

Audit Inspection Report on the accounts of Executive Engineer, Electricity Secondary Works Division, UPCL, Haldwani for the period from October 2011 to March 2016 was carried out in exercise of the power conferred by section 19 of the C &AG, DPC Act 1971 read with section 143 of the Companies Act 2013. The transaction audit was conducted by Shri Ghanshyam Das Pal, Asstt. Audit Officer during the period from 21.06.2016 to 27.06.2016 under the supervision of Shri Sohrab Husain, Sr. Audit Officer.

The Audit Inspection Report has been prepared on the basis of records/data/information made available by the Executive Engineer, Electricity Secondary Works Division, Haldwani. The Office of the Accountant General (Commercial Audit Wing) Uttarakhand will not be held responsible for any incorrect information not made available.

PART-I-A

Introductory: Last audit of the accounts and records of the Division was conducted by Shri G.S. Negi, Asstt. Audit Officer under the supervision of Shri Sohrab Husain, Sr. Audit Officer covering the period upto 9/2011. During the present audit, accounts and records for the period from October 2011 to March 2016 were generally examined.

Following Officers held the posts of Executive Engineer and Divisional Accountant since last audit to till date.

Executive Engineer

Shri P.C. Diwedi Executive Engineer since last audit to 26.12.2012.

Shri K.C. Punetha, Executive Engineer 26.12.2012 to 31.01.2015.

Shri Sanjay Kumar, Executive Engineer 31.01.2015 to 04.03.2015

Shri Ravi Kumar, Executive Engineer 04.03.2015 to till date of audit.

Divisional Accountant

Shri B.S. Rawat, Divisional Accountant October 2011 to 31.07.2012.

Shri R. S. Bisht, Divisional Accountant-22.08.2012 to till date of audit.

A. Outstanding Paras of previous Audit Inspection Report.

Sl. No.	Period	Part II A	Part II B
1.	4/1991 to 3/1992	1	-
2.	4/1992 to 3/1993	1,2,3,4 & 5	1

3.	4/1993 to 3/1995	1,2,3 & 4	1,2
4.	4/1995 to 3/1997	1	1
5.	4/1997 to 3/1999	1	1
6.	4/1999 to 3/2000	-	1,2,3 & 4
7.	4/2000 to 2/2001	1,2	1
8.	3/2001 to 1/2003	-	1,2,3,4 & 5
9.	2/2003 to 3/2004	-	1,2
10.	4/2004 to 9/2006	1	1
11.	10/2006 to 9/2007	-	-
12.	10/2007 to 9/2011	1	1

B. Persistent Irregularities -----NIL-----

C. Records not put -----NIL-----

PART-II-A-REPORT

Para 1: Loss of ` 1.38 crore due to under deduction of penalty.

For execution of work of construction of 33/11kv Sub-stations & 33kv lines at Danya and Jalali in Distt. Almora involving financial implication of ` 6.69 crore, an agreement N.589/C (C&P-1)/30/2013-14 (Package-A) was made on 17.7.2014 between M/s Saun Engineering & Construction Co.(P) Ltd., Pithoragarh, Uttarakhand and Uttarakhand Power Corporation Ltd. (UPCL) on turn key basis. Clause 15 of the agreement regarding **TIME PERIOD OF COMPLETION OF WORKS** interalia provided the all these above works will be completed within nine (09) months from the date of handing over of land for works or date of start. Further, clause 17 of the agreements regarding **PENALTY** was as under;

“Penalty shall be 0.1% per day subject to maximum of 20% of the cost of work for construction of particular 33/11KV substation/s & its associated 33 KV line and other associated work of this substation subject to condition, that maximum penalty of all sub-stations shall not exceed more than 10% of total contract value of this agreement”

Scrutiny of relevant records revealed that date of start of works was 11.8.2014 and scheduled date of completion of these works was 10.6.2015, but contractor could not complete the works till schedule date and actually these works were completed on 4.11.2015 & 21.12.2015 i.e. After 191 & 144 days from the scheduled date of completion. Thus as per terms and conditions of the agreement contractor was liable to pay maximum ten *percent* penalty of the contract value which works out to ` 66.89 lakh (Value of contract ` 668.90 lakh X 10/100= ` 66.89 lakh) against which division deducted the amount of penalty of ` 8.50 lakh only from the running bills of the contractor. Thus there was under deduction of penalty by ` **58.39 lakh**, ($\text{` 66.89 lakh} - \text{` 8.50} = \text{` 58.39 lakh}$) and consequent loss to the division by the corresponding amount.

