Chapter-III

Social and Economic Sector (Public Sector Undertakings)

3.1 Introduction

3.1.1 Status of Public Sector Undertakings

The total number of Companies and Statutory Corporations in the State are 22 and three (03) respectively. The working State PSUs registered a turnover of ₹ 5,103.24 crore **(*Appendix 3.1.1*)** as per their latest finalized annual accounts as of September 2014. Major activities of the State PSUs are concentrated in the power sector. As on 31 March 2014, there were 25 PSUs as detailed in **Table 3.1.1**.

Table 3.1.1

Type of PSUs	Working PSUs	Non-working PSUs[1]	Total
Government Companies[2]	18[3]	04[4]	22
Statutory Corporations	03[5]	-	03
Total	**21**	**04**	**25**

None of these companies were listed on the stock exchange.

3.1.2 Audit Mandate

Audit of Government companies is governed by Section 619 of the Companies' Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* or above of the Paid up Capital is held by the Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the Paid up Capital is held in any combination by the Government(s), Government companies and corporations controlled by Government(s) is treated as a Government company (Deemed Government Company) as per Section 619-B of the Companies Act 1956.

The accounts of the State Government companies (as defined in Section 617 of the Companies' Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) under Section 619(2) of the Companies' Act, 1956. These accounts are

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1 Non-working PSUs are those which have ceased to carry on their operations.

2 Includes 619-B Companies.

3 Uttarakhand Chai Vikas Nigam Ltd (Company) has been converted into Uttarakhand Chai Vikas Board under Society Act, 1860 during 2006-07, as intimated by them vide their letter no. 282 dated 22 July 2014. Therefore, it was excluded from current year's report. Further, one Company (Uttarakhand Project Development and Construction Corporation Limited) was incorporated in December, 2010 under the Companies' Act, 1956. As the first Accounts of the company were received during 2013-14, therefore, the company was included in the current year's Audit Report for the first time.

4 Kumtron Limited, Uttar Pradesh Hill Phones Limited, Uttar Pradesh Hill Quartz Limited and UPAI Limited (under liquidation since 31 March 1991).

5 Uttarakhand Forest Development Corporation was included as Statutory Corporation in current year's Audit Report for first time as the State Government made necessary amendment in the Act to entrust the audit of the same to the Comptroller and Auditor General of India.

also subject to supplementary audit conducted by the CAG under Section 619 of the Companies' Act, 1956.

Audit of Statutory Corporations is governed by their respective Legislations. There are only three statutory corporations in the State. Of the two Statutory Corporations, the CAG is the sole auditor of Uttarakhand Parivahan Nigam and Uttarakhand Forest Development Corporation. In respect of Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam, the audit was entrusted to the CAG initially from 2003-04 to 2008-09 and then extended upto 2013-14 under Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

3.1.3 Investment in State Public Sector Undertakings (PSUs)

As on 31 March 2014, the Investment (Capital and Long-Term Loans) of the State Government in 25 PSUs and Statutory Corporations (including 619-B Companies) was ₹ 7,566.36 crore as per details given in **Table 3.1.2**.

Table 3.1.2 ***(₹ in crore)***

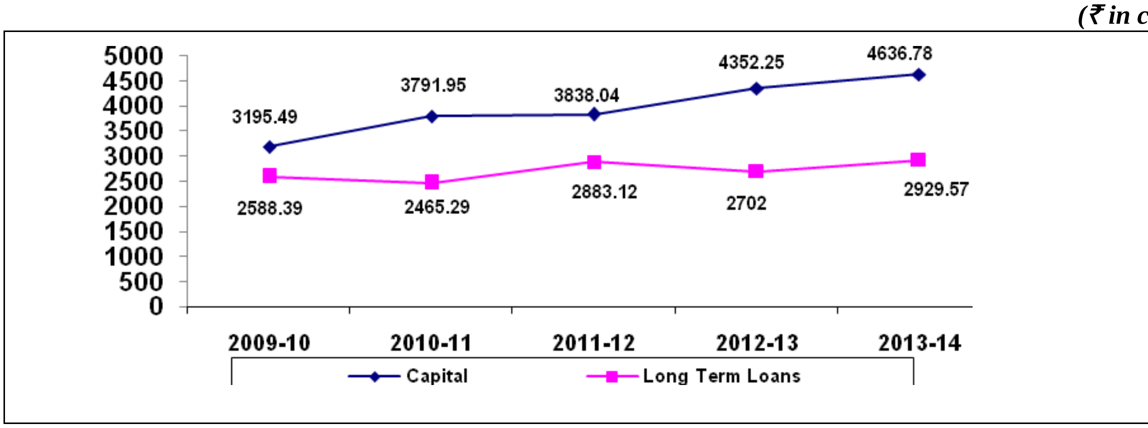
Nature of investment	Government Companies		Statutory corporations	Grand Total
	Working companies	Non-working companies		
Capital	2,506.60	0.38	2,129.80	4,636.78
Long-Term Loans	2,767.41	--	162.16	2,929.57
Total:	**5,274.01**	**0.38**	**2,291.96**	**7,566.35**

A summarized position of Government investment in the State PSUs is given in ***Appendix 3.1.2***.

The total Investment increased by 30.82 *per cent* from ₹ 5,783.88 crore in 2009-10 to ₹ 7,566.35 crore in 2013-14.as shown below in ***Chart 1***.

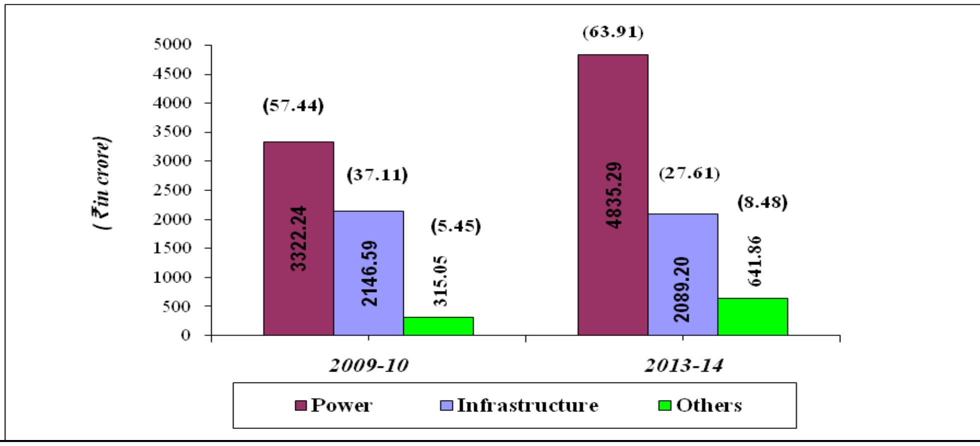
Chart 1

(₹ in crore)



The Investment in various important sectors both in absolute and relative terms at the end of 31 March 2010 and 31 March 2014 is given below in ***Chart 2***.

Chart-2



(Figures in brackets show the percentage of sector investment to total investment)

During 2013-14, the major percentage of investment continued to be in the power sector (63.91 *per cent*). There was an increase in investment by the State in other[6] sectors as well.

