

Chapter-III

Audit of Transactions

CHAPTER-III AUDIT OF TRANSACTIONS

Important audit findings emerging from test check of transactions made by the State Government companies are included in this Chapter.

GOVERNMENT COMPANIES

Himachal Pradesh Agro Industries Corporation Limited

3.1 *Avoidable payment*

Failure to deposit Employees Provident Fund contribution as per the provisions of the Employees Provident Fund Scheme, 1952 resulted in avoidable extra payment of ₹ 0.93 crore besides imposition of damages and penal interest of ₹ 1.45 crore for delay in depositing EPF contribution.

(i) Section 38 of the Employees Provident Fund Scheme, 1952 (Scheme) provides that the employer shall, before paying the member his wages in respect of any period for which contributions are payable, deduct the employees' contribution from his wages together with his own contribution and shall pay the same to the fund within fifteen days of the close of every month. Failure to pay attracts payment of simple interest at the rate of twelve *per cent per annum* or at such higher rate as may be specified in the scheme on the amount due under the Act¹ from the date on which the amount has become due till the date of actual payment besides recovery of damages² from the employer by way of penalty, not exceeding the amount of arrear.

Himachal Pradesh Agro Industries Corporation Limited (Company) is deducting from its employees' salary and contributing employer share under the Scheme at the rate of 12 *per cent per month*. The contribution for the period from July 2007 to February 2011 amounting to ₹ 2.53 crore was not deposited with the Employees Provident Fund Organisation (EPFO) within the prescribed time of within fifteen days of the close of every month. For delay in deposit, the EPFO initiated proceeding under Section 7A of the Employees Provident Funds and Miscellaneous Provisions Act, 1952 (Act) and passed an assessment order to deposit ₹ 2.53 crore in October 2011. Despite this order, the Company failed to deposit the said amount within the stipulated time. Consequently, the EPFO passed an order for attachment of bank accounts of

¹ Section 7Q of the Employees Provident Fund and Miscellaneous Provision Act, 1952.

² Section 14 B of the Employees Provident Fund and Miscellaneous Provision Act, 1952.

the Company and recovered ₹ 0.43 crore. Further, on the request of the Company the balance amount was, however, allowed to be deposited in instalment after receiving revolving bank guarantee and furnishing the undertakings to abide by the terms and conditions governing the grant of instalments. One of the conditions governing the grant of instalments was that the employer should undertake to pay such damages on all belated payments as may be levied by the Regional Provident Fund Commissioner (RPFC) in accordance with the provisions of the Act (Section 14 B). The Regional Provident Fund Office (RPFO) vide its orders dated 26 December 2014 directed the Company to deposit ₹ 1.45 crore (*i.e.* ₹ 0.98 crore on account of damages and ₹ 0.47 crore as interest) for this default in deposit of EPF contribution in time. The company has deposited ₹ 41.78 lakh on account of interest with RPFC between January 2015 and April 2015.

The Management stated (September 2015) that Company filed an appeal against these orders before Appellate Tribunal of RPFC, Delhi. The Appellate tribunal ordered (4 June 2015) that the appellant is supposed to deposit assessed amount under section 7 Q of the Act as order under 7 Q is not appealable.

The company accordingly deposited ₹ 47.28 lakh (June 2015) with RPFC on account of interest on delayed deposit which was avoidable by deducting and depositing the EPF contribution in time.

(ii) Further, as *per* Employees' Provident Fund Scheme *ibid* the rate of contribution is 10 *per cent* instead of 12 *per cent* for any establishment which had at the end of any financial year, accumulated losses equal to or exceeding its entire net worth.

Audit scrutiny showed (September 2014) that the Company was incurring heavy losses and its accumulated losses had already exceeded its entire net worth in the year 2005-06. Therefore, the rate of EPF contribution applicable for the Company was 10 *per cent* instead of 12 *per cent* contribution being made by the Company. During the period from 2005-06 to 2013-14, a total amount of ₹ 5.57 crore was paid / payable by the Company towards employer share at the rate of 12 *per cent per month*. This resulted in an avoidable extra payment of ₹ 0.93 crore during the same period.

The Management while admitting (March 2015) deduction / contribution of 12 *per cent* share and also having accumulated losses in excess of its net worth further stated that the Company had number of properties / assets which are enough for increasing its net worth, if revalued as *per* procedure.

The reply was not acceptable as the rate of contribution applicable for the Company was 10 *per cent* and contributing at the rate of 12 *per cent* was in violation of the provisions *ibid*.

The matter was reported to the Government (March 2015); the reply was awaited (December 2015).

Himachal Pradesh State Civil Supplies Corporation Limited

3.2 Distribution of LPG Cylinders

3.2.1 Introduction

Himachal Pradesh State Civil Supplies Corporation Limited (Company) was incorporated to strengthen public distribution system in the State of Himachal Pradesh. Besides distribution of other commodities, the Company is also procuring Liquefied Petroleum Gas (LPG) from three oil companies³ for distribution to 6.18 lakh domestic & 10,868 commercial consumers⁴ through its 53 LPG retail agencies⁵. The total turnover of the Company on account of sale of LPG cylinders increased from ₹ 97.71 crore in 2010-11 to ₹ 161.79 crore in 2014-15.

Thematic audit of distribution of LPG cylinders of the Company from 2010-11 to 2014-15 was conducted between March 2015 to June 2015 through test check of records of the Corporate Office, three⁶ out of seven Area Offices, both Divisional offices at Solan and Dharamsala and 25 LPG agencies out of total 53. Audit findings are discussed in the succeeding paragraphs:

3.2.2 Non-conducting of Mandatory Inspection

As *per* the instructions issued by the IOCL from time to time mandatory check of LPG installation at the consumer's premises is required to be carried out every two years.

Scrutiny of records in audit (May 2015) showed that no mechanic has been provided / deputed in any LPG agency of the Company and in the absence of mechanic, the compliance of above instructions could not be ensured. There by compromising the safety of the LPG consumers.

The Government stated (August 2015) that the comments / suggestions have been invited from the field offices to outsource the services of mechanics to avoid any financial loss to the Company as well as to meet the mandatory requirement.

³ Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL).

⁴ Average during the last five years ending March 2015.

⁵ IOCL: 49, HPCL: 02 and BPCL: 02.

⁶ Shimla, Solan and Nahan.

