

CHAPTER I
Public Sector Undertakings

CHAPTER-I: PUBLIC SECTOR UNDERTAKINGS

Section I: Functioning of Public Sector Undertakings

General

1.1.1 The Public Sector Undertakings (PSUs) consists of State Government Companies and Statutory Corporations under Government of Assam (GoA). The PSUs were established to carry out activities of commercial nature, to assist in welfare of the people and contribute to the State economy. As on 31 March 2019, there were 50 PSUs and one State Electricity Regulatory Commission under the audit jurisdiction of the Comptroller and Auditor General of India (C&AG). These PSUs include 47 Government Companies and three Statutory Corporations (including 10 Subsidiaries¹ of different State Government Companies). Out of the 50 PSUs, there were 34 working PSUs and 16 non-working PSUs² (all Government Companies). None of these Government Companies was listed in the stock exchange.

1.1.2 The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2019 is covered in this report. The nature of PSUs and the position of accounts are indicated in *Table 1.1.1*.

Table 1.1.1: Nature of PSUs and position of accounts

Sl. No.	Nature of PSUs	Total number	PSUs whose accounts were received during the reporting period ³	PSUs whose accounts are up to date as on September 2019	PSUs whose accounts are in arrears as on September 2019	Total number of accounts in arrears
1	Working Government Companies ⁴	31	12	6	25	175
2	Statutory Corporations	3	2	1	2	7
3	Total Working PSUs	34	14	7	27	182
4	Non-working PSUs	16	5	2	14	184
5	Regulatory Commission	1	1	0	1	1
Total		51	20	9	42	367

Source: Records of PSUs with audit.

Out of the 50 PSUs and one Regulatory Commission (Assam Electricity Regulatory Commission⁵), nine PSUs (including two non-working) had finalised their latest accounts (2018-19) as on 30 September 2019. The remaining 41 PSUs (including 14 non-working companies) and the Regulatory Commission had arrears of accounts

¹ PSUs at Sl. No. B25, B26, B31, D7, D9, D11, D12, D13, D15 and D16 of *Appendix 3*.

² Non-working PSUs are those which have ceased to carry out their operations.

³ From October 2018 to September 2019

⁴ Government Companies include 'other Companies' referred to in Section 139(5) and 139(7) of the Companies Act, 2013

⁵ Assam Electricity Regulatory Commission (Commission) is a statutory body established under Section 82 of the Electricity Act, 2003 (Act) and accounts of the Commission audited by C&AG in terms of section 104 (2) of the Act.

ranging between 1 and 36 years. The PSUs had employed 40,098 employees as at the end of 31 March 2019. The 34 working PSUs registered a turnover of ₹ 7,785.64 crore. This turnover was equal to 2.47 per cent of Gross State Domestic Product (GSDP) of ₹ 3,15,372 crore⁶ for 2018-19 at current prices. As per their latest finalised accounts as on 30 September 2019, the working PSUs earned aggregate profit of ₹ 171.32 crore, as compared to the aggregate profit of ₹ 371.71 crore earned as per their latest finalised accounts as on 30 September 2018.

Accountability Framework

1.1.3 The audit of the financial statements of Government Companies in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of Sections 139 and 143 of the Companies Act, 2013. The audit of a Company in respect of the financial years prior to 1 April 2014, continues to be governed by the Companies Act, 1956. According to Section 2(45) of the Companies Act, 2013, a Government Company means any company in which not less than 51 per cent of the paid-up capital is held singly or jointly by the Central Government and/or any State Government(s) and also includes subsidiary of a Government Company. The new Act has brought about increased Regulatory Framework, wider Management responsibility and higher Professional Accountability.

Statutory Audit/Supplementary Audit

1.1.4 Statutory Auditors appointed by the Comptroller and Auditor General of India (C&AG) audit the financial statements of a Government Company. In addition, C&AG conducts the Supplementary Audit of these financial statements under the provisions of Section 143 (6) of the Act.

Audit of Statutory Corporations is governed by their respective Legislations. Out of three Statutory Corporations, the C&AG is the sole auditor for Assam State Transport Corporation. As regards Assam State Warehousing Corporation and Assam Financial Corporation, audit is conducted by Chartered Accountant(s) and C&AG is the supplementary auditor. Besides, C&AG is also the sole auditor for the Regulatory Commission. The audit arrangements of Statutory corporations and Regulatory Commission are as shown in **Table 1.1.2**.

Table 1.1.2: Details of Statutory Corporations and Regulatory Authority

Sl. No.	Name of the Corporation/Regulatory Authority	Authority for audit by C&AG	Audit arrangement
1	Assam State Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by C&AG under Section 19(2) of the DPC Act, 1971
2	Assam Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Audit conducted by Chartered Accountants and supplementary

⁶ State GDP (Quick estimate) as per information furnished by Directorate of Economic and Statistics, Government of Assam.

Sl. No.	Name of the Corporation/Regulatory Authority	Authority for audit by C&AG	Audit arrangement
			audit by C&AG under Section 19(2) of the DPC Act, 1971
3	Assam State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit conducted by Chartered Accountants and supplementary audit by C&AG under Section 19(2) of the DPC Act, 1971
4	Assam Electricity Regulatory Commission	Section 104(2) of the Electricity Act, 2003	Sole audit by C&AG under Section 19(2) of the DPC Act, 1971

Need for timely finalisation and submission of Annual Accounts

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

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

Role of Government and Legislature on State PSUs

1.1.6 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Government appoints the Chief Executive and Directors on the Board of these PSUs.

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

Audit Reports of C&AG are submitted to the State Government under Section 19A of the C&AG's DPC Act, 1971.

State's Investment in Public Sector Undertakings

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

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

1.1.8 The sector wise summary of GoA's cumulative investments in the PSUs by way of equity contribution and long term loans (all interest bearing) provided by GoA to these PSUs as on 31 March 2019 is given in **Table 1.1.3**.

Table 1.1.3: Sector-wise investment of GoA in PSUs

Name of Sector	Government Companies		Statutory Corporations	Total	Investment ⁷ (₹ in crore)		
	Working	Non-Working	Working		Equity	Long-term loans ⁸	Total
Power	3	0	0	3	807.24	2,907.88	3,715.12
Agriculture & Allied	6	2	0	8	68.30	437.85	506.15
Finance	5	0	1	6	40.55	50.04	90.59
Infrastructure	7	2	0	9	177.81	130.65	308.46
Manufacturing	5	12	0	17	197.22	63.62	260.84
Service	1	0	2	3	165.86	4.25	170.11
Miscellaneous ⁹	4	0	0	4	20.07	0.00	20.07
Total	31	16	3	50	1,477.05	3,594.29	5,071.34

Source: Information furnished by the PSUs

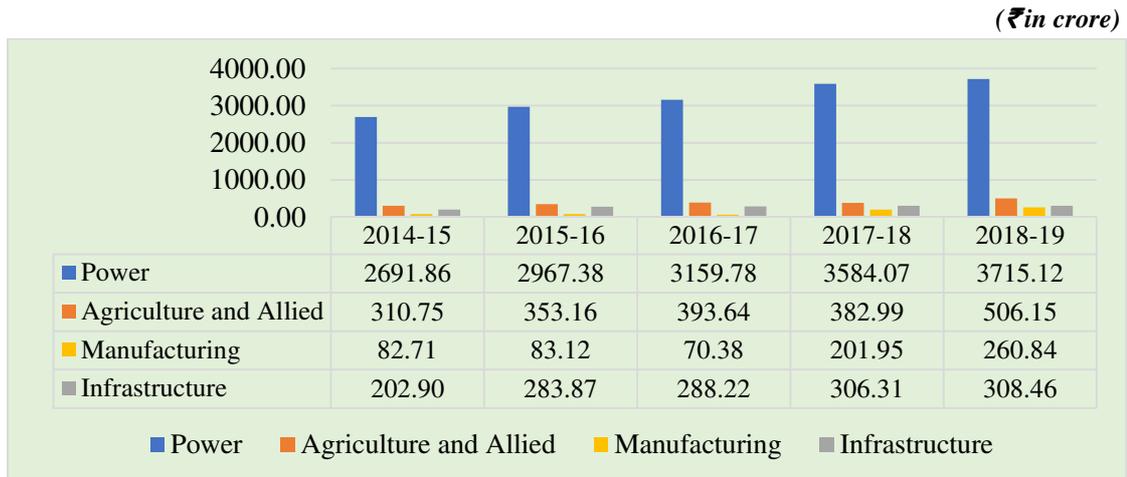
1.1.9 The comparative figures of GoA's investment (equity and long term loans) in four major sectors at the end of 31 March 2015 and 31 March 2019 are indicated in **Chart 1.1.1**.

⁷ Investment figures are provisional and as provided by the PSUs except for nine PSUs (Sl. No. A1, A2, A3, B22, B30, B31, C1, D4 and D6 of **Appendix 3**), which have finalized their accounts for 2018-19.

⁸ Long-term loans are all interest bearing loans.

⁹ Miscellaneous sector includes Assam Gas Company Ltd., DNP Ltd., Assam Government Marketing Corporation Ltd. and Assam State Textbook Production and Publication Corporation Ltd.

Chart 1.1.1: Sector-wise investment in PSUs



As can be noticed from *Chart 1.1.1*, the thrust of GoA investment during the last five years was in the power sector PSUs. The investment in power sector PSUs increased by 38.01 per cent from ₹ 2,691.86 crore (2014-15) to ₹ 3,715.12 crore (2018-19).

Loans given by State Government to PSUs.

1.1.10 Further, it can be noticed from *Table 1.1.3* that the long-term loan received by PSUs from GoA and outstanding as of 2018-19 stood at ₹ 3,594.29 crore. Major portion of these loans amounting to ₹ 2,907.88 crore (80.90 per cent) pertained to Power sector PSUs while remaining loans of ₹ 686.41 crore (19.10 per cent) related to the PSUs in other five sectors¹⁰. Sector wise and age wise figures of GoA loans outstanding as of 2018-19 are given in *Table 1.1.4*.

Table 1.1.4: Statement showing sector wise long term loan outstanding

(₹ in crore)

Sector	Loan pertains to					Repayments during last five years
	Upto 5 years	6 to 10 years	11 to 20 years	More than 20 years	Total	
Power	1,936.64	749.50	221.74	--	2,907.88	--
Agriculture & Allied	256.67	54.25	107.33	19.60	437.85	0.41
Infrastructure	76.20	17.66	14.40	22.39	130.65	--
Manufacturing	23.18	14.58	11.57	14.29	63.62	13.33
Finance	10.00	40.00	--	0.04	50.04	13.40
Services	--	4.25	--	--	4.25	--
Total	2,302.69	880.24	355.04	56.32	3,594.29	27.14

Source: Information furnished by the PSUs

It can be seen from *Table 1.1.4* that the State Government provided major portion of GoA loans amounting to ₹ 2,302.69 crore (64.07 per cent) during last five years (2014-19) to the PSUs, of which, Power sector was the major recipient of loans of ₹ 1,936.64 crore (84.10 per cent) followed by Agriculture and allied sector, which received 11.15 per cent of GoA loans.

¹⁰ excluding Miscellaneous Sector where no loans were outstanding.

Analysis of PSU loans further revealed that GoA loans under Power Sector pending for more than five years (₹ 971.24 crore) included ₹ 415.51 crore (43 *per cent*) transferred to power sector PSUs during the unbundling of the erstwhile Assam State Electricity Board. Further, more than 95 *per cent* (₹ 418.21 crore) of GoA loans of ₹ 437.85 crore outstanding under Agriculture & Allied Sector, pertained to one loss making PSU (Assam Tea Corporation Limited), which was dependent on the GoA for meeting its administrative expenses. Similarly, one-third portion (₹ 43.75 crore) of GoA loans under the Infrastructure Sector (₹ 130.65 crore) belongs to two loss making PSUs while the entire GoA loans (₹ 63.62 crore) under the Manufacturing Sector related to three closed/defunct PSUs.

