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**(TO BE REPLIED NOT LATER THAN 30 DAYS FROM THE
DATE OF RECEIPT OF THE REPORT)
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (CIVIL AUDIT),
TAMILNADU AND PUDUCHERRY,
LEKHA PARIKSHA BHAVAN, 361, ANNA SALAI, TEYNAMPET,
CHENNAI - 18.**

No.CAB//28-76/2011-12/60

Dated: 05-08-2011

To

**The Secretary to Government of India,
Ministry of Tourism and Culture,**

**Department of Culture,
NEW DELHI -110 001**

Sir,

I am to forward herewith the Inspection Report on the accounts of Kalakshetra Foundation, Chennai for the year 2010-11.

A copy of the report has been forwarded to the Director, Kalakshetra Foundation, Chennai. You may kindly arrange to have the points mentioned therein pursued with him and forward the copy of the report with his replies together with your remarks/orders indicating the action taken thereon.

2(i) Part I B of the report indicates the paras of the previous Inspection Reports still remaining unsettled. The settlement of these outstanding paragraphs requires expeditious action.

(ii) Part I C of the report brings out persistence of defects, omissions and irregularities pointed out in the previous Inspection Reports but not rectified. They call for investigation into the continued existence of the defects etc. and immediate remedial measures.

(iii) Part II of the report deals important defects and irregularities for which action has to be initiated at the level of the local Head of the Department / Government.

Contd....

Part I B**Outstanding paras of previous Inspection Reports:**

File No.	Para no.	Gist of objections
28-48/ 07-08	3/ IIB	Civil work for Kalakshetra Central Office construction of staff toilet to the proposed Central Office renovation of flooring and painting works - defects noticed.
28-106/ 09-10	4/ IIB	Omission to deduct at source on payment of professional fee to Smt. Sadhana Srivastav ₹10,197/-
	5/IIB	Incorrect payment of allowance for adopting Small Family to BASS School Teachers.
	6/IIB	Irregular payment of Bonus to the teaching staff of BASS & College of Fine Arts.
	8/IIB	Incorrect reimbursement procedure adopted for Medical claim of staff.

**INSPECTION REPORT ON THE ACCOUNTS OF
KALAKSHETRA FOUNDATION, CHENNAI UNDER SECTION
19(2) OF CAG'S DPC ACT 1971 FOR THE PERIOD FROM APRIL
2010 TO MARCH 2011.**

Dates of Audit : 27.06.2011 to 07.07.2011
Part I - A : Introductory

The certification and transaction audit of the accounts of Kalakshetra Foundation, Chennai-41 for the period 2010-11 was conducted under Section 19(2) of the CAG's DPC Act 1971 read with Section 24(3) of the Kalakshetra Foundation Act 1993 (6 of 1994) by Shri A. Raju, Assistant Audit Officer, Shri. R. Sunder, Assistant Audit Officer, Smt. Thamarai Selvi, Assistant Audit Officer and Smt. Siromani Subramanian, Sr. Auditor and supervised by Ms. Sudha John, Audit Officer.

Ms. Leela Samson held the post of the Director of the Foundation during the period covered under Audit.

Part I - B : Outstanding Paras of previous Inspection Reports : Enclosed
Part I - C : Persistent irregularities : Nil
Part I - D : Summary of Objections : Enclosed
Part II - A : Enclosed
Part II - B : Enclosed
Part III : Nil

Part I D
Summary of Objections
Part II A

1. AUDIT OBSERVATION ON AWARD OF CONTRACT WITH M/S. MADHU AMBAT PRODUCTIONS, CHENNAI - ₹3.90 CRORE.
2. RENOVATION OF HOSTEL KITCHEN - EXECUTION OF WORK WITHOUT FOLLOWING ESTABLISHED TENDER PROCEDURES - ₹0.92 CRORE
3. UPGRADATION OF SOUND SYSTEM - SUPPLY OF EAW AND AUDIX PRODUCTS - ₹0.63 CRORE.
4. PURCHASE OF SOUND & LIGHTING EQUIPMENTS AT A COST OF ₹99.50 LAKH KEPT IDLE DUE TO DEFICIENT PLANNING IN PROCUREMENT PROCEDURE
5. KOOTHAMBALAM - ADDITIONS, ALTERATIONS OF CIVIL WORKS
6. TENDER PROCEDURE
7. APPOINTMENTS MADE IN THE FOUNDATION

Part II B

RECORDS NOT PRODUCED

Part II A

Section B

AUDIT OBSERVATION ON AWARD OF CONTRACT WITH
/S. MADHU AMBAT PRODUCTIONS, CHENNAI - ₹3.90 CRORE.

