INDUSTRIES AND COMMERCE DEPARTMENT

5.1 Integrated Audit of Industries and Commerce Department

Highlights

The main function of the Industries and Commerce Department is to create adequate infrastructure for promotion of large and medium industrial enterprises in the State. Integrated audit of the Department revealed absence of adequate planning, poor programme management and lack of internal control mechanism. A review of the functioning of the Department brought out the following major points:

The Department drew (November 2001 - March 2008) funds amounting to Rs.13.87 crore in advance of actual requirement, out of which, Rs.5.73 crore were parked out of Government account and the rest retained in Deposit accounts.

(Paragraph 5.1.8.3)

Government efforts to promote large and medium industries through infrastructure development did not materialise even after spending Rs.72.66 crore.

(Paragraph 5.1.9.1)

As against 14,000 unemployed youth to undergo training under 'Chief Ministers' Swa Neyojan Yojana, the actual coverage was only 1,512.

(Paragraph 5.1.9.7)

5.1.1 Introduction

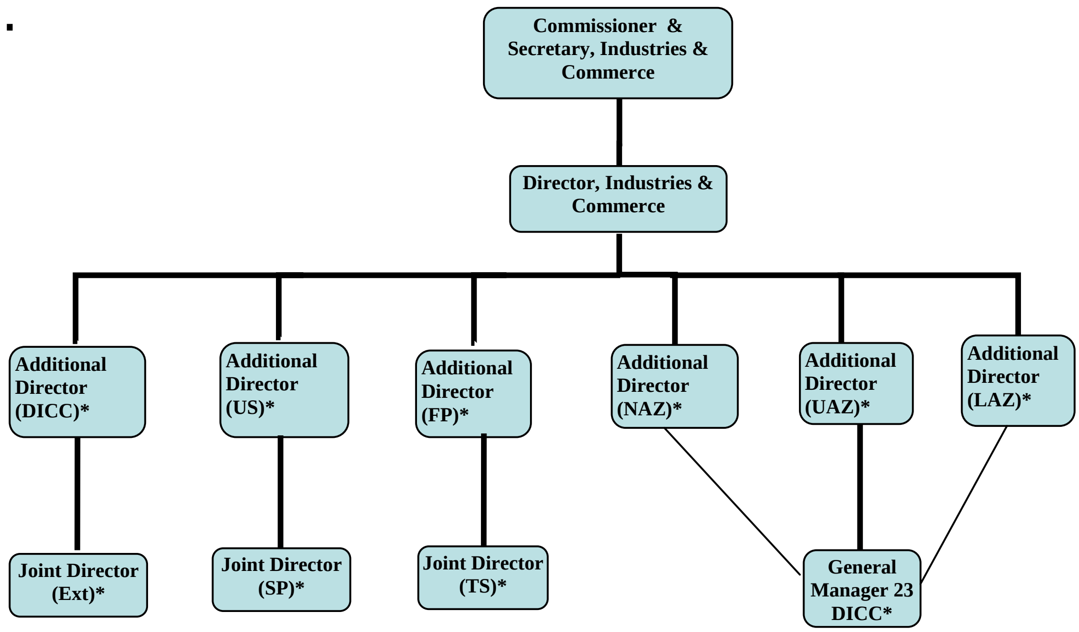
In consonance with the North East Industrial Policy (NEIP), 1997 of the GOI, the State Government formulated a New Industrial Policy, 2003 with the aim of achieving the following main objectives:

- ensure development of adequate and appropriate infrastructure for industrial growth;
- promote establishment of medium and large scale mother industries to create an industrial base offering large scale employment opportunities through backward and forward linkages;
- take steps to revive the sick PSUs and make them economically viable;
- take steps to promote small scale industries and rural handicrafts so as to conserve and enrich cultural heritage, traditions and customs of the State besides economic upliftment of the rural poor.

5.1.2 Organisational Set up

The Department of Industries and Commerce is responsible for the implementation of the NIP, 2003 and the programmes envisaged under it. The Department is headed by the Commissioner and Secretary. The programmes and activities are implemented by the Director of Industries and Commerce (DI&C) through six Additional Directors, three Joint Directors and 23 General Managers of District Industries and Commerce Centres (DICC). The organisational set up of the Department is given in Chart-1 below:

Chart-1



5.1.3 Scope of Audit

The functioning of the Department for the period 2003-08 was reviewed during April-July 2008, through a test check of the records of the Secretariat of Industries and Commerce Department, office of the Director of Industries and Commerce (DI&C), six[1] out of 23 District Industries and Commerce Centres (DICCs) and office of the Principal, Central Industrial Training Institute (CITI).

