

Chapter-IV

4. 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 Mineral Development Corporation Limited

4.1 *Unjustified enhancement of mining operation cost*

Due to unjustified enhancement of mining operation cost, revenue of Rs.3.63 crore was foregone.

Mining operations *viz.* extraction of coal, carrying of coal to the stockyard and sale of coal belonging to the company are being executed through the job-sirders*. The sale prices realised are deposited with the Company by the job-sirders after deduction of the expenses incurred by them. Both the sale prices of coal and the amount of expenditure relating to two points of extraction *viz.* Garampani Coal Extraction Project (GCEP) and Khota Arda Coal Extraction Project (KCEP) are fixed by the company beforehand.

Based on the comments incorporated in paragraph 2.2.12 of the Report of the Comptroller and Auditor General of India for the year 2005-06 (Commercial)-Government of Assam, the Board of Directors (BOD) of the company decided (8 May 2007) to increase the prevailing sale price of Rs.895.44 per MT and Rs.817.44 per MT for GCEP and KCEP respectively to Rs.1,574.64 per MT effective from 18 August 2007 to bring it at par with the prices fixed by the Coal India Limited. However, no details about enhancement of extraction cost/Company's share was brought to the notice of the Board and hence, no decision was taken on that.

Scrutiny of records (January 2009) indicated that on enhancement of sale price of coal, the job sirders retained Rs.1,125.25 (GCEP) and Rs.1,145.25 (KCEP) per MT of coal, with effect from 18 August 2007 instead of Rs.531 and Rs.486.80 respectively towards extraction and ancillary cost. The job sirders deposited with the Company balance Rs.449.39 (GCEP) and Rs.429.39 (KCEP) per MT as against earlier amount of Rs.364.44 and Rs.331.44 per MT respectively as detailed below:

* Job sirders means contractors.

(Rupees per MT)

Name of Project	Share of Job sirders				Share of Company			
	Prior to 18.8.2007	From 18.8.2007	Increase	Percentage of increase	Prior to 18.8.2007	From 18.8.2007	Increase	Percentage of increase
GCEP	531.00	1125.25	594.25	111.91	364.44	449.39	84.95	23.31
KCEP	486.80	1145.25	658.45	135.26	331.44	429.39	97.95	29.55

It may be seen from the above that there was increase in expenditure defrayed to the job sirders by 111.91 and 135.26 *per cent* whereas corresponding increase in deposit to the Company was by 23.31 and 29.55 *per cent* only. The disproportionate increase in the share of extraction cost was made without doing any analysis/study and approval of the Board.

During the period from 18 August 2007 to 31 March 2009, the Company sold 53,795 MT and 6,635 MT of coal from GCEP and KCEP respectively and allowed the job-sirders to retain Rs.3.63 crore over and above the mining cost allowed to them prior to enhancement of sale price of coal without any valid authorisation ignoring the Company's financial interest. Thus, the increase in sale price served the interest of the job sirders only.

The Management stated (June 2009) that the enhancement of extraction cost was not discussed in the BOD since the transaction is of a revenue nature and the Managing Director was authorised to do it. It was also stated that the matter was discussed with the job sirders, who were reluctant to work if Company's margin was enhanced.

The reply is not convincing as the fixation of sales price and its sharing with job sirders has a major impact on the financial performance of the Company and no records were available to prove that any discussion was held with the job sirders before fixation of extraction cost. Further, the Company did not explore the chances of engaging other job sirders so as to get a reasonable share in the enhanced price.

The Government stated (October 2009) that the proposal for enhancement of the margin to the Company was placed before the BOD meeting held on 22 September 2009 and the BOD noted the facts. The fact remains that the Company on being pointed out by Audit put up the matter before BOD but it failed to watch its financial interest.

4.2 Non-recovery of specified land tax

Inaction on the part of the Management to recover the specified land tax led to loss of Rs.54.47 lakh.

As per provision of the Assam Taxation (on specified lands) (Amendment) Act 2004 notified on 29 December 2004 and amended subsequently on 19 April 2005, the specified land tax is payable (with effect from January 2005) in case of (i) coal bearing land at the rate of Rupees fifty for every metric

tonne (MT) of the annual productivity of such land and (ii) limestone bearing land at the rate of Rupees ten for every MT of the annual productivity of such land.

