सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Public Sector Undertakings

for the year ended 31 March 2017

Government of Assam

Report No. 1 of 2018

REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

ON

PUBLIC SECTOR UNDERTAKINGS

FOR THE YEAR ENDED 31 MARCH 2017

GOVERNMENT OF ASSAM
(REPORT NO. 1 OF 2018)

Table of Contents

Preface

This Report deals with the results of audit of Government Companies and Statutory Corporations for the year ended 31 March 2017.

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 the officers of the CAG and the CAG gives 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.

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 2016 to March 2017 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 2017 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 includes three chapters. **Chapter I** provides an overview of State Public Sector Undertakings (SPSUs). This Chapter includes figures on total investments in equity/long term loans of SPSUs, data on their financial performance, status of finalisation of their accounts, *etc*. **Chapter II** includes a performance audit relating to one State Government company. **Chapter III** of the Report includes nine audit paragraphs emerging from the compliance audit of SPSUs.

Audit sent the draft reports of compliance audit paragraphs and performance audit (PA) to the Commissioner/Principal Secretary/Secretary of the Departments concerned with request to furnish replies within six weeks. The Departments did not furnish replies against five compliance audit paragraphs and one performance audit. Audit however, discussed (5 September 2017) the draft PA with the representatives of the Government of Assam (GoA) in the Exit Conference. Audit had appropriately considered the view expressed by the representatives of the GoA in the Exit conference while finalising the Audit Report. A synopsis of the important findings contained in this Audit Report are as discussed below.

Chapter I Functioning of State Public Sector Undertakings

As on 31 March 2017, the State of Assam had 49 SPSUs (33 working and 16 non-working SPSUs), which employed 37,558 employees. The 33 working SPSUs included 30 Companies and 3 Statutory Corporations. The working SPSUs registered a turnover of ₹ 5,608.72 crore for 2016-17 as per their latest finalised accounts as on 30 September 2017. This turnover was equal to 2.18 *per cent* of State Gross Domestic Product. The working SPSUs incurred an overall loss of ₹ 279.72 crore for 2016-17 as per their latest finalised accounts as on 30 September 2017. The Return on Equity (RoE) in respect of 18 out of 33 working SPSUs was 7.32 *per cent* as per their latest finalised accounts as on 30 September 2017. The accumulated losses of remaining 15 working SPSUs had completely eroded their share capital. Hence, RoE of these 15 SPSUs was not workable. Accumulation of huge losses by these SPSUs had eroded public wealth, which is a cause of serious concern.

Investment in SPSUs

The investment (capital and long-term loans) in 49 SPSUs was ₹ 5,436.30 crore as on 31 March 2017. It increased by 55.06 *per cent* from ₹ 3,505.97 crore in 2012-13. The thrust of investment in SPSUs was mainly in the power sector SPSUs. The investment in power sector SPSUs increased by 114 *per cent* from ₹ 1,896.99 crore (2012-13) to ₹ 4,055.83 crore (2016-17). The State Government provided an aggregate amount of ₹ 1,253.39 crore towards equity (₹ 0.07 crore), loans (₹ 411.57 crore) and grants/subsidies (₹ 841.75 crore) to 13 SPSUs during 2016-17.

Arrears in accounts and winding up

As on September 2017, out of 33 working SPSUs, 28 working SPSUs had arrears of 179 accounts. The extent of arrears ranged up to 24 years, which was significant. Further, out of 16 non-working SPSUs, 14 SPSUs had arrears of accounts ranging upto 34 years. The State Government needs to expedite the liquidation process to wind up 16 non-working SPSUs, as they do not serve any purpose.

Explanatory notes not received

As per the instructions (May 1994) of the GoA, the administrative departments concerned were required to prepare explanatory notes on the performance audits and audit paragraphs included in the Audit Reports. The administrative departments were required to submit the said explanatory notes to the Assam Legislative Assembly with a copy to the Accountant General within 20 days from the date of receipt of the Audit Reports.

The administrative departments concerned did not submit any explanatory notes on 26 Audit Reports (1990-91 to 2015-16) containing 54 performance audits and 303 audit paragraphs submitted to the State Legislature as on 30 September 2017.

Compliance to Reports of Committee on Public Undertakings (COPU)

Action Taken Notes (ATN) on 112 recommendations pertaining to 15 Reports of the COPU presented (October 2002 to December 2011) to the State Legislature had not been received (September 2017). These reports of COPU contained recommendations in respect of 9 performance audits and 50 paragraphs pertaining to 7 departments, which appeared in the Audit Reports of the CAG of India for the years 1994-95 to 2006-07.

Chapter II Performance Audit relating to Government Company

Performance Audit on 'Implementation of Restructured-Accelerated Power Development and Reforms Programme component in Assam under Integrated Power Development Scheme' by Assam Power Distribution Company Limited

The overview of the Audit findings is given below:

Introduction

The Government of India (GoI) launched (December 2008) the Re-structured Accelerated Power Development and Reforms Programme (R-APDRP scheme/Scheme). GoI further launched (December 2014) the Integrated Power Development Scheme (IPDS), which subsumed the existing R-APDRP scheme. The Assam Power Distribution Company Limited (Company) took up (November 2009) the Scheme in Assam with a completion schedule of five years (November 2014). The basic objective of the Scheme was to reduce Aggregate Technical and Commercial (AT&C) losses in the power distribution sector of the Country. The present Audit Report covered the performance of the Company in conceptualisation, implementation and achievement of the objectives of the R-APDRP scheme during the period from April 2009 to March 2017.

(Paragraph 2.1)

Planning

The Company did not prepare any comprehensive plan for implementation of Scheme works in the State. This led to lack of proper foresight at the planning stage and mid-course corrections in design, work specifications, change in project sites on account of defective Detailed Project Reports.

(Paragraph 2.7.1)

Funding

The Company included additional 15 *per cent* on the cost estimates prepared as per the Schedule of Rate (SoR) without the approval of GoI. This addition was made on the plea to keep a cushion for absorbing the cost escalation. The project cost was, thus, overestimated by ₹ 77.87 crore due to preparation of inflated cost estimates.

(Paragraph 2.8.1 (i))

The Company included additional supervision charges component (15 *per cent*) while preparing the cost estimates for Part-B project works. This irregularly inflated project cost by ₹ 11.75 crore in violation of the Scheme guidelines.

(Paragraph 2.8.1 (ii))

Project Implementation (Part-A projects)

The Company had taken an unreasonably high period of two years in selection of IT Implementing Agency (ITIA) after appointment of IT consultant. The Company had, further, taken a period of 14 months in handing over the Data Centre (DC) building to ITIA. As a result, the ITIA could complete the works (March 2016) after 39 months of scheduled date (January 2013).

(Paragraph 2.9.1.2)

To perform energy audit and accounting of project areas, it was essential that the project areas had up-to-date Geographic Information System (GIS) mapping of asset and consumer information in GIS repository. The Company had never updated the system for changes in assets and consumer base in the projects areas. The GIS maps of assets and consumers information prepared for the project areas become outdated.

(Paragraph 2.9.1.4)

The Company could achieve 100 *per cent* online communication in 6 out of 67 project areas. The non-availability of online data was mainly attributable to defective meters and modems, defective Data Concentrating Units, failure/non-availability of General Packet Radio Service (GPRS) connectivity *etc*. The accuracy and credibility of the AT&C loss data in different project areas, thus, remained questionable.

(Paragraph 2.9.1.5)

Project Implementation (SCADA)

The Supervisory Control and Data Acquisition (SCADA) project, which was originally scheduled for completion by March 2014, could not be completed so far (September 2017). The Company could install only 29 Remote Terminal Units (RTUs) out of total 36 RTUs planned for installation in equal number of 33/11 KV substations. Further, the Company could make only 13 RTUs operational through SCADA control system out of said 29 RTUs.

(Paragraph 2.9.2 & 2.9.2.2)

The Company could not develop the Distribution Management System (DMS) and therefore generated various Management Information System (MIS) reports based on the alarm data[1] of the SCADA application. The reports so generated were erroneous due to discrepancies and inconsistencies in the alarm data. The Company, thus, could not achieve the basic Scheme objective to have on-line control and monitoring over the distribution network without human intervention.

(Paragraph 2.9.2.3)

Project Implementation (Part-B projects)

The Company could not complete Part-B works in any of the 67 project areas within the original scheduled completion period (November 2014). As of September 2017, the Company could complete the scheme works in 47 out of total 67 project areas. The Part-B projects in remaining 20 project areas were ongoing.

(Paragraph 2.9.3)

The Company could not install 21,827 prepaid meters valuing ₹ 14.60 crore out of 24,212 meters as the meters procured did not have the features relating to recording of power factor reading and Maximum Demand. Further, the warranty period of 15,657 meters valuing ₹ 9.68 crore had expired before installation.

(Paragraph 2.9.3.4(B))

[1] Data generated by the SCADA system in case of any fault in the SCADA network.

The Company could achieve the targeted level (15 *per cent*) of Aggregate Technical & Commercial losses (AT&C losses) only in 5 out of 47 completed project areas.

(Paragraph 2.9.3.6)

Monitoring

The State Level Distribution Reforms Committee formed (June 2009) to monitor the execution of the scheme met only thrice since its inception. There were delays in resolving issues relating to selection of project works sites, receipt of materials not conforming to specification and integration of SCADA equipment with SCADA system.

(Paragraph 2.10.1 & 2.10.2)

Chapter III Compliance Audit Observations

Overview of some of the important audit observations is as given below:

DNP[2] Limited had to sustain a net revenue loss of ₹ 6.73 crore due to non-revision of transportation tariff on account of variation in the fuel cost.

(Paragraph 3.1)

In the case of theft of electricity, the quantum of electricity loss shall be assessed based on the assessed consumption of detected category as per the AERC Regulations and connected load of the consumer for a period of 12 months prior to the date of detection. The Company shall bill the consumer at the rate of two times of the existing tariff. However, **Assam Power Distribution Company Limited** billed two consumers based on 'average consumption' thereby incurring a loss of ₹ 2.17 crore.

(Paragraph 3.4)

Assam Small Industries Development Corporation Limited extended undue benefit of ₹ 1.54 crore to the suppliers at the cost of State exchequer due to fixation of rates on the higher side.

(Paragraph 3.6)

Assam Power Generation Corporation Limited had to forego the 'efficiency incentive' amounting to ₹ 1.17 crore due to incorrect classification of a hydroelectric project, which was eligible for higher incentive.

(Paragraph 3.7)

[2] DNP stood for Duliajan-Numaligarh Pipeline. The Company was, however, registered in the name of 'DNP Limited' as per the certificate of incorporation issued by the Registrar of Companies.

Functioning
of
State Public Sector Undertakings

Chapter I - Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (SPSUs) comprise of State Government Companies and Statutory Corporations. The SPSUs 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 2017, there were 49 SPSUs in Assam. The details are given below.

Table 1.1: Total number of SPSUs as on 31 March 2017

Type of SPSUs	Working SPSUs	Non-working SPSUs[1]	Total
Government Companies[2]	30	16	46
Statutory Corporations	03	0	03
Total	**33**	**16**	**49**

Source: information furnished by the Companies/Corporations

The working SPSUs registered a turnover of ₹ 5,608.72 crore as per their latest finalised accounts as on September 2017. This turnover was equal to 2.18 *per cent* of State Gross Domestic Product (GDP) of ₹ 2,57,510 crore[3] for 2016-17. During 2015-16, the contribution of the turnover (₹ 5,061.36 crore) of working SPSUs was marginally higher at 2.24 *per cent* of the State GDP (₹ 2,26,276 crore). The working SPSUs incurred an aggregate loss of ₹ 279.72 crore as per their latest finalised accounts as on September 2017 as compared to the aggregate loss of ₹ 663.12 crore during 2015-16. The losses of working SPSUs during 2016-17 had reduced mainly on account of decrease in the net loss of one power sector company (Assam Power Distribution Company Limited) from ₹ 577.50 crore[4] (2015-16) to ₹ 103.90 crore[5] (2016-17). The SPSUs had employed 37,558 employees as at the end of March 2017. The total investment in 33 working SPSUs was ₹ 5,285.43 crore. The Return on Equity (RoE) in respect of 18 out of 33 working SPSUs was 7.32 *per cent* as per their latest finalised accounts as on 30 September 2017. The accumulated losses (₹ 4,799.52 crore) of remaining 15 working SPSUs had completely eroded their

---

1 Non-working SPSUs are those which have ceased to carry on their operations.

2 Government Companies include *Other Companies* referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013.

3 State GDP (Quick estimate) as per information furnished by Director, Economic and Statistics, Government of Assam.

4 Net loss as per latest finalised accounts (2014-15) as on 30 September 2016.

5 Net loss as per latest finalised accounts (2015-16) as on 30 September 2017.

share capital (₹ 1,073.45 crore) as per their latest finalised accounts. Hence, RoE of these 15 SPSUs was not workable.

As on 31 March 2017, there were 16 non-working SPSUs having total investment of ₹ 150.87 crore (paid up capital: ₹ 69.64 crore and long term loans: ₹ 81.23 crore). This was a critical area, as the investments in non-working SPSUs do not contribute to the economic growth of the State.

Accountability framework

1.2 The audit of the financial statements of a Company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013. The audit of a Company in respect of the financial years that commenced earlier than 1 April 2014, however, continues to be governed by the Companies Act, 1956.

According to Section 2(45) of the Companies Act, 2013 (Act), a Government Company is one in which not less than 51 *per cent* of the paid-up capital is held by the Central and/or State Government(s). The subsidiary of a Government Company is also covered under the definition of a Government Company. The process of audit of Government Companies under the Act is governed by the related provisions of Section 139 and 143 of the Act.

Statutory Audit

1.3 The financial statements of a Government Company (as defined in Section 2 (45) of the Act) are audited by the Statutory Auditors. The said Statutory Auditors are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 139(5) or (7) of the Act. These financial statements are subject to supplementary audit conducted by CAG under the provisions of Section 143(6) of the Act. Further, the Statutory Auditors of any 'Other Company'[6] owned or controlled, directly or indirectly by the Central and/or State Government (s) are also appointed by CAG as per the provisions of Section 139(5) or (7) of the Act.

As per the provisions of Section 143(7) of the Act, the CAG, in case of any Company (Government Company or Other Company) covered under sub-section (5) or sub-section (7) of Section 139 of the Act, may if considered necessary, by an order, cause 'test audit' to be conducted of the accounts of such Company (Government Company and Other Company). 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'.

---

6 As referred to in Section 139(5) and 139(7) of the Act.

Audit of Statutory Corporations is governed by their respective legislations. The State of Assam had three Statutory Corporations (all working). CAG is the sole auditor for one Statutory Corporation namely, Assam State Transport Corporation. In respect of the remaining two Statutory Corporations (*viz.*, Assam State Warehousing Corporation and Assam Financial Corporation), the statutory audit is conducted by Chartered Accountants and the supplementary audit by CAG.

Role of Government and Legislature

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

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSUs. For this purpose, the Annual Reports of State Government Companies together with the Statutory Auditors' Reports and comments of the CAG thereon are to be placed before the Legislature under Section 394 of the Act. Similarly, the Annual Reports of Statutory Corporations along with the Separate Audit Reports of CAG are 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 Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of State Government

1.5 The State Government has significant financial stake in the SPSUs. 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 SPSUs from time to time.

- **Special Financial Support** - State Government provides budgetary support by way of grants and subsidies to the SPSUs as and when required.

- **Guarantees** - State Government also guarantees the repayment of loans with interest availed by the SPSUs from Financial Institutions.

Investment in SPSUs

1.6 As on 31 March 2017, the investment (capital and long-term loans) in 49 SPSUs was ₹ 5,436.30 crore. Details are given in ***Table 1.2***.

Table 1.2: Total investment in SPSUs

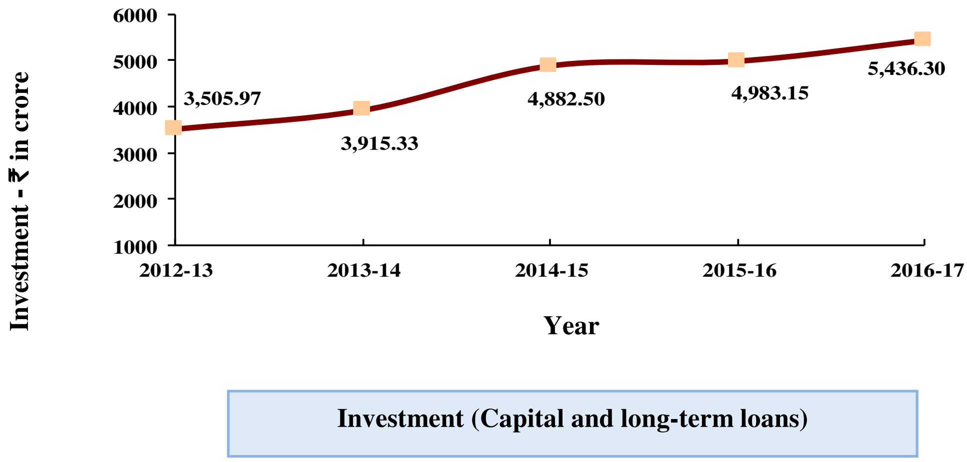
(₹in crore)

Type of SPSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working SPSUs	1,255.30	3,772.25	5,027.55	213.59	44.29	257.88	5,285.43
Non-working SPSUs	69.64	81.23	150.87	Nil	Nil	Nil	150.87
Total	**1,324.94**	**3,853.48**	**5,178.42**	**213.59**	**44.29**	**257.88**	**5,436.30**

(***Source: information furnished by the Companies/Corporations***)

Out of the total investment of ₹ 5,436.30 crore in SPSUs as on 31 March 2017, 97.23 *per cent* was in working SPSUs and the remaining 2.77 *per cent* in non-working SPSUs. This total investment consisted of 28.30 *per cent* towards capital and 71.70 *per cent* in long-term loans. The investment has grown by 55.06 *per cent* from ₹ 3,505.97 crore in 2012-13 to ₹ 5,436.30 crore in 2016-17 as shown in ***Chart 1.1***.

Chart 1.1: Total investment in SPSUs



1.7 The sector wise summary of investments in the State PSUs as on 31 March 2017 is given in ***Table 1.3***.

Table 1.3: Sector-wise investment in SPSUs

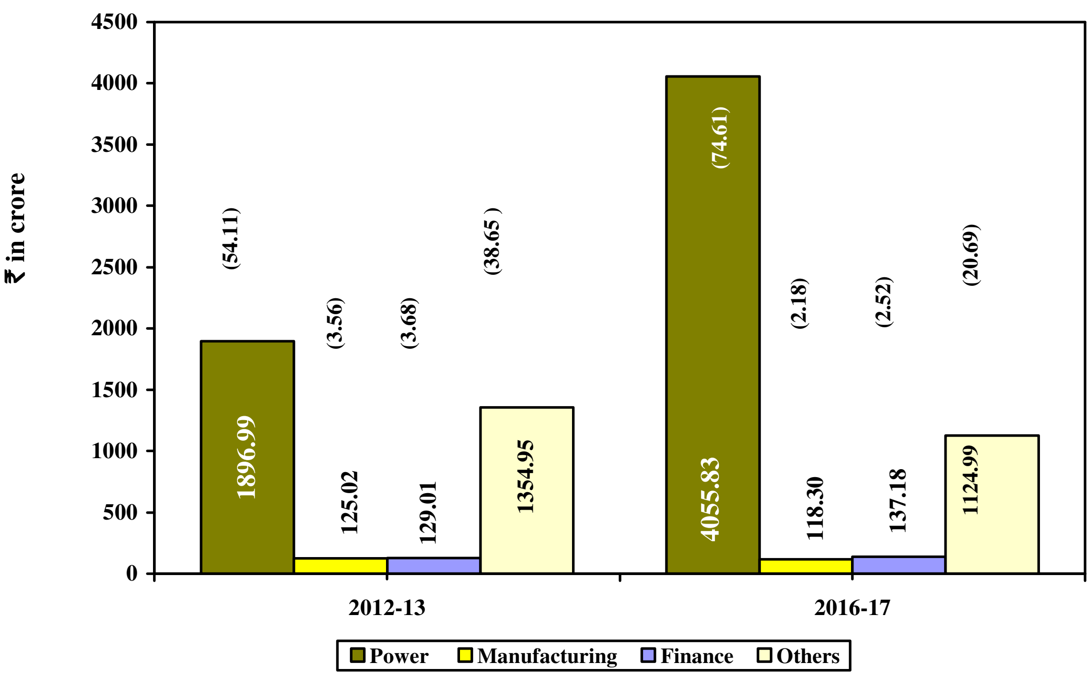
(₹in crore)

Name of Sector	Government/*Other*[7] Companies		Statutory Corporations	Total Investment
	Working	Non-Working	Working	
Power	4,055.83	Nil	Nil	4,055.83
Manufacturing	45.68	72.62	Nil	118.30
Finance	64.79	Nil	72.39	137.18
Miscellaneous	226.45	Nil	Nil	226.45
Service	0.39	Nil	185.49	185.88
Infrastructure	307.51	5.79	Nil	313.30
Agriculture & Allied	326.90	72.46	Nil	399.36
Total	**5,027.55**	**150.87**	**257.88**	**5,436.30**

Source: information furnished by the Companies/Corporations

The investment in four significant sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are indicated in ***Chart 1.2***. As can be noticed from ***Chart 1.2***, the thrust of SPSU-investment was mainly in the power sector SPSUs. The investment in power sector SPSUs increased by 114 *per cent*, from ₹ 1,896.99 crore (2012-13) to ₹ 4,055.83 crore (2016-17). The leap in investment in the power sector was mainly on account of increase of ₹ 2,159.48 crore in the long-term borrowings of three power sector companies from ₹ 1,089.12 crore (2012-13) to ₹ 3,248.60 crore (2016-17) during the period of five years.

Chart 1.2: Sector wise investment in SPSUs



(Figures in brackets show the *per cent* of total investment)

---

7 '*Other Companies*' as referred to under Section 139(5) and 139(7) of the Companies Act, 2013.

Special support and returns during the year

1.8 The State Government provides financial support to SPSUs in various forms through the annual budget. The details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of SPSUs for three years ended 2016-17 are given in ***Table 1.4***.

