

# CHAPTER I

## 1. Overview of Government companies and Statutory corporations

### Introduction

**1.1** As on 31 March 2003, there were 38 Government companies (28 working companies and 10 non-working\* companies) and four working Statutory corporations with no change in position from that as on 31 March 2002 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 Comptroller and Auditor General of India (CAG) as per provision of Section 619 (2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provision of Section 619 of the Companies Act, 1956. The State had formed Assam Electricity Regulatory Commission and its audit is entrusted to the Comptroller and Auditor General of India under Section 34 (4) of the Electricity Regulatory Commissions Act, 1998. 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)	Section 69 (2) of the Electricity (Supply) Act, 1948	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	Chartered Accountants and supplementary audit by CAG
4.	Assam State Warehousing Corporation (ASWC)	Section 31 (8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG

### Working Public Sector Undertakings (PSUs)

#### *Investment in working PSUs*

**1.2** As on 31 March 2003, the total investment in 32 working PSUs (28 Government companies and four Statutory corporations) was Rs.4,093 crore (equity: Rs.1,785.17 crore; long term-loans: Rs.2,306.88 crore; and share

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

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application money: Rs.0.95 crore) against 32 working PSUs (28 Government companies and four Statutory corporations) with a total investment of Rs.4,052.98 crore (equity: Rs.1,782.96 crore; long term-loans: Rs.2,267.60 crore; and share application money: Rs.2.42 crore) as on 31 March 2002. Due to increase in loan, mainly in Power, Industry, Agriculture and Electronics sector, the debt equity ratio marginally increased to 1.29:1 in 2002-2003 from 1.27:1 in 2001-2002. The analysis of investment in working PSUs is given in the following paragraphs.

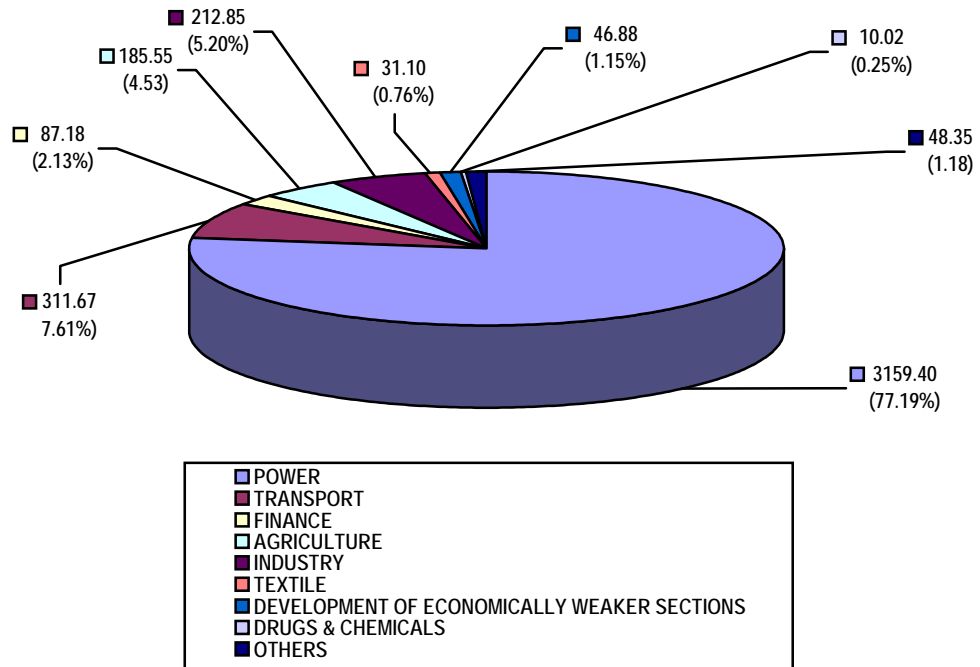
***Sector-wise investment in working Government companies and Statutory corporations***

**1.3** As on 31 March 2003, the total investment in working Government companies and Statutory corporations, comprised 43.64 *per cent* of equity capital and 56.36 *per cent* of loans as compared to 44.05 *per cent* and 55.95 *per cent*, respectively, as on 31 March 2002.

