

CHAPTER I

MATERIALS MANAGEMENT (STORES)

INTRODUCTORY

Materials management is one of the most important functions in any business organisation. Material management covers all aspects of,:-

- i) Materials budgeting, planning & programming ;
- ii) Materials acquisition ;
- iii) Materials utilisation ;
- iv) Inventory Control ;
- v) Store Keeping ;
- vi) Value analysis and standardisation AND
- vii) Disposal of scrap, obsolete, and surplus materials.

Store keeping and purchasing functions are the two important activities of materials management.

The Karnataka Electricity Board executes most of its work departmentally. However, in some cases, works are entrusted to contract agency, primarily to supplement Board's efforts to achieve quick progress. Even in such cases, they are mostly in the nature of labour contracts, with Board supplying all the major materials. Consequently it has to deal with a large bulk of materials the annual turnover being of the order of several crores of Rupees. The 'Materials Management and Purchases' Wing of the Board is responsible for the functions of materials management and control over the materials used in the different operating functions of the Board.

In specific terms, it would cover purchase, receiving, inspection, storage, issue, return, transfer, disposal and other related activities connected with materials, ensuring that the operating locations have the right materials in the right quantity and in right time for executing works.

SECTION - A

STORES BUDGET

1. A stores budget is a co-ordinated estimate of the consumption and purchase of materials relating to a specified period. The purpose of stores budget is :-
 - (a) to plan and control purchases,
 - (b) to assess and make provision for the financial requirement of such purchases, and
 - (c) to plan and control the consumption of the materials.
2. Every year, the Board purchases materials, worth several crores of rupees, required for capital as well as, operation and maintenance works. The preparation of stores budget is, therefore essential and needs meticulous care and attention to minimise inventory carrying costs and at the same time to ensure continuous availability of materials to field staff.
3. The Chief Engineer, (Electricity) Material Management and Purchase, is responsible for the preparation of stores budget, procurement of materials, inspection, quality control, allocation, disposal of surplus/obsolete materials and maintenance of good inventory control.

(SA.III/8054/84-85/6-4-84).

PREPARATION OF STORES BUDGET :

4. The annual stores budget of the Board, will be prepared by the Chief Engineer, (Electy.), (MM&P)., in the manner prescribed hereunder, and sent to Board by 15th March of each year together with such explanatory notes as may be deemed necessary.
 - (a) Ascertain the programmes, policies, and priorities of the Board, in respect of developmental works, and then prepare a list of works, to be taken up for execution, in the order of priorities.
 - (b) Prepare statement No. 1 in Form No. 1 for purposes of assessing the quantum of material cost component and funds available as per

the Annual financial statement, which would be approved by the Board, before the end of February for procurement of materials.

- (c) Prepare the following statements, for purposes of ascertaining the quantities of various materials with their approximate values which are actually proposed to be procured.
 - i) Statement No.2 in Form No. 2, showing the requirement of materials for major capital works excluding steel and cement;
 - ii) Statement No. 3 in Form No. 3, showing the requirement of materials for minor capital works, and operation and maintenance works, and
 - iii) Statement No. 4 in Form No.4, showing the requirement of raw materials for workshop manufacture.
 - (d) Prepare statement No. 5 in Form No.5 for purposes of assessing the amount required for procurement of materials during the year.
 - (e) Prepare statement No.6 indicating the requirement of steel under different sections/sizes, and the quantity of cement required, together with their approximate value.
5. The stores budget should be so framed as to secure an agreement with the grants provided for the several works, under 'Capital' and 'Operation and Maintenance' (Revenue expenditure) in the Annual financial statement for the year.
 6. In case the cost of materials to be procured during the year, were to exceed the amount available for purchase, an explanatory note shall be appended to the stores budget.
 7. The stores budget will be examined by the Board and its decision shall be communicated to the Chief Engineer, Electricity, ((MM&P)) with a copy to the Financial Adviser and Chief Accounts Officer.

PURCHASE GRANTS :

8. Purchase grants shall be allocated to all the Chief Engineers, Secretary/ Financial Adviser and Chief Accounts Officer to all offices also either

quarterly or at such intervals as may be considered necessary by the Board.

9. The Zonal Chief Engineers, while re-allocating / utilising the purchase grants should see :-

- i) that the purchase grants are allocated to various divisions and circles of their Zones, according to their requirements;
- ii) that a portion of the grant allocated to each Division/Circle, is exclusively ear-marked for :-
Repairs to vehicles and purchase of Petrol/Diesel/Lubricants;
- iii) that field officers, do not purchase Insulated wire, lamps, tube light fittings and such items of materials which may be prohibited under any circumstances, as they will be centrally purchased and allocated by the Chief Engineer, Electricity (M.M. & P.).

EXCEPTION : Lamps and flourescent tubes, for replacement in the offices, store yards, stations and colonies, may be purchased by the field officers, to the extent of actual requirements, in cases of urgent necessity, and got ratified by the Chief Engineer Electricity ((MM&P)).

- iv) that essential line materials are purchased only after ascertaining the stock/supply position, from the Chief Engineer Electricity ((MM&P)).
- v) that guide lines issued by the Board from time to time are kept in view, while allocating/utilising the purchase grants.

SECTION - B

CUSTODY OF STORES

10. GENERAL - Some terms explained.

- (i) **STORE KEEPING** :- Store keeping refers to the safe custody of materials, stocked in the store room, for which the store-keeper acts as a Trustee. It means that the materials received are checked and carried into the store room, and stored in a systematic manner and protected/guarded against all kinds of damages and spoilages until they are issued.

The important functions of store-keeping are :-

- (a) Receipt of Materials
 - (b) Storage
 - (c) Preservation
 - (d) Issue of materials and
 - (e) Accounting and maintenance of records.
- ii) **LAYOUT OF STORES** :- The internal arrangement of a store house is known as 'LAYOUT'. A proper layout, which should be clean with clear and defined lanes for each item of a stock, having respective BINS, SHELVES, RACKS, etc., will ensure free movement of materials, timely inspection, and day-to-day verification of Receipts and Issues.
- iii) **STORAGE** :- Storage means custody of materials in a systematic manner, so as to help, easy movement of materials into and out of stores, and physical verification.
- iv) **PRESERVATION** :- Preservation means protection of materials from 'FIRE, RUST, CORROSION, DUST, THEFT, WEATHER, HEAT, COLD, MOISTURE, etc., with the aim of maintaining their value and quality.
- v) **RECEIPT OF MATERIALS** :- Materials, as and when received, are to be verified/checked inspected and moved into the appropriate area of the store room. A proper record shall be kept in respect of all receipts.

- vi) **ACCOUNTING AND MAINTENANCE OF RECORDS** :- Maintenance of Records in respect of materials received and issued, is one of the important functions in store keeping. Proper, upto date and complete records result in reduction or elimination of wastage and misappropriation.

11. The stock articles of the Board are kept :

at	<u>Under the control of</u>
(i) Central Stores, Bangalore	Executive Engineer, (EI)
(ii) Zonal Stores, Hubli (B5/536/84-85, dt. 7-4-1986)	Executive Engineer, (EI)
(iii) Regional Stores, Mysore, Shimoga, Gulbarga & Munirabad	Superintending Engineer, (EI) of the respective O&M Circles.
(iv) Divisional Stores & Sub-divisional Stores	Executive Engineers (EI) of O&M Divisions. Asst. Executive Engineers (EI) O&M Sub-Divisions.
(v) Major Works Divisional Stores	Executive Engineers (EI) of Major Works Divisions.

12. The general administration of Regional Stores and Divisional Stores, is vested in Superintending Engineers (Elect) of O&M Circles and Divisional Engineers respectively. In respect of Central Stores, it is vested in Chief Engineer (Electricity) (MM&P). In respect of the Zonal Stores at Hubli, it is vested in the Chief Engineer (Electricity), Hubli.

(a) It is their duty to arrange in accordance with the rules for :-

- (i) Acquisition of Stores,
- (ii) Safe custody and distribution of materials according to the requirements of works, and

- (iii) Disposal of surplus and obsolete materials.
 - (b) The Central Stores will supply those materials centrally purchased to all the Regional/Divisional Stores and the Zonal Stores at Hubli.
 - (c) The Regional Stores will cater the requirements of the Divisional and Sub-Divisional Stores in their jurisdiction.
- 13.** (i) All officers and others entrusted with the care of stores are responsible for taking all due care for the safe custody of materials and for maintaining suitable accounts and inventories so as to prevent losses to Board by accident, theft, fraud or negligence, and for the preparation of correct returns in respect of stores under their control.
- (ii) For securing this object, it is important that each item of receipt, issue or disposal should be recorded, in accordance with the rules, in the order of occurrence and as soon as they take place; at the same time it shall be possible to check the ground balances with the ledger balances.
- 14.** (i) The Store Officers/Store keepers in the Regional/Divisional Stores, assisted by the Assistant Store keepers will be responsible for the custody, preservation and issue of materials, under their charge and to maintain accounts and to furnish the required returns relating to them.
- (ii) In respect of Central Stores, Bangalore, and Zonal Stores at Hubli, the Executive Engineers (Elect) assisted by the Store Keepers and Assistant Store Keepers are responsible for the custody, preservation and issue of materials under their charge and for the maintenance of store accounts and other relevant records and returns.
- (iii) In the case of a sub-divisional store, the Assistant Executive Engineer (Elect) of the Sub-Division assisted by the Assistant Store Keeper will be the custodian of the stores and will be responsible for carrying out the aforesaid functions.
- 15.** No store shall be left without adequate protection. In the event of death or departure of the store-keeper or any other employee in charge of the store,

immediate action shall be taken by the Controlling Officer for taking over the stores.

16. (i) All Officers, incharge of stores are required to take proper precautions against deterioration or loss. Materials kept in open places, must be protected against the effects of weather. Special care should be taken in respect of transformers, particularly during the rainy season. Valuable items of materials and fittings should be kept in locked rooms and guarded against pilferage. Special care should be also taken in respect of cement, consumable articles, furniture, articles of stationery etc., Special attention must be directed to fire conservancy; petrol, kerosene, oil, varnishes, packing materials and other inflammable articles, should not be stored in any of the store room with other materials. Such materials should be segregated and stored separately at a safe distance from places where other materials are stored, so that there will be no danger of fire spreading to the store house and material yards. The internal wiring of store rooms should be checked periodically.
- (ii) Smoking inside the Stock yards should be strictly prohibited. 'NO SMOKING' sign boards, both in Kannada and English should be displayed at the entrances of the Store houses and at those places where materials are kept. Fire protection equipments such as, fire buckets filled with clean dry sand, fire buckets filled with clean water, fire extinguishers, first aid boxes, shall be kept at appropriate places.

