

**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC ACCOUNTS  
(2014-2016)**

**SIXTY SIXTH REPORT**

(Presented on 9th July, 2014)



SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2014

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**SIXTY SIXTH REPORT**

**on**

**Action Taken by Government on the Recommendations  
contained in the 134th Report of the  
Committee on Public Accounts (2001)**

1067/2014.

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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 Sixty Sixth Report on Action Taken by Government on the Recommendations contained in the 134th Report of the Committee on Public Accounts (2001).

The Committee considered and finalised this Report at the meeting held on 30th June, 2014.

Thiruvananthapuram,  
9th July, 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 134th Report of the Committee on Public Accounts (2001).

The 134th Report of the Committee on Public Accounts (2001) was presented to the House on 16th July, 2011. The Report contains 19 recommendations relating to Fisheries Department. The Report was forwarded to the Government on 19-7-2001 to furnish the Statement of Action Taken on the recommendations contained in the Report and the final reply was received on 16th June 2010.

The Committee examined the Statement of Action Taken received from Government at its meetings held on 18-8-2009 and 17-7-2013.

The Committee was not satisfied with the reply received from Government on Recommendation Nos. 4, 11, 12, 13, 15, 17 & 18 (Para Nos. 40, 47, 48, 49, 51 & 54) and decided to pursue it further. These recommendations, Government reply and further recommendations or remarks 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 replies furnished by Government. Such recommendations and Statement of Action Taken by Government are incorporated in Chapter II of this Report.

### **CHAPTER I**

#### **RECOMMENDATIONS IN RESPECT OF WHICH ACTION TAKEN BY GOVERNMENT IS NOT SATISFACTORY AND WHICH REQUIRES REITERATION**

#### **FISHERIES DEPARTMENT**

##### **Recommendation**

*(Sl. No. 4, Para No. 40)*

1.1 The Committee finds that ADAK had not prepared budget and Annual Reports as required in the rules and regulations in this regard. So also audited accounts for the year 1989-90 to 1992-93 and quarterly progress reports in respect of the implementation of the scheme were not sent to the State Government and to Government of India for onward transmission to Kuwait Fund. From the additional information furnished to the Committee subsequently the committee notes that the auditing of account for the year 1995-96 have not yet been finalized

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and that quarterly progress report up to 31-3-1998 have since been submitted to Government of India. The Committee understands that the implementing agencies had neither prepared the progress reports for all the components nor reported it to Government of India as stipulated in the guidelines issued in this regard. The Committee opined that if the Fisheries Department, the nodal agency to implement the scheme had evolved appropriate measures for periodical reporting of the progress achieved to State Government and Government of India the present pathetic situation could have been avoided.

#### **Action Taken**

1.2 The Audit of Accounts of ADAK up to the year 1999-2000 had since been completed. The preparation of Accounts of ADAK up to 2005-06 is entrusted with M/s Goalstar Consultants Pvt. Ltd., Kollam. The audit work is entrusted with M/s Issac and Suresh, Chartered Accountants. The work is nearing completion. Supplementary Action Taken Note will be furnished when the audit of accounts of ADAK up to 2001-02 is completed.

#### **Further Recommendation**

1.3 The Committee expressed its displeasure in the slackness on behalf of ADAK in preparing the Annual Reports and Accounts and viewed this as a grave dereliction of duty and recommended to take disciplinary action against the officials concerned. The Committee also insisted to update the Annual Accounts immediately.

#### **Recommendation**

*(Sl. No. 11, Para No. 47)*

1.4 The Committee could understand that even though the Executive Director was delegated with powers to sanction loans up to ₹ 10 lakh only in December 1995, he had been sanctioning and making payments of loan for huge amounts without authority even prior to this date. So also, the Senior Extension Co-ordinator, Ernakulam who had no power to sanction loans also had sanctioned loans in several cases. The Committee notes that the total amount of loan sanctioned by these two officers unauthorizedly in 33 cases amounted to ₹ 2.78 crore.

From the additional information furnished to the Committee regarding the details of the development and operational cost sanctioned by Executive Director and operational cost released by Senior Extension Co-ordinator, Ernakulam to private farms without authority the Committee is convinced that officers had neither taken proper care nor completed procedural formalities while sanctioning financial assistance to private farms nor have they followed guidelines in this regard. The Committee recommends that Government should conduct a detailed enquiry into the lapses on the part of the two officers and initiate appropriate action against them and make good the huge loss to Government.

