber cable testing system' from M/s Sinetec Automation. With reference to the email dated 21/3/2018 of the C-DIT, M/s Sinetec Automation vide their letter dated 22/3/2018 quoted for the same for an amount of ₹27.60 lakhs + GST extra. After negotiation, vide their email dated 26/3/2018, purchase order was issued (27/03/2018) to the firm for one quantity of the item for ₹32.19 lakhs (inclusive of 18% GST).

In this connection, following observations are made.

1. M/s Sinetec Automation Pvt Ltd has supplied the items vide their invoice No SAPL/628/17-18 dated 31/03/2018 for ₹60.52 lakhs (excluding AMC amount) and invoice No. SAPL/072/18-19 dated 21/05/2018 for ₹32.19 lakhs. Necessary training was also conducted on 18/04/2018 and 19/04/2018. Total amount of the invoices amounting to ₹92.72 lakhs was

already paid (₹54.48 lakhs in May 2018, ₹28.98 lakhs in July 2018, ₹6.05 lakhs in March 2021 and ₹3.22 lakhs in December 2021). As per the Central Stores Stock Account of the C-DIT, the items purchased vide purchase order No. 190/2017-18 and 210/2017-18 are taken into stock. But, a scrutiny of Asset Register for Server and Networks maintained by the C-DIT it was revealed that these items are kept in Central Store without any utilization though the same were received vide invoice Nos 31/03/2018 and 21/05/2018. Since KSFE did not give permission to take up the IT infrastructure audit of their offices and branches, CDIT could not utilize the facility. It is also noticed that the management did not explore the possibilities of getting work order for using the above materials. Idling of hardware components purchased valuing ₹92.72 lakhs even after four years is brought to notice for remarks.

2. As per the purchase order and notice inviting tenders, 3 year onsite comprehensive warranty should be provided by the OEM. Already 4 years were elapsed after the purchase of the equipment. In the absence of non-utilization of hardware, its functionality could not be ensured. Expiration of warranty period without any utilization is brought to notice.
3. As per the tender condition and the purchase order, the payment should be released only after successful installation. Though the items supplied were not installed anywhere, full amount (₹92.72 lakhs) was released. Non observance of the conditions stipulated is brought to notice.

2. Purchase of compliance auditing software – Operating System Scanning Tools and Network Device Scanning Tool (Nessus tenable network assessment tools) – Infructuous expenditure for ₹33.45 lakh. [Reference Number: OBS-485818]

In the administrative sanction (20/01/2018), ₹68.80 lakhs were allotted for 'establishing lab & field testing facility and ₹237.91 lakhs for 'network testing and IT asset management facility with state of the art tools for WAN and LAN Testing'.

C DIT invited e-tender for the "Supply, Installation and Training of Security & Compliance Auditing Software' on 01/01/2018 (Tender ID: 2018_CDIT_180887_1). The scope of the work included

- Supply and installation of security & compliance auditing software for Network devices, works stations, servers & Laptops
- Supply and installation of Security & Compliance Auditing Software for Firewalls, Routers and Switches
- Supply and installation of web vulnerability Assessment tool

- To provide training on tools for personnel identified by C-DIT

Against the tender invitation, two tenders were received and the M/s Rakha Technologies Pvt Ltd, Coimbatore quoted the L1 rates for ₹182.71 lakhs. Since, the total amount quoted by the L1 bidder is higher than the allocated budget for the project and the CDIT had already purchased IBM AppScan for other projects, the technical Committee recommended to purchase other items excluding 'web application vulnerability assessment tool. Accordingly, the Registrar of the C-DIT issued purchase order (21/03/2018) for a total amount of ₹35.21 lakhs for the supply & installation of items to M/s Raksha Technologies Pvt Ltd as detailed below.

Sl. No	**Description**	**Qty**	**Unit price (₹)**	**Amount including 18% GST (₹)**
1	Operating System Scanning and Vulnerability assessment tool – 512 Nodes Concurrent Tool	1	17,99,000	21,22,820
2	Operating System Scanning and Vulnerability assessment tool – Minimum 50 Nodes Concurrent Tool	13	63,847	9,79,413
3	Network Device Scanning and Vulnerability assessment tool	1	3,55,000	4,18,900
	Total			**35,21,133.**

On scrutiny of the purchase files it was observed that the firm had supplied (30 March 2018) the items (VAPT 1 – (Nessus Professional – on premise- annual subscription (New) – SKU: SERV NES- 15 Nos) and a total amount of ₹33.45 lakhs was paid to the supplier so far (₹31.69 lakhs on 25/7/2018 and ₹1,76 lakhs on 21/12/2018).

C-DIT intended to use the annual subscription of the software for KSFE Project. The key for downloading Tenable Nessus software was made available to C-DIT by the supplier. Only one copy of the software was downloaded and the same was tested on 23 June 2018. It was not installed in any other systems, since the network testing lab project had not started. Though a contract was entered into with the KSFE on 13/11/2017 for an amount of ₹110 lakh for infrastructure audit as part of the KSFE Pravasi Chitty Project, KSFE did not give permission to take up the IT infrastructure audit. The agreement with the KSFE for infrastructure audit expired on 12/11/2018. As no other potential projects could be identified, C-DIT could not utilize the software within the period of one year and the same was expired on completion of the year. Thus non-utilization of the software within the license period resulted in an infructuous expenditure amounting to ₹33.45 lakh.

3. Supply installation and training of IT Service Management Helpdesk and Asset Management System – Infructuous expenditure amounting to ₹31.82 lakh [Reference Number: OBS-487227]

As per the plan fund allocation for the year 2017-18, funds of ₹23.60 lakhs were allocated for the procurement of asset management software. For the procurement of the asset management software, composing of ITSM helpdesk management and Client Management, to monitor and manage its IT operations, e tender was floated on 07/03/2018. The scope of the work was to design, size, supply, integrate, customize, test, implement, roll-out and maintain the proposed Enterprise Management System solution, taking into account the requirements in terms of software, hardware, licensing and skill set of the organization. This includes knowledge transfer to the CDIT or CDIT appointed Service Provider for its efficient usage. The Technical bid opened on 16/03/2018 and only one bid was received against this tender. Due to insufficient number of bidders the tender was cancelled and was re-tendered on 11/05/2018 (tender ref no-C-DIT/05/HPAMPF/18-19/T009). The technical bid for the tender was opened on 29/05/2018. Two bids were received from M/s Kinsfolk Technology Pvt Ltd and M/s. SRS Associates. The financial bid was opened on 01/10/2018 and the work order was issued (work order No. 127/2018-19 dated 07/11/2018) to M/s. Kinsfolk Technology Pvt Ltd (L1) who quoted an amount of ₹29.50 lakhs (inclusive of GST) and procured Enterprise Management System (EMS) composing of ITSM helpdesk management and Client Management from them. As per the terms in the Work Order, the License cost for ITSM helpdesk suite and Client Management suite are to be paid annually in advance and 30% of the Implementation cost is to be paid at the start of the project, and successful completion of current state assessment, SOW sign off. Details of the work order issued are given below:

Sl. No	Description	Qty	Unit Rate without tax	Total amount with 18% GST
1	Enterprise Management System (EMS) Software/Application License for -10 Agents for 500 Assets a) I T S M helpdesk Management b) Client Management (As per Tender specification)	1	17,26,000	20,36,680
2	EM$ Implementation (As per Tender specification)	1	4,90,000	5,78,200
3	Training- Online / Onsite training should be vendor- certified trainer	1	10,000	11,800
4	AMC of Software/Application-for 1 Year	1	2,74,000	3,23,320
	Total			29,50,000

As against the work order, the firm raised three invoices as detailed below.

Sl. No	Invoice No	Date	Amount with GST (₹)	Description
1	193/2018-2019	4/12/2018	20,36,680	EMS Software/Application for 10 Agents
2	194/2018-2019	4/12/2018	1,73,460	30% of the implementation cost as stipulated in the work order
3	204/2018-2019	28/1/2019	3,23,320	AMC for Software/ Application for one year
	Total		25,33,460	

An amount of ₹20.37 lakhs was paid to the firm on account of Enterprise Management System on 31/12/2018. In this connection following observations are made.

1. It was seen that only the BMC license details provided to C-DIT are mentioned in Kinsfolk email dated 19 August 2020. No License key details or other credentials have been shared with C-DIT by Kinsfolk, till date. The installation as part of the trial run was done online by M/s Kinsfolk directly, using the key details which were available with them. As per the agreements executed between KSFE and C-DIT dated 09/11/2017 and 13/11/2017, C-DIT had agreed to carry out infrastructure audit of KSFE central office and all branches, as part of KSFE Pravasi Chitty Programme, for a sum of ₹110 lakhs. In addition, an ITSM Helpdesk and asset management system was included in the NOC infrastructure to be implemented as part of the ICT Components for Pravasi Chitty. Accordingly, the Asset Management tool was procured using plan funds as part of the Network Lab to be implemented at C-DIT. But infrastructure audit as part of the KSFE project could not be materialised and so the Asset Management System could not be utilised by the C DIT. Also, the C DIT could not utilise the software as it could not find out similar projects using the same. The one-year period of licence was already expired. So, the expenditure so far incurred amounting to ₹20.37 lakhs is found to be infructuous.
2. The agreement with KSFE for the infrastructure audit was expired on 12/11/2018. M/s Kinsfolk Technology Pvt. Ltd invoiced the software only on 04/12/2018 only. As the C DIT has no other projects for utilising the software, there was sufficient time for the cancellation for the purchase order. Lapse on the part of the C-DIT in this regard lead to the infructuous expenditure.
3. As per the plan fund allocation for the year 2017-18, to monitor and manage its IT operations, C-DIT procured Enterprise Management System (EMS) composing of ITSM helpdesk management and Client Management from M/s. Kinsfolk Technology Pvt Ltd vide

P.O No: 127/2018-19 dated 07/11/2019, For commencing the implementation of the EMS software, M/s. Kinsfolk Technology Pvt Ltd informed CDIT of the hardware configurations, port and communication pre-requisites for hosting the application. With reference to the requirements, quotes have been collected from M/s ESDS, M/s BSNL and M/s CtrlS for providing cloud services. M/s ESDS quoted the lowest monthly recurring charges for providing the cloud services at ₹1.48 lakhs. One-time payment of ₹85,872.00 is also applicable in the rate quoted by M/s ESDS. Accordingly work Order was issued to M/s ESDS (Purchase Order No. 208/18-19 dated 26/03/2019) for the supply of cloud servers at a cost of ₹5.29 lakhs (excl. GST) for 3 months. C-DIT had hosted asset management software in a cloud hired from ESDS for seven months i.e. from April 2019 till October 2019. Later it was decided to continue the cloud only if we get any client order for the asset management and as such it was discontinued after October 2019. Server hiring charges for 3 months @ ₹1.74 lakhs p.m. totalling ₹5.22 lakhs (July to October 2019) due was released on 12/06/2020. ₹4.50 lakhs relating to April 2019 to May 2019 released in 24 June 2019. Rental charges for June 2019 @ ₹ 1.74 lakhs were released on 14 October 2019 from the plan fund. So the total payment of monthly hosting charges from April 2019 to 16/10/2019 was ₹11.46 lakhs. In this connection, it may be noted that there were no valid agreements with the KSFE at the time of inviting quotations for hosting the software purchased since the same was expired on 12/11/2018. As the EMS software could not be utilised, expenditure incurred for hosting the software in the cloud amounting to ₹11.46 lakhs was also found to be infructuous.

