



FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE

ON

**PUBLIC UNDERTAKINGS
(2023-26)**

TWENTY EIGHTH REPORT

(Presented on 25th June 2024)

SECRETARIAT OF THE KERALA LEGISLATURE

THIRUVANANTHAPURAM

2024

FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

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**PUBLIC UNDERTAKINGS
(2023-26)**

TWENTY EIGHTH REPORT

On

**Oil Palm India Limited &
The Plantation Corporation of Kerala Limited**

**(Based on the Report of the Comptroller and Auditor General of India for
the years ended 31st March, 2016, 2018 & 2019)**

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COMMITTEE ON PUBLIC UNDERTAKINGS

(2023-26)

COMPOSITION

Chairman:

Shri E. Chandrasekharan

Members:

Shri A.P. Anilkumar

Shri Anwar Sadath

Shri Ahammad Devarkovil

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:

Dr. N. Krishna Kumar, Secretary

Shri Venugopal R., Joint Secretary

Shri Anilkumar B., Deputy Secretary

Shri Mohanan O., Under Secretary

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2023-26) having been authorised by the Committee to present the Report on its behalf, present this 28th Report on Oil Palm India Limited & The Plantation Corporation of Kerala based on the report of the Comptroller and Auditor General of India for the years ended 31st March, 2016, 2018 and 2019 relating to the Public Sector Undertakings of the State of Kerala.

The aforesaid Reports of the Comptroller and Auditor General of India was laid on the Table of the House on 23.05.2017, 24.08.2020 and 10.06.2021 respectively. The consideration of the audit paragraphs included in this report and the examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings (2021-2023) at its meeting held on 08.11.2022.

This Report was considered and approved by the Committee (2023-2026) at its meeting held on 20.06.2024.

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

The Committee wishes to express thanks to the officials of the Agriculture department of the Secretariat, The Oil Palm India Limited and The Plantation Corporation of Kerala 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, Agriculture and Finance Department and the officials of the Oil Palm India Limited & The Plantation Corporation of Kerala who appeared for evidence and assisted the Committee by placing their views before the Committee.

Thiruvananthapuram,
25th June 2024.

E. CHANDRASEKHARAN
Chairman,
Committee on Public Undertakings.

**REPORT
ON
OIL PALM INDIA LIMITED &
THE PLANTATION CORPORATION OF KERALA LIMITED**

Oil Palm India Limited - Audit Report (2015-2016)

3.5 Irregular appointment of employees in PSUs, Forest and Public Works Departments

Appointment of employees in violation of existing Government directions and irregular regularisation of temporary employees resulted in failure to ensure transparency and fairness in recruitment.

3.5.1 - Public Sector Undertakings (PSUs) appoint employees on permanent and temporary basis. As per circular issued (5 September 1986) by Planning and Economic Affairs (Bureau of Public Enterprises) Department, Government of Kerala, all employees of PSUs, excluding workers (covered under the Factories Act) and supervisory or managerial personnel (whose basic starting salary exceeds ₹700¹), are to be recruited through the Kerala Public Service Commission (KPSC). For this, the PSUs were to frame Staff Regulation/ Recruitment Rules and include the name of the PSU in the list of PSUs specified under sub rule (d) of rule 2, Kerala Public Service Commission (Consultation by Corporation and Companies) Rules, 1971.

We examined recruitment process in eight² PSUs, Forest and Public Works Departments. Audit findings are as follows:

3.5.3 Irregular engagement of temporary staff

As per the provisions of the Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959, vacancies³ for contract employment exceeding three months were to be notified to the Employment Exchanges. Further, for such employment, Rules for Reservation in Government Service

¹ Salary as of September 1986 excluding Dearness Allowance, incentive bonus, annual bonus, etc.

² Kerala Small Industries Development Corporation Limited, Kerala Industrial Infrastructure Development Corporation, Kerala State Construction Corporation Limited, Indian Institute of Information Technology and Management, Kerala, The Kerala State Financial Enterprises Limited, Kerala State Industrial Enterprises Limited, Oil Palm India Limited and Kerala State Poultry Development Corporation Limited.

