

## CHAPTER - III

### 3. Miscellaneous topics of interest relating to Government Companies and Statutory Corporations

#### 3A. Government Companies

##### *Uttar Pradesh State Handloom Corporation Limited*

#### 3A.1 Excess payment to employees under Voluntary Retirement Scheme

**The Company made excess payment of Rs.36.24 lakh to employees retired under VRS by incorrectly including interim relief and city compensatory allowance while calculating retirement benefits.**

The State Government offered (June 1993) a Voluntary Retirement Scheme (VRS) for the employees of Public Sector Enterprises/Corporations. VRS *inter alia*, provided for payment of an ex-gratia amount in the nature of compensation at one and half month's emolument (Pay + DA) for each year of completed service besides normal retirement benefits. Further, the State Government while granting interim relief (IR) in January 1994, September 1995 and October 1996 directed that the amount of IR would not be considered for calculation of retirement benefits viz. gratuity, leave encashment and pension etc. The State Government reiterated (June 1999) the position clarifying that no amount of IR is to be included for retirement benefit.

The Company allowed/accepted voluntary retirement of 487 employees between September 1998 and May 2001. It was noticed from scrutiny of payments made to employees that inclusion of:

- IR in the ex-gratia up to June 1999 resulted in overpayment of Rs.26.22 lakh;
- IR in the notice pay up to May 2001 resulted in overpayment of Rs.5.82 lakh; and
- City Compensatory Allowance (CCA) in the ex-gratia and notice pay up to May 2001 resulted in overpayment of Rs.4.20 lakh.

Thus, the Company made excess payment of Rs.36.24 lakh to its employees, retired under VRS by incorrectly including IR and CCA while calculating the amount of retirement benefit.

Government stated (June 2002) that after directives (June 1999) of Bureau of Public Enterprises, element of IR was not included in payment of compensation under VRS to any employee. The reply is not tenable as the orders of State Government sanctioning IR specifically excluded IR for calculation of retirement benefits to employees.

The Company had not initiated any action for fixing responsibility against the officers responsible for the lapse. As against excess payment of Rs.4.20 lakh on account of CCA, the Company had recovered Rs.2.54 lakh up to September 2002 and recovery of balance amount of Rs.1.66 lakh was under progress.

*Uttar Pradesh State Textile Corporation Limited*

**3A.2 Excess payment to employees under Voluntary Retirement Scheme**

**The Company made excess payment of Rs.11.58 lakh to employees retired under VRS by incorrectly including interim relief and non-qualifying service while calculating retirement benefits.**

The State Government offered (June 1993) a Voluntary Retirement Scheme (VRS) for the employees of Public Sector Enterprises/Corporations. The State Government while granting interim relief (IR) in January 1994, September 1995 and October 1996 directed that the amount of IR will not be considered for calculation of retirement benefits viz. gratuity, leave encashment and pension etc.

The Company allowed/accepted voluntary retirement to its employees w.e.f. February 2000. It was noticed from scrutiny of payments made to 136 employees that the element of IR was included for the calculation and payment of gratuity (Rs.7.49 lakh) and notice pay (Rs.2.15 lakh) which was not admissible as per Government directives and hence resulted in excess payment of Rs.9.64 lakh. Further, due to incorrect determination of qualifying service (by including apprenticeship period and dies non period in qualifying service) on higher side and payment of retirement benefits thereon, Rs.1.94 lakh was paid in excess to 7 employees.

Thus the Company made excess payment of Rs.11.58 lakh to its employees, retired under VRS by incorrectly including IR and non-qualifying service while calculating the amount of gratuity and notice pay.

In reply, the Management agreed (June 2002) that excess payment had been made to employees and stated that recovery of overpayment would be made from the pending claims of employees. However, details of each employee's claim pending with the Company, was not furnished with reference to excess payment made to them.

The matter was reported to the Government (May 2002); the reply is awaited (September 2002).

*Uttar Pradesh Small Industries Corporation Limited*

**3A.3 Loss of revenue due to non-installation of electronic weighbridge**

**The Company suffered loss of Rs.27.62 lakh due to non-installation of a weighbridge at the dump yard at Agra for handling of SAIL's stock.**

The Company is operating the dump of Steel Authority of India Ltd. (SAIL) at Agra as consignment agent of the producer. In lieu of material handled, the

Company is entitled to remuneration at rates specified in the agreement with the SAIL. The last agreement executed with the SAIL expired on 30.06.1998.

The Company sought (June 1998) extension of the contract at increased rates for another three years up to June 2001 on grounds of extension of modern facilities in stock yard by installation of electronic weighbridge. Accordingly SAIL allowed the Company increase in rates (Rs.85 per MT from Rs.80 per MT for Pig Iron and Rs.175 per MT from Rs.150 per MT for Steel) in July 1998 for a period of three years with the condition that electronic weighbridge should be installed at the earliest. SAIL further extended (August 2002) the contract up to June 2006.

Although proposal for installation of 60 MT electronic weighbridge was approved by SAIL in June 1998, the Company did not take any action for installation of weighbridge from July 1998 to February 1999 (8 months). Therefore, SAIL which had allowed increased rates up to February 1999 in anticipation of installation of electronic weighbridge not only made payments at the pre-revised rates from March 1999 but also recovered the rate differential (Rs.5.91 lakh) already paid between July 1998 and February 1999 involving loss of revenue amounting to Rs.27.62 lakh up to June 2001.

The Company did not evaluate the cost benefit of investment of Rs.15 lakh in installation of electronic weighbridge to avoid such loss of revenue.

The Government stated (July 2002) that due to financial crisis, the capital investment on electronic weighbridge was not deemed fit specially when the continuation of the consignment agency of SAIL was contingent issue. The reply is not tenable, as installation of electronic weighbridge was a condition of contract and SAIL had also renewed the contract further up to June 2006 on that condition only. Thus, failure to adhere to the conditions of the contract led to loss of revenue amounting to Rs.27.62 lakh.

#### **3A.4 Loss due to non-recovery of shortages from the contractor**

**The Company could not recover Rs.10.70 lakh being shortages in stock recoverable from handling contractor.**

The Company has been working as a consignment agent of SAIL at Agra and running the sale depot on their behalf. As per terms and conditions of the agreement with SAIL, shortage in steel and pig iron in the depot, run by the Company, is recoverable from the Company.

The handling work of steel and pig iron (unloading from wagon, transportation up to sale depot and required handling for delivery to customers) was awarded by the Company in 1994-95 to Pranay Sales, Kanpur and the contract was renewed from time to time. As per terms of the agreement, the handling contractor was liable for shortages as recovered by SAIL. It was noticed (September 2001) by Audit that the SAIL had recovered

Rs.25.96 lakh till April 1999 on account of shortages in pig iron from time to time. However, the Company started recovery of these shortages from the handling contractor only from November 1998 in instalments and could recover Rs.15.26 lakh only up to the contract period of December 2000, leaving unrecovered shortages of Rs.10.70 lakh. Against these heavy recoverable dues, pending bills of the contractor lying with the Company amounted to Rs.0.03 lakh only. As a result, shortages in pig iron recovered by SAIL remained unrecovered from the handling contractor to the extent of Rs.10.67 lakh.

The Company has not devised action either to recover it from the contractor or initiate action for recovery against delinquent officials.

The matter was reported to the Company and the Government (June 2002), the replies are awaited (September 2002).

*Uttar Pradesh State Yarn Company Limited*

**3A.5 Avoidable loss of interest**

**The Company suffered loss of Rs.21.05 lakh by deploying surplus fund in short term deposit bearing lower rates of interest rather than repaying bonds bearing higher rates of interest in contravention of BIFR directives.**

A reference is invited to the paragraph 4A.2 of the Audit Report (Commercial) of the Comptroller and Auditor General of India for the year 1999-2000. In that para Audit observed that by investing Rs.26.15 crore out of Rs.35 crore raised for modernisation of its mills through private placement of 14.9 *per cent* bonds in fixed deposits carrying lower rate of interest as the scheme for modernisation of its mills was not approved by the Government, the Company suffered loss.

