



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

FORTY SIXTH REPORT
(Presented on 30th June, 2014)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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FORTY SIXTH REPORT

on

**Kerala State Housing Board based on the Report of the
Comptroller and Auditor General of India for the
years ended on 31st March 2004,
2005 & 2009 (Civil)**

1091/2014.

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Smt. Lima Francis, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings 2014-2016 having been authorised by the Committee to present the Report on their behalf, present this Forty Sixth Report on Kerala State Housing Board based on the Reports of the Comptroller and Auditor General of India for the years ended 31st March 2004, 2005 and 2009 (Civil) relating to the Government of Kerala.

The Reports of the Comptroller and Auditor General of India for the years ended on 31st March 2004, 2005 and 2009 was laid on the Table of the House on 20-7-2005, 13-2-2006 and 25-3-2010 respectively. The consideration of the audit paragraphs included in this Report and the examination of the departmental witness in connection thereto was made by the Committee on Public Undertakings constituted for the year 2011-14.

This Report was considered and approved by the Committee at the meeting held on 9-10-2013.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the Audit Paragraphs in this Report.

The Committee wish to express their thanks to the officials of the Housing Department of the Secretariat and Kerala State Housing Board for placing before them the materials and information they wanted in connection with the examination of the subject. They also wish to thank in particular the Secretaries to Government, Housing and Finance Department and the officials of Kerala State Housing Board who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

Thiruvananthapuram,
30th June, 2014.

K. N. A. KHADER,
Chairman,
Committee on Public Undertakings.

REPORT

KERALA STATE HOUSING BOARD

AUDIT PARAGRAPH

Kerala State Housing Board (KSHB) acquired (May 1982) 3.0214 ha. of land for implementation of the Nalanchira Housing Accommodation Scheme. The Land Acquisition Officer (LAO) passed two awards (October 1982) fixing the land value as ₹ 4.72 lakh (63.73 ares) and ₹ 17.81 lakh (238.41 ares). Even though the landowners had given (1982) a common consent letter accepting the awards passed by the LAO and foregoing their right to make a reference seeking higher compensation, they moved a reference application in the Sub Court, Thiruvananthapuram. This vital evidence was, however, not produced by the LAO in the court. The court enhanced (March 1992) the compensation by ₹ 22.07 lakh* and ₹ 83.03 lakh respectively for the above two plots. As these enhancements were considered unjustified the State went in appeal to the Hon'ble High Court. In the meantime, execution petitions were filed by the landowners for realisation of the decretal amounts due as per the judgment of March 1992, and the court ordered payment of 50 per cent decretal amount on the condition that the claimants should offer security which will remain in force till the final disposal of the land acquisition references. Accordingly, KSHB deposited ₹ 25 lakh in March-June 1993 in respect of LAR 5/88† and ₹ 41.51 lakh in August 1994 for LAR 39/88‡.

The amount of ₹ 25 lakh was withdrawn by the landowners without offering any security and ₹ 41.51 lakh was withdrawn by them after giving a bank guarantee for that amount. However, Bank guarantee for ₹ 41.51 lakh was not got renewed by KSHB from time to time till final disposal of the reference.

The Hon'ble High Court set aside (December 1998) the awards of March 1992 and remanded the matter to the reference court for fresh consideration. However, the crucial consent letter from landowners was produced by the LAO only on the penultimate day of the hearing. The Sub Court refixed (April 2001) the enhanced compensations as ₹ 1.49 lakh against ₹ 22.07 lakh and ₹ 5.99 lakh against ₹ 83.03 lakh.

Consequent on the reduction of the enhanced compensation, KSHB had to recover ₹ 1.36 crore‡ from the landowners including interest of ₹ 76.56 lakh. Though the judgment was pronounced in April 2001, KSHB had filed the restitution petition only in April 2002 for recovery of the amount withdrawn by the landowners.

* including solatium and interest.

† LAR 5/88 for 63.73 ares; LAR 39/88 for 238.41 ares.

‡ Excess Compensation ₹ 23.51 lakh and ₹ 35.52 lakh and interest ₹ 33.11 lakh and ₹ 43.44 lakh as of October 2002 in LAR 5/88 and LAR 39/88 respectively.

Thus, lapse on the part of the LAO in producing the vital piece of evidence in time and failure of the officials of KSHB to obtain and keep alive the security from landowners for withdrawing the amounts deposited in the court resulted in payment of excessive compensation of ₹ 1.36 crore (including interest) which remained unrecovered as of May 2004.

This is a result of defective internal control system in KSHB and lack of monitoring of LA cases. The collusion of the officials with the landowners cannot be ruled out and the matter calls for investigation. Government/KSHB may fix responsibility for the serious lapse on the part of officials and initiate action to recover the loss sustained to KSHB.

Government admitted (August 2004) the facts and stated that all possible steps were being taken to recover the excess amount paid. Government added that an investigation by the Vigilance Officer of the Board had been ordered to fix responsibility on the officers of the Board who failed to follow-up the case in time.

