

This inspection report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Srinagar. 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, Srinagar 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 Amit Kumar, AAO, Shri Khub Chand, AAO and under the supervision of Ms. Usha Singh, AO during the period from 23.11.2017 to 04.12.2017.

Part-I

1. **Introduction:-** The last audit of this unit was carried out by Shri Amit Kumar AAO, Shri Khub Chand, AAO and Shri R.L. Sharma, AAO for the period April 2015 to March 2016 under the supervision of Shri B.C. Sual, 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, Srinagar is to distribute electricity to the Srinagar and keep as well as expand the electricity distribution system and the geographical jurisdiction of the division is Srinagar, Kirtinagar and Devprayag.

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

Electricity Distribution Division, Srinagar 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.

(iii)

Year	Revenue	Expenditure	Profit
2016-17	334564531	107679911	226884620

(To the extent this information is available & applicable)

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

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

Part II (A)

Nil

Part II (B)

Para 1: - Blockade of funds due to excess damage of Transformers – ` 53.48 lakh.

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

Uttarakhand Power Corporation Limited (UPCL) had issued guidelines that the damage rate of transformers should not exceed 3.0 *per cent* of the transformers installed. During scrutiny of relevant records, it was observed 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 (in lakh)	Loss due to excess damage of T/F (in lakh)
1	16	359	18	5.01	11	7	36000	252000
2	25	697	76	10.9	21	55	56000	3080000
3	63	186	11	5.91	6	5	107000	535000
4	100	68	7	10.29	2	5	143500	717500
5	250	40	3	7.5	1	2	382000	764000
Total		1350	115		41	74		5348500

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 10 *per cent* during the year 2016-17 which was comparatively on higher side. Test check of transformer damage reports revealed that out of total 115 transformers, 46 transformers were damaged due to lightning and balance 69 transformers were damaged due to internal fault and other faults. It was also observed that in all the 46 cases, where transformers were damaged due to lightning, the lightning arrester (LA) was installed only on 17 transformers. However, lightning arrester was not installed on remaining 29 damaged transformers. Further, the details of number of transformer having lightning arrester installed or not were not available with the division. The damage of transformers in excess of the prescribed norms resulted in blockade of funds of ` 53.48 lakh.

Management in its reply stated that the transformers are in hilly areas where due to Daviya aapda, land slide and lightning, the damage rate of transformer keeps changing. However, the division is trying its best to keep the damage within norms fixed by the Corporation.

The reply of the management is not acceptable as the fact remains that the damage rate of the transformers is higher than the damage norms fixed by the Corporation.

Para 2: Non issuance of Recovery Notice u/s-5 amounting to ` 186.41 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 (Act) 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 Act 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, 221 notices (`134.70 lakh) issued u/s 3 of the Act were pending for recovery. During 2016-17, 232 further notices (` 93.26 lakh) were issued u/s 3 of the Act. In response 69 consumers deposited the dues of ` 21.91 lakh up to March 2017 and 14 notices (`1.25 lakh) were returned back. Thus, 370 consumers did not deposit the dues of ` 204.80 lakh. As per prescribed procedure, notices u/s 5 of the act should have been issued to all 370 consumers. However, the same was issued to 34 (`18.39 lakh) consumers only during 2016-17. Thus notice u/s 5 to 336 consumers of ` 186.41 lakh were yet to be issued. Further, non issuance of recovery certificate u/s 5 of the act shows that recovery of dues was not properly pursued.

It is evident that serious efforts in respect of issuance of RC's under section 3 and 5 to realize the outstanding dues are to be made by the Division else the outstanding dues may become irrecoverable.

Management in its reply stated that 61 recovery notices issued are pending to be recovered at district level up to September 2017. However, division is trying its best to issue U/s 3 and U/s 5 of the Act notices.

The reply of the division is not acceptable as non issuance of notice u/s-5 has resulted in blocking of fund.

Para 3: Non realization of additional security of ` 15.75 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 revealed that the Division had demanded additional security of ` 20.99 lakh through monthly bill (May 2017) from the consumers. Out of total additional security of ` 20.99 lakh, ` 15.64 lakh were to be deposited by the Government consumers and balance ` 5.35 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 `15.71 lakh.

Management in its reply stated that additional security of ` 5.25 lakh was received during the year. Correspondence with remaining consumers is being done regularly and reminders to them have been issued again.

The reply of the Management is not acceptable as additional security of `15.75 lakh is yet to be recovered.

Current status of recovery may be intimated to Audit.

Para 4: - Non-realization of revenue.

The purpose of establishing distribution division in the 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 realise the electricity charges consumed by the consumers. The realization as per the targets fixed by the Hqrs of UPCL which are intimated to UPCL. The revenue collected/realized by the division is intimated through monthly commercial diary.

