

CHAPTER-I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people. In Assam, the State PSUs occupy an important place in the state economy. The State PSUs registered a turnover of ₹ 2647.54 crore* for 2010-11 as per their latest finalised accounts as of September 2011. This turnover was equal to 2.54 per cent of State Gross Domestic Product (GDP) of ₹ 1, 04,218 crore for 2010-11. Major activities of State PSUs are concentrated in Power and Transport sectors. The State PSUs earned a profit of ₹ 2.22 crore in aggregate for 2010-11 as per their latest finalised accounts. They had employed 37,308* employees as of 31 March 2011.

1.2 As on 31 March 2011, there were 50 PSUs as per the details given below. Of these, one Company§ was listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs [¶]	Total
Government Companies	36**	10	46
Statutory Corporations	04	-	04
Total	40	10	50

Audit Mandate

1.3 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which not less than 51 per cent of the paid up capital is held by Government(s). A Government Company includes a subsidiary of a Government Company. Further, a Company in which 51 per cent of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government Company (deemed Government company) as per Section 619-B of the Companies Act.

1.4 The accounts of the State 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

* Including turnover of non-working companies refer Annexure-2.

* As per the details provided by 46 PSUs. Remaining 4 PSUs did not furnish the details of manpower.

§ Assam Petrochemicals Limited.

¶ Non-working PSUs are those which have ceased to carry on their operations.

**A new company i.e. Assam Trade Promotion Organization incorporated (17 February 2010) under section 25 of the Companies Act, 1956 during the year.

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per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.5 Audit of statutory corporations is governed by their respective legislations. Out of four statutory corporations in Assam, CAG is the sole auditor for State Electricity Board and State Road Transport Corporation. In respect of State Warehousing Corporation and State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

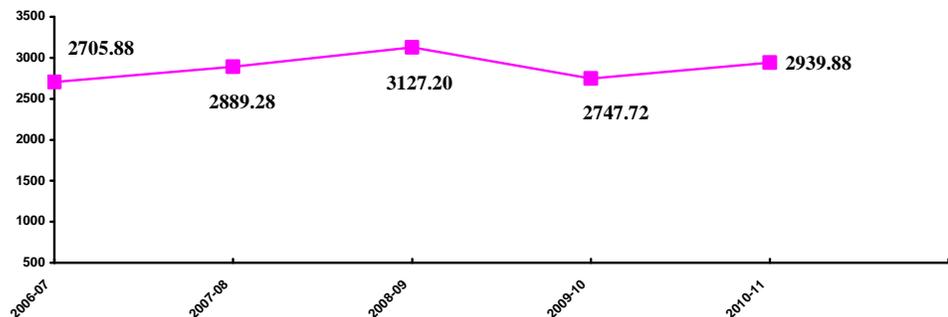
Investment in State PSUs

1.6 As on 31 March 2011, the investment (capital and long-term loans) in 50 PSUs was ₹ 2,939.88 crore as per details given below:

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
	(₹ in crore)						
Working PSUs	1223.68	1170.21	2393.89	473.20	14.00	487.20	2881.09
Non-working PSUs	25.13	33.66	58.79	-	-	-	58.79
Total	1248.81	1203.87	2452.68	473.20	14.00	487.20	2939.88

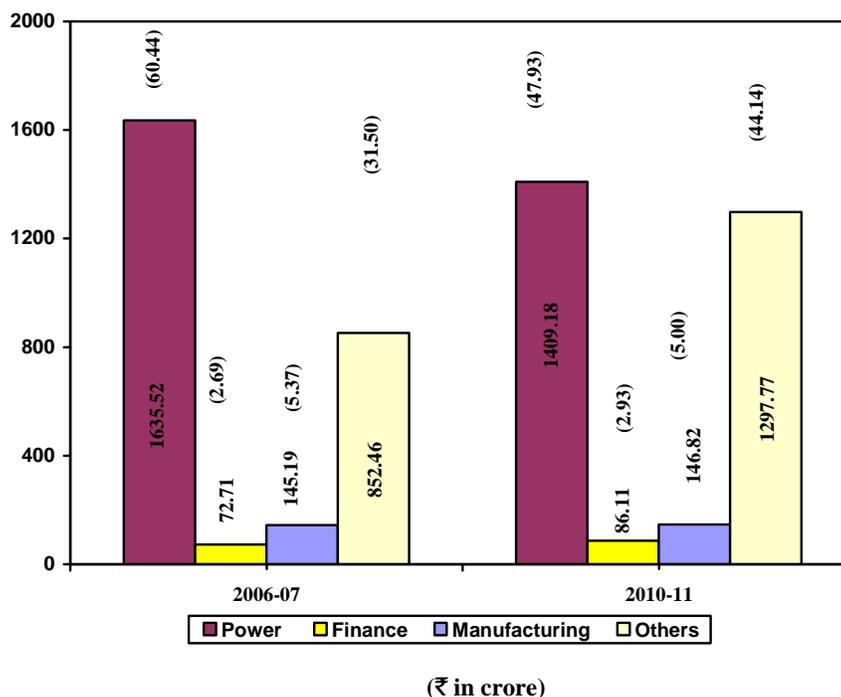
A summarised position of government investment in State PSUs is detailed in **Annexure 1**.

