



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

SIXTY FOURTH REPORT
(Presented on 11th December, 2014)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM

2014

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

SIXTY FOURTH REPORT

On

**Kerala State Coconut Development Corporation Limited based on
the Report of the Comptroller and Auditor General of India
for the year ended 31st March, 2010 (Commercial)**

80/2015.

CONTENTS

	<i>Page</i>
Composition of the Committee ..	v
Introduction ..	vii
Report ..	1-5
Appendices :	
I. Summary of main Conclusions/Recommendations ..	6-7
II. Notes furnished by Government on the Audit Paragraph ..	8

COMMITTEE ON PUBLIC UNDERTAKINGS (2014-2016)

Chairman:

Shri K. N. A. Khader

Members:

Shri Abdurahiman Randathani

Shri A. A. Azeez

Shri P. K. Gurudasan

Dr. N. Jayaraj

Shri Elamaram Kareem

Shri T. N. Prathapan

Shri Palode Ravi

Shri S. Sarma

Shri P. Thilothaman

Shri P. C. Vishnunadh

Legislature Secretariat:

Shri P. D. Sarangadharan, Secretary

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 (2014-2016) having been authorised by the Committee to present the Report on their behalf, present this Sixty Fourth Report on Kerala State Coconut Development Corporation Limited based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2010 (Commercial) relating to the Government of Kerala.

The Report of the Comptroller and Auditor General of India for the year ended on 31st March, 2010, was laid on the Table of the House on 28-6-2011. 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 in this Report.

The Committee wish to express their thanks to the officials of the Agriculture Department of the Secretariat and Kerala State Coconut Development Corporation Limited 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 Coconut Development Corporation Limited 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 COCONUT DEVELOPMENT CORPORATION LIMITED

AUDIT PARAGRAPH

The Company, incorporated in October 1975 with the main objective of development of coconut industry by providing technical facilities, became non-functional since 1998 on account of continuous huge losses. The Company has finalised its accounts up to 1995-96 and as per the latest accounts the Company had total assets of ` 2.97 crore (immovable assets: ` 1.03 crore, movable assets: ` 0.15 crore and current assets, loans and advances: ` 1.79 crore).

Even though the Company is non-functional it still has to ensure that accounts are maintained and the permanent assets are safeguarded through periodic physical verification, arrangements for watch and ward of the assets, and adequate insurance cover. The deficiencies noticed in this regard are summarised as under:

Inadequate maintenance of asset records

The Company needs to maintain 'asset records' for each of the assets with details of the assets showing their location, original cost, accumulated depreciation, technical and engineering specifications of machinery, identification number etc. We noticed that the Company did not maintain adequate and up-to-date records depicting these vital information. The original Asset Register was also not available with the Company. As a result, even though the equipments and spares available in the units were physically verified during September 2009, the loss of assets, if any, could not be assessed.

Even though land measuring 20.86 acres was in possession of the Company as at the end of March 2010, the Company held valid title deed only in respect of 3.59 acres of land (Edappally) and for the rest of the area the Company had only land tax receipts.

Physical verification of assets

As per the policy laid down by the Company, all movable and immovable assets were to be physically verified at least once in a year, by an officer authorised by the Managing Director and the report of discrepancies in the value of assets submitted to the top management for further appropriate action.

We noticed (June 2010) that the Company had conducted physical verification of the assets only once during the period from 2001 to September 2009. Thus, in the absence of earlier records discrepancies and encroachment if any, on the land/building could not be ascertained by the Company.

Disuse of assets

The Company needs to make adequate arrangements for proper maintenance and upkeep of the assets not in use. The Company did not conduct a need based review of the assets so as to decide possible utility of these assets in future or for their timely disposal resulting in theft of 49 items (including 60 HP Expeller Motors–2 Nos., 75 HP Expeller Motors–3 Nos., compressor motor–1 No. etc.) from Mamom Unit in September 2003. There is also a risk of assets becoming obsolete due to disuse/lack of maintenance.

