

## Chapter-III

### 3. Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government companies/Statutory corporations are included in this Chapter.

#### Government companies

##### Assam Power Distribution Company Limited

#### 3.1 Procedural/System lapses

***Failure to take appropriate action on time resulted in accumulation of arrears of ₹ 4.07 crore which remained unrealised.***

(a) Clause 4.3.1.1 of Assam Electricity Regulatory Commission (AERC) (Electricity Supply Code & Related Matters) Regulations, 2004 stipulates that where a person neglects to pay any charge for electricity or any other sum due from him to a licensee, by the due date mentioned in the bill, in respect of supply, transmission or distribution or wheeling of electricity, the licensee may, after giving not less than 15 clear days' notice in writing to such person and without prejudice to his rights to recover such charge or other sum by suit, cut off supply of electricity, until such charge or other sum, together with any expenses incurred by him in cutting off and reconnecting the supply, are paid. This provision emphasises that the billing authorities *i.e.*, the concerned sub-division must resort to disconnection of supply of electricity so that the consumers are discouraged from defaulting payment of dues against consumption of electricity.

Scrutiny of records (August 2009) of consumer ledgers of three sub-divisions under Mirza Electrical Division of the Company indicated that despite huge realisable outstanding dues from the consumers, service connections of the consumers were not disconnected. Scrutiny of arrear bills of 2,209 consumers, whose individual outstanding ranged between ₹ 5,000 to ₹ 33,000, revealed that outstanding dues ranging between 2 to 15 years stood at ₹ 2.78 crore whereas load security on the basis of 2/3 months average consumption was obtained. Further, an amount of ₹ 1.17 crore against 1,365 unmetered consumers remained unrealised for the period ranging from 7 to 20 years. In other words, lack of monitoring as well as non-initiation of the steps, as stipulated in the Regulations, resulted in non-realisation of ₹ 3.95 crore for a long period of time.

The management, in reply (July 2010), confirmed that in accordance with audit observations, 100 *per cent* disconnection could not be carried out due to remoteness of locations as well as shortages of required staffs. The fact remains that ₹ 3.95 crore remain unrecovered for last 2 to 20 years.

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The Company should evolve a system of issuance of disconnection notices where outstanding dues had crossed the amount of load security.

(b) Further, Clause 4.2.2.4 of the Assam Electricity Regulatory Commission (AERC) (Electricity Supply Code and Related Matters) Regulations, 2004 stipulates that “in the event of any meter being found *prima facie* incorrect (which includes a stopped, slow or fast meter) and where actual errors of reading cannot be ascertained, the assessed quantity of energy consumed shall be determined by taking the average consumption for the previous three months, preceding the date on which the defect was detected or the next three months after correction whichever is higher and bill be prepared and presented accordingly”.

Scrutiny (October 2009) of the records of Area Manager, Industrial Revenue Collection Area, Rangia revealed that out of seven cases of incorrect meters (detected during January 2004 to March 2008 and replaced during March 2006 to June 2008), four consumers were billed on the basis of average of previous three months’ consumption and three consumers were billed on the basis of previous one month’s consumption for the period ranging between 3 to 49 months instead of at higher average consumption of the next three months after correction of the meters. This resulted in short billing of ₹ 13.50 lakh.

Thus, non-adherence to the provision resulted in short billing and consequent short-realization of revenue of ₹ 13.50 lakh (July 2010).

The management confirmed (July 2010) that in accordance with audit observations, revised bills (₹ 13.50 lakh) had been raised against the consumers and ₹ 1.70 lakh has been recovered from consumers (October 2010). The fact remains that company had not observed the prescribed system as guided in AERC’s regulation to prepare revised bill in respect of defective meter after replacement.

The company should adhere to the provision as envisaged in the Regulations issued by the AERC to avoid recurrence of similar irregularity.

The matter was reported to the Government in September/December 2009 respectively. Reply from the Government is awaited (November 2010).

### **3.2 Delay in utilisation of power line**

***Non-utilisation of line and sub-station due to non-deployment of staff for over a period of two and half years resulted in blockade of fund of ₹1.97 crore.***

In order to reduce, line losses, length and overloading of existing 11 KV line, and for voltage regulation, the construction of a 26 KM long 33 KV Agia - Mornoi line along with a sub-station (2 x 2.5 MVA) at Mornoi under Goalpara Electrical Division at an estimated cost of ₹ 163 lakh was approved (January 2003) by Assam State Electricity Board (ASEB). The work orders for construction of the

line were issued (December 2004) to two contractors viz, A and B dividing the work in two parts with the direction to complete A's part by December 2004 and B's part by February 2005 respectively.

