



TWELFTH KERALA LEGISLATIVE ASSEMBLY

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

TWENTY SEVENTH REPORT

(Presented on March 21, 2007)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2007

TWELFTH KERALA LEGISLATIVE ASSEMBLY

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

TWENTY SEVENTH REPORT

On

**The action taken by Government on the Recommendations contained in the
Fortieth Report of the Committee on Public Undertakings (2001-2004)
relating to Kerala State Electricity Board based on the Report
of the Comptroller and Auditor General of India for the
year ended 31-3-1997 (Commercial)**

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COMPOSITION OF THE
COMMITTEE ON PUBLIC UNDERTAKINGS (2006-2008)

Chairman :

Shri Mankode Radhakrishnan

Members :

Shri P. K. Abdu Rabb

- „ A. A. Azeez
- „ M. Chandran
- „ C. M. Dinesh Mani
- „ K. T. Jaleel
- „ K. K. Jayachandran
- „ P. J. Joseph
- „ K. Kunhiraman
- „ K. Sudhakaran
- „ K. C. Venugopal.

Legislature Secretariat :

DR. N. K. Jayakumar, Secretary

Shri R. Vijayakumar, Joint Secretary

- „ K. Mohanakumar, Deputy Secretary
- „ C. R. Reghunathan Pillai, Under Secretary.

INTRODUCTION

I, Chairman, Committee on Public Undertakings (2006-2008) having been authorized by the Committee to present the Report on their behalf, present this Twenty Seventh Report on the action taken by Government on the recommendations contained in the 40th Report of the Committee on Public Undertakings (2001-2004) on the working of the Kerala State Electricity Board based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 1997 (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 15-3-2007.

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.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
21-3-2007.

*Chairman,
Committee on Public Undertakings.*

REPORT

The 40th Report of the Committee on Public Undertakings (2001-2004) on Kerala State Electricity Board based on the report of the Comptroller and Auditor General of India for the year ended March 31,1997 (Commercial) was presented to the House on 30-7-2003.

The report contained 8 recommendations. The Committee (2006-2008) considered the reply received from Government at its meeting held on 23-8-2006.

The Committee accepted the reply to the all recommendations without any remarks. The recommendations of the committee and the reply furnished by Government are given in the succeeding pages.

**Reply furnished by Government on the recommendations
which has been accepted by the committee**

<i>Sl. No.</i>	<i>Para No.</i>	<i>Conclusions/ Recommendations</i>	<i>Action Taken By Government</i>
(1)	(2)	(3)	(4)
1.	36	<p>The Committee finds that there was gross mismanagement in pole casting activities undertaken by the Kerala State Electricity Board during the five year period from 1992-93 to 1997-98. The overall achievement in line extension works in respect of low tension consumers is mainly dependent on the availability of PSC poles. Even when the receipt of PSC poles cast during the five years upto 1996-97 was only 31, 42 and 58 per cent of the demanded quantity, the Board had not done any assessment to find the impact of the shortfall in receipt of poles on the line extension works. No quarterly/half yearly/annual reviews are being conducted by the KSEB at present regarding the pole casting activities undertaken by them. It is amazing to note that no proper account regarding the supply/utilisation of raw materials supplied to the pole casting contractors are being maintained in the respective stores. The Committee understands that so many undue concessions</p>	<p><i>Para 36 to 43</i></p> <p>In view of the recommendations of the Committee Government have decided to conduct a Vigilance Enquiry to enquire into the whole pole casting activities undertaken by the Kerala State Electricity Board from 1991 onwards in a time bound manner so that the officials responsible for the loss sustained by the exchequer be made accountable</p>

(1)	(2)	(3)	(4)
		<p>were given to the contractors who are entrusted with the manufacture and supply of PSC poles. It is surprising to note that in already concluded agreements reduction in monthly targets, escalation in the rates of transportation, preparation time of two to three days after temporary hold ups etc. were allowed in individual contracts through negotiations with the pole casting contractors association even though such concessions were not contemplated in the individual contracts. The Committee observes that there is no justification for the deviation from the conditions stipulated in the contracts and deplores the action of the officials of the Board in allowing such undue concessions.</p>	
2	37	<p>Yet another instance that has come up before the Committee is the placing of orders as extension to the already completed contracts while the rates in the ongoing contracts with same contractors were lower. The loss on account of this is calculated by the Audit as Rs. 27.94 lakh. The argument put forth by the Board for their actions is that even if fresh tenders were called for, the rates would have been higher. But this argument has proved to be</p>	

