



FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

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

SIXTY SEVENTH REPORT

(Presented on 22nd March, 2018)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2018

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

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

SIXTY SEVENTH REPORT

On

**The action taken by Government on the Recommendations contained in the
Hundred and Fourth Report of the Committee on Public Undertakings
(2014-2016) relating to Kerala Minerals and Metals Limited, based
on the Report of the Comptroller and Auditor General of India
for the years ended 31 March 2011 and 2012 (Commercial)**

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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

Shri A. Abdul Kharim, Additional Secretary

Shri Mathewkutty G., 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 their behalf, present this Sixty Seventh Report on Action Taken by Government on the Recommendations contained in the Hundred and Fourth Report of the Committee on Public Undertakings (2014-2016) on the working of Kerala Minerals and Metals Limited based on the Report of the Comptroller and Auditor General of India for the years ended 31 March 2001 and 2002 (Commercial).

The Statement of Action Taken by the Government included in this Report was considered by the Committee constituted for the year (2016-2019) at the meeting held on 17-7-2017.

This Report was considered and approved by the Committee at its meeting held on 12-3-2018.

The Committee places on record its appreciation for the assistance rendered by the Accountant General (Audit), Kerala during the examination of the Action Taken Statements included in this Report.

Thiruvananthapuram,
12th March, 2018.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

REPORT

This report deals with the action taken by Government on the recommendations contained in the Hundred and Fourth Report of the Committee on Public Undertakings (2014-2016) relating to Kerala Minerals and Metals Limited based on the Report of the Comptroller and Auditor General of India for the years ended 31 March 2001 and 2002 (Commercial).

The Hundred and Fourth Report of the Committee on Public Undertakings (2014-2016) was presented to the House on 18th February 2016. The Report contained 12 recommendations in Para numbers 6 to 10, 16 to 18, 20, 22, 24 and 27 of which the Government furnished Statement of Action Taken on 6-6-2017. The Committee(2016-2019) considered the Action Taken Statements furnished by the Government at its meeting held on 17-7-2017.

The Committee accepted the replies to the recommendations in Para Nos.6, 7, 8, 9, 10, 20, 22, 24 and 27 without remarks. These recommendations and the replies furnished by the Government form Chapter I of the Report.

The Committee accepted the reply to the recommendations in Para Nos. 16, 17 and 18 with remarks. These recommendations, the reply furnished by Government and the remarks of the Committee form Chapter II of the Report.

CHAPTER I

**REPLIES FURNISHED BY THE GOVERNMENT ON THE
RECOMMENDATIONS OF THE COMMITTEE WHICH
HAS BEEN ACCEPTED BY THE COMMITTEE
WITHOUT REMARKS**

Sl. No.	Para No.	Department Concerned	Conclusions/ Recommendations	Action Taken by the Government
(1)	(2)	(3)	(4)	(5)
1	6	Industries	The Committee expresses strong displeasure for the decision of the company to amend the work order which resulted in the loss of ₹ 51.87 lakh. The Committee feels that there was some vested interest from the part of the officials who took such a decision by ignoring the accepted terms and conditions already prescribed in the work order. The Committee is of the opinion that the then Managing Director is liable in the matter as he is responsible for the actions of his	As recommended by the Committee the advise of Law Department has been obtained in the matter. The Law Department has advised that as per rule 32.0 (I) of Kerala Minerals and Metals Ltd. Conduct, Discipline and Appeal Rules, 1998 for Managerial and Supervisory Personnel, departmental proceedings can be instituted against any ex-officer of the company in respect of an event which took place during his employment in the company but not more than 4 years before such institution. Since the alleged event took place on 30-3-2007 is more

			subordinates. The Committee demands to furnish the details of persons responsible for the lapse occurred.	than 9 years ago it is impossible to institute disciplinary proceedings against the retired officers of the company now. In view of the advise of Law Department Government have directed Managing Director, KMML to finalise disciplinary action against the employees who are responsible for irregular payment of service tax and are continuing in the service.
2	7	Industries	The Committee is surprising to note that the Company did not take any action against the persons responsible for the loss even after it was pointed out by the Accountant General. The Committee flays the laxity occurred on the part of the officers in leaving such serious matters unnoticed. The Committee also suspects that the negligence was deliberately done in order to protect some officials involved in the matter.	In the meantime, Vigilance and Anti Corruption Bureau has ordered quick verification of certain transactions of KMML in which payment of service tax is also included. The current status of the matter including the quick verification by Vigilance and anti Corruption Bureau was placed before the Board of Directors in its 227th
3	8	Industries	The Committee directs to verify whether any	

			<p>additional financial commitment has occurred in the matter and to furnish the details regarding how the order has been implemented. The Committee recommends to fix the responsibility upon the persons including the Managing Director for the lapses occurred and to realize the amount from them.</p>	<p>meeting held on 7-11-2016 and the Board directed to initiate domestic enquiry as per applicable Act, rule etc. The Managing Director has reported that the recommendation of the Board of Directors on the above, is being done.</p>
4	9	Industries	<p>The Committee suggests to seek legal advice from the Law Department in the matter of taking Criminal case and other appropriate actions against the liable persons.</p>	
5	10	Industries	<p>The Committee also demands explanation for the delay occurred in submitting reply to the audit paragraphs.</p>	