For the video documentation of Rukmini Devi Arundale's dance-dramas and other choreographic works of Kalakshetra, an agreement for production of six dance-dramas was entered into with M/s. Madhu Ambat Productions, Chennai by the Director, Kalakshetra Foundation on 25th October 06. These dance-dramas are part of the curriculum for the students of the College of Fine Arts and to preserve these dramas for the sake of posterity, Kalakshetra was desirous of visualising, photographing and converting it into broadcast quality digital format to preserve the same to be visualised study and research materials for the present and future generations of students of Kalakshetra and other dance schools.

The total cost of production was ₹90 lakh (₹15 lakh each for six dance-dramas). The period of contract was 12 months from the date of signing the agreement.

Yet another contract was signed on the same day with the same agency namely, M/s. Madhu Ambat Productions, Chennai by the Director, Kalakshetra Foundation. According to this agreement, for the venture to be viable and economical for Madhu Ambat Productions and Kalakshetra, the agency will produce at the first instance, 20 dance-dramas which shall be divided into 3 phases - 6 dance-dramas each in the first and second phase and 8 dance-dramas in the third phase, this contract could be extended by another 6 dance-dramas at the discretion of the Kalakshetra and in that extent fresh contract could be drawn between parties.

The value of the contract was ₹300 lakhs (First phase - 6 dance-dramas x ₹15 lakh, Second phase 6 dance-dramas x ₹15 lakh and Third phase - 8 dance-dramas x ₹15 lakh). The period of the contract was 24 to 30 months from the

late of signing of the contract. The 3rd phase of the production was subject to escalation as per clause 20 of the contract, the project should have been completed by June 2008. In this connection following observations are made:-

1. In the Finance Committee Meeting held on 12.06.2007, the Financial Advisor, Ministry of Culture had raised queries on the methodology adopted over selection of M/s. Madhu Ambat Productions and fixing remuneration for their work. As sufficient details were furnished, the matter was deferred. It may be stated whether these particulars were furnished to the Ministry. If so, the Ministry's approval may be furnished to audit.
2. The files/correspondence/Governing Board/Finance Committee's approval, etc. relating to award of this contract though called for had not been produced to audit except the agreement copy for ₹90 lakh and payments thereof.
3. The award of contract for ₹300 lakh had been placed before the Board/Finance Committee for their approval. If so, the same may be furnished to audit.
4. In the Governing Board meeting held on 7th April 2009, the Director informed the Board that the agreement with M/s. Madhu Ambat Productions was only for six dramas, the expenditure for six part dramas series was also placed before Finance Committee. However, the fact of entering into the agreement for ₹3.00 crore on the same day was neither placed before the Finance Committee nor the Governing Board, which is highly irregular.
5. It may also be stated whether the agreement for the production of 20 dramas for ₹3.00 crore is in operation. If so, the payment details leading to this agreement may be furnished to audit. If it is not in operation, as per clause 17 of the agreement Kalakshetra could terminate the contract only after completion of first two phases. In that event, Kalakshetra would be liable to pay 15% of the total cost

of the production of the remaining phase as compensation whether such event had taken place. If so, the financial implications thereof may be stated.

6. The stamp papers No.E 768088 purchased on 03.09.2006 was from Madurai from a vendor without registration number and agreement was entered into on 25th October 2006. However, the stamp paper No.A 227226 purchased from a registered vendor (No.44/17 80/B 3/96 MSK) purchased on 25.10.2006 was from Chennai for the agreement entered into with the same agency on the same date. The extraneous reason for purchase of stamp paper from Madurai for the contracts to be entered on the same date with the same agency with different witnesses may be elucidated to audit.

