

This Inspection Report has been prepared on the basis of information provided by office of the Managing Director, Uttarakhand Power Corporation Limited (UPCL), 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 O/o the Managing Director, Uttarakhand Power Corporation Limited, Dehradun 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 A.P. Singh, AAO and Shri Vikas Dhyani, AAO under the partial supervision of Shri Mukesh Kumar, Sr. AO during the period from 23.04.2018 to 19.05.2018.

Part-I

1. **Introduction:-** The last audit of this unit was carried out by Shri Amit Kumar Mishra, AAO, Shri A.P. Singh, AAO and Shri Vikas Dhyani, AAO under the partial supervision of Shri Mukesh 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:**

Main activity of the UPCL is to purchase and sell electrical energy and acquire, establish, construct and operate distribution lines and sub-stations (upto 66 KV) for distribution of energy in the state. UPCL with its corporate office at Dehradun has units spread over 13 district of Uttarakhand State. The main function of the UPCL is to supply electricity to the industrial, commercial and domestic consumers in Uttarakhand. It purchases electricity from Uttarakhand Jal Vidyut Nigam Limited and National Grid according to requirement.
3. (ii) **Auditing methodology and scope of audit:**

Office of Managing Director, UPCL 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 March 2018 was selected for detailed examination and July 2017 was selected for Arithmetical Accuracy.

(iii)

Year	Revenue	Expenditure	Profit
2017-18	20,71,654	48,10,09,793.00	--

(To the extent this information is available & applicable)

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

The management of UPCL vests in a Board of Directors headed by the Chairman. The Managing Director is Chief Executive of the Nigam who is assisted by 03 Directors and other functionaries.

Part-II-A

Para 1: Awarding the contracts more than sanctioned cost of DPR under IPDS Scheme- ₹ 29.03 crore.

The Integrated Power Development Scheme (IPDS) was launched by Government of India, Ministry of Power dated 03.12.2014 for strengthening of sub-transmission and distribution network in urban areas including provisioning of solar panels, metering and IT enablement of distribution sector. In this regard, Detail Project Reports (DPRs) were to be prepared by the Utility (UPCL) and recommended by Distribution Reforms Committee (DRC) at State Level. The projects under the Scheme would be approved by Monitoring Committee to be constituted by Ministry of Power, GoI.

The project cost approved by Monitoring committee or awarded cost of the project (including price variation, if any), whichever is less, shall be the eligible cost for determining the Grant (including additional grant) under the scheme. However, any cost overrun after the approval of Monitoring Committee, due to any reasons whatsoever shall not be eligible for any grant and shall be borne by the utility / respective State Government itself.

Audit noticed that Monitoring Committee approved (March 2016) the DPRs of 37 Projects valuing ₹ 190.68 crore submitted by UPCL under IPDS Scheme. For execution of Scheme, UPCL awarded (May 2017 to September 2017) contracts for all 37 Projects valuing ₹ 219.71 crore which was ₹ 29.03 crore i.e. 15.22 *per cent* higher than the value of DPRs as approved by Monitoring Committee in respect of 35 projects. However, awarded costs of two¹ projects were lower than the approved DPR cost.

Thus, awarding the contract more than the DPR value amounting to ₹ 29.03 crore will deprive UPCL of availing the grant and it has to be borne by the UPCL through its own resources.

The initial reply of the management is still awaited.

¹ Kedarnath and Urban Dehradun

Para 2: Unfruitful expenditure of ₹ 4.22 crore due to poor maintenance of DTR metering.

Part A of R-APDRP scheme includes Metering of Distribution Transformers and Feeders, and Automatic Data Logging for all Distribution Transformers and Feeders. The main objective is to acquire meter data from selected DTR's, Feeders, HT services, and Boundary meters automatically from remote avoiding any human intervention, monitor important distribution parameters, use meter data for accurate billing purposes and generate exceptions and MIS reports for proper planning, monitoring, decision support and taking corrective actions on the business activities by the management. It will help in reduction in AT&C losses; establishment of IT enabled energy accounting / auditing system, improvement in billed energy based on metered consumption and improvement in collection efficiency.

During scrutiny of records/details of status of communication from modems installed in town areas under R-APDRP Part-A in all 31 towns (R-APDRP towns) as on 31 March 2018, it was observed that a total number of 4910 meters/ modems were installed against which only 2300 meters/modems (46.84 *per cent*) were working /communicative and remaining 2610 were not working/non-communicative (53.16 *per cent*).

