

This Inspection Report has been prepared on the basis of information provided by Managing Director, Power Transmission Corporation of Uttarakhand Ltd. (PTCUL), Dehradun. 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 Managing Director, Power Transmission Corporation of Uttarakhand, Dehradun for the period from 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 143 of Companies Act 2013. Audit inspection was conducted by Shri Roshan Lal Sharma, Assistant Audit Officer, Shri Amit Kumar, 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 28.12.2016 to 09.02.2017.

Part-I

Introduction:- The last audit of this unit was conducted by Shri Amit Kumar, Asst. Audit Officer and Shri Khub Chand, Asst. Audit Officer under the supervision of Shri B. C. Suyal, Sr. Audit Officer, in which accounting records for the period October 2010 to March 2015 were examined..

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

The Power Transmission Corporation of Uttarakhand Ltd. is power transmission utility of the State and main function of PTCUL is to facilitate and promote transmission, wheeling and inter connection arrangements within the State of Uttarakhand for the transmission and supply of electricity.

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

Managing Director Office of PTCUL was covered in the audit. This inspection report is based on findings of audit and November 2015 was selected for detailed examination.

(iii)

Year	Revenue	Expenditure	Profit
2015-16	31594.18	20967.90	10626.28

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

Power Transmission Corporation of Uttarakhand Ltd., Dehradun is an electricity transmission utility. The executive powers rests with the Managing Director who is assisted by the Director (Finance), Director (O & M), Director (Project) and Director (HR).

PART II

Para 1: Infructuous expenditure of ` 56.94 lakh due to earlier faulty route survey.

PTCUL awarded (13 March 2006) a contract to M/s Jyoti Structures Limited, Mumbai (M/s Jyoti) for conducting detailed survey of four packages containing seven lines, using GPS. Out of them one package (package C, ` 76.65 lakh) related to survey of 400 KV S/C Srinagar-Kashipur line. M/s Jyoti proposed three lines having approximate length of 152.8 km, 156.7 km and 159.2 km.

Later on, on the basis of shortest line (152.8 Km) route proposed by M/s Jyoti, PTCUL floated enquiry (31 December 2008.) for construction of line including profiling, tower spotting etc. M/s Cobra Instalacions Y Servicios S.A. (M/s Cobra) stood L-1 and accordingly the work was awarded (December 2013) to them at a total contract price of ` 530.62 crore including detailed survey (` 56.79 lakh¹) of three routes which were surveyed earlier by M/s Jyoti.

Generally, bidders are supposed to visit the site/ location/area where the line is to be constructed before submission of their bids to facilitate them in quoting their rates. After survey of the proposed routes, M/s Cobra submitted (August 2014) its report stating that the construction of line on the proposed route was not possible as (i) Generally, all these three routes pass through high altitude hilly terrain which had 01 to 07 snow zones.(ii) at some stretches, these three routes passes through very dense forest which consists of Baanj, Burash, Oak trees etc. and the felling of some trees is restricted.(iii) all the routes were generally accompanied by single motorable road where habitation was scarce as well as availability of fuel pumps, place for shelter and stores was not adequate.(iv) towards the Kashipur end, all the three routes pass through Jim Corbett National Park and Corbett Tiger Reserve (28.75 Km to 81.9 Km). As per guidelines of Forest Conservation Act- 1980, the construction of transmission lines was not allowed inside any wild life sanctuary and lines are required to maintain an aerial distance of 10 kms from the periphery of the wild life sanctuary.

M/s Cobra also surveyed the alternate routes and proposed construction of line 190 kms (100kms hilly terrain & 90 kms in plain terrain) passing through Srinagar- Pauri- Satpuli-Kotdwar- Nazibabad- Afzalgarh- Jaspur-Kashipur which also passes through Uttar Pradesh land for a length of 25 kms on the grounds that the said route encounters no wild life sanctuaries. The route passes through medium density reserve forest land for about 9.0 kms

¹ Survey including profiling, tower spotting, optimization of tower locations, preparation of tower schedule and check survey for the line length of 152.8 km. Final bill of the survey is yet to be claimed by the contractor.