7. The Foundation did not explore the possibilities of finding experienced production houses in the field of making documentaries in the pretext that the work like this had to be exempted from routine tender procedures as these are "Specialised in nature".

In this connection, it is pointed out it was the responsibility of the Kalakshetra to provide the troupe, the stage, the musician, costumes and all accessories necessary for enactment of the said dramas. M/s. Madhu Ambat Production was handling only the technical side of filming, shooting, capturing, editing and finishing of the said dramas in audio visual forms for which abundant talents were available in this field. Therefore, it is not justified to term this work as "Specialised in nature" thereby deviating from all established procedures of tendering.

2. RENOVATION OF HOSTEL KITCHEN - EXECUTION OF WORK WITHOUT FOLLOWING ESTABLISHED TENDER PROCEDURES - ₹0.92 CRORE

M/s. Madras Design Works, the Architect appointed as contract basis had obtained quotations from M/s Dinakaran Civil Engg. Contractors, M/s Arasu Builders, Chennai and M/s Modern and Sound Constructions, Chennai for the civil works for the kitchen, dining and associated facilities. As recommended by the Architect, the work was awarded to M/s Modern and Sound Constructions for a value of ₹33,97,157/-. The Civil work actually carried out was for ₹52,36,093/-.

Similarly, a supply order was placed with M/s Vesta Catering Equipments at a cost of ₹3,14,500/- during 9/06 for supply and installation of Kitchen equipments for BCC Hostel, being the lowest Agency. The order was subsequently cancelled as the agency did not furnish EMD for the work and also requested for escalation of 40% on the total value of the work. Though the second lowest was called for discussion, they did not respond.

Meanwhile, scope of the work was redefined with the few items of works which was not contemplated in the original quotation, the value of the work was revised to ₹10.32 lakh. Finally the only left out agency M/s Sinivasa Catering Equipments furnished their rates for the revised scope of work at a cost of ₹14,55,350/-. As recommended by the Architect, the work was awarded to this firm. Finally, the work was completed at a cost of ₹27,73,894/-.

For Electrical work a contract was awarded to M/s Power Force Engineering, Chennai as recommended by the Architect consultant at a cost of ₹4,03,425/-. In this contract, non tendered items for a value of ₹1,16,501/- was done by the Contractor as per the instructions given by the consultant. In addition, plumbing and sanitary work for a value of ₹5,14,754/- was executed. The consulting Architecture fee was ₹3,42,589/-. In this connection following observations are made:

- 1) Autonomous bodies which received grants-in-aid from Govt. of India is governed by the General Financial Rules (GFR). However, scrutiny of the files relating to this work revealed that the provisions contemplated in GFR have not been followed.
- 2) For undertaking civil works, a committee has to be formed and the committee can co-opt a third person who is technically competent preferably any retired officer from CPWD. After the schemes were approved by the committee, it may be placed before the Finance Committee for approval and then to the Governing Board with the proposals containing estimates. It is evident from the records produced to audit that none of the instructions were adhered to.
- 3) Since the value of the contract was more than ₹0.92 crore, a detailed estimate prepared, both administrative and financial sanction obtained from Board before execution. However, it was noticed that no tender notices were published by the Foundation. Instead, the consultant Architect obtained from different sources, which is highly irregular.
- 4) The Terms of a contract including that scope and specifications once entered into, should not be materially varied. Whenever material variation in any of the terms or conditions in a contract becomes unavoidable, the financial and other efforts involved should be examined and recorded and specific approval of the authority competent to approve the revised financial and other commitments obtained before varying the conditions. Contrary to the above, almost 100% of the work (₹46 lakh) were executed without tendering and not obtaining the Governing Body's approval at different stages due to changing the scope of work and executing additional non-tendered items, which is not in order.
- 5) The scrutiny of the rates obtained by the consultant were approved without any basis as the Foundation is not following the schedule of

(15)

rates normally applicable to them. CPWD norms were also not followed by the Foundation.

