



FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2016-2019)**

FIFTEENTH REPORT

(Presented on 9th March, 2017)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2017

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2016-2019)**

FIFTEENTH REPORT

On

**Tourists Resorts (Kerala) Limited
(Based on the Report of the Comptroller
and Auditor General of India for the
year ended 31 March, 2011)**

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COMMITTEE ON PUBLIC UNDERTAKINGS
(2016-2019)

COMPOSITION OF THE COMMITTEE

Chairman:

Shri C. Divakaran.

Members:

Shri T. A. Ahammed Kabeer

Shri K. B. Ganesh Kumar

Shri C. Krishnan

Shri S. Rajendran

Shri Thiruvanchoor Radhakrishnan

Shri P. T. A. Rahim

Shri Raju Abraham

Shri Sunny Joseph

Shri C. F. Thomas

Shri P. Unni.

Legislature Secretariat:

Shri V. K. Babu Prakash, Secretary

Smt. P. K. Girija, Additional Secretary

Shri P. B. Suresh Kumar, Deputy Secretary

Smt. Deepa V., Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2016-2019) having been authorised by the Committee to present the report on its behalf, present this Fifteenth Report on Tourists Resorts (Kerala) Limited, based on the report of the Comptroller and Auditor General of India for the year ended 31 March, 2011 relating to the Public Sector Undertakings of the State of Kerala.

The report of the Comptroller and Auditor General of India for the year ended on 31st March, 2011 was laid on the Table of the House on 23-3-2012. The consideration of the audit paragraphs 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 2014-2016.

This Report was considered and approved by the Committee (2016-2019) at its meeting held on 2-3-2017.

The Committee places on record its appreciation for the assistance rendered by the Accountant General (Audit) Kerala, in the examination of the Audit Paragraphs included in this report.

The Committee wishes to express thanks to the officials of the Tourism Department of the Government Secretariat and the Tourists Resorts (Kerala) Limited for placing the materials and information solicited in connection with the examination of the subject. The Committee also wishes to thank in particular the Secretaries to Government- Tourism and Finance Departments-and the officials of the Tourists Resorts (Kerala) Limited who appeared for evidence and assisted the Committee by placing their views before it.

Thiruvananthapuram,
9th March, 2017.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

**REPORT
ON
TOURISTS RESORTS (KERALA) LIMITED**

AUDIT REPORT (2010-2011)

Deployment of Funds

Incorrect selection of financial institutions for deployment of funds, inappropriate duration of term deposits and avoidable deployment of funds in Current Account resulted in loss of interest.

Time Deposits

Selection of institution

Incorrect selection of the institution for deployment of surplus funds in time deposits by TRKL ignoring the rates offered by State Treasury which were better than what they carried resulted in foregoing of possible revenue as tabulated below:

| Company | No. of Fixed Deposits (FDs) Instances | Period involved | Range of FDs (₹ in lakh) | Range of Period of FDs (Days) | Rate of interest (ROI) received (%) | Alternative ROI available at State Treasury % | Interest forgone (₹ in lakh) |
|---------|---------------------------------------|--------------------------|--------------------------|-------------------------------|-------------------------------------|---|------------------------------|
| TRKL | 06 | March 2009 to March 2011 | 9.50 to 556.31 | 365 | 5.00 to 8.00 | 7.50 to 10.00 | 29.50 |

About TRKL, Government (October 2011) replied that they parked their deposits with banks for operational convenience. The Management stated (August

2011) that they could not monitor their deposits due to shortage of manpower. The reason did not justify the loss of potential interest income of ₹ 29.50 lakh.

Current Account Deposits

Avoidable deployment of funds in current accounts

In TRKL, heavy accumulation of balance in Current Accounts for long durations was noticed. Companies with unpredictable cash flows can resort to Flexi Fixed Deposits (FFDs) so as to avoid idling of fund in Current Accounts and also to earn interest for periods ranging from seven days onwards. FFDs offer the twin advantage of liquidity as well as operational flexibility of Current Accounts coupled with interest returns of Fixed Deposits. All the banking facilities attached to a Current Account like fund transfer methods viz. Real Time Gross Settlement (RTGS)/National Electronic Funds Transfer(NEFT) and Internet banking features are also available to the FFD account holders without involving any extra charge.

Statement showing details of investible surplus in Current Accounts.

(₹in lakhs)

| Company | Amount accumulated | Period of accumulation (days) | Equivalent annual accumulation |
|---------|--------------------|-------------------------------|--------------------------------|
| TRKL | 0.01 to 228.52 | 7 to 1823 | 165.51 |

Government replied (September 2011) about TRKL (October 2011), that efforts would be made to open FFDs in future.

[Audit Paragraph 4.9 contained in the report of the Comptroller and Auditor General of India for the year ended-2010-2011]

Notes furnished by Government on Audit Paragraph is given in Appendix II.

The Committee observed that funds are deposited in Nationalised banks such as SBT rather than in Government Treasury even though interest rates offered by

Treasury on Fixed Deposits are higher. The Finance Department informed the Committee that as per the guidelines issued by the Government, all funds are to be deposited in Treasury itself.

The Committee criticised the Corporation authorities for not complying with the orders issued by the Government with respect to the deposit of money.

The Committee also directed to report after complying with the orders.

Conclusions/Recommendations

1. **The Committee observes that the Corporation incurred potential interest loss by investing funds in banks instead of State Treasury despite better rates are offered by Treasury. Also money was accumulated in Current Account rather than more interest fetching Flexi Fixed Deposits (FFDs). The Committee recommends to comply with government orders to deposit funds in Treasury itself and also to prefer Flexi Fixed Deposits (FFDs) to Current Account Deposits.**

Thiruvananthapuram,
9th March, 2017.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

| Sl. No. | Para No. | Department Concerned | Conclusions/Recommendations |
|---------|----------|----------------------|--|
| 1 | 1 | Tourism Department | The Committee observes that the Corporation incurred potential interest loss by investing funds in banks instead of State Treasury despite better rates are offered by Treasury. Also money was accumulated in Current Account rather than more interest fetching Flexi Fixed Deposits (FFDs). The Committee recommends to comply with government orders to deposit funds in Treasury itself and also to prefer Flexi Fixed Deposits (FFDs) to Current Account Deposits. |

APPENDIX II
 NOTES FURNISHED BY THE GOVERNMENT ON
 THE AUDIT PARAGRAPH

| Sl. No. | Para No. | Reply Furnished by Government |
|---------|----------|---|
| 1 | 4.9 | <p><i>Time Deposit</i></p> <p>With regard to the deployment of funds, KTEL (formerly TRKL) have taken measures to consider the rates offered by nationalised Banks and Treasury while arriving at a decision for opening/renewing term deposits. In this regard, attention is also invited to the fact that the decision regarding the deployment of funds could not be taken considering only the interest rates offered by the institutions. Other factors like urgency of requirements of funds, ease of management, options available for disbursement etc. also are to be taken in to consideration. The Company arrived at a decision on the deployment of funds considering all these factors. KTEL is taking steps for deputing a suitable official with commercial accounting background from Finance Department.</p> <p><i>Current Account Deposits</i></p> <p>Regarding the Deployment of funds in Current Account of the company, it may be seen that for the time being, steps had been taken to monitor the position of own funds of the company in the current account periodically and to convert the same in to term deposits. Regarding the operation of Flexi Fixed Deposits which require continuous monitoring and actions, steps can be taken up for operating Flexi Fixed Deposits. Considering the points explained above, it is requested that the audit para pertaining to KTEL (formerly TRKL) may be dropped.</p> |

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