CHAPTER II

Compliance Audit Paragraphs relating to PSUs

CHAPTER-II:
COMPLIANCE AUDIT PARAGRAPHS RELATING TO PSUs

Section-4: Compliance Audit Paragraphs relating to Power Sector PSUs

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

Assam Power Distribution Company Limited

2.4.1 Non-recovery of fixed demand charges from Consumer

The Company and the Power Department unreasonably delayed regularising the declared excess load of the Consumer and extended undue benefit by not recovering Fixed Demand Charges amounting to ₹0.50 crore

The Electricity Supply Code and Related Matters Regulations, 2004 (Regulations) notified by Assam Electricity Regulatory Commission (AERC) read with the Voluntary Declaration of Load Scheme (VDS) guidelines issued (February 2015) by Assam Power Distribution Company Limited (Company), which was effective till 31 March 2015 and later extended up to 31 May 2015 *inter alia* stated that:

(i) Where a Consumer is found to be indulging in a malpractice with regard to use of electricity, the authorised officer may without prejudice to any other action that may be taken against such a consumer shall serve a 'compensation bill' to the consumer as per the prescribed formula, if it detects use of unauthorised electricity/load exceeding authorised/connected load. (*clause 5.A.4* and *5.A.4.1* of AERC regulations)

(ii) The excess load detected was to be regularised within 197 days[81] from the date of receipt of complete application in this regard from the consumer. (*clause 3.2* of AERC regulations)

(iii) The Consumer should assess the connected load of his premises (within the validity of the VDS) as per guidelines issued by AERC for determination of connected load. (VDS guidelines).

(iv) From the date of receipt of declaration, the declared load should be treated as the connected load for billing purpose.

(v) After expiry of the VDS, the Company should undertake the load survey and action initiated as per Rules. The Company should execute fresh agreement with the consumer on the declared load after completion of works. (VDS guidelines).

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[81] Adopting a conservative approach, the highest time limit of 197 days applicable in case of Extra High Tension (EHT) Consumers has been considered.

The guidelines on VDS do not contain any provision for referring cases of regularisation to the Department of Power, Government of Assam (GoA).

Purbanchal Cement (Consumer[82]) submitted (22 April 2015) an application under VDS for regularisation of excess load of 432 KVA[83] (from original connected load of 5,294 KVA to 5,726 KVA), which the Company accepted and sanctioned the revised connected load (5,726 KVA) (July 2018) and released the additional load (29 March 2019).

In this regard, Audit observed that:

The Company failed to bill the consumer for the interim period from April 2015 till sanction of revised load (March 2019) in contravention of the VDS guidelines which provided for billing from the date of declaration. It was seen in audit that the delay in regularisation of the excess load of the Consumer occurred at various levels of the Government/Company Management as shown in ***Table 2.4.1.***

Table 2.4.1: Timeline of events

Level	Time taken (in months)	Activity	Remarks
Sub-Divisional Engineer, Sonapur	1	Submission of Feasibility Report (June 2015)	Application received from Consumer in May 2015[84].
AGM GED-S	15	Forwarding of 'Load Sanction proposal' to CEO GEC-I	June 2015 to August 2016
CEO GEC-I	23	Issue of sanction letter	September 2016 to July 2018
Regularisation of excess load	8	Signing of agreement and release of load	August 2018 to March 2019
Total	**47**		

From ***Table 2.4.1***, it is evident that the time taken by the Company and Government of Assam (Power Department) at various levels to regularise the revised load was excessive.

This inordinate delay of 47 months in regularising the excess load declared by the Consumer led to short recovery of Fixed Demand Charges (FDC) of ₹ 0.50 crore[85].

Thus, the Company extended undue benefit to the Consumer by not recovering FDC amounting to ₹ 0.50 crore.

The Government/Company accepted (September 2020/July 2020) that APDCL had lost revenue in terms of fixed charges due to delay in regularisation of excess load. It further stated that the consumer had submitted the complete application for sanction of

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82 Consumer number 67000000329 billed by Industrial Revenue Collection Area-I under Guwahati Electrical Circle (GEC-I)

83 367 KW/0.85 = 432 KVA

84 Consumer submitted application for regularisation of excess load on 22 April 2015 and again on 25 May 2015. Adopting a conservative approach, however, Audit considered application of May 2015 to work out the delay in regularisation of excess load.

85 ₹ 270x 432 KVA x 35 months (01.05.2015 to 31.03.2018) + ₹ 180 x 432 KVA x12 months (01.04.2018 to 31.03.2019) = ₹ 0.50 crore.

enhanced load on 04 September 2018 and as such the timeline of 197 days for sanction of the revised load is applicable from that date under *clause 3.2* of AERC regulations.

The reply is not acceptable as the Consumer has declared the excess load under VDS as such, the billing to the Consumer should have started from the date of receipt of application (22 April 2015) from the Consumer.

Recommendation: The Company needs to raise the demand for fixed demand charges and recover the same from the Consumer. Further, the Company needs to act urgently on cases of excess load consumption of consumers, either to penalise them or regularise the load as per extant procedures, in their own financial /revenue interests.

Section-5: Compliance Audit Paragraphs relating to PSUs (other than power sector)

Important audit findings emerging from test check during the audit of the PSUs (other than power sector) are included in this section.

Assam State Development Corporation for Scheduled Castes Limited
Assam Plain Tribes Development Corporation Limited
Assam State Development Corporation for Other Backward Classes Limited

2.5.1 Functioning of the PSUs for welfare of people belonging to SC/ST/OBC Communities in Assam

2.5.1.1 Introduction

Government of Assam (GoA) established Assam State Development Corporation for Scheduled Castes Limited (ASDCSCL), Assam Plain Tribes Development Corporation Limited (APTDCL) and Assam State Development Corporation for Other Backward Classes Limited (ASDCOBCL) as State Public Sector Undertakings[86] (PSUs). The shareholding pattern of the PSUs as on 31 March 2019 was as depicted in ***Table 2.5.1***.

Table 2.5.1: PSUs Shareholding details

(₹in crore)

Name of PSU	ASDCSCL	APTDCL	ASDCOBCL
Date of Incorporation	18.01.1975	29.03.1975	06.08.1975
Equity Holding:			
Government of Assam	5.60	2.20	3.40
Government of India	4.50	0.75	0
Total	**10.10**	**2.95**	**3.40**

Source: Information furnished by the three PSUs

GoA formed the PSUs with the objective of accelerating the pace of economic development of people belonging to the Scheduled Castes (ASDCSCL), Scheduled Tribes (APTDCL) and Other Backward Classes (ASDCOBCL). In pursuance of this objective, ASDCSCL, APTDCL and ASDCOBCL implemented various welfare and income generating schemes financed by Government of India (GoI)/ GoA through their branches[87] within the State of Assam.

2.5.1.2 Organisational Structure

Three PSUs *viz.* ASDCSCL, APTDCL and ASDCOBCL function under the administrative control of Department of Welfare of Plain Tribes and Backward Classes (WPT&BC). The Board of Directors of the PSUs is responsible for management of affairs of these PSUs while the Managing Directors appointed by GoA handled the day-to-day functioning of these PSUs. ***Chart 2.5.1*** depicts the organisational structure of these PSUs.

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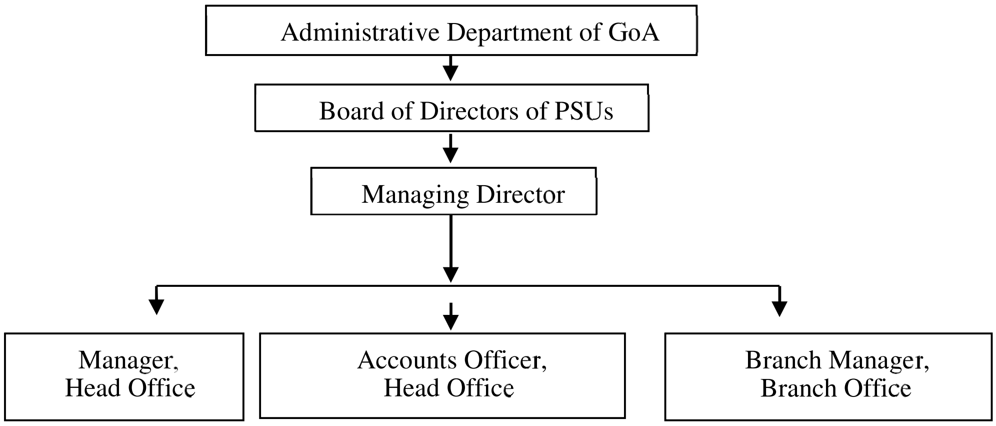
86 Registered as Government companies under the Companies Act, 1956.
87 22 branches in ASDCSCL, 28 branches in APTDCL and 11 branches in ASDCOBCL

Chart 2.5.1: Organisational Structure



2.5.1.3 Audit Scope and methodology

Audit examined functioning of these three PSUs covering the period of five-year from 2014-15 to 2018-19. Audit methodology involved examination of relevant records/ data at Head Offices of these PSUs and concerned Directorates/ Departments of GoA.