[Audit para 4.4.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2004 (Civil).]

Notes furnished by Government on the Audit Paragraph is given in Appendix II.

1. The Committee remarked that Audit remarks related to acquisition of land in connection with the implementation of the Nalanchira Housing Accommodation Scheme by Kerala State Housing Board had revealed the defective internal working system in the Board and culpable irresponsibility on the part of the officials of the Board. The Committee observed that the collusion of the officials of the Board with landowners resulted in the payment of excessive compensation which could not be recovered till date and hence the Committee sought explanation in this regard.

2. The witness explained that had the Board impleaded in the LAR cases initially it could have monitored the progress of the work properly. In this case much delay had occurred in taking steps to file restitution petition before the Hon'ble Court. He added that Special Tahsildar was deputed as Land Acquisition Officer (LAO), whose functions were supervised by Revenue Department through Deputy Collector. As the office of LAO was constituted as a separate wing, it had little accountability to the Board; moreover the Board neither had a co-ordinating mechanism nor a monitoring system to exercise a control over the revenue wing.

3. The Committee rejected the arguments put forward by the witness and pointed out that the Board was trying to find fault with the LAO and to evade from their responsibility. The landowners had given a common consent letter accepting the awards by the LAO and foregoing their right to make a reference seeking higher compensation, but when landowners had moved to Sub Court to enhance compensation, this consent letter, the vital piece of evidence had not been produced before the Hon'ble Court. The Committee wanted to have the details of the LA Officer who was responsible for the lapses. The witness replied that as soon as Government had noticed the matter, a D.O. letter was sent to the District Collector seeking details of the officials who were responsible for the lapses, but no reply had been received so far. The Committee pointed out that it was a belated matter of 1982, and though Government had noticed the lapses, adequate steps were not taken by the Government for fixing responsibility for the lapses.

4. The Committee remarked that the officials of the Board had failed in discharging their duty in good faith and their foul play caused much loss to the public exchequer. The Committee considered that only a few lapses of the Board had been brought to light through test audit of the Accountant General but more have to be unearthed further to get a clear picture of the real condition prevailing in the Board. It was conspicuous that the significant document, the consent letter was not produced before the court, which resulted in enhancement of compensation to landowners from ` 4.72 lakh to ` 22.07 lakh and from ` 17.81 lakh to ` 83.03 lakh, awarded by Sub Court, Thiruvananthapuram in March, 1992. Later on, the Board was forced to produce the consent letter when Hon'ble High Court set aside the awards of 1992 and remanded the matter to the reference court for fresh consideration. Subsequently the Sub Court, Thiruvananthapuram refixed the enhanced compensations as ` 1.49 lakh against ` 22.07 lakh and ` 5.99 lakh against ` 83.03 lakh. The Committee pointed out that the responsible officers of the Board and LAO jointly committed grave criminal offence by suppressing the vital facts from the knowledge of the Hon'ble Court. The Committee was suspicious of an unholy nexus between the officials of the Board and LAO, and wanted to conduct a thorough investigation so that the details of the plot could be brought to light and the real culprits be punished for serious offence committed by them.

5. The Committee remarked that even after getting a favourable judgement, the Board hardly had taken any steps to obtain certified copy of judgement in time which resulted in the delayed filing of restitution petition to recover the amount from the landowners. The Committee expressed its dissatisfaction over the negligence and inefficiency on the part of officials who were always trying

to find many reasons to safeguard the interest of the landowners. The witness acceded to the observations of the Committee and admitted that some serious lapses had occurred on the part of officials of the Board. The Committee pointed out that as it was evident that both the LA unit and officials of the Board had taken part in the collusion, appropriate action should be taken against them after fixing the responsibility. The witness informed that the Board could implead the LAR cases only when the Board had the power of administrative control over the LA unit. He added that though Deputy Collector was the accountable officer for land acquisition for the Board, he had delegated this power to Special Tahsildar who discharged the duty of LAO in LAR cases. Hence the Board had no authority to initiate action against the LAO but could only recommend to Revenue Department to take appropriate action against delinquent officials.

6. The Committee wanted to be furnished with the details of the enquiry conducted by the vigilance wing of the Board. The witness replied that it was decided to entrust the case to vigilance wing of the Board for investigation, but the details of follow-up actions were not available in the concerned file. The Committee enquired about the action taken by the Board to recover the amount from the landowners. The witness explained that the Board had consigned standing counsels for both the LAR cases and had filed restitution petition to recover the amount from the landowners and the case stands posted for hearing on 5th of next month. The witness didn't respond when the Committee wanted an explanation for non-renewal of Bank Guarantee for ₹ 41.51 lakh. At this juncture the Principal Accountant General clarified that the problem with Bank Guarantee was that it automatically lapsed at the end of the maturity period. So the Board could have been resorted to a safety measure by providing a clause in the agreement enabling the Board for encashment of Bank Guarantee if not renewed 21 days prior to the expiry of validity period.

