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FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2019-2021)**

HUNDRED AND THIRTIETH REPORT

(Presented on 18-1-2021)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM

2021

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2019-2021)**

HUNDRED AND THIRTIETH REPORT

On

**The Action Taken by Government on the Recommendations contained in
the fifty fourth Report of the Committee on Public Undertakings (2006-2008)
relating to Kerala State Civil Supplies Corporation Ltd, based on the
Report of the Comptroller and Auditor General of India
for the year ended 31st March, 2005(Commercial)**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2019-2021)

COMPOSITION

Chairman :

Shri C. Divakaran

Members :

Shri K. B. Ganesh Kumar

Shri C. Krishnan

Shri Thiruvanchoor Radhakrishnan

Shri P. T. A. Rahim

Shri S. Rajendran

Shri Raju Abraham

Shri Sunny Joseph

Shri M. Ummer

Shri P. Unni

Legislature Secretariat:

Shri S.V. Unnikrishnan Nair, Secretary

Shri B. Reji, Joint Secretary

Shri A. Jafarkhan, Deputy Secretary

Smt. Reji D. O., Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2019-2021) having been authorised by the Committee to present the Report on their behalf, present this Hundred and Thirtieth Report on the Action Taken by Government on the Recommendations contained in the Fifty Fourth Report of the committee on Public Undertakings (2006-2008) relating to Kerala State Civil Supplies Corporation Limited, based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2005 (Commercial)

The Statement of Action Taken by the Government included in this Report was considered by the Committee constituted for the years (2014-2016) and (2019-2021)

This Report was considered and approved by the Committee at its meeting held on 15-1-2021.

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

Thiruvananthapuram,
15th January, 2021.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

REPORT

This Report deals with the Action Taken by Government on the recommendations contained in the Fifty Fourth report of the Committee on Public Undertakings (2006-2008) relating to Kerala State Civil Supplies Corporation Limited based on the report of the Comptroller and Auditor General of India for the year ended 31st March 2005 (Commercial).

The Fifty Forth Report of the Committee on Public Undertakings (2006-2008) was presented to the House on 1st December, 2008.

The Report contained 29 recommendations and the Government furnished reply to all the recommendations.

The Committee (2014-2016) and (2019-2021) considered and approved the replies received from Government at its meetings held on 23-12-2014 and 11-1-2021 without any remarks.

CHAPTER-I

REPLIES FURNISHED BY THE 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 the Government
(1)	(2)	(3)	(4)	(5)
1	49	Food & Civil Supplies	The Committee finds that there was great laxity and indifference on the part of the management of the Kerala State Civil Supplies Corporation, thereby encouraging corruption and malpractice, and cheating the tax paying public, crores of rupees. An analysis of the dismal sales and whopping losses was never done by the top level management and no step was taken to prevent corruption and improve the functioning of the company. The Committee recommends	Regarding alleged irregularities in purchases of pulses and spices a number of cases are being investigated by the Crime Branch. Action has already been taken against officials up to Additional General Manager level. One Additional General Manager, Smt. Mary Matilda has already been dismissed. Complaint to the Vigilance Department has also been forwarded. Copy enclosed as Annexure-I. Eventhough a number of agencies have gone into the issue of mismanagement including

			<p>that strong action be taken against those responsible for the losses and that steps be taken to recover the amount lost. The Committee further recommends that stringent steps be taken by Government to prevent such blatant misuse of public funds in future and the Committee be informed of the measures taken.</p>	<p>earlier internal Vigilance report, report of Muraleedharan Commission, Finance Inspection Wing Report, none of them have been able to fix the responsibility into the same or even to quantify the alleged loss in a rational manner. Corporation has already filed criminal cases against the Suppliers and the same are under investigation by the Crime Branch. Central Bureau of Investigation had taken up 5 cases for investigation. The list of 16 cases with Crime Branch/local police and 5 cases investigated by Central Bureau of Investigation is enclosed as Annexure-II.</p> <p><u>Present position of cases (Addition information sought by the Committee)</u></p> <p>Six cases have been registered. Out of this, five cases are investigated by CBI and one is investigated by local police. The details of the cases are given in Annexure-IV.</p>
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(1)	(2)	(3)	(4)	(5)
2	50	Food & Civil Supplies	<p>The Committee understands that though Government had laid down in August 1994, a systematic procedure for purchase of commodities by the company and though it was stipulated that the company should follow the general principles laid down in the Government's Stores Purchases Manual since February 1995, the Company was following its own procedures in violation of Government instructions and without obtaining Government approval or ratification even as late as August 2005 which incurred extra expenditure by the company and the company was deprived of the benefit of competitive rates. Such lawlessness on the</p>	<p>The Corporation has now prepared, and following a system of purchase which is based on transportation model of Linear Programming method of Operations Research. Under the system the offered quantity and the rates at which the are available from all available sources are plotted on a matrix in the computer and a purchase plan is prepared by the computer which gives least cost solution for purchases. The Corporation considers the rates offered in the e-tender, rates communicated by the Regional Managers, rates reported from Committee at the procurement centre/mandies, the rates available through NCDEX, MCX for commodities like cumin seed, coriander, chillies, sugar etc.</p>

