

Chapter-IV

4. Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government companies/Statutory corporations are included in this Chapter.

Government companies

Assam Power Generation Corporation Limited

4.1 Loss due to delay in disposal of coal

The Company sustained a loss of Rs. 48.15 lakh due to delay in disposal of coal.

Bongaigaon Thermal Power Station (BTPS) of the Company* was closed down in March 2002 and the Management assessed (April 2004) the quantity of coal in stock as 4,010 MT. The Company did not initiate any action to dispose of the coal by inviting tender. In the meantime, an offer from a local firm was received (September 2006) for purchase of 4,010 MT of coal at the rate of Rs. 1,575 per MT amounting to Rs. 63.16 lakh. The Management did not take any action to dispose of the same till June 2007 when a working group was set up by the Management for the purpose of speedy disposal of entire quantity of stock of coal lying at BTPS yard. The Company, on recommendation of the working group, disposed of (February 2008) the entire quantity of coal for Rs. 15.01 lakh by inviting tenders. Thus, by not initiating any action for disposal of coal immediately after the Plant was closed down in March 2002, the Company suffered a minimum loss of Rs. 48.15 lakh** worked out on the basis of offer received in September 2006.

The matter was reported to the Government/Management in April 2008. In reply, the Management stated (September 2008) that the coal was not disposed off at the offered rate of Rs.1,575 per MT as it was a spontaneous offer and no tender was called for at that time. The contention of the Management is not tenable in view of the fact that the offer rate was at the rate of Rs.1,575 per MT of coal against the book value of coal of Rs.1,492.50 per MT. As the offered value was higher than the book value calculated by the Company there was no need for calling of tender for determination of the rate per MT of coal.

Reply from the Government was awaited (September 2008).

* One of the six PSUs created by unbundling of Assam State Electricity Board

** Rs. 63.16 lakh – Rs. 15.01 lakh

4.2 Avoidable expenditure due to delay in termination of agreement

The Company incurred an avoidable expenditure of Rs. 98.22 lakh due to delay in termination of agreement with the Railways.

An agreement was entered into (February 1977) between BTPS and the Chief Commercial Superintendent, North East Frontier (NF) Railways, Maligaon, Guwahati for laying of a railway siding by NF Railways from Salakati Station yard to BTPS for transportation of coal. The terms and conditions of the agreement required BTPS to pay the NF Railways pay and allowances of staff and maintenance charge for keeping the siding in sufficiently good condition and running order.

The BTPS was closed down in March 2002 and the plant authorities intimated the necessity of withdrawing the railway staff in July/August 2002 and September 2003 to the higher authorities. The Company, however, did not take any action to terminate the agreement till February 2006. The siding contract with Railways was terminated on 8 February 2006 by serving a notice to this effect.

Meanwhile, Railway authorities preferred bills for Rs. 98.22 lakh towards maintenance charges (Rs. 80.85 lakh) and pay and allowances of the railway staff (Rs. 17.37 lakh) for the years 2002-03 and 2004-05 against which an amount of Rs. 70.23 lakh was adjusted by the Railways leaving outstanding liability of Rs. 27.99 lakh. Thus, delay in termination of the agreement with the Railways immediately after suspension of generation in BTPS resulted in avoidable expenditure of Rs. 98.22 lakh.

The Management stated (June 2008) that initiative was taken for revival of BTPS after suspension of generation at BTPS. However, the Management at the same time also admitted that revival of BTPS as assessed by National Thermal Power Corporation Limited, though technically feasible was not considered economically viable. As the generation in BTPS was suspended in March 2002, the Company should have taken immediate steps to safeguard its financial interest by terminating the contract with the Railways.

The matter was reported to the Government in April 2008; their reply was awaited (September 2008).

4.3 Loss due to delay in opening of letter of credit

The Company sustained a loss of Rs. 12.90 lakh as it failed to avail rebate due to delay in opening of IRLC in time.

The Company entered into (March 2003) an agreement with Assam Gas Company Limited (AGCL), Duliajan for transportation of gas to its Namrup Thermal Power Station (NTPS). Clause 6.02 of the agreement stipulated that

AGCL shall raise monthly invoice on the Company after allowing two and half *per cent* rebate on total billed amount provided the Company opened irrevocable revolving letter of credit (IRLC) for Rs. 64 lakh in favour of AGCL with the State Bank of India (SBI), Duliajan.

Audit noticed that the Company opened the IRLC in favour of the AGCL with the SBI, Duliajan only in October 2005 though the gas supply started in April 2003. Due to delay in opening of the IRLC, the Company was deprived of rebate of Rs. 32.25 lakh at the rate of two and half *per cent* till September 2005 on total amount of Rs. 12.90 crore billed during the period from April 2003 to September 2005.

