

This Audit Inspection Report has been prepared on the basis of information provided by Electricity Secondary Works Division, Dehradun. 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 Secondary Works Division, Dehradun for the period from April 2017 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 A P Singh, AAO, Shri Khub Chand, AAO and Shri Dheerendra Singh, AAO (Adhoc) under the supervision of Ms. Charu, Assistant Accountant General during the period from 02 December 2020 to 08 December 2020.

Part-I

1. **Introduction:** - The last audit of this unit was carried out by Shri Roshan Lal Sharma, AAO and Shri Ghanshyam Das Pal, AAO, 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 2020 were examined.

2. **(i) Functions and geographical jurisdiction of the unit:**

The main functions of division are construction of 33/11 KV sub-station and its associated 33 KV line. The geographical jurisdiction of the division is Garhwal zone.

(ii) Auditing methodology and scope of audit:

Electricity Secondary Works Division, Dehradun was covered in the audit. This inspection report is based on findings of audit. July 2017, May 2018 and August 2019 month was selected for detailed examination and November 2017, July 2018 and December 2019 was selected for arithmetical accuracy.

(iii)

(₹ in Lakh)

Year	Revenue	Expenditure	Profit
2017-18	-	4987.59	
2018-19	-	2190.46	
2019-20	-	3144.06	

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

The Electricity Secondary Works Division, Dehradun is a construction division which constructs sub-stations and its associated lines of UPCL, which is officiated by the Executive Engineer.

Part-II A

Para 1: Non forfeiture of Bank Guarantee of contractor and short deduction of penalty.

Contract and Procurement Wing II of UPCL entered into a turnkey agreement with M/s J P Electricals Industries for construction of 6 Nos 33 KV feeders from 132/33 KV Simli and line out and bay at Gaucher substation and 33/11 KV Substation Gaucher at a cost of ₹ 4.89 crore on 23 August 2014. Completion period for the above work was nine months from the date of providing right of way/ forest clearance (if required). The agreement was amended on September 2019 with a cost of ₹ 5.37 crore.

As per clause no. 16 of agreement the contractor shall furnish security cum performance guarantee (PBG) in the form of bank guarantee for an amount of 10 percent of the contract value in favour of Executive Engineer, Electricity Secondary Works Division, Dehradun. In case of non completion of work in time the same are to be extended suitably as demand by Engineer in-charge of the project. Further as per clause 15 of agreement, penalty shall be 0.1 *per cent* per day subject to maximum of 10 *per cent* of the cost of the work.

During scrutiny of records it was noticed that the contractor submitted the bank guarantee of ₹ 24.50 lakh *i.e.* 5 *per cent* initial agreement value instead of ₹ 49.00 lakh which was violation of above clause of agreement. The PBG submitted by the contractor was expired on 02 June 2017 due to negligence of the division. The division should have asked for extension of PBG before the expiry of the period as work has not been completed till date which is a violation of clause 16 of agreement. After expiry of PBG, contractor has not submitted fresh PBG to the division. Further, the contractor has submitted the running bills amounting to ₹ 4.61 crore till date and division has deducted penalty of ₹ 25.61 lakh from the running bills instead of deducting maximum penalty of ₹ 53.79 lakh at the rate of 10 *per cent* of agreement value ₹ 5.38 crore. This has resulted short deduction of penalty amounting to ₹ 28.28 lakh.

Division has accepted the audit observation and stated that the required penalty amounting to ₹ 28.28 lakh would be deducted from running bills submitted by the contractor. The matter would be watched in next audit.

The matter is brought to the notice of higher authorities.

Part –II-B

Para 1: Short deduction of penalty and labour cess.

Contract and Procurement Wing I of UPCL entered (21 April 2018) into a turnkey agreement with M/s JSP Projects Pvt. Ltd. for construction of 2X10 MVA 33/11 KV Substation Aryanagar, Haridwar and its associated 33 KV lines at a cost of ₹ 5.24 crore including taxes. As per agreement schedule completion period of above work was Nine months from the date of handing over of land or providing the Right of Way whichever is later. Further as per clause 18 of agreement penalty shall be 0.1 *per cent* per day subject to maximum of 10 *per cent* of the cost of the work.

During scrutiny of records, it was observed that work was not completed by the contractor in schedule time and division had started deducting maximum penalty of 10 *per cent* from the 5th running bill which shows that maximum penalty was attracted on the contractor due to delay in completion of work. The due date of completion of work was 28 February 2019. The work was completed on 14 October 2019 at a cost of ₹ 5.24 crore after delay of 7 months. Division had deducted the penalty of ₹ 28.39 lakh from the running bills of the contractor instead of deducting the maximum 10 *per cent* of penalty i.e. ₹ 52.40 lakh as due to delay maximum penalty was attracted on the contractor. Further, division had deducted labour cess amounting to ₹ 4.48 lakh instead of deducting ₹ 5.24 lakh. This has resulted in short deduction of penalty of ₹ 24.01 lakh and labour cess of ₹ 0.76 lakh.

