



**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2011-2014)**

**THIRTIETH REPORT**

(Presented on 28th January, 2014)

SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2014

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**On**

**The Action Taken by Government on the Recommendations contained in  
the Fifty Second Report of the Committee on Public Undertakings  
(2001-04) relating to Kerala State Electricity Board  
based on the Report of the Comptroller and Auditor  
General of India for the year ended  
31st March, 1997 (Commercial)**

350/2014.

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Smt. Lima Francis, Under Secretary.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2011-14) having been authorised by the Committee to present the Report on their behalf, present this Thirtieth Report on the Action Taken by Government on the recommendations contained in the Fifty Second Report of the Committee on Public Undertakings (2001-04) 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 31<sup>st</sup> March, 1997 (Commercial).

The Statements of Action Taken by the Government included in this Report were considered by the Committee constituted for the years (2008-11) and (2011-14).

This Report was considered and approved by the Committee at the meeting held on 27-11-2013.

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,  
28th January, 2014.

K. N. A. KHADER,  
*Chairman,*  
*Committee on Public Undertakings.*

## **REPORT**

This Report deals with the Action Taken by Government on the recommendations contained in the Fifty Second Report of the Committee (2001-04) relating to Kerala State Electricity Board on the Report of Comptroller and Auditor General of India for the year ended 31st March, 1997 (Commercial).

This Report contained 15 recommendations, Government have furnished replies to all recommendations. The Committees (2008-11) and (2011-14) considered the replies received from Government in the meetings held on 29-9-2010 and 8-8-2012 respectively.

The Committee accepted the replies to the recommendation Nos. 1(4), 4(7), 6(9), 7(11), 8(12), 9(14), 12(23), 14(27), 15(29) without any remarks. The recommendations and the replies furnished by Government form Chapter I of the Report.

The Committee accepted the replies to the recommendation Nos. 2(5), 3(6), 5(8), 10(18), 11(20), 13(25) with remarks. The recommendations, the replies furnished by Government and 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

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/Recommendations</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1	4	Power (K.S.E.B.)	<p>The Committee observes that the Kerala State Electricity Board had adopted the Kerala Service Rules, 1960 in the year 1960 itself and hence all the subsequent amendments issued to the Kerala Service Rules from time to time by the Government is binding to the Board also. The unilateral decision of the Board that the amendments to Kerala Service Rules will not be automatically applied to the Board Employees unless otherwise ordered is, therefore, irregular and hence null and void. Moreover, Government had also as early as in 1979 ordered that all the decisions regarding pay revision were to be taken only after prior approval of</p>	<p>The Full Board has since decided to make applicable KSR and then amendments effected from time to time to the employees of the Board automatically unless otherwise decided by the Full Board and except in cases which are governed by the Kerala State Electricity Board regulations. Thus, now the employees of the K.S.E. Board are governed by the KSR for the purpose of pay, pension, leave etc.</p> <p>Decision regarding pay revision in future will be taken only after obtaining approval of the Government. The recent Long Term Settlement dated, 28-2-2007 has been submitted to the Government for getting approval.</p> <p>In respect of pay revision 1995, the Board had taken up the matter with the</p>

Government. But it could be seen that before sanctioning the pay revision of 1995 with retrospective effect from August 1993, the Board had neither followed the provisions in Kerala Service Rules and its subsequent amendment nor had they complied with the directions of Government. This is sheer arrogance and is highly irregular.

Government seeking ex-post facto approval. The Government as per G.O.(Rt.) 354/2006/PD dated, 6-12-2006 has accorded ex-post facto sanction to the Long Term Settlement dated, 2-8-1995 between K.S.E.Board and recognized Trade Unions and also for regulation of excess payment effected to the employees consequent on Pay Revision in 1995.

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The excess pay drawn by the employees consequent on irregular fixation of pay as per the pay revision of 1993 should be recovered in total from all employees. In the case of employees on the verge of superannuation, the amount should be recovered from the retirement benefits. The Drawing and Disbursing Officer should be held responsible for the recovery of the excess pay from employees and certificate regarding the

The Audit objections *inter alia*, relate to extending benefits not contemplated in the wage settlement, arithmetical errors leading to irregular fixation of pay and other omissions in pay fixation. The pay fixation unit of Kerala State Electricity Board have completed audit of the pay fixation resulting from 1995 and 2000 pay revisions and an amount of ₹ 2,12,95,665 up to 2-7-2007 have been recovered towards excess payment due to wrong fixation etc., in deviation of the provisions contained in the long term settlement and Board Orders issued on the subject.