The line and sub-station though were successfully test charged in February 2008, the commercial commissioning was deferred for want of terminal equipments and adequate staff.

Scrutiny of records (December 2009) relating to construction of line revealed that neither adequate survey was done prior to commencement of line construction nor adequate time was provided to the contractors while issuing the work orders. The required materials were also not arranged. All these had culminated in extension of line length from 26 KM to 33.2 KM, completion of work in December 2007 in place of original schedule of completion of February 2005 and revision of cost to ₹ 240.21 lakh after 20 months (August 2006) of issue of original work order. The work was completed at a cost of ₹ 1.97 crore. Further, even after trial run of the line in February 2008, terminal equipments were not procured and adequate staff was not placed for its operation which had resulted in non-utilisation of line and sub-station for over a period of two and half years resulting in blockade of fund of ₹ 1.97 crore.

In reply, the management stated (June 2010), on being pointed out by audit, the Company decided to mobilise required manpower and materials to operationalise the line; the line was finally commissioned in July 2010.

The fact that the line remained unutilized during February 2008 to July 2010 shows the negligence/inaction on the part of the management.

The Company needs to undertake proper planning prior to commencement of work, provide adequate time schedule to the contractors, arrange required materials and monitor the progress of work and engage required staffs for its operation so that desired benefits to the consumers are ensured in time rather than taking initiatives on being pointed out by audit.

The matter was reported to the Government in January 2010. Reply is awaited (November 2010).

### **3.3 Idle investment**

#### ***Partial execution of a 33 KV line rendered ₹97.37 lakh idle.***

Under Normal Development/System Improvement (ND/SI) Scheme, construction of 14.50 KM long 33 KV Pathsala—Nathkuchi line for objectives (i) uninterrupted power supply, (ii) receiving power from both ends, (iii) minimisation of load shedding, (iv) getting of new service connections etc., (estimated cost: ₹ 69.30 lakh) was taken up by the Pathsala Electrical Division in November 1996 with a target date for completion by February 1997. But the

work was abandoned due to dearth of materials.

Later, the same project was executed afresh under Non-Lapsable Central Pool of Resources (NLCPR) for ₹ 97.37 lakh in November 2006. Though the construction work was completed in November 2006, the line could not be made operational till June 2010 due to low megger<sup>1</sup> value of Disc and Pin Insulators in the newly constructed 33 KV line as well as non completion of some petty work like fitting of 33 KV Gang Operated Air Brake (GOAB) switch and Drop Out (DO) fuse at both ends of the line for isolation and protection.

Thus, the expenditure of ₹ 97.37 lakh incurred on the construction of 14.50 KM long 33 KV line remained idle for more than 3 years. The above stated objectives were not achieved.

The management, however, confirmed (July 2010) that the line, constructed under NLCPR 2002-03 and remaining unenergised mainly for defective/damaged insulator, had now been energized and put into commercial operation with effect from 1 July 2010 after replacing damaged insulators and completing other balance works.

We observed that the requisition of materials for repairing the line was issued in February 2010 after the audit observation was issued in November 2009. The management had failed to take any action during November 2006 to February 2010. It shows the negligence/inaction on the part of the management.

The Company should arrange appropriate quality of materials for completion and operation of the lines prior to its execution on priority.

The matter was reported to the Government in November 2009. Reply is awaited (November 2010).

### **3.4 Non-realisation of dues**

#### ***Non-realisation of ₹ 87.24 lakh arising out of irregular implementation of Single Point Power Supply Scheme (SPPSS).***

In order to ensure timely collection of revenue in rural area, Assam State Electricity Board (ASEB) introduced (November 2004) a scheme under the title 'Single Point Power Supply Scheme' (SPPSS). The scheme, *inter alia*, provided that:

- Agents would be appointed in rural areas for collection of revenue.
- The Sub-divisional authorities would hand over the eligible distribution transformers (DTR) to the agents and raise monthly bills on the agents as per the agreed rates and as per meter reading of the DTRs. The bills were to be deposited by the agents within due date failing which the contract would be liable to be terminated with seven days notice to that effect.

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<sup>1</sup> Megger: An apparatus for measuring insulation resistance.



