



FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

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

TWENTY FIRST REPORT
(Presented on 9th March, 2017)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2017

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

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On

**The Plantation Corporation of 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 Twenty First Report on The Plantation Corporation of 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 31 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 were 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 Agriculture Department of the Government Secretariat and The Plantation Corporation of 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, Agriculture and Finance Departments and the officials of The Plantation Corporation of 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
THE PLANTATION CORPORATION
OF KERALA LIMITED**

AUDIT PARAGRAPH

Contribution to Provident Fund disregarding the ceiling fixed for salary resulted in irregular payment of ₹ 72.93 crore.

As per Employees Provident Fund and Miscellaneous Provisions Act, 1952 (Act) and Employees Provident Fund Scheme of 1952, for establishments engaging 20 or more persons and engaged in notified industries, employer's contribution to Provident Fund was 12 *per cent* of salary (basic pay, DA, cash value of food concession and retaining allowance if any), limited to ₹ 6,500 of salary per month. For any sick industrial company¹³, the rate of contribution was 10 *per cent*.

A test check (2009-2011) of the employer's contribution to the Provident Fund in case of thirteen¹⁴ companies revealed that these companies instead of restricting their share of contribution to monthly salary of ₹ 6,500 had been contributing on the basis of full salary in respect of employees drawing salary more than ₹ 6,500 per month.

The excess contributions to Provident Fund thus made resulted in irregular payment of ₹ 72.93 crore (Annexure 23) in respect of the thirteen companies during the period 2007-08 to 2010-11.

Managements stated that the ceiling of ₹ 6,500 under the Act was fixed years back and it remained without change whereas the wages and other benefits had increased considerably over the years. Accordingly even the lowest unskilled employee would draw in excess of ₹ 6,500 per month. They also contended that it would not be possible to recruit and retain work force if employee benefits were reduced.

13 Any Sick industrial company as defined in Clause(o) of Subsection(1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 and which has been declared as such by the Board for Industrial and Financial Reconstruction.

14 The Kerala State Financial Enterprises Ltd., Transformers and Electricals Kerala Ltd., The Travancore Cochin Chemicals Ltd., Keltron Component Complex Ltd., Keltron Crystals Ltd., Keltron Resistors Ltd., Keltron Magnetics Ltd., Kerala Automobiles Ltd., Travancore Titanium Products Ltd., Kerala State Beverages(Manufacturing and Marketing) Corporation Ltd., The Plantation Corporation of Kerala Ltd., Kerala State Electronics Development Corporation Ltd., The Kerala Minerals and Metals Ltd.

The point stays that all EPF contributions should have been in consonance with existing statutory provisions.

The matter was reported to Government (July 2011); their reply was awaited (November 2011).

[Audit paragraph 4.12 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March, 2011.]

1. The Committee noted that as per the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and Employees Provident Fund Scheme of 1952, a ceiling of ₹ 6,500 of monthly salary had been fixed as the employer's Contribution to EPF. But the Corporation, instead of restricting their share of contribution to monthly salary of ₹ 6,500 had contributed on full salary amount in respect of employees drawing salary more than ₹ 6,500, per month without any approval from Government which led to the irregular payment around ₹ 2.07 crore during the period 2007-08 to 2010-11.

2. The witness replied that until 2001, the ceiling was ₹ 5,000 and during that time only Senior Officer's salary exceeded the ceiling amount while most of the labourer's salary were within the limit. In 2001, even though the ceiling was enhanced to ₹ 6,500, most of the employees' salary crossed the ceiling. He further informed that in Section 12 of Provident Fund Act, it was mentioned that existing benefits of the employees might not be reduced. Therefore the Company continued with the practice of paying contribution on full salary amount irrespective of the ceiling amount.

3. The witness added that when the practice of paying contribution on full salary amount was objected by the Accountant General, Corporation sought clarification in this regard from the Government and in the absence of timely directions or sanction of the same, the Corporation issued orders fixing the salary ceiling for contribution to PF as ₹ 6,500. Then the employees approached the Hon'ble High Court against this and stay was obtained. Another case was also pending before the Hon'ble High Court in this regard.

4. To a query of the Committee with respect to the necessity of issuing an order to restrict the ceiling to ₹ 6,500, the witness replied that the orders were

issued to inform labourers and if the existing system was changed all of a sudden without intimation labourers might have gone for strike and labour issues would have been sprouted up. The witness further intimated that the ceiling has since been enhanced to ₹ 15,000.

5. The Committee criticized the Corporation for not submitting the reply to the audit para in time.

Conclusion/Recommendations

6. The Committee observes the Corporation's wilful negligence in adhering to the ceiling fixed by the Government with regard to the remittance of EPF contribution as an act of impertinence. Therefore, the Committee desires that Corporation should furnish a detailed report with regard to the excess remittance of EPF contribution urgently.

7. The Committee express its displeasure over the improper procedure of the company in issuing orders fixing the salary ceiling for contribution to EPF as ₹ 6,500 without the approval of the government which paved the way for employees to approach the High Court. Therefore, the Committee recommends that the authorities of the company should be vigilant to avoid these types of procedural lapses in future.

Thiruvananthapuram,
9th March, 2017.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

APPENDIX I

SUMMARY OF MAIN CONCLUSION/RECOMMENDATIONS

Sl. No.	Para No.	Department Concerned	Conclusions/Recommendations
(1)	(2)	(3)	(4)
1	6	Agriculture Department	The Committee observes the Corporation's wilful negligence in adhering to the ceiling fixed by the Government with regard to the remittance of EPF contribution as an act of impertinence. Therefore, the Committee desires that Corporation should furnish a detailed report with regard to the excess remittance of EPF contribution urgently.
2	7	Agriculture Department	The Committee express its displeasure over the improper procedure of the company in issuing orders fixing the salary ceiling for contribution to EPF as ₹ 6,500 without the approval of the Government which paved the way for employees to approach the High Court. Therefore, the Committee recommends that the authorities of the company should be vigilant to avoid these types of procedural lapses in future.

Annexure 23
Statement showing excess contribution to Employees Provident Fund
(Referred to in paragraph 4.12)

Sl. No.	Name of Company	Total Wages	Actual EPF Contribution	Amount in ₹	
				Contribution limited to ₹ 6500	Exces Contribution.
1	Kerala Minerals and Metals Ltd.	1538791262	184729393	62663640	122065788
2	Kerala Automobiles Ltd.	131164209	16025665	8835060	7260000
3	Kerala State Financial Enterprises Ltd.	1669955471	497165018	151744320	345420000
4	Transformers and Electricals Kerala Ltd.	652187892	78262547	30166509	48096000
5	Travancore Cochim Chemicals Ltd.	498587266	59834322	25127347	34706075
6	Kerala State Beverages (Manufacturing and Marketing) Corporation Ltd.	206952424	25092465	10030020	15062445
7	Keltron Magnetics Ltd*	7141850	857022	463692	353350
8	Keltron Resistors Ltd*	11977950	1437354	79263	655000
9	Keltron Crystals Ltd*	24694925	2963391	1728198	1225100
10	Keltron Component Complex Ltd.	170976625	20517195	8745009	11772000
11	Plantation Corporation of Kerala Ltd.	287318359	34513889	13845000	20668800
12	Kerala State Electronics Development Corporation Ltd.	900065670	115927873	51775332	64152840
13	Travancore Titanium Products Ltd.	762336006	91485148	33642180	37842000
	Total	6862647909	1128879282	399545561	729333721

*These companies have since been merged with Keltron Component Complex Limited

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