

CHAPTER-III

3. Transaction Audit Observations

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

Government companies

Assam Livestock and Poultry Corporation Limited

3.1 Unproductive investment

Absence of agreement with collaborator led to project becoming in-operational making the investment of ₹ 3.02 crore unproductive besides leading to potential loss of lease rent of ₹56.62 lakh.

Mention was made in paragraph 2.A.6.1.1.2 of the Report of the Comptroller and Auditor General of India (Commercial) - Government of Assam for the year ended March 2001 about the incomplete status of Integrated Piggery Development Project at Nazira of the Assam Live Stock and Poultry Corporation Limited. As against the approved cost of ₹ 3.60 crore, the Company spent ₹ 73.50 lakh upto February 1996, while the project was expected to be completed by January 1996. Termination of first contractor due to poor performance, delay in selection of second contractor and non-release of State share of finance were the stated reasons for the project remaining incomplete.

We observed that the construction of the project was restarted in April 1999 and completed in June 2006 at a cost of ₹ 3.02 crore. As the Company was not in a position to operate the plant as it did not have the required working capital, it decided to operate the plant through Public Private Partnership (PPP) mode and accordingly a Memorandum of Understanding (MoU) was entered into with Maestro Enterprise (collaborator) for operating the plant initially for 15 years on payment of lease rent at 5 per cent of the value of assets handed over on monthly basis. The plant was commissioned in May 2007 and handed over to the collaborator for trial run and subsequent marketing of its products in accordance with MoU.

However, no agreement stating the right and responsibilities of the both the parties were entered into which could create legal rights and obligations enforceable in a Court of Law. The Company while handing over the plant after commission in May 2007 did not put in place a mechanism to check and

monitor the operation of the plant in accordance with the terms and conditions of the contract and safeguard the receipt of lease rent in time.

Since May 2007, the collaborator did not pay lease rent even for a single month upto January 2011 nor could the Company get the collaborator to sign an agreement. The collaborator dodged the Company stating that they could not operate the plant due to power problems, swine-flu in the area etc. Finally, in January 2011, the Company cancelled the MoU and invited expression of interest to operate the plant. However, no party appeared to have turned up to operate the plant thereby making the investment of ₹ 3.02 crore unproductive. The accumulated lease rent of ₹ 56.62* lakh also could not be recovered from the collaborator for operation of plant from May 2007 to January 2011.

When this matter was brought to the notice of the Company, it stated (July 2011) that the facts were appraised to the Government for taking a decision on alternative arrangements for running the plant. It also stated that the possession of the plant would unilaterally be taken up before July 2011. Details of action taken in this regard is awaited.

Selection of a project which the Company could not run on its own made the investment of ₹ 3.02 crore infructuous and the Company's lack of initiative to create legal and contractual rights for receipt of lease rent rendered the accumulated lease rent of ₹ 56.62 lakh irrecoverable.

The matter was reported to the Government in July 2011; reply is awaited (November 2011).

3.2 Arrears in finalisation of accounts

Failure of the Company to finalise its accounts in time leaving scope for fraud and leakage of public money.

Section 210 of the Companies Act, 1956, (the Act) read with Sections 166 and 216, casts the duty on the Board of Directors (BoD) of a company to place its accounts along with Auditor's Report (including supplementary comments on the accounts by the Comptroller and Auditor General of India) in the Annual General Meeting (AGM) of the shareholders within six months of the close of its financial year. As per Section 210 (5) of the Act, if any person being a Director of a Company fails to take all reasonable steps to comply with the provisions of Section 210 of the Act, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to ten thousand rupees or with both. Similar provision exists under Section 210 (6) of the Act in respect of a person who is not a Director but is charged with the duty of ensuring compliance with Section 210, *ibid*.

* @ 5% x ₹ 3.02 crore x 45 months = ₹ 56.62 lakh

In spite of the above provisions in the Act, Assam Livestock and Poultry Corporation Limited (the company) has not been finalising its accounts in time. Accounts upto 1990-91 were only finalised as on 31 March 2011 leaving accounts for 19 years in arrears. The reasons given by the Company for delay in finalisation of account were inadequate staff, lack of expertise, managerial deficiency, delay in appointment of internal auditor for finalisation of accounts etc. Audit has been bringing out the status of arrears in finalisation of accounts to the notice of the Chief Secretary to the Government of Assam (GOA) from time to time.