(Uttarakhand – 4.5 kms and Uttar Pradesh- 4.5 kms). The general topography of the line route was easy and manageable.

Concerned responsible officer of the Corporation also verified the proposal of M/s Cobra stating that to the above mentioned conditions, construction of line on these routes would involve transfer of huge forest land and accordingly tedious process of preparation of forest case. Further, arranging of the permission for the same from Ministry of Environment and Forest, Government of India, would be a daunting task.

The Corporation approved (December 2014) the construction of line on alternate route (190 Km). As the earlier survey report submitted was defective and fabricated/wrong one (December 2014), the Corporation also decided to fix responsibility. Enquiry/investigation was under progress (January 2017).

The Corporation communicated its approval (29 September 2015) to M/s Cobra for construction of line on alternate route (190 kms) after lapse of almost 9 months. Accordingly, contract price was also increased from ` 530 .65 crore to ` 607.78 crore due to increase in BOQ.

Thus, due to submission of wrong report by M/s Jyoti and acceptance of the same by the Corporation earlier, the Corporation had to accept, construction of line on alternate route. Hence, payment of ` 56.94 lakh made to M/s Jyoti has become infructuous.

Audit noticed that:-

- 1- Only on being pointed out by M/s Cobra, the Management came to know (August 2014) that the construction of line (152.8 Km) earlier survey conducted by M/s Jyoti was wrong/ fabricated and decided to fix responsibility for wrong route survey.
In this regard action taken/ to be taken to prevent reoccurrence of the same (approval to the wrong/ fabricated report) in future needs to be elaborated.
- 2- The Cobra in its report had stated that as per Forest Conservation Act 1980, the construction of transmission lines was not allowed inside any wild life sanctuary. However, as per guidelines issued (19 August 2010) those projects which require environmental clearance and also involves diversion of forest land for non forest purpose felling within 10 Km of National Park/ Sanctuary will have to be placed before National Board of Wild Life. Thus the statement of M/s Cobra regarding non permission of transmission line within 10 Km periphery of Wild sanctuary was not in consonance with the orders of August 2010.

- 3- Though M/s Cobra stated that to avoid the construction of the line through Wild Life Sanctuary and to maintain the aerial distance of 10 km from periphery of it, the route length becomes 241 Km. However, route map (241 Km) and comparison of both routes 152 km of previous *vis a vis* 241 Km (keeping aerial distance of 10 Km) in same map was not available.

Management's reply is still awaited.

Para 2:- Change in tender condition after award of work of ` 607.78 crore.

PTCUL floated open enquiry for construction of power transmission line Srinagar- Kashipur (152.8 Km) of which major part was in dense forest, hilly terrain, seven snow zones, scattered habitation and some portion passed through Jim Corbet National Park and had single motorable road. On opening of price bid M/s Cobra stood L-1 and accordingly, work for detailed survey and construction of Srinagar – Kashipur (152.8 Km) transmission line was awarded to M/s Cobra at a contract price of ` 530.65 crore.

After detailed survey , M/s Cobra observed that the construction of transmission line on given route (152.8 Km) was not possible as the route passed through high altitude hilly terrain which had seven snow zones, at some stretches, the route passes through very dense forest which consists of Baanj, Burash, Oak trees etc. and the felling of some trees was restricted, the route were generally accompanied by single motorable road where habitation was not adequate for shelter and storage , lesser availability of fuel pumps, towards the Kashipur end, all the three routes pass through Jim Corbett National Park and Corbett Tiger Reserve and as per guidelines of Forest Conservation Act- 1980, the construction of transmission lines was not allowed inside any wild life sanctuary.

M/s Cobra surveyed the alternate routes and recommended the construction of alternate line of 190 kms (100kms hilly terrain & 90 kms in plain terrain) passing through Srinagar- pauro-satpuli- Kotdwar- Nazibabad- Afzalgarh- Jaspur-Kashipur which also passes through Uttar Pradesh land for a length of 25 kms on the grounds that the said route encounters no wild life sanctuaries and very less area of reserve forest land. The route passes through medium density reserve forest land for about 9.0 kms (Uttarakhand – 4.5 kms and Uttar Pradesh- 4.5 kms). The general topography of the line route was easy and manageable.