3.1.4 Budgetary outgo, grants/subsidies, guarantees and loans

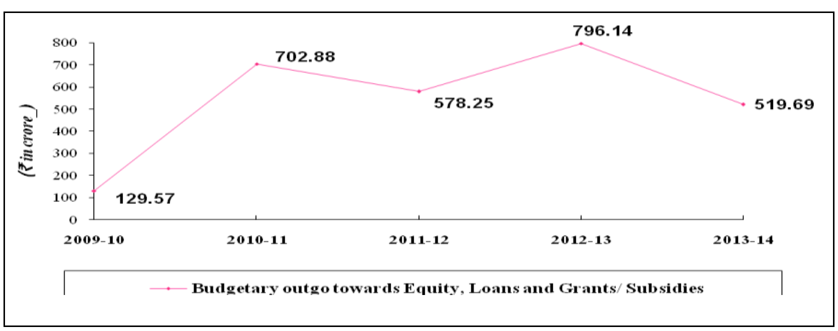
The trend of budgetary outgo towards equity, loans, grants/ subsidies and guarantees issued in respect of State PSUs is given in ***Appendix 3.1.3.*** The summarized position for the last three years ending 31 March 2014 is given in **Table 3.1.3**.

Table 3.1.3 ***(₹ in crore)***

Sl No	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital	4	44.00	2	460.02	4	259.91
2.	Loans	5	458.02	3	252.90	6	190.07
3.	Grants/Subsidy	5	76.23	5	83.22	4	69.71
4.	Total outgo (1+2+3)	10	578.25	7	796.14	8[7]	519.69
5.	Guarantees issued	1	1.35	1	1.51	1	1.54
6.	Guarantee Commitment	5	1,110.90	4	1,062.93	4	906.66

The trend of budgetary outgo towards equity, loans and grants/ subsidies for the past five years is given in ***Chart 3***.

Chart 3



6 Agriculture and Allied, Manufacturing, Services and Miscellaneous.

7 Represents actual number of Companies/Corporation which received budgetary support in the form of equity/loans/subsidy during the respective year.

The budgetary outgo towards State PSUs in the form of equity, loans and grants/subsidies provided by the State Government has shown a fluctuating trend with ₹ 129.57 crore outgo in 2009-10 and ₹ 519.69 crore outgo in 2013-14.

The amount of Guarantee commitment as on 31 March 2013 was ₹ 1,062.93 crore (four PSUs) which decreased to ₹ 906.66 crore (four PSUs) as on 31 March 2014 as given in ***Appendix 3.1.3***.

The State Government charges Guarantee fee at the rate of one *per cent* and an additional one *per cent* in the case of defaulting PSUs. However, in 2013-14, only one PSU (Uttarakhand Jal Vidyut Nigam Limited) paid ₹ 7.17 crore as Guarantee fee pertaining to the year 2012-13. The Guarantee fee payable to the State Government by the other PSUs upto March 2014 amounted to ₹ 14.87 crore[8].

3.1.5 Reconciliation with Finance Accounts of the Government

The figures in respect of equity, loans and guarantees outstanding as per the records of the State PSUs should match with that of the figures appearing in the Finance Accounts of the Government. In case the figures do not match, the PSUs concerned and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2014 is given in **Table 3.1.4**.

Table 3.1.4 ***(₹in crore)***

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	2,642.72	4,609.09[9]	1,966.37
Loans	227.07	971.25	744.18
Guarantees	902.06	906.66	4.60

Audit observed that the differences occurred in respect of 08 PSUs and some of the differences were pending reconciliation since 2003. The administrative departments concerned, PSUs and the Finance Department were requested to take necessary action to reconcile the differences.

3.1.6 Performance of Public Sector Undertakings (PSUs)

Out of 21 working PSUs/Statutory Corporation for which accounts were received upto 30 September 2014, 10 PSUs earned Profit of ₹ 99.05 crore and 11 PSUs incurred losses of ₹ 141.50 crore. The major contributors to profit[10] were State Industrial Development Corporation of Uttarakhand Limited (₹ 30.01 crore) and the Uttarakhand Jal Vidyut Nigam Limited (₹ 12.58 crore). Heavy losses[11] were incurred by the Doiwala Sugar Company Limited (₹ 35.13 crore), Kichha Sugar Mill (₹ 17.44 crore) and Uttarakhand Power Corporation Limited (₹ 15.75 crore). Further, Summarised Financial Results including net profit/loss, turnover, return on capital employed, etc. of Government Companies and Statutory Corporations for the year for which accounts were finalized as of September 2014 is given in ***Appendix 3.1.1***.

8 UJVNL= ₹ 6.19 crore, UPCL = ₹ 5.55 crore and PTCUL= ₹ 3.13 crore = ₹14.87 crore.

9 This includes ₹ 2,050.06 crore Capital grant given by the State Government to Uttarakhand Pey Jal Nigam Ltd, which was not included in the Finance Accounts.

10 As per the Accounts for the year, Uttarakhand Jal Vidyut Nigam Limited (2013-14) and State Industrial Development Corporation of Uttarakhand Limited (2010-11).

11 As per the Accounts for the year, Doiwala Sugar Company Limited (2012-13), Kichha Sugar Mill (2012-13) and Uttarakhand Power Corporation Limited (2012-13).

A review of last three years Audit Reports of the CAG for the year ended 31 March 2014 shows that the State PSUs incurred controllable/avoidable expenditure of ₹ 491.83 crore, expenditure of ₹ 486.84 crore which was not recoverable, and infructuous investment of ₹ 23.85 crore which were controllable with better management. The year-wise details from Audit Reports of CAG as given in the **Table 3.1.5** below are based on test check of records of PSUs.

Table 3.1.5 *(₹ in crore)*

Particulars	2010-11	2011-12	2012-13	Total
Expenditure not recoverable	10.78	2.28	473.78	486.84
Controllable/avoidable expenditure	175.46	116.42	199.95	491.83
Infructuous Investment	10.63	10.83	2.39	23.85
Total	**196.87**	**129.53**	**676.12**	**1,002.52**

The State Government did not formulate any norm for payment of dividend under which all PSUs were required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest finalised accounts, ten PSUs earned an aggregate profit of ₹ 99.05 crore but no dividend has been declared by them.

3.1.7 Arrears in finalisation of accounts

The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies' Act, 1956. Similarly, in the case of Statutory Corporations, the accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The status of accounts of working PSUs by 30 September of the corresponding year are given in **Table 3.1.6**.

Table 3.1.6

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14[12]
1.	Number of working PSUs	20	20	20	20	21
2.	Number of accounts finalised during the year	12	28	15	10	16
3.	Number of accounts in arrears	143	135	140	150	148[13]
4.	Average arrears per PSU (3/1)	7.15	6.75	7	7.50	7.06
5.	Number of working PSUs with arrears in accounts	20	19	20	20	20
6.	Extent of arrears	1 to 23 years	1 to 24 years	1 to 25 years	1 to 26 years	1 to 27

The State PSUs failed to clear accounts each year during the preceding five years, from 2009-10 to 2013-14, causing accumulation of arrears ranging between 135 to 150 accounts.

In addition, there were arrears in finalisation of accounts by non-working PSUs also. Out of four non-working Companies, one Company, i.e., UPAI Limited was under liquidation process since 31 March 1991 and the remaining three non-working PSUs[14] had arrears of accounts ranging from 23 to 27 years.

[12] 12 Accounts of Uttarakhand Chai Vikas Nigam Limited were deleted from arrears of accounts and five accounts of two Companies/Corporation (Uttarakhand Project Development and Construction Corporation Limited and Uttarakhand Forest Development Corporation) is being included.

