

**Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
for the year ended 31 March 2018**



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Government of Assam
Report No. 3 of 2019

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

ON

PUBLIC SECTOR UNDERTAKINGS

FOR THE YEAR ENDED 31 MARCH 2018

**GOVERNMENT OF ASSAM
(REPORT NO. 3 OF 2019)**

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Preface

This Report deals with the results of audit of Government Companies and Statutory Corporations for the year ended 31 March 2018.

The accounts of Government Companies are audited by the Comptroller and Auditor General of India (CAG) under the provisions of the Section 143 of the Companies Act, 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act, are subject to supplementary audit by officers of the CAG and the CAG gives their comments or supplements the reports of the Statutory Auditors. In addition, the Government Companies as well as Other Companies covered under Section 139 (5) and 139 (7) of the Companies Act, 2013 are also subject to test audit by the CAG.

The audit of Statutory Corporations is governed by their respective legislations. In respect of one Statutory Corporation, namely, Assam State Transport Corporation the CAG is the sole auditor. Further, the CAG is also the sole auditor in respect of Assam Electricity Regulatory Commission.

Reports in relation to the accounts of a Government Company or Corporation are submitted to the State Government by CAG for laying before State Legislature of Assam under the provisions of Section 19-A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period April 2017 to March 2018 as well as those which came to notice in the earlier years, but could not be reported in the previous Audit Reports. Matters relating to the period subsequent to March 2018 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the CAG.

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)

Performance Audit on Computerised Electricity Billing System in Assam Power Distribution Company Limited

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 SAP¹ 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)

¹ 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)

Introduction

Functioning of State Public Sector Undertakings

Introduction

Functioning of State Public Sector Undertakings

General

1 The Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations under Government of Assam (GoA). The PSUs were established to carry out activities of commercial nature, keeping in view the welfare of the people and contribute to the State economy. As on 31 March 2018, there were 49 PSUs (33 working PSUs and 16 non-working PSUs¹) in Assam. None of these Government Companies were listed on the stock exchange, which means that the share capital of these companies cannot be officially traded on the stock exchange.

2 The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2018 is covered in this report. The nature of PSUs and the position of accounts are indicated in *Table 1* below:

Table 1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period ²				Number of PSUs of which accounts are in arrear as on 30 September 2018	Total Arrear in Accounts
		Accounts upto 2017-18	Accounts upto 2016-17	Accounts upto 2015-16	Total		
Working Government Companies ³	30	4	7	4	15	26	179
Statutory Corporations	3	1	0	1	2	2	6
Total working PSUs	33	5	7	5	17	28	185
Non-working Government PSUs	16	1	1	3	5	15	177
Total	49	6	8	8	22	43	362

Source: Records of PSUs with audit.

Out of the 49 PSUs, only 6 PSUs (including one non-working) had finalised their latest accounts (2017-18) as on 30 September 2018. The remaining 43 PSUs had arrears of accounts ranged between 1 and 35 years. The PSUs had employed 36,998 employees as at the end of March 2018. The 33 working PSUs registered a turnover of ₹ 6,638.68 crore. This turnover was equal to 2.34 per cent of Gross State Domestic Product (GSDP) of ₹ 2,83,821 crore⁴ for 2017-18 at current prices. During the year 2017-18, the working PSUs earned an aggregate profit of ₹ 371.71 crore as per their latest finalised accounts as on 30 September 2018, as compared to the aggregate loss of ₹ 279.72 crore incurred during 2016-17.

¹ Non-working PSUs are those which have ceased to carry out their operations.

² From October 2017 to September 2018

³ Government PSUs include 'other Companies' referred to in Section 139 (5) and 139 (7) of the Companies Act 2013

⁴ GSDP (Quick estimate) as per information furnished by Directorate of Economic and Statistics, Government of Assam.

Accountability framework

3 The audit of the financial statements of Government Companies in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of Section 139 and 143 of the Companies Act, 2013. The audit of a Company in respect of the financial years that commenced prior to 1 April 2014, however, continued to be governed by the Companies Act, 1956. According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than 51 *per cent* of the paid-up share capital is held singly or jointly by the Central Government and/or any State Government(s) and also includes subsidiary of a Government Company.

The Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government Company under Section 139 (5) and (7) of the Act. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company, the first auditor are to be appointed by the CAG within 60 days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-Section 7 of Section 143 of the Act 2013, the CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG.

Statutory Audit

4 The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Companies Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143 (5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013.

Audit of Statutory Corporations is governed by their respective legislations. Out of three Statutory Corporations, the CAG is sole auditor for Assam State Transport Corporation. In respect of Assam State Warehousing Corporation and Assam Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG. The provisions of Section 19A of the CAG's Duties, Powers and Conditions of Service Act, 1971 (DPC) shall apply to the report of such 'test audit'. The audit arrangements of statutory corporations are as shown in **Table 2**:

Table 2: Details of Statutory Corporations

Sl. No.	Name of the Corporation	Authority for audit by CAG	Audit arrangement
1.	Assam State Transport Corporation	Section 33 (2) of the Road Transport Corporations Act, 1950	Sole audit by CAG under Section 19 (2) of the DPC Act, 1971
2.	Assam Financial Corporation	Section 37 (6) of the State Financial Corporations Act, 1951	Audit conducted by Chartered Accountants and supplementary audit by CAG under Section 19 (2) of the DPC Act, 1971
3.	Assam State Warehousing Corporation	Section 31 (8) of the State Warehousing Corporations Act, 1962	Audit conducted by Chartered Accountants and supplementary audit by CAG under Section 19 (2) of the DPC Act, 1971

Need for timely finalisation and submission

5 According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation, laid before the House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating the statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies and statutory corporations from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited financial statements for the financial year have to be placed in the said AGM for consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including Directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature

6 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors on the Board of these PSUs are appointed by the State Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports of State Government Companies together with the Statutory Auditors' Reports and comments of the CAG thereon are required to be placed before the Legislature under Section 394 of the Companies Act, 2013. Similarly, the Annual Reports of Statutory Corporations along with the Separate Audit Reports of CAG are required to be placed before the Legislature as per the stipulations made under their respective governing Acts. The Audit Reports of CAG are submitted to the State Government under Section 19A of the CAG's (DPC) Act, 1971.

Investment of GoA in Public Sector Undertakings (PSUs)

7 The GoA has significant financial stake in the PSUs. This stake is of mainly three types:

- **Share Capital and Loans** - In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support** - State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** - State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

8 The sector wise summary of investments of GoA in the PSUs as on 31 March 2018 is given in *Table 3*.

Table 3: Sector-wise investment of GoA in PSUs

Name of Sector	Government Companies		Statutory Corporations	Total	Investment (₹ in crore)		
	Working	Non-Working	Working		Equity	Long-term Loans	Total
Power	3	0	0	3	807.24	2,776.83	3,584.07
Agriculture & Allied	5	2	0	7	57.01	327.98	384.99
Finance	5	0	1	6	40.99	40.04	81.03
Infrastructure	7	2	0	9	177.81	128.50	306.31
Manufacturing	5	12	0	17	137.63	64.32	201.95
Service	1	0	2	3	165.86	0.04	165.90
Miscellaneous ⁵	4	0	0	4	20.07	0.00	20.07
Total	30	16	3	49	1,406.61⁶	3,337.71	4,744.32

Source: Information furnished by the PSUs

⁵ Miscellaneous sector includes Assam Gas Company Ltd., DNP Ltd., Assam Government Marketing Corporation Ltd. and Assam State Textbook Production and Publication Corporation Ltd.

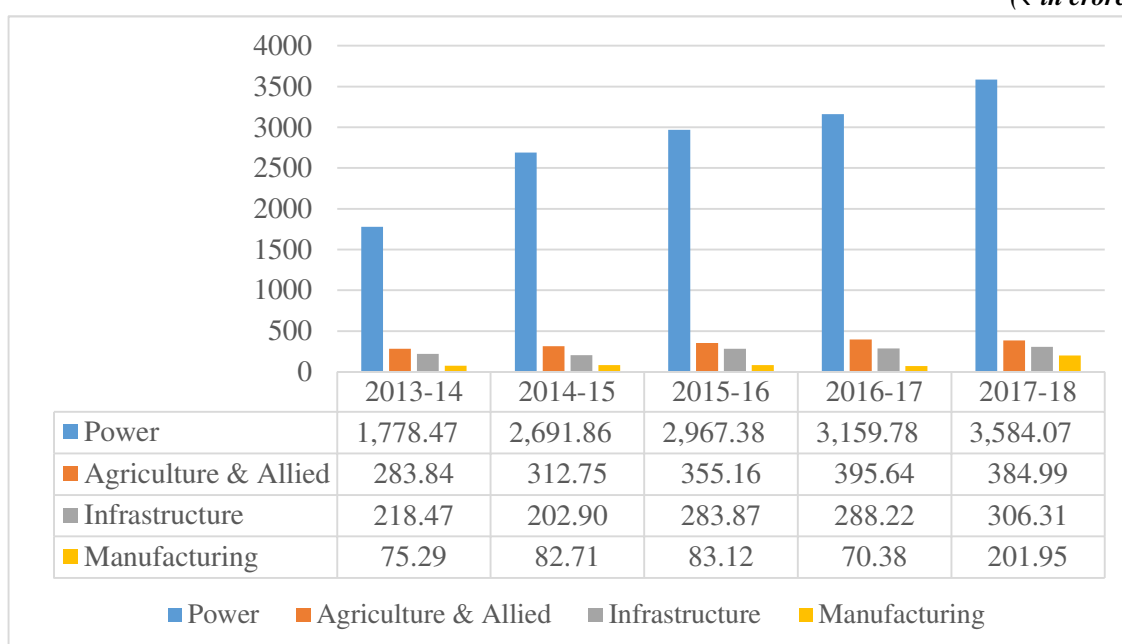
⁶ This does not include ₹ 519.15 crore (plan/non-plan fund) received by Assam State Transport Corporation for creation of assets which was included in the previous Audit Reports as equity.

The thrust of GoA investment during the last five years was in the power sector PSUs. The investment in power sector PSUs increased by 101.53 per cent from ₹ 1,778.47 crore (2013-14) to ₹ 3,584.07 crore (2017-18). This was mainly on account of net additions of ₹ 1,805.60 crore⁷ (185.91 per cent) during 2013-18 in the funding provided by the GoA to three PSUs by way of long-term loans. The said GoA funding provided to three power sector PSUs aimed to implement several infrastructure development projects and schemes such as, Restructured Accelerated Power Development and Reforms Programme, etc.

9 The comparative figures of GoA investment in four major sectors at the end of 31 March 2014 and 31 March 2018 are indicated in **Chart 1**.

Chart 1: Sector-wise investment in PSUs

(₹ in crore)



In addition to above, GoA had also provided budgetary support aggregating ₹ 5,235.51 crore to the PSUs (power sector: ₹ 4,646.27 crore and other than power sector: ₹ 589.24 crore) during the period of five years (2013-18) by way of grants/subsidy as detailed under **Chapter I** and **IV (paragraph 1.5 and 4.6)** of this Report.

Keeping in view the high level of investment in power sector, we are presenting the results of audit of three power sector PSUs in Part I⁸ of this Report and that of the remaining 46 PSUs (other than power sector) in the Part II⁹ of the Report.

⁷ Long term loan provided by GoA = ₹ 2,776.83 crore (2017-18) – ₹ 971.23 crore (2013-14)

⁸ The Part I includes Chapter-I (Functioning of Power Sector Undertakings), Chapter-II (Performance Audit relating to power sector PSUs) and Chapter-III (Compliance Audit Observations relating to power sector PSUs).

⁹ The Part II includes Chapter-IV (Functioning of PSUs other than power sector) and Chapter-V (Performance Audit relating to PSUs other than power sector) and Chapter-VI (Compliance Audit Observations relating to PSUs other than power sector).

Functioning of Power Sector PSUs

PART I

Chapter I

Functioning of Power Sector PSUs

1. Introduction

1.1 The power sector companies play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross State Domestic Product (GSDP). A ratio of PSUs-turnover to GSDP shows the extent of PSUs-activities in the State economy. Audit analysed the turnover of power sector PSUs *vis-a-vis* the GSDP during 2013-14 to 2017-18. **Table 1.1** provides the details of turnover of three PSUs against the GSDP for the five years ending 2017-18.

Table 1.1: Details of power sector PSUs turnover *vis-a-vis* GSDP

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover ¹	3,297.92	3,671.56	4,332.42	4,900.03	5,899.50
Gross State Domestic Product	1,77,745	1,95,723	2,27,959	2,54,341 ²	2,83,821 ³
Percentage of Turnover to GSDP	1.86	1.88	1.90	1.93	2.08

Source: Financial Statements received from PSUs and the information provided by the Directorate of Economic & Statistics, GoA.

As can be seen from the **Table 1.1**, the turnover of the three PSUs had increased consistently during five years from ₹ 3,297.92 crore (2013-14) to ₹ 5,899.50 crore (2017-18) and registered an overall increase of 78.89 *per cent* in their turnover during the said period. This was mainly due to increase of ₹ 1,727.20 crore (65.37 *per cent*) in the billed revenue of State Power Distribution utility⁴ from ₹ 2,642.15 crore (2013-14) to ₹ 4,369.35 crore (2017-18) on account of several factors like, increase in consumer base, periodic tariff revision, improved billing efficiency, *etc.* The increase in PSUs turnover (78.89 *per cent*) was encouraging as compared to the growth rate (59.68 *per cent*) of GSDP during the said period (2013-18). This had correspondingly increased the contribution of PSUs turnover to GSDP from 1.86 *per cent* (2013-14) to 2.08 *per cent* (2017-18).

¹ Turnover as per the latest finalised accounts as on 30 September of the respective year.

² Provisional estimates of GSDP.

³ Quick estimates of GSDP

⁴ Assam Power Distribution Company Limited

1.2 Formation of power sector PSUs

The Electricity Act, 2003 enacted by the Government of India (GoI) provides a framework conducive to development of the power sector; promote transparency and competition and protect the interest of the consumers. As part of power sector reforms, the erstwhile Assam State Electricity Board (ASEB) was unbundled (October 2003) by Government of Assam (GoA) into five successor PSUs⁵ meant to take up the Generation (Assam Power Generation Corporation Limited), Transmission (Assam Electricity Grid Corporation Limited) and Distribution (Lower Assam Electricity Distribution Company Limited, Central Assam Electricity Distribution Company Limited and Upper Assam Electricity Distribution Company Limited) activities. Subsequently, the three Distribution PSUs were merged into one Company (*with effect from 1 April 2009*) which was renamed as Assam Power Distribution Company Limited. Assam Electricity Regulatory Commission (AERC) was the regulatory body that regulated the activities of the PSUs relating to purchase, sale and supply of power in the State and also fixed the tariff for generation, transmission and distribution of electricity in the State.

Disinvestment, restructuring and privatisation of power sector PSUs

1.3 During the year 2017-18, no disinvestment, restructuring or privatization was done by the GoA in the power sector.

Investment in power sector PSUs

1.4 The activity-wise summary of investment in the PSUs as on 31 March 2018 is given in *Table 1.2* below:

Table 1.2: Activity-wise investment in power sector PSUs

Activity	Number of PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Generation of Power	1	455.86	965.54	1,421.40
Transmission of Power	1	99.93	567.38	667.31
Distribution of Power	1	251.45	2,335.96	2,587.41
Total	3	807.24	3,868.88	4,676.12

Source: Compiled based on information received from PSUs.

As per the information furnished by the three PSUs, the total investment⁶ as on 31 March 2018 was ₹ 4,676.12 crore, which included the investment of GoA (₹ 3,584.07 crore) and Others⁷ (₹ 1,092.05 crore). The investment was made by

⁵ Though the three PSUs were formally incorporated on 23 October 2003, these PSUs started functioning from 2005-06 when they prepared their first Annual Accounts.

⁶ Investment represents paid-up capital *plus* long-term loans

⁷ Asian Development Bank and Power Finance Corporation Limited.

the GoA (equity: ₹ 807.24 crore and long-term loans: ₹ 2,776.83 crore) and Others (Long-term loans: ₹ 1,092.05 crore). The investment of GoA had grown by 101.53 per cent from ₹ 1,778.47 crore in 2013-14 to ₹ 3,584.07 crore in 2017-18.

The leap in the investment of power sector PSUs was mainly on account of net addition of ₹ 1,805.60 crore (185.91 per cent) in the long-term borrowings of three PSUs during last five years from ₹ 971.23 crore (2013-14) to ₹ 2,776.83 crore (2017-18). The said loan funding was provided by GoA with the aim to implement several infrastructure development projects and schemes such as, Re-structured Accelerated Power Development and Reforms Programme, etc.

Budgetary support to power sector PSUs

1.5 The Government of Assam (GoA) provided financial support to the three PSUs in various forms through the annual budget. The details of year-wise budgetary outgo towards equity, loans and grants in respect of three PSUs for the five years ending March 2018 are given in *Table 1.3*.

Table 1.3: Year-wise budgetary support by GoA to power sector PSUs

(₹ in crore)

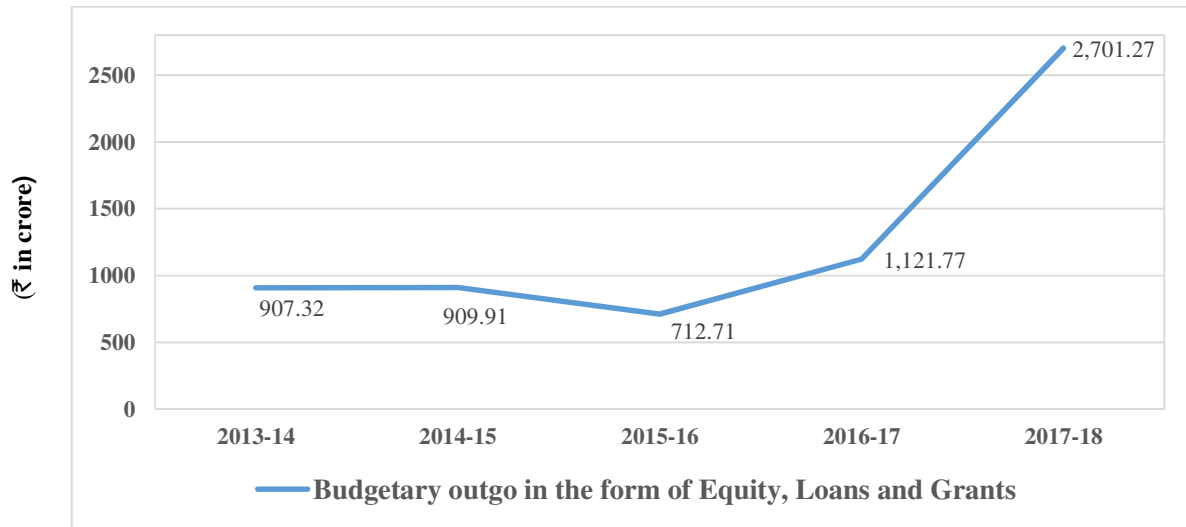
Sl. No.	Particulars	2013-14		2014-15		2015-16		2016-17		2017-18	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity outgo from budget	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
2.	Loans given from budget	3	237.38	3	577.12	3	275.52	3	192.40	3	424.29
3.	Grants/Subsidy from budget	3	669.94	1	332.79	2	437.19	3	929.37	2	2,276.98
4.	Total Outgo⁸	3	907.32	3	909.91	3	712.71	3	1,121.77	3	2,701.27
5.	Guarantee commitment	0	0.00	0	0.00	2	1,497.84	2	1,497.84	2	1,497.84
6.	Guarantee issued	0	0.00	0	0.00	1	47.97	1	39.63	1	31.29

Source: Information furnished by the PSUs

The graphical presentation of the budgetary outgo towards equity, loans and grants to three PSUs during past five years has been given in *Chart 1.1*.

⁸ Actual number of PSUs which received equity, loans, grants/subsidies from the State Government

Chart 1.1: Year-wise budgetary outgo of GoA to power sector PSUs



As can be noticed from **Chart 1.1**, the year-wise budgetary outgo to three PSUs in the form of equity, loans, grants, etc. had shown an increasing trend after 2015-16. The budgetary support provided during the year 2017-18 (₹ 2,701.27 crore) was significantly higher than that provided during 2015-16 (by 279 per cent) and 2016-17 (by 141 per cent).

Ministry of Power (MoP), Government of India launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY) for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). As per the Memorandum of Understanding (MoU) entered into (4 January 2017) between GoI, GoA and the State power distribution company (APDCL⁹) under the UDAY, GoA had committed to provide necessary funding to APDCL in the form of equity and grants to the extent of 75 per cent (₹ 1,132.53 crore) of the outstanding debts (₹ 1,510.04 crore) of APDCL (owed to GoA) as on 30 September 2015. Despite this commitment, however, GoA has not provided any funding to APDCL in this regard so far (March 2018).

As mentioned above, there was substantial increase in the grants provided by GoA during the year 2017-18 (₹ 2,701.27 crore) in comparison to previous two years (2015-16: ₹ 712.71 crore; 2016-17: ₹ 1,121.77 crore). The grants provided by GoA during 2017-18 included the financial assistance (₹ 1,020.96 crore) to APDCL under UDAY towards payment of its power purchase dues (₹ 560.58 crore) and creation of infrastructure (₹ 460.38 crore). The provisions of UDAY and status of implementation of the scheme by three DISCOMs are discussed under **paragraph 1.21** of this Chapter.

⁹ Assam Power Distribution Company Limited

Reconciliation with Finance Accounts of Government of Assam

1.6 The figures in respect of equity and loans extended by the GoA and remaining outstanding as per the records furnished by the PSUs should agree with the figures appearing in the Finance Accounts of the State. In case, the figures do not agree, the PSUs concerned and the Finance Department are required to carry out reconciliation of differences in figures. The position in this regard as on 31 March 2018 is summarised in *Table 1.4*.

Table 1.4 – Equity and loans outstanding as per the State Finance Accounts vis-à-vis records of power sector PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	1,398.75 ¹⁰	807.24	591.51
Loans	4,356.95	2,776.83	1,580.12

Source: Information furnished by the PSUs and Finance Accounts

It can be noticed that there were significant unreconciled differences in the figures of equity and loans as per two sets of records. The equity figures shown in the Finance Accounts pertained to the erstwhile Assam State Electricity Board, which was unbundled (October 2003) into three power sector companies under the Transfer scheme, 2005 of GoA. The said unbundling was, however, not given effect in the Finance Accounts. As the un-reconciled differences of outstanding investments remained significant, the GoA and the PSUs concerned need to take concrete steps to reconcile the differences in a time-bound manner.

Submission of accounts by power sector PSUs

1.7 The financial statements of the PSUs for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by 30 September in accordance with the provisions of Section 96 (1), read with Section 129 (2) of the Companies Act 2013 (Act). Failure to do so may attract penal provisions under Section 99 of the Act. As per the Act, the PSU and every officer of the PSU who is at default shall be punishable with fine which may extend upto ₹ 1 lakh and in the case of a continuing default, with a further fine which may extend upto ₹ 5,000 for every day during which such default continues. *Table 1.5* provides the details of progress made by three PSUs in finalisation of accounts as on 30 September 2018.

¹⁰ Erstwhile Assam State Electricity Board

Table 1.5: Position relating to finalisation of accounts of power sector PSUs

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs	3	3	3	3	3
2.	Number of accounts submitted during current year	3	4	3	2	4
3.	Number of PSUs which finalised accounts for the current year	0	1	1	0	1
4.	Number of previous year accounts finalised during current year	3	3	2	2	3
5.	Number of PSUs with arrears in accounts	3	2	2	3	2
6.	Number of accounts in arrears	3	2	2	3	2
7.	Extent of arrears	One year	One year	One year	One year	One year

Source: Compiled based on accounts of PSUs received during October 2017 to September 2018.

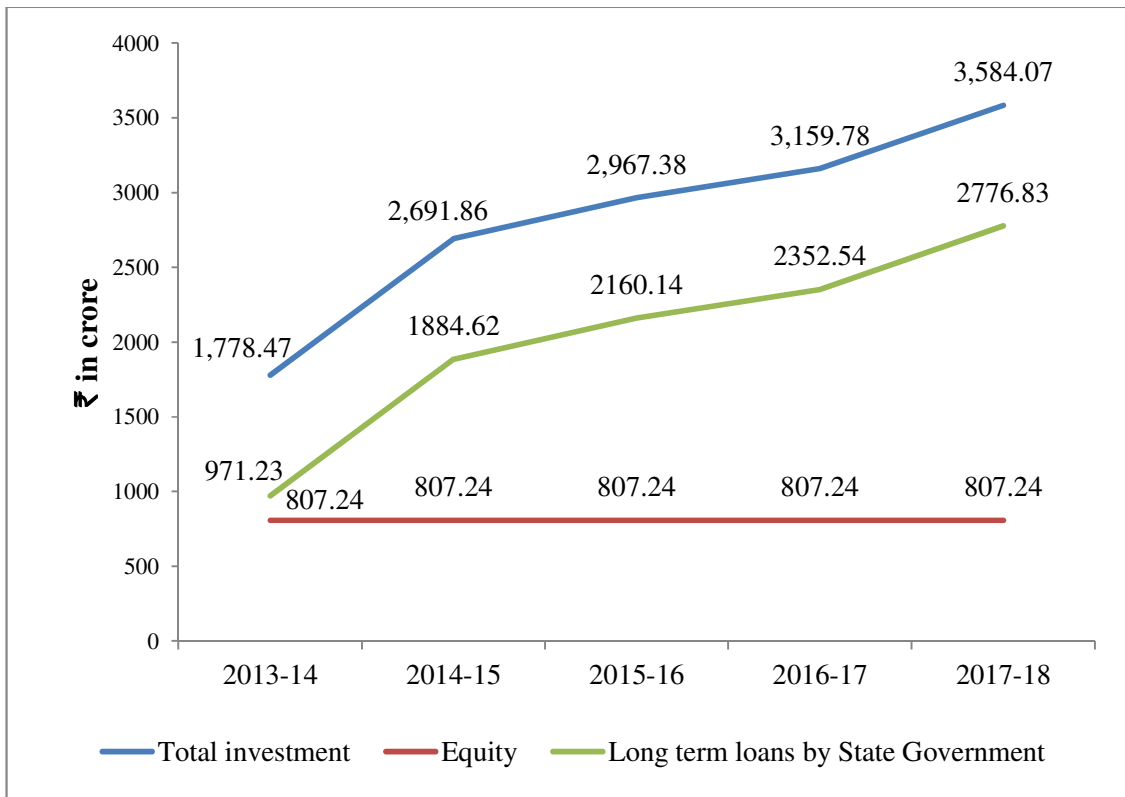
As can be noticed from **Table** above, the number of accounts in arrears of the three PSUs remained between two and three. The administrative departments have the responsibility to oversee the activities of the PSUs. The administrative departments concerned were also responsible to ensure that the PSUs finalise and adopt their accounts within the stipulated period. In view of the arrears in finalisation of accounts by the PSUs, the Principal Accountant General (PAG) had been taking up (December 2017 and May 2018) the matter regularly with the GoA and the administrative department concerned (Power Department, GoA) for liquidating the arrears of accounts of PSUs. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013.

Performance of power sector PSUs

1.8 The financial position and working results of three PSUs as per their latest finalised accounts as on 30 September 2018 are detailed in **Appendix 3**. The PSUs are expected to yield reasonable return on investment (RoI) made by Government in the PSUs. The total investment in the PSUs as on 31 March 2018, as per the information provided by the PSUs (**Appendix 2**) was ₹ 4,672.12 crore consisting of ₹ 807.24 crore as equity and ₹ 3,868.88 crore as long term loans. Out of this, GoA had an investment aggregating ₹ 3,584.07 crore in the three PSUs consisting of equity (₹ 807.24 crore) and long term loans (₹ 2,776.83 crore).

The year-wise status of investment of GoA in the form of equity and long term loans in the three PSUs during the period 2013-14 to 2017-18 is as shown in **Chart 1.2**.

Chart 1.2: Total investment of GoA in power sector PSUs



Investment of GoA (equity and long-term loans)

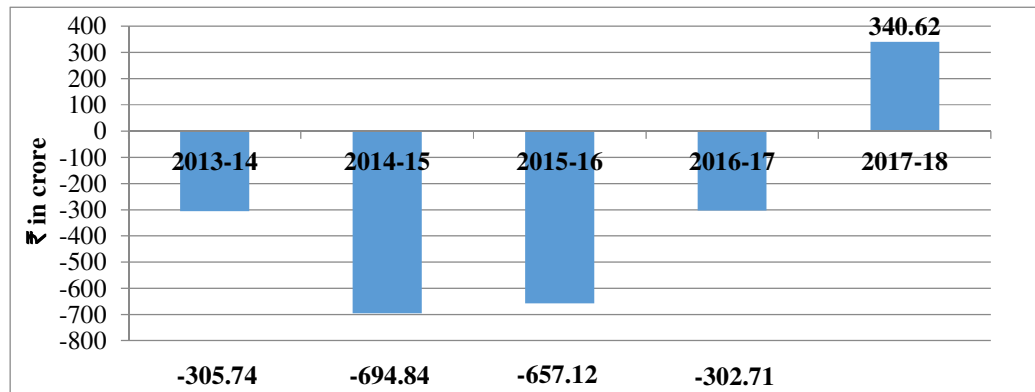
The profitability of a company is traditionally assessed through Return on Investment (RoI), Return on Equity and Return on Capital Employed. RoI measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on Capital Employed on the other hand, is a financial ratio that measures the company’s profitability and the efficiency with which its capital is used and is calculated by dividing company’s earnings before interest and taxes (EBIT) by capital employed. Further, Return on Equity is a measure of performance calculated by dividing ‘net profit after tax’ by Shareholders’ fund.

Return on Investment

1.9 Return on Investment (RoI) is the percentage of profit or loss to the total investment. The overall position of profit/losses¹¹ earned/incurred by the three PSUs during 2013-14 to 2017-18 is depicted in *Chart 1.3*.

¹¹ Figures are as per the latest finalised accounts during the respective years.

Chart 1.3: Profit/Losses earned/incurred by power sector PSUs



As may be noticed from *Chart 1.3*, during first four years from 2013-14 to 2016-17, the PSUs had incurred overall operational losses ranging between ₹ 302.71 crore (2016-17) and ₹ 694.84 crore (2014-15).

During the year 2017-18, the three PSUs earned overall profit of ₹ 340.62 crore¹² as per their latest finalised accounts as on 30 September 2018 as compared to aggregate loss of ₹ 302.71 crore incurred during 2016-17 (*Appendix 3*). The aggregate profit earned by the three PSUs was mainly because of the net profit of ₹ 357.39 crore registered by the power transmission PSU (Assam Electricity Grid Corporation Limited) during 2017-18. This turnaround in the operational results of this PSU was due to allowance (2017-18) of the prior period revenue gaps (₹ 319.93 crore) by Assam Electricity Regulatory Commission (AERC) for recovery as a tariff component during the truing up process of the provisional tariff. Accordingly, the said revenue gaps after their recovery as a tariff component, have been recognised as operational revenue in the accounts of the PSU leading to the profit (₹ 357.39 crore) registered by the PSU during 2017-18.

Position regarding the profit earned/loss incurred by three PSUs during 2013-14 to 2017-18 is given in *Table 1.6*.

Table 1.6: Position of power sector PSUs regarding profit earned/loss incurred

Year	Total PSUs in power sector	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had marginal profit/loss during the year
2013-14	3	1	2	0
2014-15	3	0	3	0
2015-16	3	0	2	1
2016-17	3	0	2	1
2017-18	3	2	1	0

¹² This includes net profits of two PSUs (Assam Power Generation Corporation Limited: ₹ 17.21 crore and Assam Electricity Grid Corporation Limited: ₹ 357.39 crore) and net loss of remaining PSU (Assam Power Distribution Company Limited: ₹ 33.98 crore).

As can be noticed from **Appendix 3**, out of two PSUs, which earned profits as per their latest finalised accounts as on 30 September 2018, one PSU (Assam Power Generation Corporation Limited) had not finalised its accounts for the year 2017-18. Hence, there is no assurance regarding the existence of the profits of this PSU for the year ended 31 March 2018.

(a) Return on GoA Investment on the basis of historical cost of investment

1.10 GoA infused funds in the form of equity, loans and grants/subsidies in all three PSUs. The funds infused by GoA in the PSUs in the form of equity qualifies to be considered as investment for the purpose of working out RoI. In the case of long term loans, only ‘interest free loans’ should be considered as investment since Government does not receive any interest on such loans and are therefore, in the nature of equity investment by Government. In the case of power sector PSUs, however, the entire loans provided by GoA till 31 March 2018 are ‘interest bearing loans’ and hence, the said loans have not been considered as part of GoA investment for the purpose of working out RoI. Further, the funds made available by GoA in the form of the grants/subsidy have also not been reckoned as investment since they do not qualify to be considered as investment.

Thus, for the purpose of working out RoI, the GoA funding provided to the power sector PSUs in the form of equity has only been considered as GoA investment.

The funding committed by GoA under Ujwal DISCOM Assurance Yojana (UDAY) of GoI in the form of grants/equity for taking over debts of power distribution company (APDCL) qualifies to be considered as investment. Despite commitment, however, GoA has not provided any funding for the purpose so far (**paragraph 1.21.3**). As such, GoA investment does not include any amount on this account for the purpose of deriving RoI on investment of GoA.

The total investment of GoA in three PSUs in the form of equity as on 31 March 2018 was ₹ 807.24 crore. The equity investment of GoA in these three PSUs at the end of 2017-18 has been arrived at by considering the initial equity¹³ plus the equity infused during the later years. Apart from the above investment in equity, the GoA has also infused budgetary support in the power sector PSUs in the form of long term loans (interest bearing) and grants. It was observed that the investment in loans and grants by GoA at the end of 31 March 2018 was ₹ 2,776.83 crore and ₹ 6,480.18 crore which had substantially increased in comparison to ₹ 971.24 crore and ₹ 2,503.85 crore as on 31 March 2014.

The return on investment (RoI) on historical cost basis for the period 2013-14 to 2017-18 has been computed in both ways, viz. with and without considering the

¹³ Equity infused by GoA at the time of inception (2005-06) of three PSUs.

‘interest bearing loans’ and ‘grants’ as part of the GoA investment and same has been given in **Table 1.7** below:

Table 1.7: Return on GoA investment on historical cost basis

Year	Funds infused by the GoA in form of equity on historical cost basis (₹ in crore)	Funds infused by the GoA in form of equity, loans and grants on historical cost basis (₹ in crore)	Total Profits/Losses ¹⁴ for the year (₹ in crore)	RoI on equity (per cent)	RoI on equity, loans and grants (per cent)
2013-14	807.24	4,282.33	-305.74	-37.87	-7.14
2014-15	807.24	5,528.50	-694.84	-86.08	-12.57
2015-16	807.24	6,241.21	-657.12	-81.40	-10.53
2016-17	807.24	7,362.98	-302.71	-37.50	-4.11
2017-18	807.24	10,064.25	340.62	42.20	3.38

As can be noticed from the **Table** above, the RoI on GoA investment (Equity only) in three power PSUs was negative during the first four years (2013-17). During the year 2017-18, however, the RoI turned positive (42.20 per cent) because of the aggregate profits (₹ 340.62 crore) of the power sector PSUs mainly contributed by one power sector PSU (Serial No. A2 of **Appendix 2**) as discussed under **paragraph 1.9 supra**. At the same time, considering the loans and grants as part of the total investment of GoA (equity, loans and grants), the RoI (3.38 per cent) was much lower than the RoI (42.20 per cent) on equity investment.

(b) Return on Investment on the basis of Present Value of Investment

1.11 In view of the significant investment by State Government (GoA) in the PSUs, return on such investment is essential from the perspective of the Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money.

The present value (PV) of the Government investments has been computed to assess the rate of return on the PV of GoA investments in the PSUs as compared to historical value of investments. In order to bring the historical cost of GoA investments to its PV at the end of each year upto 31 March 2018, the past investments/year-wise equity infused by GoA in the three PSUs have been compounded at the year-wise average rate of interest on Government borrowings

¹⁴ As per the latest accounts of three PSUs finalised as on 30 September of the respective year.

which is considered as the minimum cost of funds to the Government for the concerned year¹⁵.

Further, as mentioned earlier, GoA did not provide any ‘interest free loans’ to three PSUs till 31 March 2018. As such, the PV of the GoA investment was computed on the equity investment infused by GoA in these PSUs since their inception till 31 March 2018.

