

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 while keeping in view the welfare of people. In Assam, the State PSUs occupy an important place in its economy. The working State PSUs registered a turnover of ₹ 2,879.21 crore for 2011-12 as per their latest finalised accounts as of September 2012. This turnover was equal to 2.49 *per cent* of State Gross Domestic Product (GDP) of ₹ 1,15,408 crore for 2011-12. Major activities of State PSUs are concentrated in the Power sector. The State working PSUs incurred a loss of ₹ 575.68 crore in aggregate for 2011-12 as per their latest finalised accounts as on 30 September 2012. They had employed 36,069* employees as on 31 March 2012.

1.2 As on 31 March 2012, there were 51 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 | 37** | 10 | 47 |
| Statutory corporations | 04 | - | 04 |
| Total | 41 | 10 | 51 |

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.

* As per the details provided by 45 PSUs. Remaining six PSUs did not furnish the details and hence the manpower position for the previous year was taken wherever applicable.

§ Assam Petrochemicals Limited

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

**A new company i.e. Assam Minorities Development and Finance Corporation Limited added during the year (incorporated 27 February 1997 under section 25 of the Companies Act, 1956).

* There is no deemed Government Company under the purview of section 619 B of the Companies Act, 1956 in Assam as on 30 September 2012.

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 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 Assam State Electricity Board and Assam State Transport Corporation. In respect of Assam State Warehousing Corporation and Assam Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

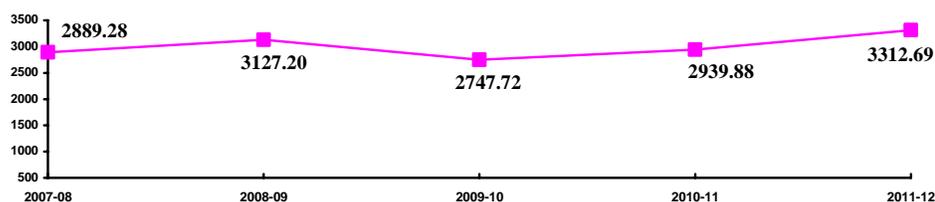
Investment in State PSUs

1.6 As on 31 March 2012, the investment (capital and long-term loans) in 51 PSUs was ₹ 3,312.69 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 | 1258.32 | 1477.16 | 2735.48 | 522.58 | 14.00 | 536.58 | 3272.06 |
| Non-working PSUs | 26.70 | 13.93 | 40.63 | - | - | - | 40.63 |
| Total | 1285.02 | 1491.09 | 2776.11 | 522.58 | 14.00 | 536.58 | 3312.69 |

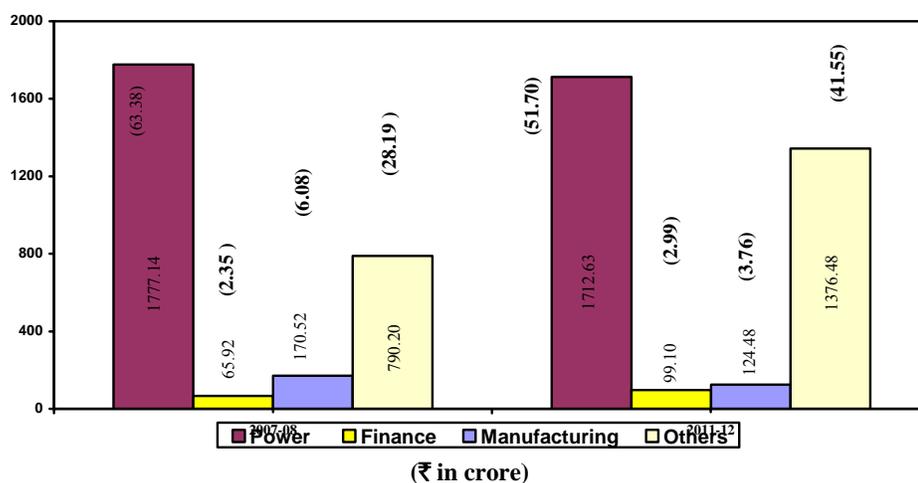
A summarised position of government investment in State PSUs is detailed in *Annexure 1*.