It was also observed that the Government of India (GoI) and GOA made a contribution of ₹ 2.13 crore and ₹ 0.05 crore respectively towards the equity of the Company. GoI and GOA had also provided financial assistance of ₹ 8.47 crore and ₹ 7.72 crore in the form of grants during the period April 1991 to March 2011.

In the absence of accounts and their subsequent audit, it could not be ensured whether investment made and expenditure incurred has been properly accounted for and the purpose for which the amount was invested has been achieved or not. Government's investment in the Company thus remains outside the scrutiny of the State Legislature. Further, the report on working results and state of affairs of the Company, which is required to be presented to the State Legislature under Section 619A(3) of the Act could not be submitted to the State Legislature. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money apart from violation of the provisions of the Act.

In reply, the Company stated (July 2011) that due to lack of quorum in the meetings, accounts could not be adopted and also stated that the accounts shall be submitted to the BoD after its constitution by Government. The Company did not give any reason for lack of quorum in the meeting or for non-adoption of accounts from 1986-87.

It is recommended that the Government and the Company management may:

- Impart necessary training to its employees to gain expertise in finalisation of accounts;
- consider outsourcing the work of preparation of accounts;
- prepare a time-bound programme to clear the arrears;
- ensure that the requirements of the quorum are met in meetings of the BoD and AGM so the important items like consideration, approval and adoption of annual accounts are carried out in time; and
- get BoD reconstituted without delay.

The matter was reported to the Government in July 2011; reply is awaited (November 2011).

Assam Small Industries Development Corporation Limited

3.3 Loss of revenue

The Company suffered loss of revenue of ₹ 2.10 crore due to non-formulation of any prescribed procedure/system for leasing land.

Assam Small Industries Development Corporation Limited (Company) deals in leasing of land and industrial sheds to Small Scale Entrepreneurs on payment of monthly lease rent since November 1980.

It was observed (December 2010) that in the absence of any prescribed system/procedure etc., for allotment of land/shed, an amount of ₹ 2.10 crore remained unrealised as lease rent from 141 units.

Examination in Audit revealed that the dues were not realised by the Company as:-

- No clause/provision was included in the agreement for depositing any security money by the lessee as well as for levy of interest on delayed payment of lease rent to avoid accumulation of dues.
- Of 33 closed units having outstanding balance of ₹ 50.95 lakh, three units were transferred/re-allotted in the name of new entities without realising outstanding dues of ₹ 4.85 lakh from the previous allottees/defaulting parties.
- The Company did not persuade the allottees for payment of dues. As a result, outstanding dues of one allottee viz. North Eastern Handloom and Handicrafts Development Corporation Limited (NEHHDC) rose upto ₹ 18.51 lakh.
- There was no monitoring mechanism such as maintenance of relevant registers for recording the cases of allotment/new lease so that the monthly bills could be raised in time, after allotment.
- No fresh measurement was done on re-allotment of land/shed to new allottee.

Thus, failure on the part of the Company to formulate any prescribed procedure/system to be adopted at the time of agreement/allotment/transfer/re-allotment etc., led to non-realisation of ₹ 2.10 crore.

In reply, while accepting the facts, the Company stated (August 2011) that:

- The legal aspects for levy of interest on delayed payment of rent on the defaulting parties were being examined.
- There was no specific clause in the lease agreements for payment of security deposit prior to 2006-07.

- Steps have been taken to recover the outstanding dues from the previous allottees through various means *i.e.* issue of legal notice, personal approaches etc., before allotting premises to the new allottees.
- An agreement is under finalisation to settle outstanding dues with NEHHDC Limited and ₹ 0.50 lakh was already recovered.
- Action had already been taken to maintain the records of all cases of allotment in the register properly.
- Re-allotment of land/shed to the new allottee was based on survey through the technical staff of civil engineering background.
- As regards, internal control mechanism, the Management had entrusted responsibilities for each industrial area with an officer to realise the dues from defaulting units.

Due to irregular inspection by the officials of the Company, the owner/proprietor took advantage and left their allotted shed. The Company later on took over their machineries for public auction and the same would be adjusted against the outstanding dues.

The Company should frame definite policies in this regard and incorporate all relevant provisions in the agreement to safeguard its financial interests and vigorous steps should be taken to realise the outstanding dues from the individual units.

Reply from Government is awaited (November 2011).