Since the chances of recovery of GoA loans outstanding against loss making/defunct PSUs were remote, the State Government needs to critically review these loans for appropriate decision. The State Government may also enforce recovery of loans outstanding against the power PSUs.

As per notification issued (March 2006) by GoA and reiterated from time to time, no State Government loan was to be granted to PSUs for a period exceeding 10 years, except with an extension sought from Finance Department, GoA and the recovery was to be affected in annual equal instalment of principal and interest. Audit observed that during 2014-2019, only three PSUs¹¹ (all non-power sector PSUs) out of 19 PSUs repaid loan instalments to GoA amounting to ₹ 27.14 crore. Further, only one PSU¹² (Finance Sector) repaid the loan within the maximum prescribed period of 10 years. Out of remaining 16 PSUs which did not repay the loan instalments, 10 PSUs¹³ continued to receive loans during 2014-15 to 2018-19 from Government despite non-compliance of the directions of the Finance Department, GoA. During the period of five years (2014-19), these 10 PSUs received total loan amounting to ₹ 2,033.33 crore which was equivalent to 88.30 *per cent* of total loan disbursed during this period.

Keeping in view the high level of investment in power sector, we are presenting the results of audit of three power sector PSUs and Assam Electricity Regulatory Commission under Section-2 (Functioning of Power Sector PSUs) and Section-4 (Compliance Audit Paragraphs relating to Power Sector PSUs) of this Report and that of the remaining 47 PSUs (other than power sector) under Section-3 (Functioning of PSUs-other than power sector) and Section-5 (Compliance Audit Observations relating to PSUs-other than power sector) of the Report.

¹¹ Sl. No. B7 (₹ 0.41 crore), B23 (₹ 13.33 crore) and C1 (₹ 13.40 crore) of **Appendix 2**.

¹² Sl. No. C1 of **Appendix 2**, loan of ₹ 14 crore taken in 2009-10 repaid by 2016-17.

¹³ Sl. No. A1, A2, A3, B8, B15, B16, B17, B18, B26 and D5 of **Appendix 3**.

Section 2: Functioning of Power Sector Public Sector Undertakings

Introduction

Contribution to the State's economy

1.2.1 The power sector PSUs play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross State Domestic Product (GSDP). A ratio of PSUs-turnover to GSDP shows the extent of PSUs-activities in the State economy. **Table 1.2.1** provides the details of turnover of three Power Sector PSUs (all Companies) against the GSDP for the five years ending 2018-19.

Table 1.2.1: Details of power sector PSUs turnover vis-à-vis GSDP

Particulars	(<i>₹ in crore</i>)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover¹⁴	3,671.56	4,332.42	4,900.03	5,899.50	6,907.65
Gross State Domestic Product	1,95,723	2,27,959	2,54,478	2,88,494 ¹⁵	3,15,372 ¹⁶
Percentage of Turnover to State GDP	1.88	1.90	1.93	2.04	2.19

Source: Accounts received from PSUs and information provided by the Directorate of Economic & Statistics, GoA. Figures of GSDP relating to 2017-18 are Provisional estimates and that for 2018-19 are Quick estimates.

As can be seen from **Table 1.2.1**, the turnover of the three PSUs had increased consistently during five years from ₹ 3,671.56 crore (2014-15) to ₹ 6,907.65 crore (2018-19) and registered an overall increase of 88 *per cent* in their turnover during the said period. This was mainly due to increase of ₹ 2,561.98 crore (96 *per cent*) in turnover of State Power Distribution utility¹⁷ from ₹ 2,661.99 crore¹⁸ (2014-15) to ₹ 5,223.97 crore (2018-19) on account of several factors like increase in consumer base, periodic tariff revision, improved billing efficiency¹⁹ *etc.* The increase in PSUs turnover (88 *per cent*) was encouraging as compared to the growth rate (61 *per cent*) of GSDP during the said period (2014-19). This had correspondingly increased the contribution of PSUs turnover to GSDP from 1.88 *per cent* (2014-15) to 2.19 *per cent* (2018-19).

Formation of power sector PSUs

1.2.2 The Electricity Act, 2003 enacted by the Government of India (GoI) provides a framework conducive to development of the power sector, promote transparency and competition and protects the interest of the consumers. As part of power sector reforms, the erstwhile Assam State Electricity Board (ASEB) was unbundled (October 2003) by

¹⁴ Turnover as per the latest finalised accounts as on 30 September of the respective year.

¹⁵ Provisional estimates of GSDP

¹⁶ Quick estimates of GSDP

¹⁷ Assam Power Distribution Company Ltd.

¹⁸ As per latest finalised accounts (2013-14) of Assam Power Distribution Company Ltd. for the Report year 2014-15.

¹⁹ Billing efficiency of Assam Power Distribution Company increased from 77 *per cent* (2017-18) to 79 *per cent* (2018-19) of energy supplied.

Government of Assam (GoA) into five successor PSUs²⁰ for Power Generation (Assam Power Generation Corporation Limited), Transmission (Assam Electricity Grid Corporation Limited) and Distribution (Lower Assam Electricity Distribution Company Limited, Central Assam Electricity Distribution Company Limited and Upper Assam Electricity Distribution Company Limited) activities. Subsequently, the three Distribution PSUs were merged into one Company (with effect from 1 April 2009) which was renamed as Assam Power Distribution Company Limited. The power sector PSUs are regulated by Assam Electricity Regulatory Commission (AERC) set up *vide* Electricity Act, 2003 with regard to purchase, sale and supply of power in the State. AERC also fixed the tariff for generation, transmission and distribution of electricity in the State.

Investment in power sector PSUs

1.2.3 The total investment in power sector PSUs as on 31 March 2019, as per information provided by the PSUs was ₹ 4,800.88 crore (*Appendix 2*) as per the details provided in *Table 1.2.2*.

Table 1.2.2: Details of total investment in PSUs as on 31 March 2019

(₹ in crore)

Particulars	GoA	Others	Total
Equity	807.24	-	807.24
Long-term loans	2,907.88	1,085.76	3,993.64
Total investment	3,715.12	1,085.76	4,800.88

(‘Others’ include Central Government, holding companies, Banks and other financial institutions, etc.)

As can be noticed from *Table 1.2.2*, the GoA’s investment in power sector PSUs as on 31 March 2019 was to the extent of 77.38 *per cent* (₹ 3,715.12 crore) of total investment (₹ 4,800.88 crore) comprising of investment of ₹ 807.24 crore in equity (100 *per cent*) and ₹ 2,907.88 crore in long term loans (72.81 *per cent*). Further, the GoA’s investment consisted of 22 *per cent* towards equity capital and 78 *per cent* in long-term loans.

Reconciliation with Finance Accounts of GoA

1.2.4 The figures in respect of equity and long-term loans extended by the GoA and remaining outstanding as per the records furnished by the PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the PSUs concerned and the Finance Department are required to carry out reconciliation of differences in figures. The position in this regard as on 31 March 2019 is summarised in *Table 1.2.3*.

Table 1.2.3: Equity and loans outstanding as per the State Finance Accounts *vis-à-vis* records of power sector PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
1	2	3	4
Equity	1,398.75	807.24	591.51
Loans	4,486.40	2,907.88	1,578.52

Source: Information furnished by the PSUs and Finance Accounts

²⁰ Though the three PSUs were formally incorporated on 23 October 2003, these PSUs started functioning from 2005-06, when they prepared their first Annual Accounts.

It can be noticed that there were significant unreconciled differences in the figures of equity and loans as per two sets of records. In the State Finance Accounts, 2018-19, the entire equity figure shown under column 2 of the **Table 1.2.3** has been booked in the name of the erstwhile Assam State Electricity Board (ASEB). Similarly, out of total loans of ₹ 4,486.40 crore outstanding against power sector, merely ₹ 129.45 crore has been booked in the name of three power sector PSUs as their current year borrowings in the State Finance Accounts, 2018-19. The erstwhile ASEB was restructured and its substantive activities relating to generation, transmission and distribution of electricity transferred to separate power sector companies²¹ formed for the purpose in terms of the Transfer schemes²² notified (December 2004/August 2005) by GoA. The GoA dissolved (March 2013) the ASEB and it ceased to exist with effect from 31 March 2013.

Recommendation:

As the un-reconciled differences of outstanding investments are significant, the GoA and the PSUs concerned need to take concrete steps to reconcile the differences in a time-bound manner. Further, considering the significant difference in the Loan figures, the State Government may correct the outstanding GoA Loan figures appearing in the State Finance Accounts and take appropriate action for recovery of these long pending dues from three power PSUs.

Budgetary outgo of GoA

1.2.5 The GoA provided financial support to the three PSUs in various forms through the annual budget. The details of year-wise budgetary outgo towards equity, loans and grants in respect of three PSUs for the five years ending March 2019 are given in **Table 1.2.4**.

Table 1.2.4: Year-wise budgetary support by GoA to power sector PSUs

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17		2017-18		2018-19	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity outgo from budget	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
2	Loans given from budget ²³	3	913.38	3	275.52	3	192.40	3	424.29	3	131.05
3	Grants ²⁴ /Subsidy from budget	1	332.79	2	437.19	3	929.37	2	2,276.98	3	1,279.52
	Total Outgo²⁵	3	1246.17	3	712.71	3	1,121.77	3	2,701.27	3	1,410.57

Source: Information furnished by the PSUs

²¹ Initially five companies were formed for taking up the activities relating to generation (one company), transmission (one company) and distribution (three companies). Subsequently, three distribution companies merged into one company. At present, there are three power sector companies in the State namely, Assam Electricity Grid Corporation Ltd. (transmission utility); Assam Power Generation Corporation Ltd. (generation utility) and Assam Power Distribution Company Ltd. (distribution utility).

²² Assam Electricity Reforms First Transfer Scheme, 2004 notified on 10 December 2004 and Transfer Scheme (Final) notified on dated 16 August 2005.

²³ These are interest bearing loans.

²⁴ This includes both Capital and Revenue grants.

²⁵ Actual number of PSUs which received equity, loans, grants/subsidies from the GoA.

As can be noticed from **Table 1.2.4**, the year-wise budgetary outgo to three PSUs during 2014-19 in the form of equity, loans, grants, etc. was lowest (₹ 712.71 crore) during 2015-16. The budgetary outgo was significantly higher at ₹ 2,701.27 crore during 2017-18 but it again reduced to ₹ 1,410.57 crore during 2018-19.

The grants/subsidy released by GoA during 2018-19 (₹ 1,279.52 crore) included ₹ 1,173.16 crore (91.68 per cent) provided to Assam Power Distribution Company Limited for repayment of power purchase liabilities (₹ 630.30 crore), creation of infrastructure (₹ 280.85 crore) and targeted subsidies for consumers on account of tariff (₹ 262.01 crore).

Further, as per the State Finance Accounts, 2018-19, the GoA had guaranteed the repayment of loans of two power sector PSUs (Assam Power Distribution Company Limited and Assam Power Generation Corporation Limited) from the financial institutions to the extent of ₹ 372.84 crore. Against the guarantee committed, the loan outstanding (principal portion) at the end of 31 March 2019, was ₹ 22.94 crore against one PSU (Assam Power Generation Corporation Limited).

