



**TWELFTH KERALA LEGISLATIVE ASSEMBLY**

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

**SEVENTY FIFTH REPORT**

(Presented on 30th June, 2009)

SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM

2009

TWELFTH KERALA LEGISLATIVE ASSEMBLY

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

**SEVENTY FIFTH REPORT**

**On**

**[The action taken by Government on the Recommendations contained in the  
Ninetieth 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 year  
ended 31st March 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	.. 8

## COMMITTEE ON PUBLIC UNDERTAKINGS (2008-2011)

### *Chairman :*

Shri Mankode Radhakrishnan

### *Members :*

Shri P. K. Abdu Rabb

„ A. A. Azeez

„ K. K. Jayachandran

„ K. Kunhammed Master

„ K. Kunhiraman

„ T. U. Kuruvila

„ C. K. P. Padmanabhan

„ P. M. A. Salam

\* „ K. Sudhakaran

\* „ K. C. Venugopal.

### *Legislature Secretariat :*

Shri P. D. Rajan, Secretary

Smt. D. Kumari Girija, Joint Secretary

Shri J. Unnikrishnan Nair, Deputy Secretary

Smt. L. Sailaja, Under Secretary.

---

\* Resigned from K. L. A. w.e.f. 28-5-2009.

## INTRODUCTION

I, Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Seventy Fifth Report on the action taken by Government on the recommendations contained in the Ninetieth 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 year ended 31st March, 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 20-05-2009.

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,  
30-6-2009.

*Chairman,  
Committee on Public Undertakings.*

## **REPORT**

The Report deals with the action taken by Government on the recommendations contained in the Ninetieth Report of the Committee on Public Undertakings (2004-06) relating to Kerala State Electricity Board based on the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March, 2001 (Commercial) which was presented to the House on 22<sup>nd</sup> March, 2005.

The Report contained 7 recommendations. Government have furnished replies to 6 recommendations. The reply to the recommendation No. 3(15) has not yet been received from the Government. The Committee (2006-08) considered the replies received from Government at its meeting held on 3-10-2008.

The Committee accepted the replies to the recommendations No. 1(13), 4(16), 5(17), and 6(18) without any remarks. These recommendations and their replies furnished by Government form Chapter I of the Report.

The Committee accepted the replies to the recommendations No. 2(14) and 7(19) with remarks. These recommendations, their replies furnished by Government and the remarks of the Committee form Chapter II of the Report. This also includes the remarks of the Committee for the recommendation No. 3(15) for which the Government has not yet furnished reply.

## CHAPTER I

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

<i>Sl. No.</i>	<i>Para. No.</i>	<i>Department concerned</i>	<i>Recommendation</i>	<i>Action taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1	13	Power	<p>The Committee finds a series of purchases made by officers of KSEB over and above the prescribed limits, even though they were ratified at a later date. The Committee recommends that while ratifying such purchases the Chief Engineers should examine whether the excess is only in proportion to the increase in the cost of materials. He should also verify the price and availability of the material before issuing the ratification. The reasons for the ratification should also be clearly specified. The Committee also desires to be informed whether there has been a proportionate reduction in expenditure whenever there is decrease in the cost of materials. The Committee further recommends that the practice of splitting orders in order to stay within the prescribed limits should be stopped. No ratification should be given in such cases.</p>	<p>The Kerala State Electricity Board had delegated administrative and financial powers to the Heads of Department and certain other officers of the Board. The officers at various levels, can invite tenders for works and purchase of materials, award works accept excess over estimates, waive tender calls for works and purchases, purchases without quotation etc. in accordance with the financial powers delegated to them.</p> <p>Before inviting the tenders, the stock position of the item tendered at various stores and quantity required for the works to be undertaken are ascertained and then the probable number of the item to be tendered is estimated and cost</p>

