

# Overview



## Overview

This Audit Report has been prepared in two Parts along with an 'Introduction' on Functioning of Public Sector Undertakings (PSUs) under Government of Assam (GoA).

**Introduction** section provides General information on the State Public Sector Undertakings including the Accounting Framework, Government's investment, Role of Government and Legislature relating to the State Public Sector Undertakings.

**Part I** includes **Chapter I**, which provides an overview of functioning of power sector Public Sector Undertakings (PSUs); **Chapter II** contains a performance audit relating to Computerised Billing System in Assam Power Distribution Company Limited; and **Chapter III** contains 5 Compliance Audit Paragraphs emerging from the compliance audit of power sector PSUs.

**Part II** includes **Chapter IV**, which provides an overview of the functioning of PSUs (other than power sector); **Chapter V** contains a performance audit relating to functioning of Assam State Transport Corporation; **Chapter VI** contains 3 Compliance Audit Paragraphs emerging from the compliance audit of PSUs (other than power sector).

The draft reports of compliance audit paragraphs, performance audits were sent to the Additional Chief Secretary/Principal Secretary of the Departments concerned with a request to furnish replies within six weeks. The Departments did not furnish replies in respect of two compliance audit paragraphs. Audit however discussed (November 2018) the compliance audit paragraphs as well as the performance audits in the Exit Conference held with the representatives of the Departments and PSUs concerned before finalizing the Audit Report. A synopsis of important findings contained in this Audit Report is presented below.

### Functioning of Public Sector Undertakings

As on 31 March 2018, the State of Assam had 49 PSUs (33 working and 16 non-working PSUs), which employed 36,998 employees. The 33 working PSUs included 30 Companies and 3 Statutory Corporations. The 33 working PSUs registered a turnover of ₹ 6,638.68 crore for 2017-18 as per their latest finalised accounts as on 30 September 2018. This turnover was equal to 2.34 *per cent* of Gross State Domestic Product (GSDP) at current prices. The working PSUs earned an aggregate profit of ₹ 371.71 crore for 2017-18 as per their latest finalised accounts as on 30 September 2018.

*(Paragraph 2)*

### Power Sector Public Sector Undertakings

The power sector PSUs comprised of three Companies (all working) *namely*, Assam Power Generation Corporation Limited (APGCL), Assam Electricity Grid Corporation Limited (AEGCL) and Assam Power Distribution Company Limited (APDCL). As per the information furnished by the power sector PSUs, the total investment in power sector PSUs as on 31 March 2018 was ₹ 4,676.12 crore which included the investment of

₹ 3,584.07 crore of the GoA in the form of equity (₹ 807.24 crore) and long-term loans (₹ 2,776.83 crore). The investment of GoA had grown by 101.53 per cent from ₹ 1,778.47 crore (2013-14) to ₹ 3,584.07 crore (2017-18). The present value of the equity investment (₹ 807.24 crore) made by the GoA was equal to ₹ 1,843.18 crore as on 31 March 2018. The GoA has provided budgetary support of ₹ 2,701.27 crore during 2017-18 to the power sector PSUs in the form of loans and grants, which was significantly higher than that provided during 2015-16 (by 279 per cent) and 2016-17 (by 141 per cent).

**(Paragraph 1.4, 1.5, 1.8 and 1.12)**

As per their latest finalised accounts as on 30 September 2018, power sector PSUs registered a turnover of ₹ 5,899.50 crore which was equal to 2.08 per cent of GSDP. During 2017-18, the power sector PSUs earned an aggregate profit of ₹ 340.62 crore as per their latest finalised accounts as on 30 September 2018.

**(Paragraph 1.1 and 1.9)**

As per the latest finalised accounts of power sector PSUs as on 30 September 2018, the accumulated losses (₹ 3,586.94 crore) of two out of three power sector PSUs had completely eroded their paid-up capital (₹ 262.70 crore). Accumulation of huge losses by these power sector PSUs had eroded public wealth, which is a matter of serious concern.

**(Paragraph 1.14)**

#### ***Discussion on Audit Reports by COPU***

As on 30 September 2018, 10 Audit Reports (1991-92 to 2016-17) containing 5 performance audits and 39 paragraphs were submitted to the State Legislature; of which, 5 performance audits and 37 audit paragraphs were pending for discussion by COPU. The explanatory notes relating to said 5 performance audits and 37 audit paragraphs pertaining to 10 Audit Reports were yet to be submitted by the administrative departments concerned to the State Legislature (April 2019).

