

# OVERVIEW



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The Report of the Comptroller and Auditor General of India on State Public Sector Enterprises for the year ended 31 March 2023 (Government of Assam) is brought out in three Chapters.

**CHAPTER-I** includes ‘General Purpose Financial Report on State Public Sector Enterprises (SPSEs)’ containing four Sections.

**CHAPTER-II** includes Performance Audit relating to ‘Functioning of Assam Electronics Development Corporation Limited’.

**CHAPTER-III** includes five Compliance Audit Paragraphs on SPSEs emerging from the compliance audit of SPSEs.

The major findings included in the Audit Report are as follows:

### Chapter-I: General Purpose Financial Report on State Public Sector Enterprises

#### Section 1: Financial performance of State Public Sector Enterprises

As on 31 March 2023, there were 52 SPSEs and one State Electricity Regulatory Commission under the audit jurisdiction of CAG in Assam. These SPSEs include 49 Government Companies (including 16 non-working) and 3 Statutory Corporations (all working). As per the latest finalised accounts of working SPSEs as on 30 September 2023, the turnover of 36 working SPSEs stood at ₹ 9,315.98 crore.

*(Paragraphs 1.1.4 and 1.1.5)*

As on 31 March 2023, the total investment (equity and long-term loans) in 52 SPSEs was ₹ 14,344.74 crore. The investment was 80.02 *per cent* in equity and 19.98 *per cent* in long-term loans. Out of total investment of ₹ 14,344.74 crore, the investment by Government of Assam (GoA) was ₹ 11,866.86 crore, which consisted of ₹ 10,740.51 crore towards equity and ₹ 1,126.35 crore towards long-term loans. During 2020-21 to 2022-23, the total investment of GoA in SPSEs increased by 157.57 *per cent* (₹ 7,259.55 crore) from ₹ 4,607.31 crore (2020-21) to ₹ 11,866.86 crore (2022-23).

*(Paragraph 1.1.6)*

During 2022-23, GoA provided budgetary support of ₹ 1,966.68 crore to 13 SPSEs (including one Statutory Corporation) in the form of equity (₹ 63.79 crore), long-term loans (₹ 335.24 crore) and grants/subsidy (₹ 1,567.65 crore). Major recipients of budgetary assistance during 2020-21 to 2022-23 were three power sector SPSEs, which received 85.52 *per cent* (₹ 1,429.01 crore), 82.21 *per cent* (₹ 1,444.85 crore) and 71.79 *per cent* (₹ 1,411.94 crore) of total budgetary allocation to SPSEs during 2020-21, 2021-22 and 2022-23 respectively.

*(Paragraph 1.1.8)*

The working Companies earned overall profits of ₹ 507.14 crore during 2022-23 as against overall profit of ₹ 213.86 crore earned during 2021-22. During 2020-23, the number of profit-making working Companies having direct equity infusion by GoA ranged between 17 and 22, of which only Assam Gas Company Limited paid a dividend of ₹ 15.21 crore to GoA during 2020-2023. Further, nine profit earning working Companies having no accumulated losses did not declare any dividend.

***(Paragraphs 1.1.9.1 and 1.1.9.2)***

The long-term loans (GoA and Others) of all the SPSEs registered a decrease of ₹ 1,803.39 crore during 2022-23 (₹ 2,190.71 crore) as compared to 2021-22 (₹ 3,994.10 crore). During 2022-23, the major loans were availed by Assam Petro-Chemicals Limited with a total outstanding of ₹ 924.65 crore (42.21 *per cent*) and two power sector Companies, which had total outstanding loans of ₹ 796.16 crore (36.34 *per cent*)

***(Paragraph 1.1.10)***

The total accumulated losses (net off the free reserves) of all the SPSEs were ₹ 2,387.61 crore (working Companies: ₹ 402.01 crore; non-working Companies: ₹ 281.06 crore; Statutory Corporations: ₹ 1,704.54 crore) as on 31 March 2023. The total accumulated losses of working Companies (₹ 402.01 crore) as on 31 March 2023 have been derived after taking into account the accumulated losses (net off the free reserves) of Assam Power Distribution Company Limited (₹ 896.32 crore), Assam Electricity Grid Corporation Limited (₹ 323.60 crore) and Assam Tea Corporation Limited (₹ 284.03 crore). The major contributor to the accumulated losses of Statutory Corporations (₹ 1,704.54 crore) to the extent of ₹ 1,664.06 crore (97.63 *per cent*) was Assam State Transport Corporation.