Submission of Accounts

Submission of Accounts by power sector PSUs

1.2.6 The financial statements of the PSUs for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by 30 September in accordance with the provisions of Section 96(1), read with Section 129(2) of the Companies Act 2013 (Act). Failure to do so may attract penal provisions under Section 99 of the Act. As per the Act, the PSU and every officer of the PSU who is at default shall be punishable with fine which may extend up to ₹ 1 lakh and in the case of a continuing default, with a further fine which may extend up to ₹ 5,000 for every day during which such default continues. All three power sector PSUs had finalised their accounts upto the financial year 2018-19. As such, none of these PSUs had any arrear of accounts as on 30 September 2019 as detailed in **Table 1.2.5**.

Table 1.2.5: Position relating to finalisation of accounts of power sector PSUs

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Number of PSUs	3	3	3	3	3
2	Number of accounts finalised during the year	4	3	2	4	5
3	Number of previous year accounts finalised during current year	3	2	2	3	2
4	Total number of accounts in arrears	2	2	3	2	0
5	Number of PSUs with arrears in accounts	2	2	3	2	0
6	Extent of arrears	One year	One year	One year	One year	Nil

Source: Compiled based on accounts of PSUs received during October 2018 to September 2019.

Submission of Accounts by Assam Electricity Regulatory Commission

1.2.7 The audit of Accounts of Assam Electricity Regulatory Commission (AERC) has been carried out under Section 104(2) of the Electricity Act 2003. Section 104(2)

of the Act provides that Accounts of the State Commission shall be audited by the Comptroller and Auditor General of India at such intervals as may be specified by him. Section 104(4) of the above act also provides that the accounts of the State Commission, as certified by the Comptroller and Auditor General of India or any other person appointed by him in this behalf, together with the audit report thereon shall be forwarded annually to the GoA and that GoA shall cause the same to be laid, as soon as may be after it is received, before the State Legislature.

During October 2018 to September 2019, the AERC had forwarded 16 accounts to the PAG. All of the 16 accounts were audited and the Separate Audit Report of C&AG highlighted significant observation on the financial statements. As on September 2019, the AERC had only one arrear of accounts (*i.e.* 2018-19) pending for finalisation and audit.

Operational Performance of PSUs

1.2.8 The overall position of profit/losses²⁶ earned/incurred by the three PSUs during 2014-15 to 2018-19 is depicted in *Chart 1.2.1*.

Chart 1.2.1: Profit/Losses earned/incurred by power sector PSUs



Source: Compiled based on latest finalised accounts of the PSUs as on 30 September 2019.

As may be noticed from *Chart 1.2.1*, during first three years 2014-17, the PSUs had incurred overall operational losses ranging from ₹ 302.71 crore (2016-17) to ₹ 694.84 crore (2014-15). During the year 2018-19, the three PSUs earned overall profit of ₹ 189.45 crore²⁷ as per their latest finalised accounts as on 30 September 2019 as compared to aggregate profit of ₹ 340.62 crore earned during 2017-18 (*Appendix 3*). The aggregate profit earned by the three PSUs during the two years 2017-19, was mainly because of the net profit of ₹ 357.39 crore (2017-18) and ₹ 145.94 crore (2018-19) registered by the power transmission PSU (Assam Electricity Grid Corporation Limited). The positive operational results of this PSU was because Assam Electricity Regulatory Commission (AERC) allowed prior period revenue gaps of ₹ 319.93 crore (2017-18) and ₹ 173.38 crore (2018-19) for recovery as a tariff component, during the truing up process of the provisional tariff. Accordingly, the said

²⁶ Figures are as per the latest finalised accounts during the respective years.

²⁷ This includes net profits of Assam Power Generation Corporation Ltd.: ₹ 22.50 crore, Assam Electricity Grid Corporation Ltd.: ₹ 145.94 crore and Assam Power Distribution Company Ltd.: ₹ 21.01 crore.

revenue gaps after their recovery as a tariff component have been recognised as operational revenue in the accounts of the PSU leading to the profit (₹ 357.39 crore and ₹ 145.94 crore) registered by the PSU during the two years 2017-19 respectively.

Erosion of Net worth (Shareholders' Fund)

1.2.9 Net Worth or Shareholders' Fund means the sum total of the 'paid-up capital' and 'free reserves and surplus' *minus* accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative Net Worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

Return on Equity²⁸ (RoE) is a measure of financial performance to assess how effectively the Management had been using the Shareholders' Fund to create profits. RoE is expressed in terms of 'profit after tax' (PAT) earned by a company as a percentage of the Shareholders' Fund and as such, RoE is workable only if the Shareholders' Fund is positive.

The summarised details of the Net Worth of three power sector PSUs during last five years from 2014-15 to 2018-19 as per their latest finalised accounts has been given in **Table 1.2.6**.

Table 1.2.6: Net Worth of power sector PSUs during 2014-15 to 2018-19

(₹ in crore)

Year	Paid-up capital at end of the year	Accumulated loss (-) at the end of the year	Free reserve & surplus	Net worth/ Shareholders' Fund	Net Income/ Total Earnings for the year ²⁹	RoE (per cent)
	i	ii	iii	iv=(i +ii+iii)	v	vi=(v/iv)
2014-15	718.56	-2,822.99	0.00	-2,104.43	-694.84	Not workable
2015-16	718.56	-3,400.76	0.00	-2,682.20	-657.12	Not workable
2016-17	718.56	-3,684.40	0.00	-2,965.84	-302.71	Not workable
2017-18	718.56	-3,743.00	0.00	-3,024.44	340.62	Not workable
2018-19	718.56	-3,301.58	18.54	-2,564.48	189.45	Not workable

Source: Annual accounts of PSUs received during the period October 2018 to September 2019

As can be noticed from the **Table 1.2.6**, the Net worth of power sector PSUs was negative throughout the period of five years (2014-19) due to high accumulated losses of these PSUs. Though the working results of power sector PSUs during last two years (2017-18 and 2018-19) turned positive, the profits earned were insufficient to wipe out the accumulated losses of these PSUs. Analysis of investment and accumulated losses of three PSUs further revealed that the accumulated losses (₹ 3,188.43 crore) of two³⁰ out of three PSUs had completely eroded their paid-up capital (₹ 262.70 crore). It can be seen that the Shareholders' fund for all the five years was negative and hence, RoE was not workable. Further, the accumulation of huge losses by these PSUs had eroded public wealth, which is a matter of serious concern.

²⁸ Return on Equity = Net Profit after taxes less preference dividend ÷ Shareholders' Fund/Equity; Where, Shareholders' Fund/Equity represents 'Paid-up Equity Share Capital *plus* Free Reserves and Surplus *minus* Accumulated Loss *minus* Deferred Revenue Expenditure

²⁹ PAT as per the latest finalised accounts of the PSUs as on 30 September of the respective year.

³⁰ Sl. No. A2 and A3 of **Appendix 3**.

Return on Capital Employed

1.2.10 Return on Capital Employed (RoCE) is a profitability metric that measures the long-term profitability and efficiency of a company in effective utilisation of the total available capital (*viz.* Shareholders' funds and long-term borrowings). RoCE is an important decision metric for long-term lenders. The significance of RoCE becomes obvious when it is applied in contrast with Return on Equity (RoE), which measures the efficiency of a company to create profits for its Shareholder (owners) by effectively utilizing its assets. RoCE is calculated by dividing a company's 'Earnings before Interest and Tax' (EBIT) by the Capital Employed³¹. The details of RoCE of the three PSUs during the period from 2014-15 to 2018-19 as per their latest finalised accounts as on 30 September of the respective year are given in **Table 1.2.7**.

Table 1.2.7: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
2014-15	-560.37	-61.84	Not workable
2015-16	-467.48	138.19	(-) 338.29
2016-17	-101.14	95.34	(-) 106.08
2017-18	650.11	568.56	(+) 114.34
2018-19	474.65	1,429.16	(+) 33.21

Source: Compiled based on latest finalised accounts of the PSUs as on 30 September 2019.

As could be noticed from the **Table 1.2.7**, the RoCE of three PSUs was not workable for the year 2014-15 as the Capital Employed of power sector PSUs was completely wiped off by the accumulated losses of these PSUs as at the end of the year. Further, analysis revealed that:

(i) EBIT of the PSUs turned positive (₹ 650.11 crore) during 2017-18 mainly due to the profits of ₹ 374.60 crore earned by two PSUs³². Consequently, the RoCE during 2017-18 turned positive from (-) 106.08 *per cent* (2016-17) to (+) 114.34 *per cent*.

(ii) RoCE of PSUs declined to (+) 33.21 *per cent* during 2018-19 mainly due to increase of ₹ 860.60 crore in the Capital Employed and decrease of ₹ 175.46 crore in the EBIT during 2018-19 compared to the previous year (2017-18).

(iii) Capital Employed of PSUs increased during 2018-19 mainly due to the additional loans of ₹ 400.64 crore (GoA: ₹ 131.05 crore and Others: ₹ 269.59 crore) borrowed by power sector PSUs and reduction of ₹ 441.42 crore in the accumulated losses of these PSUs from ₹ 3,743.00 crore (2017-18) to ₹ 3,301.58 crore (2018-19).

Dividend Payout

1.2.11 As per Public Enterprise Policy, 2019, the PSUs having no accumulated loss and having operating profit shall pay a minimum dividend to its shareholders out of the profit earned after payment of payable tax by the PSU during the preceding Financial year provided such provision is laid down in Articles of Association/Articles of

³¹ Capital employed represents 'paid-up capital' *plus* 'free reserves and surplus' *plus* long-term loans (including 'Current portion of long term debts') *minus* accumulated losses/deferred revenue expenditure.

³² Assam Electricity Grid Corporation Ltd. (₹ 357.39 crore) and Assam Power Generation Corporation Ltd. (₹ 17.21 crore)

Incorporation of the PSU. During the period of five years (2014-19), the three PSUs³³ earned profit of ₹ 564.98 crore, which was not sufficient to wipe out their accumulated losses, aggregating ₹ 3,301.58 crore as on 31 March 2019. None of the three PSUs paid any dividend during 2014-19.

Return on GoA's Investment on the basis of Present Value of Investment

1.2.12 The Rate of Real Return (RoRR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for the time value. To determine the Rate of Real Return on Government Investment (RoRR), the investment of State Government³⁴ in the form of equity, interest free loans and grants/subsidies given by the State Government for operational and management expenses less disinvestments (if any) has been considered, and indexed to their Present Value (PV) and summated. The RoRR is then calculated by dividing the PAT by the sum of the PV of the Government investment.

GoA infused funds in three power sector PSUs in the form of equity, loans (all interest bearing) and revenue grants/subsidies but did not provide any interest free loans. During 2018-19, three PSUs in power sector earned aggregate profit of ₹ 189.45 crore (**Appendix 3**) On the basis of historical value of investment, the return on GoA investment during 2018-19 was 4.34 per cent. On the other hand, when the present value of investment is considered, the Rate of Real Return (RoRR) on GoA investment during 2018-19 was 2.91 per cent as shown in **Appendix 4A**. This difference in the percentage of return on GoA investment was on account of adjustments made in the investment amount for time value of money.

Analysis of Long term loans of PSUs

1.2.13 The long-term loans of the PSUs having leverage during 2014-15 to 2018-19 were analysed with a view to assess the ability of the PSUs to service their debts owed to GoA, banks and other financial institutions (FIs). This was assessed through the Interest Coverage Ratio and Debt Turnover Ratio.

Interest Coverage Ratio

1.2.14 Interest Coverage Ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's EBIT by interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company is not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those PSUs which had interest burden during the period from 2014-15 to 2018-19 are given in **Table 1.2.8**.