Alternate route proposed by M/s Cobra was approved by the PTCUL and it conveyed its approval (September 2015) to M/s Cobra. Accordingly, contract price of ` 530.65 crore was also revised to ` 607.78 crore due to increase in BOQ.

Audit observed that the construction of line on given route (152.8 Km which was tougher one) was not possible and considering the same the Corporation had also approved alternate route (190 Km comparatively easier one and having totally different route than earlier one). As the new approved route was different from the tendered route, the LOA issued to M/s Cobra was not in consonance with CVC guidelines and deprived the Corporation of the benefit of competitive rates.

However, PTCUL gave permission to M/s Cobra to construct line different than the route mentioned in tender condition. This is equivalent to change in tender condition after awarding of work and which is not permissible.

b. Delay in execution of work relating to 400 KV D/C Srinagar - Kashipur.

As per contractual terms, the work is to be completed within 900 days of the award of the contract i.e. by December 2017. Review of records revealed that even forest clearance is yet to be obtained by the contractor. As per verbal discussions held with the concerned dealing officer, the contractor is not responding to the Corporation since September 2016 and there was no physical progress in the work.

In this regard audit observed that to construct the said line, the Corporation has arranged project cost of ` 530 crore from ADB. After change of award price from ` 530 crore to ` 607.78 crore, the Corporation approached the ADB for increase of project cost to ` 607.78 crore, however, approval is awaited. It was also observed that against the total loan (\$15 million), the Corporation has drawn ` 53.06 crore only.

Due to abnormal delay in execution of work there is every possibility that the balance amount of sanctioned loan may not be utilized by the Corporation and refunded back to the ADB as the closing date of the loan for the project was 30 March 2016.

Management's reply is still awaited.

Para 3:- Avoidable delay in installation of Transformers resulted in blockade of fund of ` 8.17 crore.

BOD approved (June 2015) augmentation proposal (` 18.18 crore) relating to installation of one additional transformer of 160 MVA capacity in 220 KV Sub-station Virbhadra, Rishikesh on the ground of overloading of existing 2x160 MVA (220/132KV) transformers. As per Detailed Project Report (DPR), the work was to be completed by April 2016.

The Corporation had also envisaged the net financial benefit of ` 1.82 crore per year and recovery of the total investment of `18.18 crore in ten years.

Accordingly PTCUL awarded (December 2015) two works for supply of transformer and bay material ` 10.11 crore (` 8.14crore + ` 1.97 crore) and extension 220 KV Switchyard and 220 KV bay for 160 MVA transformer- III of ` 36.14 lakh. As per terms of contract, erection and commissioning was to be completed within 90 days from the date of availability of material. Scrutiny of records revealed that the complete material was received by May 2016. During execution of extension 220 KV Switchyard and 220 KV bay for 160 MVA transformer- III, the Management noticed (May 2016) that for completion of project, some items were to be increased resulting in increase of expected contract cost from ` 36.14 lakh to ` 69.94 lakh due to following reasons:

- 1- Increase in civil works in foundation of transformers and structures.
- 2- Increase in erection of structure material.
- 3- Increase in earthing material.

The increase in quantity variation was approved by the BOD (June 2016). However, amendment in the contract was communicated to the contractor in November 2016. Thus, there was avoidable delay of four months in communicating the amendment in contract. The work was under progress (January 2017).

Audit observed that had the detailed engineering of extension work (civil work) been done before awarding of the work, the delay that occurred in commissioning of transformers could have been avoided.

Due to delay in commissioning, the expenditure incurred ` 9.19 crore remained blocked and company failed to recover envisaged net financial benefit of ` 1.82 crore during 2016-17

Management's reply is still awaited.

Para 4:-Irregular awarding of contract-` 8.05 crore.