3.4 Loss of rent on unallotted land

Non-monitoring and absence of supervision resulted in non-realisation of ₹1.53 crore against holding of unallotted land.

The Board of Directors (BoD) of the Company, on the basis of Government Notification, had increased monthly rent of land and sheds allotted to the various Small Scale Industries (SSI) Units from ₹ 0.50 per square feet (sqft) to ₹ 1.21 per sqft from 1 November 2006.

A survey conducted (October 2008) by the Company revealed that 29 SSI units (Land allottees) were occupying additional 67,091 sqft and 16 SSI units (Shed allottees) were respectively occupying 30,130 sqft of unallotted land. The matter was examined by the Company on 26 May 2009 and a decision to constitute a sub-committee for examining the issue and allotment of ownership rights to the units at Industrial area, Bamunimaidan was taken. The sub-committee, so constituted, held discussion (September 2009) with the allottees. The allottees suggested that date of survey (*i.e.* October 2008) should be considered for calculation of rent due against occupation of unallotted land or with retrospective effect for a maximum period of six months. However, the Company decided (November 2009) that all units must pay for occupation of additional/unallotted land at the applicable rates from the respective dates of original allotment of the land/shed. The BoD further directed the Company to

issue legal notices and initiate “bakijai proceedings” against the defaulters for recovery of outstanding dues at the current rates of rental. The BoD also agreed for transferring the ownership rights of land/shed of entrepreneurs concerned subject to realisation of their outstanding dues.

Audit scrutiny (December 2010) revealed that neither site map of the industrial area was prepared, nor any valuation of properties was done prior to allotment of land/shed area. The Company also did not frame any land allotment rules and policy for periodical physical verification. In the absence of accurate data about the extent of land area, its fitness for allotment and monitoring of exact area under occupation of allottees where allotment was done, collection of rent was adversely affected. This also gave a chance to the allottees to dispute the Company’s decision of collection of rent from the respective date of allotment of land/shed.

No effective steps were taken by the Company till May 2011 and ₹ 1.53 crore (due upto March 2011) remained unrealized. Even the direction of the BoD to issue legal notices had not been complied with.

The matter was reported to the Government/Company in May 2011. In reply, the Company stated (August 2011) that:

- Steps have been taken to prepare the site map of the Industrial Area, Bamunimaidam and already assessed the valuation of its properties in the Industrial area through an agency approved by Government.
- The Industries and Commerce Department under Government of Assam is considering framing/adopting uniform land rules in respect of Public Sector Undertakings under it.
- Matter of recovery of dues is being pursued with utmost importance.

The reply is silent about realisation of outstanding rent from individual entrepreneurs.

The fact, however, remains that the decision of the Company to increase the rental value of the land and the sheds did not result in increased revenue to the Company as it could not recover the outstanding dues of ₹ 1.53 crore from the allottees due to improper maintenance of records relating to area of holding and period of holding by the allottees.

The Company should prepare the requisite rules/regulations etc., prior to allotment of land.

Reply from Government is awaited (November 2011).

Assam State Text Book Production and Publication Corporation Limited

3.5 Allowance of excess wastage of paper

The Company allowed excess wastage of paper to printers resulting in loss of ₹1.37 crore.

Assam State Text Book Production and Publication Corporation Limited was incorporated in March 1972 with the objectives of arranging textbooks, supplementary books and literature on all subjects and in all languages, for student of primary & secondary classes as well as teachers' education in the State of Assam and elsewhere if, prescribed and approved by the competent authorities and/or approved or required by Government of Assam or other educational authorities, institutions and bodies, statutory or otherwise. The Company makes arrangement for printing of books as per manuscripts prepared and handed over by the Board of Secondary Education, Assam (SEBA) and the State Council for Educational Research and Training (SCERT), Assam. Printed books are partially procured by Government for free distribution to students and are partially sold by the Company. Typesetting and composition of books are done by the Company. Printing and binding of text books are outsourced to various printers. The Company supplies paper procured by it of different specifications, to printers. Wastage on papers, given for printing, was allowed at one *per cent* per impression.

Audit scrutiny (September – October 2010) of work orders, records relating to issue of papers and their utilisation by printers revealed that during the period 2005-06 to 2009-10, the Company issued 37,412.32 MT of paper¹ of different specifications and size to various printers. Actual wastage allowed was 733.57 MT (two *per cent*) in place of 366.72 MT (one *per cent*) as mentioned in work orders which resulted in avoidable extra expenditure of ₹ 1.37 crore.

