



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

74

FIFTY THIRD REPORT

(Presented on 11th December, 2014)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014**

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

FIFTY THIRD REPORT

On

**The Action Taken by Government on the Recommendations contained in the
Seventy Ninth Report of the Committee on Public Undertakings (2008-11)
relating to Kerala Automobiles Ltd. based on the Report of the
Comptroller and Auditor General of India for the year ended
31st March, 2005 (Commercial)**

CONTENTS

	<i>Page</i>
Composition of the Committee ..	v
Introduction ..	vii
Report ..	1
Chapter I : Replies furnished by Government on the recommendations of the Committee which have been accepted by the Committee with Remarks ..	2

COMMITTEE ON PUBLIC UNDERTAKINGS (2014-2016)

Chairman :

Shri K. N. A. Khader

Members :

Shri Abdurahiman Randathani

„ **A. A. Azeez**

„ **P. K. Gurudasan**

DR. N. Jayaraj

Shri Elamaram Kareem

„ **T. N. Prathapan**

„ **Palode Ravi**

„ **S. Sarma**

„ **P. Thilothaman**

„ **P. C. Vishnunadh**

Legislature Secretariat:

Shri P. D. Sarangadharan, Secretary

„ **M. K. Surendra Lal, Joint 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 Fifty Third Report on the Action Taken by Government on the recommendations contained in the Seventy Ninth Report of the Committee on Public Undertakings (2008-11) on the working of The Kerala Automobiles 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 were considered by the Committee constituted for the year (2011-14).

This Report was considered and approved by the Committee at the meeting held on 3rd September, 2014.

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

Thiruvananthapuram,
11th December, 2014.

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

REPORT

The report deals with the Action Taken by Government on the recommendations contained in the Seventy Ninth Report of the Committee on Public Undertakings (2008-11). The Seventy Ninth Report relating to Kerala Automobiles Limited is based on the report of the Comptroller and Auditor General of India for the year ended 31st March, 2005 (Commercial), which was laid on the Table of the House on 13th February, 2006.

The report contained 4 recommendations. Government furnished reply to all the recommendations. The Committee (2011-14) considered the replies received from Government at it's meeting held on 10th October, 2012.

The replies to the recommendation Nos. 1(10), 2(11), 3(12), 4(13) were accepted by the Committee with remarks. These recommendations their replies and the remarks of the Committee form Chapter I of the Report.

CHAPTER I

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

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/ Recommendations</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1, 2, 3, 4	10, 11, 12, 13	Industries	<p>The Committee notices that the decision of the Company to purchase bulk quantity of Elgi engines without conducting trial runs/trial purchase resulted in avoidable loss of ₹ 25.68 lakh, in addition to spoiling the market reputation of the Company. The Committee understands that 80% of the engines were procured after receiving complaints about the defects and poor quality of the engine from customers.</p> <p>The Committee further notices that the engines having manufacturing defects were returned to the Company at 50% of the purchase price. The Committee strongly opines that the Company was forced to return it's stock of defective engines at 50% of their purchase price to supplier because proper guarantee terms were not included in the purchase agreement. Had a clause stating that the supplier would be liable to replace engines with manufacturing defects, been included in the agreement, the supplier would have done it and the Company wouldn't have</p>	<p>The Company has noted all the recommendations of the Committee for strict compliance. The Company has constituted a Purchase Committee consisting of General Manager/ Deputy General Manager of the Company and a representative each from Materials Department, Quality Control Department, Production Department and Planning Department to vet the purchase proposals and forwards the same through the Finance Department to the Managing Director's concurrence. The Company has also streamlined the purchase procedures through the</p>

(1)	(2)	(3)	(4)	(5)
			<p>suffered loss in this account. The failure to include such a clause in the purchase agreement is viewed seriously and the Committee recommends that purchase terms should be re-defined so as to avoid such losses in future.</p> <p>The Committee comes to the conclusion that the Company suffered the loss because of the decision of the Company to buy bulk quantities without trial purchase and not stipulating provisions in the agreement for replacement guarantee.</p> <p>The Committee observes that the loss occurred, owing to the lapse on the part of the officials of the Company as they have ignored the complaints received from the customers. The Committee therefore recommends to take necessary steps to revamp the purchase wing and the customer care unit of the Company in order to ensure timely response for customer complaints and to avoid instances like this blind purchase in future.</p>	<p>A c c o u n t i n g Manual approved by the Board of Directors. In addition, as the company is ISO certified, there is specified procedure and terms matching the requirements of ISO 9001 in all purchases. The Company is giving due importance to customer care preference in order to respond to customer complaints.</p>

Remarks of the Committee: The Committee is dissatisfied with the reply furnished by the Government and is of the view that the action taken by the Government is not in accordance with the recommendations of the Committee. The Committee wants to identify the person responsible for the loss sustained by the institution and to fix his liability and to report the action taken in this regard to the Committee.

Thiruvananthapuram,
11th December, 2014.

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