			<p>part of the company is unpardonable. The Committee finds negligence on the part of the administrative department too in not taking any action against the company when Government rules and instructions were not adhered to. The Committee recommends that the administrative departments of Government should be more vigilant and initiate immediate action whenever the companies under them take unlawful actions.</p>	<p>It is also stated that Stores Purchase Manual is in respect of purchases of stores and sundry assets and not for stock in trade wherein the principles of Scientific Inventory Management and Purchase Management are to be followed. Considering the lead time for supplies, economies of scale, godown space available, cost of carrying this stock, consumption pattern, criticality of a commodity etc for which modified Economic Order Quantity Model (EOQ) is more relevant. The Board of Directors of the Corporation have already finalized a more detailed Purchase Policy for stock in trade which is based on the principles of sound financial management, principles of scientific inventory purchase and management, Scientific Pricing Policies etc. The same has been approved by the Government and is now being followed in the Corporation.</p>
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(1)	(2)	(3)	(4)	(5)
3	51	Food & Civil Supplies	<p>The Committee finds that the defective purchase system followed by Corporation led to the purchase of inferior quality goods at higher prices and led to huge loss to the company. The Committee understands that those who entrusted with the responsibility of ensuring quality have themselves indulged in manipulation and malpractices and the department hasn't done anything to check the irregularities that prevailed in the company. The Committee therefore recommends to take stringent action against those involved in the malpractices. The Committee also recommends to take urgent measures to restructure the purchase system to make it corruption free and to ensure quality.</p>	<p>Regarding alleged irregularities in purchases of pulses and spices a number of cases are being investigated by the Crime Branch. Action has already been taken against officials up to Additional General Manager level. One Additional General Manager, Smt. Mary Matilda has already been dismissed. Complaint to the Vigilance Department has also been forwarded. Copy enclosed as Annexure-I.</p> <p>It may also be stated that, eventhough a number of agencies have gone into the issue of mismanagement including earlier internal vigilance report, report of Muraleedharan Commission, Finance Inspection Wing Report, none of them have been able to fix the responsibility into the same or even to quantify the alleged loss in a rational manner. Corporation has already filed criminal cases</p>

				<p>against the Suppliers and the same are under investigation by the Crime Branch. Central Bureau of Investigation had taken up 5 cases for investigation. The list of 16 cases with Crime Branch/local police and 5 cases investigated by Central Bureau of Investigation is enclosed as Annexure-II. Strict action has already been taken including filing of criminal cases. As stated in Para 50 a detailed Purchase Manual has been approved by the Government to make the system corruption free. The Government has already approved revised purchase Manual.</p>
4	52	Food & Civil Supplies	<p>The Committee realises that the company has formulated a separate manual and that it has its own limitations. The Committee recommends to modify the purchase manual to make it foolproof. The Committee desires to be informed whether the revised purchase manual has obtained approval of the Government.</p>	<p>The revised purchase policy forwarded to the Government by the corporation is approved vide Govt. letter No.6778/C2/07/F & CSD dated 6-4-2010.</p>

(1)	(2)	(3)	(4)	(5)
5	53	Food & Civil Supplies	The Committee finds that tendering has been done against the norms of the purchase policy. The company has not made the purchases from production/procuring centres which is in deviation from SPM principles and Government instruction. The Committee recommends to take action against those who have played role in violation of the Stores Purchases Manual and Government instructions.	Investigation into the purchases made during the period referred in the committee report is in progress by the crime branch CID and necessary action will be initiated against those who found responsible after the inquiry. Corporation has now implemented the purchase policy duly approved by the Government and it includes purchase of commodities directly from Procurement centre.
6	54	Food & Civil Supplies	The Committee understands that the company purchased pulses and spices from 9 local traders at exorbitant rates ignoring Government instruction. The Committee recommends that responsibility for the irregularities be fixed and steps should be taken to recover the loss from them.	In this connection it is informed that there have been number of reports, of Comptroller and Auditor General, Finance (Inspection) Department, Muraleedharan Commission etc. However none of them have been able to fix responsibility for the irregularities reported. Now the investigation in to the purchases of pulses and spices is being done by the Crime Branch. The Company had already filed