At the outset, Audit explained (19 June 2019) audit objectives, scope of audit, methodology and audit criteria in an Entry Conference held with the senior Management of these PSUs. After completion of Audit, we issued the draft Report to all the three PSUs as well as the GoA. Significant audit observations were discussed in an Exit Conference held on 12 August 2020 and views expressed by the representatives of GoA/ PSUs during the Exit Conference have been incorporated in the Report at appropriate places.

2.5.1.4 Audit objectives

The audit objectives were to assess whether:

- The PSUs performed the mandated functions/activities for which they were established in terms of achievement of socio-economic development of the targeted communities;
- The beneficiary identification for implementation of schemes was as per the Scheme guidelines;
- Monitoring of schemes was effective; and
- The activities of the three PSUs could be combined to achieve economies of scale.

2.5.1.5 Audit Criteria

Audit has derived the audit criteria for assessing the achievement of the audit objectives from the following sources:

- ➢ Memorandum and Articles of Association of the three PSUs;
- ➢ Guidelines of the schemes;
- ➢ Notification/Directives issued by GoA/GoI;
- ➢ Tender Documents, Contracts/Agreements, *etc.*

Audit Observations

2.5.1.6 Non-fulfilment of core objective

The major objectives of the formation of the PSUs, as per their respective Memorandum of Association (MoA), were as follows:

- To promote the setting up of business and trade by people and to assist them by grants, subsidies, loans *etc*.
- To promote, establish, improve, develop, administer, own, and run small cottage and village industries based on agro-forestry or otherwise, projects or programmes including agriculture, poultry, dairy farming, goat rearing, piggery, duck farming.
- To setup, run and manage production centres for manufacture of goods, to arrange for supply of raw materials required by people to undertake marketing of the produce.
- To construct, execute, carry out, and equip works of all kinds for development and welfare of people.
- To construct suitable houses or to help people to construct houses by advancing money or material to them.

The core objectives of the PSUs included to act as State Channelising Agencies to promote and develop the business and trade of the targeted communities (SC/ST/OBC) by providing the financial assistance (through grants/subsidy, loans, *etc*.) to these beneficiaries needed to set up their business and trade.

In pursuance to this objective, the PSUs had drawn the funds for this purpose from central financial institutions (CFI) *viz*. NSTFDC[88], NSFDC[89], NSKFDC[90] and NBCFDC[91] at interest rates ranging from 4-6 *per cent.* The PSUs disbursed the same to beneficiaries at interest rates ranging from 6-8 *per cent*.

ASDCSCL, APTDCL and ASDCOBCL availed (1992-2004) term loans and micro credit finance amounting to ₹ 40.30 crore from CFIs for providing economic assistance to beneficiaries of the respective target group. These PSUs provided term loans to 1,985 beneficiaries and micro credit finance to 1,397 beneficiaries for various income generating schemes. The details of term and micro-finance loans received and disbursed during the period 1992-2004 by the three PSUs is as shown in ***Table 2.5.2***.

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88 National Scheduled Tribes Finance and Development Corporation
89 National Scheduled Castes Finance and Development Corporation
90 National Safai Karmachari Finance and Development Corporation
91 National Backward Classes Finance and Development Corporation

Table 2.5.2: Term and micro-finance loans received and disbursed by three PSU

(₹in crore)

Name of PSU	Period	Loan drawn from	Performance of the PSUs as borrower			Performance of the PSUs as lender		
			Amount received (Principal)	Amount repaid	Amount outstanding	Loan disbursed	Amount recovered	Recovery *per cent*
ASDCSCL	1993-2002	NSFDC NSKFDC	16.82	16.82	0	11.26	4.52	40
APTDCL	1992-2003	NSTFDC	18.21	2.96	15.25	18.21	9.22	51
ASDCOBCL	1993-2004	NBCFDC	5.27	5.27	0	5.27	3.97	75
Total			**40.30**	**25.05**	**15.25**	**34.74**	**17.71**	**51**

Source: Information furnished by the three PSUs

Audit observed that:

- Against ₹ 40.30 crore of loans taken, the PSUs had repaid ₹ 25.05 crore (62 *per cent*) to the CFIs of which ₹ 14.64 crore[92] (58 *per cent*) was repaid through grants received from GoA;
- ASDCSCL and ASDCOBCL had disbursed ₹ 16.53 crore against the loan of ₹ 22.09 crore availed from CFIs. The remaining funds of ₹ 5.56 crore were used by the PSUs for their establishment expenses;
- Further, out of ₹ 34.74 crore of loans disbursed to beneficiaries, the PSUs recovered ₹ 17.71 crore (51 *per cent*) till March 2019.

As per the terms of loan conditions, the loans availed by the PSUs from CFIs had to be repaid within a period of five years from the date of disbursement of these loans. The PSUs, however, were not regular in repayment of CFI loans mainly due to the poor recovery performance against the loan disbursed by them. As on 31 March 2020, the PSUs had outstanding CFI loans amounting to ₹ 15.25 crore, which were overdue for repayment. This was due to lack of regular follow up from the officials of the PSUs engaged in recovery process, lack of proper direction and monitoring from the head office and non-initiation of any legal measures against the defaulting beneficiaries. The CFIs stopped disbursing loans[93] due to default in repayment of loans by the PSUs.

Thus, the PSUs failed to achieve their core objective to promote and develop the business and trade run by the beneficiaries of the targeted communities (SC/ST/OBC) in the State by providing them necessary financial assistance.

In reply, ASDCSCL and ASDCOBCL accepted that they were unable to recover loans from the beneficiaries due to shortage of manpower, death/migration of beneficiaries, willful defaulters etc. APTDCL stated that they had initiated action for recovery of loan from defaulting beneficiaries.

92 ASDCSCL - ₹ 11.04 crore and ASDCOBCL - ₹ 3.60 crore

93 ASDCSCL (2002), APTDCL (2003) and ASDCOBCL (2004)

The inability of the PSUs to fulfil their core objective of loan financing and also lack of adequate internal resources to carry out their core activities led to their dependence on the State Government. As a result, the PSUs shifted their focus to implement Family Oriented Income Generating Schemes (FOIGS) through financial assistance from the State Government. During the period 2014-19, the PSUs restricted their activities towards achieving two objectives *i.e.* development of intensive agricultural operations and setting up of small businesses for livelihood through distribution of rice mills, sewing machines, vehicles, *etc*. In pursuit of these two objectives, three PSUs implemented Development Schemes and Family Oriented Income Generating Schemes for socio-economic development of the targeted beneficiary, with financial assistance received from GoA/GoI in the form of grants-in-aid.

2.5.1.7 Dependence of PSUs on Government Grants and High Operational Cost of PSUs

Financial autonomy is the ability of an entity to manage funds independently, which enables the entity to set and achieve its core objectives. GoA established these PSUs to carry out/support activities relating to the socio-economic development of the targeted communities. None of the PSUs, however, had adequate resources to carry out their core activities nor could they generate funds from their own activities to achieve the objectives envisaged. The loan activities had also stopped in three PSUs as mentioned in ***Paragraph 2.5.1.6***. These PSUs were therefore entirely dependent on the GoA for financial support not only to implement various development schemes but also to meet their own administrative expenses.

The year wise budgetary support received by the three PSUs (ASDCSCL, APTDCL and ASDCOBCL) from GoI/GoA during 2014-19 to meet the cost of staff salaries and implement various Development Schemes and Family Oriented Income Generating Schemes (FOIGS) for the socio-economic development of the people is given below in ***Table 2.5.3***.

