



**FIFTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2023-2026)**

**FORTIETH REPORT**  
(Presented on 11<sup>th</sup> February, 2025)

**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2025**

**FIFTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2023-2026)**

**FORTIETH REPORT**

**On**

**Corporate Social Responsibility of PSUs**

**(Malabar Cements Limited, Kerala Minerals and Metals Limited, Kerala State Industrial Development Corporation Limited, Kerala State Civil Supplies Corporation Limited and other 12 PSUs)**

**(Based on the Report of the Comptroller and Auditor General of India  
for the year ended 31<sup>st</sup> March, 2016 )**

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## COMMITTEE ON PUBLIC UNDERTAKINGS

(2023-2026)

### COMPOSITION

#### *Chairperson :*

Shri E. Chandrasekharan.

#### *Members :*

Shri A. P. Anil Kumar

Shri Anwar Sadath

Shri Ahammad Devarkovil

Shri T. V. Ibrahim

Shri P. Mammikutty

Shri K. P. Mohanan

Shri D. K. Murali

Shri P. Nandakumar

Shri Kadakampally Surendran

Shri P. Ubaidulla.

#### *Legislature Secretariat :*

Dr. N. Krishna Kumar, Secretary

Shri Venugopal R., Joint Secretary ,

Shri Anil Kumar B., Deputy Secretary

Shri Mohanan O., Under Secretary.

## INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2023-2026) having been authorised by the Committee to present the Report on its behalf, present this 40<sup>th</sup> Report on Corporate Social Responsibility Of PSUs (Malabar Cements Limited, Kerala Minerals and Metals Limited, Kerala State Industrial Development Corporation Limited, Kerala State Civil Supplies Corporation Limited and other 12 PSUs) based on the report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2016 relating to the Public Sector Undertakings of the State of Kerala.

The aforesaid Report of the Comptroller and Auditor General of India was laid on the Table of the House on 23-5-2017. The consideration of the audit paragraphs included in this report and examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings (2021-2023) at its meetings held on 19-1-2022, 6-10-2022, 21-10-2022 and 6-12-2023 and Committee on Public Undertakings (2023-2026) at its meeting held on 20-3-2024.

This Report was considered and approved by the Committee (2023-2026) at its meeting held on 29-1-2025.

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

The Committee wishes to express thanks to the officials of the Industries Department and Food and Civil Supplies Department of the Secretariat and the Malabar Cements Ltd., Kerala Minerals and Metals Limited, Kerala State Industrial Development Corporation Limited, Kerala State Civil Supplies Corporation Limited, Rehabilitation Plantation Limited, Transformers and Electricals Limited, Kerala Agro Machinery Corporation Limited, Kerala State Beverages (M&M) Corporation Limited, Kerala Forest Development Corporation Limited, Kerala State Backward Classes Development Corporation Limited, Kerala Urban & Rural Development Finance Corporation Limited, Kerala State Electronics Development Corporation Limited, Pharmaceutical Corporation (Indian Medicines) Ltd. (Oushadhi), State Farming Corporation of Kerala Ltd., Kerala State Industrial

Enterprises Limited and Kerala State Power & Infrastructure Finance Corporation Limited for placing the materials and information solicited in connection with the examination of the subject. The Committee also wishes to thank in particular the Secretaries to Government, Industries Department, Food and Civil Supplies Department and Finance Department and the officials of Malabar Cements Ltd., Kerala Minerals and Metals Limited, Kerala State Industrial Development Corporation Limited and Kerala State Civil Supplies Corporation Limited who appeared for evidence and assisted the Committee by placing their views before the Committee.

Thiruvananthapuram,  
11<sup>th</sup> February, 2025.

E. CHANDRASEKHARAN,  
*Chairperson,*  
*Committee on Public Undertakings.*

## REPORT NO. 3

ON

### CORPORATE SOCIAL RESPONSIBILITY OF PSUs.

(Malabar Cements Limited, Kerala Minerals and Metals Limited, Kerala State Industrial Development Corporation Limited, Kerala State Civil Supplies Corporation Limited and other 12 PSUs<sup>1</sup>)

Audit Para 3.3(2015-16)

#### Corporate Social Responsibility of PSUs

##### Introduction

3.3.1 Corporate Social Responsibility (CSR) refers to operating business in a manner that accounts for the social and environmental impact created by the business. Through CSR, companies give something back to society. CSR means and includes projects or programmes on eradication of hunger, poverty and malnutrition, promoting gender equality, promoting education, empowerment of women, ensuring environmental sustainability, protection of national heritage, etc. CSR is governed by provisions of the Companies Act, 2013 (Act) and Companies (Corporate Social Responsibility Policy) Rules, 2014 (CSR Rules).

According to section 135 of the Act, companies with annual turnover of ₹1,000 crore or more or net worth of ₹500 crore or more or profit (before tax) of ₹5 crore or more in any of the three preceding financial years<sup>2</sup> have to spend at least two *per cent* of average profit<sup>3</sup> of such preceding financial years on CSR activities from 2014- 15 onwards, giving preference to areas around their operation.

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1 (1) Rehabilitation Plantation Limited, (2) Transformers and Electricals Limited, (3) Kerala Agro Machinery Corporation Limited, (4) Kerala State Beverages (M&M) Corporation Limited, (5) Kerala Forest Development Corporation Limited, (6) Kerala State Backward Classes Development Corporation Limited, (7) Kerala Urban & Rural Development Finance Corporation Limited, (8) Kerala State Electronics Development Corporation Limited (KELTRON), (9) Pharmaceutical Corporation (Indian Medicines) Ltd (Oushadhi), (10) State Farming Corporation of Kerala Ltd, (11) Kerala State Industrial Enterprises Limited, (12) Kerala State Power & Infrastructure Finance Corporation Limited.

2 Vide Circular No: 21/2014 dated 18/6/2014 of Ministry of Corporate Affairs, Government of India.

3 Average of profit made by them during the three immediately preceding financial years.

As of June 2016, 23 Public Sector Undertakings (PSUs) in Kerala came under the purview of CSR during 2014-15 to 2015-16. We assessed compliance of these PSUs with the provisions of the Act/ CSR Rules/ orders and notifications issued by Ministry of Corporate Affairs (MCA), Government of India (GoI), on CSR. Audit findings are discussed in the succeeding paragraphs.

## **Audit Findings**

### **Formulation of CSR Policy and CSR spending**

#### **Non-constitution of CSR Committee and non-spending on CSR**

**3.3.2** As per Section 135(1) of the Act, each of the 23 PSUs was to constitute a CSR Committee consisting of three or more directors, out of which at least one director shall be an independent director. The CSR Committee was to formulate and recommend a CSR Policy and the amount of CSR expenditure to Board of Directors (BoD) and monitor the CSR Policy of the Company.

We noticed that out of the 23 PSUs, 13 PSUs (**Appendix 13**) did not constitute the CSR Committee or formulate the CSR Policy (as of June 2016). Among these 13 PSUs, three PSUs had negative average net profit during the three preceding financial years and hence, were not required to spend on CSR while balance 10 PSUs were required to spend on CSR.

Oil Palm India Limited and Kerala Agro Machinery Corporation Limited, though coming under the purview of CSR law, spent ₹0.33 crore (against the minimum requirement of ₹0.50 crore) for CSR activities without constituting a CSR Committee or formulating a CSR Policy. As the amount was spent without constituting CSR Committee or formulating a CSR Policy, the CSR spending of these two PSUs was irregular.

Similarly, eight PSUs were required to spend at least ₹7.93 crore on CSR during 2014-15 and 2015-16 as detailed in **Appendix 14**. But, they did not spend any amount on CSR during the above period.

GoK replied (October 2016) that Kerala State Power and Infrastructure Finance Corporation Limited (KSPIFC) had spent ₹0.25 crore in 2014-15 on a project for development of woman and child ward at Government Taluk Head Quarter Hospital, Nilambur and was eligible for including the same as CSR. The reply was not tenable as ₹0.25 crore spent during 2014-15 was part of ₹0.50 crore donation given to Government Taluk Head Quarter Hospital, Nilambur as per Government Order dated 27 July 2013 and not the amount earmarked for CSR during 2014-15.

State Farming Corporation of Kerala Limited replied (June 2016) that their profit before tax during 2014-15 was less than ₹5 crore and hence, they were not liable to spend on CSR. The reply was not acceptable as its annual profit before tax exceeded ₹5 crore during the preceding three years. Transformers and Electricals Kerala Limited replied (February 2017) that BoD decided not to spend for CSR activities since the Company was continuing in huge losses. Other five PSUs accepted the audit finding and assured compliance with CSR laws.

#### **Non/ incorrect reporting on CSR activities**

**3.3.3** According to Section 135 (5) of the Act, in case of failure of a company to spend minimum 2 per cent of average profit on CSR, the BoD shall in its report<sup>4</sup> include the reasons for non-spending.

Out of the ten PSUs which did not spend the required minimum amount on CSR, three PSUs<sup>5</sup> did not report the reason for non-spending and three PSUs<sup>6</sup> wrongly reported that CSR Rules were not applicable to them. The remaining four PSUs were yet to publish their Annual Report as of June 2016.

KSPIFC replied (June 2016) that non-spending was not reported in the Directors' Report due to oversight and necessary disclosures would be made in the next year's

<sup>4</sup> Report attached to the financial statements laid before a company in general meeting as per Section 134 (O) (3) of the Act.

<sup>5</sup> Kerala State Power and Infrastructure Finance Corporation Limited, Transformers and Electricals Kerala Limited and Oil Palm India Limited.

<sup>6</sup> The State Farming Corporation of Kerala Limited, Kerala Forest Development Corporation Limited and Kerala Agro Machinery Corporation Limited.

report. Two PSUs<sup>7</sup> accepted the audit finding while Kerala Forest Development Corporation Limited replied (July 2016) that they were not aware of the circular dated 18 June 2014 of MCA and assured that the audit finding will be brought to the notice of BoD.

State Farming Corporation of Kerala Limited replied (June 2016) that the matter was reported correctly in the Annual Report 2014-15. The reply was not tenable as profit for the period 2011-12 and 2013-14 exceeded ₹5 crore and thus, the Company came under the purview of CSR law.

### **Deficiencies in spending on CSR**

**3.3.4** Ten out of the 23 PSUs covered in audit had constituted CSR committee as well as formulated a CSR policy and spent ₹10.74 crore (*Appendix 15*) on CSR activities during 2014-15 and 2015-16. The following deficiencies were noticed in the CSR expenditure incurred by these 10 PSUs.

#### **Non-spending on CSR**

**3.3.4.1** Two PSUs<sup>8</sup> did not spend any amount on CSR during 2015-16 though they had to spend ₹0.67 crore as per the Act.

Rehabilitation Plantation Limited replied (July 2016) that they would spend the amount earmarked for CSR during 2016-17.

#### **Non-display of CSR Policy in website**

**3.3.4.2** Section 135(4) (a) of the Act and Rule 9 of CSR Rules specify that the approved CSR Policy shall be displayed on the company's website. Four PSUs<sup>9</sup> did not display the CSR Policy on their website.

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<sup>7</sup> Kerala Agro Machinery Corporation Limited and Transformers and Electricals Kerala Limited.

