

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2011-2014)**

FIFTY SECOND REPORT

(Presented on 28th January, 2014)



SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014

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On

**Action Taken by Government on the Recommendations contained in the
48th Report of the Committee on Public Accounts (2006-2008)**

357/2014.

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COMMITTEE ON PUBLIC ACCOUNTS (2011-2014)

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf, present the Fifty Second Report on Action Taken by Government on the recommendations contained in the 48th Report of the Committee on Public Accounts (2006-2008).

The Report was considered and finalised by the Committee at the meeting held on 22nd January, 2014.

Thiruvananthapuram,
28th January, 2014.

DR. T. M. THOMAS ISAAC,
Chairman,
Committee on Public Accounts.

REPORT

This Report deals with the Action Taken by Government on the recommendations contained in the 48th Report of the Committee on Public Accounts (2006-2008).

The Forty Eighth Report of the Committee on Public Accounts (2006-2008) was presented to the House on 17th March, 2008. The Report contained 7 recommendations. Among them Para Nos. 5, 14, 15 were related to State Election Commission and para Nos. 21, 22, 23 and 28 were related to Industries Department. Government were addressed on 2nd April, 2008 to furnish the Statement of Action Taken on the recommendations contained in the report and the final replies were received on 21st January, 2013.

The Committee examined the Statements of Action Taken at its meetings held on 18-8-2010 and 1-8-2012. The Committee took evidence from the Secretary, Industries Department on 15-5-2013 in connection with the statements of Action Taken on Para No. 28 and gave further recommendations on it. The recommendations of the committee, replies furnished by Government and the further recommendations of the Committee are incorporated in Chapter I of this Report. The Committee decided not to pursue further action on the remaining recommendations in the light of the replies furnished by Government. Such recommendations and Government replies are incorporated in Chapter II of this Report.

CHAPTER I

RECOMMENDATION IN RESPECT OF WHICH THE ACTION TAKEN BY GOVERNMENT IS NOT SATISFACTORY AND WHICH REQUIRES REITERATION

INDUSTRIES DEPARTMENT

Recommendation

(Sl. No. 7, Para No. 28)

1.1 The Committee sees that in a sponsored scheme of NCDC for the development of Powerloom Co-operative Societies in Ernakulam District, M/s. Paravoor Powerloom Industrial Co-operative Society has been selected. Though an amount of ₹ 6.74 crore has been released to the Society and all the 300 looms were installed in the society, it could not start the Commercial production and not able to provide the benefit to the handloom weavers as envisaged in the scheme. The funding pattern of the Society was the equity grant of ₹ 2.72 crore by the Government, ₹ 5.56 crore loan from NCDC through

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Government and ₹ 0.10 crore as Society share. Though NCDC sanctioned ₹ 5.40 crore, the Government released only ₹ 3 crore and ₹ 0.15 crore was yet to be received from NCDC. To this the Department submitted that NCDC released the full amount only on submission of the utilization certificate by the Society which the Society could not produce as it was fraught with land disputes. The Committee notes that even when the Society is not in its production activity, the whole loan amount has to be repaid to the NCDC and in that case too, the burden falls on the State Government. The Committee observes that it is a sorry state of affairs that exists in the powerloom sector especially, a traditional industrial sector in the State that is mostly unwarranted. The Department informs the Committee that the Department is having a project already in the threshold of modernization in the sector and the same is going to be implemented in the next year. Hence the Committee directs that the Department should furnish the present stage of the implementation of the project and also recommends that the Industries Department especially the Director of Handloom should take urgent steps to revive the Society and start production on commercial basis.

