

CHAPTER-III

3. Transaction Audit Observations

Important audit findings noticed as a result of test check of transactions made by the State Government Companies/Statutory corporations are included in this Chapter.

Government Companies

Uttar Pradesh State Industrial Development Corporation Limited

3.1 Loss due to allotment of residential plots at lower rate

The Company suffered loss of Rs 9.40 crore due to allotment of residential plots at the rate lower than the applicable rate on the date of allotment.

The Company invited (May 2005) application for allotment of residential plots (360 nos.) under Advanced Registration Scheme 2005 (ARS) from general public and allottees of industrial plots of Tronica City on the terms and conditions prescribed for allotment of plots. For general public the scheme was opened from 17 May 2005 to 25 May 2005 and for the existing allottees of the industrial plots the scheme was extended up to 24 October 2005. The allottees were required to pay 25 *per cent* of the premium (cost) of plot at the time of allotment and balance in ten equal half yearly installments.

The Company received 175 applications from general public and 209 applications from the allottees of industrial plots against the advertisement. It could not finalise the allotment of plots to the applicants till May 2007 due to writ petitions filed in Hon'ble High Court, Allahabad by J.L. Jain and Laxman Singh for non-allotment of plots after receiving the applications. The decision in both the writ petitions is pending. However, the stay orders in both the writ petitions had expired (January 2007) and therefore, the Company decided (May 2007) in respect of the above advertisement of May 2005 to obtain an affidavit from the applicants of their unconditional consent to the terms and conditions of eligibility for allotment of plots. The terms and conditions *inter alia* stipulated that prevailing rate of land on the date of allotment will be applicable. Accordingly, an advertisement was published (June 2007) for submission of affidavit by the applicants up to 16 June 2007. Against this advertisement, 165 applicants of general category and all the 209 applicants of existing allottees submitted their affidavits. Against 374 applications, the Company allotted (September 2007) 245 residential plots (40,020 sq mtr.) at the rate of Rs 3,150 per sqm to the applicants and the balance 129 residential plots were not allotted in view of directives of the State Government.

It was noticed in audit that the Company revised the rate of premium from Rs 3,150 per sqm to Rs 5,500 per sqm with effect from 19 June 2007. The Company, in contravention of terms and conditions of the advertisement, allotted (September 2007) 245 plots (Total area 40,020 sq mtr) at the rate of

Rs 3,150 per sqm instead of prevailing rate of Rs 5500 per sqm at the time of allotment. As a result, the Company suffered loss of Rs 9.40 crore*.

The Management accepted (September 2008) the audit observation and stated that though the allotment of plots should have been made at the rate of Rs 5,500 per sqm, it was made at the rate of Rs 3,150 per sqm to avoid legal complications. The Management also stated that further allotment of plots had been stopped in view of directives of the State Government and an enquiry was being conducted in the matter.

The matter was reported to the Government in May 2008; their reply was awaited (October 2008).

3.2 Loss of interest on blocked funds

The Company's funds of Rs 1.69 crore remained blocked due to releasing amount to UPPCL without ensuring availability of land for construction of sub-station, also resulting in loss of interest of Rs 60.38 lakh.

The Company provides sub-station of required voltage and associated lines for supply of electricity in industrial area being developed by it. The Company entrusts work of construction of sub-station and associated lines to Uttar Pradesh Power Corporation Limited (UPPCL). The Company is required to provide land to UPPCL for construction of sub-stations.

The Company intimated (December 2002) UPPCL its requirement for construction of 33 KV sub-stations and associated lines for Growth Centre, Dibiyapur. The UPPCL submitted (2003) an estimate of Rs 1.69 crore for construction of 33 KV sub-station and associated lines for the Growth Centre. The Company deposited (February 2004) Rs 1.69 crore with UPPCL for the said construction on deposit work basis. The work was yet to be commenced by UPPCL as of April 2008.

It was noticed in audit that the land on which the construction of sub-station was proposed was not in the possession of the Company and was under dispute at the time of giving advance to UPPCL. The Company could provide land to the UPPCL only in September 2007 after lapse of more than three and half years. Thus, the Company released the amount of Rs 1.69 crore to UPPCL without ensuring availability of land for construction of sub-station. As a result, the Company's fund to the tune of Rs 1.69 crore remained blocked with UPPCL from February 2004 to September 2007 without any work, on which the Company incurred loss of interest of Rs 60.38 lakh (calculated at the borrowing interest rate of 10 per cent per annum).

The matter was reported to the Management and the Government in May 2008; their replies were awaited (October 2008).

3.3 Loss of interest on blockage of funds

The Company suffered loss of interest of Rs 39.54 lakh on blockage of funds of Rs 73.14 lakh for five to seven years.

The Board of Directors of the Company approved (June 2001) a proposal for establishment of an Integrated Electronic Check Post (Project) at Naubatpur

* 40020 sq mtr X (Rs 5500 – Rs 3150).

on U.P.-Bihar border at a cost of Rs 11.10 crore (40 *per cent* of the cost to be funded by UPSIDC and 60 *per cent* to be borrowed from financial institutions) subject to approval of the Government. The Company submitted revised detailed project report for Rs 12.52 crore for execution of the project which was considered (December 2003) by Expenditure Finance Committee (EFC). The EFC decided (February 2004) that project report/project cost shall be finalised after approval of revised lay out by the concerned departments (Transport and Trade Tax Department). However, the Board of Directors authorised (February 2004) the Managing Director to take necessary action for implementation of the project as per direction of the State Government from time to time.

It was noticed in audit that the Company started land acquisition process in May 2001 itself without having approval of EFC/State Government. The Company paid Rs 73.14 lakh in two installments (Rs 16.25 lakh in May 2001 and Rs 56.89 lakh in March 2003) to the Special Land Acquisition Officer (SLAO), Varanasi to acquire 18.136 acres of land in village Barthi Kamraur. It was further observed that State Government decided (August 2004) that the Company was not the proper body for execution and operation of computerisation work of electronic check post as it does not have the required expertise and specialisation in this regard and decided to call Expression of Interest from private parties on BOT basis for the above work. Accordingly, the Board of Directors decided (April 2005), not to execute the said project and authorised the Managing Director for cancellation of process of land acquisition. The Company requested (March 2006 to November 2007) the District Magistrate, Chanauli for refund of the amount deposited for acquisition of land but the same has not been received so far (July 2008).

Thus, the imprudent decision of the management to initiate the process of land acquisition in May 2001 without obtaining specific approval of the State Government for execution of the project resulted in blockage of funds of Rs 73.14 lakh for the last five to seven years which resulted in loss of interest of Rs 39.54 lakh at the borrowing rate of 10 *per cent* per annum (March 2008).

The Management stated (July 2008) that the process of land acquisition was initiated on the basis of meeting held in March 2001 under Chairmanship of Transport Minister. The fact remains that the process of land acquisition was started by the Company without any firm commitment from State Government regarding award of project.

The matter was reported to the Government in May 2008; their reply was awaited (October 2008).

3.4 Irregular allotment of plots at lower rates

The Company suffered loss of Rs 26.86 lakh due to irregular allotment of commercial plots as industrial plots at lower rate.

The Company after acquiring land for development of industrial area prepares lay out plans specifying the areas to be allotted for different purpose. The Company approved (December 2000) a layout plan of Sector B-2 of Tronica City, Ghaziabad reserving 0.42 hectare of land as commercial plots (nine plots) out of the total area of 16.88 hectare. The Company decided (March

2004), that the reserve price of the commercial plots to be disposed of by inviting bids in Sector B-2 of Tronica City should be Rs 3,000 per sqm. The rate of industrial plots was fixed at the rate of Rs 1,750 per sqm. Besides, five *per cent* extra charges for location were also leviable depending upon the location of plots and additional five *per cent* was leviable for corner plots.

It was noticed in audit that the Project Officer, Tronica City allotted (October 2005 to December 2005) five commercial plots (measuring 1,941 sqm) at the rate of Rs 1,837 per sqm (Rs 1,750 per sqm *plus* five percent location charges) and one plot (400 sqm) at the rate of Rs 1,925 per sqm (Rs 1,750 per sq mtr *plus* 10 *per cent* for location and corner charges) as industrial plots. It was further noticed in audit that the Project Officer did not obtain the approval of the competent authority (headquarters) for change of use of the land, that is from commercial to industrial. Thus, the Project Officer allotted land at lower rate (Rs 1,837/Rs 1,925 per sqm) against the minimum rate of Rs 3,000 per sqm fixed for allotment of commercial plots. As a result, the Company suffered loss of Rs 26.86 lakh compared to the minimum reserve price of Rs 3,000 per sqm for commercial plots.

The matter was reported to the Management and the Government in April 2008; their replies were awaited (October 2008).

3.5 Loss due to irregular allotment of plots

The Company allotted extra land of 2,164.50 sqm irregularly which resulted in loss of revenue of Rs 12.99 lakh.

According to Para 2.08 (i) of the working manual (1995) of the Company, allotment of plot to Uttar Pradesh State Electricity Board (UPSEB), now Uttar Pradesh Power Corporation Limited (UPPCL) for setting-up of power sub-station can be made on their request in industrial areas free of cost up to 6,000 sqm for 33/11 KV power sub-station and 12,000 sqm for 132/33 KV power sub-stations. Further, the Company can allot land in excess of the prescribed limit of 6,000 sqm and 12,000 sqm on payment of cost (premium) of land by UPPCL at normal rate.

It was noticed in audit of Regional Manager, UPSIDC, Meerut (Unit) that on the request (July 2007) of the Executing Engineer, Electricity Transmission Division, UPPCL, Saharanpur, the Company allotted (August 2007) 14,164.50 sqm of land (plot no.1-A) in industrial area at Pilkhani (Saharanpur) free of cost for construction of 132 KV sub-station. As per provisions of manual, the Company can allot plot up to 12,000 sqm free of cost for 132/33 KV power sub-station but in violation of these provisions, the Company allotted 14,164.50 sqm land free of cost to UPPCL which was in excess of 2,164.50 sq. mtrs. Thus, a sum of Rs 12.99 lakh (2,164.50 sqm x Rs 600 per sqm) being cost of excess land was to be recovered from UPPCL but the same has not been recovered so far (July 2008). This resulted in loss of Rs 12.99 lakh to the Company due to non-recovery of cost of excess land allotted to UPPCL.

