

Executive Summary

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This Audit Report has been prepared in three chapters.

Chapter I provides an overview of functioning 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, as well as details of follow-up action on Audit Reports.

Chapter II includes one performance audit relating to one State Government company.

Chapter III of the Report includes 7 audit paragraphs emerging from the Compliance Audit of SPSUs and one long paragraph on Cash Management in Assam Seeds Corporation Limited.

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 the draft performance audit and two draft paragraphs, no replies were received (September 2015) from the concerned departments for any of the draft paragraphs.

Chapter I - Functioning of State Public Sector Undertakings

Audit of Government Companies is governed by Section 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by Statutory Auditors appointed by CAG. These financial statements are also subject to supplementary audit conducted by CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2015, the State of Assam had 33 working SPSUs (30 Companies and 3 Statutory Corporations) which employed 38,886 employees. The working SPSUs registered a turnover of ₹ 4,380.58 crore for 2014-15 as per their latest finalised accounts as on 30 September 2015. This turnover was equal to 2.38 *per cent* of State Gross Domestic Product indicating a moderate role played by SPSUs in the State economy. At the same time, the working SPSUs also incurred an overall loss of ₹ 700.64 crore for 2014-15 as per their latest finalised accounts as on 30 September 2015.

Investment in SPSUs

As on 31 March 2015, the investment (capital and long term loans) in 49 SPSUs (including 33 working and 16 non-working) was ₹ 4,882.50 crore. The investments has grown up by 66.08 *per cent* from ₹ 2,939.88 crore in 2010-11. Power Sector accounted for 62.61 *per cent* of total investment in 2014-15. During 2014-15 the State Government contributed an aggregate amount of ₹ 1,002.55 crore towards loans (₹ 589.48 crore), and grants/subsidies (₹ 413.07 crore) to 17 SPSUs.

Reconciliation with Finance Accounts

During 2014-15, the differences in the figures of the 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 ₹ 373.98 crore and ₹ 1,414.92 crore respectively. Although there was reduction of ₹ 321.03 crore in the difference of outstanding loans as compared to last year (2013-14) figures, the total un-reconciled differences of outstanding investments still remained significant. The Government and the SPSUs should take concrete steps to reconcile the differences in a time bound manner.

Arrears in accounts and winding up

Twenty five working SPSUs had arrears of 212 accounts as of September 2015. The arrears ranged between 1 and 27 years. Government should monitor and ensure timely finalisation of accounts in conformity with the provisions of the Companies Act, 2013. As no purpose is served by keeping 16 non-working SPSUs in existence, they need to be wound up or revived.

Performance of SPSUs

During the year 2014-15, out of 33 working SPSUs 14 SPSUs earned aggregate profit of ₹ 81.48 crore and 18 SPSUs incurred loss of ₹ 782.12 crore. The major contributors to profit were Assam Gas Company Limited. (₹ 59.53 crore), DNP Limited (₹ 6.70 crore) and Assam Industrial Development Corporation Limited (₹ 4.97 crore). The heavy losses were incurred by Assam Power Distribution Company Limited (₹ 527.93 crore), Assam Power Generation Corporation Limited (₹ 86.36 crore) and Assam Electricity Grid Corporation Limited (₹ 80.55 crore).

Quality of accounts

The quality of accounts of SPSUs needs to be improved. Out of 58 accounts finalised by 26 working SPSUs (including 4 accounts of 2 Statutory corporations) during October 2014 to September 2015, 53 accounts received qualified certificates and 5 accounts received disclaimers (meaning the auditors are unable to form an opinion on accounts). There were 84 instances of non-compliance with Accounting Standards in 13 accounts.

Compliance with the Reports of Committee on Public Undertakings (COPU)

Action Taken Notes (ATN) to 31 recommendations pertaining to 13 Reports of the COPU presented to the State Legislature between April 2003 and December 2011 had not been received (October 2015).

Chapter II - Performance Audit relating to Government Company

Performance Audit on the working of Assam Tourism Development Corporation Limited

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Assam Tourism Development Corporation Limited (Company) was established (June 1988) with the objective to boost tourism in the state. The activities of the Company included creation of tourism infrastructure and connectivity to the infrastructure so created as well as providing required facilities for tourists in important tourist destinations. The present Performance Audit covered the activities of the Company for the period from 2010-11 to 2014-15 and focuses on the efforts made by the Company to attain the laid down objectives of the State Tourism Policy. Besides, the records of the Directorate of Tourism (DoT), functioning under Department of Tourism, Government of Assam (GoA), were also scrutinised to assess the effectiveness of the supporting role played by GoA/DoT in achieving the overall objectives of the State Tourism Policy.

