

This Audit Inspection Report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Bhagwanpur, Roorkee. 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, Bhagwanpur, Roorkee the period from April 2019 to March 2020 was carried out in exercise of the power conferred by section 19 of the CAG's DPC Act, 1971 read with Section 143 of Companies Act, 2013. Audit Inspection was conducted by Shri A. P. Singh, AAO and Shri Dheerendra Singh, AAO (Adhoc) under the supervision of Shri Vikas Dhyani, Sr. Audit Officer during the period from 12 October 2020 to 20 October 2020.

Part-I

1. **Introduction:** - The last audit of this unit was carried out by Shri A. P. Singh, AAO and Shri Vikas Dhyani, AAO under the partial supervision of Shri Mukesh Kumar, Sr. AO in which accounting records of the period from September 2017 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 function of the Electricity Distribution Division, Bhagwanpur, Roorkee is to distribute electricity in all the area of Bhagwanpur to different category of consumers and keep as well as expand the electricity distribution system in area. The geographical jurisdiction of the division is all Bhagwanpur area.

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

Electricity Distribution Division, Bhagwanpur, Roorkee 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 2019 month was selected for detailed examination and March 2020 was selected for arithmetical accuracy.

(iii)

(` in Crore)

Year	Revenue	Expenditure	Profit
2019-20	318.86	9.89	--

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

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

Part II (A)

Para 1: Avoidable expenditure of ` 17.90 lakh due to delay in release of new connections

Uttarakhand Standard of Performance Regulation, 2007 and Right to Service Act provided that the UPCL should adhere to the standards of performance (SOPs) for timely release of new connections, recovery of new connection charges and metering etc. UERC LT Regulation 2013 inter alia provides that “The licensee shall be under obligation to energize the connection through a correct meter within 30 days from the:

- (a) date of Application if no defects or outstanding dues are found.
- (b) date of intimation of removal of defects or liquidation of outstanding dues or the date of application whichever is later.”

As per the LT regulation a penalty on the division will be imposed at the rate of ` 10 per day on per 1000 of the amount deposited by applicant subject to maximum of ` 1000 for each day of delay. Also the right to service act prescribes the time limit for release of new connection as 15 days, where extension of network is not required.

The scrutiny of the records of the divisions for the period September 2017 to March 2020 revealed the following:

Year	No. of cases where connection were released beyond stipulated time	Amount of Penalty (in `)
Since 09/2017 to March 2018	92	13,72,230
2018-19	93	95,910
2019-20	63	3,21,820
Total	248	17,89,960

From the above, it is evident that UPCL had to bear penalty amounting to ` 17.90 lakh in 248 cases during the period September 2017 to March 2020 due to delay in release of connection. Delay in releasing the connections to the consumers resulted in avoidable loss to the division in the form of penalty but inconvenience to the consumers also.

Division in its reply stated that it has been working with limitations like shortage of J.E.s, poor connectivity of network and shortage of resources to the technical staff and non-technical staff. Moreover, every month NSC penalty is in down trend. The reply of the division is not convincing as the fact remains that there was delay in release of new connections and division is liable to pay penalty of ` 17.90 lakh

Para 2: Non recovery of additional security amounting to ` 6.50 crore

As per Para 2.3.1 of UERC Regulations 2007, security of the consumers should be assessed at the 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 months' 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 is not deposited within the stipulated period, the electricity supply of such consumers can be disconnected. Amount of additional security deposited by the consumers may be utilized by the Company as working capital.

Test check of the records relating to Non-Government consumers with high electricity consumption (from whom additional security of ` 2.00 lakh and above was recoverable) revealed that the Division had demanded additional security of ` 6.50 crore through monthly bill (April 2020) from the 50 consumers.