For procurement of seven transformers (20 MVA- 03 nos., 40 MVA -01 no., 80 MVA 01 and 160 MVA- 02 nos.) required at different sub-stations in Kumaon & Garhwal Zone, PTCUL floated NIT dated 03/06/2013. The pre-bid conference was held on 18/06/2013. The last date of submission of bid was 02/07/2013 which was extended upto 12/07/2013. After opening on Part-I (Techno commercial) bid, three bidders namely M/s Alstom T&D India Ltd., M/s IMP Power Ltd and M/s BHEL were found technically qualified. Meanwhile as per discussion held with honourable UERC on 4/9/2013, it was directed by the UERC that PTCUL procure transformers having the low losses (No load loss, Load loss and Auxiliary loss- losses norms prescribed by UERC were below of PTCUL's norms.). Considering the direction of UERC, PTCUL decided (07/09/2013) to scrap the current tender for procurement of different capacity transformers underway in PTCUL and new tender incorporating the above changes be invited.

Meanwhile Chief Engineer (O&M) Garhwal & Kumaon Zone, vide their letters dated 30 November 2013 and 17 December 2013 stated that augmentation of transformers was essential and requested to expedite the procurement process. Considering the urgency, the PTCUL did not scrap the tender and opened the price bids (13/01/2014). The M/s Alstom stood Lowest for 20 MVA & 160 MVA transformers and M/s IMP stood lowest for 40 MVA & 80 MVA transformers. The PTCUL sent counter offer for supply of low losses (revised as per UERC directions) to both M/s Alstom and M/s IMP. The M/s Alstom vide letter dated (18-1-2014) refused to supply 20 MVA transformers but accepted supply of 160 MVA transformers.

Audit noticed that PTCUL issued LOA to M/s Alstom on 25/03/2014 as per terms and conditions of the above LOA and asked M/s Alstom to submit the performance Bank Guarantee within 30 days from the date of receipt of order and sign the agreement. M/s Alstom vide an e-mail dated 5/4/2014 requested to change the format of PBG. The Company again asked (24-04-2014) M/s Alstom for submission of PBG in the prescribed format and signing of Contract. The Company issued final notice on 09-05-2014 to submit the PBG and to commence the work as per tender documents within 7 days i.e. by 16 May 2014, failing which the LOA might be cancelled. In reply (14 May 2014), M/s Alstom sought time extension for submission of PBG by 24/5/2014, drawing and design documents by 31 May 2014 and stated that procurement action had already been started and also assured to adhere to the delivery schedule.

However, considering delay on the part of M/s Alstom, two proposals were submitted (17 May 2014) for consideration of Corporate Purchase Committee (CPC) by the Corporation;

A. LOA issued to M/s Alstom may be scrapped and retendering be done which might take minimum four months resulting in delay in installation of transformers.

Or

B. To give counter offer of L-1 rates to the L-2 bidder viz. M/s IMP to supply the transformer.

However, the competent authority ordered (22 May 2014) to put up the case before CPC on the same day at 4 pm. But CPC meeting could not be held on 22 May 2014. Meantime M/s Alstom submitted (21 May 2014) the PBG in prescribed proforma, which was received (22 May 2014 evening hours) and opened on 23 May 2014.

Later on CPC meeting was held on 4 June 2014 to get legal view on the options aforesaid and the implications of final notice. On the basis of legal opinion (7 June 2014), the CPC decided (12 June 2014) that counter offer to L-2 bidder might be given at L-1 rate and cancel the LOA issued to M/s Alstom. Accordingly, counter offer for supply of one 160 MVA at L-1 rates was sent (17 June to 2014) to M/s IMP. Thereafter, the PTCUL cancelled (19 June 2014) the LOA issued to M/s Alstom and issued another LOA to M/s IMP for supply of 160 MVA transformers.

In this regard audit observed that:-

1. Since M/s Alstom had assured (14 May 2014) to adhere to the delivery schedule and had also submitted PBG on 22 May 2014, i.e. well before taking final decision (12 June 2014) to cancel LOA, hence the Corporation's decision to cancel the LOA issued to Alstom was not justified.
2. Procurement Rules 2008 circulated by the State Government *inter-alia* included that negotiation should be avoided and negotiation may be conducted in exceptional circumstances with L-1 bidder only. However, in the instant case, though the L-1 bidder was ready to supply and had already submitted (22 May 2014) the PBG, the Corporation gave (17 May 2014) counter offer of L-1 rates to L-2 bidder which was equivalent to negotiation with L-2 vendor. Thus the Procurement rules of the State Government were not complied with, it indicates gross negligence of the PTCUL in awarding the contract.
3. Against the cancellation of LOA, M/s Alstom T&D India Ltd. served notice (Feb. 2016) to the Company for illegal cancellation of LOA and demanded release of Security Deposit ` 58,20,000/-with interest @ 14% *w.e.f.* 03/12/2014 to the date of