Scrutiny of records (January 2009) during transaction audit of the Company indicated that the Company fixed sale prices of coal and limestones without taking into consideration the element of specified land tax. The Company extracted/sold 1,06,700 MT of coal and 11,186.19 MT of limestone during the period January 2005 to July 2007, and the amount of specified land tax payable on these items was Rs.54.47 lakh.*

Taxation Department raised (November 2007) the demand against the Company to deposit Rs.43.92 lakh against the extraction of minerals and submit returns of turnover. The matter was taken up (January 2008) with the Department by the Company for waiver of the same, which was turned down (February 2008).

The Management stated (March 2009 and June 2009) that due to ignorance the specified land tax was not included in the sale price and thus remained unrealised. Further, the concerned customers were requested to deposit the outstanding amount for that period at their earliest. The Government endorsed (October 2009) reply of the Company.

Thus, lack of updated knowledge of rules/laws relevant to the business, the Company failed to take appropriate action in levying of taxes, which resulted in non-realisation of specified land tax of Rs.54.47 lakh for the period from January 2005 to July 2007.

To obviate this kind of situation, the Company should keep itself abreast of the latest taxation laws/Government notification so that taxes payable to the Government are collected and deposited in time.

Pragjyotish Fertilizers and Chemicals Limited

4.3 Idle investment

The project remained idle due to non-arrangement of term loan from the bank for implementation of the project.

A Company, Pragjyotish Fertilizers and Chemicals Limited (PFCL) was formed (December 2003) with joint equity participation by the two State Government Public Sector Undertakings viz, Assam Petrochemicals Limited (APL) and Assam State Fertilizers and Chemicals Limited (ASFCL) for revival of two sick plants viz., (i) Single Super Phosphate (SSP) plant and (ii)

* Limestone 11,186.19 MT x Rs.10 per MT =Rs. 1,11,861.90
Coal 1,06,700 MT x Rs.50 =Rs. 53,35,000.00
Rs. 54,46,861.90

Sulphuric Acid (SA) plant of ASFCL and establishment of a new Non-ferrous Alum Plant.

The revival of the sick plants was decided because demand for the products was good and there was no indigenous manufacturer of SA or SSP in the North-East. For revival of sick plants, Board of Directors (BOD) of PFCL approved (May 2004) a project costing Rupees eight crore. SSP plant and SA plant were to be commissioned in June 2005 and August 2005 respectively as per completion schedule approved by the BOD. In February 2006, the project cost was revised to Rs.11.42 crore due to inclusion of certain extra items and time overrun. The revised project cost of Rs.11.42 crore was proposed to be financed by share contribution of APL and ASFCL at Rs.2.56 crore and Rs.1.71 crore respectively, Central capital investment subsidy of Rs.0.30 crore and the balance Rs.6.85 crore as term loan from banks.

Scrutiny of records indicated that the PFCL had received funds amounting to Rs.2.51 crore upto June 2008 from the APL and the ASFCL.

Out of the fund received, the company spent Rs.250.17 lakh[†] upto June 2008 towards implementation of the project.

It was further noticed that the project work remained held up since May 2005 for want of fund although during the period from June 2004 to April 2008, the company tried to arrange term loan from different banks. As the Company could not provide security either in the form of land or corporate /State Government guarantee, it could not arrange loan for implementation of the project. Part execution of the project without ensuring flow of term loan resulted in idle investment amounting to Rs.2.50 crore for implementation of the project.

The Government stated (October 2009) that the APL is exploring possibility to take over the assets and liabilities in the interest of the project.

The Government/Company need to arrange necessary finance first for a project so that the project once taken up does not suffer for want of finance.

[†] Consultancy charges (Rs.16.37 lakh), purchase of construction materials *etc.*(Rs.156.72 lakh), Civil works (Rs.15.46 lakh), Mechanical works (Rs.1.30 lakh) and pre-operative expenses (Rs. 60.32 lakh).

Ashok Paper Mill (Assam) Limited

4.4 Loss due to non-realisation of rent

The Company incurred loss of Rs.1.35 crore due to non-realisation of rent and interest thereon.

Ashok Paper Mill (Assam) Limited (Company) executed Memorandum of Understanding (26 July 2000) and lease deed (10 January 2001) with Soneko Paper and Industries Limited (subsequently renamed as North East Paper and Industries Limited (NEPIL)) (lessee) for leasing of the Jogighopa Unit (Mill) of the Company (effective from 2 August 2000) for a period of 25 years against monthly rent of Rs.1.50 lakh. Further, the MOU provided that for delay beyond two months in payment of lease rent, the lessee shall be liable to pay compound interest at the rate of 15 *per cent* per annum on the amount due.

