

This inspection report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division (Urban), Haldwani. 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(Urban), Haldwani 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 AAO under the supervision of Shri B.C. Suyal, Sr. AO during the period from 24.10.2016 to 03.11.2016.

Part-I

1. **Introduction:-** The last audit of this unit was conducted by Shri Amit Kumar Mishra, AAO and Shri A.P. Singh, AAO for the period April 2014 to March 2015 under the partial supervision of Shri Mukesh Kumar, 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 examined.

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

The function of the Electricity Distribution Division (Urban), Haldwani is to distribute electricity to the Urban areas of Haldwani and keep as well as strengthen the electricity distribution system. The geographical jurisdiction of the division is Haldwani urban area.

(ii) Auditing methodology and scope of audit:

Electricity Distribution Division (Urban), Haldwani 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 of vouchers. Month having highest expenditure was selected as sample for detailed examination.

(iii)

(` In lakh)

Year	Revenue	Expenditure	Profit
2015-16	6471.04	704.02	5767.02

(To the extent this information is available & applicable)

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

The Electricity Distribution Division (Urban), Haldwani is an electricity distribution division of UPCL which is officiated by the Executive Engineer.

Part II B

Para 1: - Non-realization of revenue.

The purpose of establishing distribution division in the 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 the electricity charges from the consumers. The revenue collected/realized by the division is intimated to the Corporate Office through monthly commercial diary.

Scrutiny of records, revealed that as on March 2016 a huge amount of ` 5258.76 lakh was pending realization from different categories of consumers as detailed below:

Sl. No	Particulars	` (In Lakh)
(A) Govt. Consumers		
I	Public Lamps	751.30
II	World Bank Tube wells/ State tube wells	2396.07
III	Jal Sansthan & Jal Nigam	321.47
Total (A)		3468.84
(B) Non-Government Consumers		
IV	Domestic and Residential	1002.62
V	Commercial	581.81
VI	LT Industry & HT Industry	205.94
Total (B)		1789.92
Grand Total (A+B)		5258.76

It was noticed that total electricity dues which were ` 6358.56 lakh (Government-` 4383.59 lakh+ Non-Gov ` 1974.97 lakh) in April 2015 decreased to ` 5258.76 lakh in March 2016. It revealed that during 2015-16 the outstanding dues decreased by ` 1099.80 lakh. Though the dues reduced, even then huge amount of ` 5258.76 lakh was recoverable as of march 2016, out of which ` 1789.92 lakh (34 *Per cent*) were recoverable from non-government consumers and balance ` 3468.84 lakh (66 *per cent*) were recoverable from government consumers. Pendency of huge dues against government as well as non-government consumers indicated that the recovery of the dues was not pursued vigorously.

Review of top 100 defaulters (non-government consumers) as of March 2016 revealed that an amount of ` 112.85 lakh was recoverable from 02 to 69 months. It was further observed that out

of these ` 17.32 lakh was pending from 11 consumers for a period hanging between 48 to 69 months. However, action under section 3 was yet to be initiated against them till date.

Management in reply stated that most of the arrears are to be realised from the Government Departments which is done at Head Quarters level. Further, the division is continuously trying to realise the same from the non-Government consumers this resulted in decrease in amount of arrears by ` 185.05 lakh.

The reply is not acceptable as the arrears of ` 5258.76 lakh is yet to be realised.

Para 2: Avoidable loss of energy in distribution – ` 4.28 Crore.

The main function of distribution division is to receive energy and distribute it among the consumers in such a way that loss of energy in distribution (line loss) should not exceed the norms fixed by the Uttarakhand Electricity Regulatory Commission (UERC). The UERC had fixed a norm of 15 *percent* of energy received for the period 2015-16. To achieve the norms, UERC had also identified some causes due to which there is loss of energy in distribution and suggested remedial measures to reduce distribution losses as detailed below:-

Causes for transmission losses-

- (i) Un-authorized extraction of electricity.
- (ii) Defective metering system.
- (iii) Wrong estimation of consumed energy.
- (iv) Non-rectification of defective meters.

Measures:-

- (i) Installation of Electronic Meters to control theft.
- (ii) Regular checking of unauthorized extraction of electricity.
- (iii) Rectification of defective meters.