Table 2.5.3: Funds released by GoA to the PSUs

(₹in crore)

Year	APTDCL		ASDCOBCL		ASDCSCL	
	Salary	Scheme	Salary	Scheme	Salary	Scheme
2014-15	7.00	0.00	2.00	0	5.00	2.20
2015-16	9.00	4.00	3.00	0	2.35	0
2016-17	8.43	0.99	3.00	0	7.00	2.33
2017-18	9.00	3.81	3.60	1.50	4.67	1.80
2018-19	6.20	3.50	2.54	5.50	2.30	5.00
Total	**39.63**	**12.30**	**14.14**	**7.00**	**21.32**	**11.33**

Source: Information furnished by respective PSUs

As can be seen from ***Table 2.5.3***, the PSUs received grants of ₹ 30.63 crore[94] during 2014-19 for scheme implementation, against which, expenditure incurred was ₹ 29.92 crore. The remaining funds of ₹ 0.71 crore pertained to ASDCSCL which was lying in

[94] APTDCL (₹ 12.30 crore); ASDCOBCL (₹ 7.00 crore) and ASDCSCL (₹ 11.33 crore)

its bank account. Further, APTDCL and ASDCSCL did not take up any scheme activity during 2014-15 and 2015-16 respectively while ASDCOBCL did not take up any scheme activity during the period from 2014-15 to 2016-17. ***Chart 2.5.2*** depicts the ratio of 'Salary expenditure' incurred by three PSUs *vis-a-vis* 'per Rupee of Scheme benefits' delivered by them, which indicated that the costs of delivering the Scheme benefits by these PSUs was unreasonably high:

Chart 2.5.2: Ratio of Salary to Scheme Expenditure

Chart 2.5.2 highlights the fact that for every one-rupee worth of benefits delivered to the targeted beneficiary, the PSUs had to incur an expenditure of two rupees (ASDCOBCL and ASDCSCL) and three rupees (APTDCL) on salary of their employees. With such high salary to scheme ratio, it is evident that these PSUs in their current shape and with the limited range of activities being performed by them are extremely high-cost scheme implementing partners of the GoA. As a result, with high establishment costs, the existence and operations of these PSUs for the people belonging to SC, ST and OBC communities for whom the PSUs were established, was diminishing.

In reply, ASDCSCL stated that it has requested the GoA to enhance the budget allocation for implementation of various schemes.

APTDCL stated that it implemented schemes for providing employment to people as per the directives of GoA and hence, there was no scope for generation of funds on its own and had to depend on grants from GoA for implementation of schemes as well as to meet its administrative expenditure.

ASDCOBCL stated that it did not receive funds from GoA during 2014-17 for implementation of schemes, and as such, the ratio of salary expenditure was higher than the scheme implementation ratio.

The replies furnished by the PSUs substantiate the fact that these PSUs are wholly dependent on Government funding for their day-to-day activities and they had not taken any steps to make themselves self-sustainable.

The State Government therefore needs to urgently address the issues by either pruning the establishment costs of these PSUs or increasing their developmental activities.

2.5.1.8 PSUs working as extension of Government Department

PSUs are established to be self-reliant and financially and functionally autonomous but on the contrary they were working as an extended arm of Government Department implementing similar schemes as the WPT&BC Department at lesser scale and magnitude and wholly dependent on the department.

2.5.1.8.1 Negligible scale of operations

During 2014-19, WPT&BC Department aggregate total expenditure was of ₹ 2,385.17 crore[95] of which, ₹ 2,089.35 crore was on various schemes[96] implemented by the Department. In comparison, the three PSUs were given a meagre allocation of ₹ 30.63 crore, which constituted merely 1.47 *per cent* of the parent Department's Scheme related expenditure. The PSU wise detail of schemes implemented by the three PSUs *vis-à-vis* the parent Department's Scheme expenditure is as summarised in ***Table 2.5.4***.

Table 2.5.4: Comparison of expenditure of PSUs and WPT&BC Department during 2014-19

(₹in crore)

Type of Expenditure	PSUs	WPT&BC Department	Expenditure by PSUs as percentage to Department
Overall Expenditure	105.72	2,385.17	4.43
Scheme Expenditure	30.63	2,089.35	1.47
Expenditure on Similar Schemes	30.63	149.28	20.52

Source: Information furnished by the PSUs and VLC data

The WPT&BC Department also implemented similar Development Schemes and FOIGS[97] as done by the PSUs, incurring expenditure of ₹ 149.28 crore, which was nearly five times the scheme expenditure of PSUs clearly indicating the similar but negligible scale of operation of the PSUs. The Administrative Departments had thus failed to utilise their own PSUs for implementing Schemes for the targeted population resulting in non-achievement of the objective for which they were set up.

2.5.1.8.2 Similar Developmental Schemes of WPTBC Department

Audit observed that the PSUs neither launched any new scheme and were rather engaged in implementing schemes viz. distribution of agricultural component like pump-sets, tractors, power-tillers, mini-rice mills *etc*. which were also implemented by WPT&BC Department. Audit also observed that the schemes implemented by two PSUs (APTDCL & ASDCOBCL) during 2017-18 and 2018-19 were identical to those implemented by the WPT&BC. The details of identical schemes are as given in ***Table 2.5.5***.

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[95] As per Appropriation Accounts, Government of Assam from 2014-19

[96] Scholarship for students, skill development and vocational training programs, construction of buildings *etc*. apart from Development and FOIG schemes.

[97] Family Oriented Income Generating Schemes included distribution of agricultural component like pump sets, tractors, power tillers, mini rice mills, sewing machines *etc*.

Table 2.5.5: Details of identical schemes implemented by Department and PSUs

Scheme	Year	Implementing Agency	Equipment distributed (in number)
Mini Rice mill	2017-18	WPT&BC	153
		ASDCOBCL	96
		APTDCL	244
		ASDCSCL	110
Power Tiller	2017-18	WPT&BC	356
		PSUs	Nil
Power Tiller	2018-19	WPT&BC	1,610
		ASDCOBCL	385
		APTDCL	245

Source: Information furnished by the PSUs

It can be seen from the ***Table 2.5.5*** that while the WPT&BC Department distributed total 2119 equipments (153 MCR and 1966 PT) to the Scheme beneficiaries, the PSUs could distribute 1,080 equipments (450 MCR *plus* 630 PT) under the similar Schemes, which was around 51 *per cent* of the equipment distributed by WPT&BC Department.

The duplication in efforts to implement similar schemes needs to be redressed by the parent Administrative Departments. Apart from scaling down the activities of the PSUs by being deprived of Scheme funds, duplication of efforts is also fraught with the risk of disbursal of double benefits to the same beneficiaries.

2.5.1.9 Implementation of Developmental Schemes

During the period 2014-19, APTDCL and ASDCSCL executed schemes with a target of only 1,911 ST and 13,335 SC beneficiaries, which represented 0.05 *per cent* and 0.60 *per cent* of the total STs and SCs population in the State respectively. Against this target, APTDCL and ASDCSCL provided actual scheme benefits to 1,913 ST and 12,146 SC beneficiaries respectively. During the same period, ASDCOBCL provided scheme benefits to 481 OBC beneficiaries.

During 2014-19, GoA/GoI provided grants amounting to ₹ 11.33 crore to ASDCSCL (GoA: ₹ 4.72 crore and GoI: ₹ 6.61 crore), ₹ 12.30 crore to APTDCL (all GoA grants) and ₹ 7.00 crore to ASDCOBCL (all GoA grants) for implementation of welfare and income generating schemes called Development Schemes and FOIGS. The three PSUs distributed agricultural inputs like tractors, pump sets, mini-rice mills, power tiller and other income generating assets like sewing machines and tool kits to the beneficiaries either free of cost or at a subsidised cost. During 2014-19, ASDCSCL and APTDCL implemented two schemes each while ASDCOBCL implemented only one scheme as detailed in ***Table 2.5.6***.

