

This Audit Inspection Report has been prepared on the basis of information provided by Office of the DGM Hydro Generation Circle (UJVN Ltd.), Dakpathar. 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 O/o the DGM Hydro Generation Circle (UJVN Ltd.), Dakpathar for the period April 2019 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 the Companies Act, 2013. Audit Inspection was conducted by Shri Amit Kumar, AAO and Shri Naveen Rawat, Auditor under the supervision of Ms. Usha Singh, Sr. Audit Officer during the period from 19 January 2021 to 27 January 2021.

### **Part-I**

1. **Introduction:-** The last audit of this unit was carried out by Shri Khub Chand, AAO and Shri Nishant Choudhary, Auditor under the supervision of Ms. Usha Singh, Sr. Audit Officer in which accounting records of the period from October 2015 to March 2019 were generally examined. In current audit, accounting records of the period from April 2019 to March 2020 were generally examined.

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

The DGM Hydro Generation Circle (UJVN Ltd.), Dakpathar is engaged in generation of hydro power through Chibro & Khodri Power House and electricity distribution in the premises of UJVN Dakpathar. The Khodri Power Station comprises of 4 units of 30 MW each and the Chibro Power Station comprising of 4 units of 60 MW each. Both Power Stations are Run-of-River scheme on river Tons located upstream of Dakpathar with the installed capacity of 360 MW. Geographical jurisdiction of the division is Dakpathar in Uttarakhand State.

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

Office of the DGM, Hydro Generation Circle (UJVN Ltd.), Dakpathar 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. The expenditure for the month of December 2019 was selected for detailed review and May 2019 was selected for arithmetical accuracy.

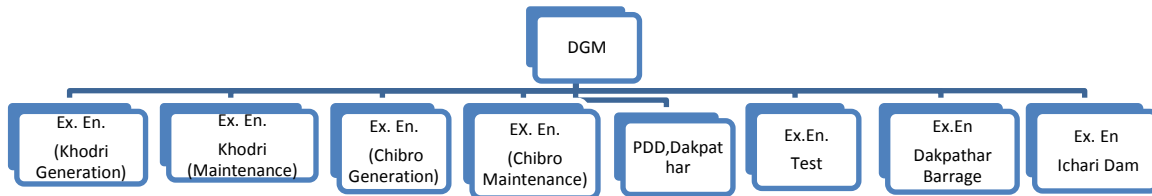
(iii) Details of Revenue and Expenditure

( in lakh)

Period	Revenue	Expenditure	Profit
2019-20	--	700.79	--

**(iv) Organisational structure of the unit and reporting lines.**

The office of Deputy General Manager, Hydro Generation Circle (UJVN Ltd.), Dakpathar is an electricity generation division of UJVN Limited which is officiated by the Deputy General Manager.



## Part II-A

### Para 1:- Avoidable expenditure of ` 80.64 lakh

UJVN Ltd. entered in to an agreement (18 April 2016) with WAPCOS Ltd. on single quotation basis at a cost of ` 18 lakh *plus* Service Tax for preparation of DPR and Tender document for renovation, modernization and up gradation of ventilation system of Chilla Power Station. Accordingly, WAPCOS Ltd. submitted (30 September 2016) DPR for the same costing ` 12.81 crore.

The DPR was approved by UJVN Ltd. and the work was awarded (02 February 2017) to M/s Root Cooling System (M/s RCS) at a cost of ` 13.86 crore. The Letter of Intent (27 December 2016) was issued and work was started from 03 January 2017. The work was to be completed by 26 June 2017 within 180 days from the date of LoI.

In compliance to the Uttarakhand Procurement Rules Section 51 (2), UJVN Ltd. appointed (03 January 2017) M/s WAPCOS Ltd. as Third Party Inspection Agency (TPIA) also for the same work at a cost of ` 69.00 lakh ( ` 5.75 lakh per months) for a period of 12 months on single quotation basis. As the TPIA for the work, WAPCOS was responsible for the approval of the drawings/designs but during the execution of work by M/s RCS there was a delay in approving the Drawings/ documents ranging between 22 to 142 weeks. There was also a delay of 142 weeks in finalisation of Chilled Water Cooking Coil for Re-circulation Room and change in location of Chiller Plant. Thus a time extension request (September 2020) was submitted by M/s RCS and the same was approved and granted upto March 2021.

