



TWELFTH KERALA LEGISLATIVE ASSEMBLY

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

FIFTY NINTH REPORT

(Presented on 25th February, 2009)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2009

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On

**The action taken by Government on the Recommendations contained in the
Sixty Eighth Report of the Committee on Public Undertakings
(2004-2006) relating to Kerala State Electricity Board
based on the Report of the Comptroller and Auditor
General of India for the years ended 31st
March 1998 and 2001 (Commercial)**

CONTENTS

	<i>Page</i>
Composition of the Committee	.. v
Introduction	.. vii
Report	.. 1
Chapter I	
Replies furnished by Government on the Recommendations of the Committee which have been accepted by the Committee	.. 2
Chapter II	
Replies furnished by Government on the Recommendations of the Committee which have been accepted by the Committee with remarks	.. 5

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 Ninth Report on the action taken by Government on the recommendations contained in the Sixty Eighth Report of the Committee on Public Undertakings (2004-2006) on the working of the Kerala State Electricity Board based on the Report of the Comptroller and Auditor General of India for the years ended 31st March, 1998 & 2001 (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.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
25-2-2009.

*Chairman,
Committee on Public Undertakings.*

REPORT

The Sixty Eighth Report of the Committee on Public Undertakings (2004-2006) on Kerala State Electricity Board, based on the reports of the Comptroller & Auditor General of India for the years ended 31st March 1998 & 31st March 2001 (Commercial) was presented to the House on 22nd July, 2004.

The Report contained 12 recommendations. Government have furnished replies to all the recommendations. The Committee (2006-2008) considered the replies received from Government at its meetings held on 23-8-2006 and 6-11-2006. The Committee was not satisfied with the replies furnished by the Government and took evidence from the officers of the Kerala State Electricity Board 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.

The Committee accepted the replies to the recommendations No. 5(18), 6(20) & 7(22) without any remarks. These recommendations and their replies form Chapter I of the Report.

The replies to the recommendations No. 1(10), 2(11), 3(12), 4(16), 8(25), 9(29), 10(30), 11(32) and 12(34) 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.

Sl. No.	Para No.	Dept. Concerned	Conclusions/ Recommendations	Action taken by Government
(1)	(2)	(3)	(4)	(5)
5	18	Power	The Committee is surprised to learn that the transformer purchased from Transformers and Electricals Kerala Limited in 1995 was installed only in 2000, i.e. after a lapse of five years. The Committee opines that this is the best example of the laxity in execution of various plans by the Board and recommends that necessary steps should be taken to avoid the recurrence of such events in future.	Kerala State Electricity Board has now revamped the system for project execution and monitoring. The Project Manager is responsible for co-ordinating the activities and for the progress of execution of the Project. A High level Committee viz., Project Monitoring Committee has also been constituted for monitoring the progress of each Generation and Transmission Project. The Projects are reviewed by the KSE Board, and Government. It is assured that all efforts are taken to complete the works in time.
6	20	Power	The Committee understands that the Board has not ascertained the actual quantity of rubble used for the above construction by the contractor and had it been done with subsequent changes in the rates for other rubble based works, an amount of Rs. 33.28 lakh	Recommendation of the Committee will be implemented. The Board vide circular No.TC5/44/2000 dated 21-10-2000 directed the officers that whenever the cost of any work/project is likely to exceed 25% of the originally sanctioned estimates, further continuance of work incurring any further expenditure shall be stopped and the work

(1)	(2)	(3)	(4)	(5)
			<p>could have been saved. The Committee therefore recommends that the Board should be more vigilant in every stage of the execution of the project so as to avoid financial loss to the maximum possible.</p>	<p>resumed only after getting revised estimate sanctioned by appropriate authority. Board has also issued another circular TC1/SS/317/95 dt. 15-5-2001 to all the Chief Engineers and other department heads wherein all concerned were directed to prepare the estimates most diligently and realistically so that it need not necessitate any revision in future as far as possible. Board has also directed that the name and designation of the Officers, who prepare, check and approve the estimate, should invariably be noted in the estimate. The Officers who prepared the estimate and those who checked and approved the same will be held responsible and accountable for any discrepancy/over estimation or under estimation that occurs.</p>
7	22	Power	<p>The Committee observe that even though the contractor had demanded rate escalation as early in November 1992, the Board could take a decision only in 1995 after terminating the contract. The Committee</p>	<p>The delay in the commencement of work was due to the delay in getting tree cutting permission from the Deputy Tahasildar (Land Acquisition). This was due to the non completion of tree valuation and other connected work relating to the payment of compensation to the land</p>