1.7 As on 31 March 2011, of the total investment in State PSUs, 98.00 per cent was in working PSUs and the remaining 2.00 per cent in non-working PSUs. This total investment consisted of 58.57 per cent towards capital and 41.43 per cent in long-term loans. There was an increase in investment by 8.65 per cent during the last five years, i.e. from ₹ 2705.88 crore in 2006-07 to ₹ 2,939.88 crore in 2010-11 as shown in the graph below:



—■— Investment (Capital and long-term loans) (₹ in crore)

1.8 The total investment in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2011 are indicated below in the bar chart. As compared to the investment in 2006-07, investment in 2010-11 has increased mainly in the finance (₹ 13.40 crore), manufacturing (₹ 1.63 crore) and other sectors (₹ 445.31 crore) whereas investment in power sector has decreased by ₹ 226.34 crore.



(Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

1.9 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantee commitment and loans written off in respect of State PSUs are given in *Annexure 3*. The summarised details for three years ended 2010-11 are given below:

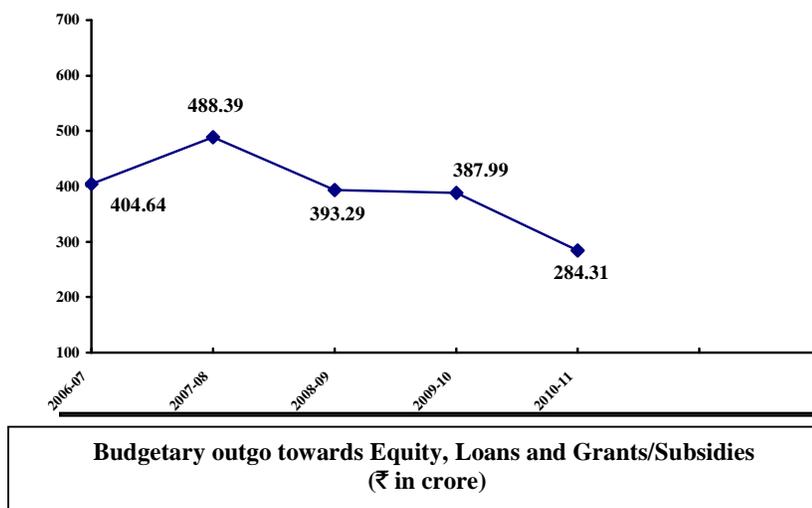
(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	5.70	-	-	2	39.54
2.	Loans given from budget	8	65.82	8	220.98	6	152.06
3.	Grants/Subsidy received	13	321.77	14	167.01	14	92.71

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Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
4.	Total Outgo (1+2+3)	20*	393.29	22	387.99	19*	284.31
5.	Loans written off	-	-	6	155.79	-	-
6.	Total Waiver	-	-	6	155.79	-	-
7.	Guarantee Commitment	2	84.84	3	46.93	4	45.53

1.10 The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in a graph below:



The budgetary outgo in the form of equity, loans, grants/subsidies, etc. had decreased from ₹ 404.64 crore in 2006-07 to ₹ 284.31 crore in 2010-11.

1.11 The amount of Guarantees outstanding in the year 2006-07 was ₹ 263.74 crore which decreased to ₹ 45.53 crore in the year 2010-11.

Reconciliation with Finance Accounts

1.12 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2011 is stated in the next page:

* The figure represents number of companies which have received outgo from budget under one or more heads i.e. equity, loans, grants/subsidies.