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(1)	(2)	(3)	(4)	(5)
			<p>recovery of excess pay should be incorporated in the Service Books of employees. The Committee also recommends that the presence of the Certificate of complete recovery of excess pay, in the Service Books should be strictly verified before issuing pension payment orders to the employees who retire on superannuation.</p>	<p>The Full Board in its meeting held on 29-4-2003 decided to implement the stagnation increment system to the officers of Kerala State Electricity Board as is applicable to State Government Officers w.e.f. 1-5-2003. As per the Board Order, the officers who reach the maximum of their scale of pay and become ineligible for pay increment in their existing scales will be granted three stagnation increments the first two annual and the last one biennial, after reaching the maximum of the scale. However the maximum pay due to such increment should not go above ₹ 21,070.</p> <p>The Audit have primarily questioned the provisions in wage settlement and Board Orders relating to grade promotion granting of stagnation increments without any limit and granting of retrospective promotion in the posts abolished subsequently etc., which are at variance from the provisions of KSR.</p> <p>It is a fact and also directive of the Government that the pay fixation</p>

increment leave etc., of the Board Employees should be regulated as per provision of KSR. But the terms of wage settlement which are at variance from KSR cannot be altered at present unless such alteration is acceptable to the parties of the wage settlement. As the pay revision etc., is as per the agreed terms of settlement with the employees, it may not be possible to recover the alleged excess payment and any attempt to recover the amount may lead to legal battle and disturb the industrial relations. In view of the above circumstances the Board in its meeting dated, 30-10-2004 decided to refer the matter to the Government for ex-post facto approval of Long Term Agreement dated, 2-8-1995 entered into between the Board and the recognized Trade Unions and the Government has accorded ex-post facto sanction to the Long Term Settlement vide G. O. (Rt.) No.354/2006/PD dated, 6-12-2006.

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The excess pay etc., allowed in deviation of Long Term Settlement has been

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(1)	(2)	(3)	(4)	(5)
6	9	Power (K.S.E.B.)	<p>It is alarming to note that even though Government as per Letter No.8610/A2/96/PD dated, 5-8-1998 has directed the Board to restrict the Surrender Leave Salary as prevalent to the State Government Employees, the Employees of the Board continue to enjoy the benefit of Surrender Leave Salary for 45 days till 16-9-2002. Even when the Government restricted Surrender Leave Salary to 30 and subsequently to 20, to its employees, no effort was made by the Board to implement it. This shows the reluctance of the officials of the Board to follow Government Orders and the matter should be viewed very seriously. The reason for not complying</p>	<p>recovered. Deviation in the Long Term Settlement from the provision of KSR as observed by the audit have been ratified by the Government with the approval of Government to the Long Term Settlement vide Government Order dated, 6-12-2006.</p> <p>The payment of Surrender Leave Salary was discontinued in the Board with effect from 16-1-2002. Subsequently, the Board vide B.O.(FB) No.2547/2004 dated, 13-10-2004 have decided to adopt the G.O.(P) No. 279/2004/Fin. dated, 16-6-2004 for implementation in the Board allowing the Board's Employees to avail the facility of earned leave encashment for 20 days in a financial year with effect from 13-10-2004 as is allowed to the Government Employees.</p> <p>Thus the Board has strictly followed the Government Orders on the subject and there has been no violation.</p>

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with the Government Order on Surrender Leave Salary should be enquired into and action should be taken against those who are found responsible for disobeying/ disregarding the Government Order.

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The Committee understands that the Electricity Board is not giving due importance to Audit. This objection of Audit could have been avoided easily by presenting the complete facts at the time of Audit itself. If this had been done, this paragraph would not have found place in the final Report of Comptroller and Auditor General.

At present the KSE Board is giving utmost importance to Audit. Board has constituted Audit Review Committee consisting of Chairman, Full Time Members and Deputy Accountant General (Commercial) to review the progress of clearance of paras in the Inspection Reports relating to various Account Rendering Units. KSE Board has decided and issued Orders on 29-11-2003 to conduct a special drive for the clearance of paras in the Inspection Reports by furnishing convincing and specific reply incorporating Action Taken on the Audit observation. Directions have been issued to all the Account Rendering Units to present complete facts at the time of the Audit itself and

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The Committee, therefore, recommends that the Board should issue necessary directions to all concerned to be vigilant enough to produce all the necessary documents before the Audit Party hereafter.