Table 1.4: Details regarding budgetary support to SPSUs

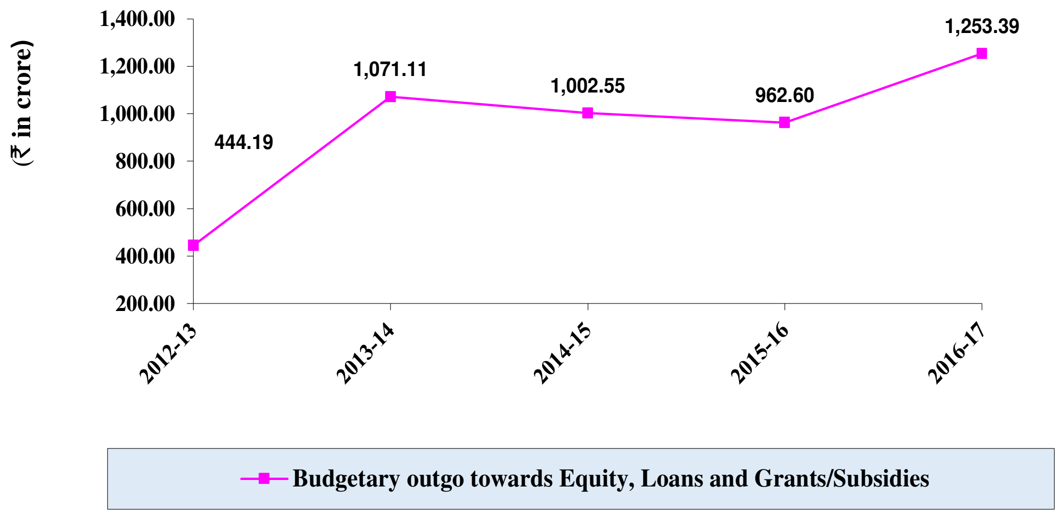
(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	Nil	Nil	Nil	Nil	1	0.07
2.	Loans given from budget	5	589.48	6	455.35	6	411.57
3.	Grants/Subsidy from budget	13	413.07	9	507.25	9	841.75
4.	**Total Outgo[8]**	**17**	**1,002.55**	**12**	**962.60**	**13**	**1,253.39**
5.	Waiver of loans and interest	Nil	Nil	Nil	Nil	Nil	Nil
6.	Guarantees issued	Nil	Nil	Nil	Nil	Nil	Nil
7.	Guarantee Commitment	Nil	Nil	Nil	Nil	Nil	Nil

Source: information furnished by the Companies/Corporations

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in ***Chart 1.3***.

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



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

From the ***Chart 1.3***, it can be seen that the budgetary outgo to SPSUs during 2012-17 in the form of equity, loans, grants/subsidy, *etc*. was lowest (₹ 444.19 crore) during 2012-13. The budgetary support during 2013-14 had increased significantly to ₹ 1,071.11 crore. The budgetary outgo to SPSUs, however, showed a mixed trend after 2013-14. During 2016-17, the budgetary outgo to SPSUs was ₹ 1,253.39 crore as compared to ₹ 1,002.55 crore extended during 2014-15. This increase was mainly due to increase in the budgetary support (loans, grants/subsidies) to the power sector SPSUs from ₹ 909.91 crore (2014-15) to ₹ 1,145.64 crore (2016-17). During 2016-17, the State Government had provided the budgetary support of ₹ 107.75 crore to other sector SPSUs (*viz*. Manufacturing, Finance, Services and Others). This budgetary support was less than 10 *per cent* of the budgetary outgo (₹ 1,145.64 crore) provided to power sector SPSUs during 2016-17. This indicated the priorities set by the State Government towards development of the State power sector. As per information furnished by SPSUs, no guarantee commitments were outstanding at the end of 2016-17.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity and loans extended by the State Government and remained outstanding as per the records of SPSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the SPSUs concerned and the Finance Department are required to carry out reconciliation of differences. The position in this regard as on 31 March 2017 is summarised in ***Table 1.5***.

Table 1.5 – Equity and loans outstanding as per the State Finance Accounts *vis-a-vis* records of SPSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	2,316.75	1,328.92	987.83
Loans	4,243.55	2,885.61	1,357.94

It can be noticed that there were significant unreconciled differences in the figures of equity and loans as per two sets of records. Audit observed that the unreconciled differences in the investment figures had increased by ₹ 613.95 crore (equity) and ₹ 190.60 crore (loans) as compared to last year (2015-16). The difference in equity[9] figures existed in respect of all 49 SPSUs. As the un-reconciled differences of outstanding investments remained significant, the State Government and the SPSUs concerned need to take concrete steps to reconcile the differences in a time-bound manner.

[9] SPSU-wise details of loans were not available in the Finance Accounts of the State.

Arrears in finalisation of accounts

1.10 The Financial Statements of the Companies 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) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Table 1.6 provides the details of progress made by working SPSUs in finalisation of accounts as on 30 September 2017.

Table 1.6: Position relating to finalisation of accounts of working SPSUs

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of working SPSUs	40	40	33	33	33
2.	Number of accounts finalised during the year	46	63	58	74	25
3.	Number of accounts in arrears	316	293	212[10]	171	179
4.	Number of working SPSUs with arrears in accounts	37	34	25	26	28
5.	Extent of arrears (in years)	1 to 25	1 to 26	1 to 27	1 to 25	1 to 24

(Source: Records of the office and information furnished by the SPSUs)

As can be noticed from ***Table 1.6***, the number of accounts in arrears of the working SPSUs has shown a decreasing trend during the four years (2012-13 to 2015-16). During the current year (2016-17), however, the backlog of accounts had marginally increased from 171 (2015-16) to 179 accounts (2016-17). This increase was due to less number of accounts finalised by the SPSUs during 2016-17 as compared to previous years.

The administrative departments have the responsibility to oversee the activities of the SPSUs. The administrative departments concerned were also responsible to ensure that the SPSUs finalise and adopt their accounts within the stipulated period. In view of the huge arrears in submission of accounts by the SPSUs, the Accountant General (AG) had been taking up (September 2016 and March 2017) the matter regularly with the State Government and the administrative departments concerned for liquidating the arrears of accounts of SPSUs. As on September 2017, however, 28 working SPSUs had backlog of 179 accounts with period of arrears ranging up to 24 years, which was significant.

[10] Excluding the arrears of 56 accounts as of 2013-14 in respect of seven SPSUs (Sl. No. C-1 to C-7 of ***Annexure 2***), which are now considered as non-working.

1.11 The State Government had invested ₹ 1,427.26 crore[11] in 16 SPSUs during the years for which their accounts were in arrears, as detailed in ***Annexure 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 State Government investment in such SPSUs remained outside the control of State Legislature.

1.12 In addition to the above, there were arrears in finalisation of accounts by non-working SPSUs. As on 30 September 2017, 14 SPSUs[12] out of total 16 non-working SPSUs, had arrears of accounts ranging from 1 to 34 years. The position of arrears in accounts of the non-working SPSUs is given in ***Table 1.7***.

Table 1.7: Position relating to arrears of accounts in respect of non-working SPSUs

No. of non-working Companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
2[13]	More than 30 years	67
2[14]	20-30	52
1[15]	10-20	16
9[16]	1-10	39

Source: Information furnished by the Companies/Corporations

Placement of Separate Audit Reports

1.13 The position depicted in ***Table 1.8*** shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2017) on the accounts of Statutory Corporations in the Legislature.

---

[11] Equity: ₹ 0.40 crore (2 SPSUs), loans: ₹ 518.87 crore (7 SPSUs) and grants ₹ 907.99 crore (13 SPSUs)

[12] Excepting two non-working SPSUs (*viz*., Assam Government Construction Corporation Limited and Assam State Textiles Corporation Limited) which had no arrears in accounts.

[13] Sl. No. C-8 and C-14 of ***Annexure 2***

[14] Sl. No. C-3 and C-11 of ***Annexure 2***

[15] Sl. No. C-9 of ***Annexure 2***

[16] Sl. No. C-1, C-2, C-5, C-7, C-10, C-12, C-13, C-15 and C-16 of ***Annexure 2***

Table 1.8: Placement of Separate Audit Reports

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to Government	Present Status
1.	Assam State Transport Corporation	2014-15	Nil	Nil	Nil
2.	Assam Financial Corporation	2014-15	2015-16	December 2016	Not placed
3.	Assam State Warehousing Corporation	2007-08	2008-09	September 2013	Not placed
			2009-10	August 2014	Not placed
			2010-11	November 2016	Not placed

Source: Records of the office and information furnished by the Corporations

As could be noticed from ***Table 1.8***, total four SARs issued by CAG upto 30 September 2017 were pending for placement in the State Legislature by the State Government. These four SARs pertained to two Statutory Corporations, namely, Assam Financial Corporation (one SAR) and Assam State Warehousing Corporation (three SARs). The State Government and the Statutory Corporations, however, had not provided any information with regard to the reasons for delay in placement of SARs in the Legislature.

Impact of arrears in accounts

1.14 Delays in finalisation of the accounts entail the risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statues. In view of the position of arrears of accounts indicated under ***paragraph 1.10*** to ***1.12,*** the actual contribution of SPSUs to the State GDP for the year 2016-17 could not be ascertained and their contribution to State exchequer could not be reported to the State Legislature.

The Government may therefore, consider:

- **to set up a cell to oversee the clearance of arrears in accounts and set the targets for individual SPSUs which would be monitored by the cell.**
- **outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Performance of SPSUs as per their latest finalised accounts

1.15 The financial position and working results of working SPSUs are detailed in ***Annexure 2***. A ratio of SPSU-turnover to State GDP shows the extent of SPSU-activities in the State economy. ***Table 1.9*** provides the details of working SPSUs turnover against the State GDP for a period of five years ending 2016-17.

Table 1.9: Details of working SPSUs turnover *vis-a-vis* State GDP

(₹in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover[17]	3,509.96	3,910.26	4,380.58	5,061.36	5,608.72
State GDP[18]	1,56,864	1,77,745	1,95,723	2,26,276	2,57,510
Percentage of Turnover to State GDP	2.24	2.20	2.24	2.24	2.18

Source: Information furnished by the Companies/Corporations and Economic Survey, published by the State Government

As can be noticed from ***Table 1.9***, the turnover of the working SPSUs showed an increasing trend during five years from 2012-13 to 2016-17. The *percentage* of turnover to the State GDP during the said period, however, mostly remained consistent excepting marginal variations during 2013-14 and 2016-17. This was indicative of the fact that year-wise growth in SPSUs turnover was mostly commensurate with the corresponding growth in the State GDP during 2012-13 to 2016-17.

The Power and Transport sectors are important drivers of the economy. Audit analysed the turnover of Power and Transport sector SPSUs vis-à-vis the State GDP during 2012-13 to 2016-17. Audit observed that during 2012-13 to 2016-17, the said SPSUs had registered an overall increase of 70.74 *per cent* in their turnover. This increase was encouraging as compared to the growth rate (64.16 *per cent*) of the State GDP during the same period.

Erosion of capital due to losses

1.15.1 The paid-up capital and accumulated losses of 33 working SPSUs as per their latest finalised accounts as on 30 September 2017 were ₹ 1,937.87 crore and ₹ 4,280.26 crore respectively (***Annexure 2***). Analysis of investment and accumulated losses of these SPSUs revealed that the accumulated losses (₹ 4,799.52 crore) of 15[19] working SPSUs had completely eroded their paid-up capital (₹ 1,073.45 crore).

Of these 15 SPSUs, the primary erosion of paid-up capital was in respect of 2[20] power sector companies. The accumulated losses (₹ 3,511.13 crore) of these 2 power sector companies had completely eroded their paid-up capital (₹ 262.70 crore) as per their latest finalised accounts. Among non-power sector

---

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

18 State GDP as per Economic Survey, 2016-17, published by Government of Assam.

19 Sl. No. A1, A4, A6, A7, A9, A11, A13, A18, A19, A21, A22, A24, A25, A27 & B2 of ***Annexure 2***.

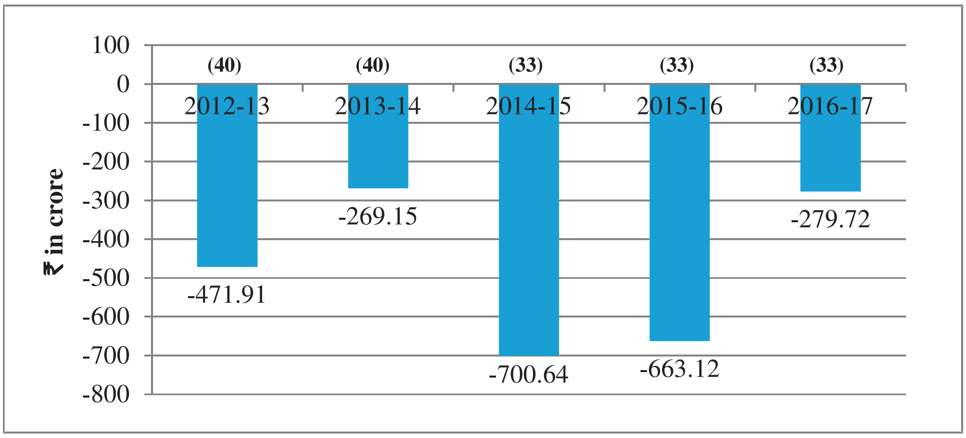
20 Sl. No. A24 and A25 of ***Annexure 2***.

SPSUs, the paid-up capital had primarily eroded in respect of two SPSUs, namely, Assam State Transport Corporation (paid-up capital: ₹ 737.72 crore; accumulated losses: ₹ 779.90 crore) and Assam Tea Corporation Limited (paid-up capital: ₹ 29.54 crore; accumulated losses: ₹ 286.40 crore).

Accumulation of huge losses by these SPSUs had eroded public wealth, which is a cause of serious concern.

1.16 Overall position of the aggregate profits earned/losses incurred by working SPSUs during 2012-13 to 2016-17 has been depicted in ***Chart 1.4***.

Chart 1.4 Profit/Loss of working SPSUs



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

As could be noticed from the ***Chart 1.4***, the working SPSUs had incurred overall losses during all five years under reference. The overall losses of the working SPSUs had shown a mixed trend during the last five years from 2012-13 to 2016-17. The significant increases in the losses of SPSUs during 2014-16 were mainly due to heavy losses[21] incurred by the three power sectors companies. During 2016-17, however, the losses of power sector companies had reduced significantly to ₹ 302.71 crore, which correspondingly reduced the overall losses of the working SPSUs to ₹ 279.72 crore during 2016-17.

During the year 2016-17, out of 33 working SPSUs, 18 SPSUs earned an aggregate profit of ₹ 105.96 crore as per their latest finalised accounts as on 30 September 2017. The remaining 15 SPSUs, however, incurred loss aggregating ₹ 385.68 crore as per their latest finalised accounts.

The major contributors to profit were Assam Gas Company Limited (₹ 68.75 crore), DNP[22] Limited (₹ 13.49 crore), Assam Industrial Development Corporation Limited

[21] Losses of three Power sector Companies: ₹ 694.84 crore (2014-15) and ₹ 657.12 crore (2015-16)

[22] DNP stood for Duliajan-Numaligarh Pipeline. The Company was, however, registered in the name of 'DNP Limited' as per the certificate of incorporation issued by the Registrar of Companies.

(₹ 5.53 crore) and Assam Mineral Development Corporation Limited (₹ 4.14 crore). The heavy losses were incurred by Assam Electricity Grid Corporation Limited (₹ 199.74 crore) and Assam Power Distribution Company Limited (₹ 103.90 crore). The heavy operational losses of the power sector companies were attributable to high cost of power generation/purchase as well as high employee cost.

1.17 Some other key parameters of SPSUs are given in ***Table 1.10***.

Table 1.10: Key Parameters of SPSUs

(₹in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Return on Capital Employed (*per cent*)*	not workable	not workable	not workable	not workable	not workable
Debt	1,675.47	1,921.51	2,783.52	2,479.79	2,647.10
Turnover[23]	3,509.96	3,910.26	4,380.58	5,061.36	5,608.72
Debt/ Turnover Ratio	0.48:1	0.49:1	0.64:1	0.49:1	0.47:1
Interest Payments	173.32	231.26	261.01	277.30	303.51
Accumulated Profits (losses)	(2,640.42)	(2,892.00)	(3,658.21)	(3,833.84)	(4,483.72)

***Not workable as the figures of overall capital employed of SPSUs was negative.**

(Source: Information furnished by the Companies/Corporations)

From ***Table 1.10***, it could be seen that the percentage of returns on capital employed was not workable as the overall capital employed of SPSUs throughout the five years from 2012-13 to 2016-17 was completely wiped off by the accumulated losses of these SPSUs as at the end of the respective year. This was mainly due to huge losses incurred by the working SPSUs during the said periods. The losses incurred by working SPSUs during last five years had correspondingly contributed towards increase in the accumulated loss of SPSUs by 69.81 *per cent* from ₹ 2,640.42 crore (2012-13) to ₹ 4,483.72 crore (2016-17). It could also be noticed that the long-term debts of the SPSUs had gradually increased from ₹ 1,675.47 crore (2012-13) to ₹ 2,647.10 crore (2016-17). This caused increase of 75.11 *per cent* in the interest liability of working SPSUs from ₹ 173.32 crore (2012-13) to ₹ 303.51 crore (2016-17). The increase in the interest liability has correspondingly increased pressure on the profitability of the SPSUs.

1.18 There was no information available on record regarding the existence of any specific policy of the State Government on payment of minimum dividend by the SPSUs. Audit noticed that 18 working SPSUs had earned an aggregate profit of ₹ 105.96 crore as per their latest finalised accounts as on 30 September 2017. Audit

---

[23] Turnover of working SPSUs as per the latest finalised accounts as of 30 September of the respective year.

further noticed that only one of these 18 profit earning SPSUs (Assam Gas Company Limited) had declared a dividend of ₹ 1.69 crore.

Winding up of non-working SPSUs

1.19 There were 16 non-working SPSUs (all companies) as on 31 March 2017. None of these Companies, however, had commenced the liquidation process. The numbers of non-working SPSUs (Companies and Corporations) at the end of each year during past five years are given in ***Table 1.11***.

Table 1.11: Non-working SPSUs

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
No. of non-working Companies	9	9	16	16	16
No. of non-working Corporations	1	1	Nil	Nil	Nil
Total	**10**	**10**	**16**	**16**	**16**

Source: information furnished by the Companies/Corporations

Since the non-working SPSUs are neither contributing to the State economy nor meeting the intended objectives, these SPSUs need to be considered either to be closed down or revived. During 2016-17, seven[24] non-working SPSUs incurred an expenditure of ₹ 1.01 crore towards salaries and establishment expenditure etc. The SPSUs concerned had financed the said expenditure through their own sources, *viz*., interest on fixed deposits.

1.20 As on 30 September 2017, the State Government had already issued necessary orders for closure of all the 16 non-working SPSUs. The liquidation process in respect of all the 16 non-working SPSUs was, however, not started (October 2017). As no purpose is served by keeping 16 non-working SPSUs in existence, the liquidation process to wind up these SPSUs needs to be expedited.

Accounts Comments

1.21 Fourteen working Companies forwarded their audited 24 accounts to the Accountant General, Assam (AG) during October 2016 to September 2017. Of these, 20 accounts of 13 Companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of these accounts needs to be improved substantially. The details of aggregate money value of comments of

[24] Companies at serial number C-4, C-6, C-9, C-12, C-13, C-15 and C-16 of ***Annexure 2***.

statutory auditors and CAG for last three years from 2014-15 to 2016-17 are given in ***Table 1.12***.

Table 1.12: Impact of audit comments on the accounts of the working Companies

(₹in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	4	10.92	7	39.50	1	0.50
2.	Increase in loss	16	171.61	23	74.02	11	201.02
3.	Non-disclosure of material facts	5	34.89	4	29.64	Nil	Nil
4.	Errors of classification	1	230.79	3	4.48	Nil	Nil

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 19 instances of non-compliance to AS in 12 accounts during the year.

1.22 Similarly, only one working Statutory Corporation (Assam Financial Corporation) forwarded one-year accounts to the AG during October 2016 to September 2017 for supplementary audit. AG had conducted the supplementary audit of the accounts forwarded by the Corporation. The accounts of the Statutory Corporation received qualified certificate. The Audit Report of Statutory Auditors and the supplementary audit of CAG indicate 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 for last three years are given in ***Table 1.13***.

Table 1.13: Impact of audit comments on the accounts of the working Statutory Corporations

(₹in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	Nil	Nil	Nil	Nil	1	2.02
2.	Increase in loss	1	2.50	1	4.00	Nil	Nil

Source: Reports of the Statutory Auditors and comments of CAG

Response of the State Government to Audit

1.23 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2017 (Report No. 1 of 2018), one performance audit and nine audit paragraphs emerged from the Compliance Audit of SPSUs involving four departments of the State Government. 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 State Government in respect of five compliance audit paragraphs and one performance audit were, however, awaited (September 2017). Audit however, discussed (5 September 2017) the draft PA with the representatives of the GoA in the Exit Conference. Audit had appropriately considered the view expressed by the representatives of the GoA in the Exit conference while finalising the Audit Report.

Follow up action on Audit Reports

Explanatory notes not received

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 SPSUs. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance (Audit & Fund) Department, Government of Assam issued (May 1994) instructions on preparing the explanatory notes by the administrative departments concerned. As per the said instructions, the administrative departments concerned were required to prepare an explanatory note 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 corrective/remedial action taken or proposed action in the explanatory notes. 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 2017, 26 Audit Reports (1990-91 to 2015-16) containing 54 performance audits and 303 audit paragraphs were submitted to the State Legislature. The administrative departments concerned, however, did not submit any explanatory notes on the performance audits and paragraphs appeared in the above Reports to the State Legislative Assembly (December 2017).

Discussion of Audit Reports by COPU

1.25 The status of discussion of Audit Reports by the Committee on Public Undertakings (COPU) as on 30 September 2017 is given in ***Annexure 3***. It can be seen from ***Annexure 3*** that during the period 1990-91 to 2015-16, total 26 Audit Reports containing 54 performance audits and 303 paragraphs were placed in the State Legislature. As on September 2017, the COPU had discussed total 31 performance audits and 188 paragraphs pertaining to 25 Audit Reports.

Compliance to Reports of Committee on Public Undertakings (COPU)

1.26 Action Taken Notes (ATN) on 112 recommendations pertaining to 15 Reports of the COPU presented to the State Legislature between October 2002 and December 2011 had not been received (September 2017) as indicated in ***Table 1.14***.

Table 1.14: 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 received
2002-03	1	9	0
2003-04	2	17	0
2004-05	1	9	0
2007-08	1	6	0
2008-09	6	55	4
2009-10	2	8	0
2010-11	1	8	0
2011-12	1	4	0
Total	**15**	**116**	**4**

Source: Register of Action Taken Notes

These reports of COPU contained recommendations in respect of 50 paragraphs and 9 performance audits pertaining to 7 departments, which appeared in the Audit Reports of the CAG of India for the years 1994-95 to 2006-07.

It is recommended that the Government may ensure:

(a) sending of replies to paragraphs/performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule;

(b) recovery of loss/outstanding advances/overpayments within the prescribed period; and

(c) revamping of the system of responding to audit observations in a timely manner.

Coverage of this Report

1.27 This Report contains nine compliance audit paragraphs and one performance audit on 'Implementation of Restructured-Accelerated Power Development and Reforms Programme component in Assam under Integrated Power Development Scheme' by Assam Power Distribution Company Limited.

The Audit findings covered in the Report relate to six SPSUs. The Investment, Turnover, Equity, Return and percentage of Return on Equity (RoE) in respect of these SPSUs are given in **Table 1.15.**

Table 1.15: Key parameters of the SPSUs covered in the Report

(₹in crore)

Sl. No.	Name of the PSU	Investment	Turnover	Equity[25]	Return[26]	RoE (*per cent*)
1	Assam Power Distribution Company Limited	2308.99	3664.39	-2926.16	-103.90	Not workable
2	Assam Power Generation Company Limited	1155.63	697.72	282.59	0.93	0.33
3	DNP Limited	205.05	66.51	192.29	13.49	7.02
4	Assam Electronics development Corporation	10.06	0.92	9.71	2.26	23.27
5	Assam Small Industries Development Corporation Limited	11.86	90.00	-7.85	-1.70	Not workable
6	Assam State Textbook Production and Publication Limited	1.00	7.82	2.26	0.28	12.39
Total		**3692.59**	**4527.36**	**-2447.16**	**-88.64**	**Not workable**

Source: Information furnished by the Companies/Corporations.

