

Overview

OVERVIEW

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Chapter-1: Summary of Financial Performance of State Public Sector Enterprises

As on 31 March 2023, there were 32 State Public Sector Enterprises (SPSEs) in Uttarakhand under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). Out of the 32 SPSEs, 27 were Government Companies, one was Government Controlled Other Company, and four were Statutory Corporations. Further, out of the 32 SPSEs, 23 SPSEs were functional, and nine SPSEs were inactive (including eight SPSEs under liquidation), which had ceased their operations. No SPSE was listed on any stock exchange.

Out of the 23 functional SPSEs, only five SPSEs (Uttarakhand Power Corporation Limited, Power Transmission Corporation of Uttarakhand Limited, UJVN Limited, Kishau Corporation Limited and Uttarakhand Metro Rail, Urban Infrastructure & Building Construction Corporation Limited) had submitted their financial statements for the year 2022-23. Two SPSEs, viz., SIIDCUL Plastic Park Limited and Ecotourism Development Corporation of Uttarakhand, had not submitted even their first financial statements.

Turnover of 18 functional SPSEs (excluding three SPSEs with no turnover) stood at ₹ 12,569 crore, accounting for 4.14 *per cent* of the GSDP (₹ 3,03,781 crore) of Uttarakhand for the year 2022-23. The Power Sector had the largest share, contributing 3.27 *per cent* of the GSDP.

Government of Uttarakhand (GoU) invested ₹ 4,939.53 crore (equity: ₹ 3,989.52 crore and long-term loans: ₹ 950.01 crore) in the SPSEs, which accounted for 56 *per cent* of the total investment in these SPSEs. Further, budgetary support by the GoU to SPSEs in the form of grants and subsidies increased from ₹ 1,284.27 crore in 2021-22 to ₹ 2,097.31 crore in 2022-23.

Out of the 21 SPSEs, seven SPSEs had negative shareholders' funds. Analysis of the Return on Equity (ROE) - net profit after taxes divided by shareholders' fund – and Return on Capital Employed (ROCE) - earnings before interest and taxes divided by the capital employed - for the remaining 14 SPSEs based on their latest finalised financial statements, indicated that nine SPSEs recorded a positive ROE/ROCE, three SPSEs reported a negative ROE/ROCE, and two SPSEs reflected a 'nil' ROE/ROCE.

As per the latest finalised financial statements, 10 SPSEs earned profits aggregating ₹ 231.34 crore, of which, top five profit earning SPSEs were UJVN Limited,

Uttarakhand Forest Development Corporation, Power Transmission Corporation of Uttarakhand Limited, Kichha Sugar Company Limited and Uttarakhand Purv Sainik Kalyan Nigam Limited. Nine SPSEs incurred losses amounting to ₹ 1,279.69 crore, of which, top five loss incurring SPSEs were Uttarakhand Power Corporation Limited, Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam, Doiwala Sugar Company Limited, Garhwal Mandal Vikas Nigam Limited and Uttarakhand Seeds & Tarai Development Corporation Limited. Two SPSEs reported nil profit/loss.

The GoU has not formulated any dividend policy, requiring SPSEs to pay a minimum dividend on the paid-up share capital contributed by the State Government. Out of 10 SPSEs which earned profit, only two power sector SPSEs, viz., UJVN Limited and Power Transmission Corporation of Uttarakhand Limited paid/declared dividend amounting to ₹ 20 crore and ₹ 5 crore respectively.

An analysis of the net worth of 21 SPSEs indicated that the net worth of six SPSEs had completely eroded, based on their latest finalised financial statements. These six SPSEs reported accumulated losses of ₹ 6,588.68 crore, exceeding their combined paid-up capital and free reserves and surplus of ₹ 1,796.68 crore.

Out of the 21 SPSEs, the value of total assets in 20 SPSEs exceeded the outstanding long-term loans, whereas only one SPSE, viz. Doiwala Sugar Company Limited had total assets lower than the outstanding long-term loans.