3.2.3 Storage of LPG

Gas Cylinder Rules (GCR), 2004 prescribes certain conditions for grant of license for storage of LPG. These conditions were not being followed by the Company as would be evident from the following:

- Mastic flooring in the godowns of all the audited LPG agencies to keep the cylinder safe from damage and also to control fire had not been provided (condition no. 6).
- In ten⁷ cases LPG agency godowns were constructed near the residential locations (condition no. 5).
- The godown of LPG agency, Rajgarh was constructed on the road side surrounded by commercial shops, petrol pump, HRTC bus stand *etc.* (condition no. 5).
- The size and material used in the construction of ventilators installed in 25 inspected LPG agencies godowns were not as *per* the requirement (condition no. 3).
- In the case of LPG Agency, Kaza, the Company has obtained license from Chief Controller of Explosive for one godown only whereas the LPG Cylinders were being stored at four locations. Thus, cylinders at three godowns were being stored un-authorisedly (Rule 51 (2)).
- Fire extinguishers were not found installed / refilled in six LPG agencies⁸ (Condition no. 16).

The Government stated (August 2015) that necessary instructions have been issued to the field offices besides admitting the facts that in some places local people have constructed the houses for which the Company had no control.

3.2.4 No documentary proof to verify the rates fed in the System

The revision of rates of LPG Cylinders (domestic and commercial) is received from IOCL by the respective incharge of the agencies on their personal mobile through Short Message Services (SMS). However, there exist no provision in the Company to record the messages and even no documentary evidences were available with the respective agency in case SMS got deleted from the mobile phone (in the LPG agency, Pooh all the previous SMSs were deleted by the in charge). In absence of any visible and authenticated proof of rates, correctness of rates being charged from the consumers could not be verified in audit.

⁷ Nahan-I, Rajgarh, Haripurdhar, Solan, Bhatta Kuffer, Nalagarh, Narkanda, Sangla, Reckong Peo and Pooh.

⁸ Kaza, Reckong Peo, Pooh, Rajgarh, Sangla and Bhatta Kuffer.

The Government stated (August 2015) that the field offices have been directed to ensure availability of documentary evidence regarding revision in rates.

3.2.5 Non posting of Chowkidar / Godown keeper

No chowkidars / godown keepers were posted in any LPG Godowns for watch and ward of the stock. Resultantly, there have been instances of theft during 2010-11 to 2014-15 at seven⁹ LPG agencies leading to a loss of ₹ 6.31 lakh to the Company.

The Government stated (August 2015) that most of the LPG agencies godowns are situated outside the towns / villages at secluded places and at such lonely places deployment of chowkidar was not expedient and practical. The reply was not acceptable as lonely and secluded places are more prone to theft.

3.2.6 Loss on sale of LPG cylinders at a lower rate

The GoI introduced (June 2013) DBTS with the facility of transfer of subsidy directly in their accounts. The scheme was later suspended (March 2014) due to difficulties faced by the consumers, especially in those areas where *Aadhaar* Card (AC) access was low. Due to sudden suspension of DBTS, the cylinders supplied for *Aadhaar* Card linked consumers at higher rates remained unsold. The agencies were also not empowered to adjust the DBTS stock by selling to other categories of consumers. The DBTS was re-launched (November 2014) after a gap of more than eight months and with the passage of time, the Retail Selling Price of these cylinder was reduced and the Company had to sell them at a lower rates. Though the IOCL had requested (September 2014) the Company to provide the details of such cylinders and assured to resolve the issue, but the same had not been furnished by the Company so far (July 2015).

However, the details compiled by audit (May 2015) showed that there were 6,672 such cylinders in 30 agencies of the Company which were sold at lower rates. Thus, failure in compiling the details required for lodging the adjustment claim, the Company could not recover ₹ 20.00 lakh from IOCL on account of differential amount of cylinders sold at lower rates during the period from March 2014 to April 2015.

The Government stated (August 2015) that the Area Managers have been given directions to reconcile the accounts with the IOCL.

3.2.7 Non recovery of differential cost from consumers

The GoI decided (September 2012) to cap the number of subsidised cylinders *per* consumer and instructed the IOCL to introduce the quota period with

⁹ Theog, Bhabha Nagar, Damtal, Nahan-II, Darlaghat, Baddi, and Jhandutta.

immediate effect. Accordingly, the IOCL decided (September 2012) that the Non Domestic Exempt Customers (NDEC) shall also be given only three subsidised cylinders *with effect from* 14th September 2012 and extra cylinders over and above will be issued at the non-subsidised rates. However, rates in respect of non-subsidised cylinders were not intimated. Consequently, it was decided that supply of cylinder in excess of three be made only after taking undertaking from them to pay differential cost after receipt of revised rates.

Scrutiny of records showed (May 2015) that 43 LPG agencies failed to take such undertakings from the customers and distributed cylinders on non-subsidised rates during the period from 18 September 2012 to 30 September 2012. The IOCL debited (November 2012) ₹ 19.66 lakh differential cost in respect of these cylinders to the accounts of the Company. However, in absence of any undertaking the said amount remained unrecovered from them.

The Government stated (August 2015) that the information are being collected from the field offices.

Himachal Pradesh State Electricity Board Limited

3.3 *Material Management and Inventory control in Himachal Pradesh State Electricity Board Limited*

3.3.1 *Introduction*

The Himachal Pradesh State Electricity Board Limited (Company) is engaged in generation, transmission and distribution of power in the State of Himachal Pradesh. The total average annual outgo on purchase of store items by the Company during the three years ended 2013-14¹⁰ was ₹ 181.51 crore for the capital works and O&M of 22 Generating Stations (487.45 MW), 93,943 circuit kilometres transmission & distribution network and its 21.98 lakh consumers. The thematic audit of the Material Management and Inventory Control of the Company conducted between March 2015 and June 2015 showed cases of purchases made without requirement, non-placement of purchase orders for full required quantity in time, non-initiating any action against the defaulting suppliers, delay in procurement and blockade of funds on non-disposal of obsolete stores as discussed in the succeeding paragraphs:

3.3.2 *Material Management*

Material Management is an integrated approach to the planning, procurement and utilisation of material inputs with a view to control material cost,

¹⁰ Figures for 2014-15 were not available as the accounts for the year are yet to be finalised by the company.

inventories and to ensure availability of materials at right time in right place, with minimum storage cost.

The details of purchases / consumption of Electronic Meters, Steel Tubular Poles (STP), Distribution Transformers (DTRs) & Conductors *etc.* during the three years ended 31 March 2014 are given in **Appendix 3.1**. From the Appendix it may be seen that the stock at the close of each year represented five to eight months' consumption for the respective years. The management has not fixed any stock holding limit, however taking three months'¹¹ consumption as stock holding limit, the excess investment in stock ranged between ₹ 40.24 crore and ₹ 57.57 crore during 2011-12 to 2013-14 on which the Company sustained interest loss of ₹ 12.07 crore¹².

