



**TWELFTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2008-2011)**

**FIFTY EIGHTH REPORT**

(Presented on 25th February, 2009)

SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2009

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**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
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**FIFTYEIGHTH REPORT**

**On**

**The action taken by Government on the Recommendations contained in the  
Twenty Eighth Report of the Committee on Public Undertakings  
(2001-2004) relating to Kerala State Road Transport  
Corporation based on the Report of the Comptroller and  
Auditor General of India for the years ended  
31st March 1990, 1991, 1992 and  
1996 (Commercial)**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2008-2011)

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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 Eighth Report on the action taken by Government on the recommendations contained in the Twenty Eighth Report of the Committee on Public Undertakings (2001-2004) on the working of the Kerala State Road Transport Corporation based on the Report of the Comptroller and Auditor General of India for the years ended 31st March, 1990, 1991, 1992 and 1996 (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 23-12-2008.

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,  
25-2-2009.

MANKODE RADHAKRISHNAN,  
*Chairman,*  
*Committee on Public Undertakings.*

## REPORT

This Report deals with the Action Taken by Government on the recommendations contained in the Twenty Eighth Report of the Committee on Public Undertakings (2001-2004) relating to Kerala State Road Transport Corporation, based on the Reports of the Comptroller and Auditor General of India for the years ended 31st March 1990, 1991, 1992 and 1996 (Commercial) which was presented to the House on 25th June, 2003.

The Report contained 9 recommendations. Government have furnished replies to all the recommendations. The Committee (2006-2008) considered the replies received from Government at its meeting held on 6-11-2006 and wanted further details on the replies to the recommendations on paragraphs 2 (15), 5 (27) & 6 (28). The Committee took evidence from the Principal Secretary, Transport Department at its meeting held on 4-6-2008 and decided to prepare the action taken Report with the remarks of the Committee's displeasure over the reply furnished by Government.

Chapter I of the Report contains the recommendations No. 1 (9), 3 (19), 4 (20), 7 (30), 8 (31) and 9 (32) and their replies furnished by Government which have been accepted by the Committee.

The replies to the recommendations No. 2 (15), 5 (27) and 6 (28) 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>Conclusion/ Recommendation</i>	<i>Action taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1	9	Transport	<p>The Committee points out that KSRTC had incurred unnecessary expenditure of Rs. 12.77 lakh by purchasing spring assemblies and leaves from Ashok Leyland Ltd. instead of purchasing them direct from Auto Pins (India) Ltd. The contention of KSRTC that the products routed through Ashok Leyland were of superior quality than those directly supplied by Auto Pins Ltd. lacks justification in the absence of any tests being conducted to prove that the item supplied by Auto Pins were of inferior quality. Moreover the Company had been using spare parts supplied by Auto Pins (India) Pvt. Ltd. under the brand name 'Sireco' and if the company wanted spring assemblies having roll reduction ratio of 36:1, it should have been specified in the purchase order. The Committee, therefore recommends that while making purchases,</p>	<p>In adherence to the recommendations of the Committee, KSRTC is purchasing Spring Assemblies and leaves by operating ASRTU rate contract and inviting tenders from the SSI Units within Kerala State. On quality consideration original equipment suppliers having ASRTC R/C is considered among R.C. Holders.</p> <p>KSRTC is now following the recommendations of the COPU while inviting tenders and making purchases. The balance 30% purchase was made from M/s. Fexon Auto sales &amp; M/S Maruthi Sales Corporation (Both were SSI Units) and the remaining 30% from R/C holders vide decision of the Board in its 198th Meeting. As no valid R/c holders were available at that time, the remaining 25% purchase was made from the</p>

(1)	(2)	(3)	(4)	(5)
1	9	Transport	<p>due care should be taken by the concerned officials of the Corporation to include all the necessary specifications in the tender and the Corporation should stick to the tender specifications while making purchases. The corporation should go in for purchases at higher rates only on the basis of solid proof of better quality of the goods. The committee also desires to be informed of the details regarding the firms from which the balance purchase was made, the price of each consignment, the date of supply whether any purchase was made from Ashok Leyland Ltd or TELCO, whether there was difference in rates offered by these companies and other RC holders, whether a decision to purchase the items directly from Auto Pins (India) Ltd, was taken, and if so, when the policy decision of direct purchase was taken etc.</p>	<p>following firms as per Board decision in its 200th meeting</p> <ol style="list-style-type: none"> <li>1. M/s. Jamna Auto Industries : 10%</li> <li>2. M/s. Akal Springs (P) Ltd : 5%</li> <li>3. M/s. Auto Pins : 5%</li> <li>4. M/s. Canara Workshops Ltd : 5%</li> </ol> <p>The remaining 5% purchase was made from SSI Units. A copy of the comparative statement showing item wise rates of 7 firms is enclosed as annexure II for reference. Almost all firms supplied the items within 4 months after placing purchase orders. No purchase was made from Ashok Leyland and Telco for the balance quantity. The corporation has purchased 5% of the items directly from M/s. Auto Pins. Correct rate of purchase and other details could not be furnished for want of relevant records.</p>
3	19	Transport	<p>The Committee finds that the Corporation could take no action against the bidder who failed to pay for</p>	<p>Modifications in the system for disposal of scrapped tyres have been made as per the recommendation of the</p>



