Overview

1. Overview of Government companies and Statutory corporations

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 2009, the State of Assam had 41 working PSUs (37 companies and 4 Statutory corporations), and 10 non-working PSUs (all companies), which employed 41,920 employees. The working PSUs registered a turnover of Rs.2,766.90 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 3.57 *per cent* of State GDP indicating an important role played by State PSUs in the economy. However, the PSUs incurred a loss of Rs.180.02 crore for 2008-09 and had accumulated losses of Rs.1,102.85 crore.

Investments in PSUs

As on 31 March 2009, the investment (Capital and long term loans) in 51 PSUs was Rs. 3,127.20 crore. It grew by over 27.43 *per cent* from Rs.2,454.11 crore in 2003-04. Power Sector accounted for 59.70 *per cent* of total investment in 2008-09. The Government contributed Rs.393.29 crore towards equity, loans and grants/subsidies during 2008-09.

Performance of PSUs

During the year 2008-09, out of 41 working PSUs, nine PSUs earned profit of Rs.39.05 crore and 32 PSUs incurred loss of Rs.211.43 crore. The major contributors to profit were Assam Gas Company Limited (Rs.18.08 crore) and Assam Petrochemicals Limited (Rs.9.07 crore). The heavy losses were incurred by Assam Electricity Grid Corporation Limited (Rs.68.80 crore) and Central Assam Electricity Distribution Company Limited (Rs.38.91 crore).

The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' losses of Rs.200.63 crore and infructuous investments of Rs.26.22 crore were controllable with better management.

Thus, there is tremendous scope to improve the functioning and minimise/eliminate losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 30 accounts finalised during October 2008 to September 2009, 27 accounts received qualified certificates from Statutory Auditors. There were 88 instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

41 working PSUs had arrears of 347 accounts as of September 2009. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There were 10 non-working companies. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

Placement of SARs

In respect of all the four Statutory corporations, there was considerable delay in placement of SARs in legislature. This weakens legislative control over Statutory corporations. The Government should ensure prompt placement of SARs in the legislature.

Discussion of Audit Reports by COPU

The Audit Reports (Commercial) for 1989-90 onwards are yet to be discussed fully by COPU. These 19 audit reports contained 49 reviews and 248 paragraphs of which 25 reviews and 162 paragraphs have been discussed.

(Chapter-I)

2. Performance review relating to Government company

Performance review relating to Assam Gas Company Limited was conducted. Executive Summary of Audit findings is given below:

Assam Gas Company Limited was incorporated in March 1962 as a wholly owned State Government Undertaking mainly for processing and transportation of natural gas for industrial consumers situated in Upper Assam. Out of six industrial consumers existing as on 31 March 2009 compressed gas at high pressure is being transported to three consumers for which it has a compressor station. Since 1985, it has been procuring natural gas at low pressure from producers and supplying to commercial and domestic consumers through its pipeline. Transportation Charge (TC) from industrial and non-industrial consumers constitutes the main source of income.

The Performance Audit was conducted to ascertain efficiency and economy in natural gas procurement, working of compressor station, infrastructure development, transportation of gas, inventory and fund management and internal control mechanism existing in the company.

Finances and Performance

The Company has finalised annual accounts upto 2007-08. During 2003-08, the total income and expenditure were Rs.334.01 crore and Rs.214.73 crore respectively. The net profit (before tax) of Rs.119.28 crore earned during the period consisted of non-operating income of Rs.24.87 crore (21 *per cent*).

Purchase of natural gas

The Company has been procuring natural gas from Government sources as well as from a private producer. It failed to maintain efficiency and economy in gas purchase from the private producer and incurred an avoidable expenditure of Rs.8.63 crore.

Compressor Station

Low-pressure natural gas received from Oil India Limited is compressed in the compressor station to supply as high-pressure gas to three industrial consumers. After adding four compressors at a total cost of Rs.20.19 crore to the existing six compressors, the actual utilisation was increased from two to three compressors only. This indicates that the additional investment made was not justified.

Infrastructure development

During the period under review, the gas supply system to three out of six major industrial consumers was revamped at a total cost of Rs.75.42 crore. This resulted in creation of excess capacity than the actual requirement by incurring an avoidable expenditure of Rs.20.24 crore.

Transportation of natural gas

The volume of gas transported during 2004-09 increased by 14 *per cent*, whereas the TC levied during the same period showed an increase of 82 *per cent*. Main reasons for the disproportionate increase in revenue were excess levy of TC by inflating the cost of supply system revamped during the period, levy of TC on avoidable infrastructure additions made as part of revamping of the supply system, upward revision of TC on renewal of existing agreements with consumers etc.

Sale of natural gas

Besides transportation of natural gas for and on behalf of industrial consumers, the Company was also supplying piped natural gas to non- industrial consumers. During the period upto 2008-09, a total quantity of 50.31 MMSCM valued at Rs.10.99 crore was billed in excess compared to the purchased quantity.

Fund management

The Company has availed loans at higher interest for execution of major capital works inspite of availability of surplus funds in fixed deposits, which earned lower interest and suffered a loss of Rs.2.19 crore. Similarly, due to parking of surplus funds in current accounts instead of short-term deposits, the Company suffered a loss of interest of Rs.1.34 crore.