Audit observed (January 2009) that the lessee had been defaulting in payment of dues since February 2003. The Board of Directors (BOD) of the company in its meeting held on 18 September 2003 directed the Managing Director to initiate appropriate steps including legal action for realisation of rent. But no effective action on the Board's decision was initiated and lease rent remained unrealised (October 2009).

The MOU and the lease deed were cancelled in February 2008 as per Government directives and the Company took over the possession of the Mill on 8 March 2008. At the time of cancellation of the MOU and the lease deed, lease rent and interest thereon due by NEPIL was Rs.1.35 crore[‡]. It was further observed that the lease deed did not contain any clause for security in case of default in payment of lease rent though for payment of salary and wages to the staff of the Company a Guarantee clause, *i.e.* for deposit of Rs.21 lakh as Bank Gurantee was included in the lease deed. Thus, due to poor monitoring mechanism and failure to incorporate any Bank guarantee clause in the lease deed against the lease rent, an amount of Rs.1.35 crore remained unrealised.

The Management stated (July 2009) that no action for realisation of lease rent could be initiated in view of interim order passed by the Gauhati High Court. The reply is not convincing as the interim order dated 20 December 2002 had debarred the Company from initiating any steps for termination of the lease agreement only. The order did not impose any restriction on realisation of lease rent.

The Government stated (October 2009) that the Company filed a claim suit before the Court of Civil Judge, Bongaigaon for realisation of rent in September 2009. Further developments are awaited.

[‡] (a) Lease rent Rs.91.50 lakh (b) Interest on lease rent Rs.43.02 lakh calculated from February 2003 to February 2008.

The Company should take timely action for review of old outstanding dues and initiate immediate recovery action.

Central Assam Electricity Distribution Company Limited

4.5 Unrealised revenue against defaulting consumers

Failure to take appropriate action in time resulted in accumulation of arrears of Rs.1.01 crore which remained unrealised.

Rule 23(a) of Terms and Condition of Supply (TCS), 1998 as issued by the erstwhile Assam State Electricity Board stipulates that if the consumer fails to pay energy bill presented to him within 15/30 days from the date of presentation of the bill, service connection of the consumer may be disconnected after giving such consumers clear notice of not less than seven days in writing without prejudice to the Central Assam Electricity Distribution Company Limited (Company)'s right to recover the amount of the bill by legal action. Further, the clause 7(c) of the TCS stipulates deposit of amount of load security by a consumer against his/her connected load, to ensure payment of monthly energy bills as per schedule of tariff applicable from time to time. The amount of load security to be deposited by the consumer is equal to three/two times of monthly energy charges against supply of energy at Low Tension (LT) consumer/ other than LT consumer respectively.

- Scrutiny of records (September 2008) of consumer ledgers of four subdivisions under the Biswanath Chariali Electrical division of the Company indicated that the outstanding dues of energy bill exceeded the load security, but service connection of the consumers were not disconnected. A random selection of arrear bills of 418 consumers whose average monthly energy bills ranged between Rs.100 to Rs.400, revealed that outstanding dues in individual cases amounted even upto Rs. 56,484 and there was unrealised revenue of Rs.75.59 lakh relating to the period from July 1998 to July 2008.

The Management stated (December 2008) that due to shortage of technical staff as well as non-availability of vehicles required, actions could not be taken. Again, it was stated (October 2009) that Rs.74.22 lakh out of Rs.75.59 lakh has been realised.

The replies are not convincing, as even initial work of issue of disconnection notices to consumer was not completed. Regarding recovery of the amount, no documentary evidence detailing the name and number of the consumers, the period and the amount received in individual cases were furnished.

- Similarly, scrutiny of records of Laharighat Electrical Sub-Division under Morigaon Electrical Division indicated that in respect of 91 domestic consumers, the outstanding dues accumulated to Rs.24.95 lakh. And till the date of Audit (July 2008), the amount was neither realised nor the

service connections were disconnected in accordance with the provisions of the TCS mentioned above.

The Management stated (October 2009) that time-to-time actions are being taken. The fact remains that amount remained unrealised (October 2009).

Thus, due to non-observance of the provisions of the TCS as well as lack of appropriate initiative to safeguard the Company's financial interest led to energy charges of Rs.1.01 crore remaining unrealised.

The Company should create system of monitoring of outstanding dues by linking with the security amount and initiation of immediate necessary action.

The matter was reported to the Government in June 2009 and July 2009 respectively; their replies were awaited (October 2009).

Lower Assam Electricity Distribution Company Limited

4.6 Deficient Computerised Billing System of Low Tension Consumers

The objective of 100 per cent computerised billing as envisaged at the time of initiating the project has not been achieved despite spending an amount of Rs.5.60 crore[§] in the last six years.