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
	(₹ in crore)		
Equity	2036.30 [†]	1549.60	486.70
Loans	69.14 ^ψ	683.49	614.35
Guarantees	153.68 ^μ	45.53	108.15

1.13 Audit observed that the differences occurred in respect of all the 50 PSUs and some of the differences were pending reconciliation since 1986-87. In order to reconcile the discrepancy in figures of investment on equity and loans made by State Government in Government Companies/Corporations, letters were written to head of all concerned PSUs from time to time and last was in June 2011. The matter was also taken up with the Principal Secretary, Finance Department as well as Public Enterprises Department of Government of Assam for reconciliation of differences. The Government and the PSUs should take concrete steps to reconcile the difference in a time bound manner.

Performance of PSUs

1.14 The financial results of PSUs, financial position and working results of working statutory corporations are detailed in **Annexures 2, 5 and 6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of turnover of working PSUs and State GDP for the period 2005-06 to 2010-11.

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	(₹ in crore)					
Turnover [∞]	1,187.84	1,153.83	2,036.24	2,766.90	3,519.57	2,644.44
State GDP	57,543.00	65,033.00	72,700.00	77,506.00	88,023.00	1,04,218
Percentage of Turnover to State GDP	2.06	1.77	2.80	3.57	4.00	2.54

While the turnover of the State PSUs has decreased in 2010-11 as compared to the years 2008-09 and 2009-10, the State GDP increased from the year 2005-06 onwards. The percentage of turnover to the State GDP has decreased from 4.00 per cent in 2009-10 to 2.54 per cent in 2010-11.

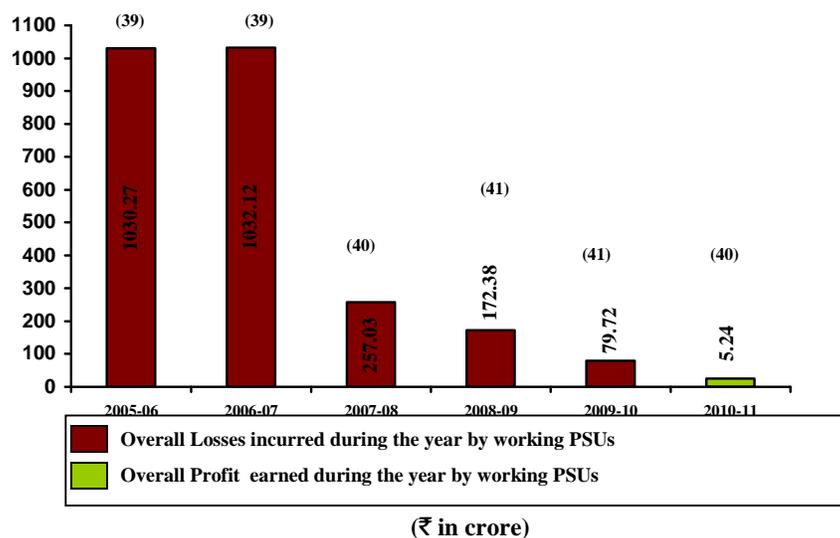
[†] Amount outstanding against equity was for 28 PSUs.

^ψ In absence of company wise details of loans distributed in finance accounts, figures appeared under the major head “Loans to Public Sector and other Undertakings” has been taken into account.

^μ Amount shown against guarantee outstanding was for six PSUs

[∞] Turnover as per the latest finalised accounts as of 30 September.

1.15 Profit/Losses earned/incurred by State working PSUs during 2005-06 to 2010-11 are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

The losses were on decreasing trend since 2006-07 and finally turned into profit in 2010-11. This was mainly because of decrease in overall losses of the power sector from ₹ 1,011.28 crore in 2006-07 to ₹ 11.30 crore in 2010-11. During the year 2010-11, 12 PSUs out of 40 working PSUs, earned profit of ₹ 85.46 crore, 24 PSUs incurred loss of ₹ 80.22 crore, three PSUs[‡] have not started commercial functioning as yet and the first accounts of the new company* was not yet finalised. The major contributors to profit as per their latest finalized accounts were Assam Gas Company Limited (₹ 43.57 crore), Assam Power Generation Corporation Limited (₹ 24.38 crore), Assam Industrial Development Corporation Limited (₹ 9.97 crore), Assam Petrochemicals Limited (₹ 2.79 crore) and Assam Financial Corporation (₹ 1.71 crore). Heavy losses were incurred by Assam Electricity Grid Corporation Limited (₹ 27.09 crore), Assam State Transport Corporation (₹ 19.37 crore) and Assam Power Distribution Company Limited (₹ 8.62 crore).