4. Supply, Implementation and Training of Cloud Based Customer Engagement Solution via Digital Channels. [Reference Number: OBS-494258]

Government was accorded administrative sanction for an amount of ₹500 lakh vide GO (Rt) No. 16/2018/ITD dated 20/1/2018 for the implementation of the scheme 'Strengthening the Capacities of C-DIT' during the year 2017-18 under the H/A 3451-00-101-30 which includes ₹70 lakh for 'Digital Marketing and Social Media Analytics'. As per tender No: C-DIT/02/DMPF/18/T098 Dated 23/02/18, e-tender for the Supply, Implementation and Training of Cloud based Customer Engagement Solution via Digital Channels was invited by the C- DIT as part of the implementation of Digital Marketing and Social Media Analytics project for C-DIT as per annual plan of the C-DIT for the year 2017-18. This is a proprietary software product of Oracle. Against the tender, 2 bids were received out of which, M/s Sonata Information Technology Ltd, Bangalore was selected as the supplier and the Purchase Order was issued after negotiation to the firm vide purchase order No. 214/2017-18 dated 28/02/2018 for an amount of ₹84.36 lakhs (₹71,48,762.78

+ 18% GST) and purchased the item. The license for the platform had expired on 21 April 2019 and M/s. Sonata Information Technology Ltd. has submitted a quotation dated 08.05.2019 for renewal of the subscription for the year 2019-20. Subsequently, M/s. Sonata Information Technology Ltd has submitted a revised proposal on 30.05.2019. The total cost for renewal comes to ₹54,86,290.30 /- (excl. applicable GST). C-DIT had again subscribed the tool for FY 2019-20 vide P.O No. 034/2019-20 dated 31.05.2019, through M/s. Sonata Information Technology Ltd., authorized re-seller of Oracle. The total purchase order value amounts to ₹64,73,823/- (incl. GST). But the purchase order for the renewal of the licences for the year 2019-20 was subsequently cancelled at the fag end of the renewal period of license vide letter dated 6/2/2020 of the C-DIT stating that the firm had not executed necessary agreements and submitted the required bank guarantee.

In this connection, following observations are made.

1. With reference to the purchase order No. 214/2017-18 dated 28.02.2018 for an amount of ₹84,35,540/- (₹71,48,762.78 + 18% GST), M/s Sonata Information Technology has raised four invoices as detailed below.

Sl No	Invoice No. & date	Value (₹)	IGST (₹)	Total (₹)
1	SIKA1801355 dt 11/7/2018	4448762.78	800777.30	5249540.08
2	SIKA1801361 dt 11/7/2018	1500000	270000	1770000
3	SIKA1801362 dt 11/7/2018	250000	45000	295000
4	SIKA1802405 dt 25/9/2028	950000	171000	1121000
	Total	**7148762.78**	**1286777.30**	**8435540**

Full amount has been paid by C DIT as of November 2018. Hoping that the digital marketing platform could improve the expertise of C-DIT in both ongoing and anticipated projects of C-DIT like YIP, CMO-CMDRF portal, KSFE and in other Govt websites, C-DIT had renewed the tool for FY 2019-20 vide P.O No. 034/2019-20 dated 31.05.2019, through M/s. Sonata Information Technology Ltd., authorized re-seller of Oracle. The total P.O value amounts to ₹64,73,822.55/- (incl. GST). But as the projects like KSFE Pravasi Chitty marketing could not be materialized in the year 2019-20 and due to the lack of a properly trained team capable of handling the Oracle tools, C DIT could not seek out new projects where the tools can be applied and hence C DIT were unable to tap the true potential of the solution to the fullest. The tool was under-utilized and was unable to generate the revenue to meet the renewal expenses arising in this regard. C DIT generated only ₹8 lakh during 2018-19 (₹5 lakh from NRI Chitty and ₹3 lakhs from Young Innovators Programme (YIP) of KDISC and then the first licence was expired on

21/4/2019. Thus, there is a loss of ₹76,35,540/- on account of purchase of Cloud Based Customer Engagement Solution vide Purchase Order No. 214/2017-18 dated 28.02.2018 for an amount of ₹84,35,540/-.

C- DIT earned ₹33.74 lakh in 2019-20 from Young Innovators Programme (YIP) of KDISC on the renewal of the tool vide PO No. 034/2019-20 dated 31.05.2019. But the PO dated 31/05/2020 was cancelled vide letter dated 6/2/2020 of the C-DIT. Though invoice No. SIKA 1901790 dated 30/7/2029 and Invoice No. SIKA1903249 dated 31/10/2019 for a total amount of ₹32,36,911.28 (two quarters from 22/4/2019 to 21/10/2019) no amount has been paid by the C DIT so far.

2. User logins are inevitable for accessing the tool. A scrutiny of files (E File Nos C-DIT/SID/17/2018-Sr. HW (SID) and C-DIT/PUR/19/2018-OA2 and hard copy file No-C-DIT/02/DM-PF/18/T098 maintained by the Purchase Division of C DIT revealed that no records were maintained by the C DIT for allotting user logins. Though an Audit Enquiry has been given to C DIT in this regard, details of users were not furnished to Audit. On verifying the e-files, it was seen that there no proper trained staff available in the C DIT. In the absences of the allotment of user logins, details of users and proper trained staff in C DIT, which are the persons who used the tool during 2018-19 and 2019-20 could not be ensured in Audit. As the above expenses are met from public fund, C-DIT should have been kept such records relating to its usage.
3. No tender was invited for the year 2019-20 before issuing purchase order No. 034/2019-20 dated 31.05.2019 to M/s. Sonata Information Technology Ltd i.e., renewal subscription for the year 2019-20. Though no amount was paid by the C-DIT to the firm on account of the renewal, purchasing of renewal subscription for the renewal subscription and its usage is a violation of the conditions specified in the Stores Purchase Manual as well as Kerala Financial Code.
4. No purchases were seen other than in 2018-19 and 2019-20 relating to the purchase of Cloud Based Customer Engagement Solution via Digital Channels. Also, the projects like CMDRF were continued in the subsequent years without any use of such facility. So, the necessity of the purchases made during 2018-19 and 2019-20 vide purchase orders mentioned above could not be ensured in audit.

II. Revamping of CMO CMDRF Portal – Avoidable recurring expenditure due to adoption of proprietary software. [Reference Number: OBS-491132]

Chief Minister's Online Public Grievance Redressal (CMO) and Chief Minister's Distress Relief Fund (CMDRF) portals are maintained by C DIT. According to administrative sanction (20/1/2018) was accorded for the annual plan for C-DIT under the Head of Account 3451-00-101-30 for the scheme 'Strengthening capacities of C-DIT' for an amount of ₹500 lakh. Out of ₹500 lakh, ₹20.24 lakh was earmarked for 'Improving scalability, maintainability and performance of existing e-governance applications for enterprise content management'. It was also mentioned in the AS that procurement shall be made through e-procurement portal by observing the stores purchase rules. Subsequently, a decision was taken on the work of the migration of the software's by customising Digital Document Filing System (DDFS) platform on Java by using the services of M/s. Ospyn Technologies Pvt Ltd, Technopark, TVM and work order was issued (5/7/2018) for this purpose using Annual Plan funds allocated for 2017-18. Details of the work order are given below:

Sl No	Description	Rate (₹)
1	Customisation of CMO CMDRF requirements @₹80,000/- x 25 man month	20,00,000
2	Enterprise Licence cost for workflow solution	• ₹200 per user for Tapal work flow • ₹800 per user for file workflow
3	AMC Charges	10% of total cost of item 1 above, per year after six months warranty period.

The above work was proposed for the revamping of CMO CMDRF portal maintained by the C DIT. After completion of the work (Phase I), M/s Ospyn Technologies submitted 2 bills totalling ₹23.60 lakh for which a total amount of ₹22.80 lakh was paid in two instalments in December 2018 and March 2018-19.

Subsequently, M/s Ospyn had submitted revised proposal vide their letter dated 16/2/2019 for the revamped CMO-CMDRF Phase II implementation. The revised rates shown below:

- Customisation charges - ₹25,60,000/- (32 man-months @ ₹80,000/- per man month) G
- AMC charges - ₹4,56,000/- i.e. 10% of ₹45,60,000/- (Total charges of Phase 1 & Phase 2 - ₹20,00,000/- + ₹25,60,000/-)
- Technical support for one year (2 resources) - ₹16,80,000 (for 24 man-month effort @ ₹70,000/- per man-month.

