

This Draft Inspection Report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division (Rural), 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 (Rural), 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 Roshan Lal Sharma, Assistant Audit Officer and Shri Khub Chand, Assistant Audit Officer under the supervision of Shri B.C. Suyal, Sr. Audit Officer 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 Vikas Dhyani, Assistant Audit Officer and Shri Sunil Verma, Auditor 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 (Rural), Haldwani is to distribute electricity to the rural areas of Haldwani and keep as well as strengthen the electricity distribution system. The geographical jurisdiction of the division is Haldwani rural area.

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

Electricity Distribution Division (Rural), 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 February 2016 month was selected for detailed examination.

(iii)

(` In lakh)

Year	Revenue	Expenditure	Profit
2015-16	9698.61	88.84	9609.77

(To the extent this information is available & applicable)

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

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

Part II A

Para 1: Non realization of additional security of ` 1.34 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 ` 1.34 Crore was demanded. It was, observed that notice for depositions of additional security were issued on 30 July 2016. Thus there was delay in issuance of notice to the consumers for deposition of additional security. However, the additional security was yet to be deposited (October 2016) as per details given in Annexure-1.

It was also observed that out of total additional security of ` 1.34 crore, ` 0.04 crore was to be deposited by the government consumers and balance ` 1.30 crore by non-government consumers. However, none of the consumers 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 ` 1.34 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.

Management in reply stated that amount of additional security will be charged in future bills.

The reply is not acceptable as additional security of ` 1.34 crore is yet to be realised.

Part II B

Para 1: - Non-realization of revenue.

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 month.

Scrutiny of records, revealed that as on March 2016 huge amount of ` 7729.97 lakh was pending realization from different categories of consumers as detailed below:

` (In Lakh)

Sl. No	Particulars	Arrear (14-15)	Arrear (15-16)	Arrear Increase
(A) Govt. Consumers				
I	Public Lamps	19.48	21.71	2.23
II	World Bank Tube wells/State tube wells	4740.83	5619.63	878.80
III	Jal Nigam	37.42	61.82	24.40
Total (A)		4797.73	5703.16	905.43
(B) Non-Government Consumers				
IV	Domestic and Residential	51.20	52.21	1.01
V	Commercial	86.10	93.67	7.57
VI	LT Industry & HT Industry	1852.24	1878.91	26.67
VII	Mixed Load	1.53	2.02	0.49
Total (B)		1991.07	2026.81	35.74
Grand Total (A+B)		6788.80	7729.97	941.17

It was noticed that total electricity dues which were ` 6788.80 lakh (Government-` 4797.73 lakh+ Non-Gov ` 1991.07 lakh) as on March 2015 increased to ` 7729.97 lakh in March 2016.

It revealed that during 2015-16 the outstanding dues increased by ` 941.17 lakh. It is also clear that out of total dues of ` 7729.97 lakh, ` 2026.81 lakh (26 per cent) were recoverable from non-government consumers and balance ` 5703.16 lakh (74 per cent) were recoverable

from government consumers. Pendency of huge dues against government as well as non-government consumers revealed that the recovery of the dues was not pursued vigorously. Review of top 100 defaulters (non-government consumers) as on October 2016 revealed that an amount of ` 0.67 crore was recoverable from 01 to 74 months whereas from top 100 government consumers an amount of ` 67.24 crore was recoverable from 03 to 73 months as on October 2016.

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 position of the UPCL will further deteriorate.

Management in reply stated that sub-divisional officers were being instructed to recover balance dues from the defaulting consumers and efforts were also being done at divisional level.

Reply is not acceptable as total dues which were ` 67.88 crore in March 2015 increased to ` 77.29 crore in March 2016.

Para 2: Hiring of manpower through Self help Group.

As there was shortage of manpower, work relating to maintenance of Lines and Sub-stations was being carried out through subcontracting the work. As agreement entered into April 2014 expired in April 2015, a fresh proposal to hire 5 persons for maintenance of Lines and sub-stations was submitted, to carryout the work through hiring of manpower from Self Help Group (SHG) which was approved in August 2015.