Action Taken

1.2 Financial assistance to the tune of ₹ 4,90,00,000, as NCDC loan, ₹ 12,96, 000 as Share Capital and ₹ 2,72,00,000 towards Government grant were sanctioned to the Paravoor Powerloom Co-operative Society Ltd., No. P and E-129. The Director of Handloom and Textiles has reported that the Society has failed to utilise these amounts properly and the functioning of the Society has almost come to a standstill now. Out of the 7 Managing Committee members of the Society, which assumed charge in 2007, only 6 members are the original promoters of the Society. These committee members have expressed their unwillingness to continue in the Society as Members. A stay order imposed by the Hon'ble High Court in WP (C) No. 26496/2005 is also existing in connection with the ownership of the land of the Society. In the circumstances, the Director of Handloom and Textiles has reported that there is no possibility for revival or reopening of the Society, in the immediate future. The Director of Handloom and Textiles has therefore recommended Government to entrust TEXTFED to explore the possibility of finding any viable solution for the revival of the Society.

1.3 Accordingly the matter has been referred to the Managing Director, TEXTFED. The Managing Director, TEXTFED has opined that the Society can be made operational, only after conducting an indepth study on the following factors:

- (1) Existing condition of the machinery and scope of its operation.

(2) The products which can be manufactured out of it and their marketability.

(3) The return on investment.

(4) Other extraneous factors like legal problems presently associated with the Society.

1.4 It may also be apprised that the machinery installed in the Society are kept idle for several years. These machinery are also very old, obsolete and not suited with the modern technology. In order to get revive/repair these machinery, a very huge amount, say about an equivalent amount already deposited so far, is necessary. Another hurdle that stood in the way of revival of the society is the various court cases prevailing against it.

1.5 In the circumstances, it may be concluded that the revitalisation and revival of Paravoor Powerloom Industrial Co-operative Society is not at all viable.

1.6 The Handloom Directorate has taken necessary steps to implement the Modernization Programme as per the recommendation No. 28 in the 48th report of the Committee.

1.7 The following three projects have been included in the budget for the year 2010-11 for improving the functioning of Integrated Powerloom Co-operative Societies:

(1) *Improving the facilities for Powerloom training.*

1.8 This project is meant for imparting expert training to the members of Powerloom Societies by providing stipend to the participants in the training. This year, the Working Group of Industries Department has approved to provide Plan funds to Kozhikode Integrated Powerloom Co-operative Society, Kottayam Integrated Powerloom Co-operative Society, Neyyattinkara Integrated Powerloom Co-operative Society and Wayanad Multi Purpose Society. The amounts will be released to the Societies on obtaining Utilization Certificates for the funds already released for the conduct of training programmes.

(2) *Modernisation of Powerloom of Integrated Co-operative Societies under TEXFED.*

1.9 The funds amounting to ₹ 56 lakh provided in the budget for 2010-11 has been allocated to TEXFED for Modernizing Powerlooms of Wayanad Handloom and Powerloom Multi Purpose Society, Kottayam Powerloom Co-operative Society and Kozhikode Integrated Co-operative Society. The modernisation works are expected to be completed in the current financial year.

Handloom Cloth Bag Manufacturing Unit

1.10 An amount of ₹ 75 lakh has been handed over to TEXTFED for the production of Handloom Cloth Bags after completing modernization of Power looms in Wayanad Handloom and Powerloom Multi Purpose Society, Kottayam Powerloom Co-operative Society and Neyyattinkara Integrated Powerloom Society for utilising the maximum available capacity. The sale of yarn bags produced by these Societies are also entrusted to the TEXTFED.

Further Details called for by the Committee

(a) Why the Industries Department had not released the entire amount sanctioned by NCDC To the Society.

(b) The reason for the non-utilisation of Fund by the Society.

(c) The details of its fund utilisation.

Reply from Government

(a) 1.11 Paravoor Powerloom Industrial Co-operative Society was registered on 15-2-1996 and started functioning on 2-10-1997. The Society has its own land to an extend of 2.35 acres at Kuttikkattukara in North Paravur. Later 5 acres of land at DA Edayar resumed from ABN granites was also allotted to the society by the General Manager, District Industries Centre, Ernakulam. The project was set-up with NCDC assistance. Total loom proposed was 1000, But subsequently Government decided to reduce the capacity to 300 looms. Total project cost was ₹ 838 lakh and pattern of assistance as follows:

| | | |
|---------------------------|----|---------------------|
| 1. Government of Kerala | .. | ₹ 2.72 crore |
| 2. NCDC | .. | ₹ 5.56 crore |
| 3. Promotion Contribution | .. | ₹ <u>0.10 crore</u> |
| | | ₹ <u>8.38 crore</u> |