1.7 As on 31 March 2012, of the total investment in State PSUs, 98.77 *per cent* was in working PSUs and the remaining 1.23 *per cent* in non-working PSUs. This total investment consisted of 54.57 *per cent* towards capital and 45.43 *per cent* in long-term loans. The investment had grown up by 14.65 *per cent* from ₹ 2889.28 crore in 2007-08 to ₹ 3312.69 crore in 2011-12 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 2008 and 31 March 2012 are indicated below in the bar chart. As compared to the investment in 2007-08, investment in 2011-12 has increased in the finance (₹ 33.18 crore) and other sectors (₹ 586.67 crore) whereas investment in manufacturing and power sector has decreased by ₹ 46.04 crore and ₹ 64.51 crore respectively. Despite said decrease in the investment, the power sector remained the major sector of the State PSUs with 51.70 per cent of total investments in this sector.



(Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

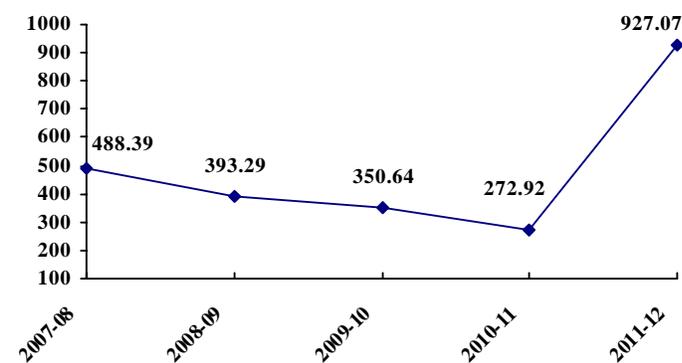
1.9 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantee commitment and loans written off in respect of State PSUs are given in *Annexure 3*. The summarised details for three years ended 2011-12 are given below:

(Amount ₹ in crore)

| Sl. No. | Particulars | 2009-10 | | 2010-11 | | 2011-12 | |
|---------|-------------------------------------|-------------|--------|-------------|--------|-------------|--------|
| | | No. of PSUs | Amount | No. of PSUs | Amount | No. of PSUs | Amount |
| 1. | Equity Capital outgo from budget | - | - | 2 | 39.54 | 3 | 86.17 |
| 2. | Loans given from budget | 8 | 220.98 | 6 | 152.06 | 2 | 316.58 |
| 3. | Grants/Subsidy | 8 | 129.66 | 12 | 81.32 | 13 | 524.32 |
| 4. | Total Outgo (1+2+3)* | 13 | 350.64 | 17 | 272.92 | 14 | 927.07 |
| 5. | Loans written off | 6 | 155.79 | - | - | 1 | 3.77 |
| 6. | Interest/Penal Interest written off | - | - | - | - | 1 | 2.43 |
| 7. | Total Waiver | 6 | 155.79 | - | - | 1 | 6.20 |
| 8. | Guarantee Commitment | 3 | 46.93 | 4 | 45.53 | 3 | 38.90 |

* Actual number of companies, which received equity, loans, grants/subsidies from the State Government.

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



**Budgetary outgo towards Equity, Loans and Grants/Subsidies
(₹ in crore)**

It may be observed that the budgetary outgo to the state PSUs in the form of equity, loans, grants/subsidies, etc. gradually decreased from ₹ 488.39 crore (2007-08) to ₹ 272.92 crore (2010-11). The budgetary outgo, however, increased significantly to ₹ 927.07 crore in 2011-12 mainly due to extension of loan (₹ 315.09 crore) and grants (₹ 454.79 crore) by the State Government to three State power sector PSUs during the year.

1.11 The amount of Guarantees outstanding had also decreased from ₹ 46.93 crore (2009-10) to ₹ 38.90 crore (2011-12).

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 2012 is stated below:

| Outstanding in respect of | Amount as per Finance Accounts | Amount as per records of PSUs | Difference |
|---------------------------|--------------------------------|-------------------------------|------------|
| | (₹ in crore) | | |
| Equity | 2062.12 [†] | 1626.41 | 435.71 |
| Loans | 69.14 ^ψ | 961.24 | 892.10 |
| Guarantees | 134.52 ^μ | 38.90 | 95.62 |

[†] Amount outstanding against equity was for 29 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 against six PSUs.