Table 2.5.6: Year-wise details of implementation of schemes by the PSUs

<table>
<tr><th rowspan="2">Name of PSU</th><th rowspan="2">Year</th><th rowspan="2">Name of Scheme</th><th rowspan="2">Name of items distributed</th><th rowspan="2">Sanctioned amount (₹ in crore)</th><th colspan="2">No. of beneficiaries</th></tr>
<tr><th>Planned</th><th>Covered</th></tr>
<tr><td rowspan="10">ASDCSCL</td><td rowspan="2">2014-15</td><td rowspan="2">Development Scheme (State)</td><td>Pump sets</td><td rowspan="2">2.20</td><td>1,776</td><td>1,776</td></tr>
<tr><td>Sewing Machine</td><td>736</td><td>736</td></tr>
<tr><td rowspan="4">2016-17</td><td>Development Scheme (State)</td><td>Tool kits</td><td>0.22</td><td>249</td><td>249</td></tr>
<tr><td rowspan="3">Family Oriented Income Generating Scheme (FOIGS)-(Central)</td><td>Tractor</td><td rowspan="3">2.11</td><td>630</td><td>630</td></tr>
<tr><td>Rice Transplanter</td><td>975</td><td>450</td></tr>
<tr><td>Fishing kits</td><td>2,859</td><td>2,859</td></tr>
<tr><td rowspan="2">2017-18</td><td>Development Scheme (State)</td><td>Tool kits</td><td>0.30</td><td>287</td><td>253</td></tr>
<tr><td>FOIGS (Central)</td><td>Mini rice mill</td><td>1.50</td><td>1,540</td><td>910</td></tr>
<tr><td rowspan="2">2018-19</td><td>Development Scheme (State)</td><td>Dip Bahan</td><td>2.00</td><td>813</td><td>813</td></tr>
<tr><td>FOIGS (Central)</td><td>Fashion Design Sewing Machine</td><td>3.00</td><td>3,470</td><td>3,470</td></tr>
<tr><td colspan="4">Sub-total (A)</td><td>11.33</td><td>13,335</td><td>12,146</td></tr>
<tr><td rowspan="6">APTDCL</td><td rowspan="2">2014-15[98]</td><td rowspan="4">Development Scheme (State)</td><td>Tata Magic</td><td rowspan="2">4.00</td><td>522</td><td>522</td></tr>
<tr><td>Power-tiller</td><td>60</td><td>60</td></tr>
<tr><td>2015-16</td><td>Tractor</td><td>4.00</td><td>640</td><td>638</td></tr>
<tr><td>2016-17</td><td>Tractor</td><td>0.99</td><td>200</td><td>204</td></tr>
<tr><td>2017-18</td><td rowspan="2">FOIGS (Central)</td><td>Mini rice mill</td><td>3.81</td><td>244</td><td>244</td></tr>
<tr><td>2018-19</td><td>Power-tillers</td><td>3.50</td><td>245</td><td>245</td></tr>
<tr><td colspan="4">Sub-total (B)</td><td>16.30[99]</td><td>1,911</td><td>1,913</td></tr>
<tr><td rowspan="2">ASDCOBCL</td><td>2017-18</td><td rowspan="2">FOIGS (Central)</td><td>Mini rice mill</td><td>1.50</td><td>96</td><td>96</td></tr>
<tr><td>2018-19</td><td>Power-tiller</td><td>5.50</td><td>385</td><td>385</td></tr>
<tr><td colspan="4">Sub-total (C)</td><td>7.00</td><td>481</td><td>481</td></tr>
<tr><td colspan="4">(A+ B+C)</td><td>34.63</td><td>15,727</td><td>14,540</td></tr>
</table>

Source: Information furnished by PSUs

It can be noticed from the **Table** above that against the planned coverage of 13,335 beneficiaries, ASDCSCL distributed the scheme benefits to 12,146 beneficiaries (91 *per cent*) at a cost of ₹ 10.62 crore. The other two PSUs (APTDCL and ASDCOBCL) had executed the Schemes successfully as per the planned coverage during 2014-19.

2.5.1.10 Irregularities in Implementation of Developmental Schemes

Audit observed the following irregularities in distribution of scheme benefits:

2.5.1.10.1 Excess distribution of subsidy

During 2016-19, ASDCSCL implemented Family Oriented Income Generating Scheme (FOIGS) for distribution of tractor, rice transplanter, fishing kits, mini rice mill and sewing machine at a cost of ₹ 6.61 crore, which was contributed by GoI under Special Central Assistance (SCA).

98 Scheme relating to 2013-14 implemented during 2014-15

99 This included ₹ 4.00 crore sanctioned against Development Schemes during 2013-14, which were implemented during 2014-15.

As per the instructions issued by Ministry of Social Justice & Empowerment, GoI, the SCA fund was to be utilised by adopting relevant provisions of Swarnajayanti Gram Swarozgar Yojna[100] (SGSY). The guidelines of SGSY stipulated the following:

- Individual beneficiary pertaining to SC category was eligible for subsidy of 50 *per cent* of project cost subject to maximum of ₹ 10,000.

- Self Help Group (SHG) consisting a group of 10 to 20 individuals were eligible for subsidy of 50 *per cent* of project cost subject to a ceiling of ₹ 1.25 lakh.

The PSU ASDCSCL covered 9,474 beneficiaries under the Scheme whereby it distributed subsidy of ₹ 6.42 crore during the period. Audit observed that ASDCSCL framed the scheme guidelines for distribution of above-mentioned items proposing subsidy ranging from 70 to 90 *per cent* of the cost of the items in contradiction of the subsidy of 50 *per cent* stipulated under SGSY. This resulted in excess distribution of subsidy amounting to ₹ 2.67 crore to 9,474 beneficiaries as shown in ***Table 2.5.7***.

Table 2.5.7: Details of excess subsidy distribution

Scheme name (Year)	No. of items procured/ planned	Cost per unit (in ₹)	Details of subsidy (in ₹)			Extra items possible through permissible subsidy	Total number of beneficiaries		
			Due*	Allowed	Excess		In each SHG[101]	Actually covered	Who could have been covered additionally
	a	b	c	d	e=a x (d-c)	f = e ÷ c	g	h=(g)x(a)	i=f x g
Tractor (16-17)	15	5,54,342	1,25,000	4,15,756 (75%)	43,61,340	35	42	630	1,470
Rice Transplanter (16-17)	65	1,98,499	99,249	1,48,874 (75%)	32,25,625	33*	15	975[102]	495*
Fishing Kits (16-17)	2,859	1,798	899	1,618 (90%)	20,55,621	2,287	1	2,859	2,287
Mini rice mill (17-18)	110	1,89,394	94,697	1,32,576 (70%)	41,66,690	44*	14	1,540[103]	616*
Fashion Design Sewing machine (18-19)	1,735	18,625	9,313	16,763 (90%)	1,29,25,750	1,388	2	3,470	2,776
Total					**2,67,35,026**	**3,787**		**9,474**	**7,644**

(Source: Information furnished by the PSUs; *50 per cent of cost OR ₹1.25 lakh, whichever is less.)

**** ASDCSCL's rice transplanter (2016-17) and mini rice mill (2017-18) schemes did not find much response from beneficiaries and hence the possibility of extra coverage is doubtful.***

100 As per the Swarnajayanti Gram Swarozgar Yojna guidelines issued (March 2009) by the Government of India, the funds under the Scheme were to be contributed by the Centre and the State in 90:10 ratio.

101 Fishing kits scheme is individual beneficiary scheme

102 Including 525 intended beneficiaries under 35 SHGs for whom total 35 equipment were procured (cost: ₹ 0.69 crore) but could not be distributed due to poor response of beneficiaries.

103 Including 630 intended beneficiaries under 45 SHGs for whom total 45 equipment were procured (cost: ₹ 0.85 crore) but could not be distributed in absence of three phase electricity connections.

As evident from the ***Table 2.5.7***, ASDCSCL could have covered additional 7,644 SC beneficiaries with the excess subsidy of ₹ 2.67 crore, had the subsidy been distributed as per the GoI instructions.

In reply, ASDCSCL accepted that due to oversight, it had distributed excess subsidy beyond the maximum limit of ₹ 1.25 lakh and assured not to repeat such irregularity in future.

ASDCSCL may fix responsibility for the lapse and ensure effective monitoring of scheme implementation according to guidelines to avoid recurrence of such irregularities.