7. The Committee remarked that it was evident that a collusion was formed between the officials and landowners to misappropriate public money and even now the Board was trying to protect the culprits without fixing the responsibility. Vigilance enquiry initiated in this regard was also a matter of suspicion. As the witness failed to corroborate on the audit para, the Committee wanted to conduct a thorough investigation regarding each and every aspect of the deal so that the guilty could be booked for squandering public money.

Conclusions/Recommendations

8. The Committee finds that failure of implementation of the Nalanchira Housing Accommodation Scheme was due to defective internal working system and culpable irresponsibility on the part of the officials of the Board and lack of co-ordination between the Board and LA unit. Lack of systematic and effective machinery in the Board to monitor Land Acquisition cases and delay in filing restitution petition have resulted in the excess payment of compensation and subsequent non-recovery of excess payment. The Committee expresses its displeasure over the poor performance of the Board and recommends that the Board should evolve a comprehensive plan to strengthen the internal working system and requisite steps should be taken to monitor Land Acquisition cases. The Committee desires to be furnished with the details of the action taken in this regard.

9. The Committee observes that the officers of the Board and Land Acquisition Officer jointly committed grave criminal offence by suppressing the consent letter, the vital piece of evidence from the knowledge of the Hon'ble Court, which prohibits the landowners right for seeking higher compensation. The Committee is suspicious of ulterior motives and criminal conspiracy between the responsible officials and landowners. The Committee recommends that a detailed investigation should be conducted so that the real picture of the plot could be brought to light and culprits brought to book for their culpable offence. The Committee suggests that it would be advisable to appoint a LAO under the direct control of the Board so that the Board can exercise its authority in his dealings and would make him directly accountable to the Board. The Committee opines that this in turn would enable the Board to monitor and exercise effective control over the Land Acquisition activities of the Board.

10. The Committee finds that even after getting a favourable judgment, the Board had failed to file restitution petition in time to recover the amount from landowners. The Committee therefore recommends that immediate steps should be taken to realise the amount from landowners and facts should be intimated to the Committee without fail.

11. The Committee expresses its displeasure over the negligence and irresponsible attitude of the officials of the Board. The Committee finds that a fraudulent cohesion among the responsible officials of the Board, Revenue Department and landowners had been working against the interest of the Board. The Committee understands that no disciplinary action has been taken against the officials till date. The Committee recommends that it should be furnished

with the details regarding the commencement of departmental enquiry and its present position and the details of officials against whom cases have been charged. The Committee further recommends that the vigilance and Anticorruption Bureau should be entrusted to conduct a thorough investigation covering even the minute details of the deal which caused much loss to the exchequer and also recommends that appropriate action should be taken against the officials of the Board and LA unit who failed in discharging their duty in good faith. The action taken against the officials involved in this misappropriation should also be intimated to the Committee in time. The Committee also recommends that steps should be taken to include a safety clause in the Bank Guarantee to enable the Board to encash the same if not renewed within 21 days prior to expiry.

AUDIT PARAGRAPH

The Kerala State Housing Board (KSHB) formulated (November 1995) the Balaramapuram Housing Scheme (Scheme) which envisaged construction of a seven storied commercial complex and 184 residential flats and allied works in 5.10 acres of land purchased (July 1995) at a cost of ₹ 1.20 crore from Trivandrum Spinning Mills Limited. The estimated cost of the Scheme was ₹ 23.07 crore. Scrutiny (June 2004) of the records of KSHB revealed the following:

The works were arranged through two contractors in May 1997, to be completed by November 1998. The work of construction of the commercial complex and 64 flats entrusted to the first contractor was completed in October 2001 at a cost of ₹ 9.48 crore. The construction of 120 flats and allied works awarded to the second contractor was not completed, though expenditure of ₹ 5.87 crore had been incurred as of February 2005. The delay in completion of the work was attributed by KSHB to the slackness of the contractor. The total investment made on the Scheme amounted to ₹ 17.38* crore as of March 2005, of which 8.84 crore was borrowed (March-October 1998) from the Housing and Urban Development Corporation.

Though the commercial complex and 64 flats were completed in October 2001, it could not be allotted to the beneficiaries even as of March 2005 as water supply could not be provided. At the time of launching the Scheme the Board proposed to provide water supply from the Aralumoodu Augmentation Scheme of Kerala Water Authority which did not materialise. Action initiated in February 1999 to identify an alternative source for providing water supply was finalised only in February 2004. The work was in progress and an expenditure of ₹ 9.01 lakh had been incurred as of March 2005. Consequently, the Scheme,

* Information furnished by KSHB.

scheduled to be completed in November 1998, remained to be completed and commissioned in July 2005 and the investment of ₹ 17.38 crore did not fetch any return. This also resulted in a potential loss of 2.04 crore* towards rental income on the commercial and office complex since its completion in October 2001 (up to July 2005).

