

Inspection report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Haridwar (Rural). The office of the Accountant General (Audit) Uttarakhand, Dehradun disclaims any responsibility for any misinformation, non submission or submission of incomplete records.

Audit inspection of accounting records of Executive Engineer, Electricity Distribution Division, Haridwar (Rural) for the period April 2016 to March 2017 was carried out in exercise of the power conferred by section 19 of the C&AG, DPC Act 1971 read with section 619(3)(b) of the Companies Act 1956 & section 143 of Companies Act 2013. Audit Inspection was conducted by Shri A P Singh, AAO under the supervision of Shri Amit Kumar Mishra, AO during the period from 28.08.2017 to 01.09.2017.

Part-I

1 **Introduction:** - The last audit of this unit was carried out by Shri Vikas Dhyani, AAO and Shri Sunil Verma, Sr. Auditor under the partial supervision of Shri Mukesh Kumar, Sr. Audit Officer in which accounting records of the period from April 2015 to March 2016 were generally examined. In current audit, accounting records of the period from April 2016 to March 2017 were generally examined.

2 (i) **Functions and geographical jurisdiction of the unit:**

The function of the Electricity Distribution Division, Haridwar (Rural) is to distribute electricity to rural area of Division, Haridwar (Rural) Haridwar district and keep as well as expand the electricity distribution system to this area. The geographical jurisdiction of the division is within area of Division, Haridwar (Rural) Haridwar District.

(ii) **Auditing methodology and scope of audit:**

Electricity Distribution Division, Haridwar (Rural) was covered in the audit. Inspection reports of all independent Drawing and Disbursing officers are being issued separately. This inspection report is based on findings of audit and October 2016 month was selected for detailed examination and June 2016 was selected for Arithmetical Accuracy.

(iii)

Year	Revenue	Expenditure	Profit
2016-17	5750810879.49	125367444	--

(To the extent this information is available & applicable)

(iv) Organisation structure of the unit and reporting lines.

The Electricity Distribution Division, Division, Haridwar (Rural) is an electricity distribution division of UPCL which is officiated by the Executive Engineer.

Part II A

Para 1: Non recovery of electricity dues from Non-Government Consumers

Commercial & Revenue manual of Uttar Pradesh Power Corporation (which is being followed by Uttarakhand Power Corporation Limited) provides that in case a consumer does not pay electricity dues against him, within 30 days from the receipt of bill, his connection would be disconnected and demand notice for recovery of electricity dues will be issued u/s 3 of UP Electricity Dues and Recovery Act 1958 for depositing of dues against him within 30 days. In case consumer again fails to deposit the dues in the stipulated period then a recovery certificate (RC) U/S-5 of UP Electricity dues and recovery Act 1958 would be issued through concerned District Authority. All such action for recovery of dues should be completed within Six Months.

During Scrutiny of records relating to electricity dues against Non-Government Consumers, it was noticed that electricity dues has decreased from ` 2074.74 Lakh in the 2014-15 to ` 1962.97 lakh in 2016-17 as detailed below:

(` In lakh)

Sl. No.	Particulars	2014-15	2015-16	2016-17
1.	Balance outstanding at the beginning of the year	5787.79	2074.74	1946.61
2.	Revenue assessed/Billed during the year	56548.88	61775.90	66880.10
3.	Total amount due for realisation (1+2)	62336.67	63850.64	68826.71
4.	Total amount adjusted/ waived off/ rebate	4924.50	452.73	476.65
5.	Amount realised during the year	55337.34	61451.30	66387.09
6.	Balance outstanding at the end of the year	2074.74	1946.61	1962.97

It is evident from above table that there is a marginal decrease in arrears of Non Government consumers over the period from 2014-15 to 2016-17. Division should make more efforts for realizing the arrears. Moreover Scrutiny of records of the division revealed that there are 66 KCC consumers of various categories, whose arrears are more than 50,000 each, had accumulated arrear amounting to ` 3.10 crore.

The reply of division is awaited.

Para 2: Non- realization of dues due to inappropriate monitoring of Recovery Certificates ` 4.93 crore.