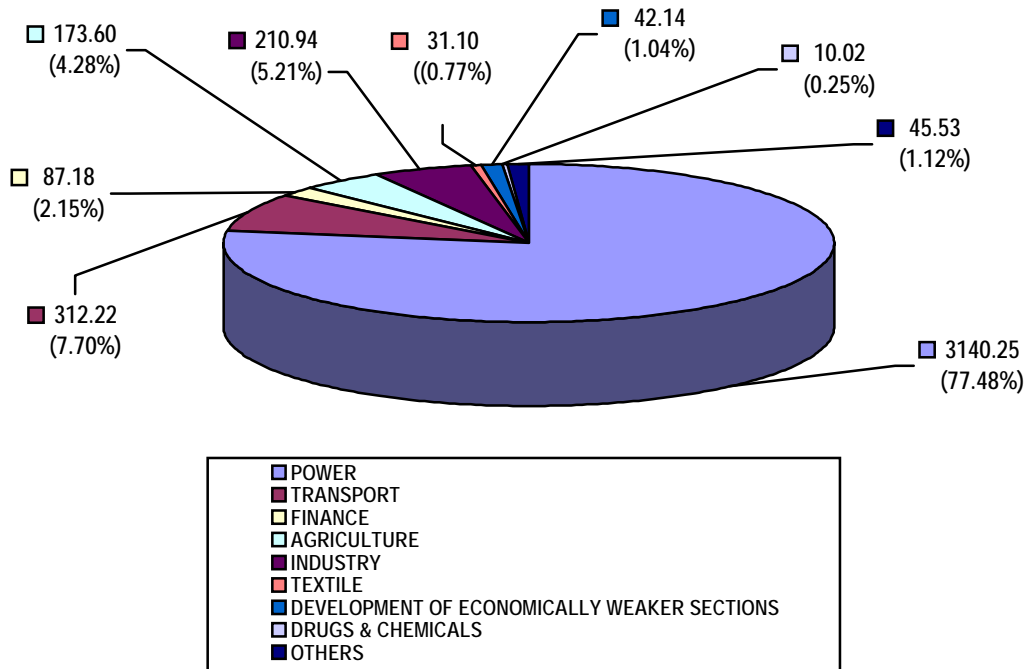
	Number of companies/corporations	2001-2002		2002-2003	
		Equity	Loan	Equity	Loan
Companies	28	243.89	257.15	244.62	277.84
Corporations	04	1,541.50	2,010.44	1,541.50	2,029.04

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2003 and 31 March 2002 are indicated in the pie charts given in the next page:

INVESTMENT AS ON 31 MARCH 2003  
(Rupees in crore)



INVESTMENT AS ON 31 MARCH 2002  
(Rupees in crore)



### **Working Government companies**

**1.4** The total investment in the working Government companies at the end of March 2002 and March 2003 was as follows:

Year	Number of working Government companies	Equity	Share application money	Long term loans	Total
		(Rupees in crore)			
2001-2002	28	241.47	2.42	257.15	501.04
2002-2003	28	243.67	0.95	277.84	522.46

Increase in the total investment was mainly due to fresh investment by Government in Agriculture, Industry and Development of Economically Weaker Sections sectors, and raising of loans from other sources in the Agriculture, Industry and Electronics sectors.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Annexure 1**.

### **Working Statutory corporations**

**1.5** The total investment in four working Statutory corporations at the end of March 2002 and March 2003 was as follows:

(Rupees in crore)

Name of corporation	2001-2002		2002-2003	
	Capital	Loan	Capital	Loan
Assam State Electricity Board (ASEB)	1,350.00	1,790.25	1,350.00	1,809.39
Assam State Transport Corporation (ASTC)	167.73	144.49	167.73	143.94
Assam Financial Corporation (AFC)	13.43	73.75	13.43	73.75
Assam State Warehousing Corporation (ASWC)	10.34	1.95	10.34	1.96
<b>Total</b>	<b>1,541.50</b>	<b>2,010.44</b>	<b>1,541.50</b>	<b>2,029.04</b>

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans are detailed in **Annexure 1**.

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

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

The budgetary outgo in the form of equity capital, loans and grants/subsidies from the State Government to 28 working Government companies and four working Statutory corporations for the three years up to 2002- 2003 are given below:

(Rupees in crore)

Particulars	2000-2001				2001-2002				2002-2003			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
Equity Capital outgo from budget	9	4.98	1	0.10	7	10.73	1	0.10	3	0.54	-	-
Loans given from budget	7	7.71	3	103.99	4	9.61	2	99.58	4	6.24	2	52.71
Grants/Subsidy towards projects/ programmes/ schemes	2	0.34	-	-	5	6.68	-	-	6	9.20	-	-
<b>Total outgo</b>	<b>14*</b>	<b>13.03</b>	<b>3*</b>	<b>104.09</b>	<b>12*</b>	<b>27.02</b>	<b>3*</b>	<b>99.68</b>	<b>10*</b>	<b>15.98</b>	<b>2*</b>	<b>52.71</b>

During the year 2002-2003, the Government had guaranteed loans aggregating Rs.35 crore obtained by three working Government companies. At the end of the year guarantees amounting to Rs.849.83 crore obtained by eight working Government companies (Rs.138.06 crore) and two working Statutory corporations (Rs.711.77 crore) were outstanding as against the outstanding guarantee of Rs.809.30 crore obtained by seven working companies (Rs.92.29 crore) and two working Statutory corporations (Rs.717.01 crore) as on 31 March 2002. There were nine cases of default (seven companies; two corporations) in repayment of guaranteed loans during the year. The State Government claimed and received Rs.25 lakh as guarantee commission from one Government company till 31 March 2003.