[13] 150 (Opening Balance) + 21 (New Accounts for the year 2013-14)-12 (Chai Vikas Nigam deleted account) + 5 (New Companies Accounts) – 16 (Finalised during the year) = 148 (Closing balance)

[14] Kumtron Limited, Uttar Pradesh Hill Phones Limited and Uttar Pradesh Hill Quartz Limited.

The State Government had invested ₹ 394.25 crore (Equity: ₹ 66.28 crore, loans: ₹ 296.08 crore and Grants/Subsidy: ₹ 31.89 crore) in eight PSUs/Statutory Corporation during the years from 2005-06 to 2013-14 for which accounts had not been finalised as detailed in ***Appendix 3.1.4***. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature.

The matter of arrears in accounts was also taken up (May 2014) with the Chief Secretary and Additional Chief Secretary (Finance), Government of Uttarakhand to expedite clearance of backlog of arrears in accounts in a time bound manner.

3.1.8 Winding up of non-working PSUs

There were four non-working PSUs as of March 2014. Of these, one PSU has commenced liquidation process. The stages of closure in respect of non-working PSUs are given in **Table 3.1.7**.

Table 3.1.7

Sl. No.	Particulars	Companies
1.	Total No. of non-working PSUs	04[15]
2.	Of (1) above, the No. under:	-
	(a) liquidation by Court (liquidator appointed)	01[16]
	(b) Voluntary winding up (liquidator appointed)	-
	(c) Closure, i.e., closing orders/ instructions issued but liquidation process not yet started.	03

During the year 2013-14, no Company was wound up. The only Company, *i.e.* UPAI Limited, which had taken the route of winding up in accordance with Court order, has been under liquidation for more than 22 years.

3.1.9 Comments on Annual Accounts

Nine working Companies forwarded 15 accounts to Audit during the period from October 2013 to September 2014. Of these, 14 accounts were selected for supplementary audit and Non-Review Certificate was issued in respect of one company. The audit reports of Statutory Auditors appointed by the CAG and the supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of the Statutory Auditors and the CAG are given in **Table 3.1.8**.

Table 3.1.8 ***(₹ in crore)***

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	26.04	4	108.47	5	28.07
2.	Increase in loss	6	234.81	4	86.07	2	16.96
3.	Non-disclosure of material facts	2	11.41	1	28.25	1	180.16

The Statutory Auditor had given qualified certificates[17] in respect of ten accounts, adverse certificates in respect of three accounts and unqualified certificates in case of two accounts.

[15] Kumtron Limited, Uttar Pradesh Hill Phones Limited, Uttar Pradesh Hill Quartz Limited and UPAI Limited.
[16] The Company, *i.e.*, UPAI Limited was under liquidation since 31 March 1991.
[17] Qualified Certificate is given by the Statutory Auditors represent that there are certain exceptions/qualification on the financial statement, which do not comply with generally accepted accounting principles.

Some of the important comments in respect of Annual Accounts of the Government Companies for which audit was conducted during the period October 2013 to September 2014 are stated below:

Uttarakhand Jal Vidyut Nigam Limited (2013-14)

- Showing the abandoned project amount of ₹ 1.60 crore in Capital Work in Progress (CWIP).
- Non-provision of penal interest of ₹ 5.44 crore due to default in repayment of principal and interest on loan amount of Life Insurance Corporation (LIC).

Uttarakhand Power Corporation Limited (2012-13)

- Excess payment of ₹ 10.34 crore made to PTCUL by UPCL as wheeling charges.
- Non provision of ₹ 0.14 crore for arrear of license fee to the UERC.

Power Transmission Corporation of Uttarakhand Limited (2012-13)

- Non provision of penalty for non-payment of guarantee fee of ₹ 4.16 crore at the rate of one *per cent* on loan amount payable to Uttarakhand Government.
- Non provision of Miscellaneous Advance of ₹ 2.88 crore given to contractor pending recovery for more than eight years, recovery of which was doubtful.

3.1.10 Internal Control/ Internal Audit

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which need improvement. The comments made by the Statutory Auditors in respect of the internal control/ internal audit of five Companies are given in **Table 3.1.9**.

Table 3.1.9

Sl. No.	Nature of comments made by the Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per *Appendix 3.1.2*
1.	Non-fixation of minimum/ maximum limits of store and spares	02	A1 and A17
2.	Absence of internal audit system commensurate with the nature and size of business of the Company	04	A1, A5, A13, and A17
3.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	03	A13, A17and A18

It shows that PSUs need to improve their internal audit systems commensurate with the nature and size of business, devise suitable systems for provision of retrial dues, inventory management, introduction of information technology etc. for better results.

3.1.11 Status of placement of Separate Audit Reports (SARs) in respect of Corporations

The audit of Uttarakhand Parivahan Nigam is conducted under Section 33(2) of the State Road Transport Corporation Act, 1950, whereas audit of Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam is entrusted to the CAG under Section 52(3) of the Uttar Pradesh Water Supply and Sewerage Act, 1975. Uttarakhand Forest Development Corporation was included as Statutory Corporation in current year's Audit Report for first time as the State Government made necessary amendment in the Act to entrust the audit of the same to the Comptroller and Auditor General of India. The first account for the year 2009-10 of the corporation was received (July 2014) and finalization of the same is under process. The status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory Corporations in the Legislature by the Government, is given in **Table 3.1.10**.

Table 3.1.10

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1.	Uttarakhand Parivahan Nigam	2004-05	2005-06 to 2008-09	29 November 2012
2.	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	2009-10	2010-11	20 January 2014
3.	Uttarakhand Forest Development Corporation	The accounts for the year 2008-09 was certified by local fund audit of State Government and the same is yet to be laid in the State Legislature.		

3.1.12 Recoveries at the instance of audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the PSUs were referred to the PSUs/State Government through Audit Inspection Reports for further investigation and, in case of overpayments/excess payment, recovery of the same under intimation to audit.

During the course of audit in 2013-14, recoveries of ₹ 20.87 crore were pointed out to the Management of various PSUs, which were admitted by the PSUs. Against this, an amount of ₹ 5.34 crore was recovered during the year 2013-14.

3.1.13 Response of the departments to Audit Report material

For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2014, six draft Paragraphs were issued to the Additional Chief Secretaries/ Principal Secretaries of the departments concerned with the request to furnish replies within six weeks. Though the respective management of the PSUs concerned had furnished the replies, no reply was received from the State Government in respect of five draft paragraphs.

3.1.14 Follow-up on Audit Reports

Explanatory Notes outstanding

The Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive.

Though the Audit Reports for the years 2010-11, 2011-12 and 2012-13 were presented to the State Legislature in December 2012, September 2013 and November 2014 respectively, four departments had not submitted explanatory notes on all the 11 paragraphs/performance audits as of 30 September 2014, as indicated in **Table 3.1.11**.

Table 3.1.11

Year of Audit Report (Commercial)	Date of presentation	Total paragraphs/ performance audits in Audit Report	Number of paragraphs/ performance audits for which explanatory notes were not received
2010-11	December 2012	5	5
2011-12	September 2013	3	3
2012-13	November 2014	3	3
Total		**11**	**11**

Department wise analysis is also given in **Table 3.1.12**.