Thus, the PV of the State Government investment in power sector PSUs was computed on the basis of following assumptions:

- The funds made available in the form of ‘interest bearing loans’ and grant/subsidies have not been reckoned as investment. Further, in absence of any funding to APDCL by GoA for taking over its debts despite the commitment made under UDAY (*paragraph 1.5*), no amount on this account has been considered as part of GoA investment for the purpose of working out the PV and RoI on GoA investment.
- The average rate of interest on government borrowings for the concerned financial year was adopted as compounded rate for arriving at PV since this interest rate represents the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.
- For the purpose of computing returns, ‘earnings after interest and taxes’ has been taken into account.

Further, during the years from 2013-14 to 2016-17 when the three PSUs incurred losses (*paragraph 1.10*), a more appropriate measure of their performance is the erosion of Net Worth due to these losses. The erosion of Net Worth of the PSUs is commented upon in *paragraph 1.14*.

1.12 The PSU wise position of GoA investment in the three PSUs in the form of equity since inception of these PSUs till 31 March 2018 is indicated in *Appendix 4*. The consolidated position of the PV of the GoA investment and the total earnings relating to the three PSUs since their inception (2005-06) till 31 March 2018 is indicated in *Table 1.8*.

¹⁵ The average rate of interest on government borrowings was adopted from the Reports of the CAG of India on State Finances (Government of Assam) for the concerned year.

Table 1.8: Year wise details of GoA investment and PV of GoA investment from 2005-06 to 2017-18

(₹ in crore)

Year	Present value of total investment at the beginning of the year	Equity infused by GoA during the year	Total investment at the end of the year	Average rate of interest on government borrowings (in per cent)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year (net profit)
i	ii	iii	iv = ii + iii	v	vi = (iv*v) ÷ 100 + iv	vii = (iv*v) ÷ 100	viii
2005-06		718.56	718.56	8.18	777.34	58.78	0
2006-07	777.34	-	777.34	7.66	836.88	59.54	-1.12
2007-08	836.88	-	836.88	7.14	896.64	59.75	-109.81
2008-09	896.64	-	896.64	6.76	957.25	60.61	-150.53
2009-10	957.25	-	957.25	6.83	1,022.63	65.38	-51.90
2010-11	1,022.63	88.68	1,111.31	6.58	1,184.43	73.12	-11.33
2011-12	1,184.43	-	1,184.43	6.78	1,264.74	80.30	-599.19
2012-13	1,264.74	-	1,264.74	6.57	1,347.83	83.09	-524.85
2013-14	1,347.83	-	1,347.83	6.53	1,435.84	88.01	-305.74
2014-15	1,435.84	-	1,435.84	6.40	1,527.74	91.89	-694.84
2015-16	1,527.74	-	1,527.74	6.47	1,626.58	98.84	-657.12
2016-17	1,626.58	-	1,626.58	6.57	1,733.45	106.87	-302.71
2017-18	1,733.45	-	1,733.45	6.33	1,843.18	109.73	340.62
Total		807.24					

The amount of GoA investment in the three PSUs since their inception has increased from ₹ 718.56 crore (2005-06) to ₹ 807.24 crore (2017-18) due to further investments made (2010-11) by GoA in shape of equity (₹ 88.68 crore). The PV of investments of the GoA as on 31 March 2018 worked out to ₹ 1,843.18 crore.

It could also be seen from *Table 1.8* that the earnings of PSUs during 2006-07 to 2016-17 were negative which indicates that instead of generating returns on the invested funds, these PSUs could not even recover the cost of funds to the Government. The positive total earning for the year 2017-18, however, remained substantially higher than the minimum expected return towards the GoA investment in these PSUs.

The details of the Return on GoA investment at historical and present value for the period from 2013-14 to 2017-18 have been given in *Table 1.9*.

Table 1.9: Return on GoA investment

(₹ in crore)

Year	Total Profit for the year	Funds infused by the GoA in form of equity on historic cost basis	RoI by GoA on historical cost basis (per cent)	PV of the investment by GoA at end of the year	RoI by GoA considering the PV (per cent) ¹⁶
2013-14	-305.74	807.24	-37.87	1,435.84	-
2014-15	-694.84	807.24	-86.08	1,527.74	-
2015-16	-657.12	807.24	-81.40	1,626.58	-
2016-17	-302.71	807.24	-37.50	1,733.45	-
2017-18	340.62	807.24	42.20	1,843.18	18.48

As can be noticed from the *Table* above, the RoI on the GoA investment was negative during the first four years (2013-17) because of the losses incurred by three PSUs. During the year 2017-18, the RoI on the present value of investment was positive at 18.48 *per cent*, which was far below the RoI of 42.20 *per cent* at historical cost of GoA investment. The increase in RoI during 2017-18 was due to the aggregate profit (₹ 340.62 crore) earned by the PSUs mainly because of net profit (₹ 357.39 crore) of one PSU, namely, Assam Electricity Grid Corporation Limited (AEGCL) as discussed under *paragraph 1.9 supra*.

(c) *Funding under UDAY*

1.13 As mentioned under *paragraph 1.10 supra*, GoA has not provided any funding to the power distribution company (APDCL) under UDAY in the form of grants/equity for taking over its debts. As such, GoA investment does not include any amount on this account to derive RoI on investment of GoA.

The GoA had, however, provided grants amounting to ₹ 1,170.96 crore¹⁷ to APDCL during 2016-18 under UDAY towards payment of power purchase dues (₹ 660.58 crore) and infrastructure development (₹ 510.38 crore). As the grants of ₹ 660.58 crore was provided to meet the past liabilities of APDCL, this should also be considered as part of GoA investment. If we consider this grant as investment of GoA, the return on investment would further get reduced.

The return on GoA investment was worked out in both ways, *viz.* after considering the said grants as part of GoA investment and without considering the said funding as GoA investment. A comparative analysis of RoI on GoA investment under both the situations has been presented in *Table 1.10*.

¹⁶ In the case of negative returns (losses) during 2013-17, the percentage of RoI on PV of investment would show improved position as compared to that on the historical value of investment, which is not a realistic picture. Hence, these figures have been omitted.

¹⁷ Includes grants extended towards power purchase dues: ₹ 660.58 crore (2016-17: ₹ 100 crore and 2017-18: ₹ 560.58 crore) and creation of infrastructure: ₹ 510.38 crore (2016-17: ₹ 50 crore and 2017-18: ₹ 460.38 crore)

Table 1.10: Return on GoA investment as on 31 March 2018

(₹ in crore)

Particulars	Total Earnings	GoA Investment at historical cost	Return on GoA investment at historical cost (per cent)	GoA investment at Present value	Return on GoA investment at present value (per cent)
Without UDAY	340.62	807.24	42.20	1,843.18	18.48
With UDAY	340.62	1,467.82	23.21	2,552.56	13.34

The returns based on present value were less than the returns based on historic cost as indicated by the comparison of returns during 2017-18. Return based on historic cost was 42.20 per cent during 2017-18 whereas return based on PV was only 18.48 per cent. However, if we consider the funding under UDAY also as investment, the returns gets further reduced from 42.20 per cent to 23.21 per cent on the basis of historic cost and from 18.48 per cent to 13.34 per cent at present value.

Erosion of Net Worth

1.14 Net Worth means the sum total of the paid-up capital and free reserves & surplus *minus* accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative Net Worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The paid-up capital and accumulated losses of three PSUs as per their latest finalised accounts as on 30 September 2018 were ₹ 718.56 crore and ₹ 3,743.00 crore respectively (**Appendix 3**).

The **Table 1.11** below indicates paid-up capital, accumulated profit/loss and Net Worth of the three PSUs during the period 2013-14 to 2017-18 as per their latest finalised accounts as on 30 September of the respective year:

Table 1.11: Net Worth of power sector PSUs during 2013-14 to 2017-18

(₹ in crore)

Year	Paid-up capital at end of the year	Accumulated loss (-) at end of the year	Deferred revenue expenditure	Net worth
2013-14	718.56	-2,049.83	0.00	-1,331.27
2014-15	718.56	-2,822.99	0.00	-2,104.43
2015-16	718.56	-3,400.76	0.00	-2,682.20
2016-17	718.56	-3,684.40	0.00	-2,965.84
2017-18	718.56	-3,743.00	0.00	-3,024.44

As can be noticed from the **Table** above, the Net Worth of power sector PSUs was negative throughout the period of five years (2013-18). The position of Net worth deteriorated during the five years because of increased accumulated losses.

Analysis of investment and accumulated losses of three PSUs further revealed that the accumulated losses (₹ 3,586.94 crore) of two¹⁸ out of three PSUs had completely eroded their paid-up capital (₹ 262.70 crore). Accumulation of huge losses by these PSUs had eroded public wealth, which is a matter of serious concern.

Dividend Payout

1.15 There was no information available on record regarding the existence of any specific policy of the GoA on payment of minimum dividend by the PSUs. During the period of five years (2013-18), two PSUs¹⁹ earned aggregate profit of ₹ 493.84 crore. None of these PSUs, however, paid any dividend during 2013-18.

Return on Equity

1.16 Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using company's assets to create profits and is calculated by dividing net income (*i.e.* net profit after taxes) by Shareholders' Fund. It is expressed as a *percentage* and can be calculated for any entity if its net income and Shareholders' fund both are positive figures.

Shareholders fund of a Company is calculated by adding paid-up capital and free reserves net of accumulated losses and deferred revenue expenditure. The Shareholders fund of a Company indicated how much would be left for a company's shareholders if all assets were sold and all debts paid. A positive Shareholders fund reveals that the company has enough assets to cover its liabilities while negative Shareholders equity means that liabilities exceed the assets.

The summarized details of the Shareholders fund and RoE relating to these three PSUs during the period from 2013-14 to 2017-18 as per their latest finalised accounts as on 30 September of the respective year are given in **Table 1.12**.

Table 1.12: Return on equity relating to power sector PSUs

Year	Net Income/Total Earnings for the year ²⁰ (₹ in crore)	Shareholders' Fund (₹ in crore)	RoE (per cent)
2013-14	-305.74	-1,331.27	-
2014-15	-694.84	-2,104.43	-
2015-16	-657.12	-2,688.20	-
2016-17	-302.71	-2,965.84	-
2017-18	340.62	-3,024.44	-

¹⁸ Serial No. A2 and A3 of **Appendix 3**.

¹⁹ One PSU (Serial No. A2 of **Appendix 3**) earned profit of ₹ 119.24 crore (2013-14) and ₹ 357.39 crore (2017-18) while another PSU (Serial No. A1 of **Appendix 3**) earned profit of ₹ 17.21 crore (2017-18).

²⁰ Earnings after interest and taxes as per the latest finalised accounts of the PSUs as on 30 September of the respective year.

As can be seen from the **Table 1.12**, during the last five years ended March 2018, the net income was positive only during 2017-18 because of the profits (₹ 357.39 crore) of one power sector PSU (Serial No. A2 of **Appendix 2**) as discussed under **paragraph 1.9 supra**. The Shareholders fund of the PSUs, however, remained negative during all the five years. Since the net income of these PSUs during 2013-14 to 2016-17 and the Shareholders' fund for all the years were negative, RoE in respect of these PSUs was not workable. The negative Shareholders' fund of three PSUs, however, indicated that the liabilities of these PSUs have exceeded the assets. Thus, the shareholders of these PSUs, instead of getting any returns against the investments, had owed money.

Return on Capital Employed

1.17 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is deployed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the Capital Employed²¹. The details of RoCE of the three PSUs during the period from 2013-14 to 2017-18 as per their latest finalised accounts as on 30 September of the respective year are given in **Table 1.13**.

Table 1.13: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
2013-14	-110.52	205.04	-53.90
2014-15	-465.34	-584.14	-
2015-16	-399.80	-481.72	-
2016-17	42.77	-843.14	-
2017-18	793.60	-487.28	-

The RoCE of the three PSUs was negative at 53.90 *per cent* during the year 2013-14. The RoCE was, however, not workable for the year from 2014-15 to 2017-18 as the overall capital employed of power sector PSUs throughout the period was completely wiped off by the accumulated losses of these PSUs as at the end of the respective year. Further, despite the positive EBIT (₹ 793.60 crore) of power sector PSUs during 2017-18, the accumulated losses (₹ 843.14 crore) at the end of 2016-17 could not be set-off completely.

Analysis of Long term loans of the PSUs

1.18 The long term loans of the PSUs having leverage during 2013-14 to 2017-18 were analysed in audit with a view to assess the ability of the PSUs to service their debts owed to GoA, banks and other financial institutions. This was assessed through the Interest Coverage Ratio and Debt Turnover Ratio.

²¹ Capital employed means Paid up capital *plus* free reserves and surplus *plus* long term loans *minus* accumulated losses/deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

Interest Coverage Ratio

1.19 Interest Coverage Ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those PSUs which had interest burden during the period from 2013-14 to 2017-18 are given in **Table 1.14**.

Table 1.14: Interest coverage ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2013-14	189.80	-110.52	3	1	2
2014-15	229.50	-465.34	3	-	3
2015-16	257.08	-399.80	3	1	2
2016-17	345.24	42.77	3	1	2
2017-18	353.51	793.60	3	2	1

It was observed that the number of PSUs with Interest Coverage Ratio of more than one increased from one PSU (2013-14) to two PSUs (2017-18) in five years, which was a positive indication.

Audit analysis further revealed increase of 86.25 per cent in the interest burden of the PSUs during 2013-18 from ₹ 189.80 crore (2013-14) to ₹ 353.51 crore (2017-18), which was caused due to gradual increase in the long-term debts of the PSUs from ₹ 1,536.31 crore (2013-14) to ₹ 2,537.16 crore (2017-18). The increase in the interest burden has correspondingly increased pressure on the profitability of three PSUs.

Debt-Turnover Ratio

1.20 A low Debt-to-Turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can signal of having too much of debts corresponding to the income earned by the power sector PSUs from core activities. Thus, the PSUs having lower DTR are more likely to successfully manage their debt servicing and repayments. The summarised details of the Debts and Turnover of the three PSUs during the five years ending 2017-18 as per their finalised accounts *vis-à-vis* the Debt-Turnover Ratio for the respective years has been given in **Table 1.15**.

Table 1.15: Debt Turnover ratio relating to the power sector PSUs
(₹in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government/Banks and Financial Institutions	1,536.31	1,520.29	2,200.48	2,122.70	2,537.16
Turnover	3,297.92	3,671.56	4,332.42	4,900.03	5,899.50
Debt-Turnover Ratio (DTR)	0.47:1	0.41:1	0.51:1	0.43:1	0.43:1

Source: Compiled based on latest finalised accounts of the PSUs as on 30 September 2018.

As can be seen from the **Table 1.15**, the DTR was at the worse (0.51:1) during 2015-16 but improved thereafter. During 2017-18, the DTR was at 0.43:1, which indicated the better position of power sector PSUs to service their long-term debts as compared to previous years. The improvement in DTR was mainly due to appreciation of 36.17 per cent in the PSU-turnover after 2015-16, which was encouraging in comparison to the increase of 15.30 per cent in the PSUs debts during the said period.

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

1.21 The Ministry of Power (MoP), Government of India launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY Scheme) for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). As per the provisions of UDAY Scheme, the participating States were required to undertake following measures for operational and financial turnaround of DISCOMs:

Scheme for improving operational efficiency

1.21.1 The participating States were required to undertake various targeted activities for improving the operational efficiencies like, compulsory metering of the feeder and distribution transformer (DT), consumer indexing and GIS mapping of losses, upgrading or changing transformers and meters, smart metering of all consumers consuming above 200 units per month, Demand Side Management (DSM) through energy efficient equipment, quarterly revision of tariff, checking of power theft, assure increased power supply in areas where the Aggregate Technical & Commercial (AT&C) losses have been reduced, etc.

The timeline prescribed for these targeted activities was also required to be followed to ensure achievement of the targeted benefits viz. ability to track losses at feeder and DT level, identification of loss making areas, reduce technical losses and minimise outages, reduce power theft and enhance public participation for reducing the theft, reduce peak load and energy consumption etc. The outcome of operational improvements was to be measured through the prescribed indicators viz. reduction of AT&C loss to 15 per cent by 2019-20 as per loss reduction trajectory finalised by the MoP and States, reduction in gap (between average cost of supply and average revenue realised) to zero by 2019-20.

Implementation of the UDAY Scheme

1.21.2 The status of implementation of the UDAY Scheme is detailed below:

A. Achievement of operational parameters

The details of the targets fixed under UDAY Scheme regarding different operational parameters *vis-a-vis* achievements of APDCL there against as on 31 March 2019 has been given in **Table 1.16**.

Table 1.16: Parameter wise achievements of APDCL as on 31 March 2019 against the operational targets fixed under UDAY Scheme

Sl. No.	Parameter of UDAY Scheme	Target under UDAY Scheme as per MoU	Progress under UDAY Scheme	Achievement (in per cent)
1	Feeder metering (in Nos.)	1,600	1,443	90.19
2	Distribution Transformer Metering (in Nos.)	4,700	2,765	58.83
3	Feeder Segregation (in Nos.)	878	197	22.44
4	Rural Feeder Audit (in Nos.)	1,051	0	0
5	Electricity to unconnected household (in lakh Nos.)	21.74	21.74	100
6	Smart metering (in Nos.)	1,48,500	14,008	9.43
7	Distribution of LED UJALA (in lakh Nos.)	11.50	11.64	100
8	AT&C Losses (in per cent)	16.10	21.14	Negative
9	ACS-ARR ²² Gap (₹ per unit)	0.19	0.41	Negative
10	Net Income including subsidy (₹ in crore)	-273.54	-405.17	Negative

Source: Information furnished by APDCL.

APDCL has performed poorly in areas of Distribution Transformer metering, smart metering and feeder segregation, whereas the performance has been better in terms of feeder metering, providing electricity to unconnected households and distribution of LEDs. Further, going by the current trend of progress, the State would find it difficult to achieve the target of reduction in the AT&C loss to 15 per cent by 2019-20, which is one of the vital areas of operational performance. The higher AT&C loss was due to reduction in the billing and collection efficiency because of intensification of rural electrification as well as increase in the numbers of LT consumers after implementation of Saubhagya scheme²³. As regards Rural Feeder Audit, APDCL stated that Geographical Information System process was going on after which the Rural Feeder Audit would be taken up.

²² ACS represents 'Average Cost of Supply' while ARR means 'Average Revenue Requirement'

²³ Saubhagya scheme launched (September, 2017) by GoI aimed to provide free electricity connections to all households (both Above Poverty Line and poor families) in rural areas and poor families in urban areas.

B. Implementation of Financial Turnaround

1.21.3 A Memorandum of Understanding (MoU) entered into (4 January 2017) between GoI, GoA and APDCL under the UDAY Scheme. As per the MoU, GoA was committed to provide necessary funding to APDCL in the form of equity and grants to the extent of 75 per cent (₹ 1,132.53 crore) of its outstanding debts (loans of GoA) of ₹ 1,510.04 crore as on 30 September 2015. The GoA could also issue bonds, if necessary, for raising funds to meet the commitment made under the MoU.

Contrary to the commitments made under the MoU, however, the GoA had not provided any funding to APDCL as on 31 March 2018 to settle outstanding debts of the latter (APDCL).

As per the MoU, GoA was further to provide Operational Funding Requirement (OFR) support to APDCL till it achieves the financial turnaround. The OFR support committed by GoA, also included necessary funding to discharge outstanding power purchase liabilities (₹ 1,207.35 crore) of APDCL as on 31 March 2015. Against this commitment, APDCL had received ₹ 1,170.96 crore during 2016-18²⁴ in the form of grants (₹ 510.38 crore against strengthening and upgradation, installation of smart meters, GIS mapping, distribution of LED, etc. and ₹ 660.58 crore against the unpaid power purchase dues).

Comments on Accounts of power sector PSUs

1.22 During October 2017 to September 2018, 3 PSUs forwarded their 4 accounts to the PAG. Of these, 4 accounts of 3 PSUs were selected for supplementary audit. The comments in the Audit Reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG highlighted significant observations on the financial statements. As a result of these audit observations, operational results (net profit or net loss) of the PSUs as depicted in their financial statements were found to be understated or overstated. Further, the said observations also highlighted non-disclosure of material facts and errors of classification. The said observations of Statutory Auditors and CAG indicated that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of comments of Statutory Auditors and CAG for last three years from 2015-16 to 2017-18 are given in **Table 1.17**.

²⁴ In addition, grants amounting to ₹ 330.30 crore was received during 2018-19 towards payment of power purchase dues.

Table 1.17: Impact of audit comments on the accounts of the working PSUs*(₹ in crore)*

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	0	0.00	0	0.00	1	16.59
2.	Increase in loss	2	36.14	2	112.79	2	72.76
3.	Non-disclosure of material facts	0	0.00	0	0.00	1	7.43
4.	Errors of classification	1	3.60	0	0.00	2	100.51

Source: Statutory Auditors' Report and comments of CAG

During the year, the Statutory Auditors had given qualified certificates to all the accounts finalised by the PSUs. The compliance of PSUs with the Accounting Standards (AS) remained poor, as there were 15 instances of non-compliance to AS in 3 accounts during the year. This indicated that the financial statements of the PSUs needed to be improved to ensure compliance to the AS.

Performance Audit and Compliance Audit Paragraphs

1.23 For Chapter II and III of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, one performance audit and five audit paragraphs relating to Assam Power Distribution Company Limited were issued to the Additional Chief Secretary of the Power Department with the request to furnish replies within six weeks. Replies on the performance audit and the compliance audit paragraphs have been received from the GoA and suitably incorporated in this report.

Follow up action on Audit Reports

1.24 The CAG's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained by various PSUs. It was, therefore, necessary that the Audit Reports elicit appropriate and timely response from the Executive. Finance (Audit & Fund) Department, Government of Assam issued (May 1994) instructions on preparing the explanatory notes in respect of performance audits and audit paragraphs by the administrative departments concerned.

As per the said instructions, the administrative departments concerned were required to prepare the explanatory notes on the paragraphs and performance audits included in the Audit Reports immediately on receipt of the said Audit Reports. The administrative departments were required to indicate the action taken or proposed to be taken in the explanatory notes. The explanatory notes shall also include the status of recovery of any amount due to Government as pointed out in the performance audits/ audit paragraphs included in the Audit Reports. The administrative departments were also required to submit the said

Audit Report (PSUs) for the year ended 31 March 2018

explanatory notes to the Assam Legislative Assembly with a copy to the PAG within 20 days from the date of receipt of the Audit Reports.

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).

Discussion on Audit Reports by COPU

1.25 The status of discussion on Audit Reports by COPU as on 30 September 2018 is given in **Appendix 5**. It can be seen from **Appendix 5** that 10 Audit Reports containing 5 performance audits and 39 paragraphs were placed in the State Legislature. As on 30 September 2018, total 5 performance audits and 37 paragraphs pertaining to 10 Audit Reports relating to power sector PSUs were pending for discussion and necessary action by COPU.

Action Taken Notes (ATN) on 61 recommendations pertaining to 6 Reports of the COPU presented to the State Legislature between October 2002 and December 2011 had not been received (April 2019) as indicated in **Table 1.18**.

Table 1.18: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs were pending
2002-03	1	9	9
2003-04	1	8	8
2008-09	2	34	34
2010-11	1	6	6
2011-12	1	4	4
Total	6	61	61

Source: Records maintained by Audit

These reports of COPU contained recommendations in respect of 36 paragraphs and 3 performance audits, which appeared in the Audit Reports of the CAG of India for the years 1994-95 to 2005-06.

**Performance Audit relating
to
Power Sector PSUs**

CHAPTER II

PERFORMANCE AUDIT RELATING TO POWER SECTOR PSUS

Performance Audit on Computerised Electricity Billing System in Assam Power Distribution Company Limited

Highlights

The process of migration of consumer data from Power Computerised Billing System (CBS) to SAP was not documented. The Company did not provide any formal training to its regular staff, being the intended System Users.

(Paragraph 2.7 and 2.9)

Deficiencies in the Meter Billing Collection (MBC) and Customer Relationship Management (CRM) Modules led to various anomalies such as non-interfacing of the System with Common Meter Reading Instrument (CMRI), absence of provision for automatic calculation of processing fee, wrong billing of fixed charges due to incorrect conversion of KW into KVA, non-updation of Geographical Information System database leading to overloading of distribution transformers, delay in release of new service connections due to absence of necessary system alert *etc.*

(Paragraph 2.11, 2.12, 2.13, 2.16 and 2.17)

Incorrect mapping of business rules as well as lack of adequate validation checks in the System resulted in excess recovery of power factor penalty, incorrect billing of fixed/energy charges and wrong categorisation of consumers leading to allowance of government subsidy to ineligible consumers, *etc.*

(Paragraph 2.20, 2.21 and 2.22)

Lack of adequate application controls in the System resulted in acceptance of unusual meter numbers, processing of unusual transactions, duplicate generation of bills, *etc.*

(Paragraph 2.25, 2.28 and 2.30)

Introduction

2.1 Assam Power Distribution Company Limited (Company) which undertakes distribution of electricity in the State was formed (23 October 2009) after the unbundling of the erstwhile Assam State Electricity Board. As on 31 March 2018, the Company had 43.28 lakh consumers comprising of two broad categories, namely low-tension (LT¹) and high-tension (HT²) consumers. The LT and HT consumers were being billed under 158 Electrical Sub-Divisions (ESDs) and 17 industrial revenue collection areas (IRCAs) of the Company. All the consumers (both HT and LT) received power from the sub-stations functioning under the control of ESDs. The Company billed and collected revenue from consumers against the electricity supplied as per the Schedule of Tariff (SoT) issued by the Assam Electricity Regulatory Commission (AERC) from time to time. The Company was operating with the system of billing and collection of revenue through the following two billing applications:

- **Power Computerised Billing System:** It was a decentralized billing system being used for billing and collection purpose since 2003-04. As on 31 March 2018, around 79.52 per cent (34.42 lakh consumers) of total consumers were being billed through this application. During 2013-18, the Company billed a revenue aggregating ₹ 9,507.42 crore through this application.
- **SAP:** SAP is a software application in data processing where SAP stands for System, Application and Products. SAP based billing application was developed by Tata Consultancy Services (TCS) with Oracle as the database on a centralised platform comprising of four Modules namely, Meter Billing Collection (MBC), Customer Relationship Management (CRM), Web Self Service (WSS) and Energy Audit (EA). The primary database server of SAP based billing system was located at Data Centre, Guwahati while the Disaster Recovery Centre (*replica* of Data Centre) was situated at Agartala. SAP was introduced (March 2013) after implementation of Restructured Accelerated Power Development and Reforms Programme (R-APDRP³) of the Government of India (GoI). The R-APDRP scheme was implemented within the confined area of a town termed as 'Ring-fenced area'⁴. Initially the consumers⁵ falling within this area were selected for migration from Power Computerised Billing System (Power CBS) to SAP and those falling outside the said area continued to be billed through Power CBS. As HT consumers were the primary source of revenue for the

¹ Consumers having connected load below 20 Kilowatt

² Consumers having connected load of 20 Kilowatt and above

³ R-APDRP is a central sector scheme approved by Ministry of Power, Government of India.

⁴ An imaginary boundary line demarcated through installation of import/export meters at the boundary for the purpose of energy audit.

⁵ Both LT and HT

Company and their migration to SAP ensured centralised monitoring of revenue billing, all HT consumers were migrated from Power CBS to SAP irrespective of the fact whether these consumers are covered within or outside the Ring-fenced area. As on 31 March 2018, the Company had total 8.86 lakh⁶ consumers (20.48 per cent of total consumers) being billed through SAP. The Company billed a total revenue of ₹ 9,041.21 crore during 2013-18 through this application.

The status of billing application used in ESDs and IRCAs as on 31 March 2018 was as shown in **Table 2.1**.

Table 2.1: Details of usage of Power CBS & SAP

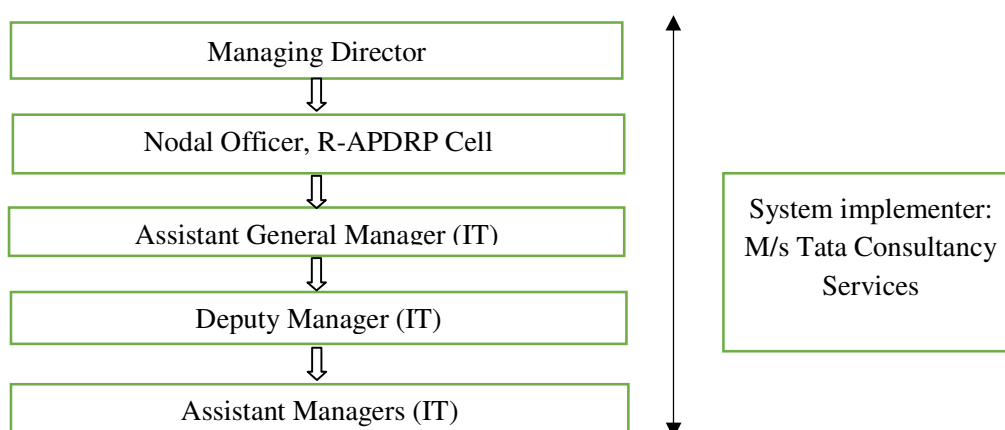
Billing Units	Billing Application			Total
	Power CBS	SAP	Power CBS & SAP	
Electrical Sub-divisions (in numbers)	68	17	73	158
Industrial Revenue Collection Area (in numbers)	Nil	17	Nil	17

Source: information furnished by the Company

The Company was in the process of migrating all its remaining LT consumers to SAP. For this purpose, the Company had already prepared (November 2017) a Detailed Project Report (DPR) while the Request for Proposal (RFP) was under preparation. After preparation of RFP, the Company would be initiating the tendering process for migration of LT consumers from Power CBS to SAP.

Organisational Structure

2.2 The organisational structure of the Company dealing with the billing application has been depicted in the **chart** below:



⁶ 8.69 lakh LT and 0.17 lakh HT consumers

Scope of Audit

2.3 The present Report covered the audit of the performance of SAP System during the period from April 2013 to March 2018. As the SAP was a centralized billing application, the System existing in all ESDs and IRCAs was identical. Hence, the selection of any ESDs/IRCAs in terms of software application would not make any difference excepting the verification of Physical, Logical and Environmental Controls. Considering this, 6 out of 17 ESDs⁷ and 5 out of 17 IRCAs where SAP was fully implemented were selected for detailed scrutiny for the present audit. The number of consumers and connected load formed the basis of selection of samples. The details of the total number of consumers and the connected load as on 31 March 2018 in respect of selected ESDs and IRCAs have been shown in *Table 2.2*.

Table 2.2: Details of consumers/connected load as on 31 March 2018 in respect of selected ESDs/IRCAs

Sl. No.	Name of ESD/IRCA	No. of consumers	Connected Load (in KW)
1.	Jalukbari ESD	27,351	52,454
2.	Garbhanga ESD	26,677	74,868
3.	Jorhat ESD	25,010	76,413
4.	Basistha ESD	22,313	74,893
5.	Kalapahar ESD	21,226	55,534
6.	Nagaon ESD ⁸	20,628	36,377
7.	Guwahati IRCA - I	2,863	3,83,977
8.	Jorhat IRCA	1,051	1,47,067
9.	Guwahati IRCA - II	1,032	2,51,500
10.	Nagaon IRCA	898	1,10,861
11.	Tinsukia IRCA	716	1,47,380
Sample		1,49,765	14,11,324
Sample size in per cent		48⁹	52¹⁰

Source: Information furnished by the Company

Audit Objectives

2.4 The audit objectives of the present performance audit were to assess whether:

- appropriate methodology for development and implementation of SAP was adopted;

⁷ Out of total 158 ESDs of the Company, SAP system was fully implemented only in 17 ESDs

⁸ Selected additionally being the pilot project of SAP based billing application.

⁹ 1.5 lakh consumers (Sample) out of total 3.13 lakh consumers in 17 ESDs and 17 IRCAs

¹⁰ 14.11 lakh KW (sample) out of total connected load of 27.04 lakh KW in 17 ESDs and 17 IRCAs

- desired results were achieved by implementing all the four Modules of the SAP based billing application;
- the business rules were correctly mapped and the System was customized in conformity with these rules; and
- adequate controls existed to ensure data integrity and security in the System so as to maintain business continuity plan.

Audit Criteria

2.5 The audit findings were benchmarked against the criteria derived from the following sources:

- Electricity Supply Code and Related Matters Regulations (Regulations) issued by Assam Electricity Regulatory Commission (AERC) from time to time;
- Schedule of Tariff issued by AERC;
- User manual of SAP;
- Letter of Award, Request for proposal, Software requirement specifications; and
- Information Technology Audit Manual

Audit Methodology

2.6 The Audit methodology adopted for attaining the audit objectives involved explaining the audit scope, audit objectives, audit criteria *etc.* to the top management of the Company in the Entry Conference (11 May 2018). During the conduct of audit, front-end view, access to portal along with data in excel, Comma-Separated Values (CSV) and text format of SAP System of the Company were scrutinized. The bills processed during 2016-17 and 2017-18 were analysed using software tools *namely* Interactive Data Extraction and Analysis (IDEA), and Excel to check integrity (accuracy and completeness), compliance (with rules and regulations) and reliability of the billing data. Besides, Physical verification of IT system in selected ESDs/IRCA's was also carried out during the course of audit.

The draft audit report was discussed (20 November 2018) with the representatives of the GoA, Company and the System Developer (Tata Consultancy Services Limited) in the Exit Conference. The formal replies (2 November 2018) of the Company to the draft audit report as well as the views expressed by the representatives of GoA and the Company in the Exit Conference, have been taken into consideration while finalising the audit report.

Acknowledgement

The Indian Audit and Accounts Department acknowledges the cooperation of the Government/Company for providing necessary information and records during the course of the audit.

Audit Findings

General Controls

General controls include controls over Data Centre operations, system software acquisition and maintenance, access security and application system development and maintenance. Thus, general controls create the environment in which the application systems and application controls operate.

Project proposal, planning and documentation

2.7 A feasibility study is essential to determine the viability of implementing any project taking into account the legal, technical as well as economical aspects. A proper feasibility study at pre-planning stage tells us whether the intended project is doable and worth the investment. It was, however, observed that the Company had not conducted any feasibility study before taking up computerisation of billing system. It was, further observed that while implementing the new billing system, the process of migration of consumer data from Power CBS (old system) to SAP System was not documented. As a result, the inception process of the project could not be verified by Audit.

Further, for effective monitoring of implementation of any project, a competent Steering Committee comprising of representatives of the intended Users from all areas of the business including the IT department was required to be in place. The future direction in the course of implementation and improvement of system agreed to by the Steering Committee is normally set out in a document known as the IT strategic plan. Audit observed that no such Steering Committee was in existence in the Company to guide the whole process of computerisation of billing system.

During the Exit Conference (20 November 2018), the Government/Company accepted the facts and stated that SAP was introduced under R-APDRP and implemented in other States of the Country as well. Hence, the Company presumed that SAP system would be feasible to implement. It was further stated that no major issues as such, were faced by the Company due to non-conducting of feasibility study. As regards the absence of Steering Committee, it was stated that the IT Cell monitored the process of computerization. It was further added that initially there were only two members in IT Cell and as such, the records

relating to formation of IT Cell were not documented properly. At present, the IT Cell was having about 50 members to monitor the IT process and assist the field units in their billing related issues.

The contention of the Government/Company for not conducting feasibility study was not acceptable in view of the fact that the IT system requirements vary from State to State due to variation in their existing IT setup, applicable Rules, Regulations *etc.* As regards non-existence of Steering Committee, the reply itself indicated that IT cell was not sufficient to monitor the process of computerisation, which eventually led to improper documentation of various stages of SAP implementation.

Thus, absence of a proper feasibility study before implementing SAP system as well as non-documentation of the process of migration of data from Power CBS to SAP indicated deficient planning of the Company with regard to development and implementation of SAP System.

Recommendation No.1: *The Company should keep proper documentation of the migration process of data while augmenting the new System to the left out LT Consumers.*

Dependency on old system of billing

2.8 As per Clause-3.9 of Section-G1¹¹ of the Work Order, the work scope of the system developer (TCS¹²) included migration of the historic transactions for at least three years from Power CBS to SAP. On verification of SAP application in the selected 6 ESDs and 5 IRCAs, Audit observed that although the historic data were migrated for three years, the same could not be opened and viewed in the new System. As a result, the IRCAs/ESDs had to access the required data through the old billing system (Power CBS) whenever necessary. The above contention was confirmed during the field inspection of 6 ESDs and 5 IRCAs conducted by Audit. During the said field inspection, the Company officials had mentioned about the old court cases, when the ESDs/IRCAs had to trace out the details of the consumers concerned (such as connected load and consumption) from the old billing system. It was informed by the Company officials that due to non-availability of said records in the new billing system, ESDs/IRCAs had no other option but to depend on old billing system.