### ***Finalisation of accounts by 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 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.

However, as could be noticed from **Annexure 2**, out of 32 working Government companies/corporations (28 working companies and four

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

working Statutory corporations), none of the Government companies/corporations has finalised its accounts for the year 2002-2003, within stipulated period. During the period from October 2002 to September 2003, 15 working Government companies finalised 16 accounts for previous years. Similarly, during this period three working Statutory corporations finalised four accounts for previous years.

The accounts of 28 working Government companies and four Statutory corporations were in arrears for periods ranging from one to 20 years as on 30 September 2003 as detailed in the following table:

Sl. No.	No. of working companies/corporations		Year from 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	-	1983-1984	20	26	-
2.	1	-	1986-1987	17	5	-
3.	4	-	1988-1989	15	7,17,21,22	-
4.	2	-	1989-1990	14	3,28	-
5.	1	-	1990-1991	13	13	-
6.	3	-	1991-1992	12	9,23, 27	-
7.	1	-	1992-1993	11	1	-
8.	4	-	1994-1995	9	16,19,20,24	-
9.	2	1	1995-1996	8	4,14	2
10.	1	-	1996-1997	7	15	-
11.	2	1	1997-1998	6	6,18	4
12.	1	-	2000-2001	3	2	-
13.	2	1	2001-2002	2	12,25	3
14.	3	1	2002-2003	1	8,10,11	1

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within 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 latest finalised accounts are given in **Annexure 2**. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in **Annexure 4 & 5** respectively.

According to latest finalised accounts of 28 working Government companies and four working Statutory corporations, 22 companies and three corporations had incurred an aggregate loss of Rs.40 crore and Rs.662.44 crore respectively, five Companies and one corporation had earned an aggregate

profit of Rs.17.04 crore and Rs.5.66 lakh respectively and one company had not commenced commercial activities.

### ***Working Government companies***

#### ***Profit earning working companies and dividend***

**1.9** Out of 15 working Government companies, which finalised their accounts for previous years by September 2003, two<sup>\*\*</sup> Government companies earned an aggregate profit of Rs.40.88 lakh and none of these companies earned profit for two or more successive years. These companies did not declare dividend.

#### ***Loss incurring working Government companies***

**1.10** Of the 22 loss incurring working Government companies, 10<sup>\*</sup> companies had accumulated losses aggregating Rs.153.65 crore, which exceeded their aggregate paid-up capital of Rs.53.53 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, subsidy, *etc.* According to available information, out of these 10 companies, the total financial support so provided by the State Government by way of equity (Rupees one lakh), grant/subsidy (Rs.5.35 crore) and loan (Rs.4.90 crore) during 2002-2003 to four<sup>#</sup> companies amounted to Rs.10.26 crore.

### ***Working Statutory corporations***

#### ***Profit earning Statutory corporations and dividend***

**1.11** Assam State Warehousing Corporation, which finalised its accounts for the year 1996-1997 earned profit of Rs.5.66 lakh but did not declare dividend.

#### ***Loss incurring Statutory corporations***

**1.12** All the three<sup>§</sup> loss incurring working Statutory corporations, had accumulated losses aggregating Rs.4,694.82 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 grant of loans. According to available information, the total financial support so provided by the State Government

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<sup>\*\*</sup> Sl. Nos. A-7 and 9 of Annexure-2.

<sup>\*</sup> Sl. Nos. A-1, 2,4,6,12,13,15,20,21 and 25 of Annexure-2.

<sup>#</sup> Sl. Nos. A-6, 12, 15 and 21 of Annexure 2.

<sup>§</sup> Sl. Nos. B-1 and 2 and 3 of Annexure-2.

by way of loans during 2002-2003 to two\*\* corporations out of these three corporations amounted to Rs.52.71 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 has declined from 868.540 MKWH in 2000-2001 to 706.514 MKWH in 2002-2003.

Transmission and distribution losses increased from 39.80 *per cent* in 2000-2001 to 44.02 *percent* in 2001-2002 and decreased to 40.57 *per cent* in 2002-2003.

#### **Assam State Transport Corporation:**

**1.15** Average number of vehicles held decreased from 437 in 2000-2001 to 372 in 2002-2003.

Average number of breakdown per lakh kilometers increased from 25.35 in 2001-2002 to 30.92 in 2002-2003.

