

This Inspection Report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Srinagar. 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, Srinagar for the period 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 Amit Kumar AAO, Shri Khub Chand, AAO under the supervision of Ms. Usha Singh, Audit Officer during the period from 18.06.2018 to 26.06.2018.

### **Part-I**

1. **Introduction:-** The last audit of this unit was carried out by Shri Amit Kumar AAO, Shri Khub Chand, AAO for the period April 2016 to March 2017 under the supervision of Ms. Usha Singh, Audit Officer 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 Electricity Distribution Division, Srinagar is to distribute electricity to the Srinagar and keep as well as expand the electricity distribution system. The geographical jurisdiction of the division is Srinagar, Kirtinagar and Devprayag.

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

Electricity Distribution Division, Srinagar 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 the month of September, 2017 was selected for detailed examination of vouchers and November 2017 was selected for Arithmetical accuracy.

(iii)

| <b>Year</b> | <b>Revenue</b> | <b>Expenditure</b> | <b>Profit</b> |
|-------------|----------------|--------------------|---------------|
| 2017-18     | ` 28441691     | ` 15192040         | --            |

(To the extent this information is available & applicable)

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

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

## Part II (A)

NIL

## Part II (B)

### **Para 1: - Blockade of funds due to excess damage of Transformers – ` 67.88lakh**

Distribution transformers are vital equipments for supply of power to consumers and also play vital role in stepping up the voltage of current to the consumers. The age of distribution transformers is estimated to be 25 years, provided that proper maintenance and protection of the device is available.

Uttarakhand Power Corporation Limited (UPCL) had issued guidelines that the damage rate of transformers should not exceed 3.0 *per cent* of the transformers installed. The damage rate of transformers during 2017-18 is shown in the table below:

| Sl. No.      | Capacity of T/F (in KVA) | No. of T/F installed against each capacity | No. of T/F damaged |             | No. of T/F allowed as per norms (i.e. 3%) | No. of T/F exceed the damage limit | Issue rate of T/F ( ` ) | Loss due to excess damage of T/F ( ` ) |
|--------------|--------------------------|--|--------------------|-------------|---|------------------------------------|-------------------------|--|
|              |                          |  |                    | Damage in % |   |                                    |                         |  |
| 1            | 25                       | 698  | 88                 | 12.61 %     | 21  | 67                                 | 54200                   | 3631400                                |
| 2            | 63                       | 190  | 23                 | 12.11 %     | 06  | 17                                 | 103500                  | 1759500                                |
| 3            | 100                      | 71   | 07                 | 9.86 %      | 02  | 05                                 | 139000                  | 695000                                 |
| 4            | 250                      | 41   | 3                  | 7.32 %      | 01  | 02                                 | 351100                  | 702200                                 |
| <b>Total</b> |                          | <b>1000</b>                                | <b>121</b>         |             |   | <b>91</b>                          |                         | <b>6788100</b>                         |

From the table it can be seen that against the prescribed norms of 3 *per cent*, actual damage rate ranged between 07.32 *per cent* to 12.61 *per cent* during the year 2017-18 which was comparatively on higher side. Test check of transformer damage reports and other records revealed that out of total of 121 transformers, 56 transformers were damaged due to lightning, 63 damaged due to internal fault and 02 damaged due to other reason/fault. It was also observed that in all the 56 cases, where transformers were damaged due to lightning, the lightning arrester (LA) was installed on all transformers except only two transformers. Even after the installation of LA the transformers were damaged due to lightning *i.e.* the LA was not functioning properly.

It was also seen that 114 damaged transformers were lying with the division and are yet to be sent to the Store Division to get repaired. Out of these

06 transformers were damaged under guaranty period, however the same were not sent to workshop. In this regard, the Division also intimated the store division to take necessary action in respect of the damaged transformers. The store division is yet to take back aforesaid damaged transformers.

The damage of transformers in excess of the prescribed norms resulted in blockade of funds of ` 67.88 lakh.

Management in its reply stated that the transformers are in hilly areas where due to Daviya Aapda land slide and lightning, the damage rate of transformer keeps changing. However the division is trying its best to keep the damage within norms fixed by the Corporation.

The reply of the management is not acceptable as the fact remains that the damage rate of the transformers is higher than the damage norms fixed by the Corporation.

## Para 2: Non-Realisation of revenue.

Commercial and Revenue Manual of Uttar Pradesh Power Corporation (which had been adopted by Uttarakhand Power Corporation) *inter-alia* provides that in case a consumer does not deposit electricity dues within 30 days from the date of receipt of bill, his connection would be liable to be disconnected and a demand notice for recovery of electricity dues will be issued Under Section 3 of Electricity Dues & Recovery Act, 1958 for depositing of dues against him within 30 days. In-case consumer does not deposit the dues within stipulated period a Recovery Certificate (R.C.) will be issued Under Section-5 through District authorities. All such action for recovery of electricity dues should be completed within six month.