#### **Action Taken**

1.5 Shri K. P. Cheriyan, then Chief Engineer, Harbour Engineering Department, was deputed as Executive Director, ADAK as per G.O.(Rt.) 187/92/ Fisheries & Ports Department dated 19-5-1992. He retired on superannuation on 30-6-1994. He was appointed as Executive Director for a period of two years on re-employment basis with effect from 1-7-1994, as per G.O.(Rt.) 289/94/F&PD dated 30-6-1994. In an inspection conducted on 20-3-1995, by Government in the Finance Department, some serious irregularities were noticed in the functioning of ADAK and based on the inspection report, Government terminated the services of Shri Cheriyan on public interest. Then Government had conducted an enquiry through the Director, VACB on the allegations and the Director had submitted his report exonerating the officer. However considering the serious irregularities pointed out by the Finance Department Government initiated disciplinary action against him and appointed Dr. Babu Paul, the then Additional Chief Secretary as Enquiry Officer. The Enquiry Officer found that the charges alleged against him were not established at all. Government therefore exonerated Shri Cheriyan from all the charges levelled against him as per G.O.(Rt.) 194/99/F&PD dated 18-4-1999, as the Senior Extension Co-ordinator never sanctioned loans to farmers. He released loan amount based on the orders issued by the then Executive Director. As Government had exonerated the then Executive Director, Shri K. P. Cheriyan, no action could be taken against Shri K. A. Surendran who was holding the post of Senior Extension Co-ordinator during the period and retired from service on 31-5-2005.

The question of re-opening the case of disciplinary action against the alleged officer at this distance of time seems unwarranted.



**Further Recommendation**

1.6 The Committee pointed out that the reply was not satisfactory and recommended to reinvestigate the matter in detail and to move civil and criminal proceedings against the officers concerned.

**Recommendation**

*(Sl. No. 12, Para No. 48)*

1.7 As regards the details of the loan repayment of Kuwait Fund, the Committee was informed that the details of loan repayment were not available with ADAK and the repayment is scheduled with effect from 1-8-1998. The Committee surprisingly notes that even now the department could not furnish the details of repayment of loan.

**Action Taken**

1.8 The details of repayment of loan is enclosed.

**Further Recommendation**

1.9 The Committee recommended to take necessary steps to recover the remaining loan amount and to take action against the officials involved in the unfair deal.

**Recommendation**

*(Sl. No. 13, Para No. 49)*

1.10 The Committee could understand from the information furnished by the department that out of ₹ 40.09 crore released as loan to 46 private farms mainly in Kannur and Ernakulam region, a sum of ₹ 71,22,680.18 only has been remitted by the loanees and collected through RR steps as on 31-7-2000. In view of the additional burden of the repayment of Kuwait Fund on the State, the Committee urges the Government to take prompt action for the recovery of loans due to Government.

**Action Taken**

1.11 The farmers who availed loans from ADAK filed a case before the Hon'ble High Court of Kerala against the recovery proceedings initiated by ADAK against them. The Hon'ble High Court while disposing of the OP directed Government and ADAK to conduct a case study in respect of all those farms and to take appropriate measures for re-vitalising them. Accordingly, ADAK conducted the detailed study and prepared a detailed report on each and every one of the farms and submitted to Government. In the meanwhile the Hon'ble High Court

also quashed the action of initiating recovery proceedings, subject to the measures to be adopted, according to the study for revitalization without prejudice to further initiating recovery proceedings.

The Government have examined the study report of shrimp farmers submitted by ADAK and as per G.O.(Ms.) No. 39/04/F&PD dated 28-10-2004 have waived the penal interest and reduced interest (simple) from 15% to 8% and allowed the farmers to repay the loan with 8% interest in 20 quarterly installments. The farmers again represented to Government to waive the interest fully hence the above Government order has not been implemented. Finally, Government as per G.O.(Ms.) No. 21/2005/F&PD dated 15-6-2005 ordered that the interest of the loan up to 30-9-2004 be completely waived and after 1-10-2004, 8% simple interest would be charged for the principal amount. Government of India has been approached with a request for waiving the loan amount.

#### **Remarks of the Committee**

1.12 The Committee notes with displeasure that even though the rate of interest had been reduced from 15% to 8%, the recovery proceedings could not be effected properly. The Committee also criticized the department for seeking assistance from Government of India for waiving the loan amount.

#### **Recommendation**

*(Sl. No. 15, Para No. 51)*

1.13 The Committee notes that the much hoped experiment of trial culture in prawn filtration ponds leased out from ADAK by private farmers failed miserably and ended up in heavy loss due to low yield and failure to convince the farmers of the merits of the operation. The Committee understands that the trial culture operation was conducted without any comprehensive study and ADAK failed to propagate the idea of trial culture. The Committee recommends that responsibilities should be fixed for the lapses leading to the failure of the trial culture operation and action taken against the officers responsible for the loss of ₹ 5.69 lakh.

