

This inspection report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Champawat. 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, Champawat for the period April 2014 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, Shri Khub Chand, AAO and Shri Roshan Lal Sharma, AAO under the supervision of Shri B.C. Suyal, Sr. AO during the period from 05.11.2016 to 11.11.2016.

Part-I

1. **Introduction:-** The last audit of this unit was conducted by Shri Roshan Lal Sharma, AAO and Shri A.P.Singh, AAO for the period April 2011 to March 2014 under the partial supervision of Shri Mukesh Kumar, in which accounting records of the period from April 2011 to March 2014 were generally examined. In current audit, accounting records of the period from April 2014 to March 2016 were generally examined.

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

The function of the Electricity Distribution Division, Champawat is to distribute electricity to the urban area of Champawat and keep as well as strengthen the electricity distribution system. Geographical jurisdiction of the division is Champawat .

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

Electricity Distribution Division, Champawat 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. December 2014 as well as March 2016 month was selected for detailed examination of vouchers. The months having highest expenditure were selected as sample for detailed examination.

(iii)

(` In lakh)

| Year | Revenue | Expenditure | Profit |
|---------|---------|-------------|---------|
| 2015-16 | 1706.68 | 624.94 | 1081.74 |

(To the extent this information is available & applicable)

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

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

Part II (A)

Para 1: - Non-realization of revenue.

The UPCL provides electricity to consumers of different categories. One of the most important functions of the division is to realize the electricity charges from the consumers. Commercial and Revenue Manual of Uttar Pradesh Power Corporation (which has 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 U/s 3 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 months.

Scrutiny of records, revealed that as on March 2016 huge amount of ` 2308.57 lakh was pending realization from different categories of consumers as detailed below:

` (In Lakh)

| Sl. No | Particulars | Arrear (13-14) | Arrear (14-15) | Arrear (15-16) | Arrear Increase from 13-14 |
|-------------------------------------|-----------------------------|-------------------|-------------------|-------------------|-------------------------------------|
| (A) Govt. Consumers | | | | | |
| I | State tube wells/Pump canal | 430.24 | 485.11 | 575.08 | 144.84 |
| Total (A) | | 430.24 | 485.11 | 575.08 | 144.84 |
| (B) Non-Government Consumers | | | | | |
| II | Domestic and Residential | 672.13 | 735.41 | 876.67 | 204.54 |
| III | Commercial | 523.28 | 612.76 | 715.01 | 191.73 |
| IV | Private Tube wells | 9.08 | 11.51 | 15.85 | 6.77 |
| V | LT Industry & HT Industry | 100.95 | 101.03 | 89.14 | -11.81 |
| VI | Mixed Load | 3.66 | 16.95 | 36.82 | 33.16 |
| Total (B) | | 1309.10 | 1477.66 | 1733.49 | 424.39 |
| Grand Total (A+B) | | 1739.34 | 1962.77 | 2308.57 | 569.23 |

It was noticed that total electricity dues which were ` 1739.34 lakh (Government-` 430.24 lakh+ Non-Gov. ` 1309.10 lakh) in April 2014 increased to ` 2308.57 lakh in March 2016. It revealed that during 2015-16 the outstanding dues increased by ` 569.23 lakh. It is also clear that out of total dues of `2308.57 lakh, ` 1733.49 lakh (75 per cent) was recoverable from

non-government consumers and balance ` 575.08 lakh (25 per cent) was recoverable from government consumers. Pendency of huge dues against non-government as well as Government consumers indicated that the recovery of the dues was not pursued vigorously. Review of top 100 defaulters (non-government consumers) as on September 2016 revealed that an amount of ` 27.26 lakh was recoverable from 02 to 68 months. 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 financial position of the division will deteriorate.

Management in reply stated that the all officers were being instructed to organise camp for realising the arrear to disconnect the connection of the defaulters.

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

Part II B

Para 1 : Avoidable loss of energy in distribution – ` 5.40 Crore.

