

CHAPTER-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2006, there were 45 Government companies (35* working companies and 10 non-working** companies) and four working Statutory corporations against 39 Government companies (29 working companies and 10 non-working companies) and four Statutory corporations as on 31 March 2005 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below :

Sl. No.	Name of the Corporation	Authority for audit by the CAG	Audit arrangement
1.	Assam State Electricity Board (ASEB)	Under Rule 14 of the Electricity (Supply) Annual Accounts Rules, 1985 read with Section 185 (2) (d) of the Electricity Act, 2003	Sole audit by CAG
2.	Assam State Transport Corporation (ASTC)	Section 33 (2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
3.	Assam Financial Corporation (AFC)	Section 37 (6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by CAG
4.	Assam State Warehousing Corporation (ASWC)	Section 31 (8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by CAG

The State Government had formed the Assam Electricity Regulatory Commission and its audit is entrusted to the Comptroller and Auditor General of India under Section 104 (2) of the Electricity Act, 2003.

* During 2005-06 six new (Sl.No. A-27 to 32 of Annexure-1) companies have been added in view of the notification of the Government of Assam dated 16 August 2005 giving effect to the reorganisation of the Assam State Electricity Board.

** Non-working companies/corporations are those, which are not in operation.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

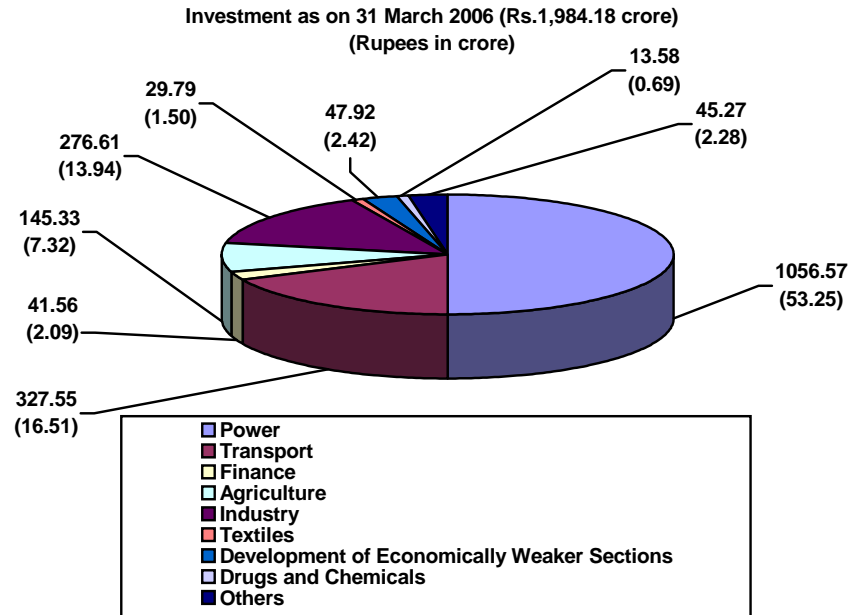
1.2 As on 31 March 2006, the total investment in 39 working PSUs (35 Government companies and four Statutory corporations) was Rs.1,984.18 crore* (equity: Rs.1,230.25 crore and long-term loans: Rs.753.93 crore**) as against a total investment of Rs.4,342.98 crore (equity: Rs.1,786.91 crore and long term-loans: Rs.2,556.07 crore as on 31 March 2005 in 33 working PSUs (29 Government companies and four Statutory corporations). Decrease in total investment (Rs.2,358.80 crore) was mainly due to repayment/adjustment of equity and loans (Rs.2,346.80 crore) due to restructuring of Assam State Electricity Board into five companies. An analysis of investments in working PSUs is given in the following paragraphs :

Sector-wise investment in working Government companies and Statutory corporations

