

This inspection report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Rudrapur. 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 Executive Engineer, Electricity Distribution Division, Rudrapur for the period from April 2017 to March 2018 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 M. K. Negi, AAO and Shri Robin Kirtaj, Auditor under the supervision of Shri Amit Kumar Mishra, Audit Officer during the period from 05 June 2018 to 15 June 2018.

### **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 under the partial supervision of Shri Mukesh Kumar, Sr. AO in which accounting records of the period from April 2016 to March 2017 were generally examined. In current audit, accounting records of the period from April 2017 to March 2018 were generally examined.

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

The function of the Executive Engineer, Electricity Distribution Division, Rudrapur is to distribute electricity to the area of Rudrapur in Udham Singh Nagar district and keep as well as expand the electricity distribution system to this area. The geographical jurisdiction of the division is within area of Rudrapur city in U. S. Nagar district.

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

Electricity Distribution Division, Rudrapur, U. S. Nagar 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 December 2017 month was selected for detailed examination and March 2018 was selected for Arithmetical Accuracy.

(iii)

(₹ in crore)

Year	Revenue	Expenditure	Profit
2017-18	873.54	21.80	--

(To the extent this information is available & applicable)

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

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

## Part-II A

### **Para 1: Wrong payment of GST to the contractor ₹ 68.46 lakh.**

The GST was launched at midnight on 1 July 2017. The single GST replaced several taxes and levies which included: central excise duty, services tax, additional customs duty, surcharges, state-level value added tax and Octroi. Other levies which were applicable on inter-state transportation of goods have also been done away with in GST regime. GST is levied on all transactions such as sale, transfer, purchase, barter, lease, or import of goods and/or services.

Under GST model, taxation is administered by both the Union and State Governments. Transactions made within a single state are levied with Central GST (CGST) by the Central Government and State GST (SGST) by the State governments. For inter-state transactions and imported goods or services, an Integrated GST (IGST) is levied by the Central Government. GST is a consumption-based tax/destination-based tax, therefore, taxes are paid to the state where the goods or services are consumed not the state in which they were produced.

UPCL entered into an agreement with M/s Vaibhav Vibhore Infra Pvt Ltd at the cost of ₹ 17.98 crore for the work of LT aerial bunch cable and associated material on turnkey basis in Rudrapur .The total value of the contract was inclusive of all taxes and duties. In respect of above contract audit noticed the following:

- The supplies against the agreement were received in 2014-15 to 2016-17.
- Division paid ₹ 21.82 crore to the contractor against the agreement valuing ₹ 17.98 crore.
- Division paid ₹ 68.46 lakh to the contractor in form of the GST whereas the agreement was inclusive of all the taxes and duties.
- Also the reason of the payment of GST on supplies made in pre GST era should be documented which was not done.

Payment of taxes to the contractor without the supporting document was in accordance with the terms of contract/agreement, after application of GST which resulted in excess payment of ₹ 4.52 crore<sup>1</sup> to the contractor.

On this being pointed out by the audit, the division replied that due to additional work awarded by UPCL (Hqr. Office) the revised cost of package is ₹ 26.97 crore. Further, GST payment of ₹ 68.46 lakh to contractor was made because of the demand of GST by

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<sup>1</sup> ₹ 21.82-₹ 17.98+ GST ₹ 0.68 crore= ₹ 4.52 crore.

the contractor. Reply of the division is not convincing as the supply against the agreement was received even before the introduction of the GST and payment of GST on such supply was an undue favour. Also, division failed to produce the records in respect of additional work amounting to ₹ 4.52 crore. The details of actual execution of the work as per contract and the final payment may be provided to audit.

Matter is brought to the notice of higher authority of UPCL.

**Para 2: Undue favour to consumers.**

As per Office Memorandum no. 1422/CU-2/General dated 26.06.1992 of erstwhile Uttar Pradesh State Electricity Board adopted and practiced in UPCL in case office allows installments for the payment of electricity bill to a consumer, the division shall have right to disconnect the power supply of the said consumer in case of non-payment of installments as per the schedule. Also, in case of default in payment of installment, the connection shall be reconnected only after full payment of the remaining amount due inclusive of late payment surcharge/ penalty thereof.

