

# **OVERVIEW**



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The Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended 31 March 2020 (Government of Assam) is brought out in three Chapters.

**CHAPTER-I on Public Sector Undertakings (PSUs)** contains three Sections as under:

**Section 1** provides general information on the State Public Sector Undertakings including the accounting framework, Government's investment in PSUs, *etc.*

**Section 2** provides an overview of functioning of power sector PSUs.

**Section 3** provides an overview of the functioning of PSUs (other than power sector).

**CHAPTER-II on Performance Audit on PSUs** contains one Section as under:

**Section 4** contains a Performance Audit on implementation of Deen Dayal Upadhyay Gram Jyoti Yojana/SAUBHAGYA schemes by Assam Power Distribution Company Limited (APDCL).

**CHAPTER-III on Compliance Audit Paragraphs on PSUs** contains two Sections as under:

**Section 5** contains two Compliance Audit Paragraphs emerging from the compliance audit of Power sector PSUs.

**Section 6** contains one Compliance Audit Paragraph emerging from the compliance audit of PSUs (other than power sector).

The major findings of the Audit Report are as follows:

## Chapter-I: Public Sector Undertakings

### Section 1: Functioning of Public Sector Undertakings

As on 31 March 2020, there were 51 PSUs (including 16 non-working PSUs) and one State Electricity Regulatory Commission under the audit jurisdiction of the Principal Accountant General (Audit), Assam who represents the Comptroller and Auditor General of India (C&AG) in the State. These 51 PSUs included three power sector PSUs (all working Government companies) and 48 other than power sector PSUs (including three working Statutory Corporations). During 2015-16 to 2019-2020, the investment of Government of Assam (GoA) in the power sector PSUs, increased by 7.06 *per cent* from ₹ 2,967.38 crore (2015-16) to ₹ 3,176.75 crore (2019-20).

*(Paragraph 1.1.1 and 1.1.9)*

As on 31 March 2020, 19 PSUs had loan liability of ₹ 2,785.33 crore towards the GoA. During 2015-16 to 2019-20, out of 19 PSUs having outstanding GoA loans, three PSUs repaid loan instalments amounting to ₹ 26.97 crore to GoA. GoA also converted the loan

amounting to ₹ 1,132.53 crore into grant (₹ 849.40 crore) and equity (₹ 283.13 crore) under Ujwal DISCOM Assurance Yojana (UDAY) scheme. During 2015-16 to 2019-20, GoA further waived the interest amounting to ₹ 554 crore payable by APDCL against GoA loans.

*(Paragraph 1.1.10)*

## **Section 2: Functioning of Power Sector Public Sector Undertakings**

The total investment (equity and long-term loans) in the three PSUs was ₹ 4,266.12 crore as on 31 March 2020. The investment consisted of 25.56 per cent in equity and 74.44 per cent in long-term loans. Further, the investment by GoA consisted of 34.32 per cent towards equity and 65.68 per cent in long-term loans.

*(Paragraph 1.2.3)*

During 2019-2020, GoA has provided budgetary support of ₹ 2,530.90 crore to three power sector PSUs in the form of equity (₹ 283.13 crore), long-term loans (₹ 285.11 crore) and grants/subsidy (₹ 1,962.66 crore). The grants/subsidy released to APDCL by GoA (₹ 1,962.66 crore) included ₹ 1,947.38 crore (99.22 per cent) for repayment of power purchase liabilities (₹ 238.95 crore), financial support as agreed under UDAY scheme (₹ 1,231.43 crore) and targeted subsidies for consumers on account of tariff (₹ 477 crore). The equity investment (₹ 283.13 crore) was provided by GoA to APDCL by way of conversion of GoA loan into equity.

*(Paragraph 1.2.5)*

Two out of three power sector PSUs had finalised their accounts upto the financial year 2019-2020. The remaining one PSU viz. APDCL had arrear of one account (2019-2020) as on 30 September 2020.