The matter was reported to the Government/Company in May 2011. The Company in its reply (July 2011) stated that the wastage of one *per cent* per impression meant one sheet per 100 impressions.

The reply is not mathematically correct as *per cent* of any unit comes in the same unit. Thus, one impression wastage is required to be allowed per hundred impressions. As a single sheet of paper has two sides, allowing one sheet per 100 impressions (*two impressions per 100 impressions*) resulted in excess wastage allowed to printers. The practice followed by Company violated the norms of its own work orders issued for each academic year. This practice had, in turn, led to issue of excess paper for printing of books. The Company had accepted the facts and stated (July 2011) that 0.5 sheet per 100 impressions of paper was allowed as wastage from academic year 2011.

¹Excluding Cover paper

Government, in reply, stated (August 2011) that the expression of one impression per 100 impressions as used by the Company is a mis-interpretation as the Company has finally calculated wastage in terms of sheets and the expression should be constructed as one sheet per 50 sheets. The reply is not acceptable as in the meeting held on 6 July 2010 with the printers where Government also participated it was decided to reduce the wastage to 0.5 per cent of impression.

DNP Limited

3.6 Wasteful expenditure

Wasteful expenditure of ₹ 0.91 crore on project designed using outdated soil data and non-compliant with conventional industry norms.

Based on soil data of 2005 and Horizontal Directional drilling (HDD) profile prepared by the consultant, *i.e.* Tractebel Engineering and Constructor Private Limited, the Company (DNP Limited) awarded in December 2008 a contract for HDD portion only of laying pipeline of HDD portion across the river to Mid East Pipeline Products (MEPP) for carrying natural gas from Duliajan to Numaligarh at a cost of ₹ 7.25 crore.

On acceptance of the contract and examination of the soil condition, MEPP opined (May 2009) that laying down the pipelines with a curvature of 800 D would not serve the purpose of having a useful pipeline as the soil condition demanded a pipeline with a curvature of 1200 D, which was also the accepted industry norm. By the time the condition of curvature of 1200 D pipeline was accepted by the Company, other contractors had laid pipelines upto the entry and exit point of the river. As a result of change in the diameter of the curvature of the pipeline across the river, the already laid pipelines on the ground upto the entry and exit points of the river were required to be uprooted and relayed so as to properly align with the changed diameter of the pipeline under the river. Proper planning based on industry practice of laying down pipeline by HDD method with 1200 D curvature would have ensured avoiding the expenditure of ₹ 0.91 crore (labour cost for laying ₹ 0.60 crore and labour cost of recovery of pipe ₹ 0.31 crore). The Company stated (June 2011) that:

- i) The delivery of pipes which were scheduled to be completed by June 2008 was actually completed in August 2009. Delayed delivery of pipes led to mismatch of alignment of HDD portion with the main pipeline on both banks of the rivers.
- ii) The site had to be changed due to high sub-soil water level.
- iii) HDD being a critical work, the exact line of drilling was unascertainable unless the work was completed.

Reply (June 2011) is not acceptable as mismatch in alignment and changes in soil condition were in no way dependent upon the delayed supply of pipes.

Rather soil changes occurred due to passage of time and as the design was prepared based on soil survey report of 2005, the change was necessitated. This corroborates the statement of consultant that changes in soil condition and heavy flood had necessitated the change in curvature of the pipeline. Further, the Company should have executed the critical HDD works before completion of the main pipeline and avoided any loss that was contingent upon completion of the work.

The Company should have synchronised various phases of work with a time table drawn up before execution of work. Design for works should have been prepared based on current/realistic soil data and in line with industry practices.

Government endorsed the replies of the Company in August 2011 without any comments.

3.7 Avoidable expenditure

The Company incurred an avoidable expenditure of ₹ 19.29 lakh by issuing work order for consultancy to set up a gas pipeline of additional capacity despite knowing that required gas was not available .

Assam Gas Company Limited (Company) signed (June 2005) an agreement with Numaligarh Refineries Limited (NRL) for transportation of natural gas upto 1.20 Million Standard Cubic Meter per Day (MMSCMD) from the off-take point of Oil India Limited (OIL) at Duliajan to NRL's refinery at Numaligarh through the pipeline network to be laid by the Company.