### ***Return on capital employed***

**1.16** As per the latest finalised accounts (up to September 2003), the capital employed\* worked out to Rs.428.41 crore in 27<sup>§</sup> working companies and total return<sup>#</sup> thereon amounted to (-) Rs.3.99 crore as compared to total return of Rs.4.07 crore in the previous year (accounts finalised up to September 2002). Similarly, the capital employed and total return thereon in case of four working Statutory corporations as per the latest finalised accounts (up to September 2003) worked out to Rs.555.12 crore and (-) Rs.404.50 crore respectively, against the total return of (-) Rs.480.17 crore in previous year (accounts finalised up to September 2002). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in ***Annexure 2***.

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

\* 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 28 working Government companies, one company is yet to start commercial function.

# 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.



## Reforms in Power Sector

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

**1.17** In pursuance to 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 reforms programme in power sector with identified milestones.

Milestones as set out in the MoU and actual achievement thereagainst are as follows:

Sl. No.	Commitment as per MoU	Targeted completion schedule	Status (As on 31 March 2003)
<b>Commitments made by the State Government</b>			
1.	Reduction of Transmission and Distribution (T&D) losses	To reduce T&D losses to 20 per cent by 31.03.2002	40.57 per cent
2.	100 per cent electrification of all villages	31.03.2007	77 per cent completed
3.	100 per cent metering of all distribution feeder	31.07.2001	Not yet achieved
4.	100 per cent metering of all consumers	31.12.2001	1.31 lakh unmetered consumers yet to be converted to the metered consumers
5.	Securitize outstanding due of Central Public Sector Undertakings	30.09.2001	Not yet done
6.	Online computerised billing in all major towns	31.03.2002	Not yet achieved
7.	To bring down the level of ASEB's receivable to 60 days billing	March 2002	Not yet achieved

### *State Electricity Regulatory Commission*

**1.18** Assam Electricity Regulatory Commission was formed on 14 August 2001 under Section 17 of 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 34 (4) of the Act, *ibid.* The Commission had not finalised its first accounts so far (30 September 2003).

### ***Impact of Government policies in the State in regard to Power Sector***

**1.19** The State power sector is largely represented by the Assam State Electricity Board (ASEB), which is responsible for generation, transmission and distribution of power in the State. As on 1 April 1998, the ASEB had four thermal power stations in the State with total installed capacity of 413.50 MW. One 20 MW unit was added to Lakwa Thermal Power Station (LTPS) in May 1999. However, 60 MW Chandrapur Thermal Power Station (CTPS) and 120 MW Bongaigaon Thermal Power Station (BTPS) were shutdown in March 2000 and March 2002 respectively. Thus, as on March 2002, the ASEB's installed capacity stood at 253.50 MW only. With de-rating of Namrup Thermal Power Station (NTPS) from 133.50 MW to 113 MW, the available generating capacity was only 233.00 MW.

**1.20** The Chief Ministers' conferences held in October and December 1996 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 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 was under implementation by the State Electricity Boards.

However, the operational and financial performance in respect of ASEB recorded a downward slide as would be seen from the following table:

Sl. No.	Particulars	1997-1998	2001-2002
(i)	Net power generated (MU)	936.39	787.47
(ii)	Plant load factor (percentage)	21.34	16.76
(iii)	Power purchased (MU)	1700.23	2416.89
(iv)	Percentage of power purchased to total units available	63.36	74.42
(v)	Percentage of T&D losses	30.05	44.02
(vi)	<b>Operational loss (Rupees in crore)</b>		
	For the year	387.25	643.67
	Cumulative	1879.08	4439.00

While power generation decreased from 936.39 MU in 1997-1998 to 787.47 MU in 2001-2002, the power purchased increased from 1700.23 MU to 2416.89 MU over the same period. Plant load factor decreased from 21.34 *per cent* in 1997-1998 to 16.76 *per cent* in 2001-2002 and percentage of T&D losses increased from 30.05 *per cent* in 1997-1998 to 44.02 *per cent* in 2001-2002. ASEB also incurred a total operational loss of Rs.2,947.17 crore during 1997-1998 to 2001-2002.

As per Industrial Policy of Assam (1997), the State Government was required to take effective steps for completion of (i) Amguri Gas-based Power Project (360 MW) and (ii) Karbi-Langpi Hydro-electric Power Project (100 MW) within five years. It was, however, seen in audit that the Amguri Gas based

Power Project was stopped in 1994 after incurring an expenditure of Rs.9.01 crore for purchase of land and had not been revived thereafter. The Karbi-Langpi Hydro-electric Power Project started way back in 1980 was yet to be completed.