SECTION - C

ACQUISITION OF MATERIALS

17. The Chief Engineer Electricity (Materials Management and Purchase) is responsible for acquisition and allocation of materials, indented by the officers of the Board.
18. Before initiating action for procurement of materials, the Chief Engineer, Electricity ((MM&P)). shall ascertain the annual requirements of materials from Circle/Divisional Officers. For this purpose, the Divisional Officers of O&M Divisions are required to send their estimated annual requirement of materials for 'operation and maintenance' and 'minor capital works', in Form No. 7 to their Circle Superintending Engineers by 15th January, of each year.
19. All these requisitions, shall be consolidated and reviewed by the Superintending Engineers, (Elecl.) of O&M Circles and sent to the Chief Engineer, Electricity ((MM&P)), by 15th February.
20. The Superintending Engineers (Elecl.) of Major Works Circles, shall send their requisitions for materials required for Major Works in the aforesaid manner.
21. The Superintending Engineer (Elecl.) Technical, in consultation with the Superintending Engineer, Elecl., Planning, shall prepare a list of materials required for Major works, together with items of spares, if any, and send it to the Chief Engineer, Electricity, (MM&P). by 15th February.
22. The following rules shall be observed in the preparation of annual requisition for materials :
 - (i) The requisition for materials, should be with reference to stock in stores and requirement of materials for works under, 'Operation and Maintenance,' and 'Capital'.
 - (ii) In respect of essential line materials, the quantity of materials, shall be based upon the average consumption of the last three years and related to the programmes of the works for the year.
 - (iii) In case, the quantity of materials requisitioned were to be in excess of the quantity used during any one of the last three years, a clear explanation in support of such increased demand shall be furnished.

- (iv) The requisition for special materials, such as, spares for Plant and Machinery, spares for Telephones, Generators, Power transformers, Turbines, Switchgear and other equipments, which cannot be generally used in all the Divisions, shall be included in a separate list and sent in duplicate.
- (v) In respect of spare parts of machinery, full particulars, such as Names of makers, date of first supply, the number and the nomenclature of the spare part, and reference to the original purchase order number and date should be given, duly indicating the quantity of available spares, if any.
- (vi) The quantities shall be limited to the minimum consistent with satisfactory and efficient working of the machinery/equipment.

23. The requisitions received from all circles, shall be processed and consolidated by the Material Management Cell.

24. Based upon the consolidated requisition and the list of materials required for Major Works, the Chief Engineer, Electricity (MM&P), shall finalise the quantities of materials to be procured during the year, and initiate procurement action, keeping in view the approved Stores Budget for the year.

NOTE : The Chief Engineer, Electy. (MM&P). may initiate advance action for procuring materials required for Major Works, keeping in view the time schedule of delivery of materials and financial commitments.

PURCHASES

Procedure to be followed by the Chief Engineer, Electricity,
(Materials Management and Purchases.)

25. Materials to be procured by the Chief Engineer, Electricity, (MM&P), during the year, shall be classified into two categories.

- I Category : Purchase of materials through rate contracts operatable by Circle/Divisional Officers.
- II Category : Bulk purchase of budgeted requirement of centralised items of materials, through tenders.

NOTE : Purchase of materials through 'Rate Contracts' and purchase of materials, costing over the monetary limit of powers of purchase of Chief Engineer, Electy., (MM&P)., require approval of the Board.

26. The following general principles shall be observed by the Purchasing Authority.

- (i) Should aim at procuring materials of the best quality at the most competitive rates available.
- (ii) Should examine the costlier quality in relation to its functional values and life.
- (iii) Should not split purchase orders, with a view to avoid obtaining sanction of higher authority.
- (iv) Should avoid indiscreet purchases.

Examples :-

- (1) Purchase of materials which are not immediately required for works.
- (2) Purchase of those materials, for which the Board has entered into 'Rate Contracts', from other agencies.
- (v) Should avoid purchase of materials in anticipation of post-facto sanction/approval of competent authority.
- (vi) Should not place purchase order, if there is no adequate purchase grant.

27. SOME TERMS EXPLAINED :

- (1) TENDER : A tender is a written document from a supplier, quoting prices, and setting out terms and conditions, for supplying the materials of desired specification.
- (2) OPEN TENDER OR ADVERTISED TENDER : It means calling tenders by open advertisement through important Newspapers.

- (3) LIMITED TENDER It means calling tenders from a limited number of Firms registered with Board and / or Reputed manufacturers.
- (4) TWO PART TENDER SYSTEM This system is adopted in the case of purchase of major equipments and materials, costing over Rs. TEN LAKHS, with a view to eliminate the possibility of manipulation of the undefined issues by the tenderers to their advantage.
- The first part of the tender related to technical bid - i.e., full technical particulars and commercial terms and conditions. The second part relates to price bid.
- (5) RATE CONTRACT It is a contract for the supply of certain specified items of materials at specified rates during the period covered under the contract.

28. Before issuing enquiries or calling for tenders, the Chief Engineer (Electricity), (MM&P). shall obtain technical specifications of materials/spares, wherever considered necessary, from the Superintending Engineer (Elect) Planning and / or Technical.

29. ADVERTISEMENT OF REQUIREMENTS :

In respect of all materials costing over Rs. 3,00,000/- the Chief Engineer Electricity (MM&P). shall call for tenders by advertisement in two or more approved Newspapers, both in Kannada and English. The Tender notification should contain :-

- (1) Reference to Enquiry Number and date.
- (2) Name and quantity of the material required.
- (3) The place, date and time upto which the tenders, in sealed covers, would be received.
- (4) The place, date and time of opening Tenders.
- (5) Cost of Tender Forms.
- (6) The amount of earnest money payable by the tenderer.
- (7) Any other particulars, that may be deemed necessary.

The abstract Tender Notification, for publication in Newspapers, shall be in FORM No. 8.

Detailed TENDER ENQUIRY FORM with Terms and Conditions of tender and supply shall be in FORM No. 9.

NOTE : 1) Advertisements / Notifications, shall be sent to the Public Relations Officer, KE.B., for arranging Publications in Newspapers, (B18/7201/83-84, dated : 19-10-1983).

2) In all instances of procurement of materials, whether by open tender system or by limited tender system, the registered suppliers/manufacturers, should be individually informed about the tender, through letters sent by Registered post, and it should be clearly indicated in the proposals that are sent to the Board, that this procedure has been followed.

(B8.1441/80-81, dated 27.8.1980)

EXCEPTION :

Tender Notification is not necessary in the case of purchase of proprietary spares.

30. PRICES OF TENDER FORMS :

(1) The cost of TENDER FORMS against enquiries issued for procurement of materials shall be fixed by adopting the following rates :-

<u>ESTIMATED VALUE OF THE PURCHASE</u>	<u>PRICE OF ONE SET OF TENDER FORMS</u>
(i) Upto Rs. 10,000/-	Rs. 20/-
(ii) Above Rs. 10,000/- upto Rs. 50,000/-	Rs. 50/-
(ii) Above Rs. 50,000/- upto Rs. 1,00,000/-	Rs. 100/-
(iv) Above Rs. 1,00,000/-	Rs. 100/- Plus

Rs. 50/- for every additional Rs. 10,00,000/- or part thereof which is in excess of Rs. 5,00,000/- subject to a maximum of Rs. 500/-.

In case the Tender forms are required by Registered post Rs. 10/- shall be charged extra. (B8/2707/86-87/8.1.1988)

- (2) Tender Forms sold, shall be recorded in the "Register of Tender Forms Sold" in Form No. 10.

31. The tender enquiry should contain general instructions to the tenderer and the Terms and Conditions of the tender, covering the following :-
(Refer Form No. 9)

- (1) Tender Enquiry Number and Date.
- (2) Cost of Tender Forms / Documents.
- (3) Amount of Earnest Money Deposit payable along with the tender.
- (4) The place, the date and time upto which the tender in sealed covers, would be received.
- (5) The place, the date and time of opening tender.
- (6) Name of the material, quantity required, its standard and detailed specifications.
- (7) Units in which the prices are to be quoted for delivery, FOR destination.
- (8) Duties, Taxes, and levies, if any, to be indicated separately, by the tenderer.
- (9) Basic prices, based upon which, prices are to be quoted.
- (10) Price variation clause, if any.
- (11) Validity period of the tender.
- (12) Schedule of delivery.
- (13) Warranty/Guarantee.
- (14) Penalty clause for belated supplies.
- (15) Amount of security deposit payable by the successful tenderer.
- (16) Terms of payment to suppliers.
- (17) Provision for submission and testing of samples.

- (18) Provision for Inspection.
- (19) Insurance coverage.
- (20) Any other clause/clauses that may be considered necessary.

32. PRICE VARIATION FORMULA :

The price variation formula, as indicated against each of the following materials shall be incorporated, in all the tender enquiries to be issued by the Chief Engineer Electricity, (MM&P).

Sl. No.	Name of the material	Price variation formula
1)	Power Transformers	The price variation formula as published by IEMA from time to time is applicable. The quoted prices should be uniformly based on the IEMA circular for the month preceding the month of tender opening.
2)	Distribution Transformers 11 KV, 13.2 KV class.	
(3)	Circuit Breakers 33 KV to 400 KV.	
(4)	Switch Gear 11 KV, 13.2 KV.	
(5)	Instrument and Protection transformers such as, current transformers, potential transformers 33 KV and above.	In all such cases, the ceiling on price variation shall be $\pm 10\%$ or as may be fixed by the Board.
(6)	Isolators, Disconnects, Group operating switches - 33 KV and above.	In the absence of IEMA formula, the full difference between the prices of basic metals, such as steel, copper, aluminium and the statutory levies on those metals prevailing on the first working day of the month, during which the tenders are opened and the rates prevailing on the first working day of the month three months previous to the month, during which the supply is effected or contractual delivery date whichever is earlier, is permissible.
(7)	PLCC equipment - 33 KV and above.	
(8)	Control and Relay Panels - 33 KV and above.	
(9)	Capacitors	
(10)	Control Cables	

- (11) Insulators
- (12) Conductor hardware accessories - 33 KV and above.
- (13) Distribution boxes, Feeder pillar boxes, Ring main units
- (14) Line materials such as Cross arms, Top supports, Guards, Stirrups, Anchor Rods, Clamps etc., which require steel as basic material.
- (15) Bolts and Nuts and other Steel items
- (16) G.I. Pipes, Guy Wire, Earth Wire
- The basic price of steel on which the rates are to be quoted, shall be indicated in the Tender enquiry.
- The full difference between the cost of steel (as per SAIL price) and statutory levies there on prevailing on the first working day of the month, during which the Tenders are opened and the rates prevailing on the first working day of the month 30 days previous to the month, during which the supply is effected or contracted delivery date whichever is earlier, is permissible.
- The basic price of steel and zinc, on which the rates are to be quoted shall be indicated in the Tender enquiry.
- Price variation in the cost of steel (as per SAIL price) and zinc (as per MMTC price) calculated at $7\frac{1}{2}\%$ of the weight of the steel, including variations in the statutory levies on finished goods, is permissible, as per the following formula :-

The full difference, between the cost of steel [as per SAIL price] and zinc [as per MMTC price] prevailing on the first working day of the month during which the Tenders are opened, and the rates prevailing on the first working day of the month, three months previous to the month, during which the supply is effected or contracted delivery date whichever is earlier, is only admissible.