Table 3.1.12

Name of department	2010-11	2011-12	2012-13
Power	2	2	2
Infrastructure	-	1	-
Tourism	2	-	1
Manufacturing	1	-	-
Total	**05**	**03**	**03**

As depicted above, the Power Department did not submit explanatory notes on any of the six paragraphs/ performance audits.

Compliance to Reports of Committee on Public Undertakings (COPU)

The Action Taken Notes on the recommendations of COPU are required to be furnished within six months from the presentation of the Reports. Position of COPU meetings held, para actually discussed and finalized and COPU reports issued during the year 2010-11, 2011-12 and 2012-13 are given in the **Table 3.1.13**.

Table 3.1.13

Period	No. of meetings held	Paragraphs/ Performance Audits	Paras/ Performance Audits discussed	Para/ Performance Audits finalized	No. of paragraphs/Performance Audits where replies not received
2010-11	05	06	06	-	-
2011-12	02	02	02	02	-
2012-13	-	-	-	-	-

No COPU meeting was held since July 2011. Further, 34 paragraphs were still to be discussed by the COPU, the oldest one being from the Audit Report of 2001-02. Action Taken Notes (ATNs) are not being received for vetting as on 30 September 2014.

Response to inspection reports, draft paras and performance audits

Audit observations made during audit and not settled on the spot were communicated to the heads of the Public Sector Undertakings (PSUs) and departments concerned of the State

Government through inspection reports. The Heads of PSUs were required to furnish replies to the inspection reports through respective heads of departments within one month. 1694 paragraphs relating to 362 inspection reports were outstanding at the end of 30 September 2014. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2014 is given in ***Appendix 3.1.5***.

Similarly, performance audit reports and draft paragraphs on the working of Public Sector Undertakings are forwarded to the Secretary of the concerned administrative department demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Six Draft Paragraphs were forwarded to three departments between July 2014 and September 2014. Reply in respect of one draft paragraph has been received from State Government. Replies of State Government in respect of five are still awaited.

It is also recommended that the Government may ensure (a) sending of replies to inspection reports/draft paragraphs/Action Taken Notes on the recommendations of COPU as per the prescribed time schedule, (b) recovery of loss/outstanding advances/overpayments within the prescribed time schedule, and (c) revamping of the system of responding to audit observations.

3.1.15 Disinvestment, Privatisation and Restructuring of PSUs

The State Government has no plan in place for disinvestment, privatisation or restructuring of any of the PSUs.

3.1.16 Contents of this Chapter

This chapter contains six paragraphs involving a financial impact of ₹ 134.80 crore. Reply in respect of one paragraph involving a money value of ₹ 2.12 crore has been received from the State Government. Details of the audit findings are given in the subsequent paragraphs.

DEPARTMENT OF AGRICULTURE

3.2 Marketing of Certified Wheat Seeds by the Uttarakhand Seeds and Tarai Development Corporation Ltd., Pantnagar

Actual intake of wheat seeds from growers was 15.45 lakh quintals only against the target production of 19.95 lakh quintals. By considering distributors' commission as a part of purchase price instead of selling and distribution expenses, Company paid excess commission of ₹ 0.73 crore to the dealers and further, due to adopting higher rate of commission, Company incurred additional expenditure of ₹ 0.30 crore. Company suffered a loss of ₹ 1.37 crore due to non-forfeiture of advance deposited by the defaulting distributors.

3.2.1 Introduction

The Uttarakhand Seeds and Tarai Development Corporation Limited, Pantnagar (Company) is under the administrative control of Department of Agriculture, Government of Uttarakhand. The Company is carrying out production, processing and marketing of certified seeds of food grains and vegetables within and outside the state[18]. Foundation seeds are provided by the Company to its authorised growers and multiplied seeds are procured from them. The sale of the seeds is undertaken through distributors and dealers. The Company mainly sells its products to the farmers targeted and subsidised by the Governments of Bihar and Uttar Pradesh.

Audit was taken up during March 2014 to June 2014 by test-check of records (April 2009 to March 2014) of the Head Office of the Company so as to assess whether the Company had managed the marketing of certified wheat seeds in an economic, efficient and effective manner.

3.2.2 Sales Performance of the Company

Review of records showed that the sale of certified wheat seeds, which was 3.10 lakh quintals in 2009-10, increased to 4.05 lakh quintals in 2010-11 and, thereafter, it decreased to 2.63 lakh quintals up to 2013-14. Details are given in **Table 3.2.1**.

Table 3.2.1

Year	2009-10	2010-11	2011-12	2012-13	2013-14
Sale (₹ in crore)	60.35	88.35	84.55	87.63	70.48
Sale of own Production Wheat (quintals)[19]	2,97,417	3,15,358	3,49,664	3,65,550	2,63,507
Trading of Wheat (quintals)	12,617	89,806	31,841	Nil	Nil
Total sale of Wheat (quintals)	3,10,034	4,05,164	3,81,505	3,65,550	2,63,507

(***Source: Information compiled from the data provided by the Company***)

The above details show that the sale of seeds increased in 2010-11 by 30.68 *per cent* as compared to 2009-10 and decreased thereafter by 34.96 *per cent* over the period from 2010-11 to 2013-14. Sales performance of the Company has seen a significant downward trend. The reasons have been analysed in following sections:

[18] Production and processing – in Aligarh and Gorakhpur (Uttar Pradesh), Marketing – in Bihar, Uttar Pradesh and West Bengal etc.

[19] Includes foundation seeds sold (being excess) as certified seeds.

3.2.2.1 Short intake of Raw Seeds from Growers

Records showed that during the period 2009-10 to 2013-14, against the estimated production of 20.28 lakh quintals and targeted production of 19.95 lakh quintals of wheat seeds, actual intake[20] of wheat seeds from growers was 15.45 lakh quintals. The actual production was short by 4.50 lakh quintals against the targeted production.

3.2.2.2 Non-execution of agreement with growers

It was noticed that the Company does not enter into any formal agreement with its growers to ensure supply of a minimum quantity of seeds. In the absence of any formal agreement, the growers were not bound to supply quantity agreed by them to the Company, resulting in potential diversion of sales.

The Company stated (April 2014) that it can decide to have agreements with the growers only after declaring its payment policy before the beginning of the seed production season. Reply is not satisfactory as National Seed Corporation of India enters into agreement with its growers which *inter alia* provides for supply of minimum quantity of seeds. Further declaring of advance payment policy is within the powers of the Company.

3.2.2.3 Failure of the Company to tap the potential

Under different Centrally Sponsored Schemes, Government of Bihar and Government of Uttar Pradesh release targets for quantities of seeds to be sold at subsidised rate in their States against which subsidy is released. The year-wise details of the quantity targeted for sale in two States and the sale thereagainst is given in **Table 3.2.2**.

Table 3.2.2 ***(in quintal)***

Year	Demand placed by the Bihar and Uttar Pradesh Governments	Seeds sold	Shortfall (*Per cent*)
2010-11	3,77,231	3,02,179.00	75,052 (**20**)
2011-12	4,29,990	3,46,030.00	83,960 (**20**)
2012-13	4,18,800	3,15,333.40	1,03,467 (**25**)
2013-14	3,88,980	2,22,128.60	1,66,851 (**43**)
Total	**16,15,001**	**11,85,671.00**	**4,29,330 (27)**

(***Source: Information compiled from the data provided by the Company)***

It can be seen from the above that during the period 2010-14, against the total demand of 16.15 lakh quintal for sale of wheat seeds in Bihar and Uttar Pradesh, the Company could sell only 11.86 lakh quintals, thereby failing to tap the potential available to sell an additional 4.29 lakh quintals and thus losing the opportunity to maximise its profit.

