



**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

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

**SIXTY THIRD REPORT**  
(Presented on 11th December, 2014)

SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM

2014

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**COMMITTEE  
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PUBLIC UNDERTAKINGS  
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**SIXTY THIRD REPORT**

**On**

**Kerala State Warehousing Corporation based on the Report of the  
Comptroller and Auditor General of India for the year  
ended 31st March, 2009 (Commercial)**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2014-2016)

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Shri M. K. Surendra Lal, Joint Secretary

Smt. M. R. Maheswary, Deputy Secretary

Shri P. S. Selvarajan, Under Secretary.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2014-16) having been authorised by the Committee to present the Report on their behalf, present this Sixty Third Report on Kerala State Warehousing Corporation based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2009 (Commercial) relating to the Government of Kerala.

The Report of the Comptroller and Auditor General of India for the year ended 31st March, 2009, was laid on the Table of the House on 25-3-2010. The consideration of the Audit Paragraph included in this Report and the examination of the departmental witness in connection thereto was made by the Committee on Public Undertakings constituted for the years 2011-2014.

This Report was considered and approved by the Committee at the meeting held on 19-11-2014.

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

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

Thiruvananthapuram,  
11th December, 2014.

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

## **REPORT**

### **KERALA STATE WAREHOUSING CORPORATION**

#### **AUDIT PARAGRAPH**

The State Government entrusted (November 2003-October 2004) to the Corporation the implementation of the Centrally Sponsored Scheme with twin objective for spraying of bio-pesticides on coconut trees against tree disease causing mite and supply of fertilizer kits to farmers containing Urea, Super Phosphate, Magnesium Sulphate etc., in nine districts of the State and sanctioned and released ` 9.40 crore for the purpose of spraying bio-pesticides alone.

The Corporation sprayed (November 2004-March 2006) bio-pesticides on 74.5 lakh coconut trees in nine districts, spending ` 8.48 crore and also purchased (February 2005) 1850 MT of urea adequate for use on 25 lakh coconut trees by spending ` 91.75 lakh utilising funds received for spraying bio-pesticides. The utilisation certificates submitted (May 2006) by the Corporation for ` 9.40 crore were not accepted (August 2006) by the Agriculture Department for want of certificate accepting purchase of urea from subordinate offices as it was without the specific approval of the Government. The Corporation abandoned (November 2006) the fertilizer application scheme for want of further funds from the Government.

Despite knowing the fact that urea was purchased out of funds intended for spraying bio-pesticides, the Corporation did not seek prior specific approval of Government for deviation from the directions. The whole of urea purchased (February 2005) remained in the warehouses of the Corporation without issue to the farmers for twelve months (February 2005-January 2006), resulting in loss of weight and nutrient value. The Corporation's request (February 2006) for the disposal of urea was ultimately approved (November 2006) with a severe criticism by the Government. The available 1790 MT of urea was sold (April 2007) at a reduced price of ` 71.03 lakh, resulting in a cash loss of ` 20.72 lakh.

Thus, the injudicious decision to purchase 1850 MT urea by utilising funds received for spraying bio-pesticides for coconut trees, without specific approval of the Government and its subsequent sale at reduced prices resulted in a cash loss of ` 20.72 lakh.

79/2015.

The Management reply as endorsed by the Government stated (May 2009) that the Corporation decided to purchase 1850 MT urea from advance given for spraying operations, without sanction either from the Government or Director of Agriculture. Even though, the Corporation was directed to remit back the cost of urea, the amount was yet (September 2009) to be refunded.

[Audit Paragraph 4.22 contained in the Report of the Comptroller and Auditor General of India for the year ended on 31st March, 2009 (Commercial).]

Reply not furnished till date.

1. The Committee sought explanation regarding avoidable cash loss due to imprudent decision of the Corporation to procure urea using fund intended for spraying bio-pesticide without obtaining consent either from the Government or from the Director of Agriculture.

