

Overview

1. 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 2012, the State of Assam had 41 working PSUs (37 companies and 4 Statutory corporations) and 10 non-working PSUs (all companies), which employed 36,069 employees. The State working PSUs registered a turnover of ₹ 2,879.21 crore for 2011-12 as per their latest finalised accounts as of September 2012. This turnover was equal to 2.49 per cent of State GDP indicating an important role played by State PSUs in the economy. The State working PSUs incurred an aggregate loss of ₹ 575.68 crore for 2011-12 as per their latest finalised accounts as on 30 September 2012.

Investment in PSUs

As on 31 March 2012, the investment (Capital and long term loans) in 51 PSUs was ₹ 3,312.69 crore. It increased by 14.65 per cent from ₹ 2,889.28 crore in 2007-08. Power Sector accounted for 51.70 per cent of total investment in 2011-12. The Government contributed ₹ 927.07 crore towards loans and grants/subsidies to 14 PSUs during 2011-12.

Performance of PSUs

During the year 2011-12, out of 41 working PSUs, 15 PSUs earned profit of ₹ 78.57 crore and 22 PSUs incurred loss of ₹ 654.25 crore as per their latest finalised accounts as on 30 September 2012. The major contributors to profit were Assam Gas Company Limited (₹ 49.77 crore) and Assam State Minor Irrigation Development Corporation Limited (₹ 14.32 crore). Heavy losses were incurred by Assam Power Distribution Company Limited (₹ 495.43 crore), Assam Electricity Grid Corporation Limited (₹ 54.12 crore), Assam Power Generation Corporation Limited (₹ 49.64 crore) and Assam State Transport Corporation (₹ 24.34 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 ₹ 1,831.01 crore and infructuous investments of ₹ 3.21 crore were controllable with better management.

Thus, with better management, losses can be minimised/profits can be enhanced substantially. 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 to be improved. Out of 62 accounts (including six accounts of four Statutory corporations) finalised during October 2011 to September 2012, 54 accounts (including five accounts of four corporations) received qualified certificates and seven accounts (all companies) received disclaimers. The audit of one year accounts of one corporation was in progress. There were 145 instances of non-compliance with Accounting Standards in 22 accounts. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Thirty seven working PSUs had arrears of 322 accounts as of September 2012. 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 PSUs in existence, they need to be wound up quickly.

Placement of SARs

There was delay in placement of one SAR in the State Legislature, which was issued to Government in June 2012. This weakens legislative control over Statutory corporation and dilutes latter's financial accountability. The Government should ensure prompt placement of SARs in the State Legislature.

(Chapter-I)

2. Performance audit relating to Government company

Performance audit relating to Assam Electricity Grid Corporation Limited was conducted. Executive Summary of Audit findings is given below:

Assam Electricity Grid Corporation Limited (Company) incorporated on 22 October 2003 under the Companies Act 1956 was mandated to provide an efficient, adequate and properly coordinated transmission of energy. As on 31 March 2012, the Company had 48 substations (SSs) with installed capacity of 3,549.30 Mega Volt Ampere (MVA) and transmission lines of 4,633.36 Circuit Kilometers (CKM). The present performance audit was conducted to assess the economy, efficiency and effectiveness of the Company in operations as well as execution of its projects during the period from 2007-08 to 2011-12.

Capacity addition

Against the targeted capacity addition of SSs (2990 MVA) and TLs (1635.92 CKM) under 11th Five Year Plan (2007-12), the Company added SSs (1341 MVA) and TLs (456.25 CKM) during the plan period. However, the entire capacity addition excepting augmentation of two SSs (43 MVA) was made by completing the spillover works of previous five year plans. As the execution of transmission projects was undertaken without synchronization with actual progress of execution of generating plans of generating companies, facilities so created remained underutilized.

Project Management

While implementing the projects, Company took excessive time in completing the preparatory works and other pre-award activities. Even after award of works, the execution of projects delayed due to various reasons, like changes in scope of work, drawings/designs, Right of Way problems, slow progress of works by contractors, etc.

As a result, the projects were completed with significant delays as against the scheduled dates of completion. Instances of mismatch were observed in creation of the infrastructure relating to SSs and TLs resulting in blockage of funds.