³³ One PSU (Sl. No. A1 of **Appendix 3**) earned profit of ₹ 0.93 crore (2016-17); two PSUs earned profit of ₹ 17.21 crore and ₹ 357.39 crore (Sl. No. A1 and A2 of **Appendix 3**) during 2017-18; and all the three PSUs (Sl. No. A1, A2 & A3 of **Appendix 3**) earned overall profit of ₹ 189.45 crore (2018-19).

³⁴ As per the records of PSUs.

Table 1.2.8: Interest coverage ratio

Year	Interest (₹ in crore)	EBIT (₹ in crore)	No. of PSUs having liability of loans from GoA, Banks and FIs	No. of PSUs having interest coverage ratio of more than 1	No. of PSUs having interest coverage ratio below 1
2014-15	134.02	-560.37	3	-	3
2015-16	189.40	-467.48	3	1	2
2016-17	201.35	-101.14	3	1	2
2017-18	210.02	650.11	3	2	1
2018-19	251.56	474.65	3	3	0

Source: Annual accounts of PSUs received during the period October 2018 to September 2019

It can be observed from **Table 1.2.8** that the number of PSUs with Interest Coverage Ratio of 'more than one' increased from one PSU (2015-16) to three PSUs (2018-19) during last four years, which was a positive indication. Audit analysis further revealed increase of 87.70 per cent in the interest burden of the PSUs during 2014-19 from ₹ 134.02 crore (2014-15) to ₹ 251.56 crore (2018-19), was attributable to gradual increase in the long-term debts of the PSUs from ₹ 2,042.59 crore (2014-15) to ₹ 3,993.64 crore (2018-19) as per their latest finalised accounts. The increase in the interest burden has correspondingly increased pressure on the profitability of three PSUs.

Debt-Turnover Ratio

1.2.15 A low Debt-to-Turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can signal of having too much of debts corresponding to the income earned by the power sector PSUs from core activities. Thus, the PSUs having lower DTR are more likely to comfortably manage their debt servicing and repayments. Summary of the Debt and Turnover of the three PSUs during the five years ending 2018-19 as per their finalised accounts *vis-à-vis* the Debt-Turnover Ratio for the respective years has been given in **Table 1.2.9**.

Table 1.2.9: Debt Turnover ratio relating to the power sector PSUs

Particulars	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
PSU Debts (long term)	2,042.59	2,820.39	3,061.18	3,593.00	3,993.64
Turnover	3,671.56	4,332.42	4,900.03	5,899.50	6,907.65
Debt-Turnover Ratio	0.56:1	0.65:1	0.62:1	0.61:1	0.58:1

Source: information received by the PSUs

As can be seen from **Table 1.2.9**, the DTR was highest in five years during 2015-16 at 0.65:1 but improved thereafter to 0.58:1 in 2018-19, which indicated the better position of power sector PSUs to service their long-term debts as compared to previous years. The improvement in DTR was mainly due to appreciation of 59.44 per cent in the PSU-turnover after 2015-16, which was encouraging, in comparison to the increase of 41.60 per cent in the PSUs debts during the said period.

Impact of Audit Comments on Annual Accounts of power sector PSUs

1.2.16 During October 2018 to September 2019, three PSUs forwarded their five accounts to the PAG. All five accounts of these PSUs were selected for supplementary

audit. The comments in the Audit Reports of Statutory Auditors appointed by C&AG and the supplementary audit of C&AG highlighted significant observations on the financial statements. As a result of these audit observations, operational results (net profit or net loss) of the PSUs as depicted in their financial statements were found to be understated or overstated. Further, the said observations also highlighted non-disclosure of material facts and errors of classification. The said observations of Statutory Auditors and C&AG indicated that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of comments of Statutory Auditors and C&AG for last three years from 2016-17 to 2018-19 are given in **Table 1.2.10**.

Table 1.2.10: Impact of audit comments on the accounts of the working PSUs

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	0	0.00	1	16.59	4	308.48
2	Increase in loss	2	112.79	2	72.76	0	0.00
3	Non-disclosure of material facts	0	0.00	1	7.43	0	0.00
4	Errors of classification	0	0.00	2	100.51	1	3.62

Source: Statutory Auditors' Report and comments of C&AG

During the year, the Statutory Auditors had given qualified opinion in three accounts and disclaimer in two accounts finalised by the PSUs. The compliance of PSUs with the Accounting Standards (AS) remained poor, as there were 31 instances of non-compliance to AS in 3 accounts during the year. This indicated that the financial statements of the PSUs needed to be improved to ensure compliance to the AS.

1.2.16.1 Gist of some of the important comments of the Statutory Auditors and C&AG in respect of the accounts of three PSUs are as under:

Assam Power Generation Corporation Limited (2018-19)

1. Incorrect accounting of advance paid for supply of spares

The Company had paid advance of ₹ 5.01 crore against supply of spares (cost: ₹ 16.69 crore) for major overhauling of its hydroelectric project. During the year, the Supplier made partial delivery of the 'spares' (cost: ₹ 7.30 crore) and Company passed bills for payment (₹ 5.11 crore) after adjusting the proportionate advance of ₹ 2.19 crore. The overhauling work was not started during 2018-19. The Company instead of accounting the 'advance payment' (₹ 5.01 crore) as 'current assets' booked it as 'repair and maintenance expenses' in profit and loss account and also omitted to account the cost of the spares received (₹ 7.30 crore) and proportionate advance (₹ 2.19 crore) adjusted there against.

This has resulted in understatement of Current Assets by ₹ 10.12 crore (₹ 7.30 crore being value of spares (inventories) plus ₹ 2.82 crore being unadjusted advance) with corresponding understatement of Profit for the year by ₹ 5.01 crore and Current Liabilities by ₹ 5.11 crore respectively.

Assam Electricity Grid Corporation Limited (2018-19)

2. Overcharging of depreciation

As per Company's 'significant accounting policies', the Company provides depreciation on fixed assets as per the Regulations of Assam Electricity Regulatory Commission (AERC). Contrary to this, however, the Company while calculating depreciation on the assets existed as on 1 April 2018 provided depreciation on full value of asset without considering the salvage value of 10 *per cent* as prescribed under the Regulations of AERC. This has resulted in overcharging of depreciation by ₹ 4.59 crore with corresponding understatement of 'non-current assets' and 'profit for the year' to the same extent.

3. Short booking of transmission charges

The Company has not accounted the transmission charges bills amounting to ₹ 24.93 crore raised by PGCIL for the year 2018-19, which were received by the Company before finalisation of accounts for 2018-19. This has resulted in understatement of 'current liabilities' and overstatement of the 'profit for the year' to the same extent.

Assam Power Distribution Company Limited (2018-19)

4. Interest on State Government Loan short provided

The Company calculated the penal interest payable on the 'Loan from State Government' without considering the opening balance of 'interest overdue' on State Government Loans. This resulted in understatement of 'current liabilities-penal interest expenditure' and overstatement of 'profit for the year' by ₹ 22.82 crore each.

5. Other Current liabilities

'Liability for amount of GoA advances towards targeted subsidy on account of Tariff' (₹ 443.32 crore) shown under 'Other current liabilities' as on 31 March 2019 should have been reduced to the extent of ₹ 14.62 crore, being the 'Grants receivable from State Government' booked under 'Other current assets'.

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

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

Scheme for improving operational efficiency

1.2.17.1 The participating States were required to undertake various targeted activities for improving the operational efficiencies like compulsory metering of the feeder and distribution transformer (DT), consumer indexing and GIS mapping of losses, upgrading or changing transformers and meters, smart metering of all consumers

consuming above 200 units per month, Demand Side Management (DSM) through energy efficient equipment, quarterly revision of tariff, checking of power theft, ensure increased power supply in areas where the Aggregate Technical & Commercial (AT&C) losses have been reduced, *etc.*

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

Achievement of Operational parameters

1.2.17.2 The details of the targets fixed under UDAY Scheme regarding different operational parameters vis-a-vis achievements of APDCL there against as on 31 March 2020 has been given in **Table 1.2.11**.

Table 1.2.11: Parameter wise achievements of APDCL as on 31 March 2020 against the operational targets fixed under UDAY Scheme

Sl. No.	Parameter of UDAY Scheme	Target under UDAY Scheme as per MoU ³⁵	Progress under UDAY Scheme	Achievement (in <i>per cent</i>)
1	Feeder metering (in Nos.)	1,600	1,443	90.19
2	Distribution Transformer Metering (in Nos.)	4,700	2,765	58.83
3	Feeder Segregation (in Nos.)	878	197	22.44
4	Rural Feeder Audit (in Nos.)	1,051	1,402	100
5	Electricity to unconnected household (in lakh Nos.)	21.74	26.66	100
6	Smart metering (in Nos.)	1,81,000	14,008	7.74
7	Distribution of LED UJALA (in lakh Nos.)	11.50	112.71	100
8	AT&C Losses (in <i>per cent</i>)	15	22.07	Negative
9	ACS-ARR ³⁶ Gap (₹ per unit)	(-) 0.05 ³⁷	0.48 ³⁸	Negative
10	Net Income including subsidy ³⁹ (₹ in crore)	(-)273.54	(+)21.01	Achieved

Source: Information furnished by APDCL

As it could be seen from **Table 1.2.11**, as on 31 March 2020, the level of the Aggregate Technical & Commercial losses (AT&C losses) of APDCL stood at 22.07 *per cent* as compared to the targeted reduction in these losses to 15 *per cent* by 2019-20. The deficiency (7.07 *per cent*) in achievement of targeted level of AT&C loss was mainly due to shortfall of 20 *per cent* in billing and collection efficiency (79 *per cent* in 2018-19

³⁵ Memorandum of Understanding (MoU) entered into (4 January 2017) between Government of India, Government of Assam and Assam Power Distribution Company Ltd.

³⁶ ACS represents 'Average Cost of Supply' while ARR means 'Average Revenue Requirement'.

³⁷ A negative ACS-ARR gap reflects profitability of DISCOMS, meaning thereby that they are earning a profit as they realise higher revenue than the procurement cost.

³⁸ Provisional figures upto second quarter of the year 2019-20.

³⁹ Target and achievement against this component have been adopted for 2018-19 pending finalization of annual accounts of APDCL for 2019-20.

against the targeted 99 *per cent* under UDAY). The reasons for shortfall in billing and collection efficiency were intensification of rural electrification, increase in the numbers of LT consumers after implementation of SAUBHAGYA Scheme⁴⁰, *etc.*, which had negative correlation with billing and collection efficiency. Further, there was a gap (loss) of ₹ 0.48 per unit between the Average Cost of Supply and Average Revenue Realised as against the targeted gap (profitability) of ₹ 0.05 per unit by 2019-20. APDCL has also performed poorly in areas of Smart metering and feeder segregation, whereas the performance had been better in terms Distribution Transformer metering, feeder metering, providing electricity to unconnected households and distribution of LEDs. As regards Rural Feeder Audit, APDCL stated that Geographical Information System process was going on after which the Rural Feeder Audit would be taken up.

Implementation of financial turnaround

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

To honour the above commitments, GoA had issued (November 2019) financial sanction amounting to ₹ 554 crore for waiver of the unpaid interest against the above loan. Subsequently, GoA had also issued (February 2020) sanction order towards conversion of loan (₹ 1,132.53 crore) to grant (₹ 849.40 crore) and equity (₹ 283.13 crore) by way of book adjustment.

Further, as per the MoU, GoA was to provide Operational Funding Requirement (OFR) support to APDCL till it achieves the financial turnaround. The OFR support committed by GoA also included necessary funding to discharge outstanding power purchase liabilities (₹ 1,207.35 crore) of APDCL as on 31 March 2015. Against this commitment, APDCL had received ₹ 1,501.26 crore during 2016-19 in the form of grants (₹ 510.38 crore towards strengthening and upgradation, installation of smart meters, GIS mapping, distribution of LED, *etc.* and ₹ 990.88 crore against the unpaid power purchase dues).