5.1.4 Audit Objectives

The audit objective was to assess the performance of the Department on the following parameters:

- Programmes undertaken for overall industrialisation of the State
- Effectiveness of the investment policy of the Government
- Financial management of the schemes
- Planning and programme management

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* DICC – District Industries & Commerce Centre; US – Udyog Sahayok; Ext – Extension; LAZ – Lower Assam Zone; UAZ – Upper Assam Zone; NAZ – North Assam Zone; TS – Transport Subsidy; FP – Food Processing; SP – Store purchase

[1] Kamrup, Karimganj, Bongaigaon, Nagaon, Hailakandi, North Lakhimpur

- Human resource management of the Department
- Monitoring, Evaluation and Internal Control Mechanism

5.1.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- North-East Industrial Policy, 1997 of GOI;
- New Industrial Policy (NIP) of Assam 2003;
- Perspective Plan and instructions issued from time to time by the State Government; and
- Prescribed Monitoring mechanism.

5.1.6 Audit Methodology

An entry conference was held with the State Government and the Departmental officers in April 2008 wherein audit objectives, criteria and audit methodology were discussed. Selection of DICC was based on random sampling method. Exit conference was held in September 2008 with the Commissioner and Secretary and other Departmental officers and their replies have been incorporated at appropriate places in the report.

Audit Findings

The important points noticed during audit are discussed in the succeeding paragraphs.

5.1.7 Planning

In addition to the implementation of the New Industrial Policy (NIP), 2003 for developing infrastructure and providing fiscal incentives to the large, medium and SSI units, the Department implemented the Mukhya Mantri Karma Jyoti Achani (MMKA), Udyog Jyoti Scheme (UJS) and Chief Minister's Swa Niyojan Yojana (CMSY) under the State Sector and Prime Minister's Rozgar Yojana (PMRY) under the Central Sector. Further, the Schemes taken up during IXth Plan were also continued during the Xth and XIth Five Year Plan periods. But the Department did not prepare any Perspective Plan or Annual Action Plans indicating long and short term strategies, resources to be utilised and implementation schedules, etc. covering NIP 2003 and other State and Central sector schemes. Yearwise targets for implementation of various schemes envisaged in the NIP were also not fixed. Besides, the Department also did not take up any significant measures for development of adequate infrastructure both for SSI units and large and medium scale industries, including revival of sick PSUs. Thus, the objective of NIP 2003 remained largely unachieved.

5.1.8 Financial Management

5.1.8.1 Budget outlay and expenditure

The position of budget allocation and expenditure incurred thereagainst during 2003-08 is shown in Table-1 below:

Table-1

(Rupees in crore)

Year	Original budget	Supplementary budget	Surrendered amount	Total	Expenditure	Saving(-) Excess (+) (Percentage)
2003-04	48.91	8.77	----	57.68	39.53	(-) 18.15 (31)
2004-05	65.29	4.71	10.50	59.50	50.86	(-) 8.64 (15)
2005-06	65.08	13.61	----	78.69	33.37	(-) 45.32 (58)
2006-07	105.04	2.37	10.49	96.92	122.82	(+) 25.90 (27)
2007-08	174.35	30.00	----	204.35	57.60	(-) 146.75 (72)
Total	**458.67**	**59.46**	**20.99**	**497.14**	**304.18**	

Source: Appropriation Accounts

As can be seen above, there were savings in all the years except 2006-07, ranging between 15 and 72 *per cent* of budgeted allocation.

Savings occurred mainly due to non-release of funds by the State Government towards its contribution for IT policy, share capital of Statutory Corporations[2] (AIDC, AIIDC and ASIDC), and loans to Statutory Corporations (AIDC, ASIDC, ASTC, ATC, APML) etc. Excess expenditure during 2006-07 was due to land acquisition for Gas Cracker Project and is yet to be regularised. Savings were not surrendered during 2003-04, 2005-06 and 2007-08 and surrendered less during 2004-05.

Persistent savings were attributed by the Department (July 2008) to non receipt of concurrence from the Finance Department / approval from the Panchayat and Rural Development Department on time, and non-release of funds by the Government.

The Department made a supplementary provision for Rs. 57.09 crore in the budget for the years 2003-06 and 2007-08 while there were overall savings of Rs.218.86 crore (55 *per cent*) during those years. Thus, provision for supplementary grant during the years had no justification. On the other hand, the Department made a supplementary provision for Rs. 2.37 crore during 2006-07 and surrendered Rs. 10.49 crore during the year but there was an overall excess expenditure of Rs. 25.90 crore. Thus, estimation of budget for these years was prepared on an unrealistic basis.

Non release of funds had a significant negative impact on the implementation of the industrialisation scheme as brought out in the seceding paragraphs.