Subsequently, on the basis of direction of BIFR to the State Government (May 2000), the State Government directed (July 2000) the Company to refund the balance amount available to the investors immediately. The Company, however, refunded (August 2000) only Rs.22.57 crore to the investors leaving a balance of Rs.12.43 crore which had been utilised by it in repayment of cash credit of the mills (Rs.8.85 crore) and in payment of interest due on bonds (Rs.3.58 crore).

During scrutiny of the implementation of the decision of BIFR/Government, it was noticed that after liquidation of outstanding cash credit availed from the banks, the only running unit of the Company at Jaunpur had surplus of Rs.2.54 crore. The Company instead of utilising these surplus fund in repayment of bonds bearing interest rate of 14.90 *per cent* per annum, allowed its Jaunpur unit to invest (July 2000 to March 2002) Rs.2.54 crore in term deposit with banks carrying interest rate ranging from 8 to 9.25 *per cent* per annum. The Company, thus, incurred further loss of interest of Rs.21.05 lakh up to March 2002.

Management stated (May 2002) that the surplus fund were retained to meet out the working capital requirement of Jaunpur unit. Management's reply is not factually correct as the surplus fund were invested at lower interest instead of redemption of high cost bonds, resulting in avoidable loss of Rs.21.05 lakh.

The matter was reported to the Government (May 2002); the reply is awaited (September 2002).

***Uttar Pradesh Purva Sainik Kalyan Nigam Limited***

**3A.6 Avoidable loss due to delay in deposit of service-tax**

**The Company suffered loss of Rs.10.03 lakh being interest on overdue service tax.**

The Finance (No. 2) Act 1998 had extended the scope of levy of service tax, with effect from 16-10-1998, on 12 more services which, *inter alia*, included Security Agencies. As per provisions of Section 6(1) of Service Tax Rules, 1994, service tax was payable to the credit of the Central Government by the 25th of the month following the month of realisation of remuneration. Section 75 of Rules further stipulates that if any person fails to deposit the service tax or any part thereof within the specified period, he shall be liable to pay simple interest at the rate of 1.5 *per cent* for every month (or part thereof) of the delay.

It was noticed (April 2002) in Audit that the Company, which provides security services to autonomous bodies of Central and State Government, deposited the tax due period from October 1998 to August 1999 with delays up to 13 months. Although the Act did not provide for any exemption from service tax to Public Sector Undertakings (PSUs), the Company withheld its payment by seeking clarification (November 1998) from Central Excise Department. Since, no exemption was admissible to PSUs under the Act, the position was reiterated (April 1999) by the Department after which the Company deposited Rs.10.03 lakh on account of interest between December 1999 and February 2000.

Thus, withholding of payment of service tax even in absence of any exemption for PSUs under the Act, led to avoidable interest burden of Rs.10.03 lakh.

The Government accepted (August 2002) that due to ignorance of law, the service tax could not be deposited in time. Thus, ignorance of officers of applicable rules, has resulted in avoidable loss of Rs.10.03 lakh. Moreover, the Company has not fixed any responsibility for the loss so far (September 2002).

***Uttar Pradesh Pichara Varg Vitta Evam Vikas Nigam Limited***

**3A.7 Irregular investment of fund**

**The Company incurred loss of Rs.0.55 crore deposited without verifying that the deposit could not be insured.**

The State Government amended (May 1994) its earlier directives (December 1992) which imposed a ban on all the Public Sector Enterprises on opening and operation of account with the private sector banks or private cooperative

banks and permitted them to invest in the cooperative banks including those operating in private sector. However, the Company did not prescribe any internal guideline for investment of fund in private sector cooperative banks so as to safeguard the interest of the Company.

It was noticed in Audit (January 2002) that the City Cooperative Bank of Lucknow (CCB) approached (September 1998) the Company for opening an account with them and offered attractive interest rates and stated that deposits with them would be insured through Deposit Insurance and Credit Guarantee Corporation (DICGC). On the basis of this offer, the Company invested a sum of Rs.0.55 crore during October 1998 to March 2001 in fixed deposit receipts (FDRs) with the Bank. The financial position of the bank became critical with effect from March 2001 as it failed to honour its commitments with depositors. Subsequently, the Reserve Bank of India (RBI) under section 35 A (1) of Banking Regulation Act, 1949 imposed (March 2001) ban on CCB to disburse any payment in discharge of its liabilities and obligations or otherwise without prior permission of RBI. The Company forwarded the FDRs to CCB for repayment, which were returned (April 2001) unpaid by the CCB in view of RBI directives. Thereafter, the Company approached (June 2001) RBI to relax the restrictions in favour of the Company so that the fund of the Welfare Schemes, lodged with the bank, could be utilised in implementation of the scheme. However, the RBI expressed its inability (August 2001) to concede to the request as the liquidity position of the bank was unsatisfactory. The Company could not realise any amount as the insurance coverage by DICGC was not applicable to institutional investors. As such the Company was put to a loss of Rs.0.55 crore by making investment as per the CCB's insurance offer without verifying that the insurance could not actually be carried out.

The Government stated (September 2002) that at the time of placement of fund with the Bank, fact of non-credibility of the Bank did not come to notice and therefore fund were invested. The Government further stated that Company had lodged FIR against the Bank officers. The reply of the Government shows total lack of professional approach in the Company as its management did not even know that the insurance coverage of DICGC was not available to the institutional investors.

***The Pradeshiya Industrial and Investment Corporation of  
Uttar Pradesh Limited***

**3A.8 Unauthorised contribution for non-business activity**

**Despite adverse financial position and restriction by Companies Act, the Company released Rs.25 lakh as contribution for non-business purpose.**

The Company, which is registered as a Public Limited Company under the Companies Act, is engaged in financing of medium and large-scale industries. The Companies Act u/s 293(1) (e) places restriction in contribution by such companies for non-business purpose in excess of Rs.0.50 lakh or 5 per cent of

net profit for the last three years whichever is higher, without obtaining approval of the shareholders in the general meeting.

In May 1999, the Secretary, Small Industries and Export Promotion Department (SIEPD) approached the Company to contribute at least Rs.50 lakh to the Institute of Entrepreneurship Development, promoted (1986) by Financial Institutions so as to make the Institute financially independent. In this connection, it is worth mentioning that the Institute already had a corpus fund of Rs.2.50 crore (contributed equally by State Government and the IDBI). The Board of Directors of the Institute was headed by Chief Secretary (who was also ex-officio Chairman of the Company) as Chairman. The Managing Director while submitting his proposal (June 1999) to the Chairman of the Company (as well as of the Institute) did not favour release of contribution on the grounds of adverse financial position of the Company and the futility of the level of training to the professionals of the Company. The training to entrepreneurs of small industries was also not going to benefit the Company, engaged in financing of medium and large industries. However, the Chairman without assigning any reasons on records, directed (July 1999) the Company to pay Rs.25 lakh to the corpus fund of Institute and accordingly the amount was paid in the same month. The matter of regularisation of contribution for non-business activity was put up (August 1999) to the Board that accorded post facto approval. However, the approval of shareholders in the annual general meeting has not been obtained for incurring such expenditure in excess of prescribed limit (September 2002).

Government stated (October 2002) that the payment was released in pursuance of directives of the Government which, being majority shareholder has right to issue directives. Further, it would take up the issue to seek the approval of the shareholders in the annual general meeting during the current financial year 2002-2003. The fact remains that the Company utilised its fund for non-business activity.

#### *Uttar Pradesh State Industrial Development Corporation Limited*

##### **3A.9 Avoidable loss of income due to waiver of interest**

**The Company suffered loss of Rs.0.87 crore due to waiver of interest on account of avoidable delay in handing over possession of land to the allottee.**

The Company allotted (May 1997) 87.10 acres of undeveloped land (value: Rs. 14 crore) to Ansal Housing and Construction Limited (AHCL) for developing housing colony in the Tronica City (Noida) so as to initiate the marketing of the land and quicker realization of the project cost. The allottee was required to pay interest from the date of allotment at 18 *per cent* per annum (with a rebate at 2 *per cent* for timely payment of instalments) on the cost of land remaining unpaid from time to time. The schedule of payment envisaged payment of 25 *per cent* of the total cost towards reservation money within 30 days of date of allotment and the balance cost in 10 equal half-yearly instalments along with interest on outstanding land cost. The first

instalment of remaining premium amount alongwith interest was due in January 1998. The possession of land was to be handed over immediately after payment of reservation money and execution of memorandum of understanding (MOU).

