

Inspection report has been prepared on the basis of information provided by Electricity Secondary Works Division, Dehradun. 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 Electricity Secondary Works Division Dehradun for the period from 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 143 of Companies Act 2013. Audit Inspection was conducted by Sh. Roshan Lal Sharma, AAO and Shri Ghanshyam Das Pal, AAO during the period from 23.08.2017 to 26.08.2017 & 04.09.2017 to 06.09.2017.

Part-I

1. **Introduction:-** The last audit of this unit was carried out by Shri Amit Kumar Mishra AAO, Shri A.P. Singh AAO from 15.06.2016 to 25.06.2016 under partial supervision of Shri Mukesh Kumar Sr. AO in which accounting records of the period from February, 2008 to March, 2016 were generally examined. In current audit, accounting records of the period from April, 2016 to March, 2017 were examined.

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

The main functions of division are construction of 33/11 KV sub station and preparation of 33 KV line.

The jurisdiction of the division is Garhwal zone.

(ii) Auditing methodology and scope of audit:

This inspection report is based on findings of audit. Month of July, 2016 was selected for detailed examination.

(iii)

Year	Revenue	Expenditure	Profit
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(iv) Organisation structure of the Corporation and reporting lines.

Organisation structure of the Division is enclosed.

Part-II A

Para- 1 : Poor handling of materials - ` 61.38 lakh.

UPCL awarded the contract to M/s Reliance Electric Works, Ghaziabad for construction of two 33 /11 KV sub-station at Milan Vihar, & Rajendra Nagar, Dehradun on 25/9/2014 and the agreement was executed on 14.10.2014. The cost of MilanVihar 33/11KVA sub station was ` 2.69 crore (` 2.00 crore for supply of material and (` 68.72 lakh for Erection). The completion period of the project was nine months from the date of handing over of land or issue of the 1st Dispatch Instruction (DI) of the material of that substation & its associated 33 Kv lines, whichever was earlier. Each 33/11kv substation & its associated 33 kv lines as a whole were to be treated as an independent unit for completion period. As per clause no 7 (Insurance) all the equipment and materials including spares, if any being supplied by the contractor shall be kept completely insured at the cost of the contractor from the time of despatch upto the completion of erection, testing and commissioning at site and taking over of the works in accordance with the Bidding documents. The insurance covers taken by the contractor shall be in the joint name of UPCL and contractor.

During the course of audit it was observed that more than 2 years have elapsed but the work has not been completed till date. (Sept. 2017).

Further, contractor had supplied one 8 MVA transformer and 11 KV Panels valuing ` 102.30 lakh as on March 2016 and the corporation had paid 60 *per cent* amount i.e. ` 61.38 lakh to the contractor as per the terms of contract. The work of sub station is held up due to public obstruction. Thus a sum of ` 61.38 lakh is blocked for more than one year. The supplied material is lying in the open space at site due to which the possibility of deterioration/pilferage/rusting could not be ruled out. Besides this the contractor failed to ensure the material as required in the contract.

Division in its reply stated that the work has started now. The reply of the division is not convincing as the work was not started till date, due to which the quality of the material lying at the site may deteriorate farther.

Para-2: Non deduction of Penalty of ` 26.40 lakh.

After occurrence of the disaster on June 2013, UPCL decided to construct two 33/11 KV sub-station and its associated line at Guptkashi (Rudraprayag) and Siyanchatti ((Uttarakashi) on turnkey basis against Apada Fund. NIT for the same had been invited on 7 & 8/1/2014. The last date of submission /opening of the bid was 30/1/2014, but no bid was received till the due date and UPCL extended bid submission date upto 13/2/2014. Three bidders submitted the bid and all found were qualified for the part-I (Technically). Part-II i.e. Price-bids of the same were opened on 20/2/2014.

As per Price bids M/s Saggi Electric Company Chandigarh was L1 amounting to ` 2.64 crore against the estimated cost of ` 2.65 crore. Both the projects were awarded to M/s Saggi Electric Company on 1/3/2014 at a cost of ` 2.64 crore on turnkey basis with schedule completion date of 9 months from the date of handing over of Land or Issue of the Ist D.I. of the material of that sub-station & its associated 33/11 KV lines, whichever is earlier. As per clause 15 (Penalty) the penalty was to be levied @ 0.1 *per cent* per day subject to maximum of 20 *per cent* of the cost of work of construction of particular 33/11 KV sub-station, subject to condition that maximum penalty of all sub-stations shall not exceed more than 10 *per cent* of contract price.

