



TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2006-2008)**

FIFTY SIXTH REPORT

(Presented on 10th December, 2008)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2008

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FIFTY SIXTH REPORT

**On
The Action taken by Government on the Recommendations contained
in the Fifty Seventh Report of the Committee on Public Undertakings
(2001-2004) relating to Kerala State Warehousing Corporation
based on the Report of the Comptroller and Auditor
General of India for the year ended 31st
March 1998 and 31st March 2000
(Commercial)**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2006-2008)

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INTRODUCTION

I, Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Fifty Sixth Report on the action taken by Government on the recommendations contained in the Fifty Seventh Report of the Committee on Public Undertakings (2001-2004) on the working of the Kerala State Warehousing Corporation based on the Report of the Comptroller and Auditor General of India for the years ended 31st March, 1998 and 2000 (Commercial).

The Statement of action taken by the Government included in this Report were considered by the Committee constituted for the year 2006-2008.

This Report was considered and approved by the Committee at the meeting held on 30-7-2008.

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

Thiruvananthapuram,
10th December, 2008.

MANKODE RADHAKRISHNAN,
Chairman,
Committee on Public Undertakings.

REPORT

The Fifty Seventh Report of the Committee on Public Undertakings (2001-2004) on Kerala State Warehousing Corporation (Agriculture Department) based on the Report of the Comptroller and Auditor General of India for the years ended 31-3-1998 and 31-3-2000 (Commercial) was presented to the House on 20th January, 2004.

The Report contains six recommendations, Government have furnished replies to all the recommendations. The Committee (2004-2006) considered the replies received from Government at its meeting held on 9-11-2005. The Committee wanted further details on paragraphs 3 (17), 4(18), 5(20), 6(21). The Committee (2006-08) at its meeting held on 5-2-2008 decided to prepare the action taken Report with the remarks of the Committee's displeasure over the reply furnished by Government.

The Committee accepted the replies to the recommendations No. 1(15) and 2(16) without any remarks. These recommendations and their replies form Chapter I of this Report.

The Replies to the recommendations No. 3(17), 4(18), 5(20) and 6(21) were accepted by the Committee with remarks. These recommendations, their replies and the remarks of the Committee form Chapter II of the Report.

CHAPTER I

**Replies furnished by Government on the recommendations of the
Committee which have been accepted by the Committee without remarks**

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department Concerned</i>	<i>Recommendations/Conclusions</i>	<i>Action Taken</i>
(1)	(2)	(3)	(4)	(5)
1	15	Agriculture Department	The Committee finds that there is delay on the part of the Warehousing Corporation in finalizing its annual accounts and that statutory audit is also in arrears. The Committee understands that the delay in auditing was due to the delay in appointing auditors. The Committee therefore, recommends that Government should appoint auditors immediately and accounts of the Corporation should be finalized within the time limit every year. The Committee observes that the system of budgetary control is very poor in the Corporation and there is great variation between the estimate and actuals in income and expenditure. The Committee recommends that preparation of budget should be more realistic and should be on the basis of the average figures for the previous five years, the capacity of godowns and rate of occupancy etc.	Accounts of the Corporation upto 2001-02 had been finalized and that of 2002-03 is in progress. AGM for 1999-2000 was held on 5-1-2004. Statutory Audit of Accounts for 2000-01 will be completed soon. AGM for 2000-01 will be held immediately on completion of Supplementary Audit by C&AG and on getting their Supplementary Audit Report. Corporation is taking earnest efforts to clear the backlog. Effort will be taken to minimize the variation between the estimates and actuals in income and expenditure.

(1)	(2)	(3)	(4)	(5)
2	16	Agriculture Department	The Committee finds that huge amounts were lying unutilized in the current accounts, and feels that not transferring them into fixed deposits was a serious lapse on the part of the Corporation. The Committee therefore recommends that steps should be taken to see that such lapses do not recur.	During the succeeding years funds were not kept unutilized in the current account and funds which are not immediately required are transferred to fixed deposit.

CHAPTER II

**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>Conclusion/Recommendation</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
3	17	Agriculture Department	The Committee finds that the Corporation was running on profit whenever Government took up schemes for procurement of agricultural products like copra etc. In the absence of such schemes, many of the godowns of the Corporation lie unutilized leading to financial loss. The Committee finds that due to a minor difference regarding the rent charged by the Corporation, the State Civil Supplies Corporation was not using the godowns of the Warehousing Corporation for storage, even though the Corporation had informed its willingness to accept the rate of rent offered by the Civil Supplies Corporation. The Committee therefore strongly recommends that the Kerala State Civil Supplies Corporation and other Government/Quasi Government agencies should utilize the godowns of the State Warehousing Corporation for storage and take on	Corporation is continuing its efforts to attract more business from customers including Civil Supplies Corporation. In spite of its earnest efforts and requests, Civil Supplies Corporation continues to hire private godowns in many places where Kerala State Warehousing Corporation have storage space. Government is taking suitable steps to prevent flow of Government money to private individuals by way of rent when sufficient space is available with a Public Sector Enterprise.

(1)	(2)	(3)	(4)	(5)
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rent other godowns only if the godowns of the Warehousing Corporation are not available.

Remarks of the Committee :

The Committee expressed its displeasure over the steps taken on the recommendation of the Committee and strongly recommends that the State Civil Supplies Corporation and other Government/Quasi Government agencies should utilize the godowns of State Warehousing Corporation for storage and take on rent other godowns only if the godowns of the Warehousing Corporation are not available.