Government of Assam initiated a computerised billing project under Accelerated Power Development and Reforms Package (APDRP) during July 2002. The main objective was to achieve 100 per cent computerisation for billing purpose.

During the course of audit (July 2009), it was observed that there was no strategy formulated for implementing the project, causing lack of proper development methodology adopted by the vender resulting in multiplicity of tables being used at different Electricity Supply Divisions.

Deficiencies noticed in Audit

- The master data table containing 1,37,929 records did not contain essential data like the date of service connection (59,323 cases), connected load (41 cases), sanctioned load (48 cases) and most importantly Load Security (78,517 cases). Similarly, in case of 26 number of consumers, unrealistic address such as 'O' was captured.
- In respect of 32 services, the serial number of meters was indicated as '.', 'blank', 'negative figures', making the information unusable in case of theft/unauthorised change of meters, etc.

[§] As the expenditure of LAEDCL was not available independent of expenditure incurred by other two distribution companies viz. CAEDCL and UAEDCL, one third of the expenditure incurred by all the three companies has been taken as expenditure of LAEDCL.

- In 38,330 number of cases, 'Phase' is shown as zero and also for 1,371 number of consumers 'Connected load' is more than 'Sanctioned Load'.
- Data analysis also revealed that there were numerous gaps in Consumer codes. As for example, the gap ranges from 2,000 to 57,000.
- During data analysis it was also noticed that numerous (5,628 cases) duplicate meter nos. were present in the database.
- Data analysis of Meter master revealed that in 22,260 cases, the Meter Status was either blank or shown as 'A', 'O', etc. whereas discussions with ESDs official and front end verification of the software revealed that Meter status is always numeric.

In the absence of the above, audit is unable to understand how the ASEB ensured correct billing and collection.

Similarly, data analysis of 'Consumer Bill Transaction' Table revealed the following irregularities:

- The payment date was found prior to the Bill date in case of 2,217 number of consumers involving transactions amounting to Rs.27.73 lakh.
- Payment date was not captured in case of 29,48,637 number of consumers involving transaction amounting to Rs.87.06 lakh, in the absence of which, the amount of penalties/late fees to be levied for delayed payments by the consumers could not be examined.

Inadequate General, Physical and Logical access controls

- No proper mechanism was found in place to restrict the entry only to the authorised users of the systems. Also, physical controls like fire extinguishers to prevent loss due to fire were not provided.
- Most of the Electricity Supply Divisions did not have a proper Logical Access Controls like there was no user account password in the system and staff members were seen using the systems at their will.
- No change management control was found in place as a result of which documentation in respect of details of amendments made, the reasons for changes, nature of changes, details of testing conducted, and date of approval by the competent authority were not maintained making the amendments more difficult.
- There was no Training Policy adopted by the Board as a result of which proper assessment of training need could not be done and most of the staff acquired knowledge with their own efforts.

- The Board did not have Business Continuity and Disaster Recovery Plans to ensure uninterrupted continuity of business in the event of any temporary or permanent disaster leading to loss of data.

Thus, the objective of 100 per cent computerised billing as envisaged at the time of initiating the project has not been achieved despite spending an amount of Rs.5.60 crore in the last six years.**

The matter was reported to the Government/Management in October 2009; their replies were awaited (October 2009).

Assam Petrochemicals Limited

4.7 Foregoing of income

Non-raising of debit note resulted in foregoing of earning of Rs.50.23 lakh.

Assam Petrochemicals Limited (Company) is selling its product Methanol to consumers located outside the State. The sale price of its products is fixed in line with the trend of increase or decrease in price in international/domestic market.

It was noticed in Audit that during the period from August 2005 to July 2006, 22,759.46 metric tonne (MT) of Methanol was despatched to B.K. Sales (16,521.02 MT) and Subham Chemicals (Pvt) Limited (6,238.44 MT) at the prevailing sale price. Subsequently, the company issued credit note against 13,371.07 MT (valued at Rs.109.96 lakh) in favour of both the consumers (B.K. Sales Rs.78.36 lakh against 9,574.49 MT and Subham Chemicals Rs.31.60 lakh against 3,796.58 MT) on account of downward revision of prices during transit period. On the other hand, during transit period upward revision of prices were also made by the Company on the basis of market prices. The Company in 23 cases of upward revision of prices did not raise debit note against 9,388.39 MT valued at Rs.50.23 lakh (B.K. Sales – Rs.38.02 lakh against 6,946.53 MT and Subham Chemicals –Rs.12.21 lakh against 2,441.86 MT).