1.16 The losses of PSUs were mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 1,682.87 crore and infructuous investment of ₹ 25.95 crore which were controllable with better management. Year-wise details from Audit Reports are stated below:

Particulars	2008-09	2009-10	2010-11	Total
	(₹ in crore)			
Net loss (-)/Net Profit	(-) 172.38	(-) 79.72	5.24	(-) 246.86
Controllable losses as per CAG's Audit Report	40.05	976.42	666.40	1,682.87
Infructuous Investment	22.74	-	3.21	25.95

[‡] Assam Power loom Development Corporation Limited, Pragjyotish Fertilisers Company Limited and DNP Limited.

* Assam Trade Promotion Organisation.

1.17 The above losses pointed out by the Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, losses can be minimized (or eliminated or the profits can be enhanced substantially). The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.18 Some other key parameters pertaining to State PSUs are given below:

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	(₹ in crore)					
Return on Capital Employed (Per cent)	(-) 69.53	(-) 64.80	(-) 5.94	(-) 2.11	(+) 2.82	(+) 2.97
Debt	792.54	1421.16	1579.94	1554.31	1433.45	1217.87
Turnover ^Y	1187.84	1153.83	2036.24	2766.90	3519.57	2644.44
Debt/ Turnover Ratio	0.67:1	1.23:1	0.78:1	0.56:1	0.41:1	0.46:1
Interest Payments	96.12	101.55	111.48	112.84	201.81	105.13
Accumulated losses (-)	(-) 6465.55	(-) 6485.11	(-) 1122.44	(-) 1102.85	(-)1278.52	(-)1091.09

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

1.19 The return on capital employed as per latest finalised accounts as on 30 September 2011 had shown an improving trend compared to the returns as reflected in the accounts finalised upto 30 September for each of the last five years. The ratio of debt to turnover had come down from 0.67:1 in 2005-06 to 0.46:1 in 2010-11. Accumulated losses had come down from ₹ 6,465.55 crore in 2005-06 to ₹ 1091.09 crore in 2010-11.

1.20 The matter regarding existence of any specific policy of the Government of Assam regarding the payment of minimum dividend by the State PSUs has been taken up with the Secretary of Finance and the Principal Secretary and Commissioner of Public Enterprises Department of the Government of Assam. As per their latest finalised accounts, 12 PSUs earned an aggregate profit of ₹ 85.46 crore and two* PSUs declared dividend of ₹ 2.60 crore.

Arrears in finalisation of accounts

Working State Government PSUs

1.21 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. Similarly, in case of statutory corporations, their accounts are finalised,

^Y Turnover of working PSUs as per the latest finalised accounts as of 30 September.
* Assam Petrochemicals Ltd and Assam Gas Company Ltd.

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audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2011.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of Working PSUs	39	40	41	39 [▼]	40 [▼]
2.	Number of accounts finalised during the year	21	35	30	40	50
3.	Number of accounts in arrears	331	336	347	346	336
4.	Average arrears <i>per</i> PSU (3 ÷ 1)	8.49	8.40	8.46	8.92	8.40
5.	Number of Working PSUs with arrears in accounts	39	39	41	38	39
6.	Extent of arrears	1 to 22 years	1 to 23 years	1 to 24 years	1 to 25 years	1 to 24 years

1.22 It could be seen from the above table that average arrears per PSU have marginally decreased from 8.92 in 2009-10 to 8.40 in 2010-11 which was due to increase in finalisation of accounts from 40 in 2009-10 to 50 in 2010-11. The PSUs should ensure that at least one year's account is finalised each year so as to restrict further accumulation of arrears. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and ensure that the accounts are up to date. The reasons for arrears in accounts are absence of qualified professionals in the Accounts Department, lack of effective internal controls, lack of co-ordination amongst various departments in PSUs, delay in preparation/certification of accounts by the Management/Statutory Auditors *etc.*

Non-working State Government PSUs

1.23 In addition to above, there was also arrears in finalisation of accounts by non-working PSUs. Out of 10 non-working PSUs, five PSUs had forwarded their 12 accounts after Audit by Statutory Auditor to Principal Accountant General (PAG) during the year 2010-11. Of these, six accounts of four companies were selected for supplementary audit and Non Review Certificates (NRC) were issued for remaining six accounts. All the non-working PSUs had arrears of accounts ranging from 1 to 28 years.