5.1.8.2 Non-recovery of Government dues

(i) The Department had created infrastructural facilities like construction of industrial sheds, commercial estates etc., and leased them out to entrepreneurs on rental basis. However, the rent realised on these assets during 2005-08 ranged between 14 and 17 *per cent* of the amount due during the years. The Department did not initiate any measures to realise the dues. Consequently, the unrealised amount stood at Rs. 1.53 crore at the end of 2007-08 as detailed in Table-2 below:

[2] AIDC = Assam Industrial Development Corporation, AIIDC = Assam Industrial Infrastructure Development Corporation, ASIDC = Assam Small Industrial Development Corporation, ASTC = Assam State Textile Corporation, ATC = Assam Tea Corporation and APML = Ashok Paper Mill Limited

Table 2

(Rupees in lakh)

Year	No. of DICC	Amount due			Realisation against			Balance	Percentage of realisa-tion
		Outstanding for earlier years	Current year	Total	Outstan-ding	Current year	Total		
2005-06	20	113.28	37.51	150.79	12.51	13.24	25.75	125.04	17
2006-07	20	125.04	39.96	165.00	7.03	18.47	25.50	139.50	15
2007-08	20	139.50	39.38	178.88	11.40	14.23	25.63	153.25	14

Source: Departmental records

There was no system in place in the Directorate to regularly review the position to ensure that the revenues are actually realised and credited into Government account by the DICCs. Thus, mobilisation of funds from the available sources of revenue for subsequent investment, had been hampered. The Department accepted (September 2008) the facts and assured appropriate action.

(ii) The Director of Industries and Commerce paid advances amounting to Rs. 5.51 lakh to 14 officers between December 2001 and January 2008 for different purposes. The amount remained unadjusted as of March 2008. Further, the General Manager, DICC, Kamrup paid advances amounting to Rs. 9.75 lakh out of PMRY funds to 35 officers during 2005-08 for training, census operation, UJS, pre-selection motivational campaign and office expenses. This amount also remained unadjusted as of March 2008. In all these cases, the concerned units neither maintained any register of advances nor took any steps for effecting recovery, except in two cases, where Rs.4.32 was recovered as of September 2008. While accepting the facts, the Department stated (September 2008) that immediate measures would be taken to adjust/recover the amounts.

5.1.8.3 Parking of funds

Assam Treasury Rules (ATRs) stipulate that money should not be drawn until and unless it is required for immediate disbursement. Scrutiny of the records revealed that the Director, Executive Engineer (CIO) and GM, DICC, Kamrup drew Rs. 13.87 crore between November 2001 and March 2008 and held in 8443 – Civil Deposit (Rs.8.14 crore) and Deposit at Call Receipts (DCR) (Rs.5.73 crore).

The details are as under:

- The Director sanctioned (March 2008) Rs. seven crore as loan to AIDC Ltd., for equity contribution for the creation of a special purpose vehicle (SPV) for Guwahati trade centre. The entire amount was kept (March 2008) under ‘8443 – Civil Deposit’.
- Rs. 1.14 crore sanctioned (March 2008) by the Department for establishment of two Industrial Estates (Rs.70 lakh) at Morigaon and Sonapur, Industrial area (Rs.20 lakh) at Barpeta Road and construction of DICC office building (Rs.24 lakh) at Golaghat, Hailakandi and Darrang, was kept in the Revenue Deposit Account by the Executive Engineer (CIO), Guwahati in March 2008.

- Between February 2002 and March 2008 the Director drew Rs. 5.23 crore against PMRY, CMSY, MMKA, Udyog Jyoti Scheme and payment of loan to AIDC Ltd. etc. The amount was kept in DCRs/Banker's Cheques.
- Rupees 38 lakh relating to PMRY, CMSY, MMK, 30 *per cent* of the State Capital Investment Subsidy (SCIS) for 2007-08 etc. was held in the form of DCRs between November 2001 and March 2008 by the GM, DICC, Kamrup without utilising it for the purposes for which it was given.
- GM, DICC, Kamrup received Rs.12 lakh in June 2006 for distribution of prize money of MMKA. The amount was retained in DCRs and not disbursed till date (June 2008). The GM stated (June 2008) that the amount could not be disbursed due to observance of code of conduct for Panchayat election in February 2006. The reply is not tenable because code of conduct did not continue for 28 months (February 2006 to June 2008).

As a result of parking of these funds, infrastructure creation as contemplated in the Industrial policy as well as the objective of the concerned schemes, remained unachieved.

5.1.8.4 Retention of heavy closing balance

Scrutiny of cash book maintained in the Directorate revealed that there were closing balances amounting to Rs. 7.05 crore, Rs. 6.49 crore and Rs. 5.80 crore at the end of March during the years 2006, 2007 and 2008 respectively. Thus, heavy cash balances were retained in the Department. The Director stated (July 2008) that funds were drawn for ongoing schemes which were being released from time to time as per requirement and progress of the schemes and also subject to utilisation of funds released earlier to the field offices. However, the fact remains that the requirement was not assessed prior to drawal of funds from Government exchequer. This signifies lack of effective financial management and control in the Department.

5.1.9 Programme Implementation

Out of 17 schemes[3] to be taken up in the State during 2003-08 as per the NIP 2003, three schemes *viz.* (1) Handicraft Design Research Centre (HDRC), (2) Technology Development and (3) Promotional Schemes were not implemented. Reason for non-implementation of HDRC was due to non-release of funds as stated by the Director (July 2008). As regards the other two schemes, reasons were not furnished.