Division in its reply stated that the case has been sent to higher authorities for time extension in respect of said work. It was added by division that as and when the amount of labour cess would also be realised by the division, the same would be intimated to audit. The reply of the division is not convincing as penalty and labour cess should have been deducted as the terms and conditions of agreement. The matter would be watched in next audit.

The matter is brought to the notice of higher authorities.

Para 2: Short deduction of labour Cess.

As per provisions of Building and Other Construction Workers' Welfare Cess Act, 1996, UPCL has to collect one percent cess on cost of construction and deposit the same through bank draft in the name of Labour Commissioner/ Secretary, Uttarakhand Bhawan and other construction labour welfare board.

During scrutiny of records, it was noticed that Contract and Procurement Wing I of UPCL entered into a turnkey agreement with M/s Capital Electech Pvt Ltd. on 19 March 2018 for execution of work for construction of 6 Nos 33 KV Feeders from 220/33 KV GIS substation IIP Mohkampur amounting to ₹ 14.02 crore. The work was to be executed by Electricity Secondary Works Division, Dehradun. The work has been completed at a cost of ₹ 13.32 crore. Division had deducted labour cess amounting to ₹ 11.29 lakh instead of deducting ₹ 13.32 lakh. This has resulted in short deduction of labour cess amounting to ₹ 2.03 lakh.

Division has accepted the audit observation and stated that a notice has been issued to contractor for depositing the labour cess amounting to ₹ 2.03 lakh and the documents of deducting the labour cess would be submitted to audit after realisation of same.

The matter is brought to the notice of higher authorities.

Para 3: Delay in execution of work.

Electricity Secondary Works Circle, Dehradun of UPCL entered into an agreement with M/s Huma Power and Tower Pvt. Ltd. (Contractor) for construction, repairing and completion of balance work of 33 KV Helang-Tapovan line Ckt A and Ckt B in district Chamoli at a cost of ₹ 2.55 crore on 26 March 2016. Scheduled completion period for the above work was nine months from the date of issue of first Dispatch Instruction. The agreement was amended on 14 June 2018 with a cost of ₹ 3.01 crore. The work was to be done as deposit work basis and National Thermal Power Corporation Limited (NTPC) had deposited ₹ 3.92 crore with UPCL.

During the scrutiny of records it was observed that the work was amended in June 2018 and all the Right of Way hindrance was also sorted out by the division in June 2019 for completion of work. However, the work was not started by the contractor. For completion of the work, various letters were written to Contractor. A meeting was held in March 2020 with NTPC, Contractor and UPCL. In that meeting, it was assured by the Contractor that the work would be completed by May 2020. However, due to Covid-19 pandemic the work could not be completed. Therefore, another meeting was held in September 2020 with the Contractor. Again the Contractor assured the division the work shall be complete in two months. After the assurance of the contractor, the work was not completed by the contractor till date (December 2020).

Thus, there is abnormal delay of more than 20 months in the execution of work from the amended date of awarding of work. Due to non-completion of work, NTPC could not avail the benefit of Helang-Tapovan line for their Power Project.

Division in its reply stated that the delay was due to agitation of local public and the said work would be completed by March 2021. Contractor has brought all the required material at site for completion of said work. The reply of the division is not convincing as there was abnormal delay of more than 20 months in execution of work from the amended date of awarding of work.

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.	11/2002 to 12/2004	-	1,2,3 & 4
2.	01/2005 to 06/2006	-	1,2,3 & 4
3.	07/2006 to 05/2007	-	1,2,3 & 4
4.	06/2007 to 01/2008	1	1 & 2
5.	02/2008 to 03/2016	1	1,2,3,4 & 5
6.	04/2016 to 03/2017	1 & 2	1,2 & 3

Compliance report of unsettled paras of previous inspection report-

For furnishing of reply of the outstanding paras of Previous Inspection Reports, an audit Memo No. 49 of Book No.1051 was issued to the division. In turn, division stated that replies of these outstanding paras are being prepared and the same would be furnished to O/o PAG (Audit) Uttarakhand after approval of higher authorities of UPCL.

Part IV

Best practices of the unit

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 toward Electricity Secondary Works Division, Dehradun 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:**

Sl. no.	Name	Period	Post
1.	Shri Anil Kumar Mishra	29.05.2016 to 21.08.2017	Executive Engineer
2.	Shri Mayur Dev Singh	21.08.2017 to till date	Executive Engineer
3.	Shri Neeraj Chaudhary	12.09.2016 to 16.03.2018	Accountant
4.	Shri Y.S. Payal	16.03.2018 to till date	Accountant

The compliance report on the AIR may be sent to Deputy Accountant General/AMG-II, 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