³ Does not apply to vacancies in relation to any employment to do unskilled office work.

shall be applicable. According to Rule 14 of Rules for Reservation in Government Service, unit of appointment for the purpose of reservation shall be 20, out of which two shall be reserved for persons belonging to Scheduled Castes and Scheduled Tribes, eight for other backward classes and remaining 10 shall be from the open category. We observed that six⁴ PSUs and one department engaged 1686 contract employees, without notifying the vacancies to Employment Exchanges as detailed in Table 3.13.

Table-3.13: Engagement of temporary staff

Sl. No.	Audit findings	Management/ Government Reply
6	OPIL ⁵ Seven employees against four posts were appointed on contract/daily wage basis for which there were no sanctioned post.	OPIL replied (November 2016) that the temporary employees were engaged with the <i>bonafide</i> intention of running the rice mills at a low cost.

The replies were only partially acceptable as temporary appointment had to be made from Employment Exchange against sanctioned posts only thereby ensuring transparency, equal opportunity and reservation rules in appointments. GoK should initiate action to fix responsibility for such stark disregard to rules and causing undue huge financial burden on public exchequer.

[Audit Paragraph 3.5 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2016]

(The notes furnished by the Government on the audit paragraphs are given in Appendix II)

4 SIDCO, Kerala State Construction Corporation Limited, Kerala State Financial Enterprises Limited, Oil Palm India Limited, Kerala State Poultry Development Corporation Limited and Kerala State Industrial Enterprises Limited.

5 Oil Palm India Limited.

Discussion and Findings of the Committee

The Committee sought clarification about the said audit reference. The witness stated that as part of diversification and as directed by the Government a rice mill was started in 2018 under the consultancy of KITCO for the welfare of farmers in Kuttanad. As per the report of KITCO the organisation required 34 employees, including 22 administrative staff and 12 technical staff for its functioning. But the Government sanctioned only 11 posts. The Oil Palm India Limited approached the Government for more personnel, as it was impossible to run the mill with 11 posts. Then the Government directed to deploy the staff from Oil Palm India Limited for the functioning of the mill. The audit objection was the outcome of such deployment. He also informed that these posts will be regularized when the Government sanction permanent posts.

The Committee appreciated Oil Palm India Ltd. for running the rice mill by deputing the employees without creating permanent posts. To a query about current functioning of the Oil Palm India Ltd. and the rice mill, the witness informed that though Oil Palm India Ltd. made profit in the previous year, the functioning of the rice mill is in crisis.

The Committee enquired about the details of the functioning of the Company and the new rice mill and the witness assured to submit the details.

Conclusion/Recommendation of the Committee

1. The Committee observes that though the Oil Palm India Limited had made profit in the previous year, the functioning of the rice mill started in 2018 is in crisis. So the Committee directs to submit a detailed report regarding the functioning of the Oil Palm India Limited along with the rice mill. The report should also contain the effective steps to be taken for making both units profitable.

The Plantation Corporation of Kerala Limited.

Audit Report (2017-2018)

Para 5.4 – Investment of surplus funds by Public Sector Undertakings.

Seven Public Sector Undertakings deposited their surplus funds in fixed deposits with scheduled/ co-operative banks in violation of directions of the Government. Moreover, these PSUs incurred loss of interest of ₹5.68 crore due to such deposit in banks.

According to the directions (January 2012) issued by the Government of Kerala (GoK), PSUs should deposit their own funds/ profits with banks only if it fetched more interest than that on Treasury Fixed Deposits. Treasury Fixed Deposits carried interest at the rate of 7.50 per cent per annum for periods ranging from 180 days to less than one year and 9 per cent for a period of one year and above with effect from 1 May 2015⁶.

During the three years from 2015-16 to 2017-18, out of 136 PSUs in the State, 64 PSUs registered profits as per their latest finalised accounts. In order to examine compliance of PSUs with the directions of the GoK on investment of surplus fund, Audit selected 14 out of the 64 profit making PSUs.

Audit noticed that:

- Out of the 14 PSUs, seven PSUs⁷ deposited their surplus funds of ₹554.37 crore in 570 fixed deposits (FDs) with scheduled/ co-operative banks when the rate of interest was lower than the rate offered by Treasury Fixed Deposits. This resulted in foregoing additional interest income of ₹5.68 crore.

