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**CHAPTER-III**

**COMPLIANCE AUDIT PARAGRAPHS**

**RELATING TO**

**STATE PUBLIC SECTOR ENTERPRISES**

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## CHAPTER - III

### COMPLIANCE AUDIT PARAGRAPHS RELATING TO STATE PUBLIC SECTOR ENTERPRISES

Important audit findings emerging from test check during the audit of the SPSEs are included in this chapter.

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

##### **3.1 Loss of revenue due to irregular modification of tariff**

*The Company had to forgo revenue of ₹ 5.82 crore owing to irregular decision of the Chief General Manager (Commercial) to change tariff without complying to AERC Regulations.*

In exercise of the powers conferred under the Electricity Act, 2003, Assam Electricity Regulatory Commission (AERC) determines the tariff for retail sale of electricity by a distribution licensee.

As per provisions of AERC (Terms and Conditions for determination of Multi Year Tariff) Regulations, 2015:

- Based on application by a licensee, AERC shall issue a tariff order with modifications/conditions as specified in that order and shall be in force from the date specified in the said tariff order. AERC can also reject the application, if such application is not in accordance with the provisions of the Act. (*Clause 20.1 and 20.2*)
- AERC, may, after satisfying itself for reasons to be recorded in writing, allow for the revision of tariff (*Clause 23.2*)

Further, as per yearly tariff order notified by AERC from time to time, a consumer under HT-II Industries category<sup>140</sup> may opt for either Time of Day (ToD)<sup>141</sup> tariff or non-ToD tariff, depending on requirement, after prior intimation to the Company.

Audit observed that contrary to above regulations, the Chief General Manager (Commercial) of Assam Power Distribution Company Limited (Company) modified the tariff order without approval of AERC and issued (November 2017) an order that

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<sup>140</sup> High-Tension-II: This tariff is applicable for supply of power at a single point for industrial purposes having licence from designated authority of appropriate government and not covered under any other category, for Contract Demand/Connected Load above 150 KVA.

<sup>141</sup> ToD tariff comprises separate rates for Normal hours (06 AM to 05 PM), Peak hours (05 PM to 10 PM) and Night hours (10 PM to 06 AM).

all the consumers drawing power from ‘open access sources’<sup>142</sup> were allowed to draw power in ToD tariff only and non-ToD tariff would not be applicable to them.

During audit of Industrial Revenue Collection Area-I, Guwahati (a billing unit of the Company), it was observed that M/s Purbanchal Cement Limited<sup>143</sup> (Consumer) was drawing power through ‘open access source’ and was billed under non-ToD tariff till October 2017. The Company, however, due to its unilateral decision to change tariff for the consumers drawing power from ‘open access sources’, started (November 2017) billing the Consumer under ToD tariff. It was further seen that the Consumer also objected (November 2017) to the change in tariff option as there was no regulation to support the action of the Company. The Company, however, rejected (November 2017) the plea citing that those consumers drawing power through ‘open access source’ could not be allowed non-ToD tariff as they draw power in an intermittent manner. No approval of AERC was, however, obtained by the Company to support/justify its decision to bill the consumers drawing power through ‘open access sources’ under ToD tariff instead of non-ToD tariff.

Audit analysed the billing data of the Consumer for the period from November 2017 to March 2024 as detailed in **Table 3.1**.

**Table 3.1: Details of revenue loss**

(₹ in crore)

Period	Revenue collected as per ToD Tariff (A)	Revenue could have been collected as per applicable non-ToD Tariff (B)	Differential Amount (B-A)
November 2017 to March 2018	2.27	2.35	0.08
April 2018 to March 2019	10.15	11.01	0.86
April 2019 to March 2020	7.25	8.44	1.19
April 2020 to March 2021	4.75	5.88	1.13
April 2021 to March 2022	6.05	7.37	1.32
April 2022 to March 2023	15.81	16.54	0.73
April 2023 to March 2024	16.69	17.20	0.51
<b>Total</b>	<b>62.97</b>	<b>68.79</b>	<b>5.82</b>

