

This Inspection Report has been prepared on the basis of information provided by Executive Engineer, Electricity Distribution Division, Kashipur, U S Nagar. 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, Kashipur, U S Nagar for the period April 2017 to March 2018 was carried out in exercise of the power conferred by section 19 of the C&AG, DPC Act, 1971 read with Section 143 of Companies Act, 2013. Audit Inspection was conducted by Shri M. K. Negi, AAO and Shri Robince Kirtaj Auditor under the supervision of Shri Amit. K. Mishra AO during the period from 26.05.2018 to 4.06.2018

Part-I

1. **Introduction:-** The last audit of this unit was carried out by Shri,Amit.K.Mishra AAO Shri A.P. Singh AAO under the partial supervision of ShriMukesh Kumar, Sr. AO in which accounting records of the period from April 2016 to March 2017 were generally examined. In current audit, accounting records of the period from April 2017 to March 2018 were generally examined.

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

The function of the Electricity Distribution Division, Kashipur, U S Nagar is to distribute electricity to rural area of Kashipur in U S Nagar district and keep as well as expand the electricity distribution system to this area. The geographical jurisdiction of the division is within area of Kashipur, U S Nagar district.

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

Electricity Distribution Division, Kashipur, U S Nagar 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 November 2017 month was selected for detailed examination and February 2018 was selected for Arithmetical Accuracy.

(iii)

(In ₹ Crore)

Year	Revenue	Expenditure	Profit
2017-18	385.63	9.13	

(To the extent this information is available & applicable)

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

The Electricity Distribution Division, Kashipur, U S Nagar is an electricity distribution division of UPCL which is officiated by the Executive Engineer.

Part-II A

Para 1: Undue favour to consumers by providing voltage rebate of ₹ 94.51 lakh with arrears

Ref : Arrear of additional Security amounting to ₹ 7.82 crore

UERC Tariff provides for the Rebate/surcharge for availing supply at voltage higher/lower than base voltage

- (i) For consumers having contracted load upto 75 kW/88 kVA - If the supply is given at voltage above 400 Volts and upto 11 kV, a rebate of 5% would be admissible on the Energy Charge.
- (ii) For consumers having contracted load above 75 kW/88 kVA – In case the supply is given at 400 Volts, the consumer shall be required to pay an extra charge of 10% on the bill amount calculated at the Energy Charge.
- (iii) For consumers having contracted load above 75kW/88 kVA – In case of supply at 33 kV the consumer shall receive a rebate of 2.5% on the Energy Charge.
- (iv) For consumers having contracted load above 75 kW/88 kVA and receiving supply at 132 kV and above, the consumer shall receive a rebate of 7.5% on the Energy Charge.
- (v) All voltages mentioned above are nominal rated voltages.

Also, as per para 2.2.1 of UERC Regulations 2007, security of the consumers should be assessed in end of each financial year in respect of those consumers who have been given the connection for supply of electricity, the security should be equal to average consumption of two month bill of the financial year. In case security reassessed exceeds the amount of security already deposited, the differential amount will be demanded as additional security by giving a notice to the consumers within the 45 days. In case the additional security which is not deposited within the stipulated period, the electricity supply of such consumers can be disconnected.

During scrutiny of billing files and other related records of the KCC consumers, it was noticed that the division extended *voltage discount* of ₹ 94.51 lakhs to the consumers, who had arrear of additional security amounting to ₹ 7.82 crore¹.

The additional security was pending from March 2018 and has not been recovered till date. As per circular in question, amount of this additional security was required to be recovered within 45 days. This amount should have been recovered from consumers within the stipulated period which was not

¹ Calculated on average two months bills of consumers which exceeded the amount of security already deposited.

recovered. Thus, extending voltage rebate to the consumers with additional security arrear adversely affects the financial health of the company.

Division replied that notices have been issued to consumers for recovery of additional security and voltage rebate was extended to consumers because there is no such rule that rebate can not be extended in case of arrears.

Reply of division is not convincing as division not only failed to collect the required additional security from consumers but also extended benefit of voltage rebate to consumers. On one hand company is extending voltage rebate to the consumers with arrears on the other hand company is not charging any penal interest on the consumers with arrear of additional security.