Review of records revealed that as per the agreement scheduled dates of commencement of work of the sub-station of Guptkashi and Siyanchatti were 14/3/2014 18/3/2014 and date of completion was 13/12/2014 & 17/12/2014 respectively. The projects were however, completed/energised on 25/8/2015 and 11/4/2015 against the schedule date. Thus, as per contractual terms, the work was delayed by 9 months 12 days in Guptkashi & 3 Months 25 days in Sayanchatti. The Corporation had written several reminders to the contractor for slow progress of the work but the contractor did not take it seriously. UPCL has not imposed any penalty inspite of delay in completion of the work.

Division in its reply stated that as the work was awarded from Headquarters (C&P) wing and time extension was awarded by the competent authority. So, that penalty was deducted from the contractor's bill. The reply of the division is not convincing as the time extension was given on the advice of the division.

Part-II B

Para- 1: Undue favour to contractors by not taking insurance cover by contractors.

UPCL entered into three turnkey agreements no. 1368/UPCL/CCP-II/2/2013-14 (Fedders)/Package-A dated 25.10.2013 amounting ` 3.60 crore and agreement no. 1369/UPCL/CCP-II/2/2013-14(Fedders)/Package-B dated 25.10.2013 amounting to ` 1.90 crore with M/s Fedders Lloyd and agreement no. 410/UPCL/CE/CCP-II/17/2013-4/Package-A(RPI) dated 04.03.2014 with M/s R.P. Infrapower Pvt. Ltd., amounting to ` 18.22 crore for construction and commissioning of various substations and associated lines.

During scrutiny it was observed that the progress of the above works was very poor. Also the contractors failed to deposit copy of insurance policy as per clause 8 of the agreement for safeguarding the equipments and materials. As per the clause 8.4 of the agreement, insurance cover should be in the joint name of UPCL and contractor. Further, as per clause 42.7 of the general conditions of the agreement, if the contractor fails to provide the documents of insurance, the employer (UPCL) can take such insurance and charge it from the contractors.

It was noticed that contractor has neither submitted their insurance policy nor the same has been insured by the division in compliance to the above clause. Thus the division not only extended undue benefit to the contractors to the extent of insurance premium but also the financial stake was at risk by not insuring the material on its own.

Division stated that the said agreements are turnkey agreement, in which the total responsibility lies with the contractor upto the commercial use of submission. So even if Uttarakhand falls in high seismic zone, the entire loss, if any shall be borne by the contractor, not UPCL. Thus there will be no financial loss to UPCL.

A letter has been issued to contractor in this regard to submit the insurance policy immediately, otherwise necessary action shall be taken against them. The reply of the division is not convincing as division could have taken the insurance policy on their own and considering the fact that most of the Zones of Uttarakand fall in high seismic zone appropriate insurance should have been taken to protect the interests of UPCL. Thus, by not insuring the projects the division has extended the benefit to the contractor by the amount of premium.

Para-2: Slow progress of work

In February 2009 Government of Uttarakhand issued a notification No.259/1(2)2010-07(03)/01/2014 dated: 09.02.2009 that no contract shall be awarded by any department without ensuring proper availability of land/ROW problem for execution of the work.

During scrutiny of the records of the division it was observed that UPCL has awarded work related to construction of five 33/11 KV substation without ensuring suitable land/ROW problem for the same.

Sl. No.	Name of work	Agreement No. & Name of contractor	Amt. in lakh	Date of start	Date of completion	Reason for Delay
1	33/11 KV S/s Rajendra Nagar	781/CCP-1/29/2013-14 Package A M/s Reliance Electric works dt. 14.10.14	325.78	27.12.2014	26.09.2015	Land not available
2.	33/11 KV S/s Gendikhatta Haridwar	1370/UPCL/CCP-II/2/2013-14 Package C Dated 25.10.2013 M/s fedders Lloyd Corporation Ltd. New Delhi.	307.42	03.01.2014	02.10.2014	ROW Problem
3	33/11 KV S/s Pipali and LILO Line Haridwar	410/UPCL/CE/CCP-II/17/2013-14 Package A/(RPI) Dated 04.03.2014. M/s R.P. Infra power Pvt. Ltd. Gaziabad.	164.31	18.03.2014	17.12.2014	ROW problem
4.	33/11 K V S/s & its associated line Gular Kaudiyala	410/UPCL/CE/CCP-II/17/2013-14 Package A/(RPI) Dated 04.03.2014. M/s R.P. Infra power Pvt. Ltd. Gaziabad.	328.73		As per Agreement	Land not available
5.	33 KV way Tapovan	410/UPCL/CE/CCP-II/17/2013-14 Package A/(RPI) Dated 04.03.2014. M/s R.P. Infra power Pvt. Ltd. Gaziabad.	27.06		As per Agreement	Land not available

Had the UPCL arranged land/ROW problem before agreements, the progress of these works could have been ensured. Due to non availability of land there was zero financial progress in above works.