With the above financial assistance from GoA, APDCL could reduce its power purchase liability from ₹ 1,207.35 crore (2014-15) to ₹ 386.27 crore (2018-19). As a result, the delayed payment surcharge paid by APDCL for delay in payment of power purchase bills has been considerably reduced from ₹ 106.07 crore (2014-15) to ₹ 36.07 crore (2018-19). The financial assistance also helped in financial turnaround of APDCL as it earned an operational profit of ₹ 21.01 crore during 2018-19 as compared to operational loss of ₹ 527.93 crore during 2014-15.

⁴⁰ Saubhagya scheme launched (September 2017) by GoI aimed to provide free electricity connections to all households (both Above Poverty Line and poor families) in rural areas and poor families in urban areas.

Disinvestment, Restructuring and Privatisation

1.2.18 During the year 2018-19, no disinvestment, restructuring or privatization was done by the GoA in the power sector.

Follow up action on Audit Reports

Explanatory notes not received

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

As per the said instructions, the administrative departments concerned were required to prepare the 'explanatory notes' on the paragraphs and performance audits included in the Audit Reports immediately on receipt of the said Audit Reports. The administrative departments were required to indicate the action taken or proposed to be taken in the 'explanatory notes'. The 'explanatory notes' shall also include the status of recovery of any amount due to Government as pointed out in the performance audits/audit paragraphs included in the Audit Reports. The administrative departments were also required to submit the said explanatory notes to the Assam Legislative Assembly with a copy to the Principal Accountant General (Audit), Assam (PAG) within 20 days from the date of receipt of the Audit Reports. The Power Department, however, had not submitted any 'explanatory notes' to the State Legislature in respect of 28 Audit Reports (1990-91 to 2017-18) containing 19 performance audits and 136 paragraphs.

Discussion on Audit Reports by COPU

1.2.20 As on 31 March 2020, total 28 Audit Reports containing 19 performance audits and 136 audit paragraphs relating to power sector PSUs were placed in the State Legislature. As on 31 March 2020, 13 performance audits and 95 audit paragraphs pertaining to 19 Audit Reports were discussed by the Committee on Public Undertakings (COPU). However, remaining six performance audits and 41 audit paragraphs pertaining to 11 Audit Reports on PSUs were pending for discussion and necessary action by COPU.

Against the 19 Audit Reports discussed by the COPU, 6 Reports of COPU relating to 3 performance audits and 38 audit paragraphs which pertain to 6 Audit Reports were presented to the State Legislature as on 31 March 2019. These Reports of COPU contained 61 recommendations⁴¹ (17 on performance audits and 44 on audit paragraphs) in respect of 3 performance audits and 36 audit paragraphs, which appeared in the Audit Reports of the C&AG of India for the years 1994-95 to 2005-06. Action Taken Notes (ATN) on none of the 61 recommendations had been received (April 2020) from the GoA as indicated in **Table 1.2.12**.

⁴¹ The COPU has not recommended anything on 2 audit paragraphs.

Table 1.2.12: Compliance to COPU Reports

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

Source: Records of PSUs available with Audit.

Recommendation: State Government should review and revamp the mechanism of responding to audit observations. It may ensure that explanatory notes to audit paragraphs/performance audits and ATNs on the recommendations of COPU are provided as per the prescribed time schedule and the loss/outstanding advances/overpayments flagged in audit recovered within the prescribed period to enable accountability for public finances.

Section-3: Functioning of Public Sector Undertakings (other than power sector)

Introduction

Contribution to State's economy

1.3.1 The PSUs (other than power sector) comprised 31 working PSUs (28 Government Companies and 3 Statutory Corporations) and 16 non-working PSUs (all companies). The working PSUs registered a turnover of ₹ 877.99 crore as per their latest finalised accounts as on 30 September 2019. This turnover was equal to 0.28 per cent of Gross State Domestic Product (GSDP) of ₹ 3,15,372 crore⁴² for 2018-19. During the year 2018-19, the working PSUs incurred an overall loss of ₹ 18.13 crore as per their latest finalised accounts as on 30 September 2019 as compared to the overall profit of ₹ 32.16 crore earned during 2017-18. A ratio of PSU-turnover to GSDP shows the extent of PSUs-activities in the State economy. **Table 1.3.1** provides the details of PSUs turnover against the GSDP for a period of five years ending 2018-19.

Table 1.3.1: Details of working PSUs turnover vis-a-vis State GDP

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover⁴³	709.02	730.70	707.81	738.30	877.99
GSDP	1,95,723	2,27,959	2,54,478	2,88,494	3,15,372
Percentage of Turnover to GSDP	0.36	0.32	0.28	0.26	0.28

(₹ in crore)

Source: Latest finalised Accounts of PSUs and information provided by the Directorate of Economic & Statistics, GoA. Figures of GSDP relating to 2017-18 are Provisional estimates and that for 2018-19 are Quick estimates.

As can be observed from **Table 1.3.1**, the turnover of the working PSUs showed an increasing trend during five years excepting during 2016-17 when it decreased by 3 per cent (₹ 22.89 crore). The working PSUs, however, had registered an overall increase of 23.83 per cent in their turnover during 2014-19. This increase was, however, not commensurate with the growth rate (61.13 per cent) of the GSDP during the same period. As a result, contribution of working PSUs turnover to the GSDP had declined from 0.36 per cent (2014-15) to 0.28 per cent (2018-19) during the period 2014-19.

Investment in PSUs (other than power sector)

1.3.2 The total investment in the PSUs as on 31 March 2019, as per the information provided by the PSUs was ₹ 1,962.32 crore (**Appendix 2**) as per the details provided in **Table 1.3.2**.

⁴² GSDP (Quick estimate) as per information furnished by Directorate of Economic and Statistics, GoA

⁴³ Turnover as per the latest finalised accounts as on 30 September of the respective year.

Table 1.3.2: Details of total investment in PSUs as on 31 March 2019*(₹ in crore)*

Particulars	GoA	Others	Total
Equity	669.81	502.52	1,172.33
Long-term loans	686.41	103.58	789.99
Total investment	1,356.22	606.10	1,962.32

(*Others' include Central Government, holding companies, Banks and other financial institutions, etc.)

As can be noticed from **Table 1.3.2**, the GoA's investment in PSUs (other than power sector) as on 31 March 2019 was to the extent of 69.11 *per cent* (₹ 1,356.22 crore) of total investment (₹ 1,962.32 crore) comprising of investment of ₹ 669.81 crore in equity (57 *per cent*) and ₹ 686.41 crore in long term loans (87 *per cent*). Further, the GoA's investment consisted of 49.39 *per cent* towards equity capital and 50.61 *per cent* in long-term loans.

Reconciliation with Finance Accounts of GoA

1.3.3 The figures in respect of equity and loans extended by the GoA and remaining outstanding as per the records furnished by the PSUs should agree with the figures appearing in the Finance Accounts of the State. In case, the figures do not agree, the PSUs concerned and the Finance Department are required to carry out reconciliation of differences in figures. The position in this regard as on 31 March 2019 is summarised in **Table 1.3.3**.

Table 1.3.3: Equity and loans outstanding as per the State Finance Accounts *vis-à-vis* records of PSUs (other than power sector)

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts ⁴⁴	Amount as per records of PSUs	Difference
Equity	930.07	669.81	260.26
Loans	738.07	686.41	51.66

Source: Information furnished by the PSUs and Finance Accounts

It can be noticed that there were significant unreconciled differences in the figures of equity and loans as per two sets of records. The difference in equity figures was mainly because of non-existence of equity details of nine⁴⁵ out of 37 PSUs in the State Finance Accounts where GoA had infused funds in the form of equity. Analysis of differences in loan figures was, however, difficult as the Finance Accounts did not provide the PSU-wise details of the loans provided by the GoA. As the unreconciled differences of outstanding investments remained significant, the GoA and the PSUs concerned need to take concrete steps to reconcile the differences in a time-bound manner.

Budgetary outgo of GoA (other than power sector)

1.3.4 The GoA provides financial support to PSUs in various forms through the annual budget. The details of year-wise budgetary outgo towards equity, loans and grants in respect of PSUs for five years ended 2018-19 are given in **Table 1.3.4**.

⁴⁴ Figures compiled from Statements 7, 18 and 19 of State Finance Accounts, 2018-19.

⁴⁵ PSUs at Sl. No. B6, B9, B12, B20, B21, B24, D2, D3 and D5 of **Appendix 2**.

Table 1.3.4: Year-wise budgetary support by GoA to PSUs

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17		2017-18		2018-19	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity outgo from budget	0	0.00	0	0.00	0	0.00	2	111.20	4	73.29 ⁴⁶
2	Loans given from budget (all interest bearing)	3	30.25	5	108.24	3	32.09	5	73.45	3	122.02
3	Grants ⁴⁷ /Subsidy from budget	12	190.58	7	70.06	6	62.38	7	121.21	9	183.98
	Total Outgo⁴⁸	15	220.83	9	178.30	9	94.47	14	305.86	16	379.29

Source: Information furnished by the PSUs

As can be noticed from the **Table 1.3.4**, the budgetary outgo to PSUs in the form of equity, loans, grants, etc. had shown a decreasing trend during the first three years upto 2016-17 but it had increased thereafter. The budgetary outgo was at the lowest level (₹ 94.47 crore) during 2016-17. The budgetary support provided by the GoA during 2018-19 (₹ 379.29 crore), which was highest in last five years, included the budgetary support of ₹ 321.13 crore (84.67 per cent) provided to four PSUs⁴⁹ towards equity, loans and grants.

Further, as per the State Finance Accounts, 2018-19, the GoA had guaranteed the repayment of loans of five PSUs (other than power sector) from the financial institutions to the extent of ₹ 32.00 crore. Against the guarantee committed, the loans outstanding at the end of 31 March 2019, were to the tune of ₹ 55.98 crore (Principal: ₹ 24.13 crore plus Interest: ₹ 31.85 crore) against four PSUs⁵⁰.

Submission of Accounts

Submission of Accounts by working PSUs

1.3.5 The financial statements of the PSUs for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by September end in accordance with the provisions of Section 96(1), read with section 129(2) of the Companies Act 2013 (Act). Failure to do so may attract penal provisions under Section 99 of the Companies Act, 2013. As per the said provisions of the Companies Act, 2013, the PSU and every officer of the PSU who is in default shall be punishable with fine which may extend up to ₹ 1.00 lakh and in the case of a continuing default, with a further fine which may extend up to ₹ 5,000 for every day during which such default

⁴⁶ This includes Paid-up capital (₹ 12.19 crore) of Assam Food and Civil Supplies Corporation Ltd. which furnished its first accounts during 2018-19.

⁴⁷ Includes Capital and Revenue grants.

⁴⁸ Actual number of PSUs which received equity, loans, grants/subsidies from GoA.

⁴⁹ Assam Tea Corporation Ltd. (₹ 109.87 crore as Loan), Assam State Transport Corporation (₹ 82.40 crore as Grants), Assam Tourism Development Corporation Ltd. (₹ 69.27 crore as Grants) and Assam Petro-Chemicals Ltd. (₹ 59.59 crore as Equity).

⁵⁰ Assam State Development Corporation for OBC Ltd. (₹ 2.17 crore); Assam Plains Tribes Development Corporation Ltd. (₹ 33.09 crore); Assam State Development Corporation for Scheduled Castes Ltd. (₹ 8.11 crore) and Assam Minorities Development and Finance Corporation Ltd. (₹ 12.61 crore).

continues. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective governing Acts. **Table 1.3.5** provides the details of progress made by working PSUs in finalisation of accounts as on 30 September 2019.