**(Paragraph 1.24)**

Action Taken Notes (ATN) on 61 recommendations pertaining to 6 Reports of the COPU presented (October 2002 to December 2011) to the State Legislature had not been received (April 2019). These reports of COPU contained recommendations in respect of 3 performance audits and 36 paragraphs, which appeared in the Audit Reports of the CAG of India for the years 1994-95 to 2005-06.

**(Paragraph 1.25)**

<b>Performance Audit on Computerised Electricity Billing System in Assam Power Distribution Company Limited</b>
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### ***Introduction***

As on 31 March 2018, Assam Power Distribution Company Limited (Company) had 8.86 lakh consumers (20.48 *per cent* of total consumers) being billed through SAP<sup>1</sup> based billing application. The Company billed a total revenue of ₹ 9,041.21 crore during 2013-18 through this application. The present Audit Report covered the audit of performance of SAP System during the period from April 2013 to March 2018.

***(Paragraph 2.1)***

### ***Project proposal, planning and documentation***

The Company had not conducted any feasibility study before implementing SAP System. Further, while implementing the SAP based billing application, the process of migration of consumer data from the old system to new System was not documented. The Company had also not provided any formal training of SAP to its regular employees. As a result, the System Users were completely dependent on the IT personnel of the Company and the System Developer for operating the new System.

***(Paragraph 2.7 and 2.9)***

### ***System Design deficiencies***

Design deficiencies were observed in the Meter Billing Collection (MBC), Customer Relationship Management (CRM) and Energy Audit (EA) Modules. As a result, the SAP System proved to be unreliable for the purpose of raising of supplementary bills, collection of processing fee/fixed charges, release of new service connections, energy accounting, *etc.*

***(Paragraph 2.10, 2.12, 2.16 and 2.19)***

### ***Incorrect mapping of business rules***

Business rules for minimum contract demand and power factor penalty were not correctly mapped in the System. This led to short and excess billing against consumers towards demand charges and power factor penalty.

***(Paragraph 2.20)***

### ***Wrong categorisation of consumers***

Lack of proper validation checks in the System led to wrong categorization of consumers. This resulted in short billing against various categories of consumers with corresponding loss of revenue to the Company.

***(Paragraph 2.22)***

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<sup>1</sup> SAP is a software application in data processing where SAP stands for System, Application and Products

***Anomalies in calculation of revised security deposit***

Logic for auto-adjustment of excess security deposit of consumers in subsequent bills was not incorporated in the System. Further, the System did not consider the interim payments made by the consumers towards security deposit for calculation of additional security deposit demands. This led to raising of excess/incorrect demand towards additional security deposit from the consumers.

***(Paragraph 2.23)***

***Application Controls***

Due to lack of proper input and processing controls in the System, transactions with invalid PIN Codes, unusual meter numbers and without pole number details were processed. Transactions were processed considering power factor at three decimal places instead of two decimal places as stipulated under the Electricity Supply Code and Related Matters Regulations issued by Assam Electricity Regulatory Commission.

***(Paragraph 2.24, 2.25, 2.26 and 2.29)***

***Security controls and password policy***

The Company had not devised and adopted appropriate IT policy for effective operation of the IT System and safety/security of its database. Physical verification of IT set-up of the test checked Electrical Sub-divisions and Industrial Revenue Collection Areas revealed that no fire extinguishers or fire alarm system were installed for protection against fire. There was no proper password policy in place leaving the database vulnerable to manipulation. Besides, biometric devices were not used for login purpose thereby leaving the scope for unauthorised access to the System.

***(Paragraph 2.31, 2.32, 2.33 and 2.34)***

**Compliance Audit Observations**

Compliance Audit observations included under this Chapter highlights deficiencies in the management of **Assam Power Distribution Company Limited**, which resulted in serious financial implications. Some of the important audit observations have been given below in brief:

- Failure of the Company to monitor timely construction of the 132 KV sub-station/transmission line compatible to supply electricity at prescribed voltage level led to energy loss valuing ₹ 2.57 crore.

***(Paragraph 3.1)***

- The Company extended undue benefit to a Consumer by not disconnecting the supply despite repeated defaults in payment of electricity dues leading to doubtful recovery of ₹ 0.76 crore.

***(Paragraph 3.2)***

- Owing to non-collection of Electricity Duty at revised rates, there was short billing leading to loss of ₹ 0.32 crore to the exchequer.

