

# 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 2010, the State of Assam had 39 working PSUs (35 companies and 4 Statutory corporations) and 10 non-working PSUs (all companies), which employed 31,372 employees. The working PSUs registered a turnover of ₹ 3,519.57 crore for 2009-10 as per their latest finalised accounts. This turnover was equal to 4.00 per cent of State GDP indicating an important role played by State PSUs in the economy. However, the PSUs incurred a loss of ₹ 83.63 crore for 2009-10 and had accumulated losses of ₹ 1,278.52 crore.

### Investment in PSUs

As on 31 March 2010, the investment (Capital and long term loans) in 49 PSUs was ₹ 2,747.72 crore. It decreased by 37.76 per cent from ₹ 4,415.04 crore in 2004-05. Power Sector accounted for 53.32 per cent of total investment in 2009-10. The Government contributed ₹ 387.99 crore towards loans and grants/subsidies during 2009-10.

### Performance of PSUs

During the year 2009-10, out of 39 working PSUs, eleven PSUs earned profit of ₹ 68.12 crore and 25 PSUs incurred loss of ₹ 147.84 crore. The major contributors to profit were Assam Gas Company Limited (₹ 31.23 crore) and Assam Electricity Grid Corporation Limited (₹ 19.64 crore). The heavy losses were incurred by Central Assam Electricity Distribution Company Limited (₹ 38.91 crore), Assam Industrial Development Corporation Limited (₹ 30.82 crore) and Assam State Transport Corporation (₹ 23.50 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 ₹ 1,093.45 crore and infructuous investments of ₹ 25.48 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 account of PSUs needs improvement. Although, all the 40 accounts finalised during October 2009 to September 2010, received qualified certificates from Statutory Auditors, there were 32 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

39 working PSUs had arrears of 348 accounts as of September 2010. 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 three out of 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.

(Chapter-I)

## 2. Performance review relating to Government company

Performance review relating to Assam Power Generation Corporation Limited was conducted. Executive Summary of Audit findings is given below:

Power is an essential requirement for all facets of life and has been recognized as a basic human need. In Assam, the generation of power is managed by the Assam Power Generation Corporation Limited (APGCL) which was incorporated in 23 October 2003 under the Companies Act, 1956. As on 31 March 2010, APGCL had two Thermal Power Stations (TPS) and one Hydel Power Station with installed capacity of 254 MW and 100 MW respectively. The turnover of APGCL was ₹ 331.32 crore in 2009-10 which was equal to 9.41 *per cent* and 0.38 *per cent* of the State PSU's turnover and State Gross Domestic Product respectively. It employed 1,386 employees as on 31 March 2010.

### Capacity addition and project management

Against 1,855 MW being capacity addition envisaged by the Government of Assam (GOA) to meet the energy generation requirement in the State during 2005-10, the actual addition was 100 MW leaving a deficit of 1,755 MW. The State was not in a position to meet the demand as the power generated as well as purchased together fell short by 2,697.98 MU and 3,541.36 MU in 2005-06 and 2009-10 respectively due to shortfall in capacity addition.

One, out of four projects taken up for implementation during the period of review, scheduled to be completed by June 2008, remained incomplete even after a lapse of 28 months from the schedule. Progress of three other projects was also tardy. These projects have already incurred cost overrun of ₹ 377 crore.

### Contract management

During 2005-10, contracts valuing ₹ 911.44 crore were awarded for execution. APGCL extended undue favour to Bharat Heavy Electricals Limited (BHEL) by reducing liquidated damage (LD) by ₹ 9.75 crore. The Company also incurred avoidable liability of ₹ 51 crore for not claiming excise duty benefit admissible under deemed export benefit of Foreign Trade Policy 2004-09.

### Auxiliary consumption

The actual auxiliary consumption of the two TPS exceeded the norm fixed by AERC which resulted in excess consumption of 105.49 MU of energy which could have otherwise been despatched to the grid.

### Operational performance

Performance of the existing generating stations depends on efficient use of material, manpower and capacity of the plant so as to generate maximum energy possible without affecting the long term operation of the plant.