As can be seen from **Table 3.1**, the Company incurred loss of revenue ranging between ₹ 0.08 crore and ₹ 1.32 crore in all the years, with an overall loss of ₹ 5.82 crore during November 2017 to March 2024 on account of energy charges and fixed charges, which were higher in respect of non-ToD tariff than ToD. Further, the above loss (₹ 5.82 crore) has been worked out based on the analysis of monthly data of 77 months during the above period (November 2017 to March 2024), of which, the

<sup>142</sup> ‘Open Access’ means the provision for use of transmission system and/or distribution system or associated facilities by the Open Access Customers. Open Access Consumer means a consumer who is eligible to receive supply of electricity from a person other than the distribution licensee of his area of supply.

<sup>143</sup> The consumer (consumer no: 006000001232) was billed as per Option-2 (non-ToD) of tariff since April 2009 and was also drawing power from ‘open access sources’ since September 2016.

Company would have earned more revenue in 75 months, if the existing non-ToD tariff applicable as per the AERC regulation was adopted.

Had the Company analysed the billing data of the open access consumers periodically after adopting ToD *vis-à-vis* non-ToD tariff, it would have helped the Company in identifying the revenue loss.

Thus, it could be concluded from the above that:

1. The Company unilaterally modified the tariff structure for consumers drawing power from open access sources without obtaining the necessary approval from the Assam Electricity Regulatory Commission (AERC). This action was a direct violation of AERC (Terms and Conditions for determination of Multi Year Tariff) Regulations, 2015, which mandated that any changes to the tariff structure must be approved by AERC.
2. The decision by the Chief General Manager (Commercial) to restrict consumers drawing power from open access sources to Time of Day (ToD) tariff, while disallowing non-ToD tariff, was not supported by any regulation or approval from AERC.
3. The unilateral decision to enforce ToD tariff on the Consumer (M/s Purbanchal Cement Limited) led to a significant revenue loss for the Company. The estimated revenue loss amounted to ₹ 5.82 crore over the period from November 2017 to March 2024.

The Company in its reply, which was also endorsed by the Government, stated (September 2024) that it had mandated ToD tariff for open access consumers to control the usage pattern of electricity by these consumers and also that ToD tariff had been made effective under Electricity (Rights of Consumers) Amendment Rules, 2023 (Central Rules).

The reply is not acceptable as the Rules cited itself mention that the ToD tariff shall be specified by AERC. Further, the AERC issued (August 2024) a draft of the Assam Electricity Regulatory Commission (Demand Response) Regulations, 2024 (State Rules) corresponding to the Central Rule quoted by the Company, which was yet to be notified and implemented in the State. As such, the matter relating to ToD tariff was vested with AERC and the Company should have approached AERC for any change in tariff orders. As such, the decision of the Company taken during November 2017 without approval of AERC was not in line with extant regulations in place, which led to significant revenue loss.

***Recommendation:*** *The Company may adhere to AERC regulations and ensure that periodical analysis of the billing data is carried out before taking any decision for changes in the tariff.*

### **3.2 Loss due to unjustified delay in load enhancement**

***Injudicious decisions of the Company in dealing with the enhancement of contract demand of a Consumer led to revenue loss in the form of fixed charges amounting to ₹ 0.97 crore.***

As per Electricity Supply Code Regulations, 2017 (Regulations) notified (November 2017) by Assam Electricity Regulatory Commission (AERC):

- Any application for enhancement of contract demand shall not be accepted if a consumer has any arrears payable to the licensee. However, the application shall be accepted if the payment of arrear due from the consumer has been stayed by a Court of law, or any other competent authority. (*Clause 5.8.9c*)
- The licensee shall issue a 30 days' notice to the consumer for submitting an application for the enhancement of contract demand/connected load, if it is detected that in case of High-Tension connections, the maximum demand recorded is in excess of Contract Demand in a month. (*Clause 5.9*)

