

This Audit Inspection report has been prepared on the basis of information provided by Office of the Managing Director, UJVN Ltd., Dehradun. The office of the Principal Accountant General (Audit) Uttarakhand, Dehradun disclaims any responsibility for any misinformation, non submission or submission of incomplete records.

Audit inspection of accounting records of Office of the Managing Director, UJVN Ltd., Dehradun for the period April 2019 to March 2020 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 Amit Kumar, AAO, Ms. Prerna Bhadula, AAO and Shri. Nishant Choudhary Auditor under the supervision of Ms. Usha Singh, Sr. Audit Officer during the period from 19 August 2020 to 29 September 2020.

Part-I

1. **Introduction:** - The last audit of this unit was carried out by Shri Khub Chand, AAO and Shri Nishant Choudhary, Auditor under the supervision of Ms. Usha Singh, Sr. Audit Officer in which accounting records of the period from April 2018 to March 2019 were generally examined. In current audit, accounting records of the period from April 2019 to March 2020 were generally examined.

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

The UJVN Ltd. is engaged in generation of hydro power and development of new location of hydro power generation in the State. UJVN Ltd. operates hydro power plants of capacity ranging from 0.2 MW to 376 MW, with total installed capacity of 1292.10 MW. The management of UJVN Ltd. vests in the Board of Directors headed by the Chairman. UJVN Ltd. with its corporate office at Dehradun has units spread over 13 districts of Uttarakhand State.

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

Office of Managing Director, UJVN Ltd. was covered in this audit. Inspection reports of all independent Drawing and Disbursing officers are being issued separately. This inspection report is based on findings of March 2020 which was selected for detailed examination and Arithmetical Accuracy.

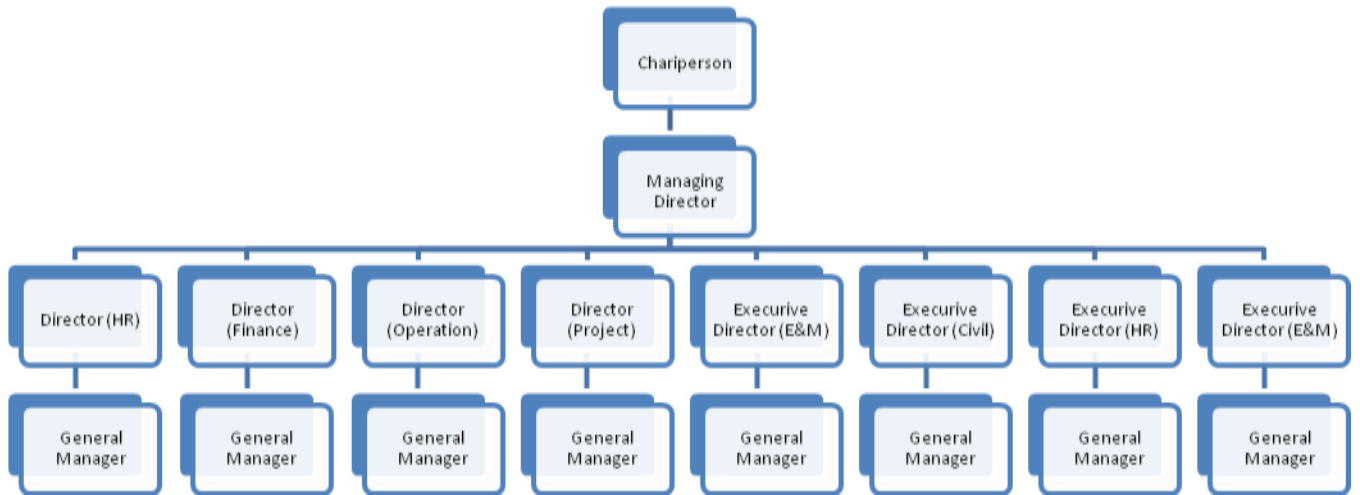
(iii)

(` in Crore)

Year	Revenue	Expenditure	Profit
2019-20	1881.38	2153.91	--

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

The Management of UJVN Ltd. vests in a Board of Directors headed by the Chairman. The Managing Director is Chief Executive of the UJVN Ltd. who is assisted by 04 Directors, 04 Executive Directors and other functionaries (General Managers *etc.*).