3. UPGRADATION OF SOUND SYSTEM - SUPPLY OF EAW AND AUDIX PRODUCTS - ₹0.63 CRORE.

A supply order for supplying of EAW and Audix Products was awarded to M/s. Aditya Info Tech, Chennai at a cost of ₹0.62 crore as recommended by the consultant M/s. Sound Wizard on 09.11.2009. As per the supply order, the materials should have been delivered before 31.12.2009. However, only a part of the shipment and equipment was supplied by the agency on 25.11.2009 for a value of ₹0.37 crore, payment for which was released to the supplier as recommended by the consultant though extension of time was granted upto 01.03.2010, the balance material valuing ₹0.24 crore had not been delivered.

Meanwhile, the consultant M/s. Sound Wizard has sent the request to change supplier for remaining supply of sound equipment and recommended M/s. EXE Systems India for microphone for the value of ₹6,73,047/- and M/s. Senn heiser Electronics India for speaker systems for ₹19,27,487/-, thereby revising the value of the balance supplies from ₹24,71,281/- to ₹26,00,534/-. This was approved by the works committee in view of the urgency and concurrence of the consultant. It was also decided to recover extra amount incurred due to non-supply of materials from the original supplier. The contract with M/s. Aditya Info teaches Limited was terminated on 20th February 2010.

Subsequently, a supply order for Audio equipments at a total cost of ₹19,27,488/- was placed (24.03.2010) on M/s. EXE Systems (India) Limited, Bangalore and yet another supply order for Microphones at a total cost of ₹6,73,047/- was placed (24.03.2010) on M/s. Sennheiser Electronics India (P) Limited, Hariyana with the instruction to supply the materials by 30.04.2010 and 20.04.2010 respectively.

The supply order for speaker placed with M/s. EXE Systems, Bangalore could be completed partially leaving the balance equipments not supplied

amounted to ₹5,54,703/-. Again, the sound consultant M/s. Sound Wizard sent an email to the Foundation that for the balance materials pending from M/s. EXE Systems, Bangalore to be placed on M/s. MRH Digital Systems with change of specifications at a cost of ₹4,96,465/- after terminating the supply order of the existing supply order, the same was approved by the Director on 04.11.2010. The supply was completed by December 2010 and payment of ₹5,00,768/- was released on February 2011. In this connection following observations are under:-

- (1) None of the above decisions viz. change in the scope of supply specifications and new supplier, etc. had the approval of neither work advisory committee constituted for the purpose nor the Governing Board/Finance Committee at any stage. Reasons for the same may be stated.
- (2) No tender notice was published and tender evaluation done in the case of this procurement. Instead, the Sound consultant M/s. Sound Wizard obtained 3 quotations each for the 6 items to be tendered and lowest was selected by the works committee. Reasons for not following the tendering process as stipulated in the Codal Provisions may be stated. If the Foundation is exempted from such procedures, the same may be furnished to audit.
- (3) In the case of change of specification and change in supplier, the existing tender needs to be cancelled and gone in for fresh tender. Instead, in view of the urgency and concurrence of the sound consultant, the scope of the tender and supplier have been changed. It may be stated to audit the urgency behind this deviation as the civil work of Koothambalam is yet to be completed.
- (4) The extra expenditure incurred in procuring the balance items needs to be recovered from the original supplier M/s. Aditya Info Tech, Chennai (₹1,29,253/-). It may be stated whether the same has been recovered.

4. PURCHASE OF SOUND & LIGHTING EQUIPMENTS AT A COST OF ₹99.50 LAKH KEPT IDLE DUE TO DEFICIENT PLANNING IN PROCUREMENT PROCEDURE

As per Rule 137 of GFR, fundamental principles of public buying envisages that every authority delegated with the financial powers of procuring goods in public interest shall have the responsibility and accountability to bring efficiency, economy, transparency in matters relating to public procurement. The procedure to be followed in making public procurement must conform to the specification in terms of quality, type etc, as also quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the procuring organization. Care should also be taken to avoid purchasing quantities without utilizing to avoid inventory carrying cost.