EDD, Haldwani floated (7 August 2015) an enquiry for supply of manpower from SHG at rates fixed by Corporate office. Only one bid from M/s Jagnath Swayam Sahayata Samooh, Kamaluwaganja, Haldwani was received. Accordingly work was awarded (September 2015) to M/s Jagnath at a total contract value of ` 6.44 lakh for a period of 12 months @ `10736 per employee as fixed by the Corporate office. The total amount ` 10736 included ` 957.46 on account of EPF. The contractor is supposed to deposit the EPF amount to the EPFO for crediting the same in the account of the concerned employee.

Since amount of EPF is being paid by the UPCL, the Corporation should ensure that employees as well as employer's share of EPF contribution is regularly being deposited by the contractor. Audit noticed that no clause in the contract was inserted to enforce the contractor to produce the evidence (photo copy of deposit slip etc.) that the EPF is being deposited by the contractor.

Management accepted the fact and assured that requisite clause would be incorporated to enforce the contractor to produce the evidence of deposition of EPF slip in future agreements. The matter will be watched in next audit.

Para 3: Non issuance of Recovery Notice u/s -5 amounting to ` 342.29 lakh

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 District 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 669 consumers amounting to ` 342.81 lakh (upto 09/2015) against which recovery of `0.02 lakh were made from two consumers and seven notices of ` 0.52 were issued U/s -5 upto March 2016. However, issuance of notice u/s-5 to balance 660 consumers (`342.29 lakh) was pending for more than six months as per above mentioned manual. 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 ` 342.29 lakh.

B. Further as per records, 93 notices(` 12.10 lakh) served u/s 5 during 2015-16 and prior to that were returned by the district authority to the Division without effecting any recovery due to incomplete address (name of the father of the consumer was not mentioned), the defaulter had died, the consumer had no immoveable property etc. The division was to verify all such returned notices to see whether the consumer or his successor is residing at the said address. However, no further action (forwarding of said notices to the concerned division for further verification) has been initiated by the division in respect of returned notices so far. Non taking of any action relating to notices returned by the district authority has resulted in blocking of funds of ` 12.10 lakh.

Reply is not acceptable as notice u/s 5 against the consumers worth ` 342.29 lakh were yet to be issued. Further, requisite action relating to the notices u/s 5 returned back (` 12.10 lakh) from district authority was also yet to be taken by the division.

Para 4: Short deduction of Liquidated damages of ` 0.84 lakh

Uttarakhand Power Corporation Limited (UPCL) entered into an agreement dated 03.01.2014 with M/s Fedders & 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 `1.86 crore. The completion period for above mentioned works was 6 months from the date of issue of letter of award *i.e.* 29-11-2013. As per clause 15 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 the LOI Was issued on 29 November 2013, the work should have been completed within six months *i.e* by 28 May 2014. During scrutiny of billing file & measurement book it was noticed that the contractor started the work on 06-07-2014 and completed the same on 03-05-2016 after a delay of one year 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 `17.76 lakh instead of deducting 10 *percent* of contract value *i.e.* ` 18.60 lakh. This has resulted in short deduction of penalty by ` 0.84 lakh.

Management in reply stated that balance amount if any would be recovered from the contractor security.

The matter will be watch in next audit.

Part III

Detail of unsettled paras of previous inspection reports:-

Sl. No.	Period	Part-II A	Part-II B
1.	October 2006 to September 2007	1,2,3 & 4	1 & 2
2.	October 2007 to September 2008	01	02
3.	October 2008 to March 2011	01	--
4.	April 2011 to March 2013	01	--
5.	April 2013 to March 2014	01	1,2,3, 4 & 5
6.	April 2014 to March 2015	01	1,2 & 3

Compliance report of unsettled paras of previous inspection report-

Inspection report period and number	Para Audit observation No.	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 (Rural), 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:**

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. Amit Anand	Executive Engineer
(ii)	Shri. M. C. Joshi	Divisional Accountant (works)
(iii)	Shri Kamlesh Duggal	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