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COMMITTEE ON PUBLIC UNDERTAKINGS

SIXTY FIFTH REPORT

FIFTEENTH ASSEMBLY

REPORT ON THE AUDIT PARAS CONTAINED IN THE AUDIT REPORT
OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
(COMMERCIAL) FOR THE YEAR 1989-1990, 1991-1992,
1999-2000, 2002-2003, 2008-2009 AND 2011-2012
RELATING TO
ASSAM GAS COMPANY LIMITED.

Presented to the House on 14th March, 2022.

ASSAM LEGISLATIVE ASSEMBLY SECRETARIAT,

DISPUR :: GUWAHATI-6

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Chapter – I

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, Assam Legislative Assembly having been so authorised by the Committee on their behalf present this 65th report which was approved by the Committee on the paragraphs contained in the Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 1990, 31 March 1992, 31 March 2000, 31 March 2003, 31 March 2009 and 31 March 2012 (Commercial) relating to Assam Gas Company Limited.

(2) The Committee had taken up the work of examining the relevant paragraphs contained in the Audit Report (Commercial) of the Comptroller and Auditor General of India for the year ended 31 March 1990, 31 March 1992, 31 March 2000, 31 March 2003, 31 March 2009, 31 March 2012 relating to the Assam Gas Company Limited under the Industries & Commerce Department, Government of Assam and had a threadbare discussion with the Officers of the Industries & Commerce Department, Government of Assam as well as Assam Gas Company Limited on 03.09.2021.

(3) The report was considered and adopted by the Committee in its meeting held on 07.03.2022.

(4) The Committee placed on record its thanks to the officers of Assam Gas Company Limited for furnishing the records/relevant materials and giving information as well as for extending fullest co-operation to the Committee.

(5) The Committee also extends its high appreciation to the Principal Accountant General (Audit), Assam and the concerned officials for their sincere co-operation extended to the Committee during its examination.

(6) The Committee also placed on record its appreciation to officers and staff of the Committee for their unstinted co-operation extended to the Committee in conducting of examination as also in the compilation in presentation of this Report.

Dispur

The 7th March, 2022

(Ramendra Narayan Kalita, M.L.A)
Chairman,
Committee on Public Undertakings

COMPOSITION OF THE COMMITTEE

CHAIRMAN: Shri Ramendra Narayan Kalita, MLA

MEMBERS:

1. Smti. Suman Haripriya, MLA
2. Shri Terash Gowala, MLA
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11. Smti. Nandita Das, MLA
12. Shri Rafiqul Islam, MLA

SECRETARIAT:

1. Shri Hemen Das, Principal Secretary
2. Shri Indrajit Mozumder, Joint Secretary
3. Shri Thaneswar Deka, Deputy Secretary
4. Shri Ranjit Kr. Sarmah, Under Secretary

CHAPTER-I

REPORT AND RECOMMENDATION

During the course of deposition before the Committee in its meeting held on 03.09.2021 in the presence of Principal Accountant General (Audit), Secretary, I&C Department, Managing Director, Assam Gas Company Limited (AGCL) and other Departmental representatives had submitted the replies to the queries against the Audit paragraphs mentioned as follows.

1. Reference paragraph 3.1.3.1 of the Audit Report (Commercial) for the year ended 31 March 1990

AVOIDABLE LOSS OF INTEREST DUE TO EXCESS BORROWING

MANAGEMENT REPLY

Rs. 17.54 crore was estimated project cost against Namrup III project, out of which Rs. 2.69 crore was own contribution and Rs. 14.85 crore was bank loan. The total project expenditure incurred was Rs. 18.09 crores and the cost was overrun by Rs. 54.59 lakh. The excess amount of Rs. 54.59 lakh was spent from own surplus fund of AGCL.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

