

Audit Inspection Report on the accounts of Electricity Distribution Division, Rudrapur for the period from 04/2015 to 03/2016 carried out in exercise of the power conferred by section 19 of the C & AG, DPC Act, 1971 read with section 143 of the Companies Act 2013. The transaction audit of the Nigam was conducted by Shri A.K. Mishra, Asstt. Audit Officer, and Shri A.P. Singh, Asstt. Audit Officer during the period from 30/05/2016 to 04/06/2016, under the partial supervision of Shri Mukesh Kumar, Audit Officer.

The Inspection Report has been prepared on the basis of information/records provided by the Executive Engineer, Electricity Distribution Division, Rudrapur. Office of the Accountant General (Audit) Uttarakhand, Dehradun will not be held responsible for any wrong information and information not made available to audit.

Part-I

(A) Introductory:

Last audit of the division was conducted by Shri Vikas Dhyani, Asstt Audit Officer and Shri Sunil Verma, Auditor under the supervision of Shri Mukesh Kumar, Audit Officer and covering the period upto 03/2015. During the present audit of accounts and records of the period from 04/2015 to 03/2016 were generally examined.

The following officers held the charge of the division since last audit.

- 1- Shri V.K. Pandey, Executive Engineer since last audit to 31.03.2016.
- 2- Shri T.D.Tiwari Accountant (W) since last audit to 31.03.2016.
- 3- Shri HC Pandey, DA(R), since last audit to 31.03.2016.

(B) Outstanding Paragraph of old Reports.

Sl. No.	Period of AIR	Part II A	Part II
1.	4/91 to 3/92	04	--
2	4/92 to 3/93	1,2,3	-
3	4/93 to 3/94	1,2,3	3,4,4,5
4	4/94 to 3/95	1,2,3,4,5 &6	1 &2
5	4/95 to 3/97	1,2	1&2
6	4/97 to 3/98	01	
7	4/98 to 3/99	01	04
8,	4/99to 3/2000	1,2,3	1,2,3
9.	4/2000 to 3/2001	1,2	-----
10.	4/2001 to 3/2002	1,	1,2

11.	4/2002 to 10/2002	1	1,2
12.	11/2006 to 9/2007	01	1,2,3,4,5,6,7 & 8
13.	10/2007 to 9/2008	1 to 3	1 to 5
14.	10/2008 to 3/2011	1 to 4	1 to 3
15.	4/2011 to 3/2012	1,2	1 to 7
16.	4/2012 to 3/2013	1,2,3	1 to 4
17.	4/2013 to 3/2014	1,2,3	1 to 4
18.	4/2014 to 3/2015	1,2,3	1,2

(C) Persistent Irregularities.

.....NIL.....

(D) Record not put up

..... NIL.....

Part II A

Para 1: Non 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 Vibhor Vaibhav Infra Pvt. Ltd. on 13.04.2015 for ` 17.98 crore. 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 and related vouchers of above agreement it was noticed that the division has not been deducting the Works Contract Tax at the rate of 6 percent from the running bills submitted by the contractor for payment. Till date division has made payment of ` 111144161 in respect of above contract. The liability of works contract tax comes out to ` 6668650 which should have been deducted from the running bills submitted by contractor till date.

Division stated in its reply that WCT will be deducted from the future running bills of the contractor. The reply of the division is not convincing as the same should have been deducted from very first bill of the contractor as it is a statutory tax.

Para2: Non recovery of additional Security amounting to ` 8.82 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 given 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.

Scrutiny of billing files and other related records of the large & heavy consumers, it was noticed that in case of 50 consumers, the average two months bills of consumers exceeded the amount of security already deposited which worked out to ` 8.82 crore which is outstanding from March 2015 to 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 which were not done.

Division stated in its reply that notices are being issued to the consumers concerned for depositing additional security. The reply of the division is not convincing because the additional security is lying outstanding from March 2015 and efforts should have been made to recover the same.

Part II B

Para 1: Issue of temporary connection without Prepaid meter.

As per Order of retail supply tariff of UPCL for 2012-13, Uttarakhand Electricity Regulatory Commission (UERC) provided in principal approval for implementing prepaid metering w.e.f. October 2012. Further, National Electricity Policy under clause 5.4 emphasises the use of modern technology for reducing distribution losses and improvement in quality of service to consumers and energy conservation. Prepaid metering provides better service to the consumers, improves cash flow of the Company and also leads to reduction in consumer grievances. Further, prepaid metering shall be mandatory for new temporary LT connections upto 30 KW from October 2012 subject to availability of meters and valid operational constraints.

Scrutiny of records of EDD (Rudrapur) U.S. Nagar, it was noticed that during 2013-14 to 2015-16, division issued 64 temporary connections but has not issued any prepaid meters for temporary connection. Due to non-installation of prepaid metering system division was deprived of its associated benefits viz better cash flow, reduction in consumer grievances & AT&C losses and energy conservation and also violated the UERC's order as it was mandatory.

Division stated in its reply that in pursuance with HQs order no. 1627 dt. 18.04.2015 prepaid meters are not used for issuing temporary connections. However the fact remains that during the audit of HQ, UPCL similar point was raised & HQ replied that as the tariff issued by UERC cannot be programmed in prepaid meters. The use of prepaid meters was restricted. Issue of above letter to the division by UPCL HQs shows that they have not procured prepaid meters with due diligence.