Scrutiny of records revealed that as on March 2018 huge amount of ₹ 5.78 crore was pending for realization from the different categories on Non-Government consumers as detailed below:

(₹ in lakh)

| Sl. No.                         | Particulars      | Arrear (2016-17) | Arrear (2017-18) | Arrear Increase |
|---------------------------------|------------------|------------------|------------------|-----------------|
| <b>Non Government Consumers</b> |                  |                  |                  |                 |
| I                               | Domestic & BPL   | 267.16           | 342.91           | 75.75           |
| II                              | Commercial       | 208.64           | 224.81           | 16.17           |
| III                             | LT & HT Industry | 9.40             | 10.65            | 1.25            |
| Total                           |                  | <b>485.20</b>    | <b>578.37</b>    | <b>93.17</b>    |

It was noticed that total electricity dues which were ₹ 4.85 crore from Non-Government consumers as on March 2017 increased to ₹ 5.78 crore in March 2018. It revealed that during the 2017-18 the outstanding dues increased by ₹ 0.94 crore (Approximate 19 per cent). Pendency of huge dues against Non-Government consumers revealed that the recovery of the dues was not pursued vigorously. Division should make more efforts for realizing the arrears. Review of top 100 defaulters (Non-Government consumers) of the division revealed that an amount of ₹ 25.36 lakh was recoverable from 01 to 124 months.

It is evident that the position of arrears has reached an alarming stage and if the division/UPCL does not take serious efforts under section 3 and 5 of the Act to realize the outstanding dues, the position of the UPCL will further deteriorate.

Management stated in its reply that SDO's have been instructed for timely realisation of the outstanding revenue. Further notices are also being issued u/s 3.

The reply of the management is not tenable as recovery of revenue is still pending and enough notices has have not been issued by the division.

**Para 3: Lack of monitoring in realisation of pending dues.**

According to the UP Electricity Dues and Recovery Act, 1958, a demand notice under section 3 shall be issued, within 30 days, to the defaulting consumers who do not pay electricity dues within 15 days of receipt of bill.

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 Distribution Authority. All such action for recovery of dues should be completed within six months.

In September 2017, 313 notices (₹ 174.54 lakh) issued u/s 3 were pending for recovery and were to be issued u/s 5. As per prescribed procedure, notice u/s 5 should have been issued to all 313 consumers. However, till March 2018 (six months from Sep 2017) not even a single notice was issued u/s 5.

Thus non issuance of recovery certificate U/S 5 to 313 consumers of ₹ 174.54 lakh shows the laxity of the division in recovery of outstanding dues leading to pendency in realisation of revenue.

Management stated in its reply that 61 notices were issued in 2017-18 u/s 5 for recovery of ₹ 18 lakh. Further recovery is pending at District Magistrate Level.

The reply is not tenable as the fact remains that no notices were issued u/s 5 after Sep 2017.

**Para 4: Extra payment of service tax to the contractor.**

The tender for the work of “Construction of 11 KV Line, LT line & S/S under ESDS Devprayag under System Improvement 2016-17” was called for vide publication dated 18 October 2016.

For the aforesaid work, three contractors namely M/s Sai Associates, M/s Shiv Electricals and M/s Vedant Trading Co. submitted their bids. The bids submitted by all the contractors were inclusive of all taxes. Out of the three, M/S Sai Associates had submitted the lowest bid at Rs. 4.13 lakh.

During the review of payments made to the contractor pertaining to the work it was observed that even though the contractor had furnished the price bid including all taxes, the service tax was being paid to the contractor. Also the division signed the contract agreement with the clause that service tax shall be paid extra.

In view of above it is stated that despite of clear mention in the price bid that the rates quoted by the contractor were inclusive of all taxes, the contractor was paid the service tax. This shows the negligence on the part of the division that the price bid was not analysed properly and as a general practice of paying the service tax, the contract was finalised with additional payment of service tax leading to extra payment to the contractor to the extent of the service tax paid.

In a similar case a tender was called for vide publication dated 27.10.16 for the work of “Construction of 11 KV Line, LT line & S/S or improvement of low Voltage problem for different villages”. In the tender, three contractors participated and submitted their bids. All the three bids submitted were inclusive of all taxes

However the agreement signed with the contractor mentioned the payment of service tax in addition to the price bid quoted by the contractor. Therefore the division shall be making extra payment to the contractor to the extent of the service tax.

While accepting the audit observation management stated in its reply that recovery of service tax shall be made from the payments due to the contractor.

The recovery shall be watched in the next audit.

**Para 5: Non-repair/replacement of Defective meters leading to loss of revenue.**

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.