			<p>criminal cases in this regard. Further action will be taken after the investigation is completed by the Crime Branch. The matter is continuously being followed by the Vigilance Wing of the Corporation to expedite the investigation in to the subject.</p> <p>The list of 16 pending investigations conducted by local police and 5 cases investigated by the CBI is enclosed as Annexure-III. The recovery can be affected only after the investigation and the trial of the case has been completed and the alleged losses stand proved in the court of law.</p> <p><u>Present position of cases (additional information sought by the Committee)</u></p> <p>Fifteen cases have been registered against the officials and others. Out of this, 11 cases are investigated by Crime Branch and 4 cases by Local Police. The details of the cases are given in Annexure-VI.</p>
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(1)	(2)	(3)	(4)	(5)
7	55	Food & Civil Supplies	The company was procuring very low quantities of goods against tenders for huge quantities depriving itself of the benefit of competitive rates that could be offered by small tenderers. The company was not specifying quality in grade and the short collection of EMD and SD was resulting in loss of interest in addition to the loss due to short supply and resulting alternate purchase, which could not be recovered in the absence of adequate security.	In this connection Additional General Manager, Smt. Mary Matilda has already been dismissed for purchasing low quantities in e-tender. Very precise specification for each commodity have been prescribed and have displayed on the website of the Corporation. Regarding short collection of EMD and SD it is informed that the purpose of EMD and SD is not to earn interest but only to ensure more supplier participation. Increasing the same beyond reasonable rate will prevent small genuine suppliers from participating which may lead to restrictive condition favouring few customers. Nevertheless in view of the warranty being obtained and e-purchase system being put in there has been no issue regarding inadequate EMD during the last 3 years.
8	56	Food & Civil Supplies	The Committee further finds that the company was making purchases of items at prices higher than the open market retail price. During the five years ended	As stated above the action for the alleged loss can only be taken after the same has been investigated and proved in a court of law. List of pending cases is enclosed as Annexure-III.

			<p>31st March 2004 the company incurred a loss of Rs. 42.04 crore for purchase of 117,115 MT of items at rates above the market rates. The Committee recommends to take action against the officials who were responsible for the purchases, to recover the loss and to inform the Committee of the action taken in this regard.</p>	
9	57	Food & Civil Supplies	<p>The Committee finds that out of the Government grants received to the tune of Rs.206.77 crore by the Company for market intervention for the five years ended March 2004, Rs. 134.39 crore was passed on to private traders by way of procuring items at rates higher than the open market rates.</p> <p>The Committee understands that some officials of the company who had to work for market intervention to hold the level of</p>	<p>The Government and the Corporation has acted strictly by filing criminal cases and action will be taken against those who were involved in manipulating after investigation has been completed, so that any action taken passes the test of legal scrutiny.</p>

(1)	(2)	(3)	(4)	(5)
			<p>price acted as intermediary for transferring Government funds to traders for personal gains, and that the Board had approved all the purchases. The Committee recommends to recover the amount from the trading firms and corrupt officials and to take action against those who were involved in the manipulations. The Committee wants to be informed the persons responsible for the loss, and the action taken against them and the amounts recovered so far.</p>	
10	58	Food & Civil Supplies	<p>The Committee noticed that in violation of the guidelines, the company was not specifying the quality/grade of each commodity when inviting tenders and was accepting inferior quality, infested and chemically contaminated food items. The</p>	<p>In earlier times, samples were taken for selection of suppliers which led to allegation of manipulation of purchase system, and has been done away with. Now the specifications of each commodity are displayed on the website of the Corporation and the Depot Managers and Quality Assurance persons have been vested</p>