Thus, non-raising of debit note for upward revision of prices ignoring Company's commercial interest resulted in foregoing of earning of Rs.50.23 lakh.

The Government stated (October 2009) that the Company maintains proactive pricing policy during the downward trend to maintain the sale of its product. The reply is not convincing since in a condition of fluctuating prices,

** As the expenditure of LAEDCL was not available independent of expenditure incurred by other two distribution companies viz. CAEDCL and UAEDCL, one third of the expenditure incurred by all the three companies has been taken as expenditure of LAEDCL.

dependence on availability of the product in the market, price movement in both the directions are natural/normal.

As the sales prices of Methanol are varying depending on the upward/downward trend of domestic/international prices, the company should not make any exception for implementing upward revision of prices.

Assam Small Industries Development Corporation Limited

4.8 Irregular allotment of land

Non-observance of procedure as well as inaction on the part of the Management to allot the land in time resulted in a loss of Rs.29.26 lakh.

Assam Small Industries Development Corporation (ASIDC) Limited (Company) being a promotional agency is providing assistance to the small scale industrial units in arranging *inter alia* industrial shed/land against payment of monthly lease rent. The rent for those sheds/land are fixed by the Company on the basis of the directives relating to such land/shed from the Government. Allotment of land is done with the approval of the Board of Directors (BOD).

Scrutiny of records (February 2009) indicated that the Company had leased two bighas (28,800 sq.ft.) plot of land located in Industrial Estate at Bamunimaidan to 'Wood-fall Potteries' in January 1977. The unit could not fulfill its financial obligation. The Company thereafter transferred (May 1989) the lease of that land to 'Nandinee Ceramics'. The Nandinee Ceramics too failed to pay the lease rent regularly and after accumulation of arrear of lease rent of Rs.9.39 lakh it requested (December 2004) the Company to transfer the lease to Dharampal Satyapal Limited (DSL). In January 2005, a Sub-committee constituted for allotment of land in a Food Processing Park at Chaygaon, considered the above matter and decided to allot the land to DSL on payment of Rs.24.33 lakh towards the past liability of Nandinee Ceramics (Rs.9.39 lakh) and security deposit for 14,380 sq.ft. of additional land (Rs.14.94 lakh). Accordingly the Company allotted the land in their favour, on payment of the above amount by DSL in February 2005.

The State Government ordered (25 May 2005) an enquiry into allotment/transfer of land in favour of DSL. The enquiry report submitted in June 2005 held that the sub-committee did not have the mandate to allot this land. As a result, the lessee could not take possession of the land and therefore, no lease rent was remitted. However, since February 2005, the Company had neither regularised nor allotted the land to any other party. Thus, due to irregular allotment of land, by the sub-committee, the Company was deprived of levying lease rent and during the period from February 2005 to September 2009, the revenue foregone amounted to Rs.29.26 lakh*.

* (Rs.1.21 per sq.ft. per month x 43,180 sq.ft. x 56 months).

The Government stated (October 2009) that necessary decision is being taken for regularisation of the allotment of land and action is being taken against four erring officials.

The Company should follow the prescribed procedure for allotment of land and responsibility of lapse need to be fixed.

4.9 Loss of rent

The Company sustained a loss of Rs.25.12 lakh due to non-adoption of revised rates retrospectively.

The rates of rent (per square feet per month) relating to industrial land and industrial shed within the jurisdiction of the Company are fixed by the Board of Directors (BOD) on the basis of Government Notification issued from time to time. The Government of Assam in its notification dated 20 April 2006 had enhanced/revised the rent effective from 1 January 2005 of Industrial Estate /Industrial Shed under Assam Industrial Infrastructure Development Corporation as shown below:

w.e.f 1.1.2000		w.e.f. 1.1.2005	
Shed rent per sq.ft.	Land rent per sq.ft.	Shed rent per sq.ft.	Land rent per sq.ft.
Rs.2.50	Rs.0.50	Rs.3.60	Rs.1.21

The BOD of the Company in their meeting held on 7 July 2006 decided that action should be taken as per Government notification for fixation of the rates. Thereafter, the rents were revised at the rates mentioned above with effect from November 2006 without recording any reason for not adopting revised rates with effect from 1 January 2005.

