

Inspection report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Roorkee (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, Roorkee (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 21.08.2017 to 26.08.2017.

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, Roorkee (Rural) is to distribute electricity to rural area of Division, Roorkee (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, Roorkee (Rural) Haridwar District.

(ii) Auditing methodology and scope of audit:

Electricity Distribution Division, Roorkee (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	53042.91 lakh	2644.30 lakh	--

(To the extent this information is available & applicable)

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

The Electricity Distribution Division, Division, Roorkee (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 increased from ` 12354.81 Lakh in the beginning of 2014-15 to ` 17891.17 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	12354.81	14266.83	15914.06
2.	Revenue assessed/Billed during the year	42751.5	50208.98	54266.91
3.	Total amount due for realisation (1+2)	55106.31	64475.81	70180.97
4.	Total amount adjusted/ waived off/ rebate	1131.62	112.29	404.62
5.	Amount realised during the year	39707.86	48449.46	51885.18
6.	Balance outstanding at the end of the year	14266.83	15914.06	17891.17

It is evident from above table that there is increase 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 24 Non KCC consumers of RTS 1,2,4 & 6 categories, whose arrears are more than four lakh each, had accumulated arrear amounting to ` 1.33 crore and the arrear is pending for 2 to 235 months.

The reply of the division is awaited.

Para 2: Non- realization of dues due to inappropriate monitoring of Recovery Certificates ` 22.25 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.	1490	1863.74
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	437	1132.14
3.	Number of RCs and amount realized by DM office from defaulting consumers during the period April-2014 to March-2015.	186	405.61
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.	1741	2590.27

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.	1741	2590.27
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	2	7.67
3.	Number of RCs and amount realized by DM office from defaulting consumers during the period April-2015 to March-2016.	37	15.9
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.	-	-
5.	Number of RCs pending with the DM office due to non-realization as on 31.03.2016.	1706	2582.04

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.	1706	2582.04
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	107	57.01
3.	Number of RCs and amount realized by DM office from defaulting consumers during the period April-2016 to March-2017.	-	-
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.	63	413.68
5.	Number of RCs pending with the DM office due to non-realization as on 31.03.2017.	1750	2225.37

Division issued 107 numbers of RCs u/s 5 amounting to ` 57.01 lakh in 2016-17 and total RC u/s 5 pending with District Authorities valuing 22.25 crore as on March 2017. No amount had been realized by District Authorities in 2016-17. 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 the division is awaited.

Para 3: Avoidable loss of energy in distribution – ` 25.25 Crore.

The main function of the Company 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 UERC. The distribution loss trajectory approved by UERC is 15.50 *per cent* for the year 2014-15 and 15.00 *per cent* for the year 2015-16 & 2016-17. To achieve the norm, UERC also identified some causes due to which there is loss of energy in distribution and suggested remedial measures to achieve the norms in respect of line losses as fixed by it.

The causes and norms for line losses are as under:-

Causes:-

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

Measures:-

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

During test check of relevant records of the division, it was noticed that line losses were 26.11 *per cent* in 2014-15, 24.36 *per cent* in 2015-16 and 22.71 *per cent* in 2016-17 against the permissible limit fixed by the UERC (15.50 *per cent* in 2014-15 and 15.00 *per cent* for 2015-16 & 2016-17). Consequently, the Company suffered a loss of ` 25.25 crore in 2016-17 (by taking rate per unit of domestic category).

The details in this regard have been worked out in the table given below:

Sl. No.	Particular	Year		
		2014-15	2015-16	2016-17
1	Energy received during the period	1258.365	1343.326	1336.51
2	Sale of energy	929.735	1015.984	1032.966
3	Loss of energy (in <i>per cent</i>)	26.11	24.36	22.71

	Loss of energy	328.63	327.342	303.544
4	Permissible losses (in <i>per cent</i>)	15.5	15	15
	Permissible losses (in units)	195.046	201.498	200.476
5	Avoidable loss of energy in distribution	133.584	125.844	103.068
6	Average cost of energy per unit	2.3	2.4	2.45
Total Avoidable Loss		307243200	302025600	252516600

It is evident from the above that the division has marginally decreased their line loss of energy during the period from 2014-15 to 2016-17. Had the Company taken the measures as suggested by UERC then this loss would have been minimized.

The reply of the division is awaited.

Para 4: 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 R P Infra Pvt. Ltd. and Uttarakhand Power Corporation Limited valuing ` 45.25 crore 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 ` 42.59 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 ` 42.59 lakh which resulted in violation of provisions of Building and Other Construction Workers' Welfare Cess Act, 1996.