2. Reference paragraph 3.1.3.2 of the Audit Report (Commercial) for the year ended 31 March 1990

NUGATORY EXPENDITURE

MANAGEMENT REPLY

AGCL appointed a valuer to assess the present market value so that it can insure the assets as per the actual value as reflected in valuer's report. So that in case of accident/unforeseen contingencies the actual present value can be realized from insurance company and AGCL did not suffer from the fund crisis for the replacement of fixed assets. As such it cannot be termed as nugatory expenses.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

3. Reference paragraph 3.1.3.3 of Audit Report (Commercial) for the year ended 31 March 1990

LOSS DUE TO TRANSMISSION OF GAS AT LOWER RATES

MANAGEMENT REPLY

At no stage AGCL agreed to a lower rate of transmission charges than the earlier year's rate and as such there was no loss of revenue in case of Doomdooma gas grid. The TC rate is fixed on project to project basis as such the rate of TC of one project has no bearing on the rate of TC for another project, As such TC of Doomdooma grid cannot be compared with TC of Naharkatia grid.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

4. Reference paragraph 3.1.1.1 of the Audit Report (Commercial) for the year ended 31 March 1992

INSURANCE OF PIPELINE

MANAGEMENT REPLY

AGCL had done insurance of pipeline at replacement cost instead of depreciated cost as major pipelines were laid far back in 1969 whose present depreciated value was almost negligible. If the assets were insured at depreciated value, the insurance company would pay a very small amount based on depreciated value which would not have covered the replacement cost and there would have been a huge financial burden on AGCL in case of unforeseen contingencies.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

5. Reference paragraph 3.1.1.2 of the Audit Report (Commercial) for the year ended 31 March 1992

LOSS DUE TO IRREGULAR INVESTMENT

MANAGEMENT REPLY

Regarding investment in LICI and mutual fund through agent and loss of commission, an enquiry was conducted by AGCL, and the commission amount was recovered from concerned officer. In case of investment in UTI amounting to Rs. 25 lakh which was refunded by UTI on the ground that a limited company cannot invest in this scheme. The investment was made as per Board of Director's approval. The interest amount for the period between investment and refund date was also refunded by UTI.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

6. Reference paragraph 3.1.1.3 of the Audit Report (Commercial) for the year ended 31 March 1992

LOSS OF REVENUE DUE TO LEAKAGE IN PIPELINE

MANAGEMENT REPLY

Due to delay in regulatory clearance for construction of new pipeline, AGCL has to supply gas from old pipeline with some leakage for some period.

OBSERVATION AND RECOMMENDATION

After a threadbare discussion with the Secretary to the Industries & Commerce Department, Managing Director, AGCL and other Departmental representatives, the Committee has decided to drop the para with a recommendation that the Forest & Environment Department, Government of

Assam gives regulatory clearance at the earliest for construction of new pipeline as and when the AGCL apply before the concerned department.

7. Reference paragraph 3.1.6.2 of the Audit Report (Commercial) for the year ended 31 March 2000

POOR CASH MANAGEMENT VIS-A-VIS SURPLUS CASH IN CURRENT ACCOUNT

Due to poor cash management AGCL lost interest of Rs. 1.11 crore

MANAGEMENT REPLY

Due to execution/expansion of ongoing projects, payment to suppliers and contractors and amount required for day-to-day expenses of AGCL, excess fund was kept in current account and short-term deposit. Further due to unpredictable, poor payment receivable by AGCL from regular defaulter like Assam State Electricity Board (ASEB) and HFCL, requires AGCL to provide cautions against future expenditure to be made and hence AGCL has to keep certain amount in current account and short-term deposits.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

8. Reference paragraph 3.1.6.3 of the Audit Report (Commercial) for the year ended 31 March 2000

EXCESS PAYMENT

Incorrect computation of Minimum Demand Charge (MDC) resulted in excess payment of Rs. 0.14 crore

MANAGEMENT REPLY

The excess amount of MDC paid to Oil and Natural Gas Corporation Limited was adjusted in subsequent period.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