- Agents, on their part, would serve bills on consumers as per the prevailing tariff and collect revenue. Bills for arrear outstanding against the consumers on the date of handing over the DTRs were to be prepared by the Sub-divisional authority, agents would serve the bills to the consumer and the same were to be paid by the consumers direct to the Board.

We noticed following irregularities in implementation of the above scheme in Mirza Electrical Division:

**(a)** Forty four DTRs involving 3,202 consumers under the three Electrical Sub-Divisions of Mirza Electrical Division were handed over to 14 Agents during 2005-08. Scrutiny of the records (July - August 2009 and verification in May 2010) revealed that bill for ₹ 47.47 lakh in respect of 44 DTRs raised on the 14 Agents were not deposited in the respective sub-divisions (June 2010). Load security deposited by the Agents in respect of those 44 DTRs was only ₹ 6.21 lakh. Dues were accumulated between February 2006 to July 2009 due to part payment made by the agent against the bill raised by the Company.

The management, in reply, stated (November 2010) that an amount of ₹ 2.85 lakh was recovered from the agents. However, the fact remains that substantial amount of ₹ 44.62 lakh remained unrealised (November 2010) due to not taking prompt action against the agents.

**(b)** Scrutiny of records further revealed that Mirza Electrical Sub-division did not prepare the bills for outstanding amount upto the date of handing over charge of the meters to the agents; only a joint survey report indicating the arrear amount in individual cases was handed over (February 2006). The amount of arrears in individual cases varied from ₹ 125 to ₹ 20,000. The total amount of arrears worked out to ₹ 42.62 lakh.

Clause 4.3.3 of Electricity Supply Code and Related Matters Regulations, 2004 stipulates that 'Notwithstanding anything contained in any other law for the time being in force, no sum due from any consumer under this section shall be recoverable after a period of two years from the date when such sum became first due unless such sum has been shown continuously as recoverable as arrear of charges for electricity supplied.'

Non-compliance of the provision of SPPSS relating to preparation of bills on account of arrear revenue after engagement of the agents resulted in non-recovery of the outstanding amount from the consumers.

The management confirmed (July 2010) that as follow up of audit observation, actions had been initiated for disconnection of power supply of the defaulters with the assistance of agents; and responsibility of recovery of arrear dues had also been entrusted to the agent. However, no recovery was made till date (October 2010) by agents and fact remains that the amount has already become time-barred by virtue of Clause stated above and the chances of recovery of

outstanding dues are remote.

The management should implement and monitor all the provisions of the scheme otherwise objectives of full and speedy revenue collection may be frustrated.

The matter was reported to the Government in September 2009. Reply is awaited (November 2010).

### **3.5 Violation of Tariff Order**

***Non-compliance with the Tariff Order resulted in short billing / non-realisation of ₹35.05 lakh.***

Tariff Order dated 27 May 2005 issued by the Assam Electricity Regulatory Commission (AERC) abolished rural unmetered category of consumers and in its place a new category of consumers titled 'Jeevan Dhara' was introduced for lowest level of electricity users with low paying capacity. 'Jeevan Dhara' category covered supply of power to any premises exclusively for the purpose of own requirement with connected load of not more than 0.5 KW and consumption up to 1 kwh/day or 30 kwh per month with tariff consisting of energy charges of ₹ 2.00/kwh and fixed charges of ₹ 15 per month. The order *ibid*, also stipulated that consumers failing to convert to metered connection within three months from the date of issue of the tariff order were to be charged @ ₹ 250 per connection up to ten connected points with additional charge of ₹ 30 per point for every connected point beyond 10 points.

Scrutiny (February-March 2010) of the records maintained at the Damra Electrical Sub-Division revealed that 479<sup>3</sup> unmetered consumers having 2,330 connected points were not brought under 'Jeevan-Dhara' category. Instead, they were billed at the rate of ₹ 25 per connected points up to May 2010 as unmetered category of consumers.

In terms of the Tariff Order *ibid*, those unmetered consumers should have been brought under 'Jeevan-Dhara' category with installation of appropriate meters and in failure to do so should have been served bills @ ₹ 250/Month.

Violation of the above order of AERC resulted in short billing and non-realisation of ₹ 35.05 lakh from September 2005 to May 2010<sup>4</sup>.