2.5.1.10.2 Idle investment in equipment's and benefits not delivered

Audit noticed two instances, where ASDCSCL failed to deliver the items to beneficiaries as planned for reasons highlighted below:

(i) ASDCSCL had taken up (2016-17) the scheme for distribution of rice transplanters with a view to promote mechanization of agriculture among SC population. Based on available scheme fund, ASDCSCL issued (February 2017) supply order in favour of JK Engineering & Agro Services (JKEAS) for supply of 65 rice transplanters at a rate of ₹ 1.98 lakh per unit (total cost: ₹ 1.29 crore) of which, beneficiaries were required to contribute 25 *per cent* of the cost of the machine. JKEAS delivered (June-December 2017) 46 rice transplanters while the remaining 19 rice transplanters were lying at the store of the Supplier (JKEAS). As on 31 March 2020, ASDCSCL released (June-September 2017) payment of ₹ 1.10 crore (subsidy: ₹ 0.97 crore[104]; beneficiary share: ₹ 0.13 crore) to JKEAS. Clause-13 of the test report on the rice transplanter issued by Agriculture Machinery Research Centre (AMRC), Coimbatore stipulated that one skilled Operator and Helper were required for continuous operations of the machine.

ASDCSCL, however, overlooked the stipulation of AMRC and failed to arrange for the required training/demonstration to the beneficiaries, which was essential for operation of rice transplanters. At the time of distribution of rice transplanters, ASDCSCL noticed that some farmers were not interested to take rice transplanters as they did not have basic knowledge of its operation. In order to resolve the issue, though ASDCSCL decided (February 2019) to hold demonstrations on operation of the machine for training the beneficiary farmers, they did not actually conduct any such demonstration

[104] Entire subsidy portion (75 *per cent*) against the procurement cost (₹ 1.29 crore) of 65 rice transplanters.

so far (March 2020). As on 31 March 2020, however, out of total 65 rice transplanters procured under the scheme, ASDCSCL could distribute only 30 rice transplanters on receipt of beneficiaries share and the remaining 35 rice transplanters valuing ₹ 69.47 lakh[105] remained idle with the Supplier (JKEAS) (19 rice transplanters) and ASDCSCL (16 rice transplanters) as the beneficiaries did not find any value of these items due to lack of basic knowledge on usages of the machine. The equipment (35 rice transplanters) lying idle with the Supplier/ ASDCSCL are bound to deteriorate with the passage of time, which would correspondingly reduce their useful life. Hence, the Scheme funds incurred towards cost of these equipment proved to be a waste of public money for which, Government/ASDCSCL need to fix the responsibility.

In reply, ASDCSCL stated that it could not train the interested farmers to operate the rice transplanters due to unfavourable law and order situation and outbreak of COVID 19 disease. ASDCSCL also assured that it would complete the distribution of rice transplanters within a short span of time.

The reply lacked justification as ASDCSCL had failed to provide necessary training to farmers even after lapse of more than three years since procurement (February 2017) of the machine. Further, the unfavourable law and order situation and outbreak of disease referred had occurred only after December 2019 whereas the machines were procured much earlier. As such, the reasons cited for delay are an afterthought and not acceptable.

(ii) Field study plays an important role in assessing the requirement and utility of a particular item that ASDCSCL intends to distribute among the beneficiaries under any welfare scheme. Audit observed that ASDCSCL, without conducting any field study, had taken up (2017-18) the scheme for distribution of mini rice mills among 1,540 beneficiaries[106] with a view to augmenting the livelihood standard of people belonging to SC community.

The Managing Director of ASDCSCL took the decision for procurement of Mini Rice mills with due approval of the Minister, WPT&BC, GoA. Accordingly, ASDCSCL procured (March 2018) 110 three-phase mini rice mills from JKE (M/s JK Enterprises) at ₹ 1.89 lakh each, of which the beneficiaries were to contribute 30 *per cent* of the cost. The availability of three-phase electricity connection was a pre-requisite for operating the mini-rice mills procured by ASDCSCL. At the time of distribution, ASDCSCL found that the beneficiaries were not willing to take three-phase mini rice mills due to non-availability of three-phase electricity connections in their localities. In order to resolve the issue, ASDCSCL decided (February 2019) to request the supplier to supply single-phase mini rice mills instead of three-phase mini rice mills, but did not follow-up on this decision. As a result, ASDCSCL could distribute 65 mini rice mills (subsidy ₹ 86 lakh and contribution made by beneficiaries ₹ 36.85 lakh) (till March 2020) and the remaining 45 mini rice mills costing ₹ 85.05 lakh could not be distributed in absence of three-phase electricity connections in rural areas and same

[105] ₹ 1,98,499 x 35

[106] 110 self-help groups consisting of 14 people in each group

were lying idle with the Supplier (March 2020). The equipment (45 mini rice mills) lying idle with the Supplier (JKE) are bound to deteriorate with the passage of time, which would correspondingly reduce their useful life. Hence, the Scheme funds incurred towards cost of these equipment proved to be a waste of public money for which, Government/ASDCSCL need to fix the responsibility.

Thus, the decision of the MD, ASDCSCL to not consider the field reality of absence of three-phase electricity connections in rural areas while selecting the item for distribution among beneficiaries resulted in an idle investment in mini rice mills.

In reply, MD, ASDCSCL stated that the supplier had verbally agreed to supply single-phase mini rice-mills. It was further stated that branch offices were instructed to take due initiatives in this regard and complete the distribution of mini rice-mills within short span of time.

The reply is not acceptable, as ASDCSCL did not provide any documentary evidence in support of claim regarding verbal intimation and acceptance by the Supplier to supply single phase mini rice mills. ASDCSCL could have distributed mini-rice mills to beneficiaries on time, had it conducted proper field survey before taking up the scheme.

ASDCSCL may fix responsibility for the above lapses, which has led to idling of assets purchased for distribution without assessing the real need for the same and consequent waste of scarce public resource, and ensure that such irregularities do not recur.

2.5.1.10.3 Irregularities in selection of beneficiaries

The PSUs were required to select beneficiaries and distribute scheme benefits to them based on the conditionality and criteria laid down in the scheme guidelines. Audit observed that the beneficiary selection by the PSUs were fraught with subjectivity and lacked compliance to due process and prescribed guidelines as detailed in ***Table 2.5.8***.

Table 2.5.8: Details of irregularities noticed in Audit

Sl. No	Broad Irregularities noticed in Audit	Name of PSU	No. of beneficiaries/ SHGs planned	Actual No. of Beneficiaries/ SHGs	Beneficiaries Checked by Audit (sample size in *per cent*)	Irregularities found against beneficiaries (*per cent* of sample size)	Amount involved (₹ in crore)
1	Distribution of items in BTC area against guidelines	APTDCL	245	245	238 (97)	98 (41)	1.75
2	Distribution of items without registration certificate	APTDCL	274 SHGs	274 SHGs	193 (70)	50 (26)	2.07
3	Non-compliance of age criteria	ASDCSCL & ASDCOBCL	9,437	8,248	4,130 (50)	379 (9)	0.84

In this regard, Audit noticed the following deficiencies:

(i) Against serial no. 1 above, APTDCL had taken up the scheme for distribution of 245 power tillers during 2018-19 with a view to improving productivity of crops and economic conditions of ST farmers. As per the scheme guideline, APTDCL was to distribute power tillers to individual beneficiaries of ST community of the plain areas of Assam outside the Bodoland Territorial Council (BTC) area. Based on a sample size of 97 *per cent* (238 out of 245 beneficiaries) test checked by Audit, it was observed that 98 out of 238 beneficiaries (41 *per cent*) were from BTC area in violation of the Scheme guidelines.

In reply, APTDCL stated that it would adhere to scheme guidelines while selecting beneficiaries in future.

(ii) Against serial no. 2, APTDCL had taken up the scheme for distribution of 274 vehicles[107] during 2014-17 to SHGs[108] for promoting agricultural mechanisation among ST farmers and enabling the unemployed youth to undertake income generating activities. As per scheme guidelines, the SHGs were to submit their registration certificate duly registered under Block Development Officer (BDO) along with their application. Based on a sample size of 70 *per cent* (193 out of 274 SHGs) test checked by Audit, it was observed that APTDCL distributed 22 vehicles without obtaining SHG's registration certificate and distributed another 28 vehicles to SHGs not registered under BDO in violation of the Scheme guidelines.