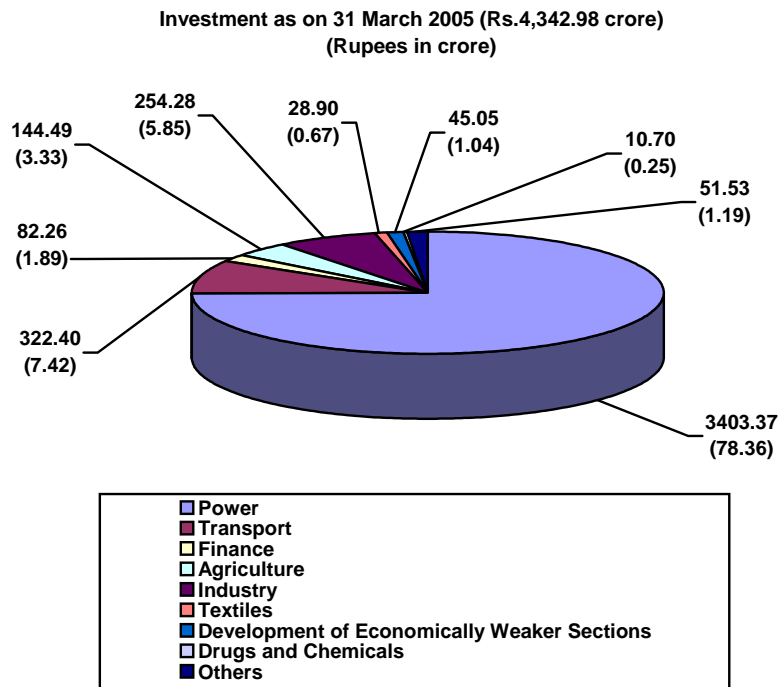
1.3 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2006 and 31 March 2005 are indicated in the pie-charts on the next page:

* State Government's investment was Rs.1,789.47 crore (Others Rs.194.71 crore). Figure as per Finance Accounts 2005-06 is Rs.1,793.91 crore. The difference is under reconciliation.

** Long-term loans mentioned in Paragraphs 1.2, 1.3, 1.4 and 1.5 are excluding interest accrued and due on such loans.



(Figures in brackets indicate percentage)



(Figures in brackets indicate percentage)

Working Government companies

1.4 The total investment in the working Government companies at the end of March 2005 and March 2006 was as follows:

Year	Number of working Government companies	Equity	Share application money	Long term loans	Total
		(Rupees in crore)			
2004-2005	29	245.41	-	274.64	520.05
2005-2006	35	967.01	-	561.68	1,528.69

Increase in the total investment was mainly due to addition of five Companies in the power sector with an investment of Rs.985.03 crore.

A summarised position of Government investment in working Government companies in the form of equity and loans is given in **Annexure 1**.

As on 31 March 2006, the total investment in working Government companies comprised 63.26 per cent equity capital and 36.74 per cent loans as compared to 47.19 and 52.81 per cent respectively as on 31 March 2005.

Working Statutory corporations

1.5 The total investment in four working Statutory corporations at the end of March 2005 and March 2006 was as follows:

Name of corporation	2004-2005		2005-2006	
	Capital	Loan	Capital	Loan
	(Rupees in crore)			
Assam State Electricity Board (ASEB)*	1,350.00	2,053.37	71.54	-
Assam State Transport Corporation (ASTC)**	167.73	154.67	167.73	159.82
Assam Financial Corporation (AFC)*	13.43	68.83	13.43	28.13
Assam State Warehousing Corporation (ASWC)**	10.34	4.56	10.54	4.30
Total	1,541.50	2,281.43	263.24	192.25

A summarised position of Government investment in working Statutory corporations in the form of equity and loans is given in **Annexure 1**.

As on 31 March 2006, the total investment in working Statutory corporations comprised 57.79 per cent equity capital and 42.21 per cent loans as compared to 40.32 and 59.68 per cent respectively as on 31 March 2005.

* Figures for 2005-06 are provisional.

** Figures for 2004-05 and 2005-06 are provisional.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.6 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies and working Statutory corporations are given in **Annexures 1 and 3**.

The budgetary outgo in the form of equity capital, loans and grants/subsidies from the State Government to 35 working Government companies and four working Statutory corporations for the three years up to 31 March 2006 are given below:

(Rupees in crore)

Particulars	2003-2004				2004-2005				2005-2006			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity Capital outgo from budget	-	-	-	-	3	0.35	-	-	10	721.60	1	0.20
Loans given from budget	1	0.10	-	-	3	8.99	3	149.64	10	275.88	1	5.15
Grants/Subsidy towards projects/ programmes/ schemes	9	9.97	2	194.48	8	12.25	2	583.69	11	260.96	2	331.78
Total outgo	10*	10.07	2*	194.48	11*	21.59	3*	733.33	17*	1,258.44	3*	337.13

During the year 2005-06, the Government had not guaranteed any loans obtained by any working Government company or any Statutory corporation. At the end of the year guarantees amounting to Rs.407.29 crore obtained by nine working Government companies (Rs.395.78 crore) and one working Statutory corporation (Rs.11.51 crore) were outstanding. There was no default in repayment of guaranteed loans during the year.