### **Non-working PSUs**

#### ***Investment in non-working PSUs***

**1.21** As on 31 March 2003 the total investment in 10 non-working PSUs (10 non-working Government companies) was Rs.86.90 crore (equity: Rs.27.42 crore, long term loans: Rs.44.18 crore and share application money: Rs.15.30 crore) against total investment of Rs.82.67 crore (equity: Rs.27.62 crore, long term loans: Rs.39.75 crore and share application money: Rs.15.30 crore) in 10 non-working PSUs (Government companies) as on 31 March 2002.

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

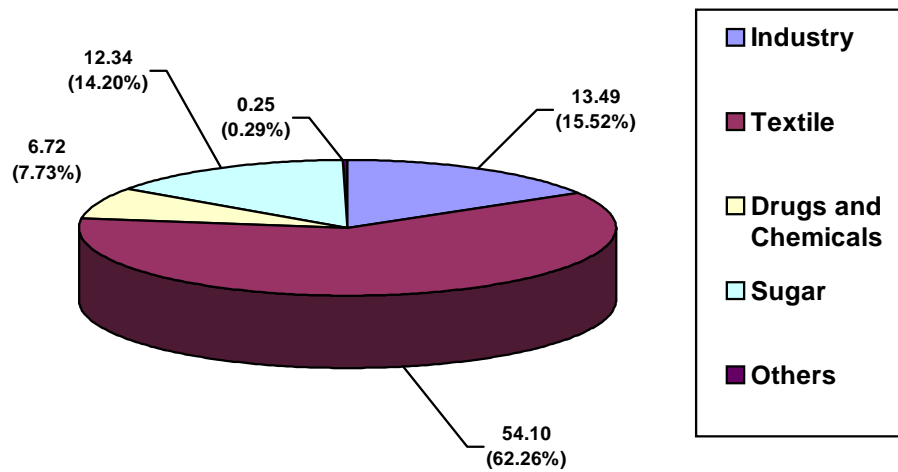
The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2003 and 2002 are indicated in the pie charts given in next page:

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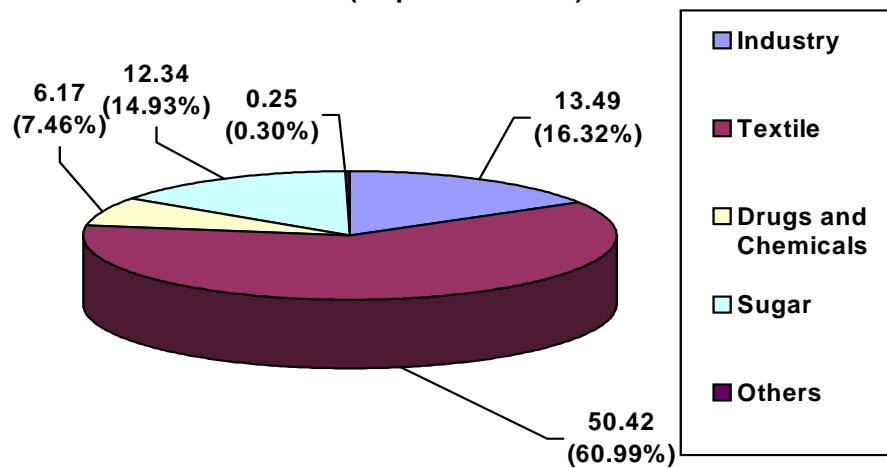
<sup>@</sup> Sl. No. C 1,4,6,9,10 of Annexure 2.

<sup>\*</sup> Sl. No. C 4,6,9,10 of Annexure 2.

**INVESTMENT AS ON 31 MARCH 2003  
(Rupees in crore)**



**INVESTMENT AS ON 31 MARCH 2002  
(Rupees in crore)**



***Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity***

**1.22** The details regarding 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 **Annexure 1 & 3**.

During the year 2002-2003, the budgetary outgo in the form of subsidy/grant amounted to Rs.0.12 crore to one non-working Government company.

Total guarantees outstanding at the end of the year amounted to Rs.17.01 crore obtained by two non-working companies.

**Total establishment expenditure of non-working PSUs**

**1.23** According to available information, the year-wise details of total establishment expenditure of four out of 10 non-working PSUs and the sources of financing them during last three years up to 2002-2003 are given below:

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by holding company
2000-2001	3	0.51	0.51
2001-2002	4	2.03	2.03
2002-2003	4	1.95	1.95

**Finalisation of accounts by non-working PSUs**

**1.24** The accounts of 10 non-working companies were in arrears for periods ranging from 7-20 years as on 30 September 2003 as can be seen from *Annexure 2*.

Out of 10 non-working companies, four companies finalised five Accounts for previous years during the period from October 2002 to September 2003.