*(Paragraph 3.4)*

### **Public Sector Undertakings (other than power sector)**

The PSUs (other than power sector) comprised of 30 working PSUs and 16 non-working PSUs (all companies). As per their latest finalised accounts as on 30 September 2018, the working PSUs registered a turnover of ₹ 739.18 crore which was equal to 0.26 per cent of GSDP, for 2017-18. The working PSUs earned an aggregate profit of ₹ 31.09 crore during 2017-18 as per their latest finalised accounts as on 30 September 2018.

The PSUs had employed 23,188 employees as at the end of March 2018. As per the information furnished by the PSUs, the total investment in PSUs as on 31 March 2018 was ₹ 1,450.95 crore, which included the investment of ₹ 1,160.25 crore of the GoA in the form of Equity (₹ 599.37 crore) and Loans (₹ 560.88 crore). The investment by the GoA had grown by 33.91 per cent from ₹ 866.42 crore (2013-14) to ₹ 1,160.25 crore (2017-18). The present value of the equity investment made by the GoA was equal to ₹ 2,189.32 crore as on 31 March 2018. The GoA had provided an amount of ₹ 274.10 crore during 2017-18 as budgetary support to the PSUs in the form of equity, loans and grants.

*(Paragraph 4.1, 4.2, 4.3, 4.4, 4.6, 4.11 and 4.16)*

As per the latest finalised accounts of PSUs as on 30 September 2018, the accumulated losses (₹ 1,371.36 crore) of 13 working PSUs had completely eroded their paid-up capital (₹ 238.76 crore). Accumulation of huge losses by these PSUs had eroded public wealth, which is a matter of serious concern.

*(Paragraph 4.17)*

#### **Arrears in accounts**

As on 30 September 2018, out of 30 working PSUs, 26 working PSUs had arrears of 183 accounts. The extent of arrears ranged up to 25 years, which was significant. Further, out of 16 non-working PSUs, 15 PSUs had arrears of accounts ranging upto 35 years. The GoA needs to expedite the liquidation process to wind up 16 non-working PSUs, as they do not serve any purpose.

*(Paragraph 4.8 and 4.8.2)*

#### **Discussion on Audit Reports by COPU**

As on 30 September 2018, 27 Audit Reports (1990-91 to 2016-17) containing 37 performance audits and 182 paragraphs were submitted to the State Legislature; of which, 19 performance audits and 88 audit paragraphs were pending for discussion by COPU. The explanatory notes relating to said 19 performance audits and 88 audit paragraphs pertaining to 27 Audit Reports were yet to be submitted by the administrative departments concerned to the State Legislature (April 2019).

*(Paragraph 4.28 and 4.29)*

Action Taken Notes (ATN) on 22 recommendations pertaining to 4 Reports of the COPU presented (December 2004 and September 2018) to the State Legislature had not been received (April 2019). These reports of COPU contained recommendations in respect of 5 performance audits and 40 paragraphs pertaining to 4 departments, which appeared in the Audit Reports of the CAG of India for the years 1994-95 to 2006-07.

*(Paragraph 4.30)*

## **Performance Audit on the functioning of Assam State Transport Corporation**

### ***Introduction***

Assam State Transport Corporation (Corporation) is mandated to provide an efficient, adequate, economical and properly coordinated public road transport service in the State. The Corporation was incorporated (1 March 1970) under Section 3 of the Road Transport Corporation Act, 1950 as a wholly owned Corporation of the Government of Assam (GoA). The Performance Audit covers the activities of the Corporation for the period from April 2013 to March 2018.

*(Paragraph 5.1)*

### ***Working results***

The Corporation had finalised its annual accounts up to the accounting year 2015-16 and compiled its provisional accounts up to 31 March 2018. The Corporation had incurred loss during the five years (2013-18) ranging from ₹ 46.78 crore (2014-15) to ₹ 66.84 crore (2016-17). As a result, the accumulated losses of the Corporation had increased by 32.35 *per cent* from ₹ 732.85 crore in 2013-14 to ₹ 969.92 crore in 2017-18, which completely eroded its net worth. The net operating loss *per km* had also increased from ₹ 24.72 (2013-14) to ₹ 30.92 (2017-18) mainly due to high operational cost on account of large number of overaged buses and dismal performance against fleet utilisation, vehicle productivity, fuel efficiency etc. during the period 2013-18.