Accordingly, work order No. 007/2019-20 dated 24/04/2019 was issued to M/s Ospyn Technologies. An agreement was also seen executed with the firm vide dated 08/05/2020 for the works in Phase I and II. A Scrutiny of the files (E File Nos CDIT/SID/CMO/6/2018-Sr.SE(SID), No. CDIT/INF027/2018-SE (INF)) & No. C-DIT/INF/27/2018 – SE (INF) revealed the following:

1. Digital Document Filing System (DDFS) is a proprietary software of M/s Ospyn Technologies in java platform. If the java platform is necessary for the migration of software applications, the C-DIT could have been invited tender for the same for a fair competition and could select a most economical offer. As the DDFS is a proprietary software of M/s Ospyn Technology, there will not be any possibility of a fair competition and economical offer. This lead to the automatic selection of M/s Ospyn Technology for the procurement. As this is a proprietary item, licenses from M/s Ospyn Technology are necessary for user logins for using CMO – CMDRF portal for which payment is necessary. Users in the CMO portal are CM Computer cell users, Call Center Users, Nodal Officers, MP/MLA users, Akshaya Center users, Secretariat users, State level field offices, Regional field offices, District level field offices, Taluk level field offices, Village level field offices, Block level field offices Local government level users etc. As per work order No. 065/2018-19 dated 05/07/2018, 'Enterprise license cost for workflow solution' for 'Tapal workflow' was ₹200 per user and ₹800 per user for 'File work flow'. M/s Ospyn Technologies vide their Invoice No. 1709 dated 18/03/2020 claimed ₹47,20,000/- being the 50% of total amount of ₹94,40,000/- (₹800 *10000 users = ₹80,00,000/- plus 18% GST). Subsequently, M/s Ospyn claimed remaining 50% vide invoice No. 1740 dated 28/3/2020 for ₹47,20,000/-. C–DIT paid ₹47,20,000/- on 27 September 2022 to M/s Ospyn Technologies against the invoice No. Invoice No. 1709 dated 18/03/2020. In this connection it may be noted if the work was executed with a software java platform of non-proprietary nature, the license fee for the user logins amounting to ₹94,44,000/- (Out of which, ₹47,40,000/- have already paid) could have been avoided.

2. The purchase has been made through a single firm without any tendering process. This is a private purchase as described in Para 7.20 of the Kerala Stores Purchase Manual. Private purchase is a purchase without any competition from the selected firm after obtaining a quotation. The para stipulates that private purchase can be adopted only in unavoidable circumstances. The circumstances are (i) if the item is proprietary and so the competition is not expected to be advantageous, (ii) though the deviations from the tendering system if it will make much profit & (iii) in unavoidable circumstances after recording the reason thereof with the approval of the competent authority. In this connection it may be noted that C-DIT has not obtain any sanction from the Government for the migration software of CMO- CMDRF portal in DDFS java format. No recorded reasons for deviation from the

tendering system has been recorded in the file. There were no unavoidable circumstances as the sufficient application software developers in java platform are available in the market. It was also seen that the Government has not given any direction for migration of the application to DDFS. In this connection, it may also be noted that the purchase made by C-DIT has not make any profit but creates unnecessary burden to public exchequer. So, the decision of adopting DDFS for the migration of the CMO-CMDRF application is a violation of the conditions stipulated in the Stores Purchase Manual.

3. In addition to the above payments, the C-DIT has paid following payments to M/s Ospyn technologies as detailed below.

Sl No	Name of item	Period	Phase I (₹ including GST)	Phase II (₹ including GST)
1	Customisation Charge	2018-19	2360000	
2	Customisation Charge	2019-20		30,20,800
3	Developer Support Charges from 11/2019 to 01/2020	2019-20		3,11,520
4	Technical Support Charges of two resources from 04/2019 to 06/2020	2019-20		19,82,400
5	Additional change requests	2019-20		4,15,360
6	Technical Support Charges (2 persons from 04/2020 to 06/2020 and one from July 2020 to December 2020)	2020-21	-	9,15,600
7	Additional Change requests	2020-21		3,89,400

The Customisation charges paid pertains to the cost of development in the initial two phases of the work and the remaining items are pertaining to the technical support charges and additional modification charges. The above payments were not supported by any tendering process. DDFS is a proprietary software of M/s Ospyn Technology. So, the competitiveness of the rates could not be ensured in the above cases.

4. The agreement for the work was executed on 08/05/2020. As per the agreement, customization work and data migration of CMO and CMDRF Software Applications data to java platform, enterprise platform – DDFS-DMS Document Work Flow Management System Software and user licenses etc. were included. Further, Ospyn DDFS and workflow management is solely owned by Ospyn and was pre-existing and all the IPR vests solely with the Ospyn technologies. IPR for the customized or migrated part of the application for CMO/CMDRF portal shall vest with GOK/ C-DIT. Though the work orders were issued on 05/07/2018 and 24/04/2019, the agreement for both the work was executed only on 08 May 2020. Non execution of the agreement prior to the commencement of the work is brought to notice for remarks.

5. It was seen that agreement for the transfer of Source Code was entered into with M/s Ospyn Technology on 07/10/2020 by which M/s Ospyn Technology has agreed to provide the source code of the customization alone exclusively done for CMO CMDRF application on DDFS platform to C DIT. As per the agreement the customization code is transferred to C DIT with all rights to C DIT and M/s Ospyn Technology will not have any rights on this. But no changes should be made to the DDFS application (platform – including DDFS Tables) by C DIT. Also Annual Maintenance Contract will cover support and bug fixes on the DDFS platform. Also, C DIT has no right to transfer of customization code without obtaining prior express written consent of M/s Ospyn Technology. The above conditions show that support of M/s Ospyn Technology is inevitable for the smooth functioning of the application in future. If a non-proprietary software is adopted, the continued dependency could have been avoided.
6. As per GO (Rt) No 3462/2022/GAD dated 10/08/2022 of General Administration Department, maintenance of CMO – CMDRF portals were ordered to transfer from C DIT to Kerala University of Digital Sciences, Innovation technology. Only the data entry work was retained in the C DIT relating to the maintenance of the portals. In this connection it was seen that source code of the customization of the application was not seen handed over to the Kerala university of the Digital Sciences.

PART-II-(B)

(Other incidental Audit Findings)

I. Improper execution of the work - Loss of revenue-reg.
Reference Number: OBS-488003

The FAST (Fully Automated Services of the Transport Department) project of the Motor Vehicles Department, Govt. of Kerala commenced in January 2007 on a Build-Operate –Maintain-Transfer (BOMT) basis, with ECIL (Electronics Corporation of India Ltd.) being the service provider. At the end of the BOMT tenure in 2010, MVD had invited tender (No. MIT4/12655/TC/09 dated 31.5.2010) for the facility management services(FMS). Two tenders viz., M/s Kerala State Electronics Development Corporation Ltd.(KELTRON) and M/s Centre for Development of Imaging Technology(CDIT) were received. Their bids were opened on 14/06/2010 and CDIT was the lowest bidder with the quoted rate amounting to ₹688.95 lakh and awarded the FMS project work for a period of one year w.e.f. 2010. The scope of work included:

1. Manpower support in all MVD offices

2. Supply of consumables
3. Supply of stationery
4. Maintenance of ICT equipment at the locations

The contract between MVD and CDIT was initially extended till 31.08.2012 with the same terms and conditions. MVD invited another tender (No. MIT4/26430/TC/2010 dated 14.03.2012) in 2012 for the FMS project with a contract duration of 3 years with some major changes in services and other terms. The scope of work included:

1. Manpower support
2. Supply of consumables and stationery
3. Annual maintenance Contract
4. Supply of Housekeeping staff and
5. Infrastructure Maintenance

CDIT was the lowest bidder that time also and the said work was awarded to CDIT with a contract price of ₹2899.82 lakh, inclusive of all taxes for three years, but the formal execution of the contract between CDIT and MVD got delayed and the old contact continued to be force till 31.1.2018.

The second Contract Agreement (which was originally conceived for the period 2012-15) was signed w.e.f. 01.02.2018. The tenure of the FMS-MVD contract between CDIT and MVD expired on 31.01.2021. However, the Government ordered (through various GOs) CDIT to continue till a new service provider is selected through a tender process and accordingly, CDIT has been continuing the FMS service for the past one year.

In this connection following observations are made:

1. While releasing payment against the invoice raised by CDIT, MVD was deducting downtime penalty and deducted an amount of ₹3.20 crore during the period covered under audit. As per RFP/Agreement, Downtime penalty was applicable only when there would be fault in supplying/implementing the FMS project on the part of CDIT. It indicates that said Downtime penalty was deducted because of non-implementing/carrying-out the project properly by CDIT which led to the revenue loss to ₹3.20 crore. Specific reason for the above may be stated.
2. While participating in the tender in 2012, CDIT had quoted the prices anticipating the expenses and escalations for a period of three-year period till 2015. Considering the cost escalations that had occurred C-DIT had requested for a 30% hike in the rates of all

components. But, Government vide G.O(Rt)No.186/2015/Tran dated 10.04.2015 examined and agreed to 10% annual incremental hike since 2012 in the cost of consumables and stationery only and the same terms and conditions were included while executing the agreement for the project in Feb 2018. But MVD was not paying the said incremental amount on consumables to CDIT. An amount of ₹8.26 crore is yet to receive from MVD on account of cost of supplied consumables as per the new agreement. Action taken to realise the said pending amount may be intimated.

3. Since the rates and conditions at which CDIT has been asked to continue were fixed way back in 2012. Afterwards as per the Government decision the remunerations of the employees appointed on daily wages and contract basis. As CDIT was engaging employees on contract basis required for the FMS-MVD project, the remuneration of those were increased by the CDIT. Further the current rates allowed for the FMS contract included ST @10.3% only as applicable in 2010. However, ST rates were increased by Govt. of India from 10.3% to 12.36% to 14% to 15% during April 2012 to June 2016 and GST came into existence w.e.f. 01.07.2017 with various rates. But, MVD remitted ST @ 10.3% only as agreed in 2012. Extra expenditures made in this regard called for is awaited.

II. Developing Dependency Tree Banks for Indian Languages (Tree Bank Project). Reference Number: OBS-482927

Treebank is a major linguistic resource for various Natural Language Processing (NLP) tasks. Treebanks have proved to be a crucial resource for higher level NLP research and developing solutions for various socially relevant NLP applications. Ministry for Communication and Information technology, Government of India, accorded sanction vide No. 11(12)/2012/-HCC (TDIL) dated 29/7/2013 for a project called 'Developing Dependency tree Bank for Indian Languages' – Bengali, Kannada, Malayalam and Marathi to a consortium headed by International Institute of Information Technology Hyderabad with a total budget of ₹380.88 lakh. The tree banks will be developed in a consortium mode project which means that a number of groups with their expertise in different languages to come together to develop a richly annotated corpus for their respective language. Duration of the project is three years from the commencement of the project. Other members of the consortium are IIT Mumbai, Jadavpur University, Kolkata and Centre for Development of Imaging Technology, Thiruvananthapuram. C-DIT involvement in this project is to develop Tree Banks for Malayalam with an approved budget of ₹71.99 lakh. Estimates for the expenses for the project includes purchase of capital equipment (first year only), Hiring of manpower, travelling and contingencies. The hiring of manpower for the project will be as per Govt of India norms for JRF and SRF. After 36 months, the project envisaged the following.

a. Guidelines for dependency annotation: 4 languages
b. Dependency annotated data
    a. Monolingual: 160K x 3, 125K for 1 (Malayalam)
    b. Parallel: 40K x 3, 25K x 1 (Malayalam), 40 k x 1 (Hindi)
c. Verb frames for four languages
d. Annotated corpora validation tools for 4 languages for POS tagging, Chunking, Morph analysis, Dependency annotation.
e. Sanity checkers for all the four languages
f. Parsers with an accuracy of 40% to 50% for all the four languages.

