

This inspection report has been prepared on the basis of information provided by Electricity Distribution Division Jaspur,( Udham Singh Nagar ). The Office of the 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 Jaspur, (Udham Singh Nagar ) UPCL for the period from October 2016 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 Ghanshyam Das Pal, AAO and Ajay Bahuguna, AAO under the supervision of Shri Roshan Lal Sharma, AO during the period from 10.07.2018 to 18.07.2018

### **Part-I**

1. **Introduction:** - The last audit of this unit was carried out by Shri Ghanshyam Das Pal, AAO and Dr. Satish Pal AAO under the supervision of Shri Sohrab Husain Sr. AO, in which accounting records of the period from May 2015 to September 2017 were generally examined. In current audit, accounting records of the period from October 2016 to March 2018 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 of consumers of Jaspur town and its rural areas and realisation of revenue from them. The geographical jurisdiction of the division is Jaspur town and its rural areas.

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

Electricity distribution division, Jaspur (Udham Singh Nagar) Uttarakhand Power Corporation Ltd. Jaspur, was covered in the audit. . This inspection report is based on findings of audit and October 2016 month was selected for detailed examination.

(iii) **Revenue, Expenditure and profit/loss for the period from May 2015 to 2017-18 as the Division was established in May 2015.**

(₹ in lakh)

Year	Revenue	Expenditure	Profit/Loss
2015-16	19257.21	216.88	19040.33
2016-17	-	-	-
2017-18	2367.13	518.15	1848.98

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

The Electricity Distribution Division Jaspur, U.S. Nagar is an electricity distribution division of UPCL which is officiated by the Executive Engineer.

## PART-II A

### **Para 1:--Undue favour to the consumer resulted in non-recovery of ₹ 32.25 lakh**

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 (Act) 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 Act would be issued through concerned Distt. Authority. All such action for recovery of dues should be completed within six Months.

Division issued (June 2010) a connection to a large and heavy consumer namely M/s Associate Composite Pvt. Ltd (consumer) with a contracted load of 300 KVa. The load was enhanced to 300 KVa to 1000 KVa in July 2010.

During the scrutiny of records, it was seen that the consumer had never paid its electricity dues in time since beginning of the connection as a result the electricity dues was accumulated to ₹10.89 lakh in November 2015 and the connection was temporary disconnected by the division. In March 2016, the UPCL again reconnected the connection to the consumer without depositing full outstanding dues. The connection was again disconnected in May 2016 due to not depositing the outstanding dues. In November 2016, the connection was again reconnected without clearing of electricity dues amounting to ₹ 43.35 lakh which was increased from ₹ 10.89 lakh in November, 2015. In December, 2016, the connection was permanently disconnected by the division. However, demand notice under section-3 amounting to ₹ 32.25 lakh (After adjusting security deposit amount) was issued to the consumer in December, 2017. The consumer had ceased their business but the division was failed to issue Recovery Certificate under Section -5 of Act for realization of its due through concerned District Authority till date. (July 2018).

To realise its due, no action as provided in the said manual was taken against the consumer by the division. Thus, due to not taking action against the consumer in time, electricity dues amounting to ₹ 32.25 lakh is still pending against the consumers and as the business had already been closed, the chances of recovery is also grim.

Division stated that notice under section-3 has been issued. But due to transfer of all employees of the division notice under section-5 could not be issued; the same will be issued soon.

Division is not acceptable as already one and half year has elapsed and no recovery has been made till date. (July 2018)

**Para 2: Embezzlement of ₹ 49.00 lakh.**

The purpose of establishing distribution divisions in the different parts of the State is to provide electricity to the consumers of different categories and to realise the electricity charges consumed by them promptly. Revenue receipts are the authenticated receipts issued to the consumers for deposit of revenue. The realised revenue should immediately deposited to the bank in revenue receipt accounts.

During scrutiny of the records of the division, it was observed that an employee of T.G.-II, EDD Jaspur was working as a revenue collection agent at his own willingness. The employee was collecting the revenue on daily basis and deposited the same into the bank after keeping some amounts wilfully with him since June 2015. By the end of January 2018 the employee had not deposited ₹ 49.00 lakh into the bank after scrutiny by the division, it had been revealed that the said amount is wilfully not deposited by the employee into the bank and resulted in the loss of ₹ 49.00 to the Government exchequer. The Employee was a defaulter since beginning as he was not regularly depositing the whole amount of revenue collected by him, but the division did not take the matter seriously.

Division in its reply stated that concerned employee, along with the then Executive Engineer and accountant was suspended by the management. ₹ 44,03920/- have been already been recovered from the concerned employee and efforts are being made to recover the rest amount

The reply of the management is not acceptable as on date ₹ 4,40,920/- pending against the employee and no interest has been charged.