1.13 Audit observed that the differences existed in respect of all the 51 PSUs. Some of the differences were pending reconciliation since 1986-87. The Principal Accountant General (PAG) had also written (June 2011 and May 2012) to the Chief Secretary, Principal Secretaries to Government of Assam (GoA), Public Enterprise Department (GoA) and to the concerned State PSUs highlighting the issue of long pending differences for early reconciliation. No significant progress was, however, noticed in this direction. The Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

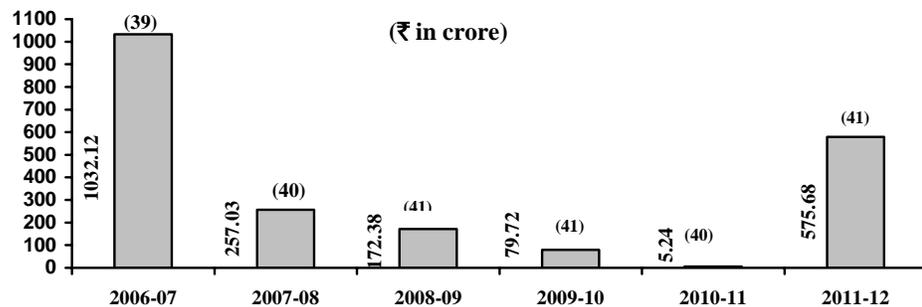
Performance of PSUs

1.14 The financial results of PSUs, financial position and working results of working Statutory corporations as per their latest finalised accounts as on 30 September 2012 are detailed in *Annexure 2, 5 and 6* respectively. A ratio of working State PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2006-07 to 2011-12.

| Particulars | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|-------------------------------------|------------|----------|----------|----------|----------|----------|
| | ₹ in crore | | | | | |
| Turnover [∞] | 1,153.83 | 2,036.24 | 2,766.90 | 3,519.57 | 2,644.44 | 2879.21 |
| State GDP | 65,033 | 72,700 | 77,506 | 88,023 | 1,04,218 | 1,15,408 |
| Percentage of Turnover to State GDP | 1.77 | 2.80 | 3.57 | 4.00 | 2.54 | 2.49 |

The State GDP showed continuous growth during the years from 2006-07 to 2011-12. The turnover of State working PSUs correspondingly showed an increasing trend during the period except during the year 2010-11 and 2011-12. As a result, the percentage of the turnover to State GDP increased upto the year 2009-10 from 1.77 per cent (2006-07) to 4 per cent (2009-10) and reduced thereafter to 2.49 per cent during 2011-12.

1.15 Profits earned/losses incurred by State working PSUs during 2006-07 to 2011-12 are given below in a bar chart.



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

Legend:
 Overall Losses incurred by working PSUs as per their latest finalised accounts.
 Overall profits earned by working PSUs as per their latest finalised accounts.

[∞] Turnover of working PSUs as per the latest finalised accounts as of 30 September 2012.

The overall losses of the State working PSUs showed decreasing trend since 2006-07 and turned into profit of ₹ 5.24 crore during 2010-11. This improvement was mainly because of decrease in overall losses of the power sector from ₹ 1,011.28 crore in 2006-07 to ₹ 11.33 crore in 2010-11. The overall working result of the State working PSUs had again shown losses of ₹ 575.68 crore during 2011-12 mainly due to losses of ₹ 599.19 crore incurred by three power sector companies. During the year 2011-12, out of 41 working PSUs, 15 PSUs earned profit of ₹ 78.57 crore and 22 PSUs incurred loss of ₹ 654.25 crore. Further, out of remaining four State PSUs, two PSUs[‡] have not started commercial activities, while one company[§] had not finalised its first accounts. One PSU^{**} had shown no profit/loss in its latest finalised accounts as its activities were transferred to newly formed companies. The major contributors to profit were Assam Gas Company Limited (₹ 49.77 crore) and Assam State Minor Irrigation Corporation Limited (₹ 14.32 crore). Heavy losses were incurred by Assam Power Distribution Company Limited (₹ 495.43 crore), Assam Electricity Grid Corporation Limited (₹ 54.12 crore), Assam Power Generation Corporation Limited (₹ 49.64 crore) and Assam State Transport Corporation (₹ 24.34 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 ₹ 1,831.01 crore and infructuous investment of ₹ 3.21 crore which were controllable with better management. Year-wise details from Audit Reports are stated below:

| Particulars | 2009-10 | 2010-11 | 2011-12 | Total |
|--|--------------|---------|-----------|-----------|
| | (₹ in crore) | | | |
| Net loss (-)/ Net Profit | (-79.72) | 5.24 | (-575.68) | (-650.16) |
| Controllable losses as per C&AG's Audit Report | 976.42 | 666.40 | 188.19 | 1831.01 |
| Infructuous Investment | - | 3.21 | - | 3.21 |

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 might be much more. 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.