A scrutiny of the files revealed that a total amount of ₹41,86,500/- lakh was received for the project as detailed below.

Sl. No	Date of release letter No of IIIT, Hyderabad	Amount (₹)
1	05/12/2013	12,76,500/-
2	03/06/2015	5,87,000/-
3	24/10/2016	23,23,000/-
	Total	41,86,500/-

In this connection, following observations are made.

1. C-DIT has given three utilization Certificates so far. As per the latest Utilization Certificate given, C- DIT had expended (up to 28/1/2017) an amount of ₹72.45 lakh as against the receipts of ₹41.86 lakh for the project. Thus, there is an excess expenditure of ₹30.59 lakh. The excess expenditure has not been reimbursed so far. In this connection, it may be noted that the GoI specified in the sanction letter itself that the grant in aid was plan non-recurring in nature. In this connection, it may be noted that the amount was released by the GoI vide letter dated 29/07/2013 and so the period of the project had to be end within three years. So the C-DIT must have obtained sufficient funds before ending the stipulated period of completion of the project. The excess payment made amounting to ₹30.59 lakh is pending receipt for more than five years. As the grant in aid is in a non-recurring nature, the excess amount paid could not be reimbursed. Failure of the C-DIT in obtaining sufficient funds before the stipulated period of completion resulted in a loss to C-DIT amounting to ₹30.59 lakh which is brought to notice for remarks.
2. It was also seen that there was inordinate delay in utilization of the fund received. Details of utilization certificates given are detailed below.

Date of sanction letter for release	Number of UC	Date of U C	Amount of UC
5/12/2013	First U C	24/4/2015	12,76,500
3/6/2015	Second U C	10/6/2015	5,87,000
24/10/2016	Third UC	28/1/2017	23,23,000/-

The targeted expenses of the 1st year as per the GoI sanction letter 29/07/2013 was ₹25,53,000 and 50% amount (₹12,76,500) was received from the GoI through IIIT, Hyderabad. But, the C-DIT gave the UC of the same on 24/04/2015 only. The above shows that there was inordinate delay in execution of the project which is brought to notice for remarks.

III. Avoidable expenditure on interest on Income Tax – ₹32.60 lakh
Reference Number: OBS-487256

The C DIT was registered under Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955. The institution was approved as a Scientific and Industrial Research Organisation under section 35 of Income Tax Act, 1961 and eligible for income tax exemption under Section 10(21). But, this exemption had been disallowed by Income Tax Department since the Government rejected the application of the institution for renewal of its status as a Scientific and Industrial Research Organisation in October 2009. Henceforth the Income Tax Department is assessing the institution as Association of Persons (AOP) and the rate applicable to the AOP is being charged. The C-DIT could not finalise the accounts in time since its inception. Hence before filing the Return of Income, the institution itself calculates the income tax and liability of interest and pays the tax accordingly.

As per Section 139(1) of Income Tax Act, 1961 if the total income of AOP exceeds the prescribed exception limit, they are liable to file the Income Tax Return in the prescribed format with required documentation. As per Section 207 of the income tax act, tax shall be payable in advance during any financial year, in accordance with the provisions of sections 208 to 219 (both inclusive), in respect of the total income of the assessee which would be chargeable to tax for the assessment year immediately following that financial year.

As per section 234A of Income Tax Act, 1961 where the return of income for any assessment year is furnished after the due date, or is not furnished, the assessee shall be liable to pay simple interest at the rate of one per cent for every month or part of a month comprised in the period commencing on the date immediately following the due date. As per section 234B of Income Tax, Act, 1961, where in any financial year, an assessee who is liable to pay advance tax under section 208 has failed to pay such tax or, where the advance tax paid by such assessee under the provisions of section 210 is less than ninety per cent of the assessed tax, the assessee shall be liable to pay simple interest at the rate fixed on the amount by which the advance tax paid as aforesaid falls short of the assessed tax. As per Section 234C of Income Tax Act, 1961-for deferment of advance tax the assessee shall be liable to pay simple interest at the rate fixed.

It was noticed that the CDIT had neither paid advance tax after calculation nor filed return of income for the assessment year 2017-18 (F.Y. 2016-17). In its 76th Executive Meeting held on 30.1.2019, the payment of additional Income Tax of ₹102.22 lakh and interest of ₹32.60 lakh was ratified by the Executive Committee vide Agenda Item No.76.20 and the same was paid on 30.08.2018. If the CDIT had self-assessed the income tax in time and liability paid, payment of interest amounting to ₹32.60 lakh could have been avoided. The detailed agenda of item no.76.20 called for is awaited.

IV. Discrepancies in Printing High Security Documents- Avoidable expenditure of ₹2.32 lakh. (Reference Number: OBS-486919)

C-DIT decided (07.11.2016) to award the printing work of High Security documents with varying specifications viz., Driving License, Registration Certificate and Multi- Purpose A4 Sheet to M/s Universal Print Systems on rate contract basis for a period of one year. The Work order was issued (16.06.2017) to M/s. Universal Print Systems for printing the following items:

Sl no.	Description	Qty (in no.)	Price	Total price (in ₹)
1	High Security Driving License	6 lakh	0.39	2.34 lakh
2	High Security Registration Certificate	6 lakh	0.84	5.04 lakh
3	High Security Multi-Purpose A4 Sheet	1 lakh	2.225	2.23 lakh
Total				**9.61 lakh**

As per the terms and conditions of work order, delivery was to be made within seven days. But the same was delivered by 24.7.2017 (after a period of 38 days). In this connection, following observations are made.

1. As per terms and conditions of work order an agreement should be executed as per prescribed proforma attached on non-judicial stamp. But, no agreement was seen executed for this awarded work between C-DIT and M/s. Universal Print System.
2. There was an error in printing of High Security Driving License which was printed by M/s Universal Print System and supplied to Motor Vehicle Department by CDIT under FMS project. Since Motor Vehicle Department was not in a position to issue those erroneous pre-

printed Driving License they, asked C-DIT to supply the fresh pre-print of Driving License. Therefore, M/s Universal Print System was asked to re-print 6 lakh volumes of Driving License with the same terms and conditions and a Work Order was issued on 02.08.2017 to M/s Universal Print System in this regard. A note seeking permission of Register, CDIT from HoD, OIP Division revealed that the reason behind such error was because of not updating the design of DL and RC in the CD supplied by CDIT to M/s Universal Print System for using the same while printing the DL and RC. M/s Universal Print System re-printed 5.95 lakh nos. of Driving License and claimed (vide invoice no. 53 and 55) an amount of ₹2.32 lakh which was paid vide Bank Voucher no. 276 and 280 dated 06.10.2017 and 07.10.2017 respectively. Thus, an extra expenditure amounting to ₹2.32 lakh was made in this regard due to overlooking the error at the stage of CD writing which could have been avoided. Remarks of the management called for is awaited.

V. Payment of data hosting charge. (Reference Number: OBS-487858)

Government has accorded sanction (08.03.2022) for releasing payment of amount ₹78.86 lakh to C-DIT from the amount earmarked for state Data centre under Head 3451-00-101-87-01-36 for meeting the expense of data hosting charges due to M/s Orient Technology, a channel partner of Amazon Web Services. As per the GO, as part of the efforts to strengthen the systems for monitoring the persons under home quarantine, the citizen centre SaaS (Software as a Service) application from M/s. Sprinklr Inc. was procured, customized and deployed by Government of Kerala. The data was temporarily stored in the cloud web space of the Company for 27 days only, as the Government owned cloud web space required time for upgradation. Thereafter the data as well as the SaaS application were fully transferred to the AWS cloud web space, managed and controlled by CDIT. Although the Sprinklr application was offered pro-bono till 24th September 2020, the hosting charges were being borne by C-DIT since April, 2020. All the server instances required for running the application were terminated on 23.09.2020, on completion of the six-month agreement between the Government and M/s Sprinklr Inc. Subsequently, the database was moved to the State Data Centre (under IT Mission) by C-DIT. For hosting the application developed by M/s. Sprinklr from 17.04.2020 to 23.09.2020, C-DIT incurred an amount of ₹83.00 lakh. So the Govt accorded sanction for the release of `78.85,588 (after deducting 5% discount admitted by M/s Orient Technology. C-DIT released the payment of ₹78.86 lakh on 27 August 2022 to M/s Orient Technology. A scrutiny of e file No. C-DIT/WSD/38/2022-TA (WSD) maintained by the C-DIT revealed the following.

1. M/s Orient Technology Pvt Ltd had submitted a quote vide email dated 13 April 2020 for AWS infra services for a monthly rental charge of ₹9,35,924.08 (including GST) for hosting data. As per order No.1/CDIT/WSD/2020-21 dated 15-04-2020, the C DIT issued work order to M/s Orient Technology Pvt Ltd, Chennai for hosting the data, the monthly price including 18% GST was ₹7,34,200.72. Subsequently, M/s Orient Technology has submitted following invoices.

Sl No	Particulars	Invoice No & Date	Amount (including 18% IGST)
1	Charges for April 2020	SI-CHN/2021/0007 dt 07/05/2020	7,11,081.98
2	Charges for May 2020	SI-CHN/2021/0041 dt 26/06/2020	17,39,016.94
3	Charges for June 2020	SI-CHN/2021/00326 dt 08/07/2020	16,99,350.77
4	Charges for July2020	SI-CHN/2021/00432 dt 06/08/2020	17,27,991.80
5	Charges for August 2020	SI-CHN/2021/00558 dt 07/09/2020	13,87,912.77
6	Charges for September2020	SI-CHN/2021/00786 dt 07/10/2020	10,35,264.43
	TOTAL		**83,00,618.69**

As per A

As per the terms of the work order, the total amount of hosting charges comes to ₹44,05,204 (₹7,34,200.72 x 6) for April 2020 to September 2020. But, M/s Orient Technology Pvt Ltd has claimed ₹83,00,618.69. for six months and C DIT released an amount of ₹78,85,588/-. So the excess payment made was ₹34,80,384/- (₹78,85,588-₹44,05,204). The excess payment made beyond the rate fixed in the work order issued is brought to notice for remarks.