Scrutiny of records of the Company (15 June 2007 to 31 March 2010) during December 2010 revealed that it signed (27 June 2005) a separate Memorandum of Understanding (MoU) with OIL to form a joint venture for transportation, distribution and marketing of an additional quantity of 1.00 MMSCMD of natural gas beyond NRL and upto Guwahati through pipeline network which was to be constructed by the Company. The Company, however, in later part of 2005 came to know of OIL's inability to supply the additional quantity of gas due to low production potential.

Despite knowing in 2005 itself that transportation of natural gas would be limited to the quantity agreed upon with NRL, *i.e.* 1.2 MMSCMD the Company issued work order (March 2006) to Tractebel Engineers and Constructors Private Limited (consultant) for consultancy services for management of NRL project for transportation of 2.4 MMSCMD of natural gas from (Duliajan to Numaligarh) and from (Numaligarh to Guwahati) with a provision of augmentation of transportation capacity to 4 MMSCMD. Non-availability of additional natural gas beyond 1.2 MMSCMD was further confirmed by OIL in a meeting with the Company on 5 April 2006. Even at this stage, the Company neither informed the consultant about the changed scenario nor instructed the latter to prepare designs for supply of only 1.20 MMSCMD of natural gas. Subsequently, in a meeting held in June 2006 amongst the representatives of the Company, NRL, OIL and Government of

Assam (GOA), decision was taken to reconfigure the project to meet the requirement of only NRL, i.e. 1.2 MMSCMD of natural gas (Duliajan to Numaligarh).

The Company asked the consultant (June 2006) to re-design pipeline work by reducing the size of pipes from 20" diameter to 16" diameter which was considered to be adequate to transport 1.20 MMSCMD of gas. As the consultant had almost completed detailed engineering packages based on pipeline capacity of 2.4 MMSCMD, it demanded payment for additional man hours on account of structural revision of the project sought subsequently. The Company issued work order for additional 1892 man hours engaged by the consultant due to change in size of pipeline on 22 November 2006 and payment of ₹ 19.29 lakh was made to the consultant in December 2008 for this change.

Thus, injudicious decision of the Company to issue work order to set up a project of higher capacity without considering known inability of OIL to supply additional quantity of natural gas resulted in avoidable expenditure of ₹ 19.29 lakh on additional man hours stated to have been spent by the consultant for re-designing the project.

In reply, the Company stated (July 2011) that they had to wait till June 2006 for the outcome of the meeting with GOA for communicating the final decision to the consultant on downsizing the pipeline. The reply is not tenable as the Company was fully aware as early as the later part of 2005 of OIL's inability to supply additional quantity of gas which was again confirmed by OIL in April 2006. This fact could have been intimated to the consultant much before June 2006 which would have obviated the need for belated re-designing of the project.

The matter was reported to the Government in July 2011; reply is awaited (November 2011).

Assam Government Marketing Corporation Limited

3.8 Extra tax burden

The Company had to bear tax burden of ₹ 4.85 lakh due to delay in filing of return / non-filing of return.

Section 72 of the Income tax Act (the Act) provides that an assessee whose net result of the computation of income has been determined as loss, can carry forward such loss for a period of eight subsequent assessment years (AY) for set off against the profits of the business. Further, Section 80 of the Act provides that notwithstanding anything contained in any other chapter of the Act, no loss which has not been determined in pursuance of return filed in accordance with the provisions of Section 139 (3) of the Act shall be carried forward and set off under Section 72 of the Act. The above provisions require that a return of income needs to be filed within the time limit laid down by Section 139 and the loss be determined for being carried forward. The time

limit laid down by the Act for submission of returns by a Company is 31 October of the AY for the period upto AY 2008-09 and thereafter 30 September of the AY.

Audit scrutiny of the assessment records of the Assam Government Marketing Corporation Limited (Company) for the AY 2008-09 revealed that it declared a taxable loss of ₹ 16.17 lakh. The Company was eligible to carry forward the loss for adjustment against profits in subsequent years if it had submitted its return before 31 October 2008. Since, the Company submitted its return of income only on 12 December 2008, the assessing officer disallowed its claim of carry forward of loss of ₹ 16.17 lakh.

The Company submitted its return of income well in time for the AY 2009-10 and AY 2010-11 where it had a loss of ₹ 3.79 lakh and taxable income of ₹ 79.81 lakh respectively. On this income in AY 2010-11, the Company paid the income tax amounting to ₹ 24.66 lakh. Had the return for the AY 2008-09 been submitted by the Company in time and the loss of ₹ 16.17 lakh carried forward in accordance with Sections 72 and 80 of the Act, it would have saved the payment of ₹ 4.85 lakh towards income tax.