3.3.2.1 Budget allocation

There was no system in the Company to prepare any Material Budget for the purchases to be made during the year. However, the year-wise allocation of funds and actual purchases of material *viz.* Electronic Meters, ST Poles, DTRs & Conductors *etc.* made thereagainst during the last three years ending March 2014 is tabulated below:

(₹ in crore)

Year	Funds allocated for purchases	Actual purchases	Excess purchases	Percentage of excess purchases
2011-12	5.25	208.09	202.84	3,864
2012-13	10.76	194.97	184.21	1,712
2013-14	15.69	141.48	125.79	802

From the above it could be seen that the Company did not have a proper system of preparing budgetary estimates for the procurement of material as *per* requirement. Consequently, the actual procurement during the period was affected by allocating additional funds from 2011-12 to 2013-14 had exceeded by 802 *per cent* to 3,864 *per cent* of the funds originally budgeted.

3.3.2.2 Purchase procedure

The procedures for the purchase of the material are laid down in its Purchase Manual. Regulation 1 (3), Chapter III of the Purchase Manual of the Company provided that purchases should be planned so as to ensure regulated supply as *per* requirement to avoid blocking up of Company's borrowed funds.

¹¹ Three months consumption as stock holding limit has been taken considering average time required for procurement of material.

¹² Calculated at the rate of 10 *per cent per annum* on minimum excess inventory of ₹ 40.24 crore for three years.

Audit scrutiny (May 2015) showed that the working programme of the field units for the year was being finalised in the month of April whereas, the units are supposed to furnish their next year's requirement in advance during May and November every year. Non-adherence to the instructions / guidelines relating to purchases resulted in avoidable and extra expenditure as discussed in the following paragraphs:

(i) Generation loss due to delay in procurement of runners

Bhaba Hydro Electric Project (BHEP) of the Company with three generating machines and one spare runner was commissioned during 1989. Thereafter three additional runners were procured between 1998 and 2008. During June 2009 the Company decided to procure two spare runners keeping in view the fact that the original runners had completed 70,000 running hours and had lost their original profile and metallurgy. Bharat Heavy Electric Limited (BHEL) team also declared two runners out of three additional runners beyond repair during inspection. Accordingly, the Company invited bids for procurement of two additional runners in December 2009 which were opened in July 2010. The company could not complete the procurement process within the prescribed period (29 months) mainly due to delay in finalisation of tenders and arrangement of funds. The runners were actually received (November 2013) after 47 months from invitation of bids which indicated that the Company did not had concrete inventory management system in place. Due to non-availability of runner the BHEP had to be run without spare runner till receipt of new additional runners in November 2013. In between, old runner (machine No. II), got damaged on 12 January 2012 and remained off the bar up to 23 February 2013. Consequently, the generation was stopped due to non-availability of spare runner. Had the spare runners been procured in time the generation loss of 95.70 MUs valued at ₹ 32.84 crore reported by the BHEP could have been avoided.

(ii) Procurement of LT Energy Meters without requirement

The Company procured 34,001 L&T and Secure make LT meters¹³ during 2011-12 and 2012-13. Test check of their utilisation in audit (May 2015) showed that these meters were purchased much in excess of the requirement. The Management failed to consider / deduct the quantities of meters to be replaced on turnkey basis under Restructured Accelerated Power Development and Reforms Programme (RAPDRP), as provided in the Detailed Project Reports (DPRs) prepared by the Company in October and November 2010. Consequently, out of these 9,734 energy meters valuing ₹ 3.39 crore were lying un-utilised in nine units¹⁴ of the Company test checked in audit. The

¹³ 10-60 Amp. Device Language Metering System with Metallic Box.

¹⁴ Operation Circle, Shimla (₹ 0.92 crore), Solan (₹ 0.42 crore), Nahan (₹ 0.87 crore), Rampur (₹ 0.11 crore), Rohroo (₹ 0.07 crore), Electric Division, Chamba (₹ 0.13 crore), ED, Sundernagar (₹ 0.05 crore), M&T, Solan (₹ 0.45 crore) and M&T Sundernagar (₹ 0.37 crore).

position of similar unutilised meters in other stores of the Company is also not ruled out.

This not only resulted in blockade of borrowed funds of ₹ 3.39 crore but also in interest loss of ₹ 50.85 lakh for the period from October 2013 to March 2015.

(iii) Non-placement of supply order for required quantity

Against the requirement of 14,580 Steel Tubular Poles (STPs) of 9 meter length received from the field units for 2011-12, Company after obtaining approval from Store Purchase Committee for 12,200 STPs opened tenders (May 2011) with option of placing orders for 40 *per cent* additional quantity on same terms & conditions. However, supply orders were placed on the L1 firm (M/s Jindal Industries, Hissar) for 5,540 STPs (November 2011: 3,350, May 2012: 1,340 and December 2012: 850). As there was increasing trend in the rates of steel in the market which was evident from the lowest rates for similar size of STPs (₹ 9,119.62 *per pole*) received (May 2012) against tender enquiry No. 5/2012. In view of this the Management should have placed order for full approved quantity of 12,200 STPs on M/s Jindal Industries, Hissar. Thus, failure in placing the orders for full required quantities resulted in extra expenditure of ₹ 0.80 crore on the purchase of 6,660 STPs against the tender enquiry No.5/2012 from M/s Gaurang Products Private Limited.

(iv) Undue favour to suppliers

Purchase orders (PO) for supply of 820¹⁵ (11/0.4 KV) Distribution Transformers (DTRs) were placed by the CE (MM) to M/s J.K. Transformers & Switchgears and M/s Swasca Industries on 6 January 2010. As *per* clause 13.0 of the PO, supply was to be completed up to 5 July 2010. Further, as *per* Clause 2.0 of the PO, the Company had an option to cancel the PO, if the supply was not made within three months after the scheduled delivery period. Both the firms failed to complete the supply, the DTRs even after expiry of three months from the scheduled delivery period of July 2010 and supplied only 595 DTRs out of total ordered quantity of 820 DTRs up to 5 October 2010.

Meanwhile another Tender Enquiry for similar DTRs was opened on 28th April 2010 in which the rates quoted by above mentioned firms were lower by ₹ 1,604.41 (25 KVA), ₹ 2,683.40 (63 KVA) and ₹ 3,916.90 (100 KVA) *per* DTR. Despite knowing that the rates of earlier PO issued in January 2010 were higher as compared to rates received in April 2010, the Company did not cancel the POs after expiry of three months from the scheduled date of completion of supply and allowed to complete the supplies by both the firms up to April 2011.