The main function of distribution division is to receive the 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 15.50 *percent* and 15 *percent* of energy received for the period 2014-15 and 2015-16 respectively. 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 during the period for 2014-15 and 2015-16 T&D losses were 31.34 *per cent* and 28.22 *per cent* against the allowable norms of 15.50 *per cent* and 15 *per cent* respectively fixed by the UERC. Thus transmission losses were on very higher side than the prescribed norms. Excess T&D losses resulted in loss of ` 5.40 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 | |
|-----------------------------------------------------------------------------------------------------|------------------------------------------------|-------------------------|----------------------|
| | | 4/2014 to 3/2015 | 4/2015 to 3/2016 |
| 1 | Energy received during the period | 77.912 M.U. | 84.160 M.U. |
| 2 | Sale of Energy | 53.493 M.U. | 60.409 M.U. |
| 3 | Loss of Energy (1-2) | (31.34%) 24.419 M.U. | (28.22%) 23.751 M.U. |
| 4 | Permissible Loss as per norms (15.5 & 15 %) | 12.076 M.U. | 12.624 M.U. |
| 5 | Avoidable loss of energy in distribution (3-4) | 12.343 M.U. | 11.127 M.U. |
| Cost of avoidable loss of energy = 23.47 X 10,00,000 X 2.30 = ` 5,39,81,000, Say `5.40 crore | | | |

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

In this regard audit observed that:

- i.** In March 2015, 7200 meters (out of total 45678 connections/ meters) were mechanical meters and out of them only 359 mechanical meters were replaced by electronic meters during April 2015 to March 2016 and balance 6841 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 under which the Division could not replace the mechanical meters are awaited in audit.
- ii.** During April 2014 to March 2015, no raids were carried out by the division, while during 2015-16, only 215 raids were carried out against the target raids of 700 to ascertain unauthorized extraction of power and in 14 cases, penalty of ` 7.09 lakh was imposed and recovery of `7.09 lakh was made.

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

- iii.** Against total 47046 connections in March 2016, 5468 meters (11.62 *per cent*) were defective which was higher than the prescribed norms of UERC *i.e.* 2 *per cent*.

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.

Management in reply stated that due to old and lines and distribution system, the lines loss of the Division is at higher side. It also stated that in comparison of 2014-15, line loss in 2015-16 has decreased and the Division is also replacing the defective/ mechanical meters and also trying to stop the unauthorised extraction of the power by sudden checking.

The reply is not acceptable as due to higher T&D losses, the Division had loss the energy amounting to ` 5.40 crore.

Para 2 : - Blockade of funds due to excess damage of Transformers – ` 1.38 Crore.

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 damage of transformers should not exceed 3.0 *percent* of the transformers installed. During scrutiny of relevant records, it was noticed that during April 2014 to March 2016, the damage rate of transformers was on higher side than the norms fixed by the UPCL as detailed below:

(April 2014 to March 2015)

| Sl. No | Capacity of T/F (in KVA) | No. of T/F installed against each capacity | No. of T/F damaged | | 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 | 712 | 74 | 10.4 | 21 | 53 | 58000 | 3074000 |
| 2 | 63 | 112 | 20 | 17.8 | 03 | 17 | 98000 | 1666000 |
| 3 | 100 | 63 | 19 | 30.1 | 02 | 17 | 130500 | 2218500 |
| 4 | 250 | 34 | 03 | 08.8 | 01 | 02 | 459500 | 919000 |
| | Total | 921 | 116 | | 27 | 89 | | 7877500 |

(April 2015 to March 2016)

| Sl. No | Capacity of T/F (in KVA) | No. of T/F installed against each capacity | No. of T/F damaged | | 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 | 16 | 351 | 23 | 6.5 | 11 | 12 | 37600 | 451200 |
| 2 | 25 | 719 | 56 | 7.8 | 22 | 34 | 55000 | 1870000 |
| 3 | 63 | 117 | 16 | 13.7 | 04 | 12 | 101100 | 1213200 |
| 4 | 100 | 67 | 10 | 14.9 | 02 | 08 | 134600 | 1076800 |
| 5 | 250 | 34 | 4 | 11.7 | 01 | 03 | 442000 | 1326000 |
| | Total | 1288 | 109 | | 40 | 69 | | 5937200 |

A. Above revealed that against the prescribed norms of 3%, actual damage rate were ranged between 8.8 *per cent* to 30.1 *per cent* for the year 2014-15 and ranged between 6.5 *per cent* to 14.9 *per cent* for the year 2015-16 which were comparatively on higher side. As intimated by the Management total 236 (127 + 109) transformers damaged during the year 2014-16 were damaged due to lightning. It was also observed that in all the 236 cases transformers were damaged due to lightening, despite the facts that the lightening arresters (LA) were installed on the transformers. This indicates that the LAs installed on the transformers were not working at the time of lightening.