(1)	(2)	(3)	(4)
		<p>wrong since it could be noted that in the yard at Choolisseri when fresh tenders were called for, for the manufacture of nine meter poles the rates were much lower than that was paid to the contractor who was given extension of the already completed contract. More over in almost all the case where escalation was paid it could be seen that the amount was paid even when the delay in supply has occurred solely due to the fault of the contractor. The loss on account of this alone as pointed out by the Audit is Rs. 35 lakh.</p>	
3	38	<p>The Committee is shocked to note that the irregular condonation of delay in the supply of demanded quantity of different sizes of poles had caused loss running into crores of rupees to the KSEB. It could be seen that the officials of the Board were placing new contracts for supply at enhanced rates on the same contractors even before the entire quantity of poles ordered is supplied by them thereby abetting the contractors to ignore the earlier contract and take up the new contract at much higher rates. The matter gets still serious when it is considered that the Board supplies the raw materials</p>	

(1)	(2)	(3)	(4)
		for the casting of the poles. The loss incurred by the Board by way of this undue benefit to the contractors is calculated as Rs. 355 lakh.	
4	39	Another instance that have come up before rate and admission of higher rates in cases where the rates quoted were firm. The justification given by the Board for this is that the firm rate as quoted by the contractor was revised as the supply was for a period of five years and no contractor will be able to supply at fixed rate for such a long period. Such kind of argument of the Board raised doubt whether they are speaking on behalf of the contractors. The Committee finds no justification for the lifting of the 10% ceiling in the escalation as agreed by the contractor in this contract at a later stage on his representation which has resulted in an avoidable expenditure of Rs. 9.24 lakhs. So also the revision of labour rate without ascertaining the actual increased has caused around a loss of Rs. 8.02 lakh to the Board in respect of four contracts during the period from 1990 June to 1992 August.	
5	40	The Committee is all the more astounded to note that the Board took seven years to fix norm for consumption of cement ie., the	

(1)	(2)	(3)	(4)
		<p>decision to assess the requirement of cement was taken in 1986, the research works started in 1988 and was completed in 1991-92 and was implemented only in 1993. This delay has resulted in excess issue of cement amounting to Rs. 17.22 lakhs</p>	
6	41	<p>It is very alarming to note that the advance paid to the contractors for paying excise duty has not been recovered despite the fact that the contractors were paid regularly for the poles supplied. The interest lost on this account works out to Rs. 58.63 lakhs as on 31st March, 1996. This casual attitude of the Officials of the Board in recovering the amount due to them acquire more significance when the fact that the Board is working on borrowed funds is highlighted. Regarding excise duty, there are yet other instances which have landed the Board in huge loss such as extending undue benefit of Rs. 39.30 lakh to contractor, failure to taken timely action in getting refund of excise duty resulting in loss of Rs. 13.57 lakh, failure to obtain MODVAT benefit thereby losing Rs. 73.74 lakh, excess payment of excise duty to the tune Rs. 14.53 lakh due to filing of price list at</p>	

(1)	(2)	(3)	(4)
		<p>higher rates than the actuals, the inability to avail of MODVAT benefit to the tune of Rs.10.23 lakh due to receiving cement at its stores for eventual consumption for pole casting etc. Due to the poor inventory management the Board had to suffer a loss of Rs. 2.54 crore by way of avoidable transportation of cement from various stores to the pole casting yards.</p>	
7	42	<p>In short from the foregoing paragraphs it could be inferred that there was some kind of unholy nexus between the officials of the KSEB with the pole-casting contractors. The officials of the KSEB had in fact connived with the contractors in plundering public money thereby contributing to the present financial situation of the Board. Even though the Report of the Comptroller and Auditor General of India for the year ended March 31, 1997 was laid before the House on March 17, 1998, neither the Government of KSEB had till date taken any action to bring to book the officials who were responsible for the irregularities/lapses, nor had they conducted any enquiry to ascertain the factual positions regarding the audit observations. Even the notes showing the remedial action taken on the</p>	

(1)	(2)	(3)	(4)
		<p>paras which ought to have been furnished to the Committee within three months of the presentation of the Audit Report, was made available only on the eve of the meeting thereby depriving the members of the Committee from studying it. The Committee feels that this delay in furnishing notes was willful and was mainly for hiding the facts from the Committee.</p>	
8	43	<p>The Committee therefore recommends that a vigilance enquiry should be conducted into the whole pole casting activities undertaken by the Board from 1991 onwards, that also in a time bound manner, so that the officers responsible for the loss sustained by the exchequer be made accountable</p>	

Thiruvananthapuram,
21-3-2007.

MANKODE RADHAKRISHNAN,
Chairman,
Committee on Public Undertakings.