⁶ Revised to 7.00 per cent and 8.50 per cent respectively with effect from 01/03/2017.

⁷ The Kerala State Financial Enterprises Limited (KSFE) – 186 FDs (₹181.74 crore), Kerala State Industrial Development Corporation Limited (KSIDC) – 275 FDs (₹272.55 crore), Malabar Cements Limited- 54 FDs (₹40 crore), Kerala Financial Corporation – 2 FDs (₹0.46 crore), Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited – 2 FDs (₹0.04 crore), The Plantation Corporation of Kerala Limited – 37 FDs (₹46.50 crore) and The Kerala State Backward Classes Development Corporation Limited - 14 FDs (₹13.08 crore).

Four PSUs namely, Malabar Cements Limited (MCL), Kerala State Industrial Development Corporation Limited (KSIDC), The Kerala State Financial Enterprises Limited (KSFE) and The Plantation Corporation of Kerala Limited (PCKL) replied (February/September 2018, May 2019) that there were difficulties in getting funds released from the Government Treasury due to temporary restriction on withdrawal limits etc.

The Finance Department, GoK replied (July 2019) that the PSUs were directed (August 2018) to deposit their own funds either in treasury or any scheduled bank according to their choice. The reply was not acceptable as the direction of GoK in August 2018 was not effective retrospectively and the deposits pointed out by Audit were made prior to it.

Thus, seven PSUs deposited their surplus funds in fixed deposits with scheduled/co-operative banks in violation of the directions of the GoK and incurred loss of interest of ₹5.68 crore.

[Audit Paragraph 5.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2018]

(The notes furnished by the Government on the audit paragraphs are given in Appendix II)

Discussion and Findings of the Committee

The Committee enquired about the audit references in question. The witness responded that the funds had been deposited in the nationalised banks on the basis of the decision of the Board of Directors that the funds of PCKL should be deposited in the financial institutions which offer higher rate of interest. He also informed that the Company currently had a deposit of 4.5 crore rupees in treasury and approximately 29 lakh rupees in Employees Welfare Society. The witness also informed that the company had no other investments since it had been

in loss for the last seven years. He assured that the Company will adhere to the Government instructions for depositing the surplus funds in future.

In response to a query of the Committee, the witness responded that the Plantation Corporation had to break the long term funds due to shortage of funds. The treasury do not have a Fixed Deposit scheme for less than 180 days which made the company to decide on depositing the funds in the nationalised banks.

The Committee accepted the reply. Hence no remarks.

Audit Report (2018-2019)

Para 5.6 – Non-achievement of intended benefits.

Stoppage of construction works due to non-obtaining of Government approval for revised estimate leading to non-achievement of intended benefits even after 12 years from the initial sanction of the project, despite incurring an expenditure of ₹5.62 crore.

As per Section 1601.1.6 of the Kerala Public Works Department Manual, a revised estimate must be prepared and got sanctioned: (a) when there are deletions, additions or alterations to the scope of the work as originally sanctioned, (b) when there are major structural alterations from the design as originally sanctioned, (c) when the cost of a work is likely to exceed by more than five per cent of technically sanctioned amount. The revised estimate should be prepared and approval obtained when any two of the above conditions are anticipated and the same should not be held back for approval till the work is completed or reaches an advanced stage of completion.

The Plantation Corporation of Kerala Limited (the Company) decided (December 2007) to construct an office-cum-shopping complex in order to utilise the commercial potential of the land situated along the National Highway at Kozhikode and to earn rental income. The projected profit and loss statement of