The Management stated (January 2008) that due to delay in opening of IRLC, the Company saved Rs. 19.35 lakh being one and half *per cent* operational and establishment cost of IRLC. However, the fact remains that even after taking into account operational and establishment cost of IRLC, the Company would have saved Rs. 12.90 lakh being differential rebate (Rs. 32.25 lakh *minus* Rs. 19.35 lakh) had it opened the IRLC in time. It is apparent that the Company did not do any cost-benefit analysis taking into account operational cost of IRLC vis-a-vis gains from rebate on likely volume. Thus, due to inordinate delay of 30 months in opening of IRLC with the Bank, the Company sustained a loss of Rs. 12.90 lakh.

The matter was reported to the Government/Management in April 2008; their reply was awaited (September 2008).

Assam Industrial Development Corporation Limited

4.4 Non-recovery of loan

Failure to take timely action resulted in non-realisation of loan amounting to Rs. 1.06 crore.

The Company sanctioned (March 2003) a loan of Rs. 71 lakh to Paragon Offset Private Limited (POPL) for setting up a Web Offset Press with VSAT unit at Sibsagar. Accordingly, the Company released (July 2003) Rs. 57.70 lakh in favour of the machinery supplier against this loan. The Web Offset press was commissioned in April 2004. The repayment of loan was to be made from July 2004 to January 2010. The loan was secured against movable and immovable property of POPL as well as plot, land, shed and machinery of a guarantor. The laid down procedure required monitoring of the process of implementation of the project and recall the loan amount in case of default.

POPL paid (March 2006) Rupees one lakh against interest only and intimated (September 2006) the Company that the machine could not be operated since its commissioning due to certain constraints beyond the control of the Management. The Board of Directors of POPL decided for 'One Time

Settlement' (OTS) of the dues and requested the Company for giving the outstanding position of loan amount as on 15 November 2006.

It was observed in audit that the total outstanding as on 15 November 2006 was Rs. 89.70 lakh (Principal amount: Rs. 57.70 lakh and interest: Rs. 32 lakh). The Company, however, intimated (October 2006) to POPL Rs. 60.92 lakh as outstanding amount. It was also observed that though the Company was aware in September 2006 itself about the non-working of the unit of the borrower and its intention for OTS, the Company did not take any action to foreclose and recall the loan. The Company had not taken any concrete step to recover the loan by taking over the assets of POPL/guarantor or initiated any legal action. Thus, inaction of the Company resulted in non-recovery of dues of Rs. 1.06 crore (including interest of Rs. 47.91 lakh upto May 2008).

The matter was reported to the Government/Management in July 2008; their reply was awaited (September 2008).

4.5 Loss due to disbursement of loan to a manufacturer not holding licence

Disbursement of loan without ensuring availability of licence for manufacture of cylinders and subsequent delay in disposal of the unit resulted in loss of Rs. 31.94 lakh.

The Company disbursed (January 1986 – February 1987) a loan of Rs. 75.08 lakh to B.S. (Assam) Industries Private Limited (BSAIPL) for setting up of a LPG Cylinder manufacturing unit. Before disbursement of loan, the borrower neither had explosive licence nor any commitment from Indian Oil Corporation Limited (IOCL) for placement of order for manufacture of cylinders. The borrower obtained explosive licence in February 1992 and approached IOCL for placement of order for manufacture of the cylinders. The borrower, however, could not obtain any order for manufacture of cylinders as, in the meantime, Government of India had discontinued its policy to place orders for supply of cylinders on new units which came into existence after December 1991. As a result, BSAIPL was unable to continue with its operation as well as repayment of loan. The Company asked (September 1991) the borrower and the guarantor to repay the amount due. On the failure to repay, the Company took possession (September 1992) of the unit under section 29 of the State Financial Corporation Act 1951.

Audit noticed that instead of taking any steps for realisation of the accumulated dues by way of sale, the unit was returned to the borrower directing that either Management be changed or additional or unutilised assets be sold so that the outstanding dues could be repaid. Since there had not been any improvement in repayment of outstanding dues, the unit was once again taken over in April 1995. The borrower submitted a proposal (November 1998) for OTS of loan amount of Rs. 1.03 crore which was not accepted (November 1998) by the Company as the same was not as per the scheme. Ultimately, the unit was sold (September 2005) for Rs. 71.11 lakh.