Finalisation of accounts by the working PSUs

1.7 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

* Actual number of companies/corporations, which received budgetary support in the form of equity, loans, grants and subsidies from Government in the respective years.

Out of 39 working PSUs (35 working Government companies and four working Statutory corporations), none of the Government companies/corporations had finalised its accounts for the year 2005-06 up to 30 September 2006 as can be seen from **Annexure-2**. During the period from October 2005 to 30 September 2006, 19 working Government companies finalised 23 accounts for the previous years. Similarly, during this period, four working Statutory corporations finalised 10 accounts for previous years.

The accounts of 35 working Government companies and four Statutory corporations were in arrears for periods ranging from one to 21 years as on 30 September 2006 as detailed in the following table:

Sl. No.	Number of working companies/corporations		Period for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Serial Number of Annexure-2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	-	1985-1986 to 2005-2006	21	33	-
2.	1	-	1986-1987 to 2005-2006	20	5	-
3.	2	-	1988-1989 to 2005-2006	18	18, 22	-
4.	2	-	1989-1990 to 2005-2006	17	3, 7	-
5.	2	-	1991-1992 to 2005-2006	15	23, 35	-
6.	3	-	1993-1994 to 2005-2006	13	9, 13, 34	-
7.	1	-	1994-1995 to 2005-2006	12	17	-
8.	2	-	1996-1997 to 2005-2006	10	20, 21	-
9.	2	-	1997-1998 to 2005-2006	09	16, 24	-
10.	4	-	1998-1999 to 2005-2006	08	4, 6, 14, 19	-
11.	2	-	1999-2000 to 2005-2006	07	1, 25	-
12.	2	-	2000-2001 to 2005-2006	05	-	4
13.	-	1	2001-2002 to 2005-2006	04	15, 26	-
14.	2	1	2002-2003 to 2005-2006	03	29, 31	2
15.	4	-	2003-2004 to 2005-2006	02	2, 28, 30, 32	-
16.	5	2	2005-2006	01	8, 10, 11, 12, 27	1, 3

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and, as a result, the net worth of these PSUs as on date could not be assessed in Audit.

Financial position and working results of working PSUs

1.8 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure 2**. Besides, statements showing financial position and working results of individual working Statutory corporations for the last three years as per their latest finalised/provisional accounts are given in **Annexures 4 and 5** respectively.

According to the latest finalised accounts of 35 working Government companies and four working Statutory corporations, 21 companies and three corporations had incurred an aggregate loss of Rs.20.75 crore and Rs.1,044.25 crore respectively. Six companies and one corporation had earned an aggregate profit of Rs.34.59 crore and Rs.13.45 lakh respectively. One company had not commenced commercial activities and seven companies had not prepared any profit and loss/annual accounts.

Working Government companies

Profit earning working Government companies and dividend

1.9 Out of 19 working Government companies, which finalised their accounts for the previous years by September 2006, four* Government companies earned an aggregate profit of Rs.30.89 crore. All these companies except one (Sl. No. A-21 of **Annexure 2**) earned profit for two or more successive years. Only two companies (A-10 and 11 of **Annexure 2**) declared dividend of Rs.2.50 crore.

Loss incurring working Government companies

1.10 Of the 21 loss incurring working Government companies, 11** companies had accumulated losses aggregating Rs.131.16 crore, which exceeded their aggregate paid-up capital of Rs.26.74 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies. According to the available information, the total financial support provided by the State Government by way of equity, loans, subsidies and grants during 2005-06 to six*** out of these 11 companies amounted to Rs.25.10 crore.

* Sl. Nos. A-4, 10, 11 and 21 of Annexure-2.

** Sl. Nos. A-1, 2, 7, 12, 13, 16, 20, 22, 25, 26 and 34 of Annexure-2.

*** Sl. Nos. A-1, 12, 16, 22, 25 and 26 of Annexure 2.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.11 Assam State Warehousing Corporation, which finalised its accounts for the previous year by September 2006 earned profit of Rs.13.45 lakh but did not declare dividend.