The Unit Management stated (December 2007) that 14,164.50 sqm of land for 132 KV sub-station was sanctioned by the Headquarters of the Company. The reply is silent about the fact of allotment of excess land free of cost in violation of the provision of working manual.

The matter was reported to the Management and the Government in May 2008; their replies were awaited (October 2008).

Uttar Pradesh State Bridge Corporation Limited

3.6 Loss due to acceptance of deposit works below estimated cost

The Company suffered loss of Rs 78.66 lakh due to acceptance of deposit works below estimated cost.

The State Government sanctioned (August 2005) Rs 54.56 lakh for construction of bridge over Vak Nalla at Nigoha and Rs 58.43 lakh for construction of bridge over nalla near village Dharura in Lucknow district under 'Twarit Arthic Vikas Yojana' (TAVY). As per sanction order, the expenditure on bridges was to be kept limited to sanctioned amount and the company was required to carry out detailed survey before starting the work. The Government released Rs 54.56 lakh and Rs 58.43 lakh for both the works during April 2006 to March 2007 respectively. Further, the Government directed the Company (June 2007) to complete the works up to utilisation level from the funds released for the works.

During audit of Bridge Construction Unit-II (Unit), Lucknow it was noticed that the detailed estimates of the works were submitted (July 2006) to the Headquarters of the Company by the unit for Rs 102.53 lakh (Vak Nalla bridge) and Rs 75.80 lakh (Dharura bridge). It was further observed that while according approval, the competent authority of the Company reduced the cost of work and issued Technical Sanction (TS) for Rs 54.56 lakh (Vak Nalla bridge) and Rs 58.43 lakh (Dharura bridge) in August 2006. The unit started (May 2006) and completed (August 2007) the work of Vak Nalla bridge after incurring expenditure of Rs 102.17 lakh and the work of Dharura Nalla bridge was started (April 2006) and completed (October 2007) after incurring expenditure of Rs 89.48 lakh.

Thus, in violation of Government directives of June 2007 to restrict the expenditure up to funds released as well as in contravention of the Technical Sanction, the company incurred an excess expenditure of Rs 47.61 lakh on the construction of Vak Nalla bridge and Rs 31.05 lakh on the construction of Dharura Nalla bridge.

The company in the process suffered loss of Rs 78.66 lakh due to acceptance of deposit works below the estimated cost and violated the Government directives to keep the expenditure limited up to the funds released for the purpose.

The Management stated (June 2008) that Forms-44 and 45 for sanction of excess expenditure and its reimbursement in respect of above works have been submitted to Chief Engineer, PWD on 10 June 2008. The fact, however, is that the estimated cost of the works was much higher than the sanctioned cost and the same should have been got approved by the Company from the Government before commencement of the work.

The matter was reported to the Government in April 2008; their reply was awaited (October 2008).

Uttar Pradesh State Sugar Corporation Limited

3.7 Avoidable expenditure on electricity

Failure of Management to make comparative cost analysis of generation of power through DG sets and obtaining cheaper electricity supply from grid resulted in avoidable expenditure of Rs 35.79 lakh.

The Bulandshahar Sugar Mill (the Mill) of the Company was having three sources of electricity viz., (i) electricity from grid of the Electricity Distribution Company (550 KVA for industrial power and 200 KVA for light and fan), (ii) DG sets (one set of 300 KVA and two sets of 320 KVA each) and (iii) captive power plant (one turbine of 2,578 KVA) installed in the year 1996-97.

During crushing season (usually November to March), electricity requirement for the Mill and township was being met from the captive power plant and during off-season electricity requirement was being met from electricity supplied from the grid (of UPPCL). The DG sets were being used on disruption of electricity supply from the grid to the Mill. The Company surrendered (August 1999) the electricity connection from the grid on the grounds of uncertainty in supply of power, frequent breakdowns at power station and non-use of electricity during season owing to its own captive power generation plant. After surrender of the electricity connection, the Mill operated its DG sets for generating electricity mainly during off season.

It was noticed in audit that up to the years 2004-05, the cost of generation of electricity through DG sets was marginally cheaper than the electricity from the grid. Due to substantial increase in the price of diesel from the year 2005-06, however, the cost of generation of electricity through DG sets increased to Rs 7.67 per KWh during 2005-06 and Rs 8.44 per KWh during 2006-07 whereas the cost of electricity from grid was Rs 4.91 per KWh during 2005-06 and Rs 5.04 per KWh during 2006-07. The Company, even after increase in the cost of generation of electricity through DG sets from 2005-06, did not opt for electricity from grid and continued getting electricity through DG sets only. As a result, the Company incurred avoidable expenditure of Rs 35.79 lakh on continuing with DG sets during 2005-06 and 2006-07.

The Management stated (June 2008) that the Company has saved Rs 11.15 lakh by not taking connection from grid and operating on DG set only for average seven hours per day for seven months during off season when the grid supply was not available. The reply was not convincing as the Management did not opt for electricity from grid even after increase in cost of generation through DG sets and incurred an avoidable expenditure of Rs 35.79 lakh being the difference between the cost of generation of power through DG sets and cost of supply of power through grid by taking power supply at the rate of 18 hours per day during 2005-06 and 2006-07. Further, Company's plea of uncertainty in power supply, frequent breakdowns etc. for surrendering its electricity connection from grid was also not acceptable as supply from grid was meant to cater to the needs of township during off season and not for production purposes.

The matter was reported to the Government in May 2008; their reply was awaited (October 2008).

Uttar Pradesh Rajya Chini Evam Ganna Vikas Nigam Limited

3.8 Unfruitful expenditure on modernisation of unviable unit

The company incurred unfruitful expenditure of Rs 2.60 crore on modernisation of Rampur Sugar Mill and suffered interest loss of Rs 0.69 crore on unrecoverd advances of Rs 10.20 crore.

The Board of Industrial and Finance Reconstruction (BIFR) recommended (July 2001) to transfer 10 closed units and 8 unviable units of the Company to a new subsidiary of Uttar Pradesh State Sugar Corporation Limited (UPSSCL) and privatise these units in a phased manner. Accordingly, UP Rajya Chini Evam Ganna Vikas Nigam Limited (UPRCEGVNL) was incorporated in May 2002 as a subsidiary of UP State Sugar Corporation Limited to takeover all the closed/unviable units and privatise them. All the 18 closed/unviable units were transferred to the newly formed Company. The Rampur mill having capacity of 2200 TCD (Tonnes Crushing per Day) was one of the ten closed mills and was non-operational since November 1999.

The Chief Secretary, Government of Uttar Pradesh submitted (December 2003) a Revised Rehabilitation Package for UPSSCL and UPRCEGVNL to the Industrial Finance Corporation of India, New Delhi (Operating Agency appointed by BIFR) in which it was explicitly mentioned that under the present scenario of sugar industry, mills having capacity below 5000 TCD were not viable/profitable. The Company, at the instance of the State Government, submitted (December 2005) the proposal for modernisation of Rampur mill at a capacity of 2500 TCD which was not viable as per assessment of the U.P. Government. The modernisation plan was approved (February 2006) by the Public Investment Board and the Government of U.P. (June 2006) for 2500 TCD at a cost of Rs 61.51 crore, which was to be financed by the State Government by way of equity and loan in the ratio of 50:50. The State Government released (November 2006) Rs 12.50 crore as loan at the interest rate of 11.50 *per cent* per annum.

It was noticed in audit (November 2007) that the Company started the modernisation work in November 2006 and incurred an expenditure of Rs 13.51 crore (including Rs 10.55 crore as advance to the supplier of machinery and advance of Rs 0.36 crore to the civil contractor) up to June 2007. Against advance to supplier of machinery, the Corporation holds bank guarantee of Rs 10.55 crore which is valid up to December 2008 and bank guarantee of Rs 0.36 crore against advances to civil contractor valid up to February 2009. However, the Company did not initiate any action for cancellation of contracts for civil works/supply of machinery and recovery of advances of Rs 10.20* crore by encashing the bank guarantees so far (June 2008) due to which Corporation's funds were lying blocked. The State Government decided (June 2007) to privatise/sale the sick units of the company and accordingly, the Board of Directors decided (June 2007) not to invest further in Rampur mill in view of the Government decision. As a result, the expenditure of Rs 2.60 crore incurred on modernisation of Rampur Sugar Mill up to June 2007 became unfruitful and the Company suffered interest loss of Rs 0.69 crore (at the rate

* Advance of Rs 10.55 crore less advance of Rs 0.62 crore adjusted against supply of machinery and advance of Rs 0.36 crore less Rs 0.09 crore adjusted against value of work done.

of nine *per cent** per annum on Rs 10.20 crore from July 2007 to March 2008) on the advance of Rs 10.20 crore lying blocked with the contractors/suppliers since July 2007. The expenditure on modernisation of Rampur Sugar Mill could have been avoided had the recommendations of the State Government/BIFR been considered at the time of sanction of the scheme.

The Management stated (June 2008) that the Government was apprised of the decision of modernisation and operation of the Rampur mill and all the works were executed on the direction of the State Government. The reply of the management is not logical as the execution of modernisation work of Rampur Mill was *ab-initio* unviable in view of assessment of the State Government and also against the directives (July 2001) of BIFR to privatise the closed/unviable sugar mills.

The matter was reported to the Government in April 2008; their reply was awaited (October 2008).

Uttar Pradesh State Agro Industrial Corporation Limited

3.9 Loss on Maize Milling Plant

Due to deficient planning for arrangement of working capital and suitable staff for operation of Maize Milling Plant, the Company incurred loss of Rs 18.04 lakh.

The Government of India proposed establishment of Maize Milling Plant in Uttar Pradesh under United Nations Development Programme (UNDP) and directed (January 2002) the Company to obtain sanction of the Board of Directors regarding establishment of plant. The Board approved (March 2002) establishment of the plant at Gorakhpur. The establishment of the plant was aimed to achieve wide publicity of remunerative farming, uses and increase in production of maize. The estimated cost of the project was Rs 91.16 lakh. Out of this, the Company was to incur expenditure of Rs 54.11 lakh on land, building and working capital and the Government of India was to provide plant and machinery worth Rs 37.05 lakh.

