

This Inspection Report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Bageshwar. 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, Bageshwar for the period from October 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 Roshan Lal Sharma, Assistant Audit Officer, Shri Amit Kumar, Asst. Audit Officer and Shri Khub Chand, Assistant Audit Officer under the supervision of Shri B.C. Suyal, Sr. Audit Officer during the period from 21.11.2016 to 28.11.2016 and covered the period from October-2014 to March 2016.

Part-I

Introduction:- The last audit of this unit was conducted by Shri Amit Kumar, Asst. Audit Officer, Shri Khub Chand, Asst. Audit Officer and Shri Sunil Garg, Auditor under the supervision of Shri B. C. Suyal, Sr. Audit Officer, in which accounting records for the period April 2013 to September 2014 were examined.

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

The main function of the Electricity Distribution Division, Bageshwar is to distribute electricity in all area of district Bageshwar, raise bill on consumers and realize that as well as strengthen the electricity distribution system.

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

Electricity Distribution Division, Bageshwar 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 October 2014 & February 2016 month were selected for detailed examination.

(iii) (` in lakh)

Year	Revenue/Realised	Expenditure	Profit
2015-16	1394.15	772.66	N.A.*

(To the extent this information is available & applicable)

*Profit not worked out of division level.

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

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

Part II A

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Part II B

Para 1: Avoidable loss of energy in distribution – ` 2.51 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 *per cent* and 15.00 *per cent* 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 10/2014 to 3/2015 and 2015-16 T&D losses were 24.04 *per cent* and 28.92 *per cent* against the allowable norms of 15.50 *per cent* and 15.00 *per cent* respectively fixed by the UERC. Thus the transmission losses were higher than the prescribed norms. Excess T&D losses resulted in loss of ` 2.51 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	
		10/2014 to 3/2015	4/2015 to 3/2016
1	Energy received during the period	30.974 M.U.	59.460 M.U.
2	Sale of Energy	23.526 M.U.	42.267 M.U.
3	Loss of Energy (1-2)	(24.05%) 7.448 M.U.	(28.92%) 17.193 M.U.
4	Permissible Loss as per norms (15.5 % & 15 %)	4.801 M.U.	8.919 M.U.
5	Avoidable loss of energy in distribution (3-4)	2.647 M.U.	8.274 M.U.
Cost of avoidable loss of energy = 10.921 X 10,00,000 X 2.30 = ` 2,51,18,300, Say ` 2.51 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 September 2014, there were 6284 mechanical meters. During the period from October 2014 to March 2016 only 352 mechanical meters were replaced by electronic meters and balance 5932 mechanical meters were yet to be replaced till 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. UERC has fixed a target of 700 raids to be carried out by each division in a year (minimum 58 in a month) to check connections to detect theft. Against the target of 700 raids, only 193 raids were carried out during 2015-16. Thus the Division failed to achieve the target of raids as advised by the UERC. 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.

III. Against the total 49127 connections in March 2016, 5844 meters (11.90 *per cent*) were defective which was higher than the prescribed norms of UERC *i.e.* 2 *per cent*.

Above revealed that 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 all requisite efforts would be taken to keep the energy loss within the prescribed limit.

Reply is not acceptable as energy loss was on very higher side than the prescribed limit.

Para 2: Short deduction of penalty of ` 16.65 lakh from the contractor.

Uttarakhand Power Corporation Limited (UPCL) entered into an agreement dated 11 December 2014 with M/s Pooja Electricals, Aligarh, Uttar Pradesh for execution of construction of 11 KV Feeders (Karmi-7 Km, Baghar-8 Km, Bacham-20 Km) and repairing of existing LT & 11 KV lines and replacement of DTRs in Kapkot area of Bageshwar district at a total contract value of ` 215.35 lakh (Supply ` 162.76 lakh & Erection ` 52.58 lakh) on turnkey basis.

As per terms of contract the work was to be completed in 9 (nine) months from the date of right of way/ forest clearance (if required). Further, for delay in completion of work, penalty @ 0.1 *percent* per day subject to maximum 10 per cent of the cost of work was leviable. Thus on delay of 100 and above days, As per contractual terms the work should have been completed by 10 September 2015. However, the work was yet to be completed (October 2016) despite delay of 14 months. The contractor had completed the work of ` 182.21 lakh till May 2016. Work carried out thereafter is yet to be measured and billed by the contractor. Against the work completed, the division has released payment of ` 137.20 lakh after deducting penalty of ` 1.57 lakh only till (May 2016). As the work has already been delayed by more than 14 months, penalty @10 *per cent* (18.22 lakh) should have been deducted. However, the division has deducted penalty of ` 1.57 lakh only.

This has resulted in short deduction of penalty by ` 16.65 lakh.

Management in reply stated that the balance penalty will be deducted/adjusted against the forthcoming bills/security retained by the Corporation. The progress would be watched in next audit.

