

CHAPTER-IV

4 MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

4.1 GOVERNMENT COMPANIES

4.1.1 Assam Petrochemicals Limited

4.1.1.1 *Infructuous investment*

Investment of Rs.3.35 crore in CO₂ generation plant and CO₂ bottling plant proved infructuous due to closure of Methanol Unit I and CO₂ bottling plant.

The company commissioned (29 December 1996) a Carbon-di-Oxide (CO₂) Generation plant with installed capacity of 350 NM³ per hour at a total cost of Rs.1.89 crore for the following purposes:

CO₂ generation plant was set up to use CO₂ as process feed in Methanol Unit I plant

- (i) For regular supply of CO₂ as process feed for Methanol Unit I for increasing production from 14 MT per day to 20 MT per day.
- (ii) For injection of CO₂ to the process of Methanol Unit II (at a later stage when the unit would be ready to receive the same) for achieving additional production of 5 MT/day.

Prior to the commissioning of the above plant the company was getting the supply of CO₂ from the plants of Hindustan Fertilizers Limited. The CO₂ plant was commissioned without carrying out any study of residual life and past performance of Methanol Unit I, which was commissioned in August 1976.

Methanol Unit I was shut down in February 1998

Audit scrutiny revealed (March 2002) that Methanol Unit I was permanently shut down in February 1998 but even during the period from January 1997 to February 1998 the projected increase in production could not be achieved by Methanol Unit-I. Further, CO₂ gas could not be injected into the process of Unit II for achieving projected increase in production, as the required

equipment were not installed. Thus the main purpose for which CO₂ generation plant was installed was defeated.

CO₂ bottling plant was set up to market bottled CO₂

In May 1997, the Board decided to utilise a part of the spare capacity of CO₂ plant to manufacture and market bottled food grade CO₂. Accordingly, the company commissioned (26 July 1998) one CO₂ bottling plant at a total cost of Rs.1.46 crore. As per detailed project report (DPR) (February 1997) prepared by the company the total demand for food grade CO₂ (conforming to international standards) in North-East and Bhutan was 764.40 MT per year. The company proposed to produce and sell 633.60 MT bottled CO₂ in the first year and 760.32 MT from second year onwards.

CO₂ bottling plant was closed due to low market demand and higher cost of production

As against the projections made in the DPR, the actual production of bottled CO₂ was 24.145 MT in 1998-1999, 115.455 MT in 1999-2000 and 20.34 MT in 2000-2001 representing 3.81 *per cent*, 15.18 *per cent* and 2.67 *per cent* of projected production respectively due to non receipt of orders for supply of bottled CO₂. Major reasons for low demand were incorrect projection of demand in DPR, inadequate market survey, higher and prohibitive selling price. The installed capacity of the bottling plant thus remained largely unutilised. The Board in their 219th meeting held on 2 September 2002 decided to dispose of CO₂ bottling and Methanol I plant and desired that a study should be conducted to ensure feasibility of manufacturing CO₂ based product while deciding to retain the CO₂ generation plant for the time being.

Thus, the investment of Rs.3.35 crore made in setting up CO₂ Generation plant and CO₂ bottling plant proved infructuous.

The matter has been reported (May 2002) to the Government; reply has not been received (September 2002).

4.1.2 Assam Plains Tribes Development Corporation Limited

4.1.2.1 Extra expenditure

Purchase of tillers and tractors at AAIDC's selling price instead of at manufacturer's price/AAIDC's purchase price, allowing undue enhanced excise duty and payment for undelivered implements resulted in extra expenditure of Rs.18.43 lakh.

The vendor to supply power tillers at AAIDC's selling price

To implement Anti Poverty Simple Economic Assistance, centrally sponsored scheme, for the benefit of the tribal farmers of the state, the company (i) placed supply orders (December 1998) for 56 'SHRACHI'/KHAZANA' power tillers on M/s Heera Feed Store, Mangaldoi at the rate of Rs.0.93 lakh per

tiller, the approved selling price of Assam Agro-Industries Development Corporation Limited (AAIDC) and (ii) entered (March 2000) into an agreement with M/s D&N Enterprise, Mangaldoi (a local dealer) for supply of 35 Mahindra & Mahindra B-275 model DI—36 HP (engine capacity 1892 cc) tractors with complete attachment and implements including Disc Plough at the approved selling price of Rs.4.73 lakh per tractor of Assam Agro-Industries Development Corporation (AAIDC).

**Unjustified
increase in
prices**

In April 2000 M/s D&N Enterprise's demand for increase of rate to Rs.4.77 lakh per tractor on the plea of enhancement of excise duty by the Government of India was accepted by the company although there had been no increase in excise duty on such tractors during 2000-2001.

The supplier delivered 35 tractors during the period from 16 May 2000 to September 2000 and the company paid Rs.1.67 crore to the supplier at the rate of Rs.4.77 lakh- per tractor.