***(Paragraph 1.1.11.1)***

During 2022-23, 31 out of 52 SPSEs (23 working Companies, 2 Statutory Corporations and 6 non-working Companies) had positive capital employed while the remaining 21 SPSEs had negative capital employed. During 2020-21 to 2022-23, the working Companies with positive capital employed registered increase of ₹ 8,611.62 crore (192.44 *per cent*) in their aggregate capital employed from ₹ 4,474.99 crore (2020-21) to ₹ 13,086.61 crore (2022-23). The EBIT of the working Companies also increased by ₹ 493.89 crore (430.11 *per cent*) from ₹ 114.83 crore (2020-21) to ₹ 608.72 crore (2022-23). As a result, the RoCE of working Companies having positive capital employed had shown an overall improvement from 2.57 *per cent* (2020-21) to 4.65 *per cent* (2022-23).

***(Paragraph 1.1.11.2)***

During 2022-23, 21 out of 52 working SPSEs (18 working Companies, 1 Corporation and 2 non-working Companies) earned profit of ₹ 596.88 crore. Further, 14 working SPSEs (13 Companies and one Corporation) out of said 21 SPSEs which earned profit had positive equity/shareholders' fund. During 2022-23, the Return on Equity (RoE) of these 13 working Companies having positive equity was 5.30 *per cent* as compared to the

RoE of 13.62 *per cent* for 15 working Companies during 2021-22. In case of remaining five working Companies which earned profit during 2022-23, the accumulated losses (₹ 463.39 crore) had completely eroded their paid-up capital (₹ 38.26 crore).

*(Paragraph 1.1.11.3)*

Analysis of investment and net accumulated losses of 36 working SPSEs revealed that the accumulated losses (net after adjusting free reserves) of 14 working SPSEs (₹ 2,225.08 crore) had completely eroded their paid-up capital (₹ 236.26 crore).

*(Paragraph 1.1.12.2)*

## **Section 2: Oversight role of CAG**

Out of 52 SPSEs, seven working SPSEs finalised their up-to-date accounts (2022-23). Further, 25 SPSEs (17 working companies, 3 corporations and 5 non-working companies) had 62 accounts in arrears for period of one to five years, while the remaining 20 SPSEs (9 working and 11 non-working) had 348 accounts in arrears for more than five years as on 30 September 2023. GoA invested ₹ 1,976.37 crore in 19 SPSEs during the years for which their accounts were in arrears.

*(Paragraphs 1.2.4 and 1.2.5)*

During October 2022 to September 2023, 22 SPSEs forwarded 33 accounts to Principal Accountant General (Audit) Assam for review. Of these, 28 accounts (seven accounts for the year 2022-23 and 21 accounts for previous years) of 20 SPSEs were selected for supplementary audit. Non-review certificates were issued for the remaining five accounts (one year accounts for the year 2020-21 and four accounts for the year 2021-22) of four SPSEs.

*(Paragraph 1.2.9)*

Irregularities and deficiencies in financial reports or in the reporting process observed during supplementary audit which were not material were communicated to management of five SPSEs during 2022-23 through 'Management Letter' separately for taking corrective action.

*(Paragraph 1.2.10)*

## **Section 3: Corporate Governance**

During 2022-23, out of 32 working companies who had furnished the required information, 22 working companies did not hold the mandatory four meetings of the Board of Directors each year.

*(Paragraphs 1.3.4 and 1.3.6.2)*

Three out of seven working companies, which were required to have Independent Directors either did not have any Independent Director on their Board or had lesser number of such Directors than the statutory requirement.

*(Paragraph 1.3.7.2)*

Out of eight companies, which were required to constitute Audit Committee, three companies did not form the Committee, contrary to the requirement of Companies Act, 2013. Further, three companies which were not required to constitute Audit Committee formed the same, indicating a gesture of good Corporate Governance on their part.

*(Paragraph 1.3.8.1)*

Out of 26 working companies, which had furnished information as regards holding of Annual General Meeting (AGM), four companies had concluded AGM for the current year (2022-23) as their accounts had been finalised up to the financial year 2022-23. Remaining 22 companies with a backlog of accounts had concluded the AGMs for the previous years.

*(Paragraph 1.3.9.2)*

#### **Section 4: Corporate Social Responsibility**

As per latest finalised accounts of 33 working companies, Section 135 of the Companies Act, 2013 relating to Corporate Social Responsibility (CSR) was applicable to eight companies. All the eight working companies covered under the provisions of Section 135 of the Act, constituted the CSR Committee. Regarding composition of CSR Committee, there was shortfall in appointment of 'Independent Directors' in case of one company.

*(Paragraphs 1.4.2 and 1.4.3.1)*

Out of five working companies which were required to spend on CSR activities, one Company did not incur any expenditure on CSR activities. As such, there was shortfall of ₹ 1.01 crore in mandatory CSR spending by this Company as per its latest finalised accounts.