The Government of India provided plant and machinery to the Company and directed to start its operation from April 2005. The Company approached (May 2004) the Agriculture Department of the State Government for loan of Rs 43.32 lakh for establishment and operation of the plant but the proposal was not accepted (July 2004) by the State Government as the Company had not undertaken any study on the economic viability of the Project. The Company installed (November 2005) the plant and machinery at its premises of Cattle Feed Factory, Gorakhpur by incurring expenditure of Rs 6.35 lakh and further incurred (2004-08) expenditure of Rs 11.69 lakh on electricity connection/dues.

It was noticed (April 2008) in audit that the Company took up the installation of the plant and machinery without ensuring infrastructure and availability of funds. As a result, the Company could not start commercial production from the plant due to non-availability of working capital, technical and managerial staff. The electricity connection was disconnected in October 2007 due to

* Interest rate offered by banks on term deposits.

non-payment of electricity dues. Thus, due to failure in making adequate arrangements for working capital requirement and appointment of suitable technical and managerial staff, the plant could not be made commercially operational. As a result, the objectives of the scheme could not be fulfilled. Consequently, the Company incurred loss of Rs 18.04 lakh on account of civil works (Rs 6.35 lakh) and electricity charges (Rs 11.69 lakh). Further, plant and machinery worth Rs 37.05 lakh supplied by Government of India also remained unutilised since last three years.

The Management stated (August 2008) that the expenditure on installation of plant and machinery was incurred after approval of Board of Directors. The Management further stated that a number of letters were forwarded to the State Government regarding reimbursement of expenditure and to make available funds for remaining works. Presently, the matter is under consideration of the State Government and the Director, Agriculture, Uttar Pradesh has been asked to submit his recommendation to the State Government. The reply is not convincing as the proposal regarding loan of Rs 43.32 lakh had already been rejected (July 2004) by the Agriculture Department on the ground that the Company had not undertaken any study on the economic viability of the project.

The matter was reported to the Government (May 2008); their reply was awaited (October 2008).

Power Distribution Companies

Purvanchal Vidyut Vitran Nigam Limited

3.10 Non-levy of penal charges

The Company did not realise revenue amounting to Rs 23.92 lakh due to non-levy of charges for exceeding contracted demand.

Clause 9 (ii) of Rate Schedule HV-4 applicable to medium and large pumped canals having load of more than 100 BHP (75 KW), effective from 01 December 2004 provides that if the maximum demand in any month of the consumer having TVM*/MDI*/TOD* meters exceeds the contracted load, such excess demand shall be charged at twice the normal rate. It further provided that licensee has the right to take such other appropriate action including disconnection of supply as may be deemed necessary to restrain the consumer from exceeding his contracted load.

During scrutiny of records of Electricity Distribution Division II, Mau, (Division) it was noticed (July 2007) that a consumer (Executive Engineer, Lift Irrigation Division, Dohri Ghat Pump Canal stage I & II) having two connections with the contracted load of 3089 KVA (stage I) and 2019 KVA (stage II) respectively was getting supply at 11 KV. The actual maximum demand of the consumer exceeded the contracted load and ranged between 3103.20 KVA to 3811.20 KVA during the period June 2006 to June 2007 and 2511 KVA to 3691 KVA during the period April 2006 and February 2007 in respect of stage I and II respectively. But the consumer was neither levied for

* Tri-vector meter/Maximum demand indicator/Time of day.

the excess demand aggregating to 6645.60 KVA drawn over the contracted load during the above period at twice the normal rate which worked out to Rs 23.92 lakh nor the supply was disconnected to restrain the consumer from exceeding contracted load. Thus, non-levy of penal charges for exceeding the contracted demand resulted in non-realisation of revenue amounting to Rs 23.92 lakh.

On being pointed out by Audit, the Divisional Officer, though raised (October 2007) the bill for Rs 23.92 lakh, the amount remained unrecovered so far (June 2008).

The matter was reported to the Management and the Government in March 2008; their replies were awaited (October 2008).

3.11 Undue favour to consumer

The Company suffered loss of Rs 21.66 lakh due to non-billing of consumer, whose meter was found defective, on average consumption basis of the previous three billing cycle.

Clause 6.2 of Uttar Pradesh Electricity Supply Code-2005 (code) regarding issue of bills when meter reading is not available provides that in all cases not covered by the spot billing system, if licensee is not able to read the meter, a provisional bill may be issued on the basis of average consumption of the previous three billing cycles. Rate schedule HV-2, of the Uttar Pradesh Power Corporation Limited, effective from 1 December 2004, applicable to large and heavy power consumer also provides that in case of meter of a consumer being found defective, the consumer shall be billed for the period, on the basis of the average consumption of the previous three billing cycles. This method is followed till the meter is repaired/replaced and metering restored on the actual consumption basis. It further provides that if the maximum demand in any month of the consumer having TVM/MDI/TOD* meters exceeds the contracted load, such excess demand shall be levied at twice the normal rate.

During audit of Electricity Distribution Division-I, Basti (Division), it was noticed (December 2007) that the reading of the meter at the premise of Basti Sugar Mill (BSM), now Govind Nagar Sugar Mill, Walterganj, Basti (Consumer of HV-2) having contracted load of 278 KVA could not be taken by the division, during the period 8 December 2006 to 7 September 2007, as the meter room was covered with baggasse. The meter of the consumer which was found defective (8 September 2007) by a team of Test and Distribution Division, was replaced by a new meter on the same day. The division, however, billed the consumer at minimum charges (Rs 425/KVA/ month) for Rs 10.63 lakh for the period December 2006 to August 2007 instead of on the basis of average consumption of the previous three billing cycle (September 2006, October 2006 and November 2006) of 60140 KVAh and average demand of 441 KVA for Rs 32.29 lakh (Energy Charges: Rs 19.87 lakh, Demand Charges: Rs 7.14 lakh and Excess Demand Charges: Rs 5.28 lakh). Thus, non-observance of provisions of aforesaid code and rate schedule resulted in a loss of revenue to the Company for Rs 21.66 lakh (Rs 32.29 lakh – Rs 10.63 lakh) for the period December 2006 to August 2007.

* Tri-vector meter/Maximum demand indicator/Time of day.

On being pointed out by Audit, the Divisional Officer raised (January 2008) supplementary bill against the consumer and further issued (April 2008) demand notice under section 3 of the U.P. Government undertaking (Recovery of Dues) Act 1958 against which the consumer moved to High Court (April 2008) and the matter is pending with the High Court.

The matter was reported to the Management and the Government in April 2008; their replies were awaited (October 2008).

3.12 Incorrect application of tariff

The Company suffered revenue loss of Rs 11.21 lakh on account of short billing.

Para 5 of General Provisions of Retail Tariff for the financial year 2006-07 as issued by Uttar Pradesh Power Corporation Limited effective from 13 August 2007 provides that, all consumers having contracted load above 75 KW and getting supply at 11 KV or higher voltage excluding consumers belonging to LMV-1 category, shall be billed under HV-2 rate schedule. The licensees are directed to ensure installation of Time of Day (TOD^{*}) meters on all such consumers of other categories (excluding LMV-1) having contracted load above 75 KW for application of this tariff order.

It was noticed (January 2008) during the audit of Electricity Urban Distribution Division – II (Division), Gorakhpur, that Shashatra Seema Bal (SSB) having contracted load of 1500 KVA (1350 KW) and getting supply at 11 KV voltage was being billed under category LMV-4A for energy charges (Rs 3.25 per Kwh) along with fixed charge (Rs 75 per KW per month). In terms of provisions of new tariff effective from 13 August 2007, the consumer was required to be billed under HV-2 category for energy charges at hour linked tariff (at the rate of Rs 3.50 per Kvah during 06:00 to 17:00 hours, Rs 4.025 per Kvah during 17:00 to 22:00 hours and Rs 3.328 per Kvah during 22:00 to 06:00 hours) along with demand charges (at the rate of Rs 180 per KVA per month) for TOD consumption with effect from 13 August 2007, as the TOD meter was already installed (12 March 2006) at the premises of the consumer. The division, in contravention of the provisions of tariff, continued to bill the consumer under LMV-4A category instead of HV-2 category during the period 13 August 2007 to 31 October 2007 which resulted in under billing of Rs 11.21 lakh. Thus, due to incorrect application of tariff, the consumer was short billed for Rs 11.21 lakh. However, from November 2007 onwards the consumer was correctly billed under HV-2 rate schedule.

The Divisional Officer stated (June 2008) that the bill for difference of HV-2 and LMV-4A tariff has been raised (January 2008); recovery thereof was awaited (October 2008).

The matter was reported to the Management and the Government in April 2008; their replies were awaited (October 2008).

* Meters that record consumption for peak and non-peak hours separately.

3.13 Undue favour to consumer

The Company extended undue favour to the consumer to the tune of Rs 17.60 lakh by making short assessment of energy consumed against direct theft of electricity.

Clause 8.2 (iv) of the Uttar Pradesh Electricity Supply Code - 2005 (Code) effective from 19 February 2005 provides that in case of theft of electricity, the assessment of units for consumption of energy for the past period shall be made as per $L \times F \times H \times D$ * formula. The units so assessed shall be billed at thrice the normal tariff applicable. In case of direct theft 'F' is taken as 1. Further, Section 152 (1) and (2) of the Electricity Act, 2003 (Act) provides that in case of theft of Electricity, the consumer is liable to be punished under the Code of Criminal Procedure, 1973 (2 of 1974). The offender may, however, opt to pay for compounding of offence at the specified rates applicable to various category of consumers/persons (*viz.* Agriculture: Rs 2,000 per HP, Industrial: Rs 20,000 per HP, Commercial: Rs 10,000 per KW or part thereof) in lieu of criminal proceedings and on payment of the compounding charges the offender shall be set on liberty and no proceeding shall be initiated or continued in any criminal court.

It was noticed (October 2007) in audit of Chief Engineer, Azamgarh that during checking (10 December 2005) of connection of Pradeep Kumar Goel (an industrial consumer of Electricity Distribution Division-I, Azamgarh with connected load of 97.7 HP/73 KW), the consumer had indulged in theft of energy by drawing direct supply of electricity from the transformer. The Divisional Officer assessed (December 2005) the consumer for Rs 5.50 lakh by taking F as 0.5 instead of Rs 20.45 lakh by taking F as 1 as provided in the Code for direct theft. On the request of consumer the assessment was revised (July 2006) to Rs 2.85 lakh on the basis of their consumption during February and March 2006 which was paid by the consumer. This resulted into short assessment and loss of revenue of Rs 17.60 lakh.

