Overview

About this report

This Report presents the summary of financial performance of State Public Sector Enterprises (SPSEs), oversight role of Comptroller and Auditor General, corporate governance and corporate social responsibility. Besides this, the significant results of the compliance audits of Government companies and Statutory corporations for the year ended 31 March 2023 have been presented in this Report.

Audit of Government companies is governed by Sections 139 and 143 of the Companies Act, 2013 (Act). The accounts of Government companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit by the CAG. Audit of Statutory corporations is governed by their respective legislations.

Chapter I Summary of Financial Performance of SPSEs

Audit Coverage

There were 149 SPSEs under the audit jurisdiction of the Comptroller and Auditor General of India as on 31 March 2023. This Report deals with the analysis of financial position and performance of 131 working PSEs. Eighteen PSEs which were defunct/ non-working/ under liquidation are not covered in this Report.

(Paragraph 1.1.4)

Investment by State Government

As on 31 March 2023, the total investment by Government of Kerala (GoK) in 131 working PSEs was ₹22,318.09 crore comprising equity share capital of ₹10,015.46 crore and long term loans of ₹12,302.63 crore.

(Paragraph 1.2)

Performance of PSEs

Out of 131 working PSEs, 58 PSEs earned profit of ₹1,368.72 crore as per their finalised accounts submitted till September 2023 while 66 PSEs incurred losses of ₹1,873.89 crore. Four PSEs have incurred no profit/loss. There were three PSEs which were yet to furnish the first accounts for review of CAG.

(Paragraphs 1.3.1 and 1.3.2)

Net worth/ Accumulated loss

Seventy-seven working PSEs had aggregate accumulated losses of ₹18,026.49 crore as per their latest finalised accounts. Of the 77 PSEs, the net worth of 44 PSEs had been completely eroded by accumulated loss and their net worth was negative. The net worth of these PSEs was (-)₹11,227.04 crore against equity investment of ₹5,954.33 crore. Out of 44 PSEs, whose capital had been eroded, 40 PSEs reported loss of ₹1,684.48 crore, three PSEs had a profit of ₹736.97 crore and one PSE reported no-profit-no loss as per their latest finalised accounts.

(Paragraph 1.3.3)

Dividend payout by PSEs

Seven PSEs declared dividend of ₹35.83 crore as per their latest finalised accounts furnished during 2022-23. The return in the form of dividend on aggregate investment of ₹6,322.26 crore in 58 profit earning PSEs was 0.57 *per cent*. Fifty five profit earning PSEs had not declared dividend or declared dividend lesser than the percentage stipulated by GoK and there was shortfall of ₹873.18 crore in the payment of dividend to GoK.

(Paragraph 1.3.4)

Chapter II Oversight role of CAG

Out of 131 working PSEs, only sixteen PSEs (including one Statutory corporation) submitted their accounts for the financial year 2022-23 for audit within stipulated period representing merely 12.21 *per cent* of the total number of working PSEs. 103 PSEs submitted a total of 179 arrear accounts (pertaining to prior periods of 2011-12 to 2021-22) for audit by CAG.

Out of the two Statutory Corporations, where C&AG is the sole auditor, Kerala State Road Transport Corporation has a pendency of seven years (2016-17 to 2022-23) as on 30 September 2023.

(Paragraph 2.3.2)

Age-wise analysis of the delay in submission of accounts by 115 PSEs revealed that submission of 270 accounts (for FY 2022-23 and earlier) was still pending, as on 30 September 2023.

Further, for delay of six years and above (*i.e.* beyond 2017-18), 51 accounts were pending from seven PSEs; for three to five years (*i.e.* 2018-19 to 2022-23) 108 accounts were pending from 29 PSEs, for two years (*i.e.* 2021-22 and 2022-23) 64 accounts were pending from 32 PSEs.

(Paragraph 2.3.2.1)

Chapter III Corporate Governance

Board of Directors

Out of 131 working PSEs, 97 companies and four Statutory corporations had furnished (till 31 December 2023) the details regarding Corporate Governance which were considered for analysis. Out of the 97 PSEs, 20 PSEs did not conduct the mandatory four meetings of the Board of Directors during 2022-23. Eleven out the 17 public companies which satisfied the criteria, had not appointed independent directors in the Board.

(Paragraphs 3.2.1 and 3.2.2)

Audit Committee

Audit Committee was constituted in 35 (including two Statutory corporations) out of 101 PSEs. Out of 35 PSEs, the Audit Committee of 11 PSEs did not evaluate the internal financial control systems, 14 PSEs did not review and monitor the Statutory auditors' performance and effectiveness of audit process, seven PSEs did not review financial statements and auditors' reports, 14 PSEs did not review the findings of CAG and examine the management letters issued by CAG, and 24 PSEs did not discuss the nature and scope of audit with the Statutory auditors before commencement and after completion of audit to focus on the areas of concern.