Audit observed that:

- A power supply agreement was signed (April 2013) between Assam Power Distribution Company Limited (Company) and Varun Beverages International Limited (Consumer). As against a sanctioned load of 4,117.64 KVA<sup>144</sup>, the Company released a load of 2,352.94 KVA<sup>145</sup>, which was enhanced to 2,474.12 KVA *w.e.f.* 1 July 2017.
- An inspection team of the Company inspected (August 2018) the premises of the Consumer and found connected load of 4,970.32 KVA, as against an enhanced (July 2017) released load of 2,474.12 KVA. Based on the inspection report, the Area Manager, Industrial Revenue Collection Area-II, Guwahati (AM, IRCA-II), the billing unit of the Company informed (August 2018 and September 2018) the Consumer to pay an assessment bill of ₹ 1.50 crore for unauthorised use of electricity.
- On the basis of a petition filed (November 2018) by the Consumer before Gauhati High Court (Court) challenging the assessment bill, the Court directed (November 2018) the Consumer to prefer an appeal before the Appellate Authority (AA).
- Based on appeal (November 2018) by the Consumer, the AA directed (February 2020) withdrawal of assessment bill of ₹ 1.50 crore and to serve revised

<sup>144</sup> In all the appropriate places KW has been converted to KVA with factor of 0.85 to maintain consistency.

<sup>145</sup> The load was increased to 2,474.12 KVA *w.e.f.* 01 July 2017 based on excess load detected by the Company.

assessment bill based on excess load of 2,140 KVA, instead of excess connected load of 2,496.20 KVA detected during inspection (August 2018).

- The AM, IRCA-II, accordingly, revised (January 2021) the assessment bill to ₹ 0.46 crore<sup>146</sup>. The Consumer again approached (March 2021) the Court challenging the order of the AA and the revised assessment bill. Based on the direction (March 2021) by the Court, the Consumer paid (March 2021) ₹ 0.20 crore out of ₹ 0.46 crore.
- As the maximum demand of the Consumer was found to be 2,481 KVA during the month of July 2021, the AM, IRCA-II issued (August 2021) a notice to the Consumer to increase the contract demand. The Consumer, accordingly, requested (September 2021) the Sub Divisional Officer, Azara Sub-division (SDO) to enhance the contract demand from existing 2,474.12 KVA (effective from July 2017) to 3,764.71 KVA against the originally sanctioned load of 4,117.64 KVA, due to increase in production capacity. The request of the consumer was however, rejected (September 2021) by the SDO citing pending assessment bill payment.
- The Consumer escalated (September 2021) the matter to the Chief General Manager (Commercial) of the Company against the above decision of SDO highlighting the fact that it had done partial payment on the basis of Court direction and as such the remaining payment was stayed until further order. Subsequently, the Court directed (October 2021) the Company not to take any coercive action against the Consumer, with a final stricture to furnish a reply within two weeks against the petition<sup>147</sup>.
- The CGM (Commercial) rejected (December 2021) the plea of the Consumer and directed payment of pending assessment bill of ₹ 0.26 crore for enhancement of contract demand.
- The Consumer again requested (June 2022) for enhancement of contract demand from existing 2,474.12 KVA to 4,941.17 KVA, citing increase in production capacity. This was again rejected (August 2022) by the CGM (Commercial) on the same ground mentioned above.
- Based on the intimation (August 2022) of outstanding dues of ₹ 0.35 crore<sup>148</sup> by AM, IRCA-II, the Consumer paid (September 2022) the above amount under *protest*.

<sup>146</sup> After adjusting ₹ 0.37 crore (being 25 *per cent* of original assessment bill of ₹ 1.50 crore) paid by the Consumer in November 2018.

<sup>147</sup> The reply was pending owing to repeated deferments sought by the counsel of the Company, with the last hearing being held on 8 May 2024.