The damage of transformers in excess of the prescribed norms resulted in blockade of funds of ` 1.38 crore (0.79 crore + 0.59 crore).

B. Review of records revealed that as on March 2016, 309 damaged transformers (₹ 2.68 crore) were lying with the Division. These transformers were supposed to be sent to the repair division for getting them repaired. Non despatch of damaged transformers to the Transformer Repair Division resulted in blockage of fund of ₹ 2.68 crore.

In this regard reasons under which damaged transformers could not be sent to the repair division may please be furnished.

The management in reply stated that due to lightning and hard geographical territorial area, the damage of the transformers is at higher side.

The reply is not acceptable as due to damage of transformers above norms, the funds of ₹ 1.38 crore is blocked. Hence the damage rate of transformers has to be minimised up to the norms prescribed by the UPCL itself.

Para 3: Non issuance of Recovery Notice u/s -5.

A. 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 due 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 UP Electricity dues and recovery Act 1958 would be issued through concerned Dist. Authority. All such action for recovery of dues should be completed within six months.

During scrutiny of records, it was noticed that the division had issued recovery notice u/s 3 to 874 consumers amounting to ` 73.59 lakh (upto 09/2015) against which recovery of ` 58.82 lakh were made from 463 consumers and no notices were issued U/s -5 upto March 2016 against the defaulters who did not pay even after notice u/s-3. Issuance of notice u/s-5 to balance 411 consumers (`14.77 lakh) was also pending for more than six months. Non issuance of recovery certificate u/s 5 shows lack of proper pursuance of dues by the division. This resulted in blocking of fund of ` 14.77 lakh.

B. Further as per records, it was observed that 06 notices containing recovery of `10.36 lakh were pending realization with O/o the DM, Champawat in March 2014 against which recovery of ` 0.09 lakh was made from one consumer in 2014-15. It was also observed that no notices were issued U/s -5 during the 2014-15 and only 15 notices (` 2.87 lakh) served u/s 5 during 2015-16 against the permanent disconnection. Moreover, RC pending for realization of ` 10.25 lakh was never pursued after issuance of Section-5.

It indicates that the recovery of dues was not properly pursued.

Management stated that notice U/s-5 is being issued to consumers who have failed to pay their dues despite issue of notice U/s-3.

The reply is not acceptable as due to non issuance of the notices U/s-3&5 as per prescribed procedure the revenue as stated above could not be realised.

Para 4: Non realization of revenue amounting ` 10.48 Crore from UP Irrigation Deptt (Sharada Barrage and Sharada Residential Colony).

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 due 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 UP Electricity dues and recovery Act 1958 would be issued through concerned Dist. Authority. All such action for recovery of dues should be completed within six months.

U.P. Irrigation Department had two connections, one (K.No. 8050) in the name of Executive Engineer Sharada Barrage Banbassa Tanakpur, Champawat with a connected load of 250 KVA and other (K.No.8051) for Residential Colony, Banbassa with a connected load of 60KVA under the jurisdiction of this division. During the scrutiny of billing files and other relevant records it was seen that U.P. irrigation department was not depositing the billed amount since separation of the State. The accumulated amount of dues upto September 2016 was ` 10.48 crore (`5.63 crore for Sharda Barrage + ` 4.85 crore for Sharda colony).

Further, it was also observed that UP Irrigation Deptt intimated (August 2013 and Dec. 2015) that bill raised towards residential colony includes the bill of individual connections/unauthorised residents of the colony and the same should have been reduced from the bills. Accordingly, after adjusting the dues of ` 14.05 lakh relating to residential quarters, the Division raised (January2016) revised bills of ` 9.66 crore (5.17 crore and 4.49 crore). The accumulated dues increased to ` 10.48 crore in September 2016. Despite non receipt of dues regular electricity supply was being made to the UP Irrigation. This has resulted blockade of ` 10.48 crore and consequential loss of interest.