¹⁵ 25 KVA: 489, 63 KVA: 311 and 100 KVA: 20.

Thus, failure to cancel the orders as *per* the terms and conditions of purchase orders resulted in an extra expenditure of ₹ 4.62 lakh¹⁶ on purchase of 225 DTRs received after three months of schedule supply date.

3.3.2.3 Loss due to delay in implementation of scheme

System Improvement Schemes for procurement of Electronic Energy Meters for the years 2011-12 and 2012-13 were sanctioned by M/s REC amounting to ₹ 56.62 crore and ₹ 64.38 crore respectively. As *per* approved schemes 10.38 lakh single phase and 27,319 three phase meters were to be replaced by the end of March 2014 and in this process increase in billed energy of 2.77 crore units valued at ₹ 10.58 crore *per* month was envisaged. Against the above targets, Company could replace only 5.15 lakh single phase and 6,472 three phase meters only. However, the company had not assessed the actual increase in billed energy after replacement of these meters.

Audit noticed (April 2015) that the Company could achieve only 49 *per cent* of the targeted replacement of electro-mechanical energy meters up to July 2014.

3.3.3 Inventory Control

3.3.3.1 Non-moving store

Test check of records relating to 13 stores of the Company revealed that stock comprising cables, conductor, DTRs etc. valuing ₹ 3.90 crore was lying in the stores for more than five years which was indicative of the fact that the store items were purchased in excess of the actual requirement. On these excess purchases, the Company had suffered interest loss of ₹ 1.95 crore¹⁷ up to March 2015.

3.3.3.2 Obsolete store

Stock verifier of the Company are required to indicate in their physical verification reports (PVR) the duration of each item kept in store. The Executive Engineers in charge of the store are required to supplement the PVRs by classifying the disposable material as surplus, obsolete, unserviceable and scrap. The same is also required to be got declared condemned by the circle level condemnation committee within 45 days of finalisation of above classification by the Executive Engineer. Test check of 10 stores in audit (April / May 2015) revealed that surplus and unserviceable store comprising mainly of old & used machinery of completed projects and scrap valued at ₹ 5.84 crore was pending for final disposal due to non-formation of condemnation committee in the respective circles.

¹⁶ ₹ 1,604.41 x 154 + ₹ 2,683.40 x 51 + ₹ 3,916.90 x 20 = ₹ 4.62 lakh.

¹⁷ Calculated at the rate of 10 *per cent per annum* for five years.

3.3.3.3 Surplus store

As *per* the instructions issued by the erstwhile Board in July 2005, the material should be procured only for immediate requirement and should be utilised within six months from its receipt. In case material remained un-utilised even after six months, the value of the same should be placed in the Personal Ledger Account of the procuring / erring officer besides initiating disciplinary action against him.

Audit noticed (April 2015) that material such as Cable & DTRs *etc.* valuing ₹ 1.80 crore was purchased / procured by the concerned divisional in charge between March 2004 and April 2013 in excess of the requirement and could not be used till March 2015. The Company had not initiated any action against the erring officer as *per* instructions *ibid.* On purchase of these items the Company had not only blocked the funds amounting to ₹ 1.80 crore but also suffered interest loss of ₹ 1.23 crore as detailed in the **Appendix 3.2.**

3.4 Injudicious contribution towards Employees' Benevolent Fund

The Company extended undue favour to its employees by contributing matching grant of ₹ 7.33 crore from time to time towards employees benevolent fund though Employees Benevolent Fund Rules does not provide for the same.

The Himachal Pradesh State Electricity Board (now Company) notified Himachal Pradesh State Electricity Board Employees Benevolent Fund Rules in June 1974 (Rules). The objective of creation of Benevolent Fund (Fund) was to provide financial assistance to its employees, widows and dependents of the deceased employees. All the employees of the Board including those who were on deputation with other organisations were eligible to become members of the fund by paying yearly subscription which was subsequently changed to monthly basis. The rate of subscription was increased from time to time and at present the rate of subscription was ₹ 50 *per* month. The affairs of the funds were to be managed by the Board of trustees. The Rules do not provide for any contribution by the employer towards this fund.

It was noticed in audit (September 2014) that the Company also contributed matching grant to this fund from time to time though there was no obligation for the same. The employees contribution up to March 2015 was ₹ 13.97 crore and against this, the Company had contributed ₹ 7.33 crore¹⁸. Since the Company was running in huge losses and its paid up capital of ₹ 446.64 crore up to March 2013 had been fully eroded by its accumulated losses of ₹ 1,738.63 crore and was meeting its working capital requirement by utilising

¹⁸ Up to March 2006: ₹ 1.72 crore, 2006-07: ₹ 1.00 crore, 2009-10: ₹ 2.61 crore, 2011-12: ₹ 1.00 core and 2014-15: ₹ 1.00 crore.

overdraft¹⁹ facilities from various banks so to release of matching grant towards this fund was neither justified nor a prudent financial decision. Thus, the Company extended undue favour to its employees by contributing matching grant of ₹ 7.33 crore from time to time towards employees benevolent fund though Employees Benevolent Funds Rules do not provide for the same.

The Government stated (July 2015) that being welfare issue, the Company has been granting the matching grant from time to time for making the payments as a financial assistance to the widows / dependents of deceased employees besides other welfare activities.

The reply was not acceptable as the contribution towards benevolent fund was not as *per* the Rules and should not have been extended keeping in view the fact that the Company had accumulated losses more than its share capital and was working on borrowed funds carrying heavy financial burden.

3.5 Undue favour to supplier

The Company extended undue favour to supplier by waiving off LD of ₹ 0.97 crore out of ₹ 1.22 crore deducted from his running bills as *per* the terms and conditions of the purchase order and incurred an additional expenditure of ₹ 4.26 crore to supply diesel generated power.

The Company invited expression of interest (EoI) in August 2009 for immediate supply and erection of 220 / 66 KV transformer at Baddi in place of damaged transformer due to fire. As the transformer was required for immediate restoration of power to industrial area, it was clearly mentioned in the notice inviting EoI that only those firms should submit their EoI, which have one such transformer either readily available or can manufacture and supply within a period of three months ensuring its running in parallel with existing transformer. In response to this, four firms submitted their EoI and out of these M/s Crompton Greaves Limited, Mumbai (CGL) in their offer stated that they had already an order in hand for supply of two similar specification transformers for Nalagarh Sub-station and they can divert one Transformer if an order for similar transformer is placed on them. Accordingly, the Company placed purchase order for the supply of one transformer at a total cost of ₹ 4.75 crore in September 2009 after settling the commercial and technical specifications with CGL on 27 August 2009. The firm was to complete supply and erection work by 20 November 2009.