4	18	Agriculture Department	The Committee observes financial mismanagement in the eagerness of the Corporation to construct new godowns and to acquire land for future expansion needs, even when its current percentage of utilization is very low. The Committee therefore recommends that proper study on the need and location of godowns should be conducted before investing money on the construction of new godowns.	The main objective of the Corporation is to increase the scientific storage space in the State and therefore acquires land and construct godowns in the State in a phased manner. The density of population in Kerala is high and is also a consumer State. The ownership of Kerala State Warehousing Corporation rests with Central Warehousing Corporation and State Government and Central Warehousing Corporation also have warehouses in the state in highly potential areas. State Warehousing Corporations
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(1)	(2)	(3)	(4)	(5)
				<p>are catering to the needs of storage space in other areas. It is well known that the return on investment will never be attractive in warehousing activity considering the huge investment in land and building and hence warehousing in private sector will not cater to the needs of the customers. Hence Government had come forward to establish Warehouses in the country and the Warehousing act was passed. Moreover Government of India had a scheme for setting up godowns in rural areas under 100% Centrally Sponsored Scheme to strengthen Public Distribution system, 50% of the assistance is loan and 50% subsidy. So Corporation established as per the Act has to construct godowns in urban and rural areas. Government of India had extended assistance to State Government to set up godowns in the State at places wherever land is available.</p>

(1)	(2)	(3)	(4)	(5)
				<p>Corporation had purchased land during past years for the construction of godowns taking into consideration the chances of future expansion. The Corporation could avail the central assistance through State Government to construct godowns at different places. At present the land at Moovattupuzha only is lying idle and construction of godown in all other places has been completed or nearing completion. Thus the State could utilize the amount sanctioned by Government of India, 50% of which is grant. If the Government departments and Government agencies like PWD, KSEB, Civil Supplies etc. strictly follow the directions issued by Government to utilize the warehouses of KSWC, Government money will not flow to Private individual by way of rent and the losses in storage due to hiring of unscientific godowns will be restricted.</p>

(1)	(2)	(3)	(4)	(5)
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Remarks of the Committee :

The Committee wants to know the details of the departments and the places where the godowns of the Warehousing Corporation are being utilized.

5	20	Agriculture Department	<p>The Committee finds that the purchase of land at Velloorkunnam Village in Moovattupuzha Taluk was done totally against the interest of the Corporation due to the following reasons:</p> <p>(1) The land was entirely unsuitable for the construction of a warehouse as it lacked access and was prone to flood.</p> <p>(2) This in effect would mean a huge increase in investment to overcome these drawbacks.</p> <p>(3) There was no chance of fair return on the huge investment.</p> <p>(4) Though the Corporation intended to build a new warehouse on the property and took advance</p>	<p>The reasons and circumstances led to the acquisition of land are given hereunder:—</p> <p>(1) Muvattupuzha centre was found to have good business potential and hence the Corporation decided to purchase land for its own scientific godown there.</p> <p>(2) The land was situated in Muvattupuzha Municipal town and very near to the market in Akbar Road (Muvattupuzha-Kothamangalam Road).</p> <p>(3) The price fixed by the District Collector was not acceptable to the land owner and it was not within the powers of the Corporation to offer a higher price than that fixed by the Revenue authorities to materialize the purchase early. So the Corporation resorted to the acquisition proceedings.</p>
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(1)	(2)	(3)	(4)	(5)
			possession of the property in June 1988, stating that the existing building there could be utilized in the meantime, it did not use the building at least once in the subsequent ten year upto March 1998.	(4) The Corporation being a Public Sector undertaking expected that the Municipality would permit us to use the existing pathway.
			(5) In order to ratify the purchase of the unsuitable land for which the Corporation had made an initial remittance of Rs. 46.92 lakhs. Government had now sanctioned Rs. 31 lakh for the piling work needed before construction of the warehouse.	(5) The Corporation was not aware of the flood threat since it was not a regular phenomenon occurring every year.
			(6) The District Collector has been entrusted with the work of procuring a passage to the plot, which will again result in huge expenditure.	(6) The land was taken in advance possession with the intention of utilizing it for godown construction.
				(7) But submergence of the land in flood of 1989 compelled the Corporation to reconsider the issue and the Government was requested to drop the acquisition proceedings. But on the basis of a suit filed by the land owner, the Government directed the Corporation to proceed with the acquisition.
				(8) The Corporation had not been informed either by the land owner or by the Revenue authorities that the said property was facing attachment against Government dues.

(1)	(2)	(3)	(4)	(5)
				(9) As a matter of fact the payment of compensation and the construction of godown were delayed because the final award is not yet published by Government.
				(10) The godown construction will be taken up after acquiring a suitable pathway.
				From the above facts it is established beyond doubt that the action taken by the Corporation was on its best interest and the delay in acquisition was due to reasons beyond its control.

Remarks of the Committee :

The Committee desires to be furnished with the present position of the land acquisition proceedings at Velloorkunnam Village, Moovattupuzha.

6	21	Agriculture Department	The Committee therefore recommends that an assessment should be made at Government level of the need for such huge investment, on the particular plot and ascertain whether fair returns could be expected on the investment. Then only should the Corporation be given	Now the Corporation is making efforts to get 4.5 cents of land to lay down an access road to the site for which administrative sanction is requested from Government. Meanwhile the Municipality of Muvattupuzha has come forward with a proposal for widening the existing foot path as a puca road
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(1)	(2)	(3)	(4)	(5)
			the green signal for construction of the godown. Otherwise appropriate action should be taken to prevent further locking up of funds.	for which they have requested to provide our land. The Corporation can construct the godown in the land in its possession when the access road/Municipal road is constructed after getting the site raised to the required height. The process of acquisition of land at Muvattupuzha is underway.

Remarks of the Committee :

The Committee is not satisfied with the reply furnished by Government and opines that the reply to the recommendation is not to the point and wants to be furnished with the present position relating to the construction of godown.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
10th December, 2008.

*Chairman,
Committee on Public Undertakings.*