[‡] Assam Powerloom Development Corporation Limited and Pragiyotish Fertilisers and Chemicals Limited (Sl. No. A-17 and 29 of *Annexure-2*)

[§] Assam Minorities Development and Finance Corporation Limited (Sl. No. A-10 of *Annexure-2*)

^{**} Assam State Electricity Board (ASEB)

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

| Particulars | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|--|--------------|--------------------------|-------------|------------|------------|------------|
| | (₹ in crore) | | | | | |
| Return on Capital Employed (<i>Per cent</i>) | (-) 64.80 | (-) 5.94 | (-) 2.11 | (+) 2.82 | (+) 2.97 | (-)7.43 |
| Debt | 1421.16 | 1579.94 | 1554.31 | 1433.45 | 1217.87 | 1505.09 |
| Turnover [†] | 1153.83 | 2036.24 | 2766.90 | 3519.57 | 2644.44 | 2879.21 |
| Debt/ Turnover Ratio | 1.23:1 | 0.78:1 | 0.56:1 | 0.41:1 | 0.46:1 | 0.52:1 |
| Interest Payments | 101.55 | 111.48 | 112.84 | 201.81 | 105.13 | 166.49 |
| Accumulated losses (-) | (-) 6485.11 | (-) 1122.44 [⊕] | (-) 1102.85 | (-)1278.52 | (-)1091.09 | (-)2248.10 |

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

1.19 From the table, it may be noticed that the percentage of returns on capital employed continuously improved till 2010-11 when it reached (+) 2.97 *per cent*. The percentage of returns, however, deteriorated to (-) 7.43 *per cent* during 2011-12. This was mainly due to variations in the working results of the State power sector PSUs during the corresponding periods. It could also be seen from the above table that the accumulated losses have significantly reduced from ₹ 6,485.11 crore (2006-07) to ₹ 2,248.10 crore (2011-12).

The debt turnover ratio had improved gradually from 1.23:1 in 2006-07 to 0.41:1 in 2009-10 but increased thereafter and reached to 0.52:1 (2011-12) due to increase in debt by ₹ 287.22 crore during 2011-12.

1.20 The matter regarding the payment of minimum dividend by the State PSUs and the policy of the GoA in this regard had been taken up with the Secretary of Finance Department and the Principal Secretary and Commissioner of Public Enterprises Department of the GoA. No response was, however, received from these Departments on the issue. As per their latest finalised accounts as on 30 September 2012, 15 working PSUs earned an aggregate profit of ₹ 78.57 crore and only one* PSU declared dividend of ₹ 1.27 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.

[†] Turnover of working PSUs as per the latest finalised accounts as of 30 September 2012.

[⊕] Decrease in accumulated loss in 2007-08 compared to 2006-07 was mainly due to financial restructuring of ASEB.

* Assam Gas Company Ltd.

Similarly, in case of Statutory corporations, their accounts are finalised, 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 2012.

| Sl. No. | Particulars | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---------|---|---------------|---------------|---------------|---------------|-------------------|
| 1. | Number of Working PSUs | 40 | 41 | 39* | 40 | 41 |
| 2. | Number of accounts finalised during the year | 43 | 36 | 51 | 57 | 62 |
| 3. | Number of accounts in arrears | 352 | 357 | 345 | 328 | 322 ^{††} |
| 4. | Average arrears per PSU (3 ÷ 1) | 8.80 | 8.71 | 8.85 | 8.20 | 7.85 |
| 5. | Number of Working PSUs with arrears in accounts | 39 | 41 | 38 | 39 | 37 |
| 6. | Extent of arrears | 1 to 23 years | 1 to 24 years | 1 to 25 years | 1 to 24 years | 1 to 25 years |

1.22 It could be seen from the above table that average arrear per PSU has decreased from 8.80 in 2007-08 to 7.85 in 2011-12. It was mainly due to continuous increase in the number of accounts finalised each year during 2007-08 (43 accounts) to 2011-12 (62 accounts). There were, however, still arrears of 322 accounts of 37 PSUs as on 30 September 2012. Thus, concrete steps should be taken by the companies for preparation of accounts as per the statutory requirements with special focus on clearance of arrears in time bound manner.

