

This Inspection report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Vikasnagar, Dehradun. The office of the Accountant General (Audit) Utrakhand, 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, Vikasnagar, Dehradun 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 143 of Companies Act, 2013. Audit Inspection was conducted by Shri Khub Chand, Asst. Audit Officer under the supervision of Ms. Usha Singh during the period from 14.11.2017 to 21.11.2017.

### **Part-I**

1. **Introduction:-** The last audit of this unit was carried out by Shri Amit Kumar Mishra, AAO and Shri A.P. Singh, AAO and Shri Vikas Dhyani, AAO under the partial supervision of Shri Mukesh Kumar, Sr. AO 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, Vikasnagar, Dehradun is to distribute electricity to all over rural areas of Dehradun district and keep as well as expand the electricity distribution system to this area. The geographical jurisdiction of the division is Vikasnagar area in Dehradun district.

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

Electricity Distribution Division, Vikasnagar, Dehradun 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 December 2016 was selected for Arithmetical Accuracy.

(₹ In Lakh)

Year	Revenue	Expenditure	Profit
2016-17	4800.06	796.75	--

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

The Electricity Distribution Division Vikasnagar, Dehradun is an electricity distribution division of UPCL which is officiated by the Executive Engineer.

## **Part-II-A**

Nil

## **Part-II-B**

### **Para 1: Avoidable loss of energy in distribution – ₹ 5.28 Cr.**

The main function of distribution division is to receive the energy and distribute it among the consumers in such a way that loss of energy in distribution (line losses) should not exceed the norms fixed by the Uttarakhand Electricity Regulatory Commission (UERC). The UERC had fixed a norm of 15.00 *per cent* of energy received for the period 2016-17. To achieve the norms, UERC had also identified some causes due to which there is loss of energy in distribution and suggested remedial measures to reduce distribution losses as detailed below:-

#### **Causes for transmission losses-**

- (i) Un-authorized extraction of electricity.
- (ii) Defective metering system.
- (iii) Wrong estimation of consumed energy.
- (iv) Non-rectification of defective meters.

#### **Measures:-**

- (i) Installation of Electronic Meters to control theft.
- (ii) Regular checking of unauthorized extraction of electricity.
- (iii) Rectification of defective meters.

During test check of relevant records of the division, it was observed that during the period from April 2016 to March 2017 T&D losses were 33.39 *per cent* against 15 *per cent* fixed by the UERC. Resultantly, division suffered a loss of ₹ 5.28 crore (by taking the Minimum Energy Charge through @ ₹ 1.50 per unit for Domestic BPL) as detailed below:

#### **Calculation of loss of ₹ 5.28 crore**

Sr. No.	Particulars	Energy in Million Units
		4/2016 to 03/2017
1	Energy received during the period 2016-17	191.552 M.U.
2	Sale of Energy 4/2016 to 03/2017	127.593 M.U.
3	Loss of Energy (1-2)	(33.39 %) 63.959 M.U.
4	Permissible Loss (15.00 %) as per norms	28.733 M.U.
5	Avoidable loss of energy in distribution (3-4)	35.226 M.U.
Cost of avoidable loss of energy = 35.226 X 10,00,000 X 1.50 = ₹ 52839000.00, <b>Say ₹ 5.28 crore</b>		

It is evident from the above that the Division failed to control the loss of energy within the prescribed norms.

In this regard audit observed that:

- I. As on March 2016 out of total 58800 connections/ meters, 2056 meters were mechanical meters in the Division and out of them only 152 mechanical meters were replaced during April 2016 to March 2017 by electronic meters and balance 1904 mechanical meter were yet to be replaced as on March 2017. Thus the Division failed to replace all the mechanical meters by electronic meters as advised by the UERC. No recorded reasons for non-replacement of mechanical meters were observed.
- II. Review of record revealed that during April 2016 to March 2017, only 52 raids were carried out to ascertain unauthorized extraction of power and in 29 cases penalty of ₹ 5.13 lakh imposed and ₹ 4.86 lakh were recovered, whereas ₹ 0.27 lakh yet to be recovered. Considering the fact that the distribution losses were higher than the prescribed norms of UERC, the Division may increase number of raids.
- III. Review of record also revealed that against total connection of 61843 in March 2017, only 1168 meters (1.98 *per cent*) were defective which was within the prescribed norms of UERC *i.e.* 2 *per cent*.

Thus, the Division was yet to take corrective measures (except repair of defective meters) as advised by the UERC. Had the Division taken corrective measures as suggested by UERC, the distribution loss could have been minimized.

Division stated (November 2017) that 75 *per cent* to 80 *per cent* area of division is hilly. Long distance line and expected theft of electricity is also the reason of line loss. Further, ABC cable is being laid down and the division is doing checking to stop theft of electricity.

Reply of the division is not acceptable as the Division has suffered a loss of ₹ 5.28 crore in respect of line loss, which is more than the prescribed norms. Further action taken to reduce loss may be intimated to Audit.