Government stated (August 2005) that construction of 120 flats had since been completed, work on water supply system would be completed within one month and immediate action would be taken for allotment/sale of flats and shops and the office area.

[Audit para 4.4.5 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2005 (Civil).]

Notes furnished by Government on the Audit paragraph is given in Appendix II.

12. The Committee remarked that Kerala State Housing Board had come forth with the Balaramapuram Housing Project in 1995 for the construction of a seven storied commercial complex and 184 residential flats at an estimated cost of ₹ 23.07 crore. The Project could not be fulfilled in time because of delay on the part of the contractor and lack of water sources in the project area. The Committee desired to be informed of the present position of allotment of commercial complex and flats. The witness replied that out of 184 flats constructed, 39 flats were yet to be sold out. The Committee opined that scarcity of water was the main factor which prevented the allottees from occupying the flats. To a specific question regarding source of water the witness replied that the Board had tried to rectify this problem by digging a well in the area.

13. The Committee expressed its concern over the lapses on the part of the Board in taking preliminary steps to ensure adequate source of water, which was one of the primary requirements as far as flat dwellers were concerned and it was quite surprising to note that such a big housing scheme was envisaged with a mere speculation that water supply would be provided from Aralummoodu Augmentation Scheme without making any agreement with Kerala Water Authority.

(Rs. in lakh)

* Expected Annual Rental income as per project report	..	68.69
Less: annual maintenance expenditure	..	15.50
Net annual income	..	53.19

Potential loss of rental income for 46 months.

from 1st October, 2001 to 31st July, 2005—₹ 53.19 lakh X 46/12= ₹ 2.04 crore

Though the work of commercial complex and 64 flats in a prime location had been completed in October 2001, it could not be allotted to beneficiaries even as of March 2005 as the proposed water supply scheme did not materialise as envisaged. The witness added that steps had also been taken to identify an alternative source for providing water supply by digging a well, but that too failed to materialise owing to the low ground water level. The witness submitted that Kerala Water Authority had put forward a proposal to provide water supply from Aralummoodu Augmentation Scheme against the deposit of ₹ 1.25 crore.

14. When the Committee enquired whether the Board had carried out any proper investigation regarding the availability of water at the time of digging the well the witness replied that there was sufficient water level in the well at the time of allotment of flats. The Committee enquired whether any project report, either by an engineer of the Board or an expert agency, had been prepared for the implementation of local water supply scheme. The witness did not give any testimony in this regard. The Committee pointed out that the main cause of all the problems was the lack of proper project planning and the Board itself had failed to ensure the availability of source of water in the area prior to the implementation of a big project.

15. The Committee enquired whether the Board had taken any earnest effort in finding out serious buyers for flats and shops, before launching the project, the witness informed that the Board could have sold out all the flats and shops but the main problem was the scarcity of water. The Committee enquired if the Board had made prior tie-up with buyers and collected non-refundable fund in advance from them to identify serious buyers. The witness replied that out of 184 flats constructed, 39 flats and 16 shops were yet to be allotted, but the real problem was shortage of water and hence a viable water supply project was to be implemented for the fulfilment of the scheme.

16. The Committee found that much delay had occurred in allotting flats and shopping complex to beneficiaries even if the construction had been completed in 2001, and the investment thus made failed to fetch any return. The Committee criticized that the Board had ventured into the project without ensuring the availability of the source of water, which in turn, had resulted in the profligacy of public money. The Committee recommended that disciplinary action should be taken against the responsible officials.

Conclusions/Recommendations

17. The Committee opines that the failure of Balaramapuram Housing Project of Kerala State Housing Board due to scarcity of water had revealed mismanagement, inefficiency and lack of proper planning in the Board. The Committee finds that inordinate delay had occurred in allotting residential flats and shopping complex to the beneficiaries even though the construction had been completed in 2001 and the investment thus made failed to fetch any return. The Committee could not understand the logic which persuaded the Board to envisage such a big housing project without conducting feasibility and viability study in identifying source of water in the project area, which was one of the primary requirements for flats. The Committee, therefore recommends that responsibility should be fixed and stringent action should be taken against the responsible officers whose negligence resulted in the profligacy of public money. The Committee further recommends that before launching housing projects the Board should make prior tie-up with serious buyers and collect non-refundable advance and the management should be more vigilant to avoid such lapses in future.

AUDIT PARAGRAPH

In August 1994, the State Government accorded sanction to the Kerala State Housing Board (Board) for construction of a seven storied building for a revenue tower in 2.80 acres of land in Ernakulam District at a project cost of ₹ 11.98 crore. Institutional finance of ₹ 8.95 crore was proposed to be obtained from the Housing and Urban Development Corporation (HUDCO) under a Government guarantee. As the land received from Government was only 0.85 acre (30 per cent), the design and plan of the building was revised to a 14-storied building with a height of 54.80 metres above the Mean Sea Level (MSL). The work was awarded to a contractor in December 1995 for completion by August 1997. Despite several extensions of time, the work could not be completed and the Board revised (November 2000) the project cost to 49.63 crore and extended the time for completion till May 2001. Even after allowing several more extensions of time for completion, the work had not been completed till March 2009. The expenditure incurred on the project up to 31st March, 2009 was 21.31 crore. Besides, the Board was also required to meet the interest liability of 1.98 crore on repayment of the HUDCO loan of 5.46 crore* from its own resources.