#### **Action Taken**

1.14 The programme of ADAK was to imbibe foreign technology in the field of scientific shrimp culture, hatchery technology etc. The programme which was taken up at the first instance was the Shrimp farming/culture technology. The technology was the one that was developed and perfected in other countries, in the ecological conditions prevailing in those countries. It was for the first time that this type of technology was brought to the waters of Kerala. As shrimp

culture depended upon a large number of culture pond parameters such as water quality, salinity, PH, algal growth, quality of culture inputs like seed, feed etc. ADAK undertook the trial culture operation in the farms taken on lease in Palayad and Mannayad. It was with the results of this kind of studies and experience gained that agencies like ADAK could perfect the technology conducive to our waters and apply in our farms in Poyya, which ultimately resulted in reaping of exemplarily record production. Hence the amount spent for the perfection of technology to make the proven technology to be conducive and adoptable to our own environments cannot be said to be a loss.

Further it was the impact made by the conscientisation programmes, on-the-spot demonstration of the wonder-striking results in our demonstration farms at Poyya, that prompted a large number of farms in Kerala to come forward and take up this new venture. As already stated ADAK extended financial and technical assistance to 45 farms to develop 160 ha. in private sector. Besides, another 208 farming projects could also be formulated by conducting surveys and field studies involving an area of 454 ha. and 200 leader farmers. These were done within a period of 3 years (i.e. during the period 1993-96). Moreover, a large number of other farms having both their holdings, lower than that required for commercial operations and other having their holdings conducive for large scale shrimp culture also took-up projects with their own financial resources and with the technical assistance from ADAK. These facts amply vouch that ADAK had undertaken comprehensive studies (field level studies and surveys and also trial-experimental-culture) before launching the original project and further attracted a large number of farmers to this field. It is the result of such efforts that Kerala recorded a boom in shrimp culture industry.

The trial culture operation in filtration ponds leased out from ADAK by private farms were conducted only after the recognition of the culture activities taken in the ADAK owned Poyya farm. The failure of the trial culture mentioned are not due to the lack comprehensive study, but due to various other reasons which includes the influx of viral diseases.

Thus trial culture operations were not a failure in this respect and no need of fixing responsibility for the reported loss of ₹ 5.69 lakh.

#### **Remarks of the Committee**

1.15 The Committee was not satisfied with the reply and disagreed with the opinion of the Department.

**Recommendation**

*(Sl. No. 17, Para No. 53)*

1.16 The Committee notices that there is no system in the ADAK of maintaining centralised stock accounts and for conducting proper verification of machinery and equipments held in stock in Regional Offices/Farm Offices. The Committee also understands that diesel engines, pump sets, aerators etc. purchased in 1995 were held in stock even as of October 1997. The Committee finds no justification for the lapses in maintaining stock accounts and its physical verification at regular intervals effectively. The Committee urges that arrangements should be made to conduct the physical verification of stocks and to make stock accounts up to date for all inventories of the Agency. Action should also be taken to make good the loss if any on account of shortages/missing stock.

**Recommendation**

*(Sl. No. 18, Para No. 54)*

1.17 The Committee expressed dissatisfaction over not conducting any evaluation study at department level or by any other agency about the working of ADAK. The Committee strongly recommends that the Government should take immediate steps to conduct an exhaustive study by an external agency so that the lapses and drawbacks can be avoided in future.

**Action Taken**

*(Para Nos. 53 & 54)*

1.18 As per G.O.(Rt.) No. 424/04/F&PD dated 30-9-2004 Government have accorded sanction for the sale of 100 nos. of paddle wheel aerators purchased under Kuwait Fund assisted prawn culture project for semi intensive shrimp farming. Action is being taken for the disposal of the said 100 aerators kept with ADAK. Centralised stock accounting system is being introduced. Strict instructions have been given to the Executive Director, ADAK to maintain stock accounts and its physical verification at regular intervals effectively. The Agency has been directed to conduct the physical verification of stocks and to make stock accounts up-to-date for all inventories and to make good the loss if any on account of shortages/missing stock. The Agency has been instructed to have the up to date verification urgently. Instructions have been issued to the Director of Fisheries to furnish detailed proposal for undertaking such a study by an appropriate agency.

**Remarks of the Committee**

1.19 The Committee vehemently criticised the department for not conducting the evaluation study as per the recommendation and found this as a grave irresponsibility on behalf of the department.