Part II-A

Para 1:- Extra expenditure on Substation and Lines

Section 12 (b) of the Electricity Act, 2003 (Act) provides that:- Background Section 12. (Authorized persons to transmit, supply, etc., electricity): No person shall

- (a) transmit electricity; or
- (b) distribute electricity; or
- (c) undertake trading in electricity,

unless he is authorized to do so by a license issued under section 14, or is exempt under section 13.

Thus, with the enactment of the Act, the distribution of the electricity became a licensed activity and the Uttarakhand Power Corporation Limited (UPCL) became the sole distribution licensee in the State under the provisions of the Act.

Further, Electricity (Removal of Difficulty) Fourth Order, 2005 also states that “The supply of electricity by the generating companies to the housing colonies of or township housing the operating staff of its generating station will be deemed to be an integral part of its activity of generating electricity and the generating company shall not be required to obtain license.”

It was observed that the three nos. 33 kV bays as Lakhwar Feeder No. 1, 2 and 3 were constructed (1980) at Dhakrani Power House specially for providing the power for construction of the proposed Lakhwar & Vyasi Hydro Electric Power (HEP) in view of the requirement of un-interrupted power for construction. The length of the above lines is about 30 KM from Lakhwar HEP to Dhakrani Power House. These 33 kV transmission lines have been directly tapped at 33/11 kV Lakhwar & Hathiyari sub-station. Afterwards, two 33 kV bays (No.1 & 3 from Dhakrani Power Station) were handed over to UPCL.

The construction work of Vyasi HEP started in 2014-15 by feeding the power for construction with the available 33 kV feeder number 02. 33 kV Lakhwar - Vyasi transmission lines and feeders along with 33/11 kV Hathiyari and Lakhwar Sub-stations are operated by a distribution division of UJVN Ltd. at Dakpatthar called Power Distribution Division (PDD), Dakpatthar. The distribution division supplies electricity to the colonies of the UJVN Ltd. and to the contractors of the under construction project *i.e.* Lakhwar-Vyasi Hydro Power Project.

The details of connection released are detailed below:

Sl. No	Agency/Contractor	Sanctioned Load	Source
1.	NPCC	250 kW	33/11 kV Hathiyari S/s Haripur S/s
2.	NPCC	50 kW	33/11 kV Hathiyari S/s Haripur S/s
3.	JP Associate	25 kW	33/11 kW Lakhwar S/s
4.	NPCC Crusher Plant	425 kW	33/11 kW Lakhwar S/s
5.	Gammon India Ltd	1700 kW	33/11 kW Lakhwar S/s
6.	Gammon India Ltd	500 kW	33/11 kW Lakhwar S/s
7.	BHEL	75 kW	33/11 kW Hathiyari S/s
8.	BHEL	15 kW	33/11 kW Hathiyari S/s
9.	Spar Geo infra Pvt. Ltd.	80 kW	33/11 kW Hathiyari S/s
10.	Om Metals Infra Projects	250 kVA	33/11 kW Hathiyari S/s

Uttarakhand Electricity Regularity Commission (UERC) vide its order on Generation Tariff of UJVN Ltd for FY 2011-12 dated 10 May 2011 directed that “*UJVN Ltd. as well as UPCL to resolve this issue amongst them and report compliance to the Commission within 6 months of the date of this Order. The Commission further directs the UJVN Ltd. to transfer the net revenue realized upto 2010-11 after deducting its costs to UPCL as revenue earned from sale of power to sundry consumers is legally not allowed to it in absence of proper licence for the same.*”