(1)	(2)	(3)	(4)	(5)
				produce all necessary documents before the Audit Party. Replies to Draft/Audit Para, Statement of Facts etc., are furnished to Audit within a reasonable period.
9	14	Power (K.S.E.B.)	The Committee cannot accept at face value the reasons offered by the witness for purchasing the transformers from the third lowest tenderer instead of from the lowest tenderer causing a loss of ₹ 79.68 lakh to the Board. The Committee recommends that while inviting tenders, the Board should ensure that, all necessary specifications of the items required be included in the tender conditions and no compromise be made while accepting the tender. If it is not complied with the loss to the Board should be made good from the officials responsible. The Committee also desires to be informed of the date of sanction of the World Bank Scheme.	KSE Board has given a commitment to ensure that all necessary specifications of the items are included in the tender conditions itself and that no compromise be made while accepting the tender. The date of sanction of World Bank Scheme is 5th December, 1985.

The Committee feels that the functioning of the internal audit wing of the Board is very poor and that it needs to be strengthened. The Board could save lakhs of rupees if timely action is taken by the Board to detect and rectify such losses.

As part of strengthening internal audit, the same was separated from Financial Advisor's Office. Internal Audit Department has been formed with the Chief Internal Auditor as the head of department since 1998. Separate wing for Establishment Audit, Gazatted Officer's Audit, Pension Audit, Audit for fixation of Pay and Work Audit, have been set-up. To conduct revenue audit in the field offices, Regional Audit Offices have been set-up abolishing the erstwhile BS units. The Regional Audit Officers are entrusted with the audit on 100% revenue billing, collection and accounting in section offices. In addition to this, they are entrusted with the audit of work bills, MASA, and expenditure of all distribution office. The Regional Audit Officers have realized revenue leakage of ₹ 4.56 crores, ₹ 7.36 crores and ₹ 11.94 crores during 2005-06, 2006-07 and 2007-08 respectively. For Revenue Audit in the HT/EHT side, a Permanent Audit Party (SOR) has been set-up in the Head quarters. Audit of HT/EHT side also have been making assessment of revenue loss.

(1)	(2)	(3)	(4)	(5)
14	27	Power (K.S.E.B.)	<p>The Committee finds that two of the circuit breakers purchased by the Board in February 1990, having performance guarantee up to July 1991 were installed only in 1997 i.e., after a lapse of more than six years. The Committee views this as a clear instance of financial and inventory mismanagement prevailing in the Board. The Committee expresses its dissatisfaction over this and recommends that strict control should be exercised while making such purchases. The Committee also suggests that the officer responsible for unnecessary purchases should be held liable for the losses incurred by the Board.</p>	<p>Possibility of component failures in generating stations is very high, especially in the case of Electrical Machineries and Rotating System. In the case of operation of generating stations, it is not always practicable to maintain strict adherence to purchase planning. In the event of any failure of circuit breaker or any other component of spares, urgent replacement is needed and availability of the equipment is also a constraint. Inviting tenders at the critical moment would not be desirable. Most of the spares of a generating station have to be moulded and made in accordance with the design and specification of that station i.e., spare part/equipment, inviting and processing of tenders, obtaining sanction from the Board, design and manufacturing of the equipment, and delivery of equipment at site would take nearly two years. Also, the generating station will have to be shutdown in case of non availability of the equipment for immediate replacement and this will lead to spillage, heavy generation loss and</p>

consequent revenue loss. As the equipment is not readily available in the market, it will be more expensive for tendering for a single item. So every generating station has to maintain spares and extras of all its components, as far as possible.

Sholayar Power House was commissioned during 1966-68 with 110 KV ABCBs. The system developed technical problems as time passed by. As it was felt necessary to replace ABCBs with high speed fast response circuit breakers, the Board decided in February '90 to purchase six SF6 circuit breakers at a cost of ₹ 27.75 lakhs. The replacement of old breakers was programmed to be carried out along with the renovation of the station from 1991 onwards. The replacement of breakers were planned keeping in consideration of the condition of existing breakers and maintenance schedule of the station. Replacement was to be effected in such a way that maximum out of the existing breakers had to be extracted before replacing them with new breakers. This decision was rational as

