

This inspection report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Gopeshwar. 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 Executive Engineer, Electricity Distribution Division, Gopeshwar for the period April 2015 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 619(3)(b) of the Companies Act 1956 & section 143 of Companies Act 2013. Audit Inspection was conducted by Shri Amit Kumar Mishra AAO and Shri A P Singh, AAO under the partial supervision of Shri Mukesh Kumar, Sr. AO during the period from 14.10.2016 to 20.10.2016.

Part-I

1. **Introduction:-** The last audit of this unit was carried out by Shri Amit Kumar AAO and Shri Khub Chand, AAO for the period April 2014 to March 2015 under the supervision of Shri B.C. Suyal, Sr. AO in which accounting records of the period from April 2014 to March 2015 were generally examined. In current audit, accounting records of the period from April 2015 to March 2016 were generally examined.

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

The function of the Electricity Distribution Division, Gopeshwar is to distribute electricity to the Gopeshwar and keep as well as expand the electricity distribution system. The geographical jurisdiction of the division is Gopeshwar, Chamoli and Badrinath.

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

Electricity Distribution Division, Gopeshwar 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 March, 2016 month was selected for detailed examination.

(iii)

Year	Revenue	Expenditure	Profit
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(To the extent this information is available & applicable)

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

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

Part II (A)

Para 1: Non-pursuance of APDA claims.

Electricity Distribution division, Gopeshwar's power distribution network got badly affected due to natural calamity of 16th and 17th June 2013. In this calamity, 39 feeders of the division were affected in which division lost asset valuing ` 2.49 crore. The division submitted its claims of ` 2.49 crore in respect of 39 feeders to District Administration for compensation, against this District Administration released only ` 1.76 crore in respect of 12 feeders, remaining ` 73.00 lakh UPCL had to bear from its internal resources. In respect of APDA claims, following were observed:

1. The division did not pursue its claim of ` 73.00 lakh which was incurred through internal resources with the State government and there were no correspondence with the state government authorities in this respect.
2. The division had restored the three feeders namely 11 KV Syun Bhatki tok Feeder, 11KV Industrial Area Feeder Kaleshwar and 11 KV KPG Block feeder Kaleshwar as late as in the month of September 2013, whereas Apda affected the area in the month of June 2013. The delay in restoration of power supply reduces the consumer satisfaction as well as results in poor revenue collection because electricity bills cannot be raised for the period when power was not supplied.
3. The Government exempted commercial establishments (hotels, restaurant, lodge, etc.) from payment of Electricity bills till March 2017 vide order dated May 2014. In this respect, it was observed that division raised the bills for the period of April 2014 to February 2015 amounting to ` 57.49 lakh of exempted consumers to the District Magistrate in April 2015, since then the division has not made any correspondence with the District authorities in this matter. Further, District Magistrate has also not deposited the electricity bills of exempted consumers till date.

The division accepted the observation and stated that it is trying to realize the remaining amount of ` 73 lakh from the State Government. Also due to heavy damage of roads some feeder could have been started in month of September 2013. Further electricity charges in respect of commercial consumers were raised to the Office of District Magistrate in April 2015 but the payment of the same has not been received till date. Reply of the division must be seen from point of view that division has not made serious efforts for realization of its dues except for raising bills to the District Magistrate. Moreover, division has not made any correspondence for early realization of the same.

Part II B

Para 1: Deficiencies in IT implementations

- IT implementations includes IT applications for meter reading, billing & collection, energy accounting and auditing. Scrutiny of Consumer meter reading status ledger as on October 2016, it was found that out of total 158 Key Consumer Cell (KCC) consumers, most of which are commercial consumers Automatic Meter Reading of none of the consumer were being done and meter reading of all consumers were done manually. This shows poor implementation of IT applications in meter reading.
- For reflecting division's performance in revenue realisation and for energy accounting it prepares commercial diary of each month. Despite implementation of RAPDRP and online billing the commercial diary of the division is prepared manually. Manual intervention in preparation of commercial diary may result in wrong data entry and manipulation.
- It was also observed that the network connectivity in the division was very poor. The poor speed was not only hampering the regular work of division but also affecting the billing collection efficiency and other routine work of the division. The instances of frequent breakdown in the network connectivity were also noticed.