In the Exit Conference (20 November 2018), the Government/Company stated that the Company had not felt the necessity to open and view all the past details of bills as the same would have overloaded the system and hampered normal business processes. It was further stated that to resolve any issue arising from old

¹¹ General-Technical Specification of Letter of Award.

¹² Tata Consultancy Services Limited.

court cases, the historical data would be saved in centralized data bank for any future requirement.

The fact, however, remained that the historic data though migrated, was of no use for the field units due to its inaccessibility in the new system. This defeated the prime objective of migration of data from Power CBS to SAP.

Recommendation No. 2: *The issue of inaccessibility of migrated data should be addressed so that the field units do not need to depend on old billing system in case of any need.*

Training of Users

2.9 Training and development of manpower were closely linked with staff resource planning. The training to staff by the Company on regular basis was essential to fulfil the requirement of changing IT environment, which was a continuous process.

Audit observed that the Company had not imparted any formal training on SAP with its regular employees (intended System Users) in 4 out of 5 IRCAs and 2 out of 6 ESDs test checked. As such, the Users were completely dependent on the IT personnel of the Company and TCS for operating the new System. This led to various anomalies in operation of the application by the Users as discussed in the succeeding paragraphs:

Manual preparation of temporary connections bills

(i) As per tariff provisions, temporary connections (TC) were those against which the electricity was supplied for a period not exceeding one month. During field inspection of six selected ESDs by Audit, it was observed that though the provision for processing of temporary connections bills was incorporated in the system, five out of six selected ESDs did not process the temporary connections bills through SAP system due to lack of adequate training to its staff. On the contrary, it was noticed that the temporary connection bills in said five ESDs were being prepared manually thereby leaving ample scope for human errors in preparation of bills.

On verification of 230 cases of temporary connection under 5 ESDs, it was observed that in 13 cases, there was short billing of ₹ 9,653 due to application of incorrect tariff, calculation mistakes and short levy of electricity duty. In another 26 such cases, there was excess billing of ₹ 1,733 due to calculation mistakes, excess levy of electricity duty *etc.*

Manual preparation of assessment bills

(ii) On detection of various malpractices such as theft/misuse of electricity, meter tempering, hooking and excess connected load, the Company was to prepare assessment bills as per the methodology prescribed by Assam Electricity Regulatory Commission (AERC) and serve the same to the consumer for payment. Audit observed that though the provision for processing of assessment bills was incorporated in the System, 5 out of 6 ESDs and 3 out of 5 IRCAs test checked did not process assessment bills through SAP and these bills were prepared manually. Out of 378 theft/misuse cases verified by Audit, anomalies such as application of incorrect tariff/formula/electricity duty/energy charges/meter rent were noticed in 56 cases leading to short-billing of ₹ 19.97 lakh.

As evident from the above, the Company failed to eliminate billing errors due to the existence of human intervention in preparation of bills even after implementation of SAP.

During the Exit Conference (20 November 2018), the Government/Company stated that training was imparted selectively based on the concept of training of trainers. It was, however, assured to impart required training with the System Users wherever necessary. As regards the manual processing of bills, the Government/Company stated that henceforth, all bills would be processed through SAP system.

The reply was not tenable as the system was meant to be used by all the field units, as such the choice of selective training was not justified. Further, there was also failure on the part of the Company to address the instances of preparing the bills manually by evaluating the effectiveness of training.

Thus, absence of proper training of the intended System Users had led to existence of manual system of billing defeating the basic objective of the SAP system.

Recommendation No. 3: Adequate training should be imparted to the System Users so as to eliminate the scope of manual billing.

System Design Deficiencies

On review of the SAP application through data entry screens as well as the analysis of data received from the Company, the following system design deficiencies were noticed:

Meter Billing Collection (MBC) Module

Absence of vital business logic in the system

2.10 Clause 4.2.2.4 of the AERC Regulations stipulated that where actual meter reading cannot be ascertained, the assessed quantity of energy consumed shall be determined by taking the average consumption for the previous three months, preceding the date on which the defect was detected or the next three months after correction of the defect, whichever was higher.

Audit observed that the System was enabled to calculate the average consumption for the previous three months automatically in case the meter became defective. The System, however, had no provision to calculate revised average consumption for next three months after correction of meter defect. Hence, in all such cases, IRCAs/ESDs concerned had been doing this exercise manually. Further, the system did not give any alert for raising of the supplementary energy bill in case the revised average consumption for three months after rectification of meter defect was higher than the average consumption of previous three months. During the conduct of audit, 22 cases of defective meters relating to 3 IRCAs were test checked, Audit observed that the revised average consumption in 5 out of 22 cases was higher than the previous average consumption. In absence of above business logic in the system, supplementary bills were not served to the consumers concerned resulting in short billing of revenue aggregating ₹ 32.40 lakh by the Company.

During the Exit Conference (November 2018), the Government/Company accepted the facts and stated that the Company would incorporate necessary provision in the system to raise alert in case the revised average consumption (after replacement of meter) of any consumer recorded higher than the previous consumption so that the consumers could be served with supplementary bill through the system without manual intervention.

The fact, however, remains that design deficiencies in SAP system made it unreliable for the purpose of raising supplementary bills.

Recommendation No. 4: *Issue of supplementary bills after replacement of meter is a normal practice in electricity business. Hence, the Company needs to rectify the system defect at the earliest to avoid further loss of revenue .The Company should internally examine similar issues in other IRCAs also.*

Failure to establish interface with Common Meter Reading Instrument

2.11 As per Clause M15 of the Metering Module of Software Requirement Specifications (SRS), the system should support the data downloading and uploading from Common Meter Reading Instrument (CMRI). During field

inspection (June-July 2018) of 5 out of 17 IRCAs test checked, Audit observed that the data of HT consumers captured through CMRI in all the 5 IRCAs were first downloaded to computers and then the meter reading data were manually fed into the SAP system. The methodology adopted by the Company leaves the scope for error while feeding the meter reading data manually into the System. As such, the correctness and the accuracy of the consumption data maintained in SAP could not be assured.

During the Exit Conference (20 November 2018), the Government/Company stated that the provision of data downloading/uploading from/to CMRI in the system had already been implemented. The Government/Company, however, could not provide the exact date of implementation of the said supporting provision to Audit. The Government/Company further accepted that some CMRIs could not be interfaced with SAP due to compatibility issues.

The reply was not acceptable as the SAP system failed to establish interface with CMRIs as on January 2019 as confirmed by field unit.

Recommendation No. 5: *The Government/Company needs to address the compatibility issues between SAP and the CMRIs to rule out the scope of any human intervention in recording of the meter reading data into the System. The Company should internally examine similar issues in other IRCAs also.*

No provision for automatic calculation of processing fee

2.12 AERC specified (November 2017) rates of processing fees applicable for various operations such as change in name/category/load of the consumer on payment of the processing fees ranging between ₹ 20 to ₹ 5,000. Audit observed that the System design was not enabled to calculate the processing fee automatically in case of change in the load/name/category/phase of the consumer. As such, the processing fee for any change in the consumer details was being entered manually in the System leaving a scope for human errors. In 122 out of 301 cases of change in the load/name of the consumers in respect of five¹³ out of six ESDs test checked, a short levy of processing fee of ₹ 14,950 was observed in audit. Similarly, there was also excess levy of processing fee of ₹ 5,560 in another 53 cases test checked by Audit under the said 5 ESDs.

Thus, business rules were not properly programmed in the system, which allowed the Users to enter processing fees manually. As a result, the System could not ensure collection of processing fee in accordance with the provisions of AERC Regulation.

¹³ Out of 17 ESDs where SAP was fully implemented

During the Exit Conference (20 November 2018), the Government/Company accepted the facts and stated that the processing fee as prescribed by AERC would be incorporated in the System to avoid such error in future.

The fact, however, remains that the Company kept the system for collection of processing fee at the User's choice, which led to violation of AERC Regulation.

Recommendation No. 6: *The processing fees prescribed by AERC for various purposes should be incorporated in the system immediately to eliminate the scope for errors. The Company should internally examine similar issues in other ESDs also.*

Incorrect conversion of connected load from KW to KVA

2.13 As per the Schedule of Tariff (SoT), four categories of consumers (*i.e.* HT Domestic, HT Commercial, HT Public Water Works and HT Small Industries category) did not have a choice to opt separately for the Contract Demand. For the purpose of levying the fixed charges in the case of said four categories of consumers, the Contract Demand was to be worked out automatically through system by converting the Connected Load (in KW) into Contract Demand (in KVA). As such, the System should have been enabled to derive the Contract Demand (KVA) of the said consumers through conversion of the Connected Load (KW) after applying the power factor of 0.85. The fixed/demand charge should accordingly be levied in the System for the said four categories of consumers based on the Contract Demand so derived from the Connected Load (100 *per cent*).

It was, however, seen that the convertible value of KW into KVA was entered into the System manually, which led to determination of incorrect Contract Demand and levying of incorrect fixed/demand charges on consumers. Analysis of 58,861 transactions relating to 5,325 HT consumers in 17 IRCAs for the period 2016-17 revealed that the Contract Demand of the consumers was not correctly entered into the System. In 3,063 cases pertaining to 270 consumers under 15 IRCAs, Contract Demand corresponded to 46 to 99 *per cent* of the Connected Load. The understatement was in the range of 1 KVA to 311 KVA due to which the Company short-billed an amount of ₹ 35.40 lakh towards fixed/demand charges during 2016-17 against these consumers.

Further, the Contract Demand in other 5,231 cases pertaining to 496 consumers under 17 IRCAs corresponded to 101 to 270 *per cent* of total Connected Load resulted in overstatement of Contract Demand in these cases. The Contract Demand of the consumers was overstated in the range of 1 KVA to 99 KVA due to which there was excess billing of fixed charges by ₹ 9.67 lakh.

Thus, absence of automatic conversion of KW in KVA rendered the system unreliable for the purpose of calculating fixed charges in respect of the above mentioned four categories of HT consumers.

During Exit Conference (20 November 2018), the Government/Company accepted the facts and assured to rectify the defect in the System to avoid revenue loss in future.

Recommendation No.7: *The provision for auto-conversion of Connected Load (KW) into Contract Demand (KVA) for the relevant categories of consumers should be incorporated in the system immediately so as to eliminate reoccurrence of such errors.*

Processing of bills ignoring the basic logic

2.14 The electricity bill of a consumer should have been processed considering the basic logic that a consumer with a connected load of 1 KW could consume a maximum of 720 kwh¹⁴ in 30 days even if the consumer uses the full load 24 hours a day.

Audit observed that the System allowed processing of electricity bills ignoring this basic logic. Analysis of data revealed that one LT domestic consumer (No. 51000348063) having connected load of 1 KW was served with a bill for 99,428 KWH consumption for 31 days instead of a maximum possible consumption of 744 KWH.

During the Exit Conference (20 November 2018), the Government/Company accepted the observation and assured to incorporate necessary provisions in the billing system so that a small consumer was not billed for abnormally high consumption ignoring the basic logic.

Recommendation No. 8: *The system should allow to process bills only after considering the basic logic. To ensure this, the Company needs to incorporate proper provision in the system with the help of system developer.*

Mismatch of bill format

2.15 Analysis of bill format issued to the consumers revealed that some of the basic consumer details like service connection number, billing status (regular/assessed/provisional bill), previous payment details *etc.* were not incorporated in the monthly electricity bill in violation of Clause 6.3.5 read with 6.3.13 of AERC Regulations.

During the Exit Conference (20 November 2018), the Government/Company stated that there were some practical difficulties in setting of the bill format. The

¹⁴ 1 KW x 24 Hours x 30 Days = 720 KWH

Government/Company, however, assured to modify the billing format shortly so as to include all the relevant particulars in the electricity bill as far as practicable.

Recommendation No. 9: *The Company needs to modify the billing format immediately so that the bills generated through SAP system includes all relevant details of consumers as prescribed by AERC.*

Customer Relationship Management (CRM) module

Pending updation of Geographical Information System (GIS) database

2.16 As per the advisory issued by Power Finance Corporation Limited¹⁵, it was essential for the Company to have up-to-date GIS asset and consumer information in the GIS repository at all times. Further, as per the Software Requirement Specifications (SRS¹⁶), while releasing a new service connection, a request with information on connected load, connection type, consumer ID and other details were to be transmitted through the System from the CRM Module to GIS module. This exercise was essential to confirm whether the distribution transformer (DTR) and feeder from which the connection was to be allowed had the required capability to release the desired load to the consumer. In response to such request, a Load Flow Analysis (LFA) Report was to flow from GIS to CRM containing information on DTR Capacity/Loading, GIS feasibility (either positive or negative), *etc.* and the said information/fields were to be stored in service contract item.

Audit observed that the Company had never updated the GIS database for ongoing changes in electrical network and consumers in field, which was a continuous process. As a result, the GIS mapping of assets and consumer information prepared for the project areas became outdated. Due to outdated GIS, the ESDs had been by passing the requirement of load flow analysis by selecting the option 'Network feasibility not required' at the time of releasing new service connections in SAP. As such, new service connections were being released without getting any LFA report from the GIS. Audit further observed that out of 456 new service connections released by 6 ESDs¹⁷ during April 2017 to June 2017, 396 connections (86.84 *per cent*) were released from overloaded DTRs. The overloading of DTRs could result in increase in distribution losses as well as possibilities of frequent breakdown of DTRs.

During Exit Conference (20 November 2018), the Government/Company assured to explore the possibility of updating the GIS database so that no new connection was released from overloaded DTRs.

¹⁵ A Government of India PSU appointed as Nodal Agency for implementation of R-APDRP scheme under the guidance of Ministry of Power, Government of India.

¹⁶ Condition NC9 and NC26 of CRM module

¹⁷ Out of 17 fully SAP based ESDs

The fact, thus, remains that due to absence of up-to-date GIS database, the Company could not ensure the connected load of distribution transformers at optimum level.

Recommendation No. 10: *The Company needs to ensure regular updation of the GIS database for successful implementation of CRM module.*

System alert message for delay in issuing new connection

2.17 As per Clause 3.5 of AERC Regulations, the maximum prescribed time limit for the new connection release in urban areas was 30 days from the date of submission of registration form provided no extension work to existing network was required and the pole distance from the premises of the consumer was less than 30 meters.

Audit observed that the provision for generating alert message in case of delay in release of connection was not incorporated in the system to facilitate timely release of new connections. Audit observed that in 6 ESDs test checked, 650 out of 1,366 service connections released during December 2017 to March 2018 had been delayed for periods ranging from 1 to 840 days. Hence, timely release of new service connections could not be ensured due to absence of necessary alert system.

During the Exit Conference (20 November 2018), the Government/Company assured to take necessary action in the matter to address the issue.

The fact, thus, remains that in absence of necessary alert system, the Company could not release new service connections within the prescribed time limit.

Recommendation No. 11: *The existence of necessary alert system helps in timely release of new service connection. The Company needs to incorporate the same in the system immediately to maximize consumer satisfaction. The Company should internally examine similar issues in other ESDs also.*

Web Self Service (WSS) Module

Designing of web portal and its associated facilities

2.18 The WSS Module was mapped in the portal¹⁸ to provide a high quality experience for the consumers and make it easy for them to communicate with the Company through the web instead of direct phone calls or visits. The portal also acted as a source of information for the consumers regarding policies and procedures of the Company. On checking of WSS Module, the audit observed the following:

¹⁸ www.apdcl.org

- The web page contained the brief description about the Company, its mandate, Board of Directors, power map, tariff rates, applicable Acts and Rules *etc.* Login component was present and registered Users could login using the username and password. New Users could also register by clicking on the 'First Time Users Register' link. The 'Forgot Password' link was meant to help the Users to retrieve their password. Further, the facility to lodge complaint and track its status by the applicant also existed in the System.
- The portal facilitated for online application of new service connection along with the option to upload scanned copies of necessary documents such as passport, photo, affidavit, proof of ownership *etc.* The applicants could also check their application status. The consumer could also make online payment of electricity bills through various modes such as net-banking, debit/credit card, NEFT/RTGS and e-wallets.
- The portal contained various interactive features, such as, Frequently Asked Questions (FAQ), email facilities, feedback forms, presence of social media links (facebook, twitter *etc.*)

Hence, the web portal of the Company was appropriately designed duly incorporating all possible provisions in the System as far as practicable to provide quality experience to its consumers, thereby increasing the consumer satisfaction.

Energy Audit (EA) Module:

Anomalies in generation of Energy Audit Report

2.19 The purpose of implementing the Energy Audit (EA) Module was to monitor important distribution parameters, capture hierarchical view of energy accounting, intelligent analysis tools for plugging loopholes and identifying revenue leakage and calculate/identify technical and commercial losses.

Audit observed that the system facilitates for EA at three levels¹⁹. Ideally the energy injected into the system should be either equal to or greater than energy billed. On analysis of Energy Audit Report of 6,140 DTRs for the month of March 2018 in respect of four project areas²⁰, Audit observed that in case of 2,533 DTRs, energy injected figure was recorded as 'Zero' while energy billed against these DTRs was 35.02 MU which was not realistic. Similarly, in case of another 124 DTRs, the energy injected figure (*i.e.* 0.73 MU) was less than the energy billed figure (*i.e.* 2.12 MU) which was not possible and indicated the existence of defects in the System.

¹⁹ Project area wise, Feeder wise and DTR-wise

²⁰ Guwahati, Nagaon, Jorhat and Tinsukia

The Company accepted the facts and stated (November 2018) that it would look into the matter and resolve the issue at the earliest.

The fact, however, remains that the DTR wise energy audit reports generated by the System were not reliable and the same could not be used as analysis tools for plugging loopholes and identifying revenue leakage.

Recommendation No. 12: *The Company needs to rectify the deficiencies in EA module immediately so that the system would generate correct energy audit reports which can be used for further analysis purpose.*

Mapping of business rules

The Company mapped business rules in the billing system in accordance with the AERC Regulations and Schedule of Tariff (SoT) issued by AERC. Audit observed the instances where business rules were not properly mapped as discussed in the following paragraphs:

Meter Billing Collection (MBC) Module

Excess billing of Power Factor penalty

2.20 The Power factor (PF) is an indicator of the quality of design and management of an electrical installation and the same is worked out as a ratio of the total kilowatt-hour (KWH) to kilo volt-ampere hour (KVA) supplied during a given period. The PF was recorded electronically by the energy meters and the same was taken into account while preparing the bill of a consumer. As per SoT, PF penalty at different slabs was to be levied on the consumer in case the monthly average PF of the consumer ranged between 85 and 30 *per cent*. Hence, as per the SoT, no PF penalty was leviable in case the PF fell below 30 *per cent*.

On analysis of 77,385 transactions of 6,969 HT consumers²¹ of 17 IRCAs for the year 2016-17, Audit observed in 2,933 transactions pertaining to 618 consumers under 17 IRCAs, PF penalty was imposed even though the PF fell below 30 *per cent* in violation of SoT. As a result, there was excess billing of PF penalty amounting to ₹ 20.56 lakh.

During the Exit Conference (20 November 2018), the Government/Company accepted that any penalty imposed not backed by any Rule/Act was irregular. The Government/Company, however, assured to take up the matter with AERC for their opinion.

The fact, however, remains that the logic for imposing power factor penalty was mapped ignoring the provisions of SoT issued by AERC.

²¹ Six categories: HT Domestic, HT Commercial, Public Water Works, Bulk Supply (Government), Bulk Supply (others), HT Small Industries category

Recommendation No. 13: *The Company needs to map the business rules strictly in adherence to SoT/AERC Regulations.*

Non-incorporation of provision for minimum contract demand

2.21 As per SoT, the HT consumers under Tea, Coffee, Rubber category could opt for seasonal tariff (April to August) or off-season tariff (September to March) as per their convenience.

To avail the above option, the Contract Demand of such consumers during seasonal and off-season period, should be at minimum prescribed level of 65 per cent and 26 per cent of the Connected Load respectively. Audit observed that the provision regarding minimum Contract Demand for seasonal and off-season period was not incorporated in the System. As a result, SAP system allowed fixing Contract Demand below the minimum prescribed level in violation of SoT.

The analysis of 4,261 transactions of 865 consumers under 17 IRCAs for the period April 2016 to August 2016 revealed that in 83 transactions pertaining to 19 consumers under 7 IRCAs, the seasonal Contract Demand ranged between 25 and 64 per cent of total connected load against minimum Contract Demand of 65 per cent leading to short-billing of ₹ 7.89 lakh in the form of demand charges. Similarly, out of 6,036 transactions of other 885 consumers under 17 IRCAs, in 19 transactions pertaining to 10 consumers under 6 IRCAs for the period September 2016 to March 2017, the off-seasonal Contract Demand ranged between 16 and 25 per cent against minimum contract demand of 26 per cent of total connected load. As a result, the Company short-billed an amount of ₹ 0.90 lakh in the form of demand charges.

During the Exit Conference (20 November 2018), the Government/Company assured to look into the matter and incorporate the necessary provisions for seasonal and off-seasonal demand in case of Tea, Coffee & Rubber category of consumers.

Recommendation No. 14: *The provision for minimum contract demand for seasonal and off-season consumers under HT Tea, Coffee and Rubber category should be incorporated in the system immediately to avoid further loss of revenue.*

Wrong categorization of consumers due to lack of validation check

2.22 Proper categorization of consumers was essential for ensuring correct and accurate billing of energy supplied so as to eliminate any scope for under or over recovery of electricity charges. To achieve this, the System should have proper validation checks of data with reference to the applicable category and Connected Load/Contract Demand of the consumer. Audit observed that there was absence

of data validation checks in the System due to which the following cases of wrong categorization came to the notice of Audit:

(i) As per SoT, the consumers (exclusively domestic) having Connected Load of (i) below 5 KW and (ii) 5 KW or more but below 20 KW; were to be categorized as ‘Domestic-A’ and ‘Domestic-B’ consumers respectively. The applicable tariff in case of Domestic-B category was higher than that of Domestic-A category of consumers.

Audit observed that 1,485 consumers having Connected Load in the range 5 KW to below 20 KW during the year 2016-17 under all 17 ESDs²² were billed as Domestic-A instead of Domestic-B category in violation of SoT due to wrong classification of consumers in the System. As a result, the Company short-billed an amount aggregating ₹ 12.21 lakh in respect of these consumers. Besides, these consumers had also irregularly availed the benefit of Government subsidy of ₹ 6.91 lakh despite their being not eligible for the same.

(ii) Similarly, as per SoT, the industrial consumers having Contract Demand between 25 to 50 KVA and 50 to 150 KVA were to be categorized as ‘HT-Small Industry’ and ‘HT-I Industry’ respectively. The applicable tariff was accordingly higher in case of HT-I Industry category.

On analysis of 11,477 transactions of 1,042 HT Small Industry consumers in 17 IRCAs, it was noticed that in 26 transactions of 3 consumers in 3 IRCAs, categorisation was wrongly done in the System as HT-Small Industry instead of HT-I Industries during the year 2016-17. As a result, the Company short-billed an amount of ₹ 2.10 lakh due to billing the consumers at lower tariff.

(iii) As per SoT, the industrial consumers having Contract Demand between 50 to 150 KVA and above 150 KVA were categorized as ‘HT-I Industry’ and ‘HT-II Industry’ respectively. Accordingly, the tariff was higher in case of HT-II Industry category.

On analysis of 1,621 transactions of 153 HT-I Industries consumers in 15 IRCAs for the year 2016-17, it was seen that 57 transactions of 9 consumers under 7 IRCAs were wrongly categorized under HT-I Industries instead of HT-II Industries. As a result, there was short billing to the extent of ₹ 9.56 lakh in these cases.

Further, on analysis of 637 transactions of 69 HT Industries consumers for the year 2016-17 in 12 IRCAs, it was seen that 10 transactions of 3 consumers in 1 IRCA were wrongly categorized as HT-II Industries instead of HT-I Industries. As a result, there was excess billing of ₹ 2.15 lakh against these consumers.

²² Where SAP was fully implemented

Therefore, lack of proper validation checks in the system resulted in wrong categorisation of consumers. This led to incorrect billing and grant of government subsidy to ineligible consumers.

During the Exit Conference (20 November 2018), the Government/Company stated that at present, necessary validation checks have been placed in the System to maintain proper rate category in accordance with Connected Load/Contract Demand of a consumer. The Government/Company further assured to explore the possibility of recovering the short-billed amount from the consumers, which occurred due to incorrect classification of consumers.

The fact, however, remains that the Company suffered loss of revenue due to absence of proper validation checks in the system.

Recommendation No. 15: *The Company needs to recover the short-billed amount from the consumers concerned, which had occurred due to wrong categorization of consumers. The Company should internally examine similar issues in other ESDs also.*

Anomalies in calculation of revised security deposit

2.23 Clause 6.2.1.2.1 of the AERC Regulations stipulated that the amount of security deposit obtainable from a consumer should be reviewed every year based on the actual consumption of the consumer during the previous year. The consumer was accordingly required to pay additional security deposit or be refunded any excess amount of security deposit held by the Company beyond the stipulated amount.

Audit observed that although the System was enabled to calculate the revised security deposit, the security deposit of consumers were revised through SAP system only in 2²³ out of 5 IRCAs test checked. In the remaining 3 IRCAs, however, the security deposit was revised manually as and when required. In this connection, following anomalies were noticed:

(i) **Refundable logic at the choice of the user:** The logic for demand/refund of the security deposit should have been automatically processed and adjusted in the monthly bills by the System. On analysis of data, relating to the security deposit of 2,805 consumers revised through SAP in respect of Guwahati IRCA-I for the year 2016-17, Audit observed that in respect of 767 consumers, the company held a security deposit amount, which was higher than the revised security deposit calculated by the System. The differential amount of ₹ 10.93 crore was, however, not refunded to the consumers through adjustments in subsequent electricity bills. Similarly, on analysis of data relating to security

²³ Guwahati IRCA-I (2015-16 and 2016-17) and Tinsukia IRCA (2016-17)

deposit of 511 consumers revised through SAP in respect of Tinsukia IRCA for the year 2015-16, Audit observed that the System failed to refund ₹ 1.09 crore through automatic adjustment in electricity bills in respect of 73 consumers whose revised security deposit was less than the original security deposit.

During the Exit Conference (20 November 2018), the Government/Company stated that there was option of refund of excess security deposit in the System and the same was placed at the disposal of the field offices. The Government/Company further mentioned that since high rate of interest was payable on security deposit, it was wise for the Company to refund the excess security deposit. The Government/Company assured to attempt designing the System in such a way that no provision of AERC Regulation was violated.

The contention of the Government/Company regarding placing the option of security refund at the disposal of field offices was not acceptable as refund of excess security deposit was mandatory as per AERC Regulation. Hence, any refund of excess security deposit should have been automatically adjusted in monthly bills in the same way as recovery of additional security deposit was effected through adjustment in bills.

***Recommendation No. 16:** The Company needs to design the system in such a way that the refund amount gets automatically adjusted in the subsequent bills of the consumer on revision of security deposit instead of placing the same at User's discretion.*

(ii) Non-consideration of interim payments made by consumers: The exercise for revision of security deposit was carried out on 20 December 2017 based on the consumption for the year 2016-17. While calculating the amount of additional security deposit, the System should have taken into account all the payments made by the consumers towards security deposit till the date of revision. On analysis of data relating to the security deposit of 2,805 consumers revised through SAP in respect of Guwahati IRCA-I for the year 2016-17, Audit observed that the system did not consider payments aggregating ₹ 3.39 crore made by the 448 consumers towards security deposit between 31 March 2016 and 20 December 2017. As a result, the consumers were asked to pay additional security deposit, which they were not actually liable for. On receipt of complaints from consumers, the same had to be rectified by the Company manually.

The Company accepted (November 2018) that the procedure followed for not considering interim payment for calculation of additional security deposit was incorrect. The Company further assured to immediately re-check the logic and rectify the same so that there were no complaints from consumers.

The fact, however, remains that the System kept in place for revision of security deposit failed to ensure accuracy in calculation and hence, the same was unreliable.

Recommendation No. 17: *The System should consider all payments made by the consumer towards security deposit till the date of revision while calculating the amount of additional security deposit. To ensure this, the Company needs to map the business logic accordingly with the help of system developer.*

Application and Security Controls

Application controls

Application controls pertain to specific computer applications. These application controls help to ensure the proper authorization, completeness, accuracy, and validity of transactions, maintenance and other types of data input. The absence of application controls such as input control and processing controls were noticed in the SAP system, which have been elaborated under the following paragraphs:

Input controls

Acceptance of invalid PIN Codes

2.24 All the possible Postal Index Number (PIN) codes of different localities of the State should have been incorporated in the system so as to provide an effective validation check against the entry of invalid PIN codes for any electricity connections. Audit observed that in 19,094 out of 21,618 transactions processed by Basistha ESD for the month of March 2018, the PIN code was mentioned as '000000' which was incorrect and should not have been accepted by the System. This implied that there was absence of data validation check with respect to input entry of PIN code.

During the Exit Conference (20 November 2018), the Government/Company assured to conduct Know Your Customer (KYC) process in all ESDs and IRCAs to incorporate the correct PIN code in the personal details of each consumer.

Recommendation No.18: *The Company needs to incorporate proper validation checks in place to ensure acceptance of correct PIN codes by the system.*

Acceptance of unusual meter numbers

2.25 To ensure the accuracy and authenticity of the data input, the System should have appropriate in-built control for automatic check of the input data entries. Audit observed that in 3 out of 178 consumers details (LT Domestic-A) test checked in Basistha Sub Division for the year 2017-18, meter numbers were

found captured by the System with unusual patterns (viz. AS128048_1, AS066821_1, 460862_1). As such, the possibility of processing the transactions with arbitrary meter numbers through SAP system could not be ruled out.

During the Exit Conference (20 November 2018), the Government/Company stated (November 2018) that when a meter was replaced and the same meter was reissued to a different consumer, the meter numbers were being entered in the System with a combination of special characters and number as SAP only allowed input entry of unique meter numbers.

The reply was indicative of the fact that there was a possibility of processing transactions with forged meter numbers through SAP System.

Recommendation No. 19: *The Company needs to address the issue of accepting unusual meter number through appropriate modification in the system logics.*

Processing controls

Processing of transactions without pole number

2.26 The LT consumers were provided the connection from a particular pole attached to a DTR. Hence, it was essential that every LT consumer should have a pole number assigned to it. Audit observed that in Garbhanga ESD (2017-18), 36 out of 2,96,533 transactions under LT category were processed without assigning any pole number. In absence of the pole number details in the System, the exact location of the consumer could not be ascertained. Further, absence of this information in the System would also create difficulties in updating of the GIS database.

During the Exit Conference (20 November 2018), the Government/Company accepted that pole number was an essential information and it must be displayed in all the transactions of consumers. The Government/Company also assured to look into the matter and resolve the issue at the earliest.

Recommendation No. 20: *The Company needed to address the issue of processing transactions without pole number at the earliest to overcome the difficulties that might arise during updation of GIS database.*

Processing of bills for abnormal billing cycles

2.27 Clause 6.2.6.1 of AERC Regulations stipulated that the billing cycle of consumers should normally be 30 days. However, the billing cycle could be extended upto 60 days in special circumstances with proper communication to the consumer concerned. On analysis of billing data, Audit observed that 22 transactions pertaining to 10 consumers were processed by the System for a period ranging from 116 to 1,889 days in violation of AERC Regulations.

During the Exit Conference (20 November 2018), the Government/Company stated that the provision for higher billing cycle than prescribed was kept in the System to take care of the exceptional cases such as regularizing the irregular connections and billing the unbilled consumers. The Government/Company further assured to look into the issue for appropriate action.

The fact, however, remained that there was no provision in the System to indicate the reason for processing bills beyond the prescribed billing period.

Recommendation No. 21: *It is recommended that the Company should incorporate necessary provision in the system to indicate proper reason while processing bills for period more than the prescribed billing period.*

Processing of unusual transactions

2.28 On analysis of 5,05,939 transactions of 43,881 LT consumers in Basistha ESD for the year 2017-18, Audit observed the following unusual transactions:

- Two bills having same consumer ID (51000281910) were processed with same bill date (7 May 2017), bill period, bill amount, kWh consumption, document number but with different combination of previous and current reading. This indicated existence of bill processing issues in the System providing scope for processing more than one bill against the same document number.
- Three transactions of a consumer ID (51000289557) were processed with doubtful meter readings, wrong calculation of energy charge, different meter numbers and wrong consumer ID pattern *etc.*
- In case of 'Zero' consumption recorded during a billing cycle, the consumer concerned should be billed for the minimum fixed charges. Audit observed that in 242 transactions having 'Zero' consumption, no billing was done by the System.
- In 8,352 transactions, although energy consumption was found to be recorded as 'Zero', no provision in the System was present to indicate the reason for the same.
- As the System allowed processing of unusual transactions, the possibility of errors in billing data could not be ruled out.

During the Exit Conference (20 November 2018), the Government/Company assured to verify the data analysed by Audit and take appropriate steps to resolve the issues pointed out.

Recommendation No. 22: *The Company should place proper control mechanism in the System so that there is no scope for processing of unusual transactions.*

Output controls

Consideration of power factor with three decimal places

2.29 AERC Regulations stipulated that the PF ratio should be determined after rounding off the figures to two decimal places. Audit observed that the System did not round off the PF ratio to two decimal places. As a result, while processing the bills, the digit in the third place was considered for calculation of PF penalty/rebate leading to short and excess recovery of electricity charges. On analysis of 77,385 transactions of 6,969 HT consumers in 17 IRCAs for the year 2016-17, Audit observed that there was a short recovery of energy charges aggregating ₹ 6.01 lakh in 5,305 transactions of 2,099 consumers, while there was an excess recovery of ₹ 9.44 lakh in another 7,061 transactions of 2,391 consumers.

During the Exit Conference, the Government/Company stated (20 November 2018) that the facility was provided at the disposal of the End Users to enter the PF readings in the billing system. It was further stated that in the case of automatic meter reading (AMR) based consumers (all HT consumers), the AMR meters were pushing Average Power Factor Readings up to 3 Digits.

The reply was not acceptable as the SAP application should be configured to round off the readings upto 2 decimal places so that it was processed as per the provisions of AERC Regulation.

Recommendation No. 23: *The Company should either modify the system to round off the PF ratio to two decimal places as per AERC Regulations or in case of any practical difficulties in modifying the system, it should pursue the matter with AERC for necessary modification in the Regulations.*

Duplicate generation of bills

2.30 On analysis of 1,77,789 transactions of 15,117 Domestic-A consumers in Basistha ESD for the period 2017-18, Audit observed that the transactions of 341 consumers appeared 20 to 48 times against maximum possible 12 transactions in a year considering the billing cycle of 30 days. This indicated a lack of output control in the System leading to existence of same bill in the database for multiple times. As a result, the System would be overloaded with unnecessary billing data hampering its efficiency considerably.

During Exit Conference (20 November 2018), the Government/Company stated that the data analysed by Audit would be checked for further reply from their end.

Recommendation No. 24: *The Company needs to incorporate proper output controls in the system to address the issue of generating duplicate bills.*

Security Controls

2.31 A well-thought comprehensive IT policy demonstrates the ability of an organization to reasonably protect all business critical information and related IT information processing assets from loss, damage or abuse. It was, thus, important for the Company to establish an appropriate IT policy to ensure effective operation of the IT system and safety/security of its database. IT Policy of the Company envisaged following two basic levels of controls:

Physical Access Controls: These controls restrict the physical access of the System to the authorised Users only; and

Logical Access Controls: This protection mechanism limits User's access to information relevant to their work profile only besides restricting the forms of the User's access on the System to only what was appropriate for them.

Audit observed that even though the Company had implemented the computerized billing System in the organisation, it had not devised and adopted an appropriate IT Policy so far (December 2018). The following observations have been noticed in this regard:

Weak Environmental Controls

2.32 For a secured IT set up, well-planned environmental controls were necessary to protect the hardware in case of any accident or mishap including the incidence of fire. Physical verification of IT Setup of 6 ESDs and 5 IRCAs revealed that no fire extinguishers or fire alarm system had been installed in any of the ESDs/IRCAs for protection against fire.

In the Exit Conference (20 November 2018), the Government/Company assured to place fire extinguisher/fire alarm system in ESDs and IRCAs so as to maintain a healthy environment for IT set-up in all offices.

Recommendation No. 25: *It is recommended that the Company should immediately install fire extinguishers/fire alarm system to ensure protection of the hardware against the incident of fire.*

Secured mode of login

Password Policy

2.33 The most common form of logical access control was login identifiers (IDs) followed by password authentication. To ensure effectiveness of the passwords, there must be appropriate password policy and procedures in place, which should be followed by all the Users. To ensure effective control on the access to the System, password policy could define the requirements regarding

minimum password lengths, forcing change of the password at regular time intervals and automatically rejecting purely numerical passwords, etc.