As per Indian Electricity Act 2003, the payment of electricity dues should be made within due date mentioned in the bill. In case of default, the supply was required to be disconnected after seven days and a demand notice under section 3 of Dues Recovery Act 1958 (giving 30 days notice) was to be sent. If payment was not received, a Recovery Certificate (RC) under section- 5 of the said act was to be sent to the concerned District Magistrate to recover the dues as land revenue. Proper care was required to be taken that the particulars of the consumers were correct and permanent disconnection was duly finalized so that RC's could be realized.

The status of unrecovered Recovery Certificates u/s 5 during 2014-15 to 2016-17 was detailed below:

For the year 2014-15

` In lakh

Sl. No.	Particulars	Number	Amount
1.	Opening Balance of RCs which were issued to DM offices for recovery u/s 5 and pending with DM offices as on 01.04.2014.	1442	1075.10
2.	Number of RCs issued for recovery to DM office against the defaulting consumers under section 5 during the period April-2014 to March-2015	81	33.50
3.	Number of RCs and amount realized by DM office from defaulting consumers during the period April-2014 to March-2015.	47	11.38
4.	Number of RCs returned by DM office due to wrong address of consumers, deceased consumer, etc during the period April-2014 to March-2015.	-	-
5.	Number of RCs pending with the DM office due to non-realization as on 31.03.2015.	1476	1097.27

For the year 2015-16

Sl. No.	Particulars	Number	Amount
1.	Opening Balance of RCs which were issued to DM offices for recovery u/s 5 and pending with DM offices as on 01.04.2015.	1476	1097.27
2.	Number of RCs issued for recovery to DM office against the defaulting consumers under section 5 during the period April-2015 to March-2016	79	54.44
3.	Number of RCs and amount realized by DM office from defaulting consumers during the period April-2015 to March-2016.	25	8.63
4.	Number of RCs returned by DM office due to wrong address of consumers, deceased consumer, etc during the period April-2015 to March-2016.	814	818.99
5.	Number of RCs pending with the DM office due to non-realization as on 31.03.2016.	716	324.04

For the year 2016-17

Sl. No.	Particulars	Number	Amount
1.	Opening Balance of RCs which were issued to DM offices for recovery u/s 5 and pending with DM offices as on 01.04.2016.	716	324.04
2.	Number of RCs issued for recovery to DM office against the defaulting consumers under section 5 during the period April-2016 to March-2017	457	223.19
3.	Number of RCs and amount realized by DM office from defaulting consumers during the period April-2016 to March-2017.	68	40.44
4.	Number of RCs returned by DM office due to wrong address of consumers, deceased consumer, etc during the period April-2016 to March-2017.	34	13.37
5.	Number of RCs pending with the DM office due to non-realization as on 31.03.2017.	1071	493.42

Division issued 457 numbers of RCs u/s 5 amounting to ` 223.19 lakh in 2016-17 and total RC u/s 5 pending with District Authorities valuing 4.93 crore as on March 2017. Division had not made any correspondence with District Authorities to realise the amount of RCs. Had proper action for temporary/permanent disconnection been taken by the Company in time against the defaulting consumers this arrear would not have been accumulated.

The reply of division is awaited.

Para 3: Non recovery of additional Security amounting to Rs 15.15 crore.

As per para 2.2.1 of UERC Regulations 2007, security of the consumers should be assessed in end of each financial year in respect of those consumers who have been given the connection for supply of electricity, the security should be equal to average consumption of two month bill of the financial year. In case security reassessed exceeds the amount of security already deposited, the differential amount will be demanded as additional security by giving a notice to the consumers within the 45 days. In case the additional security which is not deposited within the stipulated period, the electricity supply of such consumers can be disconnected.

During scrutiny of billing files and other related records of the KCC consumers, it was noticed that the average two months bills of consumers exceeded the amount of security already deposited. Additional security amounting to ` 15.15 crore from 772 KCC consumers were pending from March 2017 and has not been recovered till date. As per circular in question, amount of this additional security was required to be recovered within 45 days. This amount should have been recovered from consumers within the stipulated period which was not recovered.

The reply of division is awaited.

Para 4: Short deduction of Works Contract Tax (WCT).