*(Paragraph 1.2.6)*

As per the latest finalised accounts of PSUs as on 30 September 2020, the turnover of three PSUs stood at ₹ 6,000.55 crore and they had incurred overall operational losses of ₹ 156.31 crore during 2019-2020. The accumulated losses (₹ 3,333.45 crore) of two out of three PSUs had completely eroded their paid-up capital of ₹ 262.70 crore.

*(Paragraphs 1.2.2, 1.2.8 and 1.2.9)*

Earnings before Interest and Tax (EBIT) of the PSUs turned positive (₹ 650.11 crore) during 2017-18 mainly due to the profits of ₹ 374.60 crore earned by two PSUs. During 2019-2020, RoCE of PSUs declined to (+) 33.21 per cent during 2018-19 mainly due to increase of ₹ 860.60 crore in the Capital Employed and decrease of ₹ 175.46 crore in the EBIT during 2018-19 compared to the previous year (2017-18).

*(Paragraph 1.2.10)*

## **Section 3: Functioning of Public Sector Undertakings (other than power sector)**

The PSUs (other than power sector) comprised of 32 working PSUs (29 Companies and three Statutory Corporations) and 16 non-working PSUs (all companies). The investment by GoA in these PSUs was 55.71 per cent of the total investment. The investment by

GoA comprised of ₹ 689.81 crore in equity (51.54 *per cent*) and ₹ 698.95 crore in long term loans (60.53 *per cent*). Further, the investment by GoA consisted of 49.67 *per cent* towards equity capital and 50.33 *per cent* in long-term loans.

***(Paragraphs 1.3.1 and 1.3.2)***

During 2019-2020 the State Government has provided budgetary support of ₹ 288.95 crore to 11 PSUs in the form of equity capital (₹ 20 crore), long-term loans (₹ 27.75 crore) and grants/subsidy (₹ 241.20 crore). This included the budgetary support of ₹ 254.72 crore (88.23 *per cent*) provided to four PSUs *i.e.*, Assam Tea Corporation Ltd, Assam State Transport Corporation, Assam Tourism Development Corporation Limited and Assam Petro-Chemicals Limited.

***(Paragraph 1.3.4)***

As on 30 September 2020, 28 working PSUs had arrears of total accounts ranging from one to 27 years. Further, the GoA extended financial support of ₹ 391.80 crore to seven PSUs, who had not submitted their accounts for last five or more years.

***(Paragraph 1.3.5)***

As per the latest finalised accounts of PSUs as on 30 September 2020, the turnover of 32 working PSUs during 2019-2020 stood at ₹ 857.79 crore. During 2019-2020, out of 32 working PSUs, 14 PSUs had earned profits of ₹ 161.86 crore, while 18 PSUs had incurred losses of ₹ 130.56 crore as per their latest finalised accounts. During, 2019-2020, the net worth of PSUs had appreciated by ₹ 609.98 crore, from ₹ 50.40 crore (2017-18) to ₹ 660.38 crore (2019-2020) mainly due to increase of ₹ 488.04 crore (GoA: ₹ 177 crore; Others: ₹ 311.04 crore) in the paid-up capital of Assam Petro-Chemicals Limited. However, the accumulated losses (₹ 1,509.44 crore) of 13 working PSUs had completely eroded their paid-up capital (₹ 235.54 crore) as per their latest finalised accounts.

***(Paragraphs 1.3.1, 1.3.9 and 1.3.12)***

There was an increase in RoCE from 3.04 *per cent* in 2018-19 to 5.66 *per cent* in 2019-20. The reason for increase in RoCE was due to increase in EBIT, which was mainly due to the increase in profit of one PSU *viz.* Assam Gas Company Limited from ₹ 27.90 crore (2018-19) to ₹ 82.55 crore (2019-20).