In reply, APTDCL stated that it had distributed 28 vehicles against registration certificates issued by District Agriculture Office and authorities under Cooperative Societies Act. It had also mentioned that it had noted the lapses in collection of registration certificates for future guidance.

(iii) Against serial no. 3, the scheme guidelines[109] framed by ASDCSCL stipulated providing benefits to beneficiaries between 18 to 45 years of age[110], while the guidelines adopted by ASDCOBCL stipulated the age to be between 21 to 45 years. Based on a sample size of 50 *per cent* (4,130 out of 8,248 beneficiaries) test checked by Audit, it was observed that the two PSUs provided scheme benefits to 379 out of 4,130 beneficiaries although they were not in the range of age criteria provided in the guidelines of respective PSU.

In reply, ASDCSCL and ASDCOBCL stated that due to oversight, the beneficiaries not meeting the age criteria were provided assistance and due care would be taken for not repeating such irregularities in future.

Recommendation: Responsibility may be fixed on officials violating the various scheme guidelines and norms, which had also deprived other eligible beneficiaries of the Scheme benefits.

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[107] Tata Magic and 100 Tractors

[108] Consisting of minimum 3 beneficiaries relating to Tata Magic and 8 beneficiaries relating to tractors

[109] Distribution of pump sets and sewing machine during 2014-15, tool kits during 2016-17, tractor, rice transplanter and fishing kits during 2016-17, tool kits during 2017-18 and mini rice mills during 2017-18.

[110] Distribution of power-tillers during 2018-19.

2.5.1.11 Deficiencies in management of PSUs

Management of the PSUs was vested with their respective Board of Directors (BoD) appointed by the GoA. The MD appointed by GoA looks after the day-to-day functioning of the PSUs with assistance of the heads of various functional wings. Audit however observed that:

- The PSUs were not regular in convening the meeting of the BoD. As against the statutory norm of holding minimum 20 board meetings (Section 173 of Companies Act, 2013) during the period 2014-19, APTDCL, ASDCSCL and ASDCOBCL had 14, three and seven meetings respectively.

- GoA never appointed full-time MDs for these PSUs. Audit observed that 18 officers[111] held additional charge of MD in three PSUs during 2014-19 in addition to their regular charge held under different Departments of GoA (*viz*. Deputy/ Joint Secretary in WPT&BC Department or Director in Directorate of WPT&BC). Lack of continuity at MD level of these PSUs, had adversely impacted the decision-making ability at the top level on the important areas of operations requiring prompt remedial action.

- In March 1985, GoI banned the practice of deputing Government officials in Central PSUs and allowed only on immediate absorption basis as it was hampering the development of internal cadre of managers in the PSU. The presence of GoA officials at the top management level of these PSUs without full-time engagement indicated that GoA managed the three PSUs more as additional directorates/ departments to accommodate its high ranked officials rather than separate entities capable of achieving their core objectives without depending on GoA for their day-to-day financial needs.

- There were delays in finalisation of accounts, which resulted in accumulation of arrear accounts of ASDCSCL (nine years' Accounts) and ASDCOBCL (three years' Accounts) as of March 2020. Further, despite huge pendency in finalisation of Annual Accounts of these PSUs, GoA continued to provide Grants-in-Aid to these PSUs.

In reply, APTDCL attributed financial constraint as the reason for non-appointment of whole-time Managing Director and stated that it would bring the matter to the notice of WPT&BC Department for consideration. APTDCL also stated that presently, it was holding BoD meetings as per the norms. ASDCSCL and ASDCOBCL did not offer their comment on the issue.

The Administrative Departments of the State Government are bound by Company Law provisions to ensure proper and good governance in the PSUs under their charge and hence need to take remedial measures to address these deficiencies. The Departments may ensure that the Companies finalise their past Accounts before giving them any further financial assistance.

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[111] six officials in each PSU

Conclusion

The PSUs were formed with the main objective of enhancing economic development and to promote business and trade of the targeted communities (SC/ST/OBC) by providing them necessary financial (through grants/subsidy, loans, *etc.*) and other assistance. However, due to lack of adequate internal financial resources and poor recovery performance against the loans granted, the activities of the PSUs were restricted by the State Government. The PSUs implemented only some Development Schemes and Family Oriented Income Generating Schemes (FOIGS) through financial assistance from the GoA/GoI. The PSUs functioned as extension of Government departments during the period covered in audit, without any commercial viability and autonomy, which was not in line with the original mandate of their formation.

The PSUs received grants of ₹ 105.72 crore during 2014-19 against which they incurred expenditure of ₹ 75.09 crore on salaries and establishment cost. For every one-rupee worth of benefits delivered to the targeted beneficiary, the PSUs had to incur an expenditure of two rupees (ASDCOBCL and ASDCSCL) and three rupees (APTDCL) on salary of their employees. With such high establishment costs, these PSUs in their current shape and with the limited range of activities being performed by them are extremely high-cost scheme implementing partners for the GoA. Further, the Administrative Departments themselves were in the business of implementing similar Schemes for the target beneficiaries duplicating efforts of each other.

During 2014-19, ASDCSCL and APTDCL distributed the scheme benefits to 12,146 and 1913 beneficiaries respectively while ASDCOBCL distributed scheme benefits to 481 beneficiaries during the said period of five years covered under audit. APTDCL and ASDCSCL did not take up any scheme activity during 2014-15 and 2015-16 respectively while ASDCOBCL did not take up any scheme activity during the period from 2014-17.

The schemes implemented during the period by ASDCSCL to distribute rice transplanters and mini rice mills were taken up without adequate survey and without imparting necessary training to operate the equipment and ensuring availability of appropriate infrastructure with the beneficiaries. Although 65 rice transplanters were bought for ₹ 1.29 crore for distribution amongst SC beneficiaries, 35 remained idle as the required training and demonstration was not imparted to the beneficiaries by ASDCSCL resulting in wasteful expenditure of ₹ 69.47 lakh. Similarly, 45 (41 *per cent*) out of 110 mini rice mills procured by ASDCSCL for the beneficiaries remained undistributed due to lack of three phase electricity connection in the rural areas, leading to idle investment of ₹ 85.05 lakh.

There was no evidence/study post implementation of the Schemes to evaluate economic upliftment, if any, of the beneficiaries to whom the schemes were targeted. Overall, in absence of any positive role foreseen by the State Government for these PSUs, the schemes implemented did not have any novelty and instead, the PSUs implemented redundant schemes at very high cost.

Recommendations

GoA may consider:

- ***revival of the three PSUs (Assam State Development Corporation for Scheduled Castes Limited; Assam Plain Tribes Development Corporation Limited and Assam State Development Corporation for Other Backward Classes Limited), with focus on promoting the financial upliftment of the targeted communities (SC/ST/OBC) by providing them with necessary financial and other assistance in line with the original mandate of the PSUs;***
- ***avoiding duplication in implementing the Schemes with similar objectives being implemented by parent department(s);***
- ***reviewing/downsizing the staff requirement of PSUs and bringing their establishment cost to acceptable levels and also merger of the PSUs to one or two with defined verticals of business within the PSUs to achieve economies of scale like few other States (Kerala, Karnataka, West Bengal) where a combination of such PSUs are functioning as common entities; and***
- ***strengthening the PSUs with senior Management officials and full Board of Directors to provide focussed direction to the day to day activities of these PSUs.***

Assam Seeds Corporation Limited

2.5.2 Extra procurement cost of certified seeds

The Company accepted unreasonably higher bids than the base price set by the Price Finalisation Committee for certified seeds resulting in increased procurement cost by ₹ 0.38 crore, causing an extra burden on the State Government, for seeds distributed free of cost to beneficiaries

Assam Seeds Corporation Limited (Company) carried out procurement of seeds and other agriculture and horticulture inputs on behalf of Government of Assam (GoA). The terms of the bid documents issued by the Company for procurement of seeds during 2016-17, *inter-alia* includes the following:

- The Company shall determine the base price of the seeds to be procured considering the average price of the previous three years; ***(clause 19B-iii)***
- The bidders were to quote their price within a range of 15 *per cent* above or below the base price[112]. The Company was to reject bids for those not quoting within 15 *per cent* above or below the base price. ***(clause 19B-iii)***

The Company issued (August 2016) Notice inviting tender (NIT) for procurement of certified seeds of Lentils (variety: WBL-77). In response, Company received two bids

[112] Base price is the rate arrived at by taking the average procurement price of the item for the previous three years. This methodology was followed only in 2016-17.

of ₹ 13,000 and ₹ 13,100 per quintal of Lentils from M/s S.B Enterprises (L1) M/s Tech Business India Private Limited (L2) respectively. Based on the bids received, the Company issued (November to December 2016) eight supply orders on both the bidders at L1 price (₹ 13,000 per quintal) for procurement of 1,530 quintals of Lentils valuing ₹ 1.99 crore. The two bidders (Suppliers) supplied (February to June 2017) total 959.90 quintals of Lentils and the Company released (May to August 2017) payment of ₹ 1.25 crore to the Suppliers.