<sup>8</sup> Rehabilitation Plantations Limited and Kerala Transport Development Finance Corporation Limited.

<sup>9</sup> Kerala State Backward Classes Development Corporation Limited (KSBCDC), Kerala Transport Development Finance Corporation Limited (KTDFC), The Pharmaceutical Corporation (Indian Medicines) Kerala Limited (TPCKL) and Malabar Cements Limited (MCL).

At our instance, three PSUs<sup>10</sup> agreed to display their CSR Policy on their websites, while Malabar Cements Limited replied (August 2016) that they had displayed the Schemes of assistance on their website. The reply is not tenable as this amounts to violation of Section 135(4) (a) of the Act and Rule 9 of CSR Rules.

**Inclusion of activities in the CSR Policy undertaken in pursuance of normal course of business.**

**3.3.4.3** According to CSR Rules, a company shall undertake CSR activities as per its stated CSR policy. Activities undertaken in pursuance of normal course of business of a company shall not be treated as part of CSR.

We observed that the CSR Policy (Item number- 1) of Kerala state Backward Classes Development Corporation Limited (KSBCDC) (engaged in the upliftment of backward classes and minority communities by rendering financial assistance) states that where loanes are unable to repay loan due to fatal disease, accident, death etc., after ascertaining the position of the family, the principal, interest and compound interest would be partially or completely waived by including them under the Loanes Distress Relief Fund (LDRF) scheme. The LDRF is a fund set up to meet any future contingencies that may arise out of death or accidental disablement of the loanes. This is directly related to the business activity of KSBCDC and hence, item number-1 does not come under the purview of CSR.

GoK replied (January 2017) that if the LDRF scheme of the Company could not be counted under the ambit of CSR activity, necessary corrective action would be taken in future.

**CSR spending on inadmissible activities**

**3.3.4.4** Ministry of Corporate Affairs (MCA), GoI stipulated<sup>11</sup> that expenses incurred by companies for the fulfillment of any Act/Statute or Regulations would not count as CSR expenditure under the Act. The Kerala Minerals and Metals Limited had spent an amount of ₹1.09 crore as part CSR activity during 2014-15 and 2015-16, out of which

10 Kerala State Backward Classes Development Corporation Limited (June 2016), Kerala Transport Development Financial Corporation Limited (May 2016) and The Pharmaceutical Corporation (Indian Medicines) Kerala Limited (July 2016).

11 Vide Circular No. 21/2014 dated 18-6-2014.

₹0.45 crore was spent as part of a legal obligation and financial assistance to Panmana Panchayat for budget presentation etc., which do not fall within the purview of the Act. Hence, the same could not be counted as CSR expenditure.

The Company replied (July 2016) that amount shown as CSR for the year 2014-15 and 2015-16 would be reviewed.

#### **Contribution in kind for CSR activities**

**3.3.4.5** Section 135(5) of the Act specifies that the BoD of every company shall ensure that the company spends, in every financial year, the required amount in pursuance of its CSR Policy. MCA reiterated (January 2016) that contribution in kind cannot be monetised to be shown as CSR expenditure.

During 2014-15 and 2015-16, Malabar Cements Limited (MCL) distributed cement in kind valuing ₹0.08 crore while the Pharmaceutical Corporation (Indian Medicines) Kerala Limited (TPCKL) distributed medicines valuing ₹0.19 crore and accounted for them as CSR activities.

TPCKL replied (August 2016) that they would take into consideration the audit findings when formulating a new CSR policy after the reconstitution of the BoD. MCL replied (August 2016) that cement was distributed after booking the expenses for CSR expenditure.

#### **Contribution to State Government fund**

##### **Absence of monitoring**

**3.3.4.7** Rule 5(2) specifies that CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR Projects or programmes or activities undertaken by the company. We noticed instances of absence of monitoring of CSR as shown in *Appendix 16*.

#### **Conclusion**

**Adherence of companies to the provisions of CSR was not satisfactory as 13 out of 23 companies did not constitute CSR Committee/Policy. There were**

instances of non-spending and spending on inadmissible activities. GoK may, therefore, formulate appropriate monitoring mechanism for strict adherence to CSR laws.

[The Audit paragraph 3.3 contained in the report of the C &AG for the year ended 31 March 2016.]

The notes furnished by the Government on the audit paragraph are given in Appendix II

### **Discussion and findings of the Committee**

#### **1. Malabar Cements Limited**

##### **Audit para 3.3.4.2 – Non-display of CSR policy in website**

To the query regarding the audit observation, the witness informed that now the CSR policy is being displayed in MCL's website.

The Committee accepted the reply.

##### **Audit Para 3.3.4.5 – Contribution in kind for CSR activities**

The Committee sought explanation for the non-adherence of section 135 (5) of the Companies Act, 2013 which restricted that the Company must spend the funds in accordance with the CSR policy.

The witness admitted the audit observations and informed that the Company had withdrawn such practices after the audit findings. He admitted that it was an erroneous action from the part of the Company.

Then the Committee observed that the reply furnished by Government was not satisfactory and opined that Government should have furnished a reply after careful consideration of the explanation from the part of the Company.

##### **Audit Para 3.3.4.7 – Absence of monitoring**

The Committee enquired about the measures taken to rectify the lapse pointed out in audit observation regarding the absence of the transparent monitoring mechanism for implementation of the CSR projects in the Company.

The witness informed that a sub committee had been constituted for the purpose.

The Committee commented that those who availed the tri-scooters were not eligible beneficiaries and that it substantiates the lack of clear monitoring as pointed out by the Audit.

The Committee directed to furnish a detailed report regarding the functioning of the Monitoring Committee.

### **Conclusions and Recommendations**

- 1) *The Committee expresses its strong displeasure on the reply furnished by Government regarding the non-adherence of the section 135 (5) of the Companies Act, 2013 which restricted contribution in kind for CSR activities and observes that the reply furnished was evasive and was trying to justify the mistake though it is evident that the Company violated the concerned provisions. On the other hand the officials from MCL accepted the fault before the Committee. The Committee observes that the disparity in the replies was due to the lack of proper communication between the concerned Administrative Department and the Company. So the Committee directs that in future, the replies to the Committee should be furnished with careful consideration by the Department.*
- 2) *The Committee observes that the distribution of tri-scooter to ineligible beneficiaries was due to the absence of independent monitoring mechanism in the Company as specified in the audit. The Committee understands that now the Company has a monitoring mechanism for the implementation of the CSR. So the Committee directs the Government to furnish a detailed report regarding the functioning of the Monitoring Committee.*

## **2. Kerala Minerals and Metals Limited.**

### **3.3.4.4 CSR spending on inadmissible activities.**

Regarding the CSR spending for the activities which did not come under the purview of CSR, the Managing Director informed that the amount was spent for providing drinking water in Panmana Panchayat in 2014 and for giving financial assistance for the budget presentation of the same Panchayat, which was accounted under CSR activities with the perception that as the amount was utilised for public purposes, it may come under CSR activity. The witness further informed that after the AG's observation, the Company spent CSR Funds only for admissible purposes and at present there has been a four-member committee to monitor CSR activities.

To the query about the limit in providing medical care to individuals through CSR funds, the witness informed that those suffering from diseases like cancer were being given medical assistance through CSR funds. The Company was providing 8 lakh litres of drinking water for a day in Panmana panchayat and that the Company was also providing medical assistance to the people of six wards around the company.

The Committee accepted the reply.

*Hence, offer no remarks.*

## **3. Kerala State Industrial Development Corporation Limited**

### **Para 3.3.4- Deficiencies in spending on CSR**

The Committee enquired about the amount spent on CSR activities during the period from 2016-17 to 2021-22. The Chief Financial Officer, KSIDC informed that the Company normally spend about Rs ₹50-60 lakh per year on CSR activities and the amount for the period 2016-17 to 2021-22 had been fully spent and ₹63 lakh for the period 2021-22 has been set apart to spend this year.

The Committee noted that there was only a general reference in the audit report regarding the expenditure of CSR funds and the Committee enquired whether a Monitoring Committee has been constituted for CSR activities. The Chief Financial Officer, KSIDC replied that a Monitoring Committee chaired by

the Principal Secretary has been constituted to take a decision on the utilisation of CSR funds.

The Committee accepted the Government's reply on the matter.

*Hence, offer no remarks.*

#### **4. Kerala State Civil Supplies Corporation Limited**

##### **Para 3.3.2 -Non Constitution of CSR Committee and non-spending on CSR**

The Committee enquired about the current status of the formulation of CSR policy. The Managing Director replied that a CSR policy has been formulated and approved by the Board of Directors and published in the website. He added that Supplyco being non profitable they could not carry out CSR activities.

The Committee accepted the reply.

*Hence, offer no remarks.*

The Committee considered and accepted the Government reply to the audit observations of the following PSUs regarding Audit Para 3.3 for the financial year 2015-2016.

##### **1. Rehabilitation Plantation Limited:**

Audit Para – 3.3.4.1 – Non-spending on CSR

##### **2. Transformers and Electricals Limited:**

Audit Para – 3.3.2 – Non constitution of CSR Committee and  
consequent non spending on CSR

Audit Para 3.3.3 – Non/incorrect reporting on CSR activities

##### **3. Kerala Agro Machinery Corporation Limited:**

ssAudit Para – 3.3.2 – Non constitution of CSR Committee and  
consequent non spending on CSR

**4. Kerala State Beverages (M&M) Corporation Limited:**

Audit Para – 3.3.2 – Non constitution of CSR Committee and  
consequent non spending on CSR

**5. Kerala Forest Development Corporation Limited:**

Audit Para – 3.3.2 – Non constitution of CSR Committee and  
consequent non spending on CSR

**6. Kerala State Backward Classes Development Corporation Limited:**

Audit Para – 3.3.2 Non constitution of CSR Committee and  
consequent non spending on CSR

Audit Para – 3.3.4.2 – Non-display of CSR policy in website

Audit Para – 3.3.4.3 – Inclusion of activities in the CSR Policy  
undertaken in pursuance of normal  
course of business.

Audit Para – 3.3.4.7 – Absence of monitoring

**7. Kerala Urban & Rural Development Finance Corporation Limited:**

Audit Para – 3.3.2 - Non constitution of CSR Committee and  
consequent non spending on CSR

**8. Kerala State Electronics Development Corporation Limited**

**(KELTRON):**

Audit Para – 3.3.4 – Deficiencies in spending on CSR

**9. Pharmaceutical Corporation (Indian Medicines) Ltd (Oushadhi):**

Audit Para – 3.3.4.2 – Non-display of CSR policy in website

Audit Para – 3.3.4.5 - Contribution in kind for CSR activities

**10. State Farming Corporation of Kerala Ltd:**

Audit Para – 3.3.2 – Non constitution of CSR Committee and  
consequent non spending on CSR

Audit Para – 3.3.3 – Non/incorrect reporting on CSR activities

**11. Kerala State Industrial Enterprises Limited:**

Audit Para – 3.3.2 - Non constitution of CSR Committee and  
consequent non spending on CSR

**12. Kerala State Power & Infrastructure Finance Corporation Limited:**

Audit Para – 3.3.2 - Non constitution of CSR Committee and  
consequent non spending on CSR

Thiruvananthapuram,  
11<sup>th</sup> February, 2025.

