

This Audit Inspection Report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, (UPCL) Jwalapur, Haridwar. 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, (UPCL) Jwalapur, Haridwar, for the period 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 Khub Chand, AAO and Shri Dheerendra Singh, AAO (Adhoc) under the supervision of Shri Vikas Dhyani, Sr. Audit Officer during the period from 21 October 2020 to 02 November 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 October 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, (UPCL) Jwalapur is to distribute electricity in almost all the rural and urban area of Jwalapur to different category of consumers and keep as well as expand the electricity distribution system in that area. The geographical jurisdiction of the division is all the urban and rural area of in Jwalapur Haridwar.

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

Electricity Distribution Division, (UPCL) Jwalapur, Haridwar 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 February 2020 month was selected for detailed examination and October 2019 was selected for arithmetical accuracy.

(iii)

(₹ in crore)

Year	Revenue	Expenditure	Profit
2019-20	212.28	12.95	--

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

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

Part II (A)

Para 1: Non realisation of revenue from industrial consumer.

Commercial & Revenue manual of Uttar Pradesh Power Corporation (which is adopted by Uttarakhand Power Corporation Limited) provides that if consumer fails to pay electricity dues 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 pay dues in the stipulated time, 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 revealed that division released a connection to M/s Saisa Stone Crusher on April 2008 with the contracted load of 350 KVA. The arrear of said consumer in the month of November 2019 was ₹ 3.65 lakh against the same consumer paid only ₹ 1.38 lakh in December 2019. Consumer also defaulted in payment of regular monthly bill during the period from December 2019 to September 2020 as a result of which the electricity dues accumulated to ₹ 23.05 lakh in September 2020. Accordingly, in order to realize the dues from the consumer, division issued notices U/s section 3 of the said Act. During the defaulting period (December 2019 to September 2020) division did not take any action for recovery of dues against the defaulting consumer. Thus it revealed that the division was not serious to recover the dues from the consumers.

(B) Similarly, division issued (June 2008) a connection to a stone crusher consumer namely M/s Maharaja Stone Crusher with a connected load of 400 kVA. During review of records, it was observed that the consumer was regular in paying its electricity dues up to May 2019. But consumer defaulted in payment of electricity dues during the period from June 2019 to July 2020 which resulted in accumulation of electricity dues amounting to ₹ 1.12 lakh in June 2019 to ₹ 13.10 lakh at the end of July 2020. Consumer deposited only ₹ 5.00 lakh in July 2020 against the dues and defaulted in payment of monthly dues since June 2019 to July 2020. The electricity dues accumulated to ₹ 13.10 lakh in July 2020. The connection of the consumer was temporarily disconnected in August 2020. However, during the defaulting period (June 2019 to July 2020) division did not take any action for recovery of dues against the defaulting consumers. Thus it would be observed from the above that division was not serious to recover the dues from the consumers.

Division stated in its reply that notices are being issued to defaulting consumers. All sub-divisional officers and junior engineers are instructed to disconnect the connections of the said consumers if electricity dues are not paid by them. Updated position of the realization of

dues will be intimated to audit. However, the fact remains that these dues are yet to be recovered. The matter would be watched in next audit.
The matter is brought to the notice of higher authorities.

Para 2: Avoidable penalty due to delay in release of New LT Connections, Enhancement and Reduction of Loads – ₹ 24.16 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. 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.

Scrutiny of records provided by the division revealed that during the period from October 2017 to March 2020, the division failed to release 462 connections during stipulated time period. The year wise detail of the same is as follows:-

Sl.No.	Year	No. of cases with delayed connection	Penalty (in ₹)
1.	2017-18	256	7,24,900
2.	2018-19	157	11,05,840
3.	2019-20	49	5,855,60
Total		462	24,16,300

From the above it is evident that division had to bear penalty amounting to ₹ 24.16 lakh in 462 cases during the period October 2017 to March 2020 due to delay release of connection. Delay in releasing the connections to the consumers resulted in avoidable loss to the division in the form of penalty and inconvenience to the consumers also.

Had the New L.T. Connections released in the stipulated period, the probability of imposition of the penalty of ₹ 24.16 lakh could have been avoided.

Division stated in its reply that the main reasons for delay in release of connection are non-receipt of material by store of UPCL, RoW issues and poor connectivity. Division will try to timely release the connections in future. The reply of the divisions is not convincing as the reasons like non-receipt of material by store and poor connectivity can be controlled and delays can be avoided.

The matter is brought to the notice of higher authorities.

Part-II-B

Para 1: Non recovery of additional Security amounting to ₹ 2.58 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 ₹ 50000 and above was recoverable) revealed that the Division had demanded additional security of ₹ 2.58 crore through monthly bill (April 2020) from 125 consumers.

Further, detailed scrutiny of the records revealed that out of 125 consumer of which ₹ 2.58 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 Rukmini Iron Pvt. Ltd. had a contracted load of 9500 KVA. In the beginning of current financial year, the security was reviewed and the security deposit was assessed as ₹ 198.37 lakh. The security deposited by the consumer was ₹ 153.79 lakh and the consumer was required to deposit an additional security of ₹ 44.58 lakh. However, the consumer has not deposited the same till date as demanded by division in the bill for the month of April 2020.
2. M/s Devbhoomi Pulp & Paper P Ltd. had a contracted load of 800 KVA. In the beginning of current financial year the security was reviewed and the security deposit was assessed as ₹ 28.65 lakh. The security deposited by the consumer was ₹ 5.80 lakh and the consumer was required to deposit an additional security of ₹ 22.85 lakh. However, the consumer has not deposited the same till date as demanded by division in the bill for the month of April 2020.
3. M/s M. Tech Equipment had a contracted load of 450 KVA. In the beginning of current financial year, the security was reviewed and the security deposit was assessed as ₹ 26.06 lakh. The security deposited by the consumer was ₹ 4.81 lakh and the consumer was required to deposit an additional security of ₹ 21.25 lakh. However, the consumer has not deposited the same till date 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 blocking of funds of ₹ 2.58 crore.