## CHAPTER II

**RECOMMENDATION IN RESPECT OF WHICH THE COMMITTEE DOES NOT DESIRE TO PURSUE ACTION IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT****FISHERIES DEPARTMENT****Recommendation**

*(Sl. No. 1, Para No. 37)*

2.1 Agency for Development of Aquaculture, Kerala (ADAK) was formulated in May 1989 for the implementation of the Fisheries Development Project for prawn culture areas with the assistance of Kuwait Fund. The main objective of the project was to extend scientific prawn culture, establishment of shrimp hatcheries with maximum production capacity, establishment of shrimp feed mill, setting up of quality control and applied research laboratory, providing requirements of extension system in the form of equipment, vehicles and boats, training and providing required foreign technology for the implementation of the project. When the overall performance was analysed it could be seen that none of the objectives had been achieved even after spending huge amounts. The various components of the project taken up for implementation by ADAK have not shown the desired results and the Fisheries Department could not even create assets and infrastructure facilities for the rapid development of inland fisheries.

**Action Taken**

2.2 The main objectives of the project were:

- (i) Extension of scientific prawn culture.
- (ii) Establishment of shrimp hatcheries with maximum production capacity.
- (iii) Establishment of shrimp feed mill.
- (iv) Setting up of quality control and applied research laboratory.
- (v) Providing equipment of extension system in the form of equipments, vehicles and boats, training and providing required foreign technology for the implementation of the project.

The above objectives were not fully achieved due to the following reasons:

(a) *White Spot Disease*

In the year 1995-96 'white spot' caused by virus was noticed in some shrimp culture farms in Kerala. ADAK farms also succumbed to the devastating dreadful disease causing mass mortality of Shrimp. No effective remedy has since been discovered to escape from the menace. When culture operations were conducted during the successive years it was found to be under the attack of the disease and as such the stock could not be salvaged. Hence, ADAK was constrained to adopt alternative culture of fish, which was not so income generative as shrimp culture.

(b) *Court Intervention*

During the course of implementation of the project in the year 1994 the Honourable Supreme Court of India while hearing a public interest petition (C No. 561 of 1994) in the case viz. *S. Jaganathan Vs. Union of India* issued stay orders against setting up of aquaculture farms in the coastal states. The stay order was in force from 1994 to 1996. On 11th December, 1996, the Supreme Court in the judgment directed all the coastal states to close/demolish shrimp culture ponds set-up in the Coastal Regulation Zone (CRZ) on or before 31st March, 1997. The judgment only permitted to take up "improved traditional" type of shrimp farming in the CRZ. ADAK had to keep in abeyance further issue of loans and setting-up of farms. Hence ADAK could not finance any projects further.

(c) *Establishment of hatcheries*

As per the original concept of the project, the programme was to establish 4 hatcheries. Accordingly, ADAK took initial steps to acquire 4 sites. Subsequently when the project components were revised, based on the Memorandum of Understanding (MOU) signed between the Kuwait Fund Mission and ADAK in 1995, only one mother hatchery and 'accessories' had to be established with assistance from Kuwait Fund. It was decided to establish one mother hatchery at Odayam. For establishing the hatchery at Varkala (Odayam) an extent of 2.37 ha. of land had been acquired and the hatchery commissioned in December 2006.

(d) *Establishment of the Quality Control and Research Laboratory (QCRL)*

ADAK has identified an extent of 1.5 acres of land owned by the Department of Fisheries at Kozhikode, for establishing the QCRL. Permissive sanction was accorded by the Department of Fisheries to utilize the site for the construction of the QCRL. Construction of the QCRL could not be taken up as the project was wound up.

*(e) Establishment of the Training and Extension Centre*

With the consultancy ADAK has established the model demonstration farm for the proposed Training and Extension Centre at Poyya, Thrissur.

OVERALL ACHEIVEMENTS

1. Average shrimp production of Kerala could be raised to 1.2 tonne/ha. from 400 kg./ha.
2. The Agency could develop solid confidence among the farmers in shrimp farming technology and the farmers accepted the same as a lucrative industry.

ASSETS

1. The most valuable assets created by the agency was the development of poyya farm, which was on the verge of abandonment due to severe acidity problems.
2. The Agency could impart most modern technology of shrimp farming to the farmers of Kerala.
3. The Agency could provide credit facilities worth ` 4 crore to the farmers.
4. The Agency could procure big pumps and aerators worth ` 3 crore for future use.
5. The Agency could realise an amount of ` 6 crore as return from the sales of fish, prawn etc.
6. ADAK technicians could be trained in modern scientific shrimp farming methods under the direct supervision of the foreign consultancy.