		<p>Committee observe that being the single largest purchaser of many pulse items, the company should have got the leverage and advantage of a bulk purchaser with respect to purchase price and should have purchased items at lowest rates available in the market also. But the company made no sincere effort for getting the above concession. The Committee recommends that steps be taken to check the quality of the goods purchased by the company and that on no account should sub-standard goods be purchased by the company.</p>	<p>with the responsibility of ensuring supply of specified quality. Circular No. 95/2006, 28/2008, 10/2009, 19/2009, 03/2010, 08/2010 and 10/2010 and so many circulars have been issued by the corporation for ensuring compliance with standards of quality. Besides in a paradigm shift in policy the Corporation has allowed the customers to return the items if they are not satisfied with their quality. Quality certification has also made compulsory in case of packaged items. Most advanced micro biological and other Food tests are now being conducted at world class Food Quality monitoring laboratory set up at Konni under Council for Food Research and Development (CFRD). Hon'ble Chief Minister is the President of this Council.</p>
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(1)	(2)	(3)	(4)	(5)
11	59	Food & Civil Supplies	The Committee finds that the purchase of sugar by the Company without comparing the landed cost with the local market rates and without assessing the economy of purchase caused a loss of Rs. 97.97 lakh during the five years up to 2003-04. The Committee desires to be informed of the action taken against the persons responsible for it and whether the amount has been recovered.	The prices of Sugar are highly volatile in nature and vary on daily basis. Besides, market rates itself differ from place to place and time to time. Sometimes the private traders are also able to evade excise duty which can cause difference in price. In any case as explained in detail in para 49 and 50 above there is an elaborate mechanism now for making purchase which ensures least cost of purchase. The mechanism is clearly laid down in the Revised Purchase Manual approved by the Government.
12	60	Food & Civil Supplies	The Committee finds that the company had held reserve stocks of sugar for upto 14 months' requirement inspite of the fact that Government instruction stipulates that stocks of only two months' requirement needs to be held as reserve. The Committee notes that neither the company nor the Department had taken any action inspite of the severity of the offence and objections	Regarding number of months of stock held till the year 2000, the Corporation did not have any such recorded data and as such it is not known how the level of stock has been calculated. This is true that in the absence of any inventory management system there were wide variations in the level of stocks, resulting into stock outs and excess stock at the same time. In the absence of any proper record or

			of Audit. The Committee recommends to bring to book those responsible for the irregularity and to inform it of the action taken in this regard. The Committee also recommends to take immediate steps to maintain up to date stock accounts system.	documents it is not possible to assess the extent of excess stock, during that period. Nevertheless the Corporation has now one of the best inventory management practices which is clearly enumerated in the purchase guide.
13	61	Food & Civil Supplies	The Committee understands that as per agreements with the suppliers, they had to deliver the goods at the secondary depots without any extra transportation charge. But the company did not avail this facility and thereby incurred a loss of Rs. 2.97 crore on transportation and handling charges during the two years upto 2003-04. The Committee recommends to fix responsibility for the loss and to inform the action taken in this regard to the Committee.	The System of secondary depot has already been dispensed with and now the goods are directly delivered at the depots.

(1)	(2)	(3)	(4)	(5)
14	62	Food & Civil Supplies	<p>The Committee finds that the Chairman and Managing Director had ignored the reports of the vigilance wing and of the General Manager regarding the purchase and quality assurance system prevailing at that time. The Committee finds that the fixation of selling price higher than market rates, poor quality of the goods and inefficient management were responsible for the decline in sales. The Committee therefore recommends to revamp the management of the company so as to make it responsible and corruption free and the activities of the Chairman and Managing Director should also be scrutinized by Government.</p>	<p>In this connection it is informed that the purchases were made directly under the supervision of the General Manager and the General Manager himself was competent to take action if he found that the quality assurance system prevailing at that time was insufficient or deficient. The prime responsibility for all the purchases falls on the General Manager and there after on the Managing Director and then the Board of Directors. The Managing Director has to function within the provisions of Companies Act, Articles of Association and as per the policy decisions of Board of Directors. The Corporation has now substantially strengthened its financial management system, vigilance and internal audit mechanism. Each depot is converted into profit centre and separate</p>

				<p>financial statements are prepared individually for each of the depots and regional offices.</p> <p>The Corporation has also put in place a periodical review system to assess the performance of the Outlets. As already the number of outlets which were loss making has been substantially brought down from 527 in 2006 to 109 by the end of 2008.</p> <p>The following table gives the sales of maveli items for the last four years.</p> <table border="1" data-bbox="951 574 1473 852"> <thead> <tr> <th data-bbox="951 574 1209 630">Year</th> <th data-bbox="1209 574 1473 630">Total</th> </tr> </thead> <tbody> <tr> <td data-bbox="951 630 1209 686">2005-06</td> <td data-bbox="1209 630 1473 686">13676.21*</td> </tr> <tr> <td data-bbox="951 686 1209 742">2006-07</td> <td data-bbox="1209 686 1473 742">19239.30*</td> </tr> <tr> <td data-bbox="951 742 1209 798">2007-08</td> <td data-bbox="1209 742 1473 798">23589.17</td> </tr> <tr> <td data-bbox="951 798 1209 852">2008-09</td> <td data-bbox="1209 798 1473 852">43343.67*</td> </tr> </tbody> </table> <p>*Provisional figures as proper details were not kept in that period.</p>	Year	Total	2005-06	13676.21*	2006-07	19239.30*	2007-08	23589.17	2008-09	43343.67*
Year	Total													
2005-06	13676.21*													
2006-07	19239.30*													
2007-08	23589.17													
2008-09	43343.67*													