The management confirmed in June 2010 that revised energy bills for ₹ 5.99 lakh (February 2010) only were served to the rural point consumers for payment. However, no revised bill was issued in respect of Kutir Jyoti consumers which

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<sup>3</sup>

Rural point consumer	255 having	2106 connected points
Kutir Jyoti	224 having	224 connected points
<b>Total</b>	<b>479</b>	<b>2330</b>

<sup>4</sup> 57 months x ₹ 61,500 per month (₹ 250 x 479 consumers less ₹ 25 x 2,330 points)

stood at ₹ 28.73<sup>5</sup> lakh against 224 consumers and management accepted that necessary efforts are being taken to convert the unmetered consumers into metered consumers by installing new meters at the premises of the consumers.

The Company should adhere to the provisions as envisaged in the tariff order of the AERC.

The matter was reported to the Government in April 2010. Reply is awaited (November 2010).

### **3.6 Computerised billing and collection system**

**₹ 23.56 lakh remained unrealised from the consumers due to non-incorporation of provision of codes in the billing software.**

Assam State Electricity Board on approval of Government of Assam initiated (July 2002) a computerised billing project under Accelerated Power Development and Reforms Programme (APDRP) with the objective of preparation and submission of all bills to the consumers in time. During the course of IT Audit of the computerized application relating to monitoring, billing and collection system of the office of the Area Manager, Jorhat Industrial Revenue Collection Area (JIRCA) for High Tension<sup>6</sup> (HT) consumers, the following deficiencies were noticed:

During checking of Master Data (January-February 2010) containing 770 records in JIRCA relating to HT Consumers, we noticed that none of the records contain complete information like connected load – 46 consumers, sanctioned load – 103 consumers, contracted load – 90 consumers and load security – 770 consumers which were absolutely necessary for validation check in computerised generation of bill.

Further, Data analysis showed that there were 62 consumers who had crossed the connected load over the sanctioned load. The consequential loss to the Distribution Company could not be ascertained due to absence of data in computerized system.

Management stated that sanction load column remained blank in some cases due to ignorance as it did not affect billing process. Records relating to load security were maintained manually and sanction load remained to be recorded in the database since it had no significance in calculation of amount of various charges in the bill. Contention of management is not tenable on the ground that removal of any data from master data table may result in non-raising of bill in respect of consumers who crossed the connected load over the sanctioned load.

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<sup>5</sup> 57 months (224 points x ₹ 250 - ₹ 25 x 224 points) = ₹ 28.73 lakh.

<sup>6</sup> High Tension consumer means a consumer who is supplied electricity at a voltage higher than 440 volts but not exceeding 33000 volts.

It was also observed that the billing software implemented was deficient as it allowed 'Multiplying factor' being shown as 0 (zero) in 13 instances.

Management also stated that multiplying factor relating to permanently disconnected consumer cases was removed for generation of error free bill. Contention of management is not tenable as removal/deletion of any data from master data table is irregular. To overcome, this problem a suitable check might have been incorporated in the concerned fields/columns of the tables.

The analysis of the Database (April 2008 to October 2009) revealed that the database contained invalid entries or inconsistent data as evident from the following:

The database contained 22 records amounting to ₹ 1.31 crore in connection with arrears receivable from consumers. Period of commencement of arrears indicated a date later than the date of issue of database (23 January 2010) to audit.

The payment date of bill was prior to bill date in respect of 37 consumers involving an amount of ₹ 34.40 lakh against which payment was recorded as ₹ 12.64 lakh. The management stated that this happened due to insertion of manual receipt of previous bill later into the system.

In 156 cases of rectification of bill, the date of rectification was shown as Sunday. The management stated (April 2010) that some times, they used to change the system date in the server, to adjust 'due date' of the bill. And while rectifying any bill, the date of rectification was not felt important and it was always ignored. Contention of management was not found to be tenable on the ground that this practice of changing of system date of the server compromised the sanctity of the database besides causing an open invitation for fraud/ misutilisation of the database.

In respect of table for history of arrears, 13 records showed a negative amount of ₹ 14.66 lakh in the 'arrear paid' column and in 58 records, the arrear paid date is after the system date ranging from 25-08-2010 to 26-08-2116 involving a negative amount of ₹ 6.32 lakh. The management stated that these records were dummy records entered into the system at the time of initialisation of the software. This indicated that the database was still in insanitised form.

The table for capturing data relating to receipt of money from consumer against their bills does not contain any record. In absence of any record in this table, reconciliation of cash received against the amount paid by the consumers was not possible. The management stated that steps will be taken to capture the details of manual receipt issued to the consumers.