After the expiry of the contract period with WAPCOS as a TPIA, its contract was not extended further by UJVN Ltd., citing reasons such as (i) delay in approval of drawings, (ii) selecting imperfect location of Chiller Plant and (iii) delay in finalization of award of additional civil works of chiller room foundation and extension of MAU Room.

Thereafter the work of TPIA was awarded (26 October 2020) to Uttarakhand Petroleum & Energy Studies, Dehradun (UPES) due to reasons cited above.

During the review of records it was observed that:

1. Though the WAPCOS had prepared the DPR of the project, it was appointed as the TPIA which is not in consonance with the Uttarakhand Procurement Rules as it creates a room for conflict of interest.
2. WAPCOS, as the TPIA, was to approve the designs and drawings of the DPR which was prepared by itself. In this there was inordinate delay at its end. Further, the payment for

TPIA was fixed on monthly basis and was not linked with the progress achieved by the TPIA with reference to the approval of drawings/designs. This resulted in regular payment to the TPIA irrespective of the fact that the work suffered an inordinate delay.

3. The additional work<sup>1</sup> amounting to ` 1.55 crore was proposed by TPIA and approved by UJVN Ltd. in December 2018 without conducting the physical verification of site. After the physical verification in May 2019, it was noticed that location for construction of the chiller foundation was not feasible. Thus, UJVN Ltd. approved the drawings as well as estimate before knowing the feasibility of the same just on the proposal of TPIA. The current TPIA in its report dated 10 November 2020 advised to relocate<sup>2</sup> Chiller Plant which could avoid the additional work of ` 1.55 crore awarded earlier to M/s RCS and cost of relocation of chiller plant to 220 kV switchyard as reduced ` 1.18 crore only. Accordingly revised order for the work was awarded (December 2020) to M/s RCS at a cost of ` 14.53 crore. Thus, it saved ` 0.88 lakh<sup>3</sup> in overall contract value.

Hence, with reference to above, UJVN Ltd. approved an incomplete/ faulty DPR. Further, the work of third party inspection was awarded to WAPCOS who prepared the DPR. Also the additional work was awarded to RCS Limited without knowing the feasibility of location of chiller plant.

This shows the lackadaisical approach and negligence on the part of management of UJVN Ltd, which resulted in avoidable expenditure of ` 80.64 lakh as payment in lieu of third party inspection and further caused delay in commissioning of ventilation system in CPS.

The reply is awaited.

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<sup>1</sup> additional protection/ strengthening work of chiller & exhaust blower rooms, extension of Makeup Air Unit (Blower) room and for fabrication/ making of walkway between Makeup Air Unit to the chiller plant room and construction of staircase (approach) from road to chiller plant room

<sup>2</sup> from EL 535 in river to 220 KV switchyard at CPS

<sup>3</sup> Original contract value ` 13.86 crore plus ` 1.55 crore (as proposed by previous TPIA) ` 15.41 crore less Revised work order at the recommendation of second TPIA ` 14.53 crore= ` 0.88 crore

**Para 2:- Non adherence to UERC orders, resulting in avoidable expenditure of ` 7.89 crore**

According to Section 12 (b) of Electricity Act, 2003 (Authorized persons to transmit, supply, etc., electricity): No person shall

(a) transmit electricity; or

(b) distribute electricity; or

(c) undertake trading in electricity,

unless he is authorized to do so by a license issued under section 14, or is exempt under section 13. Thus, with the advent of the Electricity Act, 2003 (the Act), distribution of electricity became a licensed activity under section 14 read with section 12 of the Act. With this, Uttarakhand Power Corporation Limited (UPCL) became the sole distribution licensee of the State under the aforesaid provisions of the Act.

Further, Uttarakhand Electricity Regularity Commission (UERC) vide its order on Generation Tariff of UJVN Ltd for FY 2011-12 dated 10 May 2011 directed that *“UJVN Ltd. as well as UPCL to resolve this issue amongst them and report compliance to the Commission within 6 months of the date of this Order. The Commission further directs the UJVN Ltd. to transfer the net revenue realized upto 2010-11 after deducting its costs to UPCL as revenue earned from sale of power to sundry consumers is legally not allowed to it in absence of proper licence for the same.”*

In this context, in tariff order dated 29 March 2017, UERC further stated that *“the Commission in its subsequent Tariff Orders directed the Petitioner to handover the distribution of other consumers to UPCL. In absence of any progress in the matter, the issue was taken up during the 6th Co-ordination Forum Meeting held on 06.01.2015, in which the Commission directed both the Managing Directors to resolve the matter on top priority and asked Secretary, Energy, GoU to monitor the progress of the same.”*

Audit noticed that PDD, Dakpathar has incurred an amount of ` 7.89 crore as O&M expenses during the period 2019-20 on repair, maintenance and operation of the distribution system of its colony instead of transferring the system to UPCL.