Audit scrutiny in this regard revealed the following:

**AAIDC's
selling
price
included its
profit
margin**

(a) Selling price of AAIDC included the profit margin of Rs.8,000 on SHRACHI brand tiller, Rs.5000 on KHAZANA brand tiller and Rs.18,000 on Mahindra and Mahindra tractor.

Thus, procurement of 56 Nos. of power tillers and 35 Nos. of tractor at the price equivalent to selling price of AAIDC instead of procuring the same from

the manufacturers/manufacturers' dealer (as done by the AAIDC) at the dealer's price resulted in avoidable expenditure to the extent of Rs.9.55 lakh to the company.

(b) Payment of Rs.1.40 lakh towards increased excise duty was uncalled for, as there was actually no increase in the excise duty during the period 2000-2001.

**The vendor
was paid for
implements
not supplied**

(c) Scrutiny of delivery challans further revealed that the firm had not supplied 15 Disc Ploughs (two buttons), so far, (up to September 2002 against the due date of 15 May 2000) being one of the attachments of a tractor, valued at Rs.3.83 lakh (at the rate of Rs.25,515/- each) but payment was already made for the same. Neither this could be recovered, nor has the matter been taken up with the supplier till date (September 2002).

(d) The company had initially placed order for 55 'SHRACHI' brand power tillers with M/s Heera Feed Store at the rate of Rs.0.93 lakh per tiller. The

Company allowed the vendor to supply tiller of another brand at higher price

company also inspected and accepted these 55 tillers at the vendor's godown. However, after supplying 15 tillers up to July 1999, vendor requested the company to allow them to supply 'KHAZANA' brand of tiller instead of 'SHRACHI' brand at the approved selling price of AAIDC. Company agreed to this and issued delivery order for supply of 41 'KHAZANA' power tillers at a total cost of Rs.41.78 lakh.

By not enforcing the terms and conditions of agreement and allowing the vendor to supply power tillers of another brand at higher rates, in relaxation of the terms of agreement, the company incurred an avoidable expenditure of Rs.3.65 lakh [Rs.41.78 lakh less Rs.38.13 lakh (41x93,000)].

Thus, due to purchase of tillers and tractors at the AAIDC's approved selling price without ascertaining the manufacturer's price/AAIDC's purchase price as well as for allowing undue revision of prices on the pretext of increase in excise duty, and payment for implements not supplied by the firm and relaxation in terms of agreement in case of supply of tillers, the company incurred an extra expenditure of Rs.18.43 lakh (Rs.9.55 lakh+Rs.1.40 lakh+Rs.3.83 lakh+Rs.3.65 lakh).

The matter has been reported (May 2002) to the Government; reply has not been received (September 2002).

4.1.3 Assam Small Industries Development Corporation Limited

4.1.3.1 Loss due to non-recovery and non-payment of energy charges

Non-recovery/misutilisation of company's receivables/receipts resulted in loss of Rs.0.84 crore.

The company buys power from ASEB for its tenants

Assam Small Industries Development Corporation Limited (ASIDC) buys power from Assam State Electricity Board (ASEB) at Bamunimaidam and Bonda Industrial Estate for further distribution to their tenants. As per the agreement with the tenants, charges for consumption of electricity were to be paid by the tenant at the rates fixed by the company or the Board for which bills were to be raised by the corporation or the Board. Based on the metered consumption of the individual units, bills are raised by the company on the tenants and energy charges so realised by the company are paid to the Board.

Scrutiny revealed (August 2001) that the company realised, Rs.30.00 lakh as energy charges from the tenants and irregularly utilised the amount for payment of establishment expenses instead of payment of the energy bills.

Default in payment to ASEB, failure to recover energy charges from tenants

Non-payment of energy bills have also attracted delayed payment surcharge amounting to Rs.37.81 lakh. The company also failed to recover the energy charges amounting to Rs.45.83 lakh from 33 industrial units, which had been closed during the period from October 1992 to May 2001. Neither any attempt had been made to realize the outstanding dues from the defaulters nor any legal action had been initiated by the company. Action for surrendering the load becoming excess due to closure of 33 units has also not been taken.

Load against closed units was not surrendered

The management stated that excess load was not surrendered with the expectation of allocating the closed units of the defaulters (by evicting them) to new entrepreneurs. The reply of the management does not hold good in view of the fact that only five vacant sheds were allotted to new entrepreneurs and the company is yet to initiate legal action to get the remaining sheds vacated, leaving aside the question of re-allotment. In this situation, the company could have reduced the load as per provision of Clause 7 (g) of the TCS 1998 and thus could have avoided the extra liability for minimum demand charge payable at the rate of Rs.170.00 per KVA per month on the excess load in respect of closed units.

Thus, lack of timely action on the part of the company to reduce the contracted demand and also to pay the Board's dues, the company incurred loss to the tune of Rs.45.83 lakh being unrecovered energy dues from closed units, and Rs.37.81 lakh on account of delayed payment surcharge payable to the Board.

The matter has been reported (June 2002) to the Government; reply has not been received (September 2002).