2. Total IGST amount claimed by M/s Orient Technology for the above 6 months was ₹12,66,196/-. Though the invoice were raised by the Orient Technology during the period May 2020 to October 2020, C DIT paid the amount to M/s Orient Technology only on 27 August 2022. It was seen that the C-DIT has not taken input tax credit on IGST on the invoices so far. As per Section 16 (4) of the GST Act, 2017, a registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier. As the period for availing

input tax credit was already over, the loss on account of non-availing of input tax credit was ₹12,66,196/-.

3. A scrutiny of the file revealed that the Govt has not entrusted the of data hosting to C DIT. It was seen that no tender/quotation was invited by the C DIT for data hosting. Only an offer was taken from M/s Orient Technology vide offer dated 13/4/2020. The work order was issued by the CDIT directly to M/s Orient Technology. In this connection, attention is invited to Rule 1.2 of Kerala Stores Purchase Manual which says that public procurement activities should be conducted in a transparent manner ensuring competition, fairness and elimination of arbitrariness in the system, so as to enable the prospective tenderers to formulate competitive tenders with confidence. Further, article 126 of Kerala Financial Code, a purchasing officer should obtain stores by calling tenders in all cases and tenders should be invited if the estimated value of stores to be purchased is ₹15,000/- or above.
4. The Government released ₹78,85,588/- to C-DIT vide GO dated 8/3/2022 from the H/A 3451-00-101-87-01-36 relating to State Data Centre (under IT Mission). As the amount was not paid by the CDIT in March 2022, the Govt resumed the amount from the treasury account of the CDIT. Subsequently the resumed amount was further released by the Govt to CDIT under the H/A 3451-00-101-30 (P) relating to CDIT vide GO (Rt) No 101/2022/ITD dt 28/05/2022. As the amount was originally released under the head of account 3451-00-101-87-01-36 relating to State Data Centre (under IT Mission), subsequent release should have been made from the head of account 3451-00-101-87-01-36 itself. This erroneous release of resumed amount from the H/A 3451-00-101-30 (P) will be resulted in reducing the plan space of C -DIT for the year 2022-23 to the tune of ₹78,85,588/-.
5. No tax was deducted at source for income tax @ 2% from the payment as required.

VI. Discrepancies in procurement (Reference Number: OBS-488006)

The Government of Kerala vide G.O dated 10.9.2015 released plan fund amounting to ₹248 lakhs to CDIT for the F.Y 2015-16. In connection with the utilisation of Plan fund, CDIT decided to purchase equipment, peripherals and Softwares utilizing Plan funds and floated/invited the following open- tenders through e-Tendering System, Government of Kerala:

Sl No.	Tender No.	To procure
1	C-DIT/3/PF-VC/16/T442 dated 30.1.2016	Supply and installation of "video cameras & accessories, Non-Linear Edit Systems and accessories and still camera & accessories"
2	C-DIT/3/PF-GNL/16/T443 dated 30.1.2016	Supply and installation of "DESKTOP COMPURTERS & LAPTOPS"

On scrutiny of the Files relating to purchases made in the above cases, the following were observed:

1. As per Clause 7.11 of Stores Purchase Manual of Government of Kerala, the open tender system, i.e., invitation to tender by public advertisement, should be used as a general rule and must be adopted, subject to the exceptions mentioned in paragraphs below, whenever the estimated value of the contract is ` 10,00,000/- or more. But the C DIT had not invited any tender for the purchase.
2. As per Clause 7.13 of Stores Purchase Manual of Government of Kerala, in all cases of open tender, it is essential that wide publicity is given to the tender notification. Short tender notices as in Annexure 12 should be published in the Stores Purchase Sheet of the Kerala Gazette and in the Government website. If the nature of the articles required is such that better results can be obtained by advertisement, short tender notices may also be published in one or more leading regional language newspapers and also in one or two issues of a leading English newspaper published in India having wide circulation in the area from where the supplies are normally obtained. As in case of both the open- tenders stated above, the estimated value was more than 10 lakhs but the public advertisement was not seen made for the said purchase which lacks transparency in the procurement.
3. As per Clause 9.49 of Stores Purchase Manual (Lack of Competition)-Sometimes the purchase department may not receive sufficient number of tenders. A situation may also arise where, after analysing the tenders, the purchase department ends up with one eligible tenderer. In such situations, the purchase department is first to check whether, while floating/issuing the tender enquiry, all necessary requirements like standard tender enquiry conditions, industry friendly specification, wide publicity, sufficient time for formulation of tenders, etc. were fulfilled. If not, the tender is to be re-issued/re-floated after rectifying the deficiencies. However, if after scrutiny it is found that all such aspects were fully taken care of and in spite of that the purchaser ends up with one eligible tender only, then contract may be placed on that tenderer provided the quoted price is reasonable. In case of Tender No. 442 dated 30.1.2016 only one bidder, M/s. Systronics (India) Limited participated in the tender quoting an amount of ₹59.33 lakh. The work was awarded to M/s. Systronics (India) Limited without exploring re-tender. Further, in case of Tender No. 443 dated 30.1.2016 only one bidder, M/s. Technoworld the IT store participated in the tender quoting an amount of ₹15.61 lakh. The work was awarded M/s. Technoworld the IT store without exploring re-tender. Specific remarks called for from the Management is awaited.

VII. Depositing of cash security for occupying a rental building.
Reference Number: OBS-496964

City Centre of C- DIT was functioning in a rental building, near SMSM Institute, TVM. Original agreement was made with the lessor (Dr. C V Ananda Bose and Lekshmy Ananda Bose) on 8 May 2017 for a monthly rent of ₹201960/- for the Ground, First and Second Floors. As per clause 23 of the agreement, ₹12,11,760/- was to be paid towards security deposit free of interest. Subsequently, additional areas were taken on lease basis from the lessor by CDIT vide agreement dt 02/08/2017 for ₹21,000/pm and with a security advance of ₹1,26,000/-. ₹1,26,000/- was paid on 02/08/2017. Subsequently, third floor and basement side hall were also taken on rental basis for which ₹4,69,200 has been paid on 05/10/2017. In this connection, attention is invited to Article 21 of the Kerala Financial Code which says that where no suitable Government building is available, private buildings may be hired for public purposes with the sanction of Government, the rent being paid by the public office or department occupying it. From the above, it can be seen that rent only to be paid for hiring the buildings for office purposes and which doesn't permit any payment of interest free security advance. As per para No. 2809.5 of the PWD Manual, Appendix 2800G of the PWD Manual dealt with a standard format for lease deed for buildings to be hired for Government purposes. The prescribed standard format also doesn't contain any provision for security deposit. A total of ₹18,06,960/- was deposited with the lesser in 2017-18 is therefor, irregular. The deposited amount is still kept by the lessor as interest free advance for the past four years which is brought to notice for remarks.

VIII. Irregularities in sanctioning of CSIR/UGC scales.
Reference Number: OBS-498011

Government has approved the 'Centre for Development of Imaging Technology – Service Rules' vide GO (MS) No. 17/2003/CAD dated 12.05.2003. As per rule 2 under Chapter 10 of the C-DIT service rules, the posts in C DIT are divided into the following groups and categories.

Sl. No	Category	Groups
1	Scientific/Research and Video Production/Academic staff (including Video production /Academic Staff (including the posts of Director and Registrar)	Group 1A & 1B
2	Technical Staff	Group 2A & 2B
3	Administrative Staff	Group 3

It was stipulated in the rule 3.1 under Chapter 10 of the C-DIT service rules that the posts with CSIR (Council of Scientific and Industrial Research)/UGC scale of pay, the qualification prescribed for those posts should be in accordance with CSIR/UGC norms and in the case of State Government's scale of pay, the qualification prescribed for those posts should be in accordance with the norms fixed by the State Government. As per the service rules of the C DIT, scientific video production and academic staff grades in C-DIT are as follows.

	Group 1 A		Group 1 B	
Sl. No	Post/Grade		Post/Grade	Pay scale
1	Scientist B	2200-75-2800-EB-100-4000	Producer B	2200-75-2800-EB-100-4000
2	Scientist C	3000-100-3500-125-4500	Producer B	3000-100-3500-125-4500
3	Scientist E1	3700-125-4700-150-5000	Producer B	3700-125-4700-150-5000
4	Scientist E2	4000-150-5700	Producer B	4000-150-5700
5	Scientist F	5100-150-5700-200-6300	Producer B	5100-150-5700-200-6300

Subsequently vide GO (MS) No 25/03/CAD dated 9/7/2013, Govt ordered that 'for the posts and promotion posts and Grades in the C-DIT having CSIR/UGS scale of pay, the norms and qualifications prescribed by CSIR/UGC are applicable. In this connection, following observations are made.

1. As per GO (MS) No. 15/2020/ITD dated 16/6/2020, it was approved by the Govt for the annual surrender of earned leave at credit was made applicable in respect of the employees who are drawing Central/CSIR scales of pay also. The decision of the Govt is irregular since there was no provision in the Central Civil Service (Leave) Rules for the annual surrender of the earned leave at credit. So the annual surrender of earned leave sanctioned for the persons who are on central scales is not in order.
2. There were no norms in C DIT for assessment of the scientific output as per CSIR norms, in terms of research publications, products developed and other criteria. Absence of norms for assessment itself shows that there was no scientific output for evaluation. Also, C-DIT has not carried out any research activities and hence the persons who are drawing CSIR/UGC scale are not eligible for drawing the same. Government vide GO (Rt) No 196/2008/I & PRD dated 18/08/2008 creates 55 posts in C-DIT and regularized 55 employees already working in the C-DIT. Out of the 55 employees, 16 employees were drawing central pay on temporary basis at that time. But the scales in which the employees were regularized were not mentioned in the GO dated 18/8/2008. Out of the 16 employees, 10 persons were already retired from service at present. Government vide GO (Rt) No. 6/2010/I & PRD dt

08/09/2010 protected the CSIR scales. As these employees are recruited on temporary basis and regularized subsequently, these employees were not qualified for CSIR/UGC norms since their induction was not in accordance with the CSIR norms. It was also seen that the C-DIT has not adopted the CSIR scheme but extending the scale of pay one par with that in CSIR.