Further, the division, neither lodged FIR with the police for initiating criminal proceedings against the consumer nor recovered compounding charges of Rs 19.54 lakh** (at the rate of Rs 20,000 per HP for 97.7 HP) in lieu of initiating criminal proceedings as prescribed in the code.

Thus, the division extended undue favour to the consumer by making short assessment of Rs 17.60 lakh against direct theft of electricity and by not initiating criminal proceedings or realising compounding charges of Rs 19.54 lakh in lieu of initiating criminal proceedings.

The divisional officer stated (April 2008) that the case was re-examined and found that there was no theft of electricity and, therefore, the assessment on $L \times F \times H \times D$ formula for the contracted load was not justified. Further the division revised the assessment to Rs 2.85 lakh in July 2006 which was paid by the consumer. The reply was not convincing as the load was sanctioned for rolling mill and the checking report clearly indicates that there was direct connection by three separate core cable of 25 mm going to rolling mill for direct running which tantamount to theft of power.

* L-Load, F-Factor, H-Hours of supply and D-Days.

** Compounding charges so recovered are supposed to be deposited with the State Government and is not a loss to the Company.

The matter was reported to the Management and the Government in April 2008; their replies were awaited (October 2008).

3.14 Short assessment on unauthorised use of electricity

The Company sustained a loss of Rs 19.57 lakh due to short assessment on unauthorised use of electricity.

Clause 8.1 (b) (iv) of Uttar Pradesh Electricity Supply Code 2005 provides that in case of unauthorised use of electricity, the assessment of units for consumption of electricity for the past period shall be made as per $L \times F \times H \times D$ formula*. The units so assessed shall be billed at one and half times of tariff applicable. Amendment (June 2007) in sub section 5 of Section 126 of the Electricity Act 2003 regarding assessment on unauthorised use of energy effective from 15 June 2007 provides that the consumption of electricity should be worked out for the entire period of unauthorised use of electricity and in case the actual period of unauthorised use is not available, such period shall be limited to twelve months immediately preceding the date of inspection. It further provides that the assessment shall be made at twice the normal tariff applicable.

During the audit of Electricity Urban Distribution Division, Kalyani Devi, Allahabad it was noticed (August 2007) that 10 consumers (1 under LMV-6 and 9 of LMV-2 category) were found indulged in unauthorised use of electricity by the raid team of the division during 21 June 2007 to 17 July 2007. The division assessed (8 July 2007 to 26 July 2007) these consumers for Rs 8.86 lakh (including Electricity Duty) on L.F.H.D. formula by adopting period of 180 days at one and half times of the normal tariff instead of Rs 28.43 lakh (including Electricity Duty) to be worked out for period of 12 months at twice the normal tariff. This resulted in loss of Rs 19.57 lakh due to short assessment.

On being pointed out by Audit, the Divisional Officer revised (December 2007) the assessment against 10 consumers and issued demand notices (January 2008) under Section 3 of the UP Undertakings (Recovery of Dues) Act, 1958. No recovery has been made so far (July 2008).

The matter was reported to the Management and the Government in February 2008; their replies were awaited (October 2008).

Madhyanchal Vidyut Vitran Nigam Limited

3.15 Loss of revenue due to non/short levy of Shunt capacitor surcharge

The Company could not realise revenue amounting to Rs 91.03 lakh due to non/short levy of shunt capacitor surcharge.

Clause 8(ii) of Rate Schedule LMV-8 effective from 1 September 2003 and applicable to State Tubewells/World Bank Tubewells and Pumped Canals, provides that in respect of the connections where shunt capacitors of appropriate ratings and specifications are not provided, a surcharge of 5 per cent of the amount of the bill shall be levied. This clause was amended with effect from 1 December 2004 which provides that in respect of consumers

* L for load, F for factor, D for days of theft and H for hours of supply.

without Static Trivector Meters (TVM), if shunt capacitors of appropriate rating are found missing or in-operational, a surcharge of 10 *per cent* of the amount of the bill shall be levied. In addition the company will have the right to take any other suitable action, including disconnection of power supply.

Further, Clause 4 (ii) of Rate Schedule LMV-3, effective from 1 December 2004 and applicable to public lamps including street lighting system, traffic control signals, lighting of public parks etc provides that in respect of the consumers without Static Trivector Meters (TVMs), if capacitors of appropriate rating are found missing or inoperational, a surcharge of 10 *per cent* of the amount of the bill shall be levied. In addition the licensee will have the right to take any other suitable action including disconnection of power supply. The rate of surcharge was revised to 15 *per cent* from August 2007.

During the audit of Electricity Distribution Division, Sultanpur (Division), it was noticed (February 2008) that in respect of 4 Tubewells (connected load of 8981 HP) relating to Tubewell Division I and II, Sultanpur (consumers), shunt capacitors were not installed and these connections were getting supply without static TVM. However, the division had levied shunt capacitor surcharge at the rate of 5 *per cent* of the amount of the bill in respect of four Tubewells during December 2004 to March 2007 amounting to Rs 48.26 lakh and did not levy any surcharge in respect of Indo Dutch Tubewell and World Bank Tubewell for the period from December 2004 to June 2006. As per amended provisions of the Rate Schedule effective from 1 December 2004, the shunt capacitor surcharge was to be levied at the rate of 10 *per cent* of the amount of the bill which works out to Rs 125.72 lakh. This resulted in loss of revenue due to non/short levy of shunt capacitor surcharge amounting to Rs 77.46 lakh during December 2004 to March 2007.

Similarly, in the audit of Electricity Urban Distribution Division-II, Bareilly (Division), it was noticed (August 2007) that the division released five[♥] connections of street light in favour of Mukhya Nagar Adhikari, Nagar Nigam, Bareilly (Consumer) which were being billed under LMV-3 of Rate Schedule. These connections were getting supply without Static TVMs and capacitors of appropriate ratings were not installed on these connections. The division neither took any action to ensure installation of capacitors nor charged surcharge at the rate of 10 *per cent* of billed amount during December 2004 to July 2007 and 15 *per cent* of the billed amount during August 2007 to December 2007 as provided in the Rate Schedule. This resulted in non-levy of capacitor surcharge of Rs 13.57 lakh for the period December 2004 to December 2007. As a result, the Company suffered loss of Rs 13.57 lakh due to non-levy of capacitor surcharge as per provisions of the Rate Schedule.

Thus, the Company could not realise revenue amounting to Rs 91.03 lakh due to non/short levy of shunt capacitor surcharge.

On being pointed out by Audit, the Divisional Officer, Sultanur and Bareilly raised (February 2008 and March 2008) the bills for differential amount of shunt capacitor surcharge; the recovery of which was awaited (October 2008).

The matter was reported to the Management and the Government in April and May 2008; their replies were awaited (October 2008).

[♥] (Qila: 319 KW, Bakarganj: 21 KW, Par Sakhera: 9.6 KW, CB Ganj: 42 KW and Hussainbagh: 2.75 KW).

3.16 Loss due to delay in rectification of defective meter

The Company suffered loss of Rs 73.63 lakh due to delay in rectification of defective meter and non-billing the consumer according to the provisions of Rate Schedule.

The Uttar Pradesh Electricity Supply Code (Code) 2002 and 2005 (Clause 5.7 (d)) provides that consumer shall be billed for the period between the date of last reading and the date of replacement of the defective meter, on the basis of average consumption and maximum demand of three billing cycles prior to the last reading.

It was noticed (September 2007) during audit of Electricity Urban Distribution Division, Husainganj, Lucknow (Division) that a connection with a contracted load of 144 KW was released in favour of North East Railway, Bandariya Bagh, Lucknow (consumer of LMV-1 'Domestic Light, Fan and Power') for its residential colony. The actual recorded consumption of the consumer declined sharply from August 2003 onwards in comparison to the consumption recorded in the meter for earlier period. The concerned Assistant Engineer at the time of monthly meter reading in December 2003 and January 2004 reported that meter seems to be defective as its KVARH value (2,96,700) is same for the last three to four months and recommended for checking of the meter but the division did not initiate any action to check the accuracy of the meter. The division continued to bill the consumer from August 2003 to March 2006 on the basis of reading recorded by defective meter. After lapse of more than two and half years, the defective meter of the consumer was rectified on 24 March 2006. As the meter was defective since August 2003, the consumer should have been billed for 34,53,184 KWh for the period from August 2003 to March 2006 (1,07,912 KWh per month being average consumption of previous three billing cycles i.e. May 2003 to July 2003) whereas the division billed the consumer for 14,13,328 KWh which resulted in under assessment of 20,39,856 KWh. As a result, the Company suffered loss of revenue of Rs 60.19 lakh for the period from August 2003 to March 2006 due to delay of more than two and half year in checking/rectification of defective meter and non-billing the consumer as per provisions of Supply Code.

Similarly, in the above Division, it was noticed (September 2007) that Assistant Engineer (Meter) reported (14 August 2004) that the energy meter of the consumer* was defective as it failed to record consumption according to load due to 'R Phase CT Reversal'. The Division did not initiate any action to check the accuracy of the meter and after lapse of about two year replaced the meter on 22 June 2006. The Division billed the consumer from August 2004 to June 2006 on the basis of reading recorded by defective meter. As the meter was defective since August 2004, the consumer was to be billed for 10,34,310 KVAh for the period from August 2004 to June 2006 (44,970 KVAh per month being average consumption of previous three billing cycles from May 2004 to July 2004) whereas the Division billed the consumer for 6,68,680 KVAh, which resulted in under assessment of 3,65,630 KVAh. As a result, the Company suffered loss of Rs 13.44 lakh for the period from August 2004

* Benett Colman and Company Limited having contracted load of 200 KVA under HV-2 category.

to June 2006 due to delay of about two years in checking/replacement of defective meter and non-billing the consumer as per provisions of the Code.

Thus, the Company suffered loss of Rs 73.63 lakh due to delay in replacement/rectification of defective meters.

On being pointed out by Audit, the Management raised (May 2008) bills against the consumers, the recovery of which was awaited (October 2008).

The matter was reported to the Government (May 2008); their reply was awaited (October 2008).

3.17 Loss of revenue due to incorrect application of tariff

There was loss of revenue amounting to Rs 80.74 lakh due to incorrect application of tariff.