E. CHANDRASEKHARAN,  
*Chairperson,*  
*Committee on Public Undertakings.*


APPENDIX-I			
SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS			
Sl No.	Para No.	Department Concerned	Conclusions/Recommendations
1	1	Industries Department	The Committee expresses its strong displeasure on the reply furnished by Government regarding the non-adherence of the section 135 (5) of the Companies Act, 2013 which restricted contribution in kind for CSR activities and observes that the reply furnished was evasive and was trying to justify the mistake though it is evident that the Company violated the concerned provisions. On the other hand the officials from MCL accepted the fault before the Committee. The Committee observes that the disparity in the replies was due to the lack of proper communication between the concerned Administrative Department and the Company. So the Committee directs that in future, the replies to the Committee should be furnished with careful consideration by the Department.
2	2	Industries Department	The Committee observes that the distribution of tri-scooter to ineligible beneficiaries was due to the absence of independent monitoring mechanism in the Company as specified in the audit. The Committee understands that now the Company has a monitoring mechanism for the implementation of the CSR. So the Committee directs the Government to furnish a detailed report regarding the functioning of the Monitoring Committee.

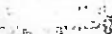
**GOVERNMENT OF KERALA**  
**INDUSTRIES (H) DEPARTMENT**

**REMEDIAL MEASURES TAKEN ON THE C&AG REPORT ON PSUS FOR THE YEAR ENDED**  
**31.03.2016**

5	3.3.4.2	<p><b><u>Non-display of CSR policy in website</u></b></p> <p>Section 135 (4) (a) of the Act and Rule 9 of CSR Rules specify that the approved CSR Policy shall be displayed on the company's website. Malabar Cements Limited (MCL) did not display the CSR Policy on their website.</p>	<p>The draft CSR Policy of the Company is prepared recently. The Board level CSR Committee is constituted in the Meeting held on 31/8/2017 after reconstitution of the Board by the Government. Action has been initiated to display the Policy in the website of the Company after getting approval from the Board Level Committee. However the schemes of assistance given by MCL under CSR till March 2017 are displayed in the web site.</p>
6	3.3.4.5	<p><b><u>Contribution in kind for CSR activities</u></b></p> <p>Section 135 (5) of the Act specifies that the BoD of every company shall ensure that the company spends, in every financial year, the required amount in pursuance of its CSR Policy. MCA reiterated (January 2016) that contribution in kind cannot be monetised to be shown as CSR expenditure.</p> <p>During 2014-15 and 2015-16,</p>	<p>MCL has approved certain schemes for assistance as per CSR and for better utilization of control of expenditure, cement was provided without taking profit and hence no related business interest was there in the activity. This was done by measuring the quantity of the cement distributed and the actual cost of cement was booked as CSR expense.</p>

		MCL distributed cement in kind valuing ₹0.08 crore.	
7	3.3.4.7	<b>Absence of monitoring</b> Rule 5 (2) specifies that CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programmes or activities undertaken by the company. It is noticed instances of absence of monitoring of CSR in MCL.	The beneficiary evaluation was done by external Governmental bodies and MCL did not individually verify the same. However in the light of the deficiencies noted, MCL in addition to relying on beneficiary evaluation reports from the concerned Governmental bodies also would individually insist on declaration that they have not availed similar benefits from others/are eligible for availing the offered benefit. MCL also will verify the scheme implementation through other independent mechanism.

2. 

DATE: 20/08/2018  
BY: 

**GOVERNMENT OF KERALA**  
**INDUSTRIES (H) DEPARTMENT**  
**REMEDIAL MEASURES TAKEN ON THE C&AG REPORT ON PSUS FOR THE YEAR ENDED**  
**31.03.2016**

4	3.3.4.4	<p><b><u>CSR spending on inadmissible activities</u></b></p> <p>Ministry of Corporate -Affairs (MCA), Gol stipulated that expenses incurred by companies for the fulfilment of any Act/ Statute or Regulations would not count as CSR expenditure under the Act.</p> <p>The Kerala Minerals and Metals Limited had spent an amount of ₹1.09 Crore as part of CSR activity during 2014-15 and 2015-16, out of which ₹0.45 crore was spent as part of a legal obligation and financial assistance to Panmana panchayath for budget presentation, etc., which do not</p>	<p>The amount of Rs. 0.45 crores pointed out by the audit as the amount which does not qualify for CSR relates to the year 2014-15 and 2015-16 (Rs. 0.27 crores and Rs.0.18 crores respectively). These expenses were initially accounted under CSR , it was subsequently reversed in the respective years based on the direction from statutory auditors. However, certain expenditures such as drinking water facilities to surrounding area as part of legal obligation, financial assistance to Panchayat, purchase of projector for press club etc amounting to Rs.0.27 crores which does not qualify for CSR was inadvertently included in Annexure C of the Directors' Report for the year 2014-15 as these expenses were initially accounted CSR expenses.</p> <p>The grouping of these expenditures under CSR in the Directors' Report for the year 2014-15 may kindly be condoned as the accounts for the year 2014-15 including Directors Report was already adopted in the Annual General Meeting by the time it was pointed out by C &amp; AG. However, suitable corrections will be made in the Annexure C of the Directors' Report of 2016-17 under the head "cumulative CSR expenses upto 31.03.2017".</p>
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25/05

		fall within the purview of the Act. Hence, the same could not be counted as CSR expenditure.	
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## GOVERNMENT OF KERALA

### INDUSTRIES (I) DEPARTMENT

STATEMENT OF ACTION TAKEN ON THE RECOMMENDATIONS CONTAINED IN THE AUDIT REPORT NO. 4 OF THE  
COMPTROLLER AND AUDITER GENERAL OF INDIA ON PUBLIC SECTOR UNDERTAKINGS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH  
2016-RELATING TO KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION LTD

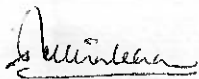
Title of Paragraph	Recommendations	Action Taken
3.3 Corporate Social Responsibility of PSUs		
3.3.1	<p><b>Introduction</b></p> <p>Corporate Social Responsibility (CSR) refers to operating business in a manner that accounts for the social and environmental impact created by the business. Through CSR, companies give something back to society. CSR means and includes projects or programmes on eradication of hunger, poverty and malnutrition, promoting gender equality, promoting education, empowerment of women, ensuring environmental sustainability, protection of national heritage, etc. CSR is governed by provisions of the Companies Act, 2013 (Act) and Companies (Corporate Social Responsibility Policy) Rules, 2014 (CSR Rules).</p> <p>According to Section 135 of the Act, companies with annual turnover of Rs.1,000 crore or more or net worth of Rs. 500 crore or more or profit (before tax) of Rs.5 crore or more in any of the three preceding financial years have to spend at</p>	<p>As per Section 135 of the Companies Act, the Companies with annual turnover of Rs.1000 crore or more or net worth of Rs. 500 crore or more or profit (before tax) of Rs. 5 Crore or more in any of the three preceding financial years have to spend at least two percent of the average profit of such preceding financial years on CSR activities from 2014-15 onwards.</p> <p>As such, KSIDC has to spend Rs. 93.60 lakhs and Rs. 77.93 lakhs during 2014-15 and 2015-16 respectively. During 2014-15 KSIDC has spent Rs. 56.95 lakhs and during 2015-16 KSIDC has spent 39.60 lakhs, resulting a cumulative amount of Rs. 96.55 lakhs during the said periods. The unspent balance of Rs. 74.98 lakhs carried forward to 2016-17 and fully utilized in 2016-17.</p>

	<p>least two per cent of average profit of such preceding financial years on CSR activities from 2014-15 onwards, giving preference to areas around their operation.</p> <p>As of June 2016, 23 Public Sector Undertakings (PSUs) in Kerala came under the purview of CSR during 2014-15 to 2015-16. We assessed compliance of these PSUs with the provisions of the Act/ CSR Rules/ orders and notifications issued by Ministry of Corporate Affairs (MCA), Government of India (GoI); on CSR.</p>	<p>As per the provisions of Companies Act, if the CSR amount is not fully utilized in any financial year the reason for not spending the CSR amount to be disclosed in Directors Report. The Directors Report for 2014-15 and 2015-16 disclosed the same. So KSIDC has fully complied with the provisions. It is affirmed that there is no deficiency in CSR amount.</p>						
3.3.4	<p><b>Deficiencies in spending on CSR</b></p> <p>Ten out of the 23 PSUs covered in audit had constituted CSR committee as well as formulated a CSR policy and spent Rs. 10.74 crore (Appendix 15) on CSR activities during 2014-15 and 2015-16.</p> <p style="text-align: center;">Appendix 15  <u>Statement showing spent for CSR activities during 2014-15 and 2015-16</u>  (referred to in Paragraph 3.3.4)</p> <table> <tr> <th>Sl. No.</th><th>Name of the Company</th><th>Amount spent during 2014-15 and 2015-16(in crore)</th></tr> <tr> <td>9</td><td>The Kerala State Industrial Development Corporation Limited</td><td>0.86</td></tr> </table>	Sl. No.	Name of the Company	Amount spent during 2014-15 and 2015-16(in crore)	9	The Kerala State Industrial Development Corporation Limited	0.86	
Sl. No.	Name of the Company	Amount spent during 2014-15 and 2015-16(in crore)						
9	The Kerala State Industrial Development Corporation Limited	0.86						

*S. Leela*

**MALATHY.S**  
(PEN-104509)  
Additional Secretary  
Industries Department,  
Govt. Secretariat, Thiruvananthapuram

**REMEDIAL MEASURES TAKEN STATEMENT ON PARA 3.3.2 CONTAINED IN THE C&AG REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016 RELATED TO KERALA STATE CIVIL SUPPLIES CORPORATION LIMITED**

Sl. No.	Para No.	C & AG Report	Remedial Taken
1	3.3.2	<p>As per Section 135(1) of the Act, each of the 23 PSUs was to constitute a CSR Committee consisting of three or more directors, out of which at least one director shall be an independent director. The CSR Committee was to formulate and recommend a CSR Policy and the amount of CSR expenditure to Board of Directors (BoD) and monitor the CSR Policy of the Company</p> <p>We noticed that out of the 23 PSUs, 13 PSUs (Appendix 13) did not constitute the CSR Committee or formulate the CSR Policy (as of June 2016). Among these 13 PSUs, three PSUs had negative average net profit during the three preceding financial years and hence, were not required to spend on CSR while balance 10 PSUs were required to spend on CSR.</p>	<p>As per the provisions of the Companies Act, a CSR Committee of the Board has already been formed and the Committee in its first meeting held on 17.11.2016 approved the CSR policy and recommended the same to the Board for its approval. The Board of Directors in its meeting held on 16.01.2017 approved the CSR policy and the contents of the same has been disclosed in the web site of Supplyco in compliance with the provisions of the Companies Act.</p> <p align="right"></p>

**STATEMENT OF ACTION TAKEN ON AUDIT PARA NO.3.3 OF C&AG REPORT**  
**ENDED ON MARCH 31<sup>st</sup>, 2016.**

SI No.	Number and Details of pending Paras/Reports etc	Recommendations/ Conclusions	Government File No.	Action Taken	Present Position / Remarks
01	Audit Para 3.3.4.1	<p><u>Non-spending on CSR</u></p> <p>Two PSUs did not spend any amount on CSR during 2015-16 though they had to spend ₹ 0.67 crores as per the Act. Rehabilitation Plantation Ltd., Punalur replied (July 2016) that they would spend the amount earmarked for CSR during 2016-17.</p>	R3/340/17/LBR	Managing Director, Rehabilitation Plantation Ltd., Punalur, has reported that, the company had to spend an amount of ₹ 24.12 Lakhs during the financial year 2016-17 as CSR expenditure for 2015-16. Out of this, the Company had spent ₹12.88 Lakhs till 31/03/2017 and another ₹ 7.75 lakhs during the financial year 2017-18 till 15/12/2017. Thus a total amount of ₹ 20.63 lakhs had spent out of the amount earmarked for CSR 2015-16 expenditure.	