Scrutiny of records of the Company revealed (July 2001) that allottee deposited Rs. 3.50 crore up to 5 June 1997 as reservation money and executed MOU on 7 July 1997 but the possession of the land could not be handed over to the allottee as the Company had not made demarcation/actual measurement of the land as per new layout plan (normally the company hands over the possession of land after demarcation and execution of MOU/Agreement). Possession of land was, ultimately, handed over to the allottee on 19 November 1997 on the basis of old layout plan after a delay of 5 months and 15 days. The allottee claimed waiver of interest on unpaid cost of land (Rs. 10.50 crore) for proportionate period of delay in handing over the possession. During a preliminary inquiry (October 2000) into the case, the Joint Managing Director of the Company held that the delays were avoidable and the officers of the Regional Office were responsible for the lapse. The entire matter was considered by the Board, which accepted (March 2001) the claim of allottee and approved waiver of interest amounting to Rs. 0.87 crore from the date of payment of reservation money by the allottee i.e. 5 June 1997 till date of handing over of possession (19 November 1997).

The Board while conceding to the request of allottee for waiver of interest, directed the Management to take suitable action against the defaulting officers/officials responsible for the delay. However, no disciplinary action has been taken in the matter as the inquiry has not been concluded (August 2002).

Management stated (August 2002) that the land was not in allotable condition and that the Company has gained by such early allotment. The reply is not tenable as the Company had itself held that the delays were avoidable and the officers of the Regional Office were responsible for the delay.

The matter was reported to the Government (July 2002); the reply is awaited (September 2002).

***Uttar Pradesh Power Corporation Limited***

**3A.10 Avoidable accumulation of arrears**

**Failure to follow the prescribed procedure due to interference from Energy Minister led to avoidable accumulation of arrears to Rs.0.55 crore.**

According to the provision of para 19 (vi) of the Electricity Supply (Consumers) Regulations 1984, if the payment of electricity bills is not made within due date, the consumer will be liable for disconnection within 7 days after the due date under Section 24 of Electricity Act. Sub-para ix of Regulations, *inter alia*, provides that in case cheque accepted against payment



of dues is dishonored, supplier will have a right to withdraw the facility of payment by cheque.

A test check of records of Electricity Urban Distribution Division, Hussainganj, Lucknow revealed (July 2001) that Kuber Times, Lucknow having a load of 250 KVA, defaulted in making payments of electricity dues from June 1998 and accumulated arrears to the extent of Rs.10.23 lakh up to September 1998. As four cheques of Rs.50000 each deposited by the consumer were dishonored (September 1998), a disconnection notice was issued (September 1998). The Chairman-cum-Managing Director (CMD), on an appeal of the consumer, allowed (October 1998) payment to be made in four instalments of Rs.2.56 lakh each. Although the consumer failed to make the payment, the supply to the consumer was disconnected after a lapse of 10 months in August 1999 when its arrears stood at Rs.28.40 lakh. The connection of the consumer was restored (August 1999) on instruction of the Hon'ble Energy Minister, Sri Naresh Agarwal without ensuring liquidation of arrears. The Company again disconnected the supply in February 2000 when arrears of the consumer accumulated to Rs.34.67 lakh. However, without insisting on full payment, supply was once again restored (March 2000) on the instruction of the CMD by accepting two cheques of Rs.5 lakh and 2 lakh respectively in March/April 2000. Despite the consumer's cheque having bounced earlier, the Divisional Officer instead of withdrawing the facility of payment by cheque, accepted these cheque which were again dishonoured.

The arrears against the consumer mounted to Rs.49.34 lakh up to September 2000 and the supply of the consumer was permanently disconnected on 29 September 2000. Notice under Section 5 of Uttar Pradesh Government Electrical Undertakings (Dues Recovery) Act, 1958 for recovery of dues amounting to Rs.0.55 crore (including surcharge) was issued on 31 January 2001, however, no recovery has been made so far (September 2002).

Thus, due to interference of Energy Minister of State and non-adherence to prescribed procedure before restoring of supplies resulted in arrears of Rs.0.55 crore which remain unrealised.

The matter was reported to the Company and to the Government (May 2002); replies are awaited (September 2002).

### **3A.11 Infructuous expenditure on foundation work of towers**

**Failure to obtain permission from Irrigation Department before starting foundation work of towers within Ganga barrage area resulted in infructuous expenditure of Rs.27.60 lakh.**

For improving electricity supply of Kanpur city, the Central Electricity Authority approved (1988) a project of Rs.80.96 crore. The project included installation of 3x40 MVA, 132/33 KV transformers at 132 KV river side sub-station at Kanpur, 132 KV transmission line of 10 km length, another

transmission line of 5.7 kms length in the under ground and extension of 132 KV Krishnanagar (Kanpur) sub-station. The extension work of Krishnanagar sub-station was modified (April 1994) to include a 220 KV riverside power house sub-station with 2x60 MVA, 220/33 KV transformers connected with 220 KV Panki-Unnao LILO line. The target date fixed for March 1998 was subsequently extended twice up to December 2002. The work was undertaken by Electricity Transmission Division I, Kanpur (ETDIK).

In test check of the records of ETDIK, it was noticed (May 2001) by Audit that ETDIK incurred an expenditure of Rs.2.47 crore (January 1997 to July 2002) on the civil works (survey, excavation and concreting of foundation etc.) of the LILO line and Rs.3.28 crore on procurement (November 1998 and June 1999) of two 60 MVA transformers. Despite the fact that some of the locations of the tower foundations were falling within the ambit of Ganga-barrage under Irrigation Department (ID), ETDIK did not obtain prior approval from ID in terms of section 15 and 34 of Indian Electricity Act, 1910. The ID had started acquisition proceedings from January 1997 and finally acquired the land in January 1998. These facts were in the knowledge of ETDIK.

The ETDIK laid seven foundations at a cost of Rs.5.73 lakh between September 1997 and January 1998 and further four pile type foundations at a cost of Rs.21.87 lakh between February and June 1998. On objection (April 2001) from ID, the eleven foundations laid at a total cost of Rs.27.60 lakh had to be realigned through different route entailing the total cost as infructuous due to its failure to follow the prescribed procedure of obtaining prior permission from the ID. The work on realigned route was in progress (September 2002).

Transformers procured (November 1998/June 1999) at a cost of Rs.3.28 crore, were lying unused on account of non-completion of the connecting LILO line resulting in blocking of fund to that extent. The loss of interest on the blocked fund works out to Rs.2.12 crore from the date of procurement to September 2002.

Since the Company did not obtain necessary clearance, expenditure of Rs. 27.60 lakh was rendered infructuous. Further, the procurement transformers much in advance only indicated poor project planning.

Management stated (September 2002) that in April 2001, the ID expressed its inability to shift the barrage and therefore the locations had to be shifted. Further, the suppliers of transformers have extended performance guarantee equal to 10 *per cent* of their cost up to March 2004. The reply was not tenable as prior permission from ID was a statutory requirement. Further, the Management failed to plan procurement of transformers as per field conditions.

The matter was reported to the Government in July 2002; replies are awaited (September 2002).

### 3A.12 Non-compliance to provisions in recovering dues

#### **Failure to withdraw payment facility by cheques despite dishonour of earlier cheques resulted in non-recovery of Rs.17.90 lakh.**

Mention was made in paragraph 3A.6.2.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 (Commercial), Government of Uttar Pradesh regarding loss due to acceptance of payments by outstation cheques contrary to the specific provision in clause 19 (ix) of Electricity Supply (Consumers) Regulations, 1984 providing for accepting cheques which are drawn on the banks located at the headquarters office of the division. Further, Commercial and Revenue Manual of the Corporation stipulated that in case, dishonour of cheque supply needs to be disconnected, amount of the cheque was to be debited to consumer's account and facility of future payments through cheques be withdrawn. For this, the Bank should be contacted three times in a month and in case the cheque is not encashed within seven days from the date of its deposit, late payment surcharge should be levied on the consumer.