(1)	(2)	(3)	(4)	(5)
				<p>estimated based on the previous rates or available rates. The actual value of the tendered quantity can be ascertained only after opening the tender. Finalisation of the tenders is done by the officers, as per the financial powers delegated to them.</p> <p>In certain unavoidable circumstances the officers may exceed the delegated limits which are subsequently, ratified by higher authorities.</p> <p>Based on the recommendation of the Hon'ble Committee a circular has been issued as follows.</p> <p style="text-align: center;"><b>KERALA STATE ELECTRICITY BOARD</b></p> <p style="text-align: right;">Vydhyuthi Bhavanam, Pattom, Thiruvananthapuram.</p> <p>No. TA 41/AUC2/205. <i>Dated 30th August, 2005.</i></p> <p style="text-align: center;"><b>CIRCULAR</b></p> <p><i>Sub:—</i> Purchase procedure followed Recommendation of the PUC (90<sup>th</sup> Report).</p> <p><i>Ref:—</i>1. Committee on Public Undertakings (2004-06) 90<sup>th</sup> Report.</p> <p style="padding-left: 40px;">2. AUC2/205/2005/502 dated 7-5-2005.</p> <p>The Committee on Public Undertakings vide reference (1) cited above have observed that a series of purchases are made by officers of KSEB over and above the prescribed limits, even though they were ratified at a later date. The Committee recommended that while ratifying such purchases, the Chief Engineers should examine whether the excess is only to proportion to the increase in the cost</p>



(1)	(2)	(3)	(4)	(5)
				<p>of materials. He should also verify the price and availability of the materials before issuing the ratification. The reasons for the ratification should also be clearly specified. The Committee also desired to be informed whether there has been a proportionate reduction in expenditure whenever there is decrease in the cost of materials. The Committee further recommended that the practice of splitting orders in order to stay within the prescribed limits should be stopped. No ratification should be given in such cases.</p> <p>The direction of the Committee has to be strictly complied with. Hence it is directed to follow the direction mentioned below while ratifying a purchase procedure.</p> <ol style="list-style-type: none"> <li>1. While ratifying a purchase, the Chief Engineers should examine whether the excess is only in proportion to the increase in the cost of materials.</li> <li>2. Verify the price and availability of the material before issuing ratification.</li> <li>3. The reason for ratification should be clearly specified.</li> <li>4. Confirm whether there has been a proportionate reduction in expenditure whenever there is decrease in the cost of materials.</li> <li>5. The splitting of orders in order to stay within the prescribed limits should be stopped. No ratification should be given in such cases.</li> </ol>

*Secretary.*

(1)	(2)	(3)	(4)	(5)
4	16	Power	The Committee accepts the explanation of the Chairman, KSEB that no loss had been sustained by KSEB in the purchase of GI 4 line and GI 2 lines Cross Arms from M/s. Alsteel Industrials, Kollam as the purchase was made at all inclusive price, after negotiations. Hence the Committee recommends that the accounts with the firm should be settled immediately.	The withheld payment of Rs. 17,07,984 (Rupees Seventeen lakh seven thousand nine hundred and eighty four only) was already released to the firm vide cheque dated 31-3-2005.
5	17	Power	The Committee finds that the accounting procedure in the stores is not up to the mark. Proper and timely inspection has not been conducted by the concerned Assistant Engineers when they assume charge of stores. Hence no effective action can be taken when stock is found missing. Further, on many occasions, the Materials at-site-Account (MASA) shows credit balances instead of debit balances. The Committee therefore recommends that Kerala State Electricity Board should put an end to such lapses and should take strict measures for proper inventory management.	<p>Directions are being issued by the Board in the following lines to the field officers to minimize credit balance in the MASA and for proper inventory management.</p> <p>1. P h y s i c a l verification of MASA of all the Electrical Sections should be conducted as on 31-3-2006. The Deputy Chief Engineers and E x e c u t i v e Engineers of Electrical Circles and Divisions are directed to make</p>