Thus, due to disbursement of loan without ensuring the availability of licence for manufacture of cylinders in first place and thereafter inordinate delay in disposal of the unit, there was a loss of Rs. 31.94 lakh (Rs. 103.05 lakh *minus* Rs. 71.11 lakh) to the Company.

The Management in their reply (May 2008) did not comment anything about delay in disposal of the assets.

The matter was reported to the Government in March 2008; their reply was awaited (September 2008).

Assam Plains Tribes Development Corporation Limited

4.6 Undue benefit to a supplier

Release of advance, enhancement in agreed rates, delay in supply of tractors and non deduction of sales tax at source in violation of terms of the sanction order resulted in extension of undue financial benefit of Rs. 34.84 lakh to the supplier.

In order to implement Family Oriented Income Generating Scheme for the benefit of the tribal people of the State, Government of Assam sanctioned Rs. 3.96 crore as grants to the Company. In terms of the sanction order the Company was required to purchase 76 tractors and distribute the same to the tribal beneficiaries. The sanction further stipulated that the purchase to be made as per the rates approved by the purchase committee or at DGS&D rate and Assam General Sales Tax (AGST) should be deducted at source and deposited into Government account.

The Company entered into an agreement (22 September 2003) with International Machinery and Equipments, Mangaldoi (dealer) for supply of tractors. The terms and conditions of the agreement stipulated *inter alia* that the tractors would be delivered at the branch offices of the Company within 60 days of the supply order; there would not be any advance payment; the rate would be inclusive of taxes, loading, unloading and transportation charges; 90 *per cent* of the order value would be paid after delivery and the balance 10 *per cent* would be released after adjustment of AGST.

Subsequently, the Company placed (September 2003) supply order with the firm for supply of 76 tractors at the rate of Rs. 5,20,880 (including taxes, loading and unloading and transportation charges) per tractor. The Company released (November 2003) an advance of Rs. 3.56 crore to the firm in contravention of the terms of the agreement. The tractors were delivered (June – December 2004) with a delay of 5 to 13 months beyond the stipulated 60 days delivery period. In addition, the rate per tractor was later revised to Rs. 5,39,981 on the basis of the supplier's request (November 2003). The supplier was paid total amount of Rs. 4.04 crore up to February 2005. The final bill was yet to be submitted by the supplier (July 2008).

The enhancement of price by Rs. 19,101 (Rs.5,39,981 *minus* Rs.5,20,880) in violation of the agreement resulted in extra payment of Rs.14.52 lakh. Advance remaining unadjusted for the delayed period of delivery (five to eight months) in violation of the agreement, resulted in loss of interest of Rs.20.32 lakh worked out at the rate of 10 *per cent* and extension of undue financial benefit to the supplier. Audit scrutiny (October – November 2007) further revealed that Rs. 4.04 crore paid to the supplier included sales tax of Rs. 33.19 lakh which was required to be deducted at source as the supplier had not produced tax clearance certificate but was not deducted.

Thus, non observance of terms of the sanction order and violation of contractual agreement resulted in extension of undue financial benefit of Rs. 34.84 lakh* to the supplier and non recovery of sales tax amounting to Rs. 33.19 lakh. The Management in their reply (August 2008) stated that advance was paid on insistence of the tractor manufacturer. It was also stated that the final bill as well as the evidence in support of deposit of tax in Government Account was yet to be submitted by the supplier. Thus, the Company failed to enforce the terms and conditions of the agreement.

The matter was reported to the Government in June 2008; their reply was awaited (September 2008).

4.7 Non-achievement of scheme objectives

The Company diverted Rs. 26 lakh meant for utilisation on procurement and marketing of Minor Forest Produce (MFP) in the State which resulted in non-achievement of scheme objectives.

Government of India released Rs. 30 lakh to the State Government for Minor Forest Produce (MFP) operations during 2003-04 for utilisation through the Company. The objective of the scheme was to procure MFP from the tribal people of the State at appropriate price by eliminating middlemen and sell the same in the market. Funds released were to be used as a revolving fund for procurement of MFP by the Company. The State Government released (April 2005) Rs. 30 lakh to the Company.

Audit observed that the Company spent only Rupees four lakh on procurement of MFP (cane and bamboo) which was sold in the market at Rs. 1.11 lakh after incurring a loss of Rs. 2.89 lakh. The sales realisation was subsequently utilised internally and revolving fund was not created. The balance Rs. 26 lakh was spent on construction of office building (Rs. 22 lakh) and training and establishment expenses (Rupees four lakh), which were not admissible as per the scheme. This unauthorised expenditure of Rs. 26 lakh was also objected to by the Government of India.

