This Audit Inspection Report has been prepared on the basis of information provided by Electricity Distribution Division, Laksar. 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 Electricity Distribution Division, Laksar, UPCL for 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. The audit was conducted by Shri Ghanshyam Das Pal, AAO and Sh. Saurabh, Sr. Auditor under the supervision of Shri Roshan Lal Sharma, Sr. AO during the period from 15 October 2020 to 23 October 2020

Part-I

1. **Introduction**:- The last audit of this unit was carried out by Sh. Ghanshyam Das Pal, AAO and Shri Rituraj Mohan Singh, AAO under the supervision of Ms. Roshan Lal Sharma AO, 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 division:**

   The main function of the division is to receive energy from Power Transmission Corporation Ltd. and distribute it among different category consumers of Laksar town and its rural areas and realisation of revenue from them. The geographical jurisdiction of the division is Laksar town and its rural areas.

   (ii) Auditing methodology and scope of audit:

   Electricity distribution division, Uttarakhand Power Corporation Limited, Laksar, was covered in the audit. . This inspection report is based on findings of audit and April 2019 month was selected for detailed examination and checking of Revenue, for mathematical accuracy for the month of May 2019.

   (iii) Revenue, Expenditure and profit/loss for the year 2019-20.

(₹ in crore)

Year	Revenue	Expenditure	Profit/Loss
2019-20	197.34	12.14	-

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

The Electricity Distribution Division, Laksar is a division of UPCL which is officiated by the Executive Engineer.

Part II A

Para1: Avoidable penalty due to delay in releasing of New LT connections, Enhancement and Reduction of Loads – ₹ 83.05 lakh.

As per section 14 and 15 of UERC Regulation 2013, regarding Release of New LT Connections, Enhancement and Reduction of Loads, if the concerned Distribution Division fails to release the LT Connection, Enhancement and Reduction of Loads in the stipulated period as fixed by the Commission, a penalty on the division will be imposed as per the norms laid down by UERC.

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.

The scrutiny of the records of the divisions from 2016-17 to 2019-20 revealed the following:

Year	No. of cases where connection were released beyond stipulated time	Amount of Penalty (in ₹)
2016-17	641	4468200
2017-18	462	1391980
2018-19	255	1122070
2019-20	238	1322820
Total	**1596**	**8305070**

It is evident from above that penalty of ₹ 83.05 lakh was imposed on the division during the period 2016-17 to 2019-20 for not releasing the connections in the stipulated time. 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 new LT connection is a continuous process. Shortage of meter is a major reason of delay to release new connection. Although, we are making team efforts to avoid the penalty.

The reply of division is not acceptable as the fact remains that 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.

Part II B

Para 1 : Non recovery of Additional Security amounting to ₹ 5.77crore.

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.

During scrutiny of billing files and other related records of the consumers, it was noticed that the additional security of Rs 5.77crore from the 333 consumers whose required additional security was ₹10,000 and above (₹ 1.00 lakh and above for 18 KCC consumers) was pending from March 2020 and has not been recovered till date. Out of 333 consumers, two consumers M/s Patanjali Food & M/s D.S. Rolling Mills were main consumers whose required additional security was ₹ 4.07 crore. As per circular in question, amount of this additional security was required to be recovered within 45 days. Hence, no efforts were made by the division to disconnect supply of defaulter consumers.

Division in its reply stated that additional security assessment is a continuous process. We are issuing notice to all such consumer of ₹5.77 crore. Some consumer paid their additional security. The reply of the division is not convincing as the fact remains that additional security amounting to ₹ 5.77 crore is still pending against 333 consumers out of which ₹ 4.07 crore is pending against only two consumers. It is very important to realise additional security from heavy industrial consumers to safeguard the interest of UPCL, if in case, said consumers become defaulter.

Matter is brought to the notice of the higher Authorities

Para 2: Non- realization of Revenue in respect of private defaulter consumers.

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 u/s-5 through District authorities. All such action for recovery of electricity dues should be completed within six month.

During scrutiny of top defaulter consumers of private category's arrear list, it was observed that 25 numbers of consumers were not regular in paying their electricity dues. However, no action for disconnection/ recovery of the amount was found on records produced to audit. The details of these consumers are as under:

Sl. No.	Name of consumer	SC No.	Load	Date of Last payment made by consumer	Arrear Count	Accumulated dues as on date (₹)
1.	M/S MAHASHAKTI FOOD PRODUCT	LK0K000016727	200	09.09.2020	10	1685609.00
2.	M/S TEJAS STONE CRUSHER	LK0K000026632	400	22.09.2020	13	1635227.00
3.	M/s.M/S.HARIDWAR BHOGPUR	LK0K000998521	300	18.06.2020	9	1425692.00
4.	M/s Wazir Stone Crusher	LK0K000030248	400	23.09.2020	15	1408135.00
5.	M/S HIGHWAY CONSTRUCTION	LK0K000018172	350	05.09.2020	8	1313663.00
6.	M/s Shivalik Stone Crusher	LK0K000001225	250	01.10.2020	13	1245573.00
7.	M/S MAHALAXMI STONE CRUSHER	LK0K000020664	400	03.07.2020	23	976976.00
8.	Mr.S.S. STONE CRUSHER	LK0K000029512	350	24.09.2020	5	613509.00
9.	UPBHOKTA PAYJAL SWACHTA SAMITI	LK0K000026491	15	05.02.2020	42	635927.00
10.	M/s.SDE, BSNL	LK0K000147257	10	03.01.2020	15	612700.00
11.	SURJA SINGH	LK10935011606	1	-	65	308779.00
12.	HANIPH	LK11300064604	1	26.03.2011	52	298286.00
13.	KARAN PAL	LK10933101672	1	22.01.2011	59	303325.00
14.	ISRAR ALI	LK11431036745	1	-	77	292335.00
15.	BIRAM SINGH	LK10923037744	2	-	62	286384.00
16.	MAM CHAND	LK11423036752	1	-	66	291604.00
17.	DILEY RAM	LK10937055707	1	-	77	266989.00

18.	Mr.JAGAT RAM	LK11437143766	2	-	34	268793.00
19.	SHAHID	LK11300118756	2	21.09.2015	30	268949.00
20.	SRI LAKHIRAM	LK10937038098	1	-	73	270019.00
21.	SRI JAGRAM	LK11445046255	1	-	70	270061.00
22.	ISAM SINGH	LK10931033839	1	-	77	265294.00
23.	CHANDRA BHAN GIRI	LK11433023864	1	31.03.2019	78	257066.00
24.	SMT SAMERO	LK10939065307	1	-	73	255653.00
25.	BALJEET SINGH	LK61432015553	1	24.12.2019	96	240048.00
				Total		**15696596.00**

It can be seen from above table that these consumers have not been paying their electricity dues in time. In 10 cases no payment was received from the consumers since the connection was released and two consumers since 2011 and one consumers since 2015 did not made any payment against their dues. Moreover, consumers from Sl. No. 1 to 10 have being making partial payments against their total bill amount.

In addition to above it was also observed that 10 RTS-7 (Industrial Consumers) defaulter consumers, whose pending amount was more than two lakh (total amount ₹ 33.65 lakh) and their bills were stopped long back but the division had not recovered electricity dues from the said consumers.

Further, it was also observed that huge arrears are pending against the following three Non government category consumers:

(₹ in lakh)

Sl. No.	Category of Consumers	Arrears as on March 2019	Arrears as on March 2020	Increase in Arrear
1.	Domestic and BPL	7269.93	10379.39	3109.46
2	Non-Domestic	683.15	1023.19	340.04
3	Private Tubewells	1164.82	1378.13	213.31
Total		**9117.90**	**12780.71**	**3662.81**

It can be seen from the above table that arrears of Domestic and BPL consumers were ₹7269.93 lakh in March 2019 which increased to ₹ 10379.39 lakh in March 2020, arrears of Non-Domestic consumers were ₹ 683.15 lakh in March 2019 which increased to ₹ 1023.19 lakh in March 2020 and in Private Tubewells the arrears were ₹ 1164.82 lakh in March 2019 which increased to ₹ 1378.13 lakh in March 2020.

Division in its reply stated that some of the consumers had paid their some electricity dues. Due to COVID -19 pandemic some consumers had not paid their full dues . Instruction has been issued to all the SDOs and JEs for recovery for the same. If the consumers failed to pay their dues, a notice under Section-3/5 shall be issued to the concerned consumers.

The reply of the division is not acceptable because as on date huge arrear amounting to ₹ 127.81 crore were pending against Domestic and BPL, Non-Domestic and Private Tubewells Consumers and division had not made any serious effort for realization of the same.

The matter is brought to the notice of higher authority.

Para 3: Avoidable loss of energy in distribution ₹ 7.09 crore

The main function of distribution division is to receive the energy and distribute it among the consumers in such a way that loss of energy in distribution (line losses) should not exceed the norms fixed by the Uttarakhand Electricity Regulatory Commission (UERC). The UERC had fixed a norm of 14.50 *per cent* of energy received for the period 2018-19. To achieve the norms, UERC had also identified some causes due to which there is loss of energy in distribution and suggested remedial measures to reduce distribution losses as detailed below:-

Causes for transmission losses-

(i) Un-authorized extraction of electricity.

(ii) Defective metering system.

(iii) Wrong estimation of consumed energy.

(iv) Non-rectification of defective meters.

Measures:-

(i) Installation of Electronic Meters to control theft.

(ii) Regular checking of unauthorized extraction of electricity.

(iii) Rectification of defective meters.