Rate Schedule LMV-3 of Uttar Pradesh Power Corporation Limited effective from 1 December 2004, applicable to the public lamp including street lighting system, Traffic Control Signals, Lighting of Public parks etc. provides rate of charge for unmetered supply of electricity to Nagar Palika and Nagar Panchayat at Rs 775 per KW per month and for metered supply at the rate of Rs 3.25 per KWh along with fixed charges of Rs 75 per KW per month. These rates were revised (13 August 2007) to Rs 875 per KW per month for unmetered supply and Rs 675 per KW per month for metered supply. Further, Electricity Duty (ED) at the rate of Rs 0.03 per unit for metered supply and 20 *per cent* of the amount of bill for unmetered supply was to be charged.

It was noticed (October 2007) in the audit of Electricity Distribution Division-II, Hardoi (Division) that two connections viz street light, Nagar Palika, Hardoi and street light, Manglipurva, Nagar Palika, Hardoi having contracted load of 171 KW and 157 KW respectively, were getting unmetered supply of electricity. Though the division was aware of the facts that the meters were not installed, the consumers were billed on the basis of adhoc assessed units (80 units per KW per month) as IDF* and raised bills for Rs 40.97 lakh including electricity duty during the period from December 2004 to February 2008. Whereas these consumers were to be billed for Rs 121.71 lakh for unmetered supply at the rate of Rs 775 per KW per month up to August 2007 and Rs 875 per KW per month from September 2007 onwards alongwith electricity duty at the rate of 20 *per cent*. This resulted in loss of revenue amounting to Rs 80.74 lakh (Rs 121.71 lakh – Rs 40.97 lakh) due to incorrect application of tariff.

The Management stated (May 2008) that as pointed out by audit the bills for Rs 80.74 lakh have been issued (May 2008) against both the consumers but realisation was awaited.

The matter was reported to the Government in April 2008; their reply was awaited (October 2008).

* Indicative Defective Meter.

3.18 Short billing due to incorrect application of tariff

The Company suffered loss of Rs 25.36 lakh due to short billing as a result of incorrect application of Rate Schedule.

Rate Schedule of Uttar Pradesh Power Corporation Limited (UPPCL) effective from 1 December 2004 provides that townships/cantonments/residential colonies (mixed load) having minimum contracted load above 500 KVA (450 KW) and receiving supply at single point will be billed under LMV-1 category. Rate Schedule (LMV-2) provides that consumers not covered under any other Rate Schedule shall be billed under LMV-2 category. The rate of electricity under LMV-2 was Rs 80 per KW per month (fixed charges) and Rs 3.90 per KWh (energy charges) whereas the rate under LMV-1 was Rs 30 per KW per month (fixed charges) and Rs 2.90 per KWh (energy charges).

As the Rate Schedule did not provide for townships/cantonments/residential colonies (mixed load) having minimum contracted load of 500 KVA (450 KW) and below receiving supply at single point, such consumer were required to be billed under Rate Schedule of LMV-2.

It was noticed (June 2007) in audit of Electricity Distribution Division, Gola, Lakhimpur (Division) that Bajaj Hindustan Limited (BHL) was having connected load of 450 KW (mixed load) and receiving electricity supply at single point for its residential colony. The Division was, therefore, required to bill the BHL as per the Rate Schedule LMV-2. But the Division, in contravention of the provisions of the Rate Schedule, billed BHL under Rate Schedule LMV-1. As a result, BHL was short billed for Rs 25.36 lakh for the period from December 2004 to July 2007. Thus, due to incorrect application of Rate Schedule, the Division short billed the consumer and suffered the loss of revenue of Rs 25.36 lakh.

The divisional management in an interim reply confirmed (July 2008) that revised bill has been raised against the consumer in June 2008, recovery of which was awaited (October 2008).

The matter was reported to the Management and the Government in May 2008; their replies were awaited (October 2008).

Paschimanchal Vidyut Vitran Nigam Limited

3.19 Loss of revenue due to delay in disconnection of supply

Despite repeated dishonour of cheques, the Company failed to promptly disconnect the supply resulting in loss of revenue of Rs 67.02 lakh.

Clause 6.10 of Uttar Pradesh Electricity Supply Code-2005 (Code) provides the facility to the consumer for payment of energy dues by cash (up to Rs 20,000) or by Cheque/Demand Draft. In case a cheque deposited by the consumer against payment of electricity dues is not encashed within seven days of its presentation to the Bank, the Divisional Officer shall ask the consumer to pay the bill within seven days in cash and may also withdraw the facility of payment by cheque. The licensee may also disconnect the supply as

per clause 4.36 of the Code. Clause 4.14 (h) (i) of the Code further provides that if agreement of the consumers is terminated before completion of two years, the consumer shall be liable to pay the minimum charges (or the demand/fixed charges, if no minimum charges are prescribed) for a period of six months or the period by which the total duration of the agreement falls short of two years, whichever is lower.

During audit of Electricity Distribution Division-II, Saharanpur (Division) that a connection with contracted load of 2400 KVA was released (July 2006) to Paonta Steels (Pvt) Limited, Saharanpur (consumer). Against energy bills of Rs 18.40 lakh for May 2007, Rs 15.12 lakh for June 2007 and Rs 10.32 lakh for July 2007, the consumer deposited three cheques of Rs 18.40 lakh in June 2007, Rs 15.12 lakh in August 2007 and Rs 10.00 lakh in August 2007 respectively. However, all the three cheques were dishonoured by Central Bank of India, Saharanpur on presentation. The consumer made part payment of Rs 9 lakh on 17 August 2007 against the first cheque of Rs 18.40 lakh dishonoured on 18 July 2007. Though the consumer did not make payment of dishonoured cheques, the Division neither disconnected the supply of the consumer immediately nor withdrew facility of payment through cheque. However, the connection was belatedly disconnected on 22 September 2007 when the dues of energy supplied accumulated to Rs 61.50 lakh (September 2007) and after adjustment of security of Rs 20.40 lakh, the unrealised dues amounted to Rs 41.10 lakh. Further, as the agreement with consumer was terminated before completion of two years, the consumer was also liable to pay minimum charges for six months (October 2007 to March 2008) amounting to Rs 25.92 lakh (on 2400 KVA at the rate of Rs 180 per KVA for six months). Thus, the total dues recoverable from the consumer accumulated to Rs 67.02 lakh as on March 2008. The Division issued (November 2007) notice under section 5 of UP Government undertakings (Recovery of Dues) Act, 1958 for the recovery of dues. The recovery is, however, awaited (October 2008).

The Management stated (June 2008) that the Division took action against the consumer as per provisions of the para 6.10 of Electricity Supply Code as after dishonour of cheques, the supply was disconnected and a case was also filed against the consumer under Section 138 of Negotiable Instrument Act. It was further stated that the consumer is being billed for the minimum charges of six months on account of pre-matured termination of agreement by the consumer. The reply of the Management, however, did not address the issue of the lapse on part of the division in prompt disconnection of supply in July 2007 after dishonour of first cheque itself to avoid further loss of revenue.

The matter was reported to the Government in May 2008; their reply was awaited (October 2008).

3.20 Irregular load factor rebate

The Company allowed irregular credit of load factor rebate of Rs 21.53 lakh to four large and heavy consumers.

Para 10 (ii) of Rate Schedule HV-2 (December 2004) and Para 5 of Rate Schedule (August 2007), applicable to large and heavy power consumers having contracted load above 75 KW for industrial and/or processing

industries including arc/induction furnaces, provides graded load factor rebate ranging from 7.5 to 15 *per cent* (December 2004) and 10 to 20 *per cent* (August 2007) for any excess consumption over the defined KVAh per KVA (of maximum recorded demand) on the energy charges for such excess consumption. Rebate is not admissible to consumers with arrears. In case the consumer has obtained stay order from a Court or any other Statutory authority, the amount of load factor rebate, for which the consumer is eligible in respect of the amount of the bill, shall be calculated and the same shall accrue to the account of the consumer but the actual credit thereof shall not be given to the consumer in his monthly bills until the case relating to the dispute regarding arrear is finally decided by the Court or the Statutory authority in consumer's favour.

It was noticed (February 2008) during audit that Electricity Urban Distribution Division-II, Pilakhua, Ghaziabad (Division) had allowed actual credit of load factor rebate of Rs 21.53 lakh to four large and heavy power consumers *viz.* Bihari Forging Pvt Limited (Rs 8.24 lakh), J.G. Sponge and Power Private Limited (Rs 6.87 lakh), J.P.S Steel Private Ltd (Rs 5.49 lakh) and Sumiti Alloys Private Ltd (Rs 0.93 lakh) during the period from July 2007 to January 2008 even though these consumers had arrears of Rs 293.14 lakh on account of demand of Additional Security (Rs 241.36 lakh) and assessment against checking (Rs 51.78 lakh). The consumers obtained stay orders (June/August 2007) from the Hon'ble High Court against the recovery of arrears. Accordingly, in terms of provisions of rate Schedule HV-2, the consumers though eligible for graded load factor rebate, should not have been given credit with the amount of graded load factor rebate in their monthly energy bills till final decision of the Court in their favour. However, the division, despite accumulation of arrears and pending decision of the Court, irregularly allowed credit of graded load factor rebate aggregating Rs 21.53 lakh in consumers monthly bills for the period from July 2007 to January 2008.

In reply the Management stated (July 2008) that a sum of Rs 8.24 lakh has been recovered (March 2008) from Bihari Forging Private Limited. It was further stated that load factor rebate to remaining three consumers despite arrears of additional security was allowed correctly as arrear of additional security should not be considered as arrear of electricity dues. The reply of the Management does not hold good in the light of the clarification (August 2007) of Uttar Pradesh Electricity Regulatory Commission that non-deposit of additional security by the consumer would be considered as arrear for the purpose of allowing the load factor rebate.

The matter was reported to the Government in April 2008; their reply was awaited (October 2008).

3.21 Under assessment for theft, pilferage and unauthorised use of energy

The Company suffered loss of Rs 29.93 lakh due to under assessment in the cases of theft, pilferage and unauthorised use of energy.