<sup>148</sup> This included surcharge of ₹ 0.08 crore imposed by the Company for delay in payment.

- The Company, however, increased (February 2023) the contracted demand from existing 2,474.12 KVA (effective from July 2017) to 3,415.29 KVA and again in June 2023 to 4,941.17 KVA. The reason for release of load in a staggered manner was not found on record.

The above actions of the Company were not in order for the following reasons.

- A. The rejection of the applications (September 2021 and December 2021) of the Consumer to increase the contract demand to 3,764.71 KVA lacked justification as a load of 4,117.64 KVA was already sanctioned against the Consumer in April 2013 itself and the fact that the Company had lost fixed charges to the extent of ₹ 0.97 crore during October 2021 to June 2023. The rejection of the application in all the three instances<sup>149</sup> was also non-compliance of *clause 5.8.9(c)* of AERC Regulations in view of the fact that the payment of arrear due from the Consumer was stayed by the Court in March 2021.
- B. The release of load in a staggered manner during April 2013 and February 2023 was without any valid reason and had also contributed to loss of revenue in the form of fixed charges.
- C. There were instances of maximum demand of 4,970.32 KVA (August 2018), 2,481 KVA (July 2021) and 2,716 KVA (February 2023), which exceeded the allowed limit (2,474.12 KVA). As such the Company should have taken prompt steps to regularise the load based on clause 5.9 of AERC Regulations, considering also the fact that the Consumer was not a defaulter in payment of monthly energy dues and also requested the Company to enhance the contract demand from time to time.

Thus, injudicious decisions of the Company in dealing with enhancement of contract demand of the Consumer led to revenue loss in the form of fixed charges amounting to ₹ 0.97 crore during October 2021 to June 2023 as detailed in **Appendix 9**.

The Company in its reply, which was also endorsed by the Government, stated (September 2024) that:

- If the Consumer's request were to be processed with enhancement of load inspite of its pending arrear, without renovating the existing infrastructure, it would have collapsed the entire power network and the Consumer on the other hand would not have been able to draw reliable power, which was one of the sole reasons for disallowance of full load since inception. After sanctioning entire load sought by the Consumer and execution of agreement, payment of load security *etc.* the load (4,941.17 KVA) was finally released with strengthening of existing power network, although the construction of the dedicated feeder was pending.

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<sup>149</sup> September 2021, December 2021 and August 2022

- There was no stay granted and the Company did not allow the enhancement of load as it would weaken the case of the Company before the Court.
- The Company had recovered a revenue in the form of overdrawal penalty.

The reply is not acceptable as:

- Against the sanctioned load of 4,117.64 KVA, a load of 2,352.94 KVA was released through 33 KV Sarusajai-Mirza feeder temporarily from 220 KV Sarusajai Grid Substation (GSS) till commissioning of 132 KV Azara GSS. Though the 132 KV Azara GSS was commissioned in March 2020, the Company continued to supply power as per originally released contract demand (2,352.94 KVA) from 220 KV Sarusajai GSS till the first enhancement of load based on Consumer's request in February 2023. Further, the reasons stated by the Company while rejecting the load extension application of the Consumer was non-payment of outstanding assessment amount only and the justification regarding infrastructure appeared to be an afterthought.
- Stay order is an injunctive order to maintain *status quo* of a dispute until further orders. As the Court decreed partial payment of ₹ 0.20 crore and also ordered to not take any coercive action on the Consumer, the Company should not have insisted on balance payment or could have approached the Court for any doubt in this matter. On the contrary, it was seen that the case hearing was delayed owing to repeated deferments sought by the Counsel of the Company. Considering the loss of revenue amounting to ₹ 0.97 crore as against a receivable of ₹ 0.26 crore, the Company should have filed a plea immediately before the Court in this regard.
- Overdrawal penalty amount of ₹ 1.80 lakh recovered by the Company during the month of February 2023 was already considered by Audit while computing the revenue loss.

