

## **CHAPTER III**

### **3. REVIEW RELATING TO STATUTORY CORPORATION**

#### **Review on 'Material Management' in Assam State Electricity Board (ASEB)**

##### **Highlights**

The Board purchased 2,015 numbers of distribution transformers and 40,211 numbers of PSC poles of different capacities/sizes valued at Rs.10.59 crore and Rs.6.93 crore respectively during 1998-1999 to 2002-2003 in violation of Assam Preferential Stores Purchase (APSP) Act, 1989.

(Paragraph 3.5)

Incorrect fixation of preferential price for procurement of 2,015 distribution transformers from local SSI units resulted in extra expenditure of Rs.44.23 lakh.

(Paragraph 3.6)

Procurement of materials in excess/advance of actual requirement resulted in blockade of funds of Rs.1.79 crore and loss of interest of Rs.86.32 lakh besides loss of benefit of performance guarantee.

(Paragraph 3.9 & 3.11)

Incorrect allocation of power and fuel cost and interest on working capital while fixing the procurement price of All Aluminium Alloy conductors, resulted in excess expenditure of Rs.60 lakh during April 1999 to January 2003.

(Paragraph 3.12, 3.13 & 3.14)

In absence of any laid down norm for holding of inventory, the actual stock held by the Board represented 37.1 months' to 210.95 months' consumption with consequential loss of interest of Rs.82 lakh on the excess inventory held during the four years period ending 31 March 2002.

(Paragraph 3.16)

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**Balances outstanding under Inter Unit Transfer Accounts, which were awaiting final adjustment, ranged between 139.47-186.26 per cent of capital and operation & maintenance stores during four years period up to 31 March 2002.**

(Paragraph 3.18)

**60.970 KMs of ACSR Panther Conductor valued at Rs.44 lakh procured in 1995 remained idle up to 31 March 2003 with consequential loss of interest of Rs.29 lakh. Besides this, a sum of Rs.55 lakh remained unrecovered from the contractor against mobilisation advance (Rs.87 lakh) given to the contractor.**

(Paragraph 3.20)

**Prolonged storage of two Power Transformer resulted in idling of funds worth Rs.98 lakh with consequential loss of interest of Rs.75 lakh**

(Paragraph 3.21)

**Non-utilisation of 26,001.68 MT of mill rejected coal valuing Rs.5.03 crore resulted into blockade of funds for four years up to 31 March 2002 with consequential loss of interest of Rs.1.91 crore.**

(Paragraph 3.23)

## **Introduction**

**3.1 ‘Material Management’** is an integrated approach to the planning, procurement and utilisation of material inputs with a view to control material cost, inventories and to ensure availability of materials of the requisite quality and quantity at right time in right place, with minimum storage cost.

The Assam State Electricity Board (ASEB/Board) formed in January 1975 under Section 5 (i) of the Electricity (Supply) Act, 1948 is engaged in generation, transmission and distribution of power in the State of Assam. The materials required by the Board to carry out its mandated functions are broadly categorized into (i) Capital (Project) Stores (ii) Operation and Maintenance (O&M) Stores, (iii) Capital Spares at generating stations and (iv) fuel. The average annual outgo on purchase of stores by the Board during the four years from 1998-1999 to 2001-2002 was Rs.57.85 crore, comprising Capital Stores (Rs.14.28 crore), O&M Stores (Rs.5.64 crore), Capital spares at generating stations (Rs.8.73 crore) and fuel (Rs.29.20 crore).

As on 31 March 2003, there were only two thermal power stations in operation located at Namrup (133.50 MW) and Lakwa (120 MW). The third and fourth thermal power stations under the Board located at Chandrapur (60 MW) and

Bongaigaon (240 MW) were under complete shutdown from June 1999 and March 2002 respectively.

### **Organisational set-up**

**3.2** The organisation of the Board in respect of stores management consists of one Central Stores Circle at Guwahati headed by a Superintending Engineer and four Central Stores Divisions headed by Executive Engineer located at Bongaigaon, Jorhat, Tezpur and Silchar directly under the control of Chief Engineer (Materials). Besides this, there were 78 sub-stores under different stores consuming field divisions under the control of respective Chief Engineers.