refund, return of contract drawings, vendor list, MQP etc., and pay compensation of ` 49,43,999/- towards loss arising out of allocation of resources and cost incurred after the LoA with interest @ 14% thereon since 30/12/2014 till the date of payment thereof .

4. M/s Alstom has also demanded to appoint the arbitrator to resolve the matter. However, the arbitrator is yet to be appointed.

Management's reply is still awaited.

Part II B

Para 1: -Awarding of Contract in violation of tender condition.

Work relating to supply and construction of 220/132/33 KV Sub Station at Dehradun was awarded (11 May 2011) to M/s HPL Electric and Power Private Limited in May 2011 at a contract price of ` 41.40 crore. As per terms of the contract, contractor was to supply 02 no. of 160 MVA , 220/132 KVA transformers and 02 no. 40 MVA 132/33 KVA transformers as per the approved vendor list provided and signed by the DGM (QA/QC). As per the approved vendor list only two vendors viz. M/s ABB (Up to 400 KV) and M/s Kanochar Electrical (up to 220 KV) were authorised to supply 160 MVA, 220/132 KVA transformers. Further, M/s Victory Electricals, M/s EMCO and M/s IMP Power were authorised to supply of transformers up to 100 MVA.

Scrutiny of records revealed that M/s HPL in its technical bid had quoted supply of IMP make transformers and had also submitted authorization letter from M/s IMP. Despite knowing the fact that M/s IMP was approved for supply of transformers up to 100 MVA, the HPL was declared technically qualified though the project required supply of two 160 MVA transformers. On opening of price bid M/s HPL stood L-1 and accordingly LOA was issued to them. Subsequently, two 160 MVA transformers (IMP make) were supplied by M/s HPL and accepted by the PTCUL.

Hence, the supply of 2X160 MVA, 220/132 KV transformers of IMP make, was against the terms and conditions of the contract agreement as supply of the said transformers was received from an unauthorised vendor.

Management's reply is still awaited.

Para 2: Loss of opportunity to negotiate with L1

The Power Transmission Corporation of Uttarakhand Ltd. (Corporation) floated a Notice Inviting Tender (09.Jan.2015) for construction of 132 KV underground line for 132 KV Railway Substation Jwalapur, Haridwar. The due date of opening of tender was 10 Feb 2015 which was extended up to 27.Feb.2015. Five bidders submitted their bids. All the bidders were technically qualified. Price bids were opened on 18 April 2015. On opening of price bids the tender opening committee noted that one bidder viz. M/s Universal Cable Ltd. had not quoted. Price bids of remaining four bidders were as below:-

(Amount in `)

Sl. No	Particulars	M/s KEI Industries Ltd. New Delhi	M/s Cable Corporation of India Ltd	JV between M/s Finolex & M/s J-Power	M/s Raychem RPG (P) Ltd. New Delhi
1	Supply	32512172.90	29438585.12	31490193.33	40527712.81
2	Erection	34761700.93	42431884.95	44848819.51	41551895.46
3	Total	67273873.83	71870470.07	76339012.84	82079608.27
4	Ranking	L-1	L-2	L-3	L-4

M/s KEI Industries Ltd. New Delhi stood lowest and accordingly the contract was awarded (30 June 2015) to them at a total contract price of ` 6.72 crore (supply ` 3.25 crore + Erection commissioning ` 3.47 crore) with scheduled date of completion of work in 06 months from letter of award (LOA) i.e. 29 December 2015.

Comparison of price bids revealed that for supply portion, rates quoted by L-2 and L-3 bidders were lower than the L-1 bidder by ` 30.73 lakh and ` 10.21 lakh respectively.