***(Paragraph 1.3.13)***

### ***Recommendations***

- *The State Government may set up a special cell to oversee the clearance of arrears and set the targets for individual PSUs, which may be monitored by the cell;*
- *The Administrative Departments may ensure that existing vacancies in the accounts department of PSUs are filled up timely with persons having domain expertise and experience and get arrear of accounts cleared;*
- *Until the accounts are made as current as possible, Government may consider not giving further financial assistance to such companies.*

## Chapter-II: Performance Audit relating to PSUs

### Section 4: Performance Audit on implementation of Deen Dayal Upadhyay Gram Jyoti Yojana (DDUGJY)/Saubhagya schemes by Assam Power Distribution Company Limited for the period April 2014 to March 2020

Government of India (GoI) launched (December 2014) the Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) scheme for rural electrification. The erstwhile Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) scheme meant for village electrification has been subsumed in the DDUGJY scheme. GoI had also launched (October 2017) the Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya) to achieve universal household electrification in the country by providing 'last mile connectivity' and electricity connections to all households (HHs) in rural and urban areas. In Assam, the schemes were implemented by the Assam Power Distribution Company Limited (APDCL) with the financial support received from the Ministry of Power, Government of India (MoP, GoI) and GoA. The basic objectives of the schemes were viz. (i) separating agriculture and non-agriculture feeders to facilitate judicious rostering of power supply to the agricultural and non-agricultural consumers in rural areas; (ii) strengthening and augmenting the sub transmission and distribution infrastructure in the rural areas, including metering of distribution transformers/ feeders/ consumers and (iii) providing of last mile connectivity and electricity connections including free connections to all remaining economically poor un-electrified households through grid and Solar Photo Voltaic based standalone systems. Important findings of the Performance Audit on implementation of Scheme in Assam conducted for the period 2014-15 to 2019-20 are as follows.

#### Physical progress

As against the 2,339 unelectrified (UE) and 16,716 partially electrified (PE) villages sanctioned under Schemes (DDUGJY, RGGVY-XII Plan & DDG), the Company had electrified 996 UE villages (281 villages under RGGVY-XII Plan, 302 villages under DDUGJY and 413 under DDG off-grid scheme) and 14,898 PE villages. Remaining 1,343 UE villages sanctioned under the Scheme were found to be PE villages at the time of execution of Scheme works.

Further, out of total 19,36,555 households sanctioned under SAUBHAGYA, the Company could electrify 13,99,688 households (72 per cent) till 31 March 2021. The

shortfall of 5,36,867 households in Scheme coverage was mainly due to spending higher amount (₹ 1,811.17 crore) on creation of additional infrastructure than sanctioned (₹ 1,493.57 crore). To cover the shortfall, the Company requested (May and June 2021) REC for additional sanction of ₹1,815.36 crore against electrification of 4,83,361 households (including creation of additional infrastructure) based on re-survey report of un-electrified households. GoI, however, sanctioned (July 2021) ₹ 1,718.18 crore for electrification of 4,80,249 un-electrified households, against which the Company had electrified 3,81,507 households (as of February 2022).

*(Paragraph 2.9)*

### **Financial progress**

GoI sanctioned ₹ 3,156.34 crore under DDUGJY (including RGGVY-XII plan & DDG). As per funding pattern, the Company was to receive ₹ 2,682.89 crore (85 per cent) as grant from GoI, ₹315.63 crore (10 per cent) as loan from REC and the balance ₹ 157.82 crore as grant from GoA. Against this, the Company received ₹ 2,930.69 crore (₹ 2,402.18 crore as grant from GoI, ₹ 267.49 crore as loan from REC and ₹ 261.02 crore (including state taxes) as grants from GoA). Although the grant/loan from REC has been fully utilised, the Company is yet to utilise ₹ 169.09 crore received as grant from GoA.