Conclusion and Recommendations

The company is yet to evolve a scientific and uniform method for fixation of TC and its billing. The excess capacity additions made in the infrastructure needs to be utilised by expanding its market base. The audit findings also indicate the need for strengthening the internal audit and internal control system.

(Chapter-2)

3. Performance review relating to Statutory corporation

Assam State Transport Corporation (Corporation) provides public transport in the State through its 109 bus stations. The Corporation had a fleet strength of 325 vehicles as on 31 March 2009. The Corporation also allows privately owned buses (POB) to operate under the Corporation's banner on a revenue sharing basis.

The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operation, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and performance

The Corporation's accounts are in arrears since 2004-05. Based on provisional figures, it suffered a loss of Rs.10.16 crore in 2008-09. Its accumulated losses stood at Rs.502.29 crore as at 31 March 2009. The Corporation earned Rs.37.67 per kilometre and expended Rs.45.08 per kilometre in 2008-09.

Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs, so as to earn profit and serve its cause better.

Declining share

Of the 13,997 buses licensed for public transport in 2008-09, 2.32 *per cent* belong to the Corporation. The percentage share declined marginally from 2.86 in 2004-05. The decline in share was mainly due to its operational inefficiency (leading to non-availability of adequate funds to replace over aged buses and add new buses to its fleet). Vehicle density (including private operator's buses) per one lakh population increased from 39.15 in 2004-05 to 46.04 in 2007-08 indicating growth in the level of public transport in the State.

Vehicle profile and utilisation

Corporation's own fleet of 325 buses included 77 (23.69 *per cent*) over aged buses, *i.e.* more than eight years old. Percentage of over age buses declined from 28.48 *per cent* in 2004-05 due to acquisition of 188 new buses during 2004-09 at a cost of Rs.32.54 crore. The acquisition was funded by the State Government. Corporation's fleet utilisation at 79.38 per cent in 2008-09 was below the All India Average (AIA) of 92 *per cent*. Its vehicle productivity at 115 kilometres per day per bus was below the AIA of 313 kilometres. However, its load factor at 76 *per cent* was above the AIA of 63 *per cent*. Of the 134 routes operated by the Corporation during 2008-09, Audit analysed that none of the routes was profitable due to high cost of operation.

Economy in operation

During 2004-09, the Corporation was not able to recover its cost of operation and its operating loss increased from Rs.9.65 crore (2004-05) to Rs.15.50 crore (2008-09) due to high consumption of fuel, rising trend in repairs and maintenance expense and excess manpower cost.

Operation of Buses under ASTC banner (POB)

Although the Corporation was gainfully utilising its infrastructure and operating staff by allowing POBs to operate under its banner on revenue sharing basis which fetched substantial revenue of Rs.68 crore (31.15 *per cent* of total revenue during 2004-09) for the Corporation without any additional capital investment, it did not exercise adequate financial and operational control over the POBs, so as to reap maximum benefit from these operations.

Need for a regulator

The fare per kilometre stood at 47 paise from 2 August 2008. Though the Government approves fare increase, there is no scientific basis for its calculation. The Corporation has also not framed norms for providing services on uneconomical routes. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management on achievement thereof are essential for monitoring by the top management. MIS of the Corporation is not effectively used, as the reports relating to operational parameters are not utilised for control purpose. The monitoring by the top management as well as by the Board of Directors (BOD) fell short, as it did not take/recommend suitable measures to control the costs and increase revenue.

Conclusion and Recommendations

The deficiencies in the Corporation's functioning are controllable and there is scope to improve the performance through better management of its operation. This review contains nine recommendations which includes reducing manpower cost by off loading excess staff, exercising control over privately owned buses.

(Chapter-3)

4. Transaction audit observations

Transaction audit observations included in the Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

Loss of Rs.4.59 crore in six cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 4.2, 4.7, 4.8, 4.9, 4.11 and 4.12)

Loss of Rs.3.63 crore due to non-safeguarding the financial interests of the organisation.

(Paragraph 4.1)

Loss of Rs.8.10 crore in two cases due to defective/deficient planning.

(Paragraphs 4.3 and 4.6)

Loss of Rs.2.36 crore in two cases due to inadequate/deficient monitoring.

(Paragraphs 4.4 and 4.5)

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

Due to unjustified enhancement of mining operation cost, revenue of Rs.3.63 crore was foregone by ***Assam Mineral Development Corporation Limited.***

(Paragraph 4.1)

Inaction on the part of ***Assam Mineral Development Corporation Limited*** *to recover the specified land tax led to loss of Rs.54.47 lakh.*

(Paragraph 4.2)

Failure to take appropriate action in time by ***Central Assam Electricity Distribution Company Limited*** *resulted in accumulation of arrears of Rs.1.01 crore which remained unrealised.*

(Paragraph 4.5)

Despite incurring expenditure of Rs.5.60 crore by ***Lower Assam Electricity Distribution Company Limited****, objective of the computerised billing project has not been achieved.*

(Paragraph 4.6)

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

(Paragraph 4.11)