Of the remaining 14 schemes, 7 schemes were test-checked in audit and discussed in the succeeding paragraphs.

[3] 1.Industrial Loan/Margin Money Loan, 2. Supply of Improved Tools, 3. Training Programme, 4. Quality Control and Marketing scheme, 5. Exhibition and Publicity, 6. Share Capital to ARTFED/AGMC, 7. Renovation of existing Industrial Estate & Commercial Estate, 8. Implementation of New Industrial Policy, 9. Mukhya Mantrir Karma Jyoti Achani, 10. Udyog Jyoti Scheme, 11. Chief Minister's Swa-Niyojan Yojana, 12. Prime Minister's Rojgar Yojana, 13. Integrated Infrastructure Development, 14. Border Trader Centre, 15. Handicraft Design Research Centre (HDRC), 16. Technology Development and 17. Promotional Schemes.

Infrastructure Development

5.1.9.1 Integrated Infrastructure Development Projects (IIDPs) and Border Trade Centres

To promote the establishment of large and medium scale industries in the State, the Department took up infrastructure development with funding from the Central and State Governments, in the ratio of 80:20. During the period 1996-97 to 2007-08, an amount of Rs.75.06 crore (Central: Rs.66.85 crore, State: Rs.8.21 crore) was made available to Assam Industrial Development Corporation (AIDC) Ltd for construction of six Integrated Infrastructure Development Projects (IIDP), two Industrial Growth Centres (IGC) and nine other projects. Of these, only one IIDP was completed at a cost of Rs.5.03 crore in July 2004. The other works were not completed after incurring an expenditure of Rs.49.70 crore as of March 2008. The Department admitted the facts and stated (September 2008) that most of the works were on the verge of completion and require further funds for completion in all respects.

A further sum of Rs.23.02 crore (Central: Rs.21.12 crore; State: Rs.1.90 crore) was made available to Assam Industrial Infrastructure Development Corporation (AIIDC) between 2001-08 for construction of two IIDP and one IGC and one Border Trade Centre. None of the projects was completed as of March 2008 despite incurring an expenditure of Rs.22.96 crore.

Thus, Government efforts to promote industrial growth through infrastructure development had not borne fruit. The Department accepted the facts.

5.1.9.2 Construction of Model Commercial Centres

In order to develop infrastructure for setting up industrial units during 2005-08 in the State, the Planning and Finance (EC-II) Department approved (March 2005) construction of 25 Model Commercial Centres (eight units in each centre with a plinth area of 1600 sq. ft, at an estimated cost of Rs.9.63 lakh each) at a total cost of Rs.2.50 crore. Funds for the project were provided out of the savings of CMSY scheme available with the Directorate. The Director disbursed (August 2005) Rs.2.50 crore to the Executive Engineer (EE) (CIO), for execution of the project. The EE executed only four double storied model commercial centres (3,200 sq ft) at Tinsukia, Titabor, Sibsagar and Silchar at a revised cost of Rs. 1.28 crore and seven centres (1,600 sq ft) at Narayanpur, Lakhimpur, Karimganj, Goalpara, Bilasipara, Nalbari and Barpeta at a revised cost of Rs. 1.05 crore without obtaining the technical sanction and expenditure approval for the revised estimates from the competent authorities, violating the codal provision. Test check of records revealed that construction work of 11 units (four double units and seven single units) was taken up between March and August 2005 out of which, 10 units (three double units and seven single units) were completed at Rs. 2.03 crore between March and April 2008 as against the original estimated cost of Rs. 1.25 crore. This resulted in extra unauthorised expenditure of Rs.78 lakh. The facts were admitted (September 2008) by the Department. Thus, apart from deviation from the approved estimates and violation of codal provision and non-allotment of completed centres, the objective of providing basic infrastructure to the entrepreneurs for self employment, remained unfulfilled.

5.1.9.3 Position of PSUs in the State

As on 31 March 2008, there were 46 Government Companies (36 working and 10 non-working) and four working Statutory Corporations under the control of the

State Government. The accounts of 35 working Government Companies and four Statutory Corporations were in arrears for periods ranging from one to twenty three years as of September 2008. The State Government had invested Rs.1,070.42 crore (equity : Rs.53.25 crore; loans : Rs.397.22 crore; grants/subsidy : Rs.586.50 crore and other : Rs.33.45 crore) in 30 working PSUs during the years for which accounts have not been finalised. In the absence of accounts and subsequent audit, it could not be verified whether the investment and expenditure have been properly accounted for and the purpose for which the investment was made, was achieved. Besides, delay in finalisation of accounts carries the risk of financial irregularities going undetected apart from violation of the provisions of Companies Act, 1956. According to the latest finalised accounts of 36 working Companies and four Statutory Corporations, 28 Companies and three Corporations incurred an aggregate loss of Rs.148.02 crore and Rs.147.77 crore respectively. Five Companies and one Corporation had earned aggregate profit of Rs.38.35 crore and Rs.41.10 lakh respectively.