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ഡി. മിസർ  
 സെനിയർ സെക്രട്ടറി  
 കെ.എസ്.ഐ. മിസൻ, സെക്രട്ടറി, സെക്രട്ടറി  
 സെക്രട്ടറി, സെക്രട്ടറി, സെക്രട്ടറി  
 സെക്രട്ടറി, സെക്രട്ടറി, സെക്രട്ടറി

**GOVERNMENT OF KERALA**  
**INDUSTRIES (H) DEPARTMENT**  
**REMEDIAL MEASURES TAKEN ON THE C&A REPORT ON PSUS FOR THE YEAR ENDED**  
**31.03.2016**

Sl. No	Para No.	Remarks	Action Taken
1	1.22	<u>Accounts Comments : Adverse certificates issued by the Statutory Auditors</u>	KEMDEL and UEIL have submitted reply for the adverse remarks raised by the auditors and the respective accounts were finalised and submitted to the Assembly
2	3.3.2	<u>Non constitution of CSR Committee and consequent non spending on CSR</u> TELK did not constitute the CSR Committee or formulate the CSR Policy (as of June 2016).	Pursuant to Section 135 of the Companies Act 2013, a Corporate Social Responsibility(CSR) Committee of the Board of Directors of the Company was constituted on 18.07.2016 as per the decision of 306 <sup>th</sup> Board Meeting with the following composition: 1) Chairman, TELK 2) Managing Director, TELK 3) Independent Director TELK formulated the CSR Policy and the 308 <sup>th</sup> Board Meeting on 28.02.2017 approved and adopted the CSR Policy and the same has been displayed in the Company website.
3	3.3.3	<u>Non/incorrect reporting on CSR activities</u> According to Section 135 (5) of the Act, in case of failure of a company to spend minimum 2 per cent of average profit on CSR, the BoD shall in its report	As per the Board decision, it was decided not to spent the amount of 0.14 Crore required to be spent for CSR activities during 2014-15 as the Company is in to serious cash flow issues due to huge losses faced by the Company in 2014-15 and 2015-16. The reason for non spending for CSR has been justified in the Annual Report 2015-16

	<p>include the reasons for non-spending.</p> <p>Out of the ten PSUs which did not spend the required minimum amount on CSR, TELK did not report the reason for non-spending.</p>	
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GOVERNMENT OF KERALA

AGRICULTURE (PU) DEPARTMENT

STATEMENT OF ACTION TAKEN ON THE RECOMMENDATIONS CONTAINED IN THE REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL OF INDIA ON PUBLIC SECTOR UNDERTAKINGS FOR THE YEAR  
ENDED 31 MARCH 2016 BASED ON THE REPORT OF MANAGING DIRECTOR, KERALA AGRO MACHINERY  
CORPORATION LIMITED

Sl. No	Audit Para	Paragraph No.	Conclusions/ Recommendations	Action Taken
1	2	3	4	5
1	3.3	3.3.2	Kerala Agro Machinery Corporation (KAMCO), though coming under the purview of CSR law, spent Rs.0.33Cr (Against the minimum requirement of Rs.0.50Cr) for CSR activities without constituting a CSR Committee or formulating a CSR policy. As the amount was spent without constituting CSR committee or formulating a CSR policy, the CSR spending of these two PSUs was irregular.	The Board meeting held on 25.05.2017 vide Resolution No.3529 had constituted a sub-committee for framing CSR policy and monitoring CSR activities of the Company. The said CSR sub-committee, after detailed discussion approved the CSR policy and Board meeting held on 03.11.2017 vide Resolution No.3617 approved the policy and authorised sub-committee to find out suitable proposal for implementation for the financial year 2017-18. The approved CSR policy has been displayed on the company's website.  In view of the above, the required amount as envisaged in the Act will be spent on CSR activities from the financial year 2017-18 onwards without fail.

Committee on Public Undertakings (2016-19) – Action taken statement on the Report of C&AG  
for the year ended 31/03/2016

Sl. No	Para No.	C&AG's observation	Action Taken by Government
1	3.3	<p><b>3.3 Corporate Social Responsibility of PSUs</b></p> <p><b>Introduction</b></p>	
	3.3.1	<p>Corporate Social Responsibility (CSR) refers to operating business in a manner that accounts for the social and environmental impact created by the business. Through CSR, companies give something back to society. CSR means and includes projects or programmes on eradication of hunger, poverty and malnutrition, promoting gender equality, promoting education, empowerment of women, ensuring environmental sustainability, protection of national heritage, etc. CSR is governed by provisions of the Companies Act, 2013 (Act) and Companies (Corporate Social Responsibility Policy) Rules, 2014 (CSR Rules). According to Section 135 of the Act, companies with annual turnover of ₹1,000 crore or more or net worth of ₹500 crore or more or profit (before tax) of ₹5 crore or more in any of the three preceding financial years<sup>65</sup> have to spend at least</p>	No remarks

two per cent of average profit <sup>66</sup> of such preceding financial years on CSR activities from 2014-15 onwards, giving preference to areas around their operation.

As of June 2016, 23 Public Sector Undertakings (PSUs) in Kerala came under the purview of CSR during 2014-15 to 2015-16. We assessed compliance of these PSUs with the provisions of the Act/CSR Rules/ orders and notifications issued by Ministry of Corporate Affairs (MCA), Government of India (GoI), on CSR. Audit findings are discussed in the succeeding paragraphs.

#### Audit Findings

#### Formulation of CSR Policy and CSR spending

3.3.2

#### Non-constitution of CSR Committee and non-spending on CSR

As per Section 135(1) of the Act, each of the 23 PSUs was to constitute a CSR Committee consisting of three or more directors, out of which at least one director shall be an independent director. The CSR Committee was to formulate and recommend a CSR Policy and the amount of CSR expenditure to Board of Directors (BoD) and monitor the CSR Policy of the Company.

In the context of compliance of the provisions in the Companies Act regarding CSR, as required, the Kerala State Beverages Corporation had set up a CSR Committee (copy enclosed) comprising of its Directors. Further the CSR policy of the Kerala State Beverages Corporation and the amount earmarked and spent for CSR activities has been displayed on the website of the Corporation. Due to the procedural formalities involved, though the CSR

We noticed that out of the 23 PSUs, 13 PSUs (Appendix 13) did not constitute the CSR Committee or formulate the CSR Policy (as of June 2016). Among these 13 PSUs, three PSUs had negative average net profit during the three preceding financial years and hence, were not required to spend on CSR while balance 10 PSUs were required to spend on CSR.

Oil Palm India Limited and Kerala Agro Machinery Corporation Limited, though coming under the purview of CSR law, spent ₹0.33 crore (against the minimum requirement of ₹0.50 crore) for CSR activities without constituting a CSR Committee or formulating a CSR Policy. As the amount was spent without constituting CSR Committee or formulating a CSR Policy, the CSR spending of these two PSUs was irregular.

Similarly, eight PSUs were required to spend at least ₹7.93 crore on CSR during 2014-15 and 2015-16 as detailed in Appendix 14. But, they did not spend any amount on CSR during the above period.

GoK replied (October 2016) that Kerala State Power and Infrastructure Finance Corporation Limited (KSPIFC) had spent ₹0.25 crore in 2014-15 on a project for development of woman and

funds for 2014-15 and 2015-16 had not been utilized, the Kerala State Beverages Corporation has earmarked the same by making necessary provision in the Accounts. The unspent amount for 2014-15 Rs.3.07 crores and Rs.3.18 crores for 2015-16 is being utilized.

Out of the above CSR amount to be utilized, during 2016-17, the Corporation had paid Rs.10 lakhs out of its CSR funds to Snehatheeram Charitable Society for providing basic facilities to the inmates of this centre. Rs.2 lakhs was paid to Neyyattinkara Municipality for printing a Chapter on the harmful effects of Liquor and Drug consumption in the books being distributed to 10<sup>th</sup> Standard Students of Government/aided Schools in Neyyattinkara Municipality. Rs.1 crore is to be utilized for purchase and distribution of about 140 Motorized Scooters with side wheels to physically challenged persons. Rs.50 lakhs is to be paid to Suchitwa Mission. Further Rs.10 lakhs will be paid to the Excise Department for implementing Anti liquor Awareness Campaign in Attappady area of Palakkad district. In addition to the above, action is being taken to spend the balance unutilized amount.

child ward at Government Taluk Head Quarter Hospital, Nilambur and was eligible for including the same as CSR. The reply was not tenable as ₹0.25 crore spent during 2014-15 was part of ₹0.50 crore donation given to Government Taluk Head Quarter Hospital, Nilambur as per Government Order dated 27 July 2013 and not the amount earmarked for CSR during 2014-15.

State Farming Corporation of Kerala Limited replied (June 2016) that their profit before tax during 2014-15 was less than ₹ 5 crore and hence, they were not liable to spend on CSR. The reply was not acceptable as its annual profit before tax exceeded ₹5 crore during the proceeding three years. Transformers and Electricals Kerala Limited replied (February 2017) that BoD decided not to spend for CSR activities since the Company was continuing in huge losses. Other five PSUs accepted the audit finding and assured compliance with CSR laws.

#### **Contribution in kind for CSR activities**

3.3.4.5 3.3.4.5 Section 135(5) of the Act specifies that the BoD of every company shall ensure that the company spends, in every financial year, the required amount in pursuance of its CSR Policy.

Noted for future guidance

MCA reiterated (January 2016) that contribution in kind cannot be monetised to be shown as CSR expenditure.


During 2014-15 and 2015-16, Malabar Cement Limited (MCL) distributed cement in kind valuing ₹0.08 crore while the Pharmaceutical Corporation (Indian Medicines) Kerala Limited (TPCKL) distributed medicines valuing ₹0.19 crore and accounted for them as CSR activities.

TPCKL replied (August 2016) that they would taken into consideration the audit findings when formulating a new CSR policy after the reconstitution of the BoD, MCL replied (August 2016) that cement was distributed after booking the expenses for CSR expenditure.

#### **Conclusion**

Adherence of companies to the provision of CSR was not satisfactory as 13 out of 23 companies did not constitute CSR Committee/Policy. There were instances of non-spending and spending on inadmissible activities, GoK may, therefore, formulate appropriate monitoring mechanism for strict adherence to CSR laws.

KSBC has been given necessary direction to the provisions of CSRA.

