



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

THIRTY FIFTH REPORT

(Presented on 28th January, 2014)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014

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On

**Kerala State Electricity Board based on the Report of the
Comptroller and Auditor General of India for the
years ended 31-3-2006, 31-3-2007 and
31-3-2008 (Commercial)**

428/2014.

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Smt. Lima Francis, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2011-2014) having been authorised by the Committee to present the Report on their behalf, present this Thirty Fifth Report on Kerala State Electricity Board based on the Reports of the Comptroller and Auditor General of India for the years ended 31st March, 2006, 31st March, 2007 and 31st March, 2008 (Commercial) relating to the Government of Kerala.

The Reports of the Comptroller and Auditor General of India for the years ended 31-3-2006, 31-3-2007 and 31-3-2008 were laid on the Table of the House on 28-3-2007, 26-2-2008 and 23-6-2009 respectively. The consideration of the Audit Paragraphs included in these Reports and the examination of the departmental witness in connection thereto was made by the Committee on Public Undertakings constituted for the years 2011-2014.

This Report was considered and approved by the Committee at the meeting held on 17-7-2013.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the Audit Paragraphs included in this Report.

The Committee wish to express their thanks to the officials of the Power Department of the Secretariat and Kerala State Electricity Board for placing before them the materials and information they wanted in connection with the examination of the subject. They also wish to thank in particular the Secretaries to Government, Power Department and Finance Department and the officials of Kerala State Electricity Board who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

Thiruvananthapuram,
28th January, 2014.

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

REPORT

KERALA STATE ELECTRICITY BOARD

AUDIT PARAGRAPH

Avoidable Loss

The Board had insured (July 1988) its assets at Kakkad Hydro Electric Project (KHEP) with Kerala State Insurance Department (KSID) for ₹ 18.85 crore and the policy was effective up to November 1999. A fire accident occurred (October 1992) at KHEP in which the stator bars of Unit-II generator and the insulating materials were destroyed. In order to finalise the claim, the reinsurers demanded (March 2000) the completed value of the project/estimated value of the insured items at the time of the accident or on a date very close to it. The Board reported (June 2000) the equipment's original cost as ₹ 1.77 crore and estimated cost as ₹ 5.10 crore (in December 1992). KSID restricted the payment of total assessed loss of ₹ 1.24 crore in the ratio of the original cost (₹ 1.77 crore) to the estimated cost of ₹ 5.10 crore on the ground that the original cost of the equipment was underinsured by 65.39 per cent. The net claim assessed (November 2003) was for ₹ 38.48 lakh disallowing ₹ 80.78 lakh for underinsurance.

As per the general conditions of the policy (Memo No.1) any increase or decrease in the insured amount would take effect only after the same had been recorded on the policy. The sum insured actually included escalation in cost. This fact was, however, omitted to be recorded in the schedule to the policy and the amount of ₹ 18.85 crore was shown as the invoice cost (including freight and erection cost) without mentioning specifically the escalation in cost even though this was included in the above insured sum.

The Board decided (July 2003) to accept the payment of ₹ 38.48 lakh in settlement of the claim under protest and received (July 2004) the amount.

As per Clause 7 of the General conditions of the Insurance Policy the disputed claim could have been taken up with the arbitrator. The Board, however, did not take advantage of this clause.

Thus, the failure of the Board to specifically mention the escalation cost of KHEP in the schedule to the insurance policy resulted in under assessment of claim by the valuers and consequent loss of ₹ 80.78 lakh.

The Government stated (August 2006) that the Board's officials were not familiar with the intricate provisions of insuring the assets as it was outside their routine work. The fact, however, remains that the ignorance of provisions of insurance of assets by employees resulted in huge loss to the Board.

[Audit Paragraph 4.18 contained in the Report of the Comptroller and Auditor General of India for the year ended on 31st March, 2006 (Commercial)]

Notes furnished by Government on Audit Paragraph is given in Appendix II.

