Overview

Overview

This Audit Report includes three chapters. **Chapter I** provides an overview of State Public Sector Undertakings (SPSUs). This Chapter includes figures on total investments in equity/long term loans of SPSUs, data on their financial performance, status of finalisation of their accounts, *etc*. **Chapter II** includes a performance audit relating to one State Government company. **Chapter III** of the Report includes nine audit paragraphs emerging from the compliance audit of SPSUs.

Audit sent the draft reports of compliance audit paragraphs and performance audit (PA) to the Commissioner/Principal Secretary/Secretary of the Departments concerned with request to furnish replies within six weeks. The Departments did not furnish replies against five compliance audit paragraphs and one performance audit. Audit however, discussed (5 September 2017) the draft PA with the representatives of the Government of Assam (GoA) in the Exit Conference. Audit had appropriately considered the view expressed by the representatives of the GoA in the Exit conference while finalising the Audit Report. A synopsis of the important findings contained in this Audit Report are as discussed below.

Chapter I Functioning of State Public Sector Undertakings

As on 31 March 2017, the State of Assam had 49 SPSUs (33 working and 16 non-working SPSUs), which employed 37,558 employees. The 33 working SPSUs included 30 Companies and 3 Statutory Corporations. The working SPSUs registered a turnover of ₹ 5,608.72 crore for 2016-17 as per their latest finalised accounts as on 30 September 2017. This turnover was equal to 2.18 *per cent* of State Gross Domestic Product. The working SPSUs incurred an overall loss of ₹ 279.72 crore for 2016-17 as per their latest finalised accounts as on 30 September 2017. The Return on Equity (RoE) in respect of 18 out of 33 working SPSUs was 7.32 *per cent* as per their latest finalised accounts as on 30 September 2017. The accumulated losses of remaining 15 working SPSUs had completely eroded their share capital. Hence, RoE of these 15 SPSUs was not workable. Accumulation of huge losses by these SPSUs had eroded public wealth, which is a cause of serious concern.

Investment in SPSUs

The investment (capital and long-term loans) in 49 SPSUs was ₹ 5,436.30 crore as on 31 March 2017. It increased by 55.06 *per cent* from ₹ 3,505.97 crore in 2012-13. The thrust of investment in SPSUs was mainly in the power sector SPSUs. The investment in power sector SPSUs increased by 114 *per cent* from ₹ 1,896.99 crore (2012-13) to ₹ 4,055.83 crore (2016-17). The State Government provided an aggregate amount of ₹ 1,253.39 crore towards equity (₹ 0.07 crore), loans (₹ 411.57 crore) and grants/subsidies (₹ 841.75 crore) to 13 SPSUs during 2016-17.

Arrears in accounts and winding up

As on September 2017, out of 33 working SPSUs, 28 working SPSUs had arrears of 179 accounts. The extent of arrears ranged up to 24 years, which was significant. Further, out of 16 non-working SPSUs, 14 SPSUs had arrears of accounts ranging upto 34 years. The State Government needs to expedite the liquidation process to wind up 16 non-working SPSUs, as they do not serve any purpose.

Explanatory notes not received

As per the instructions (May 1994) of the GoA, the administrative departments concerned were required to prepare explanatory notes on the performance audits and audit paragraphs included in the Audit Reports. The administrative departments were required to submit the said explanatory notes to the Assam Legislative Assembly with a copy to the Accountant General within 20 days from the date of receipt of the Audit Reports.

The administrative departments concerned did not submit any explanatory notes on 26 Audit Reports (1990-91 to 2015-16) containing 54 performance audits and 303 audit paragraphs submitted to the State Legislature as on 30 September 2017.

Compliance to Reports of Committee on Public Undertakings (COPU)

Action Taken Notes (ATN) on 112 recommendations pertaining to 15 Reports of the COPU presented (October 2002 to December 2011) to the State Legislature had not been received (September 2017). These reports of COPU contained recommendations in respect of 9 performance audits and 50 paragraphs pertaining to 7 departments, which appeared in the Audit Reports of the CAG of India for the years 1994-95 to 2006-07.

Chapter II Performance Audit relating to Government Company

Performance Audit on 'Implementation of Restructured-Accelerated Power Development and Reforms Programme component in Assam under Integrated Power Development Scheme' by Assam Power Distribution Company Limited

The overview of the Audit findings is given below:

Introduction

The Government of India (GoI) launched (December 2008) the Re-structured Accelerated Power Development and Reforms Programme (R-APDRP scheme/Scheme). GoI further launched (December 2014) the Integrated Power Development Scheme (IPDS), which subsumed the existing R-APDRP scheme. The Assam Power Distribution Company Limited (Company) took up (November 2009) the Scheme in Assam with a completion schedule of five years (November 2014). The basic objective of the Scheme was to reduce Aggregate Technical and Commercial (AT&C) losses in the power distribution sector of the Country. The present Audit Report covered the performance of the Company in conceptualisation, implementation and achievement of the objectives of the R-APDRP scheme during the period from April 2009 to March 2017.

(Paragraph 2.1)

Planning

The Company did not prepare any comprehensive plan for implementation of Scheme works in the State. This led to lack of proper foresight at the planning stage and mid-course corrections in design, work specifications, change in project sites on account of defective Detailed Project Reports.