(17) PVC insulated Cables,
PVC Sheathed Aluminium
conductors

The full differences between the cost of aluminium/copper (as per MMTC price) prevailing on the first working day of the month during which the Tenders are opened and the rates prevailing on the first working day of the month, three months previous to the month, during which the supply is effected or contracted delivery date, whichever is earlier, is permissible. Any variation in the statutory levies on finished goods, is also admissible.

(18) Under Ground Cables
L.T. / H.T.

(19) R.C.C. Poles

The basic price, on which the rate per pole is to be quoted shall be indicated in the tender enquiry.

(20) P.C.C. Poles

The price variations on steel and cement is admissible as per the following price variation formula.

Any difference in the price of steel and cement, due to increase/decrease in costs and statutory levies on the basic prices, of the steel manufacturers in respect of steel and levy cement/free

cement prices as fixed by the Government prevailing on the first working day of the calendar month covering the date 30 days prior to the date of delivery, is permissible.

The "date of delivery" for price variation purposes, shall be the date of on which the poles are TESTED or the contracted delivery date, whichever is earlier.

The quantity of steel and cement content per RCC/PCC pole, for purposes of prices escalation, shall be indicated in the tender enquiry.

(21) Towers Fabrication &
Galvanising steel parts.

STEEL :

The basic price of steel assumed shall be the SAIL price prevailing on the first working day of the month during which the tenders are opened plus sectional extra and statutory levies, if any. Price variation on account of steel is admissible on the basis of the difference between the above stock-yard price and the corresponding prices prevailing on the first working day of the month three months previous to the month, during which the supply is effected or contracted delivery date, whichever is earlier.

The supplier shall produce relevant price circulars in support of price variation claims, duly attested by a Chartered Accountant.

ZINC :-

The full difference between the price of zinc (as per MMTC price) prevailing on the

first working day of the month, during which the tenders are opened, and the rates prevailing on the first working day of the month during which the supply is effected or contracted delivery date, whichever is earlier, is admissible, subject to the condition that for every rupee one increase/decrease in the price of zinc at the time of supply, the variation in the price of galvanised structure, shall be Re.0.70 per M.T. Variation in statutory levies is also admissible.

(22) A.C.S.R. Conductors

The basic prices of E.C. grade aluminium and high tensile galvanised steel core wire, on which the price of finished conductor is to be quoted, shall be indicated in the tender enquiry.

Any variation in the price of conductor, shall be based on the Government controlled price of aluminium and the Ex.primary producer's works price of steel core wire, prevailing on the first day of the month, preceding the month of supply.

In respect of steel core wire, the average price of stock held by the conductor manufacturer on the first day of the month preceding the month of supply, as certified by a Chartered Accountant, will be reckoned for purposes of price variation. In addition, the supplier shall furnish all vouchers in original in support of the average price, if called for.

The price variation is applicable to the supplies made during the contracted delivery period.

(23) Transformer Oil (Bulk purchase)

The difference in the price between the prices ruling as per IEMA publication on the first working day of the month during which the tenders are opened and the prices ruling a month previous to the month during which the supply is effected or contracted delivery date, whichever is earlier, is permissible. Variation in statutory levies is also admissible.

NOTE :-

1. Price variation is not permissible in respect of belated supplies and / or supplies during the extended delivery period.
 - * Price variation permissible in respect of belated or delayed goods/services shall be at the admissible rate as on the date of completion of supplies/service specified in the P.O.
 - * (B.O. No. KEB/B8/2707/86-87/Dated 14-6-1994)
 2. Board reserve the right to allow or not to allow price variation in respect of supplies during the extended delivery period.
 - * The Board reserves the right to allow or not to allow any increase in price due to price variation beyond the schedule delivery date in the P.O.
 - * (B.O. No. KEB/B8/2707/86-87/Dated 15-6-1994)
 3. No other price adjustment shall be allowed.
- 33.** In case of purchase valued at more than Rs. 50,000/- one month's time from the date of enquiry shall be allowed for the submission of Tenders.
- 34.** In the case of enquiries for urgent requirements, the time limit of one month, may be shortened to a fortnight.

35. TENDER DEPOSIT/EARNEST MONEY DEPOSIT :

- (a) Tender deposit or Earnest money deposit confers the right to participate in the tender and also serves as a guarantee of the tenderer to deposit the required security and enter into contract, on intimation of the acceptance of the tender.
- (b) 1. A tenderer shall furnish EMD in cash or by a demand draft at **ONE PERCENT** of the estimated value of purchase, rounded off to the nearest multiple of Rupees **TEN** subject to a minimum of Rs. 50/- and a maximum of Rs. 12,500/- in the cases of registered small scale units of Karnataka and Rs. 50,000/- in other cases.
2. Alternatively a tenderer can deposit permanently either by cash or by demand draft, Rs.12,500/- in the cases of registered small scale units of Karnataka, and Rs. 50,000/- in the cases of all other units, towards Earnest money deposit, and quote for any number of tenders.

NOTE : (i) The concessional E.M.D. is applicable only to those S.S.I. Units who quote for the materials which are covered under their range of manufacture and for which they have registered as a S.S.I. Unit.

(ii) In case a S.S.I. Unit participates in the tender for the materials for which they are **NOT** registered as S.S.I. Unit, such a S.S.I. Unit has to pay the E.M.D. as applicable to others (i.e. as applicable to others other than the S.S.I. Units).

(iii) The authority inviting tenders or the purchasing authority should insist for a copy of the registration certificate from the S.S.I. Units to ascertain their range of manufacture.

(B8/1886/78-79, dt 24-4-1986).

3. Earnest money paid under para 35(b) (1) is refundable, to an unsuccessful tenderer, after finalisation of the tenders.
(B8/1886/78-79, dt 28-3-1983).
4. The E.M.D. paid may be adjusted towards security deposit in the case of successful tenderer.
5. Ancillary units to K.E.B, Central and State Governments Undertakings are exempted from payment of EMD.
(B8/1886/78-79, dt 21-1-83).
6. Earnest money deposit shall be forfeited in case of withdrawal/modification of an offer within the validity period or either before or after opening the tenders.
7. Earnest money deposit shall be forfeited in the event of failure to pay the security deposit by a successful tenderer.
8. In respect of monies received towards Earnest money deposit, a Register called 'Register of E.M.D. received from TENDERS' in Form No. 11A shall be maintained.

36. RECEIPT OF TENDERS :

- (1) normally the tenderers are expected to drop their sealed tenders in the tender box. In case, a tender is received by post, it shall be received by an officer authorised to receive it, he will note on the cover the date and time of receipt, with dated initials and drop it in the tender box.
- (2) The tender box containing the tenders will be opened on the notified date and time, and the sealed covers are taken out. While doing so, it should be seen that the seals are in tact. In the event of any tender being received with its envelope unsealed or mutilated/ torn condition or seals damaged, it shall be brought to the notice of competent authority, for acceptance, or otherwise.
- (3) The tenders on receipt shall be entered in "The Register of Tenders Received", in Form No. 11.

37. EXTENSION OF TIME :

The officer inviting the tenders may extend the due date for submission of tenders in case of :-

- (a) Poor response;
- (b) Any materials change in the specifications/quantities;
- (c) Any unforeseen circumstances.

Publicity to the extension of time limit for submission of tenders shall be given in the same manner as given for first invitation of tenders.

38. RE-INVITATION OF TENDERS :

Tenders may be re-invited in the event of :-

- (1) Any subsequent change necessitated in technical specification ;
- (2) Inadequacy of number of tenders;
- (3) Unsuitability of offers;
- (4) Changes in market trends; when it is felt that the rates quoted are very high;
- (5) Any other compelling reasons to be recorded in writing.

39. OPENING OF TENDERS :

- (1) Tenders shall be opened on the date and at the time notified in the tender enquiry by the officer inviting tenders or by any other officer authorised in this behalf, in the presence of such of the tenderers or their authorised representatives (on production of letter of authority) who choose to be present at the time of tender opening and their signatures obtained in "The Register of Tenders Received" in token of their presence.
- (2) In case the tender opening date happens to be an unscheduled holiday the tenders shall be opened on the next working day at the same time and the change shall be notified on the Notice Board of the concerned office.
- (3) The officer opening the tenders, should read out, or cause to be read out, the salient features of each tender opened for the benefit of the tenderers/representatives present, and affix, on each and

every sheet of the tender, his initials atleast to the date and time of opening of the tenders. Corrections in the tender, if any, attested by the tenderer should also be marked and initialled with date.

40. REJECTION OF TENDERS :

The following types of tenders shall be rejected :-

- (1) Tenders received after the due date and time fixed for receiving the Tenders. The words "Tender not to be considered as it has been received late" shall be written on the envelope and signed with date.

EXCEPTION :

Tenders received **through post** after the due date and time, can be accepted provided the postal enfacement at the despatching station is legible and bears the date prior to the due date for submission of tenders. In such cases, the envelopes should be securely attached to the tenders and the fact brought out in the recommendations.

- (2) Tenders from Firms/Suppliers who are black listed.
- (3) Tenders not accompanied by the required amount of Earnest money deposit.

EXCEPTION :

In the case of reputed manufacturers, where known sources of supply are limited, the tenders/offers received from them may be considered even though they have not paid the E.M.D.

(B8/2576/82-83, dt. 3-1-1983)

41. TABULATION OF TENDERS :

The tenders received shall be scrutinised and a comparative statement prepared, with a view to comparing their prices, specifications, schedule of delivery, terms and conditions etc.

The comparative statement is an important document and should be carefully kept in record for future reference and guidance.

42. PROCESSING OF TENDERS :

While processing the tenders, the following guide lines, shall be observed :-

- (1) To ignore price reductions offered after opening of tenders, except where the reduction is offered by the lowest technically acceptable tenderers.
- (2) Not to negotiate with the tenderers after opening of the tenders. However, negotiations could be held with the lowest technically acceptable tenderer/ tenderers for any price reduction etc.
- (3) To reject offers, if there were to be any deviations from the specifications both technical and commercial.
(B8/3613/76-77, dt 22.11.1976)
- (4) If no order is placed on the lowest acceptable tenderer, the price quoted by that tenderer should not be used for the purpose of negotiating with the other tenderers.
(B8/1808/78-79, dt 17.11.1978)
- (5) Time schedule for processing of tenders in the office of the Chief Engineer, Electricity, (MM&P), and Board Secretariat, to ensure placement of purchase orders on the firms before the validity period expires, shall be regulated as follows :-
 - (i) If the validity of offer is indicated as 120 days, the Chief Engineer, Electricity, (MM&P). shall finalise his proposals within 80 days from the date of opening the tenders, and allotting 10 days for the Chief Controller of Accounts (Internal Audit) to scrutinise the proposals, leaving 30 days for the Board Secretariat for processing and communicating orders.
 - (ii) The above schedule shall be regulated corresponding to the number of days the firm keeps the offer valid.
(B8/1808/78-79, dt. 17-11-1978)

43. In respect of tenders, which fall within his powers of purchase, the Chief Engineer Electricity, (MM&P). shall take a decision and place purchase orders within a maximum period of three weeks from the date of opening the tenders, after obtaining clarifications, if any, from the tendering firms.