The Committee wanted to know the reason for the failure on the part of the Board to specifically mention the escalation cost of equipments in the schedule of the Kakkad Hydro Electric Project for insurance coverage. The witness explained to the Committee that the Board had insured its assets for ₹ 18.85 crore and paid the premium of ₹ 10,47,589 for the policy which was effective up to November 1999. Due to a fire that occurred in October 1992 the stator bars of Unit-II generator and the insulating materials were destroyed. The witness disclosed that the Board then raised the insurance claim for ₹ 1,31,26,399 as depreciated cost estimated by the Board. But the amount allowed and released by KSID was only ₹ 38,48,242. The Board accorded sanction to receive the payment under protest. To another question the witness submitted that KSEB didn't take up the matter with the arbitrator because of the Government direction that the Board need not go for arbitration in disputed cases, as in the cases of PWD.

2. Though the premium of ₹ 10,47,589 covered for the whole amount the Board however failed to mention the escalation factor of ₹ 3.76 crore in the Schedule. Pointing out this reason, KSID refused KSEB's claim stating it to be a case of "under-insurance". Thereafter, the Board took up the matter with the Insurance Regulatory Development Authority (IRDA) for settlement. But IRDA suggested that the matter to be amicably settled as the parties were two Government Departments. The only possible mechanism at disposal to settle the dispute was through a High Power Committee, under the Chief Secretary or any other Secretary deputed by the Chief Secretary. The Home Secretary is holding the post of the Chairman of the Committee at present. The Board had approached the High Power Committee for settlement and the Committee had fixed a hearing on the issue on 20-12-2010. The witness added that the Board had also decided to take up all its disputed claims pending disposal worth ₹ 7.12 crore before the High Power Committee.

3. On pointing out that the equipment's original cost as reported by the Board was ₹ 1.77 crore, the Committee was informed of the fact that the insurance premium already paid was inclusive of the escalated cost. But KSID however restricted the claim to only ₹ 38.48 lakh on the ground of "under-insurance".

4. The Committee remarked that the estimated value of insured items were “under insured” by 65.39% considering the value of the equipment at the time of fire accident. Further, the Board had also failed to technically calculate the value for each component when the whole project was insured for ₹ 18.85 crore. Strong discontent was expressed by the Committee over the fact that consequent on the fire that occurred in 1992, Board had made claims only in 2002 and that too was approved by KSID at 65% less, in the year 2004. However, the Board had accepted the amount under protest without prejudice to the right of the Board for its legitimate claim. But strangely the Board didn’t go for an appeal on the issue till 2008. Such an unpardonable delay on the part of the Board was considered to be an act of sheer irresponsibility and negligence in dealing with a serious issue like this wherein the Board’s financial interests were at stake.

5. The Committee opined that the real issue lies not between the two agencies of the Government, as was stated by the Insurance Regulatory Development Authority, but the United India Insurance Company with whom the whole asset was reinsured by the KSID. By virtue of that aspect the entire loss could have been claimed and realised from the United India Insurance Company themselves but that did not happen on account of inordinate delay on the part of Board officials. The Committee viewed this seriously as a lapse on the part of the Board. The witness assured the Committee that care would definitely be taken to avoid such delays in future.

6. The Committee expressed its concern that the equipment portion destroyed in fire was neither valued properly nor recorded timely in the Schedule for insurance. The witness stated that ₹ 18.85 crore for which assets were valued for insurance was inclusive of ₹ 3.76 crore assigned to the generator portion. The Committee then asked how the value of generator which was bought for ₹ 1.77 crore could be shown at ₹ 3.76 crore in the Schedule. The witness answered that premium was remitted on account of the consideration of the situation that ₹ 5.10 crore would have been the cost of equipments, had the damaged one been replaced.

7. The Committee opined that the damaged generator portion had a value of ₹ 3.75 crore, but the Board had no documentary proof to substantiate the claim.