1.24 The State Government had invested ₹ 639.78 crore (Equity: ₹ 116.66 crore, loans: ₹ 249.61 crore, grants: ₹ 273.51 crore) in 14[•] PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it can not be ensured

[▼] Three companies have merged into one company in 2009-10 and hence the total number of companies has reduced by two in comparison to the previous year 2008-09 and 2009-10.

[•] Investment in 27 PSUs, whose accounts in arrear has been 'Nil'. The remaining eight PSUs did not furnish information about the investments made by the State Government during the years in which the accounts are in arrears.

whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.25 The administrative departments of the State Government have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit about the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up with the Additional Chief Secretary, Public Enterprises Department, Government of Assam in January 2011. In absence of audited accounts, fair view of the financial and operational performance may not be correctly evaluated for making subsequent investment, allotment of Government works as well as identification of need for revival/support of the PSUs.

1.26 In view of above state of arrears, it is recommended that:

- **the Government may set up a cell to oversee the clearance of arrears and set targets for individual companies, which would be monitored by the cell, and**
- **the Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

1.27 There were 10 non-working PSUs (all companies) as on 31 March 2011. Of these, none of the PSUs have commenced liquidation process. The number of non-working companies remained as 10 at the end of each of the past five years.

The non-working PSUs are required to be closed down, as their existence is not going to serve any purpose or else the State Government should come up with the revival package, so that these Companies could contribute to the State GDP. During 2010-11, four non-working PSUs incurred expenditure of ₹ 3.95 crore towards establishment expenditure. This expenditure was financed by the State Government (₹ 3.95 crore). Information of expenditure in respect of remaining six PSUs was not furnished to Audit.

1.28 During the year 2010-11, none of the companies/corporations were wound up. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government

may take a decision regarding winding up of the companies and may consider setting up a cell to expedite closing down its non-working companies.

Accounts comments and Internal Audit

1.29 Twenty six working companies forwarded their 52 approved accounts after Audit by Statutory Auditors to Principal Accountant General (PAG) during the period October 2010 to September 2011. Of these, 23 accounts of 21 companies were selected for supplementary audit, Non Review Certificates (NRC) has been issued for 22 accounts and the remaining seven accounts are yet to be finalised. Further, 10 companies did not submit any accounts during the period. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below:

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	2	16.01	3	41.30
2.	Increase in profit	-	-	-	-	4	60.75
3.	Decrease in loss	-	-	-	-	10	16.49
4.	Increase in loss	9	63.09	7	31.31	13	11.12
5.	Non-disclosure of material facts	1	2.20	-	-	3	11.20
6.	Errors of classification	5	465.52	10	23.75	7	49.40
Total		-	530.81	-	71.07	-	190.26

There is an increase in comments on decrease in profit, on increase in profits as well as decrease in loss in monetary terms. However, comments on errors of classification though decreased in number of accounts but increased in monetary terms compared to the year 2009-10.

1.30 During the year, the statutory auditors had given qualified certificates for 47 accounts and issued adverse certificates (which mean that accounts do not reflect a true and fair position) in respect of three accounts and disclaimer (meaning the auditors are unable to form an opinion on accounts) has been given in respect of three accounts. The compliance of Accounting Standards by the companies remained poor as there were 62 instances of non-compliance in 17 accounts during the year.

1.31 Some of the important comments in respect of accounts of companies are stated below:

Assam Power Generation Corporation Limited (2009-10)

The other income was understated by ₹ 9.80 crore due to wrong account of selling price and written down value of assets of Bongaigaon Thermal Power Station (₹ 7.61 crore) and interest earned on fixed deposit (₹ 2.19 crore). This had resulted in understatement of profit for the year by ₹ 9.80 crore.

Assam Power Generation Corporation Limited (2008-09)

Revenue account was overstated by ₹ 4.19 crore for accounting of non trading income of 'Efficiency Incentive' received from Assam State Electricity Board (ASEB) which had resulted in understatement of other income and overstatement of loss to the same extent.