The Uttar Pradesh Electricity Supply Code - 2005 (as amended in August 2006) read with the Electricity Act 2003 (as amended in May 2007) provide that in case of theft, pilferage and unauthorised use of electricity, the

assessment of units for consumption of energy shall be made as per $LxFxHxD^1$ formula at twice the applicable rate of tariff for the entire period during which such unauthorised use has taken place and if the period during which such unauthorised use has taken place can not be ascertained, such period shall be limited to a period of twelve months immediately preceding the date of inspection.

It was noticed (January/May 2008) in audit of two divisions² that 69³ consumers had indulged in theft, pilferage and unauthorised use of energy during inspection (June 2007 to February 2008) by the teams of the officers of the Company. The Divisions, in contravention of the existing provisions of the Code and Act, assessed the consumers for six months at the rate of one and half times and three times of the applicable rate of tariff instead of for the period of 12 months at twice the applicable rate of tariff. As a result, the Company suffered loss of Rs 29.93 lakh (EUDD, Meerut: Rs 16.05 lakh and EUDD, Moradabad: Rs 13.88 lakh) due to under assessment in the cases of theft, pilferage and unauthorised use of energy.

In reply the divisional officer of the Electricity Urban Distribution Division-III, Meerut stated (June 2008) that on being pointed out by audit the revised assessment against the consumers has been raised. The divisional officer of the Electricity Urban Distribution Division-I, Moradabad did not revise the assessment on the ground that the amendment was made in Section 126 of the Act and not in Section 135. The reply of the divisional officer is not tenable as the assessment for theft (Section 135) and unauthorised use of energy (Section 126) was to be made as per LHFDD formula adopting twice the normal rate of tariff by taking a period of 12 months for assessment as per the amended provisions of the Electricity Act, 2003 effective from May 2007.

The matter was reported to the Management and the Government (May 2008); their replies were awaited (October 2008).

3.22 Loss due to failure to ensure safety

Failure to take action by the Management for ensuring safety of human beings resulted in an accident and avoidable ex-gratia payment of Rs 14 lakh.

Rule 29 of Indian Electricity Rules 1956, provides that all electric supply lines and apparatus shall be of sufficient ratings for power, insulation and estimated fault current and of sufficient mechanical strength and shall be constructed, installed, protected, worked and maintained in such a manner so as to ensure safety of human beings, animals and property.

It was noticed (March 2008) during audit of Electricity Distribution Division-II, Saharanpur (Division), that a fatal accident occurred on 12 August 2007 near village Chandpur bus stand in which one bus of Uttaranchal Roadways came into contact with energised 11 KV line. In the accident 10 persons died and 17 persons were seriously injured. The Paschimanchal Vidyut Vitran

¹ L-Load, F-Factor (in case of direct theft 'F' is taken as one), H-Hours of supply and D-Days.

² Electricity Urban Distribution Division-III, Meerut (EUDD, Meerut) and Electricity Urban Distribution Division-I, Moradabad (EUDD, Moradabad).

³ EUDD, Meerut: 42 consumers, EUDD, Moradabad: 27 consumers.

Nigam Limited (Company) paid (August 2007) ex-gratia of Rs 14 lakh to the victims.

In an enquiry (13 August 2007) by the Company, it was found that the ground clearance of 11 KV line was only 4.62 meters against the norms of 5.42 meters and because of that accident occurred. The reduction in the ground clearance was due to earth filling between the line and road by the villagers. The Company was required to take action to ensure minimum ground clearance of 11 KV line as per the norms so as to ensure safety of human beings, animals and properties. But the Company failed to take timely and immediate action for restoring the line as per the norms of ground clearance though the division was aware about the fact and had submitted (March 2007) an estimate of Rs 8.18 lakh to PWD Saharanpur for replacement of 8.5 meter pole by 11 meter pole but it could not be replaced till the date of accident i.e 12 August 2007. This resulted in accident and the Company had to pay avoidable ex-gratia of Rs 14 lakh. Therefore, the Company should ensure the compliance of safety measures as stipulated in the Rules to safeguard the life of human beings, animals and property.

The Management stated (June 2008) that the earth filling on the road was done by the PWD/Gram Panchayat just before the incident to facilitate the *Kavanria* pilgrims on the occasion of Shivaratri festival as a result there was reduction in the ground clearance between the lines and road and the fact was not brought to notice of the Company. The reply of the Management was not convincing as fact of lower ground clearance was already in the knowledge of the Company as the Division had submitted an estimate of Rs 8.18 lakh in March 2007 to PWD, Saharanpur for replacement of 8.5 meter pole by 11 meter pole, which were not replaced till the date of accident i.e. 12 August 2007.

The matter was reported to the Government in May 2008; their reply was awaited (October 2008).

Kanpur Electricity Supply Company Limited

3.23 Short billing due to wrong application of conversion factor

The Company suffered loss of Rs 23.54 lakh due to wrong application of conversion factor.

According to Para 6 (ii) of the general provisions of tariff order, 2004-05 issued by Uttar Pradesh Electricity Regulatory Commission, if any rating is in KVA the same may be converted to KW by multiplying the KVA figure with a power factor of 0.90.

During the audit of Bulk Division of Kanpur Electricity Supply Company Limited (KESCO) it was noticed (June 2007) that four* consumers (One of LMV 7 and 3 under LMV 4A category) having contracted load ranging from 115 KVA to 8500 KVA were being billed for their equivalent load in KW by multiplying the pre-revised power factor as 0.85 instead of 0.90. Due to this, the fixed charges amounting to Rs 23.54 lakh for 31,386 KW load, remained

* Ganga Pollution Control Unit, Garison Engineer, Garison Engineer E/M Chakeri, A.F.S Chakeri and Director, I.I.T, Kanpur.

under charged during the period December 2004 to August 2007 at the rate of Rs 75 per KW per month.

The Management stated (June 2008) that the supplementary bills of Rs 23.54 lakh were issued (October 2007) to the respective consumers but recovery of only Rs 9.28 lakh could be made so far (June 2008).

The matter was reported to the Government in March 2008; their reply was awaited (October 2008).

Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited

3.24 Loss due to lesser discount on procurement of Light Diesel Oil

Company failed to negotiate with Indian Oil Corporation for availing higher discount in procurement of Light Diesel Oil and suffered loss of Rs 29.25 lakh.

The Thermal Power Station (TPS) uses Light Diesel Oil (LDO) during starting up and flame stabilisation of the boilers. The oil is procured at TPS level on limited quotation basis from the Government oil companies.

During audit of TPS, Panki, Kanpur (TPS) it was noticed (March 2008) that the TPS invited (April 2005) limited quotations to procure 4000 KL LDO. The offer of Indian Oil Corporation (IOC) to supply LDO at ex-depot price at discount of Rs 300 per KL was accepted (May 2005) and accordingly supply order was placed (June 2005) in favour of IOC for supply of 4000 KL LDO. The IOC supplied 3656 KL LDO from its Kanpur terminal at net ex-depot price ranging between Rs 24,660 and Rs 26,393 per KL after adjusting discount of Rs 300 per KL from July 2005 to May 2006. However, it was noticed in audit that other sister unit viz. TPS, Harduaganj of the Company had procured 1151 KL LDO from the same terminal (viz. Kanpur terminal) of IOC at the net rate of Rs 23,860 per KL after availing and adjusting the discount of Rs 1,100 per KL during August 2005. Thus, the Panki TPS procured LDO at higher rate by Rs 800 per KL, being the difference of discount availed by TPS Harduaganj and TPS Panki, as it could not effectively negotiate with IOC to obtain the discount given by IOC to TPS, Harduaganj. As a result, the Company suffered loss of Rs 29.25 lakh (3656 KL at the rate of Rs 800 per KL) during July 2005 to May 2006 on procurement of LDO for TPS, Panki, Kanpur on account of lower discount.

The Government stated (June 2008) that proper negotiation was held with IOC authorised representatives and they finally agreed to allow maximum discount of Rs 300 per KL. The Management further stated that prices of LDO inclusive of ED after considering the discount at Panki TPS was Rs 22,496.82 per KL which was much lower than the prices of LDO at HTPS of Rs 23,860.37 per KL. The reply of the Management was not convincing because Panki TPS did not insist that IOC should allow the same discount as was allowed to Harduaganj TPS by them. Further, the comparison of basic prices of LDO as indicated in the supply order was also not justified since the actual supply of LDO was made at the higher rates prevailing at the time of delivery in terms of the provisions of supply order.

Statutory Corporations

Uttar Pradesh Avas Evam Vikas Parishad

3.25 Irregular expenditure

The Parishad incurred Rs 55.40 lakh on prismatic reflective signage boards and Rs 18.34 lakh on beautification and widening of road after handing over the services of the scheme to Nagar Nigam Lucknow and Ghaziabad.

According to Section 41 (1) of U.P. Avas Evam Vikas Parishad Adhiniyam, 1965 (Act), the Board may hand over any street laid out or altered by and vested in it to the local authority within whose jurisdiction it lies after giving it one month's notice, when (a) any such street has been duly levelled and metalled, (b) lamp posts necessary for the lighting of such street have been provided and (c) water, drains and sewers have been provided in such street, in the manner provided in the scheme. Further, sub-section 4 of the Act *ibid* provides that such street or open space shall, upon the expiry of the period of notice or in accordance with the final resolution, as the case may be, vest in, and henceforth be maintained, kept in repair, lighted and cleansed by, the local authority.

During the scrutiny of records (July 2007) of Construction Division - 13, it was noticed that services (roads, parks, sewer) developed in Vikasnagar Scheme, Lucknow were handed over to Nagar Nigam, Lucknow in December 1992. The Parishad took a decision in December 2006 to erect Road Signs by installing 21 nos. prismatic reflective signage boards to indicate various places (Sector 1 to 8) in the scheme at a total cost of Rs 59.00 lakh. The work of installation of 21 nos. prismatic reflective signage boards was completed after incurring an expenditure of Rs 55.40 lakh up to February 2007. Similarly, in audit of Construction Division-I, Ghaziabad, it was noticed that services developed in Vasundhara Yojna-3, Ghaziabad were handed over to Nagar Nigam, Ghaziabad on 30 October 2002. But, the Parishad in contravention of the provisions of the Act incurred Rs 18.34 lakh on beautification and widening of road at entrance D-1 of Vasundhara Yojna-3 during the year 2004-05. This resulted in irregular expenditure of Rs 73.74 lakh under the above works.