In this context, in tariff order dated 29 March 2017, UERC further stated that “*the Commission in its subsequent Tariff Orders directed the Petitioner to handover the distribution of other consumers to UPCL. In absence of any progress in the matter, the issue was taken up during the 6th Co-ordination Forum Meeting held on 06.01.2015, in which the Commission directed both the Managing Directors to resolve the matter on top priority and asked Secretary, Energy, GoU to monitor the progress of the same.*”

UERC, further, stated that “*complete the handing over/taking over of distribution business in all respect by 30.06.2017 and submit compliance report in the matter by 15.07.2017*”

UJVN Ltd. requested (September 2018) UERC to grant exemption in handing over the 33 kV Lakhwar - Vyasi transmission lines and feeders along with 33/11 kV Hathiyari and Lakhwar Sub-stations to UPCL in view of specific use of these lines and feeders i.e. construction power and thereafter auxiliary power of Vyasi HEP and Lakhwar HEP. However, UERC denied (November 2018) the same.

UJVN Ltd., January 2019, filed a petition seeking relaxation on the same, however, UERC rejected (March 2019) the petition and ordered again to UJVN Ltd. and UPCL to resolve the issue within a reasonable time.

Meanwhile, UPCL raised bills of ` 5.13 crore for the period March 2019 to November 2019 on the basis of meter installed at 33 kV Lakhwar feeder emerging from 132/33 kV substation Dhakrani, however, during the discussion, it was apprised to audit that no payment was made by UJVNL to UPCL in this context.

Further, UPCL filed a petition (08 February 2020) in UERC in this regard and requested UERC to direct UJVN Ltd. to make the payment of the billing done¹ by UJVN Ltd. on the above connections to UPCL, transfer the above connection to UPCL and allow to deduct the value of above billed amount from the monthly power purchase bills for the month of February 2020.

As per the records provided to audit, UJVN Ltd. billed the electricity up to July 2020 to its construction agencies for ` 22.88 crore against which ` 19.70 crore has been realized by PDD, Dakpatthar and an amount of ` 3.18 was yet to be recovered.

Further, as per the records/ information provided to audit PDD, Dakpatthar has incurred an amount of ` 2.00 crore as capital expenditure and ` 20.99 crore as O&M expenditure during the period 2011-12 to 2019-20 on 33 kV Lakhwar - Vyasi transmission lines and feeders, 33/11 kV Hathiyari and 33/11 kV Lakhwar Sub-stations .

The following were observed:

A. It is not known from the records produced to audit, whether the matter was put up in the BoD. If yes, the copy of the agenda and minutes of the meeting of Board of Directors may be provided at the earliest.

Management furnished irrelevant reply and did not furnish copy of BoD Agenda/Minutes.

B. Section 12 (b) of the Electricity Act, 2003 which stipulates that: - “Background Section 12. (Authorized persons to transmit, supply, *etc.*, electricity): No person shall distribute the electricity unless he is authorized to do so by a license issued under section 14 of the Act. However, UJVN Ltd. is providing power to the various contractors as detailed above for the construction of the Lakhwar-Vyasi Hydro Power Project vide. 33/11 kV Hathiyari and Lakhwar Sub-stations through 33 kV Lakhwar - Vyasi transmission lines and feeders in spite of knowing the fact that the same is not in consonance with Section 12 (b) of the Electricity Act, 2003 as well as directions of UERC².

¹ ` 17.34 crore up to February 2020.

² Tariff Orders dated 10.05.2011, 04.04.2012, 06.05.2013, 10.04.2014, 11.04.2015, 05.04.2016 & 29.03.2017.

Management in reply stated that UJVN Limited is supplying power to contractors from Dhakrani Hydro Power Project through the dedicated transmission line constructed by predecessor in the interest of UJVN Ltd. However, matter is pending with the UERC.

Reply of the Management is not acceptable as UERC had been continuously³ directing UJVN Ltd. and rejected its appeal to handover the electricity distribution business to the State Distribution Licensee since 2011 to till date. However, the same is yet to be transferred to UPCL.

C. UJVN Ltd. incurred an avoidable expenditure of ` 5.91 crore towards capital and O&M during the period 2011-12 to 2019-20.