A review of the commercial diary for the month of March 2017 revealed that there are huge arrears pending for realization from different categories of consumers as detailed below:

Sl. No	Particulars	(`in Lakh)
(A) Govt. Consumers		
I	Public Lamps	3.42
III	Jal Sansthan & Jal Nigam	674.69
Total (A)		678.11
(B) Non-Government Consumers		
IV	Domestic and Residential	267.16
V	Commercial	208.64
Total (B)		475.80
Grand Total (A+B)		1153.91

It was noticed that total electricity dues which was ` 1357.35 lakh (Government- ` 922.72 lakh+ Non-Government ` 434.63 lakh) in March 2016 decreased to ` 1153.91 lakh in March 2017. It revealed that during 2016-17 the outstanding dues decreased by ` 203.44 lakh. Though the dues reduced, an amount of ` 1153.91 lakh was still recoverable as of March 2017, out of which ` 475.80 lakh (41 per cent) were recoverable from non-government consumers and balance ` 678.11 lakh (58 per cent) were recoverable from government consumers. Pendency of huge dues against government as well as non-government consumers indicated that the recovery of the dues has to be pursued vigorously.

Review of top 100 defaulters of three sub-divisions (Srinagar, Kirtinagar and Devprayag) revealed that an amount of ` 75.98 lakh was recoverable from 02 to 206 months. It was further observed that out of this, ` 39.12 lakh was pending from 169 consumers for a period hanging between 12 to 206 months. However, action under section 3 of UP Electricity Dues and Recovery Act, 1958 (Act) was yet to be initiated against them till date.

Management in its reply stated that realisation of the revenue has been increased by two crore compared to last year and ` 4.93 crore from Government department had been received.

The reply is not acceptable as revenue from Government as well as non Government consumers works to be ` 39.12 lakh is still yet to be realised and action against the defaulting consumers as required under Act is yet to be initiated.

Para 4: Avoidable penalty due to delay in releasing of New LT Connections, Enhancement and Reduction of Loads – ` 1.62 lakh.

As per section 14 and 15 of UERC Regulation, 2013 regarding Release of New LT Connections, Enhancement and Reduction of Loads, if the distribution division concerned failed to release the LT Connection, Enhancement and Reduction of Loads in the stipulated period as fixed by the Commission, a penalty on the division will be imposed as per laid down norms of UERC.

Scrutiny of records provided by the division revealed that during the period from April 2016 to March 2017, consumers applied for new L.T. Connections, Enhancement and Reduction of Loads but division failed to release the new L.T. Connections, Enhancement and Reduction of Loads of the consumers in the stipulated period, consequently UERC imposed penalty of ` 1.62 lakh. Further, it was also observed that penalty of ` 0.70 lakh was levied because of pendency of matter at divisional and sub divisional level such as unavailability of material, pending at J.E., SDO, SDC and ETL level. Further, ` 0.07 lakh was on account of Meter installed timely but updated late in the system and ` 0.84 lakh was levied on account of other issues such as non availability of consumers and other reasons.

Had the new L.T. Connections released in the stipulated period and load of the consumers enhanced and reduced in time, the penalty of ` 1.62 lakh could have been avoided.

Management in its reply stated that that the information had been sent to the Head quarters and matter is under process. The same will be intimated to audit after the final decision.

The matter will be watched in the next audit.

Part III

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

Detail of unsettled paras of previous inspection reports:-

Sl. No.	AIR for the period	Part-II-A	Part-II-B	Total
1.	04/1992 to 03/1993	-	3, 4 & 5	3
2.	04/2000 to 03/2001	1	-	1
3.	04/2004 to 03/2005	1,2 & 3	1 & 2	5
4.	04/2005 to 03/2006	1	1,2,3,4, & 5	6
5.	04/2006 to 09/2007	-	1,2,3,4,5, 6 & 7	7
6.	10/2007 to 03/2009	1 & 2	1 & 2	4
7.	04/2009 to 09/2010	-	1,2,3,4,5, 6 & 7	7
8.	10/2010 to 09/2011	1	1,2,3,4, & 5	6
9.	10/2011 to 08/2012	1 & 2	3	3
10.	09/2012 to 03/2013	1 & 2	1,2,3,4,5 & 6	8
11.	04/2013 to 03/2014	1, 2 & 3	1 & 2	5
12.	04/2014 to 03/2015	-	1 to 5	5
13.	04/2015 to 03/2016	1	1 to 3	4

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
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Part IV

Best practices of the unit

NIL

Part V

Acknowledgement

1. Office of The Accountant General (Audit) Utrakhand, Dehradun expresses gratitude towards Electricity Distribution Division, Srinagar 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. Shehgal	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. Audit Officer