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(1)	(2)	(3)	(4)	(5)
				<p>the life of the breakers was dependent on the number of operations of the breakers (switching on and off including trippings).</p>
				<p>It may also be noted that the 10 MVA transformer at Sholayar feeds supply to the Sholayar Power House Colony, Sholayar dam site and Malakapara area and estates. There were no substitute arrangements to provide power supply to the Malakapara area when the 10 MVA transformer was not in service. Hence the replacing of the ABCB of the above transformer with SF6 breaker was delayed to the maximum extent possible and the SF6 breaker was kept as spare to meet any emergency in case of the failure of the ABCB.</p>
				<p>Out of the six circuit breakers procured for Sholayar, four were installed as detailed below:</p>
				<ol style="list-style-type: none"> <li>1. First set commissioned on 18-9-1991.</li> <li>2. Second set commissioned on 31-3-1993.</li> </ol>

3. Third set commissioned on 27-11-1993.

4. Fourth set commissioned on 28-4-1994.

The renovation work of two units was delayed due to special works of rotor poles and turbines. The two numbers of SF6 circuit breakers was subjected to routine check up and timely servicing made to ensure that they were in perfect working condition and would give good performance. Thus, expiry of performance guarantee has not affected the units. Out of the 2 sets kept as reserve, one set was commissioned on 3-7-1999 and the other set on 30-6-2001.

The circuit breakers with particular specifications suited to the requirement are not the readily available items which can be purchased from open market at any time. If the circuit breakers were not kept as reserve, it would have caused huge revenue loss due to generation loss during the possible idle period between the date of tendering and the date of supply.

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(1)	(2)	(3)	(4)	(5)
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In the above case, there occurred delay in installing two of the new breakers in an attempt to derive maximum number of operations from the old breakers by utilizing the usable parts and spares. Keeping in reserve of a vital item such as SF6 circuit breaker cannot be treated as blocking up of funds. If such essential item is not kept as spare, it might affect generation.

The cost of a 110 KV SF6 breaker purchased in 2000 was ₹ 7.10 lakh per unit whereas in the purchase made, in 1990 the cost of a breaker was ₹ 3.85 lakh per unit only. Thus the Board had not sustained any loss as the price had increased subsequently. In fact, even after taking the notional interest on the investment into account, it can be seen that Board has not suffered loss. The purchase was absolutely necessary to keep the station in preparedness at any point of time. Spares cannot be planned to be purchased only at the eve of necessity. They have to be purchased in

time and kept stored for use at any time. In practice spares purchased as per a plan need not necessarily be used exactly as per the scheduled date. The use of spare is decided by the extent to which the existing one can be used to the maximum, feasibility of shutdown of the machine to replace the spares etc.

However at present, whenever purchase is made, the Board stick to the bare minimum quantity. In addition to that, follow up action also being made to ensure that the purchased materials/equipment are used in time (except in the case of equipment purchased to be kept as spare).

In view of the above circumstances and the fact that the purchase was not detrimental to the interest of the Board, but for the best interest of the Board; the Board has not sustained any loss out of the purchase; Hon'ble Committee may kindly review the recommendation for fixing liability against the officer responsible for the purchase of SF6 circuit breakers.

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(1)	(2)	(3)	(4)	(5)
15	29	Power (K.S.E.B.)	<p>The Committee does not accept the contention of the witness that construction of the earthen bund was done to protect the already constructed portion of the work as it was not the responsibility of the Board to give such a protection. The Committee observes that the expenditure on the construction of earthen dam was unnecessary and should have been realized from the contractor. The Committee, therefore recommends that responsibility should be fixed on those who had conferred this undue benefit to the contractor. The details of action taken in this regard should be intimated to the Committee.</p>	<p>The original dam envisaged at Padinjarethara for diverting water from Karamanthode to Kakkayam reservoir was a composite dam. Only a part of it was earthen dam and the balance portion was masonry dam. Subsequently due to various technical reasons relating to the foundation, the nature of the dam was changed to an earthen dam. This kind of a change was also due to problems in connecting the masonry portion with the earthen dam portion. The original contract period was 48 months from the date of award of work. Therefore as per the original agreement the work was to be completed on or before 7-11-1985. Subsequently, the nature and design of the dam had to be changed for the reasons cited above. Further in order to increase the benefit from the project, the height of the dam was increased by 4 meters thereby, the storage was increased from 166.86 Mm<sup>3</sup> to 209.2 Mm<sup>3</sup>. Such changes in nature and design of the dam</p>

increased the quantum of earthwork from 6.25 lakh m<sup>3</sup> to 31 lakh m<sup>3</sup>. It also necessitated 2 more saddle dams one at Nayanmoola and the other at Manjura.

