HIMACHAL PRADESH STATE ELECTRICITY BOARD LTD.
"A STATE GOVT. UNDERTAKING"

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No. HPSEBL/F&A/ FIN-MISC/2021-22 /02-205 Dated:- 27/3/21

To

All the Chief Engineer,
In HPSEBL,

All the Dy. CEs/ SEs (CIT)
In HPSEBL.

All the Sr. Executive Engineers
In Divisions.

Subject:- **Instructions to project implementation authorities in HPSEBL.**

Sir,

While going through various proposals and cases being examined in the Finance and Account Department, several cases of **improper procurement processes** being followed by various implementing agencies (both HQ & Field) and financial irregularities (intentional in many cases) have been noticed in the company and these are being pointed out on case to case basis. It has therefore been felt appropriate to conduct detailed study and highlight all financial and procurement irregularities and lay down guidelines for various implementing agencies (at both HQ & field) to ensure that **public money** being spent by the company is spent by religiously following the **"canons of financial propriety"** to avoid wasteful expenditure on the one hand and bring in operational efficiencies while implementing various projects/schemes aimed at ensuring quality services to our citizens.

The basis of detailed examination has been the **"Canons of Financial Propriety"** that is required to be followed by one and all, who are involved with spending of public finances of Public Limited Company, as we are, on the one hand and bring in efficiency of execution on the other.

30/3/21
Sr. Asstt

CANONS OF FINANCIAL PROPRIETY

a. Expenditure should not prima facie be more than essentially and necessarily required.

b. Every employee should consider the **public money as if his own money** and shall make the expenditure judiciously

c. No authority should exercise powers of sanctioning expenditure **for his own benefit directly or indirectly**

d. Public money should not be utilized **for the benefit of a particular person or section of the community**, unless amount of expenditure is insignificant & unavoidable.

e. Expenditure is in pursuance of a notified and **established custom, policy or procedures**

f. Amount of allowances/perks granted to meet expenditure of a particular type should be so regulated that the allowances do not, on the whole, become source of profit or cause of financial loss and loss of image of the organization in the eyes of public /organizations associates/employees.

The major shortcomings being noticed / pointed out are discussed below:

Schemes/Projects:

A. PRESCRIBED AND WELL ESTABLISHED PROCUREMENT PROCEDURE

- Appropriate and established procedure to implement various projects and schemes in any professional organization/public sector is that projects and schemes are framed in highly professional manner as per need and well in time.
- Once the schemes are identified **based upon need** they are required to be **budgeted** after required in principle, sanctions and approvals from appropriate authority such as HPERC, STC, EHV etc.
- Once the scheme is budgeted and approved, a realistic survey is required to be done and proper DPR is framed for undertaking procurement process through DPR based RFP.
- Procurement process can only be initiated after the detailed and realistic DPR is prepared.

B. Shortcomings/Irregularities

a) HPSEB, over a period of time have evolved a culture of intentional procurement irregularities, where procurement process is initiated without conducting detailed survey, preparing proper and realistic detailed project report (DPR) and framing RFP document based upon DPR.

Survey is the first step to ascertain realistic details of the project, without which it is not possible to prepare realistic DPR as one does not even know about the project. It is not possible to calculate realistic cost & IRR, and fix timelines for the completion of such projects. However tenders are floated **without following prescribed**

procedures and realistic surveys are done by contractors resulting into **massive physical deviations and huge cost overruns.**

Since procurement process is undertaken without evolving realistic DPR and RFP, obstructions such as forest land, private land or unsuitable terrain are discovered after the procurement process and thus, process of forest clearance or land acquisition, which should be undertaken before initiating the project, is initiated after the work has been awarded to contractors.

HPSEB Ltd thus starts **investing either its own funds or funds raised through loans** from Financial Institutions, on a project where no realistic survey has been conducted, there was no DPR or where procurement process has been undertaken without realistic RFP based upon DPR. Obstructions are discovered and processes of Land acquisition/forest clearance starts **after the work has been awarded**. As a result projects sees massive **cost and time overruns, public funds are blocked** for years, leading to **massive financial losses** to the company on the one hand and **denial of much needed services** to the people of State, for many years on the other.