Non-working State Government PSUs

1.23 In addition to above, there was also arrears in finalisation of accounts by non-working PSUs. None of the 10 non-working PSUs (all companies), has started the process of liquidation. The 10 non-working PSUs had arrears of accounts ranging from 1 to 29 years.

1.24 The State Government had invested ₹ 875.17 crore (Equity: ₹ 93.30 crore, loans: ₹ 174.73 crore, grants: ₹ 607.14 crore) in 17 PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. 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

* 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.

†† This includes 15 arrear accounts of newly added Company i.e. Assam Minorities Development and Finance Corporation Limited.

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, regarding 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 (December 2011/May 2012) with the Chief Secretary, Government of Assam for clearing the backlog of arrears in accounts in a time bound manner, no significant development was, however, noticed in this direction.

1.26 In view of above state of arrears it is recommended that the Government should monitor and ensure timely finalisation of accounts in conformity with the provisions of the Companies Act, 1956.

Winding up of non-working PSUs

1.27 There were 10 non-working PSUs (all companies) as on 31 March 2012. The non-working PSUs are required to be closed down, as their existence is not going to serve any purpose. During 2011-12, four non-working PSUs incurred expenditure of ₹ 0.22 crore towards establishment expenditure. This expenditure was financed by the State Government. Information of expenditure in respect of remaining six PSUs was not furnished to Audit.

Accounts Comments and Internal Audit

1.28 Twenty five working companies forwarded their 56 audited accounts to PAG during the period October 2011 to September 2012. Of these, 43 accounts were selected for supplementary audit and audit of 39 accounts was completed while audit of remaining four accounts was in progress (October 2012). 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 | 2009-10 | | 2010-11 | | 2011-12 | |
|--------------|----------------------------------|-----------------|--------------|-----------------|---------------|-----------------|---------------|
| | | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| 1. | Decrease in profit | 2 | 16.01 | 3 | 41.30 | 9 | 6.01 |
| 2. | Increase in loss | 7 | 31.31 | 13 | 11.12 | 15 | 174.41 |
| 3. | Non-disclosure of material facts | -- | -- | 3 | 11.20 | -- | -- |
| 4. | Errors of classification | 10 | 23.75 | 7 | 49.40 | 6 | 16.76 |
| Total | | - | 71.07 | - | 113.02 | - | 197.18 |

1.29 During the year, the statutory auditors had given qualified certificates for 49 accounts and disclaimer (meaning the auditors are unable to form an opinion on accounts) has been given in respect of seven accounts in respect of working Government companies. The compliance of companies with the

Accounting Standards remained poor as there were 145 instances of non-compliance in 22 accounts during the year.

1.30 Gist of some of the important comments in respect of accounts of companies is stated below:

Assam Electricity Grid Corporation Limited (2010-11)

Liability against interest accrued and due on Government Loan amounting to ₹ 6.63 crore during the year 2010-11 was not accounted resulting in understatement of loss for the year to that extent.

Assam Petrochemicals Limited (2010-11)

(i) The Company provided a liability of ₹ 0.52 crore towards Gratuity Cash Accumulation Fund as against the actual liability of ₹ 4.64 crore. This resulted in understatement of provisions as well as the loss for the year by ₹ 4.12 crore each.

(ii) As against actuarial valuation of Group Leave Encashment liabilities of ₹ 1.84 crore, the Company provided only ₹ 0.81 crore resulting in understatement of Current liabilities as well as loss for the year by ₹ 1.03 crore each.

Assam Power Generation Corporation Limited (2010-11)

(i) During 2010-11, Company did not account for the efficiency incentive of 25 paise per unit receivable by it. This has resulted in understatement of receivable as well as profit for the year by ₹ 6.24 crore each.

(ii) Short accounting of income by the Company against accrued interest (₹ 3.68 crore) on Fixed Deposits resulted in understatement of profit for the year to the same extent.

Assam Power Distribution Company Limited (2009-10)

The Company did not recognise supplementary power purchase bills amounting to ₹ 107 crore claimed by different parties for the year 2009-10 which was inconsistent with AS-4 resulting in understatement of loss as well as Current Liabilities by ₹ 107 crore each.