3.2.3 Pricing Structure

3.2.3.1 Excess commission of ₹73.27 lakh paid by the Company

Review of the price structure of wheat seeds for the years 2011-12 to 2013-14 showed that the selling price was determined by the Company after considering its total cost including sales commission payable to its distributors and dealers. As per terms of contracts entered into with

[20] Raw seeds obtained from growers were 17.44 lakh quintals. After processing, actual production was 15.45 lakh quintals.

the distributors, distributor's commission was payable on ex-plant rate whereas dealer's commission was on ex-godown rate.

Test-check of price structure of wheat seeds supplied in four states[21] by the Company for the years 2011-12 to 2013-14 showed that the Company by considering distributor's commission as part of the purchase price instead of considering the same as selling and distribution expenses, ended up fixing both the dealers' commission as well as retail price to the farmer at a rate higher by ₹ 5.46 per quintal to ₹ 9.58 per quintal**.** This resulted in excess payment to the dealers by ₹ 73.27 lakh ***(Appendix 3.2.1)***.

The Management accepted the audit observation and stated that corrective measures will be taken.

3.2.3.2 Commission paid to the dealers at higher rates by the Company against the contractual terms

As per clause 19 of the contract, distributors were required to deposit 10 *per cent* advance payment as confirmation of their estimated demand and the Company was liable to supply the seeds against the firmed up demand only. Further, as per clause 15 of the contract, dealer's commission was payable at the rate of 10 *per cent* of ex-godown rate for sale against firm demand (against which 10 *per cent* advance was received) and at the rate of eight *per cent* on unconfirmed demand for which Company would not receive any advance payment.

Audit noticed that during the year 2012-13 and 2013-14, 16 distributors deposited an advance of ₹ 171.97 lakh for reserve seeds worth ₹ 1,719.70 lakh. The distributors, however, lifted seeds worth ₹ 2,770.61[22] lakh. Thus, as per contractual terms, dealer's commission was payable at the rate of nine[23] *per cent* on ₹ 1,257.80[24] lakh and at the rate of seven[25] *per cent* on sale of ₹ 1,512.81[26] lakh. However, it was seen that the Company paid commission at the rate of nine *per cent* on the total sale of ₹ 2,770.61 lakh. Thus, dealer's commission was paid in excess of agreed upon norms by ₹ 29.59 lakh ***(Appendix 3.2.2)***.

The Company stated (June 2014) that against the dealer's commission worked out as ₹ 304.11 lakh, actual commission paid was ₹ 248.69 lakh. Reply is not acceptable as actual commission payable was ₹ 219.10 lakh.

3.2.4 Loss of ₹ 136.87 lakh due to non-forfeiture of advance

As per the terms of contract entered into with the distributors, the distributors may reserve the required quantity of seeds by depositing 10 *per cent* advance payment. Further, if in any case the

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[21] Bihar, Uttar Pradesh, West Bengal and Uttarakhand.

[22] Total sale of ₹ 3,818.36 lakh less Subsidy and Transport rebate of ₹ 1,047.75 lakh (₹ 987.76 + ₹ 59.99) = ₹ 2,770.61 lakh.

[23] 10 *per cent* of ex-godown rate i.e. nine *per cent* of retail price as calculated by the Company.

[24] Total reserved sale (for which ten *per cent* advance was received) of ₹ 1,719.70 lakh less Subsidy and Transport rebate of ₹ 461.90 lakh (₹ 433.90 lakh + ₹ 28.00 lakh).

[25] Eight *per cent* of ex-godown rate i.e. seven *per cent* of retail price as calculated by the Company.

[26] Total unreserved sale (for which ten *per cent* advance was not received) of ₹ 2,098.66 lakh less Subsidy and Transport rebate of ₹ 585.85 lakh (₹ 553.86 lakh + ₹ 31.99 lakh).

distributors fail to lift the reserved quantity, the Company shall forfeit the advance deposited by the defaulting distributor.

Audit noticed that for the year 2011-12, 15 distributors deposited an advance of ₹ 295.10 lakh for procurement of 96,085 quintals of reserved quantity of wheat seeds. However, the distributors failed to lift 48,360 [27] quintals. Subsequently, Company sold out the balance quantity at reduced rate and suffered a loss of ₹ 173.15[28] lakh.

As per the contractual terms, the proportionate advance of ₹ 136.87 lakh deposited by the distributors should have been forfeited. It was noticed that the Board of Directors (BOD), while approving the incentive for lifting of balance unsold quantity, also directed (January 2012) forfeiture of amount of advance of the defaulting distributors. In spite of these directions, no action was taken by the Company to forfeit the advance of ₹ 136.87 lakh. Audit observed that had the advance of ₹ 136.87 lakh been forfeited by the Company, loss (of ₹ 173.15 lakh) suffered on sale of seeds at reduced rates, could have been minimised.

The Management, in its reply stated that the Company could not fulfill the variety wise demand of the distributors; hence the advances deposited by the distributors were not forfeited. The reply is not acceptable since as per clause 21 (iii) of the agreement, if in any case the distributor fails to lift the reserved quantity, the Corporation shall forfeit the entire advance. Moreover, distributors had not submitted their variety-wise demand at the time of depositing advance payment.

The matter was referred to the Government (August 2014); reply was awaited (December 2014).

DEPARTMENT OF ENERGY

3.3 Management of Transformers by Uttarakhand Power Corporation Limited

Uttarakhand Power Corporation Limited has no documented policy in respect of procedures to be adopted for assessing the requirement of transformers. During 2011-12 to 2013-14, 13,319 transformers of various capacity valuing ₹ 121.99 crore got damaged in excess of internal target and 151 transformers amounting to ₹ 1.03 crore were damaged due to non-installation of Lightning Arrester. UPCL incurred an additional expenditure of ₹ 63.23 lakh due to under utilisation of its workshops and 509.31 KL transformer oil amounting to ₹ 76.40 lakh were short received from damaged transformers.

3.3.1 Introduction

Uttarakhand Power Corporation Limited (UPCL) is the power distribution utility of the State which supplies power to over 17.48 lakh consumers spread over 13 districts of the State. UPCL receives power from the network of transmission grid managed by the Power Transmission

[27] Variety-wise/quantity-wise of the seed demanded is not intimated by the distributor to the Company at the time of depositing advance. However, the same was worked out by the audit on the basis of advance deposited and ex-godown rate of wheat seed (PBW-343, PBW-373, PBW-502 and PBW-550) which constituted 80 *per cent* of total sales.

[28] Loss due to incentive of ₹ 100 X 18,575 quintals + and reduction in price of ₹ 518.97 X 29,785 quintals. = ₹ 1,73,15,021.

Corporation of Uttarakhand Limited (PTCUL). Power is transmitted over long distances at very high voltage which cannot be used by consumers. UPCL converts this high voltage power to low voltage power, with help of its transformers, which can thus be used by general consumers after transmission through distribution lines of UPCL. Currently, UPCL has 0.57 lakh transformers for this purpose.