Statement Showing Additional Security Required and Voltage rebate

Sl.No.	KNO	Name of Consumer	Additional Security Required(April 2018)	Voltage rebate (April 2018)
1.	3367	KashiVishwanath Steel Pvt. ltd.	12111735.57	2374685.78
2.	3357	GalwaliyaIspathUdyog(P) Ltd.	12662070.05	2786326
3.	3302	M/s India Glycols Ltd.	21020213.82	3254615.28
4.	8826	M/S Sheikh Bhullan& Sons	1905346.44	60384.87
5.	3363	Vishwakarma Paper & Board	3637908.48	88315.50
6.	3879	M/S Kashi Enterprises	1296510.29	71576.03
7.	3392	M/s Banwari Paper Mills Ltd.	4445648.40	141733.73
8.	3377	KASHI VISHWANATH TEXTILE MILL	4742116.92	192764.57
9.	7169	M/S Flexi Tuff International	6498269.37	221580.19
10.	3445	M/s S.R.F. Ltd.	2050203.20	93891
11.	7826	M/s PMV Maltings (P) Ltd.	1915692.96	83239
12.	21275	M/s Fimakem India Ltd.	2392541.47	34469.72
13.	8673	M/S RIZWAN EXPORT HOUSE	3528405.98	47565.79
Total			78206662.95	9451147.46

Part-II B

Para 1: Non recovery of electricity dues from Non-Government Consumers

Commercial & Revenue manual of Uttar Pradesh Power Corporation (which is being followed by Uttarakhand Power Corporation Limited) provides that in case a consumer does not pay electricity dues against him, within 30 days from the receipt of bill, his connection would be disconnected and demand notice for recovery of electricity dues will be issued under Section 3 of UP Electricity Dues and Recovery Act, 1958 for depositing of dues against him within 30 days. In case consumer again fails to deposit the dues in the stipulated period then a recovery certificate (RC) under Section 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 relating to electricity dues against Non-Government Consumers, it was noticed that electricity dues has increased from RS 4470.52 lakh in 2016-17 to ₹ 5145.21 lakh as detailed below:

(₹ In lakh)

Sl. No.	Particulars	2016-17	2017-18 (Up to Feb 18)
1.	Balance outstanding at the beginning of the year	3678.20	4470.52
2.	Revenue assessed/Billed during the year	35064.30	35313.78
3.	Total amount due for realisation (1+2)	38742.50	66239.51
4.	Total amount adjusted/ waived off/ rebate	280.01	0
5.	Realization against current year assessment	33991.97	34635.15
6.	Amount realized against arrears	0	0
7.	Led	0	3.94
8.	Balance outstanding at the end of the year	4470.52	5145.21

It is evident from above table that there is growth in arrears of Non Government consumers from 2016-17 to 2017-18. Division should make more efforts for realizing the arrears.

Division replied that instructions have been issued to the SDO concerned for recovery and the position of arrears will improve after preparation of commercial diary of March 2018.

The reply of the division is the not convincing as the position of arrears has worsened from March 2017 and increased in arrear reflects poor collection effort by the division. Division should identify regular defaulters and take appropriate measures as per the act/regulations for the recovery of the same.

Para 2: Wrong payment of Value Added Tax and Service Tax to contractor

The GST was launched at midnight on 1 July 2017. The single GST replaced several taxes and levies which included: Central Excise Duty, Services Tax, Additional Customs Duty, Surcharges, State-level Value Added Tax and Octroi. Other levies which were applicable on inter-state transportation of goods have also been done away with in GST regime. GST is levied on all transactions such as sale, transfer, purchase, barter, lease, or import of goods and/or services.

Under GST model, taxation is administered by both the Union and State Governments. Transactions made within a single state are levied with Central GST (CGST) by the Central Government and State GST (SGST) by the State governments. For inter-state transactions and imported goods or services, an Integrated GST (IGST) is levied by the Central Government. GST is a consumption-based tax/destination-based tax, therefore, taxes are paid to the State where the goods or services are consumed and not the state in which they were produced. After adoption of the GST, payment of VAT to the contractors was not to be made as the contractors have themselves not paid such taxes.

Audit noticed that division paid VAT to the contractor against agreement no 07/EDC (K) 2014-15 dated 13.08.2015 on the bill produced by it with out collecting any evidence in that contractor has actually paid this tax amount to the government as detailed below:

Bill/invoice no	VAT paid (In ₹)
105	34175.50
106	30274.00
7	21989.00
8	4131.00
5	25710.00
6	26460.00
14	5075.00
115	28485.00
114	17734.00
Total	194033.5

Thus, payment of taxes to the contractor without the supporting document was not as per the contract after application of GST and subsuming of VAT.

Division replied that if the contractor failed to provide the necessary documents, the recovery of VAT will be ensured from the security amount of the contractor.

The reply of the division is not convincing as it should have not pay/reimbursed taxes to the contractor without necessary documents and security amount was not much for recovery of excess taxes paid.

Para 3 : Suspected recovery of electricity dues from Private Tube wells Consumers.

As per order of UPCL, if a consumer failed to deposit the electricity dues within 30 days, his connection would be liable to disconnect and action for recovery would be initiated i.e. finalisation of P.D. report, O.M. under Section 3 of UP Electricity Dues and Recovery Act, 1958 to be issued for depositing the electricity dues. If electricity dues are not deposited within one month, R.C under Section 5 of the Act would be issued through DM Office for recovery. All these actions were to be completed within six month.