Assam Police Housing Corporation Limited (2007-08)

The Company did not account for commission at the rate of 12 *per cent* on completed works of ₹ 22.25 crore during the year. This correspondingly resulted in understatement of profit for the year by ₹ 2.67 crore.

1.31 Similarly, four^ϕ working Statutory corporations forwarded six accounts to PAG during the period from October 2011 to September 2012. Of these, three accounts of two Statutory corporations pertained to sole audit by

^ϕ Sl. No.B-1,2,3 and 4 of *Annexure-2*.

CAG, which was completed. Remaining three accounts of other two corporations were selected for supplementary audit and audit of two accounts was completed (September 2012). 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 | 2009-10 | | 2010-11 | | 2011-12 | |
|---------|----------------------------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|
| | | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| 1. | Decrease in profit | 1 | 10.56 | - | - | - | - |
| 2. | Increase in loss | 3 | 16.02 | 2 | 15.99 | 2 | 16.62 |
| 3. | Non-disclosure of material facts | - | - | 1 | 4.08 | - | - |
| 4. | Errors of Classification | 2 | 33.33 | - | - | - | - |
| | Total | - | 59.91 | - | 20.07 | - | 16.62 |

1.32 During the year, all three accounts of two Statutory corporations for which CAG is the sole auditor as well as two accounts of two Statutory corporations for which the CAG conducts supplementary audit were issued qualified certificates.

1.33 Some of the important comments in respect of the accounts of Statutory corporations are stated below:

Assam State Transport Corporation (2009-10)

While reconciling ONGC's balances, an amount of ₹ 0.55 crore was accounted twice by the Company as receivable from ONGC. This resulted in overstatement of Sundry Debtors with corresponding understatement of Loss by ₹ 0.55 crore each.

Assam Financial Corporation (2010-11)

The Corporation received a sum of ₹ 74.26 crore received from GoA as guarantee money for redemption of SLR Bond and accounted the same as revenue income in violation of the provisions of the SFC Act, 1951. The amount so received by the Corporation should have been prudently accounted as 'Capital Reserve'.

1.34 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 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 15 companies^u for the year 2011-12 are given in the table below:

| 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 Control system commensurate with the nature and size of business of the company | 5 | A-1, 3, 25, 36 and C-7 |
| 2. | Absence of internal audit system commensurate with the nature and size of business of the company | 12 | A-2, 3, 12, 13, 16, 18, 22, 23, 31, 32, 33 and 36 |
| 3. | Non-maintenance of cost record | 2 | A-13 and 32 |
| 4. | 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 | 11 | A-1, 2, 3, 13, 16, 18, 22, 23, 31, 33 and C-7 |

Recoveries at the instance of audit

1.35 During the course of transaction audit in 2011-12, recoveries of ₹ 0.80 crore were pointed out to the Management of various PSUs, which were admitted by PSUs. An amount of ₹ 0.42 crore was recovered during the year 2011-12.

Status of placement of Separate Audit Reports

1.36 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 | 2008-09 | 2009-10 | 29 June 2012 | Delay in printing of Annual Report. |

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.

Disinvestment, Privatisation and Restructuring of PSUs

1.37 The audit is not aware of any disinvestment or privatisation programme in any of the State PSUs.

^u Serial No. A-1, 2, 3, 12, 13, 16, 18, 22, 23, 25, 31, 32, 33, 36 and C-7 of *Annexure 2*

Reforms in Power Sector

1.38 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 2011-12, AERC issued two tariff orders of which one relates to private projects.

1.39 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 as shown below:

| Sl. No. | Milestone | Achievement as at March 2012 |
|---------|--|---|
| 1. | Reduction of Transmission and Distribution losses to 22 <i>per cent</i> | 29.72 <i>per cent</i> |
| 2. | 100 <i>per cent</i> electrification of all villages | 93.83 <i>per cent</i> |
| 3. | 100 <i>per cent</i> metering of all Distribution Feeder | Target achieved in 2007-08 |
| 4. | 100 <i>per cent</i> metering of all consumers | 99.70 <i>per cent</i> 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 | Pilot project of Nagaon District under progress and expected to be completed by January 2013. |
| 7. | To bring down the level of ASEB's receivable to 60 days billing | ASEB's receivables were equivalent to 82 days billing. |

From the table above, it may be noticed that even after lapse of more than 12 years of signing the MoU, the milestones set under the power sector reforms programme could not be fully achieved in five out of seven identified areas.