



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

**EIGHTY THIRD REPORT
(Presented on 2nd July, 2015)**

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2015

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ON
PUBLIC UNDERTAKINGS
(2014-2016)**

EIGHTY THIRD REPORT

On

**The Action Taken by Government on the Recommendations contained in the
Nineteenth Report of the Committee on Public Undertakings (1996-98)
relating to Kerala State Handicapped Persons Welfare Corporation
Limited based on the Report of the Comptroller and Auditor
General of India for the years ended 31st March, 1993
and 1995 (Commercial)**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2014-2016)

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Smt. P. K. Girija, Additional Secretary

Smt. M. R. Maheswary, Deputy Secretary

Shri P. S. Selvarajan, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Eighty Third Report on the Action Taken by Government on the recommendations contained in the Nineteenth Report of the Committee on Public Undertakings (1996-98) on the working of the Kerala State Handicapped Persons Welfare Corporation Limited based on the Report of the Comptroller and Auditor General of India for the years ended 31st March, 1993 and 1995 (Commercial).

The Statement of Action Taken by the Government included in this Report was considered by the Committee constituted for the year (2014-16).

This Report was considered and approved by the Committee at the meeting held on 19-6-2015.

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

K. N. A. KHADER,

Chairman,

Committee on Public Undertakings.

Thiruvananthapuram,
2nd July, 2015.

REPORT

This report deals with the Action Taken by Government on the recommendations contained in the Nineteenth Report of the Committee on Public Undertakings (1996-98) relating to Kerala State Handicapped Persons' Welfare Corporation Ltd. based on the Report of the Comptroller and Auditor General of India for the years ended 31st March, 1993 and 1995 (Commercial).

The Nineteenth Report of the Committee on Public Undertakings (1996-98) was presented to the House on 25th March, 1998. The Report contained eight recommendations and the Government furnished replies to all the recommendations. The Committee (2014-16) considered the replies received from Government at its meeting held on 12-11-2014.

The Committee accepted the replies to the recommendation Nos. 2(20), 3(21), 5(37), 6(38), 8(40) without any remark. These recommendations and their replies form Chapter I of the Report.

The Committee accepted the replies to the recommendation Nos. 1(19), 3(21), 4(36), 7(39) with remarks. These recommendations and their replies furnished by Government and the remarks of the Committee form Chapter II of the Report.

CHAPTER I

REPLIES FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE WITHOUT REMARKS

Sl. No.	Para No.	Department concerned	Conclusions/Recommendations	Action Taken by Government
1	2	3	4	5
2	20	General Education	<p>Though the concept of paper slate may be new one, it may not be correct to say that there is no proper technology for manufacturing the same. It was the duty of the Education Department to obtain the technology for the novel concept. Instead they merely issued an order for manufacturing 6.8 lakh paper slates within a short period of 3 months and the Company accepted it.</p>	<p>For the academic year 1991-92, the supply of slate and slate pencils were entrusted with the Kerala State Handicapped Persons' Welfare Corporation. There was no mention in the Government Order that the slates to be supplied were paper slates. The Government Order was to supply slates and slate pencils. The work was given to the Company on the basis of the decision taken in the meeting held on 22-9-1990 under the Chairmanship of the then Minister for Industries and Social Welfare. The Company had assured that they can complete the supply of slates by the middle of May, 1991.</p>

The Education Department was engaged in distribution of the slates and slate pencils only once in a year. That also was procured from open market as stipulated by Stores Purchase Rules. So there was no machinery or facility with the Education Department to manufacture the slates and slate pencils. Therefore Education Department could not have obtained technology for the manufacture of paper slates. As it was an ongoing scheme, specifications of the slates and slate pencils to be supplied was already available from the writing aids supplied in the previous years. Paper slates were supplied not in the interest of Education Department. On the contrary, it was in the interest of the Company. So it was for the Company to ensure the quality or writing aids. The writing aids supplied by the Company was rejected not because it was paper slates but because of its inferior quality.