In view of this, it is recommended that the Company may:

- Maintain complete and up-to-date records of all movable and immovable assets;
- Periodically reconcile the discrepancies in the figures of the assets;
- Conduct physical verification of assets at regular time intervals;
- Make adequate security arrangements for immovable properties so as to prevent possibilities of encroachments;
- Make adequate arrangement for upkeep/maintenance of disused assets and periodically review the position for their future utility;
- Obtain regular and adequate insurance cover for all the assets against risks;
- Clear backlog in finalisation of accounts since 1996-97; and
- Dispose of movable assets valuing ` 0.15 crore.

Government/Management replied (August/June 2010) that the list of movable and immovable assets had been prepared and their physical verification would be conducted as per the laid down policy. Besides, action is being taken for giving adequate insurance coverage for all the assets and adequate arrangements are there to prevent encroachment. The Company has accepted the facts that the original asset register is not available and hence the original cost of the assets, depreciation and technical specifications of machinery etc., cannot be identified.

Thus in the absence of original record of assets, all future exercises would be futile. It has also been appraised that the accounts of the Company up-to 2007-08 have been approved by the Board and handed over to the Statutory Auditors for auditing.

[Audit Paragraph 4.8 contained in the Report of the Comptroller and Auditor General of India for the year ended on 31st March, 2010 (Commercial).]

(Notes furnished by the Government is given in Appendix II.)

1. The Committee wanted to know the details of all movable and immovable assets held by the Corporation and the title deed in respect of the landed property owned by the Corporation. The witness informed that the original asset register was not available with the Corporation. The Committee enquired whether any action had been initiated by the Corporation to evict the encroachers from Corporation's property. The witness replied that the Corporation had taken up the matter with District Collector, Ernakulam and appropriate communications had been sent to initiate a favourable action in this regard, but no action had yet been initiated by the revenue authorities so far. The Committee desired to be furnished with all the copies of correspondences with District Collector, Ernakulam. The Committee further directed that a report should be obtained from District Collector, Ernakulam regarding the reasons for the failure of revenue authorities to make adequate arrangements for the eviction as requested by the Corporation. Moreover, the Committee recommended that urgent steps must be taken by the Corporation to obtain copy of title deed and other relevant documents of the property held by the Corporation.

2. The Committee wanted to be furnished with the details of the case registered by the Police on the complaint filed by the Corporation regarding the theft at Mamom Unit. The witness replied that copies of relevant case records were not with him. The Committee strongly expressed its dissatisfaction over the irresponsible statement made by the witness and remarked that the witness was neither prepared to give satisfactory reply to the question put forth to him nor did he produce relevant documents to corroborate his statements related to audit para.

3. Regarding the non-availability of Asset Register, the witness disclosed that asset register might have been destroyed or suppressed to prevent from quantifying the exact loss suffered by the Corporation due to theft. The Committee wanted to be furnished with the details of officers liable for the

unpardonable and culpable offence. The witness informed that as the Corporation had been non-functional since 1998 three officers from KERAFED were deputed to look after the affairs of the Corporation at that time and that they had retired from service. The Committee recommended that earnest effort should be taken to safeguard the remaining assets of the Corporation and directed that the Managing Director of the Corporation should submit a detailed report regarding the said theft and overall mismanagement that had been prevailing in the Corporation. To a specific question of the Committee, the witness answered that adequate security arrangements have been made in all the units of the Corporation to prevent encroachments.

Conclusions/Recommendations

4. The Committee on seeing and analyzing the gross mismanagement prevailing in the Corporation observes that it is not at all astonishing that the Corporation has become non-functional since 1998 on account of continuous loss and thus failing to achieve its main objective. The Committee wants to be furnished with the details of all movable and immovable assets held by the Corporation and the title deed in respect of the landed property owned by them. The Committee wants to be apprised about the actions taken regarding the eviction of encroachers from Corporation's property and directs to furnish all the copies of the correspondences that had been done with the District Collector, Ernakulam in this matter.

5. The Committee directs to be furnished with a report from the Collector stating the reasons for the failure in carrying out the eviction as well as procedures undertaken by the revenue authorities as requested by the Corporation.