**Financial position and working results of non-working PSUs**

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

The details of paid-up capital, net worth, cash loss/cash profit and accumulated loss/accumulated profit of non working PSUs as per their latest finalised accounts are given below: -

(Rupees in lakh)

Sl. No.	Name of the company	Paid-up capital	Net worth *	# Cash loss (-)/ cash profit (+)	Accumulated loss (-)/ accumulated profit (+)
(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

\* Net worth represents paid-up capital plus free reserves less accumulated losses.

# Cash loss (-)/cash profit (+) calculated after adding depreciation to the net loss (-)/net profit (+)

Note: Net-worth, cash loss/profit and accumulated loss/profit calculated as per latest finalised accounts.

(1)	(2)	(3)	(4)	(5)	(6)
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	(-) 1551.45	(-) 321.85	(-) 2062.95
7.	Assam State Weaving and Manufacturing Company Limited	1000.39	826.78	(-) 34.78	(-) 173.61
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	(-) 1250.78
10.	Fertichem Limited	199.47	(-) 831.32	(-) 53.27	(-) 1004.65
<b>Total</b>		<b>2812.58</b>	<b>(-) 2283.24</b>	<b>(-) 506.57</b>	<b>(-) 4858.32</b>

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

**1.26** 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 2003, nine companies (**Annexure.11**) were sick under SICA yardstick as per latest finalised accounts. These included five companies declared (September 1993 – April 2001) by the State Government also as relief undertakings under Assam State Industrial Relief Undertakings (Special Provision) Act, 1989 (IRUA).

Besides, two more companies (**Annexure.11**) though not sick by SICA yardstick were declared as relief undertakings by the State Government under the aforesaid Act.

Present operational status of these companies is enumerated in **Annexure 11**.

It would be observed that in order to revive six 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 1993 to February 2001. However, in three cases parties subsequently backed out, and in one case MoU had to be cancelled before it could be implemented. In this connection, it was observed that although the companies had been non-operational<sup>#</sup>, efforts for revival through private/joint sector participation were

<sup>#</sup> Out of six companies whose MoUs were signed, four are non-working and two companies though working but no production being carried

taken only after a lapse of 2<sup>1</sup>/<sub>2</sub> to 10 years from the date of their becoming non-operational.

Scrutiny further revealed that the Government of Assam under the scheme of modernisation/revitalisation disbursed interest (17.75 *per cent* including penal interest of 2.75 *per cent*) bearing loan of Rs.7.52 crore to Assam Industrial Development Corporation Limited (AIDC) during the period from 1991 to March 2003 with specific instruction for onward transmission of the same to six relief undertakings for making payment of salaries and wages. Since the companies so assisted had been incurring losses over the years, action of the Government in providing unproductive wages, instead of taking any concrete measure for revival/revitalisation of those units, was not justified. Moreover, by routing the funds through AIDC, the latter was unduly burdened with interest liability of Rs.8.43 crore (March 2003).

In this connection, reference is invited to Para 1.7. D, Para 1.6 and Para 1.9 of the Comptroller and Auditor General's Audit Report (Commercial), Government of Assam for the year 1999-2000, 2000-2001 and 2001-2002 wherein it was recommended that in view of poor performance and continuous losses incurred by the PSUs, the Government may either improve their performance or consider their closure/merger. But so far no concrete steps appeared to have been taken by the Government in that direction. Thus, these sick and non-working companies continue to be a perpetual burden on the State exchequer.

### **Status of placement of Separate Audit Reports of Statutory corporations in Legislature:**

**1.27** The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG in the 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	1995-1996	1996-1997 1997-1998 1998-1999 1999-2000 2000-2001 2001-2002	February 2000 July 2000 September 2001 December 2001 November 2002 July 2003
2.	Assam State Transport Corporation	1989-1990	1990-1991 1991-1992 1992-1993 to 1994-1995	January 1997 February 1997 November 1998
3.	Assam Financial Corporation	1999-2000	2000-2001	September 2003
4.	Assam State Warehousing Corporation	1994-1995	1995-1996 1996-1997	June 2002 March 2003

The State Government has not placed the Separate Audit Reports even after lapse of six years (Assam State Transport Corporation). Though under respective statutes, State Government is required to place the Separate Audit Reports in the Legislature, same has not been complied with as evidenced above.

### **Disinvestment, Privatisation, and Restructuring of Public Sector Undertakings**

**1.28** The State Government did not undertake the exercise of disinvestments, privatization and restructuring of any of its PSUs during 2002-2003.