Of the 28 loss making companies, 20 companies had accumulated losses aggregating Rs.393.04 crore which exceeded their paid up capital of Rs.132.19 crore. Despite poor performance and complete erosion of their capital, the State Government continued to provide financial support to these Companies.

Developmental Programmes

The position of availability of funds for implementation of various programmes by the Department and expenditure incurred thereagainst during 2003-08 is shown in Table-3 below:

Table-3

(Rupees in crore)

Name of the Scheme	Year	Funds available			Expenditure	Unspent balance (Percentage)
		Opening Balance	Funds received	Total		
PMRY	2003-04	0.05	1.11	1.16	0.62	0.54 (47)
	2004-05	0.54	NIL	0.54	0.27	0.27 (50)
	2005-06	0.27	1.57	1.84	0.65	1.19 (65)
	2006-07	1.19	----	1.19	0.98	0.21 (18)
	2007-08	0.21	0.64	0.85	0.58	0.27 (32)
MMKA	2003-04	NIL	----	----	----	----
	2004-05	NIL	----	----	----	----
	2005-06	----	9.00	9.00	8.90	0.10 (1)
	2006-07	0.10	0.95	1.05	----	1.05 (100)
	2007-08	1.05	1.00	2.05	----	2.05 (100)
UJS	2003-04	----	----	----	----	----
	2004-05	----	----	----	----	----
	2005-06	----	1.00	1.00	0.85	0.15 (15)
	2006-07	0.15	1.00	1.15	----	1.15 (100)
	2007-08	1.15	----	1.15	----	1.15 (100)
CMSY	2003-04	5.02	----	5.02	0.57	4.45 (89)
	2004-05	4.45	----	4.45	0.37	4.08 (92)
	2005-06	4.08	----	4.08	2.77	1.31 (32)
	2006-07	1.31	----	1.31	0.28	1.03 (79)
	2007-08	1.03	----	1.03	0.19	0.84 (82)
Total			**16.27**		**17.03**	

Source: Departmental records

It would be evident from the above data that the unspent balance against the four schemes stood at Rs. 4.31 crore at the end of March 2008 and ranged between 1 to 100 *per cent*, indicating poor implementation of the schemes. The Department accepted (September 2008) the facts and assured that steps would be taken to achieve the scheme objectives.

5.1.9.4 Prime Minister Rozgar Yojana (PMRY)

The GOI launched the PMRY scheme during 1993-94 with the prime objective of providing self employment to the educated unemployed youth for setting up self ventures. According to the scheme guidelines, the entrepreneur is entitled to take loan from bank for any project upto Rs.two lakh for industries and Rs. one lakh for service and business (revised to Rs.five lakh and Rs.two lakh respectively from 2007-08) and the entrepreneur is to contribute five *per cent* of the project cost. Loan is to be repaid within 3–7 years with interest at rates applicable from time to time. Further, the GOI provides subsidy at the rate of 15 *per cent* of the project cost subject to a ceiling of Rs. 15,000. The scheme also envisaged compulsory training for entrepreneurs after the loan is sanctioned by the bank. The scheme was to be implemented by the GM, DICC through a District Task Force Committee (DTFC) and to be monitored by the District PMRY Committee headed by the Deputy Commissioner at the district and the State PMRY Committee at the State level.

The GOI approved (2003-08) coverage of 58,900 individuals under the scheme. Out of this, only 47,796 cases were sanctioned by the banks (81 *per cent)*, and loan was disbursed to only 34,892 (73 *per cent*). Training was not arranged in 6,547 out of 47,796 cases (14 *per cent*) that were sanctioned loans by the banks. In respect of the ventures for which bank loans were disbursed, the recovery position and whether the ventures were viable and operational were not assessed by the Department.

Reasons for shortfall at each stage were neither assessed nor was any action taken by the Department to ensure achievement of the targets and objectives fixed by the GOI. The Additional Director of the Directorate stated (July 2008) that the shortfall was mainly due to non-sanction of proposals by the banks due to non-repayment of outstanding loans. The Department has not provided training and infrastructure support like sites/shops at concessional rates, concessional electric connections, water connections, tax concessions etc. Thus, the entrepreneurs were deprived of benefit of assistance from GOI for setting up self ventures due to the lack of monitoring and follow up action by the Department and as a result, the scheme failed to achieve its objective.

5.1.9.5 Mukhya Mantri Karma Jyoti Achani[4] (MMKA)

The MMKA was introduced by the State Government during 2005-06 with the main objective of upliftment of traditional handicraft artisans. Under the scheme, improved tools, raw materials and marketing assistance etc., were to be provided to the artisans for skill development in their traditional trades like manufacturing of decorative textiles, black smithy, pottery, carpentry, toy making, musical instruments etc. The scheme was to be implemented by the Directorate initially in 50 Legislative Assembly Constituencies (LACs) in three phases with the assistance of District Committee[5].