* Only ₹ 5.46 crore was obtained as loan from HUDCO though the proposal was for 8.95 crore.

Scrutiny of records revealed the following:

- The Board could not provide sufficient funds for the project during 2001-04.
- The Command Aviation Officer, Southern Naval Command granted (April 1998) a 'No Objection Certificate' for the project, for a height of 46.60 metres above MSL and the Kochi Corporation also issued (August 2000) a building permit, limiting the height at this level. As the roof slab of the twelfth floor was already cast at 46.60 metres, the Board proceeded with the construction of a lift room and a water tank above this, which raised the height of the building to 50.60 metres above MSL. Government stated (July 2009) that the Board proceeded with the construction as it was unavoidable and also on the expectation that the 'No Objection Certificate' for the additional height would be obtained in due course.
- The delay in completion was due to delays in sanctioning the revised estimate by the Government, changes in the number of floors, inclusion of extra items during execution, etc.

Thus due to delay in getting the revised sanction from the Government, execution of extra items, inadequate resources, violation of height restrictions imposed by Southern Naval Command, etc., the revenue tower project started in 1995 by the Board could not be completed even after 14 years and ₹ 23.29 crore* incurred on the project remained unproductive.

Government stated (July 2009) that the delay was due to certain unanticipated administrative and technical reasons and severe financial crisis faced by the Board. Government also added that the Kochi Corporation had granted an occupancy certificate on 31st March, 2009 up to the eleventh floor and action had been taken by the Board to lease/rent out the space, except for the last floor. The fact, however, remained that the Board failed to plan and implement the project as per the project report, which resulted in non-completion of the project for 14 years and the expenditure of ₹ 23.29 crore remaining unproductive during this period.

[Audit Para 2.3.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2009 (Civil).]

Notes furnished by Government on the Audit Paragraph is given in Appendix II.

* ₹ 21.31 crore paid to contractor and ₹ 1.98 crore on interest.

18. The Committee pointed out that the Kerala State Housing Board had constructed a revenue tower in Ernakulam district, with a height of 54.8 metres above the Mean Sea Level (MSL) by violating the height restrictions imposed by Southern Naval Command. The Committee did not accept the justification put forward by the Board that the Board had no other alternative but to increase the height of the tower for constructing additional floors, water tank and lift room because of the required area of land had not been received from the Government. The Committee enquired the reason why the Board had not included the provision for constructing water tank and lift room while preparing the plan, which were basic requisite for a tower. The Committee expressed its dissatisfaction over the decision of the Board to increase the height of the revenue tower without obtaining non-objection certificate from Southern Naval Command and building permit from Kochi Corporation. To a question of the Committee the witness informed that 11th floor was allotted to the office of the City Police Commissioner, Ernakulam. The Committee enquired how the Board could obtain legal sanctity for its unauthorised construction by renting out the same to the police department.

19. The Committee observed that unpardonable slackness and negligence had occurred on the part of the officials of the Board in carrying out their duty promptly, moreover they have committed grave economic offence by misusing public money and all the details of the misappropriation should be investigated by an agency without delay. Principal Accountant General informed that Government of India had issued a circular stating that such matters need to be enquired by the Vigilance Department.

20. Regarding Nalanchira Housing accommodation scheme the Committee pointed out that there was a fraudulent collusion among the responsible officials of the Board, Revenue Department and landowners who were working against the interest of the Board. The Committee was not satisfied with the overall performance of the Board and opined that the officials of the Board had been trying to help private builders by toppling the projects of the Board. The Committee also pointed out that the interest of the buyers of flats had not been protected, as the additional expenditure incurred due to the lapses of the Board had been put on the shoulders of the buyers, and thus they had to pay higher amount than the price mentioned in the notification. Moreover the buyers had much difficulty in getting their flats registered. The Committee remarked that it was essential to conduct a thorough enquiry regarding the internal working system and implementation of projects by the Board. The Committee also remarked that an exhaustive and independent study of various activities undertaken by the Board during the past 15 years should be brought under

study in order to understand the general condition prevailing in the Board for submitting a comprehensive report on the subject, the Committee also intended to visit work sites and to conduct witness examinations in this matter. Principal Accountant General informed that the Office of the Accountant General was also planning to conduct a study regarding the functions of the Board, that was expected to be completed within four months. The Committee opined that the general study would be an opening to understand all the antecedents, which were the main causes of the present deplorable conditions of the Board and which in turn would help to re-organize the Board. The Committee recommended to conduct an enquiry by the Vigilance and Anticorruption Bureau and fix responsibility.

