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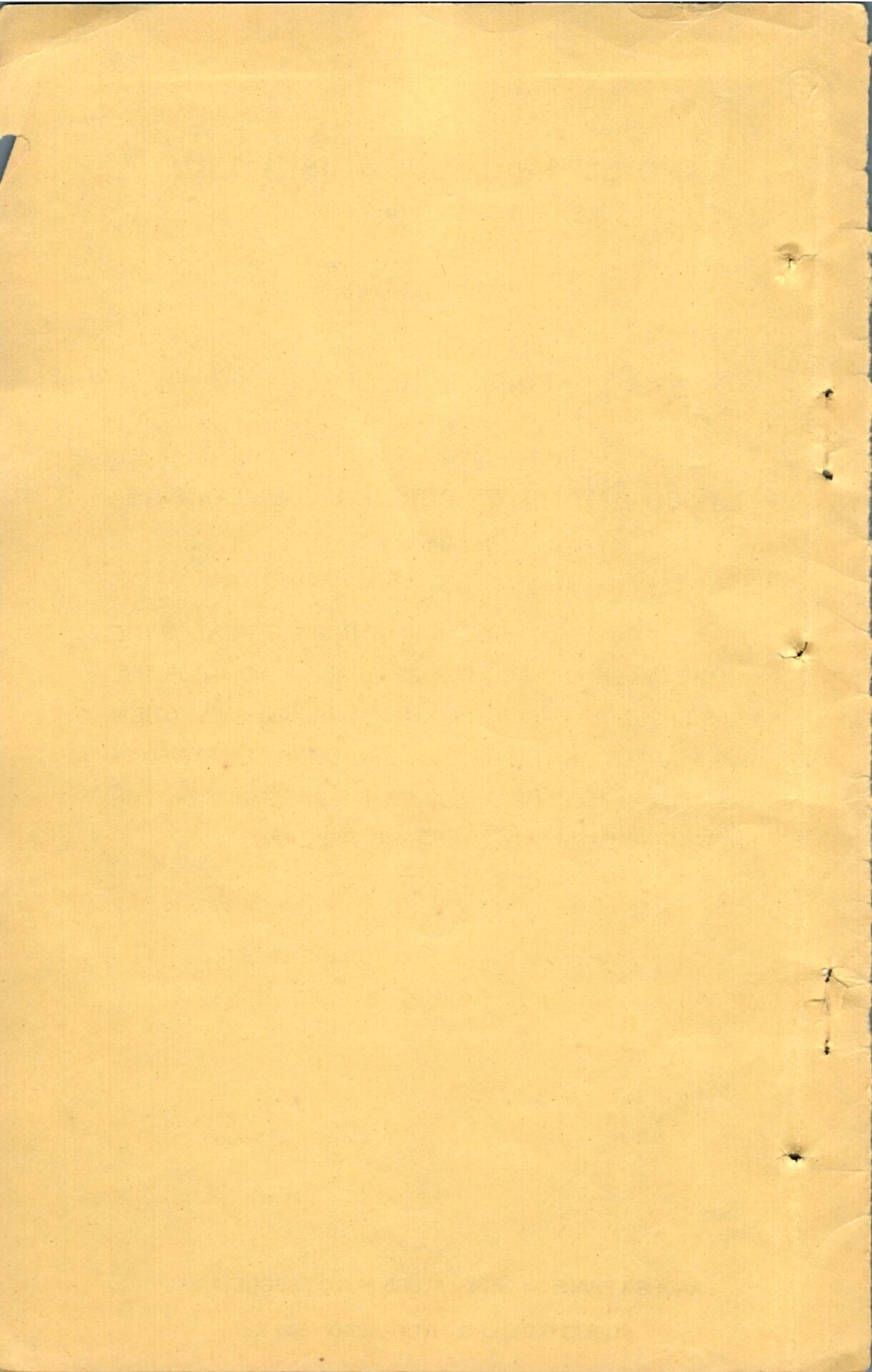
**ANDHRA PRADESH LEGISLATURE**  
**(TENTH LEGISLATIVE ASSEMBLY)**

**FOURTH REPORT**  
**OF**  
**THE COMMITTEE ON PUBLIC UNDERTAKINGS**  
**(1996-97)**

**ON**  
THE AUDIT PARAGRAPHS CONTAINED IN THE REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE  
YEAR ENDED 31 MARCH, 1992 (COMMERCIAL) AND ACTION  
TAKEN NOTES ON THE RECOMMENDATIONS CONTAINED IN  
THE 24TH REPORT OF IX LEGISLATIVE ASSEMBLY ON THE  
ANDHRA PRADESH STATE ELECTRICITY BOARD.