Contract and Procurement Wing of Uttarakhand Power Corporation Limited entered into the turnkey agreement for execution of work of supply and laying of LT Aerial Bunch Cable with associated material with M/s Vibhor Vaibhav Infra Pvt. Ltd. on 13.04.2015 for ` 19.62 crore. Additional work was also awarded to the same contractor for same work of ` 9.81 crore on 10.02.2016. Clause no. 4 relating to statutory duties and taxes of the contract states that “As the work is to be executed on turnkey basis, no variation in statutory charges will be allowed. Above prices are inclusive of all taxes and duties (e.g. ED, ST, Octroi, Cess, WCT, VAT, Service tax etc.). It is the responsibility of the Division to deduct statutory duties and taxes from the bills submitted by contractors and deposit it through concerned challans.

During scrutiny of payment files, abstract of payment and related vouchers of above agreement it was noticed that the division has short deducted the Works Contract Tax at the rate of 6 percent from the running bills submitted by the contractor for payment. Till date Gross value of bills was ` 17.79 crore submitted by contractor and division has deducted WCT only ` 5.72 lakh from running bills of contractor on the labour portion only instead of deducting on whole contract value. This has resulted in short deduction of WCT valuing ` 1.01 Crore (` 1.06 cr – ` 0.05 cr).

The reply of division is awaited.

Para5: Non deduction of Building and Other Construction worker welfare cess.

As per provisions of Building and Other Construction Workers' Welfare Cess Act, 1996, UPCL has to collect one percent cess on cost of construction and deposit the same through bank draft in the name of Labour Commissioner/ Secretary, Uttarakhand Bhawan and other construction labour welfare board, Shram Bhawan, Haldwani. In this regard, a letter from Labour Commissioner/ Secretary dated 15.06.2012 was written to Managing Director, UPCL.

During scrutiny of records it was noticed that an agreement was entered between M/s Vibhor Vaibhav Infra Pvt. Ltd. and Uttarakhand Power Corporation Limited valuing ` 29.44 crore (` 19.62 cr + ` 9.82) for execution of work of laying of LT Aerial Bunch Cable with supply and erection of LT XLPE AB cable and associated material on Turnkey basis on 13.04.2015 and for additional work on 10.02.2016. The total cost of construction was ` 17.79 crore including supply and erection till date. Division has not deducted the labour welfare cess equivalent to one percent of cost of construction amounting to ` 17.78 lakh which resulted in violation of provisions of Building and Other Construction Workers' Welfare Cess Act , 1996.

The reply of division is still awaited.

Part II B

Para 1: Non- realization of Revenue from Government consumers.

The purpose of establishing distribution division in different parts of the State is to provide electricity to the consumers of different categories. One of the most important functions of the division is to realize electricity charges consumed by the consumers. The realisation as per the targets fixed by the UPCL is intimated monthly to the division indicated efficiency of the division and good financial health of the UPCL. The revenue collected/ realised by the division is intimated through monthly commercial diary of the distribution division.

The revenue collection efficiency of the Company lies in realisation of the billed and assessed energy as well as outstanding dues of electricity. The revenue from sale of energy is the main source of income of the Company. Therefore, prompt and effective collection of revenue assumes great significance. The details of arrear from Government consumers which could not be realized by UPCL during the years 2014-15 to 2016-17 are given below:

(` In lakh)

Sl. No.	Particulars	2014-15	2015-16	2016-17
1.	Balance outstanding at the beginning of the year	2952.96	2324.13	1250.82
2.	Revenue assessed/Billed during the year	1110.36	1097.05	641.83
3.	Total amount due for realisation (1+2)	4063.32	3421.18	1892.65
4.	Total amount adjusted/ waived off/ rebate	1346.65	-	74.97
5.	Amount realised during the year	392.54	2118.63	935.63
6.	Balance outstanding at the end of the year	2324.13	1250.82	882.05

Source: Information compiled from the data provided by the Company

It is evident from above that the arrears decreased from ` 2324.13 lakh in 2014-15 to ` 1250.82 lakh in 2015-16 and decreased to ` 882.05 lakh in 2016-17. Division should make sincere efforts and raise the matter with top management and HoD of the departments for early realization of the remaining amount.