A test-check of records at the Headquarters of UPCL, field audit of the eight electricity distribution divisions (EDDs) and one workshop division of UPCL[29] along with three operation and maintenance (O&M) divisions[30] of PTCUL was carried out from March 2014 to July 2014 for assessing the effectiveness of the management of distribution transformers by the UPCL covers the period 2011-12 to 2013-14. The major audit findings are discussed below:

3.3.2 Assessment of requirements

UPCL has no documented policy in respect of procedures to be adopted for assessing the requirement of transformers. In the absence of a documented policy, field units have no specific guidelines for calculation of future load growth and expansion of electricity system in the respective areas. UPCL is preparing its assessment on the basis of previous consumption, which is not factoring future growth in demand for power in the State.

3.3.3 Procurement

Procurement of transformers is made by the Corporate and Procurement (C & P) wing of UPCL by inviting tenders on the basis of the requirements assessed by the Material Management wing of UPCL. Against a total requirement of 25,385 transformers of various capacities during 2009-10 to 2013-14, UPCL procured only 20,674 transformers.

3.3.3.1 Extra expenditure on purchase of transformers

UPCL invited tenders (May 2011) for the supply of 130, 400 KVA copper wound transformers. It was observed that the Part-I of the bids of nine firms were opened (July 2011). The tender was awarded (December 2011) to M/s East India Udyog, being the L-1 for the supply of 50,400 KVA transformers for ₹ 1.41 crore.

It was further noticed that the firm had to supply 50 transformers within 150 days, but it could supply only 35 transformers. It has not provided the required number of transformers till March 2014. As a result, UPCL was forced to bear an extra expenditure of ₹ 16.80 lakh[31] upon procurement of the remaining 15 transformers at a higher rate in a subsequent tender process. The UPCL neither cancelled the order nor took any action against the firm.

The Management of UPCL accepted the audit observation and stated (June 2014) that the cancellation of the contract and other action in the matter was in progress.

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29 EDD Srinagar, EDD Kotdwar, EDD (South) Dehradun, EDD (Rural) Haridwar, EDD Kashipur, EDD Rudrapur, EDD Bazpur and EDD New Tehri and Electricity Workshop division Dehradun.

30 400 KV O and M Kashipur, 132 KV O and M Kashipur and 220 KV O and M Pantnagar.

31 Loss in short procurement = ₹ 16.80 lakh i.e. Stock issue rate ₹ 3,94,000-vendor's rate ₹ 2,82,000= ₹ 1,12,000x15 (No. of transformers).

3.3.4 Maintenance of transformers

Regular maintenance of transformers is required for the longevity and efficient working of transformers so that the goal of quality and reliable power supply can be achieved. Audit found following deficiencies in the maintenance of transformers:

3.3.4.1 Non-maintenance of history cards of transformers

As per methodology for performance evaluation of Sub-transmission and Distribution Project (ST&DP) issued by Central Electricity Authority, the maintenance of history card containing full particulars for each transformer is necessary, to watch its performance and to ascertain its working life. Audit noticed that the history cards of the transformers were not maintained by all the eight distribution divisions. In the absence of the history cards, the UPCL has no mechanism to ascertain the actual age, efficiency and repair history of transformers.

3.3.4.2 Excess damage of transformers against norms

Transformer is the core element of the distribution network and its average life is presumed to be 25 years[32]. In order to minimise the damage, UPCL has to take the preventive steps like detailed monitoring, ascertaining reasons for damages, maintenance of history cards, and joining of low tension terminals with gripping tools and copper lugs, etc. Though the GoU/UPCL had not issued any guidelines for reporting damages of transformers yet UPCL fixed its internal target of damages as up to three *per cent* per year of the installed capacity. Audit noticed that:

- There was no scientific basis for determining the fixing of target in respect of damage rate at three *per cent*.
- 13,319 transformers of various capacities valuing ₹ 121.99 crore got damaged in excess of the internal target fixed by UPCL during 2011-12 to 2013-14. The percentage of damaged transformers exceeded the norm of three *per cent* as a whole and ranged between 12.28 to 13.40 *per cent.*
- It was further noticed that out of all the damaged transformers, 9,642 transformers were of 25 KVA capacity, which comprised 55.43 *per cent* of the total damaged transformers during 2011-12 to 2013-14.
- Also, in case of transformers damaged within guarantee period, the contractor failed to deliver 20.15 *per cent* (606 out of 3,007) of transformers within stipulated period of 60 days during 2009-10 to 2013-14.

3.3.4.3 Lack of protection equipment at 33/11 KV sub-station of UPCL

Distribution feeders emanating from a substation are controlled by circuit breakers which trip (or open) when there is a fault on any section downstream, thus disconnecting power supply (outages) particularly to the consumers on that section. Audit noticed that out of eight selected divisions, two divisions namely Kotdwar Division (15 out of 16 sub-stations) and Dehradun South Division (seven out of 21 feeders) did not have required protections. The absence of

[32] As per CEA guidelines for R & M and RLA studies of sub-transmission and distribution equipment.

required protections may result in threatening of equipment and affecting the health of transformers.

3.3.4.4 Delay in replacement of failed transformers

Standards of Performance, issued by Uttarakhand Electricity Regulatory Commission (UERC), regarding failed/ burnt distribution transformers stipulate that the licensee shall replace these transformers within 24 hours in plain areas and within 48 hours in hilly areas. Audit noticed that in New Tehri Division, 361 failed/burnt transformers were replaced with a delay of one to 23 days during 2013-14.

3.3.4.5 Non-installation of Lightning Arrester

Lightning Arrester (LA) is an equipment which arrests the lightening and evacuates the same through proper earthing. LA is installed to save transformers and associated lines from damage through lightening in hilly areas as the frequency of instances of lightning is high in these areas. Audit noticed that in Electricity Distribution Division, Srinagar and Kotdwar, 22 and 151 transformers respectively of various capacities were damaged during 2011-12 to 2013-14 due to non-installation of LA, which resulted in an avoidable loss of ₹ 1.03 crore.

3.3.4.6 Theft of components of transformers

Audit noticed that in Kashipur, Bazpur and Haridwar (Rural) EDDs, core elements of 16 transformers, comprising coil, copper winding, bushing rods and transformer oil amounting to ₹ 35.76 lakh were stolen during July 2010 to January 2014. The divisions had filed First Information Reports with police in respect of the above cases but no items had been recovered till date. For ensuring the safety of the transformers, divisions should have ensured sufficient surveillance of the installed transformers. They should also take measures for enhanced protection of the transformers located at remote sites to avoid recurrence of such incidents in future. The EE's of the Divisions have accepted the audit observation.

3.3.5 Repairing of transformers

3.3.5.1 Under-utilisation of capacity in departmental workshops of UPCL

As per norms, 50 *per cent* of total defective transformers received in the workshop should be repaired in the workshop itself. Test-check of records of Electricity Workshop division, Dehradun for the last five years showed that 17,536 transformers were damaged, out of which only 5,684 transformers were repaired at the workshop, which was only 32.41 *per cent* of total damaged transformers. Thus, there was overall shortfall of 3,084 (35.17 *per cent*) transformers in achieving the target. The UPCL incurred an additional expenditure of ₹ 63.23 lakh (considering labour portion only), which were repaired through outside agencies due to under utilisation of the capacity of the EWDs.