44. PRE-AUDIT OF TENDERS :

The comparative statement together with the tenders received and recommendations, shall be sent to Chief Controller of Accounts (Internal Audit) for scrutiny and for furnishing his remarks and audit certificate.

45. RATE CONTRACTS - PROCEDURE

(1) The Chief Engineer, Electricity ((MM&P)) shall invite tenders annually for a rate contract, for the supply of an approximate quantity of common items of store articles for day-to-day use at fixed rates, during a prescribed period.

(2) The tender received shall be scrutinised (see paras 39 to 42) and a comparative statement prepared. The comparative statement, together with the tenders received and the recommendations of Chief Engineer Electricity ((MM&P)) and the remarks of the Chief Controller of Accounts (Internal Audit) shall be sent to Board. The Board will examine the proposals and communicate its order, stipulating such terms and conditions of supply, as may be considered necessary.

46. In case the Board selects more than one contractor, there shall be a clear allocation for each contractor in respect of the quantity of materials to be supplied, so that the rate contractors may not raise any dispute or protest, at a later date.

47. On receipt of the orders of the Board, the Chief Engineer, Electricity ((MM&P)), shall place the purchase order on the selected tenderer specifying rate contract number and terms and conditions of supply etc., and send copies thereof to the concerned Circle/Divisional Officers, Accountant General, Chief Controller of Accounts (Internal Audit) and to the Internal Audit Officers attached to those Circles and Divisions.

EXCEPTION : Chief Engineer, Electricity, (MM&P). *PFC & ADB, M.W., B'lore can place orders on Firms who have D.G.S.& D. or S.P.D. rate contract at the contract rate without calling for tenders.

* B.O. No. B5/3410/77-78/16.10.97.

- 48. Officers, who are authorised to operate on the rate contract, can place purchase orders against the approved rate contract upto the limit of their powers of purchase.**

EXCEPTION : The above limitation is not applicable in respect of cloth required for the supply of uniforms to the employees of the Board.

- 49. (1) Medicines can be procured directly from such of those firms, with whom the Government Medical Stores have entered into rate contracts, without issuing any enquiry or calling for competitive tenders.**
- (2) Medicines can also be purchased directly from the manufacturing firms who agree to supply at special hospital rates.**

50. PURCHASES, EXCEEDING THE POWERS OF CHIEF ENGINEER ELECTRICITY, (MM&P) :

PROCEDURE

- (a) When the value of materials to be procured exceeds his monetary limit of powers of purchase, the Chief Engineer Electricity ((MM&P)). shall forward to Board, the comparative statement, tenders received, his recommendations and the remarks of Chief Controller of Accounts (Internal Audit), besides furnishing the following particulars :-**
- (1) Quantity held in stock;**
 - (2) Quantities expected during the year against pending orders ;**
 - (3) Gross requirement for the year;**
 - (4) Quantity to be procured against the present enquiry ;**
 - (5) Consumption during the previous two years;**

(6) Previous purchase rates;

(7) Budget provision.

- (b) The decision of the Board will be communicated to him with a copy to the Financial Adviser and Chief Accounts Officer duly returning the tenders in original. He will then initiate action for placing purchase orders on the selected Tenderer/Tenderers.

51. TWO PART TENDER SYSTEM - PROCEDURE :

- (1) Two Part Tender System shall be adopted in respect of purchase of major equipments and materials, such as, power transformers of 33 KV and above, circuit breakers, control panels, PLCC equipments, reactors capacitor banks, towers, energy meters, discinsulators, switch gears, costing over rupees TEN lakhs.
- (2) Tenderers, shall be asked to quote in TWO parts and to send them in sealed covers, separately. The first part of the tender shall relate to technical bid, with full technical particulars and commercial terms and conditions, and second part shall relate to PRICE bid.
- (3) On the notified date and time for opening tenders, only the sealed covers containing technical bid, shall be opened in the presence of the tenderers or their authorised representatives. Detailed discussion on technical and commercial points may be held with the tenderers/authorised representatives, so as to bring the technical parameters to a common denominator and to eliminate all the areas of ambiguity.
- (4) The date and time of opening the sealed covers containing price bids shall be notified to all the tenderers after the technical evaluation of the tender is completed, besides inviting Final Price Bids, in sealed covers.
- (5) On the notified date and time, the sealed covers containing the original price bids and those covers containing Final Price Bids of each tenderer shall be opened in the presence of the tenderers/ authorised representatives.

- (6) In case, the quoted price happens to be higher than the estimated cost, negotiations may be held with the lowest acceptable tenderer for reduction in the price. (B8/1880/78-79, dt. 14-11-1983).

52. PLACING OF PURCHASE ORDER :

PURCHASE ORDER : A Purchase Order is an order to the supplier, to supply the required materials in accordance with the instructions contained therein.

- (1) Immediately after the selection of the supplier either by the Board or by the Chief Engineer Electricity, (MM&P), a purchase order, shall be edited, embodying the detailed description of the materials to be supplied conforming to tender specifications, terms of payment, warranty/guarantee, penalties for failure to supply the materials in time, or in accordance with the specifications and approved samples, delivery schedule and other commercial terms and conditions of supply.

NOTE : As the Purchase Order is a legal document for all purposes, great care should be taken, while editing it.

- (2) In respect of tenders approved by the Board, the purchase order, in Form No. 12 printed in three different colours, shall be used.
- (3) In respect of those tenders, selected by the Chief Engineer Electricity ((MM&P)) the purchase order either in Form No. 12 or in Form No. 13 printed in quadruplicate and serially machine numbered, shall be used.
- (4) The purchase order, so edited shall be sent to Chief Controller of Accounts / Accounts Officer, Internal Audit, for scrutiny and for furnishing audit certificate. The certificate relating to provision in the store budget shall be furnished on the Purchase Order by the Accounts Officer (Internal Audit) attached to the Headquarters Section.
- (5) After its receipt, the purchase order shall be despatched to the firm by "Registered Post - Acknowledgement Due" with a request to

send their acknowledgement and acceptance of the order, in the form appended to the Purchase Order, within seven days, after the receipt of the Purchase Order.

- (6) Copies of the Purchase Order shall be sent to the Accountant General, Chief Controller of Accounts (Internal Audit), Accounts Officer, Internal Audit and Accounts Officer (Bills) Purchase Section, and Consignee / Consignees.
- (7) The approved samples together with the technical specifications, shall also be sent to the Consignee/Consignees.

NOTE : (i) The Officers at receiving ends should always insist on supplies conforming to the approved and accepted samples and specifications.

(ii) The issue of "LETTER OF INDENT" is discontinued.
(B8/1888/78-79, dt. 24-12-1983)

- (8) The Purchase Orders placed by the Chief Engineer Electricity, (MM&P). shall be current for a period of six months, beyond the date prescribed in the order.
 - (9) The Chief Engineer Electricity, (MM&P). can renew the currency of the Purchase Orders placed by himself for a period of TWELVE months beyond the date first prescribed in the Purchase Order, provided no extra cost is involved.
- 53.** (1) In placing orders, manufacturers, shall be given preference, subject to all other terms and conditions being equal.
(B8/5657/83-84, dt. 29-8-1983)
- (2) Purchase Orders may be placed with ancillaries to the extent of 50% of Board's annual requirement or 50% of their annual capacity (ONE shift load) whichever is less on such terms and conditions as may be prescribed by the Board.
(B8/894/75-76, dt. 9-6-1978).
 - (3) In regard to placement of Purchase Order on ONE or more firms, against any enquiry, the following procedure shall be followed :-

- (i) When the interests of local SSI Units are not affected, Purchase Order may be placed for at least 50% of the quantity, and
- (ii) Where the interests of the local SSI Units are involved, Purchase Orders may be placed with the lowest acceptable tenderer for at least 25% of the quantity or for the quantity as offered against the enquiry, whichever is lower, provided :
 - (a) the offer is technically acceptable.
 - (b) the firms has sufficient capacity to manufacture, and
 - (c) the delivery schedule are as acceptable to the Board.

(B8/6577/77-78, dt. 15-9-1978).
- (4) Whenever Purchase Orders are placed with the local SSI Units, Chief Engineer Electricity, (MM&P). shall not give price preference, but shall refer the case to the Board.

(B8/4982/77-78, dt. 15-11-1980).
- (5) Price preference to KEB ancillaries may be given only after obtaining orders of the Board.

54. CONTRACT DOCUMENTS :

The letter of acceptance from the supplier and the Purchase Order, form the basis of contract. The Chief Engineer Electricity, (MM&P). is empowered to sign all the contract documents on behalf of the Board.

55. SECURITY DEPOSIT :

Security Deposit, for the due fulfilment of the contract, is fixed at FIVE PERCENT of the value of the Purchase Order, rounded off to the nearest multiple of Rupees TEN. The mode of payment of security deposit is as follows :-

- (1) If the amount of security deposit payable is less than Rs. 5,000/- it shall be payable by cash or demand draft.
- (2) If it is Rs. 5,000/- and more, it shall be payable either by Cash or Demand Draft or by furnishing a Bank Guarantee, subject to a maximum of Rs. 50,000/-.

- (3) Alternatively, any successful tenderer may furnish a Bank Guarantee of Rupees One Lakh, towards Security Deposit, irrespective of the value and the number of Purchase Orders, placed on the firm. (B8/1886/78-79, dt. 14-7-1980).

NOTE : The Bank Guarantee/Cash/Demand Draft towards security deposit shall be obtained from the supplier within such period, as may be specified by the Chief Engineer Electricity, (MM&P). depending upon the period of delivery but not exceeding EIGHT WEEKS, from the date of issue of the Purchase Order.

- (4) (a) In respect of Monies received towards security deposit, a register called "Register of Security Deposits (cash payments) received from Firms/Contractors" in Form No. 13-A shall be maintained.
- (b) Where Bank Guarantees are furnished towards Security Deposits, a register called "Register of Bank Guarantees received from Firms/Contractors towards security deposits" in Form No. 13-B shall be maintained.

56. The Earnest money deposit paid by the successful tenderer may be adjusted towards security deposit.
57. The security deposit is refundable, after the satisfactory completion of the supply and after the final bill is paid.
58. Security deposit shall be retained till the expiry of the period of the Warranty/ Guarantee, wherever it is so stipulated in the Purchase Order.
59. Only an omission
60. Security deposit need not be obtained from the firms on whom orders are placed either for printing or for the purchase of articles of stationery and to whom payments are made only after their receipt and verification, at stores and where the total cost is less than Rs. 5,000/-

61. MODIFICATIONS IN THE ORDERS APPROVED BY THE BOARD :

- (1) The Chief Engineer Electricity, (MM&P). can make modifications in the Purchase Order, placed by him without involving the Board in any financial commitments, pending ratification by the Board.