6. The Committee learns with displeasure that the original Asset Register was not available with the Corporation and the Company held valid title deed only on 3.59 acres of land instead of 20.85 acres. The Committee wants to be furnished with the details about the custodian of original Asset Register and the title deed and decided that enquiry should be conducted and liability be fixed against the concerned officers.

7. The Committee recommends to take urgent steps to evict encroachers from Corporation's property and to obtain a copy of the title deed and other relevant documents of the property held by the Corporation.

8. The Committee is astounded to note how the Corporation could function effectively and assess the loss of assets in the absence of a valid Asset Register. The Committee opines that the Corporation is tripping on old mistakes by not maintaining proper records so far. Therefore the Committee recommends that direction should be given to prepare a new asset register and also recommends that earnest effort should be taken to safeguard the remaining assets of the Corporation.

Thiruvananthapuram,
11th December, 2014.

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

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	4	Agriculture	The Committee on seeing and analyzing the gross mismanagement prevailing in the Corporation observes that it is not at all astonishing that the Corporation has become non-functional since 1998 on account of continuous loss and thus failing to achieve its main objective. The Committee wants to be furnished with the details of all movable and immovable assets held by the Corporation and the title deed in respect of the landed property owned by them. The Committee wants to be apprised about the actions taken regarding the eviction of encroachers from Corporation's property and directs to furnish all the copies of the correspondences that had been done with the District Collector, Ernakulam in this matter.
2	5	„	The Committee directs to be furnished with a report from the Collector stating the reasons for the failure in carrying out the eviction as well as procedures undertaken by the revenue authorities as requested by the Corporation.
3	6	„	The Committee learns with displeasure that the original Asset Register was not available with the Corporation and the Company held valid title deed only on 3.59 acres of land instead of 20.85 acres. The Committee wants to be furnished with the details about the custodian of original Asset Register and the title deed and decided that enquiry should be conducted and liability be fixed against the concerned officers.
4	7	„	The Committee recommends to take urgent steps to evict encroachers from Corporation's property and to obtain a copy of the title deed and other relevant documents of the property held by the Corporation.

(1)	(2)	(3)	(4)
5	8	Agriculture	The Committee is astounded to note how the Corporation could function effectively and assess the loss of assets in the absence of a valid Asset Register. The Committee opines that the Corporation is tripping on old mistakes by not maintaining proper records so far. Therefore the Committee recommends that direction should be given to prepare a new asset register and also recommends that earnest effort should be taken to safeguard the remaining assets of the Corporation.

APPENDIX II

NOTES FURNISHED BY GOVERNMENT ON THE AUDIT PARAGRAPH

<i>Sl. No.</i>	<i>Para No.</i>	<i>Action Taken</i>
1	4.8 2009-2010	<p>The original Asset Register is not available, hence the original cost and thereby depreciation, technical specification of available machinery and equipments cannot be identified.</p> <p>Machineries, equipments and spares are available in Thiruvananthapuram and Mamom Units. The stock of all the items in Thiruvangoor Unit was taken on 28-6-2011 and found correct with the stock taken previously in September 2009. The stock of equipments and spates in Mamom Unit were taken in September 2009. Action has been already taken to take the physical stock of all the items in Mamom Unit by second week of October 2011.</p> <p>Encroachment is detected in Edappally Unit and action has been taken to recover the area from the encroachers.</p> <p>Earlier there were no proper arrangements for maintenance and upkeep of the Assets resulting in theft of certain Machinery and Equipments. Now there is round the clock Security Arrangement in all the units and adequate arrangements is made in all the Units to prevent encroachment.</p> <p>Government has recently allotted the Unit at Thiruvangoor (10.8 acres of Land & Buildings) to Kerala Feeds Ltd., to set-up a 300 TPD High-tech Cattle Feed Plant. The terms and conditions of the lease will be decided later. The Units at Edappally and Elathur are being utilized by KERAFED as Regional Offices. A retail counter of KERAFED is functioning at Mamom and a proposal to utilize this Unit by KERAFED for productive purpose is under consideration.</p> <p>Considering the above facts, further action on the comments may be dropped.</p>