In turn division having accepted the audit observation and stated that as pointed out by the Audit party the amount of penalty of ` 58.39 lakh to be recovered from the bills/bank guarantee of the contractor and same will be intimated to audit party. Reply of the division is not acceptable because works were actually completed on 4.11.2015 & 21.12.2015 and final payment has also been made to the contractor without any condition, and no bill was pending for payment, thus recovery of amount of penalty is difficult.

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

(ii) For execution of works of Design , Supply, Erection Testing and Commissioning of material & equipment required for construction of 33/11KV substations at Tawaghat , District Pithoragarh&Karmi-District Bageshwar and 33KV associated lines including civil works on turnkey basis involving financial implication of ` 5.07 crore, an agreement No.403/UPCL/CCP-II/25/2013-14//Package-B (RSI) was made between M/s RSI Switchgear Private Ltd, Disstt. Alwar, Rajasthan & M/s ISAT Network Engineer, Private Ltd-Haridwar (A joint Venture Partner) and Uttarakhand Power Corporation Ltd. (UPCL) on 04.03.2014.Clause 14 of the agreement regarding **TIME PERIOD OF COMPLETION OF WORKS** interalia provided all these above works will be completed within nine (09) months from the date of handing over of land for works or date of start. Further, clause 15 of the agreements regarding **PENALTY** was as under;

“Penalty shall be 0.1% per day subject to maximum of 20% of the cost of work of construction of particular 33/11KV substation/s & its associated 33 KV line and other associated work of this substation subject to condition, that maximum penalty of all substations shall not exceed more than 10% of total contract value of this agreement”

Scrutiny of relevant records revealed that contractor started the above works from 27.05.2014/ 28.6.2014 and schedule dates of completion were 26.2.2015/27.3.2015 but contractor failed to complete the works in the stipulated period and works were actually completed as late as on 19.10.2015/8.11.2015. i.e. after 233/220 days from the scheduled date of completion. Thus as per terms and conditions of the agreement contractor was liable to pay ten percent penalty of the contract value which works out to ` 50.68 lakh against which division deducted the amount of penalty of ` 4.52 lakh only from the running bills of the contractor. Thus there was under deduction of L.D. by ` **46.16 lakh** and consequent loss to the division by the same amount.

In turn division having accepted the audit observation and stated that as pointed out by the audit the amount of penalty of ` 46.16 lakh to be recovered from the bills/bank guarantee of the contractor and same will be intimated to audit. Reply of the division is not acceptable because actually works were completed on 19.10.2015 & 8.11.2015 and final payment has also been made to the contractor without any condition and no bill was pending for payment thus recovery of amount of penalty is remote.

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

(iii) In order to execute the work of Design, Supply, Erection Testing and Commissioning of material & Equipment required for construction of 33/11KV substations & its associated 33kv lines including civil works at Pratappur & Jhankat in District U.S.Nagar & involving financial implication of ` 2.81 crore an agreement No.1372/UPCL/CCP-II/2/2013-14 /Package-F (Fedders) on Turn Key basis was made between M/s Fedders Lloyd Corporation limited , New Delhi and Uttarakhand Power Corporation Ltd. (UPCL) on 25.10.2013. Clause 14 of the agreement regarding **TIME PERIOD OF COMPLETION OF WORKS** of the agreement interalia provided the all these above works will be completed within nine (09) months from the date of handing over of land for works or date of start. Further, clause 15 of the agreements regarding **PENALTY** was as under;

“Penalty shall be 0.1% per day subject to maximum of 20% of the cost of work of construction of particular 33/11KV substation/s & its associated 33 KV line and other associated work of this substation subject to condition, that maximum penalty of all sub stations shall not exceed more than 10% of total contract value of this agreement”

Scrutiny of relevant records revealed that contractor started the above works from 29.01.2014 and schedule date of completion was 28.10.2014 but contractor failed to complete the works in the stipulated period and works were actually completed as late as on 7.5.2016 i.e. after 557 days from the scheduled date of completion. Thus as per terms and conditions of the agreement contractor was liable to pay maximum ten percent penalty of the contract value which works out to ` 28.13 lakh ($\text{` 281.34 lakh} \times 10/100 = \text{` 28.13 lakh}$) against which division deducted the amount of L.D. of ` 11.53 lakh only from the running bills of the contractor. Thus there was under deduction of L.D. of ` 16.60 lakh ($\text{` 28.13 lakh} - \text{` 11.53 lakh} = \text{` 16.60 lakh}$)

In turn division having accepted the audit observation and stated that as pointed out by the audit the amount of penalty of ` 16.60 lakh to be recovered from the bills/ bank guarantee of the contractor and same will be intimated to audit. Reply of the division is not acceptable because actually works were completed on 7.5.2016 and final payment has also been made to the contractor, thus possibility for recovery of amount of penalty is bleak.