Had UJVN Ltd. adhere to the above orders of UERC with respect to transfer of distribution system to UPCL, the above expenditure of ` 7.89 crore could have been avoided.

The reply is awaited.

**Sr. Audit Officer/AMG-II**

## **Part II B**

### **Para 1: Non recovery of Electricity dues from M/s Gammon Engineers amounting to ` 1.93 crore.**

The work of electricity distribution in residential colony of staff, offices of UJVNL, Irrigation Department, Schools, different shops in the colonies and others is carried out by Executive Engineer, Project Development Division (PDD), Dakpathar under the control of Hydel Generation Circle, Dakpathar.

During the review of records, it was seen that one of the contractors M/s Gammon Engineers and Contractors Pvt. Limited is involved in the construction works of the Vyasi Power Project. Two electricity connections have been given to the contractor. However, the billing of the power consumption of the contractor in the Vyasi Project is under the jurisdiction of the PDD, Dakpathar. The records pertaining to the pending electricity dues of the division revealed that as on 31 March 2020 an amount of ` 1.93 crore is outstanding against M/s Gammon Engineers. While the contractor is being paid his running bills by the Vyasi Project, the burden of non-payment of the dues is being borne by the PDD.

During the discussion with the officials of the PDD, it was apprised to audit that since August 2019, the electricity dues are being deducted from the running bills of the contractor by the Vyasi Power Project and the same is being deposited in the PDD. Despite of the above practice, there are outstanding dues amounting to ` 1.93 crore as on 31 December 2020.

The reply is awaited.

**Para 2: Non disposal of scrap material.**

The O/o DGM, Hydro Generation Circle (UJVN Ltd.), Dakpathar is responsible for generation of electricity at Khodri and Chibro power house and Power Distribution in various areas. For operation and maintenance of power station it maintains different components/spares from the market and uses it on need basis. The broken items/scrap items are required to be sold in the market at the earliest so the funds realized could be utilised elsewhere.

During the course of audit, a review of physical verification reports pertaining to the division revealed that scrap/obsolete material pertaining to Khodri and Chibro having an original cost of ` 50.60 lakh was lying (December 2020) in the Central Stores Division since the disposal of previous stock, two years ago. Non-disposal of the above scrap/obsolete material shall further deteriorate the condition of the material resulting in under realization of the value of scrap/obsolete material when disposed off. Also old and obsolete material must be disposed off at the earliest as they involve \expenditure on watch and ward and also occupy precious store place.

Thus, due to non disposal of the unused/unserviceable stock, the material may deteriorate and the funds realized from the disposal may be utilized in the working capital of the Nigam.

The reply is awaited.

### Para 3: Deficiencies noticed in the tender process.

In order to ensure the smooth functioning of the Power houses – Khodri and Chibro and the Power Distribution Division various works/contracts are executed by the concerned Executive Engineers. The works pertain to the procurement of the essential supplies, repair & maintenance of the power house, upkeep of colonies, operation and maintenance of the distribution systems, major rehabilitation and maintenance of the generating units.

A test check of the records pertaining to the contracts/agreements was conducted and the following shortcomings were noticed:

1. All the tenders called for in the division are item rate for which the BOQ are invited. This implies that the quantities and items are specified clearly in the NIT and the competent bidders are required to quote the rate for each mentioned item. However it was seen that in some cases the contractors were quoting a lump-sum amount for the bid and the same was being considered eligible by the tender reviewing committee. In some cases even the work was awarded to the bidder who quoted the lump-sum value for the work. Since, the tender documents clearly specify the requirement of quoting the rates for the items, such a practice of accepting the lump-sum value of work is not in adherence to the NIT. Two such cases are stated below for reference.

Sl.No.	Name of the Work	Value of the Work
1.	Annual maintenance of Generator of M/c Khodri Power Station (Ag no. 07/2019-20)	₹ 15.27 lakh Contract awarded to the bidder who had quoted lump-sum rates.
2.	Up-keeping of feeder channel and cleaning of its chamber trash racking non monsoon period (Ag. No. 10 2019-20)	₹ 09.79 lakh Contract awarded to the bidder who had quoted lump-sum rates.