Amount released by NCDC to Government .. ₹ 540.74 lakh

Amount released to the society

| | | |
|------------------|----|------------|
| Government share | .. | ₹ 272 lakh |
| NCDC Loan | .. | ₹ 490 lakh |

1.12 Though 296 looms have installed in the Society, commercial production could not start with 296 looms due to various reasons such as non availability of power connection, working capital shortage land, land attached by Debt Recovery Tribunal etc. The functioning of Society remains closed since

2000 onwards. The Society could not make any step to raise working capital assistance from the banks as required by the project report and only utilised the margin provided as working capital and exhausted the resource. The ABN granites had availed loan from IDBI by mortgaging the land where the Society was functioning. Moreover the activities of the Society was totally blocked due to the legal action initiated by the Debt Recovery Tribunal, Ernakulam on the land allotted to the project which was earlier allotted to ABN granites. The entire assets of the Society had been attached by the Debt Recovery Tribunal, Ernakulam in lieu of the debts of ABN granites as per OA No. 81/99. Gradually the functions of the Society were slow down and the Society remain closed during the year 2005.

1.13 The PAC had directed to revive the Society and to start the production on commercial basis. Thereafter necessary direction had been given to the General Manager, District Industries Centre, Ernakulam to explore the possibility to revive the society and to start commercial production. But the General Manager, District Industries Centre, Ernakulam reported that there was no possibility to revive the society and to start the production on commercial basis due to the following grounds:

1. The Case No. WP(C) 26496/05 in Debt Recovery Tribunal Kochi in connection with IDBI is still pending with Court.
2. The machinery available in the Society was not in working condition.
3. The Powerloom installed in the Society were out dated.
4. The Board of Directors were not interested to continue the project/functioning the Society ahead.
5. The Society remains closed for a long period and at last General Manager, District Industries Centre has resumed the land allotted to the Society during the year 2009-2010 except the land where the building constructed.

(b) 1.14 In the beginning stage also the Society had faced many problems to implement the project. Though Government had sanctioned ₹ 272 lakh as Government share and ₹ 490 lakh as NCDC loan, the Society could utilise only ₹ 5,67,43,318. The Society could not utilise ₹ 1,94,56,682 due to following reasons:

(a) The Society remain closed since 2000 onwards due to the legal action initiated by the Debt Recovery Tribunal, Kochi on the land allotted to the project which was earlier allotted to ABN granites. So the Society could not do anything for the project till the disposal of case.

(b) There was no possibility to revive the unit and to start the production on commercial basis.

Expenditure details are as follows:

Source of Finance

| | | |
|---|----|----------------------|
| Assistance released by the State Government | .. | ₹ 2,72,00,000 |
| NCDC loan | .. | ₹ 4,90,00,000 |
| Promoters Contribution | .. | ₹ 12,96,000 |
| Total | .. | <u>₹ 7,74,96,000</u> |

(c) 1.15 PROJECT COST AND EXPENDITURE INCURRED:

| <i>Sl. No.</i> | <i>Items/Component</i> | <i>Block cost Approved (₹)</i> | <i>Expenditure incurred (₹)</i> |
|----------------|---------------------------|--------------------------------|---------------------------------|
| 1. | Land and Land Development | 54,00,000.00 | 48,53,061.07 |
| 2. | Building and Civil Works | 2,08,50,000.00 | 1,85,28,417.32 |
| 3. | Plant and Machinery | 3,88,50,000.00 | 3,19,66,695.33 |
| 4. | Other Fixed Assets | 3,85,08,000.00 | 10,22,675.15 |
| 5. | Pre-operative Expenses | 91,14,000.00 | 63,04,151.23 |
| 6. | Margin Money | 57,28,000.00 | .. |
| | Total | <u>8,38,00,000.00</u> | <u>6,26,75,000.00</u> |

Further Recommendation

1.16 Regarding the unlawful investment of powerloom project, the Committee was distressed to note that the Department of Handloom and Textile was not intervening properly in improving the standard of the looms by introducing suitable mechanisation and other facilities required for the proper functioning which resulted the total failure of the project. The Committee aired it very seriously and criticised the lethargic attitude of the Department and decided to approve the Action Taken statements by giving instructions to the Department to conduct a detailed study about the basic facilities, availability of working capital, infrastructural facilities etc., required for the upliftment of the handloom sector in the State.

