



**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

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

**SEVENTY THIRD REPORT**  
(Presented on 23rd March, 2015)

SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2015

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

**SEVENTY THIRD REPORT**

**On**

**The Action Taken by Government on the Recommendations contained in the  
Sixty Ninth Report of the Committee on Public Undertakings (2008-11)  
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)**

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## COMMITTEE ON PUBLIC UNDERTAKINGS (2014-2016)

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Shri P. D. Sarangadharan, Secretary

Shri 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 Seventy Third Report on the Action Taken by Government on the recommendations contained in the Sixty Ninth Report of the Committee on Public Undertakings (2008-11) on the working of the 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 year (2014-16).

This Report was considered and approved by the Committee at the meeting held on 11-2-2015.

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

Thiruvananthapuram,  
23rd March, 2015.

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

## **REPORT**

The Report deals with the Action Taken by the Government on the recommendations contained in the Sixty Ninth Report of the Committee on Public Undertakings (2008-11) 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 Sixty Ninth Report of the Committee on Public Undertakings (2008-11) was presented to the House on 30th June, 2009. The Report contained nine recommendations and the Government furnished replies to all the recommendations. The Committee (2014-16) considered the replies received from the Government at its meeting held on 6-8-2014 and accepted the replies without any remark. The recommendations and their replies furnished by Government are included in this Report.

REPLY FURNISHED BY GOVERNMENT WHICH HAS BEEN ACCEPTED BY THE COMMITTEE  
WITHOUT 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	15	Food and Civil Supplies	<p>The Committee finds that even though the Company initiated computerisation 20 years ago and spent Rs. 2.65 crore on it, it did not achieve its objective of timely rendition of accounts for efficient management decisions and generation of accurate and timely reports owing to partial computerization and lack of connectivity. The Committee understands that computerization in the Company was implemented without applying any standard methodology to design and develop a system. The Committee realises that the decentralized software used in the depots instead of a centralised one having uniform code is one of the reasons for the non-materialization of</p>	<p>Supplyco has implemented computerization in depots and outlets in phases, through Depot Management Software (DMS) and Outlet Management Software (OMS) respectively.</p> <p>Supplyco Head Office was also computerized and Software such as FAS, FMCG, Central Payment Software, Depot MIS etc. were developed and implemented to meet various requirements of the Company. To analyze and implement computerization procedures Supplyco had formulated a modernization committee at Head Office. Steps have been taken to achieve the total connectivity of Supplyco establishments throughout the</p>

the benefit of the system. Hence the Committee recommends that urgent steps be taken to plan a standard methodology and suitably modify the existing system so that there is total connectivity and also to achieve the goals of computerization towards efficient management and control overall aspects of functioning of the various units of the company.

state. As on 31-12-2010, total number of 1172 outlets are connected with broadband connection. As new outlets are being opened at a rapid pace, getting broadband connectivity is a continuous process. Similarly in few cases/location there is lack of broadband connectivity (170), where the connectivity will be provided as and when the necessary infrastructure like cabling and connectivity is provided by BSNL.

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The Committee finds that absence of a uniform code affected consolidation of sale and stock of all commodities at Regional/Head Offices and necessitated re-entry of data at the Regional Offices. The Committee therefore recommends that a unified commodity code should be used in all outlets/depots/offices for various items and medicines sold by the company.

As recommended by the committee steps were taken to achieve the uniformity in depot commodity codes. In this regard, MIS Division has provided a web utility to provide commodity codes to Supplyco depots. For new commodities the depots will submit request to MIS Division and it will be provided through the web utility software.



(1)	(2)	(3)	(4)	(5)
				Steps will be taken for the unification of commodity codes in outlets after the implementation of broadband internet connection.
3	17	Food and Civil Supplies	The Company had decided on computerization without ensuring the availability of the personnel needed for it. So the main advantage of computerization, i.e., transparent processing of transactions to serve as Management Information System (MIS) aid to management to effectively monitor procurement, pricing and storage of materials could not be derived by the Company. Hence the Committee recommends that the MIS division should be strengthened and urgent steps be taken by the company to identify persons from the available staff and to train them for support activities.	For the system support activities, Supplyco had selected fifteen Supplyco staff including Assistant Sales Man and Data Entry Operators as 'System Support Officers' and were given proper training in the concerned field. Now they are providing system support to the Supplyco depots and outlets throughout the state. The proposal for appointment of seven Junior Manager (IM) is pending with PSC.