*Non-incorporation of provisions of the code in the software:* Clauses 4.2.2.4 and 5.A.4.5 of the Electricity Supply Code & Related Matters Regulation, 2004 amended in 2007 of Assam Electricity Regulatory Commission (AERC) provided for procedure for assessment of consumption and consequential billing effect in

cases of incorrect or stopped meter. Test check revealed that JIRCA could not prefer the bill in respect of six cases for the period between March 2006 and November 2008 for an amount of ₹ 23.56 lakh due to non-incorporation of above provisions of the code in the billing software. This had resulted in non-realisation of ₹ 23.56 lakh. The management stated that revised bill would be prepared and served after collecting consumption figure of off-season period.

The matter was reported to the Government in September 2010. Reply is awaited (November 2010).

### Assam Seeds Corporation Limited

#### 3.7 Avoidable loss

#### **Loss of ₹30.30 lakh due to acceptance of seeds without germination test.**

The Directorate of Agriculture (DOA) in Assam engages Assam Seeds Corporation Limited (ASCL) for supply of certified seeds of different Rabi Crops as per schedule of Action Plan and guidelines attached with the indent of supply. The terms and conditions of the indent *inter-alia* stipulate that the seeds would be in conformity with Seeds Act, 1966 and Seed Control Order, Government of India. Seed not conforming to the above would be rejected. Further, any seed found to be below standard after laboratory test by Assam State Seed Certification Agency (ASSCA) on arrival at Guwahati or District headquarters would be rejected and ASCL would have to lift the stock at own cost and DOA reserves the right to recover expenditure, if any, incurred for the rejected materials.

ASCL placed orders on various firms for supply of seeds on similar terms and conditions and procured a quantity of 2,88,815.67 quintals of seeds from them during 2006-07 to 2008-09 without any germination test. Out of this, 2,267.31 quintals was certified as non-seeds by ASSCA during 2007-08 to 2010-11. ASCL delivered balance quantity of 2,86,548.36 quintals of seeds to District Agricultural Offices and sold 2,498.55 quintals (including 231.24 quintals of seeds carried forward from 2005-06) as non-seeds for ₹ 27.17 lakh against its procurement cost of ₹ 57.47 lakh.

ASCL sustained a loss of ₹ 30.30 lakh on disposal of non-seeds which could have been detected and rejected, had the germination test been carried out as per terms and conditions of indents/supply orders. In absence of certification, the company also could not raise any claim on the supplier, thus, losing opportunity of recovery of the loss from the supplier.

The management, in reply, stated (September 2010) that germination test of seeds require 10/12 days time and it was not possible to detain a loaded truck for these 10/12days for reasons of space, halting charges, traffic problem *etc.*



The reply of the management was not found tenable on the ground that conducting germination test prior to receipt and supply of seeds was an essential condition of the indents of DOA and its own supply order. Further, importance of seeds lies in its germination capacity which erodes normally in three months.

The Company should procure seeds as per the Action Plan and the terms and conditions of the indents and its own supply order.

The matter was reported to the Government in May 2010. Reply is awaited (November 2010).

### **Assam Small Industries Development Corporation Limited**

#### **3.8 Arrears in finalisation of accounts**

***Failure of the Company to finalise its account in a time bound manner has resulted in unaccountability of Government investment besides leaving scope for fraud and leakage of public money.***

Section 210 of the Companies Act, 1956, read with Sections 166 and 216, casts the duty on the Board of Directors of a Company to place the accounts of the Company along with Auditor's Report (including supplementary comments of CAG) in the Annual General Meeting of the shareholders within six months of the close of its financial year. As per Section 210 (5), if any person being a Director of a Company fails to take all reasonable steps to comply with the provisions of Section 210, he shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to ten thousand rupees or with both. Similar provision exists under Section 210 (6) in respect of a person who is not a Director but is charged with the duty of ensuring compliance with Section 210.

In spite of above provisions in the Companies Act, Assam Small Industries Development Corporation Limited has not been finalising its accounts in time and there were arrears of 17 years in finalisation of its accounts as on 30 September 2010. The Company has finalised its accounts upto 1992-93. Audit has been bringing out the arrears in finalisation of accounts to the notice of the Chief Secretary to the Government of Assam from time to time. However, there has not been any effective action to liquidate the arrears during past three years. The State Government has already made an investment in the Company of ₹ 3.49 crore as equity (₹ 1.01 crore), loan (₹ 1.04 crore) and grants (₹ 1.44 crore) during the period for which the accounts have not been finalised. The reasons for delay in finalisation could be inadequate staff, lack of expertise, managerial deficiency etc.