Test check of the records revealed that 48,560 and 85,617 square feet of industrial sheds and the industrial land respectively were used by 59 beneficiaries during the period January 2005 to October 2006 in the Industrial Area, Bamunimaidan from whom Rs.25.12 lakh was not realised due to non-compliance of Government notification as detailed below:

Sl. No.	Area allotted (in square feet)	Monthly rent as per Government notification (Rupees)	Monthly rent realised (Rupees)	Difference (Rupees)	Delay in implementation (in months)	Non-realisation of dues (Rupees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Shed 48,560	3.60	2.50	1.10	22	11,75,152
2.	Land 85,617	1.21	0.50	0.71	22	13,37,338
Total						25,12,490

Thus, non-adoption of revised rates retrospectively as per Government notification and non-compliance of BOD decision resulted in non-realisation of Rs.25.12 lakh.

The Government stated (October 2009) that since no date was specified for giving effect of the new rates as per decision taken in BOD meeting, the Company realised rent at the new rate with effect from 1 November 2006

only. The reply is not convincing as revised rate should have been realised with effect from 1 January 2005 as per Notification of the Government.

The Company should avoid delay in implementation of Government Notification and non-compliance of BOD directives so that loss of revenue may not occur.

Assam Plains Tribes Development Corporation Limited

4.10 Arrears in finalisation of accounts

Failure of the Company to finalise its account on 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 Plains Tribes Development Corporation Limited has not been finalising its accounts in time and there were arrears of 21 years in finalisation of its accounts as on 30 September 2009. The Company has finalised its accounts upto 1987-88. 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 been no effective action to liquidate the arrears during past three years. The Government has already made an investment in the Company of Rs.18.21 crore as loan 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, delay in finalisation of accounts may 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 September 2009; their replies were awaited (October 2009).

Statutory Corporations

Assam State Transport Corporation

4.11 Loss of revenue due to non-levy of penalty

Failure to enforce provision of the agreement on defaulting private bus owners resulted in loss of revenue of Rs.2.20 crore.

The Assam State Transport Corporation (Corporation) allowed (September 2001) the private bus owners to operate their buses under its banner and on its routes under “Self Employment Scheme”. Accordingly, the Corporation entered into an agreement with the private bus owners to operate their buses on approved routes in the State.

As per clauses 39 and 40 of the agreement, the private bus owners were required to give at least 48 hours notice to the Station authorities when the buses would not be plying on a particular day, failing which the Corporation was to levy a penalty of Rs.500 per day.

Audit scrutiny (June-December 2008) indicated that 44,089 bus days were lost during the period from April 2005 to October 2008 in seven stations/division as number of private buses remained off the road without any prior intimation from the bus owners. The Corporation neither initiated any action to ascertain the reasons for non-placement of buses on the road nor imposed any penalty in accordance with the provisions of clauses 39 and 40 of the agreement.

Audit further observed that coupled with non-intimation from the private bus owners about non-placement of buses on routes, non-arrangement of any alternative, by the station/divisional authorities for movement of passengers had deprived the Corporation of generation of revenue as well as caused inconvenience to the passengers.

Thus, non-compliance of the provisions of clauses 39 and 40 *ibid* by the private bus owners as well as by the Corporation resulted in non-realisation of

penalty charges amounting to Rs.2.20 crore* from the defaulting private bus owners.

The Corporation need to ensure that monitoring mechanism exists to watch compliance to terms and conditions of agreement.

The matter was reported to the Government/Management between June 2008 and July 2009; their replies were awaited (October 2009).

Assam State Electricity Board

4.12 Compensation claim not lodged

Non-availing of benefit of compensation claim from the supplier of energy.

The Assam State Electricity Board (ASEB) used to purchase power from private parties (power traders) as and when required. During the period November-December 2006 and in March 2008, the ASEB purchased power from the Reliance Energy Trading Limited (RETL) and the Tata Power Trading Company Limited (TPTCL) respectively.

The supply order provided for levying of penalty on either party based on deviation exceeding 10 per cent (RETL) and 15 per cent (TPTCL) of contracted energy. The rate of compensation in case of RETL was 95 paisa/kwh and in case of TPTCL 100 paisa/kwh. In case of TPTCL, compensation would be leviable on entire quantity of shortfall in the event of short supply/drawal below 85 per cent of contracted quantity, however, in case of RETL, the penalty was to be levied only to the extent of shortfall below 90 per cent.