It can be seen from the ***Table 1.15*** above that the six SPSUs had total investment of ₹ 3,692.59 crore. The Equity of two SPSUs (serial no. 1 and 5 above) was, however, completely eroded by their accumulated losses and hence, RoE of these SPSUs was not workable. The RoE of remaining four SPSUs ranged between 0.33 and 23.27 *per cent.*

Disinvestment, Restructuring and Privatisation of SPSUs and any reforms in power sector

1.28 There was no information regarding any disinvestment or privatisation programme in any of the SPSUs.

---

25 Equity represents Paid-up Equity Capital *plus* Free Reserves *plus* Accumulated profits *minus* Accumulated losses.

26 Net profit after tax.

Performance Audit
relating to
Government Company

Chapter II - Performance Audit relating to Government Company

Performance Audit on 'Implementation of Restructured-Accelerated Power Development and Reforms Programme component in Assam under Integrated Power Development Scheme' by Assam Power Distribution Company Limited

Executive Summary

Introduction

The Government of India (GoI) launched (December 2008) the Re-structured Accelerated Power Development and Reforms Programme (R-APDRP scheme/Scheme). The basic objective of the Scheme was to reduce Aggregate Technical and Commercial (AT&C) losses in the power distribution sector of the Country. The Integrated Power Development Scheme (IPDS) launched by GoI in December 2014 subsumed the existing R-APDRP scheme. The IPDS guidelines, however, envisaged continuation of the R-APDRP scheme as a separate component of IPDS based on the existing Scheme guidelines. The present Audit Report covered the performance of the Company in conceptualisation, implementation and achievement of the objectives of the R-APDRP scheme during the period from April 2009 to March 2017.

Planning

The Company did not prepare any comprehensive plan for implementation of the Scheme works in the State. This had resulted in preparation of defective Detailed Project Reports, tardy implementation and non-completion of the project even after eight years of approval (November 2009) of the Scheme.

Project funding

The GoI sanctioned (November 2009 to February 2012) ₹775.25 crore towards its share of Scheme funding against the approved cost of ₹881.18 crore. GoI released (March 2010 to May 2017) ₹489.84 crore out of the said funds sanctioned. The Company had utilised the GoI funds of ₹430.81 crore (88 per cent) on the Scheme works so far (September 2017).

Project Management

In Assam, the Scheme involved 67 project areas each for Part-A (excluding Supervisory Control and Data Acquisition project) and Part-B projects. The Supervisory Control and Data Acquisition (SCADA) project was implemented only

in one project area (Guwahati). Audit selected 17 project areas for detailed examination for both Part-A and Part-B works, out of the 67 project areas. Audit also selected the Guwahati project area for detailed scrutiny of the SCADA project, which was being implementation in this area.

The R-APDRP scheme was to be in two parts, viz. Part-A and Part-B. Part-A of the Scheme involved preparation of baseline data of consumers and metering of distribution transformers and feeders. Part-A works also involved commissioning of Geographic Information System (GIS) mapping as well as SCADA system for real-time monitoring and control of distribution network system. Part-B of the Scheme envisaged strengthening sub-transmission and distribution network, replacement of electro-magnetic energy meters with tamper proof electronic meters etc. The R-APDRP scheme guidelines envisaged completion of the project by November 2014. GoI subsequently extended (July 2017) the scheduled completion period of pending works upto March 2018.

Part-A

The Company declared (November 2013 to March 2016) all Part-A works under 67 project areas as 'Go-live' after a delay ranging from 10 to 39 months from the schedule date (January 2013). The status of on-line data communication of the meters in 17 selected project areas, however, remained poor. This was due to defective meters and modems, defective Data Concentrating Unit, failure/non-availability of General Packet Radio Service (GPRS) connectivity etc. The Company, thus, could not avoid human intervention in data communication for energy accounting and auditing despite declaration of the project as 'Go-live'.

SCADA Project

The SCADA project involved commissioning of SCADA equipment and their integration with the SCADA control centre. The Company could not integrate the equipment with the SCADA system to achieve the basic objective of online communication. The Company could install only 29 Remote Terminal Units (RTUs) so far (September 2017) out of total 36 RTUs scheduled for installation by September 2013. The Company could make only 13 RTUs operational through SCADA control centre out of these 29 RTUs. The Company could not develop the Distribution Management System (DMS), which was one of the functional aspects of SCADA system. The Company, thus, generated various control and monitoring reports based on 'alarm data'[1] of SCADA application. There were discrepancies and inconsistencies in the alarm data/alarm reports, which caused generation of erroneous reports. The objective of the SCADA system was to have on-line control

---

[1] Data generated by the SCADA system in case of any fault in the SCADA network.

and monitoring over the distribution network system without any human intervention. The Company could not achieve this objective due to inaccurate/non-generation of MIS reports.

Part B

The Part-B project consisted of work relating to strengthening of distribution system so as to attain the AT&C loss at a level of 15 per cent on sustainable basis. The Part-B project works were originally scheduled for completion within three years (by November 2014) from the date of sanction (November 2011). The Company could not complete Part-B works within the original scheduled period in any of the 67 project areas. GoI as such had to provide several extensions from time to time upto March 2018. The Company despite these extensions could complete the works only in 47 out of 67 project areas so far. The works in balance 20 project areas were ongoing (September 2017).

Scrutiny of 17 project areas selected for detailed examination revealed that Company completed works under 9 project areas with a delay of 227 to 603 days beyond the prescribed period (540 days). The Company could not complete the works in the remaining 8 project areas even after delay of 664 to 1,157 days beyond the prescribed period (540 days) (September 2017).

The Company had taken excessive time in evaluation of bids as well as finalisation of project sites. The Company had also taken unreasonably long time in resolving the issues relating to approval of additional materials, non-availability of project site and Right of Way (RoW) problems. The said lapses on part of the Company had caused delays at various stages of project execution. Further, the Company could achieve the targeted level of AT&C losses (15 per cent) only in 5 Part-B project areas out of total 47 completed project areas completed by the Company.

Monitoring

The GoI formed (June 2009) the State Level Distribution Reforms Committee (SLDRC) headed by GoA to ensure effective monitoring of Scheme works at State level. The SLDRC held only three meetings (November 2009, March 2011 and August 2011) since its inception (June 2009). The Company invited (May 2012 to May 2013) tenders for Part-B works and awarded (January 2013 to June 2014) works involving ₹556.73 crore under the Scheme. SLDRC, however, did not hold a single meeting during the said period. This indicated ineffectiveness of SLDRC in upholding the objectives of its formation. The Company also did not effectively

monitor the project implementation through regular review of the periodic work progress reports as submitted by the contractors.

2.1 Introduction

Ministry of Power (MoP), Government of India (GoI) launched the Re-structured Accelerated Power Development and Reforms Programme (R-APDRP scheme/Scheme) in December 2008. The basic objective of the Scheme was to reduce Aggregate Technical and Commercial (AT&C) losses in the power distribution sector of the Country. Assam Power Distribution Company Limited (Company) took up (November 2009) the Scheme in Assam with a completion schedule of five years (November 2014). The projects taken up under the Scheme, however, remained incomplete despite periodic time extensions granted to the Company.

GoI, in the meantime, launched (December 2014) the 'Integrated Power Development Scheme' (IPDS), which subsumed the existing R-APDRP scheme. The IPDS guidelines envisaged continuation of R-APDRP scheme as a separate component of IPDS, based on the existing Scheme guidelines. The IPDS further intended to attain the R-APDRP scheme targets through carry forward of the Scheme outlay already approved before launching (December 2014) of IPDS.

Both the schemes of GoI (IPDS and R-APDRP scheme) aimed at reducing the AT&C losses by providing financial assistance against capital expenditure incurred by the power distribution sector on creation of power infrastructure in urban areas. The coverage of R-APDRP scheme in Assam included the urban areas with population of more than 10,000. The IPDS scheme, however, extended the coverage to urban areas having population of more than 5,000.

The R-APDRP scheme was to be in two parts viz. Part-A and Part-B. Part-A of the Scheme involved preparation of baseline data of consumers and metering of distribution transformers and feeders. Besides, Part-A of the Scheme also involved commissioning of Geographic Information System (GIS) mapping as well as Supervisory Control and Data Acquisition (SCADA) system for real-time monitoring and control of distribution network system. Part-B of the Scheme envisaged strengthening sub-transmission and distribution network, replacement of electro-magnetic energy meters with tamper proof electronic meters *etc*.

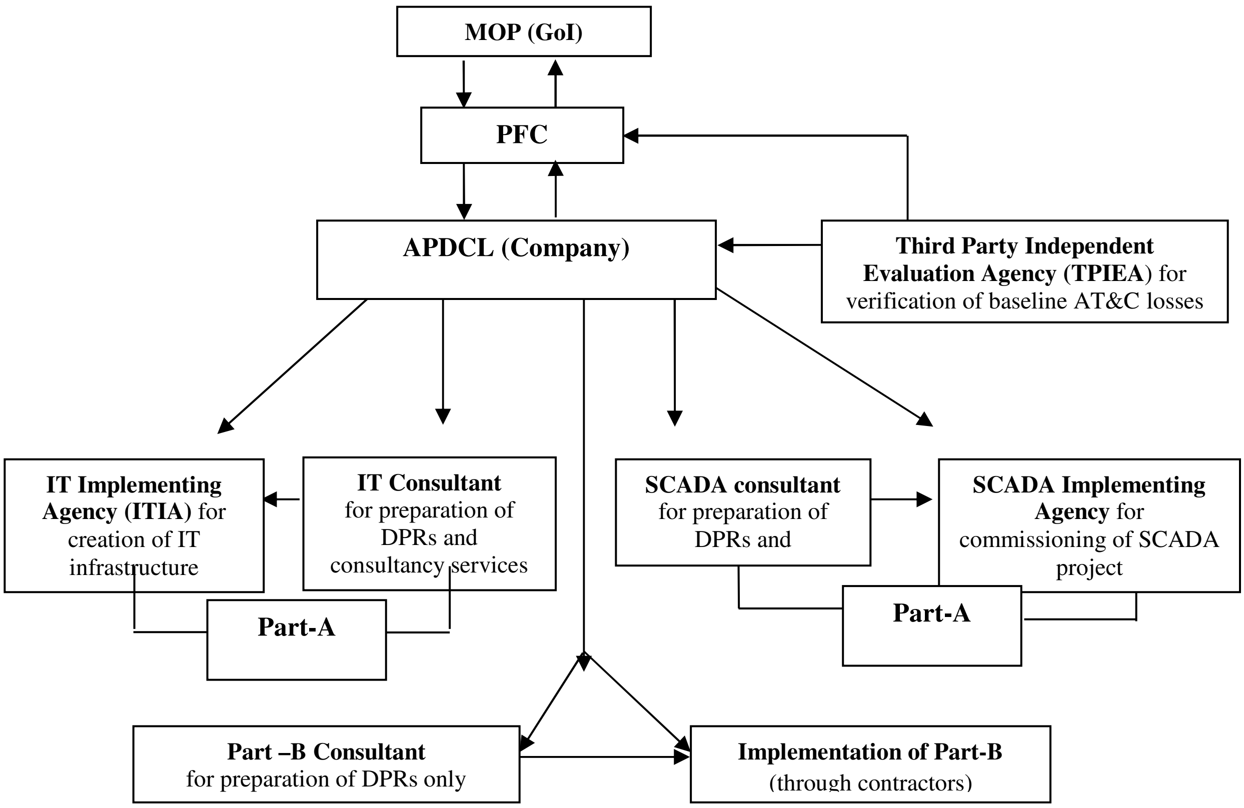
In Assam, the Scheme involved 67 project areas each for Part-A (excluding SCADA project) and Part-B projects. The SCADA project was implemented only in one project area (Guwahati). The Company declared (November 2013 to March 2016) the

Part-A works in all the 67 project areas as 'Go-live[2]', although the SCADA project was incomplete (September 2017). The Company had taken up (November 2011) implementation of Part-B project works in all the 67 areas selected for Part-A works. The Company, however, could complete the same only in 47 project areas (September 2017). GoI extended (July 2017) the scheduled period for completion of pending works under the Scheme upto March 2018.

2.2 Organisational Structure

MoP, GoI appointed the Power Finance Corporation (PFC) as the nodal agency to operationalise the Scheme. MoP, GoI selected the Company as the implementing agency in the State of Assam. The Company, MoP (GoI), PFC and the Government of Assam (GoA) accordingly entered (25 February 2010) into a quadripartite agreement. The graphical presentation of the arrangements adopted for implementation of the Scheme has been depicted in the ***Chart-2.1*** below.

Chart -2.1



2 As per System Requirement Specification of PFC, the Company can declare a project area as 'Go-live' once it has placed the IT mechanism for online data transfer for facilitating the energy audit without any human intervention.

2.3 Scope of Audit

The present Audit Report covered the performance of the Company in implementation of the R-APDRP component of the IPDS during the period from April 2009 to March 2017. Out of total 67 project areas covered in Assam under the R-APDRP Scheme, Audit selected 17 project areas[3] for detailed examination in the PA. The sample selection for both Part-A and Part-B works was made through statistical sampling[4] method. As regards the SCADA project, the same was implemented only in Guwahati area, which was also selected for detailed scrutiny in Audit.

2.4 Audit Objectives

The audit objectives of the PA were to assess whether:

- the Company evolved proper planning for effective implementation of the Scheme as per the time schedule;
- the funding for the Scheme was commensurate with the progress of the work and the Company utilised the funds economically and efficiently to ensure financial propriety;
- the Company took up the implementation of the Scheme in a timely manner to achieve the broad objectives of economy, efficiency and effectiveness; and
- proper and adequate monitoring mechanism was in place to ensure timely implementation of the Scheme and achievement of Scheme objectives.

2.5 Audit Criteria

Audit derived the criteria for achieving stated audit objectives from the following sources:

- ➢ IPDS/R-APDRP Scheme guidelines issued by MoP;
- ➢ Directives issued by the PFC from time to time;
- ➢ Minutes of Steering Committee[5], Distribution Reforms Committee[6], *etc*;
- ➢ Detailed Project Reports (DPRs), work orders ;

---

3 Dibrugarh, Guwahati, Jorhat, Digboi, Tinsukia, Mangaldoi, Silchar, Nalbari, Nagaon, Dhubri, Morigaon, Badarpur, Gauripur, Jagiroad, Rangia, Barpeta Road and Bokajan.

4 Probability Proportional to Size and Without Replacement (PPSWOR) method.

5 It is the central committee for sanctioning and monitoring of the project consisting of 13 members, headed by the Secretary (Power), GoI.

6 Distribution Reforms Committee is a state level monitoring committee consisting of seven members headed by the Chief Secretary of the State.

- Directives issued by the Central Vigilance Commission (CVC); and
- Relevant rules and established procedures of the Company.

2.6 Audit Methodology

The Audit methodology adopted for attaining the audit objectives involved explaining the scope, audit objectives, audit criteria *etc*. to the top management of the Company in the Entry Conference (24 April 2017). It also involved analysis of data/records with reference to the audit criteria, raising of audit queries and issuing of the draft PA to the GoA/Company for comments.

Audit also discussed (5 September 2017) the draft PA with the representatives of the GoA/Company in the Exit Conference. Audit has also taken into consideration the formal replies received (28 September 2017) from the Company. Audit also considered the view expressed by the representatives of the GoA/Company in the Exit conference while finalising the Audit Report. The formal replies of the GoA to the draft PA, however, had not been received (November 2017).

Acknowledgement

The Indian Audit and Accounts Department acknowledges the cooperation of the Department of Power (Electricity), Government of Assam and Assam Power Distribution Company Limited for providing necessary information and records during the course of the audit.

Audit Findings

2.7 Planning

Proper planning is vital and an essential aspect for successful implementation of any scheme and achievement of the scheme objectives. The R-APDRP scheme guidelines also impressed upon the need to formulate a comprehensive plan by the State concerned for the overall successful implementation of the Scheme. Further, an effective planning for Scheme implementation also required thoroughness in preparation of Detailed Project Reports (DPRs) based on detailed survey and comprehensive feasibility study of selected sites/locations. The deficiencies noticed at planning stage of the Scheme implementation have been discussed below.

2.7.1 Absence of comprehensive plan

As per the approved R-APDRP scheme guidelines, the Company was to prepare a comprehensive plan for Part-A (including SCADA) and Part-B projects. It included proper identification of project location after conducting thorough feasibility study, survey works. The comprehensive plan for Scheme works should also ensure synchronisation of various project activities for successful and timely implementation of the Scheme. Audit observed that the Company did not prepare any comprehensive plan for implementation of Scheme works in the State. This had resulted in preparation of defective DPRs, tardy implementation and non-completion of the project even after eight years of the sanction (November 2009) of the Scheme.

The Management stated (September 2017) that it had not prepared formal comprehensive plan, though it took steps for strict monitoring to execute the Scheme timely. It further added that delay in completion of the Scheme works was not solely attributable to non-preparation of comprehensive plan. It maintained that the delay was also due to numerous other reasons like natural calamities, frequent bandhs, Right of Way (RoW) problems, *etc*.

The reply was not acceptable, as the Management in support of their reply did not provide the details of the projects affected due to the cited reasons. Further, the Company should have addressed the pre-planning issues like RoW problems at the planning stage of the projects itself.

Due to absence of comprehensive plan, there was lack of proper foresight at planning stage. This had led to mid-course corrections in design, work specifications, change in project sites on account of defective DPRs. The project works were delayed and involved additional expenditure as discussed in the ***paragraphs 2.7.2*** and ***2.9.3.1***.

An appropriate system needs to be devised for preparing a comprehensive plan based on detailed feasibility study for implementation of any project within the prescribed time and cost.

2.7.2 Preparation of the DPRs

An effective planning for Scheme implementation required thoroughness in preparation of Detailed Project Reports (DPRs) based on detailed survey and comprehensive feasibility study of selected sites/locations. The Company appointed (June 2010) National Power Training Institute (NPTI) as Consultant for preparation of DPRs for Part-B projects. Audit observed that there was lack of adequate feasibility study and survey works in preparation of DPRs. This led to deficiencies in selection of sites, finalisation of equipment specification, *etc.* as discussed in subsequent paragraphs.

2.7.2.1 Selection of sites

Examination of records relating to 17 selected project areas revealed that total 11 new substations were proposed in 7 project areas. Audit observed that out of these 11 substations, the work relating to 2 sub-stations under Guwahati project area could not be taken up due to non-availability of land. The work in respect of another substation in the same project area could also not be commenced due to change in the building specification necessitated based on the soil conditions. ***Table 2.1*** depicts the status of these substations.

Table 2.1

Proposed site of sub-station in the DPR	Proposed site of sub-station at the time of work order	Present status
BC Complex, Guwahati	Meghmallar Apartment, Guwahati	The Company changed the original site (BC Complex, Guwahati) during issue of work order without any recorded reason. The alternative site so selected (Meghmallar Apartment) was again changed to Geetanagar site as the area was low-lying. The Company acquired Geetanagar site in July 2015. GoA, however, accorded clearance in December 2016. The work was ongoing (September 2017).
Ganeshpara, Katabari	Jorabat	The Company changed the original site during issue of work order without any recorded reason. Construction work at new site (Jorabat) had initially started but stopped due to land dispute.
Ulubari substation	Nehru Stadium	The Company changed the original site during issue of work order without any recorded reason. Construction work at new site had initially started. The Company, however, stopped the work pending approval for the change in building specification as per the soil condition.

As seen from the instances detailed in ***Table 2.1***, the Company changed the original locations of the substations during issue of work orders. This indicated unsuitability and deficiency in selection of project sites. In the first case mentioned above, the Company had changed the location twice during the actual execution of project. The Company also could not start the project works in the changed locations because of one reason or the other. The cases discussed above were indicative of the fact that the Company did not carry out proper feasibility study and survey works before selection of the project sites. This resulted in preparation of faulty DPRs, which led to significant delays in completion of the works.

The Management stated (September 2017) that the works of the sub-stations were delayed due to the reasons attributable to the civil authorities, *viz.,* delay/non-handing over of required land for the purpose.

The reply was not tenable as the original locations proposed in the DPRs were changed without any recorded reasons. Further, the Company should have finalised the project locations after ensuring their availability from the Civil Authorities to avoid any future complications.

2.7.2.2 Non-preparedness of sites

The Company issued (June 2014) work orders to T&T Projects Limited (TTPL) for installation of 24 Automatic Power Factor Controllers[7] (APFC). TTPL was to install the APFCs in equal number of 10 MVA power transformers in the sub-stations under Guwahati project area. During installation of these APFCs, TTPL requisitioned some additional materials, which were beyond the scope of the DPR. TTPL, accordingly, asked (November 2015) the Company for approval of the additional material. The Company had taken a period of one year in approving (November 2016) the said additional requirement. TTPL could install only 9 APFCs so far despite approval of additional materials. TTPL could not, however, install the balance 15 APFCs as the Company did not make available the requisite sites for installation of these APFCs (September 2017).

The Management did not offer any comment on the issue.

2.7.2.3 Selection of equipment specification

(i) The DPR for Haflong project area envisaged installation of 11 KV line on Pre-Stressed Cement Concrete (PSC) poles. During execution, the Company found (September 2014) that transportation of heavy weight PSC poles to the project site was not feasible because of the hilly terrain. The Company accordingly, had to change the specification of the poles to lightweight steel tubular poles. The lightweight steel tubular poles, however, involved an additional cost of ₹ 80.64 lakh. Audit noticed that the Company took an unreasonable period of six months[8] in taking decision on the issue. This correspondingly delayed the execution of the project. Change in the specification of poles at execution stage indicated that the Company prepared the DPR for the project without considering the actual site conditions and other ground realities.

The Management accepted (September 2017) the facts and stated that it would adjust the excess expenditure incurred against the total outlay of Part-B project.

The reply of the Company was not acceptable in view of the fact that the PFC sanctioned the funding of each project area separately. As such, there was no

---

[7] It is a device installed in the power transformers to improve the power factor. Higher power factor leads to low currents thereby reducing the energy loss in the distribution system

[8] From 30 September 2014 to 9 April 2015

provision for adjustment of excess expenditure of one project area with the savings of other project areas.

(ii) The Company awarded (January 2013) the work of construction of 8 Km of 33 KV line to Win Power Infra Pvt. Limited (Contractor) at ₹ 1.59 crore (Supply: ₹ 1.56 crore and Erection: ₹ 0.03 crore) in Naharkatia project area. The Contractor supplied (March-June 2014) materials worth ₹ 1.48 crore to execute the work of 33 KV line. The Company, after erection of 68 out of 176 poles realised (November 2014) that the actual requirement of the transmission line was 13 Km instead of 8 Km as proposed in the DPR. As a result, the Company had to short-close the work since the 8 Km line as envisaged in the DPR would not serve any purpose. Audit observed that the Company could not utilise materials worth ₹ 1.48 crore supplied by the Contractor so far (September 2017). The said material was lying idle for more than three years after procurement (March to June 2014).