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

**1.29** During October 2002 to September 2003, the audit of accounts of 19 Government companies (working 15 and non-working four) and three corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Details	No. of accounts		Rupees in lakh	
	Working Government companies	Working Statutory corporations	Working Government companies	Working Statutory corporations
Decrease in profit	-	1	-	22.00
Increase in profit	1	1	8.27	2.00
Increase in loss	4	2	40.26	89,875.00
Decrease in loss	1	2	6.70	3,813.00
Non-disclosure of material facts	2	1	45.36	8,193.00
Errors of classification	1	2	83.22	10,860.00

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

#### ***Errors and omissions noticed in case of Government companies***

##### **Ashok Paper Mills (Assam) Limited (2000-2001)**

**1.30** Fixed assets (Rs.111.72 crore) were understated by Rs.2.97 crore due to non-inclusion of the assets created by the lessee out of fund released by the Company.



***Errors and omissions noticed in case of Statutory corporations***

**1.31** 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 for the year ended 31 March 2001 and 31 March 2002.

**Assam State Electricity Board-2000-2001**

**1.32** The net deficit of Rs.671.40 crore after prior period adjustment has been understated (net) by Rs.375.77 crore as under:

<u>A</u>	<u>Understated due to</u>	<u>Amount</u> <u>(Rupees in crore)</u>
i.	Short provision for purchase of power	204.33
ii.	Non-provision of interest on loan	135.13
iii.	Non-provision of depreciation	0.64
iv.	Non-provision of theft materials	8.30
v.	Excess provision of unbilled revenue	3.32
vi.	Non-accountal of waiver of penalty	1.63
vii.	Non-provision of doubtful debt against untraceable consumer	0.06
viii.	Non-provision of stock	<u>22.59</u>
	<b>Total (A)</b>	<b><u>376.00</u></b>
<u>B</u>	<u>Overstated due to</u>	
i.	Short-provision of unbilled revenue	<u>0.23</u>
	<b>Total (B)</b>	<b><u>0.23</u></b>
	<b>Net understatement (A-B)</b>	<b><u>375.77</u></b>

**Assam State Electricity Board-2001-2002**

**1.33** The net deficit of Rs.643.68 crore after prior period adjustment has been understated (net) by Rs.452.84 crore as under:

<u>A</u>	<u>Understated due to</u>	<u>Amount</u> <u>(Rupees in crore)</u>
i.	Short provision for purchase of power	193.70
ii.	Non-provision of interest on delayed payment	83.34
iii.	Non-provision of liability for gas related charges	10.23
iv.	Non/short provision of depreciation	77.73
v.	Short provision on interest on loan	40.62
vi.	Understatement of loss on stolen materials	9.85
vii.	Wrong capitalisation of compensation and interest charges thereon	6.49

<u>A</u>	<u>Understated due to</u>	<u>Amount</u> <u>(Rupees in crore)</u>
viii.	Wrong capitalisation of employees' cost and administrative expenses	1.60
ix.	Non-accountal of consumption of O&M stores	11.33
x	Non-accountal of waiver of energy charges/surcharge	9.94
xi	Non-reversal of receivables due to excess billing	3.97
xii	Non-provision for liability to State Government on account of free power	<u>41.94</u>
	<b>Total (A)</b>	<b><u>490.74</u></b>
<u>B</u>	<u>Overstated due to</u>	
i.	Wrong-accountal of pension payment	<u>37.90</u>
	<b>Total (B)</b>	<b><u>37.90</u></b>
	<b>Net understatement (A-B)</b>	<b><u>452.84</u></b>

**Assam Financial Corporation (2000-2001)**

**1.34** Non-provision of interest on loans from Industrial Development Bank of India (IDBI)/Small Industries Development Bank of India (SIDBI), bonds and deposits on accrual basis as per IDBI guidelines resulted in understatement of cumulative loss by Rs.32.01 crore (including Rs.11.95 crore for the year).

**1.35** Balance with scheduled Bank includes Rs.2.79 lakh in respect of State Bank of India, Dispur and Punjab National Bank, Zoo Road as against Rs.4.79 lakh as per bank statements. The difference of Rupees two lakh has neither been reconciled nor the fact been disclosed.

**Assam State Warehousing Corporation (1996-1997)**

**1.36** The net profit of Rs.5.66 lakh for the year has been overstated by Rs.20.09 lakh due to accountal of receivable, which has already been adjusted by the customer/FCI towards shortage/misappropriation of stock

***Audit assessment of the working results of Assam State Electricity Board***

**1.37** Based on the audit assessment of the working results of the Assam State Electricity Board (ASEB) for three years up to 2001-2002 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the ASEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of the ASEB will be as given in next page:

(Rupees in crore)