Considering the prices quoted by the L-2 and L-3 bidders, the Company had an opportunity to negotiate the prices of supply portion with L-1 vendor. However, no negotiation was done by the Corporation. Due to not negotiating the prices of supply portion with the L-1 vendor, the Corporation lost an opportunity to have more competitive prices.

Management's reply is still awaited.

Para 3: Non deduction of worker welfare cess

Government of India notified (19 August 1996) 'The Building and other Construction Workers' Welfare Cess Act, 1996' with a view to augment the welfare resources of the building and other construction workers. As per the act, cess was to be levied and collected at such rates not exceeding two per cent, but not less than one per cent of cost of construction incurred by an employer. The proceeds of the cess collected was to be paid to the Board (means a Building and Other Construction Workers' Welfare Board constituted by the State Government). The Government of Uttarakhand instructed to deduct one *per cent* from the contractor's bills for Labour Cess and remit it to the Uttarakhand Building and Other Construction Workers Welfare Board.

Accordingly, the Corporation was required to deduct labour welfare cess at the rate of one per cent of the cost of construction (after deducting the cost of collection of such cess, not exceeding one percent of the amount collected) from the bills of contractor engaged for the construction of substation and transmission lines relating to civil works and remit the amount of cess so deducted to the cess authorities.

Scrutiny of records revealed that, the Corporation has not recovered welfare cess from the contractor's bill. Audit noticed that the cess equivalent to one *per cent* of cost of construction amounting to ` 06.57 lakh was yet to be recovered and deposited to the Board by the corporation.

Management's reply is still awaited.

Para 4: Awarding of work without finalisation of lease deed.

For evacuation of power from upcoming generating stations (Kaliganga-I, Kaliganga-II & Madhmaheshwar UJVNL Hydro projects) a Substation was required at Brahamwari. PTCUL awarded (14.12.2011) the construction of 220 KV Sub-station work to M/s Siemens Ltd., Gurgaon, at a total contract price of ` 51.56 crore (supply ` 43.59 crore + Erection ` 7.97 crore). The scheduled date of completion of the works was 24 month from the Letter of Award of the contract. *i.e.* 13 December 2013. The contract agreement was signed on 27 Aug. 2012.

During scrutiny of records, it was seen that for construction of S/s Brahamwari, state government allotted (March 2010) the land to PTCUL. However, the lease deed for transfer of land was signed on 11 March 2013 *i.e.* 15 months after awarding of work.

Due to local agitation, the land on which the construction activities were to be carried out has not been handed over to the contractor till date (February 2017). It was observed that Corporation asked (Feb. 2014) the contractor to take possession of the land. However, the contractor replied that said contract no longer existed having been expired and frustrated on the grounds of non-handing over of the site and also due to prolonged force majeure (Natural Disaster). Thereafter, a review meeting was held (12 January 2016) between the contractor and the PTCUL. PTCUL requested the contractor to explore all possibilities to revive the project and offer technically feasible and commercially viable proposal for revival. However the contractor replied that construction of S/s was not feasible and intimated that due to technical and commercial issues they would not perform the contract.

Thus awarding (Dec. 2011) of work before finalisation of land lease deed (March 2013), resulted in avoidable delay of project by three years. Moreover, there was every possibility of increase in the project cost as the contractor has refused to carry out the work at contracted price.

As per records the upcoming projects for which Brahmawari S/s was envisaged are likely to be completed by Feb 2019 whereas there was no progress in Brahmawari project till date (February 2017).

(B) Similarly, for the construction of “220/33 KV Sub-station, Jaffarpur, the construction work was awarded (15 April 2014) to M/s Variegate Projects Pvt. Ltd., Hyderabad (JV with M/s Kanohar Electricals Limited, Meerut), prior to the execution of lease deed (19 January 2017.) at a total contract price of ` 26.16 crore (supply ` 17.24 crore + Erection & Civil ` 8.92 crore) .As per contractual terms, the work was to be completed within year from the award of

the contract. *i.e.* by 14 April 2015. Due to non execution of lease deed, the Corporation could not hand over the sites to the contractor, consequently the work has been inordinately delayed at least by three years.

Management's reply is still awaited.

Para 5: Non deduction of penalty of ` 1.01crore.