(1)	(2)	(3)	(4)	(5)
				<p>The company has made clear specification for all the commodities which are also exhibited on the website of the Corporation and any supplier sitting at home can view them and participate in the tender and make supply as per these specifications without need to send any sample or get them approved which had become a major source of manipulation and alleged cartelization of suppliers earlier.</p> <p>The Corporation fixes only a nominal amount for EMD and SD so as not to restrict the number of persons who are able to supply to the Corporation. Similarly a fine balance is to be kept in conditions prescribed for supply and their impact on restricting the suppliers and their harassment. Corporation has already initiated disciplinary action against concerned regarding alleged loss of the interest in short collection/delayed deposit of Earnest Money Deposit and Security Deposit. The Corporation is also ensuring that the delay in respect of deposit of Earnest Money Deposit, cheques in</p>

				<p>bank does not exceed two weeks. Further the Corporation has also given option to the suppliers to remit their Earnest Money Deposit/SD through electronic transfer. Corporation has also allowed suppliers to retain their Earnest Money Deposit with the Corporation on a permanent basis. This on the one hand gives more income to the Corporation and on the other hand is more convenient from the point of view of suppliers also.</p> <p>The Corporation has also strengthened its vigilance mechanism and surprise inspection are conducted by the vigilance squad to ensure the quality of items. Besides, senior officers also collect samples on their visits to the depots and outlets which are sent to RAL or NABL accredited Laboratories to ensure that they are conforming to the specified quality.</p> <p>The Corporation has further made a paradigm shift in its policy by agreeing to accept returns if customers are not satisfied with the quality of item and to replace or refund the amount, vide Circular 29/07.</p>
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(1)	(2)	(3)	(4)	(5)
15	63	Food & Civil Supplies	<p>The Committee suspects about the poor quality of goods sold through Maveli Stores and finds that the company compromises quality for low price. The Committee recommends to take measures to ensure quality and improve quality management system of the company.</p>	<p>In the earlier times, samples were taken for selection of suppliers which led to allegation of manipulation of purchase system and has been done away with. Now the specifications of each commodity are displayed on the website of the Corporation and the Depot Managers and Quality Assurance persons have been vested with the responsibility of ensuring supply of specified quality.</p> <p>Somany circulars have been issued for ensuring compliance with standards of quality. Besides, in a paradigm shift in policy the Corporation has allowed the customers to return the items if they are not satisfied with their quality. Quality certification has also made compulsory in case of packaged items. Most advanced micro biological and other Food tests are now being conducted at world class Food Quality monitoring laboratory set up at Konni under Council for Food Research & Development (CFRD). Hon'ble Chief Minister is the President of this Council.</p>

16	64	Food & Civil Supplies	<p>The Committee finds that the company fixed Maveli prices higher than or equal to open market retail prices in 133 of the 468 cases since June 2001 despite standing instruction of Government required that the prices of pulses and spices be fixed 10% below the market prices. The Committee recommends to take action against those responsible for the loss and the action taken in this regard should be intimated to the Committee.</p>	<p>Regarding alleged irregularities in purchases of pulses and spices a number of cases are being investigated by the Crime Branch. Action has already been taken against officials up to AGM level. One AGM, Smt. Mary Matilda has already been dismissed.</p> <p>After having ensured the availability and quality of products the Corporation is also ensuring that the products sold by the Corporation are having the lowest price in the market. The discount on Maveli items which</p>
17	65	Food & Civil Supplies	<p>The Committee finds that Super Markets were making loss to the tune of Rs. 47.01 lakh during 2000 and 2004 in the sale of pulses and spices inspite of Government direction that sale on pulses and spices</p>	<p>was only 10% earlier is now more than 30%. A table of selling price of the Corporation and the corresponding prices in the market in respect of maveli items for the month of May 2010 is given below:</p>

(1)	(2)	(3)	(4)	(5)				
			through Super Markets should be made on profit. The Committee understand that the reason for the loss is mainly owing to the exorbitant purchase price of pulses and spice items. The Committee recommends to fix responsibility on those who are responsible for the purchase at higher prices and to take action against them.	Sl. No.	Commodity	Current Selling Price (May 2010)	Open Market Average retail price	
							Rs. Ps.	Rs. Ps.
					1	Green gram	28.00	80.60
					2	U.D. Washed (Whole)	36.00	79.80
					3	UD Split	31.00	76.50
					4	B.G. Bold	20.00	36.40
					5	Lobia	26.50	48.40
					6	Toordhal	34.00	74.40
					7	Peasdhal	18.00	31.80
				8	Chillies	45.00	65.80	