Loss incurring Statutory corporations

1.12 All the three* loss incurring working Statutory corporations, had accumulated losses aggregating Rs.6,192.93 crore which exceeded their aggregate paid-up capital of Rs.1,531.16 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these corporations in the form of contribution towards loans, subsidies and grants. According to the available information, the total financial support so provided by the State Government by way of loans, subsidies and grants during 2005-06 to two** corporations, amounted to Rs.336.93 crore.

Operational performance of working Statutory corporations

1.13 The operational performance of the working Statutory corporations is given in **Annexure 6**.

Some of the important observations on the operational performance of the Statutory corporations are given below:

Assam State Electricity Board

1.14 Net power generated had increased from 675.630 MKWH in 2003-04 to 720.940 MKWH in 2004-05.

Transmission and distribution losses increased from 40.57 *per cent* in 2002-03 to 42.58 *per cent* in 2003-04 and decreased to 37.63 *per cent* in 2004-05.

Assam State Transport Corporation

1.15 Average number of vehicles on road decreased from 290 in 2004-05 to 268 in 2005-06.

Loss per kilometer increased from 1,776 paisa in 2004-05 to 2,168 paisa in 2005-06.

* Sl. Nos. B-1, 2 and 3 of Annexure-2

** Sl. Nos. B-1 and 2 of Annexure-2

Assam Financial Corporation

1.16 The loan outstanding at the close of the year increased from Rs.201.63 crore in 2004-05 to Rs.209.24 crore in 2005-06.

Return on capital employed

1.17 The details of capital employed and total return on capital employed in the case of working Government companies and Statutory corporations are given in **Annexure 2**. As per the latest finalised accounts (up to 30 September 2006), the capital employed* worked out to Rs.528.84 crore in 31** working companies and total return*** thereon amounted to Rs.29.45 crore which was 5.57 per cent as compared to total return of Rs.31.67 crore in the previous year (accounts finalised up to September 2005). Similarly, the capital employed and total return thereon in case of four working Statutory corporations as per their latest finalised accounts (up to 30 September 2006) worked out to Rs.805.42 crore and (-) Rs.965.50 crore respectively, against the total return of (-) Rs.410.16 crore in the previous year (accounts finalised up to September 2005).

Reforms in power sector

Status of implementation of MoU between the State Government and the Central Government.

1.18 In pursuance of the decisions taken at the Chief Ministers' conference on Power Sector Reforms held in March 2001, a Memorandum of Understanding (MoU) was signed on 26 March 2001 between the Ministry of Power, Government of India (GOI) and the Department of Power, Government of Assam (GOA) as a joint commitment for implementation of a reforms programme in the power sector, with identified milestones.

The status of implementation of reforms programme against each commitment made in the MoU is given in next page:

* Capital employed represents net fixed assets (including capital work-in-progress) and working capital except in Finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

** Out of 35 Government companies, one company is yet to start commercial activity and three companies have not prepared any annual accounts.

*** For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the Profit and Loss account.

Sl. No.	Commitment as per MoU	Targeted completion schedule	Status (As on 31 March 2006)
Commitments made by the State Government			
1.	Reduction of Transmission and Distribution (T&D) losses	To reduce T&D losses to 20 per cent by 31 March 2002	31.21 per cent
2.	100 per cent electrification of all villages	31 March 2007	Not yet achieved
3.	100 per cent metering of all distribution feeder	31 July 2001	Completed
4.	100 per cent metering of all consumers	31 December 2001	66,567* unmetered consumers are yet to be metered.
5.	Securitize outstanding dues of Central Public Sector Undertakings	30 September 2001	Power Bonds issued by the Government of Assam in 2003.
6.	Online computerised billing in all major towns	31 March 2002	Not yet achieved
7.	To bring down the level of ASEB's receivable to 60 days billing	March 2002	Not yet achieved. Receivables(revenue) is equal to 114 days billing.

1.19 The Assam Electricity Regulatory Commission was formed on 14 August 2001 under Section 17 of the Electricity Regulatory Commissions Act, 1998** with the main objective of determining electricity tariff, to regulate power purchase and procurement process of transmission and distribution utilities, to promote competition, efficiency and economy in the activities of the electricity industry. The Commission is a body corporate and comprises one member who is appointed by the State Government. The audit of accounts of the Commission has been entrusted to CAG under Section 104 (2) of the Electricity Act, 2003. The Commission had not finalised its first account so far (30 September 2006).