Further, detailed scrutiny of the records revealed that out of 50 consumers of which ` 6.50 crore was due, we analysed 03 consumers in the non-domestic category from whom highest additional security was due. The analysis shows the following: -

1. M/s Paragon Ind. Ltd. had a contracted load of 10000 KVA. In the beginning of current financial year, the security was reviewed and the security deposit was assessed as ` 4.23 crore. The available security deposit of the consumer was ` 2.96 crore and the consumer was required to deposit an additional security of ` 1.27 crore. Till date the consumer has not deposited additional security as demanded by division in the bill for the month of March 2020.
2. M/s Vimlesh Coils and Conductors had a contracted load of 5000 KVA. In the beginning of current financial year the security was reviewed and the security deposit was assessed as ` 2.18 crore. The available security deposit of the consumer was ` 1.27 crore and the consumer was required to deposit an additional security of ` 0.91 crore. Till date the consumer has not deposited additional security as demanded by division in the bill for the month of April 2020.
3. M/s Tehri Iron & Steel Industry had an another connection having contracted load of 10000 KVA. In the beginning of current financial year, the security was reviewed and the security deposit was assessed as ` 3.42 crore. The available security deposit of the consumer was ` 2.91 crore and the consumer was required to deposit an additional

security of ` 0.50 crore. Till date the consumer has not deposited additional security as demanded by division in the bill for the month of April 2020.

Thus, the consumers were required to deposit the requisite additional security till May 2020 but not deposited till date (October 2020). Non deposition of additional security by the consumers resulted in non-receipt of funds of ` 6.50 crore.

Division in its reply stated that demand letters have been issued to consumers in the month of June 2020. It further stated that division is trying to recover the additional security. The reply of the division is not convincing as the fact remains that additional security amounting to ` 6.50 crore is still pending for realisation from the said consumers. It is important to realise additional security from heavy industrial consumers to safeguard the interest of UPCL, if in case, said consumers become defaulters.

Part II B

Para 1: 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 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. Review of the commercial diary of the division for the month of March 2020 revealed that there are huge arrears pending for realisation from almost all the categories of consumers as follows:

(₹ in crore)			
Sl. No.	Category of Consumers	Arrears as on March 2019	Arrears as on March 2020
1.	Government Consumers	2.43	4.72
2.	Non-Government Consumer	54.46	81.30
Total		56.89	86.02

The arrears has been increased to ` 86.02 crore as on March 2020 in comparison to previous year's i.e. ` 56.89 crore. The discrepancies in realization of arrear are discussed in the subsequent paragraphs:

- a) Scrutiny of some selected cases for realization of revenue from the consumers revealed that nine numbers of consumers were not regular in paying their electricity dues but no action for disconnection/ recovery of the same was found on records. The details of these ten consumers is as follows:

Sl. No.	Name of consumer	SC No.	Category	Last payment made by consumer (₹)	Electricity dues at the time of last payment (₹)	Accumulated dues as on date (upto July 2019) (₹)
1	Suresh Kumar	BH2U222038682	RTS-1 (Domestic)	2,924 (September 2014)	1,245	2,55,502
2	Furqan	BH900D2621240	RTS-4 (PTW)	60,000 (March 2012)	1,19,632	2,61,550
3	Birbal	BH900D1521058	RTS-4 (PTW)	No payment since April 2011	-	2,66,821
4	Isham Singh	BH900D3710142	RTS-4 (PTW)	No payment since April 2011	-	2,70,216
5	English Bhan	BH9D396620536	RTS-4 (PTW)	No payment since April 2011	-	2,74,671
6	Jitendra Nath Pandey	BH9B191670721	RTS-4 (PTW)	No payment since April 2011	-	2,82,250
7	Sulekh Chand	BH900D2621240	RTS-4 (PTW)	No payment since April 2011	-	3,13,888

8	Gayan Singh	BH900D2621240	RTS-4 (PTW)	24,000 (December 2011)	35,280	3,33,761
9	Rishipal Tyagi	BH900D1621262	RTS-4 (PTW)	20,000 (March 2018)	3,03,976	4,64,298
Total						26,92,957

It can be seen from above that these consumers are not paying their electricity dues in time. In five cases no payment was received from the consumers since April 2011 and in the remaining cases only three to four partial payments were made by these consumers against the electricity dues since April 2011.

- b) Besides above, division issued (February 2015) a connection to a large and heavy consumer namely M/s Pallet Energy System (P) Limited with a connected load of 2000 kVA. During scrutiny of records, it was seen that the consumer was regular in paying its electricity dues upto July 2018. But consumer defaulted in payment of electricity dues during the period from July 2018 to February 2019 as a result of which the electricity dues accumulated to ` 18.15 lakh in July 2018 to ` 98.39 lakh at the end of February 2019. Consumer deposited only ` 14.26 lakh in February and March 2019 against the dues and defaulted in payment of monthly dues since March 2019 to July 2019. The electricity dues accumulated to ` 1.71 crore upto July 2019. The connection of the consumer was temporarily disconnected in August 2018 but the same was reconnected in September 2018 without realising outstanding dues. Had UPCL taken stipulated action well in time, the chances of recovery of dues could have been better.