3.3.5.2 Short retrieval of burnt transformer oil

As per norms, recovery of burnt and dirty transformer oil from the damaged transformers brought to the workshop should not be less than 70 *per cent* of the capacity of oil tank of the transformer. Scrutiny of the records of Electricity Workshop division, Dehradun showed that during 2010-14 recovery of burnt and dirty transformer oil was less than the norms and there was shortfall of 509.31 KL valued at ₹ 76.40 lakh in 14,129 transformers. The reasons for short recovery of burnt and dirty transformer oil and remedial action taken, were not on record.

3.3.6 Matching of Capacity with Load

3.3.6.1 Mismatch of capacity with load

Analysis of the mismatch of transformation capacity of UPCL and at different transformation ends of the selected divisions of UPCL showed that the connected load was in excess of capacity of distribution transformation of UPCL in the range of 1,526.36 MVA to 1,994.18 MVA during the last five years. Audit noticed that eight divisions covered during field audit, the connected load was also in excess of the capacity of distribution transformation of the divisions.

Also, the capacity of distribution transformation of the UPCL was in excess of sub-power transformation capacity in the range of 762.47 MVA to 1,515.62 MVA during 2009-10 to 2013-14. During the field audit of EDD Rudrapur, EDD New Tehri, EDD Kotdwar and EDD (South) Dehradun, the sub-power transformation capacity was found short of the capacity of distribution transformation of the divisions which resulted in continuous overloading of the sub-power transformers. Besides, continuous overloading of distribution system exerted pressure on the transmission network resulting in overloading of transformers of PTCUL as well.

Management of the divisions accepted the facts and stated that the problems of over loading of 33/11 KV substations would be minimized after construction of new 33/11 KV substations and installation of new transformers of higher capacity. The referred work had been planned under the Restructured Accelerated Power Development Reform Programme (R-APDRP). Reply of the Management is not convincing as the detailed project report of R-APDRP was prepared in 2009-10 considering the load at that time and since then there has been steady increase in load due to which the proposed enhancement of the capacity may still remain less than the current requirement.

3.3.6.2 Non-utilization of bays for better load management

PTCUL constructed 33 KV bays comprising of circuit breakers, isolators, CT, lightening arresters etc. to feed power to the individual feeders of UPCL. These bays are also required for sharing of load of a particular area to protect an individual feeder of UPCL from overloading. Scrutiny of records of O&M Divisions, Pantnagar and Kashipur of PTCUL showed that out of 14 bays in two substations in Pantnagar division, eight bays were lying idle. Similarly, in three substations in Kashipur division, four out of 57 bays were not in use. These 12 unused bays could have been utilized for better management of load and minimization of mismatch.

3.3.6.3 Electricity Supply Plan (ESP) for the period from 2013-14 to 2015-16

The ESP of the UPCL envisages a load growth of 1,637.65 MVA during the period from 2013-14 to 2015-16. Against the projected load growth and actual gap of 1994.18 MVA[33], UPCL has

[33] (5,352 MV connected load -3,357.82 MVA capacity of distribution transformation) figures as on March 2014.

proposed increase of only 993.25 MVA capacity of distribution transformation. Inability to match planned growth in the capacity of the network with the projected growth required to meet the energy requirements of the State is reflective of poor planning and will result in increasing the gap between the connected load and the distribution transformation capacity. This would further strain the system in near future, resulting in more frequent trippings and resultant damage to distribution transformers.

3.3.6.4 Tripping of feeders

Tripping results in breakdown of power and defeats the objective of ensuring round the clock and quality power supply. Continuous overloading of transformers was one of the major reasons for tripping. Audit noticed that nine major feeders[34] emanate from 400 KV sub-station, Kashipur. This substation had two transformers of 315 MVA (400/220KV) and two of 160 MVA (220/132KV). The total number of trippings in these feeders was 282 during 2009-10 to 2013-14. Maximum number of trippings *i.e.* 66 was noticed in the Rishikesh line. Due to tripping, the possibility of damage to the distribution transformers could not be ruled out.

The matter was referred to the Government (August 2014); reply was awaited (December 2014).

3.4 Non-claiming of 12 *per cent* royalty

Lack of efforts on part of UPCL to charge royalty in the shape of free power deprived the State of 12 *per cent* free power (17.32 MUs) amounting to ₹ 3.91 crore.

Government of Uttarakhand (GoU) entered into an agreement (January 2007) for power generation (24 MW) with Bhilangana Hydro Power Ltd. (BHPL) New Delhi, an Independent Power Producer (IPP) located in Uttarakhand. The clauses 4.1.1, 4.2.1 and 4.2.2 of the Agreement regarding utilizing the option to dispose off the power by the generating company and the royalty, in the shape of free power chargeable to the generating company, are given in ***Appendix 3.4.1***.

Scrutiny of records of the UPCL (June 2013) and the Department of Energy (March 2014), Government of Uttarakhand (GoU) showed that the BHPL entered into an agreement for sale of power with Tata Power Trading Company Ltd (TPTCL) situated outside the State. However, Uttarakhand Electricity Regulatory Commission (UERC) did not permit BHPL to sell its power outside the State to a trading licensee against which BHPL filed a case before the 'Appellate Tribunal for Electricity'. The Appellate Tribunal ruled (January 2011) in favour of BHPL and granted it Open Access for sale of power. This sale of power by BHPL outside the State to a trading company (TPTCL) falls under clause 4.2.1(ii) of the implementation agreement i.e. sale of power to any other consumer not covered under clause 4.1.1 and thereby attracts levy of royalty in the shape of free power at the rate of 12 *per cent* of net wheeled energy or deliverable energy, for the first 15 years after COD[35]. It is to be noted that the GoU had directed (May 2007) that royalty energy is to be evacuated by the UPCL and that month-wise details of the royalty

[34] Two feeders are of 400 KV, two are of 220 KV and five are of 132 KV.
[35] COD = Commercial Operation Date.

energy along with the copy of challan of amount deposited is to be submitted to the GoU. BHPL filed a preliminary Open Access Application to Power Transmission Corporation of Uttarakhand Limited as it had finalised sale of power outside the State of Uttarakhand through a power trader and it also requested UPCL to file Open Access Application for the aforesaid royalty energy so that integrated power evacuation could be planned. Despite clear directions by Government of Uttarakhand for collecting royalty and request of BHPL in this regard for creating integrated power evacuation system, UPCL failed to collect the royalty at the rate of 12 *per cent* of net wheeled energy. BHPL started its commercial generation on 23.12.2011 and up to December 2013, the royalty chargeable on net wheeled energy works out to 17.32 MUs amounting to ₹ 3.91 crore. Thus, failure on the part of the UPCL to claim due royalty deprived the State of free power valued at ₹ 3.91 crore.

On this being pointed out, the Management of UPCL stated (September 2014) in its reply that the responsibility for collecting 12 *per cent* royalty lies on Power Transmission Corporation of Uttarakhand Limited as per the instructions (dated 25.05.2014) of Uttarakhand Government. Also, UPCL is not responsible for collecting the same as UPCL is not receiving the power from the M/s BHPL.