(A) During scrutiny of the billing records of the division audit noticed that BTC Industries Pvt. Ltd. (KNO 3937), Kisanpur Kiccha, Rudrapur, an industrial consumer of the Division with a sanctioned load of 9500 KW, failed to pay electricity bill regularly and the said consumer was granted the facility of payment of electricity bill in installment as detailed below:

Sl. No.	order for installment	date	Number of installments
1.	Letter No. 806	25-02-2009	5
2.	No. 1597(M/s) of 2010	10-09-2010	8
3.	No. 4029/MD/C-20	15-05-2013	6
4.	Director (Finance)UPCL	September & October 2013	3
5.	Letter No. 3027/UPCL/Com/E-2	02-01-2014	3
6.	WPMS No. 1252/14	--	12
7.	WPMS No. 1236 of 2015	--	8
8.	WPMS No. 3007/2015	01-04-2015	8
9.	Director operation	July 2016	Time extension for 60 days
10.	Director operation	August 2016	Time extension for 22 days
11.	Director operation	December 2016	Time extension for 18 days
12.	Director operation	November 2016	Time extension for two months
13.	Director operation	November 2016	Time extension for two months
14.	Director operation	January 2017	Time extension for two months
15.	Director operation	May 2017	Time extension for two months
16.	Director operation	August 2017	Time extension for two months
17.	Director operation	October 2017	Time extension for two months

18.	Director operation	November 2017	Time extension for two months
19.	Director operation	November 2017	Time extension for two months

It is evident from the above table that the said consumer was a regular defaulter in paying current electricity bills as well as installments scheduled by UPCL to clear arrears. Further, UPCL has given undue favour to consumer by rescheduling the installments again and again despite its continuous default in payments which is also the violation of above mentioned rule of UPSEB i.e. no installments will be provided after the consumer fails to pay one installment. Further, the order dated 31 March 2018 stated that "if the consumer defaulted in any installment, the same will be recovered at once and facility of installment will be withdrawn". Even though the consumer defaulted installment for the month of April 2018 UPCL extended the facility of installment again to the said consumer. Due to the provisional installment facility, the arrear of the consumer has increased from ₹ 59.73 lakh in 2011 to ₹ 9.61 crore in 2017-18.

**(B)** Similarly, in another case it was noticed that installment facility was granted to an industrial consumer M/S Naine Frozen, Bhadaipura Rudrapur (KNO LP 431). The connection was temporarily disconnected on 10 November 2016. The PD of the consumer was finalized by the division on 27 March 2018. After adjusting the security amount ₹ 44.37 lakh was pending for recovery. The Section- 3 under UP Electricity dues and recovery Act, 1958 was also issued to the consumer on 28 May 2018.

Audit noticed that instead of ensuring full recovery of arrear by invoking the above recovery provisions UPCL granted the facility of installments to the consumer. Further, the amount of installment is arrived at after deducting the initial security provided by the consumer. UPCL also failed to charge any interest on the installment which it normally charged whenever the installment facility is extended to a consumer. Providing installment facility to the consumer when the service agreement has terminated is not as per the norms.

Division accepted the audit observation and stated that in respect of M/s. B.T.C. Industries, the installment facility was extended time and again to the consumer by the head quarters and the arrear of ₹ 9.38 crore is pending with the consumer. The division also intimated that due to cheque bounce of M/s. B.T.C. Industries, the installment facility has been withdrawn by this office on 03 May 2018.

In respect of M/s Naini Frozen the division accepted audit observation and stated that Headquarter extended the installment facility to the consumer, whereas Sec 3 was issued on 28 May 2018.

The reply of the division is not acceptable as it is silent about the actual recovery made in both the cases as it has been the trend that the arrear of the consumer increases after regular installment facility is extended to the consumer. The amount recovered may be intimated to Audit.

Matter is brought to the notice of higher authority of UPCL.

### Para 3: Blockade of fund amounting to ₹ 4.12 crore.

A transformer is a static electrical device that transfers electrical energy between two or more circuits through electromagnetic induction. A varying current in one coil of the transformer produces a varying magnetic field, which in turn induces a varying in a second coil. Power can be transferred between the two coils, without a metallic connection between the two circuits.

The network of the distribution division is segregated into feeders and each feeder comprises of lines and transformers. It is the responsibility of the division to maintain the lines and the transformers of each feeder.

The transformers which are damaged or become defective during the course of operation should be sent back to the workshop division of UPCL for repair. After repair the transformer can be reused elsewhere.