**Para 2: - Blockade of funds due to excess damage of Transformers – ₹ 1.12 Crore.**

Distribution transformers are vital equipments for supply of power to consumers and play a vital role in stepping up the voltage of current to the consumers. The age of distribution transformers is estimated to be 25 years, if proper maintenance and protection of the device is available.

Uttarakhand Power Corporation Limited (UPCL) had issued guidelines that the damage of transformers should not exceed 3.0 *per cent* of the transformers installed. During scrutiny of relevant records, it was noticed that during 2016-17, the damage rate of transformers was on higher side than the prescribed norms fixed by the UPCL as detailed below:

Sl. No.	Capacity of T/F (in KVA)	No. of T/F installed against each capacity	No. of T/F damaged		No. of T/F allowed as per norms (i.e. 3%)	No. of T/F exceed the damage limit	Issue rate of T/F	Loss due to excess damage of T/F
1	16	300	16	5%	09	07	36000	252000
2	25	648	92	14%	19	73	56000	4088000
3	63	296	33	11%	08	25	107000	2675000
4	100	295	36	12%	09	27	143500	3874500
5	250	35	2	5%	01	01	382000	382000
	<b>Total</b>	<b>1574</b>	<b>179</b>		<b>46</b>	<b>133</b>		<b>11271500</b>

From the table it can be seen that against the prescribed norms of 3 *per cent*, actual damage rate ranged between 05 *per cent* to 14 *per cent* during the year 2016-17 which was comparatively on higher side. Test check of transformer damage reports revealed that out of total 179 transformers, 132 transformers were damaged due to lightening and balance transformers were damaged due to internal fault and others faults. It was also observed that in all the 132 cases where transformers were damaged due to lightening, the lightening arrester (LA) was installed on the transformers as intimate by the division. This indicates that the LAs installed on the transformers were not working at the time of lightening. The damage of transformers in excess of the prescribed norms resulted in blockade of funds of ₹ 1.12 crore.

Division stated in its reply that transformers were damaged in excess than the prescribed norms due to geographical situation of the division. Most of the transformers were damaged by lightening since the whole area of the division is hilly. However, the division is trying its best to keep the damage within norms fixed by the Corporation.

Reply of the division is not acceptable as the rate of the damage of transformers was in excess of prescribed norms and steps to control the damage need to be intensified.

**Para 3: Non realization of additional security of ₹ 99.98 lakh.**

As per UPSEB order No. 617-CUB/S-8 dated 7.3.1994 (adopted by the UPCL), the security of the consumer should be re-assessed in each financial year and the security should be equal to average of two months bill of the consumer. In case, security re-assessed exceeds the initial security, additional security so worked out will be demanded, by giving notice to the consumers. In case the additional security is not deposited within the stipulated period, the electricity supply of the consumer can be disconnected. Amount of additional security deposited by the consumers may be utilized by the Company as working capital.

Test check of the records relating to consumers with high electricity consumption (from whom additional security of ₹ 10,000 and above was recoverable) revealed that the Division had demanded additional security of ₹ 99.98 lakh (Annexure-1) through monthly bill (May 2017) from the consumers. Out of total additional security of ₹ 99.98 lakh, ₹ 27.54 lakh were to be deposited by the Government consumers and balance ₹ 72.44 lakh by non-government consumers.

Audit noticed that after demanding the additional security in May 2017, the notices were issued to the consumers to deposit the additional security in September 2017. The division did not issue any reminders to the defaulting consumers. Thus, the consumers were not properly pursued to deposit the requisite additional security even though the amount of Additional Security could have been utilized by the Corporation as working capital. The additional security was yet to be deposited (November 2017) by the consumers. Non deposition of additional security by the consumers resulted in blocking of funds of ₹ 99.98 lakh.

Division stated in its reply that amount of ₹ 18.01 lakh in respect of additional security were recovered during September 2017 and efforts for realisation of the remaining amount was being made.

The reply of the division is not convincing because the additional security of ₹ 81.87 lakh is lying outstanding from May 2017 and efforts should have been made to recover the remaining amount.

**Para 4: Non issuance of Recovery Notice u/s-5 amounting to ₹ 1114.49 lakh**

Commercial & Revenue manual of Uttar Pradesh Power Corporation (which is being followed by Uttarakhand Power Corporation) provides that in case a consumer does not pay electricity dues against him, within 15 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 due 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 Dist. Authority. All such action for recovery of dues should be completed within six months.