Scrutiny of Annual accounts of Kalakshetra Foundation during the year 2010-11 and purchase files in respect of sound equipment worth ₹38,68,573.75 and stage equipment lighting worth ₹60,81,837/- were purchased by Kalakshetra Foundation during the period 2010-11 and kept idle in store without utilizing for want of completion of civil works in respect of Koothambalam Theatre.

S.No	Particulars of Sound equipments	Vr.No	Amt. in ₹
1	D.B. Group India (P) Ltd - clearing and forwarding charges for importing of projects/lens	BPB-78/ 21.07.2010	36,931
2	E&E System (India) Pvt. Ltd System product for Koothambalam (Goods received partly on 16.8.2010)	BPB-114/ 20.08.2010	13,35,398
3	MRH Digital System QSC products to Koothambalam	BPB-334/ 18.02.2010	4,96,465

S.No	Particulars of Sound equipments	Vr.No	Amt in ₹
4	S.UN. Media Ventures Pvt. Ltd - supply of cabling materials for Koothambalam work	BPB-331/ 15.02.2010	4,63,190
5	Tempest lighting inc - Sound equipment cables for Koothambalam Theatre	BPB-413/ 15.02.2010	2,48,090
6	U.T. World wide (India) Pvt. Ltd - electrical circuits	BPB-404/ 30.03.2010	21,819
7	B.M. International Pvt. Ltd - supply of projector from USA for Koothambalam	BPB-435/ 31.03.2010	20,022
8	Customs Duty - for importing project/lens for commissioning charges commissioner of customs	BPB-335- 98,469/19.6BP B-69 18,230/14. BPB-404 24,699/14.0	1,41,398
9	Pro Musicals supply of Samson & Alesis products	BPB- 46/28.06.2010	85,005
10	Canara Bank A/c 1719 Projector from M/s Projection design	BPB- 455/ 14.6.2010	10,20,256
11	Modern Stage Service	BPB-212/ 20.10.100	14,36,038
	(Part material delivered on 01.11.2010	BPB-325/ 05.02.11	7,75,859
	05.12.2008)	BPB-200/ 05.02.11	45,141
		BPB 338/ 22.02.11	26,10,306

S.No	Particulars of Sound equipments	Vr.No	Amt. in ₹
		BPB 206/ 22.02.11	53,273
		BPB 361/ 09.03.11	3,56,720
		BPB 215/ 09.03.11	7,280
		BPB 430/ 31.03.11	7,81,277
		BPB-238/ 31.03.11	15,944

From the above, it is clearly indicated that Kalakshetra Foundation had been procuring sound equipments and lighting equipments for Koothambalam theatre since July 2010 onwards kept idle in stores and shown in the accounts as work in progress. Further, these equipments are being the nature of emerging technology had not been put to use till date. Thus, purchasing of sound & lighting equipments at a cost of ₹99.50 lakh kept idle due to deficient planning in procurement procedure.

No specific reply is furnished for the above observation.

5. KOOTHAMBALAM - ADDITIONS, ALTERATIONS OF CIVIL WORKS

In connection with the project cited, the following may be furnished to Audit:

1. The approval of the Governing Body and the Ministry for taking up the work.
2. The total estimate (with component-wise break-up) for the project and the basis on which the estimates were prepared.
3. The funding pattern for the execution of the project.
4. The details of expenditure incurred on the project so far, component-wise, along with the source of funding.