8. The witness admitted that there occurred some delay in filing the appeal till September 2008 and assured before the Committee that the Board would take effective steps to avoid such recurrence in future.

Conclusions/Recommendations

9. The Committee finds that the assets of Kakkad Hydro Electric Project insured by KSEB for ₹ 18.85 crore actually included the escalation cost of the equipments, but the failure on the part of the Board to specifically mention the escalation cost in the schedule to the insurance policy led to under assessment of 65.39% of the claims by Kerala State Insurance Department stating to be a case of under insurance.

10. The Committee observes that the Board had taken a decade in claiming the insurance that too, much below the original cost and took another 4 years to go for an appeal against KSID. The Committee view this as an unpardonable act and negligence on the part of KSEB in dealing with a serious issue like this. The Committee points out that improper valuation of the insured item and failure to record the value in the Schedule of insurance resulted in the under valuation of assets. The Committee opines that had KSEB taken steps to claim the insurance in time the entire loss could have been realised as the whole assets were reinsured with United India Insurance.

11. The Committee recommends that KSEB should seek expert opinion before insuring assets so that the insured amount is adequate to make good the loss in case of any contingency and in case any accident occurs immediate steps should be taken to claim the insurance at the earliest.

12. The Committee further recommends that appropriate steps should be initiated to identify the officials responsible for the loss and stringent action should be taken against them after fixing the liability.

AUDIT PARAGRAPH

Avoidable Additional Expenditure

The work of Renovation, Modernisation and Upgradation (RMU) of Sabarigiri Hydro Electric Project, having six generating units of 50 MW each, was awarded (July 2002) to VA Tech Hydro GmbH & Co (VA Tech), Austria on turnkey basis for an amount of ₹ 94.65 crore. The scope of RMU work included everything required to be performed for the design, manufacture, supply, erection, testing and commissioning. As per the agreement, replacement/repairs to components/equipments found defective on inspection and testing after dismantling, which were not included in the scope of tender specifications, would be treated as extra work. The rates, terms and conditions for extra works were to be conveyed by the Board within a reasonable time from the date of receipt of the report from the contractor. VA Tech commenced field operations on 25th February, 2003 and was to complete the work within 48 months (January 2007).

On dismantling and after detailed testing and examination of Unit 6, VA Tech intimated (January 2004) the necessity of extra works estimated at ₹ 82.70 lakh. Eleven months after the receipt of intimation regarding extra work from VA Tech, the Board accorded (December 2004) sanction for extra works amounting to ₹ 82.70 lakh. Accordingly purchase orders/work orders were issued (January 2005) on VA Tech for supply (₹ 32.03 lakh) and services (₹ 49.46 lakh).

It was noticed that the expert opinion of Central Electricity Authority (CEA) on the necessity and reasonableness of the extra work was sought for by the Board only in March 2005. As per CEA's report (July 2005) extra work amounting to ₹ 51.08 lakh (machining of runner coupling flange of turbine shaft including to and fro transportation and insurance—₹ 9.02 lakh, replacement of existing water guard—₹ 6.90 lakh, replacement of flow guide—₹ 13.24 lakh, site machining of distributor bore—₹ 13.86 lakh and jet alignment using precision equipments—₹ 8.06 lakh) actually came under the ambit of the original contract and VA Tech had to carry out the work without any extra cost. Since the work order for extra items was issued by the Board to VA Tech in January 2005 itself, ultimately the Board had to release payment of ₹ 40.25 lakh to VA Tech towards the extra works valued at ₹ 51.08 lakh disallowed by the CEA. The balance (₹ 10.83 lakh) remained to be paid.

Thus, decision of the Board to award extra works to the contractor even before ascertaining the necessity and reasonableness from CEA resulted in avoidable additional expenditure of ₹ 51.08 lakh.

The matter was reported to the Government (May 2007); the reply had not been received (August 2007).

[Audit Paragraph 4.14 contained in the Report of the Comptroller and Auditor General of India for the year ended on 31st March, 2007 (Commercial)]

Notes furnished by Government on Audit Paragraphs is given in Appendix II.