The contract period for the main dam was extended from time to time in view of the change in nature and design of the dam and quantity of work. The details of such extension are given below:

1. As per original agreement—Date of completion 7-11-1985.
2. As per Supplementary Agreement No.1—Date of completion extended up to 31-3-1989.

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Even as on date the work has not been fully completed due to various litigations and consequent delays.

In the original agreement there was a clause to the effect that the work and work site should be protected by the contractor. The clause EL 069 of the original agreement reads as follows:

Liability for damage to works or plant—  
“The contractor shall during the progress

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(1)	(2)	(3)	(4)	(5)
				<p>of work properly cover up and protect the work and plant from injury by exposure to the weather, natural calamity such as flood, rain and by any other causes and shall take every reasonable proper timely and useful precaution against accident or injury to the same from any cause and shall be and remain answerable for and all liable accidents or injuries thereto which may arise or be occasioned by the acts or omissions of the contractor or his supervisory staff or his workmen or his subcontractors and all losses and damages to the work or plant arising from such accident or injuries as aforesaid shall be made good in the most complete and substantial manner by and the sole cost of the contractor and to the reasonable satisfaction of the engineer-in-charge.</p> <p>Also the clause EL.099 of the original agreement read as follows:</p> <p><i>Protection of work.</i>—The contractor shall maintain all works during progress thereof and shall take all necessary</p>

measures to preserve them and to keep them in good condition.

From the said clause along with other agreement conditions and scheme of work it is understood that the duty of the contractor to protect work and worksite relates to normal conditions. As already stated the scope and nature of the dam was totally changed from a composite dam to an earthen dam. Period of execution of work was also extended due to litigations, labour problems etc. The above agreement conditions cannot be interpreted to mean that the contractor shall protect the work and worksite at all times against all odds.

For constructing the earthen dam, the normal flow of river has to be diverted. During the construction water cannot be allowed to flow through the partially completed earthen dam portion. If the dam was concrete or masonry structure such normal overflows over partially completed concrete or masonry structure would not affect the completed portion. As soon as such overflow is over the work can be resumed and completed.

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(1)	(2)	(3)	(4)	(5)
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But in the case of an earthen dam, the overflow of water would completely upset and spoil the work. There is possibility of erosion of soil and even failure of the partially constructed portion by blowing of the compacted earth etc. Therefore under no circumstances, flood can be allowed to flow over the partially completed portion of the earthen dam.

As already stated, the original agreement was a composite dam and when nature and scope of work was changed, the agreement conditions were not changed accordingly to suit to the working conditions of the new structure.

A flood or flash flood is a force majeure condition. When there was flash food and there was a likelihood of flowing of water over the partially completed portion of the earthen dam and the one and only alternative left for the officers at site was to prevent the overflow of water by diverting the same by construction of a temporary bund on the top of the

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earthen dam. The condition EL.069 of the agreement cannot be stretched to cover such a contingency. The Engineers at site also cannot wait for settlement of disputes if any in this regard for taking up such work of emergent nature. Therefore the Engineers at site in good faith and in exercise of their wisdom and discretion, got the work of construction of temporary bund executed, in order to tide over the emergency.

The other question is whether or not it could have been got done as a separate work by another contractor. The dam is constructed in a remote forest area, where sufficient labour force with machinery is not available. The work force available was of the contractor; he had sufficient machinery as well at site. There was hardly any time to follow the formalities for a new work and to get it done. Any delay would have resulted in worse disaster. Therefore, the only course of action left with the Engineers at site was to get the work done utilizing the work force and machinery available at

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(1)	(2)	(3)	(4)	(5)
				<p>site. But for the timely intervention and construction of temporary bund, the Board would have suffered more loss. At that juncture the choice was not between good and bad. The choice was only between bad and worse i.e., to arrange work urgently to avoid a worse disaster. Therefore the officer who got the work done in order to safeguard the dam cannot be found fault with. The contractor had also co-operated to complete the work urgently.</p>
				<p>As already stated the clause only states that it is the duty of the contractor to safeguard the work and worksite. It does not mean he will not be paid for it. In fact any contract for the work would stipulate the works to be performed by the contractor and payments to be made for the work. Just because there is a clause in the agreement stipulating duties of contractor, it does not mean that such works should be done free of cost by him. There is no stipulation in the agreement to the effect that the works executed by the contractor for</p>

safeguarding the work and worksite will not be paid and that such works shall be done at the cost of the contractor.

It is well laid principle that a person who executes the work has to be paid for it at the agreed rates. In the absence of any clause in the agreement to the effect that such works shall be done by the contractor at his risk and cost, the contractor cannot be denied payment for the same.