(1)	(2)	(3)	(4)	(5)
3	19	Transport	and lift the entire quantity of goods due to the failure to execute an agreement for satisfactory fulfillment of the contract.	committee. The scrapped tyres are disposed of by sale on Tender cum Auction.
4	20	Transport	The Committee opines that the system being followed in the KSRTC for sale of scrapped tyres needs modification. The committee recommends that tenders should be awarded only after executing an agreement with the bidder for the satisfactory fulfillment of the contract. If the highest bidder is reluctant to execute the agreement, the second highest bidder should be given an opportunity and the auction fixed in his favour thus avoiding any loss by way of re-auction.	1/3rd of the bid amount of successful bidders are being collected before giving confirmation. Also the bidders are insisted to execute agreement in stamped paper worth Rs. 50/-. In short the Corporation is now following the system as recommended by the committee in respect of sale of scrapped tyres.
7	30	Transport	The Committee observes serious lapse in the financial management of the Company. No efforts was being made to cut down unnecessary expenditure. Gross overestimation of power requirement and wrong classification had led to the loss of lakhs of rupees to the Corporation.	Action has been initiated to avail HT supply at Regional Workshop Mavelikkara and to execute fresh agreement with KSEB in order to reduce the contract demand. An estimate for providing 11 KV sub station at Regional Workshop was submitted before the Board of Directors of the corporation and got the

(1)	(2)	(3)	(4)	(5)
7	30	Transport		approval. Now the work is on tendering stage. After completing the work, a fresh HT agreement can be signed with KSEB as per the required maximum demand. An 11 KV substation was installed during 2001 and connections of body building unit was catered into HT supply as stage I. The second stage of work was also arranged during 2002-03 and the work is in progress. After the work the whole LT connections of central works can be switched over to 11 KV sub station.
8	31	Transport	The committee points out that if timely action was taken to get the demand reduced and also for rectifying the wrong classification of consumer category, the over payment on energy charges could have been saved.	Action has been initiated to rectify the wrong classification of tariff to the workshops attached to various bus stations of the Corporation throughout the state. In most of the units wrong classifications has been rectified. In the remaining units the
9	32	Transport	The Committee therefore recommends that in future strict Vigilance should be shown in such matters and unnecessary and wasteful expenditure should be identified and plugged immediately.	verification is pending due to non-segregation of loads and standardization of wirings. Action will be taken to correct the tariff of the pending cases without further delay.

## 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)
2	15	Transport	The Committee finds that the KSRTC has been unduly favouring MICO with bulk orders at higher rates even though Jay Engineering Works was willing to provide the same products of good quality at lower rates. They were even supplying the Company's requirement of fuel injection pump parts in case of non-supply by MICO. In spite of all these, the Company had been placing bulk orders on MICO, overriding the FA & CAO's direction in August 1988 to purchase the entire quantity from JEW on account of the lower rates and acceptable quality. The Committee feels that there is malafide intentions on the part of the senior officials of the Corporation who issued orders for bulk purchase at higher rates from MICO ignoring the directions of FA & CAO.	M/s. Jay Engineering works developed only vital components such as Elements, Nozzles and delivery valves whereas MICO was the only manufacture of 100% CE suppliers to the vehicles manufactures and were in rate contract with ASRTU for indefinite period. KSRTC considered Jay Engineering works as only second source of supply for the vital parts of Fuel Injection equipments. Even though the cost of MICO spares were comparatively high, the usage of their products tendered trouble free performance and fuel efficiency giving good financial savings in the long run. Quality and life aspects are to be considered while placing purchase order. Moreover the vehicle manufactures would disregard the warranty claims of KSRTC, if the Corporation has used

(1)	(2)	(3)	(4)	(5)
			<p>The Committee, therefore, recommends that an enquiry should be conducted in the case and strong action be taken against the officials responsible for causing unnecessary loss of lakhs of rupees to the Corporation. The Committee also suggests that steps should be taken in order to recover the amount from the responsible officials. The details of action taken should be intimated to the Committee.</p>	<p>non CE components in the vital equipments. For the above reasons the Board used to purchase 25% only from JE Works by overlooking the recommendation of the FA &amp; CAO. The concerned file could not be traced out inspite of repeated efforts. A proper and comprehensive enquiry into the reported irregularities in the purchase could not, therefore, be conducted and the officials responsible could not be identified. A special team was constituted for tracing out the missing file and team has furnished its report that in spite of thorough search, the missing file could not be traced out.</p>

*Remarks of the Committee :*

The Committee recommends that the Corporation should conduct vigilance enquiry through Vigilance and Anti-corruption Bureau on all matters concerned with the missing of the file.

5	27	Transport &	<p>The Committee opines that timely non-reconciliation of accounts with treasuries is a grave lapse on the part of the concerned officials. Audit had reviewed the drawing accounts of four</p>	<p>As per the recommendations of the Committee the corporation has already issued memo No. TRUD 4600/03, dt. 31-10-2003 to all its unit officers directing to reconcile the remittance</p>
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(1)	(2)	(3)	(4)	(5)
5	27 &	Transport	unit offices and found unutilized amounts ranging from Rs. 0.51 lakh to Rs. 8.71 lakh pending reconciliation for years. It is likely that the same is the case with almost all the other unit offices, while the Corporation continued to depend on borrowed funds at high interest rates for its daily needs.	and withdrawals from Treasury/Bank every month.
6	28	Transport	The committee recommends that each and every unit offices of the Corporation should reconcile the accounts with the treasuries every month as per the instructions contained in the "Handbook of Commercial Accounts". Strict action should be taken against those who fail to do so.	

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*Remarks of the Committee :*

The Committee wants to know the present position regarding the reconciliation of the remittance and withdrawals.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,  
25-2-2009.

*Chairman,*  
*Committee on Public Undertakings.*