Division accepted the audit observation and stated in its reply that notices are being issued to the said consumers and instructions to all sub-divisional officers and junior engineer are also being issued for recovery of the same. However, the fact remains that the same should have been recovered up to May 2020 but yet to be recovered (October 2020).

The matter is brought to the notice of higher authorities.

Para 2: Blockade of Funds due to non-acquisition of land.

The function of the Electricity Distribution Division, Jwalapur, Haridwar (Division) is to distribute electricity in almost all the rural and urban area of Jwalapur to different category of consumers and keep as well as expand the electricity distribution system in that area.

During scrutiny of records, it was observed that Electricity Distribution Division, Jwalapur Haridwar made a proposal for construction of a 33/11 KV substation on the land of Nagar Nigam, Haridwar for Kumbh Mela-2021. The proposal for the same was approved (October 2019) by Government of Uttarakhand. Thereafter, division requested Nagar Nigam, Haridwar to provide a land (30 X 20 sqm) for the construction of said substation. Consequently, the purchase consideration of land amounting to ₹ 96.39 lakh was demanded (November 2019) by the Nagar Nigam, Haridwar and the same was deposited to Nagar Nigam in February 2020 with a request to transfer of land in the name of Uttarakhand Power Corporation Limited. Even after passage of eight months since the payment, division could not get the land registered in its name and it remained in the name of the Nagar Nigam, Haridwar till date.

Despite of payment of full consideration of land amounting to ₹ 96.39 lakh, delay in acquiring the land from Nagar Nigam Haridwar resulted in blockade of funds.

Division stated in its reply that regular correspondence is being made with Nagar Nigam Haridwar. When the registry of the land is done, the same would be intimated to audit. However, the fact remains that despite the payment of full consideration of land in February 2020, the registry/ acquisition of the land from Nagar Nigam Haridwar is not yet done (October2020).

The matter is brought to the notice of higher authorities.

Para 3: Loss of revenue due to non-replacement of Identified Defective Meters (IDF).

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 cases of defective meters namely ADF, RDF or IDF, if any, shall necessarily be rectified within a maximum period of 3 months.

During review of billing files of the consumers and other relevant records of the division, it was noticed that in September 2020, 4313 (4.37 percent) meters were defective against the total number of consumers *i.e.* 98420. The division issued 4313 IDF bills to the consumers with the arrears of ₹ 14.58 crore for the month of September 2020. It was also noticed that the IDF bills of the consumers from one to 69 months.

It was also noticed that IDF billing of 31 consumers were more than five to seven years and IDF billing of 58 consumers were more than 10 KW *i.e.* non-Domestic

During the period of defective meter, 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. 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.

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

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.

Division stated in its reply that Electricity Test Division, Haridwar is regularly informed by division to change IDF meters. Test division is again being informed for replacement of the same so that billing of the affected consumers can be done correctly. Reply of the division is not convincing as despite division's pursuance, non-repairing/ replacement of these defective meters, division has been suffering recurring loss of revenue as electric energy may be misused which can lead to higher line loss due to defective meters.

The matter is brought to the notice of higher authorities.

Para 4: Non deduction of Labour cess ₹ 1.20 lakh from the bills of the contractor.

Government of India notified (19 August 1996) 'The Building and other Construction Workers' Welfare Cess Act, 1996' with a view to augment the welfare resources of the building and other construction workers. As per the Act, cess was to be levied and collected at such rates not exceeding two per cent, but not less than one *per cent* of cost of construction incurred by an employer. The proceeds of the cess collected were to be paid to the Building and Other Construction Workers' Welfare Board as constituted by the State Government.

During test check of the records, it was observed that while making payment to the contractor for the works mentioned below, the division was required to deduct the applicable amount of labour cess and deposit it to welfare board. The value of work executed by M/s Tosha International (Contractor) was ₹ 1,20,08,550 without deducting the labour cess (amounting to ₹ 120086). The details of the value of work done and non-deduction of labour cess are as enumerated below.

Details showing non deduction of labour cess from the contractor's bill			
Sl No.	Agreement Number	Gross Amount of Bill (in ₹)	Labour Cess required to be deducted (in ₹)
1	EDC (H)-22 2018-19	4080259	40803
2	EDC (H)-24 2018-19	7928291	79283
		12008550	1,20,086

Thus, the division made above mentioned payment to the contractor but failed to deduct the required amount of labour cess amounting to ₹120086 from the bills of the contractor. Non-recovery of the same from the contractor's bills has resulted in violation of the provisions of Act as well as order of State Government.

Division stated in its reply that the deduction of labour cess would be made from the subsequent bills of the consumers. The matter would be watched in next audit.

The matter is brought to the notice of higher authorities.

Part III

Detail of unsettled paras of previous inspection reports: -

Sl. No.	Period	Part II-A	Part II-B
1.	October 2017 to March 2019	1 to 2	1 to 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. 29 of Book No.1051 was issued to the division. In turn, division stated that replies of these outstanding paras are being prepared and the replies 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 Electricity Distribution Division, Jwalapur, Haridwar 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:

Sr. no.	Name	Post
(i)	Shri Pradeep Kumar,	Executive Engineer
(ii)	Shri Mahipal Singh (Last audit to 09/2019)	Divisional Accountant (works).
(iii)	Shri Mukesh Varshney (09/2019 to till date)	Divisional Accountant (works).

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

Sr. Audit Officer/AMG-II (PSUs)