Assam Electricity Grid Corporation Limited (2009-10)

(i) Reserves and Surplus represent amount receivable from Pension Trust, Government of Assam on account of terminal benefit (GPF portion) of its employees which was paid by the Company. As the liability against these payments were provided by the Board in its Revenue accounts, any reimbursement of the same, should be recognised in the accounts of the Company as income as per AS 12. The Company had instead booked the amount in the Reserve and Surplus without recognising it in the Profit and Loss accounts. This had resulted in overstatement of Reserve and Surplus by ₹ 22.60 crore with corresponding overstatement of cumulative deficit by similar amount including loss for the year by ₹ 4.68 crore.

(ii) Administration and General Expenses was overstated by ₹ 1.13 crore due to writing off of the consultancy charges paid on Assam Power Sector Development Project, which should have been capitalized. This had resulted in overstatement of loss and understatement of work in progress by ₹ 1.13 crore.

(iii) Transmission charge was understated by ₹ 1.40 crore due to short account of supplementary bills raised by Power Grid Corporation of India Limited towards wheeling charges, resulting in understatement of loss with corresponding understatement of current liabilities by ₹ 1.40 crore.

Assam Power Distribution Company Limited (formerly known as Lower Assam Electricity Distribution Company Limited) (2008-09)

Reserves and Surplus represent amount receivable from Pension Trust, Government of Assam on account of terminal benefit of its employees which was paid by the Company after unbundling of the ASEB. As the liability against these payments were provided by the ASEB in its Revenue accounts, any reimbursement of the same, should be recognised in the accounts of the Company being successor of the ASEB as income as per AS 12. The Company had instead booked the amount in the Reserve and Surplus without recognising it in the Profit and Loss accounts. This had resulted in overstatement of Reserve and Surplus by ₹ 30.17 crore with corresponding overstatement of cumulative deficit by similar amount including loss for the year by ₹ 5.90 crore.

Assam Gas Company Limited (2009-10)

The Loans and Advances head was overstated by ₹ 2.53 crore due to excess accounting of interest income as the Company had accounted ₹ 4.84 crore as interest income against accrued interest of ₹ 2.31 crore. This had also resulted in overstatement of accumulated profit by ₹ 2.31 crore.

Assam State Weaving and Manufacturing Company Limited (2009-10)

The Current Liabilities and Provision includes an amount of ₹ 4.49 crore that was sanctioned by the Government of Assam to the Company for meeting Voluntary Retirement Scheme liabilities as per Revised Scale of Pay 1998. Although the proposal for the same was submitted in the year 2009, provision for liabilities was not created. This had resulted in understatement of Current Liabilities and Provision with corresponding understatement of accumulated loss by ₹ 4.49 crore.

1.32 Similarly, four working statutory corporations forwarded five accounts to PAG during the year 2010-11. Of these, three accounts of one Statutory corporation pertained to sole audit by CAG was completed during the year. Remaining two accounts were selected for supplementary audit. The audit reports of Statutory Auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below:

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	1	10.56	-	-
2.	Decrease in loss	-	-	-	-	2	1.61
3.	Increase in loss	1	9.77	3	16.02	2	15.99
4.	Non-disclosure of material facts	-	-	-	-	1	4.08
5.	Errors of classification	-	-	2	33.33	-	-
Total		-	9.77	-	59.91	-	21.68

There had been decrease in the aggregate money value of the comments in 2010-11 as compared to the year 2009-10.

1.33 During the year, three accounts of one corporation for which CAG is the sole auditor and two accounts of two corporations for which the CAG conducts supplementary audit were issued qualified certificates by the statutory auditors.

1.34 Some of the important comments in respect of four accounts of statutory corporations are stated below:

Assam State Transport Corporation (2008-09)

(i) The plan fund as depicted in the balance sheet stood overstated by ₹ 6.21 crore being special central assistance received during 2008-09 and accounted of the same as plan fund instead of as grant. This had also resulted in understatement of grants by ₹ 6.21 crore.

(ii) The Corporation received Additional Central Assistance (ACA) ₹ 7.58 crore for construction of Inter State Bus Terminus (ISBT) at Dibrugarh and

Sivsagar till 31 March 2009 and the total expenditure incurred against the fund was ₹ 2.36 crore. However, the corporation had accounted for the total expenditure amounting to ₹ 2.04 crore wrongly incurred by way of deduction from the ACA fund. The short account of expenditure on ISBT was due to inclusion of the same in civil work expenditure. Thus, this had resulted in understatement of ACA fund by ₹ 2.04 crore and Work-in-progress (WIP) ISBT by ₹ 2.36 crore (Dibrugarh: ₹ 1.66 crore, Sivsagar: ₹ 0.70 crore) and overstatement of civil work/WIP Building by ₹ 0.32 crore.