In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not



and, thus, Government's investment in the Company remains outside the scrutiny of the State Legislature. Further, the working and affairs of the Company, report on which is required to be presented to the State Legislature under section 619 A (3) had remained outside the supervision of the State Assembly as the same could not be presented due to non-adoption of accounts in the AGM. Delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act. In view of this, it is recommended that the Government and the Company management may:

- Impart necessary training to its employees to gain expertise in finalisation of accounts;
- consider outsourcing the work of preparation of accounts to clear the arrears; and
- make a time-bound programme to clear the arrears and monitor it on a continuous basis.

The matter was reported to the Government/Management in November 2010; their replies are awaited (November 2010).

### **Statutory corporations**

#### **Assam State Transport Corporation**

##### **3.9 Non-compliance with the policy/directives**

***Non-observance of Governor's directives resulted in non-levying as well as non-realisation of ₹1.79 crore.***

Inter State Bus Terminus (ISBT) at Betkuchi, Guwahati city was operationalised from 1 April 2008 for easing out traffic congestion in Guwahati city as well as for safety and convenience of general public and also in the interest of public service. In this regard, Governor of Assam was pleased to issue two notifications on 24 March 2008 through the Transport Department, Government of Assam restricting entry of interstate buses from different specified entry points to the city, from midnight of 31 March 2008 and mandating all buses entering the ISBT to pay the requisite fees and charges to be determined by the ISBT authority. The ISBT authority was also to ensure and provide:

- (i) appropriate securities and amenities to the passengers,
- (ii) facilities of booking counter to the bus operators,
- (iii) bus and route information to the passengers,
- (iv) bus services throughout day and night.

Another Notification of the same day constituted seven members committee viz., Inter State Bus and Truck Terminus (ISBTT) Authority entrusting all tasks like

management, maintenance of the assets, operationalisation, provision of basic amenities and utilities, maintenance of hygiene and health standards, safety and security of commuters in the ISBT and the ISBTT premises within the State of Assam. The Governor of Assam *vide* Notification dated 26 March 2008 fixed the operational fees/parking charges fees of ₹ 200 per bus per day for all inter state buses plying to and from ISBT Guwahati.

Scrutiny of the records relating to operation of buses from the ISBT revealed that collection of parking fees from private buses started from first day of April 2008. However, the same was not levied on Private Owned Buses (POB) operated under ASTC<sup>10</sup> banner and ASTC buses resulting in loss of revenue of ₹ 1.79 crore <sup>11</sup> during the period 1 April 2008 to October 2010.



#### **INTER STATE BUS TERMINUS, GUWAHATI**

Against the query raised by the audit, Deputy Chief Accounts officer, ASTC stated (June 2010) that as per Resolution (9 July 2008) of the ISBTT Authority, ASTC and POB operating under ASTC banner were exempted from payment of parking fees.

The replies were not found tenable on the ground that Notifications of both 24 and 26 March 2008 of the Governor categorically specified that all inter state

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<sup>10</sup> ASTC: Assam State Transport Corporation.

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Sl No.	Period	ASTC Buses	POB	Total Buses	Parking Fees Due @ ₹ 200
1	April 2008 – December 2008	3847	14020	17867	3573400
2	January 2009 – January 2010	10747	35264	46011	9202200
3.	February 2010-October 2010	6489	19276	25765	5153000
Total		21083	68560	89643	17928600

buses plying to and from ISBT Guwahati will have to pay the operational fees/parking charges at the rate of ₹ 200 per bus per day. Further, seven members ISBT committee had not been delegated any authority of fixation of operational fees/parking charges.

Non-compliance to the Notification issued by the Governor on operational fees/parking charges by the ISBT Authority, Guwahati resulted in violation of Governor's order as well as revenue loss of ₹ 1.79 crore.

The ISBT authority should adhere to the Notification and avoid delay in implementation so that further loss of revenue may not occur.

The matter was reported to the Management/Government in May 2010; their replies are awaited (November 2010).