**Recommendation**

*(Sl. No. 2, Para No. 38)*

2.3 The Committee understands that no effective surveys had been conducted by the Fisheries Department before launching the project for prawn culture in inland water in the State. As a result, most of the activities selected turn to be unproductive. The agency could not attract new farmers. The Committee opines that the project for the development of prawn culture with the objective of popularizing scientific methods of cultivation with increase in production capacity, production of seeds in hatcheries, shrimp feed mill etc. should have been started only after conducting a detailed survey and expert study to ascertain the attitude of the farmers towards the project.

In the late years of Eighties (1980) the Department of Fisheries had conducted an extensive survey of backwaters by Central Institute of Coastal Engineering and Fishery (CICEF), Bangalore. The CICEF conducted survey of 1500 ha. of low lying backwater using modern survey methods and identified 500 ha. of backwater areas at Poothotta for developing shrimp farms under Kuwait Fund Fisheries Development Project for Prawn Culture (KFDPPC) project. Later the same area had also been visited by the officials of Kuwait Fund for Arab Economic Development and the Chairman of Aquatic Farms Ltd. Ohio (the then consultant of ADAK).

The Kuwait Fund officials agreed with the area surveyed and directed ADAK to conduct survey in similar areas throughout the backwaters of Kerala.

But, Dr. Clyde Simon, Chariman of AFL, Ohio (consultant) did not agree with surveyed areas and areas to be surveyed because of significant technical reasons.

The original proposal in KFDPPC was to develop big farms in the low lying backwaters of Kerala and provide to the Inland fishermen groups.

But Dr. Clyde Simon warned that, the entire backwaters of Kerala would be polluted from the discharges of shrimp farms and it would cause irreparable damage of the fishery wealth of backwaters of Kerala.

After detailed discussion, the idea of developing traditional paddy fields of Kerala was suggested because everything was conducive for developing shrimp farming. This paved the way for the take off of KFDPPC in Kerala.

Then in 1989, the Agency conducted a detailed survey of brackish water area of Kerala and documented.

### **Recommendation**

*(Sl. No. 3, Para No. 39)*

2.4 The Committee notices that the huge amounts earmarked for the project were drawn by the Director of Fisheries much in advance and an amount of ~ 15.45 crore remained unspent as of 31st March 1997 in the Personal Deposit accounts of Fisheries Department and Treasury Savings Bank Accounts and in Savings Bank Account of ADAK in different banks. This heavy accumulation of unutilised balance could have been avoided, had the implementation of the project been reviewed by a committee periodically and properly monitored. Had the Fisheries Department been foresighted and alert, such irregular retention of money without utilizing for the project could have been avoided. The Finance Department



also should have reviewed and evaluated the implementation of the Centrally Sponsored Schemes assisted by external agency. The Committee feels that had periodical monitoring been conducted, this scheme intended to achieve progress in the Fisheries sector would not have ended in utter failure. The Committee, therefore, recommends that the functioning of the project cell in the Finance Department to monitor schemes financed by external agencies should be revamped so as to cover monitoring and evaluation of the progress and lapses in the implementation of all centrally sponsored schemes.

#### **Action Taken**

2.5 As the project was decided to be wound up, Government as per G.O.(Rt.) No. 240/98/F&PD dated 8-6-1998 directed ADAK to refund the unspent balance remaining in the TP account of Director of Fisheries to Government. Accordingly, an amount of ₹ 1430.57 lakh (₹ 65 lakh under Capital and ₹ 1365.57 lakh under Loans) was refunded to Government. Regarding the revamping of functioning of project cell in Finance Department for evaluation of Centrally Sponsored Schemes, instructions have been issued vide Circular No. 90/09/Fin. dated 23-10-2009 from that Department to get the quarterly progress report of Centrally Sponsored Schemes for evaluation, so that lapses can be avoided and prompt monitoring can be made.

#### **Recommendation**

*(Sl. No. 5, Para No. 41)*

2.6 The Committee was surprised to note that even though the control, administration and management of the affairs of ADAK were vested with the Governing Body, the Executive Director, ADAK had sanctioned a loan of ₹ 10 lakh and incurred an expenditure of ₹ 1.77 lakh for the purchase and supply of equipment to a private hatchery trespassing his authority. The Executive Director and Senior Extension Co-ordinator, Ernakulam had sanctioned loans aggregating to ₹ 2.70 crore to 33 farmers, without the approval of the Executive Committee. The Committee understands that the former Executive Director, ADAK has sanctioned loans to private hatcheries and farmers overlooking the specific directions issued and violating all standards of financial propriety. From the evidence tendered before the Committee as well as from the reply furnished to the Committee. The Committee understands that even though vigilance investigation and the disciplinary action had been initiated against the former Executive Director he had been exonerated on the ground that the charges were not established. The Committee notes with displeasure that there had been inordinate delay in ordering an enquiry into the dealings of the former Executive Director

before his retirement from service. The Committee therefore, recommends that the Government should take up the matter seriously by re-opening the issue and make good the loss sustained by Government by recovery from the delinquent officers who had committed serious irregularities in the implementation of schemes by ADAK.

