

Overview

1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2011, the State of Assam had 40 working PSUs (36 companies and 4 Statutory corporations) and 10 non-working PSUs (all companies), which employed 37,308 employees. The PSUs registered a turnover of ₹ 2,647.54 crore for 2010-11 as per their latest finalised accounts. This turnover was equal to 2.54 per cent of State GDP indicating an important role played by State PSUs in the economy. The PSUs earned a profit of ₹ 2.22 crore for 2010-11 and had accumulated losses of ₹ 1,091.09 crore.

Investment in PSUs

As on 31 March 2011, the investment (Capital and long term loans) in 50 PSUs was ₹ 2,939.88 crore. It increased by 8.65 per cent from ₹ 2,705.88 crore in 2006-07. Power Sector accounted for 47.93 per cent of total investment in 2010-11. The Government contributed ₹ 284.31 crore towards loans and grants/subsidies during 2010-11.

Performance of PSUs

During the year 2010-11, out of 40 working PSUs, twelve PSUs earned profit of ₹ 85.46 crore and 24 PSUs incurred loss of ₹ 80.22 crore. The major contributors to profit were Assam Gas Company Limited (₹ 43.57 crore) and Assam Power Generation Corporation Limited (₹ 24.38 crore). The heavy losses were incurred by Assam Electricity Grid Corporation Limited (₹ 27.09 crore), and Assam State Transport Corporation (₹ 19.37 crore).

The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' losses of ₹ 1,682.87 crore and infructuous

investments of ₹ 25.95 crore were controllable with better management.

Thus, there is tremendous scope to improve the functioning and minimise/eliminate losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of account of PSUs needs improvement. Although, 47 accounts finalised during October 2010 to September 2011, received qualified certificates from Statutory Auditors, there were 62 instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

40 working PSUs had arrears of 336 accounts as of September 2011. The arrears ranged between 1 year to 24 years. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. As no purpose is served by keeping 10 non-working PSUs in existence, they need to be wound up quickly.

Placement of SARs

There was considerable delay in placement of SARs in legislature. This weakens legislative control over Statutory corporations and dilutes latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature.

(Chapter-I)

2. Performance audit relating to Government company

Performance audit relating to Assam Power Distribution Company Limited was conducted. Executive Summary of Audit findings is given below:

As part of power sector reforms, the erstwhile Assam State Electricity Board was unbundled

and consequently, the business of power distribution is carried out by three distribution companies namely, Upper Assam Electricity

Distribution Company Limited (UAEDCL), Lower Assam Electricity Distribution Company Limited (LAEDCL) and Central Assam Electricity Distribution Company Limited (CAEDCL), which were incorporated on 23 October 2003 under the Companies Act, 1956.

Subsequently, the two companies viz., UAEDCL and CAEDCL were merged with LAEDCL with effect from 1 April 2009 and LAEDCL was renamed as Assam Power Distribution Company Limited (APDCL) which was incorporated on 23 October 2009 under the Companies Act, 1956.

As on 31 March 2011, APDCL had distribution network of 1.12 lakh Circuit Kilometers (CKM) of lines, 36,240 sub-stations and 34,664 transformers of various categories catering to 19.13 lakh consumers.

Distribution Network planning

APDCL added 10,596 sub-stations during the period 2006-11. Further, as compared to the growth in connected load from 2,498.80 mega watt (MW) in 2006-07 to 3,294.96 MW in 2010-11, the increase in transformer capacity was from 1,342.26 mega volt ampere (MVA) to 1,901.08 MVA only, which meant that the capacity fell short by 2,217.62 MVA when compared to the connected load as on March 2011.

Wide gap between transformation capacity and connected load led to overloading of distribution system, excess failure of DTRs and higher quantum of energy losses.

Implementation of Central/State sponsored schemes

The percentage of achievement of electrification of un-electrified villages under Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY) was 71 per cent and connection to BPL households was 57 per cent against the target as on 31 March 2011.

The shortfall in achievement of target was due to delay in approval of DPRs, delay in award and execution of works with consequential increase in cost of projects from ₹ 1,304.62 crore to ₹ 1,768.96 crore at award stages which would further go up on completion of all works.