9. Reference paragraph 3.1.6.4 of the Audit Report (Commercial) for the year ended 31 March 2000

AVOIDABLE LOSS OF REVENUE

Due to delay in revision of agreement AGCL lost revenue of Rs. 0.07 crore

MANAGEMENT REPLY

The delay in revision of agreement occurred due to shrinkage of the market of Assam Petrochemicals Limited (APL) on account of closure of plywood industries as per directive of Hon'ble Supreme Court and reduction of duty on imported material. Due to the uncertainty in marketing potential of APL there was a delay in finalizing the agreement.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

10. Reference paragraph 3.1.6.5 of the Audit Report (Commercial) for the year ended 31 March 2000

LOSS DUE TO DEFECTIVE AGREEMENT

AGCL suffered loss of revenue of Rs. 1.89 crore for making incorrect provision in the agreement.

MANAGEMENT REPLY

Dibrugarh and Sonari Tea Gas Grid are consortium of some consumers located in a particular area. They have approached AGCL as a single unit for supply of natural gas. In view of convenience of AGCL for realization of the bill from tea gardens scattered in remote areas, AGCL has accepted their proposal as a single consumer and accordingly agreement was made with the Grid.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

11. Reference paragraph 3.1.6.6 of the Audit Report (Commercial) for the year ended 31 March 2000

UNDUE BENEFIT TO A CONSUMER

AGCL lost revenue of Rs. 0.32 crore due to undue reduction of Minimum Demand Charge (MDC).

MANAGEMENT REPLY

MDC was fixed at 75% as per prevailing norms and on the basis of Board of Director's directives after discussion with Assam Petrochemicals Limited (APL). As per prevailing practice MDC percentage of bulk consumers like APL is always on lower side as compared to the tea consumers.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

12. Reference paragraph 3.1.6.8 of the Audit Report (Commercial) for the year ended 31 March 2000

INFRUCTUOUS EXPENDITURE

Injudicious construction of pipelines rendered the investment of Rs. 0.15 crore infructuous.

MANAGEMENT REPLY

The order of the Hon'ble Supreme Court for closure of plywood industries was an interim one. At that time any decision could be taken only after receiving final order from the Hon'ble court. An advance of Rs. 13 lakh had been received from the consumers for laying of pipeline work.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

13. Reference paragraph 4.3 of the Audit Report (Commercial) for the year ended 31 March 2003

EXCESS EXPENDITURE

Erroneous evaluation of tenders resulting in excess expenditure of Rs. 21.48 lakh.

MANAGEMENT REPLY

AGCL in their reply confirmed (June 2003) the fact of inclusion of income tax in the rates of M/s Bordubi Engineering Works. It was due to arithmetical inaccuracy of inclusion of income tax in the rate of BEW.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

14. Reference paragraph 4.4 of the Audit Report (Commercial) for the year ended 31 March 2003

IMPROPER FUND MANAGEMENT

Borrowing of funds at higher rate of interest despite having sufficient fund in its own account was unjustified and resulted in avoidable expenditure of Rs. 1.26 crore.

MANAGEMENT REPLY

Interest on borrowing was added to the project cost (Tinsukia and Doomdooma Pipeline project) in determining the rate of Transmission Charge (TC) and was recovered from consumers over a period of time and hence there was no loss on account of utilization of borrowed fund. Had AGCL invested all its deposits in the projects as observed, it would not have left with sufficient fund for investment in future projects.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

15. Reference paragraph 2.1.15 of the Audit Report (Commercial) for the year ended 31 March 2009

Failure of AGCL in designing the gas supply system according to actual requirement of NTPS and APL has resulted in avoidable investment of Rs.9.11 crore.

MANAGEMENT REPLY

The new 500 mm pipeline was laid down considering requirement of NTPS, LTPS, APL and way side consumers. Their gas demand fluctuates on day to day and intraday basis. In some cases, NTPS draws more than 0.80 MMSCMD i.e., higher than their booked quantity. The pipeline was built considering all these facts.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

16. Reference paragraph 2.1.16 of the Audit Report (Commercial) for the year ended 31 March 2009

Failure of AGCL in designing the gas supply system according to actual requirement of BVFCL has resulted in avoidable investment of Rs. 11.13 crore.