Audit observed that:

(a) Before opening (28 October 2016) of the financial bids, the Price Finalisation Committee (PFC[113]) of the Government of Assam approved (4 October 2016) additional conditions to NIT, which *inter alia* stated that *(i) where no base price is mentioned in the bid document then all the bids will be accepted; (ii) excessive low and high quote however shall not be accepted for consideration.* The NIT explained the methodology for determining the base price.

(b) During the bid evaluation process, the PFC set (28 October 2016) the base price of Lentils for the year 2016-17 at ₹ 7,899 per quintal. However, the PFC allowed unreasonable higher (65 *per cent*) price than the base price to two bidders in violation of the bid conditions leading to excess cost on procurement of Lentils amounting to ₹ 0.38 crore as detailed in the ***Table 2.5.9***:

Table 2.5.9: Extra cost paid on procurement of Lentils during 2016-17

Base price per quintal	Acceptable range (plus/minus 15%)		Quoted rate per quintal	Allowed (65% above base price)	Excess rate allowed	Quantity procured (quintals)	Extra cost (₹ in crore)
	Minimum	Maximum					
1	2	3	4	5	6=5-3	7	8
7,899	6,714	9,084	13,000	13,000	3,916	959.90	0.38
7,899	6,714	9084	13,100	13,000			

(c) The procurement rate for 2015-16 and 2017-18 was ₹ 7,899 and ₹ 6,850 respectively, which was within the 15 *per cent* range of base price and much lower than the rate finalised for 2016-17. Since only two bidders had quoted rates during 2016-17 with marginal difference (₹ 100 only) in their quoted rates[114], which was significantly higher (65 *per cent* and 90 *per cent*) than the rates of previous and subsequent years, possibilities of price rigging and cartelisation by the suppliers could not be ruled out. This contention is further substantiated with the fact that both the bidders had been awarded the supply orders during 2016-17 at L1 rate (₹ 13,000 per quintal).

Thus, the PFC accepted unreasonably higher bids without any further study resulting in increased the procurement cost by ₹ 0.38 crore, which was an extra burden on the State Government while distributing the seeds to intended beneficiaries, free of cost.

[113] The PFC was headed by Secretary, Agriculture Department, GoA with other representatives of Government of Assam/Company, including the MD of the Company.

[114] ₹ 13,000 per quintal (L1) and ₹ 13,100 per quintal (L2)

The Government/Company in reply stated (November 2020/February 2020) that as no bidders were available within 15 *per cent* above or below the base price, the PFC considered the bids which were higher than the base price.

The reply is not tenable as the procurement price was considerably higher (65 *per cent*) than the base price and the norms set by PFC did not allow excessive low and high quote to be accepted. As such, the bids being excessively high should have been rejected by the PFC. Since these were regular procurements known to the PFC/Company, they had sufficient time to complete the process in best financial interest of the Government/Company.

Recommendation: The Company may review its procurement process and study market prices to ensure economical procurement of seeds and other items for farmers. The State Government may review this case for suitable administrative action for the extra financial cost.

Assam Gas Company Limited

2.5.3 Loss of Interest Income

Failure of the Company to review its investment options with due diligence in Short Term Deposits of banks resulted in loss of interest income of ₹1.82 crore

Audit examined the investment decisions of the Assam Gas Company Limited (Company) to assess the management of investments of surplus funds. Certain deficiencies were observed in the system of investment of funds in short-term deposits (STDs) with the banks with whom the Company had regular course of business, resulting in loss of interest income.

The Company had regular investment in STDs with Allahabad Bank (Bank). The Bank offered (17 November 2016) lower interest on STDs above ₹ one crore (four *per cent per* annum) than on STD's below ₹ one crore (seven *per cent per* annum). The Company invested (2015-16) ₹ 86.03 crore[115] in 24 STDs of above ₹ one crore each for one year period.

Audit observed that the Company, while reinvesting (March 2017) the 8 matured STDs valuing above ₹ one crore each, they failed to instruct the Bank to split the deposit into denomination of less than ₹ one crore to ensure higher returns. As such, the STDs were renewed by the Bank at an interest rate of four *per cent* per annum despite higher rate of interest (seven *per* cent) being available on single investment of less than ₹ one crore on the date of renewal.

Thus, failure of the Company to split the high value STDs (valuing above ₹ one crore each) into less than ₹ one crore denomination at the time of their renewal led to loss of

[115] The individual investment in STDs ranged between ₹ 1.07 crore to ₹ 10.07 crore.

opportunity of earning additional interest income amounting to ₹ 1.82 crore[116] (worked out for the period from March 2017 to March 2018).

The Government/Company stated (November 2020/September 2020) stated that the banks refused to split the bulk deposits into smaller deposits after demonetization effected on 8 November 2016 and noticing the economic offences committed in some cases.

The reply is not tenable as the Bank concerned (Allahabad Bank) had always split the value of the STDs on the instruction of the Company but for absence of any instructions from the Company in this regard. This is evident from the fact that out of four instances of renewal (March 2017), the Company instructed the Bank to split the two high value STDs valuing ₹ 2.50 crore each into six STDs valuing less than ₹ one crore each. The Company, however, failed to give similar instructions to the Bank while requesting for renewal of eight high value STDs on 28 February/5 March 2017.

Recommendation: The Company needs to strengthen its internal control system for investments to prevent recurrence of such lapses in the future.

Assam Police Housing Corporation Limited

2.5.4 Imprudent investment of Scheme funds

Imprudent decision of the Company to invest Government funds in private sector credit risk Funds without the concurrence of the Government, led to loss of ₹52.52 lakh

As per the instructions issued (8 April 2018) by the Finance Department, Government of Assam (GoA), in case of Schemes funded by State's own resources, any interest earned on unutilised Scheme funds temporarily parked for more than 45 days is required to be transferred to the Consolidated Fund of the State. The GoA, however did not have any policy on investment of surplus funds by the State PSUs. The Board of Directors of PSUs decide on the quantum and type of investments to be done out of surplus funds.

The Company is in the business of constructing infrastructure for the Police Department and received funds regularly for execution of projects under various Schemes of GoI and GoA. The Company invested the unutilised Scheme funds available with it in the 'debt based schemes' of SEBI regulated public sector Mutual Funds (Public Sector Debt Funds) only as decided by the Board of Directors (BoD) of the Company from time to time. During the year 2018-19, the Company received ₹ 125.00 crore[117] from GoA for execution of GoA sponsored Scheme, namely, 'Mission of Overall Improvement of Thana for Responsive Image Scheme' (Scheme). Audit observed that

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[116] Interest loss worked out in respect of eight STDs (valuing from ₹ 5.23 crore to ₹ 10.83 crore) renewed for one year between 1-18 March 2017 at three *per cent* per annum at, being the differential rate of interest applicable on STDs below ₹ one crore (seven *per cent)* and STDs above ₹ one crore (four *per cent*).

[117] ₹ 25.00 crore (21 June 2018); ₹ 50.00 crore (26 October 2018) and ₹ 50.00 crore (11 January 2019).

contrary to Company's extant practice of investing the surplus funds only in Public Sector Debt Funds, the BoD authorised (28 February 2019) the Chairman cum Managing Director (CMD) of the Company to invest and/or disinvest the surplus funds of the Company in shares and securities of all kinds, Mutual Funds, short term deposits (STDs) with Banks and such other sectors as deemed fit and profitable in the interest of the Company.