Besides financial losses, such irregular procurement process give undue and uncalled for discretion to implementing officers and contractors and same results, many times, into physical and financial deviations and EOTs without penalties because HPSEB Ltd procurement process reserves the onus of delay with the Company. Under such circumstances possibility of corrupt practices could not be ruled out.

Such poor and highly irregular project implementation/management falls in the category of intentional irregularity and call for fixing responsibilities. Sample cases of such projects examined in F&A Wing and approximate financial losses caused to the Co. in these cases are depicted in Annexure-A

Yours faithfully,

(Capt. J.M. Pathania), IAS
Director (F&A), HPSEBL,
Shimla-4

Copy forwarded for information and necessary action to :

1. The Managing Director, HPSEBL, Shimla-4.
2. The Directors (OP)/(Technical)/(Civil), HPSEBL, Shimla-4.
3. The Executive Director, (Pers.), HPSEBL, Shimla-4.
4. The Chief Accounts officer, F&A Wing, HPSEBL, Shimla-4.
5. The S.E. (IT), HPSEBL, Shimla-4 for uploading the instructions on the web of the HPSEBL.

Director (F&A)

Annexure-A

Sno.	Name of project/ scheme	Date of tender/ Award	Project completion period	Actual completed	Initial cost of project	Revised cost of project	Loss to the company in financial terms	Remarks
	Chief Engineer(OP)North							
1	Survey, design, supply of equipment / material erection, testing and comissioning of 33KV single circuit structures and cross arms with wolf conductor from existing 33 KV/11KV S/Stn Bharmour to Gharola on turn key basis	20.9.2013	6 months	30.7.2019 (Tentative)	12322293	20978303	8656010	Revenue Loss due to Non transmission of energy and Non receipt tranmission charges is extra.
	Chief Engineer(OP)South							
2	C/O 33/11KV 2x10 MVA S/Stn at Baragaon alongwith 33KV single circuit line from Beolia to Baragaon	25.4.2016	18 months	Not yet completed	67340672	102918251	102918251	there is 100% loss to the co. as the work was to be completed with grant for GOI and now is proposed to be completed by loan / own share
	Chief Engineer(Gen)							
3	Supply and service of electromechanical equipment for repair and renovation of Rongtong power house	23.7.2012	20 months	Not yet completed	43200092	Not completed yet	loss of generation for 8 years =16 Crore(As per MYT 2.00 Crore every year)	
	Chief Engineer(ES)							
4	Award of check survey , optimization fabrication supply erection of towers string, sagging of conductor 132KV transmission line from Chulla to proposed Stn at Kangain	23.4.2015	18 Months	25.5.2020	10.24 Crore	13.54 cr	3.30 Crore	Revenue Loss due to Non transmission of energy and Non receipt tranmission charges is extra.
5	Design , engineering , manufacturing, supply and erection , testing and comissioning of equipment on turn key basis for c/o 2x6.3 MVA 66/22 KV S/Stn at Chopal Distt. Shimla(SSD-321/2014)	29.5.2017	14 months	Not yet completed	10.56 Cr	12.21 Cr.	1.65 Cr.	Revenue Loss due to Non transmission of energy and Non receipt tranmission charges is extra.
6	Check survey stubbing erection of towers and providing of breast wall for the construction of 66 KV S/C transmission line on 66 KV /132 KV double circuit towers from Sainj to Chopal(Lasta Dhar)(SSD 382)	28.12.2016	Six month i.e 26.6.2017	Not yet completed	7.40 Cr	-	-	Repayment of loan and interest already started from 2012-13 and appoximate loss is more than Rs. 11 Cr due to non transmission of energy

Note:- These scheme are indicative to highlight the implementation irregulartties. All executing agencies are requested to take immediate corrective measures to ensure that company does not suffer wastage of scarce public money and implementation of projects is not delayed. It would also observation and delay in finance department.