Audit observed that the Company had not devised and put in place any password policy so far (December 2018). As a result, the Users could set easy passwords and keep the same unchanged for long periods. As such, in absence of a well-defined password policy, the database of the Company was vulnerable against the risk of unauthorised access and manipulation, which was not in the interest of the Company.

In reply, the Company assured (November 2018) to incorporate an appropriate password policy in the System binding the Users to change passwords at an interval of every 30 days to ensure proper security of authorised User login.

Recommendation No. 26: *The Company needs to formulate and adopt an appropriate password policy to ensure security of database against the risk of unauthorised access and manipulation.*

Use of biometric devices

2.34 As per Clause 2.2 of the work order issued to the system developer, the login in the computer systems for commercial applications like, Metering, Billing and Collection Modules had to be only through biometrics authentication system. Audit observed that 4 out of 5 IRCAs and 4 out of 6 ESDs test checked did not use biometric devices for login purpose. Absence of biometric authentication system to login into the System leaves the scope for unauthorized access to data.

During the Exit Conference (20 November 2018), the Government/Company stated that as the login would be based on finger scanning, the same would be applicable to a particular User. As such, in case the regular User remained on leave, the System would not be accessible by the alternate User making it difficult to attend the work even in case of necessity.

The reply was not acceptable as the concern of the Government/Company could be addressed by incorporating appropriate provision in the System authorising the alternate User with administrative privilege to access computer and perform the job of absentee User.

Recommendation No. 27: *It is recommended that the Company should adopt the methodology of login into the system through biometric devices to eliminate the scope for unauthorised access to data.*

Outcome of implementation of SAP based Computerised Billing System

2.35 The main objective of implementation of SAP based Computerised Billing System was to reduce the aggregate technical and commercial (AT&C) loss of the Company. The Company installed SAP based billing application in case of 8.86 lakh²⁴ (20.48 per cent) out of its total 43.28 lakh consumers in a phased manner during the period from March 2013 to March 2016. The impact on the performance of the Company in areas where the SAP based Centralised Billing System was implemented improved considerably which is shown in **Table 2.3** below:

Table 2.3: Details of Billing & Collection efficiency and AT&C loss after implementation of SAP based Computerised Billing System

Year	SAP based project areas		
	Billing efficiency	Collection efficiency	AT&C loss
	(in percentage)		
2015-16	70.09	90.93	36.27
2016-17	82.03	98.03	19.58
2017-18	84.02	100.00	15.98

As seen from above, the billing efficiency²⁵ of the SAP based project areas was increased from 70.09 per cent (2015-16) to 84.02 per cent (2017-18). As regards the collection efficiency, the same was increased from 90.93 per cent (2015-16) to 100 per cent (2017-18). Consequently, the AT&C loss of the SAP based project areas reduced from 36.27 per cent (2015-16) to 15.98 per cent (2017-18) which contributed in improving the overall performance of the Company.

Recommendation No. 28: *Considering the significant advantages of implementation of SAP based Computerised Billing System in respect of 8.86 lakh consumers (20.48 per cent), the Company needs to ensure that SAP based Computerised Billing System is extended to the remaining 79.52 per cent consumers also at the earliest.*

Conclusion

- The Company neither had conducted any Feasibility study nor had properly documented the migration process of consumer data to new System. This was indicative of deficient planning and implementation of the SAP System. The

²⁴ Comprising 8.69 lakh LT consumers and 0.17 lakh HT consumers.

²⁵ In spite of Computerised system, billing efficiency was not 100 per cent because, the meter reading in case of LT consumers are still done manually.

Company had also not provided the necessary training to the System Users leaving scope for human intervention in its day-to-day operations, which was undesirable and against the basic objective of the System.

- System design deficiencies existing in the Meter Billing Collection (MBC), Customer Relationship Management (CRM) and Energy Audit (EA) Modules led to various anomalies such as non-serving of supplementary bills, non-interfacing with CMRI, wrong billing of fixed charges due to incorrect conversion of KW into KVA, processing of bills ignoring basic logic, overloading of distribution transformers, delay in release of new service connections, generation of incorrect energy audit report *etc.* Besides, Geographical Information System (GIS) was not operative in absence of regular updation. As such, the intended benefits of implementing MBC and CRM module could not be achieved to the desirable extent.
- Incorrect mapping of business rules coupled with inadequate validation checks in place led to short and excess recovery of electricity charges from consumers in violation of the Electricity Supply Code and Related Matters Regulations and Schedule of tariff issued by AERC. Wrong categorization of consumers, non-incorporation of minimum contract demand, inaccuracy in calculation of power factor penalty, non-refund of excess security showed deficiency of the billing system. The above deficiencies in the System have led to large-scale human interventions in the billing operations of the Company disregarding the concept of computerisation.
- The application controls of the System were not adequate for ensuring accuracy and integrity of data. This led to processing of transactions with invalid PIN codes, unusual meter numbers, generation of bills with NIL amount in case of zero consumption instead of raising bills at minimum fixed charges *etc.* Further, an IT Policy was not clearly defined and as such, strict enforcement of the same could not ensure compromising with the security and safety of the System.

**Compliance Audit Observations relating
to
Power Sector PSUs**

CHAPTER III

Compliance Audit Observations relating to Power Sector PSUs

Important audit findings emerging from test check during the audit of the power sector PSUs are included in this Section.

Assam Power Distribution Company Limited

3.1 Deficient monitoring of works

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.

The Electricity Supply Code and Related Matters Regulations, 2004 (First Amendment-2007) (Regulation) read with Schedule of Tariff (SoT) notified by the Assam Electricity Regulatory Commission (AERC) stipulated as under:

- (i) *The voltage of supply of electricity to consumers shall be determined on the basis of the contract demand of the consumer. Any consumer having a contract demand of above 5,000 KVA was to be supplied electricity by the Company at a voltage level of 132/220 KV. (Clause 2.2 of AERC Regulation)*
- (ii) *A surcharge of 3 per cent shall be applicable if a consumer draws power at lower than the applicable voltage level. (SoT notified by AERC effective from 10 April 2017)*

Assam Power Distribution Company Limited (Company) entered (February 2011) into an agreement with B.R. Metallics (Consumer) for supply of electricity with a contract demand of 11,764 KVA. The Company allowed the Consumer to draw electricity at 33/132 KV voltage level as against the prescribed level of 132/220 KV. To facilitate the supply of electricity at prescribed level of 132/220 KV voltage, it was also agreed that a 132 KV sub-station along with the required transmission line shall be constructed, the cost of which shall be borne by the Consumer.

Audit observed that:

1. The Company demanded (March 2013) an amount of ₹ 4.07 crore from the Consumer, being the estimated cost of construction of 132 KV sub-station and the transmission line. The first instalment of ₹ 1.02 crore was to be paid by April 2013. Balance cost of the proposed sub-station was to be paid by the Consumer in three equal instalments after completion of foundation of tower, erection of tower and stinging of conductors respectively.

The Consumer paid (April 2013) the first instalment of ₹ 1.02 crore to the Company for construction of new sub-station and transmission line. The Company transferred (April 2013) the amount to Assam Electricity Grid Corporation Limited (AEGCL) under whose jurisdiction the work of construction of 132 KV sub-station and transmission line was to be taken up. AEGCL, however, could not take up the construction work due to Right of way (ROW) problem. The Company discussed (September 2014) the matter with the officials of AEGCL and the Consumer. During the said meeting, it was decided to explore the possibility to construct the transmission line on Monopole instead of Tower Super structure so as to minimise the ROW problem. The Company, however, did not take up the matter with AEGCL regarding the feasibility of the proposal so far (December 2018). Pending construction of the new sub-station and transmission line, the Company continued to supply electricity to the Consumer at lower voltage level in violation of AERC Regulations.

2. To facilitate supply of electricity to the Consumer using the existing infrastructure, the Company had to step-down the electricity received by it at 132 KV voltage to the voltage level of 33 KV at its 132/33 KV sub-station. During this process of transformation of electricity from a higher to lower voltage level, the Company had to bear an inherent transformation loss, which was assessed by the Company to be in the range of 4 to 5 *per cent*. As mentioned above, the AERC also notified (April 2017) a surcharge of 3 *per cent* to be paid by the consumer for drawal of electricity at lower than the applicable voltage level. The inclusion (April 2017) of this clause by AERC in the SoT as mentioned above, substantiates the incidence of transformation loss in supply of electricity at lower voltage level.

Audit observed that during the period May 2012 to April 2018, the Company supplied 17.97 crore kWh of electricity to the Consumer at lower voltage. As such, the Company had to suffer a transformation loss of 0.54 crore kWh (3 *per cent*) of electricity valued at ₹ 2.57 crore.

Thus, failure of the Company to monitor timely construction of the 132 KV sub-station line compatible to supply electricity at prescribed voltage level led to energy loss valuing ₹ 2.57 crore during the transformation process.

In their replies, the Government and the Company stated (September 2018) that as the consumer deposited the first instalment towards the cost of the new sub-station, no surcharge was levied on the Consumer. The matter was also discussed (20 November 2018) with the Managing Director (MD) of the Company, who accepted that there was a lapse on part of the Company officials at various levels and assured to relook into the matter and take up the issue with AEGCL to resolve the matter.

The replies of the Government and the Company were not acceptable considering the inaction on part of the Company for more than five years after receipt (April 2013) of first instalment from Consumer towards construction of required infrastructure, which led to significant energy loss.

Corrective action may be taken at an early date besides fixing of responsibility for the lapse already committed.

3.2 Non-stoppage of power supply to defaulting consumer

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

The Electricity Supply Code and Related Matters Regulations (First Amendment-2007) notified by Assam Electricity Regulatory Commission (AERC) *inter alia* stated that:

“Where a consumer neglects to pay any charge for electricity or any other sum due to the Company by the due date mentioned in the bill, the Company may cut off supply of electricity until such sum together with any expenses incurred by the Company in disconnection and reconnection of the supply were paid.”(Clause 4.3.1.1)

Assam Power Distribution Company Limited (Company) entered into an agreement (July 2011) with Satya Megha Industries (Consumer) for supply of electricity at a contract demand of 4.24 MVA after obtaining a load security deposit of ₹0.88 crore. Scrutiny of records showed that the consumer was irregular in payment of monthly dues since October 2012. As a result, the unpaid electricity dues (₹0.67 crore) of the Consumer as of October 2012 had accumulated to ₹2.11 crore by the time of permanent disconnection of supply (May 2016) by the Company.

Examination of records of the office of Assistant General Manager, Industrial Revenue Collection Area, Bongaigaon of the Company revealed that before disconnecting the supply (May 2016) of the Consumer, the Company had offered

(January 2014) the Consumer to pay off the unpaid dues in five instalments by May 2014. The Company offered similar opportunities to the Consumer time and again (June 2014, September 2014, December 2014, April 2015 and September 2015) with the approval of the Managing Director (MD) of the Company but the situation did not improve. Audit observed that by the time the Company permanently disconnected (May 2016) the supply of the Consumer, the net recoverable dues had accumulated to ₹ 0.76 crore¹ after adjustment of load security deposit of the Consumer along with interest. Further, the Company did not take any steps to recover the outstanding dues from the Consumer even after lapse of two years from the date of disconnection (May 2016).

It could be seen from the above that the Company in violation of Clause-4.3.1.1 of AERC Regulation continued to supply electricity to the Consumer beyond the consumption limit covered by the load security deposit. By timely disconnecting the supply of defaulting Consumer as per the provisions of the Regulations, the Company could have avoided accumulation of outstanding dues of the Consumer, which were doubtful of recovery.

Thus, allowing opportunities time and again by the MD of the Company to the Consumer to clear outstanding dues despite repeated defaults in payment of electricity dues was a clear violation of AERC Regulations, which led to doubtful recovery of ₹ 0.76 crore.

The Government and the Company stated (September 2018) that legal proceedings had been initiated against the Consumer to recover the dues. During the meeting held (20 November 2018) with Audit, the Company stated that the Consumer was allowed to pay off the outstanding dues in instalments after due approval of the competent authority. The Company, however, assured to relook into the process of offering instalments to regular defaulting consumers and the disconnection procedure as per Rules.

The fact, however, remains that the recovery of outstanding dues had not been made even after a lapse of 30 months after disconnection.

The Government needs to fix responsibility for failing to act as per the laid down Regulations leading to accumulation of outstanding dues of ₹0.76 crore, recovery of which was doubtful.

¹ ₹ 2.11 crore (outstanding dues as on May 2016) less ₹ 1.35 crore (load security deposit: ₹ 0.88 crore and interest: ₹ 0.47 crore).

3.3 Application of different rates for similar work items

The award of two work orders by the Company based on different rates for similar items led to extension of undue benefit of ₹0.35 crore to the Contractor.

As per the standard bidding document conditions issued (September 2014) by Assam Power Distribution Company Limited (Company), the bidder was to quote uniform rate for similar items of work/input materials, which was to be utilized by the contractor in more than one project area. In case the contractor quoted different rates for similar items or input materials in respect of different project areas, the Company was to issue the work order considering the lowest rate quoted by the contractor in any project area.

The Company awarded (February 2015) two work orders for (i) Construction of 3 phase 11 KV line, and (ii) supply and installation of 11/0.4 KV Distribution transformers (DTRs) of 25 KVA and 63 KVA capacity to Premier Enterprises Limited (Contractor) at ₹ 13.64 crore and ₹ 17.78 crore respectively. The above works were covered under the Rajiv Gandhi Grameen Vidyutikaran Yojana² scheme and same were to be executed in Sonitpur district. The work orders were issued based on the *ex-works*³ rates while freight and insurance was allowed separately considering the varied geographical location and local conditions.

Scrutiny of item-wise rates of the two works revealed that the Company allowed different *ex-works* rates for supply of similar items during the same period of supply without any recorded justification in violation of its own standard bidding conditions. Due to this the Company had to incur an additional expenditure of ₹ 0.35 crore in completing the works.

Thus, the Company extended an undue benefit of ₹ 0.35 crore to the Contractor by awarding the works based on the different *ex-works* rates against similar items in violation of its own standard bidding conditions.

During a formal meeting (20 November 2018) held with Audit, the Company admitted that the officials involved in the process of award of the work should have adhered to the terms and conditions mentioned in the bid document.

² The Scheme was later absorbed (December 2014) in the Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY Scheme).

³ Under this arrangement, the supplier is responsible to supply/deliver the material/equipment at a designated location, while all subsequent costs (including transportation cost) are borne by the buyer.

The Government may fix responsibility of the officials concerned for non-adherence to the terms and conditions mentioned in the bid document while awarding the work order, which resulted in additional expenditure of ₹0.35 crore to the Company.

3.4 Delay to implement revised Electricity Duty rates

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

As per the Assam Electricity Duty Act, 1964 (Act) and the Rules framed thereunder:

A. Assam Power Distribution Company Limited (Company) was to levy electricity duty (ED) on consumers at the rate fixed by the Government of Assam (GoA) and deposit it to the State exchequer every month.

B. For any default in payment of ED, the Company was liable to pay penalty not exceeding four times the amount of the ED to be determined by the competent authority in addition to the ED payable under the Act. GoA shall recover any ED due or penalty imposed as an arrear of land revenue or adjust against any amount payable by GoA to the Company.

The Company followed a monthly billing cycle and accordingly billed the ED component at the prevailing rates in the electricity bills of the consumers. Audit observed that the GoA notified an increase in rates of ED from 10 paisa to 20 paisa per unit of energy supplied with effect from 27 October 2017. As such, the Company was to bill the consumers at 10 paisa per unit till 26 October 2017 and at 20 paisa per unit for the period from 27 October 2017 onwards.

While analyzing the billing details at the Data Centre of the Company (May-June, 2018), it was observed that the Chief General Manager (Commercial) of the Company who was responsible for all tariff related matters, forwarded (10 November 2017) the notification after a delay of 13 days to the System Administrator⁴ for giving effect of the revised ED in the billing system. The System Administrator incorporated the revised ED in the billing system after 5 days on 15 November 2017.

Audit further observed that the Company failed to incorporate the ED at revised rates in respect of the consumers whose bills were already generated till 15 November 2017. On analysis of billing data of consumers for the year 2017-18 in

⁴ Tata Consultancy Services Limited.

respect of 17 IRCAs and 6 ESDs⁵, it was observed that the Company had issued 1.21 lakh electricity bills⁶ involving 31.55 MU of electricity at pre-revised ED rates.

Thus, due to the lapses on the part of the Chief General Manager (Commercial) and the System Administrator as pointed out above, there was short recovery of ED leading to a loss of ₹ 0.32 crore⁷ to the State exchequer. Further, in absence of corresponding recovery of revised ED from the consumers, the Company was liable to pay the short-levied amount out of its own funds and also bear a penal liability for this default. Audit observed in a similar instance, the GoA had recovered the short-collected ED through adjustment against the loan amounts sanctioned to the Company⁸.

The Government and the Company stated (September 2018) that though there was internal delay in forwarding the notification to the System Administrator, there was no effect on billing as the effective date was considered from 27 October 2017 in the billing system.

Replies of the Government and the Company were not acceptable as the bills generated prior to 15 November 2017 were issued without incorporating the revised ED rates.

The responsibility of the Chief General Manager (Commercial) and the System Administrator may be fixed who were responsible for the delay in incorporating the revised ED in the billing system, which resulted in loss of ₹ 0.32 crore to the State exchequer. Moreover, the short realization of electricity duty in the remaining divisions of the Company in the State as a whole should also be ascertained and recovered.

3.5 Investment in low interest Short-term Deposits

The Company lost the opportunity to earn additional interest income amounting to ₹ 0.30 crore by not splitting the investment amount into lower value.

The guidelines approved (November 2012) by the Board of Directors of Assam Power Distribution Company Limited (Company) authorized it to invest surplus

⁵ IRCA stands for Industrial Revenue Collection Area, which served as billing centres where the consumers above 25 KVA were billed while ESD stands for Electrical Subdivision, which served as billing centres where the consumers below 25 KVA were billed by the Company.

⁶ 17 out of 17 IRCAs and 6 out of 17 ESDs where SAP had been fully implemented was considered.

⁷ 3,15,54,659 kWh x ₹ 0.10 = ₹ 31,55,466

⁸ Erstwhile Assam State Electricity Board

funds for short term periods with the nationalized banks including State Bank of India (SBI). The tenure of the said investments was to be determined based on the anticipated requirement of funds for future periods.

Audit examined the investment decisions of the Company to assess the state of soundness of management of investments. It was observed that the Company invested (15 January 2016) ₹ 8.67 crore in six Short-term Deposits (STDs) ranging between ₹ 1.38 crore and ₹ 1.51 crore in State Bank of India (SBI) for a period of one year at an interest rate of 6.75 *per cent* per annum.

Audit observed that despite SBI offering higher interest rate (7.25 *per cent*) on single investment of less than ₹ 1.00 crore on the date of said investment (15 January 2016), the Company did not split its investment in lower value to maximise the return. It was further observed that the Company reinvested (15 January 2017) the above six STDs for a period of another one year with SBI at a lower interest rate of 4.25 *per cent* per annum as against the higher rate of interest (6.90 *per cent*) being offered by SBI on investment below ₹ 1.00 crore. As such, the Company failed to avail the benefits of additional interest of 0.50 *per cent* and 2.65 *per cent* on the investments made in SBI during 2015-16 and 2016-17 respectively due to not splitting the STD amount below ₹ 1.00 crore.

Thus, owing to imprudent investment decisions, the Company lost the opportunity to earn an additional interest income amounting to ₹ 0.30 crore.

The Government and the Company in their replies stated (September 2018) that the STDs were reinvested under the auto renewal facility of the bank and it would take necessary steps for earning maximum earning out of the investment.

The fact, however, remained that the Company needs to make a comparative study of interest rates offered by various banks for different value and periods of investment to maximise the returns from investments.

**Functioning of PSUs
(other than power sector)**

PART II

Chapter IV

Functioning of PSUs (other than power sector)

Introduction

4.1 The PSUs (other than power sector) comprised of 30 working PSUs and 16 non-working PSUs. The working PSUs registered a turnover of ₹ 739.18 crore as per their latest finalised accounts as on 30 September 2018. This turnover was equal to 0.26 *per cent* of Gross State Domestic Product (GSDP) of ₹ 2,83,821 crore¹ for 2017-18. During the year 2017-18, the working PSUs earned an overall profit of ₹ 31.09 crore as per their latest finalised accounts as on 30 September 2018 as compared to the aggregate profit of ₹ 22.99 crore earned during 2016-17.

Contribution to Economy of the State

4.2 A ratio of PSU-turnover to GSDP shows the extent of PSUs-activities in the State economy. Audit analysed the turnover of PSUs *vis-à-vis* the GSDP during 2013-14 to 2017-18. **Table 4.1** provides the details of PSUs turnover against the GSDP for a period of five years ending 2017-18.

Table 4.1: Details of working PSUs turnover *vis-a-vis* GSDP

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover ²	612.34	709.02	728.94	708.69	739.18
GSDP	1,77,745	1,95,723	2,27,959	2,54,341	2,83,821
Percentage of Turnover to GSDP	0.34	0.36	0.32	0.28	0.26

Source: Accounts received from PSUs and Directorate of Economic & Statistics, GoA. Figures of GSDP relating to 2016-17 are Provisional estimates and that for 2017-18 are Quick estimates.

As can be observed from **Table** above, the turnover of the working PSUs showed a mixed trend during five years. The working PSUs, however, had registered an overall increase of 20.71 *per cent* in their turnover during 2013-18. This increase was, however, not commensurate with the growth rate (59.68 *per cent*) of the GSDP during the same period. As a result, contribution of working PSUs turnover to the GSDP had declined from 0.34 *per cent* (2013-14) to 0.26 *per cent* (2017-18) during the period 2013-18.

¹ GSDP (Quick estimates) as per information furnished by Directorate of Economic and Statistics, Government of Assam.

² Turnover as per the latest finalised accounts as on 30 September of the respective year.

Investment in PSUs (other than power sector)

4.3 As on 31 March 2018, the total investment in 46 PSUs stood at ₹ 1,450.95 crore (equity: ₹ 838.31 crore; long term loans: ₹ 612.64 crore). Out of this, the State Government has contributed ₹ 1,160.25 crore (equity: ₹ 599.37 crore and long term loans ₹ 560.88 crore) while ₹ 290.70 crore (equity: ₹ 238.94 crore and long term loans ₹ 51.76 crore) was contributed by 'Others'. The details of the total investment in respect of 46 PSUs (equity and long term loans) as on 31 March 2018 have been given in *Appendix 2*.

4.4 The sector-wise summary of the total investment in these 46 PSUs as on 31 March 2018 is given in *Table 4.2*.

Table 4.2: Sector-wise investment in PSUs

Name of Sector	Number of PSUs	Total Investment (₹ in crore)		
		Equity	Long-term Loans	Total
Agriculture & Allied	7	60.23	328.48	388.71
Finance	6	50.95	56.05	107.00
Infrastructure	9	178.81	147.15	325.96
Manufacturing	17	178.07	65.87	243.94
Services	3	181.59	4.29	185.88
Miscellaneous ³	4	188.66	10.80	199.46
Total	46	838.31	612.64	1,450.95

Source: Compiled based on information received from PSUs

As can be noticed from the *Table* above, the thrust of the investment in PSUs (other than power) was mainly in three sectors constituting 66.07 per cent of the total investment, viz. Agriculture & Allied (26.79 per cent), Infrastructure (22.47 per cent) and Manufacturing (16.81 per cent). The total investment (₹ 1,450.95 crore) in 46 PSUs as on 31 March 2018 consisted of 57.78 per cent towards equity and 42.22 per cent in long term loans.

The long term loans advanced by the State Government constituted 91.55 per cent (₹ 560.88 crore) of the total long term loans while the equity contribution by the State Government in 46 PSUs stood at 71.50 per cent (₹ 599.37 crore) of total equity. The 46 PSUs (working and non-working) had employed 23,188 employees as at the end of 31 March 2018.

Disinvestment, restructuring and privatisation of PSUs (other than power sector)

4.5 During the year 2017-18, no disinvestment, restructuring or privatization was done by the GoA in PSUs.

³ Miscellaneous sector includes Assam Gas Company Ltd., DNP Ltd., Assam Government Marketing Corporation Ltd. and Assam State Textbook Production and Publication Corporation Ltd.

Budgetary support to PSUs (other than power sector)

4.6 The Government of Assam (GoA) provides financial support to PSUs in various forms through the annual budget. The details of year-wise budgetary outgo towards equity, loans and grants in respect of PSUs for five years ended 2017-18 are given in *Table 4.3*.

Table 4.3: Year-wise budgetary support by GoA to PSUs

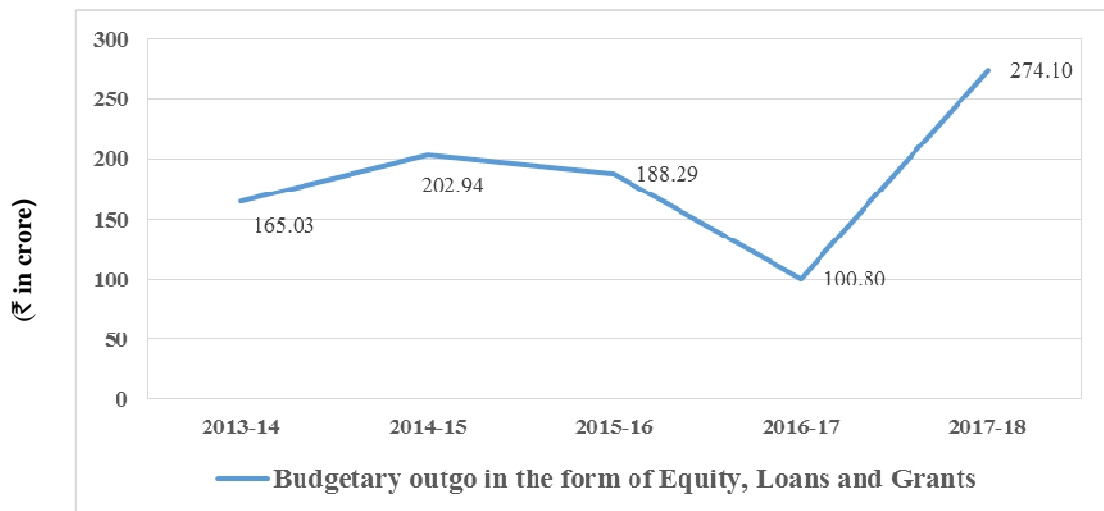
(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16		2016-17		2017-18	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity outgo from budget	4	1.46	0	0.00	0	0.00	0	0.00	2	111.20
2.	Loans given from budget	3	18.56	2	12.36	6	118.23	4	38.42	4	41.69
3.	Grants/Subsidy from budget	15	145.01	12	190.58	7	70.06	6	62.38	7	121.21
4.	Total Outgo⁴	18	165.03	12	202.94	11	188.29	10	100.80	11	274.10
5.	Guarantee commitment	0	0.00	0	0.00	4	27.00	4	27.00	4	27.00
6.	Guarantee issued	0	0.00	0	0.00	4	42.35	4	32.61	2	24.15

Source: Information furnished by the PSUs

The graphical presentation of year-wise budgetary outgo towards equity, loans and grants for past five years to PSUs is given in *Chart 4.1*.

Chart 4.1: Year-wise budgetary outgo of GoA to PSUs (other than power sector)



⁴ Actual number of PSUs which received equity, loans, grants/subsidies from the State Government.

From **Chart 4.1**, it can be noticed that the budgetary outgo to PSUs in the form of equity, loans, grants, *etc.* has shown a mixed trend during the five years under reference. The budgetary outgo was at the lowest level (₹ 100.80 crore) during 2016-17. The budgetary support provided by the GoA during 2017-18 (₹ 274.10 crore), which was highest in last five years, included the budgetary support of ₹ 185.65 crore (67.73 per cent) provided to three PSUs⁵ towards improvement of infrastructure and services.

Reconciliation with Finance Accounts

4.7 The figures in respect of equity and loans extended by the GoA and remaining outstanding as per the records furnished by the PSUs should agree with the figures appearing in the Finance Accounts of the State. In case, the figures do not agree, the PSUs concerned and the Finance Department are required to carry out reconciliation of differences in figures. The position in this regard as on 31 March 2018 is summarised in **Table 4.4**.

Table 4.4 – Equity and loans outstanding as per the State Finance Accounts vis-à-vis records of PSUs (other than power sector)

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	918.00	599.37	318.63
Loans	75.42	560.88	485.46

Source: Information furnished by the PSUs and Finance Accounts

It can be noticed that there were significant unreconciled differences in the figures of equity and loans as per two sets of records. The difference in equity figures was mainly because of non-existence of equity details of 19 out of 46 PSUs in the Finance Accounts. Analysis of differences in loan figures was, however, difficult as the Finance Accounts did not provide the PSU-wise details of the loans provided by the GoA.

As the un-reconciled differences of outstanding investments remained significant, the GoA and the PSUs concerned need to take concrete steps to reconcile the differences in a time-bound manner.

Submission of accounts by PSUs (other than power sector)

4.8 The financial statements of the PSUs for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by September end in accordance with the provisions of Section 96 (1), read with Section 129 (2) of the Companies Act 2013 (Act). Failure to do so may attract

⁵ Assam Petro-Chemicals Limited (₹ 97.41 crore), Assam Tourism Development Corporation Limited (₹ 29.04 crore) and Assam State Transport Corporation (₹ 59.20 crore).

penal provisions under Section 99 of the Companies Act, 2013. As per the said provisions of the Companies Act, 2013, the PSU and every officer of the PSU who is in default shall be punishable with fine which may extend upto ₹ 1 lakh and in the case of a continuing default with a further fine which may extend upto ₹ 5,000 for every day during which such default continues. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective governing Acts.

Timeliness in preparation of accounts by the working PSUs

4.8.1 Table 4.5 provides the details of progress made by working PSUs in finalisation of accounts as on 30 September 2018.

Table 4.5: Position relating to submission of accounts by the working PSUs (other than power sector)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs	37 ⁶	30	30	30	30
2.	Number of accounts submitted during current year	61	54	71	23	23
3.	Number of working PSUs which finalised accounts for the current year	6	7	6	5	4
4.	Number of previous year accounts finalised during current year	55	47	65	18	19
5.	Number of working PSUs with arrears in accounts	31	23	24	25	26
6.	Number of accounts in arrears	289	210	169	176	183
7.	Extent of arrears (years)	1 to 26	1 to 27	1 to 25	1 to 24	1 to 25

Source: Compiled based on accounts of PSUs received during the period October 2017 to September 2018.

As can be noticed from **Table** above, the number of accounts in arrears of the working PSUs has shown a decreasing trend during the three years (2013-14 to 2015-16). During the last two years (2016-17 and 2017-18), however, the backlog of accounts had increased from 169 accounts (2015-16) to 183 accounts (2017-18). The deterioration in the arrear position during last two years was mainly due to less number of accounts finalised by the PSUs during 2016-17 and 2017-18 (23 accounts each year) as compared to the annual average of 62 accounts finalised during the earlier three years (2013-14 to 2015-16).

The administrative departments have the responsibility to oversee the activities of the PSUs. The administrative departments concerned were also responsible to ensure that the PSUs finalise and adopt their accounts within the stipulated period. In view of the huge arrears in finalisation of accounts by the PSUs, the Principal Accountant General (PAG) had been taking up (December 2017 and May 2018) the matter regularly with the GoA and the administrative departments concerned for liquidating the arrears of accounts of PSUs. Despite this, 26 working PSUs had backlog of 183 accounts as on 30 September 2018, with period of arrears

⁶ This included seven PSUs, which were subsequently transferred (2014-15) to ‘non-working’ category.

ranging up to 25 years, which is a matter of serious concern. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013.

The GoA had invested ₹ 432.61 crore⁷ in 16 PSUs during the years for which their accounts were in arrears, as detailed in **Appendix 1**. In the absence of finalisation of accounts and their audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amounts were invested was achieved or not. Thus, the investment by GoA in such PSUs remained outside the control of State Legislature.

Timeliness in preparation of accounts by non-working PSUs

4.8.2 In addition to the above, there were arrears in finalisation of accounts by non-working PSUs. As on 30 September 2018, 15 PSUs⁸ out of total 16 non-working PSUs, had arrears of accounts ranging from 1 to 35 years. The position of arrears in accounts of the non-working PSUs is given in **Table 4.6**.

Table 4.6: Position relating to arrears of accounts in respect of non-working PSUs

No. of non-working PSUs	Period for which accounts were in arrears
2 ⁹	More than 30 years
2 ¹⁰	20-30
1 ¹¹	10-20
10 ¹²	1-10

Source: Annual Accounts of PSUs

The GoA needs to expedite the liquidation process to wind-up 16 non-working PSUs as they do not serve any purpose. Besides, avoidable expenditure is being incurred on them year after year, without any benefit to the public.

Placement of Separate Audit Reports of Statutory Corporations

4.9 Separate Audit Reports (SARs) are the audit reports of the CAG on the annual accounts of the Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. The position depicted

⁷ Equity: ₹ 14.19 crore (2 PSUs), loans: ₹ 186.45 crore (5 PSUs) and grants: ₹ 231.97 crore (13 PSUs)

⁸ Except one non-working PSU (*viz.*, Assam Government Construction Corporation Limited) which had no arrears in accounts.

⁹ Sl. No. D-8 and D-14 of **Appendix 3**

¹⁰ Sl. No. D-3 and D-11 of **Appendix 3**

¹¹ Sl. No. D-9 of **Appendix 3**

¹² Sl. No. D-1, D-2, D-5, D-6, D-7, D-10, D-12, D-13, D-15 and D-16 of **Appendix 3**

in **Table 4.7** shows the status of placement of SARs issued by the CAG (as on 31 December 2018) on the accounts of Statutory Corporations in the Legislature.

Table 4.7: Status of placement of Separate Audit Reports in the Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in the Legislature	
			Year of SAR	Date of issue to Government
1.	Assam State Transport Corporation	2014-15	2015-16	August 2018
2.	Assam Financial Corporation	2016-17	2017-18	December 2018
3.	Assam State Warehousing Corporation	2010-11	2011-12	April 2018
			2012-13	
			2013-14	

Source: Information received from the Corporations

As can be noticed from the **Table** above, five SARs issued to the Government upto 31 December 2018 were pending for placement in the State Legislature. As per the latest information provided by the corporations, three SARs pertaining to one corporation (Assam State Warehousing Corporation) were under printing and the same were yet to be forwarded by the corporation to the GoA for placement in the Legislature. Remaining two SARs pertaining to other two corporations had been printed and forwarded (October/November 2018) to GoA for placement in the next Assembly Session.

Impact of non-finalisation of accounts of PSUs (other than power sector)

4.10 Delays in finalisation of the accounts entail the risk of fraud and misappropriation of public money apart from violation of the provisions of the relevant Statutes. In view of the position of arrears of accounts indicated under **paragraph 4.8**, the actual contribution of PSUs to the GSDP for the year 2017-18 could not be ascertained and their contribution to State exchequer could not be reported to the State Legislature.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to liquidate the arrears in accounts.

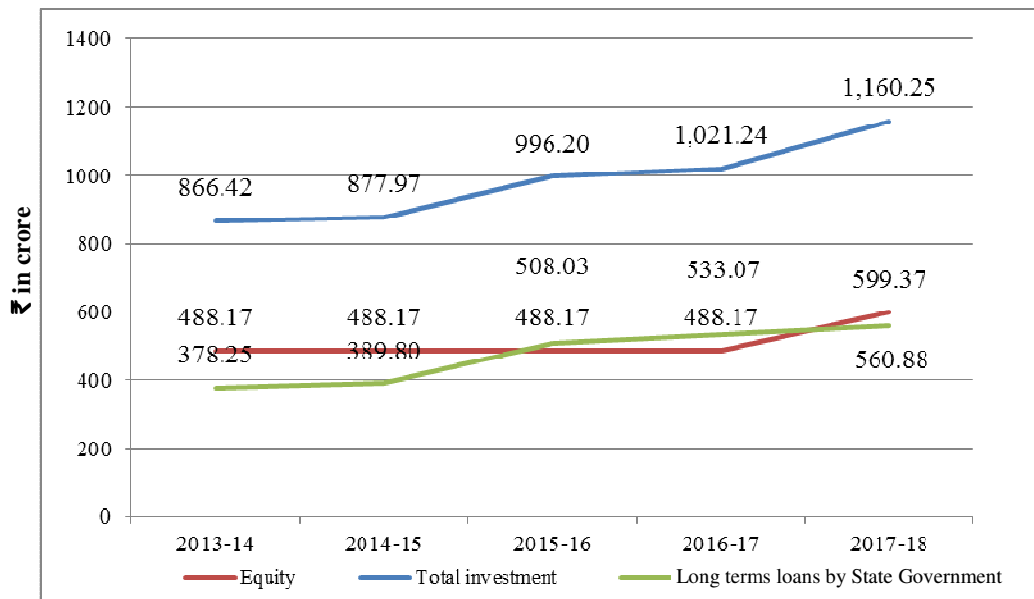
Performance of PSUs (other than power sector)

4.11 The financial position and working results of the 46 PSUs (other than power sector) as per their latest finalised accounts as on 30 September 2018 are detailed in **Appendix 3**. As per the information furnished by the PSUs, the

investment in 46 PSUs as on 31 March 2018 was ₹ 1,450.95 crore consisting of ₹ 838.31 crore as equity and ₹ 612.64 crore as long term loans (*Appendix 2*).