Para 3: Non realization of additional security of ` 19.78 Lakh

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 (from whom additional security of ` 10,000 and above was recoverable) revealed that the Division had demanded additional security of ` 19.78 lakh (government consumers-` 1.63 lakh and non-government consumers- ` 18.15 lakh) through monthly bill (May 2016). However, additional security was yet to be deposited (October 2016) by all the consumers. Audit noticed that after demanding the additional security in May 2016, no further notice/reminders were issued to the defaulters to force them to deposit the additional security till date (October 2016). Thus there was inordinate delay in issuance of notices/reminders to the consumers. The additional security was yet to be deposited (October 2016) as per details given in Annexure-1. 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 ` 19.78 lakh.

Management in reply stated (November 2016) that out of ` 19.78 lakh, major amount of ` 10.56 lakh is recoverable from M/s Almora Magnesite and as per records of the division, no initial security was deposited by the consumer. However, the same has to be verified from the records of EDD, Almora as initially the consumer was under the jurisdiction of EDD, Almora. It is also stated that other cases are also being pursued.

Facts remained that the amount of additional security is yet to be realized. Progress will be watched in audit.

Para 4: Non issuance of Recovery Notice u/s-5 amounting to ` 658.79 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 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 3900 consumers amounting to ` 684.41 lakh upto March 2016. Against which recovery of ` 25.62 lakh was effected from 81 consumers. Thus Notice u/s 5 should have been issued to the balance 3819 consumers worth ` 658.79 lakh. However, issuance of notice u/s-5 were 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 ` 658.79 lakh.

Management in reply stated that due to shortage of manpower, work relating to issuance of Section 5 to the defaulting consumer has been delayed and efforts would be made to issue the same on priority.

Para 5: Non- realization of dues due to inappropriate monitoring of Recovery Certificates ` 21.41 lakh

As per Indian Electricity Act 2003, the payment of electricity dues should be made within due date mentioned in the bill. In case of default in payment by the consumers, the supply is required to be disconnected after seven days and a demand notice under section 3 of Dues Recovery Act 1958 (giving 30 days notice) is to be sent. If payment not received, a Recovery Certificate (RC) under section 5 of the said act is to be sent to the District Magistrate to recover the dues as land revenue. For effective recovery, proper pursuance of RCs issued is required.

Review of records revealed that during the period 2001-02 to 2015-16, the Division had submitted 202 RCs worth ` 27.55 lakh to the district authority. Against RCs of ` 27.55 lakh recovery of ` 6.14 lakh was made from 83 consumers. 75 RCs valuing ` 15.46 lakh were returned back by the district authority on the grounds such as (i) the defaulter has died (ii) the consumer was not residing at the said address (iii) the defaulter did not have movable/ immovable property to recover the dues (iv) in the absence of father's name of the consumer, the notice could not be served etc.

To recover the dues from the defaulting consumers, the Division is required to resubmit the RCs to the DM Office after carrying out requisite corrective action. It was, however, observed that the said returned RCs were yet to be resubmitted to o/o The DM, Bageshwar, for collection of dues.

Further, against the 44 RCs pending for collection with district authority (` 5.95 lakh) as on March 2016, 40 RCs (` 3.13 lakh) were issued in 2001-03.

It indicates that the recoveries of the RCs worth ` 21.41 lakh (` 15.46 lakh + ` 5.95 lakh) were not pursued properly.

Management in reply stated that all the 75 notices have been sent to the sub-divisional office for further necessary action.

Reply is not acceptable as the dues are yet to be collected.

Para 6: - Non receipt of Revenue Receipt Books.

As per letter no 1226/m0ik0dk0yh0/com/g-83 dated 23 May 2008, Revenue Receipt Book 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 July 2014 to March 2016, total 3225 Revenue Receipt Books were issued to the various officials of the division/sub-division for collection revenue. However, all these Revenue Receipt Books are yet to be returned (October 2016) by the concerned officials.

It was noticed that though the date-wise recording of issuance of Revenue Receipt Books and Revenue Receipt Books received back is being done but number of Revenue Receipt Books pending with any officials is not being worked out. This resulted in issuance of further Revenue Receipt Books to the officials without receiving back of used Receipt Book from the officials.

As Revenue Receipt Books 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 concerned officials are being instructed to deposit the utilized receipt books.

Reply is not acceptable as revenue receipt books are yet to be deposited despite a lapse of long duration.

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.	01/2008 to 11/2008	01	01 to 03	04
2.	12/2008 to 09/2010	01	01 to 04	05
3.	10/2010 to 09/2011	02	02 to 03	04
4.	10/2011 to 03/2013	01	01 to 04	05
5.	04/2013 to 09/2014	--	01 to 06	06

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, Bageshwar and their officers and employees for promptly providing desired documents and information including infrastructure related co-operation during the course of audit.
2. Though following documents were not produced during audit:
NIL
3. Persistent irregularities.
NIL
4. The following officers held the charge of head of the office during the audit period:

SI No	Name	Designation	Period
1	Shri. Deen Dayal Pangty	Executive Engineer	04.06.2013 to 18.06.2015
2	Shri Bhakar Pandey	Executive Engineer	19-06-2015 to 31-03-2016
3	Shri. Deepak Pandey	Divisional Accountant (W&R)	21-02-2014 to 15-10-2016
4	Shri Kamlesh	Divisional Accountant (W&R)	02-09-2016 to till date

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