1	2	3	4	5
				<p>The slates were made up of Cardboard covered with black ash sides of which were fixed with tin plates. The black ash coating washed away on coming into contact with water. The tin plates fixed on the sides of the slates appeared stained. This evoked wide spread complaints and protests. Therefore Government were left with no option, but to cancel the orders.</p>
3	21	General Education	<p>After considering all the above points the Committee came to the conclusion that the officials of Education Department as well as the Company are equally responsible for the lapse. Mere admittance of the lapse is not enough. Considering the loss of Rs. 15.31 lakh suffered by Government in this particular deal. In the light of the above findings, the Committee cannot agree with</p>	<p>The Kerala State Handicapped Persons' Welfare Corporation was entrusted with the supply of slates and slate pencils in accordance with the decision taken in the meeting held on 22-9-1990 under the Chairmanship of the then Minister for Industries and Social Welfare. The work was given to the Company by deviating from the earlier practice of distributing of writing aids</p>

Government for not initiating action against those responsible. Government in its earlier reply stated that the company was instructed to initiate action for fixing responsibility for the loss. The action taken by Government for fixing responsibility and to recover the loss should be intimated to the Committee.

through departmental means. It was done with a noble cause of giving more employment opportunities to the handicapped persons. But the Company spoiled it by supplying substandard slates. The slates were made up of Cardboard covered with black ash sides of which were fixed with tin plates. The black ash coating washed away on coming into contact with water. The tin plates fixed on the sides of the slates appeared stained. This evoked widespread complaints and protests. Therefore Government were left with no option, but to cancel the orders. The Company was awarded the supply order by doing away with the practice hitherto followed. So the Company should have had the grip with importance of the job they are engaged with. But the Company failed miserably. The whole situation was spoiled due to the reason that the Company bungled. Full responsibility for which rests on the

1	2	3	4	5
<p>shoulders of the company. Once the company accepted the order, it is up to them to supply good quality material. It is the responsibility on the part of the suppliers to ensure that the materials supplied are of good quality. On the contrary, when inferior quality materials supplied it is open to the buyer to reject it. Education Department has done only that. So General Education Department is not at fault in this case. The Company alone has to be blamed and responsibility has to be fixed on them for supplying inferior quality writing aids.</p> <p>Since distribution of writing aids was not materialised through the Kerala State Handicapped Person's Welfare Corporation, General Education Department had made alternative arrangements to distribute the same through the Headmasters. This incurred</p>				

				an expenditure of Rs. 15,25,000 prior to that an amount of Rs. 5 lakh was given to the Company as advance for the above purpose. Since slates and slate pencils for the year 1991-92 were distributed by other means, the Social Welfare Department has been requested to arrange to return advance of Rs. 5 lakh given to the Company.
5	37	Social Justice	Regarding the remark of the Managing Director on the Audit para the Committee observe that Government should not have endorsed such a reply to the Committee as the reference was against the spirit of audit observation.	
6	38	"	Government should desist from making such references about audit before the Committee in future. Committee also recommend that Government should forward replies to the Committee only after careful scrutiny.	(Para Nos. 37 & 38) This department has noted the remarks to be taken for future guidance.