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[4] Achani means scheme.

[5] District Committee comprises of DC (Chairman); General Manager, DICC (Member Secretary); Superintendent, Handloom & Textiles (member); and District Social Welfare Officer (member).

During 2005-06, Rs.9 crore was released by the Government for implementation of the scheme. Out of this, the Director could spent Rs.8.90 crore for purchase of raw materials i.e. yarn and tool kits etc. (Rs.8.22 crore), prize money (Rs.0.60 crore) through DICCs and contingent charges (Rs.0.08 crore), leaving an unspent balance of Rs.0.10 crore.

Test check of the records of Kamrup DICC revealed that materials (Yarn, tool kits etc.) worth Rs.17.36 lakh were not distributed to the beneficiaries (June 2008) and are lying in stock. In other districts, however, such irregularities were not noticed.

The Director also received Rs.95 lakh during 2006-07 and Rs.one crore during 2007-08 which was not spent as of March 2008. The reason for non-implementation of the scheme was stated to be due to code of conduct of Panchayat election, and availability of limited funds. The reply is not tenable, since this is a continuing scheme and not limited to any particular period.

5.1.9.6 Udyog Jyoti Scheme (UJS)

The State Government launched the UJS during 2005-06 with the objective of providing exposure to the final year students of graduation course, to a variety of industrial production activities at industrial centres like Export Promotional Industrial Park (EPIP), Central Institute of Plastic Engineering (CIPET), Central Tool Room Training Centre (CTRTC), Guwahati Refinery, Industrial Estates (IEs) etc., so that after completion of studies, they could start their own ventures or get employed in such industries. The State Government released Rs. one crore during 2005-06 for the purpose, against which, the Director spent Rs.85 lakh towards travelling expenses, hotel charges and other contingent charges for 2,447 students inside the State and 144 students outside the State. The balance amount of Rs.15 lakh remained unutilised as of March 2008. Further, Rs. one crore released during 2006-07 by the State Government remained unutilised as of March 2008. The Department did not even assess the outcome of the exposure given to 2,591 students during 2005-06 and no follow-up action was taken to identify the students who were motivated as a result of the exposure, or the students who took up their own ventures etc. Thus, the effectiveness of implementation of the scheme remained unassessed. No further initiative was taken in the subsequent years for implementation of the scheme. As a result, the objective of the scheme remained unachieved.

5.1.9.7 Chief Minister's Swa Niyojan Yojana (CMSY)

The State Government launched the CMSY scheme during 2000-01, for imparting apprenticeship training to 2,000 educated unemployed youth in two batches in a year, Each batch was to comprise of 1,000 youth who were to be trained for six months with a stipendiary benefit of Rs. 3,000 per month per trainee, in different industrially developed States within the Country. The scheme also provided for sending technically educated professionals and skilled labourers to foreign countries especially in Middle East and Europe, for employment.

Scrutiny of the records revealed that the Director sponsored only 1,512 trainees during 2001-08 as against 14,000 (2,000 nos. X 7 years) required to be sponsored till March 2008 for training outside the State leading to short coverage of 12,488 (89 *per cent*) educated unemployed youth under the scheme. Reasons for shortfall in sponsoring of trainees were not on record. After the training was imparted, only 99 (7 *per cent*) trained youth were employed outside the State as revealed from the records of the Directorate.

The scheme for sending professionals outside the country had not been implemented. Thus, the ultimate objective of the scheme for training and subsequent employment of trained youth remained largely unachieved.

5.1.9.8 Incentive under New Industrial Policy (NIP) 2003

The Government of Assam formulated a package of incentives under NIP 2003 for promoting and setting up industrial units and revitalisation of sick industrial units to promote investment in the State. The main fiscal incentives under the policy to be extended to the industrial units of Assam are State Capital Investment Subsidy (SCIS) (30 *per cent* on investment on plant & machinery), interest subsidy on working capital (30 *per cent* of the amount of interest charged by/paid to bank on working capital loan); power subsidy (the subsidy will be paid on the power consumed for a period of five years upto a maximum of Rs.20 lakh); subsidy on Captive Power Generation (50 *per cent* of cost of DG sets upto Rs.10 lakh) and subsidy for drawal of power line (20 *per cent* of the cash payable to ASEB for drawal of HL/LT line).

The Director of Industries with the approval of State Level Committee (SLC) selected 151 industrial units (where investment in plant and machinery was above Rs.10 lakh) for payment of subsidies. The details of subsidies sanctioned during 2003-08 as furnished by the Directorate are detailed in Table-4 below:

Table-4

(Rupees in lakh)

Year	Categories of subsidies approved by SLC									
	30 *per cent* SCIS		D.G. Set		Drawal of Power line		Power subsidy		Interest subsidy	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2003-04 Approved cases	----	----	----	----	----	----	----	----	----	----
2004-05	20	162.88	----	----	----	----	----	----	----	----
2005-06	40	354.83	3	8.87	1	0.46	----	----	----	----
2006-07	4	32.92	----	----	----	----	8	50.96	----	----
2007-08	9	105.48	8	29.89	2	0.99	54	373.31	2	6.44
Total	**73**	**656.11**	**11**	**38.76**	**3**	**1.45**	**62**	**424.27**	**2**	**6.44**

Source: Departmental figures.