Assam State Transport Corporation (2007-08)

The Profit and Loss Appropriation account included write-off balances of different receivables amounting to ₹ 5.90 crore and payables amounting to ₹ 13.69 crore. Since the above balances had arisen in account not as a result of errors or omission in preparation of financial statement of prior period, the same should have been shown in profit and loss account. Hence, this had resulted in overstatement of prior period adjustment account and understatement of loss for the year by ₹ 7.79 crore each.

Assam State Transport Corporation (2006-07)

The provision made by the Corporation stood understated by ₹ 7.26 crore due to short provision of ₹ 7.26 crore (Contributory Provident Fund: ₹ 7.23 crore and Group Insurance Scheme: ₹ 0.03 crore) as assessed by the Corporation. This had resulted in understatement of loss for the year by the same amount.

Assam Financial Corporation (2009-10)

The Reserve and Surplus included a sum of ₹ 74.26 crore received from Government of Assam as guarantee money for redemption of SLR Bond of which ₹ 69.75 crore was accounted by the Corporation as income as the same was adjusted against accumulated loss as decided in its Annual General Meeting (25 July 2008). Section 43 of the State Financial Corporation Act, 1951, however, does not allow accounting of money received under guarantee as income. Thus, the money received should have been retained as Capital Reserve. The wrong accounting had resulted in understatement of 'Reserve and Surplus' by ₹ 69.75 crore with corresponding understatement of accumulated loss by ₹ 69.75 crore.

1.35 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 27 companies^u for the year 2010-11 are given in the next page:

^u Sr. No. A-1,2,3,4,5,11,12,13,15,17,19,20,21,23,25,26,27,28,29,30,32,33,34,36
C-2, 7 and 9 in *Annexure – 2*.

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Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Annexure 2
1.	Absence of internal audit system commensurate with the nature and size of business of the company.	25	A-1,2,3,4,11,12,13,15,17,19,20,21,25, 26,27,28,29,30,32,33,34,36 C-2,7,9
2.	Non-maintenance of cost record	2	A-12,26
3.	Non-maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations.	21	A-,2,3,4,5,11,12,15,17,19,20,21,23,25, 28,29,30,32, C-2,7,9

Recoveries at the instance of audit

1.36 During the course of propriety audit in 2010-11, recoveries of ₹ 31.93 crore were pointed out to the Management of various PSUs, of which, recoveries of ₹ 0.56 crore were admitted by PSUs. An amount of ₹ 0.15 crore was recovered during the year 2010-11.

Status of placement of Separate Audit Reports

1.37 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Assam State Transport Corporation	2003-04	2004-05	August 2010	N.A
			2005-06	September 2010	
			2006-07	October 2010	
			2007-08	May 2011	
			2008-09	July 2011	
2.	Assam Financial Corporation	2007-08	2008-09	February 2010	N.A.
			2009-10	November 2010	

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the Legislature(s).

Disinvestment, Privatisation and Restructuring of PSUs

1.38 The audit is not aware of any disinvestment or privatization programme in any of the State PSUs.

Reforms in Power Sector

1.39 The State has Assam Electricity Regulatory Commission (AERC) formed in August 2001 under Section 17 of Electricity Regulatory Commission Act, 1998 with the objective of rationalisation of electricity tariff,

advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During the year 2010-11, AERC issued two tariff orders of which one relates to private projects where commercial operation of the project is yet to start.

1.40 Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below:

Sl. No.	Milestone	Achievement as at March 2011
1.	Reduction of Transmission and Distribution losses	28.57 per cent
2.	100 per cent electrification of all villages	New scheme for total electrification under RGGVY has been taken up and the target for 100 per cent electrification of all villages is fixed by 2012.
3.	100 per cent metering of all Distribution Feeder	Target achieved in 2007-08.
4.	100 per cent metering of all consumers	99.10 per cent consumers are metered.
5.	Securitisation of outstanding dues of Central Public Sector Undertakings	Done in 2004-05.
6.	Online computerized billing in all major towns	Computerized billing done in all major towns in stand alone system.
7.	To bring down the level of ASEB's receivable to 60 days billing	82 days