### **Scope of audit**

#### *Scope of audit*

**3.3** Review on material management in the Board was not conducted earlier. However, a topical review on procurement, performance, maintenance and repair of transformers was incorporated in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000, which was discussed by Committee on Public Undertakings (COPU) on 23 August 2002. Besides this, two reviews on ‘Operational, Performance and Functioning of Lakwa Thermal Power Station (LTPS) and Namrup Thermal Power Station (NTPS)’ were also incorporated in the Reports of the Comptroller and Auditor General of India for the year ended 31 March 2001 and 31 March 2002 respectively. These reviews, which were yet to be discussed by COPU contained Paragraph 3.6.1—Locking up of fund in wrong procurement and Paragraph 3.6.2-- Excess holding of operation and maintenance stock (O&M) in respect of Lakwa Thermal Power Station (LTPS) and Paragraph 3.8—Avoidable expenditure towards import of capital equipments/spares and Paragraph 3.9—Absence of proper stock accounting system in respect of Namrup Thermal Power Station (NTPS). As such, LTPS and NTPS have been excluded from the scope of the present review.

To bring a pragmatic approach and sharing of knowledge and experience about the review topic, the Comptroller and Auditor General of India decided to constitute a State Level Committee *i.e.* Audit Review Committee for discussing reviews of State Public Sector Enterprises (ARCPSE). Accordingly, the State Government was requested (December 2002, February 2003 followed by reminder in May 2003) to direct the concerned Secretary of the Department and Managing Director/Chairman of the Corporation for taking part in the proceeding of the Review Committee before issue of the review to the State Government. But no such discussion could take place due to non-receipt of response from the State Government (May 2003).

## **Materials Management**

### ***Purchase procedure***

**Delegation of powers to make purchases.**

**3.4** Purchase of machinery and equipments for project works and power stations and other capital works are made by respective Chief Engineers. Purchase of steel and cement is made by Chief Engineer (Civil). In respect of majority of items of other stores/materials, the Board follows a centralised pattern of purchase under the control of Chief Engineer (Materials). While the Board takes decision on purchases exceeding Rs.15 lakh in each case, the Tender Purchase Committee (TPC) appointed by the Board has been delegated with powers to make purchases involving Rupees five lakh and above and up to Rs.15 lakh. Additional Chief Engineers at different locations were empowered to make local purchases for urgent requirements up to Rupees five lakh on recommendations of Zonal Purchase Committee (ZPC).

Purchases are made through open tender system. With a view to encouraging growth of industries in the State of Assam specially the small scale industries and for taking measures ancilliary thereto, the Government of Assam enacted the Assam Preferential Stores Purchase (APSP) Act, 1989. As per provisions of the Act, certain items (like conductors, pre-stressed concrete poles, transformers up to 315 KVA) were reserved for procurement from local registered manufacturers. In respect of these reserved items, prices are required to be fixed by the Technical Committee No.4 (TC-4), which is a Statutory Committee constituted by the Assam State Stores Purchase Board (ASSP).

In this connection, it may be mentioned that the APSP Act, 1989 came into force *with effect from* 14 July 1989 and it extends to the whole State of Assam. By virtue of Section 2 (r) it is legally binding on the Board (being the requiring authority) and the non-adherence of the provisions of the Act attracted penal provision as per Clauses 12 to 15 of the said Act.

In this connection, the following deviations from purchase procedures were noticed in audit:

### ***Violation of APSP Act***

**3.5** Distribution transformers up to a rating of 315 KVA and pre-stressed concrete (PSC) poles were reserved under Schedule II of APSP Act, 1989 and were required to be purchased at prices approved by TC-4 from local registered manufacturers.

**Purchases without specific approval of TC-4 as required under APSP Act.**

Scrutiny of records of Chief Engineer (Materials) revealed that the Board purchased 2015 distribution transformers (63 KVA: 729, 100 KVA: 730 and 250 KVA: 556) at a total cost of Rs.10.59 crore during February 2002 and January 2003 at rates approved by the Board. Similarly, the Board purchased

40,211 PSC poles of different sizes (7.5m: 22,757, 8.5m: 14,305 and 9.75m: 3,149) at a total cost of Rs.6.93 crore during 1998-1999 to 2002-2003. In both the cases, specific approval of TC-4 for the purchase rates was not obtained.