- (2) Chief Engineer Electricity, (MM&P). can accept increase in price upto 10% of the accepted prices or Rs. 50,000/- whichever is less, arising as a result of the changes in specifications.
- (3) Chief Engineer Electricity, (MM&P). can make extra payment for additional minor equipment required or for an item not specifically mentioned in the Purchase Order, provided the entire cost is not more than 10% of the Purchase Order or Rs. 25,000/- whichever is less.

62. EXTENSION TO PURCHASE ORDER :

Chief Engineer Electricity, (MM&P). can place an extension order to a Purchase Order within SIX months from the date of original purchase order not exceeding once, subject to the following conditions :-

- (1) Prices have not fallen during the period.
- (2) Quantity ordered in the extension order, does not exceed 50% of the quantity originally ordered.
- (3) The total amount of the purchase including the extension order does not exceed his powers of purchases.

63. ACCEPTANCE OF EXCESS SUPPLIES :

Chief Engineer Electricity, (MM&P). can accept excess supplies upto TEN PERCENT * of the quantity on all Purchase Orders placed by him, inclusive of those approved by the Board.

64. INCREASE IN PRICE :

Chief Engineer Electricity, (MM&P). can accept increase in prices as detailed hereunder, without any limitation.

- (1) In the cases of Statutory variations in Taxes/duties/levies freight and extraordinary events like revaluation of currency.

NOTE : Statutory Variation in "Excise Duty" shall not be allowed, when a Purchase Order has been placed on an all inclusive basis. (B8/1880/78-79, dt. 19-1-1979).

- (2) In the cases of increase in Insurance Rates.
- (3) In the cases of variations in the prices of raw materials either as per IEMA formula or as per the price variation clause as stipulated in the Purchase Order.

65. PENALTY :

There shall be a standard clause in the Purchase Order, for levy of penalty at ONE HALF percent per week or part thereof subject to a maximum of TEN percent of the contract price, in case of :-

- (1) Failure to supply the materials within the time stipulated in the purchase order, or
- (2) Failure to supply the materials in accordance with the specifications and approved samples, or
- (3) Delay in parts supplied or parts not supplied, thus causing inconvenience and / or extra cost to Board.

NOTE : In respect of belated supplies by the Board SSI Units penalty shall be levied at One Half percent of the contract price per week or part thereof subject to a maximum of FIVE PERCENT. (B8/1880/78-79, dt. 19-1-1979).

66. CONDONATION OF DELAY IN SUPPLIES :

Chief Engineer Electricity, (MM&P)., Zonal Chief Engineers and Superintending Engineers are empowered to condone the delay in supplies upto TWENTY FOUR months, beyond the date prescribed in the Purchase Orders placed by them subject to the conditions that the delay in parts supplied or parts not supplied, should not have caused any inconvenience or extra cost to the Board, and subject to observance of the guide lines prescribed under para 67. Any deviation from the prescribed guide lines shall be referred to the Board.

67. The following guidelines are prescribed for strict observance, while dealing with the cases of delay and levy of penalty at the rates indicated in para 68.

- (1) While computing the period of delay beyond the scheduled delivery, full allowance shall be made for such delays as had occurred due to causes attributable to the Board, such as, delay in approval of drawings, delay in conveying approval for test certificates, inspection, obtaining frequency clearance, prototype

tests, design approval etc., and the net period of delay worked out and penalty levied.

(2) Other cases of delay, purely based on merit, such as :

- (a) the delay beyond the stipulated period of delivery, should be on account of strikes, lockouts and certified by an officer of the Government Labour Department, not below the rank of an Assistant Labour Commissioner ;
- (b) the delay in the supply of any raw material, if contemplated in the Purchase Order.
- (c) the delay on account of causes attributable to the Board or its officers, shall be referred to Board.

(B5/3410/77-78, dt. 19-5-1981).

68. CONDONATION OF DELAY AND LEVY OF PENALTY AT REDUCED RATES :

Chief Engineer Electricity, (MM&P)., Zonal Chief Engineers and Superintending Engineers are empowered to condone delay and impose penalty at reduced rates, as detailed hereunder, provided they have satisfied themselves that no inconvenience or loss has been caused to the Board, on account of the delays in supplies, by the application of the prescribed guidelines and place them on record in specific terms.

I. SUPPLIES MADE IN FULL BUT WITH DELAY

Sl. No.	Particulars	PERIOD OF DELAY							
		Less than 3 months	More than 3 months but less than 6 months	More than 6 months but less than 9 months	More than 9 months but less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 7 years	More than 7 years but less than 8 years	More than 8 years
1	2	3	4	5	6	7	8	8	

PERCENTAGE OF MAXIMUM PENALTY LEVIABLE

1.	Full supply made but more than 75% delivery made after a delay of	Condonation of delay & levy of penalty to be decided by CEE MM&P. other CEEs and SEEs.	35%	40%	45%	50%			To be Referred To Board
2.	Full supply made but 50% to 75% delivery made after a delay of	- do -	30%	35%	40%	45%			
3.	Full supply made but 25% to 50% delivery made after a delay of	- do -	25%	30%	35%	40%			
4.	Full supply made but 1% to 25% delivery made after a delay of	- do -	20%	25%	30%	35%	35%		

II. SUPPLIES - PART DELAYED / PART NOT DELIVERED

Sl. No.	Particulars	PERIOD OF DELAY					
		1	2	3	4	5	6
			Less than 3 months	More than 3 months but less than 6 months	More than 6 months but less than 9 months	More than 9 months	
1			3	4	5	6	

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PERCENTAGE OF MAXIMUM PENALTY LEVIABLE

1. Upto 50% delivered with delay and the rest not supplied	50%	55%	60%	} TO BE REFERRED TO BOARD
2. More than 50% delivered with delay and the rest not supplied.	40%	45%	50%	

III. PART DELIVERY IN TIME / PART NOT SUPPLIED

	Maximum Penalty Leviable
1. Upto 25% delivered in time and the rest not supplied	50%
2. 25% to 50% delivered in time and the rest not supplied	40%
3. 50% to 75% delivered in time and the rest not supplied	25%
4. 75% to 99% delivered in time and the rest not supplied	TOKEN PENALTY

(B5/3410/77-78, dt. 19-5-1981)

69. TERMS OF PAYMENT :

- (1) Generally all payments in respect of domestic supplies (means supplies from any part of India) will be made only on receipt of goods and after inspection and verification of the materials at the destination, within a specified period.
- (2) Advance payments to the extent of 90% or 95% of the invoice amount, as contemplated in the purchase order, would also be made against the proof of despatch and other documents through Banks, subject to certain conditions. The balance amount is payable only after the receipt of the materials and after proper inspection and verification of the materials at the consignee stores.

70. REGISTRATION OF FIRMS :

Manufacturers of Electrical goods and suppliers of hardware materials, electrical accessories, building materials, printers, stationers etc., are eligible for registration. A classified register of manufacturers, suppliers, shall be maintained in the purchase section, for each official year.

71. PROCEDURE FOR REGISTRATION :

- (1) Manufacturers / Suppliers, who are desirous of getting their firms registered with K.E.B., are required to apply for registration in Form No. 14. The application forms for registration, and the rules for registration, are obtainable from Chief Engineer Electricity, (MM&P). on payment. (now priced at Rs. 10/-).
- (2) Applications for registration from manufacturers may be received by the Chief Engineer Electricity, (MM&P). any time during the official year, but in the case of suppliers the last date for receiving the applications for registration shall be 15th February.
- (3) Every applicant firm shall pay an annual registration fee of Rs. 100/- for one item and an additional fee of Rs. 10/- for each additional item specified in the list of materials, either by cash or demand draft. (B5/415/84-85 (b) (2), dt. 27-2-1985)

Note : The list of materials is attached to Form No. 14

- (4) Application for registration should be accompanied by :-
 - (a) Cash receipt, for having paid the registration fee.
 - (b) Solvency certificate in original for Rs. 50,000/- in the case of a manufacturer and Rs. 5,000/- in the case of a supplier, either from their bankers or from a Tahsildar.
 - (c) Current/latest income tax and sales tax clearance certificates,
 - (d) In the case of companies registered under 'Companies Act' a certificate issued under the said ACT together with copies of Memorandum and Articles of Association of the firm/ partnership registration certificate and partnership deed.
 - (e) A certificate from a competent authority to the effect that the firm is the manufacturer of the particular item against which the firm is seeking registration.

NOTE : 1. The application for registration received without any of the aforementioned documents, and an incomplete application, is liable to be rejected without any notice.

2. In case an application for registration is rejected, under NOTE-1 the registration fee paid will not be refunded under any circumstances.
 3. The application form is not transferable.
- (5) The applications for registration received in the office of the Chief Engineer Electricity, (MM&P). shall be scrutinised and vendor's rating shall be done. Only those firms whose ratings are good shall be registered. Applications for registration of those firms, whose ratings are "Not Good" shall be rejected and the registration fee paid by the firms shall be refunded.
- 72.** (1) All the registered manufacturers and suppliers are entitled for a copy of the tender notification, pertaining to the materials in which they deal. They should be individually informed through letters sent by Registered Post-Acknowledgement Due, and the fact shall be noted in the register of manufacturers and suppliers.
They may also quote against advertised tenders.
- (2) All enquiries shall bear distinctive classification before they are released to the press and such classification shall be final. Complaints received from the registered firms about misclassification or wrong classification shall not vitiate the tenders received, and decision of the Chief Engineer Electricity, (MM&P). in all such matters shall be final and binding on all the firms.
- 73.** Notwithstanding anything contained in para 72 the Chief Engineer Electricity, (MM&P). may also call for quotations from FIRMS dealing in any particular material from the available stocks in emergent cases. In all such cases, the other Registered Firms shall not have any right for a copy of the tender notification. Chief Engineer Electricity, (MM&P). may send enquiries to Firms, other than the Registered Firms also if he so desires and where he feels that competitive quotations may not be received, if the enquiry is sent to the Registered Firms only.
- 74.** Registered suppliers may tender for supplies against tender notification issued by any purchasing authority of the Board.

75. Registered manufacturers and suppliers have to pay the prescribed Earnest money deposit and security deposit, whenever they submit their tenders, or avail the alternative method, by depositing the prescribed amounts permanently with the Board.

76. REFUSAL OF REGISTRATION :

Board reserves the right to register the firm as a supplier or as a manufacturing firm. The registration of the firm shall be refused :-

- (1) if satisfactory evidence is available to show that the applicant or any person responsible for the management of his business has knowingly participated in any fraud or dishonesty.
- (2) if the Board opines that the applicant is incapable or supplying the materials.