Conclusions/Recommendations

21. The Committee finds that the unproductive expenditure on the revenue tower in Ernakulam district depicts a typical example of negligence and irresponsible attitude on the part of the Board. The Committee opines that there is no justification in increasing the height of revenue tower without obtaining non-objection certificate from Southern Naval Command and building permit from Kochi Corporation, which paved the way for the non-completion of the project for 14 years and the expenditure of ₹ 23.29 crore remained idle for the period. The Committee is much displeased to note that the failure of the project was solely on account of unpardonable slackness and negligence on the part of the officers of the Board. The Committee therefore recommends that responsibility for the loss sustained to the Board should be fixed upon who had taken the decision to increase the height of the tower and the amount should be realised from them without fail.

22. The Committee suspects overall mismanagement and lack of planning of projects in the Board. Moreover the Board had not taken due care and caution before executing projects. The Committee is suspicious of deliberate attempt on the part of the responsible officers of the Board to help private builders by toppling the projects of the Board. The Committee recommends that the implementation should be investigated by the Vigilance and Anticorruption Bureau and the outcome intimated to the Committee.

23. The Committee is not satisfied with the overall performance of the Board. Hence the Committee recommends to conduct an exhaustive and independent study of various activities undertaken by the Board during the past 15 years to understand the antecedents which were the main causes of the present deplorable conditions of the Board. The Committee opines that as a nodal agency of the Government the Board should be more prudent, practical and vigilant in every stage of the execution of housing projects so as to avoid financial loss to the maximum extent possible.

24. The Committee urges that the following eight steps should be adhered to by the Board in its future activities:

(1) *Fixation of lease rent:* This is to be done taking into account the expected cost of construction of shops and provide for a decent return on the capital investment. Fair and transparent formula for fixation of rents would consist of the following steps:

- (a) Computation of the initial rent linked to the size and location of the shops.
- (b) Automatic periodic revision of the rents as per predetermined formula (period and rate of increase to be specified).

This is to be notified to the potential applicants for assessment of demand.

(2) *Assessment of demand:* This helps in ascertaining whether there are parties willing to take on rent the shops to be constructed.

(3) *Collection of goodwill amount from potential lessees:* The submission of the amount will indicate how many of the potential lessees are serious about occupying the shops.

(4) Construction of the shops in a time bound manner.

(5) Agreements with the lessees providing for automatic revision of rents at predetermined rates.

(6) Watch register to monitor the receipt of rents. Every month the watch register would also indicate which properties are due for revision of rents.

(7) Clauses for evacuation of lessees in the event of default. The clause would specifically state the number of defaults in payment, which would result in automatic eviction. The number of defaults so specified should be less than the security deposit collected to act as a safeguard against loss of rent during the vacation proceedings and fixation of new parties.

(8) Maintenance schedule describing the periodicity of maintenance works so that maintenance is carried out in a regular cycle.

Thiruvananthapuram,
30th June, 2014.

K. N. A. KHADER,
Chairman,
Committee on Public Undertakings.

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	8	Housing	The Committee finds that failure of implementation of the Nalanchira Housing Accommodation Scheme was due to defective internal working system and culpable irresponsibility on the part of the officials of the Board and lack of co-ordination between the Board and LA unit. Lack of systematic and effective machinery in the Board to monitor Land Acquisition Cases and delay in filing restitution petition have resulted in the excess payment of compensation and subsequent non-recovery of excess payment. The Committee expresses its displeasure over the poor performance of the Board and recommends that the Board should evolve a comprehensive plan to strengthen the internal working system and requisite steps should be taken to monitor Land Acquisition Cases. The Committee desires to be furnished with the details of the action taken in this regard.
2	9	„	The Committee observes that the officers of the Board and Land Acquisition Officer jointly committed grave criminal offence by suppressing the consent letter, the vital piece of evidence from the knowledge of the Hon'ble Court, which prohibits the landowners right for seeking higher compensation. The Committee is suspicious of ulterior motives and criminal conspiracy between the responsible officials and

(1)	(2)	(3)	(4)
			landowners. The Committee recommends that a detailed investigation should be conducted so that the real picture of the plot could be brought to light and culprits brought to book for their culpable offence. The Committee suggests that it would be advisable to appoint a LAO under the direct control of the Board so that the Board can exercise its authority in his dealings and would make him directly accountable to the Board. The Committee opines that this in turn would enable the Board to monitor and exercise effective control over the Land Acquisition activities of the Board.
3	10	Housing	The Committee finds that even after getting a favourable judgment, the Board had failed to file restitution petition in time to recover the amount from landowners. The Committee therefore recommends that immediate steps should be taken to realise the amount from landowners and facts should be intimated to the Committee without fail.
4	11	„	The Committee expresses its displeasure over the negligence and irresponsible attitude of the officials of the Board. The Committee finds that a fraudulent cohesion among the responsible officials of the Board, Revenue Department and landowners had been working against the interest of the Board. The Committee understands that no disciplinary action has been taken against the officials till date. The Committee recommends that it should be furnished with the details regarding the commencement of departmental enquiry and its present position and the details of officials against whom cases have been charged. The Committee further recommends that the Vigilance and Anticorruption Bureau