Division accepted the observation and stated that in respect of Automatic Meter Reading (AMR) of KCC consumers, the action is to be taken by Test Division, commercial diary is prepared manually because of non-availability of appropriate software and in respect of poor connectivity the matter is raised with the BSNL and higher officials of corporation from time to time.

The reply is to be looked from the angle that non installation of AMR and regular poor network connectivity is causing poor revenue realization and manual preparation of commercial diary leaves scope for manipulation of energy data. The division should ensure compliance of above to ensure smooth cash realization and proper accounting of energy received.

Para 2: Deficiencies in IT implementations

- As per commercial diary of the Gopeshwar division for the month of March 2016 there were 10639 BPL and Kutir Jyoti consumers of the division. It was noticed that there is no arrangement in master data of R-APDRP software to highlight the updating of Know your consumer (KYC) & details of consumer status. UPCL releases power connection to BPL consumers at minimum tariff (subsidized rate per unit). However, once the connection was released to a BPL consumer initially, after a specified period, the system never tells about the requirement of status of consumer whether the consumer has been updated to APL or not. None of the BPL consumer was surveyed for their status.
- As per rate tariff of UPCL approved by UERC, if consumer installs and uses solar water heating system, rebate of ` 100 per month for each 100 litre capacity of the system or actual bill for that month whichever is lower shall be given subject to the condition that consumer gives an affidavit to the licensee to the effect that he has installed such system, which the licensee shall be free to verify from time to time. If any such claim is found to be false, in addition to punitive legal action that may be taken against such consumer, the licensee will recover the total rebate allowed to the consumer with 100 % penalty and debars him from availing such rebate for next 12 months. Gopeshwar division of UPCL had 112 consumers with installed capacity of solar heaters of 47340 litres. It was noticed that the system never gives alerts to the licensee (UPCL) for verification of these consumers. As a result of which the actual status of working solar heaters could not be verified.

The division in its reply stated that there is no flagging for physical verification in R-APDRP scheme of Kutir Jyoti consumers and consumers availing rebate on account of solar heaters. Further, division also added that the sub divisions have been directed to physically verify the status of consumers. The fact remains that the system should have appropriate provisions for periodic flagging of the said consumers for physical verification so that the consumers who fail to meet the criteria can be excluded.

Para 3: Manual billing of consumers

UPCL has implemented RAPDRP software for billing and revenue collection purpose and it also uses KCC software for billing of three phase consumers. During scrutiny of the billing records of the division audit observed that there are 1340 poles of Street Light which are either running with defective meters or without meter as per records. Billing of these consumers (RTS 3 i.e. Public Lamp) is being done manually. Division has been raising electricity bill to the Public Lamp consumer on assessment basis. As the billing of these consumers is done on assessment basis the division is not aware about the actual power consumption of the consumer and thus cannot raise actual energy consumption based electricity bills to these consumers. Due to non replacement of IDF meters and non installation of meters, division is unable to recover the actual cost of electricity as per approved tariff.

The division accepted the facts and stated that the works of installation of meters on unmetered connections have been started and all the connections will be metered soon. The reply of the division is not convincing as there is no provision of billing of unmetered connection in current Tariff Schedule approved by UERC this may result in actual loss of revenue as bills cannot be raised on the unmetered consumers as per the tariff and in case of IDF meters, the actual consumed energy was not booked.

Para 4: Non updating of IDF meters through system.

The consumers whose meter malfunctions or stops working or gets defective are categorized as IDF meters. After any meter is identified as IDF, these meters are replaced by new meter by TEST division concerned. Test division sends sealing of new meter to the distribution division concerned for updating the same in the system. Till the time consumer's status is updated it is billed on assessment basis.

Scrutiny of the system of the division revealed that the meters of 5460 consumers were defective for more than one year. As on March 2016, there were 5475 defective meters which comprised of 5460 single phase and 15 three phase meters. Due to non replacement of IDF meters and non installation of meters division is unable to recover the actual cost of electricity as per approved tariff.