**(Presented to the Legislature on 27-11-1997.)**





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COMMITTEE ON PUBLIC UNDERTAKINGS  
(1996-97)

(Constituted on the 30th September, 1996)

CHAIRMAN:

1. Sri T. Bhadrappa

MEMBERS:

2. Sri M. Vijayapal Reddy
3. Sri R. Krishna Sagar
4. Sri Kagitha Venkat Rao
5. Sri Shikari Viswanatham
6. Dr. Abdul Rehman Shaik
7. Sri P. Keshav
8. Sri J. Venkata Reddy
9. Sri M.A. Gafoor
10. Sri Ch. Raji Reddy
11. Sri M. Anjaneyulu
12. Sri Vanka Satyanarayana
13. Sri M. Sikhamani
14. Sri Gudibandi Venkata Reddy
15. Sri K. Dayakar Reddy (Resigned)

SPECIAL INVITEES:

Sri Chikkala Ramachandra Rao  
Sri Pidathala Rambhupal Reddy  
Sri K. Achannaidu

LEGISLATURE SECRETARIAT:

Sri C. Venkatesan, Special Secretary  
Sri S.D. Kamalakar, Secretary  
Sri Khaja Moinuddin, Assistant Secretary  
Sri K. Harinarayana Rao, Section Officer

ACCOUNTANT GENERAL'S OFFICE:

Sri A. Satya Vardhana, Accountant General  
(Audit)-II  
Sri B. Narayana, Sr. Dy. Accountant General  
(Commercial)  
Sri K.V.R.K. Prasad, Sr. Audit Officer  
(CAW/COPU)  
Sri N. Ananda Babu, Asst. Audit Officer  
(CAW/COPU)







## INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (1996-97) having been authorised by the Committee to present the Report on their behalf present this Report on the Andhra Pradesh State Electricity Board.

2. The Committee on Public Undertakings (1995-96) have examined the report of the C & AG of India for the year ended 31st March 1992 (Commercial) and the Action Taken Notes on the recommendations contained in the 24th Report of Committee on Public Undertakings of IX L.A. on A.P.S.E.B., but could not present a report on the same for want of time.

3. The present Committee (1996-97) have considered and approved the said Report at their sitting held on 21.11.1997.

4. The Committee wishes to express their thanks to the Secretary to Government, Energy Department, the Chairman and other Officials of the A.P. State Electricity Board for the co-operation they have extended.

5. The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant General (Audit)II, Andhra Pradesh, the Sr. Dy. Accountant General (Commercial) and other officers and staff of the Accountant General's Office.

6. The Committee also places on record their appreciation of the assistance rendered to the Committee by the Special Secretary, the Secretary to State Legislature and the other officers and staff of Legislature Secretariat in the examination of the general working and audit paras relating to the Andhra Pradesh State Electricity Board and in preparation of this Report.

Hyderabad,  
Dated: 21.11.1997.

T. BHADRAYYA,  
Chairman  
Committee on  
Public Undertakings







RECOMMENDATIONS OF COMMITTEE ON PUBLIC UNDERTAKINGS

(1996-97)

(Tenth Legislative Assembly)

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1991-92 (COMMERCIAL) AND ACTION TAKEN ON THE RECOMMENDATIONS CONTAINED IN THE 24TH REPORT OF IX LEGISLATIVE ASSEMBLY.

ON

ANDHRA PRADESH STATE ELECTRICITY BOARD

C & AG REPORT FOR THE YEAR 1991-92:

REVIEW:

Purchase procedure

(PARA No. 3A.1.4. and 3A.1.5)

The Board issued draft Material Management Manual in June 1983 for the 1st time since its formation in April 1959. A revised procedure was evolved by the Board in September, 1989, streamlining the methods of purchase to minimise the time taken for procurement and introduced a drill to be followed in regard to determination of quantity, calling tenders technical and commercial bids their consideration and acceptance. These regulations have not been manualised (December, 1992) for reasons not on record. It is also not known whether the Board was taking steps to formulate a comprehensive procedure if it was not finalised and implemented. The Board constituted a 5 Member Committee to go into the general deficiencies in the management of material and stores. Though the recommendations of the Committee were placed before the Board in November, 1990 they were yet to be implemented.