***Recommendation:*** *The Company may investigate the matter and fix responsibility on officials accountable for the loss of revenue.*

### **3.3 Short realisation of revenue**

***The Company short realised ₹ 0.41 crore from a consumer towards fixed charges due to negligence on part of Company's billing unit in updating the revised contract demand of the consumer in the billing system.***

Contract Demand is the amount of electricity agreed upon between the customer and the licensee and as stipulated in the signed contract. The Fixed Charge component collected from a consumer in the monthly energy bill is computed on the basis of the agreed Contract Demand, multiplied with the applicable tariff, as fixed from time to time.

Assam Power Distribution Company Limited (Company) executed agreements with consumers for fixation of Contract Demand as per their requirement and

communicated the same to its Billing unit for raising monthly energy bill on the consumer accordingly.

Assam Electricity Regulatory Commission (AERC) notified (November 2017) the AERC (Electricity Supply Code) Regulations, 2017 (Regulations), which stipulated that:

- (i) Contract Demand, in the case of a High Tension<sup>150</sup> and Extra High Tension<sup>151</sup> consumer, shall be as per the agreement entered into between the consumer and the licensee and having regard to the requirement of the consumer's installation and will be independent of connected load. (Clause 2.2.3)
- (ii) Billing demand shall be 100 *per cent* of Contract Demand or Recorded Demand whichever is higher. (Clause 6.3.4)

Audit observed that the Company signed (February 2013) a power supply agreement with M/s Cement Manufacturing Company Limited<sup>152</sup> (Consumer) for supply of electricity at Contract Demand of 11,347 KVA under HT-II industry category. Thereafter, the Company signed (January 2017) a revised power supply agreement with the Consumer as the Contract Demand was reduced to 8,500 KVA. This was communicated (January 2017) to Area Manager, Industrial Revenue Collection Area-I (IRCA-I), the billing unit, for necessary action. IRCA-I accordingly revised the contract demand in its billing software and realised fixed charges on the basis of Contracted Demand of 8,500 KVA from the consumer.

Thereafter, on request of the Consumer, the Company again entered (August 2019) into an agreement for enhancement of Contract Demand to 9,100 KVA and forwarded (August 2019) the Contract Demand agreement papers to IRCA-I for taking necessary action for billing accordingly. Audit however, noticed that after receipt of instruction from the Company for enhancement of Contract Demand of the Consumer, though IRCA-I recorded the same in their register, it did not take further action to update the Contract Demand in its billing software. IRCA-I continued to realise fixed charges from the Consumer on the basis of old Contract Demand (8,500 KVA) instead of the enhanced Contract Demand (9,100 KVA) till December 2022 for reasons not on record.

Based on fixed charge applicable<sup>153</sup> against the Consumer during September 2019 to December 2022, the Company should have realised ₹ 0.41 crore<sup>154</sup> against the additional 600 KVA (9,100 KVA–8,500 KVA) load applicable to the Consumer. The Company however, started realizing fixed charges on the enhanced Contract Demand

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<sup>150</sup> High Tension (HT) consumer means a consumer who is supplied electricity at a voltage between 650 volts and 33,000 volts.

<sup>151</sup> Extra High Tension (EHT) consumer means a consumer who is supplied electricity at a voltage exceeding 33,000 volts.

<sup>152</sup> Consumer Account No.: 67000000361 was renamed later to M/s Star Cement Limited.

<sup>153</sup> ₹ 200 per KVA (September 2019 to March 2020), ₹ 220 per KVA (April 2020 to March 2022), ₹ 270 per KVA (April 2022 to December 2022).

<sup>154</sup> Excluding overdrawal penalty (₹ 0.10 crore) already realised from the Consumer.

of 9,600 KVA from January 2023 as per revised agreement entered with the Consumer in December 2022. In absence of necessary monitoring mechanism on the part of the Company and IRCA-I, the short levy of fixed charges from the Consumer remained unnoticed.