* Rs.20.32 lakh + Rs.14.52 lakh

Thus, due to diversion of funds by the Company, the objective of the scheme could not be achieved.

The matter was reported to the Government/Management in June 2008; their reply was awaited (September 2008).

Lower Assam Electricity Distribution Company Limited

4.8 Undue benefit to a consumer

Undue benefit of Rs. 37.88 lakh was extended to the consumer by downward revision of bill and non-realisation of surcharge for delayed payment.

Clause 21(ii) (i) of Terms and Conditions of Supply (TCS), 1998 of erstwhile Assam State Electricity Board provided that interfering and tampering with the meter and metering system should be treated as malpractice. Clause 22(c) and (d) of the TCS further provided that if interference with the meter and metering system was detected, the Company may, without prejudice to any other legal action that may be taken against the consumer, ask the consumer to pay compensation to be assessed on the basis of demand factor, load factor and connected load for a period of six months prior to the date of detection and he would be billed at the rate twice the existing tariff. Clause 22 (f) (i) (a) also provided that a consumer aggrieved by such assessment, may appeal to the appropriate authority within a period of 15 days from the date of issue of compensation/assessment bill/notice after depositing 50 *per cent* of the assessment bill.

During inspection (June 1999) of the metering equipments installed at the premises of the Steel Melting unit of Gemson Melt (P) Limited (Consumer No.L/PC-69, connected load: 1,530 KW) at Guwahati by the Meter Testing and Inspection Division, the plastic seal of the Current Transformer (CT) secondary cover was found damaged and tampered. Accordingly, a compensation bill for Rs. 27.92 lakh was raised (June 1999). The consumer, being aggrieved, filed (June 1999) an appeal with the Appellate Authority against the compensation bill by depositing Rs. 13.96 lakh being 50 *per cent* of the compensation bill. The Appellate Authority upheld (February 2002) the penalty and directed the consumer to pay the assessed amount along with usual surcharge as per Schedule of Tariff (SOT).

The consumer filed (March 2002) second appeal before the Chief Engineer (Commercial), which was also rejected (August 2002). The consumer then filed a suit in the Court of Civil Judge, Guwahati challenging the decision of the Appellate Authority. But before disposal of the suit by the court, the consumer requested (April 2007) the Company for amicable settlement of the dispute. As per Board's approved procedure the matter was to be placed before the 'Dispute Settlement Committee' by the Board. However, the bills were reassessed at Additional Chief Engineer level who did not consider

levying surcharge of Rs. 27.94 lakh and reduced the energy charges from Rs. 13.96 lakh to Rs. 4.02 lakh in an arbitrary manner. Thus, irregular re-assessment had resulted in undue benefit of Rs. 37.88 lakh* as on July 2008 to the consumer.

The Management stated (August 2008) that the case was settled as a special case on mutual agreed terms as per scheme of 'out of court settlement' case. The reply is not acceptable since the scheme stipulated that in a case where disputed amount was above Rupees five lakh, the recommendations of 'Dispute Settlement Committee' were to be placed before the Board of ASEB for final approval. However, in this case, the Board's approval was not obtained and the matter was settled by Additional Chief Engineer.

The matter was reported to the Government in April 2008; their reply was awaited (September 2008).

4.9 Loss of revenue due to failure to take timely action

Failure to issue regular bills to permanent disconnected consumers resulted in non-realisation of revenue of Rs. 37.44 lakh.

Clause 23 (a) of the Terms and Conditions of Supply (TCS) as issued by the erstwhile Assam State Electricity Board (ASEB) in 1998, stipulates that if a consumer fails to pay electricity bills within 15/30 days, as applicable, of the bill being presented to him, the Board may disconnect the supply of electricity to the consumer after giving him not less than 15 days notice in writing, without prejudice to its right to recover the amount of the bill by legal action.

Scrutiny of records (May 2007) of four Sub-Divisions** under Guwahati Electrical Division (West), Maligaon revealed that the Company did not follow the procedure for recovery of energy bills and allowed to accumulate the dues of 250 consumers. Ultimately, service connections of these consumers were permanently disconnected during the period from May 2002 to March 2005 without recovering the accumulated dues of Rs. 30.10 lakh. Even after disconnection the Company did not take any action to realise this amount.

On being pointed out in Audit the Management served the bills of Rs. 37.44 lakh (July—September 2007) on 'permanently disconnected consumers' with up-to-date surcharge and the amount remained unrealised till date (July 2008). Thus, due to failure to take appropriate timely action, the Company could not realise revenue of Rs. 37.44 lakh.