  
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Extract of the Minutes of the 206<sup>th</sup> Meeting of the Board of Directors of Kerala State Beverages (M&M) Corporation Ltd. held on Tuesday, the 10<sup>th</sup> day of June 2014

**Item No. 2805: Constitution of Corporate Social Responsibility (CSR) Committee of the Board as envisaged in the Companies Act, 2013**

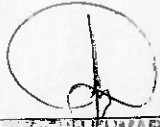
Board noted the requirement under Section 135 of the Companies Act 2013 providing for constitution of an Independent Corporation Social Responsibility (CSR) Committee and that in view of the applicability of the provisions of section 135 to the Company, the Board decided to constitute a CSR committee consisting of the following Directors with duties and functions as provided in the Act and the Rules there under:

1. Shri X Anil IAS, Chairman
2. Shri. A Ajithkumar IAS, member
3. Shri. Rajeshkumar Sinha IAS, member
4. Shri. M. Gireesh Kumar IAS. Member

Forests & Wildlife Department

Statement of Remedial Measures Taken on Paras 3.3 contained  
in the Audit Report No.4 (PSUs) of Comptroller and Auditor  
General of India for the year ended 31<sup>st</sup> March 2016 regarding  
the Corporate Social Responsibility of PSUs.

Para No.	Recommendation	Remedial Measures Taken
3.3	The company (KFDC) was required to spend an amount of ₹0.05 crore for CSR activities for the year 2014-15. But no amount was spent for Corporate Social Responsibility (CSR) activities during 2014-15.	<p>The Audit Observation on CSR during 2014-15 was placed before the 194<sup>th</sup> Meeting of Board of Directors of KFDC held on 24.07.2018. The Board noticed that Kerala Forest Development Corporation limited (KFDC) comes under the purview of CSR during 2014-15 for the Financial Year 2011-12 only. The Company was required to spend an amount of ₹0.05 crore for CSR activities for the year 2014-15. But, the provision was not included in the Budget for the year 2014-15.</p> <p>The Board noticed that due to the current stringent financial crisis KFDC is not in a position to spend ₹5 lakh for CSR activities at present and decided to spend the amount for Programmes ensuring environmental sustainability and ecological balance, as and when the financial position of the KFDC becomes sound.</p>


  
**SURESH KUMAR. R.**  
 Additional Secretary to Govt.  
 Forest and Wildlife Department  
 Govt. of Kerala, Thiruvananthapuram

പൊതുമേഖലാ സ്ഥാപനങ്ങളെ സംബന്ധിച്ച സമിതി  
(2016-19) - കമ്പോളർ ആന്റ് ഓഡിറ്റർ ജനറൽ ഓഫ്  
ഇന്ത്യയുടെ 2016 മാർച്ച് 31 ന് അവസാനിച്ച വർഷത്തെ  
റിപ്പോർട്ടിലെ ഖണ്ഡികകളിന്മേൽ സ്വീകരിച്ച നടപടികൾ

പിന്നാക്ക വിഭാഗ വികസന (എ) വകുപ്പ്

(ഫയൽ നം. 19557/പി.എ.സി. ബി1/2017/തി.സെ.)  
സർക്കാർ ഫയൽ നം.1674775/എ 1/2017/പി.വി.വി.വ.

ഓഡിറ്റ് ഖണ്ഡിക	ശിപാർശ	സ്വീകരിച്ച നടപടി
3.3	പൊതുമേഖലാ സ്ഥാപനങ്ങളുടെ സാമൂഹിക പ്രതിബദ്ധതാ നയം	31.03.2016 വർഷത്തെ പൊതുമേഖലാ സ്ഥാപനങ്ങളെ സംബന്ധിച്ച ആഡിറ്റ് റിപ്പോർട്ട് ഖണ്ഡിക 3.3 പ്രകാരം കേരള സംസ്ഥാന പിന്നാക്ക വിഭാഗ വികസന കോർപ്പറേഷന്റെ സാമൂഹിക പ്രതിബദ്ധതാ നയം (Corporate Social Responsibility Policy as per Section 135 of Companies Act 2013) പരിഷ്കരിച്ച് നടപ്പിലാക്കി.

  
 സുരേഷ്കുമാർ, പി.എൻ.  
 ജോയിന്റ് സെക്രട്ടറി  
 പിന്നാക്ക വിഭാഗ വികസന വകുപ്പ്  
 ഗവ. സെക്രട്ടേറിയറ്റ്, തിരുവനന്തപുരം

2016 മാർച്ച് 31 ന് അവസാനിച്ച പൊതുമേഖലാ സ്ഥാപനങ്ങളെ സംബന്ധിച്ച ഓഡിറ്റ് റിപ്പോർട്ടിലെ കേരള നഗര ഗ്രാമ വികസന ധനകാര്യ കോർപ്പറേഷനെ സംബന്ധിച്ച ഓഡിറ്റ് ഖണ്ഡിക 3.3 ൽ സ്ഥിരീകരിച്ച നടപടി റിപ്പോർട്ട്

ഓഡിറ്റ് പാഠ	നടപടി റിപ്പോർട്ട്
<p>Adherence of companies to the provisions of CSR was not satisfactory as 13 out of 23 companies did not constitute CSR Committee / Policy. There were instances of non-spending and spending on inadmissible activities. GoK may, therefore, formulate appropriate monitoring mechanism for strict adherence to CSR laws.</p>	<p>കൺട്രോളർ ആന്റ് ഓഡിറ്റ് ജനറൽ ഓഫ് ഇന്ത്യയുടെ 2016 മാർച്ച് 31 ന് അവസാനിച്ച ഓഡിറ്റ് റിപ്പോർട്ടിലെ ഓഡിറ്റ് ഖണ്ഡിക 3 ൽ പറഞ്ഞിരിക്കുന്ന പ്രകാരം കെ.യു.ആർ.ഡി.എഫ്.സി. യുടെ 2014-15 വർഷത്തെ വാർഷിക അറ്റാദായം (നികുതിക്ക് മുൻപ്) 3,21,38,088/- രൂപ ആയതിനാൽ സി.എസ്.ആർ. ന്റെ പ്രവർത്തനപരിധിയിൽ വരുന്നില്ല എന്നാൽ കമ്പനിയുടെ 2015-16 വർഷത്തെ വാർഷിക അറ്റാദായം 11,30,60,037/- രൂപ (നികുതിക്ക് മുൻപ്) ആയതിനാൽ സി.എസ്.ആർ. ആക്ടിവിറ്റിക്കു വേണ്ടി കമ്പനി സി.എസ്.ആർ. കമ്മിറ്റി രൂപവത്കരിക്കുകയും 13,41,506/- രൂപ മാറ്റിവയ്ക്കുകയും ചെയ്തിട്ടുണ്ട്. കമ്പനിയുടെ 26.09.2018 ലെ കമ്പനിയുടെ വാർഷിക പൊതുയോഗത്തിൽ 50,00,000/- രൂപ മുഖ്യമന്ത്രിയുടെ ദുരിതാശ്വാസ നിധിയിലേക്ക് നൽകാൻ തീരുമാനിക്കുകയും ആയത് മുഖ്യമന്ത്രിയുടെ ദുരിതാശ്വാസനിധിയിലേക്ക് നൽകുകയും ചെയ്തു. ആയതിനാൽ ടി. ഓഡിറ്റ് ഖണ്ഡിക ഒഴിവാക്കി തരണമെന്നും അഭ്യർത്ഥിക്കുന്നു.</p>


*L. SINDHU*  
 Special Secretary to Govt.  
 Local Self Government Dept.  
 Govt. Secretariat  
 Thiruvananthapuram  
 Phone : 0471-2518346, 2327292

**GOVERNMENT OF KERALA**  
**INDUSTRIES (D) DEPARTMENT**

**ACTION TAKEN REPORT ON PARA 3.3 OF THE**  
**C&AG REPORT FOR THE FINANCIAL YEAR**  
**ENDED ON 31/03/2016 RELATED TO KERALA**  
**STATE ELECTRONICS DEVELOPMENT**  
**CORPORATION LIMITED.**

PARA	OBSERVATION OF C&AG	ACTION TAKEN												
3.3.4	<p>Ten out of, the 23 PSUs covered in audit had constituted CSR committee as well as formulated a CSR policy and spent 10.74 crore (Appendix 15) on CSR activities during 2014-15 and 2015-16.</p> <p style="text-align: center;"><u>Appendix 15</u> Statement showing amount spent for CSR activities during 2014-15 and 2015-16</p> <table border="1"> <thead> <tr> <th>Sl. No.</th><th>Name of company</th><th>Amount spent during 2014-15 and 2015-16 (₹ in crore)</th></tr> </thead> <tbody> <tr> <td>1.</td><td>Kerala State Electronics Development Corporation Limited</td><td>0.11</td></tr> <tr> <td>2.</td><td>Kerala Transport Development Finance Corporation Limited</td><td>1.00</td></tr> <tr> <td>3.</td><td>The Kerala Minerals and Metals</td><td>1.09</td></tr> </tbody> </table>	Sl. No.	Name of company	Amount spent during 2014-15 and 2015-16 (₹ in crore)	1.	Kerala State Electronics Development Corporation Limited	0.11	2.	Kerala Transport Development Finance Corporation Limited	1.00	3.	The Kerala Minerals and Metals	1.09	<p>Keltron has been complying with all the provisions relating to Corporate Social Responsibility (CSR) i.e., with respect to CSR Policy, CSR Budget and CSR Spending.</p> <p>The CSR Policy as recommended by the CSR Board Sub - Committee and approved by the KSEDC board is adopted by the company. A copy of the CSR policy is published in the website of the company in compliance with the law.</p> <p>For each year, wherever applicable and practicable the CSR Budget is allocated and CSR is spent with the approval of the Board.</p>
Sl. No.	Name of company	Amount spent during 2014-15 and 2015-16 (₹ in crore)												
1.	Kerala State Electronics Development Corporation Limited	0.11												
2.	Kerala Transport Development Finance Corporation Limited	1.00												
3.	The Kerala Minerals and Metals	1.09												

	Limited		KSEDC complies with the relevant provisions of Sec.135 and Schedule VII of Companies Act, 2013, read with the Companies ( CSR Policy ) Rules, 2014. The CSR compliance is regularly reported to the Board. The details of CSR initiatives undertaken by KSEDC till date are added as Annexure 1.
4.	The Kerala State Financial Enterprises Limited	3.50	
5.	Kerala State Backward Classes Development Corporation Limited	1.90	
6.	The Pharmaceutical Corporation (IM) Kerala Limited	0.38	
7.	Malabar Cements Limited	1.33	
8.	The Plantation Corporation of Kerala Limited	0.24	
9.	The Kerala State Industrial Development Corporation Limited	0.86	
10.	Rehabilitation Plantations Limited	0.33	
Total		10.74	