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4	18	„	To make the computer system in the Company effective and efficient, the Committee recommends that the company should define the job specifications and responsibilities of all staff dealing with the IT system and the duties of each person/level should be clearly demarcated.	The duties and responsibilities of the IT staff are clearly defined, through various orders and circulars and performance is monitored through weekly work done statement, to be sent by each System Support Officer, Assistant Manager (MIS) and Manager (MIS)
5	19	„	In order to avoid unauthorized access and tampering of data, unique user ID and passwords should be maintained.	The system of ' <i>user ID and Passwords</i> ' were incorporated in Depot Management Software (DMS). The software provides various access levels to the users. Depot Management Software administrator could allot/restrict access levels to the users on the basis of specific requirements.
6	20	„	The Committee finds that the system now in use is unable to capture short collection, short remittance etc., and hence no action can be taken immediately to rectify the same. The Committee recommends that suitable software for sales accounting system at outlets be used as early as possible, after providing training to the available personnel	Supplyco has developed and implemented Outlet Management Software (OMS) in all computerized outlets. The software provides collection and remittance details of the concerned outlet. Adequate training to the Supplyco staff was given before the implementation of this software. It is

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(1)	(2)	(3)	(4)	(5)
			<p>in its use so that the sales and accounts of each day can be reconciled on that day itself.</p>	<p>expected that, after the broadband internet connection in all outlets and depots, various activities and the accounts could be effectively monitored and consolidated. Necessary corrections have been made in the system to detect short remittance/collections etc.</p>
7	21	<p>Food and Civil Supplies</p>	<p>The Committee finds that while dealing with IT related matters, the IT Department which is the nodal department relating to computerization was not consulted by the Company. The Committee further observes that almost all Public Sector Undertakings in the State are wasting money by purchasing computers. The Committee remarked that the Government is doing nothing to ensure the benefit of information technology inspite of spending huge amounts on it. The Committee therefore recommends that Government should see that the amounts allotted for computerization is not spent just on purchase</p>	<p>Computerization is a dynamic activity and it is neither possible nor desirable to have a static plan with technology evolving everyday. This evolution coupled with expansion of our own activities requires constant upgradation of both hardware and software and utility of system is only around two years. Further benefit achieved through computerization are most of the time intangible in nature, like better monitoring, review, speed etc. Today the company has attained an annual turnover of more than Rs. 2,200 crore and the amount spent on computerization can be considered fruitful</p>

of computers but is fruitfully used to improve efficiency and root out malpractices. The Committee may be informed of the steps taken by Government to make computerization in the Company effective.

not only for hardware but also for software. Supplyco had also requested to sanction the post of professionally qualified System Support Officers in order to meet our service requirements related to computerization. However Government rejected the proposal and directed the redeployment of Supplyco personnel for the intended purpose.

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The Committee understands that members of the Director Board of Kerala State Civil Supplies Corporation are not attending the meeting of the Board regularly inspite of repeated requests. The Committee finds that even the representative of the Finance Department to the Board is not attending the meeting due to fear of financial liability. The Committee therefore recommends that all members of the Director Board should be made liable and responsible for the decisions of the Board irrespective of whether they are attending the meetings or not.

Secretaries in the Finance Department have to attend a number of meetings apart from the Board meetings. Most of the Public Sector Undertakings convene the meetings of the Board of Directors without enquiring the convenience of the officers, who may often have to attend other meetings which might have been fixed earlier on the same date and time. This often makes it difficult to attend some of the Board meetings. Even though all the Chief Executive Officers of Public Sector Undertakings have been directed vide Circular No. 58/2009/Fin. dated 23-7-2009

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(copy enclosed) Annexure I to ensure that the agenda and notes for the Board meeting reach the Directors concerned at least 10 days before the meeting, these are received late, in many cases the previous day resulting in failure to attend it due to shortage of time. The Finance Department has issued directions to all concerned in the matter for strict compliance (Circular No. 63/2010/Fin. dated 6-7-2010 (copy enclosed) (Annexure II).

The recommendation of the Committee, that all the members of Director Board should be made liable and responsible for the decisions of Board irrespective of whether they attended the meeting or not cannot be insisted upon, as nobody can be penalized for the wrong doings of a corporate body, when they could not participate in the meeting due to unavoidable reasons and express their opinions. The practice of granting leave of absence is for such reasons. However, deliberate absence would not be tolerated.

- 9 27 Food and Civil Supplies The Committee suggests that Audit Committee meeting attended by internal and statutory auditors also should be held periodically for effective decision taking. The Committee recommends that stringent action should be taken to discourage the practice of non attendance by the members of the Director Board of an important public undertaking. The Committee strongly recommends to take urgent necessary steps to submit the annual reports of the Company to the House and to forward the Minutes of all the Board meetings to the Accountant General as early as possible.
- Audit Committee, as mandated by Section 292 A of Companies Act, 1961, has been constituted by Kerala State Civil Supplies Corporation Ltd. Minutes of the Board meetings are being forwarded to AG. The Annual Reports up to the year 2008-09 have already been forwarded to Legislature Secretariat and Statutory Audit for the year 2009-10 is in progress. The same also will be submitted shortly.

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Thiruvananthapuram,  
23rd March, 2015.