77. CANCELLATION OF REGISTRATION :

The registration shall be cancelled, if the registered supplier :-

- (1) fails to execute a contract or executes a defective or conditional contract even before the expiry of the prescribed period,
- (2) violates any one of the conditions of the contract executed,
- (3) fails to tender for a period of TWO years continuously,
- (4) fails to effect supplies against the purchase order,
- (5) fails to furnish the required Income Tax / Sales Tax clearance certificates, wherever necessary,
- (6) fails to abide by the conditons of registration and is found to have given false particulars at the time of registration, and
- (7) is declared or is in the process of being declared Bankrupt, insolvent, or the business is wound up / dissolved or partitioned.

78. RENEWAL OF REGISTRATION :

Registration can be renewed two months before the expiry of the period of registration, by paying the prescribed annual fee for registration.

79. BLACK LISTING :

Chief Engineer Electricity, (MM&P), may black list a firm :-

- (1) When there are strong and sufficient reasons to prove that the firm or any of its employee has been guilty of malpractice, such as bribery, corruption, fraud, including substitution or interpolation in tenders, pilfering or unauthorised use of disposals of Board's materials or moral turpitude, during the course of transactions,
- (2) When the firm continuously refuses to supply without showing adequate reasons and where the Chief Engineer Electricity, (MM&P), is satisfied that no reasonable dispute attracting reference to arbitration or Court of Law exists, for the firm's actions,
- (3) If the supplier or his partner or his representative has been convicted by a Court of Law for an offence involving moral turpitude in relation to the business dealings.

80. APPEALS :

Consideration of appeals against any decision of Chief Engineer Electricity, (MM&P), relating to refusal of registration or renewal of registration or blacklisting, shall vest with the Board. The decision of the Board in all such cases shall be final.

81. MATERIAL MANAGEMENT CELL AND INSPECTION WING :

The Material Management Cell and Inspection Wing, headed by a Superintending Engineer (EI) is attached to Chief Engineer Electricity, (MM&P). Their functions are as follows :-

- (1) The Material Management Cell, shall collect data in connection with the preparation of stores budget. It shall check the materials requirements of all the Circles and Divisions and propose allotment. It should also check the purchases made by various officers with particular attention to purchase rates and to report cases of avoidable purchases and purchases at abnormal rates. The cell shall always aim at securing effective material control. At

the end of every official year, it shall prepare a consolidated statement of obsolete materials, for disposal.

- (2) The inspection wing shall carry out the technical inspection of the manufacturing process of the firm, wherever it is considered necessary, to ascertain the capacity of the firm to manufacture and supply the materials ordered conforming to tender notification and in accordance with delivery schedule.
- (3) Inspections may be carried out according to the terms of the contract, either during manufacture or before or after the despatch of materials from the firm's premises. Every time the inspection is carried out, the inspecting engineer shall furnish an inspection report together with the test certificate to the Superintending Engineer (EI) Materials Management. Any defects, deviations etc., noticed shall be communicated to the firm, immediately for compliance.
- (4) In respect of inspection of critical and vital equipments, a team of experienced engineers, shall be sent for inspection, at the discretion of Chief Engineer Electricity, (MM&P).

PURCHASES - PROCEDURE TO BE FOLLOWED BY :

- (1) Zonal Chief Engineers,
 - (2) Circle Superintending Engineers,
 - (3) Divisional Engineers and other Competent Officers
- 82.** No action shall generally be taken by them (the above mentioned officers) for procurement of materials for works, as the bulk requirement of materials would be procured and allotted by the Chief Engineer Electricity, (MM&P). as per the requisitions received from them.
- 83.** In cases of urgency or emergency they may procure the required materials, within the limits of their powers of purchase, subject to the following conditions:-
- (1) Adequate purchase grant is available.
 - (2) The quantity of materials to be procured is limited to the actual requirements, for immediate use.

- (3) The materials proposed to be procured, are not available, in any of the stores, in their jurisdiction, and that Chief Engineer Electricity, (MM&P). has not placed purchase orders for such materials.
- (4) In case of delay in supplies against the purchase orders placed by Chief Engineer Electricity, (MM&P). were to be anticipated prior permission of Chief Engineer Electricity, (MM&P). shall obtained.
- (5) While inviting tenders or issuing enquiries for supply of materials, it shall be ensured that the materials specifications are in conformity with the specifications approved by the Chief Engineer Electricity, (MM&P).
- (6) Purchase Orders are not split up so as to avoid sanctions from an higher authority.

84. Whenever they initiate action for procurement of materials, through TENDER SYSTEM, they shall follow the procedure prescribed for the Chief Engineer Electricity, (MM&P). in regard to "Invitation of Tenders / Quotations processing and Tabulation of Tenders / Quotations" and selection of the supplier (vide paras 28 to 44).

NOTE : Save in case of limited tenders, Tender Notifications/ Enquiries, shall be sent to the Public Relations Officer, K.E.B. for arranging their publications in approved newspapers. (B8/7201/83-84, dt. 19-10-1983).

85. Materials required for immediate use, not amenable to follow the usual purchases procedure, may be purchased after issuing local enquiries. Local enquiries shall be sent to the dealers of similar materials, specifying the description of the materials, quantity required, and terms and conditions of supply, besides fixing a time limit for receiving the quotations. A copy of the enquiry shall be displayed on the office Notice Board.

86. ACCEPTANCE OF TENDERS / QUOTATIONS :

Tenders / Quotations received shall be scrutinised and tabulated. Lowest tenders/quotations shall normally be accepted. Cases of deviations for accepting tenders/quotations other than the lowest, should be properly explained and reasons thereof recorded in the comparative statement by the authority accepting such tenders / quotations.

87. EARNEST MONEY DEPOSIT AND SECURITY DEPOSIT :

Paras 35 and 55, relating to Earnest money deposit and security deposit shall be followed.

88. WAIVAL OF EARNEST MONEY DEPOSIT AND SECURITY DEPOSIT :

They may waive the payment of E.M.D. and Security Deposit, in respect of purchase of materials costing less than Rs. 5,000/- at their discretion.

89. PRE-AUDIT OF TENDERS/QUOTATIONS BY THE INTERNAL AUDIT :

The comparative statement together with the tenders/quotations received, and the recommendations thereon shall be sent to the Internal Audit attached to their offices/circles/divisions for scrutiny and remarks.

90. PLACING OF PURCHASE ORDER :

(a) Immediately after the selection of the supplier, a purchase order in FORM No. 12 or 13 shall be edited. The purchase order should contain the following information :-

- (1) Purchase Order number and date.
- (2) Name and address of the supplier.
- (3) Materials Code No. and Description.
- (4) Quantity Ordered.
- (5) Unit of measure.
- (6) Purchase price, broken down into elements - Basic Price, Excise Duty and Sales Tax.
- (7) Other incidental expenses -
Freight - Whether payable by supplier or by the Board; Where payable by Board, is it recoverable from the supplier at a later date, packing and forwarding charges, Insurance, other incidental expenses, if any.
- (8) Total purchase order value.
- (9) Delivery schedule.
- (10) Delivery point (Name of consignee)
- (11) Terms of payment.
- (12) Security Deposit.

- (13) Penalty for not adhering to the terms and conditions of supply.
- (14) Mode of Transport.
- (15) Conditions relating to quality, acceptance, return of rejections etc.
- (16) Validity period of the Purchase Order.
- (17) Inspection by an authorised engineer of the Board.

NOTE : Form 13 contains the standard terms and conditions of supply not exhaustive. So, any other condition as may be deemed necessary in particular case may be stipulated.

- (b) Since the purchase order forms the basis for materials receiving and supplier payment it is essential that the terms and conditions of the purchase order are specific on the various aspects listed above. Further, any change or revision in the purchase order will be by formal purchase order amendment, copies of which shall be sent to all the concerned.
- (c) The purchase order so edited shall be sent to the Internal Audit for furnishing the certificate relating to availability of funds under purchase grants and return.
- (d) After certification, the purchase order shall be sent to the supplier by "Registered Post Acknowledgement Due" and copies of such purchase order shall be sent to the Internal Audit, consignee and Bills passing section.

91. In respect of purchase costing less than * Rs. 1000 (Rupees one thousand only) no purchase order need be placed. In such cases, the following certificate shall be furnished by the concerned officer on the supplier's bills.
"Certified that the purchase has been made in the interest of Board's work".

* B5/3410/77-78/dated 16.10.97

92. PURCHASE - WITHOUT CALLING FOR QUOTATIONS :

- (1) Petrol / Diesel / Lubricants : as the price of Petrol/Diesel/Lubricants is a pool price, they may place a single purchase order, for their monthly requirements, without calling for competitive quotations.

- (2) In urgent cases, the Superintending Engineers and the Executive Engineers may order sundry purchases from Government/Co-operative Institutions (like Janatha Bazaar) and petty purchases of spares and other materials locally upto the limits prescribed in the *Manual of Delegation of Powers without calling for quotations or observing the purchase formalities.

* BO/B24/6441/97-98/dated 18-12-1997.

93. EXTENSION TO PURCHASE ORDER :

They may place an extension order to a purchase order, within SIX months from the date of original purchase order, not exceeding once, subject to the following conditions :-

- (1) Prices have not fallen during the period;
- (2) Quantity ordered does not exceed 25% of the quantity originally ordered, and
- (3) The total purchase value, including the extension order, does not exceed their powers of purchase.

94. ACCEPTANCE OF EXCESS SUPPLIES :

They can accept excess supplies upto TEN percent of the quantity on all purchase orders placed by them or by their subordinate officers, provided the total purchase value does not exceed their powers of purchase.

95. ACCEPTANCE OF INCREASE IN PRICES :

They can accept increase in prices on account of statutory variations in duties/taxes and freight and increase in Insurance rates. (See Manual of Delegation of Powers).

96. PENALTY :

There shall be a standard clause in every purchase order, for imposition of penalty at $\frac{1}{2}\%$ per week or part thereof, subject to a maximum of TEN per cent of the contract value in the following cases :-

- (1) Failure to supply the materials within the time stipulated in the purchase order, or
- (2) Failure to supply the materials in accordance with the materials specifications / approved samples, or
- (3) Delay in parts supplied or parts not supplied, thus causing inconvenience and/or extra cost to the Board.

NOTE : 1. In case of purchase orders placed on the local S.S.I. Units, the penalty shall be levied at $1/2\%$ per week or part thereof subject to a maximum of FIVE percent of the contract price.

2. The last date on which the supplies should be completed shall be indicated in every purchase order. It will facilitate in determining the period of delay.

97. CONDONATION OF DELAY AND LEVY OF PENALTY :

- (1) Zonal Chief Engineers and Circle Superintending Engineers shall deal with the cases of condonation of delay and levy of penalty at reduced rates, in accordance with paras, 66, 67 and 68.
- (2) Divisional Engineers have full discretion to accept late deliveries, with full, partial or without penalty, in respect of supplies against the purchase orders placed by them, provided the delay in supplies does not exceed THREE months and no extra cost has been caused to the Board.