Scrutiny revealed that RETL could supply 2,19,48,480 kwh and 3,63,83,040 kwh against the scheduled quantity of 3,10,80,000 kwh for November 2006 and 4,46,40,000 kwh for December 2006 respectively. There was an overall short supply of 1,73,88,480 kwh** for which compensation of Rs.93,25,656

*

Station	No. of bus days	Loss due non-realisation to fine @ Rs.500 per day
Station Supdt.		
I) Nalbari	2,889	Rs.14,44,500
II) Dhubri	1,690	8,45,000
III) Bilashipara	239	1,19,500
IV) Tinsukia	3,878	19,39,000
V) Nagaon	13,054	65,27,000
VI) Barpeta	1,410	7,05,000
VII) Divisional Supdt. Tinsukia	20,929	1,04,64,500
	44,089	2,20,44,500

**

Name of trader	Month	Scheduled Energy (kwh)	Energy supplied (kwh)	Short supplied (kwh)	Permissible deviation (kwh)	Quantity for which compensation was to be levied (kwh)
RETL	November 2006	3,10,80,000	2,19,48,480	91,31,520	31,08,000	60,23,520
	December 2006	4,46,40,000	3,63,83,040	82,56,960	44,64,000	37,92,960
	Total	7,57,20,000	5,83,31,520	1,73,88,480	75,72,000	98,16,480
Amount of compensation : Re. 0.95 per kwh x 98,16,480 kwh=Rs. 93,25,656						
TPTCL	March 2008	3,60,84,000	3,04,40,500	56,43,500	-	56,43,500
Amount of compensation : 56,43,500 kwh x Re. 1.00 per kwh=Rs. 56,43,500						

(98,16,480* kw × 95 paisa/kwh) was recoverable from RETL. However, an amount of Rs.70,16,700 was adjusted later on from supply bills of RETL. Claims for the balance amount of Rs.23,08,956 was raised only in July 2009 and remained to be settled (October 2009).

On the other hand, TPTCL supplied 3,04,40,500 kwh against the contracted energy of 3,60,84,000 kwh* in March 2008 resulting in short supply of 56,43,500* kwh, which was beyond permitted deviation of 15 *per cent*. For this, compensation of Rs.56.44 lakh (*i.e.* 56,43,500 kwh × 100 paisa /kwh) was recoverable from TPTCL. ASEB, however, released payment against supplies without adjusting /recovering compensation. Subsequently, ASEB raised (January 2009) claims of Rs.2.31 lakh only towards compensation for short supply of 2,23,900 kwh and claims for Rs.54.13 lakh for balance short supply (54,12,600 kwh) of energy was not raised. The claim for Rs.2.31 lakh was yet to be settled (October 2009).

Thus, ASEB did not act promptly to recover the money from the supplier on account of short supply. Thus, an amount of Rs.79.53 lakh (Rs.23.09 lakh + Rs.2.31 lakh + Rs.54.13 lakh) remained unrealised till date (October 2009).

The Management while accepting the fact stated (October 2009) that in respect of RETL they had decided to approach Central Electricity Regulatory Commission for the same. In respect of TPTCL claim, they stated that compensation was applicable with Indorama Power only which ASEB has not purchased, hence they had claimed Rs.2.31 lakh as compensation recoverable from the party. The reply of the management in respect of TPTCL claim is not convincing as compensation for entire quantity of shortages was leviable if the same exceeds permissible limits as per Letter of Award.

The Board need to incorporate clause relating to retention of the portion of energy bills while making payment so that recovery, if any, could be made.

The matter was reported to the Government in September 2009; their reply was awaited (October 2009).

General

Public Enterprises Department

4.13 Opportunity to recover money ignored

17 PSUs did not either seize the opportunity to recover their money or pursue the matters to their logical end. As a result, recovery of money amounting to Rs.22.30 crore remains doubtful.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were 40 paragraphs in respect of 17

PSUs involving a recovery of Rs.22.30 crore. As per the provisions of Para-197 Chapter-14 of Regulations on Audit and Accounts, 2007, all inspection reports shall be replied along with remedial action taken/proposed to be taken within four weeks of its receipt. However, no effective action has been taken to take the matters to their logical end *i.e.* to recover money from the concerned parties. As a result, these PSUs have so far lost the opportunity to recover their money which could have augmented their finances. The list of individual paragraphs is given in **Annexure-10**.

PSU-wise details of paragraphs and amount involved are given below.