#### **Action Taken**

2.7 Shri K. P. Cheriyan, the then Chief Engineer, Harbour Engineering Department, was deputed as Executive Director, ADAK as per G.O.(Rt.) 187/92/ Fisheries & Ports Department dated 19-5-1992. He retired on superannuation on 30-6-1994. He was appointed as Executive Director for a period of two years on re-employment basis with effect from 1-7-1994, as per G.O.(Rt.) 289/94/F&PD dated 30-6-1994. In an inspection conducted on 20-3-1995, by Government in the Finance Department, some serious irregularities were noticed in the functioning of ADAK and based on the inspection report Government terminated the services of Shri Cheriyan on public interest. Then Government had conducted an enquiry through the Director, VACB on the allegations and the Director had submitted his report exonerating the officer. However considering the serious irregularities pointed out by the Finance Department Government initiated disciplinary action against him and appointed Dr. Babu Paul, the then Additional Chief Secretary as Enquiry Officer. Teh. Enquiry Officer found that the charges alleged against him were not established at all. Government therefore exonerated Shri Cheriyan from all the charges levelled against him as G.O.(Rt.) 194/99/F&PD dated 18-4-1999. The Senior Extension Co-ordinator never sanctioned loans to farmers. He released loan amount based on the orders issued by the then Executive Director. As Government had exonerated the then Executive Director, Shri K. P. Cheriyan, no action could be taken against Shri K. A. Surendran who was holding the post of Senior Extension Co-ordinator during the period and retired from service on 31-5-2005.

The question of re-opening the case of disciplinary action against the alleged officer at this distance of time seems unwarranted.

#### **Recommendation**

*(Sl. No. 6, Para No. 42)*

2.8 The Committee notices that even though the project report of ADAK envisaged establishment of four hatcheries having a production capacity of 60 million larvae per hatchery per year, no hatchery had been set up by ADAK. There was a full complement of staff and there was no dearth of finance for the project. In spite of all these even the steps to acquire the land for setting up the

hatcheries could be completed only in one case during the period from 1990-91 to 1996-97. Even though Government of India promised cent per cent assistance for the project through Kuwait Fund, the severe lapses on the part of implementing agencies by not establishing even a single hatchery cannot but be depreciated.

#### **Action Taken**

2.9 The proposal was for establishment of four hatcheries one each at Pozhiyoor, Varkala (Odayam), Uppala and Uduma. Though, as per the original pattern of assistance, there was provision for establishment of 4 hatcheries, subsequently revision of the "List of Goods (Components)" on 14-3-1995 and pattern assistance, consequent on the visit of the representatives of funding agency (Kuwait Fund for Arab Economic Development) during March, 1995 to Kerala, the component, "establishment of hatcheries" was modified as "Mother Hatchery and Accessories (2 Hatcheries)". Consequent to this the proposal for establishment hatcheries at Pozhiyoor and Uduma was dropped and action was initiated for acquisition of the land identified by consultants at Uppala and Odayam so as to establish the hatcheries in accordance with the hatchery planning reports prepared and submitted to Government by the consultants later an extent of 2.37 ha. was acquired at Odayam spending an amount of ₹ 86.79 lakh. When the land acquisition proceedings were half way through, it was decided in the meeting of the Executive Committee held on 28-11-1997 to drop the remaining components viz. Establishment of hatchery, QCRL etc. under KFDPPC with immediate effect, consequent to the winding up of the project. So the hatchery at Uppala also was dropped. Administrative Sanction was accorded for the establishment of a multi species hatchery at Odayam with financial assistance from Government of Kerala. The Civil works of the hatchery is completed and the hatchery commissioned.

#### **Recommendation**

*(Sl. No. 7, Para No. 43)*

2.10 One of the prime objective of the scheme was the setting up of a Quality Control and Research Laboratory (QCRL) for assisting shrimp farmers. But the ADAK could not take any positive step towards this. This indicates that the scheme was implemented without any planning and foresight. The Committee feels that if the Department had finalized the arrangements for setting up a research laboratory, it would have been an asset for the Department of Fisheries in promoting scientific prawn culture.