Management in reply stated that the O&M of these dedicated lines is essential for construction of the Lakhwar-Vyasi Projects.

The reply of the Management is not convincing. Had UJVNL transferred the line to UPCL, the expenditure of ` 5.91 crore could have been avoided.

D. During the period 2011-12 to 2019-20, UJVN Ltd realized Electricity Duty of ` 78.95 lakh, however, only ` 52.83 lakh was deposited to the GoU up to 31 March 2019. Thus, Electricity Duty of ` 26.13 lakh was yet to be deposited.

E. As per the records provided to audit, UJVN Ltd. could make the arrangement relating to the construction power subject to availability, on chargeable basis at work location at phase, 11 kV system and the power so consumed would be charged at prevailing tariff of state utilities as prevalent in the area from time to time. In this regard, it may be apprised to audit that whether UJVN Ltd. approached UERC seeking approval of the rate of electricity to supply the same to the contractors as rates defined in the contracts are for the state distribution utility only not for UJVN Ltd.

Reply is awaited.

³ As per Tariff Orders dated 10.05.2011, 04.04.2012, 06.05.2013, 10.04.2014, 11.04.2015, 05.04.2016 & 29.03.2017, UERC had been continuously directing UJVN Ltd. to handover the electricity distribution business to the State Distribution Licensee namely UPCL.

Para 2: Inordinate delay in the execution of “Construction of multi storied Pre-engineered Corporate Office building at Dehradun

The work of ‘Construction of Pre-Engineered Multi-storey Corporate Office Building at UJVN Ltd. Campus, Dehradun was awarded to M/s RCC ECO-RCC INFRA (JV) vide agreement dated 17 April 2017. The work was started on 05 May 2017 with the completion period of 15 months ie. 04 August 2018. The value of the agreement was ` 29.37 crore with taxes extra. The contractor was granted mobilization advance equivalent to ten *percent* of the agreement value amounting to ` 2.94 crore. The contractor had submitted Bank guarantees in lieu of Performance Securing amounting to ` 1.46 crore valid till 12 July 2020 and against mobilization advance amounting to ` 2.94 crore valid till 01 August 2020.

The contractor had requested for the time extension till 23 June 2019 due to delay in taking approval and clearance from Forest Department.

While expressing its displeasure on seeking time extension, the Board stated that either the Project Proposal/DPR is not prepared with due diligence or it may be due to negligence of the officers involved in the execution of the project that time extension, quantity & price variation was common in almost every contract agreement. However, time extension was granted with proper extension of bank guarantee, insurance coverage and the condition that no additional cost whatsoever shall be paid to the contractor and one whole time director shall be personally responsible for the progress of Corporate Building Construction.

During the execution of the work, the contractor was not able to fulfil his contractual obligations as required under the agreement. On various occasions UJVN Ltd. apprised the contractor about the slow progress of the work due to non availability of adequate manpower at site, PEB material and crane for erection of PEB structure was not available from many days by the contractor.

Even after the expiry of the extended time for completion of the work, the contractor did not showed any progress in the execution of the work. The important material for the construction activities such as the PEB Material and Reinforcement Steel was not available at site. The office of the contractor was also visited by the UJVN Ltd. officers; however the concerned team of the contractor was not available to discuss the issues in non execution of work. UJVN Ltd. officers also tried to connect the contractor and his firm through numerous phone calls; however the same were not answered.

Several correspondences were made with the contractor by UJVN Ltd. in order to resume the work at site but no progress was achieved. Thereafter, vide letter dated 27 November 2019, a notice for

termination of the contract was served upon the contractor. Despite the notice, no significant progress of work was shown by the contractor.

The contractor, vide his letter dated 25 January 2020 proposed to appoint M/s Arya Construction Company as sub-contractor for executing the balance part of work of ` 20.90 crore. In response, UJVN Ltd. accepted (15 May 2020) the proposal of the contractor and requested contractor to make payments for all running bills against the work done by M/s Arya Construction Company directly.