2. The witness explained that Kerala State Warehousing Corporation and Kerala Agro Industries Corporation were selected as implementing agencies of the Agriculture Welfare Scheme by a high level Committee appointed by the Government. The Agriculture Welfare Scheme was a package containing two components viz. spraying bio-pesticides on coconut trees against eriophyid mite and supply of fertilizer kits containing Urea, Super Phosphate, Magnesium Sulphate etc. to farmers. Kerala Agro Industries Corporation was entrusted with the responsibility of the implementation of the scheme in Thiruvananthapuram, Kollam, Pathanamthitta, Idukki and Palakkad districts and The Kerala State Warehousing Corporation was responsible for the implementation of the scheme in remaining nine districts of the state with Central and State Government funds. Accordingly, the Corporation had sprayed bio-pesticides and procured 1850 MT Urea utilizing ₹ 9.40 crore which had been sanctioned and released by the Government as initial allotment. Thereafter the Corporation could not go further with the scheme because the Government outrightly rejected the request of the Corporation for further allocation of funds to procure the remaining fertilizers. Meanwhile the revenue of the Corporation had begun to get adversely affected due to dumping of urea for twelve months in the warehouses of the Corporation without supplying it to farmers. More over, the nutrient value of the urea also got deteriorated due to prolonged storage. The witness stated that it was at that critical situation that the Corporation decided to dispose of the urea by selling it at a reduced price. To a question of the Committee the witness informed that though the scheme was centrally sponsored one, a considerable share of the fund had to be arranged by Coconut Development Board.

3. The Committee wanted to know whether Government sanction had been obtained by the Corporation to procure Urea. The witness elaborated that no separate order was necessary to procure the same, since it had been part of the package. The witness further stated that later when it was found detrimental to the interest of the Corporation, it was decided to abandon the Scheme.

4. The Committee was not convinced with the argument put forth by the witness and remarked that the Corporation had failed to implement the scheme as proposed by the Government. By citing the Government Order the Committee pointed out that the purchase of urea was not in accordance with the Order, which stipulated that the sanctioned amount i.e. ₹ 9.50 crore was wholly intended for the implementation of the scheme for the control of eriophyid mite in 30 lakh coconut palms. The Committee further observed that the utilisation certificates submitted by the Corporation for ₹ 9.40 crore were categorically rejected by the Agriculture Department on the ground that no Government sanction had been obtained for the supply of fertiliser kits. The Committee was displeased to note that serious lapses had occurred on the part of the responsible officers of the Corporation who had decided to divert funds meant for spraying bio-pesticides.

5. Accountant General further clarified that there was no dispute regarding the spraying work carried out by the Corporation. But Accountant General pointed out that the Corporation had gone ahead with the purchase of urea without ensuring compliance with Government directions in this regard. In order to substantiate this contention, Accountant General quoted the proceedings of the Agriculture Department dated 2-8-2006 which indicated that the said purchase had been effected without obtaining prior sanction from the Government, thus invalidating the claim of the Corporation about the need of sanction from Government over the purchase of urea.

6. The witness stated that it might clearly be seen that there was no laxity on the part of the Corporation over the purchase of Urea as it was done as per the initial order of the Government in this regard, which had authorized the Corporation to implement both components of the scheme viz. spraying bio-pesticide and supply of fertilizer kits as a package. At this juncture the Accountant General clarified that even though, the scheme was named 'spraying and fertilizer supply', the Corporation was entrusted only with the responsibility of the implementation of spraying bio-pesticides. Accountant General further clarified that there was no ambiguity in the Government Order as stated by the witness. Answering to the question of the Committee regarding the Managing



Director of the Corporation who was responsible for it, the witness informed that Shri Mohandas was the then Managing Director and that he had retired from service.

7. To an enquiry of the Committee whether there had been any effective system to monitor the scheme, the witness replied in the affirmative and stated that the farmers had to pay ₹ 3 per tree as spraying charge and this had been certified by the Agriculture Officer. The witness informed that the Corporation had obtained administrative sanction prior to the implementation of the scheme. More over, the claim of the Corporation over the purchase of urea had been accepted by the Government finally on the condition that the loss sustained in the deal i.e. ₹ 51,56,672 should be refunded by the Corporation when the Corporation would turn in profit. But the Corporation had not remitted any amount so far owing to continuous loss. The Committee pointed out that ratification by Government was not sufficient enough to exonerate the Corporation as it was a usual practice followed by the Government to settle such issues. The Committee was not at all satisfied with the explanation of the witness and remarked that the witness was trying to evade from their responsibility and putting the entire blame upon the Government. The Committee remarked that more clarification was needed in this matter since the deposition made by the witness and Government decision in this regard were contrary to each other, but unfortunately nobody was present in the meeting to clarify the stand taken by the Government in the issue.