The Board in its explanatory notes stated that the Manual was already in vogue and in 1989 the Board had evolved a procedure in consultation with various manufacturers with a view to cut down the procurement time. The Board also stated that B.P. No. 1025, dt. 19.9.89 mainly emphasized the procurement of stores from registered vendors only, without calling for tenders through paper advertisement.



1. Recommendation:

• The Committee recommends to have a comprehensive procedure for material management including inventory control commensurate with the size of the Corporation by using computers at appropriate levels.

The Committee also directs to consider the adoption of the recommendations made by the 5 member committee which include the following:

(a) Deficiencies on failure of transformers;

(b) Purchases;

(c) Stores maintenance and issues which inter alia includes position about overdrawals, misuse of materials, prompt closing of work orders, disposal of scrap and obsolete materials.

Purchase policy and material budgeting:  
(3A.1.6.1 & 3A.1.6.2)

Chief Engineers at headquarters level and at zonal level place purchase orders in respect of materials required by them to meet the requirements at the Board level and at zonal level respectively. But the Board has not prescribed any procedure for assessing its stores requirement annually. The Superintending Engineers indicate, in their monthly returns to the Board Office, only the quantity of 20 major items and the value thereof and do not contain the indents for the ongoing or new work.

Despite heavy expenditure incurred on purchases every year, the Board had not evolved a system of preparing material budgets/purchase budgets.

The Board in its reply stated that the position of supply utilisation and stocks are reviewed



every month. The Member (Accounts). in his oral evidence stated that the material is being controlled at micro level.

2. RECOMMENDATION:

A material budget should be prepared in a scientific method by taking all the aspects into consideration viz., requirement at generation, transmission and distribution levels and taking the internal and external resources into consideration, every year in advance and should be got approved in advance at the appropriate level to attain the sanctity of enforcement.

Non reconciliation of priced stores ledger with financial ledgers:(para No. 3A.2.6)

Reconciliation between the stores ledger and financial ledger pertaining to closing stocks was not being done regularly and periodically.

The Board in its reply stated that the concerned circles were instructed to take necessary action.

3. RECOMMENDATION:

Board should take appropriate action in time at the end of each year, to reconcile the figures between stores and financial ledgers, which is very essential to get their picture of the stores, which helps in assessing the actual requirement of stores at the beginning of each year. This would enable to find shortages/excesses in stores at the end of a definite and regular intervals and in turn helps to fix responsibility on the persons concerned at an early date.

Committee strongly recommends that Board should contemplate the system of obtaining



security/fidelity guarantee from the custodians of stores to invoke thus ensuring more responsibility on the personnel who handle the stores.

Shortage of transformer oil in sick distribution transformers:  
(Para No.3A.3.3)

The Board observed in October, 1989 that sick distribution transformers were being handed over to SPM sheds with shortage of oil ranging from 20 to 30 litres as against the norm of 2% of the quantity of oil in each transformer prescribed by the Board. On a test check in seven circles, it was found that 4.18 lakh liters of oil valued at Rs.62.75 lakhs was found short.

The Board in its reply stated the 2 per cent loss earlier fixed was due to normal evaporation and maintenance.

The Committee strongly feels that the transformers are not being maintained properly and there are complaints that they were not filled properly at appropriate time and some times the cost of the oil is being met by the consumers, which is not proper.

#### 4. RECOMMENDATION:

The Committee recommends that the Board at the appropriate level should be very cautious and realistic in maintaining the transformers. It should not be penny wise and pound foolish. Besides maintaining the transformers with all care and caution, proper quantity of oil should be maintained to avoid unnecessary loss of the asset.

Loss of coal due to shrinkage, windage and also in transit and unloading: (Para No. 3A.4.2)

There were differences in quantities between coal despatched (RR weight) by the Singareni



Collieries Company Limited and that received by KTPS. This was mainly due to transit loss while unloading and loss due to windage and shrinkage. The value of such shortage as assessed by the Board on the basis of volume upto 1987-88 was Rs. 1351.02 lakhs. The Board directed Chief Engineer, KTPS and CE Generation in April 1991 to send detailed proposals within 2 months for posting departmental personnel at loading points in collieries to witness the loading and weighment of the coal.

The Board in its reply stated that it has decided to deploy departmental personnel at the loading points for witnessing the loadings.