Subsidies relating to the period upto 2005-06 have already been paid during 2004-08. There were 87 cases which remained outstanding for the years 2006-07 and 2007-08 involving Rs.6 crore. Due to delay in disbursement of sanctioned subsidies to the concerned units, industrialisation process in the State was retarded.

Subsidy payment cases in respect of industries with investment upto Rs.10 lakh on plant and machinery was to be settled at the District level (DICC) with the approval of District level committee.

Scrutiny of the records in three districts, however, revealed that the outstanding liability of the Department towards subsidy payment sanctioned to 640 industrial units as of March 2008, was as follows.

Table-5

Name of DICC/ District	Year upto	Categories of subsidies approved but yet to be paid						
		SCIS	Power subsidy	Power line subsidy	Interest subsidy	D.G. subsidy	Misc. subsidy	Total
	(Rupees in lakh/No. of units)							
	2004-05							
Lakhimpur		30.10 (12)	9.59 (9)	1.21 (2)	7.32 (1)	---	---	48.22 (24)
Kamrup		231.64 (211)	524.07 (115)	---	22.99 (6)	22.95 (14)	---	801.65(346)
Bongaigaon		28.50 (20)	2.85 (5)	0.49 (3)	---	---	---	31.84 (28)
	2005-06							
Lakhimpur		23.86 (14)	7.56 (3)	0.31 (1)	---	5.48 (2)	1.21 (3)	38.42 (23)
Kamrup		---	129.46 (21)	---	---	---	---	129.46 (21)
Bongaigaon		3.88 (5)	6.32 (8)	0.28 (1)	0.56 (1)	---	---	11.04 (15)
	2006-07							
Lakhimpur		---	---	---	---	---	---	---
Kamrup		61.05 (37)	103.24 (47)	2.34 (6)	4.09 (2)	29.58 (10)	2.37 (3)	202.67(105)
Bongaigaon		5.87 (5)	2.55 (6)	---	---	---	---	8.42 (11)
	2007-08							
Lakhimpur		28.05 (28)	---	---	---	0.37 (2)	---	28.42 (30)
Kamrup		14.25 (10)	15.92 (13)	1.51 (2)	1.91 (1)	19.51 (7)	---	53.10 (33)
Bongaigaon		1.46 (1)	2.50 (3)	---	---	---	---	3.96 (4)
Total		428.66 (343)	804.06 (230)	6.14 (15)	36.87 (11)	77.89 (35)	3.58 (6)	1357.20(640)

Source: Departmental records

Thus, 727 Industrial units (87 + 640) were denied the benefits of subsidy of Rs. 19.57 crore (Rs.6 crore + Rs.13.57 crore) due to non-release of funds by the State Government. As a result, the commitment of the Government to provide assured incentives to the industrial units was not fulfilled. While accepting the facts, the Department stated (September 2008) that steps will be taken to move Finance and P&D Departments for release of funds to clear the outstanding liabilities.

5.1.10 Manpower Management

5.1.10.1 Excess/idle staff

The Department had neither carried out an assessment of its manpower requirement nor was any review of requirement with regard to work load conducted during 2003-08. As a result, there were excess and idle staff, as detailed below:

The Department had 489 officers and 269 Grade-III staff on its rolls at the end of March 2008. Against this, 400 Grade–IV staff were employed, representing 53 *per cent* of the total 758 officers/Grade-III staff. While norms for engagement of

Grade–IV staff were not fixed in the Department, entertaining 53 *per cent* Grade–IV staff as compared to the position of officers and Grade-III staff is excessive and had no basis. The Department stated (September 2008) that efforts are on to re-deploy the excess staff.

The function of Handicraft, Design and Research Cell (HDRC) under the Directorate with a staff strength of 10 (headed by one Assistant Industries Officer) is mainly to work on designing and moulding of sculpture, cane and bamboos designing etc. However, during 2003-08, the Cell could not function due to non-provision of funds for the purchase of raw material. Consequently, not only did the staff remain idle during these years, but the purpose of creation of the Cell was also not achieved. The Director accepted the facts (July 2008).

5.1.11 Inventory Management and Control

As per Assam Financial Rules (Rule 195), necessary stock registers are to be maintained and the balance in stock should be physically verified half yearly. Although stock registers of non-consumable stores and other material were maintained by the Directorate, in seven out of nine test checked offices, the items of furniture, fixtures, computers etc., were not valued. Only the list of items was incorporated in the register, from which, the actual position of stock held could not be ascertained. Besides, the system of physical verification of stock was not in place either in the Directorate or in the test checked district offices. Thus, control measures prescribed for stores and stock were not adhered to both in the Directorate and in the DICCs.