  
 K. ASOKAN  
 Additional Secretary  
 Industries Department  
 Govt. Secretariat  
 Thiruvananthapuram

ANNEXURE 1

KSEDC LTD - CSR INITIATIVES (till Sept, 2021) (Ref. Sec 135 of Companies Act, 2013 r.w. Companies (CSR Policy) Rules, 2014 r.w. Sch VII)		
Year	Activities	Amount Spend
2014-15	Setting-up of Bus shelter at Velleyambalam	9,06,318
2015-16	1. Rs.10,000/- for Annual Maintenance of the Bus Shelter at Velleyambalam; 2. Rs.1,00,000/- for Kerala Federation of the Blind; 3. Rs.60,000/- for Regional Cancer Centre (RCC).	1,70,000
2016-17	Rs.10,000/- for Annual Maintenance of the Bus Shelter at Velleyambalam.	10,000
2017-18	Rs.2,00,000 for "Renovation of Physical Medicine & Rehabilitation (PMR)" department of Institute for Communicative & Cognitive Neurosciences (ICCONS), Trivandrum.	2,00,000
2018-19	Sec 135 of the Companies Act 2013 is not applicable to the company for the FY 2018-19. Thus, no CSR projects were undertaken by the company for the year 2018-19.	NIL
2019-20	Annual maintenance of Keltron Bus Shelter expenditure of Rs.10,000/ and Rs.88000 for providing laptops to help students for their digital learning.	98,000
2020-21	Rs.7280/- for Annual Maintenance of the Bus Shelter at Velleyambalam & Rs.17,00,000 to health sector by providing pulse oximeters as a covid relief initiative	17,07,280
2021-22	Rs.10,000/- for Ambedkar District Level Charitable Society (ADLCS) medical help for patients	10,000

**Statement of Action taken on the recommendation contained in the report of the Comptroller and Auditor General of India on  
Public Sector Undertaking for the year ended 31<sup>st</sup> March, 2016.**

Sl.No.	Para No.	Recommendation	Action Taken
1	3.3.4.5	<p><u>Contribution in kind for CSR activities</u></p> <p>3.3.4.5 Section 135 (5) of the Act specifies that the BoD of every company shall ensure that the company spends, in every financial year, the required amount in pursuance of its CSR Policy. MCA reiterated (January 2016) that contribution in kind cannot be monetised to be shown as CSR expenditure.</p> <p>During 2014-15 and 2015-16, Malabar Cements Limited (MCL) distributed cement in kind valuing Rs 0.08 crore while the Pharmaceutical Corporation (Indian Medicines) Kerala Limited (TPCKL) distributed medicines valuing 0.19 crore and accounted for them as CSR activities.</p> <p>TPCKL replied (August 2016) that they would take into consideration the audit findings when formulating a new CSR policy after the reconstitution of the BoD. MCL replied (August 2016) that cement was distributed after booking the expenses for CSR expenditure.</p>	<p><u>Pharmaceutical Corporation (Indian Medicines) Limited (Oushadhi)</u></p> <p>The Pharmaceutical Corporation have conducted free medical camps in various districts in Kerala as a part of CSR policy during the period under audit. In order to discharge the responsibility towards society, they have provided the service of expert doctors as well as free medicines to the needy people through the medical camps organized by them. It is clear that distribution of medicines is an unavoidable part in conducting these activities. Moreover they are incurring significant cost like cost of raw materials, labour costs and other costs incidental to the manufacturing process for the production of medicines which were distributed free of cost to the medical camp. Thus providing medicines, through these camps involves cash outflow indirectly.</p> <p>During the year 2014-15 &amp; 2015-16, company has taken its own medicines worth 0.19 lakhs for conducting free medical camps. From 2016-17 onwards, company has sanctioned fund under CSR for conducting Medical Camp in rural and tribal areas in cash only. Medicines are not given for conducting Medical Camps.</p> <p>Company has taken steps to comply with the provisions of Companies Act with respect to CSR activities and hence, the objection raised may be dropped.</p>

The statement of action taken furnished for the above para may kindly be accepted and the objections may kindly be dropped.

  
**BHOOSHAN V**  
 Additional Secretary  
 AYUSH Department  
 Government Secretariat  
 Thiruvananthapuram  
 Tel. 0471 2518430

**GOVERNMENT OF KERALA  
AGRICULTURE (PU) DEPARTMENT**

**STATEMENT OF ACTION TAKEN ON THE RECOMMENDATIONS CONTAINED IN THE REPORT OF THE  
COMPTROLLER & AUDITOR GENERAL OF INDIA ON PUBLIC SECTOR UNDERTAKINGS  
FOR THE YEAR ENDED ON 31<sup>st</sup> MARCH 2016 BASED ON THE REPORT OF  
MANAGING DIRECTOR, STATE FARMING CORPORATION OF KERALA LIMITED**

Sl. No.	Audit Para	Conclusions/ Recommendations	Action taken on the Audit Para in the Report of Comptroller & Audit General of India			
(i)	(ii)	(iii)	(iv)			
1	3.3.2	<p><b><u>Non constitution of CSR Committee and Non spending on CSR</u></b></p> <p>We noticed that out of the 23 PSUs, 13 PSUs (Appendix 13) did not constitute the CSR Committee or formulate the CSR Policy (as of June 2016). Among these 13 PSUs, three PSUs had negative average net profit during the three proceeding financial years and hence, were not required to spend on CSR while balance 10 PSUs were required to spend on CSR.</p> <p><b><u>Appendix – 13</u></b></p> <table><tr><td>Sl. No.6</td><td><p><b>Name of Company -</b> State Farming Corporation of Kerala Ltd,</p><p><b>Basis for applicability of CSR law -</b> Net Profit</p><p><b>Type of non-compliance -</b> Non formulation of CSR Policy</p><p><b>Reply of Company –</b> The Company stated (June 2016) that since the BoD decided not to</p></td><td><p><b>Further Remarks –</b> The reply is not tenable since this is in violation of Section 135(1) of the Act as the Company comes under the purview of CSR Laws.</p></td></tr></table>	Sl. No.6	<p><b>Name of Company -</b> State Farming Corporation of Kerala Ltd,</p> <p><b>Basis for applicability of CSR law -</b> Net Profit</p> <p><b>Type of non-compliance -</b> Non formulation of CSR Policy</p> <p><b>Reply of Company –</b> The Company stated (June 2016) that since the BoD decided not to</p>	<p><b>Further Remarks –</b> The reply is not tenable since this is in violation of Section 135(1) of the Act as the Company comes under the purview of CSR Laws.</p>	<p><b><u>State Farming Corporation of Kerala Ltd.</u></b></p> <p>Section 135 of Companies Act 2013 was made applicable from 01/04/2014, any financial year is construed as a financial year starting from 01/04/2014, ie., 2014-15. The Company proceeded with CSR obligations anticipating a profit of more than Rs.5 crores in the financial year 2014-15. The anticipated profit for the year 2014-15 was Rs.6.118 Crore. But it was reduced to Rs.3.10 Crore. after providing for additional depreciation as per Schedule II of Companies Act 2013 and providing for arrears due to Forest Department. During Audit, the Statutory Auditor vide point No,5 of Auditor's Observation dated 10/08/2015 observed that the company has provided Rs.35 lakh towards CSR expenditure for the financial year 2014-15. Since, the Company had profit below Rs.5 Crore</p>
Sl. No.6	<p><b>Name of Company -</b> State Farming Corporation of Kerala Ltd,</p> <p><b>Basis for applicability of CSR law -</b> Net Profit</p> <p><b>Type of non-compliance -</b> Non formulation of CSR Policy</p> <p><b>Reply of Company –</b> The Company stated (June 2016) that since the BoD decided not to</p>	<p><b>Further Remarks –</b> The reply is not tenable since this is in violation of Section 135(1) of the Act as the Company comes under the purview of CSR Laws.</p>				

spend on CSR activities for the year 2014-15, the CSR policy of the Corporation was not framed.

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#### Appendix - 14

State Farming Corporation of Kerala Limited replied (June 2016) that their profit before tax during 2014-15 was less than Rs.5 crore and hence, they were not liable to spend on CSR. The reply was not acceptable as its annual profit before tax exceeded Rs.5 crore during the preceding three years.

there was no need to provide for CSR expenditure. The Board in its 289<sup>th</sup> meeting held on 13/08/2015, after considering the financial position of the company and the observations of the statutory auditor decided not to provide for CSR expenditure for the year 2014-15 and authorized the CSR committee to look into the possibility of undertaking CSR activities in the succeeding years.

The CSR committee meeting dated 26/08/2015, observed that considering the downward trend in the market price of 60% cenex, reduction in field latex production owing to ongoing re-planting of rubber trees and the fluctuating timber market, it would not be possible to predict that the company may earn a profit of Rupees five crore or more in future years and recommended to cancel all proposed actions in connection with CSR activities envisaged for the year 2014-15. The Board in their 290<sup>th</sup> meeting held on 23/09/2015, approved the above recommendation of the CSR committee. Thus all activities initiated for CSR activities were terminated.

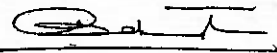
The matter was reported correctly in the Annual report 2014-15 because the company was not obliged by the provisions of Section 135(1) read with Companies (Corporate Social Responsibility) Rules 2014 to either constitute a CSR committee and to spend for CSR in the

			financial year 2014-15, though the company has earnestly taken proactive steps towards fulfillment of social cause. The profit before Tax for the year 2015-16 was below Rs.5 Crore (ie. Rs.82,92,739/-) there was no CSR liability for the year 2015-16.
2	3.3.3	<p><u>Non/incorrect reporting on CSR activities</u></p> <p>State Farming Corporation of Kerala Limited replied (June 2016) that the matter was reported correctly in the Annual Report 2014-15. The reply was not tenable as profit for the period 2011-12 and 2013-14 exceeded Rs.5 crore and thus, the Company came under the purview of CSR law.</p>	<p>State Farming Corporation of Kerala Ltd.</p> <p>After scrutiny of the statement of accounts, directors report, auditor's report etc. of the company for the financial year 2014-15, the Accountant General (Audit) Kerala has given its observation with NIL comments to the company.</p> <p>In respect of Section 135(1), the Companies Law Committee in its report dated 02/2016, has recommended that the words "any financial year" be replaced by the words "preceding financial year".</p> <p>The High Level CSR Committee, in its recommendation at para number 4.17 of the report have suggested clarity to be brought in with regard to 'any financial year' as used in section 135(1) for determining whether the threshold of specified net worth or turnover or net profit is met to constitute the CSR Committee. The Committee recommended that the words "any financial year" be replaced by the words "preceding financial year".</p>

			<p>While making the amendments in line with the above proposal it will have only prospective effect. Hence, the expression "any financial year" as stipulated in section 135(1) will be effective on or after 01.04.2014 only.</p> <p>Since, section 135 was made applicable from 01.04.2014, any financial year was construed as a financial year starting from 01.04.2014 ie, 2014-15. The company proceeded with CSR obligations anticipating a profit of more than Rs.5 crore in the financial year 2014-15. The anticipated profit for the year 2014-15 was Rs.6.118 crore. But it was reduced to Rs.3.10 crore after providing for additional depreciation as per Schedule II of Companies Act 2013 and providing for arrears due to Forest Department. During the Statutory Audit vide Point No.5 of Observation dated 10.08.2015 it is observed that the company has provided Rs.35 lakh towards CSR expenditure for the financial year 2014-15. Since the Company had profit below Rs.5 Crore there was no need to provide for CSR expenditure. The Board in its 289<sup>th</sup> meeting held on 13.08.2015, after considering the financial position of the company and the observations of the statutory auditor decided not to provide for CSR expenditure for the year 2014-15 and authorized the CSR Committee to look into the possibility of undertaking CSR activities in the succeeding years.</p>
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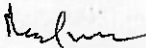
The CSR Committee meeting dated 26.08.2015, observed that considering the downward trend in the market price of 60% cenex, reduction in field latex production owing to ongoing re-planting of rubber trees and the fluctuating timber market, it would not be possible to predict that the company may earn a profit of rupees five crore or more in future years and recommended to cancel all proposed actions in connection with CSR activities envisaged for the year 2014-15. The Board in their 290<sup>th</sup> meeting held on 23.09.2015, approved the above recommendation of the CSR Committee. Thus all activities initiated for CSR activities were terminated.