During the course of audit, it was noticed that the Company has been supplying electric power to Private Tube-well consumers (under RTS-4) and outstanding amount increased from ₹ 1222.63 lakh in 2016-17 to ₹1503.93 lakh in 2017-18.

(₹ In lakh)

Name of Department	No. of Consumers	Connected Load (KW)	Total Arrear
2016-17			
Private Tube-wells consumers	2445	13596	1222.63
2017-18			
Private Tube-wells consumers	2445	13596	1503.93

It was observed that amount of arrears has been increased and the same was not recovered by the Division. Also, as the periodicities of the dues are not clear so the chances of recovery of these dues could not be commented.

Division replied that since the billing of PTW consumers is done once in six months therefore, there is always arrear of six months.

Reply of the division is not convincing as the arrears of the divisions has increased from ₹ 12.23 crore in 2016-17 to ₹ 15.04 crore in 2017-18 (upto February 2018).

Para 4:Non-realization of dues due to inappropriate monitoring of Recovery Certificates` 24.75 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, the supply was required to be disconnected after seven days and a demand notice under section 3 of Dues Recovery Act 1958 (giving 30 days notice) was to be sent. If payment was not received, a Recovery Certificate (RC) under section- 5 of the said act was to be sent to the concerned District Magistrate to recover the dues as land revenue. Proper care was required to be taken that the particulars of the consumers were correct and permanent disconnection was duly finalized so that RC's could be realized.

The status of unrecovered Recovery Certificates u/s 5 during 2016-17 and 2017-18 was detailed below:

For the year 2016-17

Sl. No.	Particulars	Number	Amount
1.	Opening Balance of RCs which were issued to DM offices for recovery u/s 5 and pending with DM offices as on 01.04.2015.	15	4.70
2.	Number of RCs issued for recovery to DM office against the defaulting consumers under section 5 during the period April-2015 to March-2016	20	25.00
3.	Number of RCs and amount realized by DM office from defaulting consumers during the period April-2015 to March-2016.	05	1.08
4.	Number of RCs returned by DM office due to wrong address of consumers, deceased consumer, etc during the period April-2015 to March-2016.	05	7.12
5.	Number of RCs pending with the DM office due to non-realization as on 31.03.2016.	25	21.50

For the year 2017-18

Sl. No.	Particulars	Number	Amount
1.	Opening Balance of RCs which were issued to DM offices for recovery u/s 5 and pending with DM offices as on 01.04.2016.	25	21.5
2.	Number of RCs issued for recovery to DM office against the defaulting consumers under section 5 during the period April-2016 to March-2017	28	236.71
3.	Number of RCs and amount realized by DM office from defaulting consumers during the period April-2016 to March-2017.	-	-
4.	Number of RCs returned by DM office due to wrong address of consumers, deceased consumer, etc during the period April-2016 to March-2017.	01	233.46
5.	Number of RCs pending with the DM office due to non-realization as on 31.03.2017.	30	24.75

Audit also noticed that the 15 numbers of RCs amounting to ₹ 4.70 lakh were pending for realization in the beginning of April 2015 which increased to 30 numbers of RCs amounting to ₹ 24.75 lakh in 2017-18. 1 RCs amounting to ₹ 233.46 lakh was returned by DM office during 2016-17 due to

wrong address/ inadequate details provided by division whereas in the same period DM office failed to collect any amount from the defaulting consumers. Had proper action for temporary/permanent disconnection been taken by the Company in time against the defaulting consumers this arrear would not have been accumulated.

Division replied that division has increased vigilance checking for better recovery as during 2017-18 DM office has not ensured any recovery.

The reply of the division is not convincing as the vigilance checking of the division is inadequate (less than one percent of the consumer's base) and for the recovery of the arrears division should take appropriate action under land revenue act.

Para 5: Non replacement of defective meters.

The Electricity supply code Regulation 3.1.4 provides that, If the meter is not recording/stuck as reported by the consumer, the Licensee shall check the meter within 30 days of receipt of complaint and if found stuck or identified as defective (IDF), the meter shall be replaced by the Licensee/consumer, as the case may be, within 15 days thereafter, also all new case of defective meters namely ADF, RDF or IDF, if any, shall necessarily be rectified within a maximum period of 3 months.

Scrutiny of the billing records of the division revealed that division issued 99 IDF bills with the arrears of ₹ 18.15 lakh. It was also observed that the bills of the consumers were defective in the range of 3 to 81months

During the period of defect the consumer is billed on the basis of assessment of average billing of past three billing cycle and not on actual energy consumed as the same cannot be recorded in absence of correct meter. The chances of taking the benefit in form of above average consumption of consumer during IDF billing cannot be ruled out as UPCL has no mechanism to check the actual consumption during period of IDF billing.