The Management stated (September 2017) that while finalising the DPR, Power Finance Corporation (PFC), nodal agency for the Scheme, had curtailed some parameters of works. During execution, the Company found the quantum of works was inadequate to supply power.

The reply was not factually correct as PFC approved the project based on the proposal for construction of 8 Km 33 KV line as per the DPR submitted by the Company.

(iii) The DPR of SCADA project provided for installation of 225 Feeder Remote Terminal Unit[9] (FRTU) in the SCADA compatible equipment, namely, autoreclosers and sectionalisers. The Company placed (October 2012) work order to the Contractor for commissioning of SCADA system. The work order also envisaged installation of 225 FRTUs at a cost of ₹ 2 crore. The Company subsequently, realised that the autoreclosers and sectionalisers had in-built FRTUs. The Company accordingly, cancelled (November 2012) the supply order of 225 FRTUs included in the work order placed with the Contractor. Audit observed that there was an excess provision for FRTUs worth ₹ 2 crore in the DPR of SCADA project. This indicated incorrect assessment of materials at the time of preparation of DPR.

The DPR for SCADA project further envisaged for installation of 36 Remote Terminal Units (RTUs[10]). Audit noticed that 2 out of these 36 RTUs proposed to be installed in the SCADA network system had to be re-located due to reasons[11]

---

[9] FRTUs are equipment used to control on field SCADA equipment from SCADA control centre.

[10] RTUs are equipment installed at sub-stations to control and monitor them from SCADA control centre.

[11] Reasons included sub-station falling outside the project area, non-availability of control room and heavy water logging at sub-stations during rainy season, *etc.*

attributable to defective site selection. This indicated deficiencies in preparation of the DPR for the project.

The Management accepted (September 2017) the observation stating that it excluded the FRTUs as it found at a later stage that the SCADA-compatible equipment had built-in FRTUs. The Management, however, did not offer any comments on re-location of RTUs.

The fact remains that the Company while preparing the DPRs did not properly assess specification and actual requirement of various components to be used in the project works.

(iv) DPRs of Part-B project works envisaged installation of 62 RMUs[12] under the SCADA project on Reinforced Cement Concrete (RCC) foundation. During actual execution, the Company observed (January 2016) that the locations proposed for installation of 30 out of 62 RMUs were not suitable for RCC foundation due to space constraints. To overcome the problem, the Company decided (April 2016) to use steel tubular/joist poles and clamps for installation of the RMUs. Similarly, the DPR for Part-B project (Guwahati project area) envisaged installation of autoreclosers and sectionalisers[13] on PSC poles. The Company, however, had to install the above equipment on steel tubular/joist poles as PSC poles were found unsuitable to carry the load of the equipment.

There was no provision in the DPRs for the additional materials required for completing the above works. The Company, therefore, had no other option but to incur an additional expenditure of ₹ 2.51 crore to execute the works.

The Management stated (September 2017) that it prepared the DPRs after considering the standard norms. During actual execution, it changed/increased the scope of work due to space constraints and soil condition.

The reply was not tenable as the Company should have analysed the above aspects at planning stage before finalisation of DPRs. The corrective course of action taken at execution stage confirmed the defects in preparation of DPR.

As observed from the above instances, even though the Company assigned work of preparation of DPRs to professional agencies, DPRs were deficient in several aspects. This indicated failure of the Company to oversee the work of the said agencies in preparation of DPRs and finalisation of the project sites as well as specification and requirement of equipment. This contributed towards delays in project completion, blocking of fund in idle-stock and additional expenditure. The said deficiencies in

[12] RMUs are equipment installed in the distribution network under the SCADA system to provide alternate source of power in case of default in a network system.

[13] Autoreclosers and sectionalisers act as a breaker to isolate faulty network.

DPRs had a cascading effect on attaining the Scheme objectives relating to reduction in AT&C loss to the prescribed level.

2.8 Funding

Table 2.2 depicts the funding mechanism for implementation of the Scheme works as prescribed under the Scheme guidelines**.**

Table 2.2

Scheme work	Prescribed funding	Conditions of funding	Condition for conversion of loan into grant
Part-A and SCADA	100 *per cent* as loan by GoI.	*30 per cent* upfront, 60 *per cent* based on progress/utilisation and balance 10 *per cent* after utilisation of earlier tranches.	The entire loan was to be converted into grant on successful completion of the project and verification by independent agency of MoP/PFC within three years from the date of sanction (November 2009).
Part-B	90 *per cent* by GoI as loan. Counterpart funding of balance 10 *per cent* by GoA as loan.	*30 per cent* upfront, 50 *per cent* based on progress/utilisation and balance 10 *per cent* after utilisation of earlier tranches.	90 *per cent* GoI loan was to be converted into grant in five equal tranches, starting one year after the year of establishment of the baseline data system and verification by the independent agency of PFC. This conversion of GoI loan into grant was subject to the condition that the project was completed within the schedule time and the Company achieved the AT&C loss target of 15 *per cent* on a sustainable basis for a period of 5 years in the project area concerned.

2.8.1 Sanction, Release and Utilisation of Funds

GoI launched (December 2014) the Integrated Power Development Scheme (IPDS) with an approved outlay aggregating ₹ 582 crore for the State of Assam. As against this, the GoI sanctioned (March 2016) ₹ 494.70 crore and released ₹ 49.76 crore as on September 2017. The actual implementation of the IPDS was, however, pending to be commenced (September 2017).

As mentioned under ***paragraph 2.1*** *supra,* the IPDS subsumed the existing R-APDRP scheme as a separate component of IPDS allowing carry forward of the Scheme outlay already approved under the R-APDRP scheme. The R-APDRP scheme guidelines envisaged completion of the project by November 2014. GoI subsequently extended the completion schedule upto March 2018.

Table 2.3 depicts the details of sanction, release and utilisation of the R-APDRP scheme funds during the period from 2009 to 2017.

Table 2.3

Funds	R-APDRP Scheme			Total
	PART-A	PART-B	SCADA	
	(67 project areas)		One project area	
	₹ in crore			
Approved cost	215.31	644.05	21.82	881.18
GoI funding				
Sanction	173.78[14]	579.65	21.82	775.25
Release	117.94	359.16	12.74	489.84
Utilisation	84.99	336.55	9.27	430.81
GoA funding				
Counter-part fund only for Part B project	Not applicable	55.67[15]	Not applicable	55.67

As could be seen from ***Table 2.3****,* GoI approved ₹ 881.18 crore for the R-APDRP scheme. GoI thereafter sanctioned (November 2009 to February 2012) an amount aggregating ₹ 775.25 crore towards its share of the Scheme funding. Against this, GoI released ₹ 489.84 crore so far. As of September 2017, the Company utilised ₹ 430.81 crore (88 *per cent*) on Scheme works. In addition, the Company also utilised the counterpart funding aggregating ₹ 55.67 crore provided by GoA towards Part-B project works. During examination of records of the Company, Audit noticed that the Company had irregularly inflated the cost estimates against execution of the Scheme works by ₹ 89.62 crore. This had correspondingly inflated the overall approved cost of the Scheme as discussed in succeeding paragraphs**:**

(i) Overestimation of project cost

As against the total cost of ₹ 644.05 crore approved for Part-B works in all 67 project areas, the Company issued work orders at a contract value of ₹ 556.73 crore. To determine the project cost under the Scheme, the Company included additional 15

[14] The difference of ₹ 41.53 crore between approved and sanction cost is the FMS charges for four years to be arranged by the Company.

[15] Released and utilized.

per cent on the cost estimates prepared as per the Schedule of Rate (SoR). This addition was made on the plea to keep a cushion for absorbing the cost escalation. As a result, the total project cost was correspondingly overestimated by ₹ 77.87 crore due to preparation of inflated cost estimates. The Company, however, did not seek approval of GoI/PFC for enhancing the project cost estimates. Audit noticed that despite this irregular enhancement in the cost estimates, the Company had assured the GoI/PFC regarding preparation of the cost estimates under the DPRs as per the SoR 2010-11.

The Management stated (September 2017) that it was a general norm to include additional amount in the estimates to offset any escalation in future. It also stated that it prepared the estimates based on the SoR 2010-11 and mentioned the same in the DPRs too.

The reply was not acceptable, as the Company had irregularly escalated the cost estimates of Part-B projects by 15 *per cent* over SoR 2010-11 without prior approval of GoI/PFC. This fact was also not disclosed in the DPRs, which was not justified.

(ii) Inclusion of departmental overhead in violation of guidelines

The Scheme guidelines barred the Company from including departmental overhead charges (such as, supervision charges) in the project costs. The Company however, prepared the project cost for Part-B works by including the additional supervision charges component of 15 *per cent.* The Company thus, irregularly inflated the project cost by ₹ 11.75 crore in violation of the Scheme guidelines.

The Management stated (September 2017) that while tendering for the works, it excluded supervision charges considered in preparation of DPRs.

The reply was not acceptable, as the Company had gone on record in the DPRs stating that there was no departmental overhead component included in the cost estimates. This was a misrepresentation of fact, and GoI had sanctioned the project cost based on cost estimates proposed under the DPR.

2.8.1.1 Other irregularities

(i) As per CVC guidelines, the contractors should not get advances against erection portion of contract. Audit however, observed that the Company had released (October 2013 to August 2015) ₹ 3.03 crore as 10 *per cent* interest free mobilisation advance on erection portion of the contracts under Part-B project works.

The Management stated (September 2017) that it extended the mobilisation advance to the contractors as per terms and conditions of letter of award (LoA).

The reply was not tenable as the provisions of the LoA in this regard were not in line with the CVC guidelines. The CVC guidelines, although, not mandatory for the Company, were a good practice.

(ii) As per *clause 8.2* of the bid document for the Part-B project works, the Company was required to release payment against the supply bills of the contractors after retaining 30 *per cent* of bill amount. The Company was to release the said bill amount of 30 *per cent* only after successful erection and commissioning of the materials supplied by the contractors.

Examination of the records of the Company revealed that as of August 2016, Part-B works in respect of 52 out of total 67 project areas were ongoing. Audit observed that the Company had irregularly released (July 2015 to August 2016) 85 *per cent* (₹ 42.36 crore) of the retention money of 30 *per cent* (₹ 68.51 crore) in respect of these 52 ongoing project areas. Release of the retention money by the Company relating to the ongoing projects was in contravention of the conditions of the bid document.

The Management stated (September 2017) that it released the retention money on completion of erection works in most of the project areas.

The reply was not acceptable as the Company irregularly released retention money in 52 project areas where erection and commissioning of works were not complete on the date of release of payment.

2.9 Project Implementation

2.9.1 Implementation of Part-A projects

2.9.1.1 Selection of the Information Technology consultant

The Company appointed (July 2009) Feedback Ventures Limited as Information Technology (IT) Consultant (ITC) for Part-A project, at a cost of ₹ 99.27 lakh for a period of three years (upto July 2012). The scope of work of ITC included preparation of DPR and providing consultancy services for project implementation including appointment of IT Implementing Agency (ITIA). As per the Scheme guidelines, the Company was required to appoint the ITC within 15 to 25 days from the date (February 2009) of the Request for proposal/tender. Audit observed that the Company had taken 140 days in selecting (July 2009) the ITC after issuing (February 2009) of the Request for proposal/tender. The delay was attributable mainly to delay in constitution (17 April 2009) of bid evaluation committee and subsequent time consumed in bid evaluation (June 2009).

The Management stated (September 2017) that period prescribed for completion of selection process of ITC was too short as all the empanelled bidders were outside the State.

The reply was not acceptable as the delays occurred after receipt of bids (20 March 2009). The fact is that the committee took (April-June 2009) excessive time in evaluation and finalisation of the bids, which was within the control of the Company.

An appropriate system needs to be developed by the Company to ensure that the bidding process for appointment of project implementing agencies is completed within the prescribed time.

2.9.1.2 Execution of work by the ITIA

The Company appointed (July 2011) Tata Consultancy Services (TCS) as ITIA at a cost of ₹ 215.32 crore for Part-A project works with a completion schedule of 18 months (January 2013). As mentioned in ***paragraph 2.9.1.1*** *supra,* the Company had appointed the ITC in July 2009. The Company, however, had taken unreasonably high period of two years in appointing the ITIA after the appointment of ITC. Audit further observed that the Company took an excessive period of 14 months in handing over (September 2012) the Data Centre (DC)[16] building to ITIA after their appointment (July 2011). This had cascading effects on completion of IT related works under Part-A project. Audit observed that the ITIA could complete the works in March 2016 after 39 months of the scheduled date (January 2013). As a result, the Company declared (November 2013-March 2016) the above Part-A works as 'Go-live' after a delay ranging from 10 to 39 months from the scheduled date (January 2013).

The Management stated (September 2017) that delay in handing over of the DC building to ITIA was due to delay in completion of DC infrastructure by the contractor (Emerson Limited). The delay was attributable to several unavoidable factors like flood, heavy rain, *etc*.

The reply was not tenable in view of the fact that the Company awarded (February 2012) the construction work of DC infrastructure to the contractor (Emerson Limited) after a time gap of seven months from the date of appointment (July 2011) of the ITIA. Absence of proper synchronisation between the ITIA work and award of construction work of DC infrastructure caused delay in handing over the DC building to ITIA, which was avoidable.

---

[16] To carry out core technical works like installation and commissioning of computer servers, network devices and deployment of centralised IT software, the handing over of Data Centre (DC) building to the ITIA within a reasonable time was a pre-requisite.

2.9.1.3 Additional expenditure due to time extension

As referred to in ***paragraph 2.9.1.1*** *supra*, the Company appointed (July 2009) the ITC at ₹ 99.27 lakh for a period of three years (upto July 2012) in respect of Part-A project works. Audit however, observed that due to non-completion of Part-A project by the ITIA within the schedule time, the Company extended the period of engagement of ITC by 47 months (upto June 2016). The Company incurred an additional amount of ₹ 47 lakh at the rate of ₹ 1 lakh per month due to delay in completion of Part-A project. The Company would have to further extend the work tenure of the ITC in view of the required support of ITC to Third Party Independent Evaluation Agency (TPIEA) for independent evaluation of project works. Audit observed that GoI had not appointed the TPIEA for evaluation of project works so far (September 2017).

The Management stated (September 2017) that the job of the ITC was to provide services throughout the pendency of the project. It also extended the project completion period from time to time from three years to seven and half years.

The fact however, remained that the Company had to extend the contract period with the ITC mainly because of abnormal time gap of two years in appointment (July 2011) of ITIA after the appointment (July 2009) of the ITC, which was controllable on the part of the Company.

2.9.1.4 Mapping of assets and network changes

To perform energy audit and accounting of project areas, it was essential that the project areas had up-to-date Geographic Information System (GIS) mapping of asset and consumer information in GIS repository. MoP, GoI had also emphasised on the need of up-to-date GIS mapping of assets and consumers information for successful and timely implementation of the Scheme. Audit observed that the Company had completed (July–December 2011) the work of GIS mapping of assets and consumers information only once. The Company thereafter, had never updated the system for changes in assets and consumer base in the projects areas. As a result, the GIS maps of assets and consumers information prepared for the project areas become out-dated. In December 2016, the Company decided to undertake the work of regular updation of the GIS maps of assets and consumers. There was no further progress on records in this regard (September 2017).

The Management stated (September 2017) that the work for selection of vendor for updation of database of assets and networks was under process.

The fact remained that in the absence of regular updation of the information/data, the GIS maps of assets/consumers prepared initially did not serve the intended purpose and had become redundant.

2.9.1.5 Outcome of Part-A projects

An important milestone in the execution of the Part-A project was declaration of a project area as 'Go-live'. As per the System Requirement Specification (SRS)[17] document, the Company could declare a project area as 'Go-live' once the IT mechanism had been successfully placed for online capturing and transfer of data to facilitate energy audit without any human intervention. The Company had already declared (November 2013 to March 2016) all the 67 Part-A projects as 'Go-live'. Audit had analysed the meter status reports for the month of March to May 2017 in the 17 selected project areas. Based on the analysis, Audit observed that the status of the online data communication of the meters in the selected 17 project areas was poor. ***Annexure-4*** depicts the status of online communication of meters during the period from March–May 2017 in respect of 17 areas selected out of 67 project areas**.** As could be seen from ***Annexure-4****,* out of 17 selected project areas, the Company could achieve 100 *per cent* online communication only in six project areas. The six project areas achieving 100 *per cent* online communication included one area for HT consumer meters and five project areas for Feeder meters. In the case of distribution transformer (DTR) meters the Company could not achieve 100 *per cent* online communication in any of the project areas.

The non-availability of online data was mainly attributable to defective meters and modems, defective Data Concentrating Units, failure/non-availability of General Packet Radio Service (GPRS) connectivity *etc*. In the absence of online data availability, the Company either obtained the data manually from the field offices or fed into the system on an estimated basis. Thus, despite declaring the Part-A projects to be 'Go-live', the Company could not achieve the basic Scheme objective of online data communication without human intervention for energy accounting and auditing. As a result, the accuracy and credibility of the AT&C loss data in different project areas also remained questionable as discussed in ***paragraph 2.9.3.6.***

The Management stated (September 2017) that it had taken steps to achieve 100 *per cent* data communication from all types of meters. It was through rectification/replacement of defective meters, modems and persuasion with Bharat Sanchar Nigam Limited to improve GPRS coverage.

The fact, however, remained that the Company could not avoid human intervention in data communication even after lapse of more than one year after declaration (November 2013 to March 2016) of the projects as 'Go-live'. This defeated the main objective of the Scheme.

[17] PFC prepared the System Requirement Specification document that stipulated the technical specification required under the R-APDRP scheme.

2.9.2 Implementation of SCADA project

The Company had taken up the implementation of Supervisory Control and Data Acquisition (SCADA) and Distribution Management System (DMS) project in the Guwahati project area. The SCADA/DMS project aimed to establish real time monitoring and control of the distribution network systems for achieving load balancing, improving voltage profile, minimising loss, *etc*. As against the original scheduled date of completion (March 2014), the execution of the project was still ongoing (September 2017). The following deficiencies were, observed in implementation of the project:

2.9.2.1 Appointment of SCADA Consultant

As per the Scheme guidelines, the Company was to appoint SCADA consultant within 15-25 days of issuing the tender. The Company, however, took 115 days (delay of 90 days) in appointment of the Consultant (TATA Consulting Engineers Limited) for the project. Audit observed that the Company had taken excessive time (62 days) in evaluation of technical and financial bids for appointment of Consultant. This had correspondingly delayed the appointment of the Consultant. Audit further observed that the Consultant had also delayed the work of preparation and submission of DPR of the project by 164 days beyond the period of 75 days prescribed under the LoA.

The Management stated (September 2017) that the delay in bid evaluation was due to time taken by Tender Purchase Committee (TPC) for discussion on several matters with the various wings of the Company. As regards the delay in submission of DPR, the Company stated that the Consultant delayed the process because of several reasons. The said reasons included resolving service tax related issues that existed in the LoA, delay in placement of coordinator by the Consultant, besides several revisions in the DPR before final submission.

The reply was not acceptable as the Company needed to adhere to the timeline prescribed for appointment of Consultant under the Scheme guidelines. As regards delay in submission of DPR by the Consultant, the Company should have monitored and co-ordinated with the Consultant to resolve the issues within reasonable time to avoid the said delays.

2.9.2.2 Appointment of SCADA Implementing Agency

The Company awarded (October 2012) the work of implementation of SCADA to Chemtrols Industries Limited (CIL) at a contract value of ₹ 20.12 crore. The completion period was 18 months (by March 2014) from the issue of LoI (September 2012). Despite several time extensions given by the Company, CIL failed to complete the work and requested (March 2017) for further extension upto March 2018. In this connection, Audit observed the following discrepancies:

(a) Delay in completion of award process: As per the Scheme guidelines, the Company was to complete the process of appointment of SCADA implementing agency (SIA) within three months (by January 2012) of sanction (October 2011) of the project. Audit observed that the Company had taken excessive time (152 days) in issuing of tender after sanction (October 2011) of the project. Further, the SCADA consultant had also taken unreasonably long period (82 days) in evaluation of technical and financial bids. As a result, the Company had taken almost one year to appoint (October 2012) CIL as SIA after sanction (October 2011) of the project.

The Management stated (September 2017) that the delay in issue of tender was due to revisions in the Request for Proposal (RFP) document by the Consultant based on the field requirements. The Company also had to obtain clarification of bidders on certain issues relating to their financial offer. This also caused delay in completion of technical and financial bid evaluation.

The reply was not acceptable as the time consumed (almost one year) by the Company in appointment of SIA was unreasonably high compared to the time prescribed (3 months) under the Scheme guidelines. The Company should have taken all necessary steps to complete the award process within the prescribed timeline.

(b) Supply and installation of SCADA equipment: As per the project implementation schedule, CIL was to supply 36 Remote Terminal Units (RTUs) within August 2013. CIL was also required to install the said RTUs in equal numbers of 33/11 KV sub-stations by September 2013. As against this, CIL delivered 25 RTUs in the month of November 2013 and the balance 11 RTUs in March 2014 after the delays of three months and seven months respectively. Audit further observed that out of 36 RTUs scheduled for installation by September 2013, CIL could install only 29 RTUs so far (September 2017). CIL could not install the balance 7 RTUs due to non-readiness of the related sub-stations.

The project implementation schedule further provided for supply of 62 Feeder Remote Terminal Units (FRTUs) based on the field requirements of the project works latest by September 2013. CIL supplied (July 2016) the said FRTUs after a delay of more than 34 months of the scheduled date.

The Management stated (September 2017) that despite persuasion, CIL delayed supply of equipment. It further stated that delay in installation of the equipment was also due to non-readiness of sites, problem in land acquisition *etc*.

The reply was not tenable as the Company should have addressed the site/land related issues at planning stage before issue of work order.

(c) Commissioning of SCADA equipment and data communication with SCADA system: Out of 29 RTUs installed at various sub-stations as mentioned above, CIL could commission only 20 RTUs so far (September 2017). CIL, however, could not commission the remaining 9 RTUs installed (December 2014 to April 2016) at various sub-stations so far (September 2017). The delay in commissioning of the RTUs was mainly attributable to non-integration with the SCADA system, delay in testing of RTUs installed and changes in specification of cable/control panel.

Audit further observed that out of 20 RTUs commissioned (upto September 2017), data communication system was present in 18 RTUs. Out of said 18 RTUs, only 13 RTUs were operational through SCADA control centre. In case of FRTUs, out of 62 FRTUs supplied (July 2016) by CIL at project site as mentioned in the previous sub-paragraph, it could install only 51 FRTUs so far (September 2017). Further, out of said 51 FRTUs, CIL could commission only 8 FRTUs till date (September 2017). Only in the case of one FRTU, communication was present with the SCADA system so far (September 2017).

The Management stated (September 2017) that problems in communication with the SCADA control centre was due to problem of integration with the autoreclosers of the sub-stations and Ring Main Units (RMUs), change of control panel of the sub-stations, issues of upgradation of protocol and firmware in sub-stations, *etc*. The Company further stated that the integration activities were picking up and the Company would complete the same soon.

