



**FIFTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE**

**ON**

**PUBLIC UNDERTAKINGS  
(2021-23)**

**FOURTH REPORT**

(Presented on 16<sup>th</sup> March 2022)

SECRETARIAT OF THE KERALA LEGISLATURE

THIRUVANANTHAPURAM

2022

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(2021-23)**

**FOURTH REPORT**

**On**

**The action taken by Government on the Recommendations contained in the Thirtieth Report of the Committee on Public Undertakings (2016-19) relating to Kerala Civil Supplies Corporation Limited, based on the Report of the Comptroller and Auditor General of India for the year ended on 31<sup>st</sup> March 2013**

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## COMMITTEE ON PUBLIC UNDERTAKINGS (2021-23)

### COMPOSITION

***Chairman:***

Shri. E Chandrasekharan

***Members:***

Shri A.P.Anilkumar

Shri Anwar Sadath

Shri K .B. Ganesh Kumar

Shri T. V. Ibrahim

Shri P. Mammikutty

Shri K. P. Mohanan

Shri D. K. Murali

Shri P. Nandakumar

Shri Kadakampally Surendran

Shri P. Ubaidulla

***Legislature Secretariat:***

Shri S.V. Unnikrishnan Nair, Secretary

Shri Thrideep.K.G., Joint Secretary

Smt Jayasree. M, Deputy Secretary

Shri. Sajeevan. P. K., Under Secretary

## **INTRODUCTION**

I, the Chairman, Committee on Public Undertakings (2021-23) having been authorised by the Committee to present the Report on their behalf, present this Fourth Report on the Action Taken by Government on the Recommendations contained in the Thirtieth Report of the Committee on Public Undertakings (2016-19) relating to Kerala State Civil Supplies Corporation Limited, based on the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2013.

The Statement of Action Taken by the Government included in this Report was considered by the Committee at its meeting held on 16.09.2021.

This Report was considered and approved by the Committee at its meeting held on 03.02.2022

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

Thiruvananthapuram,  
16.03.2022.

**E.CHANDRASEKHARAN**  
*Chairman,*  
*Committee on Public Undertakings.*

## **REPORT**

This Report deals with the action taken by Government on the recommendations contained in the Thirtieth Report of the Committee on Public Undertakings (2016-19) relating to Kerala State Civil Supplies Corporation Limited, based on the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2013.

The Thirtieth Report of the Committee on Public Undertakings (2016-19) was presented to the House on 18<sup>th</sup> May 2017. The Report contained 4 recommendations and the Government furnished replies to all the recommendations.

The Committee considered the replies received from the Government at its meeting held on 16.09.2021.

The Committee accepted the replies to the recommendations in Para Nos. 16, 17 and 19 without remarks. These recommendations and the replies furnished by the Government form Chapter I of this Report.

The Committee accepted the reply to the recommendations in Para No. 18 with remarks. This recommendation, the reply furnished by the Government and remarks of the Committee forms Chapter II of this Report.

## CHAPTER – I

### REPLIES FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE 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	16	Food & Civil Supplies	The Committee strongly disapproves with the reply of the witness which affirms that the Corporation had always gained profit since 1974 and that the Corporation conducted the tender process fairly and properly. Though the Corporation invited tender through electronic media the Committee finds that the finalisation and selection of tenders lacked objectivity and post negotiations were followed in most of the Purchase Orders.	The conclusion arrived by the Hon. Committee will be considered for future guidance.
2.	17	Food & Civil Supplies	Besides, the Committee is very much displeased with the flaws in procurement procedure adopted by the Corporation. Though e-tender system is being followed to make procurement more fair and transparent, the Committee has observed several lapses. Unhealthy practices like opening of financial bids whose technical bid has been rejected, inviting all tenderers besides L1 for	Based on the observation of C&AG, the Board of Directors reviewed the policy on negotiation and decided not invite all the vendors for negotiation, but only the lowest vendors.

			<p>negotiations, revising rates and increasing offered quantity during negotiation etc. were prevalent in most of its purchase. Bidders resort to extensive negotiations leading to unhealthy competition like collusion and Cartel formation. It is found that in the case of defaulted sugar suppliers, the Corporation did not take any action against them even though the penal provisions are there in the tender conditions. Violating the tender conditions and awarding purchase order worth ₹1.22 crore for the purchase of rice was another glaring example of an unfair purchase plan that makes a substantial pay out of the Corporation.</p>	
3	19	Food & Civil Supplies	<p>The Committee also observes that it was poor market intelligence which rendered the Corporation a failure in ensuring cost effectiveness in purchase. Therefore, the Committee recommends the rejuvenation of the market intelligence system for ensuring competitiveness. Offers may be thoroughly negotiated with details received on the wholesale price of different commodities from various sources and locations available in the website of department of Economics and Statistics, GoK on daily basis.</p>	<p>The recommendations of the Committee have been noted and the market intelligence system will be suitably rejuvenated for ensuring competition and the indicative price of various commodities available from various sources will be considered when prices are negotiated.</p>



## CHAPTER – II

### REPLY FURNISHED BY THE GOVERNMENT OF THE RECOMMENDATION 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	18	Food & Civil Supplies	The Committee is of the opinion that all malpractices had led to severe losses for Corporation and the Committee strongly voices its protest against such malpractices which blatantly violate the norms of purchase manual and tender procedures and recommends that norms should be scrupulously followed, and any violation in this regard shall be seriously viewed. Therefore the Committee recommends to carryout a detailed enquiry regarding purchase, quality, quantity and distribution of commodities in the cases pointed out by Accountant General.	The Finance Inspection Wing in Government conducted an enquiry and based on the recommendation, Government directed the Supplyco to recover Rs.108 crore from M/s. Dharani Sugars & Chemicals Limited and Rs.18 lakhs from M/s. Ponni Sugars Limited for not supplying the required quantity of sugar as in the purchase order of Corporation. The Supplyco was also directed to initiate strict disciplinary action against the Head Office Management Committee members responsible for the lapse.

**Remarks**

The Committee realizes that the Government had directed the Corporation to recover ₹108 crore from M/s.Dharani Sugars & Chemicals Limited and ₹18 lakhs from M/s. Ponni Sugars Limited for not supplying the required quantity of sugar as in the Purchase Order of the Corporation.

The Committee expresses its strong displeasure on the reply by the Government as it did not specify whether the amount had been realised. Therefore, the Committee directs to furnish a detailed report on the realisation of amount within two months.

Thiruvananthapuram,  
16.03.2022.

**E.CHANDRASEKHARAN,**  
*Chairman,*  
*Committee on Public Undertakings.*