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

(iv)-In order to execute the work of Design , Supply, Erection, Testing and commissioning of material & equipment required for construction of 1X3MVA, 33/11KV substation at Maldhanchour, 33KV Bay & its associated 33kv lines including civil works on turnkey basis an agreement No.1339/UPCL/CCP-II/2/2013-14/(Saun)/Package-G was made between M/s Saun Engineering & Construction Co.(P) Ltd., Pithoragarh, Uttarakhand and Uttarakhand Power Corporation Ltd. (UPCL) on 15.10.2013 involving financial implication of ` 2.15 crore.

Clause 13 of the agreement regarding **TIME PERIOD OF COMPLETION OF WORKS** of the agreement interalia provided the all these above works will be completed within nine (09) months from the date of handing over of land for works or date of start. Further, clause 14 of the agreements regarding **PENALTY** was as under;

“Penalty shall be 0.1% per day subject to maximum of 20% of the cost of work of construction of particular 33/11KV substation/s & its associated 33 KV line and other associated work of this substation subject to condition, that maximum penalty of all substations shall not exceed more than 10% of total contract value of this agreement”

Scrutiny of relevant records revealed that date of start of works was 7.11.2013 and scheduled date of completion of these works was 6.8.2014, but contractor could not complete the works till schedule date and actually works were completed on 31.01.2015 i.e. After 174 days from the scheduled date of completion. Thus as per terms and conditions of the agreement contractor was liable to pay ten percent penalty of the contract value which works out to ` 2150 lakh against which division deducted the amount of penalty of ` 4.73 lakh from the running bills of the contractor.

Thus there was under deducted penalty by ` **16.77 lakh**

Division having accepted the audit observation and stated in its reply that the amount of penalty to be recovered from the bills/BG of contractor. Reply of the division is not acceptable because actually works were completed on 31.1.2015 and final payment has also been made to the contractor and there was no bill of contractor pending for payment, thus possibility recovery of amount of penalty is bleak.

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

PART II-B REPORT

Para 1: Non-recovery of penalty of ` 44.80 lakh .

For construction of 33/11KV substations & 33 kv Sub-stations and associated 33kv line on turnkey basis in Barhani, Distt. Bajpur an agreement No. 908/C/(C & P-1)/2014-2015(Package-B/barhani)/PME involving financial implication of ` 4.48 crore was made between M/s PME Power solution (India) Limited, Industrial area, Surajpur, Greater Noida-UP and Uttarakhand Power Corporation Ltd. (UPCL) on 28.11.2014. Clause 15 of the agreement regarding time period for completion works interalia provided the all these above works shall be completed within nine (09) months from the date of handing over of land or issue of the Ist DI of the material of that sub-station and its 33 kv lines whichever is earlier. Further, clause 17 of the agreements regarding **PENALTY** was as under;

“Penalty shall be 0.1% per day subject to maximum of 20% of the cost of work of construction of particular 33/11KV substation/s & its associated 33 KV line and other associated work of this substation subject to condition, that maximum penalty of all substations shall not exceed more than 10% of total contract value of this agreement”

After Scrutiny of relevant records it was noticed that work were started on 2.12.2014, thus scheduled date of completion of these works was 02.09.2015. Further, scrutiny revealed that contractor executed some civil works only. Since About 9 months have been elapsed from the scheduled date of completion of these works. Thus contractor is liable to pay penalty @ 10 percent on the contract value which works out to ` 44.80 lakh. The same may be recovered by invoking Bank Guarantee of the contractor which is available in the division.

Further, correspondence was being made by the division with contractor for execution of left over work but no response had been received from the contractor. Even division has also proposed to its higher authorities for BLACK LISTING of the contractor. As the contractor was not interested to execute the work, thus amount of penalty should have been recovered by encashing bank guarantee which was not done. Resulting amount of penalty of ` 44.80 lakh could not be recovered.

Division stated in its reply that after having completed the process, if possible then amount of penalty would be recovered by encashing bank guarantee of the contractor. Reply of the division is not convincing because as per terms and conditions of the

agreement amount of penalty should have been recovered by encashing bank guarantee which was not done.

The matter is brought to the notice of the management.

PART III

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Sr. Audit Officer/ES-I

PART III

-----NIL-----

Sr. Audit Officer/ES-I