The matter was reported to the Government in June 2008; their reply was awaited (September 2008).

* Rs.27.94 lakh plus Rs.13.96 lakh minus Rs.4.02 lakh = Rs.37.88 lakh.

** Amingaon, Hajo, Sualkuchi and Jalukbari

4.10 Irregular revision

Extension of undue benefit to the consumers by way of downward revision of bills and non-levying of surcharge on delayed payment amounting to Rs. 19.73 lakh.

Clause 15(e) of Terms and Condition of Supply (TCS), 1988 of ASEB stipulates that in the event of any meter being found defective, the energy consumption shall be determined based on the average consumption for the previous three months preceding the meter becoming defective or the next three months after connection whichever is higher and bill would be prepared and presented accordingly.

In accordance with the above provision, a supplementary bill (No. 090 dated 13 August 1997) for Rs. 6.55 lakh on the basis of actual energy consumption for three months after replacement of the defective meter was served on the consumer (Consumer No. LP/J 145). The consumer submitted an appeal to the Additional Chief Engineer (Commercial) on 7 November 1997 and deposited Rupees one lakh on 3 August 1998 after a delay of almost 12 months as against provision of depositing 50 *per cent* of the amount (Rs. 3.27 lakh) within the prescribed time period of 15 days from the date of receipt of the assessment/supplementary notice as per Clause 22 (f) (i) (a).

Despite violation of the provisions relating to submission of appeal, the Additional Chief Engineer (Commercial-Revenue), after a gap of nine years revised the said bill to Rs. 1.56 lakh without recording any reason. Further, reason for long delay of nine years in settlement of appeal was also not on record. This irregular downward revision/reassessment resulted in loss of revenue of Rs. 4.98 lakh.

Further, Clause 18(c) of TCS stipulates that surcharge at an applicable rate as fixed under Schedule of Tariff from time to time per month (or part thereof) at simple rate of interest shall be levied if payment is not made on or before the due date of payment specified in the bill. The surcharge amounting to Rs. 14.75 lakh for delayed payment had also not been levied and realized as detailed below:

Period	Amount/Interest/ Months	Rupees in lakh
September 1997 to August 1998	Rs. 6.55 lakh X 5 <i>per cent</i> X 12 months	3.93
September 1998 to May 2005	Rs. 5.55 lakh X 2 <i>per cent</i> X 81 months	8.99
June 2005 to March 2007	Rs. 5.55 lakh X 1.5 <i>per cent</i> X 22 months	1.83
Total:		14.75

Thus, due to non-observance of the provisions of TCS *ibid*, the Board incurred loss of revenue of Rs. 19.73 lakh.

The Management (June 2008) stated that the bill was settled on receipt of a complaint against excessive billing from the consumer. The reasons for delay in disposal of the consumer's complaint was stated to be on account of the concerned file remaining misplaced for nine years.

The reply was not acceptable as that the downward revision of the bill was approved by the Board on assumptions without verifying production details with excise records and related consumption of electricity thereto. Further, as the consumer had not deposited full amount as required under clause 22 (f) (i) (a), his appeal should not have been considered.

The matter was reported to the Government in June 2008; their reply was awaited (September 2008).

4.11 Loss of revenue due to non-recovery of surcharge

Loss of revenue of Rs. 18.66 lakh occurred due to non-levy of surcharge for delayed payment of energy bills.

Clause 18(c) of Terms and Conditions of Supply (TCS), 1998 of the ASEB envisages that surcharge at applicable rates shall be levied if payment is not made on or before the due date of payment specified in the bill.

Audit scrutiny (December 2007) of the records of the Office of the Area Manager, Industrial Revenue Collection Area-1, Ulubari, Guwahati, revealed that a bill for Rs. 6.22 lakh towards capacity charges (forming part of energy charges) for the period from 11 April 1989 to 11 October 1990 was raised (May 1991) on Rahman Properties, Guwahati in terms of Meter Testing and Inspection Division report (July 1990). Against this bill, the consumer paid (between August 2005 and May 2006) Rs. 6.78 lakh including surcharge (Rs. 0.56 lakh) in installments. However, the surcharge of Rs. 18.66 lakh for the period June 1991 to July 2005 for late payment on outstanding bill realisable as per Clause 18 (c) of TCS was not claimed.

The Management confirmed (August 2008) that surcharge on the outstanding bill was not claimed. However, surcharge on any outstanding balances was payable as per Clause 18 (c) and should have been claimed.

The matter was reported to the Government in April 2008; their reply was awaited (September 2008).