The reply of the UPCL is not acceptable as Government of Uttarakhand had initially fixed the responsibility on UPCL for collecting the royalty from M/s BHPL vide its order dated 07.05.2007. Also, M/s BHPL requested (October 2007) UPCL to collect the royalty energy. Hence, the responsibility of UPCL for collecting 12 *per cent* royalty from M/s BHPL cannot be overlooked. It is also pertinent to mention that as per industrial practice in Uttarakhand, UPCL has been regularly collecting 12 *per cent* royalty energy on behalf of State Government from other power generators, who enter into transmission agreement with different transmission companies other than Uttarakhand's. However, GoU (May2014) instructed Urja Cell, Uttarakhand to initiate legal proceedings against M/s BHPL for not providing 12 *per cent* royalty energy thereby substantiating the audit observation.

The matter was referred to Government (March 2014); the reply was awaited (November 2014).

UTTARAKHAND POWER CORPORATION LIMITED

3.5 Undue benefit to consumer

UPCL extended undue benefit of ₹ 2.12 crore to a consumer by non-levy of 15 *per cent* additional surcharge for continuous power supply.

Office Memorandum (106 of January 2006) of Uttarakhand Power Corporation Limited (UPCL) provides that Electricity connection to the consumers of similar nature having similar industrial process can be released from an independent feeder. Further, UPCL imposes 15 *per cent* additional surcharge from May 2010 in actual energy charges billed for a month in lieu of providing continuous power supply to an industry.

Audit scrutiny (April 2014) of the records of Electricity Distribution Division, Kashipur showed that:

- Electricity connection of 4,000 KVA was released (November 2008) by UPCL to a consumer manufacturing electronic goods from the already constructed 33 KV switching sub-station/ independent feeder which was providing power to three other private firms belonging to the paper industry[36] in violation to the above norm.
- All the paper mill consumers were paying an additional 15 *per cent* surcharge on their monthly electricity charges for availing continuous power supply whereas the consumer concerned was availing the benefit without paying any additional surcharge as the consumer was categorised as non-continuous.
- The switching sub-station/ independent feeder from where all the connections are released, does not have any mechanism to differentiate between continuous and non-continuous connections, the consumer by virtue of being connected to the independent feeder, is availing the benefits of continuous power supply, and hence, attracts the levy of 15 *per cent* additional surcharge. Thus, undue benefit in terms of revenue forgone is being extended to the consumer which works out to ₹ 2.12 crore[37] (May 2010 to March 2014).

The Government stated (September 2014) that providing connections to consumers of various processes from a switching sub-station, with proper isolation and metering mechanism is not irregular. Further, power supply to the consumer, was cut manually by line man when rostering was observed in the area and provided CD of load survey and MRI[38] Report to prove its point of power cut against the consumer.

The reply is not acceptable as connection released to a dissimilar consumer was in violation of the above norms. Also, UPCL failed to provide any credible documentary evidence to substantiate its claim of enforcing power-cut during rostering hours by any employee. Audit compared the rostering details of the UPCL with the data provided in the CD and found that the power supply to the said consumer was regular on those days and time when the power rostering for non-continuous industries in the area was scheduled.

UTTARAKHAND TRANSPORT CORPORATION

3.6 Avoidable loss

Uttarakhand Transport Corporation suffered an avoidable loss of ₹ 1.15 crore due to delay in getting exemption in accordance with the provisions of ESI Act.

ESI Act *inter alia* provides that the Government may, in consultation with ESIC and by notification in the Official Gazette, exempt any factory or establishment from contributing towards ESIC fund if the Government is satisfied that the employees in any such factory or

[36] M/s Fiber Marx Paper Limited (4,000KVA), M/s Vishwanath Paper (3,000KVA), M/s Katyani Paper Mill (3,000KVA).

[37] 15 *per cent* additional surcharge = Energy charges of ₹ 14.13 crore for the period from May 2010 to March 2014 = ₹ 14.13 crore x 15/100 = ₹ 2.12 crore.

[38] Self generated report by meter reading instrument.

establishment are in receipt of benefits similar or superior to the benefits provided under the scheme.

Audit scrutiny (January 2014) of records of the Uttarakhand Transport Corporation (UTC) showed that the Corporation was making a payment of ₹ 30 per month to each of its employees as Medical allowance and also reimbursing expenditure incurred on medical treatment of the employees. These benefits were considered similar to those provided by the ESIC, and hence, exemption from the ESI Act was available to the UTC (erstwhile Uttar Pradesh Sadak Parivahan Nigam). Audit noticed that the UTC did not initiate any action to obtain the exemptions notified by the Uttarakhand Government when (October 2003) it was separated from the erstwhile Uttar Pradesh Sadak Parivahan Nigam. As a result, the ESIC seized the accounts of the UTC and recovered (December 2005 to March 2010) an amount of ₹ 1.15 crore as contribution to the ESIC from its four workshops (Dehradun, Haridwar, Roorkee and Haldwani). The UTC, subsequently, obtained exemption from the provisions of the ESI Act with retrospective effect from 31 October 2003 to 12 October 2009 (in March 2010) and other periods from 13 October 2009 to 12 October 2010 (in October 2009) and 5 February 2013 to 4 February 2016 (in February 2013). However, the ESIC refused to refund ₹ 1.15 crore it had recovered from the UTC in absence of any State Government notification of the exemption. Thus, UTC suffered an avoidable loss of ₹ 1.15 crore due to delay in getting exemption in accordance with the provisions of ESI Act.

The management stated (January 2014) that the correspondence with the ESIC in respect of refunding of the amount recovered by them is being made and that the matter has also been brought to the notice of the State Government. The reply was not acceptable as the ESIC refused to refund the already recovered amount. Besides, the exemption notification for the period from 13th October 2010 to 4th February 2013 has not been issued till date (April 2014) thereby inviting penal provisions of the ESI Act.

The matter was referred to the Government (March 2014); the reply was awaited (December 2014).

3.7 Non-realisation of dues

Uttarakhand Transport Corporation failed to realize its dues worth ₹ 27.93 lakh in lieu of services provided to North Eastern Railway as the Corporation failed to execute an agreement before providing services to it.

Uttarakhand Transport Corporation (UTC), in compliance of an agreement executed in June 1968 between its predecessor Uttar Pradesh State Road Transport Corporation (UPSRTC) and the North Eastern Railway (NER), provided transport facility to passengers of NER between Kathgodam and Ranikhet/Nainital and vice versa. As per conditions of the agreement, NER paid all claims for the service provided to its passengers within fifteen days from the date of receiving the claims. On bifurcation of Uttar Pradesh, UTC was formed in October 2003.

Scrutiny of records (January 2014) of Divisional Manager (Operations), UTC, Nainital region, showed that bills on account of passengers and their luggage were paid by NER upto October 2004. From November 2004 onwards NER refused (March 2008) to make payments on the ground that UTC came into existence in October 2003, and no agreement was signed by UTC with NER. UTC continued to provide service to NER till February 2008 without any agreement and without receiving any amount in respect of bills already submitted. UTC stopped its services from March 2008 and the total claims of its service from November 2004 to February 2008 were ₹ 27.93 lakh. The matter has since been pending and no claim of UTC has been reimbursed by NER.

Management stated (January 2014) that continuous correspondence had been made with NER for payment of the pending bills and NER had agreed to pay the bills. The fact remains that the amount has not been recovered so far.

The matter was referred to the Government (May 2014); the reply was awaited (December 2014).

Dehradun **(SAURABH NARAIN)**
The 06 April 2015 **Accountant General (Audit), Uttarakhand**

Countersigned

New Delhi **(SHASHI KANT SHARMA)**
The 07 April 2015 **Comptroller and Auditor General of India**