6	20	Industries	<p>The Committee expresses its dissidence at the explanation given by the witness regarding the interest rate and the restrictions for withdrawing money from the treasury. The Committee directs to furnish the details regarding the reason for non investment of Fixed Deposit in the treasury.</p>	<p>The audit has taken an interest rate of 7.5% to 10% for Treasury deposit for the period January 2009 to February 2011, which is not correct. It may kindly be noted that the rate of 10% was for a period of three years and above and that too was revised to 8% with effect from 1-10-2009 vide G.O.(P) No.419/09/Fin dated 30-9-2009. This was subsequently revised to 8.5% with effect from 7-4-2010 vide G.O.(P) No.228/10/Fin dated 8-4-2010. The deposit rate in treasury for one year was only 7.5% during the audit period. As the market of Titanium Dioxide is unpredictable and KMML is managing its funds requirements from own sources, deposit for a period of 3 years is a risky affair if the company is forced to close the deposit</p>
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				<p>prematurely to meet its working capital requirement. In the case of premature closure of fixed deposit, the interest rate applicable for the period run alone is received and that too after deducting penalty @ 1%.</p> <p>The Managing Director, KMML reported that the company has been depositing its funds only in Scheduled Banks, which have given the competitive interest rates and which are quarterly compounding as against simple interest given by treasury. If the company have fixed deposits in the banks, temporary loans can be easily availed against the security of fixed deposits whereas this facility is not available in treasury deposits. It is also reported that company had also experienced difficulty in retrieving money of more than one</p>
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				crore a day from the treasury deposit.
7	22	Industries	The Committee learns with displeasure that violation of the purchase manual had occurred in the company as per the direction of the Board. Therefore, the Committee directs to furnish an explanation regarding the dispensable act of the company for violating Government order.	After it has been pointed out by the Audit, the tender cost is being collected as per the Government order from October 2011. KMML has switched over to E-tender. The purchase procedure has been revised and approved by the Board of Directors of the company in which it is clearly mentioned that tender documents may be priced in line with the guidelines issued by the Government from time to time.
8	24	Industries	The Committee admits the explanation of the witness that the EPF Scheme was being continued as a part of the benefits to the employees as provided earlier, however it urges that existing statutory provisions should also be complied by the authorities to	The Matter was placed before the Board of Directors of the company. The Board approved full contribution without limiting the pay to Rs. 6500 (now revised to Rs. 15,000) and decided to seek approval from the Government for the same. There are many such cases from other Public Sector also

			avoid irregular payments in future.	awaiting approval from the Government.
9	27	Industries	<p>The Committee views with serious concern that the Company is misusing its operational freedom, so that along with making profit loss, corruption and malpractice are prevailing in the Company. Therefore, the Committee recommends that the higher officials of the Company should be more vigilant to avoid the recurrence of such instances in future.</p>	<p>Procurement of Oxygen from M/s Praxair India Ltd. at higher rate was unavoidable for the uninterrupted operation of the plant as supplies from other parties became inconsistent due to severe power crisis in Karnataka and Pondichery. Inviting fresh two part competitive offers was also time consuming which would have resulted in huge production loss. The contribution received from the production is much higher than the additional marginal increase in amount incurred for procuring the required quantity of oxygen. However, as directed by the Committee the company agrees that they will be more vigilant in future.</p>

CHAPTER II

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

Sl. No.	Para No.	Department Concerned	Conclusions/ Recommendations	Action Taken by the Government
(1)	(2)	(3)	(4)	(5)
1	16	Industries	The Committee observes that the company had gone in for blind purchases without evaluating the technical compatibility which resulted in the loss of 32.28 lakh. The Committee remarks that lack of planning with poor technical knowledge resulted in the non-utilization of the pump which forced the Company for the repayment of duty with interest as per the Export Promotion Capital Goods Scheme. The Committee is aggrieved to observe that the Company did not	This matter being investigated by the Vigilance and Anti Corruption Bureau from November 2011 onwards. Hence no domestic enquiry was conducted to ascertain the responsibility. The investigation by vigilance and Anti Corruption Bureau has been completed and it was decided to refer the case as Mistake of Facts since no sufficient evidences could be proved against the accused persons. It was also recommended that the Administrative authorities of industries department may be directed to enquire into the reasons for not installing

			avail the concessions provided by the Government of India.	the pump which led to the payment of customs duty and to fix responsible Officials and appropriate action may be initiated against such erring officials including recovery of the amount.
2	17	Industries	<p>During witness examination the Committee remarked that as the case was referred for Vigilance enquiry and the enquiry has been progressing the decision of the Committee would be finalised after getting some details from the department and wanted to furnish the details within one week. The Committee also directed the secretary to submit a satisfactory reply about the whole deal along with the following details:</p> <ol style="list-style-type: none"> 1. The persons involved in the purchase 2. The Engineer who was responsible in the deal 3. The reason behind the decision to introduce a different system in the place of an existing system 	<p>The vigilance enquiry report in this regard with recommendations received in the administrative department only on 2-12-2016.</p> <p>The recommendation of the vigilance and Anti-corruption Bureau is being carried out in a time bound manner and those responsible for the loss of the undertaking will be listed out after formal enquiry and details will be furnished to the committee on finalization of the enquiry at Administrative level.</p>

			<p>4. The defects if any of the existing pump with the details of its working conditions</p> <p>5. The details regarding the payment of duty for the purchase of the pump</p> <p>6. The reason for the non-installation of the new pump</p> <p>7. The reason for not conducting a higher level enquiry in the matter</p> <p>8. The reason for disobeying the stipulation of the Central Government in the scheme</p>	
3	18	Industries	<p>But the details sought by the Committee has not been furnished by the department so far and the Committee views the attitude of the department as very serious. The committee urges the department that the above details should</p>	

			be submitted within 30 days to the Committee along with the findings in the Vigilance enquiry and the action taken as per the enquiry report.	
Remarks:—The Committee desires to know the present position of the administrative level enquiry regarding purchase of submersible type pump when vertical centrifugal pump was being in use in the factory and not installing the imported pump.				

Thiruvananthapuram,
12th March, 2018.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

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