3. As there was no norms in C- DIT for assessment of the scientific output as per CSIR norms, the C-DIT Assessment promotion Committee meeting held on 26/2/2019 & 11/05/2019 recommended the C-DIT for the adoption of norms career advancement for professional category posts ((drawing central scale posts) – after 8 years' and 15 years' service as approved in the 10th pay commission report for state government employees. The Governing Body meeting of the CDIT held on 19/02/2019 had taken a decision in this regard. The proposal furnished to Government vide Special Rule proposal Letter No 233/A1/Admn/2013/C-DIT dated 10.05.2019. The matter was placed before the 78th Executive Committee (EC) meeting held on 16.02.2021 and the EC decided to grant one assessment promotion recommended by the assessment committee meeting held on 26/02/2019 on notional basis w.e.f. 2015 (or the date of completing 15 years whichever is later) and the same would be subject to the final decision of the Government. Later, Govt vide letter dated 16/07/2021 communicated the minutes of the meeting held on 05.02.2021 with service organizations of the C-DIT by the Secretary, Electronics and IT Department, by which it was called for revised draft special service rules based on the existing posts in the C-DIT. It was also decided in the meeting that renaming of posts/upgradation of posts, creation of new posts etc should not be a part of the draft special rules. Govt issued a reminder vide letter dated 13/08/2021 to C-DIT and directed to submit a revised draft proposal (fresh proposal) on the special rules for C-DIT in tune with the decisions of the meeting held with the service organizations on 5/2/2021.

However, the C DIT vide order No. 316/A1/ADMN/2022 dated 16/05/2022 promoted the following scientific and video production staff w.e.f 1/3/2021and the pay was fixed accordingly. It was also seen that subsequent increments were also sanctioned to these officials.

Sl No	Name & Designation	Present Grade & Pay	Promoted Post Grade/Pay
1	Saji Narayanan, Engineer C (Electrical)	Scientist E1 15600-39100 Grade Pay 7600	Scientist E2 37400-67000 Grade Pay 8700
2	Dr. Govindaru, Scientist C (Geo Informatics)	Scientist E1 15600-39100 Grade Pay 6600	Scientist E2 37400-67000 Grade Pay 8700

3	N. Jayaraj, Scientist B, (Software)	Scientist C 15600-39100 Grade Pay 6600	Scientist E1 15600-39100 Grade Pay 7600
4	Deepa N, Scientist B, (Software)	Scientist C 15600-39100 Grade Pay 6600	Scientist E1 15600-39100 Grade Pay 7600
5	Biju S B, Scientist B, (Software)	Scientist C 15600-39100 Grade Pay 6600	Scientist E1 15600-39100 Grade Pay 7600
6	Manoj Krishnan, Programme Co-ordinator	Producer -C 15600-39100 Grade Pay 6600	Producer E1 15600-39100 Grade Pay 7600
7	Ramesh V, Editor	Producer -C 15600-39100 Grade Pay 6600	Producer E1 15600-39100 Grade Pay 7600

Out of the 7 employees, Sri. Saji Narayanan (Retired on 10/2022), Dr. Govindaru, and Sri Ramesh V are already retired from service. Remaining persons were drawing the pay on the promoted scale at present.

As there was no existing promotion scheme for 8 years and 15 years of service in C-DIT, promotion made and fixation given to the above 7 employees are not in order. Excess pay made to the above employees is brought to notice for remarks.

4. As per proceedings No 77/A1/Admn/2019/C-DIT dated 08/03/2019 of the Registrar of C-DIT, Dr. P V Unnikrishnan, Joint Director was given promotion as Scientist G (37400-67000, Grade Pay 10000) w.e.f 01/08/2006 from the existing post of Scientist F (37400-67000, Grade pay 8900). As per the proceedings, no arrears will be paid for the period till 28/02/20219. Subsequently, the pay of the official was fixed in the promoted post and then started to draw the revised pay. The official was retired from service on 31/12/2019. As per the service rules of the C DIT approved by the Govt vide GO (MS) No. 17/2003/CAD dated 12.05.2003, there was no such post (Scientist G) in C -DIT. Only post up to 'Scientist F' was approved by the Govt. Also, Govt has not created any post for Scientist G in C-DIT so far. So, the promotion given by the Registrar to Dr. Unnikrishnan is not in order.

Excess payment was received by Dr. Unnikrishnan by way of the wrong promotion and the resultant pay fixation. Excess pay was paid for the period from 01/03/2019 to 31/12/2019. Excess payments were made on terminal surrender of earned leave and retirement gratuity as the revised pay was taken for the calculation of the same.

Wrong promotion given may be regularized and the excess payment made may be made good under intimation to Audit.

IX. Construction of city campus for C-DIT
Reference Number: OBS-498352

Government accorded administrative sanction for the construction of city campus for the C – DIT vide G (RT) No 74/2012/ I & PRD dated 16/03/2022 for ₹140 lakh as per the proposal submitted by the C DIT on 16/02/2012. Subsequently, the work was awarded to M/s BSNL. Accordingly, MOU cum agreement was executed with M/s BSNL on 3 October 2013 entrusting BSNL as PMC for the construction of city campus building at Pattom. An advance of ₹1 crore was released to BSNL on 24/12/2013. Subsequently, Govt have accorded revised Administrative Sanction for ₹10 crore vide GO (Rt) No. 477/2015/I & PRD dated 01/10/2015. Also Government vide GO (MS) No. 676/2015/Revenue dated 16/12/2015 accorded sanction to construct the building in the leased land from the Govt. in 12.890 cents of land in Sy. No 1759, Pattom Village, TVM Taluk and was ordered to start the construction work within one year. BSNL vide letter No. BSNL No. 26 (48)/CE (C) /BSNL/TVM/2017/1052 dated 07/10/2017 submitted an estimate ₹10.36,11,200/-. Accordingly, BSNL floated tenders and furnished comparative statement of bidders vide letter No. BSNL No. 26 (48)/CE (C) /BSNL/TVM/2018/1045 dated 24/10/2019 with an L1 cost of ₹6,22,52,305 (1.65% below estimate rate of ₹6,32,98,597) for civil construction and electrical works. C -DIT approved the proposal and subsequently, BSNL placed a work order to Crescent Construction Company, the contractor for the work, at the tendered cost of ₹6,22,52,305. An agreement dated 10/12/2018 was executed between Contractor and BSNL for the construction of the building. A tripartite agreement was executed with the firm on 19 March 2020 on the basis of the request of M/s BSNL. The work has not been completed so far. In this connection, following observations are made.

1. C DIT handed over the site to BSNL on 15/06/2019. From the very beginning itself, there was inordinate delay in commencement of the work. Also, during execution of the work itself, there was inordinate delay in completing the work. C-DIT took the permit from the Dept. of the Fire and rescue service on 06/07/2017. Permit for construction and excavation of earth from Trivandrum corporation on 30/10/2017. Agreement with the contractor (M/s Crescent Construction Company) was executed by the BSNL on 10/12/2018. But the tripartite agreement was executed only on 19/03/2020 i.e., after a period 15 months. The time of completion stipulated was 15 months i.e., up to 14/09/2020. The TOC was further extended two times i.e., up to 31/12/2022. BSNL submitted a revised estimate on 04/02/2022 for ₹7,67,18,419 for civil works instead original estimate of ₹6,22,52,305/-. The contractor discontinued the works from 01/04/2022 due to pending approval of revised estimate from Govt. BSNL again submitted a revised estimate dated 06/06/2022 for amount

of ₹11,94,66,800/- which includes civil construction and electrical works amounting to ₹6,72,72,079 + taxes. The revised estimate also includes Additional works (OH water tank, fire overhead tank, multi-level car parking, network and allied works etc) amounting to ₹1,76,73,508 and furnishing for ₹75,00,000/- plus taxes and consultancy charges (8.14% on civil works and other construction works). C DIT sent the proposal for revised estimate to Govt on 16/,6/2022. The was restarted only on first week of August 2022. An amount of ₹4,95,36,759/- paid so far to the BSNL and the contractor so far (RA 4 full and RA 5-part pending ₹28,84,120 in bill discount system and ₹21,56,264 pending clearance) RA 6 and RA 7 amounting to ₹ 43,05,413/- and ₹16,47,903 respectively were pending for payment. The revised estimate has not been approved by the Govt so far. It was planned by the C DIT to shift the Divisions functioning at present in City Centre, TVM and Gorkhy Bhavan, TVM to the new building on its completion. These Divisions are now functioning in the rental buildings. If building is completed, the rental amount paid could have been avoided. Rental amount paid for the period from 10/2020 to 09/2022 are as follows:

Rent paid for city center, Thiruvananthapuram (10/20 to 08/22)	₹87,22,038
Rent paid for Gorkhy Bhavan, Thiruvananthapuram (10/20 to 03/2022)	₹19,34,562
Total	₹1,06,56,600

If the building has completed in time, the payment of ₹

2. Residuary items such as OH water tank, fire overhead tank, multi-level car parking, network and allied works etc and other items such as furnishing works etc were not awarded so far for want of completion of the building. These items were not included in the construction works awarded to M/s Crescent Construction Company. So actual completion will be delayed further.