(Paragraph 3.4.2)

Chapter IV Corporate Social Responsibility

Audit reviewed the Corporate Social Responsibility (CSR) activities carried out by 14 Companies which satisfied at least one of the criteria specified in subsection (1) of Section 135 of the Companies Act 2013. It was seen that 13 companies had constituted CSR committees and that all the 14 companies had framed CSR policy as approved by their respective Boards. Nine companies did not have an annual CSR Plan for their reporting years. Regarding utilisation, four companies spent the exact prescribed amount (₹5.90 crore) and three companies spent more than the prescribed amount (₹2.77 crore). Four companies had non/ short payment of CSR to the extent of ₹1.54 crore.

(Para 4.5.2.1)

Health and women empowerment activities (37 *per cent* and 36 *per cent*) respectively, were the main focus areas and secured maximum funding.

(Para 4.5.3.2)

Chapter V Compliance Audit Paragraphs

Tendering Process for Procurement of Goods in The Kerala Minerals and Metals Limited

The Board of Directors approved (2016) New Purchase Procedure (NPP) which contained deviations from the Stores Purchase Manual (SPM) of GoK. Audit noticed instances of circumvention of tendering process. The Bid evaluation process was defective on many counts which included modification to pre-qualification criteria, inconsistencies and deficiencies in tender terms and conditions, and non-compliance with the relevant provisions of SPM and NPP which resulted in award of contracts to ineligible bidders. The tender finalisation process too was marred with multiple instances of splitting of order quantity, absence of formal agreement with suppliers, *etc.,* due to which the loss suffered on account of breach of contract by suppliers could not be recovered by the Company.

The review of tendering process by Audit revealed the following deficiencies:

- Procurement of 14 materials costing ₹19.59 crore was made without inviting tender, thereby defeating the principles of economy, efficiency, transparency, and fairness in procurement process.
- There was splitting of order quantity among bidders, which introduced bias, obscured transparency and fairness in procurement, and led to extra expenditure of ₹4.87 crore, on purchase of Calcined Petroleum Coke, Sodium Silicate and Petcoke.
- Despite the approval of revised cost of two pre-heaters from GoK in 2020 and a lapse of five years from the date of CoPU recommendation (June 2018), the Company did not procure Tickle pre-heaters till date (April 2024). This inordinate delay deprived the Company of savings in cost of 9,504 MT of LPG, leading to avoidable expenditure of ₹50.40 crore during 2013-23.
- As open e-Tender was not invited to ensure competition and fair price discovery, the Company did not ensure economy in procurement and incurred an extra expenditure of ₹21.47 crore in the purchase of chemicals, which were available for supply at lower price than what were paid for by the Company.
- The Company neither gathered market intelligence before procurement nor approached Petroleum and Natural Gas Regulatory Board for relief. As a result, the Company procured LNG at higher prices and incurred an extra expenditure of ₹1.70 crore on nominated purchase.

(Paragraph 5.1)

Non-banking Financing Activities of Kerala State Industrial Development Corporation Limited

The deficient credit appraisals before sanction of loans and deviation from loan policy and laid down government guidelines resulted in fixation of lower interest rate leading to consequent revenue loss of ₹5.95 crore as well as sanction of loans amounting to ₹47.65 crore to ineligible borrowers. Non-adherence to or relaxation of pre-disbursement conditions resulted in early/undue release of loan tranches. Recovery efforts by KSIDC were delayed due to non-adherence to directives, undue favours to loanee units, and absence of timely remedial action.

Absence of timely remedial action (inclusive of possible legal remedies) towards recovery of dues by the Company resulted in a loss of ₹28.64 crore from a borrower. In a separate case, the Company neither initiated any recovery measures nor invoked the personal guarantees of the promoters, but granted further time extension to a company, which had violated the High Court's directive to remit 20 *per cent* of the OTS amount within the specified deadline.

(Paragraph 5.2)

Avoidable expenditure due to delayed payment of GST

Belated payment of GST and delay in filing of GST returns by Travancore Cements Limited resulted in avoidable expenditure towards interest and late fee of ₹1.59 crore.

(Paragraph 5.3)

Avoidable extra expenditure on procurement of white clinker

Delay on the part of the Government in constituting the Board of Directors of Travancore Cements Limited resulted in procuring white clinker at higher rates at an extra expenditure of ₹0.45 crore.

(Paragraph 5.4)

Undue benefit earned by way of interest from Grants-in-aid of Central Government

Handicrafts Development Corporation of Kerala Limited violated the provisions of General Financial Rules, 2017 as it failed to remit to the Consolidated Fund of India, the interest of ₹1.16 crore earned from deposit of Central Government's Grants-in-aid.

(Paragraph 5.5)

Avoidable payment of GST

Failure to avail exemption under the relevant provisions of GST in the execution of contract with a private party by Kerala State Road Transport Corporation resulted in avoidable payment of GST of ₹1.55 crore.

(Paragraph 5.6)