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

## ANNEXURE I



## GOVERNMENT OF KERALA

## FINANCE (PUBLIC UNDERTAKING.C) DEPARTMENT

CIRCULAR

No. 58/2009/Fin

Dated, Thiruvananthapuram, 23.07.2009

Sub: - Furnishing of meeting notices and agenda notes for the Board Meetings well in advance- general instructions issuing - Regarding

It has come to the notice of Government that the Meeting Notices as well as the Agenda notes for the Board Meetings of Public Sector Undertakings/Statutory Bodies/Autonomous Institutions are often received at the last moment or a day prior to the Board Meetings. This does not enable a fruitful discussion and also officers are often not able to attend meetings in time.

2. In the circumstances, the Chief Executive Officers of all the Public Sector Undertakings, Statutory bodies and Autonomous Institutions are hereby instructed to furnish the Meeting Notices and Agenda Notes for the Board Meetings well in advance at least 10 days before the meetings so as to enable the concerned Officers to studying the Agenda Notes and to attend the meetings.

3. The Chief Executive Officers of all these Public Sector Undertakings, Statutory Bodies and Autonomous Institutions are also requested to include the Status of Audited Accounts of the organization in the Agenda Notes at least every quarter so that the accounts are not kept in arrears for audit etc.

L.C.GOYAL

Principal Secretary (Finance)

To

- The Accountant General (Audit), Kerala, Thiruvananthapuram.
- The Accountant General (A&F), Kerala, Thiruvananthapuram
- All Public Sector Undertakings/Boards/Autonomous Bodies etc.
- All departments in the Secretariat.
- The Director, Bureau of Public Enterprises, Thiruvananthapuram.
- The Director, Information and Public Relations, Thiruvananthapuram.
- The Nodal Officer, [WWW.finance.Kerala.gov.in](http://WWW.finance.Kerala.gov.in)
- Strook file/Office Copy.

## ANNEXURE II



GOVERNMENT OF KERALA

Finance (Public Undertakings-B) Department

## CIRCULAR

No. 63/2010/Fin.

Dated, Thiruvananthapuram, 6<sup>th</sup> July, 2010.

**Sub:—Non-Attendance of Officers of Finance Department, in the Meetings of the Board of Directors—Regarding**

**Ref.—Circular No. 58/2009/Fin dated 23-7-2009.**

It has come to the notice of the Government that Officers in Finance Department who are nominated to the Boards of Directors of several PSUs/ Statutory Bodies/Autonomous Institutions are not regularly attending the Board meetings citing personal and official inconveniences. The officers in the cadre of and above Joint Secretary are often Board members of a number of PSUs and Institutions and they have also to attend other Official meetings regularly. Most of the PSUs are fixing the dates for the Board meetings without seeking the convenience of the Officers of Finance Department who often have to attend various important meetings of Legislature/Committees/Working Groups etc., which may have been fixed earlier on the same date and time. This often leads to non-attendance of Officers in some of the Board meetings. Moreover, it is also noticed that "NOTICE" and "Agenda Notes" for the meetings are often received very late from most of the PSUs. This causes much inconvenience to the Officers to attend the meetings with due preparation. In the Circular cited above, it was instructed to make available to the Directors the agenda notes at least 10 days before the meetings, but these instructions are not seen scrupulously followed by the PSUs/Statutory Bodies, Autonomous Institutions etc.



2. In the circumstances, the following instructions are issued for strict compliance by all concerned -

(i) The CEOs of all PSUs/Statutory Bodies/Autonomous Institutions are requested to contact the Directors representing Finance Department, well in advance before fixing the dates of the Board meetings, so that the meetings can be fixed taking their convenience also.

(ii) The CEOs/Company Secretaries of all PSUs, Statutory Bodies and Autonomous Institutions are also requested to ensure that the agenda notes reach the Director concerned in Finance Department at least 10 days before the meeting as directed in the Circular No. 58/2009/Fin dated 23-7-2009.

(iii) The Secretaries of Administrative Departments are also requested to ensure that the orders nominating the representatives of Finance Department on the Boards of PSUs etc. are issued immediately on receipt of the intimation/proposal regarding the same by them.

(iv) All Officers in the Finance Department nominated in Various Boards, Statutory Bodies and Autonomous Institutions etc. are directed to attend the meetings without fail. If they have any inconvenience, the same should be intimated to the MD/CEO/Company Secretary of the PSU/Body/Institution well in advance so that leave of absence can be granted.

L. C. GOYAL,

*Additional Chief Secretary (Finance).*

To:

The Principal Accountant General (Audit), Kerala, Thiruvananthapuram.  
 The Accountant General (A & E), Kerala, Thiruvananthapuram.  
 All CEO's of PSUs/Statutory Bodies/Autonomous Institutions etc.  
 All Departments in the Secretariat.  
 The Director, Bureau of Public Enterprises, Thiruvananthapuram.  
 The Nodal Officer, [www.finance.Kerala.Gov.in](http://www.finance.Kerala.Gov.in).  
 All Officers of Finance Department of and above the rank of Under Secretary.  
 Stock file/Office copy.

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