

## Executive Summary

This Audit Report has been prepared in three chapters. Chapter I provides an overview of State Public Sector Undertakings (SPSUs) including figures on total investments in equity/long term loans of SPSUs, data on their financial performance, status of finalisation of their accounts, *etc.* Chapter-II includes one performance audit relating to one State Government company. Chapter-III of the Report includes seven audit paragraphs emerging from the Compliance Audit of SPSUs and one General paragraph on 'Follow-up Action on Audit Reports'.

According to existing arrangements, copies of the draft audit paragraphs and draft performance audit were sent to Secretary of the Department concerned by the Accountant General (Audit) with request to furnish replies within six weeks. Excepting one draft paragraph, no replies were received from the concerned departments for any of the draft paragraphs and draft performance audit.

### Chapter-I Overview of State Public Sector Undertakings

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2013, the State of Assam had 40 working SPSUs (37 companies and 3 Statutory corporations) and 10 non-working SPSUs (nine companies and one Statutory corporation), which employed 37,650 employees. The working SPSUs registered a turnover of ₹ 3,509.96 crore for 2012-13 as per their latest finalised accounts as of September 2013. This turnover was equal to 2.44 *per cent* of State GDP indicating an important role played by SPSUs in the economy. At the same time, the working SPSUs also incurred an aggregate loss of ₹ 471.91 crore for 2012-13 as per their latest finalised accounts as on 30 September 2013.

#### *Investment in PSUs*

As on 31 March 2013, the investment (capital and long term loans) in 50 SPSUs was ₹ 3,505.97 crore. It increased by 12.11 *per cent* from ₹ 3,127.20 crore in 2008-09. Power Sector accounted for 54.11 *per cent* of total investment in 2012-13. The Government contributed ₹ 444.19 crore towards equity, loans and grants/subsidies to 16 SPSUs during 2012-13.

#### *Reconciliation with Finance Accounts*

During 2012-13, the differences in the figures of State Government's investments in equity and loans outstanding as per records of SPSUs and that appearing in the Finance Accounts of the State were at ₹ 460.65 crore and ₹ 1,698.62 crore respectively. These differences had increased by ₹ 24.94 crore (equity) and ₹ 264.77 crore (loans) in comparison of the differences existed during last year. The Government and the SPSUs should take concrete steps to reconcile the differences in a time bound manner.

### *Performance of SPSUs*

During the year 2012-13, out of 40 working SPSUs, 16 SPSUs earned profit of ₹ 90.93 crore and 21 SPSUs incurred loss of ₹ 562.84 crore as per their latest finalised accounts as on 30 September 2013. The major contributors to profit were Assam Gas Company Limited (₹ 60.45 crore) and DNP Limited (₹ 11.08 crore). Heavy losses were incurred by Assam Power Distribution Company Limited (₹ 407.58 crore), Assam Electricity Grid Corporation Limited (₹ 67.63 crore), Assam Power Generation Corporation Limited (₹ 49.64 crore) and Assam State Transport Corporation (₹ 24.34 crore).

The losses are attributable to various deficiencies observed in the functioning of SPSUs. A review of three years' Audit Reports of CAG shows that the SPSUs' losses of ₹ 876.41 crore and infructuous investments of ₹ 3.58 crore were controllable with better management.

Thus, with better management, losses can be minimised/profits can be enhanced substantially. The SPSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for improving professionalism and accountability in the functioning of SPSUs.

### *Quality of accounts*

The quality of accounts of SPSUs needs to be improved on. Out of 46 accounts finalised by 24 working SPSUs (including 2 accounts of 2 Statutory corporations) during October 2012 to September 2013, 45 accounts (including one account of one corporation) received qualified certificate from Statutory Auditors and one account (Statutory corporation) received disclaimer. There were 117 instances of non-compliance with Accounting Standards in 15 accounts. Reports of Statutory Auditors on internal control of the companies revealed several weak areas.

### *Arrears in accounts and winding up*

Thirty seven working SPSUs had arrears of 316 accounts as of September 2013. The arrears ranged between 1 and 25 years. Government should monitor and ensure timely finalisation of accounts in conformity with the provisions of the Companies Act, 1956. As no purpose is served by keeping 10 non-working SPSUs in existence, they need to be wound up quickly.

## **Chapter-II Performance Audit relating to Government company**

### **Performance Audit relating to Assam Electronics Development Corporation Limited**

Assam Electronics Development Corporation Limited (Company) undertook 18 projects/schemes during 2008-13 and only 11 projects/schemes had fixed time schedule. Of these 11 projects/schemes the Company could complete only 5 schemes within the targeted period. Out of the remaining 6 projects/schemes, 2 were completed with delays of 8 months while other 4 were still pending for completion even after expiry of 7 to 56



months from the scheduled dates. These delays were attributable to various deficiencies in planning, delays in identification/handing over of project site, delays in finalisation of tendering documents, non-fixation of event-wise deliverables for the consultant and post sanction changes in specification and scope of works *etc.* Instances of irregular amendments to the contract terms to the benefit of the contractors were also noticed which was against the principles of propriety.

The management of other activities by the Company was also not satisfactory. In absence of formal agreements with the franchisees/agents, the control of the Company over its activities relating to the Broad Band Internet Services was not effective. Management Information System on the activities of District Computer Centres (DCCs) was not satisfactory as the franchisees running these DCCs were not regular in submitting the monthly Status/Progress Reports. In execution of printing jobs for the Transport Department, the Company failed to devise an appropriate system for tracking and accounting of the smart cards used, rejected or spoiled thereby leaving scope for misuse of the said cards.

The Company had shown positive working results during five years from 2007-08 to 2011-12. The Company was retaining the scheme funds relating to completed projects and interest income earned there against without the knowledge of the scheme funding agencies. Ignoring the interest income earned against the scheme funds, the Company would have incurred operational losses during the said five years. Financial management system of the Company was also deficient in view of the poor realisation of debts and failure to collect and deposit service tax to tax authorities, causing avoidable payment of penalties.

Lack of proper monitoring by monitoring committees resulted in unsatisfactory progress of the projects/schemes works. The monitoring of the Company at the top management level was also weak due to deficiency in holding minimum number of meetings by its Board of Directors as per the requirements of the Companies Act, 1956.

### Chapter-III Compliance Audit Observations

**Compliance Audit observations included in the Report highlights deficiencies in the management of SPSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:**

*Undue benefit to the contractors to the extent of ₹0.67 crore in two cases.*

*(Paragraphs 3.1 and 3.7)*

*Loss of revenue of ₹ 1.12 crore in three cases due to non-compliance with rules, directives, procedures and terms and conditions of supply of electricity.*

*(Paragraphs 3.3, 3.4 and 3.5)*

*Unfruitful expenditure of ₹ 0.97 crore in two cases due to lapses in awarding of works resulting in non achievement of the intended benefits.*

*(Paragraphs 3.2 and 3.6)*

**Gist of some of the important audit observations is given below:**

*Adhoc adjustment by **DNP Limited** in the contract value against exclusion of certain works resulted in undue benefit of ₹ 0.37 crore to the consultant.*

*(Paragraph 3.1)*

***Assam Power Distribution Company Limited** suffered a loss of ₹ 45.52 lakh due to irregular allowance of rebate and not preferring the claim for recovery of said rebate for more than two years.*

*(Paragraph 3.3)*

*Despite incurring an expenditure of ₹ 60 lakh on outsourcing the upkeep and maintenance work of ISBT premises, **Assam State Transport Corporation** could not get the intended benefit of a clean and hygienic environment.*

*(Paragraph 3.6)*