(1)	(2)	(3)	(4)
			<p>should be entrusted to conduct a thorough investigation covering even the minute details of the deal which caused much loss to the exchequer and also recommends that appropriate action should be taken against the officials of the Board and LA unit who failed in discharging their duty in good faith. The action taken against the officials involved in this misappropriation should also be intimated to the Committee in time. The Committee also recommends that steps should be taken to include a safety clause in the Bank Guarantee to enable the Board to encash the same if not renewed within 21 days prior to expiry.</p>
5	17	Housing	<p>The Committee opines that the failure of Balaramapuram Housing Project of Kerala State Housing Board due to scarcity of water had revealed mismanagement, inefficiency and lack of proper planning in the Board. The Committee finds that inordinate delay had occurred in allotting residential flats and shopping complex to the beneficiaries even though the construction had been completed in 2001 and the investment thus made failed to fetch any return. The Committee could not understand the logic which persuaded the Board to envisage such a big housing project without conducting feasibility and viability study in identifying source of water in the project area, which was one of the primary requirements for flats. The Committee, therefore recommends that responsibility should be fixed and stringent action should be taken against the responsible officers whose negligence resulted in the profligacy of public money. The Committee further recommends that before launching housing projects the Board should make prior tie-up with serious</p>

(1)	(2)	(3)	(4)
			buyers and collect non-refundable advance and the management should be more vigilant to avoid such lapses in future.
6	21	Housing	The Committee finds that the unproductive expenditure on the revenue tower in Ernakulam district depicts a typical example of negligence and irresponsible attitude on the part of the Board. The Committee opines that there is no justification in increasing the height of revenue tower without obtaining non-objection certificate from Southern Naval Command and building permit from Kochi Corporation, which paved the way for the non-completion of the project for 14 years and the expenditure of ₹ 23.29 crore remained idle for the period. The Committee is much displeased to note that the failure of the project was solely on account of unpardonable slackness and negligence on the part of the officers of the Board. The Committee therefore recommends that responsibility for the loss sustained to the Board should be fixed upon who had taken the decision to increase the height of the tower and the amount should be realised from them without fail.
7	22	..	The Committee suspects overall mismanagement and lack of planning of projects in the Board. Moreover the Board had not taken due care and caution before executing projects. The Committee is suspicious of deliberate attempt on the part of the responsible officers of the Board to help private builders by toppling the projects of the Board. The Committee recommends that the implementation should be investigated by the Vigilance and Anticorruption Bureau and the outcome intimated to the Committee.

(1)	(2)	(3)	(4)
8	23	Housing	<p>The Committee is not satisfied with the overall performance of the Board. Hence the Committee recommends to conduct an exhaustive and independent study of various activities undertaken by the Board during the past 15 years to understand the antecedents which were the main causes of the present deplorable conditions of the Board. The Committee opines that as a nodal agency of the Government the Board should be more prudent, practical and vigilant in every stage of the execution of housing projects so as to avoid financial loss to the maximum extent possible.</p>
9	24	„	<p>The Committee urges that the following eight steps should be adhered to by the Board in its future activities:</p> <p>(1) <i>Fixation of lease rent:</i> This is to be done taking into account the expected cost of construction of shops and provide for a decent return on the capital investment. Fair and transparent formula for fixation of rents would consist of the following steps:</p> <p>(a) Computation of the initial rent linked to the size and location of the shops.</p> <p>(b) Automatic periodic revision of the rents as per predetermined formula (period and rate of increase to be specified). This is to be notified to the potential applicants for assessment of demand.</p> <p>(2) <i>Assessment of demand:</i> This helps in ascertaining whether there are parties willing to take on rent shops to be constructed.</p> <p>(3) <i>Collection of goodwill amount from potential lessees:</i> The submission of the amount will indicate how many of the</p>

(1)	(2)	(3)	(4)
			potential lessees are serious about occupying the shops.
			(4) Construction of the shops in a time bound manner.
			(5) Agreements with the lessees providing for automatic revision of rents at predetermined rates.
			(6) Watch register to monitor the receipt of rents. Every month the watch register would also indicate which properties are due for revision of rents.
			(7) Clauses for evacuation of lessees in the event of default. The clause would specifically state the number of defaults in payment, which would result in automatic eviction. The number of defaults so specified should be less than the security deposit collected to act as a safeguard against loss of rent during the vacation proceedings and fixation of new parties.
			(8) Maintenance schedule describing the periodicity of maintenance works so that maintenance is carried out in a regular cycle.