98. CURRENCY OF PURCHASE ORDER :

The purchase orders placed by them shall normally be current for a period of SIX months only, unless otherwise specified for delivery of materials earlier.

99. RENEWAL OF CURRENCY :

They can renew the currency of purchase orders placed by them and their subordinates for a period of TWELVE months, beyond the date first prescribed in the order, provided no extra cost is involved.

100. CONTRACT DOCUMENTS :

The letter of acceptance from the supplier and the purchase order shall form the basis of contract.

101. PURCHASES BY SUB-DIVISIONAL OFFICERS AND SECTIONAL OFFICERS :

(1) **Sub-Divisional Officer** :- The Assistant Executive Engineer, in charge of a Sub-Division can purchase materials upto the limits prescribed in the Manual of Delegation of Powers.

(2) Deleted * (BO/B5/3410/77-78/16.10.97)

102. SALES TAX - ISSUE OF :

(1) C.S.T. 'C' Forms

(2) K.S.T. Declaration Forms

(1) K.E.B. has been registered as a unit effective from 1-11-1957, for Sales Tax purposes. Printed central sales tax Form 'C' are obtained by the Chief Engineer Electricity, (MM&P). from the Assistant Commissioner of Sales Tax, Bangalore, on requisition and payment. "Sales Tax Declaration Form" prescribed in the Karnataka Sales Tax Act, 1957 are got printed and supplied by the Chief Engineer Electricity, (MM&P) to all the officers vested with powers of purchase.

(2) In respect of purchase of materials/equipment directly from manufacturers/suppliers, outside the State of Karnataka, but within India, (Termed as 'Inter-State Transaction') Chief Engineer Electricity, (MM&P). is authorised to issue 'C' Forms to the vendors in order to avail the concessional rate of Sales Tax (Now at 4%) prescribed in Central Sales Tax Act, 1956 in respect of materials procured for use in K.E.B. - Generating Stations and Power Distribution System.

(3) Dealers/Suppliers, functioning within the State of Karnataka, procuring the materials manufactured outside the State, and

supplying them to Board (Termed as "SALES IN-TRANSIT) are required to produce 'E' Forms, along with their bills. On receipt of 'E' Forms, Chief Engineer Electricity, (MM&P), will issue 'C' Forms.

- (4) In respect of materials/equipment purchased from Manufacturers/Suppliers, within the State of Karnataka, Chief Engineer Electricity, (MM&P). will issue K.S.T. declaration forms, in order to avail the concessional rate of Sales Tax (Now at 4%), prescribed in "The Karnataka Sales Tax Act, 1957" provided that the goods purchased are used by the Board for the purpose of Generation, Transmission and Distribution of Electrical Energy.
- (5) Officers of the Board, vested with powers of purchase are authorised to issue 'K.S.T. Declaration Forms' to suppliers, in respect of purchases within the State. In respect of Inter-State transactions they shall obtain 'C' forms from the Chief Engineer Electricity, (MM&P) by sending a copy of the purchase order and Firm's invoice.

103. PRE-AUDIT OF ORIGINAL TENDERS/QUOTATIONS AND PURCHASE ORDERS PLACED BY CHIEF ENGINEERS, SUPERINTENDING ENGINEERS AND EXECUTIVE ENGINEERS, BY INTERNAL AUDIT :

- (1) Original Tenders/Quotations, comparative statements and purchase orders are subject to 100% pre-audit by the Internal Audit. Hence, there is no necessity of check of purchase orders by the Deputy Controllers of Accounts/Accounts Officers/Assistant Accounts Officers of the respective offices.

PROCEDURE, DUTIES AND FUNCTIONS :

- (2) **Tenders invited by Chief Engineer Electricity (MM&P) :** Chief Engineer Electricity, (MM&P). shall forward the comparative statement together with the Tenders/Quotations received in original, and the recommendations thereon, to the Chief Controller of Accounts, Internal Audit. The Chief Controller of Accounts, Internal Audit shall scrutinise and return them within TEN days

from the date of receipt, together with audit remarks/observations and certificate.

(3) **Purchase orders placed by Chief Engineer Electricity (MM&P):-** Chief Engineer Electricity, (MM&P). shall forward the purchase orders, before issue, to the Accounts Officer, Internal Audit, Purchase for scrutiny/check. The Accounts Officer, Internal Audit, Purchase, should return them on the same day or the next day duly furnishing the certificate of availability of purchase grants, on all the copies of the purchase order.

(4) **In the cases of other Purchasing Authorities (viz. CE's, SE's and EE's) :**

The Purchasing Authority shall forward the comparative statements together with the Tenders/Quotations received, in original and the recommendations thereon, and also the purchase order, before issue to the Internal Audit.

(5) The Accounts Officer or the Assistant Accounts Officer of the Internal Audit attached to the office, shall scrutinise the Tenders/Quotations, comparative statements and the recommendations of the Purchasing Authority on priority basis and return them either on the same day or within the next two days duly furnishing the audit certificate and audit observations, if any. They may hold discussions or seek clarifications on points of doubt.

(6) A certificate of availability of purchase grant shall be furnished on every purchase order by the Accounts Officer/Assistant Accounts Officer of Internal Audit.

(7) The Internal Audit shall not with-hold furnishing of the required certificate on Tender papers/purchase orders except for the following reasons :-

(a) The figures in the comparative statement do not tally with those furnished in the Tenders/Quotations;

- (b) Purchase orders are proposed to be placed on a tenderer other than the lowest, without placing on record the reasons therefor;
- (c) Purchase orders are split up with a view to avoid obtaining the sanction of an higher authority;
- (d) Non-availability of purchase grants.

In all these cases, the files shall be returned by the Internal Audit with Audit observations.

- (8) On receipt of the files, the officers concerned shall :-
 - (a) Comply with the requirements in respect of the cases covered under 7(a) and (b).
 - (b) Limit the quantum of purchase upto his powers of purchase, or obtain the sanction of the competent authority, for the entire quantity, in respect of the case covered under 7(c).
 - (c) Obtain adequate purchase grant in respect of the case covered under 7(d).
- (9) Internal Audit should generally accept the technical details and the necessity for the purchase, as furnished by the purchasing authorities. Any glaring instance of impropriety shall be brought to the notice of the next higher authority and the Chief Controller of Accounts, Internal Audit.
- (10) The purchasing authorities should reply the audit observations, and other points, if any, as far as possible, immediately, and the tender papers / purchase orders got cleared/certified by the Internal Audit. In cases, where the observations cannot be replied to immediately because of emergency/urgency, the purchase order may be placed, and replies sent to the Internal Audit, within a week.
- (11) The Internal Audit should point out only serious irregularities, violation of purchase rules, and replies obtained. Procedural

omissions like "Date is not noted", "Rubber Stamp is not affixed" and observations of minor nature, may be sorted out by mutual discussions.

- (12) In cases, where replies are not received even after a lapse of a week and the irregularities continue to occur, the Internal Audit shall report to the next higher executive authority and Chief Controller of Accounts, Internal Audit for further action.

NOTE : Pre-audit of Tenders/Quotations, comparative statements and purchase orders, in the cases of those divisions where Internal Audit is not organised in the unit itself, will be done by the Divisional Accounts Officers/ Assistant Accounts Officers.

(B8/5663/83-84, dt. 20-8-1983)

104. PAYMENTS :

To facilitate payments to suppliers and others, current accounts have been opened with approved Banks. The current accounts will be operated by the Financial Adviser and Chief Accounts Officer, Controller (Finance), Deputy Controllers of Accounts and Accounts Officers. Arrangements will be made by the Controller of Accounts (Finance) for the transfer of funds to operative accounts, as and when requisitioned by the drawing officers.

105. PAYMENTS TO SUPPLIERS :

Generally all payments in respect of supplies, shall be made only on receipt and acceptance of goods, after proper inspection and verification of materials at destination (consignee stores).

106. ADVANCE PAYMENT TO SUPPLIERS BY CHIEF ENGINEER ELECTRICITY, (MM&P) :

Wherever 100% or 90% advance payment against proof of despatch of materials is stipulated in the purchase order, such advance payment shall be made, either after the quality and quantity of materials have been certified by the Inspecting Engineer or after the test certificates are approved.

107. Suppliers can obtain advance payments either through Board's Bankers or directly from the Accounts Officer (Bills), Purchase Section.

108. PROCEDURE FOR PAYMENT OF ADVANCE TO SUPPLIERS

PAYMENTS THROUGH BOARD'S BANKERS :

- (a) Advance payments to suppliers are arranged only through SYNDICATE BANK, Gandhinagar, Bangalore - 560 009. Suppliers desirous of obtaining advance payment through Bank, shall be advised to negotiate their bills, with the said Bank. In such case, the supplier shall be requested to send the following documents (all in original) to the Bank, besides forwarding copies thereof, well in advance to Chief Engineer Electricity, (MM&P)., so as to ensure prompt payment, and to avoid delay in getting the bills retired.

DOCUMENTS :

- (i) Bill (in respect of the consignment) in quadruplicate. The original and duplicate should be pre-receipted and stamped.
- (ii) Clear Railway Receipt, freight pre-paid/lorry receipt, evidencing despatch of materials to destination duly endorsed in favour of the consignee or delivery challan acknowledged by the consignee.

NOTE : Lorry receipts, issued by the transport contractors, approved by the Indian Bankers' Association shall normally be insisted upon.

- (iii) Approved Test Certificate or copy of the letter of Chief Engineer Electricity, (MM&P). approving the test certificate.
 - (iv) Warranty/Guarantee certificate.
 - (v) Duty paid voucher or gate pass in respect of excise duty paid.
- (b) On receipt of an intimation from Syndicate Bank, the Accounts Officer (Bills) shall send an advice to the Banker within seven days

or even early, after preliminary verification, to retire the bill and to send the debit memo, together with the bill and other documents.

NOTE : The monetary limit of payment by the Accounts officer (Bills) is not applicable in all such cases.

- (c) Immediately after the receipt of debit memo, bill and other relevant documents, it shall be registered in the 'Register of Bills Received' and B.R. number assigned with date of receipt. The bill shall be passed for adjustment, after necessary check, and necessary entries shall be made in the payment sheet attached to the purchase order copy. No entry, in respect of advance payment, shall be made in the Bill Booking Register.
- (d) The Railway Receipt/Lorry Receipt, received along with the bill, shall be checked and sent to the consignee together with a copy of the supplier's invoice, after getting necessary entries recorded in the Register of Railway Receipts / Lorry Receipts (Form No. 15) promptly.