13. The Committee enquired the reason for the decision of the KSEB to award extra work of 6 generating units of Sabarigiri Hydro Electric Project to its contract agent VA Tech as the action resulted in the additional expenditure of ₹ 50.18 lakh, that could have been avoided, according to the expert opinion of the Central Electricity Authority, an organisation mainly to advice the Central Government on matters related to National Electricity Policy. The witness explained that the entire work was awarded in accordance with the specific conditions mentioned in the agreement in addition to original contract. The extra work defined on those item of work not expressly or impliedly provided for, in the schedule of items, plans or specifications of the contract but considered to be highly necessary for the proper execution and completion of the repair work.

The repair work of generating units of the project was tendered even before obtaining the expert opinion of Central Electricity Authority (CEA) on the necessity and reasonableness of extra work involving additional expenditure of ₹ 51.58 lakh.

14. The witness informed that the work was awarded to VA Tech for the repair of generating units at Sabarigiri Hydro Electric Project. As per the tender condition, any repair work found essential for opening of the units had to be assessed in the presence of Board and it would be treated as additional work.

15. On dismantling and after detailed testing and examination of Unit 6, VA Tech carried out the extra works valued at ₹ 51.08 lakh. The Board then sought the expert opinion of CEA and the CEA opined that the original contract was inclusive of the extra work and hence VA Tech was bound to carry out the additional work at its own cost. But however, the Board had released the amount well in advance before seeking the opinion of the CEA. The payment as explained was made based on the decision of the expert engineers of Board who conducted careful examination and proper study and after that a decision was arrived at as per the general conditions of the contract.

16. Pointing out that it was when the decision to make the extra payment was made, that the Board had demanded for opinion on the issue from CEA, the Committee expressed its doubt whether both Board and CEA examined the issue based on the same condition in the contract. It was also enquired why the CEA objected extra payment if the contract condition favoured such a payment. The witness replied that international contracts are based on understanding, without the parties meeting each other. The international conditions of contract warranted that any extra work beyond original scope of contracts had to be settled through a transparent procedure in which such extra work was jointly assessed by the contractor and concerned officials of the Board. Hence it was informed that the base on which CEA provided such an advice seemed vague. It was also added that Senior Engineers in the generation wing of KSEB too, being technically as highly competitive as CEA experts, were convinced beyond doubt about the necessity of the additional work.

17. The witness then clarified that CEA had examined only the general conditions of contracts, as per which repair and maintenance came under the purview of the contract. However as per the Board's specific agreement condition, any defect and consequent extra work found on dismantling has to be paid for as per the decision of a Committee constituted for the purpose. Hence the Board decided to release the amount. It was also added that the defects were related to components which couldn't be included in the contract.

The Committee then strongly criticised the action of the Board in seeking advice from CEA after making a decision based on examination by either parties. The Committee also remarked that the advice seems to be sought due to the fear that the decision arrived at was not fair at large. The witness then replied that CEA's advice was requested just to make sure that the decision was right. However, the Committee could not find any sense in such an eyewash after signing and approving a decision. The witness also clarified that though the CEA was competent to advice officers of KSEB they were also equally competent. Then Committee opined that as the decision of Board differed from the opinion of CEA either of it had to be termed incompetent. The witness added that after conducting ultra sound test, the Board was convinced that the extra payment was inevitable.

18. The witness concluded that all the six units in the Sabarigiri Project were fully operational, also the operation of unit 6 alone enabled the Board to generate additional power worth ₹ 9 crore.