APPENDIX II

NOTES FURNISHED BY GOVERNMENT ON THE AUDIT PARAGRAPHS

<i>Para No.</i>	<i>Action Taken</i>
(1)	(2)
4.4.2 (2003-04)	<p>The judgment in LAR 5/88 and 39/88 was pronounced on 11-4-2001 and applied for the certified copies of judgement on 19-5-2001. The certified copies from the court was received only on 20-3-2002 and the Restitution petition filed accordingly on 11-4-2002 before the court by the Special Tahasildar through the Government Pleader for the recovery of the amount withdrawn by landowners. The delay in filing the Restitution petition by the Special Tahasildar was due to the delay in receiving the certified copy of judgement (Even though application for the certified copy was filed on 19-5-2001, it was received only on 20-3-2002).</p> <p>The Special Tahasildar (LA) is the authority for filing the Restitution petition before the court. The LA and LAR cases are conducted by the Revenue Department through the G.P. and Kerala State Housing Board does not involve in this directly.</p> <p>Action by the Board could be taken only after getting the Decree and judgment from the concerned authorities. After several reminders, Special Tahasildar (LA) furnished a copy of the Restitution petition with the copies of judgement on 12-4-2002. Timely action has been taken by the Kerala State Housing Board to safeguard interest of the Board and the State.</p> <p>There is no purposeful delay or lapse on the part of the Kerala State Housing Board. The Board has taken all possible steps to recover the excess amount paid in the above cases.</p>
4.4.5 (2004-05)	<p>Immediately on completion of Balaramapuram Housing Scheme in all respects the Kerala Housing Board has fixed the tentative cost by adding Attendance charges/overhead charges and interest with the actual cost incurred for the implementation of the project. Though three allotment meetings were conducted for the sale of the 184 flats and 58 open car sheds constructed under the scheme the provisional allotment of 3 flats only could be made. These three</p>

(1)

(2)

provisional allotments were cancelled subsequently as registrants failed to remit the initial deposit prescribed for the flats/or withdrawn the allotment. Hence it was convinced that there will not be demand for the flats and car sheds at the cost fixed by the Board and therefore the Board sought to Government sanction on the basis of the guidelines fixed by Government in G.O. (Ms.) 9/2001/Hsg. dated 5-3-2001 for the disposal of the unsold stocks even after conducting three allotment meetings.

Government examined the request of the Kerala State Housing Board and informed that Finance Wing in Government has agreed to sell the flats and car sheds at the cost not below the 75% of the cost obtained by adding overhead charges and interest with construction cost after considering it by the New Board. The Board meeting held on 28-12-2006 considered the matter and decided to take one more attempt for allotment of the flats and car sheds considering the tentative cost fixed by the Board on 29-11-2005 as the final cost considering the price hike in real estate in general and to take up the matter again with Government after knowing result of the allotment meeting.

In the allotment meeting conducted on 12-4-2007, 11 Nos. of flats were allotment out of 184 flats and the quotation-cum-auction sale conducted on 18-4-2007, 14 shop rooms were sold in addition to 18 shop rooms already sold on 7-2-2007.

All efforts are being taken for the disposal of the remaining unsold stocks at the earliest.

- 2.3.2
(2008-09) Government have issued G.O. (Ms.) No. 24/09/Hsg. dated 25-6-2009 allotting the 4th, 5th and 6th floors of the Revenue Tower at Ernakulam for functioning of various courts as per the judgment dated 31-3-2006 in WP (C) 12707/2004 (S) of Hon'ble High Court of Kerala. Despite earnest efforts, the courts have not yet started functioning in the Revenue Tower, Ernakulam resulting in huge loss of rental income to Kerala State Housing Board. Final decision of the Hon'ble High Court in this matter is awaited. The space allotted to the courts can be reallocated to other offices only on receipt of modified orders from the High Court.

(1)

(2)

The Office space in the 7th floor has been allotted to the Lottery Department and they have taken possession of the space on 18-2-2010. The space in 10th floor is allotted to M/s Gas Authority of India Limited and they are expected to start functioning in the space by August 2010.

The Space in 11th floor has been allotted to the City Police Commissioner Office, Kochi. They have taken possession of the space and is expected to start functioning shortly.

Though the space in the remaining floors are allotted to Electrical Inspectorate, City Rationing Officer, National Security Agency and MI Central Circle, these officers are yet to occupy the space as they await approval from their respective administrative departments concerned. Steps are being taken to engage an expert marketing agency/consultant for renting out the vacant spaces to fetch maximum returns within a specified time. Application has been submitted for obtaining NOC from Southern Naval Command for regularisation of the construction beyond the permitted height.

It is expected that once the officers start functioning in the building in full swing the remaining spaces, shops and restaurant areas could be rented out as demand will increase for the same.

Government have already directed the KSHB to bestow maximum care and caution in implementing the projects so as to avoid such unfruitful expenditure in future. All earnest and possible efforts are being taken to rent out the space and fetch maximum income thereby to salvage the project.