**Action Taken**

2.11 As per the project, a Quality Control and Research Laboratory (QCRL) had to be set up in Kerala for assisting the shrimp farmers. As such ADAK had identified an extent of 1.5 acres of land owned by the Department of Fisheries at Kozhikode, for establishing the QCRL. Permissive sanction was also accorded to utilise the site for the construction of QCRL. As stated above, the Executive Committee met on 28-11-1997 decided not to call for the consultants of M/s AFL, USA for the project works under KFDPPC and also to drop the remaining components of the project namely Technical Consultancy, Hatchery, QCRL and Extension Centre with immediate effect. As such the lab could not be established.

Now ADAK has established 2 PCR laboratories—One at Kumbalangi and one at North Parur. Another PCR lab will be established at Odayam in the proposed Multi Species Shrimp Hatchery shortly.

**Recommendation**

*(Sl. No. 8, Para No. 44)*

2.12 The Committee notices that there have been severe lapses on the part of the former Executive Director, ADAK in ordering unauthorized and premature discontinuance of the service of M/s Aquatic Farms Ltd., USA, project consultants for the Kuwait Aided Scheme during July 1994 after paying huge amount of ₹ 34.98 lakh. The Committee believes that the irregular action of the Executive Director to postpone the consultancy was a great set back to the project.

**Recommendation**

*(Sl. No. 9, Para No. 45)*

2.13 From the information furnished subsequently by the Fisheries Department, the committee noticed that as on 31-3-2000, an amount of ₹ 3.70 lakh due to ADAK was available in the TP account of the Director of Fisheries and that an amount of ₹ 907.10 lakh was available with ADAK of which ₹ 809.79 lakh was in TP account and the balance of ₹ 97.31 lakh in different branches of SBT/SBI. The Committee noticed several instances of violation of standards of financial propriety regarding drawal and remittance of money relating to centrally sponsored scheme. Therefore, the Committee recommends that utmost care should be taken to ensure that financial principles and rules in this regard are observed scrupulously in transactions of similar nature.

**Action Taken**

*(Para Nos. 44 & 45)*

2.14 The components, after farm development, that remained for being taken up was the establishment of hatchery. As per the revised agreement executed with the Kuwait Fund on 14-3-1995, there was a component of establishment of Mother Hatchery (2 hatcheries). The Hatchery planning report in respect of the two hatcheries—Odayam and Uppala were prepared by the consultants. But the land identified by the consultants for the purpose could not be taken possession of by ADAK or made available to the consultants to commence the work, due to the unexpected delay in getting the land acquired by the revenue authorities and the consultancy agreement with M/s AFL was temporarily suspended with effect from 26-7-1994 by the then Executive Director, by invoking the provision under 2-2-1991 of the agreement with AFL. This was only a temporary arrangement and not a severance of the consultancy service and also it was within the provision/terms and conditions of the agreement, so that it could be reviewed at any time i.e., as and when the land was made available for establishment of hatchery. Further, if the consultancy was not suspended, the consultants would have remained idle in the service of ADAK and ADAK would have been forced to meet the cost and other expense of the consultants during the period of idling. It may also be noted that the later decisions of the Governing body and Executive Committee of ADAK, not to call for the service of the consultants and their endorsement by Government as explained in the foregoing paras, Substantiates the decision of the former Executive Director to be of a suitable one. Noted for future guidance.

**Recommendation**

*(Sl. No. 10, Para No. 46)*

2.15 The Committee notes with utter dismay that the General Body and the Executive Committee of the ADAK had ratified almost all irregularities committed by the erstwhile Executive Director of ADAK. The Committee feels that if the Governing Body and Executive Committee of ADAK had acted with more prudence and foresight the unfruitful expense incurred in the name of much hoped scheme, could have been avoided. The Committee is of the opinion that the General Body as well as the Executive Committee of ADAK cannot escape from its responsibility for their lapses in monitoring and evaluating the implementation of the scheme and not pointing out the irregularities to Government during the course of its implementation.

**Action Taken**

2.16 The lapses of the former Executive Director was examined by Government and initiated action against him and later exonerated him from all the charges levelled against him as per G.O.(Rt.) No. 194/99/F&PD dated 18-4-1999. Government will be cautions in monitoring and evaluating the implementation of such schemes in future.

**Recommendation**

*(Sl. No. 14, Para No. 50)*

2.17 The Committee notices that two culture operations undertaken by a farmer in Dharmadom in his own farm ended in total failure due to poor quality of feed arranged by ADAK and the non co-operation of the technical staff. The Committee understands that an amount of ₹ 11.45 lakh incurred on the project had become totally infructuous and that the loan amount of ₹ 13.24 lakh including interest was due from him. The Committee is of the view that action should be taken against the responsible persons for their lapses in providing guidance and technical advice to the farmer. Further appropriate action should be taken to make good the loss sustained by Government.