3. It was seen that there was inordinate delay in the commencement of the work after getting revised administrative sanction vide GO (Rt) No. 477/2015/I&PRD dated 01/10/2015 for an amount of ₹10 crore. C-DIT had entered into a MoU with BSNL for the construction of building. At the time of awarding of the work, there was no estimate and so it was stipulated in the MoU for the preparation of the estimate. The services of the BSNL include, architectural service and obtaining of green building consultancy, preparation of detailed estimate, preparation of tender documents, accepting the tender and executing agreement with lowest evaluated tender, supervision and recording measurements, preparation of bills and completion certificate etc. As per clause 3.2 of the agreement with BSNL, during execution, if the revision of the estimate is found necessary, over and above the 10% of the original estimate; such revised estimate will be prepared by BSNL and got sanctioned by the

C-DIT before further proceeding with the construction. Also, Government vide GO (MS) No.676/2015/Revenue dated 16/12/2015 accorded sanction for the construction of building in 12.890 cents of leased land from the Govt. After getting the revised AS vide DO dated 01/10/2015 and land clearance, technical sanction was issued by the CE, BSNL only on 13 September 2018 i.e., after a period of nearly three years. C-DIT took the permit from the department of the Fire and rescue service only on 06/07/2017. Also, permit for the construction and excavation of earth from Trivandrum corporation was obtained only on 30/10/2017. E tender for the work was invited by the BSNL on 17 September 2018 and BSNL selected M/s Crescent Construction Company as the L1 bidder for an amount of ₹6,22,52,305/- (Construction portion of the building) and intimated the CDIT vide their letter dated 24/11/2018. Though the BSNL executed agreement with M/s Crescent Construction Company on 10/12/2018. A tripartite agreement also executed on 19 March 2020 with a time of completion of 15 months. But the work has not yet completed by the contractor. From the above, there was inordinate delay in the work can be seen on all parts viz, CDIT, BSNL and the Contractor. BSNL vide letter dated 04/02/2022 submitted a revised estimate amounting to ₹8,65,48,315 for civil works (₹7,67,18,419) and consultancy and other charges. Subsequently BSNL vide letter dated 06/06/2022 submitted a modified revised estimate amounting to ₹11,94,66,800/- which is above 15.30% of the AS amount of ₹10,36,11,200. On a scrutiny of revised estimate, it was seen that excess quantities were executed more than 50% in excess of the estimated quantity in respect of 13 items for rate revision was seen proposed amounting to ₹1,36,40,985/- (which includes original price + escalation). The details revised rates worked out are not available in the file. So the correctness of revised rates proposed could not be ensured in audit. As per the revised estimate dated 06/06/2022 of the BSNL, the overall cost escalation was worked out was ₹1,16,89,664 (without tax) (after adjusting the reduced quantity of some items) on awarded items (civil and electrical works) alone. C-DIT vide letter dated 16/06/2022 forwarded the proposal to the Govt for revised AS amounting to ₹11,94,66,800. The revised AS has not been obtained so far.

4. As per clause 1.4 of the MoU executed with the BSNL on 3 October 2013, the centage/consultancy charges payable to BSNL is 5% of executed value of work plus statutory service tax plus architectural consultancy charges payable to the agencies finalized with the concurrence of C-DIT. Further as per 4.5 of the MoU, C-DIT shall release the required funds for the work. Further as per clause 1.6 of the MoU, C-DIT shall make advance payment of one third of the sanctioned estimate to BSNL immediately on submission of the estimate and the balance amount will be released in two equal installments

upon submission of utilization statement by BSNL. C-DIT has released ₹one crore to BSNL on 24/12/2013 without obtaining the required estimate. As the MoU with the BSNL is a Project Management Consultancy (PMC) in nature, payment made to BSNL amounting to ₹one crore is irregular. Inclusion of conditions in the MoU for the payment for the release of one third of the estimate amount is also irregular. In this connection, it may be noted that technical sanction of the estimate was given only on 13 September 2018 and the work was awarded to the contractor in 10/12/2018. In this connection attention is invited to Article 192 (a) of the Kerala Financial Code which says that advance payments are to made only on exceptional circumstances. The BSNL submitted the utilisation certificate of ₹1 crore only on 06/06/2022. In this case, no necessity for releasing the advance payment to BSNL which is brought to notice. Also, it was noticed that provision for interest for keeping the amount by BSNL was not envisaged in the MoU which is a failure on the part of the C DIT which is also brought to notice for remarks.

X. Agreement with State Lotteries Department for video shooting and providing live feed for draw of the state lotteries – Loss of ₹1,29,50,000/-.

Reference Number: OBS-498545

Agreement for the work of multi cam shooting and online editing of the draw of State Lotteries and providing video feed to six Malayalam TV channels in SD format for a period of three years was executed on 27 June 2018 with the State Lotteries Department. The period of agreement would be up to 26 June 2021. As per the agreement, State Lotteries Department shall pay to C DIT a total amount of ₹26,500 + taxes for video shooting and providing live feed for each draw of the state lotteries. The total estimate for recording and providing live feed and project implementation for 365 draws will be ₹96,72,500 + applicable taxes. For each draw exceeding 365 draws, the rate will be ₹26,500 + applicable taxes.

1. Details of the number of draws, amount invoiced, and amount received so far etc. for the project are detailed below.

Sl No	Year	No. of draws	Total amount invoiced to Lottery dept. for the work. (₹)		Total amount received from lottery dept. (including tax. (₹)
			Value	Tax	
1	2018-19	203	4836250	870525	5706775
2	2019-20	211	6134751	1104254	641035
3	2020-21	229	5920000	1065600	13477370
4	2021-22	282	7473000	1345140	8818140
5	2022-23	198	5247000	944460	1563500
	TOTAL	**1123**	**29611001**	**5329979**	**30206820**

The agreement for the project was executed on 27/6/2018 for 3 years at the rate of ₹26,500/- plus applicable taxes per draw. During the initial period of 100 days itself, corrections were made in the project as per the requirement of State Lottery Department. The revised budget was @40500 per draw covered with both direct and indirect expenses. C-DIT had submitted a revised budget in February 2019, but the State Lottery Department didn't agree and allowed the proposal. The second stage of the project has been approved (29/8/2022) by Government for an amount of ₹38750/day. Though the process of executing the agreement with the Lottery Department is going on, the same has not been materialized so far.

XI. Non production of Records/files to Audit for verification.
Reference Number: OBS-498529

As per Audit requisition reference: 5 (AREQ-138814) dated 26/10/2022, following Purchase/work order files and connected records were called for by the Audit for verification.

Sl No	Order No and date	Agency
1	139/2017-18 dt 21/2/2018	M/s Ospyn Technologies
2	200/2018-19 dt 12/3/2019	M/s Ospyn Technologies
3	091/2018-19 dt 5/9/2018	M/s Ospyn Technologies
4	138/19-19 dt 27/11/2018	M/s Orisis India Consultancy Services
5	136/2018-19 dt 27/11/2018	M/s Ospyn Technologies
6	155/2017-18 dt 28/3/2018	M/s Nibodba Technologies Pvt Ltd.
7	7/2019-20 dt 24/2/2019	M/s Ospyn Technologies
8	9/2018-19 dt 27/4/2018	M/s VST Travel Solutions Pvt Ltd
9	116/2018-19 dt 12/10/2018	M/s Saasvaap Techies Pvt Ltd
10	183/18-19 dt 15/2/2019	M/s Thought Ripples Technologies Pvt Ltd
11	200/18-19 dt 28/3/2019	M/sThought Ripples Technologies Pvt Ltd

But the files were not furnished to Audit for scrutiny. It was seen from the explanations given for an LA question vide C-DIT letter No 2100/A1/Admn/2022/C-DIT dated 24/06/2022 to the Additional Chief Secretary, I&ITD that the above files were relating the purchases made/works awarded without inviting any tender. No furnishing of records to Audit for scrutiny is brought to notice.

PART-III

(Follow up on findings outstanding of previous Inspection Reports)

Period of IR	PART	Para no	Subject
2008-09	IIB	II	Irregular sanction of higher grade excess payment of ₹11.7 lakh + Allowances (Approx.)
		IV	Construction of canteen building, land development works and road works in C-DIT campus-undue favour to the defaulted consultant.
		V	Delegation of Top officials of C-DIT to "6th Asian High Security Printing Conference at Hong Kong" – Undue payment of ₹79009 towards travelling expenses
2010-12	II B	I	Down time payment for facility management services rendered to Motor Vehicle Department – Avoidable expenditure of ₹3.03 crore
		II	Centre for Advanced training in free and open source software – Unfruitful expenditure ₹1.26 Crore.
		IV	Delay in realization of project amount from SC/ST Development Department - ₹26.17 lakh
		VII	Non realization of balance amount from Ministry of Minority Affairs, New Delhi ₹29.45 lakh
		VIII	Outstanding amounts on the accounts of Web Services Team of C-DIT ₹1,35,85,163/- for 2011-12 and Service tax liability of ₹15,08,044/-
		IX	Delay in refund of project amount to the client leading unnecessary liability to the organization
		X	Parking of funds in bank account for years and earning interest ₹54 lakh
		XI	Delay in setting up of Communication and Information Technology Complex (Trivandrum city Campus)
		XII	Declining of profit from projects undertaken by different teams in C-DIT
		XIII	Under assessment of Service Tax liability
		XIV	Accounting Policy – From Cash basis to Accrual basis.
		XVI	Irregular grant of scale of pay and grade promotion to Shri. Bharath Thampi, Asst. Manager (PWL) resulting in excess payment
		XVII	Irregular grant of scale of pay and grade promotion to Shri Mahin Kannu, Duplicating & Photocopying operator resulting in excess payment
		XVIII	Irregular grant of scale of pay and grade promotion to Shri. Mohan Kumar. N, Helper resulting in excess payment. A. Irregular sanction of Maternity Leave
		XIX	Non-adjustment of advances drawn – Penal interest due - ₹6.38 lakh
		XX	Deficiencies noted in cash book
2012-13	II A	I	Default in keeping books of accounts for scientific research caused huge liability on income tax, ₹7.69 crore including penal interest of ₹1.84 crore

		II	Irregularities in providing facility management service to Motor Vehicle Department. a) Avoidable loss due to Penalty on account of Down Payment and non-realization of wrongly charged penalties from Motor Vehicle Department ₹5.62 Crore b) Payment of service tax on non-service and non-claiming of refund/adjustment resulted in extra expenditure of ₹61.86 lakh
		III	Avoidable payment of interest on account of non-filing of Return of Income and default and deferment of advance tax ₹67.36 lakh
	II B	I	Diversion of fund and non-implementation of project as envisaged in the GOs
		II	Undue benefit to the Contractor by extending the contract beyond BOT period - ₹5.23 crore
		III	Non-filing of Income Tax Returns for 2012-13 (FY) as required under the Income Tax Act, resulted in non-claiming of advance tax paid ₹19211/-
		IV	Improper maintenance of cash book
		V	Locking up of fund to the tune of ₹42 lakhs due to non-implementation of the Additional Central Assistance project.
		VI	Amount recoverable on account of Token Display System Installed ₹13.78 lakh
		VII	Non-Compliance with the Statutory Provisions for
		VIII	System deficiency resulted in non-collection of Registration fee and Registration Renewal fee - ₹58.35 lakh
		IX	Wrong application of tariff for electricity – extra expenditure ₹205336
		X	Inordinate delay in the construction of the Headquarters building for C-DIT
		XI	Non realization of balance amount of ₹29.45 lakh from the Ministry of Minority Affairs New Delhi
		XII	Setting up of a software facility in C-DIT
		XIII	Wrong accounting resulting understatement of income from project ₹2.27 crore and chances of underestimation of tax liability
		XIV	System deficiency to realize cash and cash equivalents
		XV	Inordinate delay in completion of computerization activities
		XVI	Failure in taking up of a project under schedule caste Development Department
		XVII	Non Implementation of integrated office and Academic Management Software Project of Government Law College, Calicut
		XVIII	Inordinate delay in realization of huge outstanding from Civil Supplies Department and District Supply Offices and consequent interest loss
		XIX	Unfruitful expenditure of ₹1.26 crore due to closing down of CATFOSS