				9	Coriander	43.00	49.80
				10	Cuminseed	96.00	169.98
				11	Mustard	22.00	49.20
				12	Methy	28.00	56.00
				13	Freesale Sugar	29.90	30.56
18	66	Food & Civil Supplies	<p>The Committee finds that the company acting as an intermediary for the distribution of levy sugar had to bear additional expenditure of Rs.24.62 lakh at the instance of the State Government. The Committee recommends to take urgent action to reimburse the loss sustained to the company.</p>	<p>The Supplyco was sustained a loss of Rs.24.62 lakh being the additional expenditure incurred at the time of enhancement of retail price of levy sugar for the period from 3.2.2003-04. A proposal was forwarded to Government of India to fix the margin payable to wholesale dealers, for the distribution of levy sugar for the period from 1997-98 to 2004-2005 the above proposal is still pending with Government of India.</p> <p>As per letter No.A14-9706/2002 dated 17-11-2011 Supplyco has taken up this issue with Government of India and a detailed proposal has been forwarded to Chief Director (Sugar).</p>			

(1)	(2)	(3)	(4)	(5)
19	67	Food & Civil Supplies	<p>The Committee points out that rice, the staple food of the people is not included in the list of items to which Government provides subsidy.</p> <p>The Committee opines that if the Government has to check the rise in price of rice, it should be included in the list. The Committee therefore recommends to include rice in the list of Maveli items.</p>	<p>The Corporation is selling rice at subsidized rate of Rs. 16 per Kg as per the Arikkada scheme of the Government and thus a price benefit is given to the customers.</p>
20	68	General Education	<p>The Committee realised that the company had lifted rice at higher rates as directed by Government from FCI for supply to schools under the mid day meal scheme (MDMS) in August 2002. The company incurred a loss of Rs. 68.35 lakhs and Government has not yet reimbursed the amount to the company. The Committee was informed that discussion with DPI was in progress. The Committee remarked</p>	<p>Government of India allotted rice to State Government under APL and BPL quota for Mid Day Meal Scheme in August 2002. Kerala State Civil Supplies Corporation lifted 2550 Metric Tonne rice from the APL quota at a higher rate for the supply of additional quantity of rice to school children during the festival season of Onam. Supplyco informed that it had incurred a loss of Rs.68.35 lakhs in procuring this at the higher rate.</p>

			that there was no use in having discussions after delivering goods years ago, and recommends that the company should follow up the matter urgently with the Director of Public Instruction and the Committee should be informed whether the amounts due to it has been recovered.	Chairman & Managing Director of Supplyco had submitted a claim of Rs.68.35 lakhs (Rupees Sixty Eight Lakhs Thirty Five Thousand only) before Director of Public Instructions. The claim has been settled vide order No.NM A(1) 67980/2017/DPI dated 23-3-2018 and the amount has been transferred to account No. 10580200013240 of the Corporation with Federal Bank Giri Nagar branch Ernakulam.
21	69	Food & Civil Supplies	The Committee understands that due to higher procurement cost, Government had to bear extra expenditure of Rs. 10.43 crore in administering a social security scheme MDMS and that the traders benefited from the higher rate of procurement made by the company. The Committee desires to be informed of the findings of the CBI enquiry and recommends to take strong action against those who caused loss of crores of rupees to Government.	As the loss to Government is due to high procurement cost on account of purchases at high cost (21 cases) referred to in paragraph 49 and 54, further action is depended on the outcome of the cases under investigation by the investigation agencies.

(1)	(2)	(3)	(4)	(5)
22	70	Food & Civil Supplies	<p>The Committee understands that the company had no system of assessing the working result of the sub depots taken over by the company from the FCI at Government direction and therefore it could not claim the loss sustained by it in their operation which Government had promised to reimburse. The Committee may be informed whether the claim has been settled by Government and recommends that up to date accounts of every depot should be maintained.</p>	<p>It is true that the system of assessing the performance of sub depots was very weak and as a result the claims on account of loss on operation of sub depots could not be made in earlier years. However from the year 2007 the Corporation has considerably strengthened its Financial Management System. The Segmental accounting has also been introduced and detailed Circular 9/08 has been issued for proper financial accounting (copy enclosed as Annexure-IV). Due to the efforts of the Corporation, in a meeting called by the Hon'ble Finance Minister a lumpsum amount was released to the Corporation to square up all the previous dues and the Corporation can now start on a clean slate from the financial year 2009-10. Thus all issues in the matter have been settled now.</p>
23	71	Food & Civil Supplies	<p>The Committee realises that the company did not have internal audit system before 2005. Thereafter that it was conducted only at the Regional Office, Depot/outlets. All major purchases and transportation were made at the head office. But none of these transactions was subjected to internal</p>	<p>It may be stated that the Corporation had totally abdicated the function relating to financial accounting and auditing in the Year 2005 and 2006. In fact none of the outlets and depots had done any reconciliation of bank account, sales and purchases for these two years. The audit and inspection system which was prevalent</p>