4.1.4 Assam Government Marketing Corporation Limited

4.1.4.1 Introduction

The Assam Government Marketing Corporation Limited, incorporated in December 1959, undertakes production of various items of handlooms and handicrafts and also purchases these items from Small Scale Industries, Craftsman and artisans. The company sells its own products and the products procured from outside through a network of emporia established at different places for the purpose.

The performance of the production centres and emporia along with few cases of irregularities as noticed in audit are discussed in succeeding paragraphs:

4.1.4.2 Uneconomic operation of Production Centres

The company suffered production loss of Rs.1.21 crore due to poor production performance

As on April 1996, the company had six Production Centres located at Nalbari (2 Centres), Sualkuchi, Uparhali, Silchar and Hojai set up under different schemes. The Production Centre at Silchar was closed in 2000-2001 and at present the company has five Production Centres.

The company did not fix any targets for production in these centres. The details of value of actual production and total expenditure were as under:

(Provisional)

(Rupees in lakh)

Production Centres	1996-1997		1997-1998		1998-1999		1999-2000		2000-2001		Total	
	Value of production	Total Expenses	Value of production	Total Expenses	Value of production	Total Expenses	Value of production	Total Expenses	Value of production	Total Expenses	Value of production	Total Expenses
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Nalbari	NIL	8.89	Nil	11.85	Nil	12.70	0.74	14.65	Nil	16.16	0.74	64.25
Nalbari	Nil	2.12	0.68	4.04	Nil	4.45	Nil	4.81	Nil	3.02	0.68	18.44
Sualkuchi	Nil	1.90	Nil	1.84	Nil	2.32	Nil	2.91	Nil	2.53	Nil	11.50
Uparhali	0.02	4.00	0.13	4.84	0.17	2.94	0.18	3.87	Nil	2.52	0.50	18.17
Silchar	Nil	0.57	0.42	1.16	Nil	1.45	Nil	1.34	Closed		0.42	4.52
Hojai	Nil	1.20	Nil	1.55	Nil	1.72	Nil	0.89	Nil	0.56	Nil	5.92
TOTAL	0.02	18.68	1.23	25.28	0.17	25.58	0.92	28.47	Nil	24.79	2.34	122.80

Company suffered losses due to poor production performance

It would be seen from the above table that against total expenditure of Rs.1.23 crore, the company could produce goods valued Rs.0.02 crore from these five production centers during 1996-1997 to 2000-2001 and as a result the Company suffered a loss of Rs.1.21 crore in respect of these production centers due to poor production performance. As analysed in audit, poor production was due to lack of working capital, diversion of funds meant for specific purposes towards revenue expenditure and also due to lack of managerial supervision.

4.1.4.3 Uneconomic operation of sales emporia

The company failed to achieve estimated sales due to higher prices and poor marketing strategy.

As on 1 April 1996, the company had 27 emporia including 4 emporia located outside the state. While five emporia had been closed down during 1999-2000, the company opened a new emporium at Mumbai during 2000-2001.

The table below indicates the trends of sales and profitability of the company/emporia (in respect of which separate accounts were available) during last five years ending 31 March 2001.

(Provisional)

(Rupees in lakh)

Year	Sales			Profit earning		Loss making	
	Budgeted (Rs.)	Actual (Rs.)	Percentage of actual to budgeted	No. of Emporia for which accounts were available	Profit. (Rs.)	No. of Emporia for which accounts were available	Loss (Rs.)
1996-1997	1445.00	846.78	58.60	9	74.58	15	11.11
1997-1998	950.00	596.50	62.79	7	6.74	16	11.68
1998-1999	820.00	488.46	59.57	5	8.52	16	16.60
1999-2000	903.00	512.79	56.79	4	3.54	16	13.30
2000-2001	834.00	639.00	76.62	3	11.69	15	16.49

Profit earning emporia declined from 9 to 3 over five years

It would be seen from the table that the actual sales varied from 56.79 per cent (1999-2000) to 76.62 per cent (2000-2001) of budgeted sales. 14 emporia incurred losses in all the five years up to 2000-2001. The company could not achieve the estimated sales in any of the five years. Reasons for decline in sales over the years have not been analysed by the management. Audit, however, observed that higher selling price due to higher overhead, lack of working capital, poor marketing strategy, absence of procurement and sales policy etc., were the reasons for decline in sales over the years.

4.1.4.4 Irregular diversion of funds

Schemes/projects could not be implemented due to diversion of fund

Funds relating to centrally sponsored schemes were diverted to meet establishment expenditure

During the five years ending 31st March 2001, the company had been provided with funds amounting to Rs.2.70 crore (Central Government: Rs.2.65 crore, State Government: Rs.0.05 crore) as loan and/or grants for implementation of 10 (ten) specific schemes/projects including centrally sponsored schemes. As per terms and conditions of respective sanctions, diversion of funds for purposes other than those for which it was sanctioned was not permissible. The company received Rs.1.70 crore from the Central Government during 1996-1997 to 2000-2001 for implementation of four centrally sponsored schemes. State Government contribution for these four schemes were, however, not received so far. The company utilised Rs.34.64 lakh only for implementation of the schemes and diverted the balance amount of Rs.1.35 crore (Rs.1.70 crore-Rs.0.35 crore) for establishment expenses as detailed below:

Schemes	Receipts from Government	Utilisation	Diversion
(Rupees in lakh)			
Work shed & Work shed-cum-Housing for Handicraft artisans	27.00	4.00	23.00
National Silk Yarn Bank	39.04	-	39.04
Project Package scheme	88.50	29.19	59.31
Development of exportable product	15.00	1.45	13.55
TOTAL	169.54	34.64	134.90

Social objective of the schemes was not achieved

Scrutiny revealed that Rs.1.35 crore was diverted to meet expenditure towards payment of salary, wages and other office expenses contrary to terms of sanctions. Thus, due to diversion of funds, the schemes/projects remained unimplemented and consequently benefits of the schemes could neither accrue to the company nor to the intended beneficiaries. Besides this, there was loss of projected revenue amounting to Rs.1.58 crore per year in respect of Project Package Scheme. In respect of other schemes, the social objective of improving the economic condition of the poor artisans/weavers has not been achieved.

4.1.4.5 Conclusion

The company has finalised its accounts only up to the year 1982-1983. Based on provisional accounts (not yet approved by the Board) for the year 1996-1997 to 1999-2000, the accumulated loss of Rs.0.70 crore as at 1996-1997 increased to Rs.1.77 crore at the end of 1999-2000 mainly due to decline in sales, running of the non-functioning/unproductive emporia/production centers, deployment of excess manpower over requirement etc. Decline in sales, as analysed in audit, was attributed to higher and prohibitive selling price of the products, lack of working capital, professional expertise, managerial supervision, marketing initiative and absence of any clear-cut policy for procurement/sales and management information system (MIS).

In order to survive as a viable unit, the company is to streamline its activities with mobilisation of adequate resources and complete all the ongoing projects/schemes within a reasonable time schedule, cut down the overhead expenditure, lay down clear cut policies for purchase and sales, determine the competitive selling price to improve sales position and above all to ensure accountability of management at every stage.

The matter has been reported (June 2002) to the Government; reply has not been received (September 2002).

4.2. STATUTOY CORPORATIONS

4.2.1 Assam State Electricity Board

4.2.1.1 Short levy of Power Factor Penalty (PFP) and loss of revenue

Incorrect calculation of percentage of fall in Power Factor resulted in short levy of PFP and loss of revenue – Rs.10.62 lakh

A consumer is liable to pay penalty for fall in power factor below 0.85

As per clause (g) under category (ix) read with clause (f) & (d) under category VII (C) & (D) respectively of Schedule of Tariff effective from September 1988 and Clause 14 (D) of the Terms and Condition of Supply (TCS) – 1998 of Assam State Electricity Board (ASEB) the average power factor (PF) of the supply should be not less than 85 per cent. In case average PF* in a month

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- PF (in per cent) = $\frac{\text{Kilowatt hours consumed in the month} \times 100}{\text{Kilovolt amperes registered during the month}}$
-

falls below 85 per cent, a penalty at the rate of 1 per cent for every one per cent fall in PF from 85 per cent to 60 per cent up to and including plus 2 per cent for every 1 per cent fall below 60 per cent shall be levied on total unit consumption.

Power factor penalties short levied from two consumers

Audit scrutiny (December 2001) of energy bills raised by the Gas Turbine Maintenance Division (GTMD) of Namrup Thermal Power Station (NTPS), ASEB in respect of two consumers (M/s Hindustan Fertilizer Corporation Limited and M/s Hapjan Tea Estate) falling under category VII (D) and (IX) of the Schedule of Tariff revealed that PF of the two consumers varied from 63 to 83 per cent and 74 to 83 per cent during the period from November 1998 to November 1999 and October 1998 to January 2001 respectively. The Division, however, had levied power factor penalty (PFP) of 1 per cent in each month irrespective of the quantum of percentage fall in the PF below 85 per cent contrary to the specific provision for levying of penalty at 1 and 2 per cent for every percentage fall. This resulted in short levy of PFP amounting to Rs.10.62 lakh.

The matter was reported (April 2002) to the Management; reply is awaited (September 2002).

4.2.1.2 Non-realisation of load security

Extension of undue benefit to a consumer in violation of the provision of TCS resulted in non-recovery of load security amounting to Rs.43.40 lakh and loss of interest of Rs.17.42 lakh.

Clause 7(C) of the Terms and Conditions of Supply (TCS), 1988 and 1998 of the Assam State Electricity Board (ASEB) stipulates that before releasing power supply to a consumer he/she shall deposit a load security against the connected load to ensure payment of monthly energy bill as per schedule of Tariff applicable from time to time.