It was noticed (September 2001) by Audit that contrary to the aforesaid provisions, the Executive Engineer of Electricity Distribution Division-I, Jaunpur continued to accept outstation cheques from Unique Butyl Tube Industries Private Limited, Jaunpur (sanctioned load: 475 KVA billable under HV-2 tariff from January 1995). Despite dishonour of the cheque of September 1999 for Rs.4.87 lakh (subsequently deposited by bank draft in December 1999) the facility of payment by cheque was not withdrawn. Further, after two cheques dated 20 June 2000 of Rs.5.59 lakh for energy bill of May 2000 and Rs.0.10 lakh for additional security deposit were presented for collection, the division did not ensure encashment thereof within a reasonable time frame. In the meantime, two more cheques aggregating Rs.8.79 lakh (cheque dated 21 July 2000 for Rs.4.41 lakh and cheque dated 25 August 2000 for Rs.4.38 lakh) against energy bills were accepted and presented to bank for collection. The division failed to monitor collection of outstation cheques and the drawee bank of Varanasi intimated dishonour of all the four cheques in October 2000 for want of fund. The consumer did not pay three further bills aggregating Rs.8.93 lakh for the month of August to October 2000. The total dues including late payment surcharge of Rs.1.02 lakh after adjustment of the security deposit (Rs.6.43 lakh) aggregated Rs.17.90 lakh (November 2000).

The supply was disconnected in September 2000. Notice for Rs.14.12 lakh (against the dues of Rs 17.90 lakh) issued (January 2001) incorrectly in the name of former firm (Tirupati Tubes Private Limited up to 30.09.1995) under section 3 of Uttar Pradesh Government Electrical Undertakings (Dues Recovery) Act, 1958 was received back (December 2000) undelivered indicating therein that no such firm was in existence at the given address. Further as the assets of the consumer were hypothecated to Bank of Baroda and in view of recovery proceedings by the bank, recovery of Company's dues was impossible.

Management stated (September 2001) that the cheques of the consumer were never dishonoured earlier and notice under section 5 of the Act *ibid* was issued. The reply was not correct as the earlier cheque of Rs 4.87 lakh of September 1999 was dishonoured and earlier payments were made mainly by demand drafts.

Thus, failure to withdraw facility of payment by cheque even after an earlier instance of dishonour, issue of notice with incorrect name, failure to adhere to prescribed provisions of accepting outstation cheques and ineffective monitoring of encashment of cheques resulted in non-recovery of Rs.17.90 lakh, including late payment surcharge as of April 2002.

The matter was reported to the Company and the Government (May 2002); replies are awaited (September 2002).

### **3A.13 Loss in procurement of steel tubular poles**

**The Company suffered loss of Rs.0.65 crore due to non-incorporation of minimum guaranteed weight in the purchase order.**

The Electricity Central Store Procurement Circle III (ECSPC III), Lucknow placed orders during September 1999 to February 2001 on different firms for supply of 31600 nos. of steel tubular pole (STP) of 9 meters, 10 meters and 11 meters length. Clause 7.1 of the orders stipulates inspection of poles by the representative of Chief General Manager, Material Management and Director General, Electricity Quality Assistance and Technical Organisation of the Company (EQUATOR) jointly to ensure that material offered were in accordance with technical specification and guaranteed technical particulars. Clause 7.5 of the order stipulates per pole minimum weight of 164 kg for 9 meters, 178 kg for 10 meters and 227 kg for 11 meters poles. The prices were variable without ceiling limit on either side based on the base price of HR coils (raw material used in pole) as indicated in the order (per MT of Rs.18836 for coils of less than 5 mm and Rs.18607 for coils of less than 10 mm thickness).

It was noticed (July 2001) by Audit that the Company did not incorporate the minimum guaranteed weight per pole and proportionate recovery of cost for supplies of short weight in the purchase orders. The inspection reports of EQUATOR of March 2001, however, indicated that the mean weight of samples of poles tested (30260 nos.) ranged between 152kg to 160 Kg (9 meters), 167 kg to 174 kg (10 meters) and 211 kg to 223 kg (11meters). In absence of guaranteed weight per pole in the guaranteed technical particulars, the ECSPC-III accepted these poles with less weight and paid the cost without deducting cost of less weight of 342.684 MT valued at Rs.0.65 crore (at Rs.19045 per MT of HR coils), although, in the subsequent orders (for 11 meter poles) placed in November 2001, the minimum guaranteed weight had been indicated.

Thus, due to non-incorporation of minimum guaranteed weight of each pole in the earlier purchase orders, the Company had to accept underweight poles resulting into a loss of Rs.0.65 crore.

The matter was reported to the Company and the Government (May 2002); replies are awaited (September 2002).

### **3A.14 Diversion of loan**

**The Company not only utilised loan from LIC for the purpose other than for which it was drawn but also did not utilise surplus balance fund kept in FDR in repaying the overdue instalment to save interest loss of Rs.1.96 crore.**

For meeting part capital expenditure on construction of Maneri Bhali, Stage-II project, the erstwhile Uttar Pradesh State Electricity Board (now Uttar Pradesh Power Corporation Limited) executed (September 1998) agreement for a total loan of Rs.420 crore with Life Insurance Corporation of India (LIC) against hypothecation of its assets. The loan was repayable in 15 equal annual instalments with 14 *per cent* interest and one *per cent* additional for default in payment.

Clause 8 (c) and 10 of the agreement provided that:

- the Company should use the fund solely for the purpose of the project and also that the goods and properties purchased would be used exclusively in carrying out the project business;
- if for any reason the Company were not in a position to do so, it had to inform the LIC immediately with reasons thereof;
- if the Company committed any breach, then the present loan and the earlier loans or the entire balance of any one or more of them remaining unpaid would at the option of LIC become due and payable at once;
- the LIC had further right and authority to assign, and transfer the presently mortgaged premises to the use of LIC in manner aforesaid free from encumbrances; and
- to deposit the loan amount in a separate nationalised bank account free from all encumbrances and it had to maintain records showing the use of goods and properties financed out of it and cost of the project and their operation.

The Company obtained the loan in September 1998 and instead of keeping it in separate bank account free from all encumbrances, utilised the amount for repayment of short term loan of Government (Rs.266.80 crore), overdue loan and interest of LIC (Rs.74.95 crore), stamp duty for mortgaging assets to LIC (Rs.34.65 crore) and kept the balance (Rs.43.60 crore) in short term deposit at varying rate of interest from 8 *per cent* to 10 *per cent* per annum. This action, besides contravening the terms of loan agreement resulted in extra liability of interest Rs.3.54 crore at differential rate between effective rate of 15 *per cent* of loan and interest rate of 8 to 10 *per cent* on FDRs.

The Maneri Bhali, Stage-II project (of 304 MW capacity scheduled for completion in 1983-84) which remained un-commissioned (up to September 1997) was transferred to Uttar Pradesh Jal Vidyut Nigam Limited w.e.f 14.1.2000 and then to Uttaranchal Power Corporation Limited.

Thus, non-utilisation of loan drawn for a project stopped mid way, not only resulted in its non-completion but also in breach of agreement. Further, the surplus fund of Rs.43.60 crore was not utilised for payment of overdue instalments in January and July 2000 resulting in avoidable burden of interest of Rs.1.96 crore.

Management stated (September 2002) that Rs.376.40 crore were utilised for refunding State Government loans, stamp duty, repayment of LIC's over dues and balance kept in FDR. Further, the amount lying in bank has been distributed to the three companies. The reply was indicative of UPPCL's failure to utilize the fund for the purpose for which it was drawn.

The matter was reported to the Government (May 2002); their reply is awaited (September 2002).