The reply of division is awaited.

Para 2: Short deduction of liquidated damages on the contract.

Contract and Procurement Wing of Uttarakhand Power Corporation Limited entered into the turnkey agreement for execution of work of supply and laying of LT Aerial Bunch Cable with associated material with M/s Vibhor Vaibhav Infra Pvt. Ltd. on 13.04.2015 for ` 19.62 crore. Additional work was also awarded to the same contractor for same work of ` 9.81 crore on 10.02.2016. The payment terms of the agreement states that 50 percent payment was to be made on supply 30 percent on of supply on erection and 80 percent on erection, 10 percent on completion and 10 percent on full performance security. Further, clause no. 16 related to penalty of the contract provides 0.1 per cent per day of the contract value on such portion of the complete scope of work which cannot be used commercially and efficiently. During scrutiny of payment files, abstract of payment and related vouchers of above agreement it was noticed that the division has short deducted the penalty from the running bills submitted by the contractor for payment. It was observed that no penalty was deducted on the supply initially provided, the supply initially provided was not used till the first erection was done. Thus, penalty amounting to Rs 51.29¹ lakh should have been deducted instead of only ` 496481.

The reply of the division is still awaited.

¹ LD = ` (26322440+42069634+12998028+26145487+20691470)*4/100 = ` 5129082

Para 3: Non- realization of Initial Security Deposit.

As per UERC norms, UPCL collects security deposit from all categories of consumers at the time of releasing connections. The rate of Security deposit varies on different categories of consumers. During scrutiny of the records, it was observed that there are 178 consumers of different categories to whom connection have been released without depositing the required security deposit. This resulted in non- realisation of Security deposit by ` 38.58 lakh and violation of UERC regulations. The details are as follows:

Sl. No.	No. of consumers	Category	Load (in KW)	Security Deposit @ ` 1000 per KW
1.	01	RTS-1 Domestic @ ` 400 per KW	30	12000
2.	94	RTS-2,3,5,6,7 & 8 @ ` 1000 per KW	3846	3846000
	Total			3858000

It is evident from above table that division failed to collect the security amount at the time of releasing connections to above consumers.

The reply of division is awaited.

Para 4: Non realisation of PD amount.

Commercial & Revenue manual of Uttar Pradesh Power Corporation (which is being followed by Uttarakhand Power Corporation Limited) provides that in case a consumer does not pay electricity dues against him, within 30 days from the receipt of bill, his connection would be disconnected and demand notice for recovery of electricity dues will be issued u/s 3 of UP Electricity Dues and Recovery Act 1958 for depositing of dues against him within 30 days. In case consumer again fails to deposit the dues in the stipulated period then a recovery certificate (RC) U/S-5 of UP Electricity dues and recovery Act 1958 would be issued through concerned District Authority. All such action for recovery of dues should be completed within Six Months.

Scrutiny of billing records of the division revealed that one of the KCC consumer namely M/s Texplas Textile India Pvt (KNO 18599) had arrear of ` 2621641 as on October 2016. The consumer was making part payment and was defaulter. The connection of consumer was temporary disconnected on 07.11.2016 and Permanent Disconnection was done on 30.05.2017. The amount to be realised in PD is 1746130. Even after permanent disconnection of supply of consumer division could not realise the remaining amount. Steps taken by the division for realisation of same may be intimated to audit.

The reply of the division is still awaited.

Para5: Poor quality of billing.

In the Tariff order of 2016-17 UPCL has stated that installation of AMR meter is one of the essential requirement for reduction of line losses also UPCL has committed that all connections upto 5 KW shall be billed by AMR meters. Audit noticed that out of total 1188 KCC consumers Automatic Meter Reading of only 439 consumers were being done in March 2015 and meter reading of remaining 749 consumers were done through Non IMAR. Similarly in March 2016 out of 1229 KCC Consumers IAMR was done for 413 consumers and remaining 816 were billed through Non IAMR. In March 2017 out of 1328 KCC consumers IAMR was done for 429 consumers only and remaining 899 consumers were billed through Non IAMR. The IAMR process of billing records electricity consumption of consumers and sends the same using SIM and Modems to a server for real time recording power consumption by consumer. This process of metering reduces the chance of power theft and manipulations.