CHAPTER II

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO
PURSUE IN THE LIGHT OF THE REPLIES FURNISHED BY
GOVERNMENT

STATE ELECTION COMMISSION

Recommendation*(Sl. No. 1, Para No. 5)*

2.1 Regarding the wide variation between Budgetary provision for election and expenditure incurred, the Department Secretary revealed that the reason for such wide variation would be furnished to the Committee very soon. But even after the expiry of one year, no reply has been furnished so far. In the case of shortfall in expenditure in the preparation of electoral rolls also the Secretary pleaded for some more time. No details has been received either. The Committee desires to know the reason for such delay in the matter and directs the department to furnish the details urgently to the Committee.

Action Taken

2.2 The comments relate to the Budget estimate and expenditure of 1996- 97 and 1997-98. Every effort has been made by this office to trace out the papers relating to those years, but to no avail. Attempts to reconstruct the papers with the help of the Finance Department have also not met with success. Unfortunately, unless the documents are traced out, a satisfactory reply for the disparity between the estimate and expenditure may not be possible to be given.

2.3 The inconvenience caused to the Hon'ble Committee on account of the inability of this department to furnish an exact reply to the observation is deeply regretted. However, strict instructions have since been issued to the staff to ensure that a realistic estimate should be furnished and disparity between estimate and expenditure if any should always be explainable (Copy attached vide Appendix II).

The lapse may kindly be condoned by the Hon'ble Committee.

Recommendation*(Sl. No. 2, Para No. 14)*

2.4 The expenditure incurred by the State Government on cleaning of buildings/walls of private and public property defaced during election by pasting/ writing of posters by Candidates/Political parties should be recovered from the parties concerned. Political parties should be called upon to account for the

expenses incurred in the election campaign of their Candidates. Election have shown that election expenses are increasing every year at a rate far above the ceiling and the candidates who are not sponsored by political parties are comparatively large in numbers. It is not advisable to spend a huge amount of ₹ 38.74 lakh from the State Exchequer for removing illegal defacement of walls, buildings, etc., during election.

Action Taken

2.5 The District Collectors reported that the expenditure of ₹ 38.74 lakh includes other contingent expenditure like expenses for video coverage, refreshment charges, daily allowance to unit members (Revenue Department Staff) coolie charges to labourers etc., which were arranged by District Election Officers. No records are available with the District Collectors as to which Political Party/Candidate defaced which area and also which material exhibited/used for defacement belong to which candidate/political party. In the fret and fury of the election work the then officials were not in a position to maintain such records. Hence the amount spent in connection with the cleaning of defacement could not be assessed and recovered from Political Parties/Candidates. Sanction was therefore accorded to write-off the expenditure amounting to ₹ 38.74 lakh incurred by the State Government for cleaning the illegal defacement of walls, building etc. made by Political Parties/Candidates contested in the Lok Sabha Election 1999 and the Legislative Assembly Election 2001 [vide G.O. (Ms.) 03/09/Elec. dated, 15-6-2009 Appendix III].

Instructions have since been issued to all District Collectors to ensure that proper records regarding expenditure incurred by the Government for cleaning buildings/walls etc., of private and public property defaced during general/bye-elections since 2001 are maintained and the amount so expended is recovered from the Political Parties/Candidates concerned. (vide Appendix IV).

Recommendation

(Sl. No. 3, Para No. 15)

2.6 The Committee opines that it is desirable to fix norms in the exhibition of posters, slogans, symbols and bill boards for election propaganda. The Committee recommends that the State Election Commission at the back drop of the Anti Defacement Act should discuss the matter with various political parties and arrive at a consensus with them regarding the defacement issue and recovery of expenditure met from the Government for clearing the defaced walls/property during the election.