MANAGEMENT REPLY

The gas supply as per the scheme had not been materialised due to failure of BVFCL to revive their plants to draw the contracted quantity of gas and excess capacity in the pipeline (33%) was provided as per stipulation of Petroleum and Natural Gas Regulatory Board.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

17. Reference paragraph 2.1.18 of the Audit Report (Commercial) for the year ended 2008-09

AGCL levied Rs. 8.21 crore in excess from NTPS and APL towards transportation cost.

MANAGEMENT REPLY

TC was fixed on mutual agreement with the consumers. Now the transportation cost is determined by the regulatory board (PNGRB) with retrospective effect from the year 2008.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

18. Reference paragraph 2.1.19 of the Audit Report (Commercial) for the year ended 2008-09

AGCL levied Rs. 12.25 crore in excess from BVFCL towards transportation cost due to overestimation of project cost.

MANAGEMENT REPLY

The transportation cost was fixed on mutual agreement with the consumers.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

19. Reference paragraph 2.1.20 of the Audit Report (Commercial) for the year ended 31 March 2009

Transportation charges was levied on the basis of newly laid pipeline though the supply was made from existing old pipeline. This has resulted in excess levy of transportation cost by Rs.1.14 crore.

MANAGEMENT REPLY

Transportation charges was fixed on mutual agreement with the consumers. Now the TC rate is determined by the regulatory board (PNGRB) with retrospective effect from the year 2008.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

20. Reference paragraph 2.1.21 of the Audit Report (Commercial) for the year ended 31 March 2009

Delay in arranging metering works costing Rs. 1.86 lakh has resulted in loss of revenue of Rs. 49.13 lakh.

MANAGEMENT REPLY

The delay was because of non availability of the metering materials required for Doomdooma area consumers.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

21. Reference paragraph 2.1.23 of the Audit Report (Commercial) for the year ended 31 March 2009

Natural gas sold to non-industrial consumers have been billed in excess by Rs. 10.99 crore.

MANAGEMENT REPLY

Collection of gas of different compositions at different pressure conditions at multiple points and again distributing the same at multiple points at different pressure conditions over a large area is the cause of the discrepancy.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

22. Reference paragraph 2.1.24 of the Audit Report (Commercial) for the year ended 31 March 2009

Failure of AGCL in executing transportation agreements on the basis of source of gas supply has resulted in excess revenue realisation of Rs. 39 lakh.

MANAGEMENT REPLY

AGCL had entered into an agreement with Sonari Gas Grid for supply of gas from Canoro Resource Limited (CRL) and also with Jorhat Tea Gas Grid for supply from OIL source. Both the gases are supplied from the same pipeline, and it is not possible to distinguish the gas. Accordingly, AGCL has been charging CRL rate with Consumers of Sonari Gas Grid and Oil rate with consumers of Jorhat Gas Grid.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

23. Reference paragraph 2.1.29 of the Audit Report (Commercial) for the year ended 31 March 2009

Failure of AGCL in parking surplus funds in short-term deposits has resulted in a loss of Rs. 1.34 crore.

MANAGEMENT REPLY

Due to execution/expansion of ongoing projects (Duliajan Numaligarh pipeline), payment to various suppliers and contractors and amount required for day-to-day expenses of AGCL, excess fund was kept in current account and short-term deposits. Further due to unpredictable, poor payment receivable by AGCL from regular defaulter like ASEB & BVFCL, requires AGCL to provide cautions against future expenditures to be made and hence AGCL has to keep certain amount in current account and short-term deposits.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

24. Reference paragraph 2.1.30 of the Audit Report (Commercial) for the year ended 31 March 2009

AGCL availed high interest bearing loans for executing capital works and suffered a loss of Rs. 2.19 crore.