However, it was seen that as on 17 February 2020, only 45 percent of the work was completed. Payment of ` 13.35 crore + taxes was made to the contractor and bill of ` 89.58 lakh was under process. Further, no work was carried out at the site during the past 04 months.

The review of records during audit revealed the following:

1. Even after the lapse of one year from the extended date of completion the contractor was able to achieve only 45 percent progress resulting in exceptionally slow progress of work
2. The clause 9 of the General Conditions of Contract provided that the Contractor shall not sub-let, transfer or assign the whole or any part of the work under the contractor. Provided that the Engineer-in-Charge may, at his discretion, approve and authorize the Contractor to sub-let any part of the Work, which, in his opinion, is not substantial, after the Contractor submits to him in writing the details of the part of the work or trade proposed to be sublet, the name of the sub-contractor thereof together with his past experience in the said work/trade and the form of the proposed sub-contract. Despite of the slow progress of the work, the contractor was allowed to sub-contract the balance 55 *percent* work amounting to ` 15 crore (approx.) which is not in consonance to the terms and conditions of the contract.
3. The documents of experience of the sub-contractor submitted by the contractor for seeking the permission of sub-contract revealed that the sub-contractor had undertaken works amounting to ` 6.70 crore only under the contractor which is non reasonable. Further, the turnover details of the subcontractor as mentioned in the records furnished to audit are - ` 2.70 crore, ` 3.59 crore and ` 5.00 crore (estimated) for the years 2017-18, 2018-19 and 2019-20 respectively in comparison to the proposed sub-contracted work of ` 20.00 crore.

Management stated that the turnover is checked while allocating the new work to the bidders. Since the work allocated to the subcontractor is not new all same was not checked. The reply is not tenable as the financial and technical capability of any contractor/sub-contractor is the core condition for the execution of the work.

4. Timely action for termination of the contract in adherence to the terms and conditions of the contract and getting the balance work done at the risk and cost of the contractor was not taken by the management. Management stated that the contractor facing some business problems due to which the work could not be completed on time. The reply of the management is not tenable as the selection of PEB structures for construction of the office building was only to get the work completed in a timely manner. Since, time was the essence of the contract, it was severely defeated. At present also the timeline for completion of work has been planned as March 2021. This clearly implies that the work which was ought to be completed till July 2019 shall now be completed till March 2021. Considering this fact, the completion period of 15 months as decided for the contract initially seems to be unrealistic.

Thus the inordinate delay in the completion of work resulted in the non achievement of the expeditious implementation and completion of the office building.

Para 3: Non-repayment of loan pertaining to closed Small Hydro Project (SHP) resulting in avoidable payment of interest on loan – ` 15.65 crore.

UJVN Ltd was engaged in the construction of its SHP's namely- Asi Ganga-I and AsiGanga-II and the work was awarded to the contractors in June 2008 and April 2009 respectively. In December 2012, Government of India (Ministry of Environment & Forest – MoEF) through its notification dated 18.12.2012 declared a total area of 4179 .59 square kilometers from Gaumukh to Uttarkashi covering the entire watershed of about 100 km stretch of the river Bhagirithi as an Eco-sensitive Zone from ecological and environment point of view and prohibited the construction of Small Hydro Project in the Eco Sensitive Zone. Resultantly, the construction of all the projects was stopped.

Further, another notification of MOEF dated 27 Aug 2014 also prohibited the setting up of new hydro-electric power plant as well as expansion of existing plants except the micro and mini hydel power projects (*i.e.* up to 2000 KW). Notification dated 27 August 2014 also stated that a Zonal Master Plan (ZMP) for Eco-sensitive Zone was to be prepared by the Government of Uttarakhand but the aforesaid projects were not included in the ZMP stating that they were more than 2000KW.