Action Taken

2.7 On the basis of recommendation of the Public Accounts Committee, the State Election Commission, Kerala has convened a meeting of the political parties (National/State and the parties which have representation in the Legislative Assembly) on 14th May, 2012 and had discussed the matter with them. The leaders of the participated Political parties are of the opinion that this type of law is not agreeable and any decision in the matter shall be taken only after elaborate discussions and they have requested to report this fact to the Committee on Public Accounts.

INDUSTRIES DEPARTMENT

Recommendation

(Sl. No. 4, para No. 21)

2.8 The Silkworm, a highly sensitive insect, responding to all types of climatic variations and other changes in the environment is producing the raw material for the production of silk. Its rearing and harvesting need peculiar technical skill, attention and expertise which can be achieved only through years of experience. So before employing farmers directly to Sericulture, they should be given at least one month intensive training about its rearing, reeling, maintenance, management and harvesting. Majority of the unemployed youth are attracted to this field not out of interest but because of getting subsidy. Serified should release subsidy only to those persons who are having genuine interest in this field.

Action Taken

2.9 Serified had disbursed subsidy to the eligible sericulture farmers only after giving one month training, completing silk worm rearing and reaching a production level of 100 kg. cocoon per acre or on a pro-rata basis.

Recommendation

(Sl. No. 5, Para No. 22)

2.10 In Kerala State sericulture specialized zoology courses or agriculture courses are seldom imparted. So the department should take-up the matter with Government and introduce sericulture based courses from the vocational level. Moreover young dynamic MBA graduates with specialization in Agribusiness Management should be placed at the higher level to have an overall guidance in the field.

Action Taken

2.11 The Services of Serifed employees who had completed MBA were utilised to improve the performance. They were placed either as District Sericulture Officers or District Serisree Co-ordinators etc. Moreover the Government issued orders to liquidate Serifed and transfer its assets and redeploy the staff of Serifed to LSGD, RDD and KKVIB vide G.O (Ms.) 58/10/ID dated, 15-3-2010.

Recommendation

(Sl. No. 6, Para No. 23)

2.12 Since no end product of silk is produced in the State, we can't find market for our raw silk and forced to sell it in other States, some times at reduced rate. Moreover the accumulated loss is increasing every year. So the Serifed should take active steps to start silk based industries in the State. Central Silk Board has certified our Silk as of international quality and hence it would not be difficult for us to find a path in the Indian and International silk markets.

Action Taken

2.13 Serifed was producing different types of silk sarees, fabrics etc., and marketed them through the showroom functioning adjacent to the Head Office. The Federation was also supplying twisted dyed silk yarn to Hanveev and other Weaving organizations for taking up silk weaving activities on cost basis. The balance stock of silk yarn was auctioned through the Silk Exchange, Uduma which was functioning at Kasargod District.

2.14 As the functioning of Serifed was not viable Government ordered the liquidation of Serifed, transferred its assets to KKVIB and Staff redeployed in LSGD/CRD/KKVIB.

Thiruvananthapuram
28th January, 2014.

DR. T. M. THOMAS ISAAC,
Chairman,
Committee on Public Accounts.

APPENDIX I

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

| <i>Sl. No.</i> | <i>Para No.</i> | <i>Department concerned</i> | <i>Conclusion/ Recommendation</i> |
|----------------|-----------------|-----------------------------|--|
| 1 | 1.16 | Industries | Regarding the unlawful investment of powerloom project, the Committee was distressed to note that the Department of Handloom and Textile was not intervening properly in improving the standard of the looms by introducing suitable mechanisation and other facilities required for the proper functioning which resulted the total failure of the project. The Committee aired it very seriously and criticised the lethargic attitude of the Department and decided to approve the Action Taken statements by giving instruction to the Department to conduct a detailed study about the basic facilities, availability of working capital, infrastructural facilities etc., required for the upliftment of the handloom sector in the State. |