During test check of relevant records of the division, it was observed that 2019-20, T&D losses were 21.10 *per cent* against the admissible norms *i.e.* 14.50 *per cent* fixed by the UERC for last three year. Resultantly, division suffered a loss of ₹ 7.09crore in 2019-20 as detailed below:

Sl. No.	Particulars	Energy in Million Units
		4/2019 to 03/2020
1	Energy received during the period	477.64 MU
2	Sale of Energy	376.88 MU
3	Loss of Energy (1-2)	(21.10%) 100.76 MU
4	Permissible Loss (14.50 %) as per norms	69.26 MU
5	Avoidable loss of energy in distribution (3-4)	31.5 MU
Cost of avoidable loss of energy in 2019-20= 31.50 X 10,00,000 X 2.25 = ₹7,08,75,000, Say ₹7.09crore		

It is evident from the above that the Division failed to control the loss of energy within the prescribed norms.

In this regard audit also observed that the main reasons for energy loss were unauthorized extraction of power and defective metering system. During April 2019 to March 2020, Division had carried out total 596 raids to ascertain unauthorized extraction of power and penalty of ₹ 109.53 lakh imposed on theft cases and ₹ 26.68 lakh were recovered in 197 cases, whereas ₹ 82.85 lakh in 399 cases is yet to be recovered. Considering the fact that the distribution losses were higher than the prescribed norms of UERC, the Division is required to increase number of raids. Further, due to non-replacement of 4031 numbers of IDF meters (6.45 *per cent*) against 62,539 consumers which is more than the prescribed norms of two *per cent* of UERC norms, the division suffered loss of energy of ₹7.90 crore.

Division in its reply stated that it is continuously working to reduce it, by making metering, billing and theft checking programme. It shows down trend like 03/2016- 34.46 *per cent,* 03/17- 31.32 *per cent* , 03/2019-26.01 *per cent* and 03/2020-21.10 *per cent.*

Reply of the division is not acceptable because if division had taken the steps suggested by UERC for reduction of line losses, the financial condition of the division could have been better.

Matter is brought to the notice of the higher Authorities.

Para 4:- Loss of ₹ 2.06 lakh due to Non-refund of cash handling charges by the bank.

Revenue account is maintained in the division for collection of amount received from consumers for sale of energy. Revenue receipt account shows financial strength of the division as well as the corporation. Division also maintained Ear Mark Funds accounts for deposit of security money of consumers and deposit works amount. If there is any outstanding cheque, amount pending for a long time for these accounts, special efforts should be taken to realise the amount and if there is any differences between cash book and bank accounts, it should be reconciled and settled promptly.

As per Memorandum of Understanding (MOU) made (12.05.2003) between UPCL and Bank, bank should not debit any bank charges in this regard.

The following account is being maintained in the division:

Bank name	Account No.	Reconciled Upto	Account Name	Amount Debited (₹)
State Bank of India	33871677703	31.03.2020	Receipt	206342.00

Scrutiny of Bank Reconciliation Statements of above accounts of March 2020 revealed that bank had debited ₹ 2,06,342 as cash handling charges/minimum balance charges from above account . The total amount of ₹ 2.06 lakh deducted by the bank should have been credited in the respective account. Non-refunding of ₹ 2.06 lakh by the bank is violation of MOU signed by UPCL and Bank and the division suffered a loss of ₹ 2.06 lakh.

Division in its reply stated that bank assured that the debited amount shall be refunded soon. The reply of the division is not convincing as no record was available/provided by the division for making efforts for realization of the same. Thus ₹ 2.06 lakh were blocked as on date.

Para 5: Non-issuance of private tubewells bills by the division resulted in arrear amounting to ₹ 2.74 lakh.

As per electricity tariff order regarding PTW consumers the bill shall be raised for this category twice a year only, i.e. by end of December (for period June to November) and end of June (for period December to May). The bill raised in December may be paid by the consumer either in lump-sum or in parts (not more than four times) till 30th April next year for which no DPS shall be levied. Similarly, bill raised in June may be paid by 31st October without any DPS. In case consumer fails to make payment within the specified dates, a surcharge @ 1.25% per month for the period (moths or part thereof) shall be payable on the principal outstanding amount of the Bill as per clause 7 of the General Conditions of Supply.

After installation of meter, the billing shall be done by considering the normative consumption as specified in para 6 of the general condition of supply till the meter reading is carried out for such consumers.

During scrutiny of records of PTW consumers audit noticed that division has 4259 PTW connections under RTS-4, out of which 37 numbers of PTW consumers were found whose bills were not issued by the division since 2015 to till date.

None issuing of bills against PTW consumer, resulted in piling up of arrears amounting to ₹ 2.74 Lakh.