Reasons for violation of the provisions of APSP Act were not on records.

### ***Irregular price preference to local SSI Units***

**10 per cent price preference to be allowed on the basis of lowest tenders.**

**3.6** Although distribution transformers up to rating of 315 KVA was reserved item under APSP Act, the Board decided (5 June 1998) to invite limited tenders for fixation of price to be paid to local SSI Units. Accordingly, the Chief Engineer (Materials) invited tenders on 21 June 1998 against which eight firms had submitted their offers. The Board also constituted (17 September 1998) a three-member Committee to discuss and negotiate the rates with local suppliers. The Committee in their meeting held on 14 October 1998 decided to allow 10 per cent price preference on the price of lowest tenders received.

**Incorrect price fixation led to extra expenditure.**

Audit observed that at the time of considering lowest tenders received, the Committee considered the rates quoted by M/s Accurate Transformers Limited, New Delhi in respect of 63 KVA and 100 KVA on the basis of their lowest F.O.R. Guwahati rate and fixed the procurement rate after adding 10 per cent to the corresponding ex-work rate. In respect of 250 KVA transformers, the lowest F.O.R. Guwahati rate offered by M/s East India Udyog Limited, Ghaziabad at Rs.96,840 was, however, not accepted on the ground that the rate was much lower than the rates quoted by other suppliers. The Committee had accepted the second lowest F.O.R. Guwahati rate of Rs.1,03,716 and again fixed the procurement rate at 10 per cent above ex-work rate of Rs.84,000. By doing so, the Board accepted the higher ex-work rates offered by M/s Accurate Transformers Limited in respect of all three categories of transformers although the technical specifications of the transformers offered by both the suppliers were same. This had resulted in fixation of procurement rates of distribution transformers at higher side. Consequently, the Board incurred extra expenditure of Rs.44.23 lakh on purchase of 2,015 distribution transformers from local suppliers during the period from February 2000 to January 2003, as detailed below:

Sl. No.	Particulars	63 KVA	100 KVA	250 KVA
(i)	Lowest tendered ex-work rate of M/s East India Udyog	28,500	37,800	79,000
(ii)	Rate payable on the basis of (i) above	31,350	41,580	86,900
(iii)	Ex-work rate included in lowest (except for 250 KVA transformer, the party being 2 <sup>nd</sup> lowest) F.O.R. Guwahati rate of M/s Accurate Transformers Limited	29,000	39,000	84,000

Sl. No.	Particulars	63 KVA	100 KVA	250 KVA
(iv)	Rate approved/paid by the Board on the basis of (iii) above	31,900	42,900	92,400
(v)	Differential cost (iv-ii)	550	1,320	5,500
(vi)	Quantity purchased	729	730	556
(vii)	Extra expenditure (v x vi)	4,00,950	9,63,600	30,58,000

### **Material budget**

**Non-preparation of material budget.**

**3.7** The Board was not preparing any detailed annual material budget. Materials were being purchased on the basis of indents from Chief Engineers of Distribution, Transmission and Civil wings. There was, however, no system of collecting data from field divisions about actual stock position before placing fresh purchase orders. This resulted in procurement in excess of requirement as discussed in Paragraphs 3.9, 3.10, and 3.11 *supra*.

### **Order placement and execution**

#### **Absence of scientific system**

**Procurement of materials without proper assessment of requirement.**

**3.8** While effecting purchase, the stock available at various stores, quantity of materials required, lead-time required for procurement *etc.* were not being considered. As a result, several purchases were made either without requirement or in excess of requirement leading to blocking of funds and consequential loss of interest besides deterioration in quality of materials and non-utilisation within guarantee periods as discussed below:

#### **Purchase in excess of requirement**

##### **70 KN Disc-Insulators**

**Procurement of insulator much in advance of requirement.**

**3.9** Transmission Sub-Division, Sarusajai had 564 numbers of 70 KN Disc-Insulators (Cost: Rs.1.30 lakh) as on June 2001. The Sub-Division received a further quantity of 7,997 numbers (Cost: Rs.15.59 lakh) in November 2001. As against this, only 351 numbers were issued till March 2003. Similarly, despite having a stock of 7,267 numbers as on March 1996, the Transmission Sub-Division, Goalpara received further quantity of 2,091 Disc-Insulators (Cost: Rs.4.79 lakh) during July 1996 to January 2003. However, the Sub-Division could issue a total quantity of 2,310 numbers till March 2003.