Sl. No.	Particulars	1999-2000	2000-2001	2001-2002
1.	Net surplus (+)/deficit (-) as per books of accounts	(-) 695.07	(-) 671.40	(-) 643.68
2.	Subsidy from the State Government	52.33	52.65	52.33
3.	Net surplus (+)/deficit (-) before subsidy from the State Government (1-2)	(-) 747.40	(-) 724.05	(-) 696.01
4.	Net increase/decrease in net surplus (+)/deficit (-) on account of audit comments on the annual accounts of the SEB	(-) 247.62	(-) 375.77	(-) 452.84
5.	Net surplus (+)/deficit (-) after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-) 995.02	(-) 1099.82	(-) 1148.85
6.	Total return* on capital employed	(-) 763.76	(-) 859.98	(-) 893.11
7.	Percentage of total return on capital employed	(-) 61.56	(-) 92.16	(-) 203.94

It could be seen from the above table that deficit (Sl. No.5) during last three years ending 31 March 2002 continued to be heavy and has an increasing trend.

### ***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 needed improvement. Accordingly, the companies in which the Statutory Auditors observed deficiencies in respect of internal audit system during the year 2002-2003 are detailed below:

Sl. No.	Nature of observation	Number of companies in which observations were noticed	Reference to Serial Number to companies as per Annexure-2
1.	Inadequate internal audit system	2	A2, C2
2.	Internal audit required to be strengthened having due regard to its size and nature of its business	4	A7, 13, 24, C10
3.	The compliance on internal audit report is not adequate	2	A6, 24
4.	The scope of work and responsibility of internal audit were not clearly laid down	1	A10

\* Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account less interest capitalised.

### **Recommendation for closure of PSUs**

**1.39** Even after completion of 13 to 49 years of their existence, the turnover of 20 Government companies (working: 15, non-working: 5) and two Statutory<sup>@</sup> corporations have been less than Rupees five crore in each of the preceding five years of latest finalised accounts (*Annexure-9*). Similarly, three working Government companies and two Statutory corporations have been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth (*Annexure-10*). In view of poor turnover and continuous losses, the Government may either improve performance of above 23 Government companies and two<sup>§</sup> 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 since their functions are identical in nature. Moreover, turnover of AFC is less than Rupees five crore with losses for consecutive five years leading to negative net worth (*Annexure-9*).

### **Response to Inspection Reports, Draft Paragraphs and Reviews**

**1.40** Audit observations noticed during audit and not settled on the spot are communicated to the Heads of PSUs and concerned departments of State Government through Inspection Reports. The Heads of PSUs are required to furnish replies to the Inspection Reports through respective Heads of Departments within a period of six weeks. Inspection Reports issued up to March 2003 pertaining to 38 PSUs disclosed that 4751 paragraphs relating to 825 Inspection Reports remained outstanding at the end of September 2003. Of these, 292 Inspection Reports containing 2182 paragraphs had not been replied for more than one year. Department-wise break-up of Inspection Reports and Audit observations outstanding as on 30 September 2003 are given in *Annexure 7*.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 18 draft paragraphs and 2 draft reviews forwarded to the various departments during April and June 2003 as detailed in *Annexure-8* had not been replied to so far (September 2003).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment is taken in a time

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<sup>@</sup> Excluding Assam State Electricity Board and Assam State Transport Corporation

<sup>§</sup> Excluding Assam State Electricity Board and Assam State Transport Corporation.

bound schedule, and (c) system of responding to the audit observations is revamped.

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

**1.41** During the period from April 2002 to March 2003, COPU met on four occasions to discuss the Audit Reports. Neither any recommendation of COPU on the Audit Report nor any Action Taken Note on the recommendations made earlier has been received (September 2003).

Position of discussion of Audit Reports and reviews/paragraphs pending with the COPU as on 31 March 2003 was as under: -

Period of Audit Report	No. of reviews and paragraphs appeared in Audit Report		No. of reviews and paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1989-1990	4	19	-	5
1990-1991	3	15	2	1
1991-1992	2	11	2	5
1992-1993	2	6	1	6
1993-1994	3	13	3	5
1994-1995	3	11	2	5
1995-1996	2	14	1	6
1996-1997	2	12	-	4
1997-1998	3	16	2	8
1998-1999	4	11	Nil	7
1999-2000	3	17	2	6
2000-2001	3	10	3	10
2001-2002	2	14	2	14
<b>Total</b>	<b>36</b>	<b>169</b>	<b>20</b>	<b>82</b>

Out of 36 reviews and 169 paragraphs which featured in the Audit Reports for the years 1989-90 to 2001-2002, 16 reviews and 87 paragraphs only have been discussed by COPU. Recommendations of COPU on the Audit Report 1991-92 have been received in August 1997 and on the Audit Report for the year 1995-1996 pertaining to Assam State Electricity Board (ASEB) in April 2003. However, the Action Taken Note on the recommendations is still awaited from the Government (September 2003).

**619-B Companies**

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