### **3A.15 Non-recovery of dues due to irregular withdrawal of recovery certificate**

**The Company withdrew recovery certificate on instructions of Energy Minister in contravention of statutory provisions that resulted in non-recovery of Rs.9.50 lakh.**

A test check by Audit of Electricity Urban Distribution Division II, Bareilly revealed (May 2001) that the service connection of Mahabir Edible Oils, Bareilly (load: 549 KVA) was temporarily disconnected (October 1997) on account of non-payment of dues. Recovery certificate (RC) for Rs.10.21 lakh, issued under section 5 of Uttar Pradesh Government Electrical Undertakings (Dues Recovery) Act, 1958, was withdrawn (December 1997) at the behest of the Chairman under instructions from the Energy Minister allowing the consumer to remit the dues in eight instalments and on remitting of 10 *per cent* recovery charges (Rs.1.02 lakh) by the consumer to the district authorities (DA). The first instalment of Rs.3.51 lakh remitted through a cheque could not be recovered as the same was dishonoured (October 1997) due to insufficient fund in his bank account. Despite this, the division did not invoke action under Section 138 of the Negotiable Instruments Act. It also did not evolve proper procedures to safeguard its financial interests in such cases.

The division permanently disconnected the supply in September 1998 after adjusting security deposit and interest (Rs.0.71 lakh). It issued (July 1999) another RC for Rs.9.50 lakh. The RC was returned (September 1999) by the DA stating that recovery could be made in the light of understanding reached with the consumer at the time of revocation of the RC.

It was noticed by Audit that despite specific instructions from the Board not to withdraw the RC once issued, the RC was withdrawn. Further, by not entering into some kind of agreement or availing guarantee otherwise, the division did not protect its interests.

Thus, the withdrawal of RC without ensuring recovery in case of non-payment, resulted in non-recovery of Rs.9.50 lakh.

The matter was reported to the Company and the Government (May 2002); replies are awaited (September 2002).

### **3A.16 Undue financial aid to the erection contractor**

**Without deduction of trade tax from contractor's bills, the Company made payment of Rs.0.97 crore out of its own fund and suffered loss of interest of Rs.43.52 lakh.**

The Deputy General Manager, 400 KV Transmission Design Circle, Lucknow awarded (January 1996) works for designing, supply, erection and commissioning of tower structures of 800 KV single circuit Jhansi - Unnao (224 KW) transmission line for Rs.63.82 crore to SAE Limited, New Delhi (subsequently renamed as RPG Transmission Limited). This included Rs.27.69 crore for erection and testing of tower (including labour, tools and plants, cement, store materials and steel etc). The contract did not envisage payment of any other charges except price variation in case of erection work. Uttar Pradesh Trade Tax Act 1958 provided for deduction of trade tax at 4 *per cent* (tax deduction at source-TDS) from the bills of erection work. Amount of TDS was to be deposited with trade tax authorities towards contractor's liability for trade tax on materials (cement, steel, stone and sand etc.).

A test check by Audit of Transmission Division I, Allahabad revealed (August 1998) that Design and Fund Management unit of the Company, Lucknow irregularly made payments of Rs.0.97 crore (July 1996 to March 1998) as trade tax on behalf of the contractor without making deductions from his bills. On being pointed out by Audit, Divisional Officer recovered the same from the contractor in July 2000. Thus, irregular payment by Design and Fund Management resulted in providing of undue financial aid to the contractor of Rs.0.97 crore up to July 2000 and consequential loss of interest of Rs.43.52 lakh (worked out at the rate of 18 *per cent* per annum for the period April 1998 to June 2000) to the Company for which no responsibility was fixed.

The matter was reported to the Company and the Government (June 2002); the replies are awaited (September 2002).

### **3A.17 Embezzlement due to non-adherence of prescribed procedure**

**Despite persistent pursuance to follow the prescribed procedure of reconciling the amount collected with the realisation sheet/amount remitted to bank, the Company did not act. As a consequence it suffered loss of Rs.5.89 lakh due to embezzlement.**

In order to prevent misappropriation of revenue realised, the divisions issue cash receipts to the consumers in support of amount realised. These cash receipts are posted in "realisation sheets" by the collecting supervisors and the same are then posted daily as a single entry in revenue cash book after due check of each entry from the supporting foils of receipts. The officer in charge of the revenue cash book is to ensure checking of foils with realisation sheet

and clerk-wise tally register. These are matched with the amount remitted to banks.

Audit had pointed out to EDD, Kasganj between March 1994 and October 1998 that (i) used receipt books were not being returned by the collection agents, (ii) reconciliation of revenue realisation was not being conducted and (iii) there were heavy differences (Rs.43.38 lakh) between the amount collected and remitted to bank. Despite this, the division failed to take corrective action to prevent any likely embezzlement. In subsequent test check, it was noticed (June 2001) that Assistant Engineer of the division issued (February 1995 to March 1999) 88 nos revenue receipt books to Shri Anar Singh, Sub-Station Operator (SSO) despite the fact that earlier used receipt books were not returned by him. Shri Anar Singh returned 20 receipt books on 26 March 2001, checking of which subsequently revealed that Rs.5.89 lakh realised by him were not deposited. Besides, the balance 68 nos receipt books were also not returned. FIR was lodged on 27 March 2001 for embezzlement of cash and Sri Anar Singh was placed under suspension on 27 March 2001. A departmental inquiry was initiated in March 2001 The inquiry report was awaited (September 2002).

The matter was reported to the Company and the Government (June 2002); their replies are awaited (September 2002).

**3A.18 Loss due to non-repair of power transformer by the supplier within guarantee period**

**Failure to obtain clearance from user division before releasing payment, the Company suffered loss of Rs.13 lakh being the cost of transformer that failed within guarantee period.**

Electricity Stores Procurement Circle I (ESPC-I) placed (September 1999) order for supply of 30 nos. of 5 MVA power transformers of "Accurate" make with all fittings and accessories @ Rs.9.46 lakh (excluding central excise and trade tax) on Accurate Transformers Limited, New Delhi.

Clause 12 of the order stipulated guarantee period of 12 months from the date of commissioning or 18 months from the date of receipt of equipment which ever was earlier. Further, in the event of failure during guarantee period, it stipulated carrying out repairs free of charge by the contractor. In case of its not being repairable, it was to be replaced. In case of failure to repair or replace within three months of giving notice of defect, the ESPC-I was to make deduction of cost equal to the price of a new transformer from the pending bills of the supplier or encash bank guarantee available with it. There was no clause in the purchase order as to release of payment to supplier only after obtaining clearance from the user division. However, there was no system for the user division or ESPC-I to intimate/obtain performance report before release of payments.

During test check by Audit of the records of Electricity Transmission Division, Roorkee, it was noticed (December 2001) that one 5 MVA



transformer purchased at a cost of Rs.13 lakh was commissioned (9 October 1999) at 132 KV Sub-station, Ram Nagar (Roorkee) in the presence of the Service Engineer of the supplier. At the time of commissioning, it tripped and the firm was asked on 26 October 1999 to rectify the defect but they did not respond. Further, when put on load during October 1999 to August 2000 (on 15 occasions), it tripped every time. The division intimated the firm between 26 October 1999 and 19 July 2001 for rectification of defects indicating that it was damaged during guarantee period (9 October 1999 to 9 October 2000) of one year but the firm refused (10 October 2001) to repair/replace the damaged transformer on the pretext that its defect was intimated after the expiry of the guarantee period (9 October 2000). The division also failed to inform ESPC-I, simultaneously, to withhold payments or obtain bank guarantees equal to the cost of one transformer before releasing final payments to safeguard its financial interests. As a result of this, ESPC-I, released all the payments (November 1999 to February 2000) and a bank guarantee of Rs.4.13 lakh valid up to October 2002 only was available as of October 2002. The ESPC-I informed (October 2002) in response to the audit query that they were not intimated of the defects within guarantee period and that a bank guarantee of only Rs.4.13 lakh (valid up to October 2002) was available with it.

Thus, the Company suffered loss of Rs.13 lakh (excluding bank guarantee not encashed) on account of releasing payment without obtaining clearance from user division. The Divisional Officer stated (December 2001) that the matter was under correspondence with the supplier. The reply is not tenable as the division failed to intimate the lapse of the supplier to ESPC-I, in time that facilitated release of total payments due.

The matter was reported to the Company and the Government (June 2002); their replies are awaited (September 2002).