In the purchase order it was also clearly mentioned that the transformer was to run parallel with the existing three phase 80/90/100 MVA, 220/66 kV BHEL make transformer. Further, as *per* clause 19 of the purchase order liquidated damages (LD) at the rate of 5 *per cent* of total contract price *per* week subject to maximum of 25 *per cent* of the contracted value was recoverable for delay

¹⁹ As on 31 March 2015, the Company had availed overdraft of ₹ 1,068.77 crore from 11 different banks.

in commissioning. This clause was inserted as *per* the recommendations of the Board Level Negotiation Committee as approved by the BOD in August 2009 in view of emergent requirement.

It was noticed in audit (September 2014) that the transformer failed to run parallel with the existing transformers as claimed by the CGL and had to be redesigned to ensure its parallel running with the existing transformer. Consequently, the CGL requested for extension in time first up to December 2009 and subsequently up to July 2010. Meanwhile, the CGL to restore power supply to the Industrial Area of Baddi, diverted one of its transformers from Nalagarh and commissioned the same at their risk and cost at Baddi Sub-station on 12 February 2010 as time gap arrangement. The Company for the intervening period from September 2009 to 11 February 2010 had to supply costly diesel generated power to the industrial area involving total cost of ₹ 49.12 crore. After adjusting the amount received from sale of such power, cost shared by the Industries of the area and amount allowed as pass through by the Regulatory Commission, the Company had to bear the balance unrecovered amount of ₹ 4.26 crore²⁰.

The ordered transformer was received at site in June 2010 and commissioned by CGL in October 2010. Since there was delay of seven months up to delivery of transformer, the Company deducted 25 *per cent* LD from the running bills of the firm as *per* provisions of clause 19 of the purchase order. The firm while requesting the extension in time also requested the Company to amend the LD clause to ½ *per cent per week* subject to maximum of 5 *per cent*. The BOD in its 8th meeting held on 7 December 2011 decided to reduce the LD from 25 to 5 *per cent inter alia* due to site, design and shut down problems. Accordingly, out of total LD of ₹ 1.22 crore recovered from the bills of the CGL, the Company refunded ₹ 0.97 crore in March 2012.

The decision of the BOD is required to be viewed in the light that main condition of the notice inviting EoI was to ensure running of transformer parallel with the existing transformer for which site and design related issues were accepted by the CGL before placement of award. Further, the delay on account of non-arrangement of power shut down was after receipt of transformer at site in June 2010 to September 2010 for which no LD was imposed / recovered by the Company.

Thus, the Company extended undue favour to the supplier by waiving off the LD of ₹ 0.97 crore out of ₹ 1.22 crore deducted from running bills as *per* the terms and conditions of the purchase order. Moreover, the Company had to incur an additional expenditure of ₹ 4.26 crore for supplying diesel generated power.

The Management stated (September 2015) that in view of the initiative taken by the firm to restore power supply to Baddi Industrial area by diverting

²⁰ Total DG set generated Power supplied by the Company ₹ 49.12 crore less amount recovered / adjusted ₹ 44.86 crore (sale of power ₹ 20.50 crore, shared by the industries ₹ 14.31 crore and allowed as pass through in multi-year tariff for 2012-14 ₹ 10.05 crore).

transformer from Nalagarh sub-station to Baddi at their risk and cost, the BOD decided to reduce the LD charges. The reply was not acceptable as the transformer had to be shifted (February 2010) to restore the power supply as a temporary measure due to failure of the firm to commission the transformer even after the scheduled date (November 2009) and for this intervening period the Company had to bear additional cost on supply of diesel generated power.

The matter was reported to the Government (March 2015); the reply was awaited (December 2015).

3.6 Undue favour to contractor

The Company extended undue favour to the Contractor by not encashing the Bank Guarantee of ₹ 2.22 crore before its expiry and recession of the contract.

The Government of India launched (April 2005) *Rajiv Gandhi Grameen Vidyutikaran Yojana* (RGGVY) with an objective to attain national minimum programme goal of providing access to electricity to all rural households and electrification of all villages and habitations. To achieve this objective, Himachal Pradesh State Electricity Board Limited (Company) awarded the work relating to construction of 33 KV Khushinagar–Killar transmission line in Chamba District under RGGVY in March 2009 to M/s Eri-Tech Limited, Kolkata (Contractor) for ₹ 22.24 crore with completion period of September 2010. As per the terms and conditions of Letter of Award (LOA), the contractor was required to furnish Bank Guarantee (BG) equivalent of 10 per cent of contracted value for contract performance within 30 days from the issue of LOA. Accordingly the contractor furnished the BG of Axis Bank, Kolkata for ₹ 2.22 crore valid up to 31 December 2011.

The contractor failed to complete the work within the scheduled completion period of September 2010. The Company revised the completion period up to December 2012 and the BG was also extended by the contractor accordingly. Despite extension, the Contractor could not complete the work and the Company neither en-cashed the BG nor got it renewed from the contractor after 31 December 2012.

It was noticed in audit (February 2014) that after four months from the expiry of the validity period of the BG, the Company issued show cause notice to the contractor in May 2013. After rejecting the reply of the contractor to the said show cause notice, the contractor was again given the opportunity in June 2013 to review the decision of the Company if the fresh BG for ₹ 2.22 crore was furnished against the expired BG within ten days. As the contractor did not renew the BG, the contract was ultimately rescinded in June 2013 and the contractor was black listed (July 2013) for his failure to execute the awarded work. Before recession, the contractor was also paid an amount of ₹ 15.52 crore for completion of 24.098 Kms line out of total 60.611 Kms awarded transmission line. The balance work at the risk and cost of the contractor has not been awarded so far (January 2015).

Thus, the Company extended undue favour to the contractor by not encashing the BG of ₹ 2.22 crore before its expiry and lost the opportunity to recover the differential amount after awarding the balance work at his risk and cost in future. The Company had poor track record over timely renewal / encashing BGs furnished by consumers, suppliers and contractors. This is evident from the fact that loss sustained by the Company due to non-renewal of BG in time for ₹ 18 lakh and ₹ 58.67 lakh has also been commented in the Audit Report (Commercial) for the year 2008-09 (Para 3.9) and Audit Report on PSUs (Economic Sector) for the year 2013-14 (Para 3.7) respectively.