Conclusions/Recommendations

19. **The Committee notices that the Board had released the amount for extra work well in advance before seeking the opinion of the CEA. Though the payment made was explained to be based on the decision of the expert engineers of Board, the Committee expresses its doubt whether both Board and CEA examined the issue on the different condition in the contract as CEA objected extra payment. The Committee opines that as the decision of Board differed from the opinion of CEA, either of them have to be termed incompetent. The Committee strongly criticises the action of the Board in seeking advice from CEA after making a decision based on examination conducted by its own engineers. The Committee also remarks that the advice seems to be sought due to the fear that the decision arrived at was not fair at large. The Committee recommends that before awarding extra work to the contractor the Board should seek expert advice from competent authority, whether the work intended to be done as extra will come under the ambit of original work so that unwarranted expenditure can be avoided in future.**

20. **The Committee recommends that liability should be fixed upon the officers responsible for the loss sustained by the Board and details regarding the action taken should be intimated to the Committee without delay. The Committee also recommends that it should be furnished with a detailed report regarding the reasons for the unwarranted haste in awarding the extra work before ascertaining the reasonableness of the work and additional expenditure.**

AUDIT PARAGRAPH

Avoidable Payment on import of Power

Following the decision (October 2002) of the Southern Regional Electricity Board*, Availability Based Tariff (ABT) was implemented (January 2003) in the Southern Region. The ABT enables despatch of power in relation to a schedule for each day comprising 96 time blocks of 15 minutes duration. The schedule of the Kerala Grid connected to Southern Grid is prepared by the KSEB Load Despatch Centre based on, among other things, expected demand and energy availability from internal sources. The difference between scheduled drawal of power and actual drawal would be treated as Unscheduled Interchange (UI). The UI attracted penal charges at slab rates fixed by the Central Electricity Regulatory Commission depending on the frequency at which excess power was drawn. The rates so fixed for the period 2004-09 were six paise per unit of energy for every 0.02 HZ drop in frequency between 49.8 HZ and 50.5 HZ, nine paise from 49 HZ to 49.7 HZ and thereafter at the rate of ₹ 5.70.

As on 4th April, 2005, the Board had a scheduled Central Generating Station (CGS) share of 13.90 MU. The Board, however, drew 16.41 MU of CGS share resulting in UI (import) of 2.51 MU when the frequency was below 50.5 HZ and consequently the Board had to pay UI charges of ₹ 57.08 lakh.

It was noticed (December 2006) that despite availability of sufficient water, the generation at Idukki Hydel station on 4th April, 2005 was only 3.60 MU compared to the average daily generation of 6.52 MU during the month of April 2005. The reduced level of hydel generation was as per system requirement, communicated by the Load Despatch Centre of the Board at Kalamassery. The reduction in internal generation at Idukki Station, without sufficient ground, upset the schedule fixed for drawal of power from CGS and led to avoidable payment for unscheduled interchange and penal charges of ₹ 57.08 lakh.

The matter was reported to the Government (May 2007); the reply had not been received (August 2007).

[Audit Paragraph 4.15 contained in the Report of the Comptroller and Auditor General of India for the year ended on 31st March, 2007 (Commercial)]

Notes furnished by Government on Audit Paragraph is given in Appendix II.

* Southern Regional Electricity Board is an organisation whose functions include planning and ensuring smooth, economic and efficient integrated operation of the constituent power systems in the Southern Region of India. SREB has been renamed (April 2006) as Southern Regional Power Committee.

21. The witness explained that KSEB has the general policy of preserving the power generated from Idukki to avoid power purchase at high rates in future. Consequent drop in generation of power in Idukki from 6 lakh unit to 3 lakh unit on 4th April, 2005, Board had to purchase additional power from unscheduled interchange to make good the deficit. This caused additional expenditure of ₹ 57.08 lakh which turned out to be an audit objection. The witness further added that the objection is true if production of that single day was considered. However such an approach was informed to be unscientific. Earlier, power from Ramagundam was not obtained due to the outage of a generator in Ramagundam thermal station. However on 4-4-2005 they resumed supply of power. Hence to conserve the water, KSEB reduced the generation of power from Idukki and purchased power from outside source at a cost of ₹ 2.16. Otherwise the same power ought to have been purchased at a higher rate. Hence the witness defended their stand that no loss had occurred to the Board. The witness also added that the whole year has to be considered and not a single day to assess the result. The Committee remarked that if the department had furnished the reply to draft audit paragraph in time, the audit paragraph would not have found place in the Audit Report.