The ***Table 2.5.10*** shows the summary of the investment done and returns realised by the Company out of the Scheme funds during the period January to May 2019**.**

Table 2.5.10: Returns on Investments made by Company in Mutual Funds

(Column (3), (5) and (6): ₹in lakh)

Name of Fund	Date of Investment	Invested Amount	Date of Redemption	Redemption Amount	Absolute Return
1	2	3	4	5	6
SBI Savings Fund - Regular Plan - Growth	7 January 2019	2,500.00	29 March 2019	500.00	57.43
			7 May 2019	2,057.43	
UTI Ultra Short Term Fund - Regular Growth Plan	23 January 2019	4,500.00	6 March 2019	4,531.64	31.64
Aditya Birla Sun Life (ABSL) Credit Risk Fund-Growth Regular	11 March 2019	2,500.00	15 May 2019	2,501.68	1.68
Reliance Credit Risk Fund - Growth Plan Growth Option	11 March 2019	2,000.00	15 May 2019	1,947.48	-52.52
ICICI Prudential Short Term Fund	10 May 2019	500.00	15 May 2019	500.92	0.92
Overall Performance					**39.15**

Source: information furnished by the Company

As can be noticed from the ***Table 2.5.10***, the Company had invested (January 2019) ₹ 70.00 crore in SBI Savings Fund - Regular Plan (₹ 25.00 crore) and UTI Ultra Short Term Fund (₹ 45.00 crore). Both these investment plans were Public Sector Debt Fund Schemes carrying moderate low risk without any entry and exit loads[118]. Audit observed that within two months of investment, the Company withdrew (6 March 2019) the investment of ₹ 45.00 crore from UTI Ultra Short Term Fund and re-invested (March 2019) the entire amount in the two Private Sector Credit Risk Funds, namely, Reliance Credit Risk Fund (₹ 20 crore) and Aditya Birla Sun Life Credit Risk Fund (₹ 25 crore). Both the Private Sector Funds had an exit load of 1 *per cent* if redeemed within one year of investment. As can be seen from the ***Table 2.5.10***, the Company incurred a loss of ₹ 52.52 lakh against the investment made in Reliance Credit Risk Fund and a nominal gain of ₹ 1.68 lakh on the investments in Aditya Birla Sun Life Credit Risk Fund.

[118] In case of SBI Savings Funds, the exit load was 0.10 *per cent* if redeemed/switched over within three business days from the date of investment; and exit load was 'nil' if redeemed/switched over after three business days from the date of investment.

Audit noticed that UTI Ultra Short Term Fund, a Public Sector Debt Funds carried moderate low risk without any entry and exit loads. Hence, the Company was free to redeem the investment at any time without any penalty on pre-matured exit. On the other hand, the two Private Sector Credit Risk Funds (Reliance Credit Risk Fund and Aditya Birla Sun Life Credit Risk Fund) had comparatively high degree of speculation on investment yield with penalty on pre-matured withdrawal of investment. Thus, the decision of the Company to invest the Scheme fund in two high risk Private Sector Credit Risk Funds after pre-mature withdrawal of the investment in UTI Ultra Short Term Fund was not justified, especially when there was no apparent reason to break and withdraw the investment in a public sector fund.

Audit further observed that the decision to invest the Scheme funds in Private Sector Credit Risk Funds contradicted Company's own policy/practice of investing the surplus funds only in Public Sector Debt Funds. The Company did not obtain any concurrence of GoA before investing the State sponsored Scheme fund in Private Sector Credit Risk Funds, which was irregular. After withdrawal (May 2019) of the investment from the Mutual Funds, the Company retained the net returns amounting to ₹ 39.15 lakh earned from investment of Scheme Funds with it as its own income instead of transferring the same to the 'Consolidated Fund of the State' in violation of the extant instructions (April 2018) of the State Government in the matter.

Thus, imprudent decision of the Company to invest Government sponsored Scheme funds in Private Sector Credit Risk Funds without the concurrence of GoA by withdrawing investments already made in a Public Sector Fund (UTI) led to a loss of ₹ 52.52 lakh in one of the Private Sector Credit Funds.

The Government/Company stated (October/August 2020) that the short term investments in the selected Mutual Funds were made in terms of power conferred by its Memorandum of Association and after due approval of the Board of Directors. The Company further stated that already invested surplus funds were re-invested in Private Sector Credit Risk Funds as the Return on such Funds was higher than the prevailing Bank interest Ratio. The Company also stated that there was an overall gain of ₹ 39.15 lakh out of the investment of Scheme funds during January 2019 to May 2019.

The reply regarding overall gain earned out of the investments is not acceptable considering the fact that the loss from Private Sector Credit Risk Funds (₹ 52.52 lakh) was primarily set off by the gains (₹ 89.07 lakh) contributed by two Public Sector Debt Funds. Further, there was no justification for pre-mature withdrawal of investments from UTI Ultra Short Term Fund, which had better prospects for investment yield and fund safety without any extra load for pre-matured exit.

Recommendation: GoA may bring out detailed guidelines on investment of surplus funds by State Public Sector Enterprises as brought out by Department of Public Enterprises, GoI. They may fix responsibility for the loss caused by the imprudent financial decision of the Company to invest in private Funds.

Assam Minorities Development & Finance Corporation Limited

2.5.5 Defunct Company

The Company did not take up any scheme for the socio-economic upliftment of the minorities during 2014-19 and remained defunct since 2013. Moreover, the Assam Minorities Development Board was operational in the State since April 1985 and was the implementing agency for Schemes for Minorities. The Company's existence was therefore redundant and the GoA had not taken any decision on its continuance

Government of Assam (GoA) established (February 1997) the Company with the primary objective of accelerating the pace of economic development of people belonging to Minority communities in the State. As on 31 March 2019, the Company had equity share capital of ₹ 2.41 crore, wholly contributed by the Government of Assam (GoA). The Company functions under the administrative control of the Department of Welfare of Minorities and Development (WMD), Government of Assam.

As per Census of India, 2011, 38.46 *per cent* (1.20 crore) of the State's total population (3.12 crore) belonged to the minority communities. Hence, the Company had an important role to play in financial upgradation of the people belonging to minority communities in the State. On the contrary, the Company did not implement any Scheme during 2014-19 and remained inoperative since 2013.

Audit analysed the reasons for this dismal performance of the Company and revealed the following:

Existence of parallel Government agency with similar objectives

The Company had no permanent employees on its rolls to carry out its day-to-day operational activities. The day-to-day activities of the Company were being managed by the Assam Minorities Development Board (Board), a State owned agency registered (4 April 1985) under the Societies Registration Act, 1860. The Board, which functions under the administrative control of the WMD, GoA was mandated to formulate schemes for advancement of education and promotion of employment opportunities amongst the notified minority communities in the State. As such, both the Board and the Company had been functioning under the WMD, GoA with similar objectives of their formation.

Audit observed that during the last five years (2014-19), GoA implemented 40 schemes involving a cost of ₹ 40.52 crore through Assam Minorities Development Board which benefited 22,021 beneficiaries belonging to the minority communities. On the other hand, however, the Company was not assigned any developmental Schemes during the same period.

Lack of financial resources for operations

Financial autonomy is the ability of an entity to manage funds independently, which enables the entity to set and achieve its core objectives. As mentioned above, the Company had completely stopped its operations since 2013. In absence of any operations, the Company could not generate any funds from its own activities to achieve the objectives envisaged. The Company had not submitted any proposal/ action plan to GoA nor had the GoA had provided any financial support to the Company for revival of its operations during last five years. In absence of any potential financial resources and consequential inability to implement any Schemes for the beneficiaries for which it was established, the Company's existence remained unjustified.

Deficient Management at top level

GoA had never appointed any whole-time MD for the Company, whereas during 2014-19, six officers held additional charge of MD in the Company in addition to their regular charge in different State departments. Absence of Senior Management in the Company had adversely impacted direction and decision making.

The Company, however, had not finalised its Annual Accounts since 1998-99 in violation of the provisions of the Companies Act, 2013 and had clearly abdicated its responsibility in complying with the statutory requirements.

In reply, Government (WMD Department) stated that for revival of the Company, the WMD Department is taking various steps. The reply, however, did not specify the details of any action plan for revival of AMDFCL.

Recommendation: Since the Company was defunct since 2013 and its existence was not serving any purpose, the GoA may review its continuance and take appropriate action.