Under SAUBHAGYA scheme, REC had approved (November 2021) closure cost of ₹ 2,476.07 crore. Against the total closure cost the Company had received ₹ 1,876.08 crore as GoI subsidy/grant, ₹ 225.72 crore as loan from REC and ₹ 196.23 crore as contribution from GoA. The Company is yet to receive a grant/subsidy of ₹ 61.20 crore from REC and ₹ 96.33 crore from GoA. The main reason for non-release ₹ 61.20 crore by REC was due to delay in submission of closure proposal of the scheme. As against the total funds received, the Company had spent ₹ 2,282.43 crore towards payment against the scheme works. As of February 2022, the Company had unspent Scheme funds of ₹ 15.60 crore.

*(Paragraph 2.10)*

### **Audit findings:**

#### **Planning**

The details of Need Assessment Documents, if any, prepared by the Company and its validation by REC was not made available to Audit. The Company also did not provide

any base line data with regard to BPL households, number of agricultural and non-agricultural consumers, data on common feeders requiring segregation, data on ATC losses, load shedding, etc. to benchmark the achievements under the Scheme.

*(Paragraph 2.13.1)*

The Company did not take up feeder segregation works for optimum rostering of power between agricultural and non-agricultural consumers.

*(Paragraph 2.13.3)*

### **Project implementation**

Project Management was deficient in view of several irregularities such as improper engagement of consultant on selective basis, undue favour to contractors for allowing different rates in similar work items, procurement of materials of below standard, failure to enforce effective maintenance of assets created under the scheme.

*(Paragraphs 2.14.1, 2.14.2, 2.15.1, 2.15.2.D and 2.17.2)*

### **Monitoring**

The Company did not obtain the recommendation of SLSC for submission of DPRs to REC for approval. Further, no meeting of SLSC was held during the period from February 2014 to September 2020. As such, though there was delay in completion of the projects, the Company could not obtain necessary guidance from SLSC in resolving issues.

*(Paragraph 2.16.1)*

## **Chapter-III: Compliance Audit Paragraphs relating to PSUs**

Compliance Audit paragraphs included under this Chapter highlight deficiencies in the management of PSUs.

### **Section 5: Compliance Audit Paragraphs relating to Power Sector PSUs**

Compliance Audit paragraphs included in this Section highlight deficiencies in the management of Power sector PSUs. Details of the important audit observations have been given below in brief:

#### **Assam Power Distribution Company Limited**

##### ***Undue benefit***

The Company extended an undue benefit of ₹ 1.87 crore to the contractor by making payment (₹ 0.60 crore) against undelivered materials and releasing the LD amount (₹ 1.27 crore) despite delay in completion of work.



**Recommendation**

*The Company may take necessary steps against the contractor to complete the work and fix responsibility for the lapse and ensure effective monitoring of scheme implementation according to guidelines to avoid recurrence of such irregularities.*

**(Paragraph 3.5.1)**

**Assam Electricity Grid Corporation Limited**

In absence of prescribed investment policy, the Company invested its surplus funds in STDRs without analysing the different rates of interest offered by the bank and thereby sustained loss of potential revenue of ₹ 0.48 crore.

**Recommendation**

*Considering the huge amount of surplus funds at the disposal of the Company, the Company should ensure that a well-defined investment policy and a committee to decide on the investments is put up in place to maximise returns on investment of surplus funds.*

**(Paragraph 3.5.2)**

<b>Section 6: Compliance Audit Paragraphs relating to PSUs (other than power sector)</b>
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Compliance Audit paragraphs included in this Section highlight deficiencies in the management of PSUs (other than Power sector). Details of the important audit observations have been given below in brief:

**Assam Industrial Development Corporation Limited**

Lapses in tendering and contract management of the EoDB project enabled the Vendor to submit invoices of ₹ 43.73 crore against an original work order of ₹ 2 crore, with payment of ₹ 18.51 crore already being made, despite doubts being raised on the reasonableness of the rates and the claims.

**Recommendation**

*GoA may consider fixing accountability for such poor management of the EoDB single window clearance system project, which appears almost deliberate in nature, and designed to benefit the Vendor at the cost of the public exchequer.*

**(Paragraph 3.6.1)**