The matter was reported correctly in the Annual report 2014-15 because the company was not obliged by the provisions of Section 135 (1) read with Companies (Corporate Social Responsibility) Rules 2014 to either constitute a CSR Committee and to spend for CSR in the financial year 2014-15, though the company has earnestly taken proactive steps towards fulfilment of social cause.



**STATEMENT OF ACTION TAKEN ON C & AG REPORT ON PSUs  
FOR THE YEAR ENDED ON 31.03.2016**

Year of Audit Report	Para Nos	Recommendation	Action Taken Report
2015-16	3.3	<p align="center"><b>Corporate Social Responsibility of PSUs</b></p> <p>Adherence of companies to the provisions of CSR was not satisfactory as 13 out of 23 companies did not constitute CSR Committee/Policy. There were instances of non-spending and spending on inadmissible activities. GoK may, therefore, formulate appropriate monitoring mechanism for strict adherence to CSR laws.</p>	<p>KSIE is not a profit making Company. It has already formed a Corporate Social Responsibility Committee of the Board. CSR activities will be undertaken as per the rules.</p>

  
**K RADHAKRISHNAN**  
 Joint Secretary to Govt,  
 Industries Department

**Action Taken Report with regard to Kerala State Power and Infrastructure Finance Corporation Limited on Audit Para 3.3 of CAG Report on Public Undertakings for the financial year ended 31 March 2016**

	Para no.	Audit Findings	Remarks
	3.3	<b>Corporate Social Responsibility of PSUs.</b>	
1	3.3.1	<p><b>Introduction</b></p> <p>Corporate Social Responsibility (CSR) refers to operating business in a manner that accounts for the social and environmental impact created by the business. Through CSR, companies give something back to society. CSR means and includes projects or programmes on eradication of hunger, poverty and malnutrition, promoting gender equality, promoting education, empowerment of women, ensuring environmental sustainability, protection of national heritage, etc. CSR is governed by provisions of the Companies Act, 2013 (Act) and Companies (Corporate Social Responsibility Policy) Rules, 2014 (CSR Rules).</p> <p>According to Section 135 of the Act, companies with annual turnover of Rs.1,000 crore or more or net worth of Rs.500 crore or more or profit (before tax) of Rs.5 crore or more in any of the three preceding financial years have to spend at least two per cent of average profit of such preceding financial years on CSR activities from 2014-15 onwards, giving preference to areas around their operation.</p> <p>As of June 2016, 23 Public Sector Undertakings (PSUs) in Kerala came under the purview of CSR during 2014-15 to 2015-16. We assessed compliance of these PSUs with the provisions of the Act/ CSR Rules/ orders and notifications issued by Ministry of Corporate Affairs (MCA), Government of India (GoI) on CSR. Audit findings are discussed in the succeeding paragraphs.</p>	
2	3.3.2	<p><b>Non-constitution of CSR Committee and non-spending on CSR</b></p> <p>As per Section 135(l) of the Act, each of the 23 PSUs was to constitute a CSR Committee consisting of three or more directors, out of which at least one director shall be an independent director. The CSR Committee was to formulate and recommend a CSR Policy and the amount of</p>	<p>At the instance of Audit (24/05/2016), the Company constituted (30/05/2016) CSR Committee and CSR Policy.</p>

	<p>CSR expenditure to Board of Directors (BoD) and monitor the CSR Policy of the Company.</p> <p>We noticed that out of the 23 PSUs, 13 PSUs (Appendix 13) did not constitute the CSR Committee or formulate the CSR Policy (as of June 2016). Among these 13 PSUs, three PSUs had negative average net profit during the three preceding financial years and hence, were not required to spend on CSR while balance 10 PSUs were required to spend on CSR.</p>	
3	<p>Oil Palm India Limited and Kerala Agro Machinery Corporation Limited though coming under the purview of CSR law, spent Rs. 0.33 crore (against the minimum requirement of Rs.0.50 crore) for CSR activities without constituting a CSR Committee or formulating a CSR Policy. As the amount was spent without constituting CSR Committee or formulating a CSR Policy, the CSR spending of these two PSUs was irregular.</p>	No remarks
4	<p>Similarly, eight PSUs were required to spend at least Rs.7.93 crore on CSR during 2014-15 and 2015-16 as detailed in Appendix 14. But, they did not spend any amount on CSR during the above period.</p> <p>GoK replied (October 2016) that Kerala State Power and Infrastructure Finance Corporation Limited (KSPIFC) had spent Rs.0.25 crore in 2014-15 on a project for development of woman and child ward at Government Taluk Head Quarter Hospital, Nilambur and was eligible for including the same as CSR. The reply was not tenable as Rs.0.25 crore spent during 2014-15 was part of Rs.0.50 crore donation given to Government Taluk Head Quarter Hospital, Nilambur as per Government Order dated 27 July 2013 and not the amount earmarked for CSR during 2014-15.</p>	<p>The Company complied with the CSR Policy by spending Rs.35 lakh (including Rs.12 lakh for 2014-15 and Rs.13 lakh for 2015-16) for internal wiring in the dwellings of socially backward communities over and above Rs.25 lakh donated to Government Taluk Head Quarter Hospital, Nilambur.</p>
5	<p>State Farming Corporation of Kerala Limited replied (June 2016) that their profit before tax during 2014-15 was less than Rs. 5 crore and hence, they were not liable to spend on CSR. The reply was not acceptable as its annual profit before tax exceeded Rs.5 crore during the preceding three years. Transformers and Electricals Kerala Limited - replied (February 2017) that BoD decided not to spend for CSR activities since the Company was continuing in huge losses. Other five PSUs accepted the audit finding and assured compliance with CSR laws.</p>	

6	3.3.3	<p><b>Non/incorrect reporting on CSR activities</b></p> <p>According to Section 135 (5) of the Act, in case of failure of a company to spend minimum 2 per cent of average profit on CSR, the BoD shall in its report include the reasons for non-spending.</p> <p>Out of the ten PSUs which did not spend the required minimum amount on CSR, three PSUs did not report the reason for non-spending and three PSUs wrongly reported that CSR Rules were not applicable to them. The remaining four PSUs were yet to publish their Annual Report as of June 2016.</p> <p>KSPIFC replied (June 2016) that non- spending was not reported in the Director's Report due to oversight and necessary disclosures would be made in the next year's report. Two PSUs accepted the audit finding while Kerala Forest Development Corporation Limited replied (July 2016) that they were not aware of the circular dated 18 June 2014 of MCA and assured that the audit finding will be brought to the notice of BoD.</p> <p>State Farming Corporation of Kerala Limited replied (June 2016) that the matter was reported correctly in the Annual Report 2014-15. The reply was not tenable as profit for the period 2011-12 and 2013-14 exceeded Rs.5 crore and thus, the Company came under the purview of CSR law.</p>	<p>The Company complied with the assurance by incorporating the disclosure in the Director's Report for the year 2015-16.</p>
7	3.3.4	<p><b>Deficiencies in spending on CSR</b></p> <p>Ten out of the 23 PSUs covered in audit had constituted CSR committee as well as formulated a CSR policy and spent Rs. 10.74 crore (Appendix 15) on CSR activities during 2014 - 15 and 2015 - 16. The following deficiencies are noticed in the CSR Expenditure incurred by these 10 PSUs.</p>	<p>No remarks.</p>
8	3.3.4.1	<p><b>Non Spending on CSR</b></p> <p>Two PSUs did not spend any amount on CSR during 2015-16 though they had to spend Rs.0.67 Crore as per the Act.</p> <p>Rehabilitation Plantation Limited replied (July 2016) that they would spend the amount earmarked for CSR during 2016 - 17.</p>	<p>No remarks.</p>

9	3.3.4.2	<p><b>Non -display of CSR policy in website</b></p> <p>Section 135(4) (a) of the Act and Rule 9 of CSR Rules specify that the approved CSR policy shall be displayed on the company's website. Four PSUs did not display the CSR Policy on their website.</p> <p>At our instance, three PSUs agreed to display their CSR policy on their website, while Malabar Cements Limited replied (August 2016) that they had displayed the scheme of assistance on their website.</p> <p>The reply is not tenable as this amounts to violation of Section 135(4) (a) of the Act and Rule 9 of CSR Rules.</p>	CSR policy displayed in the web site.
10	3.3.4.3	<p><b>Inclusion of activities in the CSR Policy undertaken in pursuance of normal course of business</b></p> <p>According to CSR Rules, a company shall undertake CSR activities as per its stated CSR policy. Activities undertaken in pursuance of normal course of business of a company shall not be treated as part of CSR.</p> <p>We observed that the CSR policy (Item number - 1) of Kerala State Backward Classes Development Corporation Limited (KSBCDC) (engaged in the upliftment of backward classes and minority communities by rendering financial assistance) states that where loanes are unable to repay loan due to fatal disease, accident, death, etc., after ascertaining the position of the family the principal, interest and compound interest would be partially or completely waived by including them under the Loanes Distress Relief Fund (LDRF) scheme. The LDRF is a fund set up to meet any future contingencies that may arise out of death or accidental disablement of the loanes. This is directly related to the business activity of KSBCDC and hence, Item number-1 does not come under the purview of CSR.</p> <p>GoK replied (January 2017) that if the LDRF scheme of the Company could not be counted under the ambit of CSR activity, necessary corrective action would be taken in future.</p>	No remarks.
11	3.3.4.4	<p><b>CSR spending on inadmissible activities</b></p> <p>Ministry of Corporate Affairs (MCA), GoI stipulated that expenses incurred by companies for the fulfilment of any</p>	No remarks.