Both the projects were partly funded by way of an interest bearing loan from NABARD. The details of the loan funding of the projects is as follows:

(` in crore)

Name of SHP	Capacity	Estimated cost of SHP	Expenditure incurred upto Sep 2018	Loan availed for project	Interest paid from (2013-14 to June 2018)	Interest due from July 2018 to March 2020 (not paid)
Asi Ganga-I	2x 2.25MW	63.55	33.36	15.26	5.20	2.23
Asi Ganga-II	2x2.25 MW	62.62	23.09	16.85	5.75	2.47
Total					10.95	4.70

From the above table, it can be seen that the projects were brought to a standstill by way of MoEF notification dated 18 December 2012, but no efforts were made by the UJVN Ltd. to repay the loan which was taken from NABARD, however, it opted to continue with the loan and bear the burden of interest on loan from its financial resources. In both projects- Asi Ganga-I & Asi Ganga-II, the interest on loan was paid by UJVN Ltd. upto June 2018 only and after this the interest of ` 4.70 crore on loan was not paid by the UJVN Ltd. from July 2018 to till date.

Further, UJVN Ltd. has requested the Government of Uttarakhand for waiver of interest on loan for the above projects, but the same has not been approved till date.

Had the UJVN Ltd. taken a timely decision for early closure of the loan taken for the projects, it could have avoided the probable burden of interest on loan amounting to ` 13.56 crore.

Para 4: Low generation of electricity at Pathri Solar Power Plant leading to potential loss of revenue.

The 500 KWp Grid Interactive Solar Power Plant at UJVN Ltd. Pathri Power House Colony, Bahadrabad, District-Haridwar was successfully commissioned by M/s Visa Powertech Pvt. Ltd. (contractor) on 31st March 2015. The total cost of the project was ` 3.51 crore. The warranty, operation and maintenance of the plant was under the scope of the contractor till five years from the date of commissioning which expired on March 2020.

According to the Power Purchase Agreement (PPA) signed between UJVN Ltd and Uttarakhand Power Corporation Limited, in respect of other Solar plants apart from Pathri Power Plant, the average minimum Capacity Utilization Factor (CUF) of the Plant should not be less than 12 *per cent*. All the other solar plants are able to achieve the CUF of 12 *percent* and more. In case of Pathri Solar Plant, PPA has been signed with UPCL without the CUF clause. As there is no mandated minimum generation, but the energy generated by the plant is supplied to UPCL and billed @ ` 9.32 per unit. Considering the fact that the CUF of more than 12 *percent* is being achieved by all the other solar plants, the same could have also been achieved by Pathri Solar Plant.

During the review of the records pertaining to the Pathri Solar Plant the following was observed:

1. The actual generation of the plant was reviewed and it was noticed that during the period from April 2015 till March 2020, the plant was able to generate 1574466 units only, against the generation of 2628000 units with the CUF of 12 *per cent*. This short generation has resulted in probable loss of revenue amounting to ` 98.18 lakh.
2. During the audit for the year 2018-19, it was observed that 220 nos. of solar panels were lying damaged in the premises since 2015-16. The same were neither replaced nor repaired by UJVN Ltd. After the audit observation, 72 panels were brought to service after repair/rectification in the fourth quarter of 2019. At present 150 panels are still lying damaged in the power house. The same have not been repaired till date which resulted in a cumulative generation loss amounting to ` 22.45 lakh.
3. Further, the reasons for not getting a Comprehensive Insurance Policy for the power plant since its inception were not stated clearly in the reply furnished to audit.
4. The status of the repair/replacement of the damaged solar panels may also be furnished to audit.

Para 5: Unfruitful expenditure of ` 86.25 lakh.

UJVN Ltd. has an underground power station called Chibro Power Station (CPS) having 4 X 60 MW capacity. Being an underground power station, the CPS has a ventilation system having a total cavity of 135000 CFM. The existing ventilation system was very old (about 40 years) and inefficient due to long continuous run in service, aging, blockage and obstruction in the path of air circulation system and choking of filters. Hence, UJVN Ltd. decided modernization and replacement/improvement of existing ventilation system of CPS. In this context, UJVN Ltd. approached WAPCOS Ltd. (A Government of India Undertaking) WAPCOS Ltd. had signed (17 September 2014) Memorandum of Agreement (MOA) with Government of Uttarakhand (GoU) to undertake assignment such as feasibility report, Detailed Project Report and Cost estimate (DPR), Preparation of Tender Document and Technical Specification and Assistance in Tendering Process as well as Project Management including Construction Supervision.