Thus, the Company suffered a loss of revenue of ₹ 0.41 crore due to negligence on the part of the Company's billing unit in updating the revised contract demand of the consumer in its billing system.

The Company, in reply, as endorsed by the Government, stated (July 2024) that it had served a bill of ₹ 0.41 crore and was taking action for preventing such loss by receiving all Contract Demand agreements in a separate register from consumers and handing over documents to the concerned officer with a signature and at the end of the month a scrutiny of the same would be done on whether the Contract Demand was implemented in the bill. The reply was, however, silent on the action, if any, taken against the officials responsible for short realisation of the fixed charges from the consumer.

***Recommendation:*** *Government/Company may investigate the matter and fix responsibility on those accountable for non-realisation of fixed charges from the Consumer based on actual Contract Demand.*

## **Assam State Transport Corporation**

### **3.4 Avoidable expenditure**

***The Corporation engaged a Consultant for implementation of a State sponsored Scheme without having administrative and budgetary approval, which led to avoidable committed expenditure of ₹ 1.67 crore.***

To encourage female education in the State, Government of Assam (GoA) announced (May 2019) the 'Gyan Deepika' scheme, for distribution of e-bikes to meritorious girl students, on the basis of results of Higher Secondary Examination, 2019. For this purpose, GoA entrusted (May 2019) the responsibility of implementation of the Scheme to Assam State Transport Corporation (Corporation).

In this regard, clause 8(a) of Assam Public Procurement Act, 2017 mandated that "every procuring entity shall initiate the procurement process only after technical, administrative and budgetary approvals are accorded and after obtaining approval of the authority which has the necessary financial powers to initiate such value and category of procurement as per rules and guidelines made under this Act". Clause 8(b) further stated that "however, procuring entity to save time, may initiate advance actions of procurement in anticipation of administrative and budgetary approvals, under certain circumstances and following procedures prescribed with the approval of an authority designated in this regard in the rules made under this Act, provided that the procurement process shall stop short of any financial or contractual commitment,

even in such cases unless administrative and budgetary approvals have been obtained”.

Audit examined the actions taken by the Corporation towards implementation of the Scheme and observed the following:

- In the review meeting held (12 June 2019) in the office of the State Chief Secretary, the Transport Department (Department)/Corporation was instructed to prepare a Cabinet Memorandum for implementation of e-bikes scheme for girl students. The Corporation submitted the same to the Department on 21 June 2019.
- The Department sought (July 2019 and October 2019) further clarifications from the Corporation to specify the model of e-bikes and also include provision of Annual Maintenance Contract and instructed it to modify the Cabinet Memorandum accordingly. The Corporation furnished (July 2019 and October 2019) the clarifications to the Department but did not submit the modified Memorandum till November 2019. No document was available on record to provide latest status in this regard. Further, the reasons for non-submission of modified Memorandum to the Department was also not found on record.
- The Corporation without having approval of the Scheme floated (6 January 2020) a Request for Proposal (RFP) for selection of service provider for procurement and distribution of e-bikes for Scheme implementation. The Corporation also floated (8 January 2020) another RFP for appointment of ‘Project Implementation cum Monitoring Consultant’ for Scheme implementation.
- Based on the evaluation of bids received, the Corporation issued (1 February 2020) a Letter of Award (LoA) to M/s KPMG<sup>155</sup> (Consultant) for a tenure of three months (extendable to another three months) without fixation of any rate.
- Meanwhile, a committee constituted by the Corporation, carried out (12 February 2020) the financial evaluation of the rates quoted by four technically qualified bidders of e-bike manufacturers against the RFP (6 January 2020) and the price quoted by M/s Okinawa Autotech Private Limited, being L1, was accepted. The Corporation, however, took no further action for issue of LoA/work order to the successful bidder.
- Pending receipt of administrative and budgetary approval, the Corporation and the Consultant entered into an agreement (20 February 2020) on the payment terms of man-month rate of National Informatics Centre Services Inc. towards the

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<sup>155</sup> An empanelled consultant of National Informatics Centre Services Inc.

resource person to be employed by the Consultant for the job. The agreement, *inter alia*, provided the delivery timelines of the activities to be carried out by the Consultant *viz.*, preparation of RFP, bid process management for selection of vendor for procurement of e-bikes, contract negotiation and signing, issue of LoA/Work Order, program monitoring of distribution of e-bikes for service delivery.