This investment (₹ 1,450.95 crore) was contributed by the GoA (equity: ₹ 599.37 crore; long term loans: ₹ 560.88 crore) and Others (equity: ₹ 238.94 crore; long-term loans: ₹ 51.76 crore). The investment by the GoA had grown by 33.91 per cent from ₹ 866.42 crore in 2013-14 to ₹ 1,160.25 crore in 2017-18 as shown in *Chart 4.2*.

Chart 4.2: Total investment of GoA in PSUs



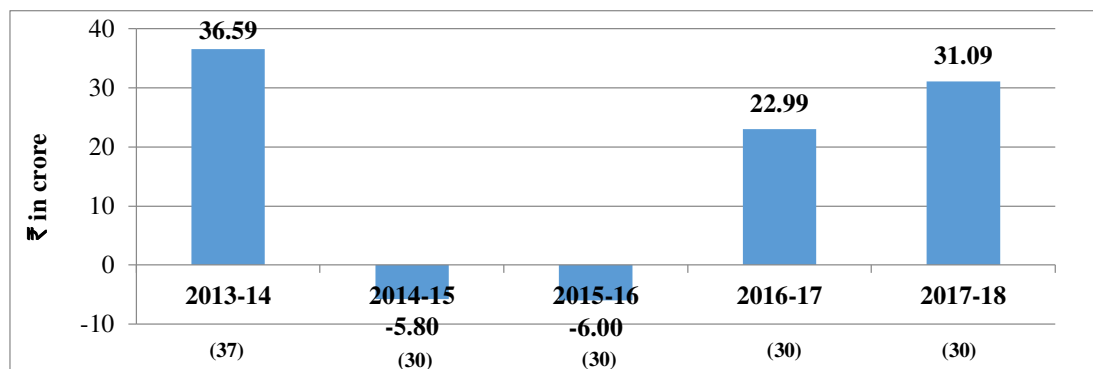
Investment by GoA (equity and long-term loans)

The profitability of a company is traditionally assessed through Return on Investment (RoI), Return on Equity and Return on Capital Employed. RoI measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on Capital Employed is a financial ratio that measures the company’s profitability and the efficiency with which its capital is used and is calculated by dividing company’s earnings before interest and taxes (EBIT) by Capital Employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by Shareholders’ fund.

Return on Investment

4.12 The Return on Investment (RoI) is the percentage of profit or loss to the total investment. The overall position of the aggregate profits earned/losses incurred by working PSUs during 2013-14 to 2017-18 has been depicted in *Chart 4.3*.

Chart 4.3: Profit/Loss of working PSUs



(Figures in brackets show the number of working PSUs in respective years)

As can be seen from *Chart 4.3*, working PSUs had earned overall profits of ₹ 36.59 crore (2013-14), ₹ 22.99 crore (2016-17) and ₹ 31.09 crore (2017-18) during three out of five years. During remaining two years (2014-15 and 2015-16), the working PSUs had incurred overall losses of ₹ 5.80 crore (2014-15) and ₹ 6.00 crore (2015-16) mainly because of turnaround of Assam Petro-Chemicals Limited¹³ from a profit making entity in 2013-14 to loss incurring company in 2014-15 and 2015-16. This was due to unexpected fall in the prices of its final products (Methanol and Formalin) in the domestic and international market during that period. The situation, however, improved after 2015-16 and as a result, the company could earn a profit of ₹ 2.86 crore (2016-17) and ₹ 5.44 crore (2017-18) during the subsequent two years.

Position regarding the profit earned/loss incurred by 30 working PSUs during 2013-14 to 2017-18 is given in *Table 4.8*.

Table 4.8: Details of working PSUs (other than power sector) which earned/ incurred profit/loss during 2013-14 to 2017-18

Financial year	Total number of PSUs	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year
2013-14	37 ¹⁴	15	19
2014-15	30	14	15
2015-16	30	15	14
2016-17	30	17	13
2017-18	30	17	13

During the year 2017-18, out of 30 working PSUs, 17 PSUs had earned profits of ₹ 130.75 crore while 13 PSUs had incurred loss of ₹ 99.66 crore as per their latest

¹³ Assam Petro-Chemicals Limited had earned profit of ₹ 9.38 crore (2013-14) while it incurred loss of ₹ 6.47 crore (2014-15) and ₹ 22.19 crore (2015-16) during subsequent two years.

¹⁴ One PSU (Assam Minorities Development Corporation Limited) had finalised its first annual accounts during 2016-17. Further, other two PSUs had no turnover and expenses during 2013-14. These two PSUs along with other five PSUs became non-functional during 2014-15 and hence the same were transferred (2014-15) under non-working category.

finalised accounts as on 30 September 2018. The major contributors of profit were Assam Gas Company Limited (₹ 71.13 crore) and DNP Limited (₹ 32.31 crore). The heavy losses were incurred by Assam State Transport Corporation (₹ 65.31 crore) and Assam Tea Corporation Limited (₹ 19.36 crore).

As can be noticed from **Appendix 3**, out of 17 PSUs, which earned profits as per their latest finalised accounts as on 30 September 2018, 13 PSUs¹⁵ had not finalised their accounts for the year 2017-18. Hence, there is no assurance regarding the existence of the profits of these PSUs for the year ended 31 March 2018.

(a) Return on GoA Investment on the basis of historical cost of investment

4.13 GoA infused funds in the form of equity in 36 PSUs¹⁶ and in the form of loans and grants/subsidies in all 46 PSUs. The funds infused by GoA in the PSUs in the form of equity qualifies to be considered as investment for the purpose of working out RoI. In the case of long term loans, only 'interest free loans' should be considered as investment since Government does not receive any interest on such loans and are therefore, in the nature of equity investment by Government. In the case of all 46 PSUs (other than power), however, the entire loans provided by GoA till 31 March 2018 are 'interest bearing loans' and hence, the said loans have not been considered as part of GoA investment for the purpose of working out RoI. Further, the funds made available by GoA in the form of the grants/subsidy to these PSUs have also not been reckoned as investment since they do not qualify to be considered as investment. Thus, for the purpose of working out RoI, the GoA funding provided to the PSUs in the form of equity has only been considered as GoA investment.

As mentioned above, out of total 46 PSUs (other than power sector), GoA infused funds in the form of equity in 36 PSUs only. This excluded 10 PSUs, which are subsidiaries of other Government companies and had no direct equity investment of GoA. As on 31 March 2018, the GoA infused ₹ 599.37 crore as equity in the said 36 PSUs¹⁷. The equity investment of GoA in these 36 PSUs at the end of 2017-18 has been arrived at by considering the initial equity *plus* the equity infused during the later years.

Apart from the above investment in equity by GoA in the other than power sector PSUs, the GoA has also infused budgetary support in the form of loans (interest

¹⁵ Serial no. B5, B11, B13, B15, B17, B18, B19, B20, B23, B25, B26, B28 and C3 of Appendix 3.

¹⁶ Excluding 10 PSUs (11 PSUs during 2013-16) at Serial No. B-24, B-25, B-30, D-7, D-9, D-11, D-12, D-13, D-15 and D-16 of **Appendix 3**, which are subsidiaries of other State Government companies and had no direct equity investment of GoA.

¹⁷ Excluding 10 PSUs (11 PSUs during 2013-16) at Serial No. B-24, B-25, B-30, D-7, D-9, D-11, D-12, D-13, D-15 and D-16 of **Appendix 3**, which are subsidiaries of other State Government companies and had no direct equity investment of GoA.

bearing) and grants by GoA. It was observed that the investment in loans and grants by GoA at the end of 31 March 2018 was ₹ 560.88 crore and ₹ 1,019.19 crore which had substantially increased in comparison to ₹ 378.25 crore and ₹ 574.96 crore as on 31 March 2014.

The return on investment (RoI) on historical cost basis for the period 2013-14 to 2017-18 has been computed in both ways, viz. with and without considering the ‘interest bearing loans’ and ‘grants’ as part of the GoA investment and same has been given in **Table 4.9** below.

Table 4.9: Return on GoA funds on the basis of historical cost of investment

Year	Total Earnings for the year	Funds invested by the GoA in form of equity on historical cost (₹in crore)	Funds invested by the GoA in form of equity, loans and grants on historical cost (₹in crore)	RoI on equity (per cent)	RoI on equity, loans and grants (per cent)
2013-14	20.28	488.17	1,441.38	4.15	1.41
2014-15	-10.60	488.17	1,643.51	-2.17	-0.64
2015-16	4.78	488.17	1,831.80	0.98	0.26
2016-17	5.97	488.17	1,919.22	1.22	0.31
2017-18	-4.06	599.37	2,179.44	-0.68	-0.19

The RoI is worked out by dividing the total earnings¹⁸ of these PSUs by the cost of GoA investments. As can be noticed from the **Table** above, the return earned on GoA investment (equity only) ranged between (-) 2.17 per cent and 4.15 per cent during the period 2013-14 to 2017-18. At the same time, considering the loans and grants as part of the total investment of GoA (equity, loans and grants), the RoI ranged between (-) 0.64 per cent and 1.41 per cent during the same period.

(b) Return on Investment on the basis of Present Value of Investment

4.14 An analysis of the profits *vis-a-vis* investments in respect of those 36 PSUs where funds (in the form of equity) had been infused by the GoA was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value (PV) of money. The PV of the Government investments has been computed to assess the rate of return on the PV of investments of GoA in the PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year upto 31 March 2018, the past investments/year-wise funds infused by the GoA in the 36 PSUs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds to the

¹⁸ This includes net profit/losses for the concerned year relating to those PSUs where the investments have been made by the GoA.

Government for the concerned year. Therefore, PV of the investments by GoA was computed in respect of those 36 PSUs¹⁹ where funds had been infused by the GoA in the shape of equity since 1998-99 till 31 March 2018. Since no interest free loans were provided by GoA to any of the 46 PSUs (other than power) till 2017-18, GoA investment in the shape of equity capital provided to above mentioned 36 PSUs has only been considered for the purpose of working out the RoI. The Present Value (PV) of the GoA investment has been computed (*paragraph 4.15*) to assess the rate of return on the PV of GoA investment in the above mentioned PSUs as compared to historical value of investments.

The PV of the investment by GoA in PSUs (other than power sector) was computed on the basis of following assumptions:

- The funds made available in the form of interest bearing loans and grant/subsidies have not been reckoned as investment.
- The average rate of interest on government borrowings for the concerned financial year was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of RoI made by the GoA.
- For the purpose of computing returns, earnings after interest and taxes has been taken into account.

Further, during the two out of five years (2014-15 and 2017-18) when the 36 PSUs incurred losses (*paragraph 4.13*), a more appropriate measure of their performance is the erosion of Net Worth due to these losses. The erosion of Net Worth of the working PSUs is commented upon in *paragraph 4.17*.

4.15 The investment of GoA in these 36 PSUs in the form of equity on historical cost basis for the period from 1998-99 to 2017-18 and the consolidated position of PV of the GoA investment and the total earnings relating to these PSUs for the same period is indicated in in *Table 4.10*.

¹⁹ This excluded 10 PSUs (Serial No. B-24, B-25, B-30, D-7, D-9, D-11, D-12, D-13, D-15 and D-16 of *Appendix 3*) for 2017-18, which are subsidiaries of other State Government companies and had no direct equity investment of GoA.

Table 4.10: Year wise details of investment by the GoA and PV during 1998-99 to 2017-18

(₹ in crore)

Year	Present value of total investment at the beginning of the year	Equity infused by GoA during the year	Total investment at the end of the year	Average rate of interest on government borrowings (in per cent)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year (net profit)
i	ii	iii	iv = ii + iii	v	vi = (iv* v) ÷ 100 + iv	vii = (iv* v) ÷ 100	viii
1998-99	0.00	379.46	379.46	9.08	413.91	34.45	-39.88
1999-00	413.91	2.11	416.02	14.91	478.05	62.03	-31.27
2000-01	478.05	4.87	482.92	11.72	539.52	56.60	-12.56
2001-02	539.52	10.82	550.34	12.47	618.97	68.63	-21.45
2002-03	618.97	0.54	619.51	9.82	680.35	60.84	-28.16
2003-04	680.35	0.42	680.77	9.97	748.64	67.87	-22.92
2004-05	748.64	0.35	748.99	8.47	812.43	63.44	-9.96
2005-06	812.43	0.40	812.83	8.18	879.32	66.49	-20.56
2006-07	879.32	0.52	879.84	7.66	947.23	67.40	-18.45
2007-08	947.23	22.06	969.29	7.14	1,038.50	69.21	-16.87
2008-09	1,038.50	5.71	1,044.21	6.76	1,114.80	70.59	-12.63
2009-10	1,114.80	6.04	1,120.84	6.83	1,197.39	76.55	-32.87
2010-11	1,197.39	0.33	1,197.72	6.58	1,276.53	78.81	20.99
2011-12	1,276.53	52.88	1,329.41	6.78	1,419.55	90.13	22.52
2012-13	1,419.55	0.20	1,419.75	6.57	1,513.02	93.28	45.20
2013-14	1,513.02	1.46	1,514.48	6.53	1,613.38	98.90	20.28
2014-15	1,613.38	0.00	1,613.38	6.40	1,716.64	103.26	-10.60
2015-16	1,716.64	0.00	1,716.64	6.47	1,827.70	111.07	4.78
2016-17	1,827.70	0.00	1,827.70	6.57	1,947.78	120.08	5.97
2017-18	1,947.78	111.20	2,058.98	6.33	2,189.32	130.33	-4.06
Total		599.37					

As can be noticed from the *Table* above, the GoA investment (historical cost) in the 36 PSUs at the end of the 2017-18 had increased from ₹ 379.46 crore (1998-99) to ₹ 599.37 crore (2017-2018) as the GoA made further investments in these PSUs in shape of equity (₹ 219.91 crore) during the period 1998-99 to 2017-2018. The PV of funds infused by the GoA upto 31 March 2018 is worked out to ₹ 2,189.32 crore. During the entire period from 1998-99 to 2017-18, the year-wise total earnings of the PSUs remained below the minimum expected return for the respective years indicating failure of the PSUs to recover cost of funds infused by GoA in these PSUs.

4.16 The comparative position of RoI on GoA investment in above mentioned 36 PSUs at historical cost and present value during the years 2013-14 and 2017-18 is given in *Table 4.11*.

Table 4.11: Return on GoA investment at historical and present value basis
(₹ in crore)

Year	Total Profit for the year	Funds invested by GoA in form of equity	RoI by GoA on historical cost basis (per cent)	PV of the investment by GoA at end of the year	RoI by GoA considering the PV (per cent) ²⁰
2013-14	20.28	488.17	4.15	1,613.38	1.26
2014-15	-10.60	488.17	-2.17	1,716.64	-
2015-16	4.78	488.17	0.98	1,827.70	0.26
2016-17	5.97	488.17	1.22	1,947.78	0.31
2017-18	-4.06	599.37	-0.68	2,189.32	-

As can be noticed from the *Table* above, the PSUs availing GoA investment had earned profits only during three (2013-14, 2015-16 and 2016-17) out of five years under reference while losses were incurred during the remaining two years (2014-15 and 2017-18). The RoI on GoA investment (at PV) during three years when PSUs earned profits, ranged between 1.26 per cent and 0.26 per cent as against the RoI of 4.15 per cent to 0.98 per cent on GoA investment (historical cost) during the same period.

As can further be noticed from *Table 4.11*, the profits (₹ 20.28 crore) of the PSUs were highest during 2013-14 in last five years, which deteriorated in subsequent years and turned into losses (₹ 4.06 crore) during 2017-18. Deterioration in PSUs performance was mainly due to poor performance of PSUs under two sectors (Agricultural & Allied sector and Services sector). In Agricultural & Allied sector the aggregate losses of two PSUs²¹ during five years period (2013-18) had increased by ₹ 16.72 crore from ₹ 6.28 crore (2013-14) to ₹ 23 crore (2017-18). Similarly, in Services sector there has been an increase in the losses of Assam State Transport Corporation by ₹ 31.88 crore during 2013-18 from ₹ 33.43 crore (2013-14) to ₹ 65.31 crore (2017-18). Decline in the performance of PSUs during 2013-18 had corresponding adverse impact on the RoI on GoA investment (both at historical value and PV).

Erosion of Net worth

4.17 Net Worth means the sum total of the paid-up capital and free reserves and surplus *minus* accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The paid-up capital and accumulated losses of 30 working PSUs (other than power sector) as per their

²⁰ In the case of negative returns (losses) during 2014-15 and 2017-18, the percentage of RoI on PV of investment would show improved position as compared to that on the historical value of investment, which is not a realistic picture. Hence, these figures have been omitted.

²¹ Assam Seeds Corporation Limited and Assam Tea Corporation Limited

latest finalised accounts as on 30 September 2018 were ₹ 647.66 crore and ₹ 692.49 crore²² respectively (*Appendix 3*).

The *Table 4.12* below indicates paid-up capital, accumulated profit/loss and Net Worth of 30 working PSUs during the period 2013-14 to 2017-18 as per their latest finalised accounts as on 30 September of the respective year.

Table 4.12: Net worth of working PSUs (other than power sector) during 2013-18

(₹ in crore)				
Year	Paid-up capital at end of the year	Accumulated profit (+)/ loss (-) at end of the year	Deferred revenue Expenditure	Net Worth
i	ii	iii	iv	v = (ii + iii – iv)
2013-14	611.45	-529.33	0	82.12
2014-15	643.18	-544.08	0	99.10
2015-16	647.33	-514.44	0	132.89
2016-17	647.33	-677.22	0	-29.89
2017-18	647.66	-692.49	0	-44.83

As can be seen from the *Table* above, the net worth of these PSUs had shown an increasing trend up to 2015-16 but deteriorated thereafter during subsequent two years mainly due to constant increase in the accumulated losses of these PSUs.

Analysis of investment and accumulated losses of these PSUs further revealed that the accumulated losses (₹ 1,371.36 crore) of 13 working PSUs²³ had completely eroded their paid-up capital (₹ 238.76 crore). Accumulation of huge losses by these PSUs had eroded public wealth, which is a cause of serious concern.

Dividend Payout

4.18 There was no information available on record regarding the existence of any specific policy of the GoA on payment of minimum dividend by the PSUs. Dividend Payout relating to 30 working PSUs (other than power sector) where equity was infused by GoA during the period is shown in *Table 4.13*.

²² Accumulated loss of 30 working PSUs included accumulated loss (₹ 1,503.64 crore) of 18 PSUs and accumulated profit (₹ 811.15 crore) of 12 PSUs.

²³ Serial no. B4, B7, B9, B10, B12, B14, B16, B21, B22, B24, B25, B27 and C2 of *Appendix 3*.

Table 4.13: Dividend Payout of working PSUs (other than Power Sector) during 2013-18

(₹ in crore)

Year	PSUs where equity infused by GoA		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (per cent)
	Number of PSUs	Equity infused by GoA	Number of PSUs	Equity infused by GoA	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5x100
2013-14	26 ²⁴	444.97	11	95.34	1	1.69	1.77
2014-15	26	444.97	12	210.86	1	1.69	0.80
2015-16	26	444.97	13	219.40	1	1.69	0.77
2016-17	26	444.97	14	219.47	1	1.69	0.77
2017-18	27 ²⁵	556.17	15	338.60	2	3.87	1.14

During the period 2013-14 to 2017-18, the number of profit making PSUs ranged between 11 and 15. However, only two PSUs (Assam Gas Company Limited and Assam Mineral Development Corporation Limited) declared/paid dividend during the period (2013-18) to GoA. One PSU (Assam Gas Company Limited) had declared dividend (₹ 1.69 crore²⁶) constantly during each of the five years. The Dividend Payout Ratio of the PSUs during 2013-14 to 2017-18 ranged between 0.77 per cent and 1.77 per cent only.

Return on Equity

4.19 Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using shareholders fund to create profits and is calculated by dividing net income (*i.e.* net profit after taxes) by Shareholders' Fund. It is expressed as a percentage and can be calculated for any company if net income and Shareholders' fund are both positive figures.

Shareholders fund of a Company is calculated by adding paid-up capital and free reserves net of accumulated losses and deferred revenue expenditure. The Shareholders fund of a Company indicated how much would be left for a company's shareholders if all assets were sold and all debts paid. A positive Shareholders fund reveals that the company has enough assets to cover its liabilities while negative Shareholders equity means that liabilities exceed the assets.

²⁴ Excluding 4 working PSUs (*viz.* DNP Ltd., Assam Petrochemicals Ltd., Assam State Fertilizers and Chemicals Ltd. and AMTRON Informatics (I) Ltd.) where GoA had no direct equity investment. (*viz.* DNP Ltd., Assam Petro-chemicals Ltd., Assam State Fertilizers and Chemicals Ltd. and AMTRON Informatics (I) Ltd.)

²⁵ GoA has invested in equity of Assam Petro-chemicals Ltd. during 2017-18.

²⁶ Dividend at the rate of 10 per cent of the face value of equity capital investment.

RoE has been computed in respect of 36 PSUs²⁷ where funds had been infused by the GoA in the form equity. The summarised details of the Shareholders fund and RoE relating to these 36 PSUs during the period from 2013-14 to 2017-18 as per their latest finalised accounts as on 30 September of the respective year are given in **Table 4.14**.

Table 4.14: RoE relating to 36 PSUs (other than power sector) where funds were infused by the GoA

Year	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	RoE (per cent)
2013-14	20.28	-194.19	-
2014-15	-10.60	-209.24	-
2015-16	4.78	-80.98	-
2016-17	5.97	-271.46	-
2017-18	-4.06	-202.46	-

As can be noticed from **Table 4.14** above, the net income was positive during the three years (2013-14, 2015-16 and 2016-17) out of the five years under reference. Since the shareholders fund of these PSUs during all the five years (2013-18) were negative, RoE in respect of these PSUs was not workable for these years.

Return on Capital Employed

4.20 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is deployed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the Capital Employed²⁸. The details of RoCE of all the 46 PSUs (other than power sector) during the period of five years from 2013-14 to 2017-18 as per their latest finalised accounts as on 30 September of the respective year are given in **Table 4.15**.

Table 4.15: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
2013-14	80.71	250.84	32.18
2014-15	58.12	310.89	18.69
2015-16	62.86	404.05	15.56
2016-17	68.98	301.41	22.88
2017-18	102.64	279.27	36.75

²⁷ This excluded 10 PSUs (Serial No. B-24, B-25, B-30, D-7, D-9, D-11, D-12, D-13, D-15 and D-16 of **Appendix 3**) for 2017-18 and 11 PSUs for previous years, which are subsidiaries of other State Government companies and had no direct equity investment of GoA.

²⁸ Capital employed = paid-up capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

The RoCE of these PSUs showed an increasing trend after 2015-16 mainly due to decrease in Capital Employed by ₹ 124.78 crore from ₹ 404.05 crore (2015-16) to ₹ 279.27 crore (2017-18) and increase in the EBIT by ₹ 39.78 crore from ₹ 62.86 crore (2015-16) to ₹ 102.64 crore (2017-18).

Analysis of Long Term Loans of the PSUs (other than power sector)

4.21 The long term loans of the PSUs having leverage during 2013-14 to 2017-18 were analysed in audit with a view to assess the ability of the PSUs to service their debts owed to GoA, banks and other financial institutions. This was assessed through the Interest Coverage Ratio and Debt Turnover Ratio.

Interest Coverage Ratio

4.22 Interest Coverage Ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An Interest Coverage Ratio of below one indicates that the PSU is not generating sufficient revenues to meet its expenses on interest. The details of Interest Coverage Ratio in respect of the PSUs which had interest burden during the period from 2013-14 to 2017-18 are given in in **Table 4.16**.

Table 4.16: Interest Coverage Ratio relating to the PSUs (other than power sector) having interest burden during 2013-18

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government, Banks and other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2013-14	13.73	80.71	28	1	27
2014-15	23.78	58.12	26	2	24
2015-16	19.65	62.86	24	2	22
2016-17	5.57	68.98	26	1	25
2017-18	10.61	102.64	22	3	19

As can be noticed from **Table 4.16** above, only one to three PSUs were having the Interest Coverage Ratio of more than one during last five years (2013-18), which indicated that most of the PSUs were not comfortable to service their long term loans during the said period of five years.

During 2017-18, out of 22 PSUs having liability of loans availed from Government as well as banks and other financial institutions, only 3 PSUs had Interest Coverage Ratio of more than one. The Interest Coverage Ratio of remaining 19 PSUs remained below one which indicates that these PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

Debt Turnover Ratio

4.23 A low Debt-to-Turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can signal of having too much of debt against the income of PSUs from core activities. Thus, the PSUs having lower DTR are more likely to successfully manage their debt servicing and repayments.

The summarised details of the Debts and Turnover of the 46 PSUs (other than power) during the five years ending 2017-18 as per their finalised accounts *vis-à-vis* the Debt-Turnover Ratio for the respective years has been given in **Table 4.17**.

Table 4.17: Debt Turnover Ratio relating to the PSUs (other than Power Sector)
(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and Financial Institutions)	550.55	533.82	482.16	524.40	472.97
Turnover	612.34	709.02	728.94	708.69	739.18
Debt-Turnover Ratio	0.90:1	0.75:1	0.66:1	0.74:1	0.64:1

Source: Compiled based on information received from PSUs

As can be seen from the **Table** above, the DTR of the PSUs was at the worst (0.90:1) during 2013-14 in last five years but improved consistently thereafter excepting 2016-17. During 2017-18, the DTR was at 0.64:1, which indicated the better position of PSUs to service their long-term debts as compared to previous four years. The improvement in DTR was mainly due to consistent appreciation in PSU-turnover in four out of five years (excepting 2016-17), which increased by more than 20.71 per cent during last five years from ₹ 612.34 crore (2013-14) to ₹ 739.18 crore (2017-18).

During the period of five years, the PSUs debt had decreased by ₹ 77.58 crore (14.09 per cent) from ₹ 550.55 crore (2013-14) to ₹ 472.97 crore (2017-18). This had correspondingly decreased the interest burden of the PSUs by ₹ 3.12 crore (22.72 per cent) during the said period (**paragraph 4.22**).

Winding up of non-working PSUs

4.24 As on 31 March 2018, the GoA had 16 non-working PSUs. The GoA had issued (December 2006 to October 2008) notifications for closure of 12²⁹ out of 16 non-working PSUs as they were not contributing to the State economy nor meeting the intended objectives of their formation. Further, based on the directions (August 2010) of the administrative department³⁰ of one PSU³¹, the holding Company (Assam Petro-Chemicals Limited) of this PSU had initiated

²⁹ Serial no. D1 to D6, D9, D10, D12, D13, D15 and D16 of **Appendix 3**.

³⁰ Industries & Commerce Department, Government of Assam

³¹ Pragjyotish Fertilizers & Chemicals Limited.

(November 2018) the process for its closure. The remaining three³² non-working PSUs were, however, untraceable and the GoA had also not provided any information about the existence of these PSUs. As all the non-working PSUs were registered under the Companies Act, 1956 (presently Companies Act, 2013), these companies need to be liquidated/wound-up as per the provisions of sections 270 to 365 of the Companies Act, 2013.

For disposal of assets of the PSUs under closure, the GoA had constituted (July 2008) a Task Force under Public Enterprise Department to take decisions in the matter. Subsequently, an Asset Management Cell (AMC) was also formed (August 2008) under the supervision of the Task Force to ensure safe custody of assets of the closed PSUs. AMC valued the assets of 12 closed PSUs with land³³ (valuing ₹ 67.08 crore), building (valuing ₹ 29.10 crore) and movable assets (valuing ₹ 37.30 crore). The land³⁴ relating to nine PSUs were transferred to other GoA entities while the movable assets of one PSU³⁵ were disposed of at ₹ 0.26 crore. The remaining land³⁶ of three PSUs valuing ₹ 15.29 crore, building of all 12 PSUs and movable assets of 11 PSUs were pending for disposal (December 2018). Delay in disposal of movable and immovable assets of 12 non-working PSUs had hampered the process of liquidation of these PSUs, which had already been notified (December 2006/October 2008) for closure by the GoA. During 2017-18, seven³⁷ non-working PSUs incurred an expenditure of ₹ 1.00 crore towards salaries and establishment expenditure *etc.* The PSUs concerned had financed the said expenditure through their own sources, *viz.* interest on fixed deposits.

Since the non-working PSUs are neither contributing to the State economy nor meeting the intended objectives, the liquidation process to wind up these PSUs needs to be expedited.

Comments on Accounts of PSUs (other than power sector)

4.25 During October 2017 to September 2018, 15 working companies forwarded their 18 accounts to the PAG. Of these, 12 accounts of 12 companies were selected for supplementary audit. For the remaining six accounts of four Companies, non-review certificates were issued. The comments in the Audit Reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG highlighted significant observations on the financial statements. As a result

³² Serial no. D8, D11 and D14 of *Appendix 3*.

³³ 1,320.40 Bigha, 18 katha and 61 lecha

³⁴ 1,286 Bigha, 15 katha and 61 lecha

³⁵ Assam Government Construction Corporation Ltd.

³⁶ 34.40 Bigha and 3 katha

³⁷ Companies at Serial No. D-4, D-6, D-7, D-12, D-13, D-15 and D-16 of *Appendix 3*.

of these audit observations, operational results (net profit or net loss) of the Companies as depicted in their financial statements were found to be understated or overstated. Further, the said observations also highlighted non-disclosure of material facts and errors of classification. Thus, the observations of the Statutory Auditors and CAG indicated the quality of financial statements and highlighted the areas, which needed improvement. The details of aggregate money value of comments of Statutory Auditors and CAG for last three years from 2015-16 to 2017-18 are given in **Table 4.18**.

Table 4.18: Impact of audit comments on the accounts of the working Companies
(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	7	39.50	1	0.50	3	10.59
2.	Increase in loss	23	74.02	11	201.02	2	12.05
3.	Non-disclosure of material facts	4	29.64	Nil	Nil	4	99.64
4.	Errors of classification	3	4.48	Nil	Nil	6	4.58

Source: Statutory Auditors' Report and comments of CAG

During the year, the Statutory Auditors had given qualified certificates to all the accounts finalised by the companies. The compliance of companies with the Accounting Standards (AS) remained poor, as there were 72 instances of non-compliance to AS in 14 accounts during the year. This indicated that the financial statements of the PSUs needed to be improved to ensure compliance to the AS.

4.26 Similarly, three working Statutory Corporations forwarded five accounts to the PAG during October 2017 to September 2018. Of these, audit of the accounts (2015-16) of Assam State Transport Corporation where CAG was the sole auditor, had been completed. Out of the remaining four accounts of two corporations, the audit of three accounts (2011-12 to 2013-14) of one corporation (Assam State Warehousing Corporation) and one account (2017-18) of the other corporation (Assam Financial Corporation) where supplementary audit was done by CAG had also been completed. All the five accounts of three Statutory Corporations received qualified³⁸ report. The Audit Reports of Statutory Auditors and the sole/supplementary audit of CAG mentioned significant observations on the financial statements whereby the profit or loss reported by the corporations were either understated or overstated. The said observations of Statutory Auditors

³⁸ A 'qualified report' of auditor means a report in which the auditors have included certain qualification, reservation or adverse remarks on maintenance of accounts as well as other matters in the financial statements including non-compliance to 'generally accepted accounting principles'.

and CAG indicated that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of the comments of the Statutory Auditors and the CAG are given in *Table 4.19*.

Table 4.19: Impact of audit comments on the accounts of the working Statutory Corporations

(₹ in crore)

Sl. No	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	Nil	Nil	1	2.02	4	1.19
2.	Increase in loss	1	4.00	Nil	Nil	1	24.96

Source: Reports of the Statutory Auditors and comments of CAG

The aggregate money value of the Statutory Auditors and the CAG comments during the year 2017-18 was ₹ 26.15 crore, which was significantly higher as compared to previous two years.

Performance Audit and Compliance Audits Paragraphs

4.27 For the Chapter V and VI of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, one performance audit and three audit paragraphs emerged from the compliance audit of PSUs involving three departments of the GoA. The performance audit and audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective departments with the request to furnish replies within six weeks. The replies of the GoA in respect of two compliance audit paragraphs were, however, awaited (April 2019). Audit discussed (November 2018) all the compliance audit paragraphs and the performance audit in the Exit Conference held with the representatives of the respective PSUs and the administrative departments concerned. Audit considered the view expressed by the PSUs and the respective administrative departments of the GoA in the Exit Conference appropriately, while finalising the Audit Report.

Follow up action on Audit Reports

Explanatory notes not received

4.28 The CAG's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained by various PSUs. It was, therefore, necessary that the Audit Reports elicit appropriate and timely response from the Executive. Finance (Audit & Fund) Department, Government of Assam issued (May 1994) instructions on preparing the explanatory notes in respect of performance audits and audit paragraphs by the administrative departments concerned. As per the said instructions, the

administrative departments concerned were required to prepare the explanatory notes on the paragraphs and performance audits included in the Audit Reports immediately on receipt of the said Audit Reports. The administrative departments were required to indicate the action taken or proposed to be taken in the explanatory notes. The explanatory notes shall also include the status of recovery of any amount due to Government as pointed out in the performance audits/ audit paragraphs included in the Audit Reports. The administrative departments were also required to submit the said explanatory notes to the Assam Legislative Assembly with a copy to the AG within 20 days from the date of receipt of the Audit Reports.

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).

Discussion on Audit Reports by COPU

4.29 The status of discussion on Audit Reports by COPU as on 30 September 2018 is given in *Appendix 6*. It can be seen from *Appendix 6* that 27 Audit Reports containing 37 performance audits and 182 paragraphs were placed in the State Legislature. As on 30 September 2018, total 19 performance audits and 88 paragraphs pertaining to 27 Audit Reports were pending for discussion and necessary action by COPU.

Compliance to Reports of COPU

4.30 Action Taken Notes (ATN) on 22 recommendations pertaining to 4 Reports of the COPU presented to the State Legislature between December 2004 and September 2018 had not been received (April 2019) as indicated in *Table 4.20*.

Table 4.20: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs were pending
2004-05	1	9	9
2008-09	1	3	3
2009-10	1	3	3
2018-19	1	7	7
Total	4	22	22

Source: Register of Action Taken Notes

Audit Report (PSUs) for the year ended 31 March 2018

These reports of COPU contained recommendations in respect of six paragraphs and two performance audits pertaining to five departments, which appeared in the Audit Reports of the CAG of India for the years 1994-95 to 2014-15.

**Performance Audit relating
to
PSUs (other than power sector)**

CHAPTER V

PERFORMANCE AUDIT RELATING TO PUBLIC SECTOR UNDERTAKINGS (OTHER THAN POWER SECTOR)

Performance Audit on the functioning of Assam State Transport Corporation

Highlights

The net operating loss per km of the Corporation increased from ₹ 24.72 (2013-14) to ₹ 30.92 (2017-18) mainly due to high operational cost. The Corporation had incurred loss continuously during the five years (2013-18). The accumulated loss of the Corporation had also increased by 32.35 per cent from ₹ 732.85 crore (2013-14) to ₹ 969.92 crore (2017-18), which completely eroded the net worth of the Corporation.

(Paragraph 5.7)

The Corporation did not prepare any short or long-term perspective plan to address deficiencies in augmentation and repair and maintenance of bus fleet as well as achievement of various operational parameters.

(Paragraph 5.9)

The number of overaged buses had increased from 10.63 per cent in 2013-14 to 19.24 per cent in 2017-18. The Corporation disposed of only 31 overaged buses till March 2018 as against 280 buses due to be scrapped thereby leaving 249 overaged buses in its fleet as on 31 March 2018. The Corporation could have generated a revenue of ₹ 3.76 crore by scrapping the overaged buses in a timely manner.

(Paragraph 5.10)

The Corporation could not achieve operational efficiency comparable to All India Average in respect of fleet utilisation, vehicle productivity and fuel efficiency etc.

(Paragraphs 5.11, 5.12 and 5.16)

The Corporation could not complete infrastructure development projects in a time bound manner and also failed to implement Intelligent Transport Management System project for surveillance and monitoring of bus operation.