Assam Electronics Development Corporation Limited

4.12 Execution of project without agency charge

Loss of Rs. 31.22 lakh was incurred due to failure of the Company to safeguard its financial interest.

As per extant procedure, the Assam Electronics Development Corporation (AEDC), Bamunimaidam executes projects on behalf of the Government of Assam on realisation of agency charges ranging from three to five *per cent* on work value as allowed by the Government from time to time to meet the establishment cost of the Company.

During the course of audit, it was noticed that the Communication and Accreditation Committee of the 33rd National Games entrusted the Company (July 2006) with the work of Information Technology Communication Games Management System. In order to execute the works, the Company placed order (December 2006) with CMC Limited for the work. The contractor completed the entire works valuing Rs. 7.68 crore in February 2007. The Company received Rs. 7.19 crore against the bill raised for Rs. 7.68 crore leaving a receivable amounting to Rs. 49.66 lakh.

During course of audit the following irregularities were noticed:

- The Company executed the work without any formal work order from Government. No agreement/MOU was executed with the Government.
- Administrative/agency charges (Rs. 23.05 lakh calculated at 3 *per cent* of value of work done) were not incorporated in the bill.
- During the period from January to March 2007, against receipt of Rs. 2.06 crore from the Government, the Company released Rs. 3.79 crore to its Contractors. The excess amount of Rs. 1.73 crore was arranged by resorting to overdraft from bank during the period January to October 2007 for which the Company had to pay Rs. 8.17 lakh towards overdraft interest up to October 2007.

Thus, on one hand the company had to forgo the agency charges amounting to Rs. 23.05 lakh due to non-execution of agreement, on the other it paid interest on overdraft amounting to Rs. 8.17 lakh which was resorted to for implementation of this work. This indicates that the Company failed to safeguard its financial interest.

The Management in reply (August 2008) also confirmed that no approval was obtained for non-claiming of agency charges.

The matter was reported to the Government in August 2008; their reply was awaited (September 2008).

4.13 Loss due to imprudent fund management

Imprudent fund management led to extra interest burden of Rs. 20.07 lakh.

The Company took (June 2003) a temporary loan of Rs. 40 lakh bearing interest at the rate of 16 *per cent* per annum from Assam Industrial Development Corporation Limited (AIDC) for providing working capital assistance to Amtron Informatics (India) Limited (newly incorporated subsidiary Company). As per terms of the loan agreement, the Company was to repay the loan by December 2003, and the interest was payable on a monthly basis. The Company repaid (November 2006) only Rs. 15 lakh towards principal and did not pay any interest since beginning.

Audit scrutiny revealed that the Company had sought (December 2003) extension for repayment of loan stating that they could not generate sufficient funds by way of business operation or assistance from external sources. However, detailed scrutiny of fund position of the Company revealed that there was a balance of Rs. 2.37 crore in the form of fixed deposits at the time of seeking extension for repayment of loan. Moreover, at the time of repayment of Rs. 15 lakh as principal in November 2006, the Company had fixed deposits of Rs. 36.29 crore. Therefore, on both the occasions sufficient funds were available to repay the entire amount.

Therefore, it would have been prudent on the part of the management to repay the loan by encashing fixed deposits and avoid extra burden of 10.75 *per cent* (16 *per cent* less 5.25 *per cent*) as interest payment from January 2004 onwards for 56 months (up to August 2008). Thus, Management's decision to seek extension of time for repayment of loan, though option of encashing the fixed deposits and repaying the same was available, led to a liability of Rs. 20.07 lakh which was avoidable.

The Management stated (June 2008) that for waiver of interest the matter was under negotiation with AIDC. The fact remained that had the Company repaid the entire the amount in December 2003, interest incidence of Rs. 20.07 lakh could have been avoided.

The matter was reported to the Government in June 2008; their reply was awaited (September 2008).

4.14 Loss due to delay in implementation of order

Delay in implementation of the contract led to its cancellation as a consequence of which the Company had to suffer a loss of Rs. 13.71 lakh.

Assam State Electricity Board (ASEB) awarded (October 2003) the Company the work for providing single point light connection to Below Poverty Line (BPL) beneficiaries under “Kutir Jyoti Scheme, 2002-03”. As per agreement entered into (27 December 2003), the Company was required to provide connections to 20,000 BPL beneficiaries of 14 Electrical Circles at the rate of Rs. 1,780 per connection on a turnkey basis which included supply of all required materials. The connection were to be provided within a period of 150 days from the date of agreement, *i.e.*, by 25 May 2004.