Due to non-completion of various projects in time under Assam Bikash Yojana (ABY), the Company did not avail the intended benefit of ₹ 4.02 crore by way of reduction in technical

losses as projected in the DPR. Further, APDCL had also extended undue benefit to the extent of ₹ 2.42 crore to contractors.

Metering

APDCL attained metering of 17.84 lakh against total number of 19.13 lakh consumers as on 31 March 2011 and took 2 days to 1975 days in replacing stop/defective meters as it did not maintain reserve stock of meters in violation of directives of AERC.

Operational efficiency

The AT&C losses of APDCL decreased from 32.89 per cent in 2006-07 to 25.44 per cent in 2010-11, which was still above the approved norms of AERC (21.60 per cent).

Financial position

Accumulated losses of APDCL increased by 620.51 per cent from ₹ 142.90 crore in 2006-07 to ₹ 1029.61 crore in 2010-11. The borrowings of APDCL increased by 74.40 per cent from ₹ 479.58 crore in 2006-07 to ₹ 836.40 crore in 2010-11.

The realisation per unit increased from ₹ 4.71 to ₹ 5.74 (21.87 per cent) during 2006-11, whereas the cost per unit increased from ₹ 5.02 to ₹ 7.00 (39.44 per cent) during the corresponding period.

Billing and Revenue collection efficiency

The percentage of energy billed against energy sold increased from 85.24 per cent in 2006-07 to 95.02 per cent in 2010-11. Despite increase in billing efficiency, APDCL had sustained losses amounting to ₹ 80.63 crore due to non-compliance of various directions of Assam Electricity Regulatory Commission (AERC).

The outstanding dues of APDCL increased by 43.35 per cent from ₹ 298.54 crore in 2006-07 to ₹ 427.96 crore in 2010-11, out of which ₹ 80.91 crore (18.91 per cent) realizable from permanently disconnected consumers were outstanding as on 31 March 2011.

Financial Management

Due to unnecessary drawal of loan fund and its non-utilisation, APDCL had burdened itself with a total interest liability of ₹ 42 lakh to Government of Assam.

Energy Audit

Direction of AERC to APDCL to analyse consumption pattern of all Government buildings and initiate appropriate steps for reduction of energy consumption or reduction of energy losses was not complied by it.

Further, Energy audit data were not analysed or any corrective action taken by APDCL to minimise the energy losses.

Monitoring by Top Management

The monitoring system is inadequate as APDCL did not devise a proper MIS to monitor the work entrusted to contractors effectively or evaluate power demand and supply position in the State and control theft of energy.

(Chapter-II)

3. Transaction audit observations

Transaction audit observations included in the Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

There were two cases of avoidable expenditure/unproductive investment of ₹3.93 crore.

(Paragraphs 3.1 and 3.6)

Non-realisation of ₹3.63 crore in two cases due to non-safeguarding the financial interest of the organisation.

(Paragraphs 3.3 and 3.4)

Gist of some of the important audit observations is given below:

Despite investing ₹3.02 crore by Assam Livestock and Poultry Corporation Limited the project remained unproductive besides potential loss of lease rent of ₹0.57 crore.

(Paragraph 3.1)

Due to failure to formulate any prescribed procedure/system for leasing land, Assam Small Industries Development Corporation Limited suffered loss of revenue of ₹2.10 crore.

(Paragraph 3.3)

Failure to take appropriate action by Assam Small Industries Development Corporation Limited resulted in non-realisation of ₹1.53 crore against holding of unallotted land.

(Paragraph 3.4)

Assam State Text Book Production and Publication Corporation Limited allowed two per cent wastage of paper to the printers for printing against one percent allowable as stipulated in the work orders thereby incurring a loss of ₹1.37 crore.

(Paragraph 3.5)

Due to designing of projects with outdated soil data and non-compliance with the conventional industry norms of HDD drilling, the **DNP Limited** incurred a wasteful expenditure of ₹0.91 crore.

(Paragraph 3.6)