

This Inspection Report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Dharchula. 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, Dharchula for the period since inception to September 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 14.11.2016 to 19.11.2016.

### **Part-I**

1. **Introduction:-** the transaction audit of this unit has been conducted for the first time.

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

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

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

Electricity Distribution Division, Dharchula 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, March 2016 & June 2016 months were selected for detailed examination on the basis of highest expenditure.

Year	Revenue (₹)	Expenditure (₹)	Profit
08/2014 to 09/2016	159019804.96	224467149.50	N.A.*

(To the extent this information is available & applicable)

\*Profit not worked out at division level.

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

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

**Part II (A)**

-----NIL-----

## Part II(B)

### **Para1: Avoidable loss of energy in distribution – ` 2.55 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 *per cent* of energy received for the period 2015-16 and 2016-17 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 2015-16 and 4/2016 to 9/2016 T&D losses were 31.59 *per cent* and 34.66 *per cent* against the allowable norms of 15 *per cent* for both years fixed by the UERC. Thus transmission losses were on very higher side than the prescribed norms. Excess T&D losses resulted in loss of ` 2.55 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 3/2016	4/2016 to 9/2016
1	Energy received during the period	42.516 M.U.	20.495 M.U.
2	Sale of Energy	29.084 M.U.	13.391 M.U.
3	Loss of Energy (1-2)	(31.59%) 13.432 M.U.	(34.66%) 07.104 M.U.
4	Permissible Loss as per norms (15 <i>Per cent</i> )	6.377 M.U.	3.074 M.U.
5	Avoidable loss of energy in distribution (3-4)	7.055 M.U.	4.030 M.U.
Cost of avoidable loss of energy = 11.085 X 10,00,000 X 2.30 = ` 2,54,95,500, <b>Say ` 2.55 crore</b>			

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, 4896 meters were mechanical meters and out of them only 240 (144+96) mechanical meters were replaced by electronic meters during April 2015 to September 2016 and balance 4656 mechanical meter were yet to be replaced as on September 2016. Thus the Division failed to replace all the mechanical meters by electronic meters as advised by the UERC.
- ii. During April 2015 to March 2016, only 75 raids were carried out by the Division, while during April 2016 to September 2016, only 275 raids were carried out against the target raids of 700 to ascertain unauthorized extraction of power and the penalty of ` 518.97 lakh was imposed and recovery of ` 345.11 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.

- iii. Against total 27065 connections in September 2016, 4731 meters (17.48 *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 its reply stated that old GI wires are being replaced to new wire in all subdivisions and the division is also reducing the HT / LT ratio to minimise the line loss. Further, 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 lost the energy amounting to ` 2.55 crore.

**Para2: - Blockade of funds due to excess damage of Transformers – ` 67.72 lakh.**

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 2015-16 and 4/2016 to 9/2016, the damage rate of transformers was on higher side than the prescribed norms fixed by the UPCL as detailed below:

**(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	25	611	85	13.9	18	67	55000	3685000
2	63	66	5	7.6	02	3	101100	303300
3	100	25	5	20.0	01	4	134600	538400
	<b>Total</b>	<b>702</b>	<b>95</b>		<b>21</b>	<b>74</b>		<b>4526700</b>

**(April 2016 to September 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	25	631	47	7.4	19	28	56000	1568000
2	63	70	7	10.0	02	05	107000	535000
3	100	26	2	7.7	1	01	143500	143500
	<b>Total</b>	<b>727</b>	<b>56</b>		<b>22</b>	<b>34</b>		<b>2246500</b>

A. Above revealed that against the prescribed norms of 3%, actual damage rate ranged between 7.6 *per cent* to 20.0 *per cent* during the year 2015-16 and ranged between 7.4 *per cent* to 10.0 *per cent* during the period 04/2016 to 09/2016 which were comparatively on higher side. As intimated by the Management total 142 transformers damaged during the period April 2015 to September 2016 due to lightning. Had the LA been installed by the Division, the damaged rate could have been minimized.

The damage of transformers in excess of the prescribed norms resulted in blockade of funds of ` 67.72 lakh (45.26 lakh + 22.46 lakh).

B. Review of records revealed that as on September 2016, 182 (121 related with 2015-16 + 61 related with 04/2016 to 09/2016) damaged transformers valuing ` 109.05 lakh were lying

with the Division. During the period 4/ 2015 to 9/16 only 25 damaged transformers were sent to the store division. These damaged transformers (182) were supposed to be sent to the store division for getting them repaired. Non despatch of damaged transformers to the Store Division resulted in blockage of fund of ` 109.05 lakh.