The absence of co-ordination between the Test Division (responsible for replacement of Defective meter) and Distribution Division results in heavy recurring loss to the company and undue benefit to the consumers.

Division replied that the list of IDF consumers is provided regularly to the Test Division and the defective meter is to be replaced by Test Division.

The reply of the division is the not convincing as non-changing of defective meters affect adversely the revenue realization of the division.

Para 6: Energy as well as revenue loss due to theft/pilferage.

In order to minimise the cases of pilferage/ loss of energy, Section 163 of Electricity Act 2003 provides that the licensee may enter in the premises of a consumer for inspection and testing the apparatus. As per section 135 of Electricity Act 2003 and Electricity (amendment) Act, 2007, theft of energy is an offence punishable under the said Act.

Audit observed that the division did not fix any target for inspection and testing of apparatus. An analysis of the theft cases and assessments made by the division of the Company during 2014-15 to 2016-17 is detailed below:

(` in lakh)

Name of sub-division	Year of checking	Total number of consumers	Number of checking	Number of theft cases detected/ Assessment made	FIR lodged	Amount assessed	Amount realized	Balance
EDD Kashipur	2016-17	51444	94	68	68	63.48	20.33	43.15
EDD Kashipur	2017-18	55106	425	390	390	152.19	77.75	74.44

Source: Information compiled from the data provided by the Company

It can be seen that the total number of checking carried out by division ranged from 0.18 per cent to 0.77 per cent against the total number of consumers during the period 2016-17 to 2017-18. It is pertinent to mention that percentage of checking itself as compared to total number of consumers was negligible. Had the division increased the number of checking in a year, leakage of revenue could be avoided.

Division replied that due to shortage of man power the vigilance checking is inadequate. Also during 2017-18 division realized ₹ 77.75 lakh through vigilance checking.

The reply of the division is not convincing as division not only failed to issue RC-5 but also it could not ensured sufficient vigilance checking. Also against recovery of ₹ 77.75 lakh an amount of ₹ 74.44 lakh remained un-realised.

Para 7: Undue delay in permanent disconnection

Section 4.1.1 of the UERC regulation 2007 provides that the power supply of the consumer shall be permanently disconnected within six months of the temporary disconnection if the dues are not cleared.

Audit noticed that following connections were temporarily disconnected but the division failed to disconnect permanently these connections despite all of them being more than six months old as detailed below:

Sl. No.	KNO	Consumer name	Temporary Disconnection Month
1	13646	M/s Dayal Seeds	September 2017
2	27202	M/s Sharda Traders	September 2017
3	28841	Arabia Agri	August 2017
4	27961	M/s DNB enterprises	July 2017
5.	24219	M/s ASIAN	July 2017

Failure to convert TD cases in permanent disconnection is not only violation of the regulation but also division delayed the process of revenue realization in form of security realization of the consumer as till PD is finalized the security of the consumer cannot be adjusted.

Division replied that the after the permanent disconnection of above consumers the same will be intimated to the audit.

The reply of the division is not convincing as the PD should be finalized within six month of TD as it results in blockade of funds for the division.

Para 8: Contract management by UPCL

M/S S G Electricals entered into following four agreements with the UPCL for the supply of Transformer ,material and other works :14 EDC (K) 2011-12 dated 21.02.2012,15 EDC (K) 2011-12 dated 21.02.2012; 16 EDC (K) 2011-12 dated 21.02.2012, 21 EDC (K) 2011-12 dated 21.02.2012 ;07EDC (K) 2011-12 dated 21.02.2012. It was observed that, as per the applications of the vendor UPCL failed to execute the contract as per the conditions and also delayed the payment to the contractor. The contractor used the arbitration clause of the agreement and the arbitrator gave decision in the favor of the contractor. In this regard audit noticed the following:

- The arbitration clause was not the part of the main agreement.
- The General conditions which are referred for arbitration is very old as it takes the references of UPSEB and the court for the matter be Allahabad high court.
- The pages of the general conditions were not signed by the Superintending Engineer.
- UPCL failed to appoint Arbitrator on its own when served notice in this regard.

The general condition of the contract which is used by the units of UPCL is very old and originally pertains to UPSEB. The conditions of the general conditions which are still applicable and which have been revised by UPCL may be provided to audit.

Division replied that the matter pertains to headquarter office and any change in the standard draft can be proposed at headquarter level only.

The reply of the division is not convincing as standard draft only provides guidelines for the agreement and suitable/necessary changes should be made by the division for protecting its interest.

Part IV

Best practices of the unit

NIL

Part V

Acknowledgement

1. Office of The Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards Electricity Distribution Division, Kashipur U S Nagar 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 Vivek Kandpal, (last audit to 30.03.2017) Executive Engineer.

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. AO/ES-I