Financial profile

The Company earned profits consecutively during 2010-11 to 2014-15. The profits so earned during the five years were, however, on account of the interest earned from Fixed Deposits made out of capital grants received from Government of India (GoI) and GoA. As per GoI sanctions, the GoA was not entitled to keep any fund unutilised for more than 6 months, and same were to be refunded back to GoI. GoI further directed (January 2013) the GoA to refund all unutilised funds along with interest accrued thereon for all incomplete projects sanctioned upto 2009-10. The said unutilised funds was however, not refunded by the GoA/Company to GoI till date (October 2015).

Planning

The State Tourism sector lacks authentic data on tourist inflow due to failure of the GoA/Company to put in place a proper data collection mechanism and conduct the benchmark survey of all tourist potential destinations. The Company did not prepare any short or long term plans to identify and prioritise the projects to be developed on scientific basis. Many initiatives such as development of circuits such as wildlife, river, heritage, adventure and eco-tourism, rural tourism, handloom tourism, tea and golf tourism, rail tourism, comprehensive pilgrimage tourism never took off beyond proposal stage.

Project Management

The Company received ₹ 116.87 crore for 138 projects sanctioned during 2010-11 to 2014-15. As against this, the Company could utilise only ₹ 83.38 crore (71 per cent) during 2010-15 (including refund of ₹ 12.50 crore to the GoI) leaving an unspent balance of ₹ 33.49 crore. Out of total 50 projects of GoI and 88 projects of GoA sanctioned during 2010-15, 17 GoI projects (34 per cent) and 8 GoA projects (9 per cent) could be completed by the Company (September 2015). The projects were delayed mainly due to delay in release of fund by GoA delay in finalisation of tenders, non-availability of land, *etc.* Due to slippage in completion of projects within the time schedule, 13 projects were dropped and fund refunded (₹ 12.50 crore) to the GoI. Further, the Company was also deprived to avail further sanctions from GoI during 2012-13 and 2013-14 due to non-submission of Utilisation Certificates against earlier sanctions of GoI.

Tourist friendly measures and Development of Circuits

Tourist facilities in the State were minimal. Important tourist friendly measures like online booking, signages, tourist information kiosks, radio taxi services, wayside amenities, training for guides and drivers, homestay tourism were insufficient or not available and projects pertaining to them did not take off. Important infrastructure development projects such as building of the Five Star hotel and Convention Centre at Guwahati were stalled because of inability of the Company to get clearances. All these shortcomings indicated that the Company was ill equipped to handle so many projects and activities simultaneously. The management was neither equipped nor empowered to obtain necessary clearances, sanction, monitor progress of contractors, decide on introduction of skill development training courses and oversee construction of major infrastructural facilities such as hotel management institute *etc.*

Operational Management

The occupancy of the lodges operated by the Company was poor due to poor maintenance as well as inappropriate selection of locations for development of lodges. The Company also delayed in leasing out the completed assets by as much as 60 months, on account of delay in inviting tenders and excessive time taken in finalisation of bids, *etc.* As a result, the Company had to bear additional financial burden on repairing of these idle assets, besides losing the opportunity of earning lease rental income during their vacancy period. Despite repeated suggestions made by GoA for creating online booking facilities for lodges, the Company could not operationalise the system till date (October 2015). The Company needed to take immediate action in this regard to help improve the occupancy of the lodges and overall operational performance.

Monitoring and Management

The projects implemented by the Company were not adequately monitored by the GoA leading to expenditure on some projects being rendered unfruitful and the potential for tourism in the state remaining unrealised. Assam Tourism Council was set up (September 2009) for development, promotion and co-ordination of tourism activities in the State under the Chairmanship of the State Chief Minister. However, only one meeting of the Council was held (June 2010) in 6 years (upto October 2015) defeating the prime objective of its formation. State Level Monitoring Committee (SLMC) had held only 5 meetings during 2010-11 to 2014-15 as against the minimum 20 meetings required to be held during this period. There was no prescribed format for giving a feedback summary to the Headquarters of the Company from its lodges.

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:

Wasteful expenditure of ₹ 14.35 crore in one case due to failure in exercising due diligence before making investment.

(Paragraph 3.1)

Loss of revenue of ₹ 49.07 crore in one instance owing to sale of coal at prices lower than that fixed by Coal India Limited.

(Paragraph 3.2)

Undue benefit to the extent of ₹ 2.59 crore to contractors/suppliers in two cases.

(Paragraphs 3.3 & 3.4)

Avoidable expenditure of ₹ 1.82 crore in three cases due to lack of diligence on the part of the management.

(Paragraphs 3.5, 3.6 & 3.7)

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

Placement of supply orders by Assam Plains Tribes Development Corporation Limited on the supplier despite being aware of his fraudulent activities, has resulted in procurement of unauthenticated equipment at a cost of ₹ 1.44 crore

(Paragraph 3.3)

Failure to finalise the tender within the validity period by Assam Power Distribution Company Limited resulted in avoidable expenditure of ₹ 0.91 crore on procurement of transformers.

(Paragraph 3.5)