(Paragraph 2.7.1)

Funding

The Company included additional 15 *per cent* on the cost estimates prepared as per the Schedule of Rate (SoR) without the approval of GoI. This addition was made on the plea to keep a cushion for absorbing the cost escalation. The project cost was, thus, overestimated by ₹ 77.87 crore due to preparation of inflated cost estimates.

(Paragraph 2.8.1 (i))

The Company included additional supervision charges component (15 *per cent*) while preparing the cost estimates for Part-B project works. This irregularly inflated project cost by ₹ 11.75 crore in violation of the Scheme guidelines.

(Paragraph 2.8.1 (ii))

Project Implementation (Part-A projects)

The Company had taken an unreasonably high period of two years in selection of IT Implementing Agency (ITIA) after appointment of IT consultant. The Company had, further, taken a period of 14 months in handing over the Data Centre (DC) building to ITIA. As a result, the ITIA could complete the works (March 2016) after 39 months of scheduled date (January 2013).

(Paragraph 2.9.1.2)

To perform energy audit and accounting of project areas, it was essential that the project areas had up-to-date Geographic Information System (GIS) mapping of asset and consumer information in GIS repository. The Company had never updated the system for changes in assets and consumer base in the projects areas. The GIS maps of assets and consumers information prepared for the project areas become outdated.

(Paragraph 2.9.1.4)

The Company could achieve 100 *per cent* online communication in 6 out of 67 project areas. The non-availability of online data was mainly attributable to defective meters and modems, defective Data Concentrating Units, failure/non-availability of General Packet Radio Service (GPRS) connectivity *etc*. The accuracy and credibility of the AT&C loss data in different project areas, thus, remained questionable.

(Paragraph 2.9.1.5)

Project Implementation (SCADA)

The Supervisory Control and Data Acquisition (SCADA) project, which was originally scheduled for completion by March 2014, could not be completed so far (September 2017). The Company could install only 29 Remote Terminal Units (RTUs) out of total 36 RTUs planned for installation in equal number of 33/11 KV substations. Further, the Company could make only 13 RTUs operational through SCADA control system out of said 29 RTUs.

(Paragraph 2.9.2 & 2.9.2.2)

The Company could not develop the Distribution Management System (DMS) and therefore generated various Management Information System (MIS) reports based on the alarm data[1] of the SCADA application. The reports so generated were erroneous due to discrepancies and inconsistencies in the alarm data. The Company, thus, could not achieve the basic Scheme objective to have on-line control and monitoring over the distribution network without human intervention.

(Paragraph 2.9.2.3)

Project Implementation (Part-B projects)

The Company could not complete Part-B works in any of the 67 project areas within the original scheduled completion period (November 2014). As of September 2017, the Company could complete the scheme works in 47 out of total 67 project areas. The Part-B projects in remaining 20 project areas were ongoing.

(Paragraph 2.9.3)

The Company could not install 21,827 prepaid meters valuing ₹ 14.60 crore out of 24,212 meters as the meters procured did not have the features relating to recording of power factor reading and Maximum Demand. Further, the warranty period of 15,657 meters valuing ₹ 9.68 crore had expired before installation.

(Paragraph 2.9.3.4(B))

[1] Data generated by the SCADA system in case of any fault in the SCADA network.

The Company could achieve the targeted level (15 *per cent*) of Aggregate Technical & Commercial losses (AT&C losses) only in 5 out of 47 completed project areas.

(Paragraph 2.9.3.6)

Monitoring

The State Level Distribution Reforms Committee formed (June 2009) to monitor the execution of the scheme met only thrice since its inception. There were delays in resolving issues relating to selection of project works sites, receipt of materials not conforming to specification and integration of SCADA equipment with SCADA system.

(Paragraph 2.10.1 & 2.10.2)

Chapter III Compliance Audit Observations

Overview of some of the important audit observations is as given below:

DNP[2] Limited had to sustain a net revenue loss of ₹ 6.73 crore due to non-revision of transportation tariff on account of variation in the fuel cost.

(Paragraph 3.1)

In the case of theft of electricity, the quantum of electricity loss shall be assessed based on the assessed consumption of detected category as per the AERC Regulations and connected load of the consumer for a period of 12 months prior to the date of detection. The Company shall bill the consumer at the rate of two times of the existing tariff. However, **Assam Power Distribution Company Limited** billed two consumers based on 'average consumption' thereby incurring a loss of ₹ 2.17 crore.

(Paragraph 3.4)

Assam Small Industries Development Corporation Limited extended undue benefit of ₹ 1.54 crore to the suppliers at the cost of State exchequer due to fixation of rates on the higher side.

(Paragraph 3.6)

Assam Power Generation Corporation Limited had to forego the 'efficiency incentive' amounting to ₹ 1.17 crore due to incorrect classification of a hydroelectric project, which was eligible for higher incentive.

(Paragraph 3.7)

[2] DNP stood for Duliajan-Numaligarh Pipeline. The Company was, however, registered in the name of 'DNP Limited' as per the certificate of incorporation issued by the Registrar of Companies.