(1)	(2)	(3)	(4)	(5)
				<p>necessary arrangements for conducting the physical verification and report to the Board by 15-4-2006.</p>
				<p>2. Inter Unit accounts relating to materials between Divisions and Circles should be reconciled and adjusted before 31-3-2006 so that omissions in accounting of MRCIs, IUMRNs (Inter Units Materials Received Note) etc. can be found out and omissions rectified.</p>
				<p>3. Materials in the MASA as per the physical verification will be valued at the current standard rate or the current issue rate so that the MASA will reflect the appropriate value.</p>
				<p>4. Account for 3/2006 will be accepted by Financial Advisor only with the certificate of physical verification and rectification of discrepancies, if any.</p>
				<p>5. Further, physical verification of materials as per MASA should be conducted whenever there is transfer of charge of a distribution section officer. The Divisional Officer concerned should ensure that the Certificate of Transfer of Charges (CTC) is accompanied by a certificate of physical verification of inventory. The store accounts are being computerized. On completion of computerization and strict enforcement of physical verification etc. it is expected that the discrepancies in MASA and other store accounts would be minimized.</p>

(1)	(2)	(3)	(4)	(5)
6	18	Power	The Committee also recommends that KSEB should take urgent steps to see that the prescribed procedures for material management and inventory control are strictly followed. The System of maintenance of stock levels should also be followed based on co-ordination with project/work requirements, so that the materials required for immediate purposes do not become out of stock.	Procurement is arranged after taking into consideration the requirement, stock in hand, quantity yet to be delivered from ongoing contracts etc. At present availability of materials has been improved and the Board takes all measures to further improve the availability of the materials. Such measures include setting up of new pole casting yards by private contractors, delegation of more financial powers to the field officers to procure the decentralized items, addition to the capacity of Mechanical division, Pallom etc.

## CHAPTER II

**Replies furnished by Government which have been accepted by the Committee with remarks**

<i>Sl. No.</i>	<i>Para. No.</i>	<i>Department concerned</i>	<i>Recommendation</i>	<i>Action taken by Government</i>
(1)	(2)	(3)	(4)	(5)
2	14	Power	The Committee finds that there is no proper system of stock verification in the KSEB and no one in the Board is having a clear idea about the stock available in hand. As a result huge quantities of materials purchased, spending lakhs of rupees are idling in various stores of KSEB all over the State. It is a sorry state of affairs that certain materials purchased are left in the open without proper storage facility. Sometimes materials purchases are used only long after the expiry of the guarantee period which also leads to heavy loss to the Board. Such indiscriminate purchases lead to locking up of funds, which could have been otherwise used for constructive purposes. The Committee therefore recommends that stringent	In the Kerala State Electricity Board the annual stock verification of all Regional and Sub Regional Transmission, Generation, Civil circles and TMR stores is conducted by a stock verification team consisting of one Assistant Executive Engineer (Civil) and one Senior Assistant, under the Chief Engineer (TC&M). The team conducts the annual physical stock verification of materials with respect to the available Numerical Ledger balance for detecting any variations in physical stocks such as excess/shortages.

(1)	(2)	(3)	(4)	(5)
			<p>measures should be taken in order to make inventory management very effective and more scientific. The Committee understands that computerization will help the Board to know the exact position of availability of stock of various materials. The Committee further recommends that stock verification should be conducted quarterly rather than yearly basis and immediate action should be taken for detection of irregularities.</p>	<p>The team also reports discrepancies if any, in transactions, malpractices, presence of dead stock materials, accumulation of huge quantities, scrap etc.</p> <p>The verification team prepares list of dead stock/idling materials available in various stores and reports to the Chief Engineer (TC &amp; M) for further direction to re-allocate/diversion of these materials to the needy destinations from time to time. On finding any irregularities / discrepancies during verification in any stores, the matter is urgently reported to the concerned Deputy Chief Engineer, Executive Engineers for taking immediate action and report. During the verification, if materials are seen</p>