Bulks of the above Disc-Insulators were procured for renovation and modernisation (R&M) work of Bongaigaon Thermal Power Station—Agia—Sarusajai 220 KV transmission line. However, due to non-receipt of fund for

purchase of conductors and other accessories, the R&M work could not be implemented.

**Non-utilisation of insulator resulted into blockade of funds.**

Thus, procurement of 70 KN Disc-Insulators without co-ordination with actual progress of work resulted in blocking of fund to the extent of Rs.20.38 lakh with consequential loss of interest.

### ***220/132 KV circuit breakers***

**Circuit breakers remained unutilised for more than 12 years.**

**3.10** The Board purchased (1991) two numbers of 220 KV circuit breakers (Cost: Rs.11.91 lakh) for 220 KV second circuit Mariani—Samaguri Transmission Line and three numbers of 132 KV circuit breakers (Cost: Rs.16.14 lakh) one for Mariani—Mokokchung inter state transmission line and two for Mariani—Garmur second circuit transmission line against which one set of 132 KV circuit breaker was issued to work in December 2000 after nine years from the date of purchase. The remaining circuit breakers valued at Rs.22.67 lakh were lying unutilised in the Mariani Sub-Station Construction Sub-Division for the last 12 years up to March 2003 resulting into blockade of funds besides the loss of benefit of guarantee for satisfactory performance of 18 months from the date of supply.

It was also seen in audit that 220 KV Mariani—Samaguri line was charged at 132 KV rendering the two 220 KV circuit breakers surplus. One 132 KV circuit breaker became surplus due to non-construction of Mariani—Mokokchung transmission line due to right of way problem, while another 132 KV circuit breaker was idling due to delay in installation at Garmur-end of Mariani—Garmur transmission line.

### ***Sub-Station equipments***

**Sub station materials lying unutilised since November 1987.**

**3.11** To draw power from 220 KV BTPS—Guwahati transmission line, a project for construction of 220/132/66 KV Agia Grid Sub-Station was taken up in November 1987. The work of the project, which was scheduled to be completed in March 1992, was stopped in 1991 due to fund constraints and has not yet been resumed (July 2003). Even after stoppage of work (1991) the Board procured during 1993-1994 to 1999-2000 various equipments/materials valuing Rs.1.59 crore for construction of the Sub-Station at Agia. However, as at 31 March 2003, all these materials were still lying unutilised at Sub-Station Construction Sub-Division, Agia under Transmission Division, Goalpara.

**Blockade of funds and expiry of guarantee**

The unwarranted purchases resulted in blockade of funds for three to nine years with consequential loss of interest of Rs.86.32 lakh at a nominal rate of 9.50 *per cent* per annum (*Annexure 16*) besides possible deterioration in quality and expiry of guarantee period of 18 months.

It was also seen in audit that 132/66 KV system had been changed to 132/33 KV system in March 1998 rendering the 66 KV materials surplus (value not ascertained).

### ***Excess expenditure on purchase of AAA conductors***

**3.12** Conductor is a reserved item under Schedule II of the APSP ACT, 1989 and the same was required to be procured from local manufacturers registered under the Act at a price to be fixed by TC-4 constituted by the ASSP Board.

The TC-4 appointed by the ASSP Board (February 1999) fixed the ex-work rate of conductors at Rs.1.44 lakh per MT including 10 *per cent* profit on cost. The various cost components included cost of power and fuel at Rs.4,672.35 and interest on working capital at Rs.10,124.23. Further scrutiny revealed the following:

#### ***Power and Fuel cost***

**3.13** The power and fuel cost of Rs.4,672.35 included fixed charge of Rs.1,755.00 which was worked out on the basis of a connected load of 195 KW (229.41 KVA) for production of 150 MT of conductors per annum. However, while working out the estimated consumption of power, the connected load was taken as 74.46 KW (Furnace: 48 KW, Other loads: 26.46 KW). Hence, fixed charge on 74.46 KW (87.60 KVA) should have been allocated to production. Allocation of fixed charge on 195 KW resulted in inflation of cost by Rs.914.04 per MT of conductors.