The fact, however, remained that the Company could not resolve the issue of integration of the SCADA equipment to reap the benefit of online control and monitoring of the distribution network system through SCADA control centre.

(d) Equipment with expired warranty: Audit observed that out of the 36 RTUs supplied by CIL till June 2017, 25 RTUs valuing ₹ 1.52 crore were delivered in the month of November 2013. Besides, the communication systems valuing ₹ 2.13 crore were also received at project site in the month of November 2013. These equipment valuing ₹ 3.65 crore had already outrun the warranty period[18] (May 2017) even though the SCADA project was pending for completion (September 2017).

The Management stated (September 2017) that the equipment installed in sub-station were in live operation. It also claimed that there was a provision of Facility Management Services (FMS) for four years after the warranty period.

The reply was not acceptable as FMS was a paid service and covered only minor repair and maintenance costs. The major rectification/replacement of the equipment

[18] 36 months from the date of commissioning or 42 months from the date of delivery at Company's store whichever was earlier as per LoA.

without extra cost in case of any defect/damage was covered under the equipment warranty, which had already expired.

(e) ***Release of liquidated damages:*** The Company deducted (September 2014) an amount of ₹ 71.88 lakh from the supply bills of CIL towards liquidated damages (LD). The Company had recovered the said LD due to delay in supply of materials by CIL and consequent delay in completion of the project within the scheduled period (March 2014). Audit observed that the Company had extended (October 2014) the scheduled completion period of the project up to March 2015 based on the request (September 2014) of CIL. The Company had accordingly released (December 2014) the said LD amount (₹ 71.88 lakh) to CIL. By releasing the LD, the Company provided a tacit assent to CIL for the delays caused in fulfilling their contractual obligations. Audit further noticed that the delays in supply of material by CIL had contributed towards delay (42 months) in completion of the project from the scheduled date (March 2014). The project was still ongoing (September 2017).

The Management stated (September 2017) that it released the LD in view of the extension given by PFC in the project completion date.

The reply was not justified, as the extension given by PFC did not intend releasing the LD imposed on the Contractor (CIL) for their default in supply.

(f) Non-completion of Distribution Management System (DMS): DMS was one of the vital functional aspects of the SCADA system. It facilitated online control and monitoring of various on-field distribution network equipment with the SCADA system. In January 2016, CIL requested the Company to provide up-to-date GIS data for developing the DMS software. The Company in turn, requested (November 2016) ITIA[19] to provide the GIS data for developing the DMS software after 10 months of the request received (January 2016) from CIL. The ITIA did not respond to the request of the Company. The Company then decided (January 2017) to use Single Line Diagram (SLD) of the network system to operate the on-field SCADA compatible equipment. The Company did not take any significant action in this regard so far (September 2017). Meanwhile, the ITIA refused (April 2017) to take up the work of GIS survey of the SCADA network. Audit noticed that the availability of GIS data was essential for developing the DMS software. The Company, however, had omitted to include this aspect in the work scope of CIL/ITIA while issuing their work orders. As a result, the Company could not integrate various on-field SCADA compatible equipment (*i.e.* RMUs, autoreclosers and sectionalisers) with the SCADA system pending completion of DMS (September 2017).

[19] IT implementing agency (Tata Consultancy Services) for Part-A project works as discussed under ***paragraph 2.9.1.2*** *supra*.

The Management stated (September 2017) that it used SLD to integrate on-field SCADA equipment in one sub-station. For other sub-stations, it would complete the same within a month.

The reply confirmed failure of the Company to address the issue of GIS mapping for DMS software while firming up the work scope of CIL and ITIA. The use of SLD was only an alternative course of action adopted by the Company.

2.9.2.3 Outcome of SCADA project

The SCADA project was taken up with the aim to develop online communication of SCADA equipment with the SCADA control centre. The Company, however, could not integrate the equipment with the SCADA system to achieve this basic objective of the Scheme as discussed under ***paragraph 2.9.2.2 (c)*** and ***(f)*** *supra*. Out of 20 sub-stations commissioned under the project, only 13 sub-stations were operational through SCADA control centre. CIL could not generate various control and monitoring reports.[20] This was mainly due to failure of the Company to develop the Distribution Management System (DMS), which was one of the vital functional aspects of SCADA system. The Company, thus, generated its own Feeder Interruption Reports, System Average Interruption Duration Index and System Average Interruption Frequency Index reports based on the alarm data[21] of the SCADA application. There were discrepancies and inconsistencies in the alarm data/alarm reports. It also resulted in generation of erroneous reports defeating the purpose of report application of the SCADA system.

The basic objective of the SCADA system was to have on-line control and monitoring over the distribution network system without any human intervention. The Company could not achieve this objective due to inaccurate/non-generation of MIS reports.

2.9.3 Implementation of Part-B projects

The Part-B projects consisted of works relating to strengthening of distribution system so as to attain the AT&C loss at a level of 15 *per cent* on sustainable basis. The Part-B project works were originally scheduled for completion within three years (by November 2014) from the date of sanction (November 2011) of the project. GoI granted several extensions from time to time (upto March 2018) as Part-B works lagged behind under the 67 project areas from the original scheduled period. Despite these extensions, the Company could complete the Part-B projects only in 47 out of 67 project areas so far. The Part-B projects in remaining 20 project areas were

[20] Interruption reports, Daily Alarm reports, Energy substation reports, Energy Accounting reports, *etc*.

[21] Data generated by the SCADA system in case of any fault in the SCADA network.

ongoing (September 2017). Audit observed the following deficiencies in the implementation of the Part-B projects by the Company.

2.9.3.1 Delay in completion of the project

GoI released (November 2011 and September 2012) upfront advance of ₹ 193.21 crore for the Part-B projects. The Company issued (May 2012 to May 2013) tenders in the form of packages[22] for works relating to strengthening of distribution system[23]. ***Table 2.4*** depicts the considerable delays at various stages in implementation of the works in 17 selected project areas.

Table 2.4

Stages	Scheduled time	Actual time taken
Issue of tender after release of fund	Not prescribed.	177 to 369 days.
From tender to award of work.	180 days from date of tender (Bid validity).	In 2 project areas, the Company awarded work with minimum delays (5 days). In balance 15 project areas, the Company awarded work with a delay of 71 to 282 days beyond the prescribed period of 180 days.
Completion of project works after award of works.	540 days from the date of work order.	The Company completed the works in 9 project areas with delay of 227 to 603 days beyond the prescribed period (540 days). The Company could not complete the works in 8 projects areas even after delay of 664 to 1,157 days beyond the prescribed period (540 days).

Examination of records of the Company revealed that the Company had taken excessive time in evaluation of bids as well as finalisation of project sites. Besides, the Company had also taken unreasonably long time in resolving the issues relating to approval of additional materials, non-availability of project site[24] and Right of Way (RoW) problems. This had caused avoidable delays at various stages of project execution as detailed in ***Table 2.4***.

The Management stated (September 2017) that delay in issuing tenders was due to changes made in the scope of work after actual field survey of project site by the consultant. It further stated that as some bidders challenged the findings of the Tender

22 Group of individual project areas falling within the same Electrical Circle.

23 Except consumer metering for which the Company issued separate NIT.

24 Guwahati and Jorhat Project area.

Purchase Committee (TPC), there was delay in award of work. The Company also mentioned that there was delay in handing over of the land by the district authorities, which was beyond its control. The Company further attributed the slow progress of work to the hindrances caused on account of natural calamities.

The reply was not tenable as the bidders challenged the findings of the TPC in the case of Guwahati project area only. Further, the contention regarding change in estimates based on actual requirement confirmed the fact of deficiencies in the DPRs. The plea regarding the delay due to land related issues is also not acceptable, as the Company should have resolved the same at the planning stage. Further, the Company did not provide any documentary evidence in support of its claim regarding slow progress of work due to uncontrollable factors like natural calamities.

2.9.3.2 Undue benefit to the contractors

As per the bid document, the Company was to compare the financial bids based on lump-sum prices quoted by the bidders for the entire scope of work. The Company accordingly, issued (January 2013) the work order for strengthening and up-gradation of sub-stations and distribution works of 7 project areas[25] in favour of Win Power Infra Pvt. Limited (WPIL). The work order was issued at a lump sum value of ₹ 23.97 crore for the entire work. Examination of the records of the Company revealed that while submitting its bids, WPIL had quoted 'zero' rates for some of the work components[26]. During evaluation, the Company considered the highest rate amongst the participating bidders against the said 'zero' rate items of work as per bid evaluation guidelines. The Company awarded the work to WPIL at lump sum quoted value as per the guidelines.

During execution of work, the WPIL requested (June 2014) the Company to allow the lowest rate amongst the participating bidders against the 'zero' rate items. The Company placed (December 2014) the matter before the Board of Directors (BoD). The BoD decided to supply the items to WPIL from Company's own stock or by procuring the items departmentally. The Company accordingly, supplied (May 2015/December 2015) one power transformer and five distribution transformers costing ₹ 44.84 lakh and ₹ 11.57 lakh respectively to WPIL for the project works at the cost of the Company.

---

[25] Nagaon, Morigaon, Dhing, Doboka, Jagiroad, Hojai and Lanka under Nagaon Electrical Circle.

[26] One 10 MVA power transformer in Jagiroad and two 100 KVA and five 250 KVA DTRs in Lanka.

The Company's decision to supply materials to WPIL at its own cost was not justifiable as it awarded the work on lump-sum price for the entire work. This resulted in extension of undue benefit to WPIL to the tune of ₹ 56.41 lakh.

The Management stated (September 2017) that it did not give any undue benefit to WPIL, as it did not allow it (WPIL) to procure the materials. The Company instead, procured the materials at its own for utilising in the project work.

The fact however, remained that the Company procured the materials, which the contractor was to supply and install at its own cost as per the lump sum contract.

2.9.3.3 Use of sub-standard materials

a. The Company awarded (December 2013) the work of supply of 33 distribution transformers (DTRs) for Kanch Electrical Circle to Neccon Power & Infra Limited (Contractor) at ₹ 1.17 crore. As per the terms of the supply order, the Contractor was to supply the equipment manufactured by the Company approved manufacturers only. Audit observed that the DTRs supplied (August 2014) by the Contractor were not manufactured by a Company approved manufacturer. During inspection of the equipment after delivery, the Company noticed (August 2014) serious defects in 15 DTRs, which the Contractor rectified. After installation of these DTRs, the Company again noticed (October 2016) seepages of transformer oil from the body of the DTRs during another random check. The Contractor again rectified the defects. Thus, the Company had to face frequent defects in the DTRs due to procurement of sub-standard equipment from a manufacturer not approved by the Company.

The Management stated (September 2017) that the manufacturer (*viz*., North East Electrical Industry) of the DTRs supplied was an approved vendor of the Company.

The reply was not tenable as the Company inducted (April 2015) the aforesaid manufacturer in the approved list of manufacturers after the supply (August 2014) of the DTRs.

b. The Company awarded (January 2013) the work of strengthening and improvement of distribution network system under Nagaon project area to WPIL at a contract value of ₹ 9.11 crore. The above works included erection of 3,376 PSC poles for construction of 11KV and LT lines as per the specification indicated in the work order. The officials[27] from Assam Power Generation Corporation Limited (another State owned power sector company) carried out inspections of 1,000 PSC poles on two occasions (September 2013 and November 2013). As per both the inspection reports, the deflection of the PSC poles was higher than the required specification.

[27] Assistant General Manager (Hydro) and Deputy General Manager (Hydro) of Assam Power Generation Corporation Limited.

The said technical deficiency in PSC poles was due to lower grade of concrete used in the manufacturing of the poles. Both the inspection reports declared the PSC poles as unfit for use in the project. The Company requested (November 2013) for expert opinion from Chief General Manager, Hydro (CGM) of Assam Power Generation Corporation Limited to consider the findings of the above reports. The Company also requested the CGM for further inspection, if necessary, before taking a final view on the use of the PSC poles. The CGM recommended (March 2014) that the poles used in the project could withstand the specified design load based on the specifications mentioned in the reports. Audit, however, observed that while giving the above recommendations, CGM had neither provided any technical justification in support nor carried out further inspection on the poles. Based on the recommendations of CGM, the Company issued (March 2014) dispatch clearance for PSC poles even though the said recommendations were not consistent with the findings of previous two inspection reports. The Contractor installed the said PSC poles in the project areas without conducting any fresh test, which was a compromise with the safety aspects as well as quality of work.

The Management (September 2017) stated that the poles were fit for use after inspection activities carried out by the contractor at the premises of the manufacturer on advice of CGM (Hydro).

The reply was not tenable, as the Company had decided to install the PSC poles without any further analysis/inspection completely ignoring the contradiction between CGM recommendations and previous inspection reports. It thereby exposes the project area to the risk of any mishap due to installation of the said poles.

2.9.3.4 Consumer Metering

A. Ordinary Consumer Meter

The Company assessed (August 2011) a requirement of 1,67,855 meters (1,56,780 single-phase and 11,075 three-phase) for installation under the scheme as of August 2011. As against this, the Company purchased 2,29,314 meters (2,11,856 single-phase and 17,458 three-phase) till July 2014. As on 31 March 2015, the Company, however, could install only 1,78,487 meters (1,68,610 single-phase and 9,877 three-phase). Audit observed the deficiencies in procurement/installation of meters as discussed below:

***i. Unjustified evaluation of bids*:** The Company received bids for procurement of consumer meters (single-phase and three-phase) for two zones[28]. During evaluation (April 2013) of bids, the Company observed that the rates quoted by Secure Meters Limited (L^1 bidder) were unreasonably high. Hence, the Company

[28] Guwahati Zone (Zone-I) and Central Assam Zone (Zone -III)

asked the L[1] bidder to submit a revised offer. On evaluation of revised bid, Tender Purchase Committed (TPC) recommended (July 2013) to award the work to L[1] bidder for Zone-I and negotiate with them for Zone-III. The L[1] bidder, meanwhile, offered (August 2013) a discount of ₹ 35.21 *per* single-phase meters for Zone-III. The Company accepted (August 2013) the same and issued (October 2013) work orders accordingly.

Audit observed that the unit cost quoted by the bidder for the single-phase meters was same for Zone-I and Zone-III. The Company however, obtained the benefit of negotiation in Zone-III only. As such, the Company lost an opportunity to avail the benefit of ₹ 26.38 lakh[29] for Zone-I by placing supply order on L[1] bidder without negotiation.

The Management stated (September 2017) that the percentage variation in Zone-I against the revised price of single-phase meters offered for Zone-III was considerably lower due to large share of three-phase meters in Zone-I. Hence, the Company awarded the order for supply of single-phase meters for Zone-I to L[1] bidder at their originally quoted price.

The reply was not acceptable as the Company while awarding the work to the same supplier failed to consider uniformity in the unit price of the meters of same specification for Zone-I and Zone-III, which was not justified.

ii. ***Excess procurement of meters:*** As mentioned under ***paragraph 2.9.3.4.A*** *supra,* the Company assessed (August 2011) the requirement of 1,56,780 single-phase and 11,075 three-phase meters for 63 project areas. The Company took up (October 2013) the work of installation of 2,11,856 single-phase and 17,458 three-phase meters in 67 project areas. The Company had been installing the meters through two Contractors[30] at a cost of ₹ 62.29 crore. As per the work order, the Contractors were required to complete the work by July 2014. The Company, however, had extended the schedule date of completion of work to March 2015. The details of the meters to be installed and actually installed by the Contractors upto the extended date of work completion (March 2015) have been shown in ***Table 2.5***.

---

[29] 74,919 meters x ₹ 35.21 = ₹ 26,37,898 (No. of meters supplied under Zone-I X Discount availed against supplies to Zone-III per single-phase meter)

[30] Secure Meters Limited and Genus Power Infrastructures Limited.

Table 2.5

Name of contractor	Scope of work		Installed		Unutilised	
	Single-phase	Three-phase	Single-phase	Three-phase	Single-phase	Three-Phase
SML	1,11,575	14,310	75,990	7,953	35,585	6,357
Genus	1,00,281	3,148	92,620	1,924	7,661	1,224
Total	**2,11,856**	**17,458**	**1,68,610**	**9,877**	**43,246**	**7,581**

As seen from ***Table 2.5***, even after expiry of extended time period of 9 months (March 2015) from the original scheduled date of completion (July 2014), the contractors installed only 1,68,610 single-phase meters (80 *per cent*) and 9,877 three-phase meters (57 *per cent*). The supplier transferred (April 2015 and June 2015) the balance 50,827 meters (43,246 single-phase and 7,581 three-phase) to the Company's stores. The details of utilisation of the same was not on record.

Non-installation of 50,827 meters valuing ₹ 13.18 crore was attributable to non-availability of the database of defective and old electro-mechanical meters, resistance of consumers in replacement of meters and shortage of manpower.

The Management stated (September 2017) that it could not install the meters due to resistance from the consumers.

The reply was not acceptable, as the Company should have enforced the provisions of supply code, which included disconnection of supply to the consumers, who opposed to replace the meters. Further, the Company while adopting a new policy decision, needs to ensure the feasibility of its implementation through a well devised system so as to overcome all hindrances.

B. Prepaid meters

The Company procured (March-April 2015 and November 2015) 24,212 meters[31] of required specification from two suppliers[32] at an aggregate cost of ₹ 16.65 crore[33]. The Company released payment of ₹ 12.87 crore after completion (March to November 2015) of the entire supply by the suppliers. Audit observed the following deficiencies in the procurement of meters:

➢ During installation of meters, the Company noticed that the prepaid meters procured did not conform to the technical specifications mentioned in the NIT. The meters procured did not have the features relating to recording of power factor (PF)

[31] 21,212 single-phase and 3,000 three-phase

[32] SML and GPIL

[33] SML: ₹ 12.87 crore (17,000 single-phase and 2,000 three-phase) and GPIL: ₹ 3.78 crore (4,212 single-phase and 1,000 three-phase).

reading and Maximum Demand (MD). The said features of meters were mandatory as per the applicable provisions of the tariff issued by Assam Electricity Regulatory Commission. Considering the deficiencies, the Company had to restrict (August 2016) the work of meter installation to selected categories[34] of consumers only. As a result, the Company could install 2,385 meters (1,369 single-phase and 1,016 three-phase) to the said categories of consumers. The balance 21,827 meters (19,843 single phase and 1,984 three-phase) valuing ₹ 14.60 crore remained unutilized (September 2017). Audit noticed that there was no document on record to confirm conducting of inspection of meters by the Company before accepting the delivery. This was essential to verify that the specification of meters procured was as per the requirement. As a result, the investment of ₹ 14.60 crore towards cost of the unutilised meters remained blocked besides frustrating the Scheme objectives.

The Management stated (September 2017) that it was pursuing with the suppliers to incorporate the provisions for PF reading, MD, *etc.* in the meters.

The reply of the Company confirmed that the meters accepted by it did not conform to the technical specifications prescribed under the Scheme. The expenditure incurred on these meters, thus, has rendered to be infructuous.

The Company should put in place appropriate system/mechanism to ensure that the specification of materials procured conform to the prescribed technical requirements.

- As discussed under previous paragraph, total 21,827 meters procured from two suppliers (SML and GPIL) remained uninstalled as of September 2017. As per the guarantee certificate issued by the SML, the warranty clause was not applicable if the Company stored the meters in unpowered condition for more than two years. Audit observed that out of 21,827 uninstalled meters, 15,657 meters valuing ₹ 9.68 crore were supplied by SML and the same were lying in stores for more than two years. The Company had already lost the opportunity to invoke the benefit of the warranty clause in case of any defect in these meters in the future.

The Management accepted (September 2017) the observation and stated that discussion was going on with SML to provide extended warranty for the balance quantity of meters.

2.9.3.5 SCADA compatible equipment

As per the Scheme, the Part-A project covered the installation of SCADA system in the Guwahati project area. The works relating to installation of SCADA compatible

---

[34] Consumers falling under Jeevan Dhara, Domestic-A&B, Public Lighting and Agriculture categories.

equipment (*viz.* Ring Main Units (RMUs), autoreclosers and sectionalisers) in the substations and feeders at field level was, however, covered under the scope of Part-B project of the Scheme.

The Company awarded (February 2014) the work of installation of SCADA compatible equipment to the Joint Venture (JV) of three firms[35] at a lump sum contract value ₹ 23.46 crore. The work was to be completed within 12 months (*viz.,* latest by February 2015). The Company released payments amounting to ₹ 21.50 crore to JV till June 2017. Audit observed the following deficiencies in execution of the work:

A. *Award of work*

Clause 3.3 of the bid document stipulated that in case a bidder already had work-in-hand in respect of the Company, exceeding three times of the turnover of the bidder, the Company should treat the bid as non-responsive. Audit observed that as on the date of tender (May 2013), the JV had work-in-hand (₹ 216 crore) relating to the Company, which was more than three times of JV's average annual turnover (₹ 68.32 crore) for the last three years (2010 to 2012). The Company, however, did not treat the bid of the JV as non-responsive and irregularly awarded the work to it in contravention of bid provision.

The Management stated (September 2017) that there was no methodology for calculation of work-in-hand of the joint venture in the bid document. Hence, the techno-commercial evaluation committee of the Company had to apply its own methodology for calculating the works-in-hand.

The reply was not acceptable as the methodology adopted by the Company was neither mentioned in the bid document nor discussed in the pre-bid meeting. This indicated absence of transparency in bidding process.

B. *Misstatement of fact*

As per the terms of contract, the contractor (JV) was to complete the work within 12 months (February 2015) after the award (February 2014). The Company however, extended the scheduled completion period upto March 2016. In the work completion certificate (May 2016), however, the Company stated that the JV had completed the work within the scheduled date (March 2016). The Company on the contrary, while seeking (April 2016) approval for the works relating to additional materials, mentioned about non-commissioning of the equipment for want of additional materials. The Company again asked (April 2016) the contractor to take up and complete the work after the approval of additional materials. In an internal

[35] Singhi Cables & Conductors Private Limited, OK Enterprises and Win Power Infra Pvt. Limited.

communication, the Assistant General Manager (AGM) of the Company reported (June 2016) to the Managing Director of the Company regarding completion of 80 *per cent* of installation of SCADA compatible equipment as of June 2016. The contradiction in the facts mentioned above rendered the authenticity of the completion certificate issued (May 2016) by the Company as doubtful.

The Management stated (September 2017) that in the meeting held in June 2016, the AGM discussed about interfacing issue of the equipment which got misquoted in the minutes as installation. The reply confirmed the audit observation as interfacing of the equipment formed part of the project work which was not completed so far (September 2017).

2.9.3.6 Outcome of Part-B projects

The principal objective of the Scheme was restoration of commercial viability of the power distribution sector by substantially bringing down the AT&C losses at the level of 15 *per cent* on sustainable basis. The GoI directly linked the conversion of loan into grant to achieve the targeted level of AT&C loss as discussed in ***paragraph 2.8.*** The Company thus would not be eligible to get the benefit of conversion of GoI loans into grants in the event of non-achievement of targeted reduction in AT&C loss. In that case, the Company would also have to bear the interest burden on the said portion of loan not converted into grant.