Nine inactive SPSEs (including eight under liquidation), had an investment of ₹ 16.26 crore, towards capital of ₹ 12.14 crore (State Government: ₹ 9.45 crore) and long-term loans of ₹ 4.12 crore (State Government: ₹ 4.09 crore) as per the latest information provided by the SPSEs.

Chapter-2: Oversight role of the Comptroller and Auditor General of India

CAG conducted supplementary audit of 19 financial statements of 13 SPSEs (12 Government Companies and one Statutory Corporation) and issued comments/ Separate Audit Reports (SARs) thereon during the period from October 2022 to September 2023. Besides, SARs on eight financial statements of three SPSEs, where CAG is the sole auditor, were issued during the same period.

The impact of the comments issued on the financial statements of Government Companies was ₹ 166.93 crore on profitability and ₹ 64.96 crore on financial position.

The impact of the comments issued on the financial statements of Statutory Corporations was ₹ 163.97 crore on profitability and ₹ 185.57 crore on financial position.

Chapter-3: Corporate Governance

Audit observed several deficiencies in the functioning of Corporate Governance framework in the SPSEs, as outlined below:

- Out of 12 working SPSEs, where Independent Directors were required to be appointed, seven SPSEs did not appoint Independent Directors and in one SPSE, required number of Independent Directors were not appointed. Further, separate meeting of Independent Directors was not conducted by two SPSEs wherein more than one Independent Directors were in the Board.

- Out of four working SPSEs, where Woman Director was required to be appointed, one SPSE did not have Woman Director throughout the year 2022-23.
- Out of 19 working SPSEs, eight SPSEs did not conduct the required number of meetings (minimum four) of Board of Directors during the year 2022-23. Further, the intervening period between two meetings of the Board of Directors in four SPSEs ranged between 127 days and 181 days against the prescribed timeline of 120 days.
- Out of 12 SPSEs, which were required to have an Audit Committee, six SPSEs did not constitute Audit Committee.
- Out of 12 SPSEs, which were required to have a Nomination and Remuneration Committee (NRC), nine SPSEs did not constitute NRC.

Chapter-4: Compliance Audit observations relating to Public Sector Enterprises

Subject Specific Compliance Audit on Billing Efficiency and Revenue Realisation in Uttarakhand Power Corporation Limited

The objectives of the Subject Specific Compliance Audit were to assess whether the billing activities of Uttarakhand Power Corporation Limited (UPCL) were carried out efficiently and effectively as per the prescribed provisions, the revenue realisation activities were adequate, prompt and effective, the UPCL was able to meet the targets of Collection Efficiency assigned by the Uttarakhand Electricity Regulatory Commission (UERC), and there exists a robust internal control and monitoring mechanism.

Audit observed that divisions located in Haridwar (Roorkee-Rural, Roorkee-Urban, Roorkee-Ramnagar and Laksar) and Udham Singh Nagar (Rudrapur-II in particular) had highest distribution losses among the divisions. The Electricity Distribution Circle-Roorkee alone suffered distribution loss of 964.465 MUs costing ₹ 488.50 crore during the years 2021-22 to 2023-24.

The Government of Uttarakhand established (November 2018) a Vigilance Cell in UPCL. However, adequate number of police officials were not deployed. The Raids and Revenue Inspection Department, as such, did not come into existence, and the related activities were not overseen by an official of the rank of a Deputy General Manager/ Superintending Engineer.

The neighbouring state of Uttarakhand, viz., Uttar Pradesh and many other states have established dedicated Police Stations for curbing the menace of theft and unauthorised use of electricity. However, the decision taken for setting up the dedicated police stations in the two most affected districts of Haridwar and Udham Singh Nagar has been pending for more than five years (January 2025).

The number of meters checked by the UPCL field officials was short of their targets assigned by the Management and remained 31.78 *per cent* only (checking of 57,825 meters against the target of 1,81,920) during 2021-22 to 2023-24.

The UPCL continued provisional billings to 1.13 lakh consumers (with Not Accessible/Not Read/ defective meters) having arrears of ₹ 385.34 crore, for more than the prescribed time limits of two continuous billing cycles. Further, the provisions related to penalty on violation of contracted load by the domestic consumers, and non-domestic consumers (four times penalty) were implemented after being pointed out by Audit.