DIRECT PAYMENT :

- (e) Any supplier, desirous of obtaining payment directly, instead of through Bank shall be requested to present the bill and relevant despatch documents, as detailed under para 108 (a) to the Accounts Officer (Bills). After observing the formalities, the Accounts Officer (Bills) shall pass the bill after verification, and issue a cheque, provided the amount does not exceed Rs. 1,00,000/-; the bill should be passed and sent to Controller (Finance) for issue of a cheque in case the amount exceeds Rs. 1,00,000/-. Entries should be made in the payment sheet attached to purchase order copy. No entry shall be made in the Bill Booking Register.
- (f) In the case of conductor manufacturers (local SSI units), where inspection of materials has to be done at the factory site, 95% or 90% advance payment may be made to them, against documents

through Bank, subject to the Firm's furnishing a SUO-MOTO Bank guarantee for an amount of Rs. 50,000/-. The balance of five percent is payable after the receipt and verification of the materials at destination, not later than 30 days from the date of receipt of bill. When the value of supplies exceed Rs. 4.00 lakhs per month on an average, additional Bank guarantee for such sum and for such period, as may be determined by the authority approving the purchase, shall be obtained from the supplier.

(B8/1880/78-79, dt.' 19-1-1979)

- (g) While passing the bill for advance payment either for 95% or 90%, it should be seen that 95% or 90% of the cost of materials, as the case may be and taxes and duties at 100% are admitted.
- (h) Whenever 100% advance payment is made, extra care should be taken to watch for the receipt of materials. In case, there were to be any shortages, or damages, or materials supplied do not conform to the specified specification, immediate action, shall be initiated for recovery or for getting replacements from the supplier.

109. ADVANCE PAYMENTS TO SUPPLIERS, BY THE OTHER PURCHASING AUTHORITIES :

Zonal Chief Engineers, Circle Superintending Engineers and Divisional Engineers and other competent officers are empowered to make 100% advance payment in respect of purchase of propertory spares and 90% advance payment in respect of purchases of other materials within their powers of purchase. In all such cases, they shall arrange for the issue of cheques to those Banks, for whom intimations are received and get the bills retired. On receipt of bills, they should be passed for adjustment, duly recording the payment on the copies of purchase orders or arrange for direct payment, if the bills are presented directly with all the relevant documents, in the manner indicated in para 108(a). The Railway Receipt or Lorry Receipt should be sent to the consignee promptly, after recording the necessary entries in the Register of Railway Receipts/Lorry Receipts.

110. PAYMENT OF SUPPLIERS BILLS - PROCEDURE :

- (1) The supplier shall be requested to send their bills in duplicate, on their own bill forms to the office of supply. Bills that are not received in duplicate, should not be accepted.
- (2) The production of Sales Tax clearance certificates and pre-receipted bills by suppliers need not be insisted upon. Suppliers shall be requested to send their stamped receipts after receiving payment.
- (3) The bills, on receipt, shall be registered in the "Register of Bills Received". The B.R. number and date of receipt shall be impressed on both the original and duplicate bills. The bills are then transmitted to bills passing section.
- (4) The case worker, after recording in the diary of bills received, shall forward the bills to the concerned stores.
- (5) The Store Office/Store Keeper shall verify the quantum and quality of materials already received, with reference to the bills and purchase order, entries recorded in the daily receipts and stock ledger and forward the bills with "Material Acknowledgement Statement" to the pricing ledger section, together with a report of shortages / damages / rejections, if any, within two days.
- (6) In the pricing ledger section, necessary entries shall be made in the relevant ledger folio, and the value of the materials received, determined at standard rates; in the absence of standard rates, at purchase rates and accounted, shall be recorded on the M.A.S. and the bills are returned to bills passing section within two days from the date of receipt of bills.
- (7) In respect of payments to suppliers by one division on behalf of supplies received at another division, the receiving division stores shall register the bills, for supplies and forward them to the paying division together with M.A.S. and credit advice of transfer.

If the bills are not received, only the M.A.S. shall be sent to the paying division immediately after the acceptance and accounting the supplies.

- (8) In the bills passing section, the bills are matched based on purchase order, and the matched bill will be checked to confirm whether the bills are in the line with the purchase order and the M.A.S.

The checks prescribed are as follows :-

- (i) Bills received are in duplicate.
- (ii) Whether pre-receipted and stamped or not.
- (iii) The purchase order number and date as noted on the bill, is correct,
- (iv) Compare the rates - Arithmetical check of the bill amount.
- (v) Check the quantity ordered, supplied and accounted under stock, with reference to purchase order, Firm's Invoice and M.A.S.
- (vi) Whether the materials supplied conforms to specifications/ approved samples.
- (vii) Check the Test Report/Test Certificate.
- (viii) Are there any shortages/damages/rejections?
- (ix) Are there any excess quantity supplied?
- (x) Is there any delay in supplies? Delay in supplies should be covered by an order of the Purchasing Authority either for condonation of delay and/or for imposition of penalty.
- (xi) Check the "Material Acknowledgement Statement", and credit Advice of Transfers, wherever applicable.
- (xii) Are there any breach in contractual obligations?
- (xiii) Recoveries, if any.
- (xiv) Check Freight, Wharfage, Demurrage charges, if any, paid by Board, is an acceptable charge or not. Original vouchers are necessary for admitting the claims.
- (xv) Price variation to be checked with the relevant clause of the purchase order.
- (xvi) Indicate the amount of Materials cost variance.

- (8A) TEN percent/FIVE percent bills shall be matched with 90%/95% bills, purchase order, M.A..S. and the matched bills shall be checked, in the aforesaid manner.
 - (9) In respect of supplies, for which 100% advance payment has been made, the bill should be matched with firm's invoice, Purchase order and M.A.S. and checked in the aforesaid manner.
 - (10) The bill is then passed for payment by the A.A.O./A.O./D.C.A.
 - (11) After getting necessary entries posted in the Bill Booking Register and Sundry Creditors' Control Account, the bill is sent to cheques section for drawal of cheque.
 - (12) If the amount of the bill does not exceed Rs.1,00,000/- a cheque is drawn. If the amount of the bill exceeds, Rs. 1,00,000/- the bill, passed for payment, shall be sent to Controller (Finance) for issue of a cheque. Such a cheque shall be sent to the officer, from whom the bill is received, together with passed bill.
 - (13) In case there were to be any disallowance, the original copy of the disallowance memo, duly furnishing clear reasons for the amounts disallowed should be sent to the firm along with the cheque.
 - (14) Normally, the cheques shall be sent to suppliers by Registered Post Acknowledgement Due.
 - (15) In case, a supplier gives a written requisition for delivery of the cheque, at the office of cheque issuing authority, delivery of the cheques may be authorised, after proper identification, by the head of the office.
- 111.** Bills received, should be promptly disposed off within seven working days from the date of receipt.
- 112.** At the end of every week, a list of pending bills shall be got prepared and reviewed by the Head of the Office or by any other officer authorised by him.

113. With the introduction of Commercial System of Accounts from 1-4-1985 (vide B.O. No. 1969/81-82, dt. 1-4-1985), the following Registers/Ledger Accounts are to be maintained for recording the transactions relating to purchase :

- (1) Materials Purchase Account. : To record the value of all stores purchased.
- (2) Receipt Voucher Register : To replace the receipt side of the stock compilation register for purchase.
- (3) Bill Booking Register : This register is a record of suppliers' bills passed for payment, but not actually paid, whereas bills register is a record of all kinds of bills received.
- (4) Sundry Creditors Control Account. : To record amounts due to sundry creditors for the supply of materials under purchase orders (See A/C. No. 42.201).
- (5) Sundry Creditors Ledger Account. : For purposes of maintaining individual record of different suppliers and to serve as a backup to Sundry Creditors' Control Account.
- (6) Advance to Supplier's Account : To record advance payments to suppliers.

- (7) Liability for supply of Materials Account. : To record outstanding payments to suppliers.
- (8) Materials cost variance Account. : To record the difference between the actual purchase price and standard price.

114. STANDARD RATE :

A standard rate is a pre-determined price fixed on the basis of upto-date knowledge of Market trends and conditions for a particular period and is subject to review from time to time.

115. PROCEDURE FOR FIXATION OF STANDARD RATES :

(a) Items where purchase orders are available :

- (i) Order-wise price payable including freight and insurance.
- (ii) Escalation in price envisaged.
- (iii) Weighted average of (i) and (ii) to be taken as standard rate.

(b) Item where purchase orders are not available :

Last purchase rate plus any escalation in price envisaged to act as standard rate.

(c) Chief Engineer Electricity, (MM&P) will fix the standard rates, from time to time.

116. In Board, the receipt and consumption accounting are based on the standard rates and in the absence of standard rates at purchase price. In cases, where the cost of materials is accounted based on standard rates, the difference between the actual purchase price and standard price has to be accounted. For recording this variation, a price variation account called "Materials Cost Variance Account" is now introduced. If the purchase price is more than the standard price, the difference is debited and if the purchase price is less than the standard price, the difference is credited.

NOTE : A variation account is a test of efficiency of the purchase wing.

ACCOUNTING ENTRIES IN RESPECT OF TRANSACTIONS RELATING TO PURCHASE OF MATERIALS & PAYMENTS TO SUPPLIERS

Nature of Transaction	Previous method i.e. in respect of transactions prior to 1-4-1985	Account Code	Present method i.e. in respect of transactions from 1-4-1985	Account Code
1	2	3	4	5
1. ON receipt of materials	DEBIT STOCK		DEBIT Materials Purchase A/c.	22.210
	CREDIT Purchase		CREDIT Liability for supply of materials A/c.	42.101
	R-1 - Outstanding creditors for purchase of stores	42.202 Outstanding creditors for purchase of stores (old)		
2. Advance payment to suppliers	DEBIT	A2 Advances to suppliers for purchases	DEBIT Advances to Suppliers A/c.	
		25.505 Advances to Suppliers (old)	Interest bearing Interest Free	25.101 25.501
	CREDIT Cash/	24.110	CREDIT Cash/Bank	

1	2	3	4	5
3. On payment suppliers Bills	DEBIT	P1-outstand- ing creditors for purchase of stores 42.202	Two Stages of Accounting I Stage - After passing the bills. II Stage - After payment	
	DEBIT S.A.1 - Stock Incidentals (Difference in value between actual purchase value and value fixed at standard rates)		DEBIT - Liability for supply of materials A/c.	42.101
	CREDIT Cash/Bank (Net payment)	24.110 24.301 to 306	DEBIT Other expen- ses A/c. to be specified.	
	CREDIT A2 - Adva- nces to suppliers to purchase	25.505	CREDIT Materials to cost variance A/c.	79.110
			CREDIT Sundry creditors control A/C.	42.201
			CREDIT Inter Unit A/c	37 Location Code

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AFTER PAYMENT

DEBIT	Sundry creditors/ control A/c	42.201
CREDIT	Cash/Bank	24.110
		&
		24.301
		To
		24.306

**RECOVERIES FROM
SUPPLIER'S BILLS**

DEBIT	Sundry creditors control A/c.	42.201
CREDIT	Advances to suppliers A/c.	25.101
		or
		25.501
CREDIT	Miscella- neous Recoveries	62.917