1	2	3	4	5																
8	40	Social Justice	During evidence it was brought before the committee that Company was supplying rice and provisions to the Anganawadis since 1992. The Committee may be informed the profit/loss made by the Company in this deal.	<p>The profit/loss of the Company from 1992-93 as per audited statement to 1998-99 is given below:</p> <table border="1"> <thead> <tr> <th data-bbox="207 540 227 650">Year</th> <th data-bbox="207 650 227 1372">Profit/Loss (Rs. in lakh)</th> </tr> </thead> <tbody> <tr> <td data-bbox="227 540 248 650">1992-93</td> <td data-bbox="227 650 248 1372">25.01</td> </tr> <tr> <td data-bbox="248 540 269 650">1993-94</td> <td data-bbox="248 650 269 1372">(-)28.13</td> </tr> <tr> <td data-bbox="269 540 290 650">1994-95</td> <td data-bbox="269 650 290 1372">7.46</td> </tr> <tr> <td data-bbox="290 540 310 650">1995-96</td> <td data-bbox="290 650 310 1372">1.03</td> </tr> <tr> <td data-bbox="310 540 331 650">1996-97</td> <td data-bbox="310 650 331 1372">16.92</td> </tr> <tr> <td data-bbox="331 540 352 650">1997-98</td> <td data-bbox="331 650 352 1372">(-) 1.77</td> </tr> <tr> <td data-bbox="352 540 372 650">1998-99</td> <td data-bbox="352 650 372 1372">(-) 1.99</td> </tr> </tbody> </table> <p>(The audited data for the period 1999-2000 onwards not available as the audit report not furnished by the Auditors.)</p>	Year	Profit/Loss (Rs. in lakh)	1992-93	25.01	1993-94	(-)28.13	1994-95	7.46	1995-96	1.03	1996-97	16.92	1997-98	(-) 1.77	1998-99	(-) 1.99
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CHAPTER II

REPLIES FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH
HAVE BEEN ACCEPTED BY THE COMMITTEE WITH REMARKS

Sl. No.	Para No.	Department concerned	Conclusions/Recommendations	Action Taken by Government
1	2	3	4	5
1	19	Social Justice	The Committee is not satisfied with the points put forward by the witness for the failure of the project. Committee opined that the most important factor for the failure of the project is absence of any specification about the quality of the slates. Education Department should have specified the quality of the slates while issuing formal order, since it was a novel idea, as pointed out by the witness. Since there was no specification from the Department it was the primary duty of the Company to get it clarified first before going ahead with the project. But this did not	As per Government letter No. 3672/A2/03/SWD, dated 8-6-2004, the Corporation has been directed to file Civil Suit to recover an amount of Rs. 8,57,027 from the former Managing Director Sri K. Raghavan by filing a Civil Suit on account of the loss sustained to the Corporation by producing inferior quality slates in haste during 1990-91 to supply to DPL. Accordingly Corporation sought legal opinion from its Advocate Sri Abdul Kharim. He informed Corporation that the claim for compensation is barred by law of limitation as it is related to the year 1991.

1	2	3	4	5
			<p>happen. Considering the seriousness of the above lapse, the other points raised by witness such as limited time to expedite the work, agitation by workers etc. pale into insignificance. The Committee are at a loss to understand the purpose of producing such inferior quality slates in haste. The acceptability of the paper slates should have been ascertained before embarking upon bulk production the Committee added. Had the Company manufactured slates with some quality, even if it was less in number of the total quantity to be produced, the same could have been sold to Education Department or to Saksharatha Programme.</p>	<p>The chances of getting a favourable decree in case of filing a suit is very remote. Also, the Corporation has to remit a Substantial amount equivalent to 10% of the claim as Court fee to file the suit and hence it is not advisable to initiate a suit in the matter. The legal opinion received has been referred and discussed in the meeting of the Board of Directors of the Corporation held on 28-10-2014 and endorsed the views of legal advisor. The accused officer has already retired from service.</p>
3	21	Social Justice	<p>After considering all the above points the Committee come to the conclusion that the official of Education Department as well as the Company are equally responsible for the lapse. Mere admittance of the lapse is not</p>	

		<p>enough, considering the loss of Rs. 15.31 lakh suffered by Government in this particular deal. In the light of the above findings, the Committee cannot agree with Government for not initiating action against those responsible. Government in its earlier reply stated that the Company was instructed to initiate action for fixing responsibility for the loss. The action taken by Government for fixing responsibility and to recover the loss should be intimated to the committee.</p>
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Remarks :—The Committee expressed its displeasure over the lethargic attitude of the Government in moving a Civil Suit in the year 2004 instead of taking timely action as recommended by the Committee in it's report presented in the year 1998 and warns the Department not to repeat such mistakes in future.