The division in its reply stated that work related to changing of IDF meters is to be done by Test division and regular correspondence is being done by the division. The reply of the division is not convincing as there are only 37834 consumers and out of this 5475 consumers (14.47 *per cent*) were billed on assessment basis, which was higher than the norms of three *Per cent*. Billing of consumers on assessment basis results in loss of revenue as the consumers were not billed on actual basis.

Para 5: Bank reconciliation statement

The division prepares Revenue bank reconciliation to reconcile the amount realized by different sub divisions of the divisions through different modes similarly, works reconciliation of the division is made to reconcile the expenditure made by the division. During examination of Bank Reconciliation Statements following points were observed:

- The Bank Reconciliation Statement for the works of the Division has been prepared upto March 2015 and is in arrear for over a year
- The Bank Reconciliation Statement for the Revenue of the Division has been prepared upto April 2016 and it was observed that there are 177 uncashed cheques amounting to ` 80.74 lakh for the period April 2012 to April 2016 lying with the Division.

Non preparation of Bank Reconciliation Statement for the works and uncashed cheques are matter of concern. The division should reconcile the same on regular basis to minimise the risk of financial embezzlement. Division replied that the reconciliation of cashbook and uncashed cheques is being done and it will be provided to audit. The reply of the division is not convincing as reconciliation of cashbook and uncashed cheques should be done on regular basis to minimise the risk of embezzlement of funds.

Para 6: Non- realization of Revenue

The purpose of establishing distribution division in different parts of the State is to provide electricity to the consumers of different categories. One of the most important functions of the division is to realize electricity charges from the consumers. The revenue collected/realised by the division is intimated through monthly commercial diary of the distribution division. Arrear of the division in respect of RTS-1 has decreased whereas and RTS 2 has increased during 2015-16 as detailed in the table below:

RTS	Consumers	Arrear of March 2015 (` in lakh)	Arrear Ending month of February 2016 (` in lakh)
RTS-1	Domestic	644.07	239.89
RTS 2	Non-Domestic	3431.20	3570.70

The revenue collection of the division has resulted in overall decrease in the arrears of the division. However, still there is unrealized arrear which should be realized to improve the cash position of the UPCL.

The division accepted the observation and stated that it is trying to ensure maximum realization from all the categories of consumers in a time bound manner. The reply of the division is not convincing as at the end of February 2016 the arrears of non domestic consumers has increased from ` 3431.20 lakh to ` 3570.70 lakhs. The division should ensure realization of the same to reduce the arrears of the corporation.

Para 7: Non recovery of additional Security amounting to ` 66.91 lakhs

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.

Scrutiny of billing files and other related records of the KCC consumers, it was noticed that in case of 106 consumers, the average two months bills of consumers exceeded the amount of security already deposited which worked out to ` 66.91 lakhs which is outstanding from April 2015 to 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 which were not done.

The division stated in its reply that notices have been issued to the consumers for the recovery of the same. The reply of the division is not convincing as the recovery of additional security has not been made till date since April 2015. The same should have been realised within the stipulated period.

Part III

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

Detail of unsettled paras of previous inspection reports:-

Sl. No.	AIR for the period	Part-II-A	Part-II-B	Total
1.	10/2006 to 09/2007	1 & 2	1 to 2	04
2.	10/2007 to 09/2008	-	1 to 6	06
3.	10/2008 to 09/2011	1	1 to 7	08
4.	10/2011 to 09/2012	1, 2 & 3	1 to 3	06
5.	10/2012 to 03/2014	1,2	1 to 4	06
6.	04/2014 to 03/2015	-	1 to 5	05

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 unit

NIL

Part V

Acknowledgement

1. Office of The Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards Electricity Distribution Division, Gopeshwar 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 Kailash Kumar	Executive Engineer.

Minor and operational irregularities which could not be resolved at the time of audit and have been included in Temporary Audit Note with the request that the compliance report on the same may be sent to Sr. DAG/DAG (concerned sector) within one month of receipt of the letter.

Sr. AO/ES-I