### Assam Financial Corporation

#### 3.10 Waiver of interest

##### ***Foregoing of income of ₹ 23.37 lakh in settlement of loan account in a non-deserving case.***

Assam Financial Corporation (Corporation) sanctioned (May 1995) a loan of ₹ 64 lakh, with repayment period of 30 quarterly instalments of varying amount commencing from July 1996 to October 2003 to Kiron Transport Company Private Limited (borrower) for setting up a modern automobile workshop at Guwahati. Accordingly, Corporation released (April 1996 to January 1999) ₹ 54.09 lakh. The deed of Hypothecation executed (March 1996) in this regard, laid down that payment from the borrower would be appropriated sequentially; first against meeting of expenditure incurred relating to loan and finally, against amount of principal due and repayable against this loan. The deed of Rectification (executed in July 1996) stipulated rate of interest on loan as 19 or 20 *per cent per annum* in cases refinance was not available, with additional rate of 4 *per cent* as penal interest for default in re-payment of interest and/or loan.

Borrower had been irregular in re-payment of both principal and interest as and when those became due. Re-payment schedule was re-drawn twice in May 2000 and September 2002 on borrower's request yet repayment was irregular.

A settlement package was arrived at to close the loan account on payment of ₹ 50.62 lakh (Principal: ₹ 42.61 lakh and Interest: ₹ 8.01 lakh) by the loanee against total dues of ₹ 185.19 lakh as on September 2006. The amount was received in February-March 2007 and finally the loan account was closed on obtaining *post facto* approval of the Board in December 2007. Scrutiny of records revealed that approval for waiver of dues was obtained by not disclosing the following facts to the Board.

- Settlement amount was calculated by lowering normal interest rate from 19

*per cent* to 13.5 *per cent* with effect from 1 April 2005 and waiving penal interest rate of 4 *per cent* on overdue amount in violation of Hypothecation Deed executed in March 1996.

- Loan accounts were re-drawn to show lower outstanding principal amount by adjustment of receipts against principal amount instead of adjusting it at first against normal and penal interest dues as per terms of clause 7 (a) of the Hypothecation Deed. In fact, overall amount due as on September 2006 was ₹ 185.19 lakh (Principal: ₹ 54.09 lakh and Interest: ₹ 131.10 lakh) calculated at interest rates stipulated in the deed and total amount paid thereagainst was ₹ 161.82 lakh upto the said period.
- Actual amount of dues to be waived off was not apprised to the Board.
- Financial soundness of business of the borrower along with its re-payment ability was also not apprised to the Board while taking decision on closure of the loan account. Annual Financial Statements (AFS), *i.e.* the Balance Sheet and the Profit and Loss account (2000-01 to 2003-04) of the borrower's business as submitted to the corporation, revealed net profit (2003-04) of ₹ 40.28 lakh, accumulated amount of Reserve & Surplus of ₹ 142.92 lakh (as on March 2004), and incurring of expenditure on interest payment of more than of ₹ 97.98 lakh. AFS for the period beyond 2003-04 and up-to-date of closure of loan account was also not collected.
- Borrower paid ₹ 50.62 lakh in just two months though there was failure in re-payment as per schedule during past ten years.
- Valuation of securities against the loan was ₹ 175.11 lakh (November 2006).

The management, in reply, (November 2010) confirmed:

- There were no specific guidelines relating to closure/settlement of loan account; settlement proposals were placed before the Board on case to case basis for consideration and approval on merit.
- Payments in the loan account were re-adjusted to arrive at the settlement amount and interest was charged at 13.5 *per cent* in place of 19/20 *per cent*. Penal interest at stipulated rate of 4 *per cent* was also not charged.
- There was delay in implementation of the project and bank had inordinately delayed sanction of enhancement of cash credit limit to the borrower.
- Settlement of loan account was considered on the logic that it was long pending NPA Account bearing higher rate of interest and the settlement package would facilitate the corporation to realise the long overdue amount as early as possible instead of going for a likely long drawn litigation for recovery.

Reply of the management was not found tenable on the ground that above amount shown to be received against principal (February-March 2007) was in fact only a depiction of re-drawn position. Adjustment of receipt against outstanding principal prior to adjustment of outstanding normal and penal interest was in violation of terms of clause 7 (a) of the Hypothecation deed of March 1996. Reply did not mention any reasons for non-collection and non-consideration of AFS (of period beyond March 2004) of borrowers' business to ascertain borrower's financial soundness/weaknesses. If the condition of enhancement of cash credit was tagged with the disbursement of Corporation's loan financial prudence would have been closure of loan account in 1999 than closure in 2007. Memorandum presented before the Board did not disclose all these facts and also did not mention exact amount of waiver. Delayed implementation of borrower's project coupled with inordinate delay in sanctioning of enhancement of cash credit limit of the borrower by a bank and disbursement of instalment of loan as late as 1999 revealed that monitoring of loan utilisation by the borrower was totally absent.