As on 31 March 2016, 4103 notices (₹ 977.38 lakh) issued u/s 3 of the Act were pending for recovery. During 2016-17, 482 further notices (₹ 193.77 lakh) were issued u/s 3 of the Act . In response 16 consumers deposited the dues of ₹ 25.53 lakh upto March 2017 and 3 notices (₹ 13.92 lakh) were returned back. Thus 4566 consumers did not deposit the dues of ₹ 1131.71 lakh. As per prescribed procedure, notice u/s 5 should have been issued to all 4566 consumers. However, the same was issued to 21 (₹ 17.21 lakh) consumers only during 2016-17. Thus notice u/s 5 to 4545 consumers were yet to be issued. Non issuance of recovery certificate u/s 5 shows that recovery of dues was not properly pursued.

It is evident that the position of arrears has reached an alarming stage and if the division/UPCL does not take serious efforts under section 3 and 5 of the Act to realize the outstanding dues, the outstanding dues may become irrecoverable.

Division stated in its reply that notices under section 5 has been issued to 51 consumers and work relating to issuance of notice u/s 5 is under progress.

The reply is not acceptable as due to non issuance of the notices as per prescribed procedure, the revenue as stated above could not be realised.

**Para 5: Non adherence to the terms and conditions of tender documents pertaining to security deposit.**

According to the terms and conditions (Clause 5) of the tenders invited for various works, the successful bidder shall deposit the security equivalent to 10 percent amount of the order value before signing the agreement in cash or Bank Guarantee. The amount of Earnest Money may be adjusted with this amount of security.

During the test check, it was observed that the security deposit before signing of the agreement was not collected from the successful bidder. Due to non availability of the security deposit, the division has not means to financially secure/safeguard itself in the event of non completion/non commencement of work due to any reason. Thus the agreements were signed without complying with the terms and conditions of the tender documents.

Division stated in its reply that remaining amount of the security will be adjusted against the contractor's bill and compliance of 10 *per cent* security against the work will be done in future agreements.

The reply is not acceptable as the work was awarded to contractor despite of non adherence to the terms and conditions of tender documents. The matter may be reviewed in the next audit.

**Para 6: Non-Realisation of revenue.**

Commercial and Revenue Manual of Uttar Pradesh Power Corporation (which has been adopted by Uttarakhand Power Corporation) *inter-alia* provides that in case a consumer does not deposit electricity dues within 30 days from the date of receipt of bill, his connection would be liable to be disconnected and a demand notice for recovery of electricity dues will be issued u/s 3 of the UP electricity dues and Recovery Act. 1958 (Act) for depositing of dues against him within 30 days. In-case consumer does not deposit the dues within stipulated period a Recovery Certificate (R.C.) will be issued u/s-5 of the Act through District authorities. All such action for recovery of electricity dues should be completed within six month.

Scrutiny of records revealed that as on March 2017 huge amount of ₹ 3143.17 lakh was pending for realization from the different categories on Non-Government consumers as detailed below:

(₹ in Lakh)				
Sl. No.	Particulars	Arrear (2015-16)	Arrear (2016-17)	Arrear Increase
I	Domestic	1249.51	1480.95	231.44
II	Commercial	1504.14	1528.57	24.43
II	Small & Medium	125.12	133.65	8.53
<b>Total</b>		<b>2878.77</b>	<b>3143.17</b>	<b>264.40</b>

It was noticed that total electricity dues which were ₹ 2878.77 lakh from Non-Government consumers as on March 2016 increased to ₹ 3143.17 lakh in March 2017. It revealed that during the 2016-17 the outstanding dues increased by ₹ 264.40 lakh. Pendency of huge dues against Non-Government consumers revealed that the recovery of the dues was not pursued vigorously.

It is evident that the position of arrears has reached an alarming stage and if the division/UPCL does not take serious efforts under section 3 and 5 of the Act to realize the outstanding dues, the position of the UPCL will further deteriorate.

Division stated in its reply that as on March 2017 the amount of arrears were increased due to releasing of 2400 new connection in 2016-17 and fictitious arrears. The work of permanent disconnection for the fictitious arrear is under progress. Further, the division also assured to issue/pursue notices u/s section-3 and section-5 of the Act in more effective manner to realise the arrear.

However, the fact remains that a huge amount is yet to be recovered.



### **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:-**

<b>Sl. No.</b>	<b>Period</b>	<b>Part II-A</b>	<b>Part II-B</b>
1.	07/2006 to 06/2007	01	1,2,3,4
2.	07/2007 to 09/2008	-	1,2,3,4
3.	10/2008 to 3/2011	01	04
4.	4/2011 to 3/2012	02	1,2,3,4
5.	4/2012 to 3/2014	1, 2	1,2,3,4
6.	04/2014 to 03/2015	01	1,2,3,4
7.	04/2015 to 03/2016	01	1,2,3,4,5

#### **Compliance report of unsettled paras of previous inspection report-**

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

**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, Vikasnagar 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

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

Sr. no.	Name	Post
(i)	Shri S. K. Gupta, (01.05.2015 to till date)	Executive Engineer
(ii)	Shri Shreekant Sharma ((01.04.2016 to till date)	D.A(R)/ D.A(W)

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**