The audit of revenue realisation related issues, among others, indicated lack of timely disconnection of the defaulted consumers which led to accumulation of arrears of ₹ 769.10 crore over and above Security Deposit available with UPCL. The recovery rate against the Revenue Recovery Certificates (issued to the District Authorities for recovery of dues from the defaulting consumers as land revenue) was poor and remained less than 10 *per cent* of the value of the Revenue Recovery Certificates issued during the period 2021-22 to 2023-24. Other issues included delay in permanent disconnection of 16,060 consumers having arrears of ₹ 80.13 crore, providing instalment facilities to certain consumers multiple times, non-disposal of 1.30 lakh cases of Not billed /Stop Billed consumers having arrears of ₹ 441.63 crore, and inadequate internal control.

Audit acknowledged that the UPCL initiated remedial action on the following issues raised in the audit: -

- The issue of granting instalment facilities multiple times without due diligence was raised in audit. In compliance, the UPCL formulated (January 2024) due-diligence process to be followed while granting installment facility which, *inter alia*, requires the consumers to give Bank Guarantee equivalent to the amount for which installment facility is sought, to minimise the risk and avoid any loss to UPCL.
- Audit raised (January- February 2023) the matter of non-recovery of Additional Security Deposit required from the consumers based on the consumption during the previous year. In response, the UPCL filed a petition (March 2023) with the UERC, which, in turn, allowed (November 2023) UPCL to recover the dues towards Additional Security Deposit in 12 equal monthly installments resulting in recovery of Additional Security Deposit to the tune of ₹ 181.08 crore (October 2024).
- The audit analysis revealed that 32,041 domestic consumers had continuously exceeded the contracted load in the five billing cycles, but UPCL had not enhanced their contracted load *w.e.f.* sixth billing cycle, which was required as per the UERC (Supply Code) Regulations, 2020. In compliance, the UPCL implemented (August 2023) the provisions related to violation of contracted load by the domestic consumers and enhanced contracted load of 1.34 lakh domestic consumers who were violating their contracted load. As a result, UPCL was able to bill an amount of ₹ 10.83 crore on account of the enhanced Security Deposit.

- Audit analysed billing data of the 43 industrial consumers who violated their contracted load, on test-check basis, and worked out non-levy of excess load demand penalty of ₹ 1.59 crore during the period June 2021 to November 2023. On being pointed out by audit, the UPCL implemented (December 2023) the provisions of imposing an excess demand penalty of four times in respect of non-domestic consumers, raising excess demand charges of ₹ 40.85 crore and recovering ₹ 27.93 crore (August 2024).

Recommendations

1. *Uttarakhand Power Corporation Limited may expedite and prioritise smart metering in the theft prone areas and ensure regular rotation of the officers and employees in the Electricity Distribution Circles/ Divisions with higher distribution losses.*
2. *Government of Uttarakhand may expedite setting-up the dedicated Police Stations in the theft prone areas and strengthen Vigilance Cell through adequate manpower (including Police officials).*
3. *Uttarakhand Power Corporation Limited may ensure that the Chief/ Superintending Engineers conduct the inspections at the prescribed timeline, and submit inspection reports on Electricity Distribution Divisions, and action is taken on these reports. Further, Uttarakhand Power Corporation Limited may designate a Deputy General Manager/ Superintending Engineer rank officer to oversee the raids and revenue inspections.*
4. *Government of Uttarakhand may direct Uttarakhand Power Corporation Limited to restrict provisional billing to a maximum of two billing cycles and to resolve cases of Not Billed/ Stopped Billed consumers in a timely manner.*
5. *Uttarakhand Power Corporation Limited may prioritise entering the details of Revenue Recovery Certificates issued offline into the billing module to enhance follow up.*
6. *Uttarakhand Power Corporation Limited may develop a mechanism for effective implementation of the Regulations of Uttarakhand Electricity Regulatory Commission and orders/ judgments of the Consumer Grievance Redressal Forums & Electricity Ombudsman. It may include preparation of structured internal guidelines/SOPs, etc. and organising training and workshops for its staff.*