Power Transmission Corporation of Uttarakhand Limited (PTCUL) entered into an agreement (11 April 2012) with M/s M/s i-Sat Network Engineers Pvt. Ltd., Haridwar, for construction of “132 KV Substation, Haridwar Road Dehradun” on turnkey basis at a total contract price of ` 11.43 crore (supply ` 8.49 crore + Erection & Civil ` 2.49 crore). The work was to be completed within 12 month from the award of the contract. *i.e.* by 10 April 2013.

As per clause 10 (Penalty For Delay), “*Any delay that may take place in supply and erection beyond contractual cut off date stated as per stipulated delivery period shall be subject to the penalty at the rate of ½% of the contract value per week with a ceiling of 10% of the total contract value.*”

Review of records revealed that the S/s was energised on 13 February 2015, however, the total work was completed on 30 June 2016. Thus as per contractual terms, the work was delayed by approx 38 months. As per records, total payment of ` 10.93 crore was made to the contractor.

Audit noticed that out of 38 months, 19 months delay (delay in mining approval) was unavoidable and balance 19 month delay was attributed to the contractor.

However, the contractor asked time extension of complete period without imposition of penalty. On the request of the contractor, the PTCUL permitted time extension of complete period on the ground that the S/s was energised on 13 February 2015 when the associated transmission line was completed, hence no financial loss was incurred by the PTCUL.

As the contractor could not complete the work within the prescribed time and there was avoidable delay of 19 months in completing the work, penalty of ` 1.01 crore (being 10 *per cent* of total payment made) should have been deducted from the bills of the contractor as per contractual terms.

Thus, by granting time extension without imposing penalty resulted in undue benefit to the contractor by ` 1.01 crore.

Management’s reply is still awaited.

Para 6:- Splitting of the work.

Proposal for construction of 22 residential quarters (type II-12, type III-06 and type IV-04) and common facilities phase-II at 220 KV S/S Mahuakheraganj for its employees was approved (January 2014) by the competent authority. Total estimated cost of the project was ` 4.79 crore in four packages² (Package -I ` 1.20 crore, Package-II ` 1.14 crore Package-III ` 1.66 crore and Package – 4 ` 0.79 crore).

Corporation floated (October 2014) four tender enquiries for above mentioned packages after lapse of 9 months. The last date of submission of the bids was 01/11/2014. Only one bid was submitted by the M/s SKT Buildcon Pvt. Ltd., Kashipur. As only one bidder had submitted the bid, the bids were extended further five (July 2015) to nine times (September 2015). Finally the work was awarded to M/s SKT Buildcon for package Nos package no. 1& 2- August 2015), package -3 (October 2015) as well as to M/s Udayan enterprises, Jamshedpur for package no. 4 (August 2015) .

In this regard, Audit noticed that as per Uttarakhand Procurement Rules 2008 (UPR, 2008) clause 42. (1), a group of works which forms one project shall be considered one work. The work should not be split just to avoid the procedure of getting the needed approval of the higher authority. The provision, however, shall not apply in case of works of similar nature, which are independent of each other.’

Thus, as per above clause of the UPR, 2008, the work of the construction should not be segregated in four packages as there was only one work i.e. construction of the residential building of different types of quarters. Segregating the work in four packages was not in consonance with the UPR resulting in non-compliance of the same.

Management’s reply is still awaited.

² Package-1 construction of 04 nos. type IV (D/S) residence and development work
Package -2 construction of 06 nos. type-III (D/S) residence and development work
Package-3 construction of 012 nos. type-II (D/S) residence and development work
Package-4 construction of roads, drains, water supply mains, earth filling etc.

Para 7: - Granting of Mobilization Advance in violation of CVC guidelines.

As per CVC guidelines mobilization advance should essentially be need-based and if the Management feels its necessity in specific cases, then it should be clearly stipulated in the tender documents and its recovery should be time-based and not linked with progress of the work. This would ensure that even if the contractor is not executing the work or executing it at a slow pace, the recovery of advance could commence and scope for misuse of such advance could be reduced. There should be a clear stipulation of interest to be charged on delayed recoveries either due to the late submission of bill by the contractor or any other reason besides the reason giving rise to the encashment of BG, as stated above. Preferably, mobilization advance should be given in installments and subsequent installments should be released after getting satisfactory utilization certificate from the contractor for the earlier installments.