5.1.12 Internal Control and Monitoring

Internal Control is an integral process that is effected by an entity's management and is designed to provide reasonable assurance that the following general objectives are being achieved:

- fulfilling accountability obligations;
- complying with applicable rules and regulations;
- implementation of programme in an orderly, economical, efficient and effective manner.

Internal control mechanism was lacking in the Department. The Department did not maintain expenditure control registers to record the details of drawal of funds against allocation and expenditure thereagainst. Reporting system was also inadequate and periodical reports/returns from the field offices as regards implementation of various schemes and other activities in the districts were not obtained. Thus, monitoring system essential for ensuring compliance in terms of physical and financial implementation of schemes/programme was non-existent. No evaluation was ever carried out by the Department to assess the impact of implementation of programmes/activities undertaken for growth of industries in the State. The Department accepted the facts and stated (September 2008) that steps are being taken to strengthen the internal control system. Between 2005-06 and 2007-08 the State Government released Rs. 5.60 crore as loan to eight[6] Corporations (2005-06 :

[6] (1) Assam Tea Corporation Ltd. (Rs. 4.00 crore)
(2) Assam Industrial Development Corporation Ltd. (Rs. 0.03 crore)
(3) Assam State Textile Corporation (Rs. 0.10 crore)
(4) Assam Small Industries Development Corporation Ltd. (Rs. 0.30 crore)

Rs. 1.63 crore, 2006-07 : Rs. 0.97 crore and 2007-08 : Rs. 3.00 crore) through the Directorate. But, neither the State Government nor the Directorate took any action to recover even the principal amount as of March 2008. Due to poor maintenance of loan ledger by the Directorate, the position of outstanding loans sanctioned earlier, along with interest and their recovery position could not be ascertained in audit. While accepting the facts, the Department stated (September 2008) that loan ledgers will be made uptodate for eventual recovery. As per Assam Financial Rules (AFR) physical verification of cash balance is to be carried out by the head of the office on a monthly basis. However, in all the seven test checked offices and the Directorate, the monthly physical verification of cash was not conducted during 2003-08. Thus, basic financial regulation was not adhered to.

5.1.12.1 Internal Audit

An internal audit wing manned by two officers from Assam Audit Services and three Extension Officers (Industry) exists in the Directorate. The programmes for conducting internal audit in field units for the years 2003-08 were not chalked out by the wing and it could audit only one (GM, DICC, Mangaldoi) out of 27 units during 2007-08. The Directorate stated (July 2008) that due to engagement in other official work, there was a delay in carrying out Audit activities. Thus, the internal audit wing of the Department appeared to be non-functional. The Department assured (September 2008) that it would make it functional.

5.1.12.2 Non- settlement of audit observations

AFR stipulates that the Departmental officers should attend promptly to audit observations raised by the AG (Audit) and send replies within a fortnight of their issue. Besides, the DDO should maintain a control register for recording the observations and watch disposal thereof. None of the units test checked, including the Directorate, maintained this control register. As of March 2008, 145 Inspection Reports (IRs) containing 529 paragraphs were pending settlement against the auditee units of the Department since 1994-05, of which, even initial replies were not received in respect of 42 IRs containing 234 paragraphs. Thus, furnishing replies promptly to audit observations and follow-up action for their settlement was deficient in the Department leading to accumulation of unsettled audit paragrapghs.

5.1.13 Conclusion

The Department could not achieve the targets and objectives set for itself in the NIP, 2003. Infrastructural facilities were not developed to the desired extent, to promote medium and large scale mother industries and thereby attract investors. Due to various bottlenecks like non-release/delayed release of funds, and non monitoring of the implementation of various programmes, the objectives of various interventions by the Government were not achieved. The commitment to provide incentives in setting up industries was also not fulfilled. Creating employment opportunities through self employment ventures by making available institutional finance was not fully achieved. Financial management, programme management, internal control and monitoring including manpower management had inherent deficiencies.

(5) Ashok Paper Mill Ltd. (Rs. 0.32 crore)
(6) Cachar Sugar Mill (Rs.0.05 crore)
(7) Assam State Fertilizer Corporation Ltd (Rs.0.75 crore)
(8) M/S Industrial Paper (Assam) Ltd (Rs.0.05 crore).

5.1.14 Recommendations

- The State Government should release the funds allocated to the Department on a timely basis, so as to facilitate implementation of various programmes targeted for the development of industries in the State.
- Government should gear up to its role as a facilitator of industrial growth by speedy development of infrastructure.
- Assessment of the requirement of manpower should be done so as to achieve optimal utilisation of manpower at each level.
- Control mechanism should be in place for effective monitoring of the programmes/activities and enforced at all levels including at the Government level.

Guwahati **(Sword Vashum)**
The 16th January 2009 **Principal Accountant General**

Countersigned

New Delhi **(Vinod Rai)**
The **Comptroller and Auditor General of India**