Audit scrutiny of operational performance revealed the following:

### Procurement of gas

The Company failed to arrange adequate gas required for generation of power by its two TPS. This resulted in loss of generation of 606.82 MU valuing ₹ 47.61 crore.

### Consumption of gas

The heat consumption per unit of electricity generated ranged from 3,581 Kcal/unit to 4,022 Kcal/unit during the period 2005-10 as against 3,266 to 3,658 Kcal/unit being norms prescribed by the Assam Electricity Regulatory Commission (AERC) which resulted in excess consumption of gas valuing ₹ 51.58 crore.

### Deployment of manpower

APGCL had 1,386 employees as on 31 March 2010. The actual manpower did not conform to the norms recommended in National Electricity Plan (NEP). The excess manpower entailed extra expenditure of ₹ 165.06 crore.

### Plant Load Factor (PLF)

The average PLF of all the generating stations though increased from 36.17 *per cent* in 2005-06 to 61.02 *per cent* in 2009-10, it still remained below the national average of 77.22 *per cent*. The shortfall in generation with reference to national PLF worked out to 3,110.58 MU.

**Outages**

Total hours lost due to planned outages though decreased from six *per cent* in 2005-06 to 0.96 *per cent* in 2006-07, it again increased to 6.36 *per cent* in 2009-10. The forced outages though decreased over the five years from 46.46 to 19.77 *per cent* of the total available hours, it remained above the norm of 10 *per cent* fixed by Central Electricity Authority (CEA).

**Financial management**

Despite having sufficient fund in the fixed deposits, the Company resorted to bank overdraft to meet the cash deficit from operating activities. This resulted in avoidable interest liability of ₹ 68.86 lakh. Further, the Company suffered loss of interest of ₹ 4.31 crore on blocked funds due to holding of inventory in excess of norms of Central Electricity Regulatory Commission (CERC).

**Environmental Issues**

The Company did not address the environmental issues in proper perspective as it was not equipped with the facilities for monitoring and control of environmental pollution. Although, all the four ongoing projects were eligible for carbon credit benefit, APGCL failed to initiate action for registration of the project as Clean Development

Mechanism project at the DPR stage due to lack of awareness. The company lost potential revenue of ₹ 69.32 crore in the form of carbon credit in Lakwa Waste Heat Recovery Project. Benefit that would have been available in respect of three other projects have also not been worked out by the Company.

**Conclusion and Recommendations**

The deficiencies in the Company's functioning are controllable and there is scope to improve the performance through better management of its operations. The review contains eight recommendations which include proper project management, ensuring adequate receipt of gas to run the power stations, and developing a proper system of MIS so that the operations of the company can be properly monitored by the top management.

(Chapter-II)

### 3. 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:

*Non-realisation of dues of ₹ 5.86 crore in two cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.*

(Paragraphs 3.1 and 3.9)

*Non-realisation of ₹ 1.46 crore in four cases due to non-safeguarding the financial interests of the organisation.*

(Paragraphs 3.4, 3.5 and 3.6)

*Loss of ₹0.54 crore due to waiver of interest and acceptance of seeds without germination test.*

*(Paragraphs 3.7 and 3.10)*

*Idle investment of ₹2.94 crore in two cases due to inadequate/deficient monitoring.*

*(Paragraphs 3.2 and 3.3)*

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

*Failure on the part of **Assam Power Distribution Company Limited** to take appropriate action on time resulted in accumulation of arrears of ₹4.07 crore which remained unrealised.*

*(Paragraph 3.1)*

*Non-deployment of adequate staff by the **Assam Power Distribution Company Limited** resulted in non-utilisation of power line and sub-station for over a period of two and half years as well as blockade of fund of ₹1.97crore.*

*(Paragraph 3.2)*

*Irregular implementation of SPPSS by the **Assam Power Distribution Company Limited** resulting in non-realisation of ₹87.24 lakh.*

*(Paragraph 3.4)*

*Non-compliance with the Tariff Order on the part of **Assam Power Distribution Company Limited** resulted in short billing / non-realisation of ₹35.05 lakh.*

*(Paragraph 3.5)*

*Non-compliance of Governor's directives by the **Assam State Transport Corporation** resulted in non-levying as well as non-realisation of ₹1.79 crore.*

*(Paragraph 3.9)*