the project envisaged a profit after tax of ₹7.02 crore by 10th year. Based on a proposal forwarded (January 2008) by the Company, the Government of Kerala (GoK) accorded (August 2008) administrative sanction to the Company for the construction of an office-cum-shopping complex having nine floors at a total cost of ₹5.80 crore. The Company modified (November 2010) the design of the office-cum-shopping complex to comply with the requirements of town planning authorities and to ensure maximum use of available land. Due to this revision, the number of floors increased from nine to eleven and the project cost increased to ₹8.10 crore. The Board of Directors (BoD) approved (November 2010) the tendering of the works, limiting the expenditure within the amount sanctioned (₹5.80 crore) by GoK and directed the Company to obtain revised administrative sanction for ₹8.10 crore. Accordingly, the work was tendered (March 2013) reducing the scope of work to seven floors so as to limit the expenditure within the amount sanctioned by GoK. The construction work was awarded in September 2013 and was to be completed by June 2015⁸. Out of the total area of 31,696 sq. ft. tendered for construction, only 11,706.17 sq. ft. (36.93 per cent) could be completed till June 2016 and the works were stopped thereafter. As of March 2017, the Company incurred ₹5.62 crore⁹ for the project.

Audit observed that:

- The Company did not obtain administrative sanction from the GoK for the revised estimates though the conditions stipulated in the Kerala Public Works Department Manual necessitated obtaining sanction for the revised estimate. The direction (November 2010) of BoD and the recommendation (March 2016) of the consultant to obtain revised administrative sanction for the work were also not complied with by the Company as of November 2020. Hence, the Company could not continue the construction works as it

⁸ Later extended up to May 2016.

⁹ Civil works – ₹5.31 crore and Consultancy and other fees ₹0.31crore.

did not possess administrative sanction to incur expenditure beyond ₹5.80 crore though sufficient funds were available.

- The GoK, while approving the project, had directed (August 2008) the Company to avoid time and cost escalations. But the Company tendered the works only in March 2013 despite obtaining the building permit in September 2011. Due to delay in implementation of the project, the estimated cost (₹5.85 crore) of the works awarded (March 2013) to the contractor increased by ₹2.37 crore when it was revised in March 2016. The reasons for delay in tendering were not forthcoming from the files made available to Audit.
- While requesting (January 2008) the Government for administrative sanction for the project, the Company had prepared a financial viability report according to which the project ensured an Internal Rate of Return of 10.50 per cent. Audit, however, noticed that the Company did not review the viability of the project whenever the project cost was revised.

The GoK replied (November 2020) that it had accorded administrative sanction to the Company for construction of an office-cum-shopping complex having nine floors. The Company, however, did not seek sanction from the Government when the number of floors was increased to eleven by the consultant of the project.

Thus, stoppage of construction works due to non-obtaining of Government approval for revised estimate led to non-achievement of the intended benefit of earning rental income even after 12 years from the initial sanction of the project, despite incurring an expenditure of ₹5.62 crore.

Recommendation 5.6: Appropriate action may be taken to avoid recurrence of similar lapses while executing projects so as to achieve the intended benefits of the project. Further, the financial viability of the project may be reviewed in

view of the time lapse and cost escalation and steps may be taken to complete the construction in a time bound manner to achieve the benefits of investment made without further delay.

[Audit Paragraph 5.6 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2019]

(The notes furnished by the Government on the audit paragraphs are given in Appendix II)

Discussion and Findings of the Committee

When the Committee sought explanation on the audit reference, the witness agreed to the objections raised by the Accountant General. The witness replied that the Company decided to build a commercial complex in the heart of Kozhikode city in the hope of increasing and stabilising its finance. He also informed that the Government had accorded administrative sanction for the construction of an office-cum-shopping complex having nine floors at a total cost of ₹5.80 crore. Subsequently, the Company modified the plan and the number of floors were raised from nine to eleven and the project cost escalated to ₹8.10 crores. When the revised plan was placed before the consideration of the Board of Directors, it was decided to limit the expenditure to ₹5.80 crore as decided before by Government. Then the witness admitted the audit observation of delay in tendering the work which resulted in cost escalation. He explained, that the delay was caused since the company had the service of a mechanical engineer instead of a civil engineer during the time and the work could be started only after the appointment of a civil engineer later. He also added that though the soil testing agency proposed piling of only 10 meter depth but later it went up to twenty four meters. As a result, the company could complete only one-third of the work. After that as the company went to loss and ran out of cash, it could not continue the work. The newly appointed Management recommended for a vigilance enquiry in the matter and on the basis of the vigilance enquiry report domestic enquiry procedure had been

initiated against the Officers responsible. The Board of Directors also decided to examine the scope of the further development of the building with the assistance of banking institutions or by inviting Expression of Interest from public.