Load security charges not realized before release of power

Test check of records of the Gas Turbine Maintenance Division (GTMD) of Namrup Thermal Power Station (NTPS), ASEB revealed (December 2001) that an agreement was entered (September 1994) between the ASEB and M/s Hindustan Fertilizer Corporation Limited (HFCL) for supply of 10,000 KW of power. Load security amount realisable from the consumer, as per the prevalent rate, worked out to Rs.20.00 lakh. However, this was never billed to the consumer in violation of provisions of TCS. Subsequently, load security rates were revised in August 2000, and accordingly a bill of Rs.43.40 lakh (being load security for supply of 10,000 KW) was served in September 2000 to the consumer, but realisation had not taken place (July 2002). Though a disconnection notice was issued in November 2000, the same was also not effected.

Loss of interest on unrealized load security charges

Thus, non-realisation of load security from the consumer before release of power was not only a violation of the provisions of TCS but also resulted in loss of interest amounting to Rs.17.42 lakh.

The matter was reported (April 2002) to the Management; reply is awaited (September 2002).

4.2.1.3 *Short realisation of Demand Charges/fixed charges*

Non-compliance of the prescribed provisions of TCS by the Board resulted in short realisation of demand charges of Rs.13.34 lakh.

In terms of Para (h) under category VII (c) read with Para (i) category IX of the Schedule of Tariff effective from 1 December 1998, Demand Charges shall be levied on the basis of maximum demand recorded in the demand meter installed in the premises of the consumer. Where demand meter is not installed or demand meter is found defective, demand charges are required to be levied on the basis of 80 *per cent* of the connected load in Kilo Watt (KW) converted into Kilo Volt Ampere (KVA) at 85 *per cent* power factor.

Demand charges realised at rate lower than prescribed tariff

Scrutiny revealed that M/s H.L. Steel, Sibsagar, a High Tension consumer with a connected load of 1,370 KW (1611.76 KVA) did not install any demand meter and as such demand charges on the basis of 80 *per cent* of connected load was leviable as per provisions of tariff schedule. Contrary to this provision, the Board was billing the consumer on the basis of theoretical maximum demand. This had resulted in short billing of demand charges amounting to Rs.13.34 lakh in 17 monthly energy bills out of 28 such bills during January 1999 to April 2001 as the billed demand (9,905.45 KVA) was lower than the minimum billable demand (21,919.97 KVA). Thus, non-compliance of the prescribed provision of Tariff resulted in short realisation of Demand Charges amounting to Rs.13.34 lakh.

The matter was reported (April 2002) to the Management; reply is awaited (September 2002).

4.2.1.4 *Non-levy of compensation charges*

Inaction on the part of the management to levy compensation charges for malpractice by three consumers resulted in loss of Rs.2.23 crore.

Compensation was payable by consumer for unauthorised load

(A) Clause 23 (e) of the Terms and Condition of Supply (TCS) of the Assam State Electricity Board (ASEB), 1988 and also the revised TCS, 1998 empowers the Board to disconnect supply of power for malpractices viz., unauthorized extension of load, theft of power, interference in electrical installation etc. Clause 22 (a) of the TCS further provides that, if a consumer is

found to indulge in unauthorized extension of connected load, Board may, without prejudice to any other action that may be taken against the consumer, ask him to pay compensation at the rate of 3 times the minimum charges per month on the excess load detected for the period of six months preceding the date of detection.

Compensation bill for unauthorised load was not raised

A scrutiny (August 2001) of records by audit of the Area Manager, Industrial Revenue Collection Area (AM, IRCA), Jorhat revealed that Inspection Squads of the Board detected unauthorized extension of load of 251 KW (295.29 KVA) and 176 KW (207 KVA) in respect of two consumers viz., M/s Bokaholla Tea Estate and M/s United Soft Drinks Limited (presently named as Bharat Coca Cola Bottling Private Limited) respectively. Though the malpractices were detected and reported (September 1996 and May 1999) to the competent authority, compensation bill amounting to Rs.9.95 lakh (M/s Bokaholla Tea Estate: Rs.5.85 lakh, Bharat Coca Cola Bottling Private Limited: Rs.4.10 lakh) had not been preferred against the consumers for reasons not on record. Also no action had been taken as required under rules to disconnect the service lines or regularise the unauthorised excess load, even though one of the defaulters (M/s Bokaholla Tea Estate) had deposited load security charges for regularising the excess load.

Thus, due to inaction on the part of the authorities and lack of proper initiative to safeguard the Board's financial interest, compensation charges of Rs.9.95 lakh remained unrealised (March 2002) with consequential loss of interest thereon amounting to Rs.4.24 lakh calculated at the rate of 9.5 *per cent* per annum from September 1996 (Bokaholla Tea Estate) and May 1999 (BCCPL) to March 2002.

(B) Clause 15(g)(ii) of the Terms and Conditions of Supply (TCS) 1998 ASEB *inter alia* provides that where the accuracy of the meter is not involved and it is a case of incorrect/defective connections, defective current transformers (CTs) and potential transformers (PTs), charges will be adjusted in favour of the period of such defect that continued. When a consumer indulges in overdrawal/theft of energy, Board's authorized Officers without prejudice to any other action that may be taken against such consumer, will assess the quantum of energy loss on the basis of demand factor, load factor and connected load.