- The contract with the Consultant was extended by the Corporation twice, *i.e.*, in April 2020 for six months and again in October 2020 for another six months (*i.e.*, up to April 2021). This was done without seeking approval of the Department on the Scheme.
- Finally, the Department informed (20 June 2020) the Corporation that the demand of funds for providing e-bikes was not considered by Finance Department during the financial year 2019-20. Based on this, the Corporation informed (15 February 2021) the Consultant about closure of service *w.e.f.* 26 February 2021. The Corporation also informed (10 March 2021) the successful bidder about closure of procurement process due to non-receipt of fund.
- The Consultant billed an amount of ₹ 1.67 crore to the Corporation against “monthly fee-PMC Gyan Deepika”, out of which ₹ 0.60 crore was paid to the Consultant till July 2024, without record of any work done by the Consultant.

From the above, Audit construed that:

- The Department did not accord approval for execution of contract agreement with the Consultant. The Corporation also violated the mandated provisions of Assam Public Procurement Act, 2017, by entering into an agreement with the Consultant with contractual and financial commitments, without obtaining administrative and budgetary approval of the Department for the Scheme.
- In absence of approval of the Scheme, there was no work for the Consultant for execution of the Scheme. Even the preparation of RFP, bid process management for selection of vendor for procurement of e-vehicle *etc.* were already carried out by the Corporation itself.
- The Corporation, after completion of the original term of three months of the contract, extended (April 2020) the contract by another six months *i.e.*, up to October 2020 although there was no indication from the Department with regard to approval of the Scheme.

- Further, the Corporation, despite being aware of the fact in June 2020 that the demand of funds for providing e-bikes had not been considered by Finance Department during the financial year 2019-20, once again extended (October 2020) the contract by another six months *i.e.*, up to April 2021. The extension was given mentioning implementation of the Gyan Deepika Scheme and assisting the Corporation in other matters like implementation of ERP, auctioning of vehicles and other operational matters.

Considering non-receipt of approval and funds for the Scheme from GoA, the Corporation had ample scope for advance closure of Consultant's services and minimize the payment of consultancy fees. The Corporation, however, could not take timely action in this regard. Thus, the Corporation engaged Consultant for implementation of a State sponsored Scheme without having administrative and budgetary approval, which led to avoidable committed expenditure of ₹ 1.67 crore.

The Corporation in its reply (August 2024), which was also endorsed by the Government, stated that it would adhere to the audit recommendation in future.

The reply was, however, silent on any steps taken to prevent such type of irregularities in future or any action being taken on the officials responsible for the avoidable expenditure.

***Recommendation:*** *The Corporation may ensure to enter into agreement involving financial or contractual commitments only after receipt of administrative and budgetary approvals from the Government. It may also ensure that payments are made, only after such approval have been received, and based on actual work done as per the agreed terms and conditions.*

## Assam Industrial Development Corporation Limited

### 3.5 Non-realisation of processing fee

***Due to the Company's inaction in collecting the processing fee for issuing Eligibility Certificates, as mandated by the Industrial and Investment Policy of Assam, 2014, it could not earn revenue of ₹ 1.23 crore.***

To boost the Gross State Domestic Product by promoting various economic activities within the State, Government of Assam (GoA) introduced the Industrial and Investment Policy of Assam, 2014 (IIPA, 2014) in February 2014. The IIPA, 2014 *inter alia* stated that:

- All eligible new as well as existing industrial units in the State, which carried out substantial expansion/modernization/diversification would be eligible for the incentives from the date of commencement of commercial production for the period applicable for each incentive (Clause 4.1).
- Eligibility Certificates (EC) were to be issued to medium and large industrial units by Assam Industrial Development Corporation Limited (Company) after ensuring that all the criteria for eligibility as specified in the IIPA, 2014 were fulfilled to the full satisfaction of the competent authority [Clause 4.5(1)].
- The Company was to realize processing fee from the applicants for issuing EC as per rate fixed by GoA from time to time (Clause 10.4).

In this regard, Audit observed that:

1. The Company submitted (July 2014) a proposal before the Board of Directors (BoD) to charge processing fee for evaluation of EC application at the rate of 0.10 *per cent* of cost of plant and machinery, subject to maximum of ₹ 2 lakh *per* industrial unit. The BoD approved (July 2014) the aforesaid proposal and directed the Company to take approval of GoA for the same.
2. The Company, accordingly, requested (September 2014) the Industries and Commerce Department, GoA to allow it to realise processing fee as per the rate recommended by its BoD. The approval for realising the processing fee was however, remained pending before GoA. The Company also did not pursue or follow up the issue with GoA for obtaining necessary approval for realising the processing fee.
3. After a lapse of more than two years from approval of BoD, the Company decided (November 2016) to realise processing fee from industrial units at the rate approved by BoD, with the condition that if GoA fixed a rate other than its

approved rate, the Company would either claim or refund the differential amount of processing fee to the industrial units concerned.

4. Although the Company issued 111 ECs during November 2016 to August 2023, it did not realise any processing fee from the industrial units. Considering the rate and methodology adopted by the Company for realising processing fee, it should have realised ₹ 1.23 crore as processing fee from the industrial units on issuance of ECs till August 2023.
5. Although the Company instructed industrial units to deposit the processing fee, which was to be determined by the GoA in due course, it made no further efforts to secure GoA's approval after November 2016. As a result, the Company missed the opportunity to collect the fees as outlined in the IIPA, 2014.
6. Given that the Company had accumulated losses of ₹ 82.12 crore, as reported in its latest finalised annual accounts for the year 2021-22, it should have made every effort to increase its revenue.

Thus, due to the Company's inaction in collecting processing fee for issuing ECs as mandated under the IIPA, 2014, it missed an opportunity to earn an additional revenue amounting to ₹ 1.23 crore as detailed in **Appendix 10**.

The Company in its reply stated (October 2024) that a communication was made to Industries and Commerce Department, GoA, in September 2014, seeking approval of the quantum of fees as per the rate recommended by BoD of the Company. The decision of the Government is, however, awaited. As such, it was decided by the Competent Authority of the Company, before starting issuance of the first EC in 2016, they may issue EC with a condition that processing fees shall be realized from the units if and when a concrete decision was obtained from GoA in this regard.

The reply is not acceptable, as the Company had approved (November 2016) realisation of processing fee from industrial units at the rate approved by BoD, with the condition that if GoA fixed a rate other than its approved rate, the Company would either claim or refund the processing fee to the industrial units concerned. Audit found no record to show that any other decision was taken to keep the approval of November 2016 in abeyance. Further, the Company took no further effort to secure GoA's approval after November 2016.

**Recommendation:** GoA may ensure implementation of its approved policy, which mandates the Company for collection of processing fees from the applicants against issuance of ECs so as to protect Company's financial interest.

The matter was reported (June 2024) to the Government; their replies have not been received (January 2025).

**Guwahati**  
**The: 17 July 2025**

**(KUMAR ABHAY)**  
**Accountant General (Audit), Assam**

**Countersigned**

**New Delhi**  
**The: 25 July 2025**

**(K. SANJAY MURTHY)**  
**Comptroller and Auditor General of India**