Re-drawal of loan account and waiver of penal interest in violation of terms of the Hypothecation/Rectification Deeds and non consideration of financial soundness of the borrower in the background of valuation of ₹ 175.11 lakh (November 2006) of securities against the loan only to allow closure of loan account, was in fact an undue favour to a non-deserving borrower resulting in foregoing of income of ₹ 23.37 lakh.

The management prior to closure of any loan account, need to consider financial soundness of business of the borrower and the terms of the deeds/agreements entered into with the borrowers relating to sanction and disbursement of loan.

The matter was reported to the Government in May 2010. Reply from the Government is awaited (November 2010).

## **General**

### ***3.11 Follow-up action on Audit Reports***

#### ***3.11.1 Outstanding Explanatory Notes***

The Comptroller and Auditor General of India's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained by various Public Sector Undertakings (PSUs). It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance (Audit & Fund) Department, Government of Assam issued (May 1994) instructions to all administrative departments that immediately on receipt of Audit Reports, the concerned departments would prepare an explanatory note on the paragraphs and reviews included in the Audit Reports



indicating the action taken or proposed to be taken and submit the 'Action Taken Note' (ATN) to the Assam Legislative Assembly with a copy to the Principal Accountant General/Accountant General within 20 days from the date of receipt of the Reports. Besides this, the department would ensure submission of written Memorandum as called for on the para(s) concerning the department within the time limit prescribed by the Assam Legislative Assembly from time to time.

Though the Audit Reports presented to the Legislature for the period from 2004-05 to 2008-09 contained comments on 76 paragraphs/reviews, explanatory notes on 75 paragraphs/reviews were not received till November 2010 as indicated in next page:

Year of Audit Report (Commercial)	Date of presentation to the State Legislature	Total paragraphs/ reviews in Audit Report	No. of paragraphs/ reviews for which explanatory notes were not received
2004-2005	February 2006	13	13
2005-2006	March 2007	14	13
2006-2007	March 2008	15	15
2007-2008	March 2009	18	18
2008-2009	March 2010	16	16
<b>Total</b>		<b>76</b>	<b>75</b>

Department-wise analysis of paragraphs/reviews for which explanatory notes are awaited is given in *Annexure 12*. Departments of Power, Industries & Commerce and Information Technology were largely responsible for non-submission of explanatory notes.

### ***3.11.2 Action Taken Notes on Reports of Committee on Public Undertakings (COPU)***

As per Rule 32 (2) of the working of the COPU, Assam Legislative Assembly, the replies to paragraphs and recommendations are required to be furnished within three months from the date of presentation of the Report by the Committee on Public Undertakings (COPU) to the State Legislature. Replies to 128 recommendations pertaining to 17 Reports of the COPU, presented to the State Legislature between August 1997 and November 2010 had not been received as on November 2010 as detailed below:

Year of the COPU Report	Total number of Reports involved	Number of recommendations where ATNs replies not received
1997-98	1	01
2002-03	1	09
2003-04	2	18
2004-05	1	10
2007-08	3	06
2008-09	6	65
2009-10	2	10
2010-11	1	09
<b>Total</b>	<b>17</b>	<b>128</b>



### **3.11.3 Response to inspection reports, draft paragraphs and reviews**

Audit observations raised during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of the State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of four weeks. A review of inspection reports issued up to March 2010 pertaining to 26 PSUs disclosed that 592 paragraphs relating to 148 inspection reports remained outstanding at the end of November 2010; of these, 126 inspection reports containing 511 paragraphs had not been replied to for more than one year. Department-wise break-up of inspection reports and audit observations outstanding as on 30 November 2010 are given in *Annexure 13*.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially, seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that the written replies on 14 draft paragraphs and one performance audit forwarded to various departments between May and November 2010 as detailed in *Annexure 14* had not been received so far (November 2010). It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to inspection reports and ATNs on the recommendations of COPU as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment is taken within the prescribed period, and (c) the system of responding to audit observations is revamped.

**GUWAHATI  
THE**

**(MUKESH P. SINGH)  
Principal Accountant General (Audit), Assam**

**Countersigned**

**NEW DELHI  
THE**

**(VINOD RAI)  
Comptroller and Auditor General of India**