Scrutiny of records (June 2001) of the Area Manager, Industrial Revenue Collection Area (IRCA), ASEB Jorhat revealed that:

On five occasions during the period from 27 November 1998 to 16 May 2000, the Board's inspection teams detected that CT/PT* set of the consumer's metering installation was either defective or interfered with/manipulated to the advantage of the consumer.

*CT/PTs=Current Transformer/Potential Transformers.

Compensation bills were not served even after lapse of 3 to 6 years

Even though the malpractices were reported to the Additional Chief Engineer (Commercial), the compensation bill amounting to Rs.2.13 crore for the period from 1.12.1998 to 30.4.2001 based on assessed consumption as per Board's laid down formula was not preferred to the consumer, for reasons not on record, even after receipt of (September 2000) approval from Chief Engineer (Commercial). No action was also taken either to disconnect the service connection of the consumer or to replace the defective CT/PT set.

Thus, allowing the consumer to draw energy through defective CT/PT set resulted in undue benefit to a consumer and Board's revenue amounting to Rs.2.13 crore remained unrealised (March 2002).

The matter was reported (April 2002) to the Management/Government; reply is awaited (September 2002).

4.2.1.5 *Loss of revenue*

Non-levy of 3 per cent extra charge on HT consumers metered on LT side resulted in loss of revenue of Rs.35.06 lakh.

Clause 6(e) of the Terms and Condition of Supply (TCS) 1988 read with clause (e) under category-I (Domestic) of the Schedule of Tariff, 1998 of the ASEB stipulates that in case HT consumers are metered on LT side of a Transformer, 3 percent extra charge would be levied over the normal tariff.

3 per cent extra charge from HT consumers metered on LT side was not realised

Audit scrutiny of records of the Guwahati Electrical Division (East) revealed (June 2001) that metering of 6 High Tension (HT) consumers was done on LT side of the transformer during the period from April 1995 to March 2001. But, in respect of 2 consumers (Serial No. 1 & 2 of the following table) bills were preferred on actual consumption without adding 3 per cent extra charges as required to be done as per provision of the tariff. In the case of the remaining 4 consumers (Serial No. 3 to 6) 3 per cent extra charges were levied only with effect from September 1998 instead of from April 1995. Consequently, there was short levy of revenue to the tune of Rs.35.06 lakh as detailed in next page:-

Sl. No.	Consumer No.	Bill period	Total unit consumed (KWH)	3 percent extra charge not levied (in Rs.)
1.	11/R/55	4/95 to 6/97 7/97 to 3/2001	64,238 27,492	4,336.06 2,474.28
2.	11/R/69/3	4/95 to 6/97 7/97 to 3/2001	55,787 66,632	3,849.30 5,255.03
3.	11/R/70	4/95 to 9/98	14,13,208	97,511.35
4.	11/R/70 (A)	4/95 to 9/98	2,45,36,685	16,93,031.26
5.	11/R/70(B)	4/95 to 9/98	2,35,71,600	16,26,440.40
6.	11/R/70(C)	4/95 to 9/98	24,70,991	1,70,498.38
Total:				36,03,396.06
Less realisation made in September 1998				97,749.00
Balance to be realised				35,05,647.06

The matter was reported to the management/Government (May 2002); their replies have not been received (September 2002).

4.2.1.6 *Unrealised revenue against disconnected consumers*

Failure to take appropriate timely action resulted in accumulation of arrears of Rs.2.06 crore which remained unrealised.

Clause 23 (a) of the Terms and Conditions of Supply (TCS), Assam State Electricity Board (ASEB), 1988, 1998 stipulates that if a consumer fails to pay his electricity bill within 30/15 days, as applicable, of its being presented to him, the Board may disconnect the supply of electricity to the consumer after giving him not less than 7 clear days notice in writing without prejudice to its right to recover the amount of bill by suit. Further, Board reserves the right to appropriate the load security towards the payment of charges due to Board at any time after 30 days of disconnection if the consumer fails to clear the outstanding dues against which the disconnection has been carried out under Clause 7-(c)-ii of TCS 1998.

Dues against disconnected consumers were outstanding for more than 5 years

(a) Scrutiny of the records of 17 Sub-Divisions under Guwahati Electrical Circle I and II revealed (January-March 2002) that during the period from April 1996 to August 2001 service connections of 1870 consumers (domestic/commercial category) having accumulated dues of Rs.1.92 crore were disconnected [1176 temporary disconnections (TDC), 694 permanent disconnections (PDC)] by Board authorities. The dues remained outstanding till the date of audit (March 2002). The Board did not take any legal action to effect recovery from the concerned consumers.

**Dues
accumulated
due to
inordinate
delay in
disconnection**

Of the aforesaid consumers, 1176 connections, though temporarily disconnected, were not permanently disconnected even after expiry of 6 to 72 months from the date of temporary disconnection (against the usual provision of PDC after 6 months of TDC). It was further noticed that (i) disconnections were effected after the consumers stopped payment for more than 2 to 60 months, which amounted to extension of undue privilege to the consumers, (ii) in no case security deposit was adjusted towards the outstanding amount.