### **3A.19 Loss of revenue due to undue favour to a consumer**

**The Company could not recover overdues of Rs.48.53 lakh due to irregular waiver of minimum consumption guarantee, allowing facility of instalments in contravention of rules and refusal of Government to refund dues waived by it.**

According to the procedure laid down by the erstwhile UPSEB in August 1987, facility for payment in instalment was to be allowed only once in a financial year. The facility would stand automatically cancelled in case of non-payment of instalments and no such facility would be allowed if any of the instalments of the previous years was still payable by the consumer. Further, the assessment of Minimum Consumption Guarantee (MCG) as per provision of tariff cannot be exempted except in cases of transformers remaining unrepaired for more than a month and non-restoration of supply of energy due to theft of line material.

During test check by Audit of the records of EDD, Barabanki, it was noticed (June 2001) that the supply of Ganesh Steel Limited, Barabanki, having contracted load of 300 KVA, was disconnected on 30 November 1997 due to

non-payment of dues of Rs.4.52 lakh. The consumer was billed for MCG up to May 1998 but the bills were not paid by the consumer, as a result the dues mounted to Rs.10.29 lakh. Neither permanent disconnection was made after six months nor recovery certificate was issued as provided in the rules. At the instance of the Committee of Revival Package (June 1999) headed by the Commissioner, Faizabad, the Chief Engineer (Commercial) directed (July 1999) the division.

- to restore connection,
- out of balance of Rs. 10.52 lakh, recovery of Rs. 4.52 lakh would have to be made in 10 instalments,
- balance to be waived.

Reconnection was made in September 1999. The Company demanded (January 2001) from State Government a sum of Rs.26.16 lakh, waived off under revival package, which was refused. The consumer deposited Rs.4.19 lakh only against instalments and regular bills as a result of which the dues again mounted to Rs.12.10 lakh up to February 2000. The consumer was again allowed (March 2000) by Director (Distribution) to make payment up to February 2001 in 12 instalments alongwith monthly bills which the consumer did not fulfil. As a result, the arrears mounted to Rs.13.43 lakh at the end of March 2001. On 2 May 2001, the line of the consumer was disconnected but reconnected after two days on 04 May 2001 after deposit of Rs.75000 only on the instructions of Director (Distribution). The supply was again disconnected on 12 December 2001 due to non-payment of Rs.16.48 lakh but the supply has not been permanently disconnected so far (September 2002), though requested by the consumer in March 2002.

Thus, due to irregular waiver of MCG, allowing instalment facility for payment in contravention of rules and refusal by the Government to pay waived dues of Rs.26.16 lakh for the period 30 November 1997 to 7 September 1999, the dues amounting to Rs.48.53 lakh remained unrecovered as of September 2002.

The matter was reported to the Company and the Government (June 2002); their replies are awaited (September 2002).

### **3A.20 Management failure leading to non-recovery of dues**

**Unprecedented pressure from higher authorities for re-connection without payment of dues resulted in non-recovery of Rs.1.67 crore.**

Clause 19 (VI) of the Electricity Supply (Consumers) Regulations, 1984 stipulated that in case payment is not made within due date, the supply of the consumer will be disconnected after 7 days from the due date without prejudice to the supplier's right to recover the amount of the bill as arrears of land revenue. As per erstwhile Board's order (August 1993), the electric supply of industrial units declared sick by Board for Industrial and Financial Reconstruction (BIFR) were to be immediately disconnected and action for

recovery of dues taken under Sections 3 and 5 of the Uttar Pradesh Electrical Undertakings (Dues Recovery) Act 1958. The supply to the sick unit could be continued only after clear-cut orders from the BIFR.

A test check of the records of EDD, Nazibabad revealed (June 2001) that Mansarovar Paper Industries Ltd., Nazibabad having contracted load of 3000 KVA was declared sick by BIFR in July 1997 when the dues mounted to Rs.0.53 crore. However, the supply was not disconnected despite not having any order for continuance of supply from BIFR. The consumer defaulted in payments since August 1998 and disconnection was made in October 1998. At the time of disconnection, the total dues were Rs 0.71 crore. Subsequently, reconnections and disconnections were made several times under the orders of higher authorities on account of default in payments. The arrears accumulated to Rs.1.83 crore up to July 1999 i.e. the date of last disconnection. The recovery certificate (RC) under Section 5 was issued in August 1999 for Rs.1.66 crore after adjustment of security.

Thus, the failure of the Company to institute action as per the prescribed procedure and unprecedented pressure from the higher authorities facilitated non-recovery of Rs.1.67 crore as of September 2001.

Management stated (June 2002) that a revised RC was issued for Rs.1.85 crore in December 2000 against which the district authorities recovered Rs.18.13 lakh leaving a balance of Rs.1.67 crore. Further, as the unit was under BIFR, the RC has been returned. It was also stated that the action at various stages was taken as per instructions of the higher authorities. The reply did not elaborate reasons for not disconnecting supply at the first instance in July 1997, when the unit was declared sick unless clear orders for its continuance was received from BIFR as contemplated in the prescribed procedure.

The matter was reported to the Government (June 2002); the reply is awaited (September 2002).

### **3A.21 Short-realisation of energy charges and non-levy of additional charge for late payment**

**Verbal instructions not ratified subsequently to realise part dues resulted in accumulation of arrears up to Rs.7.69 crore and non-levy of additional charge of Rs.3.28 crore.**

According to clause 19 of the Electricity Supply (Consumers) Regulations, 1984, if a consumer fails to deposit the electricity charges on due dates, his connection shall be disconnected after expiry of 7 days from the date of issue of the bills and the dues may be recovered as arrears of land revenue by issuing notice under section 3 and 5 of Uttar Pradesh Government Electrical Undertaking (Dues Recovery) Act, 1958. The tariff provisions applicable from time to time further stipulate that in case payment was not made within the due date, an additional charge at 2 *per cent* per month on the unpaid amount shall also be levied for the period of default.

During test check in audit (June & December 2001) of Electricity Distribution Division-II, Hardoi and Electricity Distribution Division-I, Ghaziabad, it was noticed that nine large and heavy power consumers started making part payment (approx. 83 per cent) of the monthly bills since September 2000 i.e. after the date of revision of the tariff. The division instead of taking action as mentioned above, continued to accept the part payment till October 2001, although the Chief General Manager (Distribution) clearly instructed as far back as in February 2000 to accept only full payment strictly as per tariff applicable. This resulted in accumulation of Rs.7.69 crore as electricity dues on which the additional surcharge not levied aggregated to Rs.3.28 crore during the period from September 2000 to September 2002. The details are given below:

**(Rs. in lakh)**

<b>Name of consumers</b>	<b>Accumulated dues</b>	<b>Additional charge not levied</b>
1. Rathi Super Steel Limited	82.15	29.32
2. Rathi Udyog Limited	87.66	32.63
3. Rathi Industries Limited	64.85	25.06
4. K.L. Rathi Steel Limited	40.00	14.20
5. Supreme Alloys Limited	74.99	26.35
6. Jay Cee Steel Limited	6.81	2.01
7. Rathi Ispat Limited	341.12	110.34
8. Tarun International Limited	4.51	1.95
9. Sandila Metal wire Private Limited, Hardoi	67.29	26.35
	<b>769.38</b> <b>or Rs.7.69 crore</b>	<b>328.21</b> <b>or Rs. 3.28 crore</b>

The Divisional Officer stated (December 2001) that part payment was accepted as per telephonic instructions of the higher authorities. Further, he has now been instructed (December 2001) telephonically by the Chairman-cum-Managing Director to realise the entire arrears in instalments without late payment/additional charge.

The reply is not tenable as:

- (i) Only Rs.1.50 crore was recovered till September 2002; and
- (ii) No confirmation of verbal instructions, if any, was obtained.

The matter was reported to the Company and the Government (June 2002); the replies are awaited (September 2002).

### **3A.22 Irregularities and discrepancies in billing of Government consumers**

**Government consumers were not billed/short billed to the extent of Rs.3.46 crore.**

Test check of the records of distribution divisions by Audit during July 2001 to December 2001 revealed irregularities in billing of Government consumers aggregating Rs.3.46 crore as of September 2002 as detailed below:

### 1. Short billing of State tube wells/World Bank tube wells

Bills for the State tube wells and World Bank tube wells (LMV-8 of the tariff) are raised on the concerned Executive Engineers of the Irrigation department for verification. Verified bills are then sent to the General Manager (Commercial), Lucknow for arranging receipt of payments centrally. EDD, Baraut billed State tube wells at the rate of Rs.230 per BHP instead of Rs.350 per BHP (effective from August 2000). This resulted in short billing of Rs.45.88 lakh during August 2000 to September 2001. On being pointed out by Audit, the Division issued revised bill in October 2001, recovery of which was awaited (September 2002).