Audit observed that the AT&C loss of the Company in the year 2010-11 (base-year) was 29.91 *per cent,* which had come down to 23.05 *per cent* in 2016-17. The overall position of AT&C loss at the beginning (2010-11) of the project as well as after the completion (2016-17) of the Part-B works in the 47 completed project areas has been given in the ***Table 2.6***.

Table 2.6

Range of AT&C Loss (in *per cent*)	Number of Project areas at the beginning[36] of the project	Number of Project Areas after completion of Part-B project
0-15	0	5
15-30	9	26
30-45	21	13
45-60	14	3
60-75	3	0
Total	**47**	**47**

As could be seen from ***Table 2.6***, out of the 47 Part-B project areas where the work was complete, the Company could achieve the targeted level of AT&C losses (15 *per*

[36] Formation of baseline data

cent) in 5[37] project areas only. The Company, however, failed to achieve the targeted AT&C losses in respect of remaining 42 completed project areas.

Audit further observed that in 6 out of 47 completed project areas, the AT&C loss increased from the baseline figure after completion of Part-B project. Scrutiny of two[38] out of these six project areas revealed that the rise in AT&C losses were mainly on account of:

- decrease in collection efficiency due to inclusion of rural consumers within these project areas;
- calculation of input energy on estimation basis due to faulty boundary meter at the ring fence points;
- existence of huge number of defective consumer meters/DTR meters and preparation of bills based on estimates; and
- insufficient works taken up under Part-B scheme as compared to actual field requirement.

In view of the position discussed above, there was a possibility of the Company not getting the benefit of conversion of GoI loan into grant due to non-achievement of targeted reduction in AT&C losses.

2.10 Monitoring

Proper and effective monitoring of implementation of scheme was vital to achieve the scheme objectives within the scheduled time. To ensure effective monitoring of scheme works at state-level, the Scheme guidelines stipulated formation of State Level Distribution Reforms Committee (SLDRC) headed by the Chief Secretary of the State. Besides this, the Company was also required to obtain periodical progress reports on regular basis, from the contractors on the execution of works to monitor the implementation of the Scheme. Audit observed the following deficiencies in the monitoring of implementation of the Scheme works:

2.10.1 Monitoring by State Level Distribution Reforms Committee

The GoA formed (June 2009) the SLDRC headed by the Chief Secretary, GoA as per the requirements of the Scheme guidelines. The SLDRC was to recommend the project proposals prepared by the Company to MoP, GoI for their approval. SLDRC was also required to monitor the compliance to the conditionality of the approval during project implementation and monitor the achievement of milestones and targets fixed under the Scheme.

---

[37] Tinsukia, Kokrajhar, Nagaon, Morigaon, Bongaigaon

[38] Chapor and Doboka

Audit observed that since its inception (June 2009), SLDRC held only three meetings (November 2009, March 2011 and August 2011). The Company invited (May 2012 to May 2013) Notices inviting Tenders (NITs) for Part-B project and awarded (January 2013 to June 2014) works involving ₹ 556.73 crore under the Scheme. Audit observed that there was not a single meeting of SLDRC during the aforesaid period to monitor the tendering process and implementation of the project works under the Scheme.

This indicated ineffectiveness of SLDRC in upholding the objectives of its formation. It contributed towards various deficiencies in completion of the project works and consequently non-achievement of the Scheme objectives even after eight years of sanction (November 2009) of the Scheme.

The State Government/Company need to devise an appropriate system to ensure effective monitoring of project works through regular meetings of the monitoring committee at prescribed intervals.

2.10.2 Monitoring by the Company

The Company, being the implementing agency, was to monitor the project implementation through regular review of the periodic work progress reports submitted by the contractors. This would facilitate taking timely action in resolving various hurdles in implementation of the project works. As discussed earlier, the Company was deficient in resolving issues relating to selection of project work sites/availability of land, receipt of materials not conforming to specification, problem of integration of SCADA equipment with SCADA system. There were also Right of Way (RoW) issues and resistance of consumers in replacement of meters of prescribed specifications. All these indicated lack of active involvement and effective monitoring of project implementation by the Company.

Conclusion

The prime objective of the Scheme was to bring down the Aggregate Technical & Commercial loss (AT&C loss) to the targeted level of 15 *per cent* on sustainable basis. Audit observed that there was an overall reduction of only 6 *per cent* (from 29 to 23) in the AT&C loss of the Company till 2016-17. Only in 5 out of 47 completed project areas, the AT&C loss was at or below the targeted level. Non-achievement of AT&C loss target was mainly attributable to implementation of the Scheme without any comprehensive plan and preparation of DPRs without adequate survey and field study. This caused delay in selection of sites, change in specification of equipment, requirement of additional material and consequent delay in project completion.

The Company also failed to achieve the desired benefits of IT applications under Part-A project in establishing reliable and automated sustainable systems for collection of online data for energy accounting and auditing. This was due to various controllable factors that included persistence of defective meters and modems, failure or non-availability of GPRS network, absence of regular updation of Geographic Information System (GIS) maps of consumers and assets. The Company also could not harness the benefit of online control and monitoring of distribution network through SCADA system. It was due to tardy implementation of the project coupled with inadequate monitoring.

Recommendation

The Government may consider:

- formulating a comprehensive plan before implementation of any Government scheme;
- carrying out adequate feasibility study and survey work of the site conditions before preparation of Detailed Project Reports while executing future projects;
- resolving the hindrances to complete online data communication for accurate energy accounting;
- addressing deficiencies of the Supervisory Control and Data Acquisition (SCADA) project for effective control and monitoring of distribution network system; and
- strengthening the project monitoring mechanism to ensure effective and timely implementation of the projects.

Compliance Audit Observations

Chapter III - Compliance Audit Observations

This chapter includes important audit findings emerging from test check during the compliance audit of the State Government companies/Statutory corporations.

Government Companies

DNP[1] Limited

3.1 Loss of revenue

The Company sustained a net revenue loss of ₹ 6.73 crore due to non-revision of transportation tariff on account of variation in the fuel cost.

Assam Gas Company Limited (AGCL) entered (June 2005) into a Gas Transportation Agreement (GTA) with Numaligarh Refinery Limited (NRL) for transportation of natural gas (NG). For the purpose, AGCL was to construct a pipeline from Duliajan to Numaligarh for transportation of 1.00 MMSCMD[2] of NG. DNP Limited (Company) was formed (March 2009) as a joint venture between AGCL, NRL and Oil India Limited (OIL). AGCL held more than 51 *per cent* equity stake in the Company and hence, the Company was a subsidiary of AGCL. AGCL assigned the GTA to the Company. The Company, accordingly, had taken over all the rights and obligations under the aforesaid agreement.

The Company commissioned (March 2011) the pipeline project required for transportation of the NG to NRL. A sub-committee comprising of members from AGCL, NRL and OIL determined the transportation tariff for transporting the NG to NRL. Based on the recommendations of the sub-committee, the Company fixed (March 2011) the transportation tariff at ₹ 2,496.32 per 1,000 SCM of NG. The transportation tariff was subject to increase at the rate of 3 *per cent* every year as per the GTA. Audit observed that while fixing the transportation tariff, the sub-

1 DNP stood for Duliajan-Numaligarh Pipeline. The Company was, however, registered in the name of 'DNP Limited' as per the certificate of incorporation issued by the Registrar of Companies.

2 MMSCMD = Million Standard Cubic Meter Per Day

committee considered a constant[3] amount of ₹ 592.80[4] per 1,000 SCM towards the transportation cost of NG required as fuel to run the compressor (fuel cost). The component of fuel cost was determined based on the base price of ₹ 8,000 per 1,000 SCM of NG.

Besides, the Company was also required to adjust the transportation tariff at ₹ 3.65 per 1,000 SCM for every variation (upward/downward) of ₹ 100 per 1,000 SCM in the price of NG (fuel cost) as per clause 8.03 of the GTA. The Company and NRL once again concurred (January 2012) to this factor[5] for variation in price of NG during the process of fixation of the transportation tariff.

Audit observed that the Company kept the price of NG constant ignoring the price variation (upward/downward) during the period from 2011-12 to 2016-17. This was contrary to the provisions of GTA and the subsequent resolution (January 2012) arrived at between the Company and NRL.

Month-wise analysis of price of NG during April 2011 to March 2017 revealed that the price of NG during the said period ranged between ₹ 6,068 and ₹ 13,554 per 1,000 SCM. Audit further, observed that the price of NG prevailing during 2012 to 2016 was higher than the base price of ₹ 8,000 per 1,000 SCM considered for fixation of transportation cost of NG. The price of NG was however, less than the base price during 10 months in 2011-12 (April-December 2011 and March 2012) and 6 months in 2016-17 (October 2016-March 2017).

The Company had not revised the transportation tariff of NRL despite the aforesaid variation in price of NG. The Company owing to non-revision of transportation tariff on account of variation in fuel cost as prescribed in the GTA had to sustain a net loss of ₹ 6.73 crore during April 2011 to March 2017.

The Government/Management stated (September 2017) that the Company had sought confirmation from NRL relating to price adjustment. The response of NRL on the issue was, however, pending (December 2017).

---

[3] The Company considered annual throughputs for the first and second year as 83 *per cent* and 80 *per cent* respectively and thereafter at 100 *per cent*.

[4] It is the value of proportionate quantity of NG required for transportation of 1000 SCM of NG. The basis of calculation of the same is as follows: 2.47 *per cent* x 300 MMSCMD (pipeline throughput quantity) x ₹ 8,000 per 1,000 SCM = ₹ 592.80

[5] Fuel cost adjustment = Actual NG transported to NRL in 1000 SCM x (actual price of NG per 1,000 SCM – base price of NG considered in transportation tariff) x ₹ 3.65 (for every variation of ₹ 100)

3.2 Non-recovery of capital cost

The Company could not recover the entry tax of ₹4.79 crore from NRL as a component of transportation tariff due to its omission to include the same in the project cost

Section 4(2) of the Assam Entry Tax Rule, 2008 (Rule) stipulated that any registered dealer/importer importing specified goods shall issue a road permit for importing such goods within the local area. Section 5(1) of the Rule further stipulated that every registered dealer liable to pay tax under the Assam Entry Tax Act, 2008 (Act), whose aggregate import value of specified goods imported in any assessment year exceeds ₹ 10 lakh, shall submit to the assessing authority a monthly statement of such import value before the expiry of the next succeeding month.

As mentioned under ***paragraph 3.1*** supra, AGCL entered (June 2005) into a GTA with NRL for transportation of 1.00 MMSCMD of NG. AGCL assigned (March 2009) the GTA to its subsidiary, namely, DNP Limited (Company). The Company as such took over all the rights and obligations under the aforesaid agreement.

AGCL issued (April 2008) work orders for procurement of pipes and other items amounting to ₹ 119.51 crore from the contractor (PSL Limited) for construction of the pipeline from Duliajan to Numaligarh.

As per the aforesaid Rule and the terms and conditions of the purchase order, the Company was liable to pay entry tax to Government of Assam (GoA) against the said procurement. The Company accordingly got itself registered (September 2008) as a dealer. The Company received the supplies against the above purchase order and also released the entire payment of ₹ 119.51 crore to PSL Limited within March 2010. The Company however, neither issued any road permit nor paid any entry tax against said procurements till that time (March 2010).

The Company commissioned the pipeline project in March 2011. The Company based on the actual project cost of ₹ 379.25 crore, fixed (March 2011) the transportation tariff of NG. The Company planned to recover the project cost along with the 'Return on Investment' within a span of 25 years. The Company thereafter, paid (August 2015 and March 2017) ₹ 4.79 crore as entry tax to the GoA on the procurements made against the work order issued in April 2008.

Audit observed that the above project cost did not include the entry tax component, which was paid (August 2015 and March 2017) after more than four years of fixing (March 2011) the transportation tariff. The Company also capitalised the amount of entry tax in its accounts (2016-17). The Company, however, could not recover the corresponding increase in the project cost of ₹ 4.79 crore through the transportation tariff.

The Company, thus, could not recover the entry tax (capital cost) of ₹ 4.79 crore from NRL as a component of transportation tariff due to its omission to include the same in the project cost.

Audit reported (August 2017) the matter to the Government/Company; their replies had not been received (December 2017).

3.3 Undue favour to contractors

The Company extended undue favour to the extent of ₹1.20 crore to contractors due to irregular release and non-deduction of welfare cess in violation of the extant Rules.

The Government of Assam (GoA) notified (August 2007) the Building and Other Construction Workers (RE&CS) Assam Rule, 2007 (Rules). GoA also constituted (February 2008) the Assam Building and Other Construction Workers Welfare Board (Board). The Building and Other Construction Workers Welfare Cess Act, 1996 (Act) accordingly became operative in the State with effect from 26 September 2007.

The Rules notified (August 2007) by GoA made it mandatory for all Government departments, public sector undertakings and other Government bodies to get themselves registered with the District Officer concerned of the Labour Department. The Rules further provided that the said departments/bodies must mandatorily deduct one *per cent* of the cost of construction towards welfare cess (Cess) from the construction bills of the contractors at the time of releasing the payment. The Company was to remit the amount so deducted to the Board by way of 'Account Payee' cheque within 30 days of releasing the payment to the contractor.

DNP Limited (Company) withheld an amount aggregating ₹ 1.01 crore after the Audit had pointed out (February 2013) the lapse on part of the Company in deducting and remitting the Cess amount to the Board. The Cess amount so withheld pertained to the bills of eight contractors received (January–June 2013) against work orders issued from November 2008 onwards.

During the conduct of subsequent audit (September 2016), Audit observed that the Company had not remitted the Cess amount deducted from the said eight contractors to the Board. The Company instead irregularly released (January 2014 to March 2016) the said Cess amount to the respective contractors while releasing payment against their final bills.

During examination of the records, Audit further noticed that the Company did not deduct the Cess amount (₹ 0.19 crore) in respect of two different work orders issued (December 2008–December 2009) in favour of one of the said eight contractors (Mid East Pipeline Products Limited). The Company had settled the final bills against above two work orders in July 2014.

The Company, thus, extended undue favour to the extent of ₹ 1.20 crore to contractors due to irregular release (₹ 1.01 crore) and non-deduction (₹ 0.19 crore) of welfare cess in violation of the extant Rules.

The Government/Management stated (August 2017) that the Company did not remit the Cess to the Board due to ignorance on their part. The Government/Management further stated that the Company had started deducting the Cess after it came to know about the legal provisions.

The reply was not acceptable as the Company should have deducted and remitted the Cess to the authorities concerned in accordance with the applicable Act/Rules.

Assam Power Distribution Company Limited

3.4 Violation of AERC Regulations

The Company incurred a loss of revenue of ₹2.17 crore against theft cases due to preparation of bills based on 'average consumption' instead of applying the formula prescribed under the AERC Regulations.

Assam Electricity Regulatory Commission (AERC) notified the Electricity Supply Code and Related Matters Regulations, 2004 (First Amendment-2007), (Regulation). The Regulations in relation to interference with metering system and unmetered/theft of electricity inter alia stated that:

(i) The Company shall serve a compensation bill to the consumer as per *clause 5.A.4.4* if it detects any interference with the meter and metering system. A consumer aggrieved by such assessment may appeal to the appropriate Appellate Authority[6] as prescribed by the Government of Assam (GoA) against such assessment. (*clause-5.A.4.3*)

(ii) When a consumer indulges in the theft of electricity, the officer authorised in this behalf by the GoA, without prejudice to its other rights, will assess the quantum of electricity loss. It would be on assessed consumption of detected category as per

[6] GoA constituted the above Appellate Authority as per section 127 of the Electricity Act, 2003. It was to function within the purview of the Electricity Act, 2003 and the AERC regulations.

Table under *clause 6.2.1.1* and connected load for a period of 12 months prior to the date of detection. The Company shall bill the consumer at the rate of two times of the existing tariff. (*clause-5.A.4.4*)

Examination of records (June 2016) of Assam Power Distribution Company Limited (Company) revealed two instances of unlawful interference with the meter by the consumers. It tantamount to theft of electricity under Section 135 of the Electricity Act, 2003. The Company, however, billed the consumers contrary to the provisions of the above clauses of AERC as discussed in subsequent paragraphs.

A. The officials of the Company conducted (July 2014) an inspection of the premises of Shree Sanyeeji Ispat Limited (consumer-1). During inspection, the officials found the consumer drawing power by tampering the meter. The Company officials further noticed absence of display in the meter, broken seals and meter cover as well as cracks on the communication port of the meter.

The Company served (October 2014) an assessment bill amounting to ₹ 1.59 crore covering the period from 1 March 2013 to 30 June 2014. The meter reading information of 10 April 2014, inspection report and subsequent test report of the meter from its manufacturer served as a basis for the above assessment bill. Aggrieved by the assessment bill, the consumer preferred (October 2014) an appeal before the Appellate Authority (AA) of the Company. The consumer pleaded for re-assessment of the correctness of the findings of the inspection and the assessment bill.

The AA after hearing both the parties, confirmed (January 2016) the meter-tampering event. The AA, however, directed the Company to prepare an assessment bill for a period of 84 days from 10 April 2014 to 4 July 2014 based on the 'average consumption' for the succeeding five months (July to November 2014). Audit observed that the methodology suggested by AA to prepare the assessment bill was contrary to the rates/formula prescribed under *clause 5.A.4.4* of AERC. The Company, however, revised (March 2016) the assessment bill to ₹ 0.22 crore as per the directions of AA and recovered (April 2016) the said amount through monthly bills of the consumer.

Audit observed that the assessment bill amount of the consumer for the said period of 84 days as per the formula prescribed under AERC Regulations worked out to ₹ 1.75 crore.

The Company thus suffered a revenue loss of ₹ 1.53 crore (₹ 1.75 crore - ₹ 0.22 crore) by billing the consumer based on average consumption as per the directions of AA instead of billing as per the formula prescribed under AERC Regulations.

B. In a similar instance, the officials of the Company conducted (27 August 2014) an inspection of the premises of Shiv Alloy Steel (consumer-2). The Company officials found the consumer drawing power by tampering the meter. The Company officials observed that the front meter cover was not original and also noticed cracks on the body of the meter. The Company accordingly served (September 2014) an assessment bill amounting to ₹ 0.67 crore to the consumer for a period of 18 months[7] (5 March 2013 to 27 August 2014). Aggrieved by the assessment bill, the consumer preferred (October 2014) an appeal before the AA of the Company.

The AA confirmed (March 2015) the meter tampering by the consumer. The AA, however, directed the Company to revise the bill for the period of 288 days from 12 November 2013[8] to 27 August 2014. Audit observed that the AA did not give any clear directions on the rates and methodology for preparing the assessment bill. The Company, however, revised (March 2015) the assessment bill to ₹ 0.19 crore for the said period of 288 days based on the average consumption of four months (August to November 2012). Audit observed that the methodology adopted to prepare the assessment bill was contrary to the rates/formula prescribed under *clause 5.A.4.4* of AERC Regulations. The Company recovered (March 2015) the amount through the monthly bill of the consumer.

Audit, however, observed that the assessment bill of the consumer worked out to ₹ 0.83 crore for the period of 288 days (12 November 2013 to 27 August 2014) in accordance with the formula prescribed under AERC Regulations.

The Company thus, suffered a revenue loss of ₹ 0.64 crore (₹ 0.83 crore - ₹ 0.19 crore) due to billing the consumer at 'average consumption' instead of applying the formula as per AERC Regulations.

Audit observed that in both the above cases, the Company prepared the assessment bills based on the 'average consumption', which was not in line with the Regulations/Rules prescribed by AERC. Audit further observed that the basis of average consumption adopted was applicable for preparation of assessment bills in case of incorrect or stopped meter (*clause 4.2.2.4*), where there is no malafide intent of the consumers. The instant cases, however, involved tampering of meters, which tantamount to theft and were the wilful acts on the part of the consumers. The Company hence, should have applied the provision of *clause 5.A.4.4* of AERC Regulations in these cases. The Company also did not approach the higher courts or the AERC for redressal of the financial loss caused due to the order of the AA.

---

[7] The Company preferred the bill for a period of 18 months considering the date of detection of the meter-tampering event.

[8] This was the date on which the inspection team of the Company visited the consumer premises and found the meter all right.

The Company thus, had to suffer a loss of revenue of ₹ 2.17 crore (₹ 1.53 crore + ₹ 0.64 crore) by improperly billing consumers against theft cases in contravention to the AERC Regulations.

The Government/Management stated (July 2017) that they had prepared the assessment bills on the basis of the verdict of the AA.

The fact however, remained that the Management accepted the verdict of AA which was in contravention to the provisions of AERC without challenging the same before the appropriate authority.

3.5 Violation of AERC Regulations

The Company incurred a loss of ₹1.29 crore due to failure to supply electricity at the specified voltage level in accordance with the AERC Regulations

Assam Electricity Regulatory Commission (AERC) notified the Electricity Supply Code and Related Matters Regulations, 2004 (First Amendment-2007), (Regulations). The Regulations inter alia stated that:

(i) The Company was to determine the voltage of supply to consumers on the basis of the contract demand of the consumer. The Company was to supply electricity at a voltage level of 132/220 KV for any consumer having a contract demand of above 5,000 KVA. (*clause 2.2*)

(ii) The supply was to be at 11 KV or above in case the connected/contracted load of any new connection is to be at 25 KVA or more. The consumer was to install a separate transformer of adequate capacity at his own cost. (*clause 3.5.4*)

Assam Power Distribution Company Limited (Company) entered into an agreement (November 2011) with Purbanchal Cements Limited[9] with contract demand of 5,294 KVA. The Company, however, supplied (April 2013 to March 2017) electricity at 33/132 KV voltage level from its 132/33 KV sub-station in contravention to *clause 2.2* of the Regulations. The supply at voltage level of 33/132 KV was applicable to consumers having a connected load in the range of 1,200 KVA and 5,000 KVA with a specified voltage level of 132/220 KV. The Company, further, did not insist upon the consumer to construct a dedicated 132/33 KV substation, which was also in contravention of the Regulations (*clause 3.5.4*).

[9] billed under Industrial Revenue Collection Area (IRCA-I) of the Company

The 132/33 KV sub-station received power at 132 KV voltage. The Company had to step-down the voltage level to 33 KV to supply the electricity at the voltage level of 33/132 KV. During this process of transformation of electricity from a higher to lower voltage level, there was an inherent transformation loss. The Company assessed the said transformation loss in the range of 4 to 5 *per cent*.

The Electricity Tariff approved by AERC extended a rebate of 3 *per cent* to the consumers that further substantiates the incidence of transformation loss in supply of electricity at lower voltage. This was in consideration of the potential savings in the energy loss for supply of electricity at higher voltage level than prescribed.

The Company thus incurred an energy loss of 23,73,433 kWh[10] valued at ₹ 1.29 crore on account of transformation of electricity from higher to lower voltage level. The said energy loss was due to supply (April 2013 to March 2017) of electricity to the consumer at a lower voltage level than specified under AERC Regulations.

The Company thus had to incur a loss of ₹ 1.29 crore due to failure to supply electricity at the specified voltage level in accordance with the AERC Regulations.

The Management stated (September 2017) that there was no provision in the Electricity Tariff to bill additional energy consumption against the energy loss involved in supplying power at lower voltage to the consumer.

The fact however, remained that the Company should have followed AERC norms in supplying power at the specified voltage level. The supply of power at a lower voltage level itself was irregular and in contravention to AERC Regulations.