#### 5. RECOMMENDATION:

The Committee strongly recommends to deploy departmental personnel immediately at loading points at the Singareni Collieries Company Limited to avoid such unwanted huge losses atleast in future.

Excess consumption of coal in KTPS and RTS 'B':  
(Para No. 3A.4.6)

The excess consumption of coal over the norms fixed by the Board worked out to 35.15 lakh tonnes valued at Rs. 10969 lakhs in KTPS and RTS 'B' during the period from 1987-88 to 1990-91.

The Board in its reply and oral evidence stated that the consumption rate of Coal is not the same for all the thermal generating stations. The calorific value of coal received from the Singareni Collieries Company Limited is very low at times. But the Singareni Collieries Company Limited is not accepting the claims lodged by the Board towards the inferior quality of the coal supplied by them.

#### 6. RECOMMENDATION:

The Committee would like to have a report on the details of excess consumption and subsequent losses of Coal by March, 1998.



Procurement of inventory for Lower Sileru-Bommuru  
HT line  
(Para No. 3A.6.1)

The Chief Engineer (Projects) Hyderabad procured inventories consisting of line materials, conductors, SF circuit breakers iron and steel from time to time upto 31.3.1992 valued at Rs.801.52 lakhs. Stores valued at Rs. 438.23 lakhs was still (on that date) to be consumed. The Project (Lower Sileru-Bommuru Project) scheduled to be completed by June, 1979 has not been completed. Lack of proper planning has resulted in locking up of funds to the tune of Rs. 438.23 lakhs.

The Board in its reply stated that the Government of India has accorded approval in April, 1992 for the passage of the 220 KV line through reserved forest for want of which the project is delayed. Hence, the project will be recommended.

7. RECOMMENDATION:

The Committee would like to have a detailed report on the completion of the project and utilisation of material (excess/less) by March, 1998.

Excess holding of Zebra Conductor (Rs.102.35 lakhs) and excess holding of 11 KV stringing insulators Rs. 39.02 lakhs  
(Para No. 3A.6.3 and 3A.6.4.):

Zebra conductors valuing Rs. 102.35 lakhs and 11 KV stringing insulators valuing Rs. 39.02 lakhs were lying (March 1992) in the stores for issuing to works. The Board in its reply stated that the items would be utilised for the work of Lower Sileru-Bommuru EHT line.

8. RECOMMENDATION:

The Committee would like to have a detailed report on the consumption of these items by March, 1998.



IDLE STORES WAITING DISPOSAL

Surplus unserviceable and scrap materials awaiting disposal  
(Para No. 3A.6.6)

The value of the stores was Rs. 39.36 lakhs which awaits (at the end of April, 1992) either for diversion or for disposal. Material lying idle in TLC stores - Shapoornagar (Para No. 3A.6.7):

Five items valued at Rs. 15.59 lakhs were lying idle for the last 10 to 12 years (February, 1990).

Lower Sileru Hydro Electric Project - Donkarai stores:(Para No. 3A.7.1):

The stores valued at Rs. 136.50 lakhs held (March 1990) as surplus/obsolete lying idle since 10 years.

9. RECOMMENDATION:

The Committee would like to have a report on utilisation/disposal of these items by March, 1998.

Other Topics of interest:

Transfer of Assets to RESCO-Non-realisation of value of Assets Kadiri (East, West) & Atmakur)  
(Para No. 3A.8.1)

The Board has to realise Rs. 23.42 lakhs towards 50% value of assets transferred to RESCO and also to receive shares valuing Rs. 38.14 lakhs.

The Board in its reply stated that action for realisation of amount on transfer of assets and paid up share capital have been taken up and would be pursued vigorously with RESCO.

10. RECOMMENDATION:

The Committee would like to have a report on this by March, 1998.



Non-realisation of financial assistance rendered and material issued to RESCO, Rayachoti: (Para No. 3A.8.1)

An amount of Rs. 80.00 lakhs and an amount of Rs. 26.97 lakhs towards the material supplied to RESCO, Rayachoti is due for realisation (June 1992).

The Board in its reply stated that the matter is being pursued vigorously.

11. RECOMMENDATION:

The Committee would like to have a detailed report on the matter by March, 1998.

Theft of materials: (Para No. 3A.8.3)

Review of theft of materials in six operation circles revealed that there were 5634 material theft cases value of which was Rs.152.55 lakhs.

The Board in its reply stated that out of these cases 822 cases involving Rs.16.53 lakhs have been disposed of. The other cases are under various stages of persuasion.