The Management stated (May 2008) that prismatic reflective signage boards were installed in Vikas Nagar Scheme as an additional facility for the residents of the scheme. The reply of the Management is not convincing as the expenditure was incurred in those sectors of the scheme which were handed over to Nagar Nigam, Lucknow in 1992 and also not provided in the scheme. Further Section 41 (1) of the Act also did not contain any provision regarding facility of signage boards to be made available to the allottee by the Parishad. Regarding Vasundhara Yojna-3, Ghaziabad, the Management further stated (April 2008) that the works of beautification and widening of the road were taken up as per orders of the then Superintending Engineer. The reply of the management does not explain as to why the works were carried out against the provisions of the Act.

The matter was reported to the Government in February 2008; their reply was awaited (October 2008).

3.26 Avoidable extra expenditure

The Parishad did not negotiate the rates from tenderers for construction of roads and incurred avoidable extra expenditure of Rs 19.47 lakh.

According to Government Order of May 1999, tenders for road works were to be invited after filling departmental rates in Bill of Quantity (BOQ). Tenderers were required to quote their rates in terms of percentage higher or lower to BOQ. Further, if tendered rates were more than departmental rates, negotiation with tenderers was to be made within 7 days from the receipt of tender and intimation to this effect was to be included in the tender notice itself.

During Audit of Construction Division - 19, Lucknow it was noticed (November 2007) that two contract bonds (No. 03/SE/CD-19/05-06 for Rs 50.82 lakh and No.06/SE/CD-19/05-06 for Rs 49.37 lakh) were finalised (May 2005) at 5.75 *per cent* and 5 *per cent* above the departmental rates (Rs 48.05 lakh and Rs 47.02 lakh respectively) for construction of roads in Vrindavan Scheme, Lucknow. It was noticed that the Division finalised five contract bonds during the same period at rates ranging from 10.10 *per cent* to 20.25 *per cent* below the departmental rates. Out of these, for similar type of work (construction of roads) contract bond no. 02/EE/CD-19/05-06 was finalised (May 2005) at 15.10 *per cent* below the departmental rates. Audit observed that though the tendered rates in respect of Contract Bonds no.03/SE and 06/SE were more than the departmental rates, negotiation with tenderers was not made as prescribed in Government order. Had the negotiation been made with the tenderers, the rates of above two Contract Bonds could have been finalised at par with Contract Bonds No.02/EE, and excess expenditure of Rs 19.47 lakh could have been avoided.

In reply the Management stated (April 2008) that rates quoted in above bonds were lower (3.15 *per cent* and 1.00 *per cent*) than departmental rates and hence negotiations were not made. The reply of the Management was not tenable as tenderers quoted their rates above (by 5.75 *per cent* and 5 *per cent*) the departmental rates mentioned in the BOQ and therefore negotiation was to be held with tenderers as per provisions of Government Order of May 1999.

The matter was reported to the Government in April 2008; their reply was awaited (October 2008).

Uttar Pradesh State Warehousing Corporation

3.27 Avoidable payment of interest

Decision of the Management to transfer the loan to Bank of Rajasthan resulted in avoidable payment of Rs 16.19 lakh as interest to Union Bank of India.

A term loan of Rs 102.50 crore was sanctioned (September 2003) to the Corporation by Union Bank of India (UBI) for construction of Godowns and

Warehouses at different places in the State at interest rate of 12 *per cent per annum*. The loan was to be paid in 84 monthly instalments. The rate of interest was reduced to 8 *per cent* from February 2004 and was rescheduled by UBI for outstanding dues of Rs 99.82 crore payable in 120 monthly instalments.

During audit it was noticed (January 2008) that UBI offered (October 2005) to reduce the rate of interest from 8 to 6.75 *per cent* on balance amount of loan of Rs 57.91 crore. This reduced rate of interest was to be applied after the consent of the Corporation. But instead of accepting the proposal of UBI, the Corporation allowed to takeover the balance amount of loan by Bank of Rajasthan (BOR) against its offer (October 2005) at the interest rate of 6.74 *per cent per annum*. Agreement with BOR was executed in December 2005. As the Corporation did not consent to the proposal, UBI continued to charge interest at the rate of 8 *per cent* and the Corporation paid Rs 16.19 lakh for the period October 2005 to December 2005. Thus, the decision of the Management by not accepting the offer of UBI resulted in avoidable payment of interest of Rs 16.19 lakh for the period October 2005 to December 2005.

The Government stated (June 2008) that there was no loss to the Corporation rather it saved Rs 70.00 lakh on account of interest during the year 2006. The reply is not correct as the actual savings on account of interest was only Rs 0.58 lakh during the year 2006 being the difference of rate of interest offered by UBI and BOR.

Uttar Pradesh State Road Transport Corporation

3.28 Avoidable payment on belated deposit of Employees Provident Fund

The Corporation incurred avoidable extra expenditure of Rs 32.88 lakh on account of delay in deposit of employees' provident fund contribution with the Regional Provident Fund Commissioner.

As per the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act 1952 (Act), an employer is required to deposit with the Regional Provident Fund Commissioner (RPFC), employees' monthly contributions along with the employer's share to the Provident Fund within 15 days of the close of each month, failing which RPFC may recover from employer by way of penalty damages which may, however, not exceed the amount of arrears.

Despite a mention in para 4B.2 of Comptroller and Auditor General of India Audit Report (Commercial) for the year ended 31 March 2001 regarding payment of belated deposit of EPF, no corrective action had been taken by the Management and a scrutiny of the records of the Corporation revealed (January 2007) that Moradabad region of the Corporation could not deposit the employees contribution and its share pertaining to period from July 2000 to August 2002 within the prescribed time. Consequently, the RPFC levied (May 2003) Rs 32.88 lakh (interest Rs 27.92 lakh plus damages Rs 4.96 lakh) on account of default in payments. The RPFC did not accept the request of the Management for waiver of the damages on the grounds of financial constraints and recovered (February 2005) Rs 32.88 lakh by seizing Bank Account of the region. The payment of damages could have been avoided had the Corporation paid the EPF contribution within the prescribed time.

The Management stated (April 2008) that timely payment of EPF was not made due to financial crisis and huge losses incurred by the Corporation. As the payment of EPF was a statutory liability, its timely payment should have been ensured to avoid the penalty.

The matter was reported to the Government in February 2008; their reply was awaited (October 2008).

General

3.29 Information Technology Support System in Uttar Pradesh State Road Transport Corporation, Lucknow

Introduction

3.29.1 Uttar Pradesh State Road Transport Corporation (UPSRTC) was incorporated on 1 June 1972 from erstwhile Uttar Pradesh Roadways. Presently UPSRTC has 23 Regions and 108 depots. The Information Technology Support System was introduced in UPSRTC in early 1990s which consists of Management Information System (MIS) to monitor operational performance, Material Management (MM) function of the Central Stores Wing and Monthly Pass System (MPS).

Organisational set up

3.29.2 General Manager (GM), Management Information System (MIS) holds the charge of MIS wing with three Assistant Managers to support MIS and Electronic Data Processing (EDP) functions. Chief General Manager (CGM), (Technical) holds the charge of Material Management function with GM (Central Stores) for technical and other support. CGM (Operation) holds the charge of Monthly Pass System with the support of GM (Operations) at the headquarters and 18 Regional Managers in the Regions.

Scope of Audit

3.29.3 Scope of Audit included an assessment of the controls to ensure error free function of MPS and MIS software. This includes analytical review of data in Lucknow and Meerut Regions to ascertain authenticity, accuracy and completeness of the database for error free results. Daily Vehicle Registers and other related records/reports were examined to assess the correctness of the output generated with the help of the analysis tool.

Audit objectives

3.29.4 Information technology audit of the corporation was conducted to assess whether:

- adequate validation checks and controls exist in the application software to ensure that integrity of data generated is maintained and information thus produced are reliable and complete;
- adequate documentation exists for efficient and effective use of IT applications; and

- internal control and monitoring mechanism was in place to safeguard against the risks associated with the IT applications.

Audit criteria

3.29.5 The following audit criteria were used in audit:

- integrity, completeness and availability of data to generate output to support in management's decisions;
- the working manual of the corporation, and
- IT control mechanism as per the best practices of IT Governance

Audit Methodology

3.29.6 For examining the completeness, availability and integrity of the data relating to MIS, data pertaining to the period from January 2005 to December 2007 was analysed using computer assisted auditing tool viz. IDEA*. Besides analysing the above data, the existence and adequacy of general, application controls and monitoring mechanism were also assessed.

Audit constraints

3.29.7 The consolidated database of MPS for all regions was not furnished by UPSRTC Headquarters despite repeated requests. MPS data in respect of test checked regions (Meerut and Lucknow) was provided to audit but it pertained to only last two years (2006-08). The audit findings are, therefore, subject to these constraints.

Audit findings

3.29.8 Audit findings as a result of the Performance Review on Information Technology Support System in Uttar Pradesh State Road Transport Corporation were reported to the Management/Government in May 2008 and were discussed in the meeting of Audit Review Committee on Public Sector Enterprises (ARCPSE) held on 29 August 2008. The Managing Director, CGM (operation) and GM (MIS) attended the Meeting. Deputy Secretary (Transport) represented meeting from Government side. The replies of the Management have been taken into consideration while finalising the review. Audit noticed the following deficiencies:

Monthly Pass System

Risks of Managing data bank by outside agency

3.29.9 The corporation issued (September 2005) a policy guideline to use computers for issue of passes by the Regions falling within its range (including inter-regional range not exceeding 150 kms). The guideline further contemplates that the corporation's staff only shall issue these passes. No other guidelines on format of agreement (if the activity was outsourced), software development, mechanism for back up, monitoring and checking of

* Interactive Data Extraction and Analysis.

the database independently and other control mechanism was found to have been issued.

It was noticed by audit that an outside agency was managing data bank with its own password for issue of monthly passes, collection of money and its remittance to the Region. UPSRTC did not provide the details of the outsourced agency to which this activity was outsourced by the corporation or the database in respect of MPS. It could not be ascertained in audit as to who owned the database in respect of this activity and whether the Region or the headquarters obtained a copy of the same for checking, control and monitoring. As the database of this activity was not made available (except for part data bank of Meerut and Lucknow Regions), the risk involved in use of the facility by an entirely outside agency could not be vouchsafed in audit. In this connection, the following points were noticed by Audit:

- No agreements were found to have been entered with any outside agency to protect financial interest of the corporation;
- Uniform data structure was not prescribed to ensure inter-regional comparison or uniform generation of reports;
- Platform used was MS Access with no protection in the system against data manipulations;
- The Regional offices did not have access control mechanism of their own. Access to data was solely with the outside agency;
- Software details (including intellectual property rights thereof) were not available.