The Management in reply stated that due to lightning and hard geographical territorial area, the damage of the transformers is at higher side and further stated that the contract has been awarded to transport the damaged transformers to the store division, Haldwani.

The reply is not acceptable as due to damage of transformers above norms, the funds of ` 67.72 lakh is blocked. Moreover, the damaged transformers are yet to be sent to the store division.

**Para3 (a):- Huge Arrear against Domestic & Commercial Consumers of ` 1048.47 lakh**

The UPCL provides 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. 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 31 March 2015 the arrear of Domestic and Commercial 26738 consumers ( 25133 Domestic + 1605 Commercial ) was ` 580.08 lakh which increased to ` 1048.47 lakh as on September 2016. So a huge amount of ` 1048.47 lakh was pending for realization from Domestic and Commercial consumers as detailed below:

` (In Lakh)

Sl. No	Particulars	Arrear (14-15)	Arrear as on (09/16)	Arrear Increase
1	Domestic and BPL	366.27	671.42	305.15
2	Commercial	213.81	377.05	163.24
<b>Total</b>		<b>580.08</b>	<b>1048.47</b>	<b>468.39</b>

It revealed that during 04/2015 to 09/2016 the outstanding dues increased by ` 468.39 lakh.

Pendency of huge dues against these consumers revealed 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 ` 40.15 lakh was recoverable for 10 to 34 months. It is evident that the position of arrears has reached to an alarming stage and if the division does not take serious efforts under section 3 and 5 to realize the outstanding dues, financial position of UPCL will be affected.

Management stated that the realisation of arrears has been affected due to agitation of local representatives and Daviya Aapda. Now, all the officers are being instructed to organise camp for realising the arrear and to disconnect the connection of the defaulters



The reply is not acceptable as the arrears of ` 1048.47 lakh is yet to be realised.

**Para3 (b):- Non issuance of Recovery Notice u/s -5 amounting to ` 49.57 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 194 consumers amounting to ` 50.30 lakh (upto 03/2016) against which recovery of ` 0.73 lakh was made from eight consumers. The issuance of notice u/s-5 to balance 186 consumers (` 49.57 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 ` 49.57 lakh.

Further it was also seen that since inception to the date of audit the division had not issued any recovery certificate under section-5.

Management stated that notice U/s-5 has not been issued due to agitation of local public representatives and Davia Aapda territory. Now instructions have been issued to all SDOs/ JEs for conversion of section-3 to section-5.

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

**Para4:- Non-levy of penalty amounting to ` 64.29 lakh on contractor.**

Uttarakhand Power Corporation Limited (UPCL) entered into an agreement on 17. December 2015 with M/s Bubeck Technologies, Sitarganj, Uttarakhand (Joint Venture with M/s BNK Energy Alternatives, Ghaziabad) for the work of Survey, Design, Supply, Fabrication, Installation and Commissioning of equipments for electrification (by Solar Power System) of such Villages/Hamlets which have Single/Eight Rural household situated in remote and High altitude areas, on turnkey basis in Pithoragarh District of Uttarakhand under the State Grant with the value ` 6.43 crore. The completion period for above mentioned works was 150 days from the date of award of the work. *i.e.* by 16 May 2016. As per clause 12.0 of agreement, for delay in completion in work, a penalty @ 0.1% per day subject to maximum of 10% of the cost of work was to be levied. There will also be provision for withholding the intermediate payment if the work is not carried out by the contractor as per the approved Bar Chart/Pert Chart subject to adjustment/payment of withheld amount as soon as work is completed in time.

During scrutiny of billing file & measurement book it was noticed that till November 2016 only 93 *percent* work was completed. The division has disbursed ` 5.19 crore on the basis of running bills. As per agreement the work should have been completed by 16 May 2016. The work has been delayed by more than five months and as per contractual terms attracted penalty of ` 64.29 lakh. However, the Division has neither imposed any penalty nor given time extension to the contractor.

The Management in its reply stated that the work was affected due to remote and heavy snowfall area, the contractor has intimated for time extension. If time extension is not approved by the competent authority, the division would deduct the penalty from the dues of the contractor.

The reply of the Management is not acceptable as the division has not deducted penalty as per terms of the contract. The matter will be watched in 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:-

<b>Sl. No.</b>	<b>Period</b>	<b>Part-II A</b>	<b>Part-II B</b>
1.	-	-	-

Compliance report of unsettled paras of previous inspection report-

<b>Inspection report period and number</b>	<b>Para No. Audit observation</b>	<b>Compliance report</b>	<b>Comments of Audit Party</b>	<b>Remarks</b>
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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:**

NII

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 Basnet	Executive Engineer
(ii)	Shri. L.P. Shah	Divisional Accountant (works)
(iii)	Shri L.P. Shah	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-1**