Clause EL.069 has been quoted above. The clause relates to liability for damage to the works or plant. Therefore this condition can be enforced only if damage to the work or plant has been caused. The spirit and essence of this clause is as follows:

The contractor shall during the progress of work take all necessary and sufficient precaution and steps to protect the work, worksite and the plant from eventualities such as exposure to weather, rain, flood etc. If he fails to take such precaution and consequently any damage to work or plant is caused, such damage to works or plant and the loss therefrom, would be

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(1)	(2)	(3)	(4)	(5)
				<p>the liability of the contractor and the cost of repairs or reconstruction etc., shall be at his cost. It can be seen that the clause is to indemnify the Board against the losses if any caused by the laches or negligence on the part of the contractor. The clause is for fixing and realizing tortuous liability from the contractor. Here, in the instant case, there has not been any negligence or laches on the part of the contractor. As soon as the flood was noticed, he has taken all necessary and precautionary measures under the direction and control of the Engineers at worksite to prevent any damage to the partially completed dam as well as to the plant and machinery at the worksite. There is no case that loss has been caused due to inaction or negligence or omission on the part of the contractor. Only if there was a loss due to the inaction on the part of the contractor to the partially completed dam or to the machinery, such loss can be realized from the contractor. There is no</p>

such instance in this case. The contractor has acted timely and properly in accordance with the direction of the Engineers at the site to protect the work and worksite and plant and machinery. There is no agreement provisions stipulating that, such works undertaken to protect the work and the worksite should also have to be at the cost of contractor. The contractor has got only the liability for damage if any caused to work or plant. Further there is no clause stipulating that the contractor will not be paid for such emergency works.

Timely execution of the work utilizing the work force and machinery of the contractor had saved the partially completed earthen dam and averted further unnecessary expenditure.

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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>Conclusions/Recommendations</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
2	5	Power (K.S.E.B.)	It is seen that the Chief Internal Auditor of the Board had reported that the irregularities pointed out by the Audit in the pay fixation cannot be construed as irregular since it was done within the framework of provisions of the bi-partite settlement on wage revision and orders of the Board issued from time to time. This argument of the Chief Internal Auditor is not acceptable as the regulation of pay and allowances and fixation of pay consequent on revision of pay and allowances or promotion or accrual of increments all come within the ambit of the set of rules in Kerala Service Rules. It is surprising to note that the above observations	The fundamental issues involved in the audit paragraphs relating to irregularities in the fixation of pay is whether the irregularities pointed out by Audit which are admittedly irregular under the provisions of KSR needs to be construed as irregular in the Board where pay revision etc., have been appropriately regulated under the provision of Long Term Settlement with the recognized Trade Unions and Board Orders issued from time to time. The terms of wage settlement which are at variance with the provisions of KSRs cannot be altered subsequently unless such alterations are acceptable to the parties to the wage settlement. Long term wage settlement dated, 2-8-1995 was signed by the Board and the four general trade unions, representing the Board's workmen, for

of the Chief Internal Auditor was not placed before the Full Board but was submitted only to the Member (Finance) for scrutiny when it was the Full Board that have desired to get the details on specific areas where there were deviations from the provision of Kerala Service Rules. Hence it is apparent that there was wilful evasion on the part of the officials of the Board in disclosing all the facts relating to the audit observations and the action taken on it.

providing the revision of pay and allowances and other service conditions of the workmen under the Board. It may be noted that the settlement has revised not only the pay and allowances but also the work nor of the employees. The Internal Audit Wing has pointed out only the above aspects. In this connection, it may be noted that any attempt to recover the alleged excess payment on pay revision which has the cover of Long Term Settlement, may lead to legal battle and disturb the industrial relations.

The Full Board in its meeting held on 5-1-2000 considered the directive of the State Government contained in the letter dated 5-8-1998 and decided that irregular fixation should be rectified and certified to that effect should be incorporated in the Service Books of the employees. Subsequently when the Chief Internal Auditor submitted his opinion in recovering the alleged excess payments, the then Member (Finance) and Chairman of the Board directed him to intensify the checking and action against wrong



(1)	(2)	(3)	(4)	(5)
				<p>fixation, if any, made in deviation of the Board Orders and further directed that the irregular fixation be fully recovered before the benefit of pay revision settlement dated 11-8-2000 is allowed. However, in view of the administrative difficulties involved in recovering the amount, as mentioned above, considerable progress could not be made.</p> <p>The Chief Internal auditor, as per the direction of the Board, intensified the checking and an amount of ₹ 2,12,95,665 has been detected and recovered.</p> <p>From the above it may be seen that there was no willful evasion on the part of the officials of the Board in disclosing any of the facts relating to the audit observation and the action taken on it.</p>

*Remarks of the Committee:*—The Committee desires to know the details of the officers whose failure in submitting the report in time led to administrative difficulties in the Board. The Committee enquired if any action was taken against them.