In both the above mentioned contract, the work was awarded to the bidder who had quoted lump-sum rates.

2. The NIT floated for an open tender indicates that the division is seeking competitive rates for the concerned work. The review of the records revealed that in many cases the only two bidders participated in the bidding process. In none of the cases, time extension was permitted so that more bidders can participate. Considering only two bids in an open tender does not justify the essence of competition due to which open bids are called for. The division should ensure sufficient efforts at its end to ensure



more and more participation in the bidding process so that benefits of competitive bidding may be achieved. Some cases are enumerated below for reference.

Sl.No.	Name of the Work	Value of the Work
1.	Replacement and commissioning of Guide Vane Servomotors for 60 MW Unit 01 of Chibro Power Station (Ag.19/2019-20)	₹ 19.64 lakh
2.	Operation of 33/11KV substation Chibro (Ag. No.04/2019-20)	₹ 11.68 lakh
3.	On site servicing/ reconditioning of rotor poles of unit no.4 at Khodri Power Station (Ag. No16 2019-20)	₹ 12.71 lakh
4.	Supply of spare parts and overhauling and gasketing of generator transformer 69 MVA, 11/220 kV (Ag no-11 2019-20)	₹ 30.85 lakh

In the above works only two bidders participated in the bidding process and the lower among the two was awarded the work.

3. **Non submission of Performance Guarantee:** According to Uttarakhand Procurement Rules, 2017, a minimum Performance Bank Guarantee of five *percent* (maximum may be at the discretion of the company depending on the contract requirement) is required to be collected from the successful contractor. During the review of the agreements/contracts it was seen that the division does not follow the practice of collecting the performance guarantee from the contractor, instead deducts an amount equivalent to ten *percent* of the running bill of the contractor. This retention money is only available with the division in case the work is being performed, however, due to non availability of the performance guarantee at the time of agreement; the division has no means to financially secure/safeguard itself in the event of non completion/non commencement of work due to any reason. Some cases are enumerated below for reference.

Sl.No.	Name of the Work	Value of the Work
1.	In Situ Annual Maintenance of turbines of unit 1,2 &3 Khodri (Maintenance) Ag no. 8/EE/MK/2019-20	₹ 32.56 lakh.
2.	Annual maintenance of Generator and associated equipment of unit 1,2&4 Chibro Power House (Ag no. 09/EE/CH/G-2019-20)	₹ 28.77 lakh.
3.	Renovation, Modernization and Up gradation of ventilation system of Chilla Power Station (Ag no. CH(Gen)-19/2016-17)	₹ 145.20 lakh.

### **Part III**

Detail of unsettled paras of previous inspection reports:-

<b>S. No</b>	<b>Period</b>	<b>Part-II-A</b>	<b>Part-II-B</b>	<b>Total</b>
<b>1.</b>	04/2004 to 03/2005	-	2	1
<b>2.</b>	04/2005 to 09/2006	1,2,3,	-	3
<b>3.</b>	09/2006 to 06/2007	-	3	1
<b>4.</b>	07/2007 to 9/2014	--	1 to 5	5
<b>5.</b>	10/2014 to 09/2015	--	2	1
<b>6.</b>	10/2015 to 03/2019	1,2	1,2, 3 & 4	6

### **Compliance report of unsettled paras of previous inspection report-**

For furnishing of reply of the outstanding paras of old Inspection Reports an audit Memo number 1053 book number 31 was issued to the Division. In turn, division did not submit the replies through proper medium.

### **Part IV**

#### **Best practices of the unit**

NIL

### **Part V**

#### **Acknowledgement**

1. Office of The Principal Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards DGM Hydro Generation Circle (UJVN Ltd.), Dakpathar 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:**

<b>Sr. no.</b>	<b>Name</b>	<b>Post</b>
(i)	Shri K.K. Jaiswal (12.03.2019 to till date)	Deputy General Manager
(ii)	Shri Bijendra Kumar (01.10.2015 to till date)	Dy. Chief A/c Officer

Reply to the Audit Inspection Report may be sent to Deputy Accountant General/AMG-II, Office of the Principal Accountant General (Audit), Mahalekhakar Bhawan, Kaulagarh, Dehradun- 248195 within one month of receipt of the letter.

**Sr. Audit Officer/AMG-II**