The Management in reply stated that a regular correspondence is being done with the irrigation department for realisation of the same. A committee has also been constituted on 08.10.2012 for resolving the issues between UPCL, UJVNL and UP irrigation department and the matter is being taken up at headquarters level.

The reply of the division is not convincing since despite lapse of considerable period huge dues of ` 10.48 crore are yet to be deposited by the UP Irrigation deptt. The matter is brought to the notice of higher authorities

Para 5: Short deduction of Liquidated damages of ` 6.85 lakh

Uttarakhand Power Corporation Limited (UPCL) entered into an agreement dated 03.01.2014 with M/s Fedder & Llyod Pvt. Ltd. for execution of the work of laying of LT Aerial bunch Cable with supply and erection of associated material, installation of consumer meters outside their premises and miscellaneous work on turnkey basis under State Plan with the value of ` 81.02 lakh in EDD Champawat. The completion period for above mentioned works was 6 months from the date of issue of letter of award *i.e.* 29-11-2013. However, Bill of Quantity (BOQ) of the said work in EDD Champawat was approved by the Superintending Engineer in 16 April 2015 and the same was forwarded to M/s Fedder & Llyod Pvt. Ltd. for execution of the work. As per clause 16 of agreement, for delay in completion in work, penalty @ 0.1 *percent* per day shall be leviable on the contract value subject to maximum 10 *percent* of contract value.

As per LOI was issued on 16 April 2015, the work should have been completed within six months *i.e.* by 16 Oct. 2015. During scrutiny of billing file & measurement book it was noticed that the contractor started the work of supply on 15-07-2015 and complete the same on 03-09-2015 whereas the erection work was completed on 31 January 2016 after the delay of 107 days which attracts the maximum penalty *i.e.* 10 *percent* of the contract value. Total penalty deducted for delay in completion of work by division was `1.25 lakh instead of deducting 10 *percent* of contract value *i.e.* ` 8.10 lakh. This has resulted in short deduction of penalty by ` 6.85 lakh.

The Management in reply stated that after re examination of the matter, the LD will be deducted from security deposit of the contractor.

The reply is not acceptable as the LD is yet to be recovered by the Division.

Part III

Detail of unsettled paras of previous inspection reports:-

| Sl. No. | Period | Part-II A | Part-II B |
|----------------|--------------------|------------------|------------------|
| 1. | 04/2003 to 03/2004 | 1 | 1,2,3 & 4 |
| 2. | 04/2004 to 03/2005 | 1 | 1,2,3 & 4 |
| 3. | 04/2005 to 03/2006 | 1 | 1,2 &3 |
| 4. | 04/2006 to 03/2007 | 1,2 &3 | 1,2 &3 |
| 5. | 04/2007 to 03/2008 | 1& 2 | 1,2,3 & 4 |
| 6. | 04/2008 to 03/2011 | 1 | 1,2,3, 4& 5 |
| 7. | 04/2011 to 03/2014 | 1 | 1,2,3 & 4 |

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) Uttrakhand, Dehradun expresses gratitude towards Executive Engineer, Electricity Distribution Division , Champawat 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. Chandan Singh Vastain | Executive Engineer |
| (ii) | Shri. Nandan Singh Khati | Executive Engineer |
| (iii) | Shri. Chandan Singh Vastain | Executive Engineer |
| (iv) | Shri. Rajesh Kumar Morya | Executive Engineer |
| (v) | Shri. Chandan Singh Vastain | Executive Engineer |
| (vi) | Shri. Rajesh Kumar Morya | Executive Engineer |
| (vii) | Shri. Amit Pawan Singh | Executive Engineer |
| (viii) | Shri. Rajesh Kumar Morya | Executive Engineer |
| (ix) | Shri Prakash Ram Veri | Divisional Accountant |
| (x) | Shri. Mukesh Chandra Pant | Divisional Accountant |

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