**Incorrect allocation of fixed charge resulted in inflation of cost.**

#### ***Interest on working capital***

**3.14** For the purpose of cost estimation, interest cost of Rs.10,124.23 was taken at 15 *per cent* of estimated working capital of Rs.67,495 per MT. Scrutiny, however, revealed that working capital requirement on the basis of production cycle of four months was Rs.39,516 per MT. So, interest cost per MT worked out to Rs.5,927.40 only. In view of this, excess interest cost of Rs.4,196.83 per MT was considered while fixing ex-factory price of conductors.

**Fixation of price at higher side due to excess allocation of interest cost on working capital.**

Due to allowing excess cost towards power and fuel (Rs.914.04) and interest on working capital (Rs.4,196.83) per MT of conductors, the Board incurred excess expenditure of Rs.60 lakh on procurement of 1,071.27 MT of conductors during April 1999 to January 2003 including 10 *per cent* profit on cost.

**Excess expenditure of Rs.60 lakh incurred due to incorrect price fixation.**

### ***Irregular fixation of price of PSC poles***

**3.15** The procurement rates for different sizes of PSC poles were fixed by the Board on 20 February 1995 on the basis of rate analysis and after allowing 20 *per cent* profit margin on cost excluding (i) depreciation (ii) interest charges, and (iii) cost of breakages. The rates so fixed were subsequently revised upward by fixed percentages on 7 March 1998 and 29 May 2001.



Further scrutiny revealed the following:

**Excess expenditure due to allowing 20 per cent profit margin as against 10 per cent.**

- TC-4 (Committee of ASSP Board in which Board is also represented) while fixing the rates for reserved items, generally allow 10 per cent profit margin on total cost. Compared to this, the profit margin (20 per cent) allowed by the Board in case of PSC poles was on higher side which had resulted into extra/avoidable expenditure of Rs.35.24 lakh on procurement of 40,211 PSC poles during 1998-1999 to 2002-2003 as shown below:

	Particulars	Size of PSC poles		
		7.5m	8.5m	9.75m
(i)	Profit margin allowed	Rs.161.57	Rs.233.97	Rs.344.32
(ii)	10 per cent profit on total cost	Rs.91.57	Rs.131.22	Rs.198.04
(iii)	Difference	Rs.70.00	Rs.102.75	Rs.146.28
(iv)	Quantity purchased	22,757	14,305	3,149
(v)	Excess expenditure (Rupees in lakh)	15.93	14.70	4.61

- While working out interest cost, interest was allowed on notional costs of various fixed assets like land, buildings *etc*, moulds and other items as shown below:

	Particulars	Size of PSC poles			Total
		7.5m	8.5m	9.75m	
		(Rupees)			
(i)	Interest on fixed assets	40.32	55.66	80.60	
(ii)	Interest on moulds and other items	16.77	17.47	53.34	
(iii)	Total ( i + ii)	57.09	73.13	133.94	
(iv)	Number of PSC poles	22,757	14,305	3,149	40,211
(v)	<b>Extra Expenditure (iii x iv) (Rupees in lakh)</b>	<b>12.99</b>	<b>10.46</b>	<b>4.22</b>	<b>27.67</b>

**Fixation of price allowing interest on fixed assets and moulds and other items instead of on working capital only.**

The TC-4 while fixing rates for reserved items had allowed interest on working capital only. In view of this, allowing interest on fixed assets, moulds and other items amounting to Rs.27.67 lakh for procurement of 40,211 numbers of PSC poles during 1998-1999 to 2002-2003 was not justified.

## Inventory Control

### *Stock levels*

**3.16** The Board had not fixed maximum, minimum, re-ordering level and economic order quantity in respect of any stock items so as to have effective control over procurement of materials and avoid blockade funds in inventory.

The details of opening stock, purchases, consumption and closing stock of materials (excluding capital spares and natural gas) during the four years up to 2001-2002 are given in *Annexure 17*. It would be seen from the Annexure that the closing stocks represented 37.01 to 210.95 months consumption during the four years up to 2001-2002.