(1)	(2)	(3)	(4)	(5)
			<p>is of the view that such inordinate delays could have been prevented and recommends that the Board should try to take appropriate decisions in time so as to avoid financial loss to the Board.</p>	<p>owners. In the past, acquisition of land, numbering of trees, assessment and payment of compensation, etc., were done by the Revenue Department.</p> <p>The Kerala State Electricity Board has since amended the Manual of Instruction in regard to land acquisition, payment of tree cutting compensation etc., by authorizing the concerned Executive Engineers/Deputy Chief Engineers for the preparation of mahazar, valuation statement etc., so as to avoid delay in land acquisition. At present tree valuation is being done by the Kerala State Electricity Board itself, and contracts are finalized only after ensuring availability of land etc.</p>

CHAPTER – II

Replies furnished by Government on the recommendations of the Committee which have been accepted by the Committee with remarks.

Sl. No.	Para No.	Dept. Concerned	Conclusions/ Recommendations	Action taken by Government
(1)	(2)	(3)	(4)	(5)
1	10	Power	The Committee finds that the Kerala State Electricity Board had violated the provisions of its own agreement with Hindustan Construction Company while admitting cost escalation. This act incurred a loss of Rs. 46.43 lakh to the Board. The Committee observed that as per Schedule 'A' of the Agreement with HCC, the rates for bagged and bulk cement were Rs. 2,200 and 1,850 per ton respectively. But it is surprising to note that the Board had allowed the rate of bulk and bagged cement as Rs. 3,000 tone as quoted by HCC in the tender. The Committee could not digest the contention of the Board that the cost escalation is allowed including for overheads such as conveyance and handling charges of the material etc., as the agreement clearly stipulates	The KSEB has authorized the Chief Engineer (Civil), Construction to conduct a detailed enquiry in to the matter. A five-member team has been constituted for the purpose. Further action as recommended by the Committee will be taken as and when the enquiry is completed.

(1)	(2)	(3)	(4)	(5)
			<p>the admissible rates. The Committee suspects that the Board had not obtained Government sanction to pay the higher rate to HCC. The Committee opines that the payment of Rs. 46.43 lakh is a clear violation of the terms of agreement. The Committee therefore recommends that a detailed enquiry at the grass root level should be conducted to find out the persons responsible for making the erroneous payment and they should be brought to book. The Committee further recommends that stringent steps should be taken to recoup the amount and the facts intimated to them.</p>	

Remarks of the Committee:

The Committee wants to be furnished with the present position of the detailed enquiry authorized to the Chief Engineer.

(1)	(2)	(3)	(4)	(5)
2	11	Power	<p>The Committee observes that the KSEB had made an over payment of Rs. 37.29 lakh to HCC as escalation in the cost of material by calculating the price index as per the data of Directorate of Economics and Statistics instead of the correct figure as notified</p>	<p>A sum of Rs. 37.29 lakh has been recovered from various bills of the contractor towards excess amount paid. Interest for the said amount, worked out at Rs. 6.62 lakh, has also been recovered from the bills and kept as deposit. Steps will also be taken to strengthen the Internal Audit Wing of the Board as recommended by the Committee.</p>

(1)	(2)	(3)	(4)	(5)
			<p>in the RBI bulletin and the same was recovered only after it was pointed out by the Accountant General. The Committee is very much annoyed with the inability of the Board. The Internal Audit Wing of the Board should have detected such mistakes in time. The Committee therefore recommends that urgent steps should be taken to strengthen and expertise the Internal Audit Wing in the Board.</p>	

Remarks of the Committee:

The Committee wants to know the steps taken by the Power Department to strengthen the Internal Audit Wing of the Board.