Similarly, EDD-II, Azamgarh raised bills on Executive Engineer, Tube well Division, Azamgarh for their contracted load of 1300/1302.25 BHP for World Bank tube wells at the rate of Rs.440 per BHP. However, the concerned Executive Engineer verified the bills at the rate of Rs.230 per BHP only without assigning any reason. This resulted in short recovery of Rs.0.52 crore for the period July 1999 to July 2001. The verified bills were sent to G.M.(Commercial) for arranging receipt of payment centrally. Although the division added the amount of difference of rates in subsequent bills of February 2002 as arrears but no recovery was effected so far (September 2002).

### 2. Non-realisation of shunt capacitor surcharge/late payment surcharge

(a) State tube wells and World Bank tube wells (under LMV-8) were required to install shunt capacitors for improving power factor, failing which capacitor surcharge at the rate of 5 per cent on the amount of bill was leviable. Further in the event of bills not being paid by the specified due date, a surcharge at the rate of 1.5 to 2 per cent was also leviable.

Bills of shunt capacitor surcharge of Rs.10.20 lakh from August 2000 to August 2001 assessed by EDD-II, Azamgarh on State tube wells (3180 BHP) and World Bank tube wells (1300 BHP) were not verified by the Irrigation Department resulting in non-recovery thereof for which no action was initiated as of September 2002.

(b) Similarly, shunt capacitor surcharge of Rs.20.64 lakh and late payment surcharge of Rs.1.33 crore levied on State tube wells by EDD, Baghpat during April 1990 to March 2002 were not paid by the irrigation department for which no action was initiated as of September 2002. The divisional officers have stated that as payment is received centrally the matter has been referred to the head office.

### 3. Belated assessment of revenue

(a) EUDD, Hussainganj, Lucknow incorrectly billed Government Press, Lucknow, having load of 250 KW and engaged in printing process (engineering process), under LMV-1 prior to 9 August 2000 and thereafter under LMV-4 against applicable HV-2 tariff. Thus, due to incorrect

application of tariff, the consumer was short billed for Rs.0.72 crore during April 1998 to June 2001 (billed under HV-2 tariff thereafter). The Divisional Officer stated (June 2002) that billing has been started under HV-2 tariff and difference bill for the period from August 2000 to February 2001 for Rs.14.42 lakh has been raised. For remaining period, bills shall be raised after obtaining clarification from Chief Engineer (Commercial).

(b) Similarly, EUDD-I, Ghaziabad billed Manager, Telephone Exchange under LMV-4 from August 2000 to November 2001 instead of LMV-2 applicable to the consumer. This had resulted in under-billing of Rs.47.16 lakh for the above period. At the instance of Audit (December 2001), the Division started billing under appropriate tariff. It further raised the supplementary bill for Rs.47.16 lakh and recovered Rs.35 lakh up to May 2002 and recovery of the balance was awaited (September 2002).

The matter was reported to the Company and the Government (July 2002); the replies are awaited (September 2002).

### **3A.23 Loss due to release of load from mixed feeder**

**The Company suffered loss of Rs.23.61 lakh due to release of load from 11 KV mixed feeder to a consumer of doubtful integrity.**

According to clause 2.2 and 2.3 of chapter 2 of the Commercial and Revenue Manual, the load of arc/ induction furnace, rolling and re-rolling and mini steel plant are to be released through independent feeder and such consumer shall be liable to pay cost of independent feeder with bay charges.

During test check of records of EDD Moradabad, it was noticed (September 2001) by Audit that Ram Ganga Cement Company Private Limited was released load of 2800 KVA in March 1996 for their induction furnace through 33KV independent feeder. The load of the consumer was reduced to 2000 KVA in April 2000. Again in June 2001, the consumer applied for reduction of load to 1000 KVA as they had reduced the capacity of their furnace to 1.5 tonne and requested that load of 1000 KVA may be released through 11 KV Bilari town feeder instead of 33 KV independent feeder. Despite the provision of Commercial and Revenue Manual that the load to an arc/induction furnace consumer cannot be released from a mixed feeder, the load of consumer was released (July 2001) by tapping the 11 KV town feeder at a cost of Rs.0.67 lakh instead of through 11 KV independent feeder. The consumer was extended undue favour by not charging the cost of 11 KV bay (Rs.16.11 lakh and system loading charges Rs.7.50 lakh as applicable. It was further noticed that the consumer was earlier found involved in theft of energy for which public interest litigation case was pending against him. Giving supply from a mixed feeder provided a further facility for such manipulations by a consumer of doubtful integrity. Thus, release of load from existing 11 KV mixed town feeder, not permissible under rules, resulted in undue favour to a consumer of doubtful integrity and loss of Rs 23.61 lakh.

The matter was reported to the Company and the Government (July 2002); the replies are awaited (September 2002).

### **3A.24 Short recovery of conductor from completed transmission line**

#### **The Company suffered loss of Rs.47.48 lakh due to excess wastage allowed in use of conductors.**

The Superintending Engineer, 400 KV Transmission Design Circle, Lucknow executed (March 1994) a contract with SAE (India) Limited (renamed as RPG Transmission Limited, New Delhi) for supply of towers and erection of 400 KV double circuit transmission line from Unnao to Bareilly (270.91 kms) for Rs.45.87 crore. The line material including conductor, earthwire etc. were to be issued departmentally free of cost with the condition that the surplus and balance material over and above their actual requirement (including 1.25 *per cent* wastage in case of conductor and earthwire) would be returned by the contractor within three months of completion of the work failing which recovery for undelivered portion of the surplus and balance materials would be effected at double the prevailing market prices at the time of actual recovery (Clause 3.6.1 and 3.7 of the contract). Clause 3.6.3 of the contract further provided that the wastage (not actually used on the line) would be returned either in damaged condition or otherwise in respect of which no rate of recovery was provided in the contract.

Scrutiny of records of Electricity Transmission Division, Sahajahanpur revealed (January 2002) that the division issued to contractor 3333.60 kms of ACSR "moose conductor" for construction of 400 KV double circuit Unnao to Bareilly transmission line (271 kms) against the requirement of 3291.557 kms (3250.920<sup>79</sup> kms based on the length of the line plus wastage of 40.637 kms at 1.25 *per cent*). It was observed that in similar contract in construction of Jhusi-Unnao line, the contractor was allowed wastage of 0.56 *per cent* only. If the same norms were followed in this case also, contractor would have been allowed wastage of 18.205 kms. conductor (0.56 *per cent* of 3250.92 kms) only instead of 40.637 kms. This resulted in allowing excess wastage of 19.997 kms (22.432 kms less 2.435 kms returned) valuing Rs.47.48 lakh. The contractor returned (March 2001) only 39.663 kms conductor against the surplus conductor of 42.043 kms leaving a balance of 2.38 kms for which a recovery of Rs.4.82 lakh only was effected (February 2001) as against recoverable amount of Rs.9.83 lakh (at double the market rates prevailing in February 2001) resulting in short recovery of Rs.5.01 lakh from contractor.

The General Manager (Transmission - Central), Lucknow stated (July 2002) that return of 4.88 tonne (equivalent to 2.435 kms) conductor scrap out of 40.637 kms with the remaining rendered unaccountable wastage was in order. The reply is not acceptable as both the transmission lines from Jhusi to Unnao and from Unnao to Bareilly were erected under similar specifications and terms and conditions.

The matter was reported to the Company and the Government (July 2002); the replies are awaited (September 2002).

<sup>79</sup> 270.91 X 12 conductors (2 wires for each phase X 3 phase X 2 circuit).

**3A.25 Unauthorised relaxation of ERC terms and conditions**

**The Company could not realise Rs.10.99 crore and also suffered loss of interest of Rs.1.11 crore due to unauthorised issue of clarifications.**

Rate Schedule applicable to different categories of consumers of Uttar Pradesh Power Corporation Limited is issued by Uttar Pradesh Electricity Regulatory Commission (ERC) in exercise of power under Section 24 of the Electricity Reforms Act, 1999 and licensees had no power to amend, revise and relax the provisions of tariff what so ever.