The Chief Engineer (Operation) North stated (September 2014) that apart from pursuing the matter for renewal of BG with the contractor from time to time, the Sr. Executive Engineer, Pangi Valley, Killar after having telephonic discussion with the Bank Authorities specifically issued directions to the Axis Bank, Kolkata in November 2013 not to release the BG and renew the same in favour of HPSEBL.

The reply is not acceptable as there was no justification to ask the Bank for not to release the BG and get it renewed after one year from its expiry. The Company should have either renewed the BG or encashed the same before its expiry in December 2012. As the terms and conditions of the BG are not binding on any party after its expiry, not taking action in advance has resulted in a situation whereby legal recourse cannot be taken now. This has amounted to giving undue favour of ₹ 2.22 crore to the contractor and foregoing the right to claim excess cost, if any while awarding the tender for the remaining work.

The matter was reported to the Government (March 2015); the reply was awaited (December 2015).

3.7 Undue favour to Industrial Consumer

Failure of the Company in timely detection of unauthorised use of electricity by the consumer coupled with unrealistic assessment under Section 126 of the Electricity Act, 2003 resulted in short assessment of ₹ 3.11 crore.

The explanation (b) (iv) to Section 126 of the Electricity Act, 2003 defines the “unauthorised use of electricity” as the usage of electricity for the purpose other than for which the usage of electricity was authorised. The assessment under this section for unauthorised use of electricity shall be made at the rate equal to twice the tariff applicable for the relevant category of services. Himachal Pradesh State Electricity Board Limited issued detailed guidelines for dealing with the cases of unauthorised use of electricity under Section 126 *ibid* in October 2011. Clause (iii) (c & d) of the said guidelines prescribes that for unauthorised use of electricity for a category different to the category of schedule of tariff for which the connection was obtained, the charges (higher of both) for the period of assessment under clause II (i) shall be at the rate equal to two time the tariff in vogue.

The Himachal Pradesh State Electricity Board Limited (Company) sanctioned temporary power connection to a Manufacturer of Tablet Capsules Granules & Powder under Electrical Division, Barotiwala²¹, with connected load of 199 KW (Contract Demand of 150 KVA) in November 2009 for construction purposes. The consumer extended this load to 499 KW (CD 499 KVA) in September 2010 and finally to 899 KW (CD of 899 KVA) in January 2011. The temporary connection was disconnected in September 2012 when a permanent connection was sanctioned under Large Industrial Power Supply (LIPS) category.

Audit scrutiny (March 2013) of the test report verified during January 2011 by the Company for drawal of load and consumption pattern of Temporary Meter Supply (TMS) showed that the extension of load was mainly applied for operation of machinery / appliances²² which were required for industrial production and not for construction. Further, the power consumption pattern of the TMS (from January 2011 to August 2012) was also comparable with the power consumption noticed after change of connection to LIPS in September 2012. This showed that the consumer had commenced commercial operation prior to January 2011 and utilised the TMS for industrial production (production of medicine). For this unauthorised use, the consumer was liable to be assessed under section 126 of the act *ibid*.

On this being pointed out in audit (May 2013) the Management stated (January 2015) that the provisional assessment notice for unauthorised use of power under Section 126 for ₹ 2.17 crore was issued to the consumer in May 2014 and final notice for ₹ 1.31 crore in July 2014. After this the consumer deposited ₹ 0.66 crore in August 2014 and filed petition before Appellate Authority in November 2014.

The scrutiny of assessment made by the Company in July 2014 further showed that the assessing officer of the Company treated only 38.69 *per cent* consumption as unauthorised and the remaining use of electricity was considered authorised. This type of bifurcation between authorised and unauthorised use of electricity in the cases of single metered supply was neither prescribed in the Electricity Act, 2003 nor in the guidelines issued by the Company.

Thus, treatment of 61.31 *per cent* use of electricity as authorised without any basis resulted in under assessment of ₹ 3.11 crore during the above period. Incidentally it may be added here that the Consumer had started manufacturing medicine prior to January 2011 as would be evident from the licence issued by the Drug Controller and sale booked by the consumer in March 2010. Therefore, considering use of electricity unauthorised only after January 2011 was also without any justification.

²¹ M/s USV Limited (Unit II).

²² Such as air compressor, condensing units, cooling / chilled water pumps, hot water system, room heaters, dehumidifiers and water treatment *etc.* (rated capacity 392 KVA).

The matter was reported to the Government in June 2015; the reply was awaited (December 2015).

3.8 Non levy of Low Voltage Supply Surcharge

Failure of the Company in enforcing the terms and conditions of the Tariff orders as approved by the HPERC from time to time resulted in non-recovery of Low Voltage Supply Surcharge amounting to ₹ 49.13 lakh.

Himachal Pradesh Electricity Regulatory Commission (HPERC) in its tariff orders as approved from time to time has specified the 'Standard Supply Voltage (SSV)' in KV for supply of electricity under each category of consumers. It has also been provided that consumers availing electricity supply at a voltage lower than the SSV shall, in addition to other charges, be charged Low Voltage Supply Surcharge (LVSS), for each level of specified step down from the SSV to the level of actually availed supply voltage. The SSV for connected load between 2,000 KW and 10,000 KW has been prescribed as 33/66 KV by the HPERC in these tariff orders.

The Himachal Pradesh State Electricity Board (now Company) accorded sanction for additional load of 1,200 KW in favour of M/s Friends Alloys under Electrical Sub-division, Barotiwala in October 2006 bringing total load of the consumer from existing 1,999 KW to 3,199 KW. The additional load of 1,200 KW was sanctioned subject to the condition that this load would be released only after the consumer shifts its entire load on 66 KV supply voltage. However, the Company in March 2007 allowed the consumer to draw entire load on 11 KV up to August 2007 as an interim arrangement and thereafter entire load was to be shifted on SSV of 66 KV failing which the supply was to be disconnected.

Audit noticed (February 2015) that the Company initiated no action either to get the consumer shifted to 66 KV or to disconnect the supply except for issuing routine notices to the consumer from time to time. The consumer was still availing power supply on 11 KV which was lower than the SSV of 66 KV and as *per* the terms and conditions of tariff orders approved by the HPERC the consumer was liable to pay LVSS. The Company though charged the LVSS from the consumer for the period from July 2007 to May 2010, July 2010 to July 2011 and after December 2014 but the same was not recovered for the remaining months (April 2007 to June 2007, June 2010 and August 2011 to December 2014). The LVSS recoverable from the consumer for the above period works out to ₹ 49.13 lakh.