## **Part II B**

### **Para 1: Non recovery of additional Security amounting to ₹ 11.00 crore.**

As per para 2.2.1 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 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 giving 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 KCC consumers, it was noticed that the average two months bills of consumers exceeded the amount of security already deposited. Additional Security amounting to ₹ 11.00 crore from 19 KCC consumers (having additional security pending more than ₹ 5.00 lakh) were pending from March 2018 and has not been recovered till date. As per circular in question, amount of this additional security was required to be recovered within 45 days. This amount should have been recovered from consumers within the stipulated period which was not recovered.

Division in reply stated that notices to the deposit pending security money to KCC consumers has already been issued and instruction has been issued to concerned SDOs to expedite recovery.

The reply of the division is not acceptable as on date ₹ 11.00 crore are still pending against the defaulting consumers.

**Para 2: Delay in releasing of New LT Connections, Enhancement and Reduction of Loads resultantly UERC imposed penalty of ₹ 14.53 lakh.**

As per UERC ( Release of New LT Connections, Enhancement and Reduction of Loads ) Regulation 2013, if the distribution division concerned failed 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 laid down norms of UERC. Scrutiny of records provided by the division revealed that during the period from June 2015 to June 2018, 55 consumers applied for New L.T. Connections Enhancement and Reduction of Loads, but division failed to release the New L.T. Connections Enhancement and Reduction of Loads in the stipulated period to all the applicant consequently UERC imposed penalty of ₹ 14.53 lakh.

The division in its reply stated that As per UERC's directions, the penalty is automatically calculated by the billing software, if there is a delay in realise of new LT/HT connection. After receiving the relevant information, the case would be put up before UERC for waiving of penalty.

The reply of the division is not acceptable because order of UERC should have been complied.

### Para-3: Arrear against the 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.

Scrutiny of records revealed that as on March 2018 huge amount of ₹ 32.67 crore was pending for realization against these consumers as detailed below:

( ₹ in lakh)

Sl. No.	Particulars	Arrear (2016-17)	Arrear (2017-18)	Arrear Increase
I	Domestic & BPL	587.33	708.08	120.75
II	Commercial	1531.71	1540.19	8.48
III	Private Tube well	790.28	1019.14	228.86
	Total	<b>2909.32</b>	<b>3267.41</b>	<b>358.09</b>

It was noticed that electricity dues amounting to ₹ 29.09 crore were pending against the above consumers as on March 2017 which was increased to ₹ 32.67 crore in March 2018. It revealed that during the year 2017-18 the outstanding dues increased by ₹ 3.58 crore (Approximate 12.30 *per cent*). Pendency of huge arrears against these consumers revealed that the recovery of the dues was not pursued vigorously. Division should make more efforts for realizing of the same.

The division in its reply stated that the division has made recovery of ₹ 23944.43 lakhs against the target of ₹ 23762.94 lakhs and notices u/s 3 and 5 has been issued at division level and recoveries are being made.

The reply of the division is not convincing as arrear of dues amounting to ₹ 3267.41 lakh is still pending for recovery till March 2018.



**Para 4:- Blockade of funds due to excess damage of Transformers – ₹ 2.16 cr.**

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 fixed norms for damage of transformers should not exceed 3.0 per cent of the transformers installed.

During scrutiny of relevant records it was noticed that the damage rate of transformers during 2015-2016 to 2017-18 was on higher side as compared to the norms fixed by UPCL as detailed below:

**(April 2015 to March 2016)**

Sl. No.	Capacity of T/F (in KVA)	No. of T/F installed against capacity	No. of T/F damaged during the year		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
1	25	970	69	7.11%	29	40	55,000	2200000
2	63	291	25	8.59%	09	16	101100	1617600
3	100	265	12	4.53%	08	04	134600	538400
4	160	04	02	50%	01	01	175000	175000
5	250	52	07	13.46%	02	05	442000	2210000
	<b>Total</b>							<b>6741000</b>

**(April 2016 to March 2017)**

Sl. No.	Capacity of T/F (in KVA)	No. of T/F installed against capacity	No. of T/F damaged during the year		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
1	25	1062	86	8.09%	32	54	56,000	3024000
2	63	306	21	6.86%	09	12	107000	1284000
3	100	306	21	6.86%	09	12	143500	1722000
4	250	52	09	17.30%	02	07	382000	2674000
5	400	21	05	23.80%	01	04	560000	2240000
	<b>Total</b>							<b>10944000</b>

**(April 2017 to March 2018)**

Sl. No.	Capacity of T/F (in KVA)	No. of T/F installed against capacity	No. of T/F damaged during the year		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
1	25	1206	65	5.39%	36	29	54200	1571800
2	63	307	17	5.54%	09	08	107000	828000

3	100	325	15	4.62%	10	05	143500	695000
4	250	52	04	7.69%	02	02	382000	316000
5	400	21	02	9.52%	01	01	560000	514700
	<b>Total</b>							<b>3925500</b>