{Paragraphs 5.23 and 5.25 (v)}

There were deficiencies in the MIS Reports furnished by the Divisional offices of the Corporation, as the said Reports did not cover important operational parameters, affecting the decision making process of the Management.

(Paragraph 5.26)

Introduction

5.1 Assam State Transport Corporation (Corporation) was 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 Statutory Corporation of the Government of Assam (GoA). The Corporation functioned under the administrative control of the Transport Department, GoA, headed by Additional Chief Secretary/Principal Secretary. It had a subsidiary namely, Assam State Urban Transport Corporation (ASUTC) which was formed (May 2014) with a view to operate buses bought under Jawaharlal Nehru Urban Renewal Mission (JnNURM) Scheme of Government of India (GoI).

The Corporation had a fleet strength of 1,294 buses¹, which was run by 3,254 employees as on 31 March 2018. As per the status of bus operation as of June 2018, the Corporation had been operating its buses on 152 routes (including two inter-state routes *viz.* Meghalaya and West Bengal) out of 223 routes identified by the Corporation. The Corporation had 3 Inter State Bus Terminus (ISBT), 94 Stations/Sub-Stations functioning under 10 Divisional Offices, 1 Central Store, 10 Sub-stores, 1 Central Workshop, 16 Maintenance Centres and 14 Petrol Pumps. Besides, the Corporation also operated one multi-level car parking and one Yatri Niwas (Guest House) in Guwahati city. The Corporation owned 768 bighas² of land situated at different locations in the State.

Organisational Structure

5.2 The management of the Corporation was vested with a Board of Directors (BoD) comprising of Chairman, Managing Director as Member Secretary and five Members appointed by GoA. The Managing Director, who was the Chief Executive, managed the day-to-day affairs of the Corporation with the assistance of one Chief Personnel Officer, one Chief Accounts Officer, one Chief Engineer (Automobiles & Traffic), one Chief Engineer (Civil), two Deputy General Managers and one Statistical Officer.

¹ Day and Night Services - 994 and City Services - 300

² One bigha is equal to 14,400 square feet.

Scope of Audit

5.3 The present Performance Audit Report covers the activities of the Corporation for the period of five years from April 2013 to March 2018. Audit sample was drawn based on the number of routes operated by a division and accordingly, 4³ out of 10 Divisional Offices (DOs) along with all the 34 stations/sub-stations functioning under these DOs were selected for detailed scrutiny. As such, 90⁴ out of 152 routes operated by the Corporation were covered in test check. In addition, the Central Store, Central Workshop, the ISBT, Guwahati and 30⁵ per cent of the Petrol Pumps, Sub-stores and Maintenance Centres were also included in audit coverage.

Audit Objectives

- 5.4** The objectives of the performance audit were to assess whether:
- appropriate policy, plan and strategy were in existence for public transportation system and whether the same were implemented effectively;
 - the services rendered by the Corporation were efficient, effective and economical duly catering to the requirements of public transportation and its social obligations including assurance on environment aspects and compliance to related statutory requirements;
 - the financial management of the Corporation was efficient and effective; and
 - an effective monitoring and internal control mechanism was in existence to ensure achievement of objectives of the Corporation.

Audit Criteria

- 5.5** The audit criteria adopted for assessing the achievement of the audit objectives were:
- The Road Transport Corporation Act, 1950 and Motor Vehicle Act, 1988/Central Motor Vehicle Rules 1989;
 - All India average⁶ figures on the performance indicators and best practices in the transport sector;

³ Divisional Superintendent (DS) City Service, Guwahati, DS Sibsagar, DS Jorhat and DS Guwahati

⁴ 59.21 per cent.

⁵ 4 out of 14 Petrol Pumps, 3 out of 10 Sub-stores and 5 out of 16 workshops.

⁶ As per the reports of Ministry of Transport & Highways (MoRTH), Government of India.

- Performance standards and operational norms fixed by the Association of State Road Transport Undertakings⁷ (ASRTU);
- Operational targets/norms fixed by the Corporation; and
- Instructions of the Government of India (GoI) and the GoA issued from time to time and other relevant rules and regulations.

Audit Methodology

5.6 Audit commenced with an Entry Conference (10 May 2018) explaining the scope, audit objectives, audit criteria *etc.* to the management of the Corporation. The audit methodology adopted involved scrutiny and analysis of data/records with reference to the audit criteria, discussion with the management, issue of audit queries and obtaining response of the management before finalization of the report.

The draft audit report was also discussed (20 November 2018) with the representatives of the Corporation and GoA in the Exit Conference. The formal replies of the Corporation (November 2018) and the GoA (December 2018) to the draft report as well as the view expressed by the representatives of GoA and the Corporation in the Exit Conference have been appropriately taken into consideration while finalising this Report.

Working Results

5.7 The Corporation had finalised its annual accounts up to the accounting year 2015-16 while it had compiled the provisional accounts⁸ for subsequent two years (2016-17 and 2017-18). The data on the operational performance of the Corporation for the five years from 2013-14 to 2017-18 has been summarised under **Appendix 7**. As could be seen from **Appendix 7**, the Corporation had been incurring loss continuously during the five years (2013-18) ranging from ₹ 46.78 crore (2014-15) to ₹ 66.84 crore (2016-17). Accumulated loss of the Corporation had increased by 32.35 *per cent* during last five years from ₹ 732.85 crore (2013-14) to ₹ 969.92 crore (2017-18), which completely eroded the net worth⁹ of the Corporation.

It could further be seen from **Appendix 7** that the operating revenue *per kilometre* (km) of the Corporation decreased from ₹ 27.36 *per km* (2013-14) to ₹ 25.44 *per km* (2017-18). At the same time, the operating expenditure *per km* increased from

⁷ ASRTU is an apex coordinating body of public transport undertakings working under the aegis of Ministry of Road Transport & Highways Government of India.

⁸ The accounts that are not certified by the Board of Directors of the Corporation.

⁹ Net worth represents the sum of the paid-up share capital and free reserves and surplus *minus* accumulated loss and deferred revenue expenditure.

₹ 52.08 (2013-14) to ₹ 56.36 *per km* (2017-18). As a result, the net operating loss *per km* increased from ₹ 24.72 (2013-14) to ₹ 30.92 (2017-18). The increase in net operating loss *per km* was mainly due to high operational cost on account of large number of overaged¹⁰ buses and dismal performance against fleet utilisation, vehicle productivity, fuel efficiency etc. during the period of five years (2013-14 to 2017-18) covered under audit as discussed under *paragraphs 5.10 to 5.12 and 5.16*.

Share in public road transport

5.8 During the period 2013-17¹¹, the contribution of the Corporation in providing public transport services in the State had increased from 5.82 *per cent* (2013-14) to 7.52 *per cent* (2016-17). The marginal improvement of 1.70 *per cent* in the share of the Corporation's buses during the five years from 2013-14 to 2016-17 was mainly due to procurement of 300 new buses under JnNURM Scheme of GoI. As on 31 March 2017, however, out of the total 17,374 buses¹² operated within the State, 1,306 buses (7.52 *per cent*) belonged to the Corporation.

Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation extended by the Corporation and the Transport Department, GoA during the course of this audit.

Audit Observations

As mandated in the Road Transport Corporation Act, 1950, the Corporation was required to provide an efficient, adequate, economical and properly coordinated public road transport service in the State. The audit findings to assess the Corporation's performance in pursuit to achieve its mandated objectives have been discussed in the succeeding paragraphs:

¹⁰ Overage buses are those, which are more than eight years old or had completed five lakh km running distance.

¹¹ Information for 2017-18 was not available

¹² Stage carriage and contract carriage.

Planning

5.9 Planning plays a pivotal role for systematic and sustainable development in public transport system in the State. In order to provide efficient and effective transport services to cope up with growing demands of the people, it was essential for the GoA/Corporation to formulate appropriate policies and programmes. In addition, it was also of utmost importance to evolve long-term/short-term plans to strategize various operational requirements, such as:

- assessment of requirement of buses to cope up with the demand of the public transport system in the State along with identification of the necessary financial resources;
- estimation of requirement and allocation of funds necessary to carry out regular Repair & Maintenance (R&M) works to keep the fleet roadworthy;
- planning and implementing necessary measures for improvement in the operational efficiency of the buses to match with the standard norms so as to minimize the operational cost and improve the financial health of the Corporation; and
- regular monitoring and prompt corrective action for timely completion of various infrastructure development works to ensure effective use of said infrastructure for intended purpose.

It was observed that the GoA had neither framed a transport policy nor the Corporation prepared any short-term and long-term perspective plan during the period of five years (2013-18) to address the above issues. As a result, there were deficiencies in augmentation of buses, R&M activities, operational performance and monitoring aspects.

During the Exit Conference (November 2018), the Corporation stated that there was no transport policy of the State in existence. It was further stated that the Corporation has prepared short-term and long-term plan and the same would be placed before GoA for concurrence. The Corporation, however, did not furnish the copies of the plans to establish the contention of the reply.

Recommendation No.1: *The GoA should devise appropriate transport policy and ensure that short-term and long-term plans are in place to make the operations of the Corporation effective and sustainable.*

Operational Performance

The operational performance of the Corporation was evaluated on various operational parameters such as fleet and capacity utilisation, vehicle productivity, load factor, fuel cost, and Repair & Maintenance (R&M) of vehicles. Audit observations in this regard have been discussed in the succeeding paragraphs:

Fleet strength and age profile

5.10 The Association of State Road Transport Undertakings (ASRTU) had prescribed desirable age of a bus as eight years or five lakh km, whichever is earlier. The Corporation had a fleet strength of 1,294 buses as on March 2018. Summarised details of the fleet strength and age-profile of the buses of the Corporation during the five years (2013-18) as well as the comparative figures of the age-profile of the buses of Brihanmumbai Electric Supply & Transport Undertaking (BEST), Mumbai have been given in *Table 5.1*.

Table 5.1: Year-wise details of the fleet strength and age profile of the buses

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Total number of buses at the beginning of the year	809	884	1,033	1,252	1,306
2.	Additions during the year	120	149	235	54	19
3.	Buses scrapped during the year	45	Nil	16	Nil	31
4.	Buses available at the end of year	884	1,033	1,252	1,306	1,294
5.	Number of buses more than 8 years old	94	131	204	236	249
Percentage of overaged buses:						
6.	Corporation (5/4x100)	10.63	12.68	16.29	18.07	19.24
7.	BEST, Mumbai	Nil			NA	NA

NA: Not available.

Source: Statistical and A & T cell of the Corporation, Reports of Ministry of Road Transport & Highways (MoRTH).

As could be noticed from *Table* above, the number of overaged buses in the Corporation during 2013-18 had increased significantly from 10.63 *per cent* in 2013-14 to 19.24 *per cent* in 2017-18. The percentage of overaged buses of the Corporation was higher in comparison to BEST, Mumbai, which did not have any overaged buses in its fleet. The increase in the size of overaged buses was due to the inability of the Corporation to scrap the overaged buses in a timely manner. Audit observed that the BoD had authorised (December 2016) the Managing Director (MD) of the Corporation to dispose of the old buses immediately to fetch more revenue for the Corporation. The Corporation however, disposed of only 31 buses till March 2018 as against 280 overaged buses due to be scrapped thereby leaving 249 overaged buses in its fleet as on 31 March 2018. Timely disposal of overaged buses would have helped the Corporation in generating an additional

revenue of ₹ 3.76 crore¹³. The GoA as well as the Chairman of the Corporation, however, failed to monitor scraping of overaged buses within a reasonable timeframe.

The Corporation (November 2018) and the Government (December 2018) stated that it was not able to generate internal resources for replacement of overaged buses as also GoA did not provide funds for purchase of new buses.

The reply was not acceptable as it was silent on the reasons for non-scraping of overaged buses, which could have also helped the Corporation in garnering additional revenue from sale of overaged buses.

Recommendation No. 2: *The Corporation needs to scrap its overaged buses in a timely manner, which would also help in generating additional revenue from sale of overaged buses.*

Fleet utilisation

5.11 Fleet utilisation represents the net ‘on-road’ fleet of an organisation *vis-à-vis* the total fleet available. As per the recommendations of ASRTU, fleet utilisation of 90 *per cent* or more should be considered a yardstick for operational efficiency. The year-wise position of average fleet holding of the Corporation for operation, average buses ‘on-road’ and ‘off-road’ during the last five years up to 2017-18 has been given in **Table 5.2**. In addition, the **Table 5.2** also provides the year-wise corresponding figures of Fleet utilisation for 2013-18 in respect of two other State run Transport Corporations i.e. Karnataka State Road Transport Corporation (KSRTC) and Brihanmumbai Electric Supply & Transport Undertaking (BEST), Mumbai, as well the ‘All India Average’ (AIA) figures for comparison purpose.

Table 5.2: Details of Fleet utilization of the Corporation vis-à-vis that of KSRTC, BEST and AIA for five years (2013-18)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Total Fleet Strength (in number)	884	1,033	1,252	1,306	1,294
2.	Average vehicles on road (in number)	559	570	668	614	634
3.	Average vehicles off road (in number) (1-2)	325	463	584	692	660
Percentage of Fleet utilisation						
4.	Corporation (2/1x100)	63.23	55.18	53.35	47.01	48.99
5.	KSRTC	91.40	91.00	90.57	90.80	NA
6.	BEST	87.00	85.60	84.66	NA	NA
7.	AIA	89.50	90.79	90.43	NA	NA

NA: Not available

Source: Statistical and A & T cell of the Corporation, Annual Administration Report of KSRTC for 2013-17 and Reports of Ministry of Road Transport & Highways (MoRTH).

¹³ 249 x 1.51 lakh = 3.76 crore (calculated on the basis of average scrap value realized by the Corporation during 2017-18 for scraping 31 buses.

It could be seen from **Table 5.2** that, during 2013-18, there was significant reduction of 14.24 *per cent* in the fleet utilisation of the Corporation from 63.23 *per cent* (2013-14) to 48.99 *per cent* (2017-18). The low fleet utilisation was primarily attributable to:

- frequent breakdowns (**paragraph 5.15**); and
- long periods of shut down for repair and maintenance of buses (**paragraph 5.17**)

The Corporation (November 2018) and the Government (December 2018) stated that low fleet utilisation was due to existence of 249 overaged buses in its fleet. Besides, long shutdown of buses for repairs, breakdown of overaged buses and frequent bandh called by different organizations had also adversely affected the fleet utilisation.

The reply of the Corporation was not tenable, as there had been a decline in the percentage of fleet utilisation from 63.23 *per cent* (2013-14) to 48.99 *per cent* (2017-18) despite addition of 577 new buses by the Corporation during 2013-18 as against 249 overaged buses existed in its fleet as on 31 March 2018. This was due to increase in off-road buses from 325 (2013-14) to 660 (2017-18), which indicated inadequate utilisation of new buses for want of regular and timely R&M works.

Recommendation No. 3: *The Corporation needs to take steps to increase the fleet utilisation by regular maintenance of buses and improve utilisation of the newly added buses.*

Vehicle Productivity

5.12 Vehicle productivity refers to the average km run by each bus *per day* in a year. The vehicle productivity of the Corporation *vis-à-vis* the All India Average (AIA) in this regard for the last five years ending 2017-18 has been shown in **Table 5.3**.

Table 5.3: Vehicle productivity of the Corporation *vis-à-vis* the All India Average during 2013-14 to 2017-18.

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Vehicle productivity (Kilometre run per day per bus)						
1.	Corporation	202	207	183	176	190
2.	All India Average (AIA)	304.10	308.60	305.59	305.59 ¹⁴	

Source: A & T and Statistical cell of the Corporation & MoRTH's reports.

¹⁴ Adopted the figures of 2015-16 as AIA for 2016-17 & 2017-18 not available.

From the **Table 5.3**, it could be noticed that the vehicle productivity achieved by the Corporation during the last five years ending 31 March 2018 ranged between 176 (2016-17) and 207 (2014-15) km run *per day per bus held*, which was far below the AIA for the corresponding years. Under achievement of vehicle productivity was mainly attributable to non-operation of buses in all the identified routes (**paragraph 5.14**) and high incidence of cancellation of scheduled km due to frequent breakdown of buses (**paragraph 5.15**). The low vehicle productivity of buses had caused non-recovery of the operational cost and consequent operational losses of the Corporation during all the five years covered in audit.

The Corporation (November 2018) and the Government (December 2018) attributed the low vehicle productivity to traffic jam and poor road conditions. It was further stated that floods had badly affected the State in almost every year, during which bus services could not be operated properly.

The reply was not acceptable, as the Corporation did not provide any documentary evidence in support the plea regarding traffic jam, poor road conditions and flood. Further, the Corporation should have overcome the problem of low vehicle productivity through proper route planning and maintenance of buses.

Recommendation No. 4: *The Corporation may increase the vehicle productivity through proper routes survey and augmentation of its fleet strength.*

Load Factor

5.13 The Capacity utilisation of a transport undertaking is measured in terms of load factor, which represents the percentage of passengers carried to seating capacity. The Corporation calculated load factor as a ratio of actual passenger earnings to the realisable revenue as per the available seating capacity and accordingly fixed (December 2003 and December 2016) the load factor target of 80 *per cent*.

It was seen that, the load factor of the Corporation for five years (2013-18) ranged between 71.42 *per cent* (2013-14) and 77.51 *per cent* (2017-18), which was below the targeted load factor of 80 *per cent*. The main reasons for non-achievement of the targeted load factor were:

- non-operation of buses on all the economic routes (**paragraph 5.14**);
- ineffective control mechanism to avoid presence of ticketless travellers (**paragraph 5.26 (iv)**); and
- non-implementation of Intelligent Transport Management System for surveillance and monitoring of bus operation. (**paragraph 5.25(v)**)

The Corporation (November 2018) and the Government (December 2018) stated that after introduction of new railway routes in the State by GoI during 2013-18, the public generally preferred to travel by train. It was further stated that the Corporation had to operate its buses in remote areas in the interest of the public. As such, it had to incur losses in terms of low load factor for those services.

The reply was not acceptable as the Corporation should have carried out proper need based analysis of the fleet requirement to effectively plan its operations on economic and un-economic routes so as to optimise its revenue generation.

Route Planning

5.14 The Corporation had no mechanism of route planning till 2016-17. The Corporation undertook the process of route planning only in September 2017 and had identified (September 2017) the bus routes under two categories *viz.*, economic¹⁵ and un-economic¹⁶.

Audit observed that out of 113 un-economic routes identified by the Corporation, it had placed buses (70 buses) on 68 routes. Similarly, out of 110 identified economic routes, the Corporation placed its buses (199 buses) on 84 economic routes only. Thus, as on 31 March 2018, the Corporation could not place its buses on the remaining 26 economic routes which included 17 long distance (*i.e.* 300 km and above) routes. Audit observed that despite facing the problem of low operational revenue, the Corporation did not explore the possibility of operating its buses on the left out economic routes.

The Corporation (November 2018)/Government (December 2018) stated that the Corporation had to operate buses in the remote areas in order to fulfil its social obligation where private bus operators did not offer bus services.

The reply was not acceptable, as the Corporation did not evolve proper mechanism to optimize the operation of buses on economic routes to increase its revenue generation while fulfilling its social obligation.

Recommendation No. 5: *The Corporation should increase the load factor by undertaking route-wise profitability analysis and control the losses while fulfilling its social obligation.*

¹⁵ Economic routes are those routes where the services could recover total cost (*i.e.* variable as well as fixed).

¹⁶ Un-economic routes are those routes where the services could not recover total cost (*i.e.* variable as well as fixed).

Cancellation of Scheduled Kilometres

5.15 Scheduled km is the sum of km approved for operation of all buses scheduled for the day. It was observed that the percentage of cancellation¹⁷ of scheduled km in respect of the buses of the Corporation for the four years ending March 2018, ranged between 26.70 per cent in 2015-16 and 30.51 per cent in 2016-17. As such, the Corporation could not operate 5.96 crore km against the scheduled km during the five years (2013-18).

While comparing the position with KSRTC for the same period, it was observed that the percentage cancellation of scheduled km of the Corporation was much higher than that of KSRTC, which ranged between 2.70 per cent (2013-14) and 4.90 per cent (2016-17) during the four years¹⁸ ending March 2017.

A review of the operations of buses indicated that high percentage of cancellation of scheduled km in the Corporation was due to frequent breakdown of buses. The breakdowns were mainly due to various mechanical faults (such as, failure of pressure plate, clutch disc, vacuum leak, diesel oil leakage, fuel injection pump failure etc.), which could have been minimised through proper maintenance service of its buses. It was noticed that in 3¹⁹ out of the 4 Divisional Offices of the Corporation selected for detailed scrutiny, the rate of breakdown of buses on road per 10,000 effective km varied from 0.36 (2016-17) to 0.54 (2013-14) during the period 2013-17. The rate of breakdown was much on a higher side as compared to KSRTC rate that varied from 0.03 (2016-17) to 0.04 (2013-14) during the same period.

The Corporation/Government (December 2018) stated that the Corporation could not achieve scheduled km due to breakdown, overaged buses, accidents, flood, bandh called by different organisations etc.

No documentary evidence/data was, however, provided by the Corporation/Government in support of their claim regarding cancellation of scheduled km due to overaged buses, accidents, flood, bandh.

Recommendation No. 6: The Corporation may record and analyse reasons for cancellation of scheduled kms and take a corrective action.

¹⁷ It represents the difference between the year wise figures of scheduled km and gross km actually operated.

¹⁸ Figure for 2017-18 in respect of KSRTC not available.

¹⁹ Sibsagar, Guwahati and City Service Divisions. The Corporation, however, had not provided the required information in respect of Jorhat Divisional office despite repeated requests by Audit.

Fuel efficiency

5.16 Fuel efficiency is measured in terms of average km obtained *per* litre of High Speed Diesel (HSD) oil, which is commonly referred to as km *per* litre (KMPL).

Table 5.4: KMPL achieved by the Corporation vis-à-vis KSRTC and AIA

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Gross kms operated (in lakh)	291.70	299.38	313.25	278.94	302.90
2.	Fuel Consumption (in lakh litres)	78.68	78.81	82.68	75.15	81.82
Kilometres per litre (KMPL)						
3.	Corporation (1/2)	3.70	3.80	3.79	3.71	3.70
4.	AIA	4.29	4.26	4.29	4.29 ²⁰	
5.	KSRTC	4.76	4.82	4.83	4.84	

Source: Statistical and A & T cell of the Corporation, Annual Administration Report of KSRTC for 2013-17 and Reports of Ministry of Road Transport & Highways (MoRTH).

As could be seen from **Table 5.4**, the fuel efficiency of the buses operated by the Corporation showed a decreasing trend after 2013-14 and the same decreased from 3.80 KMPL in 2014-15 to 3.70 KMPL in 2017-18. The KMPL of the Corporation was much below than that of KSRTC and AIA during all the five years under reference. Low fuel efficiency of the buses of the Corporation had resulted in excess consumption of 50.32 lakh litres of HSD during 2013-18 leading to extra expenditure of ₹ 29.27 crore²¹. The low fuel efficiency was mainly attributable to improper driving habits of drivers and poor maintenance of buses. The Corporation however, had not devised an effective monitoring mechanism to analyse the reasons for low fuel efficiency and ensure skill development of drivers to improve the performance of the buses.

The Corporation (November 2018) and the Government (December 2018) attributed non-achievement of better fuel efficiency of buses to poor road conditions and congestion of vehicles on the road. It was, however, stated that the Corporation had taken initiative for improving fuel efficiency by imparting training to drivers/mechanics *etc.*

The reply was not acceptable as the Corporation needs to put in place an appropriate mechanism to monitor vehicle wise and driver wise data on consumption of fuel so as to exercise effective managerial control over consumption of fuel.

Recommendation No. 7: *The Corporation may devise an effective monitoring mechanism to record and analyse the reasons for high consumption of fuel and take appropriate remedial action to improve the performance and fuel efficiency of its buses.*

²⁰ Due to non-availability of figures for 2017-18 the previous year's figures have been adopted.

²¹ Average rate of HSD (in ₹) x Excess consumption (in crore litres).

Repair and maintenance

5.17 The Corporation did not maintain vehicle-wise data of R&M expenditure, which was necessary for working out the economy of maintaining different variant of buses. A summarized position of fleet available, effective fleet, buses held up for repair, total R&M expenditure of the Corporation for the last five years up to 2013-18 has been given in **Table 5.5**:

Table 5.5: No. of buses available by the Corporation vis-à-vis R&M expenditure incurred during 2013-14 to 2017-18

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Total Fleet Strength (in number)	884	1,033	1,252	1,306	1,294
2.	Average fleet (Buses available for operation)	751	815	1,090	1,165	1,110
3.	Average buses on road (in number)	559	570	668	614	634
4.	Buses held up for repairs (2-3)	192	245	422	551	476
5.	R&M Expenses (₹ in crore)	9.61	9.13	5.71	4.37	5.06
6.	R&M Expenses per bus in ₹in lakh (5/2)	1.28	1.12	0.52	0.38	0.46

Source: Statistical cell of the Corporation

In this connection, following observations are made:

- Though the number of busses held up for R&M increased from 192 in 2013-14 to 476 in 2017-18, there was decrease in R&M expenditure during the same period, which was mainly due to failure of the Corporation to provide funds for procurement of spares.
- The Corporation lacked technical expertise to carry out R&M works relating to standard and premium category of buses inducted (April 2015) under the JnNURM Scheme. This had resulted in accumulation of buses held up for R&M.
- The Corporation did not fix and norms or timeframe for disposal of minor and major repairs of the buses. In absence of any norm, the reasonability of the time consumed by the Corporation to carry out the R&M works could not be assessed.
- Audit observed that out of 494 buses held up (January 2016 to March 2018) for major and minor repairs, the Corporation could complete the repair works of 428 buses till March 2018. The completed repair works included major repairs of 97 buses (in 4 to 299 days) and minor repairs of 331 buses (in 3 to 86 days). The repair of balance 66 buses remained pending for unreasonable periods of 40 to 809 days. As a result, the Corporation had lost 11,937 bus-days against these 66 unrepaired buses thereby causing loss of potential revenue of ₹ 5.58 crore²².

²² No. of days lost x Earning per bus per day i.e. 11,937 bus-days' (Days lost due to buses held for repairs) x ₹ 4,673 per day (Average earning per bus per day during 2013-18) = ₹ 5.58 crore.

The Corporation (November 2018) and the Government (December 2018) stated that the Corporation would take necessary steps to maintain vehicle wise data on repair and maintenance and ensure adequate training of workshop staff.

The fact remained that the remedial action proposed by the Corporation was too late considering the poor state of affairs of the Corporation, which have been persisting for a long period.

Recommendation No. 8: *The Corporation may maintain records of vehicle-wise data of R&M expenditure, which is necessary for working out the economy of maintaining different variant of buses. Further, the Corporation should set standard norms for carrying out repair works in terms of time or days.*

Operation of Private Owned Buses (POB)

5.18 In the year 2001, the Corporation introduced 'Self-employment scheme' allowing private bus owners to operate their buses under the Corporation. As per the provisions of the scheme, private bus owners willing to operate their buses under the banner of the Corporation were provided route permits based on a revenue sharing agreement²³. As on 31 March 2018, total 1,000 private operated buses (POB) had been operating under the banner of the Corporation. The Corporation fixed (February 2005) a minimum 25 days' operation in a month for POB and directed all officials concerned to realise fine of ₹100 per day *per* bus if operating days falls short of 25 days in a month. The overall position of POB operations *vis-à-vis* the revenue earned and penalty realised/unrealised by the Corporation during the period from 2013-14 to 2017-18 has been summarised in **Table 5.6**.

Table 5.6: Details of POBs earning

Year	No. of POBs	Minimum number of days to be operated considering 25 days operation in a month	No. of days operated	Shortfall of days in operation	Revenue earned from POB (₹)	Penalty realised (₹)	Penalty unrealised (₹)
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7)	(8)
2013-14	1,153	3,45,500	2,44,197	1,01,703	7,91,94,237	2,90,927	98,79,373
2014-15	989	2,96,700	2,15,816	80,884	6,73,40,667	3,86,788	77,01,612
2015-16	910	2,75,000	1,94,018	78,982	6,24,96,310	6,05,255	72,92,945
2016-17	854	2,56,200	1,77,642	78,558	5,72,56,662	14,99,070	63,56,730
2017-18	1,000	3,00,000	2,18,751	81,249	7,03,66,742	17,09,430	64,15,470
Total	4,906	14,71,800	10,50,424	4,21,376	33,66,54,618	44,91,470	3,76,46,130

Source: Statistical cell of the Corporation

Audit observed the following points in operation of the POB:

²³ As per the revenue sharing agreement, the POB owners were liable to pay to the Corporation 10 *per cent* of the fare collected from passengers at the prevailing fare rate subject to the minimum amount as fixed (2001) by the Corporation for different models of buses.

Non-realisation of penalty/fine

A. It could be noticed from the *Table 5.6* that there was shortfall in operation of POB owned buses by 4,21,376 bus-days out of which the Corporation realized fine against 44,915 bus-days (11 *per cent*) only. The Corporation, however, did not realise fine for shortfall of balance 3,76,461 bus-days (89 *per cent*) amounting to ₹ 3.76 crore. It was further observed that due to non-operation of minimum 25 days in a month by POB, the Corporation lost potential revenue of ₹ 11.73 crore²⁴ during the period 2013-18 besides frustrating the scheme objective to provide adequate and efficient transport services to the public.

The Corporation (November 2018) and the Government (December 2018) stated that due to the frequent bandh calls given by different organisations and road block due to heavy flood all over Assam, the POB could not be operated the stipulated number of days.

The reply was not acceptable as the Corporation had neither maintained any data base for the reasons mentioned above nor did it ask the POB owners the reasons for shortfall in operation of buses for minimum 25 days in a month.

Recommendation No. 9: *The Corporation should strengthen the monitoring mechanism of POB operation to ensure that buses are operated for minimum 25 days in a month. It should also maintain proper data base with reasons for shortfall in POB operation and realise penalty accordingly.*

Non-revision of rate of share

B. As per the terms of the agreement, the POB owners were liable to pay to the Corporation 10 *per cent* of the fare collected from the passengers at the prevailing fare rate of the Corporation, subject to the minimum²⁵ amount fixed (2001) by the Corporation for different models of buses. It was, however, observed that there was no mechanism in place to ascertain the actual revenue being collected by POB owners through operation of buses under the agreement. As such, the Corporation was realizing its share of revenue on the basis of minimum applicable rates only.

It was also noticed that the Corporation revised (October 2012) the fare structure of passengers upward for different models of buses ranging from 23 to 32 *per cent*. The Corporation, however, did not make corresponding revision in the minimum rate of share recoverable from POB owners. Considering the minimum increase of 23 *per cent* in the rate of share, the Corporation could have earned

²⁴ Minimum revenue for 25 days' operation (₹ 45.40 crore) - Revenue earned (₹ 33.67 crore)

²⁵ Minimum amount payable by POB owners was fixed based on the total km actually operated by POBs multiplied by the rate per km.

additional revenue of ₹ 7.74²⁶ crore against POB operations during the period of five years (2013-18).

Further, the Corporation had been allowing the private bus owners to operate their buses under the 'Self-employment scheme' since the year 2001 without following any tendering process. The Corporation, however, had never reviewed the scheme for its continuance or selecting the private operators on tendering basis even after lapse of more than 15 years.

The Corporation (November 2018) and the Government (December 2018) stated that the scheme was introduced to provide employment to un-employed youth of Assam. It also stated that revision in the share of revenue could discourage the POB owners and prompt them to withdraw their buses.

The reply was not acceptable as it is not certain that the same un-employed youths are operating these buses for more than 15 years and the nature of ownership has not changed. Further, the scheme should have been reviewed for its continuance considering poor financial health of the Corporation.

Recommendation No. 10: *The Corporation should devise proper mechanism to ascertain the actual revenue being collected by the POB owners from the passengers and collect its share of revenue accordingly. The Corporation should also carry out periodical revision in the minimum rate of share recoverable from POB owners to overcome poor financial health.*

Environmental Safety

Pollution control

5.19 The Motor Vehicles Rules, 1989, prescribed that every registered motor vehicle shall carry a valid 'Pollution under Control' (PUC) certificate issued by an authorised agency after the expiry of a period of one year from the date of first registration. The validity of such certificate shall be for six months.

In 2²⁷ out of the 4 Divisional Offices of the Corporation selected for detailed scrutiny, however, it was observed that the number of buses held in these two divisions increased from 334 (2013-14) to 671 (2017-18). Considering the validity of PUC certificate (six months) for each bus held, a total of 5,152 PUC certificates should have been obtained by the Corporation to operate the buses during 2013-18. The Corporation however, obtained 1,377 PUCs only, in violation of Motor Vehicles Rules. This indicated absence of an effective

²⁶ 23 per cent on ₹ 33.67 crore (Revenue earned from POB during 2013-18).

²⁷ Guwahati and City Service Divisions. The Corporation, however, had not provided the required information in respect of Jorhat and Sibsagar Divisional office despite the repeated requests made by Audit.

monitoring system to verify validity of PUC certificates and conducting of periodical inspection of buses to ensure compliance to the environmental laws. Thus, absence of proper mechanism in this regard points towards lack of adequate attention of the Corporation in controlling the vehicular pollution.

The Corporation (November 2018) and the Government (December 2018) stated that the Corporation had taken steps for checking of pollution norms of its buses through private pollution testing centers. It was further stated that each and every vehicle maintained in the workshops was being examined by qualified engineers so that the vehicles could provide pollution free services.

The reply is not factually correct as evident from the fact that the Corporation had obtained only 1,377 PUC certificates as against 5,152 PUC certificates required to be obtained during 2013-18.

Recommendation No. 11: *The Corporation should ensure strict enforcement of statutory provisions relating to vehicular emissions by creating sufficient infrastructure and strict monitoring mechanism.*

Financial Management

5.20 To fulfil its mandated functions, it was essential for the Corporation to maximise its operating revenue and also to tap non-conventional revenue sources to cross-subsidise its un-economical operations. The Corporation had been earning non-conventional revenue from advertisement, restaurant/shop, operations of parking and oil pumps etc. Details of operating and non-conventional revenue earned by the Corporation during the period 2013-18 have been given in **Table 5.7**.

Table 5.7: Operating revenue vis-à-vis non-conventional revenue of Corporation for five years from 2013-14 to 2017-18

		<i>(₹ in crore)</i>				
Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17 (P) ²⁸	2017-18 (P)
1.	Operating Revenue	79.90	85.12	95.23	66.56	77.08
2.	Non-conventional Revenue ²⁹	32.12	51.47	77.38	52.94	50.32
Total (1 + 2)		112.02	136.59	172.61	119.50	127.40
Share of non-conventional revenue (per cent)		28.67	37.68	44.83	44.30	39.50

Source: Annual accounts (2013-16) and information furnished (2016-18) by Corporation

²⁸ (P): Provisional

²⁹ Non-conventional revenue represents the revenue earned from non-conventional sources such as income from operation of petrol pump, lease rent, advertisement, disposal of scrap, registration fees etc.

Non-recovery of license fee

5.21 The Corporation allotted (June 2008 to December 2017) space for ticket booking counters to 21 POB owners for their bus operations and fixed (September 2008) licence fee of ₹ 2,000 *per* month for each counter without entering into any formal agreement. Similarly, the Corporation allotted (July 2008 to November 2016) another 23 ticket booking counters to private bus operators³⁰ without any formal agreement and also without fixing the license fee to be recovered against the allotted counters.

Audit observed that none of the POB owners or private bus operators had been paying any license fee since allotment of counters. The Corporation had also never raised demand for payment of license fee for no reasons on records. Considering the license fee of ₹ 2,000 *per* month, the Corporation had to forego revenue of ₹ 0.77 crore till March 2018 in respect of 23 counters allotted to private bus operators and in respect of 21 POB owners, which is indicative of the fact that there was no system in place to guard against the revenue interest of the ASTC in the absence of any mechanism having been put in place. Moreover, there were also reporting and monitoring failures on the part of subordinates and senior management of the ASTC respectively, which calls for fixing of their responsibility.

The Corporation (November 2018) and the Government (December 2018) stated that necessary steps were being taken to regularise the renting arrangement of ticket booking counters and was in the process of fixing necessary terms and conditions for recovery of outstanding dues from the POB owners and private bus operators.

The reply was not acceptable as the Corporation should have taken the required action long back at the time of allotment (June/July 2008) of counters to POB owners and private bus operators. Further, it should have evolved a mechanism to take timely action for recovery of unpaid rental dues as per the agreement to ease out its critical financial condition.

Recommendation No. 12: *The Corporation should enter into formal agreements with all the allottees at the time of allotment of counters/space to safeguard its financial interest. The Corporation should also evolve proper mechanism to take timely action for recovery of unpaid rental dues. Besides, Government needs to fix the responsibility of the persons concerned for not recovering such dues from the said bus operators.*

³⁰ POB owners are the private owners who operate their buses under the banner of the Corporation whereas private bus operators operate buses independently.