For executing the work, the Company procured (February 2004 to November 2004) 14,500 single phase electronic meters at the rate of Rs. 728 per meter from Bentex Linger Switchgear Company, New Delhi, at a total cost of Rs. 1.06 crore. The Company failed to provide any connection within the stipulated time (25 May 2004). The Company could provide only 11,786 connections upto 28 February 2005 (extended period) out of 14,454 connections in 10 circles whereas ASEB withdrew (February 2005) work of four Electrical Circles involving 5,546 connections. Thus, 2,714 meters remained unutilised. Out of which, 2,689 meters were sold (February-March 2008) at the rate of Rs. 225 per meter to the original supplier (2,687 meters) and an employee of the Company (two meters). The balance 25 meters could not be sold as those were damaged and beyond repair. Thus, tardy implementation of the contract leading to cancellation of a portion of work resulted in loss of Rs. 13.71 * lakh on disposal of unused meters.

The matter was reported to the Government/Management in July 2008; their reply was awaited (September 2008).

4.15 Irregular implementation of scheme

Failure to stick to core business activities left the Company with unrealised dues of Rs. 43.09 lakh and exposed it to additional liability of Rs. 90.41 lakh towards interest.

The Company was appointed as State Channelising Agency (SCA) by the State Government for implementation of the Refinance Scheme (RS) provided by the National Backward Classes Finance and Development Corporation (NBCFDC) for the benefit of the backward classes of the State. The company entered (January 2002) into an agreement with the NBCFDC for loan

* {Rs.728 less Rs.225} X 2,689} + (Rs.728 X 25).

assistance of Rupees five crore as follow up of the decision of the Board of Directors of the Company in its meeting held on 19 January 2002. The terms and conditions of the agreement provided for payment of 12 *per cent* interest or normal bank rate whichever was higher on the undisbursed amount.

The Company received loan assistance of Rs. 4.58 crore (Rs. 3.68 crore for General Loan Scheme and Rs. 0.90 crore for Micro Finance Scheme) carrying interest at 4.5 *per cent* per annum.

In this connection audit observed as follows:

- The activities of loan assistance did not come within the core competence of the Company.
- Out of Rs. 4.58 crore received from NBCFDC, disbursement to the beneficiaries was Rs. 39.74 lakh only. The company repaid (December 2006) Rs. 83.39 lakh as principal. The balance amount of Rs. 3.35 crore was retained by the company. Thus, objective of the scheme to refinance the backward class of the State was forfeited.
- Realisation from the beneficiaries was Rs. 0.32 lakh only against the total dues of Rs. 43.41 lakh (principal due for repayment of Rs. 23.71 lakh and interest Rs. 19.70 lakh) till date. It indicated lack of monitoring mechanism for recovery of loan amount from the beneficiaries.
- The Management furnished (July 2003) utilization certificate for Rs. 2.42 crore in respect of 156 beneficiaries as against actual disbursement of Rs. 39.74 lakh to 25 beneficiaries.
- As per terms and condition of the agreement the company was liable to pay interest of Rs. 90.41 lakh*.

Thus, failure to stick to core business activities left the Company with unrealised dues of Rs. 43.09 lakh from borrowers and exposed it to an additional liabilities of Rs. 90.41 lakh on account of penal interest for undisbursed fund.

The Management (June / August 2008) confirmed that the activities of loan assistance were not their core activities and the Board of Directors of the company had also decided (March 2008) not to pursue these activities further. However, the company did not offer any comments on issue of incorrect utilisation certificate to NBCFDC.

The matter was reported to the Government in May 2008; their reply was awaited (September 2008).

* (Rs.334.87 lakh x 12 *per cent* x 27 months)

Statutory corporations

Assam State Transport Corporation

4.16 Loss of revenue due to non-recovery of penalty

Failure to enforce provision of the agreement on defaulting private bus owners resulted in loss of revenue of Rs. 10.48 lakh.

The Corporation allowed (September 2001) the private bus owners to operate their buses under its banner and on its routes under 'Self Employment Scheme'. Accordingly, the Corporation entered into an agreement with the private bus owners to operate their buses on approved routes in the State.

As per Clauses 39 and 40 of the agreement, the private bus owners were required to give at least 48 hours notice to the Station authorities when the buses were not likely to be made available on a particular day, failing which the Corporation was to levy penalty of Rs. 500 per day.

Audit scrutiny revealed (September 2007) that number of private buses under Bongaigaon Station were off the road for an aggregate period of 2,128 bus days during the period from April 2005 to March 2007 for which neither prior intimation was received from the bus owners nor the Corporation initiated any action to invoke penalty under the provisions of Clauses 39 and 40 of the agreement.