(1)	(2)	(3)	(4)	(5)												
				not accounted, action is taken to account the materials.												
				At present the Board has started inventory management by introducing computerisation of independent stores, for which programmes have been developed by the Management Information System (MIS) section of the Kerala State Electricity Board. Steps have been initiated to implement the software in the Chief Engineer (TC&M) office, Regional Stores and in the Sub Regional Stores.												
				The position of stock as on 31 <sup>st</sup> March during the past five years is given below:												
				<table><tr><th>Year</th><th>Rs. in crores</th></tr><tr><td>2000-01</td><td>535.17</td></tr><tr><td>2001-02</td><td>508.15</td></tr><tr><td>2002-03</td><td>490.88</td></tr><tr><td>2003-04</td><td>248.31</td></tr><tr><td>2004-05</td><td>263.71</td></tr></table>	Year	Rs. in crores	2000-01	535.17	2001-02	508.15	2002-03	490.88	2003-04	248.31	2004-05	263.71
Year	Rs. in crores															
2000-01	535.17															
2001-02	508.15															
2002-03	490.88															
2003-04	248.31															
2004-05	263.71															
				Now the Board is examining the aspect of introducing quarterly physical verification.												

---

#### Remarks of the Committee

The Committee wants to be informed of the present stage of the action taken on its recommendation to conduct quarterly stock verification.

(1)	(2)	(3)	(4)	(5)
7	19	Power	The Committee desires to be furnished with a detailed report of the measures taken by the Board for effective and efficient materials management and inventory control.	<p>The Kerala State Electricity Board has taken measures for effective and efficient materials management and inventory control as follows:</p> <ol style="list-style-type: none"> <li data-bbox="855 448 1087 632">1. The Board has developed a software for materials management and inventory control.</li> <li data-bbox="855 655 1087 927">2. Steps have been initiated to implement the software in the office of the Chief Engineer (TC&amp;M) Regional Stores and Sub Regional Stores.</li> <li data-bbox="855 951 1087 1070">3. Additional pole casting yards by Private contractors have been set up.</li> <li data-bbox="855 1094 1087 1310">4. More financial powers have been delegated to the field officers to procure the decentralised items of materials.</li> <li data-bbox="855 1334 1087 1422">5. Capacity of Mechanical Division, Pallom</li> </ol>



(1)	(2)	(3)	(4)	(5)
				<p>have been increased to manufacture materials in accordance with the needs of the Board.</p>
				<p>6. Procurement process in the office of the Chief Engineer (TC&amp;M) have been accelerated and closely monitored.</p>
				<p>7. Procurement is arranged after taking into consideration the requirement stock in hand , quantity yet to be delivered from ongoing contracts etc.</p>
				<p>8. Obsolete stores are disposed by the special scrap disposal committees set up for the purpose.</p>

---

### Remarks of the Committee

The Committee wants to know whether the computerization in the office of the Chief Engineer (TC&M), Regional Stores and Sub Regional Stores has been completed and wants to be informed of its present stage.

(1)	(2)	(3)	(4)	(5)
3	15	Power	The Committee finds that KSEB has purchased abundant quantity of disc insulators, stay wire tower parts etc. when there was sufficient quantity of the same available in various stores. The Committee understands that no disciplinary action has been taken against the officials till date who authorised the untimely purchases. The Committee therefore recommends that stern action should be taken against the officials responsible for such needless purchases and the steps taken in this regard should be intimated to the Committee immediately.	Reply not yet received.

---

#### **Remarks of the Committee**

The Committee views this seriously and strongly recommends to take action against those responsible for the inordinate delay in furnishing the reply and inform the Committee.

Thiruvananthapuram,  
30-6-2009.

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

---

©  
Kerala Legislature Secretariat  
2008

KERALA NIYAMASABHA PRINTING PRESS.