			<p>audit. The delay in completing audit in the depots leads to delay in audit of the head office. The Committee therefore recommends to take steps to make the internal audit system more effective and to complete audit in the depots and head office on time in future.</p>	<p>earlier had been done away with. The powers were delegated at the outlets level which were manned by officials of the level of Assistant Sales Man (Class IV) who were not at all competent to handle the delegated financial powers. Head Office did not even monitor the huge local purchases, made at outlet level, their item wise accounting, fixation of selling price and as such quantitative details are not available for reconciliation relating to these two years.</p>
				<p>In a meeting held in 2007, the Board took note of this serious situation of accounts and after a lot of efforts accounts for the financial years 2005-06 and 2006-07 were finalized by appointing of Chartered Accountant firms for each of the depots. In many cases sales and purchases were worked out by working backward using single entry system of accounting by deducing the details from the bank pass books etc. The statutory auditors also made very serious comments on the accounts for that period. However, situation has since been brought under control. All depots have now been converted into profit centres and are audited by professional Chartered Accountant firms. The purchases in cash which were</p>

(1)	(2)	(3)	(4)	(5)
				<p>rampant earlier have been completely stopped and payments are allowed only through cheques. Goods received sheets are now posted through internet by the depots to the head office for reconciliation and payment. Separate bank collection accounts have been opened for each of the outlets. Each depot has to submit certified financial statements. Surprise inspections by audit and Vigilance wing is also done. The audit department has been placed under the vigilance department to give it more teeth. Physical record of all the transactions is being kept in the depots and regional office which had been discontinued in the year 2005-06. There are unreconciled balances relating to the year 2005-06 which have been transferred to separate control account to avoid delay in finalization of accounts. The audit teams have reported some serious irregularities in medicine business which has resulted into loss of crores of Rupees for which Vigilance enquiry has already been ordered. Corporation has now finalized its accounts up to the year 2007-08. The same has also been approved by the Board of Directors and they are pending only for statutory Audit.</p>

24	72	Food & Civil Supplies	<p>The Committee understands that the Company is not following the system of depositing with the bank the EMD received in the form of demand drafts, thereby making a loss of interest of Rs. 24.34 lakh during the period from December 2002 to October 2004. The Committee understands that EMD can be deposited on the day it is received. The Committee desires to have the details of action taken against those who did not deposit the EMD in time.</p>	<p>Corporation has initiated disciplinary action against concerned regarding alleged loss of interest in short collection/delayed deposit of EMD and SD. Government is addressed with the details for necessary direction against the concerned vide our letter No.D22/11485/05 dated 29-5-2010 and action is pending with the Government (file No.11266/C3/2005/F & CSD). Corporation is now ensuring that the delay in respect of deposit of EMD in bank does not exceed two weeks. Further the corporation has also given option to the suppliers to remit their EMD/SD directly in the bank account of the corporation through electronic transfer. Corporation has also allowed suppliers to retain their EMD with the Corporation on permanent basis. This on the one hand gives more income to the Corporation and on the other hand it is more convenient from the point of view of suppliers also.</p>
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(1)	(2)	(3)	(4)	(5)
25	73	Food & Civil Supplies	<p>The Committee understands that detection of shortage of goods and recovery of the loss is not being done promptly by the company, the Committee recommends that disciplinary action should be initiated at once for those responsible for shortage and desires to be informed of the action taken.</p>	<p>The Corporation has now strengthened its audit mechanism. Audit division has been placed under the Vigilance Wing to make it more effective. Audit has been prescribed for all depots by professional Chartered Accountant firms. All the depots have now been turned into profit centre and separate Profit and Loss Account and a Balance Sheet are prepared for each of the depots duly certified by a Chartered Accountant. Audit Schedules are also prepared. Not only the Audit Division but all senior officers have been given responsibility of inspection of outlets and depots. Circular No. 23/08 has been issued regarding visits and inspections.</p> <p>As completion of disciplinary cases take lot of time and there is considerable delay in finalizing them due to transfer of enquiry officers, legal cases etc. Now it has been decided that the audit wing will take action by issue of demand notice for recovery of shortages, independent of the disciplinary action which will be separately perused. Audit Committee of the Board of Directors has also been formed, in which eases of major irregularities and actions</p>