The reply of the division is awaited.

Para 5: Non recovery of additional Security amounting to ` 1.95 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 ` 1.95 crore from 7 KCC consumers (enclosed) 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 the division is awaited.

Sl.No	KNO	Name of consumer	Security Required
1	194	M/s UP Bone	1574371
2	353	M/s Jagdamba Steel	2252466
3	2869	M/s Paragon	6085453
4	2864	M/s Kama Metal	3911714
5	2447	M/s H Toys and Textile	2960751
6	548	M/s Shreya Life Sciences	1172369
7	10389	M/s Jay Ace Technology	1621385
Total			19578509

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 delayed payment surcharge 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	1347.69	742.24	813.69
2.	Revenue assessed/Billed during the year	340.5	815.06	436.55
3.	Total amount due for realisation (1+2)	1688.19	1557.3	1250.24
4.	Total amount adjusted/ waived off/ rebate	0	0	0
5.	Amount realised during the year	945.95	743.61	1157.73
6.	Balance outstanding at the end of the year	742.24	813.69	92.51

Source: Information compiled from the data provided by the Company

It is evident from above that the arrears increased from ` 742.24 lakh in 2014-15 to 813.69 lakh in 2015-16 and decreased to 92.51 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 the division is awaited.

Para 2: 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) Roorkee	2014-15	72236	67	65/65	65	10.80	10.80	0
EDD (R) Roorkee	2015-16	80960	98	84/84	84	17.82	12.13	5.69
EDD (R) Roorkee	2016-17	86821	120	111/111	111	26.14	18.51	7.63

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 0.1 per cent to 0.13 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 the division is awaited.

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 14 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 ` 3.00 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.	14	RTS-2,6, & 7 @ ` 1000 per KW	300	300000
	Total			300000

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 the division is awaited.

Para 4: Non replacement of defective meters.

The Electricity supply code Regulation 3.1.4 provides that ,If the meter is not recording/stuck as reported by the consumer, the Licensee shall check the meter within 30 days of receipt of complaint and if found stuck or identified as defective (IDF), the meter shall be replaced by the Licensee/consumer, as the case may be, within 15 days thereafter, also all new case of defective meters namely ADF, RDF or IDF, if any, shall necessarily be rectified within a maximum period of 3 months.

Scrutiny of the billing records of the division revealed that division has billed 1401 consumers on IDF basis out of 86821 consumers i.e. 1.61 percent in July 2017. It was also observed that the bills of the consumers were defective in the range of 1 to 115 months out of which 14 consumers were billed on IDF basis for more than 60 months.

During the period of defect the consumer is billed on the basis of assessment of average billing of past three billing cycle and not on actual energy consumed as the same cannot be recorded in absence of correct meter. The chances of taking the benefit in form of above average consumption of consumer during IDF billing cannot be ruled out as UPCL has no mechanism to check the actual consumption during period of IDF billing. The absence of co-ordination between the Test Division (responsible for replacement of Defective meter) and Distribution Division results in heavy recurring loss to the company and undue benefit to the consumers

The reply of the division is awaited.

Para 5: 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 1102 KCC consumers Automatic Meter Reading of only 276 consumers were being done in March 2015 and meter reading of remaining 826 consumers were done through Non IMAR. Similarly in March 2016 out of 1154 KCC Consumers IAMR was done for 303 consumers and remaining 851 were billed through Non IAMR. In March 2017 out of 1194 KCC consumers IAMR was done for 292 consumers only and remaining 902 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 the division is awaited.

Para 6: 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 R P Infra Pvt. Ltd. on 13.04.2015 for ` 30.17 crore. Additional work was also awarded to the same contractor for same work of `15.08 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 ` 42.59 crore submitted by contractor and division has deducted WCT only ` 11.18 lakh from running bills of contractor on the labour portion only instead of deducting on whole contract value.

The reply of the division is 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.	04/ 2010 to 09/ 2011	1	3,4
2.	10/ 2011 to 03/ 2013	-	1 to 7
3.	04/2013 to 03/2014	1,2	1 to 5
4.	4/2014 to 3/2015	-	1 to 5
5.	4/2015 to 3/2016	1	1 to 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
-	-	-	-	-

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, Roorkee (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 Anil Mishra (last audit to 27.05.2016)	Executive Engineer
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(ii)	Shri Ankit Jain (27.05.2016 to March 2017)	Executive Engineer
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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