Thus, the security, authenticity, reliability and controls on the activity were risked in the hands of a private agency without any control and monitoring mechanism of its own on part of corporation.

Lack of validation checks in the Monthly Pass System

3.29.10 Data bank of 65803 records of Meerut region, 21663 records of regular services and 10806 records of Lucknow Mahanagar Parivahan Sewa (LMPS) both of Lucknow regions were examined. It was noticed that validation checks were not provided in the software which resulted in many deficiencies. These are discussed below:

Meerut Region

- In the MPS database, there should not be a ticket of zero value. However, five tickets of students from Modipuram to Sakauti/Dadri were found having ticket value as zero.
- In 206 records, every field value was same except for the date of issue.
- There were 73 cases of misuse of students' ID.
- Audit observed that fare charged for the same route was different in different cases due to the duplicity of route codes and fare charged for adults for the same route was different (in one case student's fare was charged).

- In 107 cases, date of issue of passes were found one to 366 days after the expiry of the passes.

Lucknow Region (Regular service)

- In 507 cases of the period February 2007 to May 2008, fare charged was for 8 days for All UP route. But the validity of the passes was for 29 days in all cases.
- There were 8 cases of duplicate records.
- In 6 cases, date of issue of passes was 9 to 365 days after the expiry date of the passes. Similarly, in 3 cases, date of issue of passes was in advance by 183, 28 and 10 days.

Lucknow Region (Lucknow Mahanagar Parivahan Service)

- Against fare taken for one month only in two cases, validity of the passes were for 2 and 3 months.
- In 47 cases, the date of birth mentioned was after the date of validity of the passes. In 2536 cases, age of the pass holders was from 0 to (-) 7788 years and in 455 cases it was only one year.
- In 5 cases, date of issue of passes was in advance by 29 days.
- Eleven passes (15600, 15761, 19377, 27448, 27875, 29700, 29731, 29740, 34402, 37301 and 37414) were issued (January to May 2008) to 22 different persons.

The Management stated (August 2008) that the corporation is in the process of completely revamping the system with a view to ensure customer convenience, proper accounting and audit trail.

Management Information System

3.29.11 The corporation developed in-house package on D-base III Plus version with facility of report generation through queries. The objective of the MIS is to give true and fair picture to the management. In this software, there are only tables without any relational data base management system for linkages and procedures.

Vital fields kept blank

3.29.12 The following vital fields were found blank in the data base at depot level.

- Details about off road buses in depot workshops, in regional workshop and in Allenforest/Central workshop.
- Details about curtailment of kms due to workshop due to break down.
- Number of buses kept for auction.
- Departmental and other kms covered by a bus.

Thus, due to leaving these fields blanks, the calculation of many efficiency parameters was not possible.

The Management stated (August 2008) that details of the blank entries are available in regional MIS which are used for MIS at headquarters as well. The reply is not tenable as the final data made available to audit by the headquarters also showed blank field in the data bank.

Inadequacy of input controls and validation checks

3.29.13 Input Controls ensure that the data received for processing is genuine, complete, valid, accurate and properly authorised and the data entry is done accurately without duplication and all fields are duly filled in before the data is committed in the system. Analysis of the database of MIS revealed various instances of failure of input controls and absence of validation checks as detailed below:

Incorrect load factor calculations

3.29.14 Load factor is the percentage of bus income to full capacity income. Under normal circumstances, this percentage may go up to 100 *per cent* if the bus is loaded to its full capacity or over loaded.

Data bank of 2005 to 2007 revealed that load factor was exceptionally high up to 660 *per cent* during 2005 and 2006 but was exceptionally low ranging from 1 to 8 *per cent* during 2007. Figures are not consistent and hence not credible which is due to inadequate application controls at the input level. The details are given below:

Year	Load factor up to 100 <i>per cent</i>		Load factor from 100 to 300 <i>per cent</i>		Load factor having exceptionally high or low percentage	
	Cases	Range	Cases	Range	Cases	Range
2005	2340	37-100	41	100-140	1	660
2006	2659	23-100	81	101-166	1	618
2007	2654	13-100	141	101-300	6	1-8

The Management stated (August 2008) that there are inconsistencies in the database as the file structure of regional MIS and depot MIS is not same and further stated that the data are not made as per categorisation of the services/buses but these are based on aggregate figures. It further stated that action is being taken to rectify the problem.

Inconsistent data bank of the Regions/headquarters

3.29.15 Scrutiny of database of December 2007 of Kaiserbagh Depot under Lucknow region revealed that the data at regional level and Kaiserbagh depot level varied to the extent that income per kms for plying buses of Kaiserbagh depot was calculated differently at regional and depot levels. Income per kms as per depot data was Rs 11.40 whereas this figure was calculated as Rs 11.45 at the regional level. This difference was material as total kilometerage recorded by this depot was 10.72 lakh. The data about other 107 depots was not made available to audit.

3.29.16 A review of data (for 2007) in respect of big buses of four depots (Sohrabgate, Meerut, Garh and Khautauli) revealed that the total earned kms was 404.58 lakh kms. Additionally, the total dead kms, departmental kms, other/miscellaneous kms and departmental kms covered by such buses was recorded as nil. Audit noted that the total bus kms in respect of such buses was 405.33 lakh kms as per database which was not possible looking to the

above facts. This showed absence of consistency checks in the database making the data and MIS reporting as unreliable.

The Management stated (August 2008) that corrective measures are being taken in case of accepting correct data, having central data base to remove deficiencies in data capture and reconciliation of differences between earned and total kms.

Discrepancies in the MIS

3.29.17 A verification of the figures of fuel revealed that the fuel consumed (High speed diesel and petrol) divided by the bus kms (earned kms, dead kms and departmental kms) arrived at the fuel average. It was noticed that during the period January to December 2007, 1905 cases out of 18018 cases of fuel consumption by buses in all depots, the fuel cost per litre as calculated by the MIS system ranged between Rs 4.06 and Rs 195.86 which was not realistic.

The Management stated (August 2008) that due to incorrect definition in data dictionary such results have come.

Other inconsistencies

3.29.18 The following inconsistencies in the MIS data bank were noticed:

- In 48 cases of database (pertaining to year 2005) where earned kms ranged from 10000 to 14200 kms and 14.79 lakh passengers traveled, bus income and other income was shown as zero.
- In 121 other cases of year 2006, buses plied and covered 58.93 lakh kms, carried 40.37 lakh passengers but database did not show any bus income.

The matter was reported to the Government in May 2008; their reply was awaited (October 2008).

Conclusion

Information for decision support is vital for success of any enterprise. However, the corporation could not make best use of Monthly Pass System and Management Information System in the absence of application controls and validation checks. For the purpose of MPS, the company hired IT services and data manager which did not produce expected results in the absence of any monitoring and control by its own staff.

Recommendations

- **The corporation should put in place adequate validation checks at input feeding level in Monthly Pass system to avoid misuse of the facility. Similar validation checks are needed in MIS application packages;**
- **Management should review the outsourcing of managing MPS application as the corporation does not seem to own and control the data managed by an outsourced agency in the present dispensation which is fraught with risks;**

- Management should conduct a review of entire data of MPS and MIS to identify and rectify the irregularities in data; and
- The corporation is depending on old IT systems without harnessing the full potential of IT. It should plan for upgradation of its existing IT infrastructure. The corporation should have a medium term and a long term IT plan to give a technological direction for harnessing the full potential of IT.

Follow up action on Audit Reports

3.30 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.

Audit Reports for the year 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07 were placed in the State Legislature in July 2004, July 2005, March 2006, May 2007 and February 2008 respectively. 176 paras/reviews involving PSUs under 25 Departments featured in the Audit Reports (Commercial) for the years from 2002-03 to 2006-07. No replies in respect of 108 paras/reviews have been received from the Government by 30 September 2008 as indicated below:

Year of Audit Report	Total Paragraphs/reviews in Audit Report	No. of departments involved	No. of paragraphs/reviews for which replies were not received
2002-03	42	10	11
2003-04	30	10	21
2004-05	31	10	14
2005-06	38	13	31
2006-07	35	8	31
Total	176		108

Department wise analysis is given in **Annexure-22**. The Power and Industrial Development Departments were largely responsible for non-submission of replies.

Compliance with the Reports of Committee on Public Undertakings (COPU)

3.31 In the Audit Reports (Commercial) for the years 1997-98 to 2006-07, 359 paragraphs and 46 reviews were included; out of these, 118 paragraphs and 18 reviews had been discussed by COPU up to 30 September 2008. COPU had made recommendations in respect of 91 paragraphs and 20 reviews in the Audit Reports for the years 1978-79 to 2002-03.

The reply of the department/follow up action on the recommendations of COPU are awaited (October 2008).

Action taken on the cases of persistent irregularities featured in the Audit Reports

3.32 With a view to assist and facilitate discussions of the irregularities of persistent nature by the COPU, an exercise has been carried out to verify the extent of corrective action taken by the concerned auditee organisation. The results thereof in respect of Government Companies are given in **Annexure-23** and in respect of Statutory corporations the same are given in **Annexure-24**.

Response to inspection reports, draft paragraphs and reviews

3.33 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned administrative departments of the State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through the respective heads of departments within a period of six weeks. Inspection reports issued up to March 2008 pertaining to 66 PSUs disclosed that 16650 paragraphs relating to 4825 inspection reports remained outstanding at the end of September 2008; of these, 2683 inspection reports containing 8223 paragraphs had not been replied to for more than five years. Department-wise break-up of inspection reports and audit observations outstanding at the end of 30 September 2008 is given in **Annexure-25**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary, Finance and the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Out of 40 draft paragraphs and eight draft reviews forwarded to the various departments between February and June 2008, the Government had not replied to 38 draft paragraphs and eight draft reviews so far (October 2008), as detailed in **Annexure-26**.

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to inspection reports/draft paragraphs/reviews and Action Taken Notes for recommendation of COPU as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment in a time bound schedule, and (c) the system of responding to audit observations is revamped.

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