Test check of relevant records revealed that against the allowable norms of 15 *per cent* fixed by the UERC, T&D losses of the Division were 23.95 *per cent*, during the period from April 2015 to March 2016,. Thus transmission losses were on very higher side than the prescribed norms. Excess T&D losses had resulted in loss of ` 4.28 crore (by taking the cost of energy at an average of ` 2.30 per unit) as detailed below:

Sr. No.	Particulars	Energy in Million Units
		4/2015 to 03/2016
1	Energy received during the period	207.608 M.U.
2	Sale of Energy 4/2015 to 03/2016	157.876 M.U.

3	Loss of Energy (1-2)	(23.95%) 49.732 M.U.
4	Permissible Loss (15 <i>Per cent</i>) as per norms	31.141 M.U.
5	Avoidable loss of energy in distribution (3-4)	18.591 M.U.
Cost of avoidable loss of energy = 18.591 X 10,00,000 X 2.30 = ` 4,27,59,300, Say `4.28 crore		

It is evident that the Division failed to control the T&D losses of energy within the prescribed norms.

In this regard audit observed that:

- i. As on March 2015, 3259 meters (out of total 40931/connections/ meters) were mechanical meters .During 2015-16, 886 mechanical meters were replaced by electronic meters and balance 2373 mechanical meters were yet to be replaced as on March 2016. Thus the Division failed to replace all the mechanical meters by electronic meters as advised by the UERC. Reasons due to which the Division could not replace the mechanical meters are awaited in audit.
- ii. During 2015-16, 193 raids were carried out to ascertain unauthorized extraction of power and in 152 cases, penalty of ` 28.67 lakh was imposed and recovery of ` 9.35 lakh was made.

Considering the fact that the distribution losses were on very higher side than the prescribed norms of UERC, the Division is required to increase number of raids to ascertain unauthorized extraction of power.

Thus, the Division was yet to take corrective measures as advised by the UERC. Had the corrective measures as suggested by UERC been taken by the Division, the distribution losses suffered by the Company could have been minimized.

Division in reply stated (November 2016) that efforts to reduce line losses by the Division are continuously being made resultantly line losses which were 26.53 percent in 2013-14 were reduced to 23.95 percent in 2015-16. Further efforts will also be made to reduce the line losses.

Management in reply stated that the lines loss of the Division has decreased from 26.53 *per cent* in 2014-15 to 23.95 *per cent* in 2015-16. Further, the Division is has also replaced 797 mechanical meters and also trying to stop the unauthorised extraction of the power.

The reply is not acceptable as due to higher T&D losses, the Division had loss the energy amounting to ` 4.28 crore.

Para 3: Non issuance of Recovery Notice u/s -5 amounting to ` 1715.79 lakh.

Commercial & Revenue manual of Uttar Pradesh Power Corporation (which is being followed by Uttarakhand Power Corporation) provides that in case a consumer does not pay electricity dues against him, within 15 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 within 30 days. In case the consumer again fails to deposit the dues in the stipulated period a recovery certificate (RC) U/S-5 of UP Electricity dues and Recovery Act 1958 would be issued through concerned Distt. Authority. All such action for recovery of dues should be completed within six months.

As on 31 March 2015, 1285 notices (` 1708.35 lakh) issued u/s -3 were pending for recovery.

During 2015-16, 279 further notices (` 103.52 lakh) were issued u/s-3. In response 15 consumers deposited the dues of ` 22.56 lakh up to March 2016 and 238 notices (` 73.52 lakh) were returned back. Thus 1311 consumers did not deposit the dues of ` 1715.79 lakh. As per prescribed procedure, notice u/s -5 should have been issued to all 1311 consumers, however, notice u/s 5 were issued to 07 (` 4.89 lakh) consumers up to March 2016. Thus notice u/s 5 to 1304 consumers were yet to be issued. Non issuance of recovery certificate u/s 5 shows that recovery of dues was not properly pursued.

Further as per records, 44 notices (` 18.49 lakh) issued u/s 5 were pending with district authority for recovery. It was also noticed that during the year 2015-16 , 145 notices (` 48.43 lakh) issued u/s 5 were returned back from district authority stating the reasons i.e .the debtors is not alive, no immovable property was available in the name of consumer, incomplete address (father's name not mentioned) etc. However, further action on those returned notices were yet to be taken by the division.

It is evident that the position of arrears has reached an alarming stage and if the division/UPCL does not take serious efforts under section 3 and 5 to realize the outstanding dues, the outstanding dues may become irrecoverable.

Management in reply stated that work relating to issuance of notice U/s-5 is under progress. It was also stated that from time to time Division has instructed the officers concerned to initiate the appropriate action and had issued 145 notices under section 5.

The reply is not acceptable as due to non issuance of the notices as per prescribed procedure, the Division is yet to realise the revenue of ` 1715.19 lakh.