Division in its reply stated that due to technical problem in R-APDARP billing portal, the bills against the said consumers were not issued but the division shall be issuing the bills in the next billing cycle (December 2020)

The reply of the division is not convincing, as the fact remains that the division failed to issue the bills to PTW consumers which resulted in piling up of arrears amounting to ₹ 2.74 lakh

Part III

Details of unsettled paras of previous inspection reports:-

Sl. No.	AIR for the period	Part-II-A	Part-II-B	Total
1.	4/2015 to 03/2017	-	2	2
2.	04/2017 to 03/2018	-	4	4
3.	04/2018 to 03/2019	1	5	6

For obtaining the reply of the old AIRs, an audit Memo No. 033 book number 1055 was issued to the Management of division.

Part IV

Best practices of the Division

No good practices or innovation noticed during the course of audit

Part V

Acknowledgement

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

2. Documents were not produced during audit:

-------------------NIL----------------------

3. Persistent irregularities.

-----------NIL----------------

4. The following officers held the charge of head of the division during the audit period:

Sr. no.	Name	Post	Period
1-	Shri Manoj Gusain,	Executive Engineer	last audit to 26/11/2019
2-	Shri Ravi Kumar	Executive Engineer	27-11-2019 to till date
3-	Shri Gajendra singh	D. A. (Works)	last audit to 19/10/2019
4-	Shri Neeraj Goyal	Divisional Accountant	20/10/2019 to till date
5-	Shri. Sunil Arya	Divisional Accountant (R)	last audit to 28/9/2019

The compliance report on the AIR may be sent to Deputy Accountant General/AMG-II office of the Principal Accountant General (Audit), Mahalekhakar Bhawan Kaulagarh, Dehradun-248195 within one month of receipt of the letter.

Sr. Audit Officer/AMG-II (PSUs)

Para 2: Non deduction of Liquidated Damages amounting to ₹ 32.50 lakh

Electricity Distribution Circle, Haridwar awarded (February & March 2018) two agreements on Semi Turnkey Basis to M/s Sagar Engineering, Haridwar under the supervision of EE, EDD Laksar for laying of 11 KV LT AB Cable in various locations at Bhattipur, Raisi, Laksar and Khanpur feeder as under:

(a) Agreement number 14/2017-18 with a cost of ₹ 1.63 crore (₹ 1.55 crore for Supply + ₹ 0.08 crore for erection) on 02 February 2018

(b) Agreement number 17/2017-18 with a cost of ₹ 1.62 crore (₹ 1.54 crore for Supply + ₹ 0.08 crore for erection) on 28 March 2018 respectively.

As per clause -5 of above agreements, the scheduled date of completion was 90 days from the date of signing of the agreement/LOA/Last lot of material issued from Central Store i.e. 01 May 2018 and 27 June 2018 respectively.. As per penalty clause -11 of the agreements, the penalty was 1/2 *per cent* per week subject to maximum of 10 *per cent* of the contract value, if the contractor failed to complete the work within in scheduled period, i.e., 01 May 2018 and 27 June 2018.

During the scrutiny of records, audit noticed as under

(a) In agreement number 14/2017-18, contractor supplied the material after a delay of two to eight months amounting to ₹ 1.58 crore in July and December 2018, against the agreement cost of supply (₹ 1.55 crore). The work was completed on 24 September 2019 after a delay of 1 year and 5 months but the division has not deducted penalty amount of ₹ 16.30 lakh (10 *per cent* of the contract value).

(b) In agreement number 17/2017-18, contractor supplied the material after a delay of eight to nine months amounting to ₹ 1.60 crore in February and March 2019, against the agreement cost of supply (₹ 1.54crore). The work was completed on 20 December 2019 after a delay of one year and seven months but the division has not deducted penalty amount of ₹ 16.20 lakh (10 *per cent* of the contract value).

The division in its reply stated that as per agreement number 14/2017-18 dated 02.02.2018, the central store division has issued last material on 28.06.2019 and the work completed on 24.09.2019 within 88 days from the last date of issue of material to contractor by the central store division and in agreement number 17/2017-18 dated 28.03.2018, the work completed on 20.12.2019 within 36 days after issue of last supply of material (14.11.2019) by the central store division. Since, the contractor has completed the work before 90 days from the issue of last material by the central store division as per agreement clause. Therefore, penalty has not been deducted from the contractor's bills.

The reply of the division is not acceptable as the contractor had supplied the material after a delay of one year and five months in agreement number 14/2017-18 and one year seven months in agreement number 17/2017-18. If the contractor had supplied the material in time, i.e., well before scheduled date of completion, the central store might have made the supply of store material well in time.

thereby avoiding the delay in supplying of material.

The reply of the division is not convincing if the contractor had supplied the material well before scheduled date of completion of the work i.e. 90 days for award of the contract, the central store would also supplied their parts of material. Due to delayed supplied the material by the Contractor, the store division cannot supplied the material.