Thus, failure of the Company in enforcing the terms and conditions of the tariff orders as issued by the HPERC from time to time resulted in non-recovery of LVSS amounting to ₹ 49.13 lakh.

The matter was reported to the Government / Management (May 2015); their reply was awaited (December 2015).

3.9 Undue favour to the consumer

The company extended undue favour of ₹ 50.28 lakh to the consumer by not initiating timely action for reviewing the adequacy of the amount of security deposits of the consumers as per the provisions of the HPERC (Security Deposits) Regulations 2005.

The Himachal Pradesh State Electricity Regulatory Commission (HPERC) notified Himachal Electricity Supply Code in May 2009 (Supply Code). Para 7.1.2 of the said code *inter alia* stipulates that where a consumer fails to deposit the billed amount with the licensee by the due date mentioned in the bill, the licensee may, after giving not less than fifteen days clear notice in writing to such consumer, disconnect supply to the consumer temporarily.

The Himachal Pradesh State Electricity Board Limited (Company) installed power connection with connected load of 6,971.700 KW on the premises of M/s Saber Paper Limited (Consumer) in March 2010. Note number 1 to the energy bills issued every month to the consumer specifically mentioned that if the amount of the bill was not paid by due date, connection shall be disconnected after 15 days under clause 56 of the Electricity Act, 2003. The consumer failed to deposit his monthly energy charges within due date as mentioned on the bill since March 2013. The energy bills for the month from March 2013 to September 2013 were, however, paid partly by the consumer after a delay ranging between 15 days to 18 days from the due dates and no payment was made for the monthly bills issued from September 2013 to December 2013 as would be evident from the details given in the **Appendix 3.3.**

Audit scrutiny (February 2015) showed that despite this delay in payment of monthly bills by the consumer, the Company issued notice on 15 October 2013 to deposit outstanding amount within 15 days, failing which the power supply was to be disconnected on 30 October 2013. However, the licensee disconnected the power supply temporarily on 31 October 2013 and the permanent disconnection was made on 6 December 2013 at consumer's request. At the time of disconnection total outstanding amount had increased to ₹ 135.28 lakh and even after adjustment (December 2013) of security deposits (bank guarantee) of the consumer of ₹ 85.00 lakh, the balance amount of ₹ 50.28 lakh still remained unrecovered. This situation was avoidable by initiating timely action for reviewing the adequacy of the amount of security deposits as per the provisions of the HPERC (Security Deposits) Regulations 2005. Failure to take timely action resulted in extending an undue favour of ₹ 50.28 lakh to the consumer.

The Government stated (August 2015) that the energy bills for the period from March 2013 to August 2013 was not paid by the consumer by due dates, accordingly 15 days' notices were served from time to time and power was also temporarily disconnected and restored after payment of outstanding amount. Finally the BG was encashed timely and for recovery of balance amount recovery suit has been filed against the firm.

The reply was not acceptable as frequent defaults in depositing energy bills by the consumer ranging between ₹ 105.93 lakh and ₹ 164.50 lakh during the period from April 2013 to September 2013 (except August 2013) were in excess of the BG amount of ₹ 85.00 lakh. Therefore his credit rating for adequacy of the security deposits as *per* regulation *ibid* should have been assessed.

3.10 Interest loss due to delay in clearance of cheques

Delay in clearance of local cheques by the banks in respect of energy bills deposited by the industrial consumers resulted in interest loss of ₹ 17.89 lakh.

Clause 5.3.1 (i) read with Clause 5.3.5 of the Electricity Supply Code, 2009 provides that the payment of the bills of industrial consumers (Large, Medium and Small supply) will be effected within a period of ten days from the date of delivery of bills in cash, local cheques, demand draft, bank transfer, e-banking, credit / debit card or in such manner as the licensee may notify. General Condition- 'L' of Part-I of Schedule of tariff as approved by the Himachal Pradesh Electricity Regulatory Commission (HPERC) from time to time further provides for levy of late payment surcharge at the rate of 2 *per cent per* month and part thereof on energy charges. The due date for receipt of payment through cheques are fixed two days earlier to the due date for payment by cash / demand draft as *per* sales circular issued by the Board in August 1996 so that payment made through cheques could also be credited into Company's account together with the cash receipt.

The test check of monthly energy bills of Industrial Consumers having bills of ₹ 12.89 lakh and above under Electrical Sub-Division, Kala Amb of the Himachal Pradesh State Electricity Board Limited (Company) showed that the cheques were mostly received in the sub division on the last day of the due dates mentioned on the bills . These cheques were also deposited by the concerned sub division within a period of two days after receipt.

The audit scrutiny (February 2014) of receipt of payment in respect of these cheques into Company's account during the period from November 2010 to November 2013 showed that the amounts were credited by the banks in 240 cases into the account of the Company after a delay ranging between one and nine days after allowing four days for clearance by the bank from the date of deposit. As these cheques were received on due date, the Company could not recover the late payment surcharge from the consumers for late receipt of payments as would have been done in the cases of cash receipt. The delay in affording credits by banks in these 240 cases has resulted in interest loss of ₹ 17.89 lakh²³.

²³ Interest calculated at the rate of 9.57, 9.73, 9.77 and 10 *per cent per annum* as charged by the Himachal Pradesh State Co-operative Bank during the 2010-11, 2011-12, 2012-13 and 2013-14 respectively.

Audit further noticed that there was neither any system to record the date of delivery of the bills so as to check whether the payments have been effected within a period of ten days in compliance with the provisions of the Electricity Supply Code *ibid* nor any directions in line with the provisions were ever issued to the banks to clear the cheques and credit the amount to the accounts of the Company at the earliest. In absence of any specific instructions to banks similar interest loss in other sub-divisions of the Company cannot be ruled out. Also, the Company had never investigated the reasons for delayed clearance of the local cheques by the banks. Timely collection of payments are also essential in view of the facts that the Company is utilising cash credit limits from various banks to meet its day to day requirements.

The Government admitted (August 2015) that banks in some cases took five to six days or more for clearance of these cheques and stated that further directions in the matter have been issued to all the concerned to keep proper watch on clearing the cheques as early as possible.

Himachal Pradesh Power Corporation Limited

3.11 Unfruitful investment on shelved project

Investment in thermal power plant without any feasibility study coupled with selection of a JV partner for execution of this plant who lack technical competence and subsequent failure of the Company in initiating action as *per* the terms and conditions of the MoU resulted in unfruitful investment of ₹ 3.98 crore.