Table 1.3.5: Position relating to finalisation of accounts by the working PSUs

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Number of PSUs	30	30	30	30	31 ⁵¹
2	Total number of accounts finalised	54	71	23	23	36
3	Number of previous year accounts finalised during current year	47	65	18	19	32
4	Number of working PSUs with arrears in accounts	23	24	25	26	27
5	Number of accounts in arrears	210	169	176	183	182
6	Extent of arrears (years)	1 to 27	1 to 25	1 to 24	1 to 25	1 to 26

Source: Compiled based on the annual accounts submitted by the PSUs between October and September.

As can be noticed from **Table 1.3.5**, 27 out of 31 working PSUs had backlog of 182 accounts as on 30 September 2019, with period of arrears ranging up to 26 years, which is a matter of serious concern. Audit analysis further revealed that out of 27 PSUs having pendency of accounts, GoA extended financial support of ₹ 355.59 crore to seven PSUs⁵², which have not submitted their accounts for last five or more years as detailed in **Appendix I**. Among these seven PSUs, highest budgetary support was received by three PSUs namely, Assam Tea Corporation Limited (long term loans: ₹ 256.27 crore), Assam State Development Corporation for Scheduled Castes Limited (grants: ₹ 53.44 crore and equity: ₹ 0.25 crore) and Assam Hills Small Industries Development Corporation Limited (long term loans: ₹ 28.19 crore and grants: ₹ 1.64 crore).

Undue extension of financial support to PSUs with huge pendency of accounts indicated that the State Government did not enforce accountability of these PSUs for proper utilisation of the resources provided to them.

The Administrative Departments, which have the responsibility to oversee the activities of the PSUs, have to ensure that the PSUs finalise and adopt their accounts within the stipulated period. In view of the huge arrears in finalisation of accounts by the PSUs, the PAG had been taking up (January, April and September 2019) the matter regularly with the GoA and the administrative departments concerned for liquidating the arrears of accounts of PSUs. However, the State Government and the PSUs concerned could not address the issue to clear pendency of accounts of the PSUs in a time bound manner.

⁵¹ One PSU (*i.e.* Assam Food and Civil Supplies Corporation Ltd.) submitted its first two years accounts (2014-15 & 2015-16) during 2018-19. The PSU was added under the audit purview of C&AG during 2018-19 with 5 arrear of accounts.

⁵² PSUs at Sl. No. A3, A4, A7, A8, A9, A10 and A14 of **Appendix I**.

Delays in finalisation of the accounts entail the risk of fraud and misappropriation of public money apart from violation of the provisions of the relevant Statutes. In view of the position of arrear of accounts indicated above, the actual contribution of PSUs to the GSDP for the year 2018-19 could not be ascertained and their contribution to State exchequer could not be reported to the State Legislature.

Submission of Accounts by non-working PSUs

1.3.6 As on 31 March 2019, there were total 16 non-working PSUs (all companies). Out of these 16 non-working PSUs, three PSUs⁵³ were untraceable and the GoA had also not provided any information about the existence of these PSUs. For the remaining 13⁵⁴ non-working PSUs, GoA had issued (December 2006-October 2008) notifications for their closure as discussed under *Paragraph 1.3.22*. The accounts of 11⁵⁵ out of these 13 non-working PSUs were in arrears for periods ranging from 1 to 25 years.

Placement of Separate Audit Reports of Statutory Corporations

1.3.7 The position depicted in *Table 1.3.6* shows the status of placement of Separate Audit Reports (SARs) issued by the C&AG (as on March 2020) on the accounts of Statutory Corporations in the Legislature.

Table 1.3.6: Status of placement of Separate Audit Reports in the Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in the Legislature		Reason for delay
			Year of SAR	Date of issue to GoA	
1	Assam State Transport Corporation	2015-16	2016-17	December 2019	NA
2	Assam Financial Corporation	2017-18	2018-19	February 2020	NA

Source: Information received from the Corporations

As can be noticed from the *Table 1.3.6*, two SARs issued to the GoA between December 2019 and February 2020 were pending for placement in the State Legislature (March 2020). No reasons for delay in placement of SARs were intimated to Audit.

Recommendations:

- The State Government may set up a special cell to oversee the clearance of arrears and set the targets for individual PSUs, which may be monitored by the cell;*
- The Administrative Departments may ensure that existing vacancies in the accounts department of PSUs are filled up timely with persons having domain expertise and experience and get arrear of accounts cleared; and*
- The PSUs may get the figures of equity and loans reconciled with the State Government Departments and the Departments may ensure that correct figures are reflected in their Accounts.*

⁵³ Sl. No. D8, D11 and D14 of *Appendix 3*.

⁵⁴ Including one PSU (Sl. No. D7 of *Appendix 3*), for which GoA had initiated (November 2018) the process for its closure but pending issue of notification.

⁵⁵ Excluding two PSUs (Sl. No. D4 and D6 of *Appendix 3*), which had no arrear of accounts.

Investments made by GoA in PSUs whose accounts are in arrears

1.3.8 Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013. The GoA had invested ₹ 646.43 crore⁵⁶ in 20 PSUs during the years for which their accounts were in arrears, as detailed in *Appendix 1*. The details of seven PSUs, which were the major recipients of GoA funding amounting to ₹ 592.19 crore during the period for which their accounts were in arrears have been given in *Table 1.3.7*.

Table 1.3.7: Major recipient PSUs of GoA funding having accounts in arrears
(₹ in crore)

Sl. No.	Name of PSU	Accounts finalised upto	No. of Accounts in arrears	Investment by GoA during the period of arrears		
				Equity	Loans	Grants
1	Assam Tea Corporation Limited	2012-13	6	-	256.27	-
2	Assam State Transport Corporation	2016-17	2	-	-	141.87
3	Assam Tourism Development Corporation Limited	2015-16	3	-	-	70.81
4	Assam State Development Corporation for Scheduled Castes Limited	2009-10	9	0.25	-	53.44
5	Assam Hills Small Industries Development Corporation Limited	1998-99	20	-	28.19	1.64
6	Assam State Development Corporation for Other Backward Classes Limited	2015-16	3	0.40	-	19.74
7	Assam Livestock and Poultry Corporation Limited	2016-17	2	-	-	19.58
Total				0.65	284.46	307.08

In the absence of accounts and their subsequent audit, it could not be verified if the investments made and the expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not.

The Government may consider setting up a special cell under the Finance Department to oversee the expeditious clearance of arrears of accounts of PSUs. Where there is lack of staff expertise, Government may consider outsourcing the work relating to preparation of accounts and take punitive action against Company Management responsible for arrears of accounts. Until the accounts are made as current as possible, Government may consider not giving further financial assistance to such companies.

Operational Performance of PSUs

1.3.9 Position regarding the profit earned/loss incurred by 31 working PSUs (other than power sector) during 2014-15 to 2018-19 is given in *Table 1.3.8*.

⁵⁶ Equity: ₹ 12.06 crore (6 PSUs), loans: ₹ 295.29 crore (5 PSUs) and grants: ₹ 339.08 crore (14 PSUs)

Table 1.3.8: Details of working PSUs (other than power sector) which earned profit/ incurred loss during 2014-15 to 2018-19

Name of Sector	Number of PSUs which earned profits/(incurred loss)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Agriculture & Allied	2 (3)	1 (4)	2 (3)	1 (4)	1 (5)
Finance	2 (3)	3 (3)	3 (3)	3 (3)	2 (4)
Infrastructure	4 (3)	5 (2)	5 (2)	5 (2)	4 (3)
Manufacturing	2 (3)	2 (3)	3 (2)	3 (2)	3 (2)
Services	1 (2)	1(2)	1 (2)	2 (1)	2 (1)
Miscellaneous ⁵⁷	3 (1)	3 (1)	3 (1)	3 (1)	4 (0)
Total	14 (15)	15 (15)	17 (13)	17 (13)	16 (15)
Total Profit (₹ in crore)	81.48	97.05	105.03	130.75	108.66
Total Loss (₹ in crore)	-87.28	-101.98	-80.97	-98.59	-126.79
Net Profit/Loss (₹ in crore)	-5.80	-4.93	24.06	32.16	-18.13

Source: Latest finalised accounts of the PSUs as on 30 September of respective year.

During the year 2018-19, out of 31 working PSUs, 16 PSUs had earned profits of ₹ 108.66 crore while 15 PSUs had incurred loss of ₹ 126.79 crore as per their latest finalised accounts as on 30 September 2019.

The details of major contributors to overall profits and losses of working PSUs during 2018-19 are given in *Table 1.3.9*.

Table 1.3.9: Major contributors to profits and losses of working PSUs

Name of PSU	Latest finalised accounts	Profit (+)/ loss (-)
Contributors to losses		
Assam State Transport Corporation	2016-17	(-) 77.87
Assam Tea Corporation Limited	2012-13	(-) 19.36
Assam Plain Tribes Development Corporation Limited	2017-18	(-) 10.52
Total		(-) 107.75
Contributors to profits		
DNP Limited	2018-19	(+) 45.97
Assam Gas Company Limited	2018-19	(+) 27.90
Total		(+) 73.87

Profitability trend

1.3.10 As can be noticed from *Table 1.3.8*, the profits (₹ 32.16 crore) of the PSUs were highest during 2017-18 in last five years, which turned into losses (₹ 18.13 crore) during the year 2018-19. Deterioration in the operational results of PSUs was mainly due to poor performance of PSUs under Services sector (one PSU) and Miscellaneous sector (one PSU). In Services sector, the losses of Assam State Transport Corporation had increased by ₹ 12.56 crore from ₹ 65.31 crore (2017-18) to ₹ 77.87 crore (2018-19). Similarly, the profits of Assam Gas Company Limited (AGCL) in Miscellaneous sector decreased by ₹ 43.23 crore from ₹ 71.13 crore (2017-18) to ₹ 27.90 crore (2018-19).

⁵⁷ Miscellaneous sector includes Assam Gas Company Ltd., DNP Ltd., Assam Government Marketing Corporation Ltd. and Assam State Textbook Production and Publication Corporation Ltd.

The decrease in the profits of AGCL was attributable to downward revision of transportation tariff by the Regulator (PNGRB) for the period from November 2008 to March 2014. Resultantly, AGCL had to refund the excess revenue realised (₹ 72.38 crore) from its customers, which correspondingly reduced its profits during 2018-19.

Dividend Payout

1.3.11 As per Public Enterprise Policy, 2019, the PSUs having no accumulated loss and having operating profits shall pay a minimum dividend to its shareholders out of the profit earned after payment of payable tax by the PSU during the preceding Financial year provided such provision is laid down in Articles of Association/Articles of Incorporation of the PSU. Dividend payout relating to 31 working PSUs (other than Power Sector) during the period 2014-19, in which GoA had direct equity infusion is shown in **Table 1.3.10**.

Table 1.3.10: Dividend Payout of working PSUs (other than Power Sector) to GoA during 2014-19

(₹ in crore)

Year	PSUs with Direct equity infusion by GoA		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (per cent)
	Number of PSUs	GoA Equity	Number of PSUs	GoA Equity	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5x100
2014-15	26	442.97	12	210.86	1	1.69	0.80
2015-16	26	442.97	13	219.40	1	1.69	0.77
2016-17	26	442.97	14	219.47	1	2.11	0.96
2017-18	27	554.17	15	338.60	2	3.87	1.14
2018-19	28 ⁵⁸	625.51	14	373.02	2	3.87	1.04

Source: Compiled based on latest finalised accounts of PSUs as on 30 September 2019.