(1)	(2)	(3)	(4)	(5)
3	12	Power	<p>The Committee is astonished to note that the KSEB had issued materials like steel to M/s HCC without any proper plan or norms, what so ever. The Committee observes that the Board had issued excess steel worth Rs. 35.76 lakh to M/s HCC and when it tried to effect the</p>	<p>Rules relating to the issue of materials stipulate that the materials should be issued to the contractor only as per actual requirement on each occasion. The circumstances that led to the issue of excess steel worth Rs. 35.76 lakh will also be investigated in the enquiry being conducted by the Chief Engineer (Civil), Construction and appropriate action will be taken against the</p>

(1)	(2)	(3)	(4)	(5)
			recovery, the matter was taken to the Court which resulted in lengthy legal battle. The Committee opines that had the Board been vigilant in keeping accounts of materials issued properly, the legal procedures could have been avoided. The Committee desires to be furnished with the result of appeal filed before the District Court.	officers concerned, if found guilty. The Hon. High Court had appointed Shri S. Padmanabhan (Retd.) Justice, as the Arbitrator and the award was passed on 30-4-2001 with direction to pay Rs. 10.58 crore, excluding interest against their various claims. The appeal filed by the Board against the award of the arbitrator before the District Court is still pending.

Remarks of the Committee:

The Committee is not satisfied with the reply furnished by Government and wants to know whether any official is found guilty in connection with the issuing of excess steel worth Rs. 35.76 lakh to M/s HCC, and the action taken against him. The Committee also desires to get the present stage of the appeal filed by KSEB.

(1)	(2)	(3)	(4)	(5)
4	16	Power	The Committee deprecates the action of the Board in honouring the claim of M/s Radiant Cables Limited to the tune of Rs. 79.09 lakh as the exchange rate variation which is a clear violation of the provisions specified in the agreement. The Committee points out	In compliance with the recommendation of the Committee a four member team has been constituted by the Board to conduct enquiry on the circumstances that led to the excess payment relating to the purchase of 11 KV control and special control cable from M/s Radiant Cables Ltd., Hyderabad. Further action will be taken on receipt of the Enquiry Report.

(1)	(2)	(3)	(4)	(5)
			<p>that as per tender provisions, the Company had every right to quote either in Indian Rupee, or in Foreign currency or in combination of both. The Committee opines that the Company being Indian origin quoted naturally, Indian currency so that there was no disagreement to believe that failure to quote the tender other than in Indian currency was a bona fide omission. The Committee is shocked to find that the exchange rate variation was allowed even without the proper approval of the Government. Considering the exchange rate variation the Committee doubts the bona fide of the fact that RCL was the lowest tenderer. The Committee is of the view that the Board has shown unwarranted haste in protecting the interests of the Company rather than the Board. The Committee therefore recommends that an enquiry should be conducted on the circumstances that led to the excess payment and legal action should be initiated against the officers found responsible.</p>	

Remarks of the Committee:

The Committee wants to know whether the enquiry report has been received by the Board and if so, the action taken in this regard be intimated to the Committee at the earliest.

(1)	(2)	(3)	(4)	(5)
8	25	Power	The Committee observes that there is considerable delay on the part of the Board in finalizing tenders. It is really surprising to note that the tender was finalized only on 16 th January 1996; even though the validity period expired on 6 th December 1995. The committee pinpoints the above flaw and recommends that the Board should be more vigilant in processing tenders in future.	In view of the recommendations of the Committee, Kerala State Electricity Board has taken steps to revamp the tender processing and to avoid delay in procurement activities, Board has curtailed delay in tender processing by prescribing time schedule for the various activities connected with the evaluation/finalisation of tender and procurement of materials. The time taken for processing tenders are closely monitored by the Purchase Committee of Kerala State Electricity Board.

Remarks of the Committee:

The Committee enquires whether the Government have issued any order for finalising the tender procedures under the control of purchase committee and wants to know the action taken in this regard.