Sl. No.	Name of the PSU (s)	No. of paras	Amount for recovery (Rs. in crore)
1	2	3	4
1.	Assam State Transport Corporation	4	0.49
2.	Assam State Fertilisers and Chemicals Limited	2	0.10
3.	Assam Tea Corporation Limited	2	7.36
4.	Assam State Text Book Production and Publication Corporation Limited	1	0.42
5.	Assam Seeds Corporation Limited	2	0.45
6.	Assam Hills Small Industries Development Corporation Limited	4	0.45
7.	Assam State Development Corporation for SC Limited	6	5.65
8.	Assam Plains Tribes Development Corporation Limited	1	0.26
9.	Assam Electronics Development Corporation Limited	1	0.18
10.	Assam Tourism Development Corporation Limited	1	0.11
11.	Assam State Warehousing Corporation	2	0.71
12.	Assam Government Marketing Corporation Limited	2	0.09
13.	Assam Live stock and Poultry Development Corporation Limited	2	0.12
14.	Assam State Electricity Board	4	2.27
15.	Assam Fisheries Development Corporation Limited	4	3.45
16.	Assam Plantation Crops Development Corporation Limited	1	0.02
17.	Assam Gas Company Limited	1	0.17
	Total	40	22.30

The paragraphs mainly pertain to recovery on account of unadjusted outstanding advances, non-recovery of loan, non-recovery of tax, royalty *etc.*

Above cases point out the failure of respective PSU authorities to safeguard their financial interests. Audit observations and their repeated follow up by Audit including bringing the pendency to the notice of the Administrative/ Finance Department and PSU Management periodically have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money and complete the exercise in a time bound manner.

4.14 Lack of remedial action on audit observations

A review of unsettled paragraphs from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were 69 paragraphs in respect of 15 Public Sector Undertakings (PSUs) which pointed out deficiencies in the functioning of these PSUs. As per the provisions of Para-197 Chapter-14 of Regulations on Audit and Accounts, 2007, the PSUs are required to take remedial action within four weeks after receipt of IRs from Audit. However,

no effective action has been taken to take the matters to their logical end *i.e.* to take remedial action to address these deficiencies. As a result, these PSUs have so far lost the opportunity to improve their functioning in this regard. The list of individual paras is given in **Annexure 11**.

PSU-wise details of paragraphs are given below.

Sl. No.	Name of Public Sector Undertakings	No. of paras
1	Assam State Transport Corporation	8
2	Assam State Fertilizers and Chemicals Limited	3
3	Assam Tea Corporation limited	5
4	Assam State Text Book Production and Publication Corporation Limited	7
5	Assam Gas Company Limited	2
6	Assam Small Industries Development Corporation Limited	5
7	Assam Fisheries Development Corporation Limited	1
8	Assam Seeds Corporation Limited	3
9	Assam State Development Corporation for S.C. Limited	5
10	Assam Plains Tribes Development Corporation Limited	2
11	Assam Hills Small Industries Development Corporation Limited	3
12	Assam Financial Corporation	1
13	Assam State Warehousing Corporation	3
14	Assam Government Marketing Corporation Limited	6
15	Assam State Electricity Board	15
	Total	69

The paragraphs mainly pertain to blockade of fund, avoidable expenditure, unserviceable store/obsolete material/shortage of stock/irregular expenditure *etc.*

Above cases point out the failure of respective PSU authorities to address the specific deficiencies and ensure accountability of their staff. Audit observations and their repeated follow up by Audit including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to take remedial action on these paras and complete the exercise in a time bound manner.

4.15 Follow-up action on Audit Reports

4.15.1 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 2003-04 to 2007-08 contained comments on 77 paragraphs/reviews, explanatory notes on 74 paragraphs/reviews were not received till September 2009 as indicated below:

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
2003-2004	August 2005	17	15
2004-2005	February 2006	13	13
2005-2006	March 2007	14	13
2006-2007	March 2008	15	15
2007-2008	March 2009	18	18
Total		77	74

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.

4.15.2 Action Taken Notes on Reports of Committee on Public Undertakings (COPU)

The replies to paragraphs and recommendations are required to be furnished within six weeks from the date of presentation of the Report by the Committee on Public Undertakings (COPU) to the State Legislature. Replies to 109 recommendations pertaining to 14 Reports of the COPU, presented to the State Legislature between August 1997 and September 2009 had not been received as on September 2009 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
Total		109

4.15.3 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed 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 2009 pertaining to 32 PSUs disclosed that 1,364

paragraphs relating to 309 inspection reports remained outstanding at the end of September 2009; of these, 39 inspection reports containing 341 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 September 2009 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 seven draft paragraphs forwarded to various departments between June and September 2009 as detailed in *Annexure 14* had not been received so far (October 2009). 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

(MUKESH P. SINGH)

THE

Principal Accountant General (Audit), Assam

Countersigned



NEW DELHI

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THE

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