In this reference, UJVN Ltd. entered in an agreement (18 April 2016) with WAPCOS Ltd. on single quotation basis at a cost of ` 18 lakh *plus* Service Tax for preparation of DPR and Tender document for renovation, modernization and up gradation of ventilation system of CPS. Accordingly, WAPCOS Ltd. submitted (30 September 2016) DPR for the project costing ` 12.81 crore.

On the basis of the DPR, UJVN Ltd. floated Tender (12 November 2016). The last date of submission extended up to 02 December 2016 and further, extended up to 08 December 2016 (six days only). Two bidders namely M/s S.K. Systems Private Limited and M/s Root Cooling System Pvt. Ltd. participated in the bidding process. M/s Root Cooling System (M/s Root) stood L1 and contract was awarded (02 February 2017) to M/s Root Cooling System ` 13.86 crore. The Letter of Intent (27 December 2016) was issued to M/s Root. The work was to be completed within 180 days from the date of LoI i.e. 26 June 2017.

Further, UJVN Ltd. appointed (03 January 2017) M/s WAPCOS Ltd. as Project Management Consultancy (PMC) work of modernization and up gradation of ventilation system of CPS at a cost of ` 69.00 lakh (` 5.75 lakh per months) for a period of 12 months on single quotation basis which was further extended for three months for a cost of ` 17.25 lakh.

According to the records provided to the audit, M/s Root Cooling System while submitting the time extension request (June 2018) of 13 months stated that out of 50 Drawings/ documents relating to electrical, civil and cooling coils etc., M/s Root submitted 47 Drawings/ documents, however, only 34 Drawings/ documents were approved by UJVN Ltd. There was also a delay in approving the Drawings/ documents ranging between 32 to 53 weeks. Further, there was a delay of 64 weeks in

finalisation of cables. Also, UJVN Ltd. itself stated that UJVN Ltd. was unable to arrange timely release of the payment to M/s Root.

Further, on the recommendation of WAPCOS Ltd., UJVN Ltd. approved (December 2018) additional protection/ strengthening work of chiller & exhaust blower rooms, extension of Makeup Air Unit (Blower) room and for fabrication/ making of walkway between Makeup Air Unit to the chiller plant room and construction of staircase (approach) from road to chiller plant room costing ` 1.55 crore⁴.

M/s Root applied for time extension up to 30 December 2019 however approval of the same could not be found on the records, made available to audit. However, the work of modernization and up gradation of ventilation system of CPS is yet to be completed (September 2020).

Audit noticed that as per Uttarakhand Procurement Rules section 46 (2) - Quality Assurance, the Head of Department was to ensure the appointment of a Third Party Inspection Authority, which may be an outside Consultant or a Professional of requisite experience & repute for works costing more than ` 5,00,00,000 (` Five crore) In case the Department does not have the resources for this Third Party inspection, the Technical Audit Cell of the State would make on the spot checks of the works costing more than ` 5,00,000,00 (` five crore) once a year and at least twice during the continuity of work.

Further, UJVN Ltd. appointed M/s WAPCOS Ltd. as PMC for work of modernization and up gradation of ventilation system for 12 months which was further extended for three months up to 30 June 2018. However, the contract of PMC neither extended further nor Technical Audit Cell of the State was called for knowing the fact that work of modernization and up gradation of ventilation system was not completed. Thus, in spite of incurring ` 86.25 lakh UJVN Ltd. failed to get the work supervised by the Third Party Inspection Authority i.e WAPCOS Ltd which not only resulted in infructuous expenditure of ` 86.25 lakh but also non adherence to the provisions of the Uttarakhand Procurement Rules.