4	36	Social Justice	<p>The Committee notice that the Company had bought chilli at higher price i.e. at the rate of Rs. 1,800 to Rs. 1,860 per quintal, when the ruling price was in the range between</p>	<p>A case has been registered by the Vigilance and Anti Corruption Bureau, Special Investigation unit as V.C.3/98/SIU. When approached, the Director of Vigilance and</p>
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1	2	3	4	5
			<p>Rs. 1,260 and 1,860, without taking into account other aspects such as the prevailing market price, the bumper crop of the product in Andhra Pradesh, and future market trends during the season. On the other hand the Company has simply followed the words of the traders of Kochi. The Company also failed to get chilli at the rate at which Civil Supplies Corporation has purchased. The Committee therefore observe that the Company should have gone into all aspects to explore the possibility of buying chilli within the price range of Rs. 1,260 and Rs. 1,680 as pointed out by audit. Therefore the committee come to the conclusion that the purchase of chilli by the company based on the predictions made by the traders of Kochi was not in the best interest of the Company. The Committee is even tempted to believe that the purchase was made under pressure from the traders. The Committee therefore</p>	<p>Anti Corruption Bureau has informed that this case has been filed in the Trivandrum Vigilance Court as No.CC.51/2008 and that is still under trial.</p>

			recommend to Government to examine the various aspects of the deal in detail and intimate the findings to the Committee.
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Remarks :—The Committee recommends to make available the details of the points included in the Vigilance Enquiry, date of filing of case in the Vigilance Court and the present status of the case.

7	39	Social Justice	<p>Regarding the arrear of 8 years accounts, the witness informed that steps would be taken to clear the backlog within the shortest possible time. Action taken on the above should also be intimated to the Committee.</p> <p>Statutory Audit was pending in the Corporation since 1999-2000. During the last two years the Accounts for the years 1999-2000, 2000-01, 2001-03 have been finalized. The present position of Audit of Accounts of the Corporation are as detailed below:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Status</th> </tr> </thead> <tbody> <tr> <td>2001-02 & 2002-03</td> <td>Accounts have been finalized by the Statutory Auditors. Reports have been sent for the comments of Finance Department and Accountant General.</td> </tr> <tr> <td>2003-04</td> <td>Audit work is in full suring and will be completed shortly.</td> </tr> </tbody> </table>	Year	Status	2001-02 & 2002-03	Accounts have been finalized by the Statutory Auditors. Reports have been sent for the comments of Finance Department and Accountant General.	2003-04	Audit work is in full suring and will be completed shortly.
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2003-04	Audit work is in full suring and will be completed shortly.								

1	2	3	4	5
<p>In order to complete the Statutory Audit for a year, the following formalities are to be followed:</p> <ol style="list-style-type: none"> <li data-bbox="367 588 429 635">(1) Appointment of Statutory Auditors by C & AG. <li data-bbox="445 588 538 635">(2) Statements of Accounts to be placed before the Board of Directors of the Corporation for approval. <li data-bbox="554 588 647 635">(3) Approved Accounts to be submitted to the Statutory Auditors for Audit Report. <li data-bbox="663 588 808 635">(4) After receiving the Accounts along with Audit report from Statutory Auditors, it should be forwarded to AG and Finance Department for comments. <li data-bbox="823 588 947 635">(5) After receiving the comments of AG and Finance Department, it will be placed before the Board of Director's Report. 				

				<p>(6) After that it will be adopted in the Annual General Meeting of the Corporation. (Notice of AGM-21 days)</p> <p>(7) After that the Annual Report will be printed and sent to AG.</p> <p>Strict instruction has been given to the Corporation for the speedy completion of the finalization of pending accounts and earnest efforts are being taken by the Corporation in this regard.</p>
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Remarks :—The Committee directed to report whether the finalization of pending accounts has been completed.

Thiruvananthapuram,
2nd July, 2015.

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