1.20 The Chief Ministers' conferences held in October and December 1996 had recommended a Common Minimum National Action Plan for Power (CMNAP) for improving the operational and financial performance of the State Electricity Boards within a definite time frame. In February 1997, the State Cabinet had accepted the CMNAP, in principle, and as a follow-up action, an Operational and Financial Action Plan (OFAP) was formulated and accepted by the State Cabinet in November 1997 and since then the OFAP has been under implementation by the State Electricity Board.

The operational and financial performance in respect of ASEB, however, recorded a downward slide as would be seen from the table given at next page:

* The Board has not reconciled the figure with the records maintained at the Divisions.

** Since replaced by the Electricity Act, 2003.

Sl. No.	Particulars	1998-99	2004-05
(i)	Net power generated (MU)	855.02	720.94
(ii)	Plant load factor (percentage)	19.13	15.08
(iii)	Power purchased (MU)	1,977.75	2,581.25
(iv)	Percentage of power purchased to total units available	69.82	78.17
(v)	Power available for sale	2,832.77	3,302.19
(vi)	Power sold	1,752.89	2,036.59
(vii)	T&D losses	1,079.88	1,265.60
(viii)	Percentage of T&D losses	38.12	38.33
(ix)	Operational loss (Rupees in crore)		
	For the year	549.77	1,011.27
	Cumulative	2,428.85	5,704.68

While power generation decreased from 855.02 MU in 1998-99 to 720.94 MU in 2004-2005, the power purchased increased from 1,977.75 MU to 2,581.25 MU over the same period. Plant load factor decreased from 19.13 *per cent* in 1998-99 to 15.08 *per cent* in 2004-2005 and percentage of T&D losses increased from 38.12 in 1998-99 to 38.33 in 2004-05. Operational loss increased from Rs.549.77 crore in 1998-99 to Rs.1,011.27 crore in 2004-05.

1.21 As per clause 4 (i) of the Assam Electricity Reform First Transfer (AERFT) Scheme, 2004, the functions, properties and all interests, rights and liabilities of the Board shall stand transferred to and vest in the State Government on and from the date of publication (10 December 2004) of the scheme in the official gazette.

The State Government in terms of Notification No. PEL 151/2003/PT/349 dated 16 August 2005 had reorganised effective from 1 April 2005 the existing Assam State Electricity Board. The functions of generation, transmission and distribution as specified in Schedule 'A to F' of the Transfer Scheme shall be conducted and shall be deemed to be and shall continue to be conducted and carried on by five new companies and the residual functions shall be carried by the Board.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working Government companies

1.22 As on 31 March 2006 the total investment in 10 non-working PSUs (all non-working Government companies) was Rs.68.26 crore* (equity: Rs.29.65 crore and long term loans: Rs.38.61 crore) as against the total investment of Rs.72.06 crore (equity: Rs.29.65 crore and long term loans: Rs.42.41 crore) in 10 non-working PSUs as on 31 March 2005.

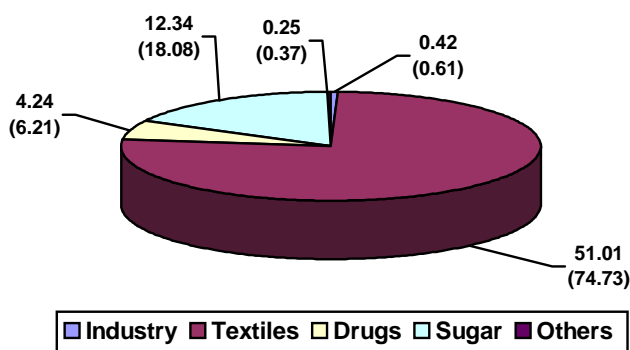
* Government's investment was Rs.17.79 crore (Others Rs.50.47 crore). Figure as per Finance Accounts 2005-06 is Rs.22.01 crore. The difference is under reconciliation.

As per the latest finalised accounts, out of 10 companies, five ** companies had become sick in terms of Section 3 (1) of the Sick Industrial Companies (Special Provision) Act, 1985 since their accumulated losses had exceeded their net worth. Out of these five companies, four *** companies had been declared as Relief Undertakings under the provisions of Assam State Industrial Relief Undertakings (Special Provision) Act, 1989.