Scrutiny of records revealed the following deficiencies/discrepancies:-

- 1- The general terms included in the contracts for recovery of Mobilisation Advance were, “Mobilisation Advance recoverable from bill”. Thus the recovery of the advance was linked with the progress of the work instead of a time based recovery, as advised by CVC. Audit noticed that due to not having time based recovery clause in the tender documents, huge mobilisation advance of ` 74.73.crore released during 2011-12 to 2014-15 relating to six projects could not be recovered for a period from. 19 to 63 months and remained idle with the contractors. Out of above six projects, four ` 68.02 crore were financed by ADB and interest free mobilization advance released to the contractor and the advance is pending idle from 27 to 63 months. The Contractors are enjoying interest fee advance without any progress of the work.
- 2- As per tender documents (03 January 2015) relating to construction of LILO at 220 KV Dhauliganga – Pithoragarh PGCIL line from 220/33 KV GIS S/s Baram (Jaulijivi), Pithoragarh , mobilisation advance was to be released after approval of survey and after obtaining in principle approval of forest authorities including all formalities required by forest department, whereas tender documents for construction of 132 KV Single Circle Line on Double Circuit Tower from Pithoragarh-Champawat (Lohaghat), the mobilisation advance was to be paid immediately on signing of contract. Resultantly, in first case mobilisation advance is yet to be paid whereas in second case mobilisation advance of ` 4.08 crore was paid on 23 May 2015, despite having same nature of work.

Thus due to having different tender conditions, in second case, the contractor is enjoying the advance without completion of survey and forest clearance work,

- 3- Review of records relating to construction of S/s at Jafarpur revealed that mobilization advance of ` 2.61 crore was given (23 August 2014) to the contractor @ 11.5 *per cent* whereas the Corporation has arranged its loan from PFC @ 12.25 *per cent*. This has resulted in extra burden of interest by ` 1.83 lakh till. January 2017 due to fixing interest rate from contractor at lower side.
- 4- In all the cases complete advance was released in one instalment. CVC has advised release of advance preferably in instalments and release of subsequent instalment after getting utilization certificate for earlier issued instalments.

Thus the guidelines issued by the Central Vigilance Commission for release of mobilization advance were not adhered to by the Corporation.

Management's reply is still awaited.

Para 8 : - Non disposal of obsolete / scrape inventory

As per inventory management, inventory in the store of any project or division should be reviewed every year. During review, if any, store/inventory is found surplus/obsolete/non-moving / scrape/unserviceable should be disposed off immediately by way of auction through proper system to avoid carrying cost by the origination on such type of inventory.

Scrutiny of record of PTCUL revealed that inventory were accumulated during the period since 2004 to 2016 and all lying in the Kumaoun and Garhwal zone as per details given below :

Region	Obsolete/ scrape	Non-moving
Garhwal Region	1,55,46,878	11,26,30,355
Kumaun Region	93,68,359	---
Total	2,49,15,237	11,26,30,355

It can be seen from above table that the huge amount of ` 2.49 crore obsolete/ scrap material were lying pending to be disposed off in different divisions resulting in blockage of ` 2.49 crore.

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.	Since Inception to 3/07	1 to 9	1	10
2.	04/2007 to 09/2008	1 to 6	1 & 2	08
3.	10/2008 to 12/2009	1 to 5	1 to 5	10
4.	01/2009 to 09/2010	1 to 2	1 to 4	06
5.	10/2010 to 03/2015	1 to 2	1 to 4	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
-	-	-	-	-

Part IV

Best practices of the unit

-----NIL-----

Part V

Acknowledgement

1. Office of The Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards Managing Director, Uttarakhand Power Transmission Corporation Ltd., Dehradun 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. S.S. Yadav	Managing Director	April 2015 to March 2016
2	Shri. S.K. Tomer	GM (F) I/C	April 2015 to March 2016
3	Shri. Manoj Kumar	DGM (F)	April 2015 to March 2016

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