12. RECOMMENDATION:

The Committee would like to have a report of the balance cases by March, 1998.

INDIVIDUAL PARAS (AUDIT REPORT 1991-92)

Failure to avail 'MODVAT' benefit: (Para No.4B.1.3)

Due to belated submission of declarations and non-production of subsidiary gate passes in support of 'MODVAT' claim resulted in non availment of the benefit to the tune of Rs. 3.79 lakhs during the period from May 1986 to June 1992 at Mancherial division.

The Board in its explanatory notes stated that this benefit is being availed by the division from 27.10.1992 and the Central Excise authorities were



being pursued for extending the benefit for the period prior to 26.10.1992.

13. RECOMMENDATION:

The previous committee had already recommended to fix up responsibility for the lapses. The Committee would like to be informed of the reimbursement of the 'MODVAT' amount from the Central Excise department by March, 1998.

ACTION TAKEN REPORT ON THE RECOMMENDATIONS CONTAINED IN THE 24TH REPORT OF IX L.A. (ON THE PARAS CONTAINED IN THE C & AG REPORT FOR THE YEAR ENDED 31ST MARCH, 1989):

Fabrication of electric poles accessories at Simhachalam stores (Recommendation No.1.11 to 1.14 of 24th Report of IX L.A).

In respect of electric pole accessories in the premises of Simhachalam Stores, the Committee finds that the Stores has not obtained licence from the State Government under Factories Act. The whole case exposes the ignorance of the Board regarding the requirements of Central Excise Act.

The previous Committee already recommended to fix up responsibility on the concerned officers for this.

The Board in its oral evidence, once again stated that the facts would be verified.

14. RECOMMENDATION:

The Committee strongly views that responsibility should be fixed for the lapse and also directs to inform whether the licence has been obtained atleast now. The same shall be informed to the Committee by March, 1998.



SUMMARY OF RECOMMENDATIONS

1. The Committee recommends to have a comprehensive procedure for material management including inventory control commensurate with the size of the Corporation by using computers at appropriate levels.

The Committee also directs to consider the adoption of the recommendations made by the 5 member committee which include the following:-

(a) Deficiencies on failure of transformers;

(b) Purchases;

(c) Stores maintenance and issues which inter alia includes position about overdrawals, misuse of materials, prompt closing of work orders, disposal of scrap and obsolete materials.

2. A material budget should be prepared in a scientific method by taking all the aspects into consideration viz., requirement at generation, transmission and distribution levels and taking the internal and external resources into consideration, every year in advance and should be got approved in advance at the appropriate level to attain the sanctity of enforcement.

3. Board should take appropriate action in time at the end of each year, to reconcile the figures between stores and financial ledgers, which is very essential to get clear picture of the stores which helps in assessing the actual requirement of stores at the beginning of each year. This would enable to find shortages/excesses in stores at the end of a definite and regular intervals and in turn helps to fix responsibility on the persons concerned at an early date.

Committee strongly recommends that Board should contemplate the system of obtaining security/fidelity guarantee from the custodians of stores to invoke thus ensuring more responsibility on the personal who handle the stores.

4. The Committee recommends that the Board at the appropriate level should be very cautious and realistic in maintaining the transformers. It should not be penny wise and pound foolish.



Besides maintaining the transformers with all care and caution, proper quantity of oil should be maintained to avoid unnecessary loss of the asset.

5. The Committee strongly recommends to deploy departmental personal immediately at loading points at the Singareni Collieries Company Limited to avoid such unwanted huge losses atleast in future.
6. The Committee would like to have a report on the details of excess consumption and subsequent losses of Coal by March, 1998.
7. The Committee would like to have a detailed report on the completion of the project and utilisation of material (excess/less) by March, 1998.
8. The Committee would like to have a detailed report on the consumption of these items by March, 1998.
9. The Committee would like to have a report on utilisation/disposal of these items by March, 1998.
10. The Committee would like to have a report on this by March, 1998.
11. The Committee would like to have a detailed report on the matter by March, 1998.
12. The Committee would like to have a report of the balance cases by March, 1998.
13. The Committee had already recommended to fix up responsibility for the lapses. The Committee would like to be informed of the reimbursement of the 'MODVAT' amount from the Central Excise department by March, 1998.
14. The Committee strongly views that responsibility- should be fixed for the lapse and also directs to inform whether the licence has been obtained at least now. The same shall be informed to the Committee by March, 1998.