(b) As per agreement entered (September 1995) between ASEB and M/s Bijma Cement Limited (BCL) having connected load of 630 KW, the Board was supplying power to the consumer from October 1995. Since beginning, the consumer was irregular in payment of energy bills. Even after allowing him to liquidate the outstanding dues in instalments, he did not respond. Consequently, his service connection was temporarily disconnected seven times up to June 1997. However, the service connection was restored (June 1997) again on the condition of payment of outstanding dues in instalments following telephonic instruction from the Additional Chief Engineer (Commercial). This time also the consumer failed to clear the same and his service connection had to be temporarily disconnected in February 2000, and the same was permanently disconnected in November 2000. Total amount outstanding at the time of disconnection was Rs.13.82 lakh. Possibilities of recovery of this amount are remote.

**Accumulation
of arrears
against
disconnected
consumers**

Thus, Board's failure to initiate appropriate timely action to realise the outstanding dues from permanently/temporarily-disconnected consumers resulted in accumulation of huge arrears of Rs.2.06 crore over the years.

The matter was brought to the notice (May 2002) of the Board/Government; their replies had not been received (September 2002).

4.2.1.7 Short levy of fixed charges and loss of revenue

Omission to impose a minimum demand charge (MDC) in the SOT of September 1998 resulted in loss of revenue of Rs.30.61 crore

As per Note (2) below clause 5 of the Schedule of Tariff (SOT) effective from 8 September 1994, industrial consumers with connected load of 500 KVA and above, were required to pay a fixed charge per KVA per month under two part tariff. Maximum demand during a period would be recorded from the maximum demand meter installed for the purpose. Fixed charges were to be on the basis of maximum demand recorded or 80 per cent of the authorised connected load as per agreement, whichever was higher.

**Provision for
MDC omitted
in the SOT
1998**

However, in the tariff effective from 1 September 1998, the provision relating to realisation of minimum demand/fixed charges (MDC) at 80 per cent of the authorised connected load was missing in respect of consumers having

demand meter, though, in determining the SOT 1998, Board had taken into consideration the collection of minimum fixed charges at 80 per cent of connected load. The omission enabled the consumers to pay fixed charges on the recorded/actual demand even where such actuals were below 80 per cent of the contracted demand.

**Responsibility
for omission
not fixed**

The omission remained unnoticed during the period from September 1998 to April 2001. The Board, though, subsequently realised (May 2001) the impact of this omission in the SOT and incorporated a new clause 2 (XXV) (b) effective from 1 July 2001 restoring the provision of the TCS 1994. The Board neither caused any investigation into the lapse nor fixed any responsibility for the loss of Rs.30.61 crore.

Audit of records in respect of 105 HT consumers falling under tariff category VII (C), VII (D), VIII, IX and X of SOT-1998 revealed that due to this omission Board had to incur revenue loss of Rs.30.61 crore as under:

	Name of Division/Circle	No. of consumers	Loss of revenue (Rupees in crore)
(i)	DS & CD Sub-Division, Namrup	2	4.63
(ii)	I.R.C.A, Guwahati	12	3.17
(iii)	I.R.C.A, Tezpur	28	6.13
(iv)	I.R.C.A, Jorhat	30	6.43
(v)	I.R.C.A, Tinsukia	33	10.24
Total:		105	30.61

Thus, due to omission to impose a minimum demand charge in the SOT, September 1998 as was prevalent prior to that date, there was short levy of demand charges during the period from September 1998 to June 2001.

The matter was reported (June 2002) to the Government/management; their replies are yet (September 2002) to be received.

4.2.2 Assam State Warehousing Corporation

4.2.2.1 Injudicious investment

Creation of additional storage capacity at a cost of Rs.33.08 lakh despite poor occupancy in the existing godowns rendered the investment infructuous.

The Assam State Warehousing Corporation (ASWC) had two godowns of 2,600 Metric Ton (MT) capacity under its Jonai Centre. In September 2000, the corporation took up construction of another godown of 2,000 MT capacity under the centrally sponsored scheme—'Revamp Public Distribution System'

(PDS) for which the Government of India sanctioned (February 1999) an amount of Rs.24.04 lakh (50 per cent as loan and 50 per cent as subsidy). The construction of the godown was completed in May 2001 at a cost of Rs.33.08 lakh and the same was put to use from August 2001.

Low occupancy in the existing godowns

Scrutiny of records revealed (January 2002) that in most of the period since inception (April 1997) utilisation of the existing two godowns was below 50 per cent (in 38 months out of 49 months up to April 2001). The corporation was incurring heavy losses on these godowns. During the period April 1997 to March 2001, total losses incurred were Rs.5.19 lakh excluding depreciation and Headquarters' overhead.

Thus, the decision to create additional storage capacity (2000 MT) when the existing capacity was grossly under utilised was injudicious and expenditure (Rs.33.08 lakh) incurred thereon proved to be infructuous.