Audit reported (June 2017) the matter to the Government; their replies had not been received (December 2017).

[10] Audit has considered the rate of 3 *per cent* allowed as rebate under the Electricity Tariff to work out the energy loss (transformation loss) involved in the process of transformation of electricity from higher voltage to lower voltage.

Assam Small Industries Development Corporation Limited

3.6 Undue benefit

The Company extended an undue benefit of ₹ 1.54 crore to the suppliers at the cost of State exchequer due to fixation of rates on the higher side.

The Assam Small Industries Development Corporation Limited (Company) dealt in procurement and supply of different items based on the requests of various Departments of Government of Assam. The Company procured the said items under the 'Marketing Assistance Scheme' of the Assam Preferential Stores Purchase Act, 1989 (Act).

The Act inter alia provided that the items for supply to Government Departments must be procured from the Small scale and cottage industries (SSI). The Act, further stipulated that in order to ensure reasonable and fair prices of the items, the Company should invite tenders by advertisement in three or four local newspapers in three consecutive issues giving one-month time to the SSI units.

The Inspector General of Police, Logistic (IGP) of Assam requested (August 2011) the Company to provide rates for supply of steel cots as per specification. The Company accordingly obtained (September 2011) rate quotations from few SSI units on an *ad hoc* basis for the items required in manufacturing of steel cot. The Company, however, did not obtain the quotations through open tendering in violation of the Act. The Technical Committee (TC) of the Company approved (November 2011) a composite rate of ₹ 3,958 *per* steel cot based on the item-wise rate quotations obtained by the Company.

Audit examined the cost analysis of the steel cot to ascertain the reasonableness of the composite rate fixed by the TC. Audit observed that the composite rate of steel cot as fixed by TC included ₹ 1,917.50 (₹ 118 per sq. ft. x 16.25 sq. ft. dimension) for 19 mm Block Board (a component of the steel cot). Audit further observed that the rate of Block Board considered (₹ 118 per sq. ft.) by TC for fixing the composite rate of steel cot was higher by ₹ 45 per sq. ft. in comparison to the market rate (₹ 73 per sq. ft.) that prevailed during the same period (September 2011). Audit worked out the cost of Block Board required for each steel cot at ₹ 1,186.25[11] based on the market rate. This was lower than the rate fixed by the TC by ₹ 731.25 (₹ 1,917.50 - ₹ 1,186.25).

The Company issued 50 supply orders on 23 suppliers for procurement of 21,005 steel cots at the rate of ₹ 3,958 *per* steel cot during the period from August 2012 to

---

[11] ₹ 73 *per* sq. ft. x 16.25 sq. ft. dimension

October 2015. The suppliers supplied (December 2012 to August 2016) the entire quantity of cots to the different offices under the IGP at a cost of ₹ 8.31 crore.

The Company thus extended an undue benefit of ₹ 1.54 crore[12] to the suppliers at the cost of the State exchequer. It was due to non-compliance with the provisions of the Act in procurement of steel cots and fixation of rates on the higher side.

Audit reported (June 2017) the matter to the Government/Company; their replies had not been received (December 2017).

Assam Power Generation Corporation Limited

3.7 *Incentive foregone*

The Company had to forego the 'efficiency incentive' amounting to ₹1.17 crore due to incorrect classification of a hydroelectric project, which was eligible for higher incentive.

Assam Electricity Regulatory Commission (AERC) notified the Terms and Conditions for Determination of Tariff Regulations, 2006 (Regulation). The Regulations *inter alia* stated that:

The Company was entitled to receive an 'efficiency incentive', when the capacity index exceeds 90 *per cent* for 'purely run-of-river power generating stations' and 85 *per cent* for 'run-of-river power station with pondage'. This was applicable in case of all the generating stations including new generating stations from the first year of operation. The incentive would accrue up to a maximum capacity index of 100 *per cent*. The Company was entitled to receive the 'efficiency incentive' in accordance with the prescribed formula[13]. (*clause 70.1*)

Assam Power Generation Corporation Limited (Company) commissioned the 2x50 MW Karbi Langpi hydroelectric project (Project) during March 2007. As per the Detailed Project Report (DPR), the Company was to classify the Project as a 'run-of-river project with pondage'.

[12] 21,005 x ₹ 731.25 = ₹ 1.54 crore

[13] Incentive = 0.65 x annual fixed charge x (capacity index achieved – standard capacity index)

The Company however, incorrectly classified the Project as a 'purely run-of-river project' while submitting (June 2014) the true-up[14] petition for the year 2012-13 to AERC. AERC, based on Company's submission, allowed (November 2014) an 'efficiency incentive' of ₹ 0.58 crore vide its tariff order after considering the standard capacity index of 90 *per cent*.

The Company had submitted (December 2014) the true-up petition for the year 2013-14 to AERC. Audit observed that in the true-up petition for 2013-14, the Company admitted its mistake of wrongly classifying the project in the true-up petition for 2012-13 as a 'purely run-of-river project' instead of a 'run-of-river project with pondage'. The Company in support of its claim, submitted the DPR of the project to AERC. The AERC accepted the plea of the Company and considered (July 2015) the Project to be a 'run-of-river project with pondage'. The AERC accordingly allowed an efficiency incentive at the standard capacity index of 85 *per cent* for the year 2013-14.

The Company, however, could not recover any efficiency incentive for the years prior to 2013-14 due to incorrect classification of the Project. Audit analysed the true-up petition of the Company for the year 2012-13, wherein the AERC had allowed ₹ 0.58 crore[15] based on the incorrect classification of the project. Audit observed that the Company would have received an additional efficiency incentive of ₹ 1.75 crore[16] for the year 2012-13, if it would have correctly classified the Project as 'run-of-river project with pondage'.

The Government/Management in its reply (November 2017) accepted that it did not claim the incentive for the year 2012-13. The Government/Management further stated that the Company started filing the claim from 2013-14 after coming to know that the project is a 'run-of-river project with pondage'.

The fact, however, remained that the Company classified the project incorrectly for which it had to forego revenue.

The Company thus had to forego the 'efficiency incentive' amounting to ₹ 1.17 crore (₹ 1.75 crore - ₹ 0.58 crore) for the period 2012-13, due to incorrect classification of the project.

---

[14] True-Up is a comparison of the audited performance of the Generation Company for the previous financial year with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges. Upon completion of the True-up, the AERC passes an order recording the amount of such gains or losses shared with the Generation Company in accordance with regulations.

[15] Incentive received = 0.65 x 35.92 x (92.50 - 90) / 100 = ₹ 0.58 crore

[16] Incentive receivable = 0.65 x 35.92 x (92.50 - 85) / 100 = ₹ 1.75 crore

Assam Electronics Development Corporation Limited

3.8 Avoidable expenditure

The Company incurred interest cost of ₹18.77 lakh due to non-remittance of service tax to tax authorities within the prescribed time.

As per the provisions of the Finance Act, 1994, read with Service Tax Rules, 1994, notified by the Government of India (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 6^{th} 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. It would be for the period for which the person delays such crediting of the tax or part thereof. (Section 75)

Audit observed that Assam Electronics Development Corporation Limited (Company) paid (April 2011 to March 2016) ₹ 18.77 lakh to tax authorities as interest for delay in remittance of service tax. The Company was liable to pay the service tax by the 6^{th} day of the month immediately following the calendar month. The Company however, computed and filed its service tax return during November 2012 (for the period April 2011 to March 2012) with delays ranging between 216 to 552 days. The Company from July 2012 onwards computed and filed returns on a half-yearly basis and deposited the service tax with delays ranging between 13 to 296 days. As a result, the Company had to pay interest[17] aggregating ₹ 18.77 lakh for delay in remittance of service tax.

[17] 18 *per cent* from 1 April 2011 to 30 September 2014 and from 1 October 2014 onwards at 18 *per cent* (first 6 months), 24 *per cent* (7 to 12 months) and 30 *per cent* (for the period beyond 12 months).

The Company should have been proactive in preparing the monthly returns and remitting the service tax to tax authorities as this was a statutory requirement. Any lapses as such in timely payment of service tax attracted interest liability.

The Company thus had to bear the interest cost of ₹ 18.77 lakh due to delayed remittance of service tax.

Audit reported (April 2017) the matter to the Government/Company; their replies had not been received (December 2017).

Assam State Textbook Production and Publication Corporation Limited

3.9 Lapses in internal control

Introduction

The Government of Assam (GoA) incorporated (March 1972) the Assam State Textbook Production and Publication Corporation Limited (Company) as a wholly owned State Public Sector Undertaking (SPSU). The objectives of the Company was to publish, print, and supply textbooks for primary and secondary education in the State of Assam.

The GoA entrusted (March 2009) the Company with the responsibility of procuring the text paper as well as printing and distribution of textbooks under Axom Sarba Siksha Abhijan (ASSA) and Director of Secondary Education (DSE). The Company was to cater to the needs of the students of Class I to VIII for ASSA and Class IX to X for DSE. The Company's annual accounts were in arrears since 1993-94 onwards. The Company was a profit making entity as per the provisional accounts for the years from 2013-14 to 2015-16. The Company earned profits amounting to ₹ 12.17 crore (2013-14), ₹ 8.83 crore (2014-15) and ₹ 6.23 crore (2015-16). The contribution of the service charges received against supply of textbooks to ASSA and DSE to the net profits of the Company for the three years under reference was 36.73 *per cent* (2013-14), 56.17 *per cent* (2014-15) and 75.60 *per cent* (2015-16)[18]. The Company, however, did not compile its accounts for 2016-17 so far (October 2017).

Audit test-checked (June 2017) the activities of the Company covering the period from April 2015 to March 2017. The Audit objective was to assess whether the internal control system prevailing in the Company was adequate to ensure economy

[18] Service charge received from ASSA amounted to ₹ 4.47 crore (2013-14), ₹ 4.96 crore (2014-15) and ₹ 4.71 crore (2015-16)

and efficiency in providing its services towards printing and distribution of textbooks to indenting departments/agencies within the given timeframe.

Audit analysis brought out inadequacies in the internal control mechanism of the Company. This resulted in deficiencies in procurement of text paper, printing and distribution of textbooks as discussed in succeeding paragraphs.

Audit findings

3.9.1 Overall position of textbooks required, printed and distributed

ASSA and DSE provided the enrolment figures for each academic year (January to December) to the Company by 30 June each year. The Company assessed the requirement of textbooks to be printed and distributed by these agencies during the next academic year starting from January. Based on the above, the Company annually assessed the requirement of text paper for each academic year (January to December). The Company was responsible to ensure availability of textbooks to students before commencement of the academic year[19]. It was thus, pertinent for the Company to arrange the printed textbooks for distribution to the students before 31 December every year.

The Company engaged the suppliers of text paper through Notice inviting Tenders (NIT) for each of the academic years after due approval of the Tender Committee (TC). The TC of the Company consisted of one representative each from GoA and ASSA. The TC fixed the rates for procurement of text paper based on the quotations obtained from the suppliers. The Company similarly, engaged printers and distributors for printing and distribution of textbooks through NIT. The Company, thereafter, entered into separate agreements with the suppliers/printers/distributors for execution of their respective jobs. ***Table-3.1*** highlights the details of textbooks required, printed and distributed for the academic years from 2015 to 2017.

Table-3.1

(in crore)

Academic Year	Total requirement of textbooks	Total textbooks printed	Total textbooks distributed
2015	2.45	2.45	2.45
2016	2.25	2.25	2.25
2017	3.26	3.26	3.26

Source: Documents furnished by the Company

[19] January to December

The deficiencies noticed by Audit in procurement of text paper, printing and distribution of textbooks have been discussed in the subsequent paragraphs. These deficiencies were mainly attributable to inadequacies in the internal control mechanism of the Company.

3.9.2 Planning for procurement of text paper

The indenting departments (ASSA and DSE) were to place preliminary orders for printing and supply of textbooks to the Company on or before 30 June every year. The State Level Empowered Committee[20] of GoA was then to approve the same. There were considerable delays between the actual receipt of preliminary orders from indenting departments for printing and supply of textbooks *vis-a-vis* the prescribed dates. ***Table-3.2*** highlights the delays in submission of preliminary orders by ASSA/DSE for the academic years from 2015 to 2017.

Table-3.2

Academic Year[21]	Submission of preliminary order by ASSA/DSE		Delay in submission of preliminary order by ASSA/DSE (in days)
	Due date	Actual date	
2015	30 June 2014	12 September 2014	74
2016	30 June 2015	17 November 2015	140
2017	30 June 2016	09 July 2016	9

Source: Documents furnished by the Company

As seen from ***Table-3.2***, there was a delay of 74 days and 140 days in submission of preliminary orders by ASSA during the academic year 2015 and 2016 respectively. There was a minor delay of 9 days during 2017.

The Company, however, in anticipation of receipt of preliminary orders and based on previous experience, initiated advance action for procurement of text paper (issue of NIT, testing of sample paper *etc*.). The Company initiated the advance action to ensure timely supply of printed textbooks. The Company as such issued NIT in advance prior to receipt of preliminary orders from the indenting departments for three academic years under reference.

Table-3.3 highlights the details of procurement of text paper by the Company on behalf of ASSA and DSE and the actual date of completion of delivery of textbooks for the academic years from 2015 to 2017.

---

[20] The Education Minister, GoA headed the committee with representatives from Education Department, GoA; Mission Director, ASSA and Managing Director of the Company.

[21] During first two academic years (2015 and 2016), there were no supplies from DSE.

Table-3.3

Academic Year	Date of NIT	Date of supply order	Time taken in issuing supply order after NIT (in days)	Schedule date of completion of supply	Date of completion of supply	Time taken in supply after scheduled date (in days)
2015	05 June 2014	05 September 2014	90	20 October 2014	04 November 2014	14
2016	26 May 2015	30 November 2015	187	20 December 2015	04 December 2015	-
2017	29 July 2016	26 September 2016	58	10 November 2016	06 February 2017	87

Source: Documents furnished by the Company

As seen from ***Table-3.3***, the Company took a considerable time in issuing supply orders after floating the NIT ranging between 58 days (2017) and 187 days (2016). The suppliers also delayed supply by 14 and 87 days from the scheduled date of supply for the academic year 2015 and 2017 respectively. This led to corresponding delay in printing and final distribution of textbooks as discussed in ***paragraph 3.9.3***. The Company did not take any action against suppliers for this delay as discussed in ***paragraph 3.9.8***, though there was enabling provision in the agreement to impose penalty for delay in supply of text paper.

The Management stated (October 2017) that the delay in procurement of paper was due to circumstances beyond the control of the Company. The Management further stated that it had advanced the procurement process for the academic year 2018.

The reply was not tenable as the Company in anticipation of receipt of preliminary orders issued NIT for procurement of text paper in advance in all the years covered under audit. The Company however took inordinate time in issuing supply orders after the NIT. There was also lack of effort on part of the Company to penalize the suppliers for delay in supply as discussed under ***paragraph 3.9.8***.

3.9.3 Lapses in printing of textbooks

The Company carried out the work of printing of textbooks through printers selected on nomination basis as per the approved schedule of rate. ***Table-3.4*** highlights the summarised position regarding the date of issue of printing orders and the actual date of delivery of printed textbooks for the academic years from 2015 to 2017.

Table-3.4

Academic Year	Date of NIT	Date of issue of printing orders	No. of printing orders	Time gap between first and last order (in days)
2015	08 June 2014	04 September 2014 to 22 January 2015	374	139
2016	10 June 2015	30 October 2015 to 30 December 2015	296	60
2017	19 August 2016	25 October 2016 to 08 February 2017	434	105

Source: Documents furnished by the Company

As could be seen from ***Table-3.4***, the Company did not observe consistency in award of printing orders of textbooks to the printers after issuing of NIT. The Company issued the first and the last printing orders for three academic years after significant time gaps of 139 days (2015); 60 days (2016) and 105 days (2017). These delays had corresponding impact on the final distribution of printed textbooks to students.

Table-3.5 highlights the delays occurresd in final delivery of the textbooks during the three academic years from 2015-2017 with reference to the scheduled date of delivery.

Table-3.5

Academic Year	Date of issue of printing orders	Scheduled date of delivery of textbooks as per MoU signed with indenting department	Date of completion of delivery of textbooks	Period of delay (in days)
2015	04 September 2014 to 22 January 2015	20 December 2014	20 March 2015	89
2016	30 October 2015 to 30 December 2015	30 December 2015	26 February 2016	57
2017	25 October 2016 to 08 February 2017	31 December 2016	10 March 2017	68

Source: Documents furnished by the Company

As could be seen from ***Table-3.5***, the inordinate delays in issue of printing orders to the printers as discussed under previous paragraph had correspondingly delayed final delivery of textbooks. The period of this delay ranged between 57 to 89 days for three academic years with reference to the scheduled date of completion of delivery. This resulted in non-achievement of the basic objective of the Company to deliver the textbooks to the students before the start of each academic year (2015-17).

The Management did not submit any specific reply on the issue.

3.9.4 Non-execution of contracts as per norms

As per clause 16 of the printing agreements entered with the printers, the Company was to provide the text paper to the printers against bank guarantee of 5 *per cent* of the full value of text paper. The Company supplied 28,183 MT of text paper and 1,810 MT of cover paper valuing ₹ 169.89 crore to 169 printers for the academic years from 2015 to 2017. Audit noticed that there was no evidence on record relating to obtaining of the bank guarantee amounting to ₹ 8.49 crore from the printers as per the agreement. This left the Company exposed to the risk of non-execution of the printing works within the stipulated time.

Audit further, observed that the Company engaged 169 printers to execute the work relating to printing of textbooks for the academic years 2015-17. The Company however, did not execute formal agreement with 33 printers to formalise the rights and responsibilities of two parties. The Company in absence of formal agreements did not have any legal option to take action against the printers who defaulted in fulfilling their obligations.

The above instances indicated failure of the internal control mechanism of the Company in safeguarding its interests against the risk of delay in printing and supplying the textbooks within the prescribed timeframe.

The Management stated (October 2017) that it could not execute the formal agreements with the printers as there was a huge outstanding liability towards the printers at the end of each year.

The reply confirmed absence of an effective monitoring mechanism in the Company to ensure its efficient functioning on execution of printing orders as per agreement terms.

Other issues:

3.9.5 Excess procurement of text paper

As per the agreement between the ASSA and the Company, the Company was to assess the text paper requirements for printing based on the requirement for the textbooks as well as the surplus stock of text paper available with it. ***Table-3.6*** highlights the year-wise position of closing stock of text paper lying in the stores of the Company for the three academic years from 2015 to 2017.

Table-3.6

Academic Year	Opening stock (in MT)	Purchases (in MT)	Utilised (in MT)	Closing stock (in MT)
2015	355	9,182	8,986	551
2016	551	7,688	8,183	56
2017	56	13,285	11,014	2,327[22]
Total		**30,155**	**28,183**	

Source: Documents furnished by the Company

As could be seen from ***Table-3.6***, the Company had significantly higher stock of 2,327 MT of text paper at the end of academic year 2017. Audit analysis revealed that for the academic year 2017, the Company issued (September 2016) supply order in favour of Hindustan Paper Corporation Limited (HPCL). HPCL was to supply 9,400 MT of text paper by November 2016. Against this, HPCL supplied (till December 2016) only 7,124 MT of text paper. The Company subsequently received an indent (December 2016) from DSE for printing of textbooks for Class IX and X. While delivery of balance quantity (2,276 MT) of text paper was pending from HPCL, the Company assessed (January 2017) an additional requirement of 2,313 MT of text paper.

The Company accordingly issued (10 January 2017) orders for procurement of 4,500 MT of text paper. The Company had issued the supply orders in equal proportion (2,250 MT each) on two suppliers, namely, N.R. Agarwal Industries Limited (NRAIL) and Shah Paper Mills Limited (SPML). The suppliers were to complete the supply by February 2017. The Company further placed (12 January 2017) another order for supply of 1,100 MT valuing ₹ 6.67 crore in favour of Khanna Paper Mills Limited (KPML). The Company cited the possibility of delay in supply of text paper by one supplier (SPML) while issuing the supply order on KPML. The Company did not even obtain confirmation from SPML on probable delay in supply before placing the additional order (1,100 MT).

The three suppliers supplied (February 2017) 4,500 MT (NRAIL and SPML) and 1,095 MT (KPML) of text paper. HPCL also supplied (March 2017) another 566 MT of text paper out of the remaining quantity of paper (2,276 MT) against the

[22] Physical verification of stock as on 31 March 2017 showed the actual stock was 2,608 MT of text paper.

supply order issued in September 2016. The Company thus procured 13,285 MT[23] of text paper for the academic year 2017 against the assessed requirement of 11,713 MT. The Company, however, could utilise only 11,014 MT of text paper for printing of textbooks and the balance quantity of 2,271 MT valuing ₹ 12.25 crore[24] remained unutilised (September 2017).

The above instance was indicative of inadequate inventory management of the Company in ensuring accurate assessment of text paper requirements after factoring in the availability of stock lying with it. The Company's holding of excess stock was fraught with the risk of deterioration due to prolonged storage besides blocking of significant funds in the cost of unutilised stock.

The Management stated (October 2017) that it placed the order for additional text paper as buffer stock. This was essential to address any additional requirements of books.

The reply of the Company was not tenable, as the agreement with the indenting department did not provide for procurement of any surplus stock. Further, the Company while placing additional supply order had neither took cognizance of the pending delivery against supply order issued to HPCL nor pursued with HPCL to expedite the delivery.

3.9.6 Unjustified expenditure on procurement of text paper

The Company procured (January 2017) 2,276 MT of text paper from two suppliers (NRAIL and SPML) owing to the inability of HPCL to supply the text paper in time as discussed under ***paragraph 3.9.5*** *supra*. Audit observed that against the supply order issued (September 2016) in favour of HPCL, the procurement rate of ₹ 53,946 per MT was applicable. Audit observed that the Company procured (January 2017) the text paper from other two suppliers (NRAIL and SPML) at higher rate of ₹ 60,647 per MT. The Company thus incurred an additional expenditure of ₹ 1.53 crore[25].

As per the standard practice, the supplier should bear the extra cost, if any, due to default of supplier in fulfilling the contractual obligations. This arrangement was a prudent practice, which the Company should have formalised in the supply agreement through insertion of a 'Risk and Cost' clause. Audit observed that this clause was not a part of the agreement with the HPCL. The Company as such could not recover the additional expenditure incurred because of default in timely supply of text paper by HPCL from the bills of HPCL. Further, HPCL had defaulted in

---

[23] 7,124 MT + 4,500 MT + 1,095 MT + 566 MT = 13,285 MT

[24] 2,271 MT x ₹ 53,946 = ₹ 12.25 crore

[25] 2,276 MT x (₹ 60,647 – ₹ 53,946)

supply of 2,276 MT against the supply order of September 2016. HPCL had subsequently supplied (March 2017) 566 MT of text paper out of this pending supplies as the Company did not cancel the supply order despite the default of HPCL in supplying the text paper. The said supply (566 MT) ultimately added to the idle/surplus stock of the Company and resulted in an avoidable expenditure of ₹ 3.05 crore[26].

The Management in reply stated (October 2017) that HPCL stopped production of text paper mid-way due to extraordinary circumstances.