During test check of billing files of the consumers and other relevant records of the division it was noticed that in March 2018, 3279 (7.35%) meters were defective against the total no. of consumers *i.e.* 44572 and due for replacement as detailed below.

| Month    | No of connection | IDF  | NA  | NR   | RDF | Total |
|----------|------------------|------|-----|------|-----|-------|
| March-18 | 44572            | 1297 | 629 | 1235 | 118 | 3279  |

It was also observed that the bills of the consumers were defective in the range of 01 to 95 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 working 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.

Further, as per UERC norms defective meters should not exceed more than 2 *per cent.* Thus due to non repairing of these defective meters, division has been suffering recurring loss of revenue as electric energy may be misused/ over extracted by such consumers and higher line loss due to defective meters cannot be ruled out.

Management stated in its reply that the defective/non working meters are to be replaced by the Electricity Test Division and regular correspondence is being done for the same.

Reply of the division is not convincing because there is recurring loss to the UPCL either due to negligence on the part of Executive Engineer, Distribution Division or Test Division.

**Para 6: - Transformers lying idle at various locations.**

Transformer is important equipment for supply of power to consumers and also play vital role in stepping up the voltage of current to the consumers. The age of transformers is estimated to be 25 years, provided that proper maintenance and protection of the device is available.

While discussion with the officials of the division, it was appraised to audit that 5 nos. of 3 MVA power transformers were lying idle at 33/11 KV sub-division office - Devprayag, Srikot and Srinagar. The transformers were lying at the above locations for a period ranging from 5 to 10 years. Out of the three transformers 02 are in working condition while the remaining 03 are damaged. The transformers continue to exist in the books of accounts of the division as the same have not been sent to the store.

In the event two transformers in working condition were lying idle (05 to 08 years) the same could not be utilised at some other division. Further, the three damaged transformers were lying idle for such a long period and the possibility of repair is also very grim resulting in loss to the extent of value of these transformers. The same could have sent to the store division in a timely manner so that the possibility of repair could have been assessed and in the event of irreparable situation the same could have been disposed off as scrap to realise the best possible value.

Management stated in is reply that efforts are being made to send the idle transformers to the store division. The reply of the management is not tenable as the fact remains that transformers have been lying idle in the books of the division from a very long time and the same should have been repaired and utilized.



### **Part III**

(In this part, detail of unsettled paras of previous inspection reports to be reported in below given format.)

Detail of unsettled paras of previous inspection reports:-

| <b>Sl. No.</b> | <b>AIR for the period</b> | <b>Part-II-A</b> | <b>Part-II-B</b> | <b>Total</b> |
|----------------|---------------------------|------------------|------------------|--------------|
| 1.             | 04/1992 to 03/1993        | -                | 3, 4 & 5         | 3            |
| 2.             | 04/2000 to 03/2001        | 1                | -                | 1            |
| 3.             | 04/2004 to 03/2005        | 1,2 & 3          | 1 & 2            | 5            |
| 4.             | 04/2005 to 03/2006        | 1                | 1,2,3,4, & 5     | 6            |
| 5.             | 04/2006 to 09/2007        | -                | 1,2,3,4,5, 6 & 7 | 7            |
| 6.             | 10/2007 to 03/2009        | 1 & 2            | 1 & 2            | 4            |
| 7.             | 04/2009 to 09/2010        | -                | 1,2,3,4,5, 6 & 7 | 7            |
| 8.             | 10/2010 to 09/2011        | 1                | 1,2,3,4, & 5     | 6            |
| 9.             | 10/2011 to 08/2012        | 1 & 2            | 3                | 3            |
| 10.            | 09/2012 to 03/2013        | 1 & 2            | 1,2,3,4,5 & 6    | 8            |
| 11.            | 04/2013 to 03/2014        | 1, 2 & 3         | 1 & 2            | 5            |
| 12.            | 04/2014 to 03/2015        | -                | 1 to 5           | 5            |
| 13.            | 4/2015 to 03/2016         | 1                | 1 to 3           | 4            |
| 14.            | 4/2016 to 3/2017          | -                | 1 to 5           | 5            |

Compliance report of unsettled paras of previous inspection report-

| <b>Inspection report period and number</b> | <b>Para No. Audit observation</b> | <b>Compliance report</b> | <b>Comments of Audit Party</b> | <b>Remarks</b> |
|--|-----------------------------------|--------------------------|--------------------------------|----------------|
|  |                                   |                          |                                |                |

#### **Part IV**

##### **Best practices of the unit**

NIL

#### **Part V**

##### **Acknowledgement**

1. Office of The Accountant General (Audit) Uttrakhand, Dehradun expresses gratitude towards Electricity Distribution Division, Srinagar 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 S.K. Sahgal  | Executive Engineer.  |
| (ii)           | Shri Junaid Ahmed | Accountant (Works)   |
| (iii)          | Shri M. L. Arya   | Accountant (Revenue) |

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.

**Audit Officer**