Above revealed that against the prescribed norms of 3 *per cent* actual rate of damage transformers ranged between 4.53 *per cent* to 50 *per cent* in 2015-16, 6.86 *per cent* to 23.80 *per cent* in 2016-17. Although the damage rate has declined and is in the range of 4.62 *per cent* to 9.52 *per cent* in 2017-18, however it is much higher than the prescribed rate of UPCL. Damage of transformers in excess of the prescribed norms resulted in blockade of funds of ₹ 2.16 crore. (₹ 6741000+ ₹ 10944000+ ₹ 3925500= ₹ 21610500)

The division in its reply stated that the efforts are being made to reduce the damage rate of transformers. JEs and SDO's have been instructed to check the earthing and T/F oil of the transformers.

The reply of the division is not acceptable, if remedial measures would have been taken in advance, then blockade of found to the extent of ₹ 2.16 crore could have been avoided.

**Para 5:- Non receipt of Revenue Receipt Books.**

Revenue receipts are the authenticated receipts issued to the consumers for deposit of miscellaneous revenues such as security of new connection, electricity bills, Service charges, line charges etc. These revenue receipt books are issued by the division to its sub-division offices/collection centers of the division and returned to the division by the sub-division offices/collection centers when they are used. Periodical reconciliation and checking of these revenue receipt books are mandatory for ensuring that the money collected by the sub-division/collection centers has been deposited correctly into the account of the division.

Review of records revealed that during the period October 2016 to March 2018, a total numbers of 1127 of Non-KCC Revenue Receipts books and 73 numbers of KCC Revenue Receipts books were issued by the division to various officials of the division/sub-division and only 992 nos. of Non-KCC revenue receipts books and 53 nos. of KCC Revenue Receipts books were returned to the division and balance 135 Non-KCC Revenue Receipts books and 19 nos. of KCC Revenue Receipts books receipts books are yet to be returned till the date of audit.

In this regard, audit observed that revenue receipts books Register was maintained in a very haphazard manner. Further, it was observed that new revenue receipts books were being issued in a lot of 10 to 25 books per revenue collection agents without obtaining the old ones. As revenue receipts books are directly involved in the collection of cash, possibility of misuse of the receipts and embezzlement cannot be ruled out.

The management in its reply stated that instructions have been issued to all revenue collecting officials and all the issued receipts have been returned but due the shortage of staff the entries of the same could not be made in the Revenue Issue and Receipts Register.

The reply of the management is not convincing as there some receipts books which were issued in August'2017 and have not been returned till the date of audit. Further, the division could have avoided the case of embezzlement, had it kept a vigilant watch on issue and return of receipt books.

**Para 6: Non-reconciliation of revenue receipt account with bank since November 2017 by the division.**

Reconciliation of the Bank statement with the cash book is an important tool of internal control to check possibility of frauds and embezzlement. The reconciliation is required to be carried out every month explaining the difference between the balance of cash books of the Division and that of the Bank Account.

During test check of records of the division, it was observed that reconciliation between receipt account of cash book and Bank Account has not been carried out since November 2017. Keeping in view the fact that revenue collected by the different collection agents of the division are directly deposited in the bank and only the statements of payments received are deposited in the division, the timely preparation of the bank reconciliation is much more crucial to see whether the amount was actually deposited in the Bank by the collecting agents or the sub-divisional officers. In the absence of further reconciliation and also non-confirmation of the credits given by the bank, the further recoveries of dues from the defaulting consumers become doubtful.

The Division in its reply stated that the Bank Reconciliation was not being done regularly as no permanent accountant is posted in the division. However, efforts are being made to prepare the Bank Reconciliation up to March 2018.

The reply of the Division is not convincing as the division has not prepared Bank Reconciliation since November 2017 to till date of audit and non posting of permanent accountant can not be a reason.

### **Part III**

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

Details 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.	05/2015 to 09/2016	-	1	1

#### **Compliance report of unsettled paras of previous inspection report-**

Inspection report period and number	Para No. Audit observation	Compliance report	Comments of Audit Party	Remarks
-	-	-	-	-

## **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 Accountant General (Audit) Uttrakhand, 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.

**4. Persistent irregularities.**

-----NIL-----

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

<b>Sr. no.</b>	<b>Name</b>	<b>Post</b>	<b>Period</b>
1-	Shri V.K. Sakria,	Executive Engineer	
2-	Shri Shishir Srivastva,	Executive Engineer	
3-	Shri Ajeet Kumar Yadav	Executive Engineer	19.02.2018 to till date
4-	Shri Arvind Singh Rawat	Divisional Accountant	
5-	Shri Harish Pandey	Divisional Accountant	19.02.2018 to till date of audit

**Sr. Audit Officer/ES-1**