Para 2: Deficiencies in IT implementations

IT implementations includes IT applications for meter reading, billing & collection, energy accounting and auditing. Scrutiny of Consumer meter reading status ledger as on 1st June.2016, it was found that out of total 2093 KCC consumers, most of which are commercial consumers Automatic Meter Reading of only 315 consumers (15.05 *per cent*) were being done and meter reading of remaining 1778 consumers (84.95 *per cent*) were done manually. This shows poor implementation of IT applications in meter reading.

It was also observed that the network connectivity in the division was very poor. The poor speed was not only hampering the regular work of division but also affecting the billing collection efficiency and other routine work of the division. The instances of frequent breakdown in the network connectivity were also noticed.

Division accepted the audit observation and stated that they are trying to ensure automatic meter reading in case of maximum number of consumers and in respect of poor connectivity the point was raised with the higher officials and no action is required at division level. The reply of division is not convincing as the no. of AMR consumers is only 15.05 *per cent* and still meter reading of the 84.95 *per cent* consumers is done manually. Also division and RAPDRP cell should sort out the issue of connectivity as it hampers the revenue collection process of the division.

Para 3: Non- realization of Revenue

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 charges for electricity 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. Arrear of the division in respect of RTS-3 and RTS-6 has increased as detailed in the table below

RTS	Consumers	Arrear of March 2015 (` in lakh)	Arrear Ending month of February 2016 (` in lakh)
RTS -3	Public Lamp	297.46	466.40
RTS-5	Government irrigation system	76.33	146.86
RTS 6	Public water works	759.15	801.79
RTS 7	LT & HT Industry	1770.94	2132.87

The arrear of the division has risen in comparison to previous year, which is harmful for the sound financial health of the Company.

Division stated in its reply that Sub division officers are instructed to collect the arrears and in respect of RTS 3, 5 & 6 it is not possible to disconnect their supply as they are essential services. Letters are issued to the higher officials of different departments for the recovery of arrears. Reply of the division is not convincing as the arrears of these highlighted connections have increased from previous year and efforts should have been made to realise the same.

Para 4: Deficiencies in IT implementations

As per commercial diary of the Rudrapur division for the month of February 2016 there were 5551 BPL and Kutir Joyati consumers of the division. It was noticed that there is no arrangement in master data of R-APDRP software to highlight the updating of Know your consumer (KYC) & details of consumer status. UPCL releases power connection to BPL consumers at minimum tariff (subsidized rate per unit). However, once the connection was released to a BPL consumer initially, after a specified period, the system never asks about the requirement of status of consumer whether the consumer has been updated to APL or not.

As per rate tariff of UPCL approved by UERC, If consumers install and use solar water heating system, rebate of ₹ 100 per month for each 100 litre capacity of the system or actual bill for that month whichever is lower shall be given subject to the condition that consumer gives an affidavit to the licensee to the effect that he has installed such system, which the licensee shall be free to verify from time to time. If any such claim is found to be false, in addition to punitive legal action that may be taken against such consumer, the licensee will recover the total rebate allowed to the consumer with 100 % penalty and debar him from availing such rebate for next 12 months. Rudrapur division of UPCL had 8 consumers with installed capacity of solar heaters of 25700 litres. It was noticed that the system never gives alerts to the licensee (UPCL) for verification of these consumers.

Division stated in its reply that there is no provision in RAPDRP software in respect of regular verification of BPL, Kutir Jyoti & consumers availing solar power discount. The amendment is to be done at HQ level. Reply is not convincing as although the software was required to be amended from HQs level, division has also not taken initiative to verify status of above consumers.

Para 5: Manual billing of consumers

UPCL has implemented RAPDRP software for billing and revenue collection purpose and it also uses KCC software for billing of three phase consumers. During scrutiny of the billing records of the division audit observed that there are 34 connections of the State tubewell and all the connections of state tubewell are unmetered. Billing of these consumers (RTS 5 i.e. Government irrigation system) is being done manually. Division has been raising electricity bill to the State tubewell consumer on assessment basis as a result of which against a bill of Rs 2321803 for the months of January 2016 to March 2016, Executive Engineer of State tubewell Tubewell division Bazpur has verified Electricity bill of ` 1489773. 100 percent metering of all categories should be ensured by the division

Open access consumers are those consumers which buy power directly from generator and pay only pre determined charges to UPCL for using its network. It was noticed that, division had 32 open access consumers. The billing of these consumers is done through in house developed excel formula sheet.

Division first raises bill to open access consumer as per meter reading. Later, it gives credit to the same consumer in electricity bill of next month when SLDC provides details of Open access power purchased by the consumer. The division gives credit to these consumers by feeding manually the power purchase data in the said excel sheet. The above excel sheet is also not validated. The process of netting of open access consumer is not synchronized with RAPDRP network of the UPCL as a result of which consumer gets delayed credit of the power purchased and also there are chances of error due to manual feeding of records.

Division stated in its reply that division has issued 100 *per cent* metering of all consumers and meters will be installed in respect of those connection of state tubewell where meters are not installed, and will be linked with RAPDRP network. The reply of the division is not convincing as manual billing of state tubewell was being done on assessment basis which is not considered by state tubewell units and they are verifying electricity bill for lesser amount. Also division has not furnished there reply on billing of open access consumers.

PART III

-----NIL-----

Sr. Audit Officer/ES-I