When this was brought to the notice of the Management of the Company, it was replied (August 2011) that due to non-receipt of branch accounts, the returns could not be filed in time for AY 2008-09.

The reply is not acceptable as the due date of submission was well known to the Company and it had all information to compile the accounts and submission of returns in time.

All Government companies and corporation should file their returns every year within prescribed dates, by putting in place an effective internal control mechanism.

Reply from Government is awaited (November 2011).

General

3.9 Follow-up action on Audit Reports

3.9.1 Outstanding Explanatory Notes

The Comptroller and Auditor General of India's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained by various Public Sector Undertakings (PSUs). It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance (Audit & Fund) Department, Government of Assam issued (May 1994) instructions to all administrative departments that immediately on receipt of Audit Reports, the concerned departments would prepare an explanatory note on the paragraphs and reviews included in the Audit Reports indicating the action taken or proposed to be taken and submit the 'Action Taken Note' (ATN) to the Assam Legislative Assembly with a copy to the Principal Accountant General/Accountant General within 20 days from the date of receipt of the Reports. Besides this,

the department would ensure submission of written Memorandum as called for on the para(s) concerning the department within the time limit prescribed by the Assam Legislative Assembly from time to time.

Though the Audit Reports presented to the Legislature for the period from 2005-06 to 2009-10 contained comments on 78 paragraphs/reviews, explanatory notes on 77 paragraphs/reviews were not received till November 2011 as indicated below:

Year of Audit Report (Commercial)	Date of presentation to the State Legislature	Total paragraphs/ reviews in Audit Report	No. of paragraphs/ reviews for which explanatory notes were not received
2005-2006	March 2007	14	13
2006-2007	March 2008	15	15
2007-2008	March 2009	18	18
2008-2009	March 2010	16	16
2009-2010	February 2011	15	15
Total		78	77

Department-wise analysis of paragraphs/reviews for which explanatory notes are awaited is given in **Annexure 11**. Departments of Power, Industries & Commerce and Information Technology were largely responsible for non-submission of explanatory notes.

3.9.2 Action Taken Notes on Reports of Committee on Public Undertakings (COPU)

As per Rule 32 (2) of the working of the COPU, Assam Legislative Assembly, the replies to paragraphs and recommendations are required to be furnished within three months from the date of presentation of the Report by the Committee on Public Undertakings (COPU) to the State Legislature. Replies to 128 recommendations pertaining to 17 Reports of the COPU, presented to the State Legislature between August 1997 and November 2011 had not been received as on November 2011 as detailed below:

Year of the COPU Report	Total number of Reports involved	Number of recommendations where ATNs replies not received
1997-98	1	01
2002-03	1	09
2003-04	2	18
2004-05	1	10
2007-08	3	06
2008-09	6	65
2009-10	2	10
2010-11	1	09
Total	17	128

3.9.3 Response to inspection reports, draft paragraphs and reviews

Audit observations raised during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of the State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of four weeks. A review of inspection reports issued up to March 2011 pertaining to 29 PSUs disclosed that 743 paragraphs

relating to 162 inspection reports remained outstanding at the end of September 2011; of these, 136 inspection reports containing 646 paragraphs had not been replied to for more than one year. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2011 are given in *Annexure 12*.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially, seeking confirmation of facts and figures and their comments thereon within a period of six weeks. The review has been discussed (August 2011) in the Exit Conference with the Government/Department. The draft paragraphs were also discussed with the Government/Department in the State Audit Committee meeting held in November 2011. It was, however, observed that the written replies on 6 draft paragraphs and one performance audit forwarded to various departments between May and July 2011 as detailed in *Annexure 13* had not been received so far (November 2011). The views of the Government/Department have been taken into consideration while finalising the reviews/paragraphs wherever replies have been received.

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to inspection reports and ATNs on the recommendations of COPU as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment is taken within the prescribed period and (c) the system of responding to audit observations is revamped.

GUWAHATI
THE 25 JANUARY 2012

Sd/-
(P. SESH KUMAR)
Principal Accountant General (Audit), Assam

Countersigned

NEW DELHI
THE 30 JANUARY 2012

Sd/-
(VINOD RAI)
Comptroller and Auditor General of India