Ineffective pursuance for recovery of dues

5.22 (i) The Corporation provided special bus services to various departments of the Government. The hire charges were paid by the departments concerned as per the rates fixed by Corporation. Scrutiny of records of the Corporation revealed that the accumulated claims of ₹ 3.53 crore pertaining to the period from April 2013 to March 2018 were pending for recovery from six³¹ Government departments (November 2018). The accumulation of unrecovered dues was mainly attributable to delay in preference of bills and lack of persuasion on the part of the Corporation for release of payment.

The Corporation (November 2018) and the Government (December 2018) stated that reminders had been issued to the departments concerned for realization of the outstanding hire charges.

The reply was not acceptable as the Corporation had neither pursued the issue at higher level in GoA nor explored the possibility to adopt the available legal means for recovery of dues.

(ii) Oil and Natural Gas Corporation Limited (ONGC) hired 47 buses³² from the Corporation during 2013-18. As per agreement, the bills against the hiring charges were to be cleared by ONGC within 15 days of presentation of the bills. Audit observed that during 2013-18, the Corporation had raised hire charges bills aggregating ₹ 38.84 crore on ONGC. ONGC, however, had approved the bills valuing ₹ 36.73 crore only for payment and rejected the balance bills amounting to ₹ 2.11 crore without assigning any reasons. The Corporation, however, had neither asked for the reasons nor disputed rejection of bills by ONGC.

The Corporation (November 2018) and the Government (December 2018) stated that the differential amount of bill not paid by ONGC would be examined.

The reply was not acceptable as the Corporation should have taken up the issue with ONGC at higher level for early settlement of the matter.

Recommendation No. 13: The Corporation should ensure discipline in raising requisite claims in time and follow up recovery of outstanding dues.

Diversion of project fund

5.23 GoA sanctioned 65 infrastructure development projects for construction of workshops, station buildings, yards, boundary walls etc. and accordingly released (2013-18) the entire sanctioned cost of ₹ 45.09 crore to the Corporation. As

³¹ Health, Education, Tourism, Home, Sports' & Youth Affairs and Parliamentary Affairs Department.

³² 67 buses during the period April to November 2017.

against this, the Corporation utilised ₹ 16.45 crore³³ only (₹ 6.64 crore on 10 completed projects, ₹ 9.03 crore on 46 incomplete/ongoing projects³⁴ and ₹ 0.78 crore on 'preliminary expenses' of another 4 projects³⁵). The works in respect of remaining 5 projects could not be taken up due to non-availability of land. Further, an amount of ₹ 26 crore was diverted by the Corporation towards payment of salaries to its employees.

The project funding provided by GoA was specific for execution of the projects sanctioned from time to time during 2013-18. As such, diversion of said funds without the prior approval of GoA was not permissible as it could hamper the progress of works. Contrary to this, the Corporation had irregularly diverted (2014-15) ₹ 26 crore out of the balance fund of ₹ 28.64 crore (₹ 45.09 crore *minus* ₹ 16.45 crore) towards payment of 'salaries' without prior approval of the sanctioning authority (GoA). The said diversion was approved by the Board of Directors (BoD) of the Corporation as a temporary measure to meet the 'salaries expenses' in view of the financial crunch faced by the Corporation. The diversion of project funds was in addition to the year-wise revenue grants ranging from ₹ 25.55 crore (2013-14) to ₹ 59.20 crore (2017-18) provided by the GoA during 2013-18 towards 'salaries and related expenses' of the Corporation. It was further noticed that the Corporation could not recoup the project funds so diverted so far (May 2019).

Audit observed that the approval of diversion of project funds was irregular as the BoD was not competent to allow utilisation of project funds on other purposes. The action of the Corporation was indicative of its inability to generate sufficient revenue to meet its operational expenses. Due to diversion of project funds, execution of works had suffered and resultantly, 46 out of 65 works remained incomplete mainly due to non-availability of funds.

Audit further observed that after diversion (₹ 26 crore) and expenditure on 10 completed works (₹ 6.64 crore), the Corporation had the available funds of ₹ 12.45 crore. Since the available fund (₹ 12.45 crore) was not sufficient to complete all the pending works, the Corporation should have prioritised execution of the remaining projects based on the project-wise cost so as to complete maximum number of pending projects with the available funds. Based on this analogy, the Corporation could have completed another 33 projects³⁶ (**Appendix 8**) with the available funds. As a result of non-prioritisation of projects

³³ Awarded cost: ₹ 7.01 crore (10 completed projects) and ₹ 39.09 crore (46 ongoing projects).

³⁴ Physical progress of 46 projects as on 31 March 2018 ranged between 10 *per cent* and 98 *per cent*.

³⁵ Corporation could not provide the status of execution of these 4 works.

³⁶ Number of shortlisted project based on project-wise awarded cost from lowest to highest.

for execution, however, all the 46 projects taken up by the Corporation with the available funds remained incomplete after spending ₹ 9.03 crore.

The Corporation was formed with the objective to provide an efficient, adequate, economical and properly coordinated public road transport services in the State. At present, the Corporation caters to the transportation services to public at a very low scale (7.52 per cent of the public transport services in the State) and was not even able to meet its operational costs, including the salaries expenses of its staff despite regular financial support being provided by the Government. Hence, the purpose for which the Corporation was formed is not being served. Government may, therefore, review the continuance of operations of the Corporation after taking into account the above mentioned aspects.

Audit analysed 7 out of 46 projects lying incomplete as of June 2018 as detailed in **Table 5.8**:

Table 5.8: Status of execution of seven incomplete projects

Sl. No.	Name of the work	Amount Sanctioned/ released (₹ in crore)	Month of Work Order	Awarde d cost (₹ in crore)	Scheduled Completion periods (Date)	Payment Released (₹ in crore)	Delay till March 2018 (in months)	Completion (per cent)
1.	Development of Modern Workshop at Jorhat	2.00	April 2014	1.93	6 months (October 2014)	1.03	41	50
2.	Construction of Divisional Workshop at Rupnagar	3.00	March 2014	2.89	6 months (September 2014)	2.52	42	70
3.	Construction of Bus Station Building at Chirang	5.00 ³⁷	March 2013	4.59	24 months (March 2015)	1.09	36	27
4.	Construction of Station Building/Yard at Tezpur	3.00	October 2014	1.93	18 months (April 2016)	0.52	23	80
5.	Development of Workshop at ISBT, Guwahati	1.50	April 2015	1.46	9 months (January 2016)	0.60	26	50
6.	Construction of Station Building at Bongaigaon	3.00	August 2014	2.85	18 months (March 2016)	0.40	24	40
7.	Construction of RCC bridge over river Bharalu	1.50	November 2014	1.41	18 months (June 2016)	0.21	21	15

Source: Statistical cell of the Corporation

Audit observed the following in execution of the above-mentioned works:

Undue financial aid to the contractor

(i) In respect of work at **Sl. No. 2** in the **Table 5.8**, the Corporation released payment (₹ 2.52 crore) against the work done (₹ 2.02 crore) without adjusting the advance payment (₹ 0.50 crore) made to the contractor. The Corporation had also

³⁷ Fund actually released by GoA was ₹ 2 crore only.

released performance security of ₹ 0.25 crore to the contractor despite non-completion of work and pending adjustment of advance (₹ 0.50 crore).

The Corporation (November 2018) and the Government (December 2018) stated that for early execution of work, the Corporation had released advance to the contractor. It was further stated that the performance security deposit was released to the contractor due to non-payment of the contractor's bills for a long time.

The reply was not acceptable as release of performance security despite having an unadjusted advance and pending completion of work was contrary to the provisions of the bid documents and lacked justification.

The Government/Corporation should fix responsibility for the lapses committed by the officials concerned.

Unfruitful expenditure

(ii) In respect of work at *Sl. No. 7* in the *Table 5.8*, the Corporation had to stop the construction of RCC bridge due to the objection raised (August 2015) by Guwahati Municipal Corporation (GMC) for commencement of work with faulty design and without obtaining NOC from the Water Resource Department of GoA as well as necessary construction permission from GMC. As a result, the expenditure of ₹ 0.21 crore incurred on the project work proved unfruitful.

The Corporation (November 2018) and the Government (December 2018) stated that necessary steps were being initiated to rectify and address the objections raised by GMC.

The reply was not acceptable as the Corporation did not obtain the NOC and necessary permission before commencing the construction work. Further, as per records (November 2015) of the Corporation, the design and drawing of the bridge did not have any scope to increase the height of the bridge and hence, the expenditure (₹ 0.21 crore) incurred on the project had proved to be unfruitful.

Recommendation No. 14: *The Corporation should avoid diversion of project specific funds without prior approval of sanctioning authority as it results defeating the intended purpose of the project. In case of financial difficulties faced in its operations, the Corporation should approach the Government for necessary financial support.*

The Corporation should ensure compliance of various codal provisions to protect the financial interest and obtaining of necessary permissions before commencement of any work to avoid hindrances during execution.

Benefits of JnNURM Scheme not availed

5.24 The Ministry of Urban Development (MoUD), GoI sanctioned (August 2013) an Additional Central Assistance (ACA) as grant for procurement of 10,000 buses and ancillary infrastructure for urban transport under the JnNURM scheme. The scheme covered all cities/towns/urban agglomeration in India. The projects under the scheme included procurement of buses; creation of Intelligent Transport Management System³⁸ (ITMS) and ancillary infrastructure like construction/upgradation of depots/terminals, control centre *etc.* As per the provision of the scheme, the GoI was to provide 90 *per cent* of project cost as grant while the balance 10 *per cent* of project cost was to be contributed by GoA. GoI further stipulated that the projects under the scheme would be sanctioned to the States on 'first come first serve' basis.

Based on the project proposal submitted (December 2013) by GoA, the MoUD sanctioned (January 2014) the proposal for procurement of 400 buses (₹ 191 crore) and development of ancillary infrastructure project (₹ 22.31 crore) for Guwahati City. Subsequently, MoUD sanctioned (January 2014) the ancillary infrastructure project (₹ 22.31 crore) while it restricted (September 2014) the sanction to ₹ 122.22 crore for procurement of 330 buses only. The works under ancillary infrastructure project included ₹ 18.61 crore for development of two depots and ₹ 3.70 crore for creation of ITMS infrastructure at Guwahati.

Audit observed that though the Corporation procured 300 buses out of JnNURM scheme funding (discussed under *paragraph 5.25*), it could not avail the funding for development of ancillary infrastructure project due to non-submission of the copies of work orders to MoUD within the prescribed period (by March 2014) as stipulated under the scheme. Examination of the records of the Corporation revealed that the Corporation had initiated (December 2014) the process of tendering after 11 months of sanctioning (January 2014) of the project by MoUD. As a result, the Corporation could not submit the work orders to MoUD and meanwhile the funding of all pending projects under the scheme was stopped (August 2015) by MoUD. Thus, due to failure of the Corporation to submit the work orders to MoUD within the prescribed time, it could not avail the benefit of ₹ 22.31 crore under the scheme for development of infrastructure.

The Corporation (November 2018) and the Government (December 2018) stated that due to parliamentary election process during that period, there was delay in initiating the tendering process. It was, further, stated that the delay was also due to involvement of the Corporation in the procurement process of 300 buses under the same scheme.

³⁸ ITMS is the application of sensing, analysis, control, and communication technologies to ground transportation in order to improve safety, mobility and efficiency.

The reply was misleading as the parliamentary election process was completed by May 2014 after which the Corporation had delayed initiating the tendering process by another six months. Further, the plea of delay due to procurement of 300 JnNURM buses was also not acceptable as the said process had completed (August 2014) one year prior to stopping (August 2015) of the scheme funding by MoUD and the Corporation still had the opportunity to submit the requisite documents to avail scheme benefits.

Recommendation No. 15: *The Corporation should ensure that a proper system is put in place to oversee compliance of conditionality of the sanctioned scheme to avail the benefits of Government funding for improvement of the public transport system in the State.*

Implementation of the JnNURM Scheme

5.25 As discussed under *paragraph 5.24 supra*, GoI sanctioned (January 2014) ₹ 191 crore for purchase of 400 buses which was subsequently revised (September 2014) to ₹ 122.22 crore (GoI share: ₹ 109.99 crore and GoA share: ₹ 12.23 crore) restricting the procurement to 330 buses. GoI, accordingly released (September 2014 and April 2016) ₹ 99.01 crore out of its share of ₹ 109.99 crore to GoA. The GoA released (April 2015 and December 2016) ₹ 109.52 crore (including GoA share of counterpart fund amounting to ₹ 10.51 crore) to the Corporation for implementation of the Scheme. The Corporation submitted (February and December 2016) a Utilization Certificate (UC) against the fund (₹ 109.52 crore) released by GoA. As the scheme was closed in March 2017 before release of final instalment of ₹ 12.70 crore by GoI (₹ 10.98 crore) and GoA (₹ 1.72 crore), the Corporation could procure only 300 buses. The details of buses procured are given in *Table 5.9*.

Table 5.9: Status of procurement of buses under JnNURM Scheme

Sl. No.	Particulars	Ashok Leyland Limited (ALL) (Standard AC)	Volvo Buses India Limited (VBIL) (Premium AC)	Tata Motors Limited (TML) (Midi Non-AC)	Total
1.	No. of buses delivered	78	22	200	300
2.	Cost Per bus including taxes (₹ in crore)	0.61	1.00	0.25	-
3.	Total Cost including taxes (₹ in crore)	47.58	22.00	50.00	119.58
4.	Amount Paid (excluding VAT) (₹ in crore)	43.67	17.93	45.24	106.84
5.	Scheduled date of delivery	October 2015	December 2015	July 2015	-
6.	Period of delivery	July 2015 to April 2017	July 2015 to September 2017	March 2015 to August 2015	-
7.	Delay in months	18	21	-	-
8.	No. of buses supplied after scheduled date	57	16	-	73

Source: Statistical cell of the Corporation

Audit observed the following deficiencies in execution of the project:

Loss due to non-compliance to bid declaration

(i) Ashok Leyland Limited (ALL) had quoted a rate (base price) of ₹ 49.30 lakh *per* Standard AC buses to the Corporation with an undertaking regarding not quoting of a lower rate to any institutional buyer for the same specification bus than the rate offered to the Corporation under the scheme. The Chief Engineer (Automobile & Traffic), however, pointed out (July 2014) the instance of quoting lower rate (₹ 47.54 lakh *per* bus) by ALL for same specification of bus to be supplied in Jaipur (Rajasthan) and as such, asked ALL to reduce the rate. ALL however, did not respond to any response to the request of the Chief Engineer (Automobile & Traffic). It was observed that the Corporation issued (August 2014) supply order to ALL at the quoted rate of ₹ 49.30 lakh *per* bus for 78 buses in contravention to the terms of bid document and without bringing this fact to the notice of the BoD. This resulted in a loss of ₹ 1.37³⁹ crore to the Corporation.

In reply, the Corporation (November 2018) and the Government (December 2018) stated that ALL manufactured buses at Rajasthan and as such it had quoted lower rate in Jaipur compared to the rate quoted in Assam. The Corporation further stated that to avoid delay in implementation of the scheme it had accepted the higher rate of ALL.

The reply was not acceptable as in view of the fact that the loss pointed out by Audit on account of rate difference has been worked out based on the base price of the bus (excluding taxes and transportation), which was lower in Jaipur. Further, the Corporation did not make any efforts to negotiate with ALL for reduction of price and issued the supply order without intimating this fact to the BoD, for which responsibility may be fixed.

Avoidable payment of taxes

(ii) The quoted price of VBIL included ₹ 0.61 lakh *per* bus towards Road/Border taxes. The Corporation paid (June 2015) entry tax amounting to ₹ 24.44 lakh to GoA for delivery of 6 buses. The GoA had exempted (August 2016) the Corporation from payment of entry tax on another 6 buses. Further, the Corporation had requested (March 2018) GoA for waiver of entry tax on all the 22 buses received from VBIL along with refund of entry tax already paid. It was observed that though the Corporation had paid and requested GoA for waiver of entry tax, it had irregularly released ₹ 12.20 lakh⁴⁰ to VBIL towards payment of

³⁹ 78 buses x (₹ 49.30 lakh - ₹ 47.54 lakh)

⁴⁰ 20 buses x ₹ 0.61 lakh *per* bus

Road/Border taxes in respect of 20 out of 22 buses. The payment against remaining two buses was pending to be released by the Corporation.

In reply, the Corporation (November 2018) and the Government (December 2018) accepted the fact and stated that it had paid the part of road tax to VBIL through oversight and the same would be recovered from VBIL through adjustment against their future payment.

The fact, however, remains that the Corporation was yet to recover the amount from VBIL.

Non-renewal of Performance Security

(iii) As per the terms of the agreement, ALL was required to submit Performance Security (PS), which shall remain valid during the warranty period⁴¹. The suppliers submitted the PS effective from the date (August 2014) of supply order. It was observed that there was delay in delivery of the buses by the suppliers. As a result, the PS valuing ₹ 0.52 crore submitted (January 2015⁴²) by ALL against 17 buses supplied (April 2017) had expired (August 2017) even before completion of their warranty period (March 2019). The Corporation did not ask ALL to extend the validity of PS. As the buses had not completed two years so far (November 2018) after the date of delivery, the Corporation was at a risk for recovery of expenses, if any, against any performance related issues.

In reply, the Corporation (November 2018) and the Government (December 2018) accepted the fact and stated that it did not ask the party for extending the date of validity of PS through oversight.

The fact remains that the Corporation failed to adhere to the terms and conditions of agreement and safeguard its financial interest.

Delayed/non-submission of Performance Security

(iv) As per the terms of the purchase order, in case of delay beyond 30 days in submission of PS from the date of purchase order, the Corporation shall levy/deduct penalty at 0.5 per cent of the Performance Security (PS) amount required to be deposited (*viz.* 5 per cent of the total value of procurement order) for delay of each week or part thereof. It was observed that against the requirement of PS of ₹ 1.10 crore⁴³ for supply of buses to be submitted within 27 August 2014, VBIL submitted (July 2015) PS of ₹ 0.31 crore. VBIL had not submitted balance PS of ₹ 0.79 crore. Despite delayed/non-submission of PS, the

⁴¹ 60 days after expiry of two years from delivery or operation of two lakh km for the buses supplied, whichever was earlier.

⁴² Valid up to August 2017.

⁴³ 5 per cent on 22 buses at ₹ 1 crore.

Corporation did not levy/deduct penalty amounting to ₹ 0.88 crore (till September 2018).

The Corporation (November 2018) and the Government (December 2018) stated that it had given more importance on early implementation of the scheme and placing the buses for service to the passengers because of which it had not implemented certain regulatory clauses in the greater interest of public service.

The reply was not acceptable as the Corporation failed to enforce the terms and conditions of the agreement on the bus suppliers, which was against the financial interest of the Corporation in case of any exigencies.

Unfruitful expenditure on Intelligent Transport System

(v) The 300 buses procured by the Corporation were equipped with facilities of Intelligent Transport System⁴⁴ (ITS) such as camera, electronic display system, and other devices for enabling the GPS communication with the Central Control and Monitoring Station. The ITS was meant for effective surveillance and monitoring of the buses operated by the Corporation. In order to harness benefit from the facilities of ITS in the buses, GoI sanctioned (January 2014) ₹ 3.70 crore for development of Intelligent Transport Management System (ITMS) infrastructure at Guwahati which the Corporation could not avail due to non-submission of the copies of the work orders to GoI in time (as discussed under **paragraph 5.24 supra**). Subsequently, the Corporation without receiving any commitment/assurance from GoA to provide funding for ITMS work, invited (June 2015) tenders for this purpose. The Corporation thereafter submitted (November 2015) a proposal to the GoA for funding the ITMS project. The Corporation, however, had to cancel (November 2016) the tender due to non-receipt of required funds from GoA. The Corporation did not pursue with the GoA for release of the fund thereafter nor did it endeavour to arrange funds from other sources. As a result, the in-built ITS facilities provided in JnNURM buses at a cost of ₹ 9.13 crore could not be utilised defeating the intended objectives of the Scheme.

The Corporation (November 2018) and the Government (December 2018) stated that though it had floated tender for implementation of web based ITMS, the same had to be cancelled due to non-receipt of fund from GoA.

The reply was not acceptable as the GoA failed to provide funding for ITMS work despite being specifically requested by the Corporation. Further, the Corporation also did not endeavour to arrange necessary funds for this purpose from other sources.

⁴⁴ ITS is the application of sensing, analysis, control, and communication technologies to ground transportation in order to improve safety, mobility and efficiency

Internal Control and Monitoring

5.26 Internal control and monitoring are essential parts of the management activity. An efficient and effective system helps the management in achieving its laid down objectives, compliance to procedure and financial discipline. The deficiencies noticed in the internal control and monitoring system of the Corporation have been discussed below:

(i) Audit observed that the Management Information System (MIS) reports furnished by the Divisional Offices were not adequate as the MIS reports did not cover some important operational parameters such as make-wise performance of buses, frequency of breakdown, details regarding scheduled trips, cancellation of trips and reasons thereof, target and performance of workshops *etc.* Due to non-coverage of these important operational parameters, the vital data with respect to divisional level operations could not be reported periodically to the top management for necessary directions and timely corrective action.

(ii) The Corporation had its Internal Audit Wing (IA wing) headed by the Chief Accounts Officer. Audit observed that the functioning of the IA wing was restricted merely to monthly audits of various Divisional Offices, which included checking of revenue collected and deposited, cash and bank balances and stock position of HSD/lubricants only. The Corporation, however, did not specify the works to be taken up by the IA wing and the system of reporting deficiencies noticed to the top management for necessary remedial action. Hence, the objective evaluation of many important operational areas such as purchase and use of spare parts and stores, consumption of HSD/lubricants by vehicles, bills and claims and compliance to the terms and conditions of agreement/contracts, *etc.* remained outside the purview of the IA.

(iii) As per the provision of the Road Transport Act, 1950, BoD of the Corporation was required to hold minimum four meetings every year. The BoD of the Corporation, however, held only 11 such meetings during the period 2013-18, as against the minimum required 20 meeting. Due to not holding of required number of meeting, the BoD could not effectively fulfil its role to provide necessary guidance/instructions and undertake regular review and monitoring of the activities of the Corporation for its smooth operations.

(iv) The Corporation had a vigilance wing conducting surprise checking of buses to detect ticketless travellers and pilferage of cash by bus drivers/conductors. The Corporation, however, did not fix any target on minimum number of such checks to be carried out by the vigilance wing in a month/year. It was observed that during the last two years (2016-17 and 2017-18), the Corporation had carried out vigilance drive on 26 occasions in 256 buses plying

on different routes and detected 2,225 passengers without tickets. The fact stated above confirmed presence of ticketless passengers and the negligence of duty on the part of the conductors for not issuing tickets to the passengers. Further, it also indicated the inability of the Corporation to enforce proper monitoring and control on issue of tickets to avert ticketless travel.

The deficiencies as discussed above indicated absence of an effective management control system besides lack of accountability at different levels of Management.

The Corporation (November 2018) and the Government (December 2018) stated that:

- a new MIS cell had been created and same would be made functional on receiving the required infrastructure;
- collection of operational data and proper analysis thereof would be carried out henceforth regularly; and
- the Corporation was in process of implementing E-Ticketing system in the buses, which would be a better device for preventing pilferage of cash.

Recommendation No. 16: *The Corporation should develop a proper MIS system incorporating all operational parameters in order to exercise effective control over its operational areas.*

Conclusion

- The Corporation had a very crucial role in ensuring availability of public transport in the State, especially in areas, which were not served by any other transport utility. In order to play this role, the Corporation needed to have proper short-term and long-term plans in place for conducting operations in a way, so as to maximize its operational viability, at the same time discharging its obligations as a public service utility.
- The Corporation failed to effectively plan its capital expenditure to optimize benefit, maintain fleet roadworthiness through regular preventive maintenance, replacement of overaged buses and addition of new buses in its fleet to keep pace with the demand for public transportation.
- The net worth of the Corporation had been eroded prior to 2013-14 and the Corporation continued to incur heavy losses during all the five years under review.

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- The Corporation could not recover the cost of operations in any of the five years reviewed due to operational inefficiencies and high cost of operations.
- The Corporation had not devised proper MIS to evaluate operational performance against vital operational parameters. As a result, an effective control and monitoring of the operations of the Corporation to ensure optimum performance level was missing.

**Compliance Audit Observations relating
to
Public Sector Undertakings (other than power sector)**

CHAPTER VI

Compliance Audit Observations Relating To Public Sector Undertakings (other than power sector)

Important audit findings emerging from test check during the audit of the PSUs (other than power sector) are included in this Section.

Assam Electronics Development Corporation Limited

6.1 Undue benefit to private contractor

The Company extended undue benefit to a private contractor by procuring the scanners at ₹0.90 crore in violation of agreement conditions.

The Board of Secondary Education Assam (SEBA) offered (December 2012) Assam Electronics Development Corporation Limited (Company) to carry out pre and post examination activities for 3,84,585 students and requested to quote the rate for the work offered. The Company accordingly obtained rate quotation of ₹ 31 per student from Exxon Automation Private Limited (EAPL) and submitted (December 2012) the same to SEBA.

The Company entered (4 March 2013) into an agreement with EAPL to execute the works relating to pre and post examination activities of SEBA at a rate of ₹ 34 per student as finally agreed to at the time of entering into the agreement. As per the agreement conditions, EAPL was to utilize its own infrastructure and equipment (including the scanners) to execute the work within the agreed rate of ₹ 34 per student. EAPL completed (15 March 2013) the work and billed an amount of ₹ 1.26 crore¹ to the Company. The Company received (June 2014) the entire amount from SEBA against the work executed. Meanwhile, the Company in anticipation of allotment of similar work assignment by SEBA for subsequent four years (2014 to 2017), procured (11 March 2013) 61 high-end scanners from EAPL at a cost of ₹ 0.90 crore at its own cost for utilizing the same by EAPL for execution of the above works.

Audit observed that:

¹ Although EAPL submitted bills amounting to ₹ 1.31 crore (3,84,709 x ₹ 34), it later offered a discount of ₹ 0.05 crore.

- The Company before procuring the scanners had not obtained any commitment from EAPL regarding reimbursement of the cost of the scanners or appropriate adjustment in the agreed rate (₹ 34 *per* student) of the work. Further, the Company also did not pursue the matter in this regard with EAPL even after completion of the work.
- The Company also did not obtain any commitment from SEBA regarding any future work assignment before procuring the scanners so as to recover the cost of the scanners out of the expected future work assignments.

As a result, the Company could neither claim the cost of scanners from EAPL nor any further work assignment was entrusted to the Company by SEBA. Since the Company did not have any specific job for utilization of such scanners in future, it requested (June 2014) EAPL to buyback the scanners at a negotiable price, which however, did not materialize. As such the expenditure (₹ 0.90 crore) incurred by the Company on purchase of the scanners remained blocked.

Thus, the Company by procuring scanners at ₹ 0.90 crore for utilising by EAPL in violation of agreement terms extended an undue benefit to EAPL at its own cost.

The Company in its reply (October 2018) stated that the Company procured high-end scanners as those were not readily available in the market on hire basis and also in anticipation that SEBA would offer the scanning works in the consecutive year after 2013. The Government while forwarding (January 2019) the reply of the Company stated that the Company had decided to deduct an amount of ₹ 0.46 crore from EAPL.

The replies of the Government/Company were not tenable in view of the fact that as per the work agreement, EAPL was required to utilize its own infrastructure/equipment for execution of work assignment. As such, procurement of scanners by the Company for utilization by EAPL was irregular. Moreover, the Company was required to recover the entire cost (₹ 0.90 crore) of scanners from EAPL, which was still not recovered. Further, procurement of high-end scanners on the basis of mere anticipation, without having any firm commitment from Government/SEBA was also unjustified.

Assam Fisheries Development Corporation Limited

6.2 Loss of revenue

The Company suffered loss of potential revenue of ₹0.31 crore due to injudicious decisions in allotment of its fishery.

The guidelines approved (14 September 2001) by the Board of Directors of Assam Fisheries Development Corporation Limited (Company) relating to leasing of fisheries provided that a minimum revenue should be fixed for every fishery and the leasing arrangements should be settled through a tendering system to the highest bidder.

Audit observed that:

The Company issued (June 2013) Notice Inviting Tender for leasing out the 'Sibasthan Potta Kollong' fishery for the period 2013-14 to 2019-20 with a base price of ₹ 0.09 crore *per annum* and accordingly received five bids. The fishery was allotted (13 August 2013) to the second highest bidder (H² bidder²) at ₹ 0.28 crore *per annum* citing incorrect mention of the date of the bid (₹ 0.33 crore *per annum*) of the highest bidder (H¹ bidder). This contention was overruled (27 August 2013) by the Guwahati High Court (Court) on an appeal of the H¹ bidder³ and the allotment of the fishery to the H² bidder was cancelled (12 September 2013).

The Company accordingly allotted (8 November 2013) the fishery to the H¹ bidder at his quoted lease rent of ₹ 0.33 crore *per annum* for the period 2013-20. The Company allowed the H¹ bidder to remit the proportionate lease rent of ₹ 0.13 crore for the period of 88 days from the date of allotment of fishery to H² bidder (13 August 2013) to the date of re-allotment of fishery (8 November 2013) to the H¹ bidder as per Court's verdict. Thus, due to its injudicious decision to allot the fishery at the first instance to the H² bidder, the Company sustained a loss of potential revenue (₹ 0.13 crore) for the idle period.

The lease agreement of H¹ bidder was cancelled (4 February 2015) by the Company due to non-payment of lease rent amounting to ₹ 0.22 crore. On an appeal made by the H¹ bidder, the Court directed (11 February 2015) the Company to suspend the cancellation of the lease subject to the H¹ bidder

² Sri. Manik Chandra Das

³ Sri Tapan Barman

depositing an amount of ₹ 0.22 crore within two weeks from the date of passing of the order (*i.e.* by 25 February 2015).

Though the H¹ bidder did not pay the outstanding rental dues (₹ 0.22 crore), the Company did not invite fresh tender for re-allotment of the fishery through competitive bidding. The Company after being pointed out (17 November 2015) by the Fishery Manager about the illegal fishing in the fishery, allotted (20 November 2015) it again to the H² bidder for the period from 20 November 2015 to 31 March 2016 at a lump sum amount of ₹ 0.04 crore. Due to unreasonable delay in re-allotment of the fishery after cancellation of the lease agreement of defaulting H¹ bidder, the fishing activities remained suspended for another 267 days (26 February to 19 November 2015). This led to a further loss of revenue of ₹ 0.18 crore⁴ as this delay was not justified because the fishery was awarded to the same H² bidder without inviting the fresh tender.

Thus, the significant lapses in the case were as under:

- Allotment of the fishery to H² bidder instead of H¹ bidder at first instance, which led to cancellation of allotment based on Court's verdict and loss of potential revenue of ₹ 0.13 crore;
- Unreasonable delay of 267 days in re-allotment (20 November 2015) of the fishery after expiry of deadline (25 February 2015) fixed by the Court for clearing the lease dues by the defaulting H¹ bidder; and
- Re-allotment (20 November 2015) of the fishery to H² bidder without inviting fresh tenders through competitive bidding.

The Company and the Government in their reply during a meeting held (12 November 2018) with Audit stated that the delay of 267 days (26 February 2015 to 19 November 2015) in allotment of fishery was because of the representations received from H¹ bidder against cancellation of his allotment and the resultant extra time taken by the Company to take decision in the matter. As regards re-allotment of fishery to H² bidder without inviting fresh tenders, the Company in its formal reply (27 November 2018) stated that the fishery was re-allotted to H² bidder from 20 November 2015 to 31 March 2016

⁴ ₹ 25.20 lakh ÷ 365 days × 267 days = ₹ 18.43 lakh (Audit considered the amount of ₹ 25.20 lakh per annum being the awarded value of the fishery after invitation of fresh tender to a new lessee from April 2016 for a period of 7 years).

considering the fact that the bidder was the group leader of the fishermen community.

The reply was not acceptable as the action of the Company to re-allot the fishery to H² bidder without inviting fresh tenders was in violation of the procedure prescribed under Assam Fishery (Amendment) Rule 2005 for allotment of fisheries. Further, the reasons given by the Company/Government during the meeting with Audit (12 November 2018) to justify the delay of 267 days in re-allotment of the fishery was also not tenable in absence of any documentary evidence in support of their claim.

Assam Tea Corporation Limited

6.3 Non-collection of service tax

The Company extended 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.

The Finance Act, 1994 (Act) enacted by the Government of India (GoI) included the renting of immovable property services under the scope of Service Tax with effect from 1 June 2007. As per the provisions of the Act, read with Service Tax Rules, 1994, notified by the GoI:

- A.** Every person liable to pay service tax (assessee) was required to assess the tax due on the services provided by him. The assessee was also required to furnish a return to the Superintendent of Central Excise in such form and in such manner and at such frequency as prescribed. (Section 70)
- B.** The assessee was required to pay the service tax to the credit of the GoI by the 6th day of the month immediately following the calendar month in which the service takes place. (Rule 6)
- C.** Every person, who fails to credit the tax or any part thereof to the account of the GoI within the period prescribed shall pay simple interest. The said interest would be at such rate not below 10 *per cent* and not exceeding 36 *per cent* per annum. (Section 75)

Assam Tea Corporation Limited (Company) leased (since April 2012) its factory at Longai Tea Estate to Jayshree Tea & Industries Limited (Lessee) for 'processing of green tea leaves into black tea for commercial purposes'. The rent was fixed based on per kilogram of tea produced in the above factory.

Audit observed that although the renting of factory falls under the scope of service tax provisions, the Company while entering into the lease agreement did not incorporate the enabling clause in the lease agreement to recover the service tax component from the Lessee. As such, the Company could neither collect the service tax component on the factory rent from the Lessee nor deposit the same with the service tax authorities. The total service tax liability for the period from April 2012 to June 2017⁵ worked out to ₹ 0.27 crore⁶ on the factory rent (₹ 2.05 crore) paid by the Lessee.

Thus, due to non-inclusion of enabling clause in the lease agreement for recovery of the service tax, the Company was liable to bear the service tax liability (₹ 0.27 crore). This tantamount to extension of undue benefit of ₹ 0.27 crore to the Lessee with corresponding loss to the Government exchequer. The Company may also have to pay the penal interest for default in payment of service tax (Section 75 of the Act).

The Company and the Government stated (July 2018) that as per section 66D of the Act, the services related to 'agricultural produce' by way of renting or leasing of agro machinery with or without structure were not subject to service tax.

The reply was not acceptable in view of the fact that as per section 65B of the Act, 'agricultural produce' means any produce of agriculture on which no further processing was done. Further, as had been seen in different Court verdicts⁷, while the cultivation of tea was considered an agricultural process,

⁵ From July 2017, service tax came under the ambit of Goods and Services Tax, Act and the Company had been collecting the same from the lessee.

⁶ Calculated at applicable rates of 12.36 *per cent* (April 2012 to May 2015), at 14 *per cent* (June to November 2015), at 14.50 *per cent* (December 2015 to May 2016) and 15 *per cent* (June 2016 to June 2017)

⁷ CA No. 9178 of 2012 (Union of India vs Tata Tea Co. Ltd.; CA No. 9179 of 2012 (Union of India vs George Williamson) and CA No. 9180 of 2012 (Union of India vs Apeejay Surrendra Corporate Service Ltd.)

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the processing of tea in the factory was an industrial process. Besides, Audit also observed that Tripura Tea Development Corporation Limited, a Government of Tripura owned company, had collected the service tax component from the Lessee as per the applicable rates on similar activities. The facts stated above substantiate the Audit contention.