		XX	Penalty for unauthorized load ₹4.65 lakh and non-receipt of rent deposit ₹4.55 lakh
		XXI	Internal control and Internal audit lapses
2013-14	II B	I	Providing facility Management service to Motor Vehicle Department – Monetary loss of ₹5.26 crore due to non-revision of contract rate
		II	Lapses noticed in Implementation of Cybershri Project
		III	Lapses noticed in rendering facility management Services to Motor Vehicle Department
		IV	Non implementation of plan projects resulting in idling of plan fund - ₹155 lakh
		V	Non-Utilization of plan grant resulting in short release of budget allotment - ₹55 lakh
		VI	Lapses in implementation of the project 'ST Online Application for suit'
		VII	Loss of interest of ₹16.66 lakh on IT refund
		VIII	Inordinate delay in implementation of Programme resulting in idling in central assistance
		IX	Amount pending collection from various departments
		X	Chief Minister's Janasamparka Paripadi – 2013 – Unauthorised expenditure of ₹13.05 lakh
		XI	Annual returns for Income Tax
		XII	Annual Accounts
		XIII	Non levy of penal interest for delayed payment
		XIV	Internal Control
2014-15	II B	I	Providing facility management service to Motor Vehicle Department a) Monetary loss of ₹9.88 crore due to non-revision of contract rate b) Loss due to penalty on account of Down Time Payment and non-realization of wrongly charged penalties from Motor Vehicle Department - ₹8.87 crore
		II	Muziris Project Phase I & II – Lapses noticed in the implementation of the project
		III	Non-implementation of the plan project resulting i8n idling of plan fund ₹200 lakh
		IV	Non realization of Training cost of ₹41.98 lakh from Kerala State Youth Welfare Board
		V	Lapses noticed in implementation of project by Informatics Division
		VI	Delay in implementation of projects – blocking up of ₹23.98 lakh
		VII	Inordinate delay in completion of project of Malabar Devaswom Board – revenue pending realization ₹17.50 lakh
		VIII	Non-realization of ₹9.93 lakh due to delay in implementation of Integrated Office and Academic Management Software Project of Government Law College, Kozhikode
		IX	Delay in implementation of the project "Automation of Kerala Madrassa Teachers Welfare Fund Pension Scheme"

		X	Non-completion of the project "Implementation of E-Grants in Fisheries Department"
		XI	Scheme Monitoring Software for HADA-lapses noticed in implementation
		XII	Computerization of Keràla Nurses and Midwives Council
		XIII	Inordinate delay in the completion of project of Directorate of Coir Development
		XIV	Inordinate delay in the realization of income
		XV	Supply of security labels with hologram-loss of income due to defective supply
		XVI	Supply of High Security Degree Certificates for Universities – avoidable delay in supply due to non-implementation of the plan scheme
		XVII	Non achievement of objectives due to shortfall in conducting training Programmes by the Cyber Sri Unit
		XVIII	Delay in completion of the project "Production of 239 web modules for IT @ School"
		XIX	Inordinate delay in the construction of the Headquarters building for C-DIT
		XX	Non-adjustment of advances amounting to ₹4.25 lakh and subsequent non-levy of penal interest
		XXI	Service matters – irregularities noticed
		XXII	Staff Pattern and regulation of pay
		XXIII	Shortfall in convening of Executive Committee Meetings
		XXIV	Internal Control Mechanism
2015-16	II A	I	Incompetency of C-DIT: Huge loss of revenue amounting to ₹81.22 lakh due to improper execution of work under taken
	II B	I	Non settlement of advances/amount and non-adjustments of opening balance
		II	Lack of evolution of proper strategy for change management/business process reengineering resulting in huge recurring liability on proprietary Softwares amounting to ₹65 lakh
		III	Annual physical verification of stock – Main office
		IV	Payment of interest on account of non-filing of Return of Income and default and deferment of advance tax resulting in loss of revenue amounting to ₹1456833/-
		V	Functioning of Communication Course Division with heavy loss
		VI	Non collection of Outstanding C-DIT Educational Partners (CEP) Registration and renewal fee ₹1.42 Crore
		VII	Unfruitful expenditure of ₹37.78 lakh in connection with furnishing of Regional Centre Ernakulam
		VIII	Caution Deposits pending for refund ₹10,01,807
		IX	Non observations of contractual procedures on purchase of stores
		X	Non receipt of ST from Registration for the services rendered
		XI	Loss of revenue due to non-receipt of arrears of payments
		XII	Non collection of revenue/service tax
		XIII	Underutilization of hired vehicles

		XIV	Difference in opening balance
		XV	Loss due to maintenance of Current Account – Technology Extension Division (TED)
		XVI	Inadequate penal provisions noticed in MOU between C-DIT and Off Campus Centre (OCC) – Course Division
		XVII	Discrepancies noticed in the Annual Accounts of Regional Centre Kayamkulam
		XVIII	Non receipt of Service tax due ₹77,026 – Digitization Division
		XIX	Non collection of Outstanding amount of ₹87.22 lakh from Government Department – Digitization Wing
		XX	Long pending Sundry Debtor amounting to ₹1,22,46,817
		XXI	Non realization of bills amounting to ₹88.34 lakh
		XXII	Non completion of project IT @ school after lapse of three years – Communication Group
		XXIII	Diversion of ₹33 lakh from project account being funds kept apart for purchase of equipment
		XXIV	Non reaching consensus with clients and documents mismanagement results in near slackness of business worth ₹14.34 lakh – the case of e-Gazette Website
		XXV	Verification of cash book

PART-IV (Best Practice)

Nil

PART-V (Acknowledgement)

Audit acknowledges the co-operation extended by the auditee.

Senior Audit Officer

3.3.1.1 Other Misclassifications

- **Misclassification of Investment**

Government of Kerala incurred ₹2.05 crore from the head of account 4859-02-004-97 Indian Institute of Information Technology-Kerala, Pala (IIIT-K, Pala) for the construction of building and infrastructure development of permanent campus at Pala. As the expenditure is in the nature of investment, the amount should have been booked under investment head under 4859-02-190-94 Indian Institute of Information Technology – Kerala, Pala and not under the minor head 004–Research and Development.

3.3.2 Unnecessary or excessive Supplementary Demand for Grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year as is necessary to meet-

i. Expenditure on 'Schemes of New Expenditure' to be taken up within the current financial year.

ii. Inadequacy of provision.

iii. Fresh expenditure but not technically "Schemes of New Expenditure."

iv. Omissions of provision.

When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the Grant to cover the excess by Re-Appropriation, the Secretary in the Department concerned proposes to the Finance Department for Supplementary or Additional Grant or Appropriation.

There were savings against total budget provision at the end of the financial year for which supplementary provision was obtained in 33 grants and two appropriations. Out of these, in 18 cases of 15 grants the supplementary demand for grants obtained was unnecessary as either the final expenditure did not come even up to the level of original Grants or no expenditure was incurred even after obtaining Supplementary Demand for Grants **(Table 3.3)**.

In 19 cases of 15 Grants and one Appropriation, the Supplementary provision of more than ₹50 lakh obtained was in excess of actual expenditure as detailed in **Table 3.4**.

GOVERNMENT OF KERALA

Abstract

E&ITD - Reclassification of the expenditure for the construction of building and infrastructure development of permanent campus at Pala from the head of account '4859-02-004-97' to the head of account '4859-02-190-94-04' -reg.

ELECTRONICS & INFORMATION TECHNOLOGY (A) DEPARTMENT

G.O.(Rt)No.262/2023/ITD Dated,Thiruvananthapuram, 30-12-2023

Read 1 G.O(Rt)No.140/2019/ITD dated 12.07.2019

2 G.O(Rt)No.138/2020/ITD dated 06.11.2020

3 Letter No. AAD/IV/53-32/NTA/2020-21/3864 dated 25.03.2021 from the office of Accountant General(A&E), Thiruvananthapuram.

4 Letter No. AAD/I/Grant No.37/GC/2020-21/952 dated 05.08.2021 from the office of Accountant General(A&E), Thiruvananthapuram.

ORDER

As per the Government order read as 1 st and IInd paper above, an amount of Rs. 1500 Lakhs (Rupees One thousand five hundred lakh only) and an amount of Rs. 205 Lakhs (Rupees Two hundred and five lakh only) were released to IIIT-K Pala for the 'construction of building and infrastructure development of permanent campus at Pala' under the head of account '4859-02-004-97' during the financial year 2019-20 and 2020-21 respectively.

2.As per the letter read as 3rd and 4th paper above, the Accountant General(A&E) has informed that the expenditure is in the nature of investment and therefore the amount should have been booked under investment head '4859-02-190-94 and not under minor head 004-Research and Development. The Accountant General(A&E) has therefore suggested to reclassify the above expenditure to the head of account 4859-02-190-94-04 Indian Institute of Information Technology Kerala, Pala(IIIT-K PALA) (P).

3.Government have examined the matter in detail and hereby sanction the reclassification of the amount of Rs. 1500 Lakh and Rs.205 Lakh released as per the Government Orders read as 1st and IInd papers above respectively for the construction of building and infrastructure development of permanent campus at Pala, from the head of account '4859-02-004-97' to the head of account '4859-02-190-94' Indian Institute of Information Technology-Kerala, Pala(IIIT-K PALA) (P).

(By order of the Governor)
RAJESH KUMAR M
ADDITIONAL SECRETARY

To:
The Accountant General(Audit/A&E) Kerala, Thiruvananthapuram
The Registrar, IIIT-K, Pala
The Director of Treasuries, Thiruvananthapuram
Finance Department (vide U.O.(R)No.BW-G2/31/2020-FIN dated 01.03.2023)
Stock file/Office copy

Forwarded /By order

Section Officer