Division in its reply stated that instructions to realise the revenue at the earliest have been issued to concerned SDOs. Section 3 & 5 notices from the division level have been issued. In regards to M/s Pallet Energy System (P) Limited, division stated that the issue is pending with National Company Law Tribunal (NCLT) and company is undergoing corporate insolvency resolution process. Pursuant to NCLT order supply of essential goods and services to the corporate debtor not to be terminated. On the judgement of NCLT division sought opinion from UPCL's advocate panel. Currently connection of the said consumer was temporarily disconnected on 19.12.2019. Permanent Disconnection process will be followed as per NCLT direction.

The reply of the division is not convincing as arrears from said consumers have not been realised till date. In regards to M/s Pallet Energy System (P) Limited, the fact remains that the electricity dues are piling month after month and the reached to an alarming stage of ` 1.71 crore in July 2019. The status of amount recovered may be intimated to audit.

Para 2: Non realisation of revenue from an industrial consumer.

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.

Review of the billing files of consumer revealed that Division released connection to M/s Kama Steels Tubes Industries on March 2010 with the contracted load of 750 KVA. The arrear of said consumer in the month of November 2019 was nil. But the consumer defaulted in payment of regular monthly bill since December 2019. The arrear of the consumer accumulated upto ` 24.12 lakh as on March 2020. The division temporarily disconnect the connection in March 2020 and issued demand notice u/s 3 on 19 March 2020 amounting to ` 24.12 lakh.

Division in its reply stated that the connection of M/s Kama Steel Tube Industries was disconnected permanently on 31.08.2020. Final bill of ` 291529/- has been issued to the consumer after permanent disconnection. The division has issued the final bill after adjusting security but had not issued notice for recovery under Section-5 as per above mentioned manual. The realisation of dues would be watched in next audit.

Para 3: 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 *per cent* 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.

During scrutiny of records, it was noticed that Electricity Distribution Circle entered into an agreement with M/s P M Electricals dated 31 May 2018 valuing ` 1.03 crore for laying of AB Cable in different sub divisions of division. The contractor submitted the running bill of ` 82.94 lakh which was paid by division after deduction of taxes but had not deducted labour cess equivalent to 1 *per cent* on cost of construction *i.e.* ` 0.82 lakh as per above mentioned act. This has resulted in non-deduction of labour cess and undue favour to contractor amounting to ` 0.82 lakh.

Division has accepted the audit observation and stated that the labour cess amounting to ` 0.82 lakh would be deducted and deposited in next month. The matter would be watched in next audit.

Part III

Detail of unsettled paras of previous inspection reports: -

Sl. No.	Period	Part II-A	Part II-B
1.	9/2017 to 3/2019	1,2	1,2,3

Compliance report of unsettled paras of previous inspection report-

For furnishing of reply of the outstanding paras of old Inspection Reports an audit Memo No. 22 of Book No.1051 was issued to the division. In turn, division stated that replies of these outstanding paras of old Inspection Reports have been forwarded to higher authority of UPCL for approval and same would be furnished to O/o PAG (Audit) Uttarakhand after approval of higher authorities.

Part IV

Best practices of the unit

NIL

Part V
Acknowledgement

1. Office of the Principal Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards Executive Engineer, Electricity Distribution Division, Bhagwanpur, Roorkee and their officers and employees for promptly providing desired documents and information including infrastructure related co-operation during the course of audit.

The 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 Anil Verma, (From Last audit to till date)	Executive Engineer
(ii)	Shri Anjum Ashraf (From Last audit to Sept 2019)	Divisional Accountant (works & Revenue)
(iii)	Shri Sunil Arya (From Sept 2019 to till date)	Divisional Accountant (works & Revenue)

The compliance report on the AIR may be sent to Deputy Accountant General/AMG-II, Office of the Principal Accountant General (Audit), Uttarakhand, Mahalekhakaar, Bhawan, Kaulagarh, Dehradun within one month of receipt of the letter.

Sr. Audit Officer/AMG-II (PSUs)