During the period 2014-15 to 2018-19, the number of profit making PSUs having direct equity infusion by GoA ranged between 12 and 15. During the period of five years (2014-19), however, only two PSUs (Assam Gas Company Limited and Assam Mineral Development Corporation Limited) had declared/paid dividend to GoA. During 2018-19, the two companies had declared dividend amounting to ₹ 3.87 crore⁵⁹. The Dividend Payout Ratio of the PSUs during 2014-15 to 2018-19 ranged between 0.77 per cent and 1.14 per cent only.

Erosion of Net worth

1.3.12 Net Worth means the sum total of the 'paid-up capital' and 'free reserves and surplus' minus 'accumulated losses' and 'deferred revenue expenditure'. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

⁵⁸ Excluding PSUs at Sl. No. B25, B26 and B31 of **Appendix 2**, which are subsidiaries of other PSUs. Further, Assam Food and Civil Supplies Corporation Ltd. submitted its first accounts during 2018-19.

⁵⁹ Assam Gas Company Ltd. (₹ 3.38 crore) and Assam Mineral Development Corporation Ltd. (₹ 0.49 crore).

The **Table 1.3.11** indicates the year-wise consolidated position of paid-up capital, accumulated loss, free reserve & surplus and Net Worth of 31 working PSUs during the period 2014-15 to 2018-19 as per their latest finalised accounts as on 30 September of the respective year.

Table 1.3.11: Net worth of working PSUs (other than power sector) during 2014-19
(₹ in crore)

Year	Paid-up capital at end of the year	Accumulated loss (-) at the end of the year	Free reserve & surplus	Net Worth/Share holders' fund	Net Income (₹ in crore)	RoE (per cent)
i	ii	iii	iv	v = (ii + iii + iv)	vi	vii=(vi/v) x100
2014-15	643.18	-1,117.93	650.33	175.58	-5.80	-3.30
2015-16	645.34	-1,177.74	736.45	204.05	-4.93	-2.42
2016-17	645.34	-1,431.90	820.58	34.02	24.06	70.72
2017-18	645.67	-1,513.15	917.88	50.40	32.16	63.81
2018-19	1,090.13	-1,624.98	933.52	398.67	-18.13	-4.55

Source: Annual accounts of PSUs received during the period October 2018 to September 2019

As can be seen from **Table 1.3.11**, the net worth of PSUs had shown a mixed trend during the five years from 2014-15 to 2018-19. The net worth at the lowest levels during 2016-17 and 2017-18 mainly due to constant increase in the accumulated losses of PSUs. During, 2018-19 the net worth of PSUs had shown an appreciation of ₹ 348.27 crore due to net increase of ₹ 324.63 crore (GoA: ₹ 59.59 crore⁶⁰; Others: ₹ 265.04 crore) in the Paid-up capital of Assam Petro-Chemicals Limited.

The turnaround of PSUs losses of ₹ 4.93 crore (2015-16) into profits of ₹ 24.06 crore (2016-17) occurred mainly due to profit of ₹ 2.86 crore (2016-17) earned by Assam Petro-Chemicals Limited as compared to the loss of ₹ 22.19 crore incurred during the previous year (2015-16). Further, the profit of ₹ 32.16 crore earned by PSUs during 2017-18 again turned into losses of ₹ 18.13 crore (2018-19) mainly due to reduction in profit of Assam Gas Company Limited from ₹ 71.13 crore (2017-18) to ₹ 27.90 crore (2018-19).

Analysis of investment and accumulated losses of these PSUs further revealed that the accumulated losses (₹ 1,481.39 crore) of 12 working PSUs⁶¹ had completely eroded their paid-up capital (₹ 231.18 crore). The primary erosion of paid up capital was in respect of four PSUs as detailed in the **Table 1.3.12**.

⁶⁰ Net after excluding the share capital (₹ 97.41 crore) issued against 'share application money' received from GoA during last year (2017-18) and included in the net worth for 2017-18.

⁶¹ Sl. No. B4, B7, B8, B10, B11, B13, B15, B17, B23, B25, B26 and C2 of **Appendix 3**.

Table 1.3.12: PSUs with primary erosion of paid up capital*(₹ in crore)*

Name of PSU	Latest finalised accounts	Paid up capital	Accumulated losses
Assam State Transport Corporation	2016-17	167.73	948.04
Assam Tea Corporation Limited	2012-13	27.54	305.77
Ashok Paper Mills (Assam) Limited	2015-16	0.01	83.10
Assam Plain Tribes Development Corporation Limited	2017-18	2.95	41.38
Total		198.23	1,378.29

Accumulation of huge losses by these PSUs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these PSUs to either improve their profitability or close their operations.

Return on Capital Employed

1.3.13 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is deployed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the Capital Employed⁶². The consolidated details of RoCE of all the 47 PSUs⁶³ (other than power sector) during the period of five years from 2014-15 to 2018-19 as per their latest finalised accounts as on 30 September of the respective year are given in **Table 1.3.13**.

Table 1.3.13: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
2014-15	62.40	310.90	20.07
2015-16	64.79	532.30	12.17
2016-17	95.96	376.34	25.50
2017-18	103.69	354.53	29.25
2018-19	22.10	727.13	3.04

Source: Compiled based on latest finalised accounts of the PSUs as on 30 September 2019.

The RoCE of these PSUs showed an increasing trend during 2016-17 and 2017-18 mainly due to decrease in Capital Employed by ₹ 177.77 crore from ₹ 532.30 crore (2015-16) to ₹ 354.53 crore (2017-18) and increase in the EBIT by ₹ 38.90 crore from ₹ 64.79 crore (2015-16) to ₹ 103.69 crore (2017-18). However, the decrease in the EBIT from ₹ 103.69 crore (2017-18) to ₹ 22.10 crore (2018-19) and simultaneous increase in Capital Employed from ₹ 354.53 crore (2017-18) to ₹ 727.13 crore (2018-19) had correspondingly reduced the RoCE from 29.25 per cent (2017-18) to 3.04 per cent (2018-19). The main reason for increase in Capital Employed during 2018-19 was increase of ₹ 324.63 crore in the equity capital (GoA: ₹ 59.59 crore⁶⁴; Others:

⁶² Capital employed = paid-up capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

⁶³ Including 16 non-working PSUs

⁶⁴ Net after excluding the share capital (₹ 97.41 crore) issued against 'share application money' received from GoA during last year (2017-18) and included in the 'capital employed' for 2017-18.

₹ 265.04 crore) and ₹ 52.56 crore long term loans (GoA: nil; Others: ₹ 52.56 crore) of Assam Petro-Chemicals Limited.

Return on GoA's Investment (other than power sector) on the basis of Present Value of Investment

1.3.14 The Rate of Real Return (RoRR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for the time value. To determine the Rate of Real Return on Government Investment (RoRR), the investment of State Government⁶⁵ in the form of equity, interest free loans and grants/subsidies given by the State Government for operational and management expenses less disinvestments (if any) has been considered, and indexed to their Present Value (PV) and summated. The RoRR is then calculated by dividing the 'profit after tax' (PAT) by the sum of the PV of the Government investment.

GoA infused funds in the form of equity in 37 PSUs⁶⁶ and in the form of loans (all interest bearing) and revenue grants/subsidies in all 47 PSUs but did not provide any interest free loans. During 2018-19, out of 47 PSUs (31 working and 16 non-working), 31 PSUs incurred overall losses of ₹ 18.13 crore comprising the profits of ₹ 108.66 crore (16 PSUs) and losses of ₹ 126.79 crore (15 PSUs). In addition, 16 non-working PSUs incurred overall losses of ₹ 2.23 crore as per their latest finalised accounts (*Appendix 3*). On the basis of return on historical value, GoA's investment eroded by 1.58 per cent during 2018-19. On the other hand, the Rate of Real Return where the present value of investment is considered, the GoA's investment eroded by 0.60 per cent as shown in *Appendix 4B*. This difference in the percentage of investment erosion was on account of adjustments made in the investment amount for the time value of money.

Analysis of long term loans of PSUs

1.3.15 The long term loans of the PSUs having leverage during 2014-15 to 2018-19 were analysed with a view to assess the ability of the PSUs to service their debts owed to GoA, banks and other financial institutions. This was assessed through the Interest Coverage Ratio and Debt Turnover Ratio.

Interest Coverage Ratio

1.3.16 Interest Coverage Ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing EBIT of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An Interest Coverage Ratio of below one indicates that the PSU is not generating sufficient revenues to meet its expenses on interest.

⁶⁵ As per the records of PSUs.

⁶⁶ Excluding 10 PSUs at Sl. No. B-25, B-26, B-31, D-7, D-9, D-11, D-12, D-13, D-15 and D-16 of *Appendix 3*, which are subsidiaries of other GoA companies and had no direct equity investment of GoA.

The details of Interest Coverage Ratio in respect of working PSUs having interest burden against long term loans during the period from 2014-15 to 2018-19 have been given in **Table 1.3.14**.

Table 1.3.14: Interest Coverage Ratio relating to the PSUs (other than power sector) having interest burden during 2014-19

Year	Interest (₹ in crore)	EBIT (₹ in crore)	PSUs having interest burden on long term loans	PSUs having interest coverage ratio more than 1	PSUs having interest coverage ratio of less than 1
2014-15	26.93	15.27	8	2	6
2015-16	16.80	15.09	8	3	5
2016-17	12.80	15.23	7	2	5
2017-18	8.49	-15.78	6	2	4
2018-19	8.95	-27.70	7	2	5

Source: Latest finalised accounts of PSUs as on 30 September of respective year

As can be noticed from **Table 1.3.14**, out of six to eight PSUs having interest burden against long term borrowing during last five years (2014-19), only two to three PSUs had the Interest Coverage Ratio of more than one during the respective year. This indicated that most of the PSUs were not in a comfortable position to service their long term debts during the period of last five years.

During 2018-19, out of seven PSUs having committed interest liability against long term borrowings, only two PSUs⁶⁷ had Interest Coverage Ratio of more than one. The Interest Coverage Ratio of remaining five PSUs remained below one which indicates that these PSUs could not generate sufficient revenues to meet the financial cost of long term borrowings during the period.

Debt Turnover Ratio

1.3.17 A low Debt-to-Turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can signal of having too much of debt against the income of PSUs from core activities. Thus, the PSUs having lower DTR are more likely to successfully manage their debt servicing and repayments. The summary of the Debt and Turnover of 47 PSUs (other than power) during the five years ending 2018-19 as per their finalised accounts *vis-à-vis* the Debt-Turnover Ratio for the respective years has been given in **Table 1.3.15**.

Table 1.3.15: Debt Turnover Ratio relating to the PSUs (other than Power Sector)

Particulars	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	359.07	462.38	478.39	453.00	516.26
Turnover	709.02	730.70	707.81	738.30	877.99
Debt-Turnover Ratio	0.51:1	0.63:1	0.68:1	0.61:1	0.59:1

Source: Latest finalised accounts of PSUs as on 30 September of respective year.

⁶⁷ PSUs at Sl. No. B28 and C3 of **Appendix 3**.

As can be seen from the **Table 1.3.15**, the DTR of the PSUs was at the worst (0.68:1) during 2016-17 in last five years. During the period of five years (2014-19), there was an overall deterioration in the DTR from 0.51:1 (2014-15) to 0.59:1 (2018-19) mainly due to slow pace of increase in PSU turnover (23.83 *per cent*) from ₹ 709.02 crore (2014-15) to ₹ 877.99 crore (2018-19) than corresponding increase in PSU debts (43.78 *per cent*) from ₹ 359.07 crore (2014-15) to ₹ 516.26 crore (2018-19).