The table below indicates the position of stores consumed, closing stock in terms of months' consumption and excess inventory at the end of each year from 1998-1999 to 2001-2002:

Year	Consumption	Closing stock	Closing stock in terms of months' consumption	Excess stock (In months)	Excess inventory
	(Rupees in lakh)				(Rupees in lakh)
1998-1999	52.99	202.65	45.89	42.89	189.40
1999-2000	14.03	246.63	210.95	207.95	243.12
2000-2001	71.66	221.02	37.01	34.01	203.10
2001-2002	26.26	232.31	106.16	103.16	225.75

Taking three months' consumption as stock holding limit as laid down by Andhra Pradesh State Electricity Board, the excess investment in stock ranged from Rs.1.89 crore to Rs.2.43 crore during 1998-1999 to 2001-2002.

Taking into consideration a nominal rate of interest of 9.50 *per cent* per annum, the interest element on holdings of excess inventory during the four years up to 2001-2002 aggregated to Rs.82 lakh.

### *Non-availing of benefit of guarantee*

**3.17** In terms of conditions laid down in tenders and purchase orders, the suppliers of various electrical goods/equipments provided guarantee for satisfactory performance of the materials which was normally 18 months from the date of supply and/or 12 months from the date of commissioning whichever is earlier. But it was observed that purchases were often made far ahead of actual requirement and the materials were idling either at store or at site beyond the period of such guarantee. As a result, the Board had lost the benefit of guarantee in respect of several valuable materials/equipments as discussed in paragraphs 3.10 and 3.22--Circuit breakers, 3.11-Sub-Station equipments, 3.21-Transformers.

Stock level represented even 210.95 months consumption.

Board had lost the benefit of guarantee due to idling of materials.

### ***Inter-Unit Transfer Account***

**3.18** During the course of stores transactions, materials are transferred from one accounting unit to another accounting unit. Such transactions are booked under Inter-Unit Transfer Account (IUTA) and the balances in the accounts are adjusted when details of receipt of materials are received from transferee unit. The table below shows the balances outstanding under IUTA for the four years from 1998-1999 to 2001-2002:

Year	Balance under IUTA	Closing stock at stores			Percentage of IUTA to capital and O&M stores
		Capital	O&M	Total stock	
(Rupees in crore)					
1998-1999	277.25	136.82	12.03	148.85	186.26
1999-2000	263.27	133.97	54.80	188.77	139.47
2000-2001	273.63	106.98	54.10	161.08	169.87
2001-2002	273.55	115.12	54.45	169.57	161.32

**IUTA balances pending adjustment ranged 139.47-186.26 per cent of capital and O&M stores.**

**Absence of internal control system for timely adjustment of IUTA.**

The balances pending under IUTA as at the end of each of the four years up to 2001-2002 ranged between 139.47-186.26 per cent of capital and O&M stores. The heavy accumulation under the account indicated absence of an internal control system for timely reconciliation and adjustment of Inter-Unit Stores transactions. The Board did not adequately ensure that the materials actually reached the location and properly accounted for. The chances of misappropriation of stock under IUTA might not be ruled out.

Further analysis by audit revealed that:

- Out of Rs.273.55 crore balance of IUTA as on 31 March 2002, Rs.139.37 crore pertained to periods prior to 1984-1985. No steps were taken to either write off or investigate into the matter.
- Board has not reviewed the position to freeze IUTA balance at certain point of time and also prescribe internal control procedures to avoid recurrence.