Audit further noticed that the percentage of communication of these modems ranged between 23.91 percent (Mangalore town) to 67.24 percent (Vikasnagar town). In Mangalore town, out of 46 modems installed (10 on feeders and 36 on DTRs), out of which all the ten modems on feeders and only one modem on DTR are working as on 31 March 2018. Further, an expenditure of ₹ 4.22 crore was incurred as cost of metering of distribution transformers. However, Poor status of communication of these modems/ meters adversely affects the accuracy of energy inflow/ outflow and measurements of AT&C losses. Thus one of the objective of implementation of the scheme, to record accurate inflow/ outflow of energy, to reduce AT& C losses and to improve revenue collection efficiency was defeated and resulted in wasteful expenditure of ₹ 4.22 crore.

Moreover, UERC directed (July 2017) UPCL to expedite the activities and submit quarterly report on the status of metering along with an action plan to conduct energy audit and also related costs to determine the voltage wise cost of supply. In response, UPCL submitted that the meters on DTs under 31 towns have already been installed. However, UPCL did not make aware UERC of the present status of communication/ non-communication of meters/ modems installed on DTRs. As more than 50 percent of meters/ modems are non-communicative, mere installation of same on DTRs and not maintaining them in order do not fulfill any purpose.

The initial reply of the management is still awaited.

Para 3: Avoidable expenditure of penalty imposed by UERC amounting to ₹ 1.11 crore.

Uttarakhand Electricity Regulatory Authority (UERC) directs (July 2004) Uttarakhand Power Corporation Limited (UPCL) to provide some minimum basic conveniences in all collection centers by November 2004. If UPCL fails to comply with the direction, the following penalty will be imposed on UPCL:

- i) UPCL shall pay a penalty of ₹ 1.00 lakh for contravention of commission's directions pertaining to billing and collection contained in commission's order dated 09.07.2004 and listed in para (1) of this order.
- ii) Till such time that each of the above directions has been fully complied with to the satisfaction of the commission, UPCL shall pay a continuing token daily penalty of ₹ 2500 with effect from the date of issue of this order.
- iii) While the one time penalty of ₹ 1.00 lakh will be paid within 30 days of issue of this order, the continuing penalty of ₹ 2500 per day will be paid within 30 days of close of each calendar month.
- iv) Expenditure incurred on this account will not be passed on to consumers in tariffs. Whether this expenditure should be borne by the delinquent company or the same should be recovered from the concerned employees is a matter which the company's Board of Directors may decide.

Audit noticed that UPCL's efforts remained insufficient in providing the minimum basic convenience like proper sitting arrangement, drinking water, toilets, drop box facilities, cleanliness etc. to the consumers at billing centers till date. Further, in compliance to the UERC directions placed before the 81st BoD in July 2017, UERC itself, finds the UPCL's efforts for improving the Billing and Billing Collection System as inadequate and directed UPCL to continue paying daily penalty of ₹ 2500 per day, accordingly, UPCL deposited penalty of ₹ 1.11 crore by August 2017. UERC decided (September 2017) to withhold the penalty for next 6 months on the request of UPCL subject to the completion of the bill collection facilities as per directions.

Had UPCL made sincere efforts for providing facilities to consumers, it could have avoided penalty of ₹ 1.11 crore imposed by UERC.

In this regard, the following details/ information were called for but still awaited:

- After completion of six months (i.e. March 2018) whether UERC continued to withhold the daily penalty or the penalty is paid/ payable by UPCL.

- If penalty is paid/ payable by UPCL after six month (i.e. March 2018), the details of penalty paid/ payable to UERC be provided.
- What is the present status of work of the bill collection facilities at the collection centres?

The initial reply of the management is still awaited.

Para 4: Awarding the contracts more than sanctioned cost of DPR under DDUGJY Scheme- ₹ 101.23 crore

Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) was launched by Government of India, Ministry of Power dated 03.12.2014 for separation of agriculture and non-agriculture feeders facilitating judicious rostering of supply to agricultural & non-agricultural consumers in rural areas, strengthening and augmentation of sub transmission & distribution infrastructure in rural areas.