				<p>taken thereon are placed. However due to the volume of business with the network of 1500 units, Rs. 2000 crores turnover coupled with acute manpower shortage and frequent transfer of officers on deputation does not allow delay to be reduced to the desirable extent.</p>
26	74	Food & Civil Supplies	<p>The Committee recommend that the company should examine the quality of goods proposed to be supplied to it at the time of tender and ensure it at the time of delivery.</p>	<p>In earlier times, samples were taken for selection of suppliers which led to allegation of manipulation of purchase system and has been done away with. Now the specifications of each commodity are displayed on the website of the Corporation and the Depot Managers and Quality Assurance persons have been vested with the responsibility of ensuring supply of specified quality. Somany circulars have been issued for ensuring compliance with standards of quality. Besides in a paradigm shift in policy the Corporation has allowed the customers to return the items if they are not satisfied with their quality. Quality certification has also made compulsory in case of packaged items. Most advanced micro biological and other Food tests</p>

(1)	(2)	(3)	(4)	(5)
				are now being conducted at world class Food Quality monitoring laboratory set up at Konni under Council for Food Research and Development (CFRD). Hon'ble Chief Minister is the President of this Council.
27	75	Food & Civil Supplies	The Committee recommends to increase the number of items for which Government provides subsidy from the existing 13 items by including rice and sugar in the list. The Committee also recommends to reduce the margin taken by the company from the sale of essential items.	While subsidized rice is now being sold the sugars has been taken off from the list of subsidized items in view of the huge loss incurred by the Corporation, but the Corporation still sells sugar at lower than market price.
28	76	Food & Civil Supplies	The Committee finds that there was no mechanism either in the company or in the Civil Supplies Department to detect and take action when Government directions and standing instructions were violated and corrupt practices resorted to. Hence	The Government have already approved the revised purchase manual which in fact integrates the purchases with a scientific inventory management system and makes the systems strong rather than depending upon individuals. The system enumerated in the new

			<p>Government funds amounting to crores of rupees was misappropriated and the steps taken by Government to check the rise in price of essential commodities and to make available to the common people good quality food items at reasonable prices was completely defeated. Hence the Committee strongly recommends that responsibility of each individual in the corporation be fixed and adequate systems must be put in place to detect and take action against those who indulge in malpractices.</p>	<p>purchase manual will eliminate any kind of arbitrary decision making by any individual including the top management. If the system is followed, there is little chance of malpractice being committed.</p>
29	77	Food & Civil Supplies	<p>The Committee finds that the witness was unable to give complete information on a number of issues citing CBI enquiry. The same reason was attributed for not taking action on a number of issues relating to corruption and malpractice. The Committee deprecates over this and desires to be given detailed report on the</p>	<p>Regarding alleged irregularities in purchases of pulses and spices a number of cases are being investigated by the Crime Branch. Action has already been taken against officials up to AGM level. One AGM, Smt. Mary Matilda has already been dismissed. Complaint to the Vigilance Department has also been forwarded (Copy enclosed as Annexure-II).It may also be</p>

(1)	(2)	(3)	(4)	(5)
			<p>issues which come under CBI enquiry and of the action taken in those cases where CBI enquiry is not being done.</p>	<p>stated that, eventhough a number of agencies have gone into the issue of mismanagement including earlier internal vigilance report, report of Muraleedharan Commission, Finance Inspection Wing Report, yet none of them have been able to fix the responsibility into the same or even to quantify the alleged loss in a rational manner. Corporation has already filed criminal cases against the Suppliers and the same are under investigation by the Crime Branch CBI had taken up 5 cases for investigation. The list of 16 cases with Crime Branch/local police and 5 cases investigated by CBI is enclosed as Annexure-II.</p> <p>The Corporation has now prepared, and following a system of purchase which is based on transportation model of Linear Programming method of Operations Research. Under the system the offered quantity and the rates at which they are available from all available</p>

				<p>sources are plotted on a matrix in the computer and a purchase plan is prepared by the computer which gives least cost solution for purchases. The Corporation considers the rates offered in the e-tender, rates communicated by the Regional Managers, rates reported from Committee at the procurement centre/mandies, the rates available through NCDEX, MCX for commodities like cumin seed, coriander, chillies, sugar etc.</p>
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Thiruvananthapuram,
15th January, 2021

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.