Management in reply stated that WAPCOS Ltd. executed the works relating to Preliminary checking of drawing submitted by M/s RCS before approval of UJVN Ltd., Execution of work in phase manner, Inspection and checking of the equipment, Supervision & Execution of work and Temporary arrangement of circulation of fresh air and, further, stated that all the important supplies, works important drawings were also completed by WEPCOS Ltd. The balance activity is to be completed by the UJVN Ltd. The schedule date of completion of the work is January 2021.

⁴ ` 15.41 crore – ` 13.86 crore = ` 1.55 crore.

Reply of the Management is not acceptable as the work was to be completed within 180 days from the date of LoI *i.e.* 26 June 2017. UJVN Ltd., in compliance of Uttarakhand Procurement Rules, appointed M/s WAPCOS Ltd. for supervision, however, due to delay in completion of work, UJVN Ltd. did not extend the contract of M/s WAPCOS Ltd. which not only resulted in infructuous expenditure of ` 86.25 lakh but also non adherence to the provisions of the Uttarakhand Procurement Rules.

Part II B

Para 1: Deficiencies noticed in the Internal Control System.

Internal controls system includes a set of rules, policies, and procedures an organization implements to provide direction, increase efficiency, and strengthen adherence to policies.

During the review of records in audit, the following deficiencies were noticed in the internal control system of UJVN Limited: -

1. UERC in its order for truing up 2016-17 directed UJVN Ltd. to frame its Schedule of Rates for common capital items in line with the SoR of the other poser utilities in the State. In this regard it was observed during audit that the same has not been framed even after lapse of 03 years. In absence of the SoR, the possibility of procuring the items at exorbitantly higher rates cannot be ruled out.

Management stated in its reply that SOR has been framed vide order dated 15 September 2020. The applicability of the same shall be reviewed in the next audit.

2. The MM&CM wing undertakes the central purchase procurement of 20 nos. items to be consumed at different field offices. The UERC in the above order also directed to procure the common items of capital nature through Centralized Procurement System. However, it was seen that procurements are being carried out the field offices as a general practice. The scope of Central Purchase is restricted only to the 20 items only.

Management stated in its reply that the list of 20 items is only indicative and all the capital nature items are procured through central procurement system to get benefits of competitive rate. According to the records furnished to audit, only 20 items are being procured though Central Purchase. Thus reply is not tenable as efforts should be put in to procure maximum items / consumables through the same.

3. Strengthening of the ERP system: - The ERP System implemented by the company does not provide maker-checker concept, module for auditors to apply test of controls for conducting audit, reports on statutory compliances, does not ensure that the transactions are recorded on real time basis, proper audit trails are not available in the system. The same needs to be strengthened.

Part III

Details of unsettled paras of previous inspection reports: -

Sl. No.	Period	Part II A	Part II B
1.	01/2002 to 12/2004	01 to 04	1
2.	01/2005 to 09/2005	01 to 08	1
3.	10/2005 to 03/2008	01 to 12	2, 3 & 6
4.	04/2008 to 03/2014	01 to 10	1 to 4
5.	04/2014 to 03/2015	01 to 12	1
6.	04/2015 to 03/2016	01 to 09	1,2
7.	04/2016 to 03/2017	01 to 06	1,2
8.	04/2017 to 03/2018	01 to 06	1 to 3
9.	04/2018 to 03/2019	01 to 06	1

For obtaining the replies of old AIRs, Audit memo No. – 27 (book no. 959) was issued to MD Office UJVN Limited. But no reply of old AIR's was received during audit.

Part IV

Best practices of the unit

NIL

Part V

Acknowledgement

1. Office of the Principal Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards O/o the Managing Director, UJVN Ltd., 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. N. Verma,	Managing Director
(ii)	Shri Sandeep Singhal	Managing Director
(iii)	Shri Sudhakar Badoni,	Director (Finance)

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 DAG (AMG-II) within one month of receipt of the letter.

Sr. Audit Officer/AMG-II