Sector-wise investment in non-working Government companies

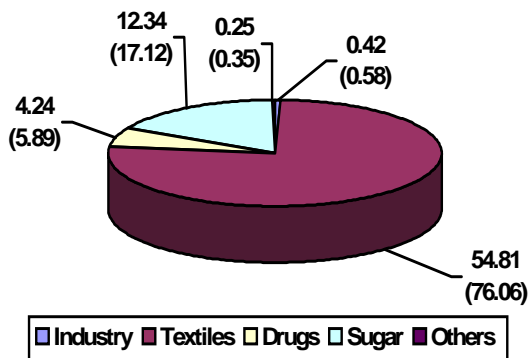
1.23 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2006 and 31 March 2005 are indicated in the pie charts given below:

**Investment as on 31 March 2006 (Rs.68.26 crore)
(Rupees in crore)**



(Figures in brackets indicate percentage)

**Investment as on 31 March 2005 (Rs.72.06 crore)
(Rupees in crore)**



(Figures in brackets indicate percentage)

** Sl. No. C 1, 4, 6, 9, 10 of Annexure 2.

*** Sl. No. C 4, 6, 9, 10 of Annexure 2.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity of non-working PSUs

1.24 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to non-working PSUs are given in **Annexures 1** and **3**.

During the year 2005-06, only one Company, viz, Assam Syntex Limited received budgetary support in the form of loan of Rs.68.94 lakh. The State Government did not waive any loan or interest during the year.

Total establishment expenditure of non-working PSUs

1.25 According to the available information, the year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during the last three years up to 2005-06 are given below:

Year	Number of PSUs	Total establishment expenditure	Financed by holding company
		(Rupees in crore)	
2003-2004	3	1.11	1.11
2004-2005	4	0.33	0.33
2005-2006	4*	1.76	1.76

Finalisation of accounts by non-working PSUs

1.26 The accounts of all the 10 non-working companies were in arrears for periods ranging from eight to 23 years as on 30 September 2006 as can be seen from **Annexure 2**. Two companies had finalised two Accounts for the previous years during the period from October 2005 to September 2006.

Financial position and working results of non-working PSUs

1.27 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure 2**.

The details of paid-up capital, net worth, cash loss and accumulated loss of non working PSUs as per their latest finanlised accounts are given in the next page:

* Out of 10 Non-working companies only 4 companies have furnished information.

Sl. No	Name of the company	Paid-up capital	Net worth [▲]	Cash loss ^{▲▲}	Accumulated loss
(1)	(2)	(3)	(4)	(5)	(6)
1.	Assam Tanneries Limited	2.40	(-) 1.39	0.12	3.79
2.	Industrial Papers (Assam) Limited	39.93	39.93	Commercial function not started	
3.	Amtron Sen Electronics Limited	2.00	1.80	0.77	0.20
4.	Assam Spun Silk Mills Limited	169.59	(-) 184.02	5.90	353.61
5.	Assam Polytex Limited	526.01	314.65	Commercial function not started	
6.	Assam Syntex Limited	511.50	(-) 1820.90	264.88	2,332.40
7.	Assam State Weaving and Manufacturing Company Limited	1,070.88	720.35	38.03	350.53
8.	Assam Meghalaya Mineral Development Corporation Limited	23.44	14.71	0.73	8.73
9.	Cachar Sugar Mills Limited	337.85	(-) 912.93	89.15	1,250.78
10.	Fertichem Limited	199.47	(-) 972.80	90.11	1,172.27
Total		2,883.07	(-) 2,720.22	489.69	5,472.31

Budgetary support to non-working/sick PSUs--status of non-working/sick PSUs

1.28 As per the provision of Section 3 (1) (O) of the Sick Industrial Companies (Special Provision) Act, 1985 (SICA), a sick industrial company means an industrial company which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

As on 31 March 2006, nine^{*} companies (*Annexure 7*) were sick according to the SICA yardstick as per their latest finalised accounts. These included five^{**} companies declared (September 1993 – April 2001) by the State Government as Relief Undertakings under the Assam State Industrial Relief Undertakings (Special Provision) Act, 1989 (IRUA).

Two^{***} more companies though not sick by the SICA yardstick were declared as Relief Undertakings by the State Government under the aforesaid Act.

The present operational status of these companies is enumerated in *Annexure 7*.

It would be observed that in order to revive six^{****} out of 11 sick/Relief Undertakings by way of private/joint sector participation, the Government of Assam had signed MoUs with different parties during the period from July

[▲] Net worth represents paid-up capital *plus* free reserves *less* accumulated losses.

^{▲▲} Cash loss calculated after adding depreciation to the net loss.