Division in its reply stated that except Rajendra Nagar sub-station, the work in the remaining sub-stations started after availability of land. For the land of Rajendra Nagar sub-station, the unit is trying its best to obtain the previously allotted land through the Hon'ble Court through advocate from Hon'ble Court for getting previous allotted land.

Management, while accepting the fact the work was delayed due to non-availability of land, also stated that letters have been circulated to concerned distribution units for providing the land with possession.

The reply is not convincing as these agreements should have been entered after finalisation of land in accordance with the GoU notifications so that these substations could have been energised in time.

Para- 3: Lack of Planning.

In Feb.2009, the then Chief Minister ordered for construction of 33/11 KV Sub Station at Aagastyamuni (Rudraprayag). In compliance of the said order GM (Project) UPCL wrote a letter to GM, (Project Secondary work, Dehradun for preparation of DPR and Technical feasibility for construction of the same and get investment approval from UERC. UERC approved the same on 22/9/2009 at a cost of ` 1.35 crore. UPCL invited the tender on 26.5.2009 and M/s A 2 Z Maintenance & Engineering Services Pvt. Lt. was L1 but in the meantime the sub-station was shifted and constructed at Sumeri Bhardari due to non availability of land.

Subsequently, disaster occurred in June 2013 and the Company again decided to construct the 33/11 KV sub station at Agastyamuni through Apada Funds where the land was not available earlier.

The Administrative & Financial Approval for the same was accorded on 16/9/2013 at an estimated cost of ` 1.28 crore. As per order of MD UPCL dt. 28/9/2013 the proposal for construction of sub-station at Pandukeshwar was also added to tender specification of Agastyamuni, The NIT was published on 18/9/2013 with the last date of submission of tender being 18/10/2013. Three firms submitted their bids and only two firms qualified the technical qualification. M/s Bhagwan Singh Pundir was L1, at ` 2.53 crore which was higher by 16.40 *per cent* of the estimate cost.

After negotiation the work was awarded to M/s Bhagwan Singh Pundir on 13/12/2013 at v 2.49 crore with the scheduled completion period of Seven months from the date of handing over the land or issue of Ist DI of the material of that substation . The work was completed on 19.11.2014.

It was observed that, had the UPCL planned the sub-station as per the CM's order, the expenditure incurred on the construction of 33/11 Sub-station Sumari Bhardar could have been avoided. It was also seen that division had deducted penalty of ` 2.88 lakh from the contractor on the ground of delay in completion of the project, but subsequently, refunded the said amount to the contractor without justification.

Division in its reply stated that in 2009, the 33/11 KV sub station at Agastyamuni could not be constructed due to non availability of sufficient land. So the sub station was shifted to the

Sumari Bhardar. Due to the disaster which occurred in June 2013, it was essential for the construction of the same in Ayastyamuni. The project is constructed through apada funds as per advice of headquarters. As competent authority has given time extension to the contractor so, the penalty amount was refunded to the contractor.

The reply of the division is not convincing as the corporation constructed the same without complying to the CM's order due to which the extra expenditure of ` 2.49 crore could have been avoided. The competent authority had given time extension on the ground of division.

Part III

Detail of unsettled paras of previous inspection reports:-

Inspection Report period and number	Part- II (A) para number	Part-II (B) para number
11/2002 to 12/2004	-	1,2,3,4
01/2005 to 06/2006	-	1,2,3,4
07/2006 to 05/2007	-	1,2,3,4
06/2007 to 01/2008	1	1,2
02/2008 to 03/2016	1	1,2,3,4,5

Compliance report of unsettled paras of previous inspection report-

For furnishing of reply of the outstanding paras of old Inspection Reports an audit Memo No. 61 was issued to the Company. In turn division stated that replies of these outstanding paras of old Inspection Reports are being prepared and same would be furnished as early as possible.

Part IV

Best practices of the unit

No good practices or innovation noticed during the course of audit

Part V

Acknowledgement

1. Office of The Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude toward Electricity Secondary Works Division Dehradun 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

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

Sl. no.	Name	Post
1.	Sh. Anil Kumar Mishra	Executive Engineer
2.	Sh. Mayur Dev Singh	Executive Engineer
3.	Sh. Y.S. Payal	Accountant
4.	Sh. Neeraj Chaudhary	Accountant

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-1