As per records provided by the division, the details of the damaged/defective transformers which are lying with the engineers concerned are given below:

Sl.No.	Capacity of transformer	Number of transformers	Rate	Amount
1.	25 KVA	63	50068	3154284
2.	63 KVA	60	99602	5976120
3.	100 KVA	53	130566	6919998
4.	250 KVA	7	428729	3001103
5.	400 KVA	11	594904	4164328
6.	8 KVA	2	5022000	10044000
7.	15KVA	1	7921800	7921800
Total		197		41181633

It can be seen from the above table that the total numbers of 197 transformers amounting to ₹ 4.30 crore are lying in defective condition with engineers concerned for one to three years, which should have been sent to the workshop division for repair and upkeep. Non sending of these transformers to the workshop/store division resulted in blockade of funds of ₹ 4.12 crore. Also, in one case it was noticed that one of JE concerned had 49 damaged transformer within six months and the reasons for high damage rate were not on records produced to audit.

Division replied that the JEs and SDOs have been instructed to return the defective transformer to the workshop division and intimate the same to the division. Reply of the division is not convincing as holding defective transformer for such a long period has resulted in blockade of fund to the tune of ₹ 4.12 crore. During this period number of transformers purchased may be intimated to audit along with cost incurred on the same.

Matter is brought to the notice of higher authority of UPCL.



## Part-II B

### Para 1: Undue favour to consumers by providing voltage rebate of ₹ 6.77 lakh.

UERC Tariff provides for the Rebate/surcharge for availing supply at voltage higher/lower than base voltage

- (i) For consumers having contracted load upto 75 kW/88 kVA - If the supply is given at voltage above 400 Volts and upto 11 kV, a rebate of 5 *per cent* would be admissible on the Energy Charge.
- (ii) For consumers having contracted load above 75 kW/88 kVA – In case the supply is given at 400 Volts, the consumer shall be required to pay an extra charge of 10 *per cent* on the bill amount calculated at the Energy Charge.
- (iii) For consumers having contracted load above 75kW/88 kVA – In case of supply at 33 kV the consumer shall receive a rebate of 2.5 *per cent* on the Energy Charge.
- (iv) For consumers having contracted load above 75 kW/88 kVA and receiving supply at 132 kV and above, the consumer shall receive a rebate of 7.5 *per cent* on the Energy Charge.
- (v) All voltages mentioned above are nominal rated voltages.

Also, 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 division extended *voltage discount* of ₹ 6.77 lakh to the consumers with the arrear of Additional security (not paid for more than one year) amounting to ₹ 1.67 crore calculated on average two months bills of consumers which exceeded the amount of security already deposited on April 2018 as given below:

Sl.No.	KNO	Name of Consumer	Additional Security Required( April 2018)	Voltage rebate (April 2018)
1.	3535	BST textiles	3447842	197284.80
2.	3643	M/s Mahalaxmi Poly Pack Pvt.	2162135.80	189476.25
3.	3749	Bajaj Auto	499997.90	50335.60
4.	3265	Green ply	723329.76	61472.70
5.	3521	Ganesh Polytext	9908533.77	179308.50
<b>Total</b>			<b>16741839.23</b>	<b>677877.85</b>

The additional security was 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 which was not done. Division on one hand failed to recover the additional security and on the other hand it provided voltage rebate to the consumers concerned.

Division replied that in absence of the specific rule the benefit was extended. The reply of the division is not convincing as the division had not only failed to collect the required additional security from the consumers but also extended benefit of voltage rebate to consumers. Further, it was also seen that the Company/division was not charging any penal interest on the consumers with additional security.

Matter is brought to the notice of higher authority of UPCL.

## Para 2: Blockade of ₹ 1.50 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 2016-17 and 2017-18 was detailed below:

Sl. No.	Name	KNO	Amount
1.	Bal Gopal metal II	24199	369744
2.	Sine Plus printing	4391	2531934
3.	Shri Ram enterprises	10433	261729
4.	Naini plywood	3925	627459
5.	Aditika Pharmaceuticals	5154	742776
6.	Narendra precision power	9377	242393
7.	Sam foods	3509	1957686
8.	Maa Uma Agri food Pvt.	10936	955816
9.	PN Pulps and papers	7213	2930942
10.	Shri Laxmi metal casting	4848	424194
11.	Auravella labs	4362	302208
12.	PN paper mill	3825	3110952
13.	Sai tyres	12237	545736
		<b>Total</b>	<b>15003569</b>

Audit noticed that total 1966 RC amounting to ₹ 22.91 crore were pending for realization as on March 2018, out of which 13 RC amounting to ₹ 1.50 crore were issued by division in respect of the industrial consumers and the same is lying unrealized as the State Govt. authorities concerned failed to recover the same as per the provisions of the act. It is also pertinent to mention that the delayed realization of the arrear resulted in loss of interest which could have been earned on the same amount, had the amount realized earlier.