^{*} Sl. Nos. 1, 2, 4, 5, 7, 8, 9, 10 and 11 of Annexure-7.

^{**} Sl. Nos. 1,2,4,5,7 of Annexure-7.

^{***} Sl. Nos. 3 and 6 of Annexure-7.

^{****} Out of six companies whose MoUs were signed, four are non-working and two companies though working but no production being carried out.

1993 to August 2000. In two cases, the parties had subsequently backed out, and in one case the MoU had to be cancelled before it could be implemented. In this connection, it was observed that although the companies had been non-operational, efforts for revival through private/joint sector participation were made after the lapse of 2¹/₂ to 10 years from the date of their becoming non-operational.

Audit scrutiny further revealed that the Government of Assam had under the scheme of modernisation/revitalisation disbursed interest (17.75 per cent including penal interest of 2.75 per cent) bearing loan of Rs.10.22 crore to Assam Industrial Development Corporation Limited (AIDC) during the period from 1991 to March 2006 with specific instruction for onward transmission of the same to Relief Undertakings for making payment of salaries, wages and implementation of Voluntary Retirement Scheme (VRS).

Status of placement of Separate Audit Reports of Statutory corporations in the Legislature

1.29 The following table indicates the status of placement of various Separate Audit Reports (SARs) issued by the CAG, on the accounts of Statutory corporations in the State Legislature by the Government:

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1.	Assam State Electricity Board	2003-2004	1996-1997* 2001-2002* 2002-2003* 2004-2005	February 2000 July 2003 May 2004 May 2006
2.	Assam State Transport Corporation	1996-1997	1997-1998 1998-1999 1999-2000 2000-2001 2001-2002 2002-2003	September 2005 December 2005 December 2005 March 2006 June 2006 July 2006
3.	Assam Financial Corporation	2001-2002	2000-2001* 2002-2003 2003-2004	September 2003 June 2005 January 2006
4.	Assam State Warehousing Corporation	1994-1995	1995-1996 1996-1997 1997-1998 1998-1999 1999-2000 2000-2001	June 2001 March 2003 December 2003 March 2005 July 2005 August 2006

* Information about placement of these SARs is not available.

The main reason for non-placement of these SARs was attributed to delay in printing of Annual Reports alongwith these SARs of the concerned Corporation/Board.

Disinvestments, Privatisation and Restructuring of Public Sector Undertakings

Re-structuring programme of Government of Assam

1.30 As per the MoU on Mid Term Fiscal Reforms, the process of disinvestment in four Government companies (Assam Tea Corporation Limited, Assam Syntex Limited, Assam State Textile Corporation Limited and Assam State Weaving and Manufacturing Company Limited) was to be completed by 31 December 2003. Disinvestment, however, did not materialise till September 2006 except in the case of Assam Syntex Limited, which had been leased out to a private party with effect from March 2003.

1.31 Four Government companies identified by the State Government, (Cachar Sugar Mills Limited, Assam Spun Silk Mills Limited, Fertichem Limited and Assam State Minor Irrigation Development Corporation Limited) were to be closed by 31 December 2003. The closure of these PSUs, however, has not materialised so far (September 2006).

Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

1.32 During the period from October 2006 to 30 September 2006, the accounts of 19 working Government companies and four Statutory corporations were selected for audit. The net impact of the important audit observations as a result of audit of the PSUs was as follows:

Details	Working Government companies	Working Statutory corporations	Working Government companies	Working Statutory corporations
	No. of accounts		(Rupees in lakh)	
Increase in profit	1	1	144.24	8.80
Increase in loss	8	-	1,797.08	-
Decrease in loss	1	3	244.75	4,33,040.22
Non-disclosure of material facts	4	2	94.79	23,105.00
Errors of classification	4	2	102.20	6,151.60

Some of the major errors and omissions noticed in the course of audit of annual accounts of some of the above companies and corporations are mentioned below:

Errors and omissions noticed in case of Government companies/ Statutory corporations

Assam Industrial Development Corporation Limited (2004-05)

1.33 Non-provision of diminution in the market value of investment (shares) resulted in understatement of loss for the year by Rs.15.16 crore.

1.34 Current liabilities and provisions were understated by Rs.2.68 crore due to short provision of gratuity and leave encashment with corresponding understatement of loss by similar amount.