Himachal Pradesh Infrastructure Development Board (HPIDB) invited (September 2006) Expression of Interest (EoI) for setting up of pithead thermal power plant in joint venture (JV) as *per* the instructions of the State Government. The pre-qualification criteria for setting up of this plant *inter alia* prescribes that the interested parties must have experience / engaged in developing and setting up of similar projects besides having technical set up for planning and commissioning of power project.

In response to this six parties submitted their EoI and out of these only five parties made their presentations. After presentation only two parties²⁴ having experience in coal mining were considered qualified. Accordingly M/s Eastern Minerals & Trading Agency (EMTA) which has set up captive coal mines for state power utilities²⁵ was approved by the State Government in December 2006 for forming a JV.

The Memorandum of Understanding (MoU) between Himachal Pradesh Power Corporation Limited (Company) and EMTA for execution of 500 MW thermal power plant at Ranigunj, District Burdwan, West Bengal was signed in January 2007 without settling the power purchase modalities with the HPSEBL. Both parties agreed to contribute equity in the ratio of 50:50 for

²⁴ M/s Torent Power Limited and M/s Eastern Minerals & Trading Agency.
²⁵ West Bengal and Punjab.

generation of coal based thermal power and development of coal mine on captive basis (Recital clause - J). The power project was to be commissioned within 48 months from the date of signing of the MoU (Article 5 clause 6). Besides the EMTA was to deposit Development Security of ₹ 2.00 crore with the Company and in case of delay in commercial operation, the Company have the right to realise the security (Article 5 clause 7).

The Government of India (GoI) allotted Gourangdih, ABC coal block to EMTA jointly with M/s JSW Steel Limited. To exploit coal from this mine a revised joint venture agreement between EMTA and M/s JSW Limited was signed in May 2009. However, the GoI de-allocated this allotment in November 2012. In view of this, the BODs of EMTA decided (December 2012) to avoid all expenses of the project except for statutory and legal expenses. Further, as *per* the decision taken by the BOD in its meeting held on 26 November 2014, the future course of action on this project was to be decided after settling the Power Purchase Agreement with HPSEBL. The HPSEBL, however, expressed its unwillingness (March 2015) to purchase power due to imposition of ban on purchase of thermal power by the State Regulator. Therefore, the fate of this project remained undecided even after more than eight years from signing of the MoU. The Company had invested total ₹ 3.98 crore on this project since May 2007 till March 2015.

Audit scrutiny (May 2015) showed that:

- (i) There was no evidence on record to show as to whether any feasibility study was ever conducted to assess the commercial viability of this project.
- (ii) The decision to entrust selection of JV partner to the HPIDB was also ill conceived as it had neither any familiarity nor technical competence to prepare and evaluate bids for setting up of thermal power project.
- (iii) Main criteria of having technical set up for planning and commissioning of thermal power project was completely ignored during evaluation and giving more weightage to experience in coal mining resulted in selection of EMTA who have no experience in thermal power generation.
- (iv) Though the Company had an option to realise the development security (₹ 2.00 crore) from EMTA in case of delay beyond 48 months but no action has been initiated so far. Not only this, the Company also released share capital of ₹ 60.50 lakh²⁶ to EMTA after 13 December 2012, when BOD of EMTA had already decided not to invest further on this project.

Thus, the decision to invest on Thermal Power Plant without any feasibility study coupled with selection of a JV partner who lack technical competence for execution of thermal power plant and subsequent failure of the

²⁶ ₹ 40.50 lakh released on 26.12.2012 and ₹ 20.00 lakh on 9.05.2013.

Company in initiating action as *per* the terms and conditions of the MoU resulted in unfruitful investment of ₹ 3.98 crore on this project.

The Government stated (September 2015) that the Company had put in sincere efforts for timely execution of thermal power plant and as such the expenditure has been made, keeping in view the importance of thermal plant for Himachal Pradesh in winter season for supply of base load. The reply was not acceptable as the investment decision should have been made after proper feasibility study and after signing of the Power Purchase Agreements with the State Distribution utility.

Himachal Pradesh Tourism Development Corporation Limited

3.12 Avoidable payment of Demand Charges

Failure in reducing the excess Contract Demand resulted in avoidable payment of demand charges of ₹ 17.24 lakh during the period from July 2011 to February 2015 in respect of Himachal Bhawan at New Delhi.

Delhi Electricity Supply Code and Performance Standards Regulations 2007 [Regulation 2 (1) (o)] *inter alia* provided that the contract demand shall not be less than 60 *per cent* of the sanctioned load. Regulation 21 of the said regulations further provided that the application for load reduction shall be accepted only after two years from original energisation in respect of connections above 100 KW by the licensee in the prescribed format.

The Himachal Pradesh Tourism Development Corporation Limited (Company) has obtained power connections from New Delhi Municipal Council for Himachal Bhawan, Mandi House, New Delhi (HB) with connected load of 681.54 KW. The Company is paying demand charges on full connected load.

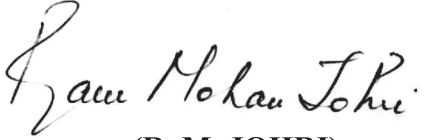
Audit scrutiny (February 2014) of electricity bills of Himachal Bhawan showed that the maximum demand indicator recorded maximum demand of 264 KVA during the period from July 2011 to February 2015. Against this, the Company is paying demand charges on full connected load which ranged between 681.54 KVA and 828.12 KVA during the said period. As the Company had an option to reduce the contract demand up to 60 *per cent* of the sanctioned load which works out to 454.36 KVA²⁷ which was much higher as compared to the maximum demand of 264 KVA recorded during the above period. Therefore, the payment of demand charges on full connected load was not justified. On comparing the demand charged payable on 60 *per cent* load, there was avoidable payment of demand charges of ₹ 17.24 lakh during the period from July 2011 to February 2015 in respect of Himachal Bhawan at New Delhi as detailed in the **Appendix 3.4**.

²⁷ 60 *per cent* of the connected load converted in to KVA by using PF of .90.

Thus, failure in assessing the required demand to reduce the same so as to minimise the payment of demand charges resulted in avoidable payment of ₹ 17.24 lakh during the period mentioned above. The avoidable payment on this account was continuing and would increase further every month till the same is reduced.

The Government stated (September 2015) that the matter has been taken up with the concerned authority to issue no objection certificate for the existing electrical meters and cables so that necessary agreement to reduce the demand can be executed.

Shimla
The 19 February 2016


(R. M. JOHRI)
Principal Accountant General (Audit)
Himachal Pradesh

Countersigned

New Delhi
The 25 February 2016


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India