### **Stores Management**

#### ***Non-moving/slow-moving stocks***

**3.19** The Board did not maintain age-wise consolidated position of slow-moving/non-moving items of stores to exercise control over inventory. Test check of records revealed that as on 31 March 2003, various store items valuing Rs.9.72 crore (Non-moving: Rs.3.45 crore; Slow-moving: Rs.6.27

**Non-moving/slow-moving items amounted to Rs.9.72 crore of store.**

crore) were lying idle without any issue or with a very few issues over a long period, as indicated in the following table:

(a) *Non-moving items of store*

Sl. No.	Name of store	No. of items	Cost (Rupees in lakh)	Year from which lying idle.
1.	Central Stores Circle, Ulubari, Guwahati	28 03 05	76.51 5.90 4.59	1990-1991 1998-1999 2000-2001
2.	Bongaigaon Thermal Power Station (BTPS) Electrical Stores	95	150.59	1985 to 2000-2001
3.	Chandrapur Thermal Power Station (CTPS)	13	107.83	1998-1999 to 2001-2002
<b>Total</b>			<b>345.42</b>	

(b) *Slow-moving stores*

Sl. No.	Name of the store	Particulars	Unit	Total Quantity	Quantity issued up to March 2003	Closing stock as on March 2003	Value of closing stock (Rupees in lakh)	Year from which lying idle
1.	Transmission Sub-Division, Agia	Disc-Insulators—90 KN	Number	5,413	510	4,903	12.02	1995-1996
		Zebra Conductors	Kms.	80.287	8.237	72.050	134.64	2000-2001
		Panther conductors	Kms.	166.489	27.307	139.182	92.25	1993-1994
2.	220-KV Grid Sub-Station, Sarusajai	Zebra conductors	Kms.	156.434	21.30	135.134	249.95	1999-2000
3.	Central Stores Division, Jorhat	Tension Clamp (Raccoon)	Number	6,307	538	5,769	17.13	1997-1998
4.	Bongaigaon Thermal Power Station	1.1 KV Armoured cable power	MT	39,178.20	8,976.50	30,201.70	44.46	1997-1998
		M.S. Plate	MT	1,497.30	951.35	545.95	51.35	2000-2001
5.	Central Stores Circle, Ulubari	Energy meters	Number	1,781	57	1,724	24.96	1997-1998
<b>Total</b>							<b>626.76</b>	

The Board was not reviewing and taking appropriate action for gainful utilisation of these materials in locations where these were required or to dispose of through sale. This had resulted in idling of valuable materials, blockade of huge funds, deterioration in quality and loss of benefit of guarantee for satisfactory performance. This had also resulted in increased

inventory carrying cost, which was not quantifiable. Certain specific instances noticed in audit, apart from those mentioned above, are discussed below:

### ***Idling of stocks***

#### ***Conductors***

**Delay in execution of transmission line resulted in idling of conductors valued Rs.44.37 lakh and loss of interest of Rs.29.47 lakh.**

**3.20** The Board procured (1995) 60.970 Kms ACSR Panther conductors valued at Rs.44.37 lakh for construction of 132 KV Jorhat-Bokakhat (Numaligarh) Single Circuit (76.745 Kms) transmission line to be completed within June 1996. However, up to March 2003, only 234 tower foundations out of 255 were completed. Erection of towers and stringing of the line could not be taken up as the required tower materials were not supplied by the contractor M/s Trans-Power Limited. No action was taken against the contractor nor the work was entrusted to any other agency. Thus, inordinate delay in execution of the transmission line led to idling of conductors valued at Rs.44.37 lakh for seven years up to 2002-2003 with consequential loss of interest of Rs.29.47 lakh.

**Mobilization advance of Rs.55 lakh remained unrecovered.**

Besides this, a sum of Rs.55 lakh remained outstanding for recovery against mobilization advance (Rs.87 lakh) from the contractor.

#### ***Transformers***

**3.21** Sub-Station Construction Sub-Division, Agia, Goalpara received two 20 MVA Power Transformers (Cost: Rs.15.90 lakh) and one 25 MVA Power Transformer (Cost: Rs.90 lakh) in June 1985 and July 1996 respectively from Central Stores of the Board at Guwahati. Out of this, one 20 MVA transformer was issued to the Resident Engineer, Dibrugarh Sub-Station in 2000-2001 after a lapse of 15 years. The remaining two transformers were still lying unutilised in open yard. The transformers could not be commissioned due to stoppage of sub-station work since 1991.

**Idling of transformer and consequent loss of interest of Rs.75 lakh**

The idling of the transformers resulted in loss of interest of Rs.75 lakh besides possible deterioration in quality due to wear and tear and loss of benefit of guarantee for satisfactory performance.