Assam Gas Company Limited (2004-05)

1.35 Non-provision of doubtful debts/advances in terms of Schedule-VI, Part-I of the Companies Act, 1956 resulted in overstatement of cumulative profit by Rs.1.37 crore.

Assam State Electricity Board (2004-05)

1.36 The following major errors, omissions and irregularities were pointed out in the Separate Audit Report (SAR) on the Annual Accounts of Assam State Electricity Board-2004-05:

The net deficit of Rs.1,011.27 crore after prior period adjustment had been overstated by Rs.4,293.53 crore (net) as detailed below:

A	Understated due to	Amount (Rupees in crore)
i.	Short provision for purchase of power	7.95
ii.	Non-accountal of interest.	5.27
Total (A)		13.22
B	Overstated due to	
i.	Short billing of revenue.	2.87
ii.	Non-provisioning of rebate.	1.22
iii.	Non-adjustment of credit notes.	0.34
iv.	Non-accountal of prior period income.	19.79
v.	Non-accountal of liabilities.	4,282.53
Total (B)		4,306.75
Net overstatement (B-A)		4,293.53

Recoveries at the instance of Audit

1.37 Test check of records of Assam State Electricity Board conducted during April 2005 to March 2006 disclosed non-deduction of Assam General Sales Tax (AGST)/non-recovery of interest on mobilisation advance/loss of revenue/extra expenditure/non-preferring of compensation bills/non-realisation of assessed revenue aggregating Rs.7.24 crore. The Board accepted the observations pointed out by Audit and a sum of Rs.3.03 crore was recovered at the instance of Audit. Similarly, Audit pointed out non-deduction of AGST/loss of revenue by two companies viz., Assam Tourism Development Corporation Limited and Assam Mineral Development Corporation Limited aggregating Rs.20.20 lakh out of which an amount of Rs.14.72 lakh was recovered at the instance of Audit.

Internal audit/Internal control

1.38 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/ internal control system in the companies audited, in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which need improvement. Accordingly, the Statutory Auditors had observed deficiencies in respect of the internal audit system in case of ten companies and one corporation, during the year 2005-06. Comments in respect of these companies/corporations were of the following nature:

- Internal audit and internal control required to be strengthened having due regard to their size and nature of business.*
- No internal audit was conducted.**
- There were lapses in internal control procedures with regard to stores, raw materials, purchases and sale of goods and assets.***
- No Internal Auditor was appointed for the checking of books and records.****

Recommendation for closure of PSUs

1.39 Even after completion of 16 to 52 years of their existence, the turnover of 21 Government companies (working: 16, non-working: 5) and one Statutory corporation***** had been less than rupees five crore in each of the

* Sl. Nos. A-1, 2, 4, 11, 20, 24, 25 and C-7 of Annexure-2.

** Sl. Nos. A-4 of Annexure-2.

*** Sl. No. C-2 and 7 of Annexure-2.

**** Sl. Nos. B-4 and C-2 of Annexure-2.

***** Assam State Financial Corporation

preceding five years of latest finalised accounts (**Annexure-8**). Similarly, three working Government companies and two Statutory corporations with turnover of more than rupees five crore had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth (**Annexure-9**). In view of the poor turnover and continuous losses, the Government may either improve performance of the above 24 Government companies and three Statutory corporations or consider their closure. The Government may also like to consider the merger of Assam Financial Corporation (AFC) with the Assam Industrial Development Corporation (AIDC) since their functions are identical in nature. Moreover, the turnover of AFC is less than rupees five crore with losses for consecutive five years leading to negative net worth (**Annexure-8**).

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

I.40 The position of Audit Reports (Commercial) discussed in COPU as on 31 March 2006 was as follows:

Period of Audit Report	No. of reviews and paragraphs appeared in Audit Report		No. of reviews and paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1989-1990	4	19	4	14
1990-1991	3	15	1	14
1991-1992	2	10	-	6
1992-1993	2	6	1	-
1993-1994	3	13	-	8
1994-1995	3	11	1	9
1995-1996	2	14	2	8
1996-1997	2	12	2	7
1997-1998	3	16	2	11
1998-1999	4	11	4	6
1999-2000	3	17	2	13
2000-2001	3	10	-	2
2001-2002	2	14	-	4
2002-2003	3	13	1	8
2003-2004	1	16	-	-
2004-2005	2	11	-	-
Total	42	208	20	110

619-B Companies

I.41 There was no company under Section 619-B of the Companies Act, 1956.