GUWAHATI
THE 05 August 2019

(K. S. GOPINATH NARAYAN)
Accountant General (Audit), Assam

Countersigned



NEW DELHI
THE 07 August 2019

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

Appendices

Appendix 1

Statement showing the investment made by State Government in PSUs whose accounts are in arrears as on 30 September 2018
(Referred to in paragraph 4.8.1)

<i>(Figures in columns 4 & 6 to 8 are ₹in crore)</i>							
Sl. No.	Name of Public Sector Undertaking	Year up to which accounts finalised	Paid up capital	Periods of accounts pending finalisation	Investment made by State Governments during the years for which the accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
A	Power sector PSUs						
1	Assam Power Generation Corporation Limited	2016-17	455.86	1	0.00	32.77	191.25
2	Assam Power Distribution Company Limited	2016-17	162.77	1	0.00	105.10	2,085.73 ⁱ
Total A (Power sector PSUs)			618.63		0.00	137.87	2,276.98
B	Non-Power sector PSUs (Working)						
1	Assam Fisheries Development Corporation Limited	2012-13	0.49	5	0.00	0.00	11.76
2	Assam Livestock and Poultry Corporation Limited	2016-17	2.19	1	0.00	0.00	14.06
3	Assam Tea Corporation Limited	2012-13	27.54	5	0.00	146.41	0.00
4	Assam Plantation Crop Development Corporation Limited	2013-14	5.00	25 ⁱⁱ	0.00	7.65	2.99
5	Assam Plains Tribes Development Corporation Limited	2016-17	2.95	1	0.00	0.00	12.81
6	Assam State Development Corporation for Other Backward Classes Limited	2011-12	2.80	6	0.40	0.00	12.00
7	Assam State Development Corporation for Scheduled Castes Limited	2009-10	9.85	8	0.00	0.00	43.18
8	Assam State Film (Finance & Development) Corporation Limited	2011-12	0.10	6	0.00	0.00	0.30
9	Assam Hills Small Industries Development Corporation Limited	1996-97	2.00	21	0.00	29.21	1.64
10	Assam Industrial Development Corporation Limited	2016-17	122.31	1	13.79 ⁱⁱⁱ	0.00	0.00
11	Ashok Paper Mill (Assam) Limited	2015-16	0.01	2	0.00	1.73	0.00
12	Assam State Fertilizers and Chemicals Limited	2009-10	4.56	8	0.00	1.45	0.06
13	Assam Tourism Development Corporation Limited	2015-16	0.39	2	0.00	0.00	29.54
Total B (Working Non-Power sector PSUs)			180.19		14.19	186.45	128.34

<i>(Figures in columns 4 & 6 to 8 are ₹in crore)</i>							
Sl. No.	Name of Public Sector Undertaking	Year up to which accounts finalised	Paid up capital	Periods of accounts pending finalisation	Investment made by State Governments during the years for which the accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
C	Statutory Corporation						
1	Assam State Transport Corporation	2015-16	167.73	2	0.00	0.00	89.20
Total C (Statutory Corporation)			167.73		0.00	0.00	89.20
D	Non-Power sector PSUs (Non-working)						
1	Assam State Minor Irrigation Development Corporation Limited	2011-12	17.35	6	0.00	0.00	7.15
2	Industrial Papers (Assam) Limited	2000-01	0.40	17	0.00	0.00	7.28
Total D (Non-working Non-Power sector PSUs)			17.75		0.00	0.00	14.43
Total Non-Power sector PSUs (B + C+D)			365.67		14.19	186.45	231.97

ⁱ Includes Subsidy amounting to ₹ 527 crore received during 2017-18.

ⁱⁱ Assam Plantation Crop Development Corporation Limited finalised its accounts till 1990-91. Thereafter the Company had submitted two years accounts (2012-13 and 2013-14) with an undertaking that the arrears of accounts would be finalised within five years.

ⁱⁱⁱ Share Application money (pending allotment) received by Assam Industrial Development Corporation limited during 2017-18.

Appendix 2

Statement showing position of equity and outstanding loans relating to State PSUs as on 31 March 2018 (Referred to in paragraph 1.8, 1.10, 1.16, 4.3 and 4.11)

<i>(Figures in Columns 5(a) to 6 (d) are ₹ in crore)</i>											
Sl. No.	Sector/ Name of the PSU	Name of the Department	Month and year of incorporation	Equity ¹ at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoA	GoI	Others	Total	GoA	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
A. Power sector PSUs											
1	Assam Power Generation Corporation Ltd.	Power	23-10-2003	455.86	0.00	0.00	455.86	551.52	0.00	414.02	965.54
2	Assam Electricity Grid Corporation Ltd.	Power	23-10-2003	99.93	0.00	0.00	99.93	473.10	0.00	94.28	567.38
3	Assam Power Distribution Company Ltd.	Power	23-10-2003	251.45	0.00	0.00	251.45	1,752.21	0.00	583.75	2,335.96
Sector wise total				807.24	0.00	0.00	807.24	2,776.83	0.00	1,092.05	3,868.88
B. Non-Power sector PSUs (Working)											
AGRICULTURE & ALLIED											
4	Assam Seeds Corporation Ltd.	Agriculture	27-01-1967	3.46	0.00	0.00	3.46	3.89	0.00	0.00	3.89
5	Assam Fisheries Development Corporation Ltd.	Fisheries	01-03-1977	0.49	0.00	0.00	0.49	0.00	0.00	0.00	0.00
6	Assam Livestock and Poultry Corporation Ltd.	Animal Husbandry	02-06-1984	0.07	2.12	0.00	2.19	0.00	0.00	0.00	0.00
7	Assam Tea Corporation Ltd.	Industries & Commerce	02-04-1972	29.54	0.00	0.00	29.54	308.34	0.00	0.00	308.34
8	Assam Plantation Crop Development Corporation Ltd.	Soil Conservation	11-01-1974	5.00	0.00	0.00	5.00	8.99	0.00	0.00	8.99
Sector wise total				38.56	2.12	0.00	40.68	321.22	0.00	0.00	321.22

(Figures in Columns 5(a) to 6 (d) are ₹ in crore)											
Sl. No.	Sector/ Name of the PSU	Name of the Department	Month and year of incorporation	Equity ¹ at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoA	GoI	Others	Total	GoA	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
FINANCE											
9	Assam Plains Tribes Development Corporation Ltd.	Welfare of Plains Tribes & Backward Classes	29-03-1975	2.20	0.75	0.00	2.95	0.00	0.00	14.70	14.70
10	Assam State Development Corporation for Other Backward Classes Ltd.	Welfare of Plains Tribes & Backward Classes	08-06-1975	3.40	0.00	0.00	3.40	0.00	0.00	1.31	1.31
11	Assam Minorities Development and Finance Corporation Ltd.	Welfare of Minorities	27-02-1997	2.00	0.00	0.00	2.00	0.00	0.00	0.00	0.00
12	Assam State Development Corporation for Scheduled Castes Ltd.	Welfare of Plains Tribes & Backward Classes	18-01-1975	5.59	4.51	0.00	10.10	0.00	0.00	0.00	0.00
13	Assam State Film (Finance & Development) Corporation Ltd.	Cultural Affairs	09-04-1974	0.10	0.00	0.00	0.10	0.04	0.00	0.00	0.04
Sector wise total				13.29	5.26	0.00	18.55	0.04	0.00	16.01	16.05
INFRASTRUCTURE											
14	Assam Hills Small Industries Development Corporation Ltd.	Hills Areas	30-03-1964	2.00	0.00	0.00	2.00	36.41	0.00	0.00	36.41
15	Assam Industrial Development Corporation Ltd.	Industries & Commerce	21-04-1965	139.21	0.00	0.00	139.21	86.35	0.00	18.57	104.92
16	Assam Small Industries Development Corporation Ltd.	Industries & Commerce	27-03-1962	6.67	0.00	0.00	6.67	5.19	0.00	0.00	5.19
17	Assam Electronics Development Corporation Ltd.	Information Technology	04-04-1984	9.46	0.00	0.00	9.46	0.55	0.00	0.00	0.55

<i>(Figures in Columns 5(a) to 6 (d) are ₹ in crore)</i>											
Sl. No.	Sector/ Name of the PSU	Name of the Department	Month and year of incorporation	Equity ¹ at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoA	GoI	Others	Total	GoA	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
18	Assam Mineral Development Corporation Ltd.	Mines and Mineral	19-05-1983	4.89	0.00	0.00	4.89	0.00	0.00	0.00	0.00
19	Assam Police Housing Corporation Ltd.	Home	11-05-1980	0.04	0.00	0.00	0.04	0.00	0.00	0.00	0.00
20	Assam Trade Promotion Organisation	Industries & Commerce	17-02-2010	10.00	0.00	0.00	10.00	0.00	0.00	0.00	0.00
Sector wise total				172.27	0.00	0.00	172.27	128.50	0.00	18.57	147.07
MANUFACTURING											
21	Assam Petrochemicals Ltd.	Industries & Commerce	22-04-1971	97.41	0.00	9.13	106.54	0.00	0.00	0.00	0.00
22	Ashok Paper Mill (Assam) Ltd.	Industries & Commerce	06-07-1991	0.01	0.00	0.00	0.01	15.05	0.00	0.00	15.05
23	Assam Hydro-Carbon and Energy Company Ltd.	Industries & Commerce	02-05-2006	21.00	0.00	0.00	21.00	0.00	0.00	0.00	0.00
24	Amtron Informatics (India) Ltd.	Information Technology	27-03-2002	0.00	0.00	0.01	0.01	0.00	0.00	1.20	1.20
25	Assam State Fertilizers and Chemicals Ltd.	Industries & Commerce	30-03-1988	0.00	0.00	4.57	4.57	9.11	0.00	0.35	9.46
Sector wise total				118.42	0.00	13.71	132.13	24.16	0.00	1.55	25.71
SERVICES											
26	Assam Tourism Development Corporation Ltd.	Tourism	06-06-1988	0.39	0.00	0.00	0.39	0.00	0.00	0.00	0.00
Sector wise total				0.39	0.00	0.00	0.39	0.00	0.00	0.00	0.00
MISCELLANEOUS											
27	Assam Government Marketing Corporation Ltd.	Handloom Textile & Sericulture	16-12-1959	2.16	1.34	0.00	3.50	0.00	0.00	0.00	0.00

(Figures in Columns 5(a) to 6 (d) are ₹ in crore)											
Sl. No.	Sector/ Name of the PSU	Name of the Department	Month and year of incorporation	Equity ¹ at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoA	GoI	Others	Total	GoA	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
28	Assam State Text Book Production and Publication Corporation Ltd.	Education	03-03-1972	1.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00
29	Assam Gas Company Ltd.	Industries & Commerce	31-03-1962	16.91	0.00	0.00	16.91	0.00	0.00	0.00	0.00
30	DNP Ltd.	Industries & Commerce	15-06-2007	0.00	0.00	167.25	167.25	0.00	0.00	10.80	10.80
Sector wise total				20.07	1.34	167.25	188.66	0.00	0.00	10.80	10.80
Total B (All sector wise)				363.00	8.72	180.96	552.68	473.92	0.00	46.93	520.85
Total (A+B)				1,170.24	8.72	180.96	1,359.92	3,250.75	0.00	1,138.98	4,389.73
C. Statutory Corporations											
FINANCE											
1	Assam Financial Corporation	Finance	04-01-1954	27.70	0.00	4.70	32.40	40.00	0.00	0.00	40.00
Sector wise total				27.70	0.00	4.70	32.40	40.00	0.00	0.00	40.00
SERVICE											
2	Assam State Transport Corporation	Transport	03-01-1970	157.47	10.26	0.00	167.73 ⁱⁱ	0.00	0.00	0.00	0.00
3	Assam State Warehousing Corporation	Co-operation	08-01-1958	8.00	5.47	0.00	13.47	0.04	4.25	0.00	4.29
Sector wise total				165.47	15.73	0.00	181.20	0.04	4.25	0.00	4.29
Total C (All sector wise Statutory corporations)				193.17	15.73	4.70	213.60	40.04	4.25	0.00	44.29
Grand Total (A + B + C)				1,363.41	24.45	185.66	1,573.52	3,290.79	4.25	1,138.98	4,434.02
D. Non-Power sector PSUs (Non-working)											
AGRICULTURE & ALLIED											
1	Assam Agro-Industries Development Corporation Ltd.	Agriculture	27-01-1975	1.10	1.10	0.00	2.20	6.76	0.00	0.50	7.26

<i>(Figures in Columns 5(a) to 6 (d) are ₹ in crore)</i>											
Sl. No.	Sector/ Name of the PSU	Name of the Department	Month and year of incorporation	Equity ¹ at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoA	GoI	Others	Total	GoA	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
2	Assam State Minor Irrigation Development Corporation Ltd.	Irrigation	15-10-1980	17.35	0.00	0.00	17.35	0.00	0.00	0.00	0.00
Sector wise total				18.45	1.10	0.00	19.55	6.76	0.00	0.50	7.26
INFRASTRUCTURE											
3	Assam Power Loom Development Corporation Ltd.	Industries & Commerce	03-05-1990	3.54	0.00	1.00	4.54	0.00	0.00	0.08	0.08
4	Assam Government Construction Corporation Ltd.	PWD (R&B)	24-03-1964	2.00	0.00	0.00	2.00	0.00	0.00	0.00	0.00
Sector wise total				5.54	0.00	1.00	6.54	0.00	0.00	0.08	0.08
MANUFACTURING											
5	Assam Conductors and Tubes Ltd.	Industries & Commerce	22-06-1964	1.54	0.00	0.00	1.54	29.60	0.00	0.00	29.60
6	Assam State Textiles Corporation Ltd.	Industries & Commerce	26-02-1980	15.76	0.00	0.00	15.76	6.07	0.00	0.00	6.07
7	Pragjyotish Fertilizers and Chemicals Ltd.	Industries & Commerce	27-02-2004	0.00	0.00	2.33	2.33	0.00	0.00	0.00	0.00
8	Assam Tanneries Ltd.	Industries & Commerce	28-09-1961	0.01	0.00	0.01	0.02	0.00	0.00	0.00	0.00
9	Industrial Papers (Assam) Ltd.	Industries & Commerce	09-06-1974	0.00	0.00	0.40	0.40	0.00	0.00	0.00	0.00
10	Assam Spun Silk Mills Ltd.	Industries & Commerce	31-03-1960	1.70	0.00	0.00	1.70	3.79	0.00	0.00	3.79
11	Assam Polytex Ltd.	Industries & Commerce	29-05-1982	0.00	0.00	5.26	5.26	0.00	0.00	0.00	0.00
12	Assam Syntex Ltd.	Industries & Commerce	04-01-1985	0.00	0.00	5.12	5.12	0.00	0.00	0.00	0.00
13	Assam State Weaving and Manufacturing Company Ltd.	Industries & Commerce	29-11-1988	0.00	0.00	8.20	8.20	0.00	0.00	0.00	0.00

<i>(Figures in Columns 5(a) to 6 (d) are ₹ in crore)</i>											
Sl. No.	Sector/ Name of the PSU	Name of the Department	Month and year of incorporation	Equity ⁱ at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GoA	GoI	Others	Total	GoA	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
14	Assam and Meghalaya Mineral Development Corporation Ltd.	Mines and Mineral	08-10-1964	0.20	0.00	0.03	0.23	0.00	0.00	0.00	0.00
15	Cachar Sugar Mills Ltd.	Industries & Commerce	30-03-1972	0.00	0.00	3.38	3.38	0.70	0.00	0.00	0.70
16	Fertichem Ltd.	Industries & Commerce	29-03-1974	0.00	0.00	2.00	2.00	0.00	0.00	0.00	0.00
Sector wise total				19.21	0.00	26.73	45.94	40.16	0.00	0.00	40.16
Total D {All sector wise Non-Power sector PSUs (Non-working)}				43.20	1.10	27.73	72.03	46.92	0.00	0.58	47.50
Grand Total (A+B+C+D)				1,406.61	25.55	213.39	1,645.55	3,337.71	4.25	1,139.56	4,481.52

ⁱ Equity includes share application money

ⁱⁱ Paid up capital of Assam State Transport Corporation does not include ₹ 519.15 crore (plan/non-plan fund) received for creation of assets which was included in the previous Audit Reports as equity.

Appendix 3

Summarised financial position and working results of Government Companies and Statutory Corporations as per their latest financial statements/accounts as on 30 September 2018

(Referred to in paragraph 1.8, 1.9, 1.14, 1.15, 4.2, 4.8.2, 4.11, 4.13, 4.14, 4.17, 4.19 and 4.24)

(Figures in Columns 5 to 12 are ₹in crore)

Sl. No.	Sector/ Name of the PSU	Period of Accounts	Year in which finalised	Net profit/loss before interest & Tax	Net Profit (+)/Loss(-)	Turn-over	Paid Up Capital	Accumulated Profit (+)/Loss(-)	Long term loan outstanding	Net worth [@]	Capital employed [#]	Man-Power
1	2	3	4	5	6	7	8	9	10	11	12	13
A. Power sector PSUs												
1.	Assam Power Generation Corporation Ltd.	2016-17	2017-18	79.02	17.21	534.47	455.86	-156.06	848.57	299.80	1,148.37	1,182
2.	Assam Electricity Grid Corporation Ltd.	2017-18	2018-19	493.03	357.39	1,194.99	99.93	-464.04	567.38	-364.11	203.27	1,708
3.	Assam Power Distribution Company Ltd.	2016-17	2017-18	221.55	-33.98	4,170.04	162.77	-3122.90	1,121.21	-2,960.13	-1838.92	10,920
Total A (Sector wise)				793.60	340.62	5,899.50	718.56	-3743.00	2537.16	-3,024.44	-487.28	13,810
B. Non-Power sector PSUs (Working)												
AGRICULTURE & ALLIED												
4.	Assam Seeds Corporation Ltd.	2013-14	2016-17	-3.64	-3.64	22.00	1.46	-13.17	7.19	-11.71	-4.52	234
5.	Assam Fisheries Development Corporation Ltd.	2012-13	2018-19	1.72	1.72	5.11	0.49	2.92	0.00	3.41	3.41	61
6.	Assam Livestock and Poultry Corporation Ltd.	2016-17	2018-19	-0.24	-0.24	0.15	2.19	-0.77	0.00	1.42	1.42	25
7.	Assam Tea Corporation Ltd.	2012-13	2017-18	-16.07	-19.36	46.15	27.54	-305.77	160.83	-278.23	-117.40	16720
8.	Assam Plantation Crop Development Corporation Ltd. ⁱ	2013-14	2016-17	-1.23	-1.23	0.23	5.00	-4.20	9.69	0.80	10.49	61
Sector wise total				-19.46	-22.75	73.64	36.68	-320.99	177.71	-284.31	-106.60	17,101

Sl. No.	Sector/Name of the Company	Period of Accounts	Year in which finalised	Net profit/loss before interest & Tax	Net Profit (+)/Loss(-)	Turn-over	Paid Up Capital	Accumulated Profit (+)/Loss(-)	Long term loan outstanding	Net worth [@]	Capital employed [#]	Man-Power
1	2	3	4	5	6	7	8	9	10	11	12	13
FINANCE												
9.	Assam Plains Tribes Development Corporation Ltd.	2016-17	2018-19	-0.07	-0.07	0.00	2.95	-30.87	14.78	-27.92	-13.14	145
10.	Assam State Development Corporation for Other Backward Classes Ltd.	2011-12	2017-18	-0.74	-0.74	0.04	2.80	-13.44	5.19	-10.64	-5.45	62
11.	Assam Minorities Development and Finance Corporation Ltd.	1997-98	2016-17	0.01	0.01	0.00	2.00	0.01	0.00	2.01	2.01	0
12.	Assam State Development Corporation for Scheduled Castes Ltd.	2009-10	2012-13	-1.68	-1.68	0.00	9.85	-23.74	18.66	-13.89	4.77	89
13.	Assam State Film (Finance & Development) Corporation Ltd.	2011-12	2015-16	0.17	0.17	0.02	0.10	0.53	0.04	0.63	0.67	12
Sector wise total				-2.31	-2.31	0.06	17.70	-67.51	38.67	-49.81	-11.14	308

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net profit/loss before interest & Tax	Net Profit (+)/Loss(-)	Turn-over	Paid Up Capital	Accumulated Profit (+)/Loss(-)	Long term loan outstanding	Net worth [@]	Capital employed [#]	Man-Power
1	2	3	4	5	6	7	8	9	10	11	12	13
INFRASTRUCTURE												
14.	Assam Hills Small Industries Development Corporation Ltd.	1996-97	2018-19	-0.65	-0.65	0.02	2.00	-7.12	8.48	-5.12	3.36	70
15.	Assam Industrial Development Corporation Ltd.	2016-17	2017-18	4.08	2.58	6.67	122.31	-110.24	86.35	12.07	98.42	108
16.	Assam Small Industries Development Corporation Ltd.	2014-15	2017-18	-3.11	-3.11	44.86	6.67	-17.63	5.19	-10.96	-5.77	112
17.	Assam Electronics Development Corporation Ltd.	2012-13	2016-17	2.26	2.26	0.92	9.46	0.25	0.00	9.71	9.71	273
18.	Assam Mineral Development Corporation Ltd.	2015-16	2017-18	11.59	7.55	70.25	4.89	13.62	0.00	18.51	18.51	82
19.	Assam Police Housing Corporation Ltd.	2012-13	2015-16	2.14	2.14	3.97	0.04	18.78	0.00	18.82	18.82	157
20.	Assam Trade Promotion Organisation	2016-17	2018-19	1.04	0.66	0.50	10.00	1.89	0.00	11.89	11.89	3
Sector wise total				17.35	11.43	127.19	155.37	-100.45	100.02	54.92	154.94	805

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Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net profit/loss before interest & Tax	Net Profit (+)/Loss(-)	Turn-over	Paid Up Capital	Accumulated Profit (+)/Loss(-)	Long term loan outstanding	Net worth [@]	Capital employed [#]	Man-Power
1	2	3	4	5	6	7	8	9	10	11	12	13
MANUFACTURING												
21.	Assam Petrochemicals Ltd.	2017-18	2018-19	5.44	5.44	95.29	9.13	-20.97	0.00	-11.84	-11.84	333
22.	Ashok Paper Mill (Assam) Ltd.	2015-16	2017-18	-0.83	-2.73	0.00	0.01	-83.10	13.32	-83.09	-69.77	8
23.	Assam Hydro-Carbon and Energy Company Ltd.	2016-17	2017-18	1.51	1.51	1.68	21.00	11.41	0.00	32.41	32.41	6
24.	Amtron Informatics (India) Ltd.	2015-16	2018-19	-0.12	-0.12	0.00	0.01	-4.13	0.00	-4.12	-4.12	4
25.	Assam State Fertilizers and Chemicals Ltd.	2009-10	2017-18	0.40	0.40	5.84	4.56	-6.36	9.76	-1.80	7.96	31
Sector wise total				6.40	4.50	102.81	34.71	-103.15	23.08	-68.44	-45.36	382
SERVICES												
26.	Assam Tourism Development Corporation Ltd.	2015-16	2017-18	3.57	2.37	4.13	0.39	14.09	0.00	14.48	14.48	135
Sector wise total				3.57	2.37	4.13	0.39	14.09	0.00	14.48	14.48	135

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net profit/loss before interest & Tax	Net Profit (+)/ Loss(-)	Turn-over	Paid Up Capital	Accumulated Profit(+)/Loss(-)	Long term loan outstanding	Net worth [@]	Capital employed [#]	Man-Power
1	2	3	4	5	6	7	8	9	10	11	12	13
MISCELLANEOUS												
27.	Assam Government Marketing Corporation Ltd.	1999-00	2016-17	-0.78	-0.78	2.98	4.05	-5.53	1.49	-1.48	0.01	60
28.	Assam State Text Book Production and Publication Corporation Ltd.	1992-93	2016-17	0.28	0.28	7.82	1.00	1.26	2.27	2.26	4.53	73
29.	Assam Gas Company Ltd.	2017-18	2018-19	110.83	71.13	226.18	16.91	714.03	0.00	730.94	730.94	425
30.	DNP Ltd.	2017-18	2018-19	51.83	32.31	80.06	167.25	32.36	10.80	199.61	210.41	135
Sector wise total				162.16	102.94	317.04	189.21	742.12	14.56	931.33	945.89	693
Total B (All sector wise)				167.71	96.18	624.87	434.06	164.11	354.04	598.17	952.21	19,424
Total (A+B)				961.31	436.80	6,524.37	1,152.62	-3,578.89	2,891.20	-2,426.27	464.93	33,234
C. Statutory Corporations												
FINANCE												
1.	Assam Financial Corporation	2017-18	2018-19	2.15	0.13	7.84	32.40	-5.72	40.00	26.68	66.68	129
Sector wise total				2.15	0.13	7.84	32.40	-5.72	40.00	26.68	66.68	129
SERVICE												
2.	Assam State Transport Corporation	2015-16	2017-18	-65.31	-65.31	95.23	167.73 ⁱⁱ	-839.53	0.00	-671.80	-671.80	3,254
3.	Assam State Warehousing Corporation	2013-14	2017-18	0.69	0.09	11.24	13.47	-11.35	4.25	2.12	6.37	352
Sector wise total				-64.62	-65.22	106.47	181.20	-850.88	4.25	-669.68	-665.43	3,606
Total C (All sector wise Statutory corporations)				-62.47	-65.09	114.31	213.60	-856.60	44.25	-643.00	-598.75	3,735
Grand Total (A + B + C)				898.84	371.71	6,638.68	1,366.22	-4435.49	2935.45	-3,069.27	-133.82	36,969

Audit Report (PSUs) for the year ended 31 March 2018

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net profit/loss before interest & Tax	Net Profit (+)/Loss(-)	Turn-over	Paid Up Capital	Accumulated Profit (+)/Loss(-)	Long term loan outstanding	Net worth [@]	Capital employed [#]	Man-Power
1	2	3	4	5	6	7	8	9	10	11	12	13
D. PSUs (other than power sector - Non-working)												
1.	Assam Agro-Industries Development Corporation Ltd	2009-10	2017-18	-0.45	-0.45	0.00	2.20	-22.56	7.26	-20.36	-13.10	3
2.	Assam State Minor Irrigation Development Corporation Ltd.	2011-12	2013-14	-0.02	-0.02	0.00	17.35	-63.76	45.65	-46.41	-0.76	0
3.	Assam Power Loom Development Corporation Ltd.	1993-94	2001-02	0.00	0.00	0.00	1.47	0.00	0.00	1.47	1.47	-
4.	Assam Government Construction Corporation Ltd.	2017-18	2018-19	-0.10	-0.10	0.00	2.00	-10.34	0.00	-8.34	-8.34	-
5.	Assam Conductors and Tubes Ltd.	2014-15	2017-18	-2.01	-2.01	0.00	1.54	-8.20	4.68	-6.66	-1.98	3
6.	Assam State Textiles Corporation Ltd.	2016-17	2017-18	0.03	0.03	0.00	15.76	-22.94	6.07	-7.18	-1.11	6
7.	Pragjyotish Fertilizers and Chemicals Ltd.	2012-13	2017-18	0.00	0.00	0.00	2.33	0.00	0.31	2.33	2.64	1
8.	Assam Tanneries Ltd.	1982-83	1983-84	0.00	0.00	0.00	0.02	0.00	0.00	0.02	0.02	0
9.	Industrial Papers (Assam) Ltd.	2000-01	2012-13	0.00	0.00	0.00	0.40	0.00	0.00	0.40	0.40	3

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net profit/loss before interest & Tax	Net Profit (+)/Loss(-)	Turn-over	Paid Up Capital	Accumulated Profit (+)/Loss(-)	Long term loan outstanding	Net worth [@]	Capital employed [#]	Man-Power
1	2	3	4	5	6	7	8	9	10	11	12	13
10.	Assam Spun Silk Mills Ltd.	2013-14	2015-16	0.00	0.00	0.00	1.70	0.00	3.99	1.70	5.69	0
11.	Assam Polytex Ltd.	1987-88	1993-94	0.00	0.00	0.00	5.26	0.00	6.30	5.26	11.56	0
12.	Assam Syntex Ltd.	2015-16	2016-17	0.12	0.12	0.00	5.12	-59.08	0.00	-53.96	-53.96	5
13.	Assam State Weaving and Manufacturing Company Ltd.	2015-16	2016-17	-0.03	-0.03	0.00	8.20	0.00	0.00	8.20	8.20	3
14.	Assam and Meghalaya Mineral Development Corporation Ltd.	1983-84	1984-85	-0.01	-0.01	0.00	0.23	-0.09	0.00	0.14	0.14	0
15.	Cachar Sugar Mills Ltd.	2013-14	2017-18	-0.04	-0.04	0.00	3.38	-7.14	0.42	-3.76	-3.34	3
16.	Fertichem Ltd.	2015-16	2016-17	-0.09	-0.09	0.00	0.43	-22.15	0.00	-21.72	-21.72	2
Total D {All sector wise Non-Power sector PSUs (Non-working)}				-2.60	-2.60	0.00	67.39	-216.26	74.68	-148.87	-74.19	29
Grand Total (A+B+C+D)				896.24	369.11	6,638.68	1433.61	-4,651.75	3,010.13	-3,218.14	-208.01	36,998

ⁱ Assam Plantation Crop Development Corporation Limited finalised its accounts till 1990-91. Thereafter it had finalised two years accounts (2012-13 and 2013-14) with an undertaking that the arrears of accounts (1991-92 to 2011-12) would be finalised within five years.

ⁱⁱ Paid up capital of Assam State Transport Corporation does not include ₹ 519.15 crore (plan/non-plan fund) received for creation of assets which was included in the previous Audit Reports as equity.

[@] Net worth means Paid up Capital (Equity) *plus* Free Reserves and Surplus *minus* Accumulated losses *minus* Deferred Revenue Expenditure.

[#] Capital Employed represents Shareholders' Fund (Net worth) *plus* Long Term Borrowings.

Appendix 4

**Statement showing State Government funds infused in the three power sector PSUs since inception till
31 March 2018
(Referred to in paragraph 1.12)**

(₹ in crore)

Year	APGCL			AEGCL			APDCL			Total		
	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity
2004-05	455.86	0.00	0.00	99.93	0.00	0.00	162.77	0.00	0.00	718.56	0.00	0.00
2005-06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2006-07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2007-08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2008-09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2009-10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2010-11	0.00	0.00	0.00	0.00	0.00	0.00	88.68	0.00	0.00	88.68	0.00	0.00
2011-12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2012-13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2013-14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2014-15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2015-16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2016-17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2017-18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	455.86	0.00	0.00	99.93	0.00	0.00	251.45	0.00	0.00	807.24	0.00	0.00

Appendix 5

Statement showing position of discussion of Audit Reports (power sector) by COPU (referred to in paragraph 1.25)					
Sl. No.	Period of Audit Report	Number of performance audits/ paragraphs			
		Appeared in Audit Report		Pending discussion	
		PAs	Paragraphs	PAs	Paragraphs
1.	1991-92	0	3	0	1
2.	1992-93	0	5	0	5
3.	2000-01	1	5	1	5
4.	2001-02	2	7	2	7
5.	2011-12	1	1*	1	1
6.	2012-13	0	4	0	4
7.	2013-14	0	6	0	6
8.	2014-15	0	3	0	3
9.	2015-16	0	2	0	2
10.	2016-17	1	3	1	3
Total		5	39	5	37

* This is a common paragraph (*paragraph 3.8* of Audit Report (PSU) 2011-12), which includes power sector as well as other than power sector PSUs

Appendix 6

Statement showing position of discussion of Audit Reports (other than Power Sector) by COPU (referred to in paragraph 4.29)					
Sl. No.	Period of Audit Report	Number of performance audits/ paragraphs			
		Appeared in Audit Report		Pending discussion	
		PAs	Paragraphs	PAs	Paragraphs
1.	1990-91	2	7	0	1
2.	1991-92	2	7	2	3
3.	1992-93	2	1	1	0
4.	1993-94	3	9	2	1
5.	1994-95	2	7	0	2
6.	1995-96	1	9	0	6
7.	1996-97	1	6	0	5
8.	1997-98	3	9	1	5
9.	1998-99	1	8	0	5
10.	1999-2000	2	14	1	4
11.	2000-01	2	5	2	3
12.	2001-02	0	7	0	2
13.	2002-03	2	5	2	0
14.	2003-04	1	4	0	2
15.	2004-05	2	4	1	2
16.	2005-06	3	6	1	5
17.	2006-07	1	9	1	2
18.	2007-08	1	9	1	1
19.	2008-09	2	11	0	9
20.	2009-10	0	4	0	2
21.	2010-11	0	8	0	6
22.	2011-12	0	9*	0	2
23.	2012-13	1	3	1	1
24.	2013-14	1	3	1	2
25.	2014-15	1	5	1	4
26.	2015-16	1	7	1	7
27.	2016-17	0	6	0	6
Total		37	182	19	88

* This is a common paragraph (*paragraph 3.8* of Audit Report (PSU) 2011-12), which includes power sector as well as other than power sector PSUs

Appendix 7

Operational performance of Assam State Transport Corporation from 2013-14 to 2017-18 (referred to in paragraph 5.7)						
(₹ in crore)						
Sl. No.	Description	2013-14	2014-15	2015-16	2016-17 (Prov.)	2017-18 (Prov.)
1.	Equity Capital (A)	167.73	167.73	167.73	167.73	167.73
2.	Plan/Non-Plan Fund ¹	459.69	569.99	508.89	514.19	514.46
3.	Capital Reserve	21.26	16.41	12.20	7.99	3.76
4.	Operating Revenue	79.90	85.12	95.23	66.56	77.08
5.	Total Revenue	112.02	136.59	172.61	119.50	127.40
6.	Fixed Costs					
	(i) Salaries & Allowances	69.01	74.85	102.94	89.53	89.36
	(ii) Depreciation	20.24	27.22	26.68	25.32	26.68
	Total Fixed Costs	89.25	102.07	129.62	114.85	116.04
7.	Variable Costs					
	(i) Fuel & Power	45.32	51.02	79.46	42.28	44.96
	(ii) Tyres & Tubes (Stores)	9.61	9.13	5.71	4.37	5.06
	(iv) Other Variable Costs	7.89	3.83	5.25	4.49	4.70
	Total Variable Costs	62.82	63.98	90.42	51.14	54.72
8.	Total Operating Expenditure (6) + (7)	152.07	166.05	220.04	165.99	170.76
9.	Non-operating expenditure	17.08	17.32	17.88	20.35	20.19
10.	Total Expenditure (8) + (9)	169.15	183.37	237.92	186.34	190.95
11.	Operating Profit (+)/Loss (-) (4) – (8)	-72.17	-80.93	-124.81	-99.43	-93.68
12.	Profit (+)/Loss (-) for the year (5) – (10)	-57.13	-46.78	-65.31	-66.84	-63.55
13.	Accumulated Loss (-) (B)	-732.85	-779.90	-839.53	-906.37	-969.92
14.	Net worth² (A) – (B)	-565.12	-612.17	-671.80	-738.64	-802.19
15.	Gross Kilometre operated (₹ in crore)	2.92	2.99	3.13	2.79	3.03
16.	Operating Revenue per Kilometre (in ₹) (4)/(15)	27.36	28.47	30.42	23.86	25.44
17.	Operating expenditure per Kilometre (in ₹) (8)/(15)	52.08	55.54	70.30	59.49	56.36
18.	Net operating loss per Kilometre (in ₹) (16) – (17)	(24.72)	(27.07)	(39.88)	(35.63)	(30.92)

¹ Plan Fund includes fund received from GoA for infrastructure development, purchase of buses, etc., and Non-Plan Fund includes fund received for repairs of buses, salaries etc.

² Net worth represents paid-up share capital *minus* accumulated loss.

Appendix 8

Prioritisation of execution of projects based on awarded cost (lowest to highest) (referred to in paragraph 5.23)		
(₹ in crore)		
Sl. No.	Name of the project	Awarded cost
1	Station Building at Darikarpar	0.11
2	Improvement of Station Building at Thelamara	0.14
3	Station Building at Sonapur	0.15
4	Station Building at Bihupuria	0.15
5	Improvement of Station Building at Simaluguri	0.15
6	Station Building at Margherita	0.20
7	Station Building and yard wall at Dalgaon	0.20
8	Station Building at Sipajhar	0.22
9	Station Building at Jagiroad	0.23
10	Improvement of Station Building at Dhakuakhana	0.24
11	Station Building and yard wall at Kharupetia	0.26
12	Station Building yard at Bhergaon	0.27
13	Improvement of Station Building at Hawazan	0.27
14	Improvement of Station Building at Laluk	0.28
15	Improvement of Station Building at Hamren	0.29
16	Improvement of Station Building at Jamuguri	0.31
17	Station Building at Digboi	0.39
18	Station Building at Dimaruguri	0.40
19	Improvement of Station Building at Teok	0.41
20	Improvement of Station Building at Amguri	0.42
21	Improvement of Station Building at Dhupdhora	0.42
22	Station Building and yard wall at Lengeripara	0.43
23	Construction of Yard, maintenance centre and Station Building at Nagaon	0.47
24	Development of Maintenance Centre at Nalbari	0.47
25	Station building, Yard, Wall at Majuli	0.49
26	Improvement of Station Building at Silapathar	0.50
27	Station Building and yard wall at Sootia	0.50
28	Development of Maintenance Centre at Barpeta	0.52
29	Station building, Yard, Wall at Kamargaon	0.54
30	Station building, Yard, Wall at Mariani	0.56
31	Station Building at Bortola	0.60
32	Station Building yard at Machkhowa	0.62
33	Development of Workshop at Silchar	0.87
Total		12.08

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