Division accepted the audit observation and stated that the recovery is pending at District Magistrate office. The reply of the division is not acceptable as division also failed to carry

out any correspondence in this respect with the state authorities. Matter is brought to the notice of higher authority of UPCL.

**Para 3: 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 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 issued 2457 IDF bills for the as on date. It was also observed that the bills of 1804 consumers were defective in the range of 7 to 88 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. It was further observed that the average billed units for these consumers were only 62 units. 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.

Absence of co-ordination between the Test Division (responsible for replacement of Defective meter) and Distribution Division resulted in recurring loss to the company and undue benefit to the consumers.

Division accepted the audit observation and stated that the list of defective consumer has been forwarded to the test division for necessary action. The reply of the division is not convincing as there are consumers with defective meter for 88 months and due to defective meter the revenue of the division gets adversely affected. The division should make extra efforts for the early replacement of the defective meters.

Matter is brought to the notice of higher authority of UPCL.

**Para 4: 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 2016-17 to 2017-18 is detailed below:

**(₹ in lakh)**

Name of Division	Year of checking	Total number of consumers	Number of checking	Number of irregularities detected	FIR lodged	Amount assessed	Amount realized	Balance
EDD Rudrapur	2016-17	100021	267	267	262	94.05	50.23	43.82
EDD Rudrapur	2017-18	112942	170	170	164	44.13	28.45	15.68

Source: Information compiled from the data provided by the Company

From the above table it can be analysed that in 2016-17 the division was able to realize on an average ₹ 18,813 from each irregularity detected. The division in 2017-18 realised ₹ 28.45 lakh which is ₹ 16,735 (on an average) from each irregularity detected. Further, it can be seen that the total number of checking carried out by division ranged from 0.26 per cent to 0.15 per cent against the total number of consumers during the period 2016-17 to 2017-18. It is pertinent to mention that percentage of checking itself as compared to total number of consumers was negligible. Had the division increased the number of checking in a year, leakage of revenue could be avoided.

Division replied that FIR was made by vigilance wing of the Dehradun from above consumer. Division further stated that during the year 2016-17 and 2017-18, 618 checking were made by the division against which 617 FIR were lodged.

The reply of the division confirms the fact that there is need of greater vigilance check for detecting the theft.

Matter is brought to the notice of higher authority of UPCL.

### 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.	Period	Part II-A	Part II-B
1.	04/1991 to 03/1992	4	-
2.	04/1992 to 03/1993	1,2,3	-
3.	04/1993 to 03/1994	1,2,3	3,4,5
4.	04/1994 to 03/1995	1 to 6	1,2
5.	04/1995 to 03/1997	1,2	1,2
6.	04/1997 to 03/1998	1	-
7.	04/1998 to 03/1999	1	4
8.	04/1999 to 03/2000	1,2,3	1,2,3
9.	04/2000 to 03/2001	1,2	-
10.	04/2001 to 03/2002	1	1,2
11.	04/2002 to 10/2002	1	1,2
12.	11/2006 to 09/2007	1	1 to 8
13.	10/2007 to 09/2008	1,2,3	1 to 5
14.	10/2008 to 03/2011	1,2,3,4	1 to 3
15.	04/2011 to 03/2012	1,2	1 to 7
16.	04/2012 to 03/2013	1,2,3	1,2,3,4
17.	04/2013 to 03/2014	1,2,3	1 to 4
18.	04/2014 to 03/2015	1,2,3	1,2
19.	04/2015 to 03/2016	1,2	1 to 5
20.	04/2016 to 03/2017	1,2,3,4	1 to 11

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 Principal Accountant General (Audit), Uttarakhand, Dehradun expresses gratitude towards Electricity Distribution Division, Rudrapur, Udham Singh Nagar 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:**

<b>Sr. no.</b>	<b>Name</b>	<b>Post</b>
(i)	Shri Vinod Kumar Pandey,	Executive Engineer.
(ii)	Shri Umakant Chaturvedi,	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 /ES-I**