		<p>Act/Statute or Regulations would not count as CSR expenditure under the Act. The Kerala Minerals and Metals Limited had spent an amount of Rs. 1.09 crore as part of CSR activity during 2014-15 and 2015-16, out of which Rs. 0.45 crore was spent as part of a legal obligation and financial assistance to Panmana Panchayath for budget presentation, etc., which do not fall within the purview of the Act. Hence, the same could not be counted as CSR expenditure.</p> <p>The company replied (July 2016) that amount shown as CSR for the year 2014 - 15 and 2015 - 16 would be reviewed.</p>	
12	3.3.4.5	<p><b>Contribution in kind for CSR activities</b></p> <p>Section 135(5) of the Act specifies that the BoD of every company shall ensure that the company spends, in every financial year, the required amount in pursuance of its CSR policy. MCA reiterated (January 2016) that contribution in kind cannot be monetised to be shown as CSR expenditure.</p> <p>During 2014 - 15 and 2015 -16 Malabar Cements Limited (MCL) distributed cement in kind valuing Rs. 0.08 crore while the Pharmaceutical Corporation (Indian Medicines) Kerala Limited (TPCKL) distributed medicines valuing Rs. 0.19 crore and accounted for them as CSR activities.</p> <p>TPCKL replied (August 2016) that they would take into consideration the audit findings when formulating a new CSR policy after the reconstitution of the BoD. MCL replied (August 2016) that cement was distributed after booking the expenses for CSR expenditure.</p>	No remarks.
13	3.3.4.6	<p><b>Contribution to State Government Fund</b></p> <p>According to notification issued (27 February 2014) by MCA, contribution under CSR is permissible only to Prime Minister's National Relief Fund or any other fund set up by Central Government. We however, noticed that Kerala State Financial Enterprises Limited contributed (September 2015) an amount of Rs 0.50 crore to Karunya Benevolent fund, a fund constituted by GoK.</p> <p>GoK replied (December 2016) that the amount was contributed by the PSU on receiving letter from administrator of Karunya Benevolent fund with specific reference to make contribution under CSR. The reply was</p>	No remarks, Noted for future reference.

		not tenable as contribution to funds set up by the State Governments was not permitted by MCA.	
14	3.3.4.7	<b>Absence of monitoring</b>  Rule 5(2) specifies that CSR Committee shall institute a transparent monitoring mechanism for any implementation of the CSR projects or programmes or activities undertaken by the company. We noticed instances of absence of monitoring of CSR as shown in Appendix 15.	Audit finding is noted.

P. Pradyumn  
 PRIESTLY C. S.  
 DEPT. 101091  
 Joint Secretary  
 Power Department  
 Govt. of Karnataka  
 Bangalore

**Appendix 13**  
**Statement showing non-constitution of CSR Committee and non-formulation of CSR Policy**  
**(Referred to in Paragraph 3.3.2)**

Sl. No.	Name of the Company	Parameter	Type of non-compliance	Reply of company	Further remarks
1	Kerala Foods Limited	Net profit	Non-constitution of CSR committee and non-formulation of CSR policy	The Company accepted the audit observation and constituted (August 2016) CSR committee and formulated CSR policy.	
2	Kerala State Industrial Enterprises Limited	Net profit	Non-constitution of CSR committee and non-formulation of CSR policy	The Company accepted (June 2016) the audit observation and stated that steps would be taken to comply with the requirement of CSR under Section 135 of the Act.	The Company stated (February 2017) that they could not constitute CSR Committee as full BoD is yet to be constituted by GoK. They further clarified that agenda for constitution of CSR Committee would be placed in the next BoD meeting.
3	Kerala Urban and Rural Development Finance Corporation Limited	Net profit	Non-constitution of CSR committee and non-formulation of CSR policy	The Company accepted (June 2016) the audit observation.	The Company stated (February 2017) that BoD decided (05/09/2016) to constitute a CSR Committee as part of the Act. They further clarified that after framing the policy and approval by BoD, the amount earmarked would be spent by the Company.
4	Kerala State Civil Supplies Corporation Limited	Turnover	Non-formulation of CSR policy	The Company stated (July 2016) that they were in the process of taking approval for draft CSR policy from the CSR Committee and further from BoD.	The Company stated (February 2017) that the BoD had approved (January 2017) CSR policy.
5	Kerala State Power and Infrastructure Finance Corporation Limited	Net profit	Non-constitution of CSR committee and non-formulation of CSR policy	At the instance of Audit (24/05/2016), the Company constituted (30/05/2016) CSR committee and CSR policy.	

Sl. No.	Name of company	Base for audit of CSR	State of CSR policy	Reply of company	Further remarks
6	State Farming Corporation of Kerala Limited	Net profit	Non-formulation of CSR policy	The Company stated (June 2016) that since the BoD decided not to spend on CSR activities for the year 2014-15, the CSR policy of the Corporation was not framed.	The reply is not tenable since this is in violation of Section 135(1) of the Act as the Company comes under the purview of CSR laws.
7	Chilpalm Bore Bore Limited	Net profit	Non-constitution of CSR committee and non-formulation of CSR policy	The Company stated May 2016) that profit before tax for the year 2014-15 was only ₹1.36 crore and therefore, it would not come under the purview of Section 135 of the Act.	The reply is not tenable as the profit before tax of the Company for the period 2011-12 and 2012-13 was ₹14.56 crore and ₹10.60 crore respectively. Since the profit before tax in at least one out of the three preceding financial years was above ₹5 crore, the Company came under the purview of CSR laws.
8	Kerala Forest Development Corporation Limited	Net profit	Non-constitution of CSR committee and non-formulation of CSR policy	The Company replied (July 2016) that they were not aware of the circular dated 12/6/2013 and hence, was of view that any financial year comes prospective financial year applicable with regard to the enactment of provisions of the Act. They further clarified that audit observation would be brought to the notice of the BoD.	The Company replied (February 2017) that since BoD was not reconstituted, the Company could not bring the audit observation to the notice of the BoD yet (February 2017).
9	Kerala State Construction Corporation Limited	Net profit	Non-constitution of CSR committee and non-formulation of CSR policy	The Company accepted (August 2016) the audit observation and replied that there will be taken to constitute CSR committee.	The Company stated (February 2017) that the position remained the same as replied in August 2016.
10	Kerala Agro Machinery Corporation Limited	Net profit	Non-constitution of CSR committee and non-formulation of CSR policy	The Company accepted (August 2016) audit observation and stated that action was being taken to form the CSR Committee, formulate CSR policy immediately on reconstitution of the BoD.	The Company replied (February 2017) that decision regarding constitution of BoD was pending with Govt and hence, CSR Committee could not be constituted.

Sl. No.	Name of Company	Basic for applicability of CSR law.	Type of non compliance	Reply of company	Further remarks
11	Kerala State Electricity Board Limited	Turnover	Non-formulation of CSR policy	The Company formulated (September 2016) CSR policy.	
12	Kerala State Beverages (M&M) Corporation Limited	Turnover/Net profit	Non-formulation of CSR policy.	The Company replied (May 2016) that all the funds earmarked for CSR activities were utilised after obtaining Government sanction.	The reply is not tenable as CSR Laws require the Company to formulate CSR policy. CSR policy was, however, approved by the BoD in July 2016 after being pointed out by Audit.
13	Transformers and Electricals Kerala Limited	Net profit	Non-constitution of CSR committee and non-formulation of CSR policy	The Company accepted (July 2016) the audit observation and stated that the BoD decided to constitute CSR committee and formulate CSR policy.	The Company further replied (February 2017) that CSR Committee was constituted (July 2016). Draft CSR policy was approved (October 2016) by CSR Committee and was pending adoption by the BoD.

**Appendix 14**  
**Statement showing non-spending on CSR activities**

*(Referred to in paragraph 3.3.2)*

Sl. No.	Name of company	Average profit (₹ in crore)		Amount spent (₹ in crore)	
		2014-15	2015-16	2014-15	2015-16
1	Kerala State Beverages (M&M) Corporation Limited	153.72	158.86	3.07	3.18
2	Kerala State Industrial Enterprises Limited	4.66	4.04	0.09	0.08
3	Kerala State Power Infrastructure and Finance Corporation Limited	6.20	6.45	0.12	0.13
4	The State Farming Corporation of Kerala Limited	10.42	3.46	0.21	0.07
5	Kerala Urban and Rural Development Finance Corporation Limited	4.06	4.25	0.08	0.09
6	Kerala Forest Development Corporation Limited	2.46	0.00	0.05	0.00
7	Kerala State Construction Corporation Limited	14.21	16.36	0.28	0.33
8	Transformers and Electricals Kerala Limited	7.25	0.00	0.15	0.00
	<b>Total</b>			<b>4.05</b>	<b>3.88</b>

*Audit Report No.4 (PSUs) for the year ended 31 March 2016*

**Appendix 15**

**Statement showing amount spent for CSR activities during 2014-15 and 2015-16**

*(Referred to in paragraph 3.3.4)*

Sl. No.	Name of company	Amount spent during 2014-15 and 2015-16 (₹ in crore)
1	Kerala State Electronics Development Corporation Limited	0.11
2	Kerala Transport Development Finance Corporation Limited	1.00
3	The Kerala Minerals and Metals Limited	1.09
4	The Kerala State Financial Enterprises Limited	3.50
5	Kerala State Backward Classes Development Corporation Limited	1.90
6	The Pharmaceutical Corporation (IM) Kerala Limited	0.38
7	Malabar Cements Limited	1.33
8	The Plantation Corporation of Kerala Limited	0.24
9	The Kerala State Industrial Development Corporation Limited	0.86
10	Rehabilitation Plantations Limited	0.33
	<b>Total</b>	<b>10.74</b>

## Appendix 16

**Statement showing absence of monitoring of CSR activities**  
**(Referred to in paragraph 3.3.4.7)**

Sl. No.	Name of PSU	Audit Finding
1	Kerala State Financial Enterprises Limited	<p>a) An amount of ₹0.09 crore was given (November 2015) to Swami Vivekananda Medical Mission Hospital, Attapady for purchase of equipment for Intensive Care Unit which were lying idle since November 2015. CoK replied (December 2016) that at the instance of Audit, the Company was continuously following up the matter with the hospital and now the Intensive Care Unit was fully functional.</p> <p>b) An amount of ₹0.28 crore was spent (February 2016) for purchase of five dialysis machines at Taluk Hospital, Neendakara. The machines had been kept idle so far (June 2016). CoK replied (December 2016) that the Company was taking up the matter with the Taluk Hospital authorities and panchayath to ensure effective working of the centre. The reply is not usable as idling of equipment in the both the cases were due to the absence of staff for running the equipment and absence of monitoring.</p>
2	Maharajah Cements Limited	<p>Tri-scooter was granted (January 2016) to a person without considering the fact of his being paralysed and bedridden for last 23 years. Another person to whom a tri-scooter was granted was in possession of two tri-scooters at present.</p> <p>Both cases were indicative of the fact that the persons who availed the scooters were not eligible beneficiaries.</p> <p>The Company replied (August 2016) that the scheme was implemented after various rounds of checking and action was being taken to rectify the mistake.</p>
3	Kerala State Backward Classes Development Corporation Limited	<p>Physical verification revealed that 60 per cent of beneficiaries to whom Tri-scooters were given (June 2015) did not have licence for riding tri-scooter.</p> <p>CoK replied (January 2017) that the issues raised would be used for future guidance.</p>
4	Kerala Transport Development Finance Corporation Limited	<p>The Company provided (December 2014) ₹1 crore to Forest Industries (Travancore) Limited<sup>a</sup> towards development of Kodimatha water tourism spot at Kottayam (a project of Government of Kerala). Contribution was made without ensuring monitoring as required under CSR Rule 5 (2), as physical verification revealed that work commenced only on May 2016 after a period of one year and four month from the date of transfer of amount.</p> <p>The Company replied (November 2016) that it spent ₹1 crore under the CSR head for the development of Water Tourism Spot, a project under the Tourism Department of Government of Kerala. The fact remains that there was absence of monitoring.</p>

<sup>a</sup> A State Public Sector Undertaking.

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