Performance of transmission system

The Company provided 30 capacitor banks having reactive energy of 205 MVAR at its 17 Grid SSs. During the period from April to May 2012, the State received ₹ 9.83 lakh as reactive energy compensation charges from the north-eastern pool of reactive energy accounts for maintaining the voltage stability. The Company was yet to establish any Hot Line Division/procure thermo-vision

cameras for timely and effective maintenance of transmission system.

The transmission losses of the Company exceeded the norms prescribed by Assam Electricity Regulatory Commission (AERC) in all five years thereby causing aggregate energy loss of 121.64 MUs during 2007-08 to 2011-2012.

Grid management

As the functioning of the Remote Terminal Unit (RTU) system in providing the real time data was not satisfactory, State Load Dispatch Centre of the Company failed to exercise control function at the desired level to effectively maintain Grid discipline. North Eastern Regional Load Dispatch Centre imposed Unscheduled Interchange (UI) charges of ₹ 41.74 crore on state power distribution company during April 2010 to February 2012 due to drawal of power at low frequency level (below 49.50 Hz) in violation of grid discipline. This was also indicative of Company's failure in maintaining effective Grid management system.

Financial management

Increase in revenue of the Company was not commensurate with the increase in its expenditure resulting in losses per unit of energy transmitted in all the five years except in 2008-09 causing adverse impact on its financial position. The Company delayed filing of Annual Revenue Requirement for tariff revision. As a result, the effective date applicable for tariff hike was also delayed. The Company also did not claim the entitled incentives for providing weighted annual system availability as well as delayed payment surcharge from the power distribution company. This was indicative of lack of prudence in financial management.

Material Management

The Company had not formulated any procurement policy and inventory control mechanism for economical procurement and efficient control over inventory. Neither any system of ABC analysis nor the levels of minimum, reordering and maximum stock holdings were fixed.

Energy accounting and audit

In the absence of proper metering at the feeder ends, energy accounting as well as transmission loss data were unreliable. Though 309 interface boundary metering points were provided with Availability Based Tariff (ABT) meters for correct and accurate assessment of energy consumption, the ABT meters so installed were not functioning in 8 out of 15 test checked SSs. This was indicative of improper accounting of transmission loss.

Monitoring and Control

The functioning of RTUs/ABT systems installed for online data transfer to SLDC for monitoring of activities of SSs was not satisfactory. The flow of information under MIS introduced for effective monitoring of the SSs was also not regular and accurate. Besides, there was lack of proper follow up action on the discrepancies reported under MIS reports. Thus, the monitoring and control system of the Company needs to be strengthened.

(Chapter – II)

3. Transaction audit observations
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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 ₹ 4.39 crore in three cases due to non-compliance with rules, directives, procedures and terms and conditions of the contracts.

(Paragraphs 3.2, 3.4 and 3.9)

Loss of ₹ 3.16 crore and doubtful recovery of dues of ₹ 18.73 crore in two cases due to non-safeguarding the financial interests of the organisation.

(Paragraphs 3.1 and 3.5)

Loss of ₹ 4.60 crore in two cases due to defective/deficient planning.

(Paragraphs 3.3 and 3.8)

Loss of ₹ 1.06 crore in two cases due to inadequate/deficient monitoring.

(Paragraphs 3.6 and 3.7)

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

Decision of **Assam Gas Company Limited** to supply gas beyond contractual period had resulted in doubtful recovery of dues of ₹ 18.73 crore besides loss of interest of ₹ 2.40 crore

(Paragraph 3.1)

Incorporation of clauses in the agreement by **Assam Gas Company Limited** in deviation with the existing policy led to loss of revenue of ₹ 3.07 crore.

(Paragraph 3.2)

Decision of **Assam Petrochemicals Limited** to defer the procurement process without approval of the Board resulted in loss of production of 16,034 MT of Methanol with consequent loss of revenue of ₹ 3.16 crore.

(Paragraph 3.5)

Non-revision of the gas transportation agreement by **Assam Petrochemicals Limited** in consonance with the gas supply agreement resulted in avoidable expenditure of ₹ 0.82 crore.

(Paragraph 3.6)