8. The Committee expressed its discontent and displeasure over the non-attendance of the Secretary, Agriculture Department in the meeting of Public Undertakings Committee without any formal intimation to the Committee. The Committee observed that it was not fair on the part of the responsible Officer, who had been summoned by the Committee, authorising another officer, to attend the meeting without furnishing an authorisation letter to the Committee. The Committee, therefore, decided to seek explanation from Secretary, Agriculture Department for the lapses; The Committee also directed that the Secretary, Agriculture Department should submit a detailed report covering all aspects of the scheme and its implementation.

9. Accountant General pointed out that the deficiencies noticed during test audit had been examined thoroughly and confirmation of facts had been obtained before the finalisation of the report by Comptroller and Auditor General of India. Accountant General further stated that it was noticed during audit that purchase of urea was made in anticipation of receipt of funds from Government and

decision in this regard had been taken by the Purchase Committee of the Corporation consisting of Managing Director, General Manager, Manager Vigilance, Finance Manager and Executive Engineer. The Committee desired to be furnished with the copy of minutes of the said meeting of the Purchase Committee.

#### **Conclusions/Recommendations**

10. The Committee observes that the misinterpretation of the Government Order with regard to the implementation of the Centrally Sponsored Scheme coupled with the imprudent decision to procure urea by diverting the funds intended for spraying bio-pesticide and its subsequent sale at a reduced price has resulted in a cash loss of ₹ 20.72 lakh to the Corporation. The Committee is of the view that the unilateral decision of the Corporation to divert the funds for other purpose has deterred the Corporation from availing additional financial support from the Government, which paved the way to abandon the scheme in midway. The Committee strongly criticizes the Corporation for completely bypassing the ambit of the Government Order. The Committee opines that but for this erroneous decision, the Corporation could have effectively utilized the funds for spraying bio-pesticides for another 25 lakh coconut trees as originally envisaged in the scheme. The Committee flacks the supine attitude of the officials in implementing the Centrally Sponsored Scheme. The Committee perceives that the ratification made by the Government in this regard, in no way justifies the willful dereliction on the part of the Corporation.

11. The Committee wants to be submitted with a detailed report since the disposition made by the witness and the decision taken by Government in this regard are at loggerheads.

12. The Committee recommends that the officials responsible for implementing the scheme should take sincere efforts in understanding the conditions stipulated in implementing the scheme so that the scheme is implemented in its true letter and spirit. Should there be any deviation in the course of implementation of the scheme, immediate steps should be taken to obtain necessary prior sanction for the same from appropriate authority.

Thiruvananthapuram,  
11th December, 2014.

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

## APPENDIX

## SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	10	Agriculture	The Committee observes that the misinterpretation of the Government Order with regard to the implementation of the Centrally Sponsored Scheme coupled with the imprudent decision to procure urea by diverting the funds intended for spraying bio-pesticide and its subsequent sale at a reduced price has resulted in a cash loss of ₹ 20.72 lakh to the Corporation. The Committee is of the view that the unilateral decision of the Corporation to divert the funds for other purpose has deterred the Corporation from availing additional financial support from the Government, which paved the way to abandon the scheme in midway. The Committee strongly criticizes the Corporation for completely bypassing the ambit of the Government Order. The Committee opines that but for this erroneous decision, the Corporation could have effectively utilized the funds for spraying bio-pesticides for another 25 lakh coconut trees as originally envisaged in the scheme. The Committee flacks the supine attitude of the officials in implementing the Centrally Sponsored Scheme. The Committee perceives that the ratification made by the Government in this regard, in no way justifies the willful dereliction on the part of the Corporation.
2	11	„	The Committee wants to be submitted with a detailed report since the disposition made by the witness and the decision taken by Government in this regard are at loggerheads.

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(1)	(2)	(3)	(4)
3	12	Agriculture	The Committee recommends that the officials responsible for implementing the scheme should take sincere efforts in understanding the conditions stipulated in implementing the scheme so that the scheme is implemented in its true letter and spirit. Should there be any deviation in the course of implementation of the scheme, immediate steps should be taken to obtain necessary prior sanction for the same from appropriate authority.

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