The project cost approved by Monitoring committee or awarded cost of the project (including price variation, if any), whichever is less, shall be the eligible cost for determining the Grant (including additional grant) under the scheme. However, any cost overrun after the approval of Monitoring Committee, due to any reasons whatsoever shall not be eligible for any grant and shall be borne by the utility / respective State Government itself.

Audit noticed that Monitoring Committee approved (August 2015 and June 2017) the DPRs of 13 districts valuing ₹ 837.73 crore submitted by UPCL under DDUGJY Scheme. For execution of Scheme, UPCL awarded contracts for all 13 Districts valuing ₹ 938.96 crore which was ₹ 101.23 crore i.e. 12 *per cent* higher than the value of DPRs as approved by Monitoring Committee in respect of 13 Districts. However, awarded costs of two² districts were lower than the approved DPR cost.

Thus, due to awarding the contract more than the DPR value amounting to ₹ 101.23 crore will deprive UPCL of availing the grant and has to be borne by the UPCL through its own resources.

The initial reply of the management is still awaited.

Part-II B

Para 1: Loss of ₹ 21.63 lakh due to non-renewal of Performance Bank Guarantee and Security Deposit

UPCL entered into an agreement (January 2011) with M/s A2Z Maintenance & Engineering Services Pvt. Ltd. to execute the work of design, supply, erection, testing, commissioning of material and equipment required for construction of three 33/11 KV substations & its associated lines including civil works on turn-key basis for package-A (namely Sumari Bhardar, Chopta & Dhauntary) at a contract value of ₹ 4.89 crore. The completion period for each 33 KV substation and its associated lines shall be nine months from the date of handing over of land or issue of the Ist DI of the material for that substation & its associated lines i. e. October 2011 for the work of construction of sub-station at Sumari Bhardar. Further, in respect of penalty, the same shall be 0.1% per day subject to maximum of 20% of the cost of work of construction of particular 33/11 KV sub-station & its associated 33/11 KV lines and other associated work of this substation; subject to condition, that maximum penalty of all sub-stations shall not exceed more than 10% of total contract price of the agreement.

As per clause 19 of the contract, the contractor shall furnish Performance Security in form of bank guarantee to the employer for an amount of 10 *per cent* of the contract value i.e. ₹ 48.94 lakh in favour of Executive Engineer, Electricity Secondary Works Division, Dehradun. In case of non-completion of work in time, the same were to be extended suitably as demanded by Engineer-in-charge/CEO of the project. Besides, as per clause 15 of the agreement, a Security at the rate of one *per cent* amounting to ₹ 4.89 lakh shall have to be deposited in the form of bank draft/FDR/CDR/bank guarantee valid for a period of 12 months from the date of completion of all scope of work with a claim period of 6 months thereafter. The Security Deposit was to be released to the contractor on successful completion of the contract and on submission of 10 per cent Performance Guarantee.

Audit noticed that the performance of the contract was very poor as he could not complete the work of even one substation in Sumari Bhardar as on June 2014. In two sub-stations namely Chopta and Dhauntry, the contractor could not even start the work due to non-availability of land by UPCL till June 2014. UPCL terminated the contract (07.07.2014) with the following conditions:

1. Remaining works of construction of 33/11 KV substation at Sumari Bhardar and its associated 33 KV lines shall be completed at firm's risk & cost and the difference of the

cost shall be recovered from the firm. Any liability/penalty in respect of substation at Sumari Bhardar and Dhauntry shall also be recovered from the firm by UPCL.

2. The contractor is debarred from participating in the tenders invited by UPCL for a period of 2 years from the date of termination of contract or till recovery of amount as per point no. (i) above from the firm, whichever is later?

It was further observed that the contractor deposited the performance bank guarantee and security deposit amounting to ` 53.83 lakh (` 48.94 lakh & ` 4.89 lakh respectively) at the time of award of work but he failed to execute the work. During discussion between UPCL and Contractor, the contractor again and again assured to start and complete the work. Finally, the contractor did not execute the work and UPCL has no Bank Guarantee to forfeit to protect its financial interest as the contract was terminated in July 2014 and the Bank Guarantees were time barred till then. Despite poor performance of the contractor, UPCL failed to renew the same well in time. An estimate was prepared by UPCL for completing the balance work amounting to ` 21.63 lakh (` 14.19 for electrical work and ` 7.44 for civil work) which was borne by UPCL from its own resources.