(1)	(2)	(3)	(4)	(5)
9	29	Power	The Committee deprecates the laxity on the part of the Board for not entrusting its officials to conduct timely inspection and technical testing of four	Para Nos. 29&30 In compliance with the recommendations of the Committee, the Board has appointed the Deputy Chief Engineer, Transmission North, Kozhikode as Enquiry officer to conduct a detailed enquiry

(1)	(2)	(3)	(4)	(5)
			<p>overhead line fault locators which were purchased from M/s CSD Instruments (India) Limited. The Committee is deeply aggrieved to note that the supplier is directed to forward the test certificate instead of prior checking by the responsible Board officials. The Committee is doubtful in the whole happenings and suspects that some foul play should have crept in as the only commissioned unit turned out to be faulty and the rest of them were installed only after the expiry of guarantee period. The Committee therefore recommends that a detailed enquiry should be conducted into the whole matter and necessary action should be initiated in this regard.</p>	<p>in the matter. On receipt of the Enquiry Report, the Board will take necessary action, and the Committee will be informed.</p>
10	30	Power	<p>The Committee further recommends that stringent action should be taken against the responsible officials who made the undue delay in the commissioning of the above equipment and the fact be intimated to the Committee in time.</p>	

Remarks of the Committee:

The Committee wants to know the present position of the case handed over to the Vigilance I.G. and desires to be furnished with the details of similar cases handed over to the Vigilance I.G. and the action taken in this regard.

(1)	(2)	(3)	(4)	(5)
11	32	Power	The Committee desires to be informed whether the unauthorised payment have been fully recovered and the outcome of the case filed by the employees of the Electrical Major Section, Vadasserikkara be intimated.	An amount of Rs. 61,506 (Rupees sixty one thousand five hundred and six only) has so far been recovered from the staff of Electrical Major Section, Vadasserikkara, who have been identified as having drawn the ineligible project allowance. Recovery from those who have obtained stay orders from the Hon'ble High Court of Kerala as per original petition numbers 23184/02, 22956/02 and 27702/02 have been kept in abeyance until the disposal of original petition.

Remarks of the Committee:

The Committee wants to know whether the case filed in the court has been settled and any further action has been taken in this regard.

(1)	(2)	(3)	(4)	(5)
12	34	Power	The Committee is perplexed to see that the Board had worked out its own rate in the work associated with the replacement of mink conductor in the Peermadu-Moozhiyar 66 KV line against the rate	In compliance with the recommendation of the Committee, the KSE Board have decided to initiate action against the officers who were responsible for the preparation of wrong estimate for the transportation of line materials in connection with the work

(1)	(2)	(3)	(4)	(5)
		in the standard data book and PWD Schedule of rates. The Committee pinpoints that the Board has no right to over look the rates specified in the standard manuals. The Committee also desires to be informed about the present position of the action taken by the Board against officials who prepared such an incorrect estimate.		for the replacement of the then existing mink conductor in the Peerumadu-Moozhiyar 66 KV line with ACSR DOG conductor. The Board have identified the following officers responsible for the preparation of the estimate. 1. Sri Christy K. Abraham, Assistant Engineer, Major Transmission Section, Moozhiyar (Now working as Assistant Executive Engineer, Electrical Sub Division, Ernakulam Central) 2. Sri E. Eliza, Assistant Executive Engineer Major Transmission Section, Moozhiyar [Now working as Chief Engineer (Distribution South)]. The Board is also initiating action to recover the loss sustained by the Board as pointed out in the Report of the Comptroller and Auditor General of India for the year ended 31-3-2001.

Remarks of the Committee:

The Committee is not convincing the reply given by the witness and recommends that stringent action should be taken against those officials responsible for the preparation of wrong estimate for the transportation of line materials in connection with the work for the replacement of the then existing mink conductor in the Peerumadu-Moozhiyar 66 KV line with ACSR DOG conductor.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
25-2-2009.

*Chairman,
Committee on Public Undertakings.*