#### ***Circuit Breakers***

**3.22** One 145 KV 2000 A SF-6 Circuit Breaker (Cost: Rs.8.60 lakh) and one 33 KV SF-6 Circuit Breaker (Cost: Rs.2.88 lakh) were received by 132-KV Sub-Station Construction Sub-Division under Resident Engineer, 132-KV Sub-Station at Panchgram, Cachar on 28 October 1991 and 10 April 1995. Although the 33-KV SF-6 circuit breaker was issued to work on 9 December 1997, the same had not yet been installed and put to use due to non-erection of spare-feeder as proposed. The other circuit breaker was not issued to work. Thus, both the circuit breakers remained unutilised till March 2003.

In another case, four numbers of 145 KV 200A SF-6 circuit breakers (Cost: Rs.17.13 lakh) were procured in April 1996-1997 for installation in the proposed 132-KV Jorhat-Bokakhat Single Circuit Transmission Line.

However, due to non-completion of the transmission line, the materials were lying unutilised for last six years up to 2002-2003.

Three 145-KV SF-6 3-phase auto re-closing circuit breakers (Cost: Rs.23.46 lakh) were received by Samaguri Transmission Sub-Division during 1990-1991 for use in the proposed 132-KV Khangdon-Umrangshu Single Circuit (S/C) Transmission Line. Due to non-completion of the transmission line, all three circuit breakers were lying in stock for the last 12 years.

**Procurement of materials without proper planning of works resulted in blocking up of funds of Rs52 lakh for years together and loss of interest of Rs.47.80 lakh.**

Procurement of these materials without co-ordination with progress of work led to blockade of funds besides loss of benefit of guarantee for satisfactory performance of 18 months from the date of supply and loss of interest of Rs.47.80 lakh at 9.5 *per cent* per annum.

### **Coal**

**3.23** Bongaigaon Thermal Power Station (BTPS) (60 MW x 4) of the Board was using coal from Coal India Limited as the main fuel for generation of power. During 1996-1997 and 1997-1998, the station collected 38,521 MT of mill rejected and debunkered coal out of which 12,519.32 MT was used subsequently for generation. The balance 26,001.68 MT (Cost: Rs.5.03 crore) representing mill rejected coal, with low calorific value due to high foreign materials, were required to be blended with good quality coal and used in generation. It was, however, seen in audit that although the station consumed a total quantity of 3,08,164.28 MT of coal (including normal losses of 5076.13 MT) during 1998-1999 to 2001-2002, the station did not utilise/consume the mill rejected quantity to achieve economy in purchase of fresh coal. The above quantity of 26,001.68 MT was deducted from physical inventory of stock in 1997-1998 and kept separately. Inaction on the part of the management to blend and consume this stock of coal had resulted in blockade of funds amounting to Rs.5.03 crore for four years up to 2001-2002 with consequential loss of interest of Rs.1.91 crore at 9.50 *per cent* per annum.

**Inaction on the part of the management to blend the mill rejected coal with good quality coal resulted in blocking up of funds of Rs.5.03 crore and interest loss of Rs.1.91 crore.**

The station was shutdown in March 2002. Till March 2003, the station/Board failed to take action for utilisation/disposal of the same.

### **Conclusion**

**The Board did not have a system of preparing detailed material budget. Purchases were made without proper assessment as to stock in hand and actual requirement and as a result, purchases were made either in excess or far in advance of requirements. There were heavy accumulation of slow/non-moving items leading to blockade of funds and loss of interest. Inter Unit transfers of materials were not being promptly reconciled and properly accounted for. Cases of irregular fixation of prices in violation of APSP Act were also noticed which led to extra avoidable expenditure. The**

**Board also did not fix minimum, maximum and re-ordering level of stock in respect of standardised items of stock.**

**The Board has to take action for preparing detailed material budget in advance and also has to fix minimum, maximum and re-ordering level of stocks, in order to avoid blockade of funds. Purchases and issues of materials should be scrupulously made to ensure optimum utilization of funds. Inter unit transfer accounts (suspense account) needs to be reviewed and appropriate procedures adopted to avoid accumulation of such balances. Materials required for execution of projects/schemes should be procured in co-ordination with actual progress of work in order to avoid unnecessary blockade of funds for long periods.**