*(Paragraph 5.7)*

### ***Operational performance***

The Corporation had a fleet strength of 1,294 buses as on 31 March 2018, which included 249 (19.24 *per cent*) overaged buses, *i.e.* more than eight years old. The percentage of overaged buses had increased from 10.63 *per cent* in 2013-14 to 19.24 *per cent* in 2017-18. Against the fleet utilisation yardstick of minimum 90 *per cent* as prescribed by Association of State Road Transport Undertakings (ASRTU), the fleet utilisation of the Corporation ranged between 63.23 *per cent* (2013-14) and 48.99 *per cent* (2017-18) during the last five years ending March 2018. The vehicle productivity achieved by the Corporation during the last five years ending 31 March 2018 ranged between 176 km (2016-17) and 207 km (2014-15) per day per bus, which was far below the All India Average (AIA) of 305.59 km (2016-17) and 308.60 km (2014-15) per day per bus for the corresponding years.

*(Paragraph 5.10, 5.11 and 5.12)*



The fuel efficiency in terms of 'kilometres run per litre' (KMPL) achieved by the Corporation's buses ranged between 3.70 KMPL (2013-14 and 2017-18) and 3.80 KMPL (2014-15), which was much below the AIA during all the five years from 2013-14 to 2017-18. The Corporation, however, did not devise an effective monitoring mechanism to analyse the reasons and take remedial action to improve the fuel efficiency of the buses.

*(Paragraph 5.16)*

The Corporation did not fix any norms or timeframe for completing the minor and major repairs of the buses. In the absence of any norm, the reasonability of the time consumed by the Corporation to carry out the R&M works could not be assessed. Out of 494 buses held up (January 2016 to March 2018) for major and minor repairs, the Corporation completed (as of March 2018) the repair works of 428 buses after taking a period of 3 to 299 days. The Corporation could not complete the repair works of balance 66 buses even after a lapse of 40 to 809 days resulting in loss of 11,937 bus-days thereby causing loss of potential revenue of ₹ 5.58 crore. This delay was mainly attributable to failure to provide funds for procurement of spares and to ensure technical expertise, etc.

*(Paragraph 5.17)*

### ***Financial Management***

The Corporation provided special bus services to various Government departments. Accumulated claims of ₹ 3.53 crore pertaining to various Government departments for the period from April 2013 to March 2018 remained outstanding (November 2018) due to lack of persuasion on part of the Corporation. The Oil & Natural Gas Corporation (ONGC) had approved the bills amounting to ₹ 36.73 crore only towards hiring of buses by the Corporation as against ₹ 38.84 crore claimed by the Corporation and rejected the balance bills amounting to ₹ 2.11 crore without assigning any reasons. The Corporation had neither asked for the reasons nor disputed rejection of bills by ONGC.

*(Paragraph 5.22)*

### ***Project Management***

The GoA sanctioned and released (2013-18) an amount of ₹ 45.09 crore to the Corporation for construction of 65 infrastructure development projects. As against this, the Corporation was able to utilise ₹ 16.45 crore only on the 10 completed and 46 incomplete projects as of June 2018. The works in respect of another 5 projects could not be taken up due to non-availability of land while no information was available on records regarding the status of execution of remaining 4 projects. The Corporation had irregularly diverted (2014-15) ₹ 26 crore out of the balance fund of ₹ 28.64 crore towards payment of 'salaries and other expenses' to staff without prior approval of the sanctioning authority (GoA).

The Corporation could not avail the grant of ₹ 22.31 crore sanctioned by Ministry of Urban Development (MoUD), Government of India (GoI) for development of ancillary

infrastructure due to non-submission of the copies of the work orders to MoUD within the prescribed period.

*(Paragraph 5.23 and 5.24)*

### ***Internal Control and Monitoring***

The Corporation failed to devise proper Management Information System (MIS) to evaluate operational performance against vital operational parameters. Due to this, the Corporation failed to enforce effective control and monitoring in order to optimize performance/revenue.

*(Paragraph 5.26)*

## **Compliance Audit Observations**

Compliance Audit observations included in this Chapter highlight deficiencies in the management of PSUs (other than power sector), which resulted in serious financial implications. Some of the important audit observations have been given below in brief:

- **Assam Electronics Development Corporation Limited** extended undue benefit to a private contractor by procuring scanners at ₹ 0.90 crore in violation of conditions of agreement.

*(Paragraph 6.1)*

- **Assam Tea Corporation Limited** extended an undue benefit of ₹ 0.27 crore to the Lessee with corresponding loss to the Government exchequer by not incorporating the necessary clause in the lease agreement for recovery of the service tax.

*(Paragraph 6.3)*