In this regard, information/ details regarding completion of both the type of remaining work (Electrical & Civil) as on date and actual expenditure incurred on remaining Electrical & Civil work in respect of Sumari Bhardar work was called for but the same is still awaited.

The initial reply of the management is still awaited.

Para 2: Short deduction of Building and Other Construction worker welfare cess

A. As per provisions of Building and Other Construction Workers' Welfare Cess Act, 1996, UPCL has to collect one percent cess on cost of construction and deposit the same through bank draft in the name of Labour Commissioner/ Secretary, Uttarakhand Bhawan and other construction labour welfare board, ShramBhawan, Haldwani. In this regard, a letter from Labour Commissioner/ Secretary dated 15.06.2012 was written to Managing Director, UPCL.

During scrutiny of records of the DDUGJY Scheme, it was noticed that UPCL entered into various agreements for implementation of Scheme. Contractors submitted the bills valuing ₹ 90.03 crore from April 2016 to March 2018. UPCL made payment against these bills valuing ₹ 68.11 crore after deduction of taxes and labour cess. Instead of deducting labour cess equivalent to 1 percent on cost of construction i.e. ₹ 0.90 crore as per above mentioned act, UPCL has deducted Labour cess amounting to ₹ 9.74 lakh only from the bills of contractors till March 2018. This has resulted in short deduction of labour cess and undue favour to contractor amounting to ₹ 80.30 lakh (₹ 90.04 – ₹ 9.74).

B. During scrutiny of records of the Integrated Power Development Scheme (IPDS), it was noticed that UPCL entered into 37 agreements for implementation of Scheme. Contractors submitted the bills valuing ₹ 39.22 crore from April 2017 to March 2018. UPCL made payment against these bills valuing ₹ 23.11 crore after deduction of taxes and labour cess. Instead of deducting labour cess equivalent to 1 percent on cost of construction i.e. ₹ 23.11 lakh as per above mentioned act, UPCL has deducted Labour cess amounting to ₹ 0.34 lakh only from the bills of contractors till March 2018. This has resulted in short deduction of labour cess and undue favour to contractor amounting to ₹ 22.77 lakh (₹ 23.11 – ₹ 0.34).

The initial reply of the management is still awaited.

Para 3: Abnormal delay in completion of construction of 33/11 KV substation LBS Mussorie resulted in extra burden of ` 41.57 lakh

UPCL awarded (25.10.2013) the work of construction of 33/11 KV substation LBS Mussorie to M/s Fedders Electric and Engineering Limited, New Delhi with a schedule completion date of 12.08.2015. The estimated cost of work was 213.89 lakh. The work of construction of 33/11 KV substation LBS Mussorie could not be completed till date (March 2018) despite incurring the expenditure of ` 255.46 lakh till March 2018. As per the progress report provided by Project wing, the cost of the project was not revised by UPCL. Due to inordinate delay of more than two and half years, UPCL could not avail the benefits of the same. This abnormal delay in completion of said sub-station resulted in time and cost overrun of ` 41.57 lakh (` 255.46 lakh - ` 213.89 lakh). Had the line in question been completed in time, the line loss of UPCL could have been minimized.

The initial reply of the management is still awaited.

Para 4: Delay in completion of Chamba-Koteshwar line

UPCL awarded (27.10.2010) the work of construction of Chamba-Koteshwar line to M/s Saggi Electric Company, Chandigarh with a scheduled completion date of 01.11.2013. The estimated cost of work was 290.60 lakh. The work of construction of this line could not be completed till date (March 2018) despite incurring the expenditure of ` 308.27 lakh till March 2018. As per the progress report provided by Project wing, the cost of the project was not revised by UPCL. Due to inordinate delay of more than four years, UPCL could not avail the benefits of the same. This abnormal delay resulted in extra expenditure of ` 17.67 lakh (` 308.27 lakh - ` 290.60 lakh). Had the line in question been completed in time, the line loss of UPCL could have been minimized.

The initial reply of the management is still awaited.

Para 5: Non-realisation of arrears

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 u/s 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) U/S-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 the records of the revenue realization (December 2017), it was observed that the arrears in respect of Government and Non-Government consumers have increased from March 2017 to December 2017. The details are as follows:

(₹ in crore)

Sl. No.	Category	Arrear as on March 2017	Arrear as on December 2017
1.	Government Consumers	172.72	340.87
2.	Non-government Consumers	1420.34	1715.65
Total		1593.06	2056.52

It is evident from above that the arrears increased by ₹ 463.46 crore i.e. ₹ 1593.06 crore in March 2017 to ₹ 2056.52 crore in December 2017. UPCL should make sincere efforts and raise the matter with top management/HoD of the departments for early realization of the remaining amount in case of Government consumers and should take action in accordance with above mentioned manuals in case of Non-government consumers.

