



FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE

ON

**PUBLIC UNDERTAKINGS
(2016-2019)**

THIRTY EIGHTH REPORT

(Presented on 18th May, 2017)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2017

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2016-2019)

THIRTY EIGHTH REPORT

On

**Paragraph 4.12(2010-11) of the Report of the Comptroller and
Auditor General of India relating to Seven PSUs**

(Based on the Report of the Comptroller and Auditor General of India
for the year ended 31 March, 2011)

CONTENTS

	<i>Page</i>
Composition of the Committee ..	v
Introduction ..	vii
Report ..	1
Appendix I :	
Summary of main Conclusions/Recommendations ..	3
Annexures referred to in the Audit Reports	
Annexure 23 ..	4

COMMITTEE ON PUBLIC UNDERTAKINGS(2016-2019)

COMPOSITION

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 Thirty Eighth Report on Paragraph 4.12(2010-11) of the Report of the Comptroller and Auditor General of India relating to Seven PSUs, 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 Government 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 was made by the Committee on Public Undertakings constituted for the years 2014-2016 at its meeting held on 6-1-2016.

This Report was considered and approved by the Committee (2016-2019) at its meeting held on 26-4-2017.

The Committee place 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 thank the officials of the Industries Department of the Government Secretariat 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, Industries and Finance Departments who appeared for evidence and assisted the Committee by placing their views before it.

Thiruvananthapuram,
26th April, 2017.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

REPORT

ON

PARAGRAPH 4.12(2010-11) OF THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA RELATING TO SEVEN PSUS

AUDIT PARAGRAPH

Violation of Employees Provident Fund and Miscellaneous Provisions Act, 1952

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

13. Any sick industrial company as defined in clause (e) of sub-section (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.

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.

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 directed that recommendations made earlier during the consideration of the audit paras of same anomalies should be made applicable to all other PSUs:

2. Based on the above decision of the Committee, the following recommendations of the Committee should be made applicable to the following PSUs:

- i. KSEDC
- ii. Kerala Automobiles Limited
- iii. Keltron Component Complex Limited
- iv. Keltron Crystals Ltd.
- v. Keltron Resistors Ltd.
- vi. Keltron Magnetics Ltd.
- vii. Travancore Cochin Chemicals Ltd.

Conclusions/Recommendations

3. The Committee opines that the excess contribution to Provident Fund resulted in an irregular payment which reveals the inefficient administration of the Corporation. Therefore the Committee directs that all EPF contributions should only be in consonance with the existing statutory rules and orders.

Thiruvananthapuram,
26th April, 2017.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

Sl. No.	Para No.	Department Concerned	Conclusions/Recommendations
1	3	Industries	The Committee opines that the excess contribution to Provident Fund resulted in an irregular payment which reveals the inefficient administration of the Corporation. Therefore the Committee directs that all EPF contributions should only be in consonance with the existing statutory rules and orders.

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

(Amount in ₹)

Sl. No.	Name of Company	Total Wages	Actual EPF Contribution	Contribution limited to ₹ 6500	Excess Contribution
1	Kerala Minerals and Metals Ltd.	1538791262	184729393	62663640	122065753
2	Kerala Automobiles Ltd.	131164209	16095665	8835060	7260605
3	Kerala State Financial Enterprises Ltd.	1669955471	497165018	151744320	345420698
4	Transformers and Electricals Kerala Ltd.	652187892	78262547	30166500	48096047
5	Travancore Cochin Chemicals Ltd.	498587266	59834322	25127347	34706975
6	Kerala State Beverages (Manufacturing and Marketing) Corporation Ltd.	206952424	25092465	10030020	15062445
7	Keltron Magnetics Ltd*	7141850	857022	463692	393330
8	Keltron Resistors Ltd*	11977950	1437354	779263	658091
9	Keltron Crystals Ltd*	24694925	2963391	1728198	1235193
10	Keltron Component Complex Ltd.	170976625	20517195	8745009	11772186
11	Plantation Corporation of Kerala Ltd.	287318359	34511889	13845000	20666889
12	Kerala State Electronics Development Corporation Ltd.	900065670	115927873	51775332	64152541
13	Travancore Titanium Products Ltd.	762834006	91485148	33642180	57842968
	Total	6862647909	1128879282	399545561	729333721

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

©

Kerala Legislature Secretariat

2017

KERALA NIYAMASABHA PRINTING PRESS.