*(Paragraph 1.4.3.2)*

## **Chapter-II: Performance Audit relating to SPSEs**

### **Functioning of Assam Electronics Development Corporation Limited**

The Performance Audit (PA) covered the period from 2017-18 to 2022-23. During the audit period, the Company carried out three commercial activities on its own, viz., printing of Driving Licence/Registration Certificates (DL/RC), providing internet services and Education/Training business, for generation of revenue. The Company was also implementing/operated four projects entrusted by GoA viz. e-District, Assam State Wide Area Network, State Data Centre and Tech City. The PA covered all three commercial activities of the Company and also implementation, operation and maintenance of the above mentioned four projects entrusted by GoA. Brief details of the important audit observations have been given here:

The Company did not have any short and long-term strategic plan to develop its business operation to derive advantage of changing business scenario considering

GoA's IT policy. It also did not have laid down strategies to reduce cost, operational losses and risks of losing current and new business and to give new direction for long term sustainability.

***(Paragraph 2.7)***

During 2017-18 to 2022-23, the Company earned ₹ 37.64 crore as profit from printing of DL/RC while it suffered loss of ₹ 2.01 crore from two other commercial activities (internet services, training and education business). The Company, thus, made an overall profit of ₹ 35.63 crore from commercial activities during 2017-2023. The Company, however, lost the profitable business of printing DL/RC in the tender invited (March 2022) by GoA, due to its high quote compared to the L<sup>1</sup> bidder and lack of aggressive tendering policy.

***(Paragraphs 2.8 and 2.8.1)***

The Company neither fixed target date nor tied up source of funding for completion of Tech City project. As a result, the Company not only incurred extra liability of ₹ 2.81 crore towards penal interest, but also led to blockage of ₹ 175.57 crore already invested, without achieving the objective of the project even after more than five years.

***(Paragraphs 2.9.1 and 2.9.1.1)***

Under State Data Centre (SDC) project, instances of under-utilisation of capacity, absence of dual power supply to server room, hosting of critical Government websites and applications outside SDC and compromising of data security by engaging private agency were noticed. Thus, the SDC did not act as a central repository of the State data even after two years of its commissioning.

***(Paragraph 2.9.2.1)***

Under e-District project, the Company failed to ensure timely delivery of e-services to 22.63 lakh (46.49 *per cent*) out of 48.67 lakh applicants due to deactivation of provision for escalation mail, in violation of instructions issued by GoI. Further, the Company could not complete data digitisation work due to lack of strict monitoring to secure cooperation from district authorities in providing essential amenities for work (*viz.* office space, speedy transfer of records/registers, *etc.*).

***(Paragraph 2.9.3.2 and 2.9.3.3.)***

Against actual expenditure of ₹ 51.43 crore (including agency commission of ₹ 2.45 crore) incurred for operation and maintenance of Assam State Wide Area Network, the Company received ₹ 39.55 crore from GoA. The balance amount of ₹ 11.88 crore was not received as of March 2023.

***(Paragraph 2.9.4)***

The Company did not have an inbuilt mechanism to deal with E-waste in compliance to E-Waste (Management) Rules, 2016.

***(Paragraph 2.10)***

The monitoring mechanism in place for implementation/operation of projects, internal audit and preparation of annual accounts was found to be inadequate.

*(Paragraph 2.11)*

### **Chapter-III: Compliance Audit Paragraphs relating to SPSEs**

Compliance Audit paragraphs included in this Chapter highlight deficiencies in the management of SPSEs. Brief details of the important audit observations have been given here:

#### **DNP Limited**

##### ***Avoidable Expenditure***

The procurement process of a new compressor (February 2021) costing ₹ 30.61 crore was done without ensuring competitive price discovery and was in violation of the rules. Two new compressors also remained underutilised to the extent of 59 per cent.

*(Paragraph 3.1)*

##### ***Non-imposition of Penal Interest***

The Company suffered loss of ₹ 3.68 crore due to failure to impose penal interest as required under the Gas Transportation Agreement.

*(Paragraph 3.2)*

#### **Assam State Warehousing Corporation**

##### ***Unfruitful Investment***

Due to weak project management and inadequate monitoring of work, two cold storage projects remained incomplete after 8 years and the expenditure of ₹ 8.98 crore remained unfruitful. The Corporation also lost opportunity of earning potential revenue of ₹ 2.56 crore as rent due to non-completion of two cold storages.

*(Paragraph 3.3)*

#### **Assam Gas Company Limited**

##### ***Loss of Interest Income***

Failure of the Company to split high value STDs (valuing ₹ 2.08 crore each) into less than ₹ 2 crore denomination at the time of renewal led to loss of ₹ 0.43 crore towards interest income.

*(Paragraph 3.4)*

#### **Assam State Film (Finance and Development) Corporation Limited**

##### ***Non-claiming of income tax refund***

Failure of the Company to submit income tax returns during 2014-15 to 2021-22 and claim refund of income tax deducted at source, resulted in foregoing of ₹ 0.04 crore against the years 2014-16, for which the condonation period was over, while ₹ 0.31 crore was not claimed against the years 2016-22, for which the condonation period of six years was available.

*(Paragraph 3.5)*