The reply was not tenable as there was no 'Risk and Cost' clause in the supply agreement entered with HPCL. The Company in absence of this could not ensure the certainty in the supply of the text paper within the scheduled date.

3.9.7 Selection of suppliers

The Company issued (May 2015) NIT for procurement of 9,110 MT of text paper from reputed paper manufacturing mills/accredited stockist of SPSUs. The Company in response to the NIT received bids from six text paper suppliers[27] and one stockist *viz*. Pragati Paper Converters Limited (PPCL) of HPCL. The other bidders during evaluation (3 July 2015) of the bids by the Tender Committee (TC) objected to the opening of the bid of PPCL. They requested the TC to consider HPCL and its stockist (PPCL) as single bidder and disallow them to participate in the NIT. The TC, however, ignoring the plea, awarded (7 August 2015) the supply order to PPCL, being the lowest bidder.

HPCL thereafter requested (September 2015) the Company not to involve PPCL in supply of text paper. It was because of an embargo[28] imposed by the vigilance wing of the Department of Heavy Industries, Government of India. The Company, accordingly, cancelled the supply order of PPCL. It issued (30 November 2015) fresh work orders for supply of 7,688 MT of text paper to four suppliers[29] at the quoted rate of PPCL.

---

[26] 566 MT x ₹ 53,946 = ₹ 3.05 crore

[27] HPCL, Satia Industries Limited, Shreyans Industries Limited, Qunatum Paper Limited, Delta Paper Mills Limited and Trident Limited.

[28] Vigilance department of Department of Heavy Industries, Ministry of Heavy Industries & Public Enterprises directed (September 1995) Central Public Sector Enterprises not to engage private agents to procure orders from other Central/State PSUs.

[29] Satia Industries Limited, Shreyans Industries Limited, Delta Paper Mills Limited and Trident Limited.

The Company thus took inordinate time (150 days[30]) in issue of supply orders of text paper due to wilful subversion of the tender condition regarding procurement of text paper from manufacturing mills.

The Management stated (October 2017) that PPCL had submitted a written undertaking from HPCL to produce and supply text paper in case PPCL received the supply order from the Company.

The reply was not acceptable, as the Company violated the terms and conditions of the bid document by considering the bids of HPCL and its stockist (PPCL) under same tender.

3.9.8 Absence of uniformity in penal clause

The Company issued work orders for procurement of text paper to nine suppliers[31] valuing ₹ 168.68 crore during April 2014 to March 2017. As per agreement between the Company and the suppliers, the suppliers were to supply the text paper as per the scheduled dates mentioned in the work order. This ranged between 45 to 60 days from the date of issue of the work order. Audit however, observed that the penal provision for delay in supply of text paper as stipulated in the work orders were not uniform as evident from the following:

For the academic year 2015, the Company was to impose penalty at the rate of 0.66 *per cent* of the value of the ordered quantity of text paper per day for delay exceeding 15 days. The Company however, during the academic year 2016 changed the quantum of the penalty imposable for default in supply of paper within the scheduled time significantly. As per the supply orders, the Company was to impose 10 *per cent* of the value of the total ordered quantity of text paper per day in case of delay exceeding 15 days. The Company changed the penal provisions again for the academic year 2017. Out of the four supply orders issued, in one instance the Company did not quantify the penal amount. In the other three supply orders, the Company was to impose penalty at the rate of 0.66 *per cent* of the value of the total ordered quantity of text paper per day for delay exceeding 15 days. There was no recorded justification for upward and downward change in the quantum of penalty during three years under reference.

The Company did not have an effective mechanism in place to ensure uniformity in the standard provisions of the supply orders. The unjustified variation in the quantum of penalty imposable for default in supply was indicative of this fact. The Company also failed to impose the penalty as per the agreement terms against the defaulting suppliers. This could have acted as a deterrent against slippages in supply.

---

[30] From 3 July 2015 to 30 November 2015.

[31] 1 supplier (2015), 4 suppliers (2016) and 4 suppliers (2017)

The Management in reply (October 2017) accepted the observation and stated that it would take necessary corrective action in the future.

3.9.9 Procurement of text paper of incorrect specification

The Company placed supply orders for procurement of text paper of different specifications and size. The Company as such, required a strong control mechanism in place for cross checking of the specifications as mentioned in the supply orders. As per the work orders issued to the suppliers of text paper, The Company would randomly check the text paper delivered during the period of delivery. It was to ensure their conformity to the contract specifications.

Audit observed that the Company placed (January 2017) two supply orders for 125 MT of 58x68 cm sheet of text paper at ₹ 60,647 per MT against a requirement of text paper with specification of 58x86 cm sheets. The suppliers accordingly supplied (February 2017) 100 MT text paper valuing ₹ 60.65 lakh[32]. The Company subsequently released the payment. The Company due to procurement of text paper of incorrect specification could not utilise it till date (September 2017). This led to blockage of funds on idle stock for seven months. The Company thus incurred an idle expenditure of ₹ 60.65 lakh due to deficient internal control system in ensuring the correct specifications of text paper.

The Management in their reply stated (October 2017) that the mistake in paper specification was inadvertent and attributable to human error.

The fact, however, remained that the Company failed to ensure procurement of text paper as per required specifications. This indicated absence of effective internal control system of the Company.

Conclusion

The Company did not have a robust internal control mechanism for procurement of text paper and printing of textbooks. As a result, there were delays in supply of textbooks beyond scheduled targets every year. There was lack of monitoring mechanism in assessment of requirement of text paper for printing of the textbooks, which led to accumulation of closing stock.

[32] 100 MT x ₹ 60,647 per MT

Recommendation

- The Company should place the supply orders for procurement of text paper in a timely manner to avoid delays in printing and distribution of textbooks.
- The Company should enforce the provisions of the agreements/contracts in its true spirit for safeguarding its interest and economic utilisation of public funds.

Audit reported (August 2017) the matters to the Government; their replies had not been received (December 2017).

GUWAHATI **(RASHMI AGGARWAL)**
THE 27 February 2018 **Accountant General (Audit), Assam**

Countersigned

NEW DELHI **(RAJIV MEHRISHI)**
THE 01 March 2018 **Comptroller and Auditor General of India**

Annexures

Annexure 1

Statement showing the investment made by State Government in SPSUs whose accounts are in arrears as on 30 September 2017 *(Referred to in paragraph 1.11)*							
(Figures in columns 4 & 6 to 8 are ₹in crore)							
Sl. No.	**Name of Public Sector Undertaking**	**Year upto 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	**Working Government Companies**						
1.	Assam Fisheries Development Corporation Limited	2011-12	0.49	5	0.00	0.00	9.00
2.	Assam Livestock and Poultry Corporation Limited	2015-16	2.19	1	0.00	0.00	2.84
3.	Assam Tea Corporation Limited	2011-12	29.54	5	0.00	114.93	0.00
4.	Assam Plantation Crop Development Corporation Limited	2013-14	5.00	24[i]	0.00	7.65	2.99
5.	Assam Plains Tribes Development Corporation Limited	2015-16	2.95	1	0.00	0.00	13.41
6.	Assam State Development Corporation for Other Backward Classes Limited	2011-12	2.80	5	0.00	3.81	0.00
7.	Assam State Film (Finance & Development) Corporation Limited	2011-12	0.10	5	0.00	0.00	0.20
8.	Assam Hills Small Industries Development Corporation Limited	1995-96	2.00	21	0.00	26.21	1.64
9.	Assam Power Generation Corporation Limited	2015-16	455.86	1	0.00	185.33	126.24
10.	Assam Electricity Grid Corporation Limited	2015-16	99.93	1	0.00	43.87	60.97
11.	Assam Power Distribution Company Limited	2015-16	162.77	1	0.00	137.07	592.16
12.	Assam Tourism Development Corporation Limited	2014-15	0.39	2	0.00	0.00	33.74
Total A (All Working Government companies)			**764.02**		**0.00**	**518.87**	**843.19**

(Figures in columns 4 & 6 to 8 are ₹ in crore)

Sl. No.	Name of Public Sector Undertaking	Year upto 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
B	**Working Statutory corporations**						
1.	Assam State Transport Corporation	2014-15	737.72	2	0.00	0.00	57.50
2.	Assam State Warehousing Corporation	2010-11	13.14	6	0.33	0.00	0.02
Total B (All working Statutory Corporations)			**750.86**		**0.33**	**0.00**	**57.52**
Total (A+ B)			**1,514.88**		**0.33**	**518.87**	**900.71**
C	**Non - working Government Companies**						
1.	Assam Power Loom Development Corporation Limited	1993-94	1.47	23	0.07	0.00	0.00
2.	Industrial Papers (Assam) Limited	2000-01	0.40	16	0.00	0.00	7.28
Total C (All non-working Government Companies)			**1.87**		**0.07**	**0.00**	**7.28**
Total (A + B + C)			**1,516.75**		**0.40**	**518.87**	**907.99**

i 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.

Annexure 2

Summarised financial position and working results of Government Companies and Statutory Corporations as per their latest financial statements/accounts as on 30 September 2017

(Referred to in paragraph 1.15 and 1.15.1)

(Figures in Columns 5 to 12 are ₹ in crore)

Sl. No.	Sector/Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accum-ulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments#	Capital employed@	Return on capital employed$	Percentage of return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Assam Seeds Corporation Limited	2013-14	2016-17	1.46	7.19	-13.17	22.00	-3.64	0.00	-4.52	-3.64	-*	234
2.	Assam Fisheries Development Corporation Limited	2011-12	2014-15	0.49	0.00	1.20	4.02	1.04	0.00	1.69	1.04	61.54	93
3.	Assam Livestock and Poultry Corporation Limited	2015-16	2016-17	2.19	0.00	0.70	0.06	0.17	0.00	2.19	0.17	7.76	25
4.	Assam Tea Corporation Limited	2011-12	2016-17	29.54	170.54	-286.40	43.68	-20.61	58.42	-86.32	-17.50	-*	16,683
5.	Assam Plantation Crop Development Corporation Limited**	2013-14	2016-17	5.00	9.69	-4.20	0.23	-1.23	-0.21	0.98	4.14	422.45	61
	Sector wise total			**38.68**	**187.42**	**-301.87**	**69.99**	**-24.27**	**58.21**	**-85.98**	**-15.79**	-*	**17,096**

Sl. No.	Sector/Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accum-ulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments[#]	Capital employed[@]	Return on capital employed[$]	Percentage of return on capital employed	Man-power
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
FINANCE													
6.	Assam Plains Tribes Development Corporation Limited	2015-16	2017-18	2.95	19.88	-28.44	0.00	-0.08	-17.23	-7.16	-0.08	-*	157
7.	Assam State Development Corporation for Other Backward Classes Limited	2011-12	2017-18	2.80	5.19	-13.44	0.04	-0.74	0.00	27.62	-0.53	-1.92	90
8.	Assam Minorities Development Corporation	1997-98	2016-17	2.00	0.00	0.01	0.00	0.01	-0.02	0.01	0.01	100.00	Not available
9.	Assam State Development Corporation for Scheduled Castes Limited	2009-10	2012-13	9.85	18.66	-23.74	0.00	-1.68	0.00	-2.33	-1.19	-*	126
10.	Assam State Film (Finance & Development) Corporation Limited	2011-12	2015-16	0.10	0.04	0.53	0.02	0.17	0.00	0.59	0.17	28.81	12
	Sector wise total			**17.70**	**43.77**	**-65.08**	**0.06**	**-2.32**	**-17.25**	**18.73**	**-1.62**	**-8.65**	**385**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments#	Capital employed@	Return on capital employed$	Percentage return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
INFRASTRUCTURE													
11.	Assam Hills Small Industries Development Corporation Limited	1995-96	2016-17	2.00	7.18	-6.47	0.15	-0.76	0.00	2.71	-0.76	-28.04	70
12.	Assam Industrial Development Corporation Limited	2015-16	2016-17	122.31	86.35	-31.46	2.17	5.53	-7.01	177.20	5.53	3.12	155
13.	Assam Small Industries Development Corporation Limited	2013-14	2014-15	6.67	5.19	-14.52	90.00	-1.70	0.85	-2.67	-1.68	-*	120
14.	Assam Electronics Development Corporation Limited	2012-13	2016-17	9.46	0.00	0.25	0.92	2.26	-8.89	9.71	2.26	23.27	349
15.	Assam Mineral Development Corporation Limited	2014-15	2016-17	4.89	4.72	1.66	47.21	4.14	-1.29	11.27	4.14	36.73	89
16.	Assam Police Housing Corporation Limited	2012-13	2015-16	0.04	0.00	18.78	3.97	2.14	0.00	18.82	2.14	11.37	152
17.	Assam Trade Promotion Organisation	2015-16	2016-17	10.00	0.00	1.23	0.48	0.56	0.00	11.23	0.56	4.99	2
	Sector wise total			**155.37**	**103.44**	**-30.53**	**144.90**	**12.17**	**-16.34**	**228.27**	**12.19**	**5.34**	**937**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accum-ulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments#	Capital employed@	Return on capital employed$	Percentage return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
MANUFACTURING													
18.	Assam Petrochemicals Limited	2016-17	2017-18	9.13	0.00	-26.41	82.32	2.86	-2.87	31.54	2.86	9.07	346
19.	Ashok Paper Mill (Assam) Limited	2014-15	2016-17	0.01	13.32	-80.37	0.00	-3.70	0.00	-67.04	-1.98	-*	9
20.	Assam Hydro-Carbon and Energy Company Limited	2016-17	2017-18	21.00	0.00	11.41	1.68	1.51	0.00	32.41	1.51	4.66	4
21.	Amtron Informatics (India) Limited	2011-12	2016-17	0.01	0.00	-3.64	0.00	-0.22	0.00	-3.63	-0.22	-*	16
22.	Assam State Fertilizers and Chemicals Limited	2009-10	2017-18	4.56	9.76	-6.36	5.84	0.40	0.00	-1.80	0.40	-*	40
Sector wise total				**34.71**	**23.08**	**-105.37**	**89.84**	**0.85**	**-2.87**	**-8.52**	**2.57**	-*	**415**
POWER													
23.	Assam Power Generation Corporation Limited	2015-16	2016-17	455.86	630.74	-173.27	697.72	0.93	5.33	913.33	51.28	5.61	1,303
24.	Assam Electricity Grid Corporation Limited	2015-16	2016-17	99.93	443.76	-422.20	537.92	-199.74	-8.13	101.49	-20.61	-20.31	1,867
25.	Assam Power Distribution Company Limited	2015-16	2016-17	162.77	1048.20	-3088.93	3664.39	-103.90	-104.66	-2203.75	152.13	-*	10,598
Sector wise total				**718.56**	**2122.70**	**-3684.40**	**4900.03**	**-302.71**	**-107.46**	**-1188.93**	**182.80**	-*	**13,768**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments#	Capital employed@	Return on capital employed$	Percentage return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
SERVICES													
26.	Assam Tourism Development Corporation Limited	2014-15	2016-17	0.39	0.00	11.72	4.23	1.58	-0.03	12.11	1.58	13.05	132
Sector wise total				**0.39**	**0.00**	**11.72**	**4.23**	**1.58**	**-0.03**	**12.11**	**1.58**	**13.05**	**132**
MISCELLANEOUS													
27.	Assam Government Marketing Corporation Limited	1999-00	2016-17	4.05	1.49	-5.53	2.98	-0.78	-0.19	0.41	-0.78	-190.24	63
28.	Assam State Text Book Production and Publication Corporation Limited	1992-93	2016-17	1.00	2.27	1.26	7.82	0.28	-0.18	3.79	0.28	7.39	76
29.	Assam Gas Company Limited	2016-17	2017-18	16.91	0.00	661.26	221.41	68.75	0.00	677.04	68.75	10.15	427
30.	DNP Limited	2016-17	2017-18	167.25	37.80	35.16	66.51	13.49	0.00	192.29	18.74	9.75	134
Sector wise total				**189.21**	**41.56**	**692.15**	**298.72**	**81.74**	**-0.37**	**873.53**	**86.99**	**9.96**	**700**
Total A (All sector wise)				**1154.62**	**2521.97**	**-3483.38**	**5507.77**	**-230.96**	**-86.11**	**-150.79**	**268.72**	-*	**33,433**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accum-ulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments[#]	Capital employed[@]	Return on capital employed[$]	Percentage return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
B. Working Statutory Corporations													
FINANCE													
1.	Assam Financial Corporation	2016-17	2017-18	32.39	40.00	-4.44	7.60	0.14	- 2.02	67.91	0.19	0.28	135
Sector wise total				**32.39**	**40.00**	**-4.44**	**7.60**	**0.14**	**- 2.02**	**67.91**	**0.19**	**0.28**	**135**
SERVICE													
2.	Assam State Transport Corporation	2014-15	2015-16	737.72	0.00	-779.90	85.12	-46.78	0.00	-42.18	-36.19	-*	3,585
3.	Assam State Warehousing Corporation	2010-11	2016-17	13.14	4.25	-12.54	8.23	-0.12	-4.00	4.85	0.48	9.90	381
Sector wise total				**750.86**	**4.25**	**-792.44**	**93.35**	**-46.90**	**-4.00**	**-37.33**	**-35.71**	-*	**3,966**
Total B (All sector wise working Statutory corporations)				**783.25**	**44.25**	**-796.88**	**100.95**	**-46.76**	**-6.02**	**30.58**	**-35.52**	**-116.15**	**4,101**
Grand Total (A + B)				**1937.87**	**2566.22**	**-4280.26**	**5608.72**	**-279.72**	**-92.13**	**-120.21**	**233.20**	-*	**37,534**
C. Non-working Government Companies													
AGRICULTURE & ALLIED													
1.	Assam Agro-Industries Development Corporation Limited	2009-10	2017-18	2.20	7.26	-22.56	0.00	-0.45	0.00	-20.36	-0.08	-*	2
2.	Assam State Minor Irrigation Development Corporation Limited	2011-12	2013-14	17.35	45.65	-63.76	0.00	-0.02	0.00	-46.42	-0.02	-*	Not available
Sector wise total				**19.55**	**52.91**	**-86.32**	**0.00**	**-0.47**	**0.00**	**-66.78**	**-0.10**	-*	**2**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments#	Capital employed@	Return on capital employed$	Percentage return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
INFRASTRUCTURE													
3.	Assam Power Loom Development Corporation Limited	1993-94	2001-02	1.47	0.00	0.00	0.00	0.00	0.00	1.23	0.00	0.00	Not available
4.	Assam Government Construction Corporation Limited	2016-17	2017-18	2.00	0.00	0.00	0.00	0.00	0.00	2.00	0.00	0.00	Not available
Sector wise total				**3.47**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**3.23**	**0.00**	**0.00**	Not available
MANUFACTURING													
5.	Assam Conductors and Tubes Limited	2011-12	2015-16	1.54	11.19	-5.60	0.00	-0.04	0.00	0.62	-0.04	-6.45	Not available
6.	Assam State Textiles Corporation Limited	2016-17	2017-18	15.76	6.07	-22.94	0.00	0.03	0.00	-1.41	0.02	-*	6
7.	Pragjyotish Fertilizers and Chemicals Limited	2009-10	2015-16	2.33	0.00	0.00	0.00	0.00	0.00	1.55	0.00	0.00	0
8.	Assam Tanneries Limited	1982-83	1983-84	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
9.	Industrial Papers (Assam) Limited	2000-01	2012-13	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2
10.	Assam Spun Silk Mills Limited	2013-14	2015-16	1.70	3.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
11.	Assam Polytex Limited	1987-88	1993-94	5.26	6.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
12.	Assam Syntex Limited	2015-16	2016-17	5.12	0.00	-59.08	0.00	0.12	0.00	4.73	0.12	2.54	5
13.	Assam State Weaving and Manufacturing Company Limited	2015-16	2016-17	8.20	0.00	0.00	0.00	-0.03	0.00	-15.75	-3.51	-*	3

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loan outstanding at the end of the year	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+) / Loss (-)	Net impact of Audit Comments[#]	Capital employed[@]	Return on capital employed[$]	Percentage return on capital employed	Man-power
1	2	3	4	5	6	7	8	9	10	11	12	13	14
14.	Assam and Meghalaya Mineral Development Corporation Limited	1983-84	1984-85	0.23	0.00	-0.09	0.00	-0.01	0.00	0.05	-0.01	-20.00	0
15.	Cachar Sugar Mills Limited	2008-09	2015-16	3.38	0.42	-7.28	0.00	-0.09	0.00	-19.99	-0.19	-*	4
16.	Fertichem Limited	2015-16	2016-17	0.43	0.00	-22.15	0.00	-0.09	0.00	-20.07	-0.08	-*	2
Sector wise total				**44.37**	**27.97**	**-117.14**	**0.00**	**-0.11**	**0.00**	**-50.27**	**-3.69**	-*	**22**
Total C (All sector wise non-working Government Companies)				**67.39**	**80.88**	**-203.46**	**0.00**	**-0.58**	**0.00**	**-113.82**	**-3.79**	-*	**24**
Grand Total (A+B+C)				**2005.26**	**2647.10**	**-4483.72**	**5608.72**	**-280.30**	**-92.13**	**-234.03**	**229.41**	-*	**37,558**

[#] Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/decrease in losses (-) decrease in profit/increase in losses.

[@] Capital employed represents Shareholders Funds *plus* Long Term Borrowings

[$] Return on capital employed has been worked out by adding interest charged to P/L account to the profit/loss for the year.

** 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.

* Not workable as the figures of capital employed of SPSUs was negative.

Annexure-3

Statement showing position of discussion of Audit Reports by COPU *(referred to in paragraph 1.25)*				
Period of Audit Report	Number of performance audits/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
1990-91	3	15	3	14
1991-92	2	10	0	6
1992-93	2	6	1	1
1993-94	3	13	1	12
1994-95	3	11	3	9
1995-96	2	14	2	8
1996-97	2	12	2	7
1997-98	3	16	2	11
1998-99	4	11	4	6
1999-2000	3	17	2	13
2000-01	3	10	0	2
2001-02	2	14	0	5
2002-03	3	13	1	13
2003-04	1	16	1	14
2004-05	2	11	1	9
2005-06	3	11	2	6
2006-07	2	13	1	11
2007-08	2	16	1	15
2008-09	2	14	2	5
2009-10	1	10	1	8
2010-11	1	8	1	2
2011-12	1	9	0	7
2012-13	1	7	0	2
2013-14	1	9	0	1
2014-15	1	8	0	1
2015-16	1	9	0	0
Total	**54**	**303**	**31**	**188**

Annexure 4

Statement showing online data communication of meters *(referred to in paragraph 2.9.1.5)*				
Meter	**Range of data communication (*per cent*)**	**Number of project areas**		
		March 2017	**April 2017**	**May 2017**
HT	100	1	1	1
	75 to 99	3	4	2
	50 to 74	10	9	10
	26 to 49	1	1	4
	0 to 25	2	2	0
Feeder	100	5	5	5
	75 to 99	3	1	3
	50 to 74	4	3	2
	26 to 49	1	5	3
	0 to 25	4	3	4
DTR	100	0	0	0
	75 to 99	0	0	0
	50 to 74	11	11	13
	26 to 49	4	4	4
	0 to 25	2	2	0