**Action Taken**

2.18 The observation that the crop in the Dharmadom farm ended in failure due to the poor quality of feed arranged by ADAK and non co-operation of staff is not founded on facts but only on an allegation raised by a defaulter farmer. ADAK did not arrange feed for only one farmer, but the feed were procured in lump so as to cater to the needs of all the farmers who sought assistance from ADAK. No other farmer has raised such a complaint except this farmer. As such that cannot be accepted to be a true statement, but only an attempt made to shrink from his responsibility to pay off the loan availed by him. In the case of technical guidance, advice on scientific shrimp farming was imparted to all farmers by the technicians of ADAK who were trained under the direct supervision and control of the scientist consultants from M/s AFL, USA. They were fully qualified and trained for extending technical advice to farmers on shrimp culture. It were those technicians who imparted technical advice and guidance to all the farmers, who availed technical and financial assistance from ADAK. As such the advice and guidance rendered to one farmer cannot be termed as of poor quality, which prima facie indicates ulterior motives on the part of the farmer.

The failure of the two culture operations undertaken by the above mentioned farmer is not due to the non co-operation of the technical staff and the quality of the feed arranged by ADAK. During the period of culture operations, viral diseases were common in the neighbouring states. Damage were noted in many other farms around the mentioned area. The feed recommended by ADAK were pre-checked in Poyya farm of ADAK before recommending to farmers. More over the poor quality of feed alone will not create total loss to the crop. Full co-operation of the technical staff were given to the farmers and many farmers availed the service of technical staff regularly during the period. The farmer has remitted the whole loan amount and cleared his liabilities on 3-7-2007 and hence no loss to Government in the matter.

#### **Recommendation**

*(Sl. No. 16, Para No. 52)*

2.19 The Committee finds that there have been severe lapses on the part of the top officers of ADAK who overlooked the report of the Regional Director, Kannur regarding the spread of disease among the seeds supplied by hatcheries at Kannur and purchased 43.87 lakh seeds from the hatchery of Matsyafed at Kannur for culture operation. The Committee also understand that there is reprehensible negligence on the part of the officers in not conducting necessary stress test to ensure that the seeds were disease free. The Committee desires that action should be taken against the officers, whose failure resulted in a loss of ₹ 37.48 lakh.

#### **Action Taken**

2.20 In 1996, the seeds purchased from Matsyafed hatchery were stocked in Poyya farm. The seeds purchased were stocked after conducting the stress test by ADAK and Matsyafed jointly. At the time of conduct of the test, no such contingencies were noted and it was found that the result was satisfactory. The culture operations were not successful due to white spot disease. At that time there was no effective measures to identify the diseases. The seed purchased was from Matsyafed hatchery, which is fully owned by Government of Kerala. At the time of stocking no incidence of white spot disease was reported by the Regional Executive, ADAK, Kannur. At that time, there was no effective scientific measures to manage the white sopt syndrome disease, which affected the shrimp.

There was no reprehensible negligence on the part of Officers in the matter of conducting necessary tests and no loss as reported.

**Recommendation**

*(Sl. No. 19, Para No. 55)*

2.21 The Committee observes that though sufficient funds were provided to the ADAK, a scheme started with laudable objectives failed to achieve the desired results, due to large scale irregularities, and lapses at every stage of its implementation. The Committee finds fault with the Fisheries Department and Government for their failure in managing the affairs of ADAK properly and criticises the action of exonerating the erstwhile Executive Director of ADAK, by Government of all charges of irregularities committed by him. The committee is of the view that had the Governing Body and Executive Committee of ADAK rose to the occasion, the set backs faced by the project on account of Kuwait war and stay orders in force from 1994 to 1996 would not have been a major hurdle to the implementation of the programme. The Committee recommends that Government should take utmost vigil while implementing such scheme and ensure observance of financial discipline and propriety as well as strict adherence of the guidelines in view of the burden of repayment of loan ultimately vested with the State Government.

**Action Taken**

2.22 Noted.

Thiruvananthapuram,  
9th July, 2014.

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



## APPENDIX

## SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusion/Recommendation</i>
1	1.3	Fisheries	The Committee expressed its displeasure in the slackness on behalf of ADAK in preparing the Annual Reports and Accounts and viewed this as a grave dereliction of duty and recommended to take disciplinary action against the officials concerned. The Committee also insisted to update the Annual Accounts immediately.
2	1.6	„	The Committee pointed out that the reply was not satisfactory and recommended to reinvestigate the matter in detail and to move civil and criminal proceedings against the officers concerned.
3	1.9	„	The Committee recommended to take necessary steps to recover the remaining loan amount and to take action against the officials involved in the unfair deal.