Thus, non-compliance of the provisions of Clauses 39 and 40 by the private bus owners as well as Station authorities and failure on the part of the latter to safeguard the financial interest, the Corporation suffered a revenue loss of Rs. 10.48 lakh.

The matter was reported to the Government/Management in June 2008; their reply was awaited (September 2008).

General

4.17 Follow-up action on Audit Reports

4.17.1 Outstanding Explanatory Notes

The Comptroller and Auditor General of India's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained by various Public Sector Undertakings (PSUs). It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance (Audit & Fund) Department, Government of Assam issued (May 1994) instructions to all administrative departments that immediately on receipt of Audit Reports, the concerned

departments would prepare an explanatory note on the paragraphs and reviews included in the Audit Reports indicating the action taken or proposed to be taken and submit the 'Action Taken Note' (ATN) to the Assam Legislative Assembly with a copy to the Principal Accountant General/Accountant General within 20 days from the date of receipt of the Reports. Besides this, the department would ensure submission of written Memorandum as called for on the para(s) concerning the department within the time limit prescribed by the Assam Legislative Assembly from time to time.

Though the Audit Reports presented to the Legislature for the period from 2002-03 to 2006-07 contained comments on 75 paragraphs/reviews, explanatory notes on 71 paragraphs/reviews were not received till September 2008 as indicated below:

Year of Audit Report (Commercial)	Date of presentation to the State Legislature	Total paragraphs/ reviews in Audit Report	No. of paragraphs/ reviews for which explanatory notes were not received
2002-2003	July 2004	16	15
2003-2004	August 2005	17	15
2004-2005	February 2006	13	13
2005-2006	March 2007	14	13
2006-2007	March 2008	15	15
Total		75	71

Department wise analysis of paragraphs/reviews for which explanatory notes are awaited is given in **Annexure 12**. Departments of Power and Industries & Commerce were largely responsible for non-submission of explanatory notes.

4.17.2 Action Taken Notes on Reports of Committee on Public Undertakings (COPU)

The replies to paragraphs and recommendations are required to be furnished within six weeks from the date of presentation of the Report by the Committee on Public Undertakings (COPU) to the State Legislature. Replies to 73 recommendations pertaining to 11 Reports of the COPU, presented to the State Legislature between August 1997 and April 2008 had not been received as on September 2008 as detailed below:

Year of the COPU Report	Total number of Reports involved	Number of recommendations where ATNs replies not received
1997-98	1	01
2002-03	1	09
2003-04	2	18
2004-05	1	10
2005-06	3	06
2006-07	3	29
Total		73

4.17.3 Action taken on persistent irregularities in Audit Reports

With a view to assist and facilitate discussion of paras of persistent nature by the State COPU, an exercise has been carried out to identify the extent of persistent irregularities pertaining to Government companies and Statutory corporations.

4.17.4 Government companies

Irregularities of various nature (as detailed in *Annexure 13*) having financial implication of Rs. 1.11 crore (Assam Gas Company Limited) and Rs. 2.68 crore (Assam State Development Corporation for Other Backward Classes Limited) were included in the Reports of the Comptroller and Auditor General of India for the years 2002-03 to 2006-07 (Commercial)-Government of Assam, but no corrective action has been taken in these cases by the concerned PSUs/State Government.

4.17.5 Statutory corporations

Irregularities of various nature (as detailed in *Annexure 14*) having financial implication of Rs. 31.24 crore (Assam State Electricity Board) were included in the Reports of the Comptroller and Auditor General of India for the years 2002-03 to 2006-07 (Commercial)-Government of Assam, but no corrective action has been taken in these cases by the ASEB/State Government.

4.18 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of the State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of four weeks. A review of inspection reports issued up to March 2008 pertaining to 24 PSUs disclosed that 1,281 paragraphs relating to 284 inspection reports remained outstanding at the end of September 2008; of these, 46 inspection reports containing 352 paragraphs had not been replied to for more than one year. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2008 are given in *Annexure 15*.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially, seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that the written replies on 16 draft paragraphs and two reviews forwarded to various departments between April and August 2008 as detailed in

Annexure 16 had not been received so far (September 2008). The reviews were discussed in the ARCPSE meeting (July 2008).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to inspection reports and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) action to recover loss / outstanding advances / overpayment is taken within the prescribed period and (c) the system of responding to audit observations is revamped.

GUWAHATI
THE

(SWORD VASHUM)
Principal Accountant General (Audit), Assam

Countersigned

NEW DELHI
THE

(VINOD RAI)
Comptroller and Auditor General of India