Fall in occupancy after construction of additional godown

In reply, the management stated (June 2002) that the existing godowns were not scientific and were of semi-permanent nature and construction of a godown at rural area cannot be expected to be profit-oriented scheme. Management's reply is not tenable in view of the fact that even after construction of the new scientific godown, overall occupancy of the centre further dipped to as low as 2.83 per cent in September 2001 indicating that selection of site of the godown and the investment was not judicious.

The matter was reported (May 2002) to the management; their replies are awaited (September 2002).

4.2.2.2 Avoidable extra expenditure

Rejection of lowest tender on the ground of unworkable rates without any analysis resulted in avoidable extra expenditure of Rs.8.79 lakh

Cost estimates revised after receipt of tenders and lowest offer rejected as unworkable

In response to notice inviting tender issued separately in July 1999 and August 2000 for construction of three warehouses with capacity of 2000 MT each at Hojai, Siring Chapari and Markong Selek (Jonai), 6 to 8 offers were received. At the time of preparing the comparative statement, the estimated cost of latter two works were further revised. The Executive committee of the company rejected the lowest offers (all Class I contractors) on the ground that the offers were below the estimated cost based on APWD Schedule of Rates for 1996-1997 and as such not workable.

The works were awarded to 2nd and 3rd lowest tenderers in respect of Hojai and Siring Chapari and to the 5th lowest tenderer in case of Markong Selek. In

this process, corporation incurred an extra expenditure of Rs.8.79 lakh as detailed below:

(Rupees in lakh)

Name of work	Estimated cost as per NIT	Revised estimated cost	Cost as per L 1 rates	Cost of completion with additional work	Cost of completion at L 1 rates with additional work	Avoidable expenditure (5-6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Construction of 2000 MT godown at Hojai	20.65	Not revised	20.14	26.56	23.04	3.52
Construction of 2000 MT godown at Siring Chapari	16.94	20.65	18.94	23.46	21.31	2.15
Construction of 2000 MT godown at Markong Sele	16.94	23.48	21.61	27.15	24.03	3.12
Total:				77.17	68.38	8.79

Audit scrutiny (January 2002) revealed that all the participating tenderers were registered class I contractors. While rejecting the lowest offers, the committee neither worked out/analysed the workable rates on the basis of prevalent market price of building materials and labour cost nor asked the lowest bidders to furnish justification/analysis of their quoted rates.

Thus, rejection of lowest rates merely stating that the rates were unworkable without any rate analysis and justification, resulted in avoidable extra expenditure of Rs.8.79 lakh.

The matter was reported (May 2002) to the management/Government; their replies are yet (September 2002) to be received.

4.2.2.3 *Shortage/misappropriation of storage materials*

Inordinate delay in settlement of departmental proceedings and failure to comply with Board's directives resulted in non-recovery of liability of Rs.29.73 lakh.

In July 1992 the Assam State Warehousing Corporation (ASWC) in consultation with Food Corporation of India (FCI) fixed the limit of permissible storage loss in respect of two commodities viz., rice and wheat. The corporation also instructed the concerned warehouse managers that they would be personally responsible for any storage loss beyond the permissible limit.

A scrutiny of the system/procedure adopted by the management in monitoring and follow up of the cases involving loss to the corporation due to shortage/misappropriation revealed (January 2002) the following:

Four officials charged with misappropriation of stock

Four officials were charged with shortage/misappropriation of stock (Rice: 3.64 MT, Wheat: 0.11234 MT, Fertilizer: 1.2150 MT and M.S. Rod: 0.11234 MT) that occurred (May 1992 to April 1998) during their tenure in 3 centres (Bongaigaon, Goalpara and Silchar) for which the corporation had to incur liability of Rs.29.73 lakh towards compensation to the depositors.

Action for recovery of loss not taken even after 4 to 6 years from completion of enquiry

The officials were placed under suspension (August 1993 to December 1998). Though departmental enquiry was completed and charges established during December 1996 to June 1998, the management did not take any administrative action against the officials even after a lapse of 3 to 5 years. Further, even the Board's directives (July 1999) to terminate the services of two of the four accused (charged with misappropriation/shortages of stores worth Rs.13.96 lakh and Rs.4.93 lakh) and to initiate legal action against them for recovery of the loss, was not complied with till the date of audit (January 2002). In the meantime, one of the accused (misappropriation: Rs.4.93 lakh) was allowed to retire (February 2000) from service in normal course and in respect of other three cases, the corporation continued to pay subsistence allowance even after completion of enquiry and paid a total amount of Rs.4.61 lakh from the date of submission of enquiry report up to the date of audit (January 2002). No money suit was also filed to recover the loss already incurred by the corporation.

Thus, inaction/negligence in complying with Board's directive coupled with inordinate delay in settling the cases, resulted in non-recovery of liability of Rs.29.73 lakh, from the accused officials.

The matter was reported (May 2002) to the Management/Government; their replies are yet (September 2002) to be received.

GUWAHATI
THE

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