Then the Committee enquired about the current status of the building, The witness responded that only one-third of the work worth ₹5.62 crore had been completed there. As part of internal disciplinary departmental enquiry, the expenditure of ₹5.62 crore and the increase in the piling depth were also be examined.

To a query of the Committee regarding vigilance enquiry the witness responded that on the basis of the vigilance enquiry report, domestic enquiry procedure had been initiated and charge sheets were issued against the Officers responsible. He also added that the Company approached the Government for the further development of the building.

Then the Senior Audit Officer from AG objected to the argument of the Managing Director that Board of Directors had given permission to start the work with the old plan. A revised plan of the office-cum-shopping complex having 11 floors at a cost of ₹8.10 crore had been placed before the consideration of the Board of Directors in place of the old plan. The Board of Directors approved it and directed to obtain administrative sanction for the revised estimate of ₹8.10 crore from the Government. The Officer had pointed out the fact that the Company did not obtain administrative sanction for the revised estimate that led to the stoppage of work. He further added that the Company had sufficient funds during that time and would have completed the work if it had obtained administrative sanction on time. He also informed that the Corporation had not yet responded to the audit observation.

To a query regarding the soil testing agency the witness informed that the agency had been black listed and the company had been given charge sheet for not appointing qualified agency. Then he informed that the project was still viable and

doubted the relevance on insisting administrative sanction from the Government while the Company had sufficient fund of its own. To this the Senior Audit Officer responded that as per the Article of Association, the Company was allowed to utilize a certain amount. Then the witness responded that increase in the monetary limit of utilizing Company's own fund shall be considered.

The Committee observed that the reply on the audit para could not be accepted as the department had not yet given a proper clarification on the observation of AG regarding administrative sanction. So the Committee decided to seek clarification on these from the Company and urged to take steps to implement the project in a time bound manner.

Conclusion/Recommendation of the Committee:

2. *The Committee observes that the Government accorded administrative sanction to the Company for constructing a nine floor building at a cost of ₹5.80 crore. Then the Company revised the plan to construct a building of 11 floors and obtained the approval of Board of Directors who insisted for administrative sanction for the revised estimate prior to starting construction. But the Company started construction without even submitting for approval of revised estimate to the Government, in an arrogant manner in the light of the assumption that they have sufficient funds with them. The Committee view that the above procedure lapse is against the Articles of Association of the Company and PWD manual.*
3. *Hence the Committee strongly condemn the action of the Company for taking serious matters in a light vein and urged to take urgent disciplinary action against the responsible Officers and report to the Committee without delay.*
4. *The Committee also recommends that after completing the formalities the construction of the building should be completed in a time bound manner.*

Thiruvananthapuram,
25th June 2024.

E. Chandrasekharan,
Chairman,
Committee on Public Undertakings.

APPENDIX – I SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATION			
Sl. No.	Para. No.	Department Concerned	Conclusions/Recommendations
1	1	Agriculture	The Committee observes that though the Oil Palm India Limited had made profit in the previous year, the functioning of the rice mill started in 2018 is in crisis. So the Committee wants to submit a detailed report regarding the functioning of the Oil Palm India Limited along with the rice mill. The report should also contain the effective steps to be taken for making both units profitable.
2	2	Agriculture	The Committee observes that the Government accorded administrative sanction to the Company for constructing a nine floor building at a cost of ₹5.80 crore. Then the Company revised the plan to construct a building of 11 floors and obtained the approval of Board of Directors who insisted for administrative sanction for the revised estimate prior to starting construction. But the Company started construction without even submitting for approval of revised estimate to the Government, in an arrogant manner in the light of the assumption that they have sufficient funds with them. The Committee view that the above procedure lapse is against the Articles of Association of the Company and PWD manual.
3	3	Agriculture	Hence the Committee strongly condemn the action of the Company for taking serious matters in a light vein and urged to take urgent disciplinary action against the responsible Officers and report to the Committee without delay.
4	4	Agriculture	The Committee also recommends that after completing the formalities the construction of the building should be completed in a time bound manner.