Conclusions/Recommendations

22. The Committee understands that the department has not furnished the reply to draft audit paragraph in time. The Committee opines that had the Board furnished the reply to audit para in time the same would not have found place in the Audit Report.

AUDIT PARAGRAPH

Loss of Revenue

Kallada Small Hydro Electric Project (KSHEP) of the Board having two generating units of 7.5 MW each, uses water from the reservoir of Kallada Irrigation Project. As the water discharge for power generation was being restricted during irrigation period (June to September), the Board had to generate power to the full extent when there was adequate water discharge.

On 1st December, 2005 Unit I and II of KSHEP tripped due to problems in servomotors and thyrister respectively. Generation in Unit-II resumed on 2nd December, 2005 after replacing the defective thyrister* with that of Unit-I.

* A thyrister, also known as silicon controlled rectifier, is a special type of diode that only allows current to flow when a control voltage is applied to its gate terminal. It is used as a switch in the power circuit as it can only be turned on by providing a pulse at its one of the sandwiched layer called gate, and the pulse is also called fixing pulse or triggering pulse.

The defective servomotors of Unit-I was repaired on 10th December, 2005 but generation could resume only on 10th January 2006 after installation of a new thyrister at a cost of ₹ 9,750. Due to delay in replacement of the defective thyrister in Unit-I, the Board lost generation of 5.17* million units of power valued at ₹ 2.02 crore for 30 days (11th December, 2005 to 10th June, 2006) when there was sufficient discharge of water from the reservoir.

Audit noticed (April 2006) that the thyrister had developed defects in 2002 also and the same was replaced through purchase from BHEL. Yet, the Board did not keep adequate spares of this low value item to avert generation loss in emergent situations. Thus failure of the Board to keep inventory of thyrister having meagre cost resulted in generation loss of 5.17 MU of power valued at ₹ 2.02 crore.

Government stated (July 2008) that the interruption in Unit-I was not due to non-availability of thyrister alone but with the problem of servomotor also and even if a spare thyrister was available, Unit-I could not have been put into service immediately because of its faulty servomotor. It was also stated that the thyrister was not readily available in the market and a compatible one was not easily obtainable. The fact remains that the defect in servomotor was rectified on 10th December, 2005 and non-availability of thyrister was the main reason for the forced outage of Unit-I and the Board should have kept a spare thyrister (value ₹ 9,750 only) to avoid forced outage.

[Audit Paragraph 4.14 contained in the Report of the Comptroller and Auditor General of India for the year ended on 31st March 2008 (Commercial)]

Notes Furnished by Government on Audit Paragraph is given in Appendix II.

23. The Committee sought the reason for the loss of revenue in the KSHEP. The witness elaborated that in Kallada, machines were purchased from BHEL. Further the thyrister, a critical component of the project which is hardly available in the local market could not be procured easily. If the thyrister had failed, it could not be replaced by duplicate one. So the Board always keep spare thyrister in the stock. However, when the generator broke due to thyrister failure, it was replaced with a spare one immediately. But unfortunately the spare one was also damaged and hence outage occurred.

* Based on the average generation of power in Unit-I during September 2005 (5.2505 MU), October 2005 (5.25 MU) and November 2005 (5.02 MU).

24. The witness remarked that every year Central Electricity Authority sets the generation target for each station. For this project the same was 55MU for 2005-06. But in 2005-06, this project had generated 64.11MU power and achieved more than what targeted for the year in spite of the breakdown of the generator. The spare thyristor was supplied by the original equipment supplier and it, therefore, had the rarest chance to fail. The failure thus could be attributed to some incidental happenings beyond human control. The Committee was assured that to avoid similar problems in future, computerisation in KSEB and the resultant stricter procurement policy etc., would be resorted to, which will have a sound supportive system.