Note (a) below item 4 (A) of rate schedule HV-2 issued by ERC effective from August 2000 provides that Arc/Induction furnace consumers getting supply on independent feeders emanating from 400/220/132 KV sub-station shall be levied an additional surcharge of 15 per cent of demand and energy charges subject to the condition that these consumers will get an assured supply of minimum 500 hours in a month.

However, Chief General Manager (Commercial) of the Company though not empowered, relaxed the provisions of tariff in the guidelines issued on 08 September 2000 as also in the clarification issued on 15 December 2000 stating that no surcharge would be levied on the consumers who had opted not to take assured supply of 500 hours in a month.

Test check of records in Electricity Urban Distribution Division III, Ghaziabad (February 2002), EDD, Nazibabad (June 2001), EDD Azamgarh (December 2001) EDD-II, Hardoi (July 2002) and Electricity Urban Distribution Division-I, Ghaziabad (December 2001) revealed that 13 number of Arc/Induction furnace consumers getting supply from independent feeders emanating from 132 KV sub-station had opted not to get an assured supply of 500 hours per month were not assessed for additional surcharge @ 15 per cent as per the tariff provisions which aggregated Rs.10.99 crore during August 2000 to September 2001 as detailed below:

Sl. No.	Name of the consumer and contracted load	Unit	Period	Additional surcharge for independent feeder (Rs. in lakh)	Loss of interest @ 15 per cent per annum (Rs. in lakh)
(1)	(2)	(3)	(4)	(5)	(6)
1.	Badri Kedar Steel (1050 KVA)	EDD, Najibabad	8/2000 to 8/2001	21.13	1.73
2.	Jagannath Steels (1800 KVA)	EDD-II, Azamgarh	8/2000 to 9/2001 (up to 15.9.01)	52.65	6.04
3.	Shri Ram Piston and Rings, Meerut (7000 KVA)	EUDD-III, Ghaziabad	8/2000 to 8/2001	150.33	13.30
4.	Sandila Metal Wires Private Limited	EDD-II, Hardoi	8/2000 to 15.9.2001	77.97	15.35
5.	K.L. Rathi Steel (3000 KVA)	EDD-I, Ghaziabad	8/2000 to 15.9.2001	39.54	3.67



(1)	(2)	(3)	(4)	(5)	(6)
6.	Goel Gases Limited (6700 KVA)	EDD-I, Ghaziabad	8/2000 to 15.9.2001	168.64	17.54
7.	Rathi Super Steel (4950 KVA)	EDD-I, Ghaziabad	8/2000 to 15.9.2001	75.79	7.30
8.	Rathi Udyog Limited (3500 KVA)	EDD-I, Ghaziabad	8/2000 to 15.9.2001	79.30	7.38
9.	Samtel Colour Limited (1500 KVA)	EDD-I, Ghaziabad	8/2000 to 15.9.2001	25.47	2.26
10.	Rathi Induction Limited (3100 KVA)	EDD-I, Ghaziabad	8/2000 to 15.9.2001	50.02	4.74
11.	Rathi Ispat Limited (15000 KVA)	EDD-I, Ghaziabad	8/2000 to 15.9.2001	290.20	25.96
12.	Supreme Alloys Private Limited (1800 KVA)	EDD-I, Ghaziabad	8/2000 to 15.9.2001	65.56	5.94
13.	H.V.R. Alloys (975 KVA)	EDD-I, Ghaziabad	8/2000 to 15.9.2001	2.22	0.06
			<b>Total</b>	<b>1098.82</b>	<b>111.27</b>

Hon'ble High Court of Judicature at Allahabad on a writ filed by LML Kanpur, held (August 2001) the view that rate schedule approved by Electricity Regulatory Commission only was applicable and licensee could not carry out any amendment. Consequently, guidelines of 9 September 2000 and clarification issued on 15 December 2000 were withdrawn by the Company in September 2001 and the bills for additional surcharge amounting to Rs.10.99 crore were issued by the divisional officers in September 2001 i.e. belatedly by 1 to 13 months. The bills remained unrealised but supply of these consumers was not disconnected as per order of Deputy General Manager (Commercial) (December 2001).

Thus, due to unauthorised issue of orders by the Chief General Manager, an amount of Rs.10.99 crore not only remained unrealised but also resulted in loss of interest amounting to Rs.1.11 crore for the period of delay in issue of bills.

The matter was reported to the Company and the Government (July 2002); the replies are awaited (September 2002).

### **3A.26 Short imposition of penalty for violation of peak hour restrictions**

**The Company suffered loss of Rs.34.54 lakh by short levy of penalty for peak hour restrictions.**

According to State Government notification (April 1984), a consumer of non-continuous process and arc/induction furnaces violating peak hour restrictions and weekly closures was punishable for each violation with penalty of Rs.50, Rs.30 and Rs.20 per KVA on their contracted load up to 100 KVA, above 100 KVA (up to 500 KVA) and above 500 KVA respectively up to 15 September 2001. Company's tariff HV-2 applicable from 16th September 2001, provided for levy of penalty at Rs.75 per KVA of contracted load for each number of occurrences of default.

During test check by Audit, it was noticed (December 2001 and February 2002) that Electricity Distribution Division-II, Mathura and Electricity

Distribution Division-I, Aligarh imposed penalty of Rs.22.90 lakh on 18 consumers during May 2000 to December 2001 treating first MRI report as a case of single violation for the whole month in view of the Chief Engineer's (Commercial) instructions (April 1999) to this effect. These instructions were against the above provisions of Government notification and Company's orders, and Chief Engineer (Commercial) was not empowered to relax the same. The consumers who should have been charged Rs.57.44 lakh as penalty treating each violation as a separate violation were charged only Rs.22.90 lakh.

Thus, due to irregular order of the Chief Engineer (Commercial), the Company suffered loss of Rs.34.54 lakh by short levy of penalty for peak hour's restrictions.

The Divisional Officer stated (December 2001 and February 2002) that short levy of penalty/revision of penalty was made as per orders of higher authorities. The reply is not tenable as relaxation in provision of Government notification can not be effected without the approval from the Government.

The matter was reported to the Company and the Government (July 2002); the replies are awaited (September 2002).

### **3A.27 Loss of revenue due to incorrect application of tariff**

**The Company suffered loss of Rs.0.59 crore due to grant of undue preference to a consumer in violation of statutory provisions at the behest of Energy Secretary.**

Rate Schedule HV-1 effective up to July 2000 was applicable to all consumers who had contracted load for more than 100 BHP for their arc/induction furnace, rolling mills etc.

Test check (July 2001) of records of Director (Personnel Management) revealed that Uttar Pradesh Steels, Mausourpur, Muzaffarnagar, having contracted load of 3450 KVA for arc furnace was billed under rate schedule HV-1 up to August 1999. The consumer requested (July 1999) for change of tariff from HV-1 to HV-2 on the ground that they were using their furnaces for production of allied steel and moulded engineering goods. The Board, in contravention of the provisions of tariff, allowed (July 1999) the consumer to be billed under HV-2 tariff for one year as an exceptional case with the condition that in case the consumer was found using its furnace for production of ingots for rolling and re-rolling mills, they would be billed under HV-1 tariff from the date of agreement (September 1999).

Thus, the Board, by allowing incorrect application of tariff to consumer in individual case, for one year, extended undue benefit to consumer to the extent of Rs.0.59 crore (Rs.2.33 crore under HV-1 minus Rs.1.74 crore under HV-2) during the period from September 1999 to July 2000.

Management stated (July 2002 and January 2003) that though request of the consumer for change of tariff from HV-1 to HV-2 was rejected by the Board

in November 1998 but the same was accepted in view of directions of the Energy Secretary as an exceptional case and for one year only.

The reply only confirms that the benefit of incorrect tariff was provided as an exception to a single consumer which was a clear violation of Section 49 (4) of Electricity Supply Act, 1948 which prohibited extension of preference to any person.

The matter was reported to the Government (October 2002); the reply is awaited (October 2002).