MANAGEMENT REPLY

Interest on borrowing was added to the project cost in determining the rate of Transmission Charge and was recovered from consumers over a period of time and hence there was no loss on account of utilization of borrowed fund. Had AGCL invested all its deposits in the projects as observed, it would not have left with sufficient fund for investment in future projects.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

25. Reference paragraph 2.1.33 of the Audit Report (Commercial) for the year ended 31 March 2009

AGCL sustained a loss of Rs. 0.58 crore due to failure to submit TDS certificates.

MANAGEMENT REPLY

There have been instances of parties not providing TDS certificates on time or even after sending reminders. Even banks have failed to provide TDS certificates or provided defective certificates.

The Income Tax department had advised us to obtain confirmation from the banks and other consumers regarding the deduction of TDS. Accordingly, confirmation certificates were collected and submitted to the Income Tax Assessing Officer and TDS credit was allowed.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

26. Reference paragraph 3.2 of the Audit Report (Commercial) for the year ended 31 March 2012

LOSS OF REVENUE

Incorporation of clauses in agreement in deviation with the existing policy led to loss of revenue of Rs. 3.07 crore.

MANAGEMENT REPLY

Transportation cost was fixed for Assam Power Generation Corporation Limited considering the MDC volume i.e. 80% volume as divisor to the project cost and hence the rate of TC was fixed accordingly. As such there was no loss of revenue.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

27. Reference paragraph 3.3 of the Audit Report (Commercial) for the year ended 31 March 2012

AVOIDABLE PAYMENT OF PENAL INTEREST

Absence of planning and ensuring proper estimation of income for payment of advance tax led to an avoidable expenditure of Rs. 1.45 crore as penal interest.

MANAGEMENT REPLY

Advance tax is paid on the basis of anticipated profit. There are many factors which affect the estimation. In current economy scenario, the rate of interest applicable for term deposit is fluctuating. So, estimation of exact amount of interest receivable is also difficult to predict. The gratuity liability provision depends on actuarial valuation by the Life Insurance Corporation which is received after 31st March. The amount involved has a substantial effect on the profitability. All the data which are at the disposal of AGCL at the time of payment of advance tax was however taken into consideration while computing the anticipated profit for tax purpose. Analysis of payment of penal interest in the subsequent few years were showing a decreasing trend and now it has been reduced to nil.

OBSERVATION AND RECOMMENDATION

After a threadbare discussion with the Secretary to the Industries & Commerce Department, Managing Director, AGCL and other Departmental representatives, the Committee has decided to drop the para with a direction to AGCL to submit a report before the Committee regarding the future planning and development to the Committee within 3 months.

28. Reference paragraph 3.4 of the Audit Report (Commercial) for the year ended 31 March 2012

UNDUE ALLOWANCE OF REBATE AND LOSS OF REVENUE

Inaction against the consumer for violating the terms and conditions of the agreement resulted in extension of undue benefit and loss of revenue of Rs. 1.06 crore.

MANAGEMENT REPLY

As per clause 6.02 of the agreement dated 22.03.2003 between AGCL and the Assam State Electricity board, there is a provision for allowing a rebate of 2.5% on invoice amount against payment of bill within due date. Accordingly, ASEB has been making payment after deducting the rebate amount directly from their payment.

However, in some cases, ASEB has wrongly deducted the rebate amount from bills even though they had made payments after due date. We had written letter to ASEB on time to time basis for release of the undue amount of rebate. Finally, ASEB (NTPS unit) had released Rs. 65.90 lakh on 01.04.2017 against undue rebated deducted in earlier years. Further in case of Maibella unit AGCL had considered the undue rebate deduction amount which will be adjusted while releasing amount refundable to ASEB (Maibella) as per PNGRB order.

OBSERVATION AND RECOMMENDATION

The Committee satisfied with the written reply as well as oral deposition made by the departmental representatives and decided to drop the para.

2022

Printed at the Assam Govt. (Mini) Press
Dispur, Guwahati-6.