5. It has been observed that Shri Ravi Nilakantan has been appointed as Architect for upgradation of various facilities in the campus including Koothambalam. Further the fees and other conditions were to be as per the regulations laid by Council of Architecture in accordance with the Scale of charges. In this connection, a copy of the regulations of the Council of Architectural Scale of charges may be furnished.
6. Copies of the minutes of the Works Committee and Finance Committee approving the execution of each component under Koothambalam.
7. As per the decisions taken in the 33rd Governing Board Meeting held on 04.05.2009, for undertaking civil works, a committee was to be formed and the committee can co-opt a third person who is technically competent so that after the schemes were approved by the Committee, it may be placed before the Finance Committee for approval and then to Governing Board with justification. The Committee shall look into the details and then submit to the Finance Committee for approval before calling for tender. However, it has been observed that, as per Clause 2.09 of the Agreement with Shri Ravi Nilakantan, Architect, the architect has been delegated the powers to invite, receive and analyse tenders and advise Kalakshetra on appointment of contractors.
The circumstances under which such a Clause was introduced in the agreement with the Architect even though the Governing Board had directed that a technically competent third person can only co-opt with the Committee.
8. It has been observed that a proposal for ₹2.20 crore towards upgradation of sound system in Koothambalam has been approved and M/s. Sound Wizard was the Special Advisor for the project.

In this connection, the total equipment supplied so far with cost of each, date of supply and the place of their installation may be stated. If the equipment is yet to be installed, the place of their storage may be furnished.

Specific replies to the points raised and the details called for may be furnished.

6. TENDER PROCEDURE

As per the Rules laid down in the General Financial Rules under 'Procurement of Goods and Services', Advertised Tender enquiry should be made in respect of goods to be purchased wherein the estimated value of the purchase is ₹25 lakh and above.

However, test check of the works relating to 'Upgradation of storage lighting and Motorised system for all lighting and curtain bar arrangement work' and 'Electrical installation work for Koothambalam' revealed that only quotations have been called for the works even though the value of the contracts were ₹66.52 lakh and ₹49.09 lakh respectively. Further, these quotations were called for by a contractor of the Foundation and not by the Foundation directly.

Besides, the Foundation has also incurred additional expenditure in respect of the contracts towards 'non-tendered (extra) items at the rate of 12%. This is a deviation from the provisions of the contract wherein payments for own-tendered items was not contemplated and also indicates poor estimation/planning on the part of the Foundation.

Specific replies may be furnished to the points raised.

7. APPOINTMENTS MADE IN THE FOUNDATION

During June 2010, the Kalakshetra Foundation had made 16 appointments under 9 categories. These appointments were found to be irregular. Only 6 appointments under 3 categories had the approval of the Ministry. The Committee set up for making these appointments did not have

the full quorum as prescribed. In respect of the other 10 posts under 9 categories, the approval of the Ministry had not been obtained.

Further, the post of Assistant Professor has to be filled by promotion. However, the same has been filled up by Direct Recruitment which was not in order.

Specific remarks on the above were already called for in letter No.ISC II DP 611/2010-11/111 dated 26.01.11.

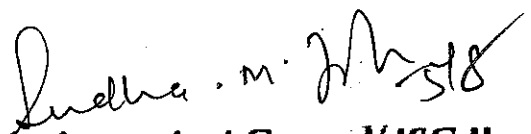
In reply, the Foundation stated that the regularization of selection and subsequent ratification has already been taken up with the Ministry of Culture and reply is awaited.

Part II B

8. RECORDS NOT PRODUCED

The following records, called for during the current audit, had not been submitted to audit.

1. It is seen that the Foundation has incurred an expenditure of ₹12.76 lakh towards Research & Development and the expenditure was met out of Plan funds for which not specific approval was obtained. In this regard, it may be stated whether prior approval was obtained from the Ministry/BoG before conducting R&D. Further the basis of making pay and Allowances and incurring other expenditure may also be stated. All Files/records in respect of R&D work may be furnished to audit along with the numbers of research work undertaken for the past two years and targeted date of completion.
2. From the records it is seen that the Rukmini Devi Hall (Theatre) is rented for various private performances. In this regard, the following details/files may be produced to audit:
 - (a) Rates fixed for performance by private individuals.
 - (b) Details of recovery of cost viz. electricity, state arrangements, manpower charges etc in respect of each performance during 2009-10 & 2010-11.
 - (c) Basis of allocation - if different rates are charged to different performances, orders of the Director thereof.
 - (d) Register of Rent in respect of the Performances.
 - (e) Any other records relevant to the above.


For Deputy Accountant General/ ISC II