3	6	Power (K.S.E.B.)	The Committee, therefore, recommends that henceforth the Kerala Service Rules and its amendments should be strictly followed by the Board in all matters relating to pay fixation, increment, surrender of earned leave etc.	The Full Board has since decided to make applicable KSR and then amendments effected from time to time to the employees of the Board automatically unless otherwise decided by the Full Board and except in cases which are governed by the Kerala State Electricity Board regulations. Thus, now the employees of the K.S.E.Board are governed by the KSR for the purpose of pay, pension, leave etc.
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*Remarks of the Committee:*—The Committee demands a clear reply regarding pay fixation, increment, surrender of earned leave. The Committee also wants to find out the rules/norms in the KSR contrary to which the Board is competent to take decisions.

5	8	„	The Committee wonders why the Full Board was unable to meet after 5-1-2000 in order to take a final decision regarding the recovery of excess pay of employees and why the details called for from the Chief Engineer (HRM) and the objections raised by the internal auditor were not placed before the Full Board.	The Full Board in its meeting held on 5-1-2000 considered the directives of the State Government contained in the letter dated 5-8-1998 and decided that irregular fixation should be rectified and certificate to that effect should be incorporated in the Service Books of the employees. Subsequently when the Chief Internal Auditor submitted his opinion in recovering the alleged excess payments,
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(1)	(2)	(3)	(4)	(5)
			<p>The Committee desires to be informed of the details of the above, the date of the meeting of the Full Board and the decisions taken by it. The Committee also desires to be furnished with a copy of the report of the Committee constituted by Government to examine the irregularities pointed out by Audit.</p>	<p>the Member (Finance) and Chairman of the Board directed the Chief Internal Auditor to intensify the checking and the action against wrong fixation made in deviation of the Board Orders and further directed that the irregular fixations be fully recovered before the benefit of subsequent pay revision settlement dated 11-8-2000 is allowed. Accordingly, the pay fixation section had audited Service Books to assess and recover the excess amount paid and an amount of ₹ 2.12 crore had been recovered on 28-2-2007.</p>
				<p>In view of the administrative difficulties involved in recovering as per the audit observation based on the rules applicable to the State Government Employees no further progress in recovering the amount as per audit objection could be made the entire issue was placed before the Full Board. Annexure II on 30-10-2004 and the Board decided to refer the matter to Government for according ex-post facto approval of the Long Term Agreement</p>

dated, 2-8-1995. The Government accorded ex-post facto sanction to the long term agreement of 1995, vide G.O. (Rt.) No. 354/2006/PD dated, 6-12-2006.

*Remarks of the Committee:*—The Committee expressed great displeasure as the reply for all the details mentioned in this para were not furnished. The Committee wanted to take action against those officers who failed to submit the facts before the Full Board. The Committee also wanted to furnish the report of the action taken in this regard.

10 18 Power (K.S.E.B.)

The Committee finds a series of wilful and blatant lapses on the part of the officials of the Board in this instance. While the Board's officials are very prompt in stopping power supply to domestic consumers for delay in paying electricity charges, some of them are in collusion with major industrial houses, aiding them in evading payment of lakhs of rupees on electricity charges and hence causing huge losses to the Board. The Committee feels that lack of specific responsibility for distribution losses is one of the major reasons for this state of affairs.

In this regard the Board has taken following further actions:

1. By fixing performance parameters, the Board has evolved a system by which the officers-in-charge of section offices are made accountable for the loss due to such lapses.
2. As the consumer (M/s Garrison Engineers, Kochi) had made good the loss and the lapse occurred was nearly 18 years back, fixing responsibility is found difficult and hence the Board decided not to proceed further on this matter.