The reply of division is awaited.

Para 6: Energy as well as revenue loss due to theft/pilferage.

In order to minimise the cases of pilferage/ loss of energy, Section 163 of Electricity Act 2003 provides that the licensee may enter in the premises of a consumer for inspection and testing the apparatus. As per section 135 of Electricity Act 2003 and Electricity (amendment) Act, 2007, theft of energy is an offence punishable under the said Act.

Audit observed that the division did not fix any target for inspection and testing of apparatus. An analysis of the theft cases and assessments made by the division of the Company during 2014-15 to 2016-17 is detailed below:

(` in lakh)

Name of sub-division	Year of checking	Total number of consumers	Number of checking	Number of theft cases detected/ Assessment made	FIR lodged	Amount assessed	Amount realized	Balance
EDD (R) Haridwar	2014-15	31106	101	97/97	97	26.07	17.47	8.60
EDD (R) Haridwar	2015-16	35361	188	160/160	160	32.99	24.48	8.51
EDD (R) Haridwar	2016-17	38448	220	207/207	207	41.86	36.85	5.05

Source: Information compiled from the data provided by the Company

It can be seen that the total number of checking carried out by division ranged from 0.32 per cent to 0.57 per cent against the total number of consumers during the period 2014-15 to 2016-17. Had the division increased the number of checking in a year, leakage of revenue could be avoided.

The reply of division is awaited.

Para 7: Delay release of new connection.

UERC LT Regulation 2013 inter alia provides that “The licensee shall be under obligation to energize the connection through a correct meter within 30 days from the:

(a) date of Application if no defects or outstanding dues are found.

(b) date of intimation of removal of defects or liquidation of outstanding dues or the date of”

As per the LT regulation a penalty on the division will be imposed at the rate of ` 10 per day on per ` 1000 of the amount deposited by applicant subject to maximum of ` 1000 for each day of delay.

The scrutiny of the records of the divisions for the year 2015-16 to 2016-17 revealed the following:

Year	No. of cases where connection were released beyond stipulated time	Amount of Penalty (` in lakh)
2014-15	-	88510
2015-16	370	711660
2016-17	125	493810
Total		1293980

Audit noticed that due to delay in release of connection in 2016-17 division incurred an avoidable expenditure in form of penalty amounting to ` 12.94 lakh. The reasons for the delay may be intimated to audit.

The reply of the division is still awaited.

Part III

(In this part, detail of unsettled paras of previous inspection reports to be reported in below given format.)

Details of unsettled paras of previous inspection reports:-

Sl. No.	AIR for the period	Part-II-A	Part-II-B
1.	Since inception to March 2007	-	1,2
2.	04/2007 to 03/2008	-	1 to 4
3.	04/2008 to 09/2010	1	4
4.	10/2010 to 03/2013	-	1 to 5
5.	04/2013 to 03/2014	1,2,3	1,2
6.	04/2014 to 03/2015	1	1 to 4
7.	04/2015 to 03/2016	-	1 to 5

Compliance report of unsettled paras of previous inspection report-

Inspection report period and number	Para No. Audit observation	Compliance report	Comments of Audit Party	Remarks
-	-	-	-	-

Part IV

Best practices of the unit

NIL

Part V

Acknowledgement

1. Office of The Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards Electricity Distribution Division, Haridwar (Rural) and their officers and employees for promptly providing desired documents and information including infrastructure related co-operation during the course of audit.

Though following documents were not produced during audit:

NIL

2. **Persistent irregularities.**

NIL

3. **The following officers held the charge of head of the office during the audit period:**

Sr. no.	Name	Post
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- | | | |
|-----|---|--------------------|
| (i) | Shri Y S Tomar (last audit to March 2017) | Executive Engineer |
|-----|---|--------------------|

Minor and operational irregularities which could not be resolved at the time of audit and have been included in Temporary Audit Note with the request that the compliance report on the same may be sent to Sr. DAG/DAG (concerned sector) within one month of receipt of the letter.

Sr. AO/ES-I