The initial reply of the management is still awaited.

Para 6: Delay in construction of 33/11 KV sub-station, Gangapur

The work for construction of 33/11 KV sub-station (2x5 MVA) was awarded to M/s Mittal Machines private Limited, Dehradun vide C&P letter of award no.1115 dated 22.12.2016. The estimated cost of work was 3.89 crore. The period for construction was nine months from the date of handover of land. As per 81st Agenda of BoD (July 2017), Uttarakhand Electricity Regulatory Commission (UERC) directed UPCL, in public interest, to speed up the construction process and submit the update on its status to the commission. In compliance status of UERC directions, UPCL stated that the demarcation of land of said sub-station was done in June 2017 and then the land was handed over to contractor for construction of same. Hence, the date of start of work was 08.06.2017. The scheduled completion time was nine months i.e. March 2018 and UPCL assured that the work would be completed by this date.

During scrutiny of records of project wing, it was noticed that the construction of the said sub-station was not completed upto March 2018 despite the assurance given by UPCL to UERC. However, the expenditure incurred on the same has not been provided in the progress report. This resulted in non-compliance of UERC directions.

In this regard, the information/ details regarding physical progress of the work and reasons for delay were called for but the same was still awaited.

The initial reply of the management is still awaited.

Para7: Non compliance of Guidelines of DDUGJY

Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) was launched by Government of India, Ministry of Power dated 03.12.2014 for separation of agriculture and non-agriculture feeders facilitating judicious rostering of supply to agricultural & non-agricultural consumers in rural areas, strengthening and augmentation of sub transmission & distribution infrastructure in rural areas. As per guidelines the Utility will ensure auditing of DDUGJY accounts relating to receipts of funds from REC and expenditure incurred by Utility against such receipts during the Financial Year by Independent Chartered Accountant and furnish a report to REC latest by 30 June of succeeding year. REC shall consider release of further funds on the receipt of audited report and certificate from Chartered Accountant.

Audit noticed that UPCL received ₹ 71.21 crore in respect of said scheme till date and has incurred expenditure amounting to ₹ 15.13 crore in FY 2016-17 and ₹ 42.45 crore in 2017-18. However Independent Chartered Accountant has not been appointed for audit of the same till date which is a violation of said guidelines.

The initial reply of the management is still awaited.

Part III

(In this part, detail of unsettled paras of previous inspection reports to be reported in below given format.)

Details of unsettled paras of previous inspection reports:-

Sr. No.	Period	Part-II-A	Part-II-B
1.	04/2003 to 12/2004	01 to 03	02 to 04
2.	01/2005 to 12/2005	01,03,04,05,06	01 to 03
3.	01/2006 to 12/2006	01 to 08	01 to 08
4.	01/2007 to 12/2007	01 to 08	01 to 06
5.	04/2011 to 03/2013	01 to 10	01 to 06
6.	04/2013 to 03/2014	01 to 08	01 to 05
7.	04/2014 to 03/2015	01 to 06	01 to 08
8.	04/2015 to 03/2016	01 to 03	01 to 12
9.	04/2016 to 03/2017	01 to 07	01 to 05

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
Nil	Nil	Nil	Nil	Nil

Part IV

Best practices of the unit

NIL

Part V

Acknowledgement

1. Office of The Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards O/o the Managing Director, Uttarakhand Power Corporation Dehradun and their officers and employees for promptly providing desired documents and information including infrastructure related co-operation during the course of audit.

2. Persistent irregularities.

NIL

3. The following officers held the charge of head of the office during the audit period:

Sr. no.	Name	Post	Period
(i)	Shri M.K. Jain,	Managing Director	since 30.11.2016 to 07.04.2017
(ii)	Shri B.C.K. Mishra,	Managing Director	since 07.04.2017 to date
(iii)	Shri M. A. Khan,	Director (Finance)	since last audit to 31.07.2017
(iv)	Shri L. M. Verma,	Director (Finance)	since 31.07.2017 to 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. AO/ES-1