(1)	(2)	(3)	(4)	(5)
			<p>The Committee, therefore, recommends that KSEB should evolve a system by which the officer-in-charge of each electrical section be made accountable for the excess distribution loss. The Committee also recommends that strict action be taken against the official responsible for causing delay of more than four years in replacing the faulty meter of the HT consumer, resulting in huge financial loss to the Board. The internal audit wing of the Board should be held responsible for failure in detecting the error in computing the average consumption and explanation should be sought for the lapse. The Committee further recommends that the internal audit wing of the Board should be strengthened and made to function in a time-bound manner by redeploying excess staff from</p>	<p>3. The strengthening of Internal Audit Wing is taken as a priority item engaging the attention of the Board especially in view of the proposed restructuring of the Board.</p>

other sections/branches. The action taken in this regard should also be intimated to the Committee in time.

*Remarks of the Committee:*—The Committee opines that the Board has not taken any effective steps regarding Para 18. The Committee recommends that a special system should be formed in order to make the Internal Audit Wing of the electricity Board more fruitful and effective.

11	20	Power (K.S.E.B.)	<p>The Committee finds that the Board is unable to give any valid reason for not finalizing the tender invited in March 1995 even after a lapse of more than 5 months, and concludes that the second extension of the validity period for a further period of 4 months was done willfully and with the sole intension of benefiting the highest tenderer. The Committee, therefore, recommends that responsibility should be fixed for the lapse and the loss recovered from the concerned officials.</p>	<p>The primary work of processing of the tender was carried out and the report indicating the lowest tenderer was submitted to the Chief Engineer in time. But, approval for the same was delayed in the office of the Chief Engineer (WBP) without valid reasons. Hence, the Chief Engineer (WBP) and the Deputy Chief Engineer who had failed to bring to the notice of the Chief Engineer about expiry of the validity period of the tender are responsible for the delay in the finalisation of the tender. The details of the officers responsible are given below:</p> <ol style="list-style-type: none"> <li>1. Sri A. Chandran, former Chief Engineer (World Bank Projects), Thiruvananthapuram.</li> </ol>
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(1)	(2)	(3)	(4)	(5)
				<p>2. Sri K. Vijayan, former Deputy Chief Engineer, O/o the Chief Engineer (World Bank Projects), Thiruvananthapuram.</p> <p>Action is being taken to recover the loss from the concerned officials.</p>
<p><i>Remarks of the Committee:</i>—The Committee desires to know what action was taken against the officers who took decision regarding the tender. The Committee wants to know whether the recovery proceedings has been started. The Committee criticizes lethargic attitude adopted by the Public Sector Undertakings including KSEB in the timely implementation of the recommendations suggested by the Committee in its various reports. The Committee views that laxity in timely implementations defeats the essence of the Committee. The Committee therefore recommends that steps should be taken at Governmental levels for time bound implementation of the recommendations, so that the remedial measures suggested by the Committee could bring about an overall improvement in all spheres of activities undertaken by the PSC.</p>				
13	25	Power (K.S.E.B.)	<p>The Committee finds that the Board had made two contradictory amendments to the regulations relating to Conditions of Supply of Electrical Energy in the same week i.e., the first week of June 1994 and is dissatisfied with the explanation given by the Board in this regard. The Committee recommends that due</p>	<p>Board is giving due consideration and importance to the audit observation of Accountant General. Board has constituted Board Level Audit Review Committee consisting of Chairman, Full Time Members and Deputy Accountant General (Commercial) to monitor the progress in clearance of Audit paras. All the officers of Account Rendering Units</p>

thought and care should be given to the matter at hand before issuing Orders and amendments. It could also be seen that the Board is not giving due consideration and importance to the audit observation of the Accountant General. The Committee is not satisfied with the attitude of the Board and views this seriously. The Committee, therefore, recommends that objections raised by the Audit should be dealt with due importance and timely action should be taken in future.

have been directed to furnish specific and convincing reply to Audit at stage of Audit Enquiry/Inspection Report itself. Board has also decided on 29-11-2003 to conduct a special drive for the clearance of paras in the Inspection Report of the Accountant General. It is clearly specified in the Board circular dated, 29-11-2003 that the heads of Account Rendering Units will be personally responsible for furnishing reply to Audit in time and for the clearance of Audit paras. The progress of clearance will be monitored by the Board. Government have also constituted the Audit Monitoring Committee to monitor the progress in clearance of Audit paras relating to Kerala State Electricity Board and the Committee is meeting regularly.

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*Remarks of the Committee* :— Though the Audit Monitoring Committee is working efficiently there is a delay in furnishing the replies for the Audit paras during the year 2009-2010. The Committee wants to be informed of the reason behind this delay.

Thiruvananthapuram,  
28th January, 2014.

K. N. A. KHADER,  
*Chairman,*  
*Committee on Public Undertakings.*