However, during last two years (2017-18 and 2018-19), the DTR has shown gradual improvement compared to 2016-17. During 2018-19, the DTR was at 0.59:1, which indicated the better position of PSUs to service their long-term debts in comparison with previous three years.

Impact of Audit Comments on Annual Accounts of PSUs (other than power sector)

1.3.18 During October 2018 to September 2019, 16 working companies forwarded their 34 accounts to the PAG. Of these, 26 accounts of 15 companies were selected for supplementary audit. For the remaining eight accounts of five Companies, non-review certificates were issued. The comments in the Audit Reports of Statutory Auditors appointed by C&AG and the supplementary audit of C&AG highlighted significant observations on the financial statements. As a result of these audit observations, operational results (net profit or net loss) of the Companies as depicted in their financial statements were found to be understated or overstated. Further, the said observations also highlighted non-disclosure of material facts and errors of classification. Thus, the observations of the Statutory Auditors and C&AG indicated the quality of financial statements and highlighted the areas, which needed improvement. The details of aggregate money value of comments of Statutory Auditors and C&AG for last three years from 2016-17 to 2018-19 are given in **Table 1.3.16**.

Table 1.3.16: Impact of audit comments on the accounts of the working companies
(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	1	0.50	3	10.59	5	11.07
2	Increase in loss	11	201.02	2	12.05	7	17.82
3	Non-disclosure of material facts	Nil	Nil	4	99.64	3	34.33
4	Errors of classification	Nil	Nil	6	4.58	3	3.16

Source: Statutory Auditors' Report and comments of C&AG

During the year, the Statutory Auditors had given qualified certificates to all the accounts finalised by the companies. The compliance of companies with the Accounting Standards (AS) remained poor, as there were 46 instances of non-compliance to AS in 17 accounts during the year. This indicated that the financial statements of the PSUs needed to be improved to ensure compliance to the AS.

1.3.19 Similarly, out of three working Statutory Corporations, two Corporations had forwarded two accounts to the PAG during October 2018 to September 2019. Audit of the accounts (2016-17) of Assam State Transport Corporation where C&AG was the sole auditor, had been completed and another account (2018-19) of the other corporation (Assam Financial Corporation) where supplementary audit was done by C&AG had also been completed. Both the accounts of two Statutory Corporations received qualified⁶⁸ report. The Audit Reports of Statutory Auditors and the sole/supplementary audit of C&AG mentioned significant observations on the financial statements. The said observations of Statutory Auditors and C&AG indicated that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of the comments of the Statutory Auditors and the C&AG are given in **Table 1.3.17**.

Table 1.3.17: Impact of audit comments on the accounts of the working Statutory Corporations

(₹ in crore)

Sl. No	Particulars	2016-17		2017-18		2018-19	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	1	2.02	4	1.19	Nil	Nil
2	Increase in loss	Nil	Nil	1	24.96	2	20.56

Source: Reports of the Statutory Auditors and comments of C&AG

The aggregate money value of the Statutory Auditors and the C&AG comments during the year 2018-19 was ₹ 20.56 crore as against the money value of ₹ 24.96 crore during previous year.

1.3.20 Gist of some of the important comments of the statutory auditors and C&AG in respect of accounts of the PSUs are as under:

Assam Gas Company Limited (2018-19)

1. Non provisioning towards interest liability

The Company was directed by the Regulator (Petroleum and Natural Gas Regulatory Board) to refund the excess revenue collected from the consumer (Assam Petrochemicals Limited) during 20 November 2008 to 31 March 2014 along with interest. Though the Company had provided for the principal amount refundable (₹ 5.56 crore), it did not make necessary provisions towards interest liability of ₹ 3.17 crore. This has resulted in overstatement of ‘Profit for the year’ and understatement of ‘Other Financial Liabilities’ by ₹ 3.17 crore each.

⁶⁸ A ‘qualified report’ of auditor means a report in which the auditors have included certain qualification, reservation or adverse remarks on maintenance of accounts as well as other matters in the financial statements including non-compliance to ‘generally accepted accounting principles’.

Assam Financial Corporation (2018-19)

2. Non-accounting of premium payable to LIC of India

The Corporation did not make provision for the liability of ₹ 1.45 crore (current year: ₹ 0.26 crore; prior periods: ₹ 1.19 crore) towards the premium payable to Life Insurance Corporation of India for payment of Gratuity to retiring employees. This has resulted in understatement of 'Current Liabilities' and 'Accumulated Loss' by ₹ 1.45 crore each.

Assam Industrial Development Corporation Limited (2017-18)

3. Excess provisioning towards Doubtful receivables

The Company created provisions of ₹ 2.47 crore towards doubtful Trade Receivables without any basis. The provisions so created included ₹ 2.05 crore in respect of the Trade Receivables for which the Company had sufficient security deposits. Thus, excess provisioning against Trade Receivables resulted in understatement of 'Profit for the year' and 'Trade Receivables' by ₹ 2.05 crore each.

Assam Petro-Chemicals Limited (2018-19)

4. Incorrect capitalisation of revenue expenses

The Company has wrongly capitalised the expenses on 'advertisement' amounting to ₹ 0.68 crore under Capital work-in-progress instead of charging the same to revenue. This has resulted in overstatement of 'profit for the year' by ₹ 0.68 crore with corresponding overstatement of 'Non-Current Assets (Capital Work-in-progress)' to the same extent.

Assam Trade Promotion Organisation (2017-18)

5. Overstatement of Other Current Liabilities

The Company wrongly credited the amount of ₹ 0.59 crore withdrawn from Fixed Deposit Account under 'Other Current Liabilities' instead of 'Balance in Fixed Deposits'. This has resulted in overstatement of 'Other Current Liabilities' and 'Balance in Fixed Deposits' by ₹ 0.59 crore each.

Assam State Transport Corporation (2016-17)

6. Short accounting of MACT Claims

The Motor Accident Claims Tribunal (MACT) has awarded ₹ 3.32 crore against the Corporation in respect of 22 claims during the period 2016-17. As against this, the Corporation booked liability to the extent of ₹ 0.14 crore only leading to understatement of 'Current Liabilities' and 'Loss for the year' by ₹ 3.18 crore each.

Disinvestment, Restructuring and Privatisation

1.3.21 During the year 2018-19, GoA did not carry out any disinvestment, restructuring or privatization in the PSUs (other than power sector).

Winding up of non-working PSUs

1.3.22 As on 31 March 2019, the GoA had 16 non-working PSUs. GoA had issued (December 2006 to October 2008) notifications for closure of 12⁶⁹ out of 16 non-working PSUs as they were not contributing to the State economy nor meeting the intended objectives of their formation. Further, based on the directions (August 2010) of the administrative department⁷⁰ of one PSU⁷¹, the holding Company (Assam Petro-Chemicals Limited) had initiated (November 2018) the process for its closure of this non-working PSU. The remaining three⁷² non-working PSUs were, however, untraceable and the GoA had also not provided any information about the existence of these PSUs. As all the non-working PSUs were registered under the Companies Act, 1956 (presently Companies Act, 2013), these companies need to be liquidated/wound-up as per the provisions of sections 270 to 365 of the Companies Act, 2013.

For disposal of assets of the PSUs under closure, the GoA had constituted (July 2008) a Task Force under Public Enterprise Department. Subsequently, an Asset Management Cell (AMC) was also formed (August 2008) under the supervision of the Task Force to ensure safe custody of assets of the closed PSUs. AMC valued the assets of 12 closed PSUs⁷³ with land⁷⁴ (valuing ₹ 67.08 crore), building (valuing ₹ 29.10 crore) and movable assets (valuing ₹ 37.30 crore). The land⁷⁵ relating to nine PSUs were transferred to other GoA entities while the movable assets of two PSUs⁷⁶ were disposed of at ₹ 5.88 crore. The remaining land⁷⁷ of three PSUs valuing ₹ 15.29 crore, building of all 12 PSUs and movable assets of eight⁷⁸ PSUs were pending for disposal (March 2020). Delay in disposal of movable and immovable assets of the non-working PSUs had hampered the process of liquidation of these PSUs, which had already been notified (December 2006/October 2008) for closure by the GoA. During 2018-19, seven⁷⁹ non-working PSUs incurred an expenditure of ₹ 0.94 crore towards salaries and establishment expenditure *etc.* The PSUs concerned had financed the said expenditure through their own sources, *viz.* interest on fixed deposits. *Since the non-working PSUs are neither contributing to the State economy nor meeting the intended objectives, the liquidation process to wind up these PSUs needs to be expedited.*

⁶⁹ Sl. No. D1 to D6, D9, D10, D12, D13, D15 and D16 of *Appendix 3*.

⁷⁰ Industries & Commerce Department, GoA

⁷¹ Pragjyotish Fertilizers & Chemicals Ltd. (Sl. No. D7 of *Appendix 3*).

⁷² Sl. No. D8, D11 and D14 of *Appendix 3*.

⁷³ Sl. No. D1 to D6, D9, D10, D12, D13, D15 and D16 of *Appendix 3*.

⁷⁴ 1,320.40 Bigha, 18 katha and 61 lecha

⁷⁵ 1,286 Bigha, 15 katha and 61 lecha

⁷⁶ Assam Government Construction Corporation Ltd. (₹ 0.28 crore) and Cachar Sugar Mills Ltd. (₹ 5.60 crore)

⁷⁷ 34.40 Bigha and 3 katha

⁷⁸ Excluded two PSUs *viz.* Fertichem Ltd. (as there was no movable assets) and Assam Minor Irrigation Development Corporation Ltd. (No bidder and the value of movable assets is only ₹ 0.03 crore).

⁷⁹ Companies at Sl. No. D4, D6, D7, D12, D13, D15 and D16 of *Appendix 3*.

Follow-up action on Audit Reports

Explanatory notes not received

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

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

The Administrative Departments concerned however, had not submitted any explanatory notes to the State Legislature in respect of 28 Audit Reports (1990-91 to 2017-18) containing 38 performance audits and 185 paragraphs.

Discussion on Audit Reports by COPU

1.3.24 As on 31 March 2020, total 28 Audit Reports containing 38 performance audits and 185 paragraphs relating to the PSUs (other than power sector) were placed in the State Legislature. As on 31 March 2020, 20 performance audits and 98 paragraphs pertaining to 26 Audit Reports were discussed by the Committee on Public Undertakings (COPU). However, remaining 18 performance audits and 87 audit paragraphs pertaining to 28 Audit Reports on PSUs were pending for discussion and necessary action by COPU.

Against the 26 Audit Reports discussed by the COPU, 12 Reports of COPU relating to 11 performance audits and 22 audit paragraphs which pertain to 16 Audit Reports were presented to the State Legislature as on 31 March 2019. These Reports of COPU contained 58 recommendations⁸⁰ (36 on performance audits and 22 on audit paragraphs) in respect of 6 performance audits and 17 audit paragraphs, which appeared in the Audit Reports of the C&AG of India for the years 1991-92 to 2014-15. Action Taken Notes (ATN) on 36 recommendations (26 on performance audits and 10 on audit paragraphs) were received. The ATN on 22 recommendations (10 on performance audits and 12 on audit paragraphs) had not been received yet (April 2020) as indicated in **Table 1.3.18**.

⁸⁰ The COPU has not recommended anything on 5 performance audits and 5 audit paragraphs.

Table 1.3.18: Compliance to COPU Reports – Status of Pending ATNs

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

Source: Register of Action Taken Notes

Recommendation: State Government should review and revamp the mechanism of responding to audit observations. It may ensure that explanatory notes to audit paragraphs/performance audits and ATNs on the recommendations of COPU are provided as per the prescribed time schedule and the loss/outstanding advances/overpayments flagged in audit recovered within the prescribed period to enable accountability for public finances.