Para 4 – Non realization of additional security of ` 1.32 Crore.

As per UPSEB order No. 617-CUB/S-8 dated 7.3.1994 (adopted by the UPCL), the security of the consumer should be re-assessed in each financial year and the security should be equal to average of two months bill of the consumer. In case, security re-assessed exceeds the initial security, additional security so worked out will be demanded, by giving notice to the consumers. In case the additional security is not deposited within the stipulated period, the electricity supply of the consumer can be disconnected.

Test check of the records relating to large & heavy consumers revealed that as the average of two month's bill of the consumers exceeded the initial security deposited by the consumers, additional security amounting to ` 1.32 Crore was demanded. It was, however, observed that notices for deposition of additional security were issued on 30 July 2016. Thus there was delay in issuance of notice to the consumers. The additional security was yet to be deposited (October 2016).

Out of total additional security of ` 1.32 crore, ` 0.67 crore was to be deposited by the government consumers and balance ` 0.66 crore by the non- government consumers. However, none of the consumer deposited the additional security demanded by the Division so far (October 2016).

- Amount of additional security deposited by the consumers may be utilized by the Company as working capital. Non deposition of additional security by the consumers resulted in blocking of funds of ` 1.32 crore. It was observed that the Division did not issue any reminder to the defaulting consumers to deposit the additional security. Thus the consumers were not properly pursued to deposit the requisite additional security.

- Further review of records of non-government consumers revealed that 11 consumers were chronic defaulters in depositing the re-assessed additional security of ` 31.21 lakh for more than three years

Management in reply stated that the Division has time to time instructed the officers concerned to initiate appropriate action to realise the amount and notices to the consumers have also been issued by the Division.

The reply is not acceptable as additional security of ` 1.32 crore is yet to be realised.

Para 5: Non receipt of Revenue Receipt Books.

As per letter no 1226 / उ०पा०का०ली० / com/ g-83 dated 23 May 2008, Revenue Receipt Books issued for collection of revenue should be returned to the concerned office/ division after consumption of the same.

Review of records revealed that during the period from September 2013 to March 2016, total 1696 revenue receipts books were issued to the various officials of the division/sub-division for collection of revenue. However, only 1275 revenue receipts books were returned to the division and balance 421 revenue receipts books (21 relating to 2013-14, 98 issued in 2014-15 and 302 issued in 2015-16) are yet to be returned (October 2016) by the concerned officials.

It was noticed that though the date-wise recording of issuance of Receipt Books (RB) and RB received back is being done but number of RBs pending with officials is not being worked out. This resulted in issuance of further RBs to the officials without receiving back of used RBs from the officials. It was also noticed that no reminders were issued to the officials asking to deposit used RBs.

As RBs are directly involved in the collection of cash, possibility of misuse of the receipts / embezzlement cannot be ruled out.

Management in reply stated that the Division will get the pending revenue books from the officer concerned and intimate the audit after reconciliation of the same.

The fact is brought to notice of the Management and the same will be watched in the next audit.

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.	Period	Part-II A	Part-II B
1.	04/89 to 03/91	01 to 04	01
2.	04/91 to 03/92	01	---
3.	04/93 to 03/95	01 to 07	01, 05, 07
4.	04/95 to 03/96	01	01, 02
5.	04/96 to 03/97	---	01 to 04
6.	04/97 to 03/98	01	01
7.	04/98 to 03/99	---	01, 04, 05
8.	04/2000 to 06/2001	---	01, 02, 03
9.	07/2001 to 06/2002	---	08
10.	07/2002 to 12/2005	01, 02	01
11.	01/2006 to 09/2007	04	01 to 05
12.	10/2007 to 03/2011	01	01 to 04
13.	04/2011 to 3/2013	01 to 02	01 to 08
14.	04/2013 to 03/2014	01	01 to 04
15.	04/2014 to 03/2015	01 to 02	01 to 02

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
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Part IV

Best practices of the unit

NIL

Part V

Acknowledgement

1. Office of The Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards Executive Engineer, Electricity Distribution Division (Urban), Haldwani 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:**

NII

2. **Persistent irregularities.**

NIL

3. **The following officers held the charge of head of the office during the audit period:**

S.No.	Name	Post
(i)	Shri. Naveen Mishra	Executive Engineer
(ii)	Shri. Ashok Kumar Agarwal	Divisional Accountant (works)
(iii)	Shri Pankaj Agarwal	Divisional Accountant (Revenue)

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. Audit Officer/ES-I