25. The witness also stated that for 40 days KSEB couldn't generate power due to the thyristor failure. When the witness informed that though generation was stopped for 40 days, the annual target was met; the Committee commented that if the failure was avoided more power could have been generated.

Conclusions/Recommendations

26. The Committee finds that if the Board had been vigilant enough to stock vital spare parts, generation could not have been stopped for 40 days, and that thereby produced more power.

27. The Committee therefore recommends that there should be an effective mechanism in KSEB to ensure that critical components are always therein the inventory for having a sound supportive system to avoid instances like this in future. The Committee wants to be furnished with a report regarding the details of liability fixed against the officers responsible and the present position of the action taken for recovering the losses raised in the audit objection.

Thiruvananthapuram,
28th January, 2014.

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

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	9	Power	The Committee finds that the assets of Kakkad Hydro Electric Project insured by KSEB for ₹ 18.85 crore actually included the escalation cost of the equipments, but the failure on the part of the Board to specifically mention the escalation cost in the schedule to the insurance policy led to under assessment of 65.39% of the claims by Kerala State Insurance Department stating to be a case of under insurance.
2	10	„	The Committee observes that the Board had taken a decade in claiming the insurance that too, much below the original cost and took another 4 years to go for an appeal against KSID. The Committee view this as an unpardonable act and negligence on the part of KSEB in dealing with a serious issue like this. The Committee points out that improper valuation of the insured item and failure to record the value in the Schedule of insurance resulted in the under valuation of assets. The Committee opines that had KSEB taken steps to claim the insurance in time the entire loss could have been realised as the whole assets were reinsured with United India Insurance.
3	11	„	The Committee recommends that KSEB should seek expert opinion before insuring assets so that the insured amount is adequate to make good the loss in case of any contingency and in case any accident occurs immediate steps should be taken to claim the insurance at the earliest.

(1)	(2)	(3)	(4)
4	12	Power	The Committee further recommends that appropriate steps should be initiated to identify the officials responsible for the loss and stringent action should be taken against them after fixing the liability.
5	19	„	The Committee notices that the Board had released the amount for extra work well in advance before seeking the opinion of the CEA. Though the payment made was explained to be based on the decision of the expert engineers of Board, the Committee expresses its doubt whether both Board and CEA examined the issue on the different condition in the contract as CEA objected extra payment. The Committee opines that as the decision of Board differed from the opinion of CEA, either of them have to be termed incompetent. The Committee strongly criticises the action of the Board in seeking advice from CEA after making a decision based on examination conducted by its own engineers. The Committee also remarks that the advice seems to be sought due to the fear that the decision arrived at was not fair at large. The Committee recommends that before awarding extra work to the contractor the Board should seek expert advice from competent authority, whether the work intended to be done as extra will come under the ambit of original work so that unwarranted expenditure can be avoided in future.
6	20	„	The Committee recommends that liability should be fixed upon the officers responsible for the loss sustained by the Board and details regarding the action taken should be intimated to the Committee

(1)	(2)	(3)	(4)
			without delay. The Committee also recommends that should be furnished with a detailed report regarding the reasons for the unwarranted haste in awarding the extra work before ascertaining the reasonableness of the work and additional expenditure.
7	22	Power	The Committee understands that the department has not furnished the reply to draft audit paragraph in time. The Committee opines that had the Board furnished the reply to audit para in time the same would not have found place in the Audit Report.
8	26	„	The Committee finds that if the Board had been vigilant enough to stock vital spare parts, generation could not have been stopped for 40 days, and that thereby produced more power.
9	27	„	The Committee therefore recommends that there should be an effective mechanism in KSEB to ensure that critical components are always therein the inventory for having a sound supportive system to avoid instances like this in future. The Committee wants to be furnished with a report regarding the details of liability fixed against the officers responsible and the present position of the action taken for recovering the losses raised in the audit objection.