

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 the state economy. The State PSUs registered a turnover of Rs.2,769.48 crore for 2008-09 as per their latest finalised accounts as of September 2009. This turnover was equal to 3.57[♦] *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Assam State PSUs are concentrated in power and transport sectors. The State PSUs incurred a loss of Rs.180.02 crore in aggregate for 2008-09 as per their latest finalised accounts. They had employed 41,920^{*} employees as of 31 March 2009.

1.2 As on 31 March 2009, 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

1.3 During the year 2008-09 neither any new PSU was established nor any PSU was closed down.

Audit Mandate

1.4 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.

[♦] GDP for 2008-09 Rs.77,506 crore.

^{*} As per the details provided by 29 PSUs. Remaining 22 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.

[▼] There is no 619-B Company.

1.5 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 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.

1.6 Audit of statutory corporations is governed by their respective legislations. Out of four statutory corporations, 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.

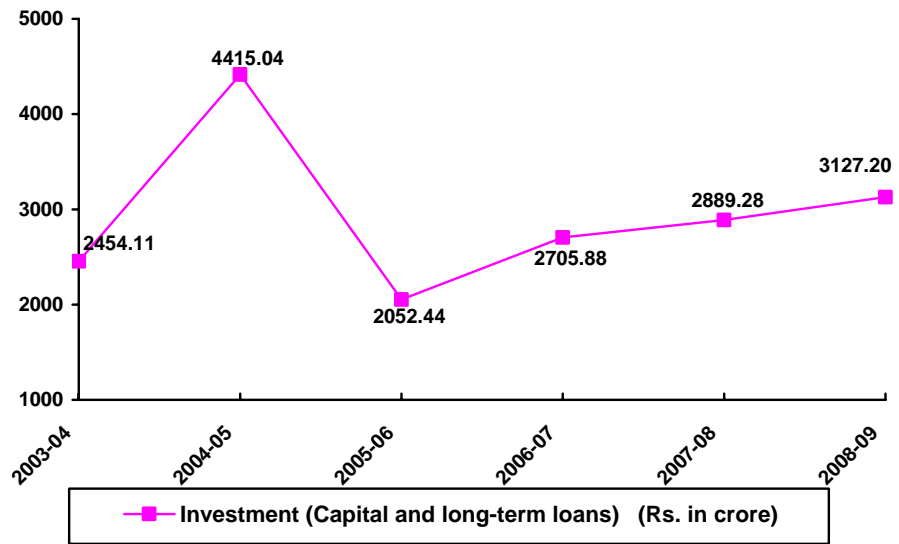
Investments in State PSUs

1.7 As on 31 March 2009, the investment (capital and long-term loans) in 51 PSUs was Rs.3,127.20 crore as *per* details given below.

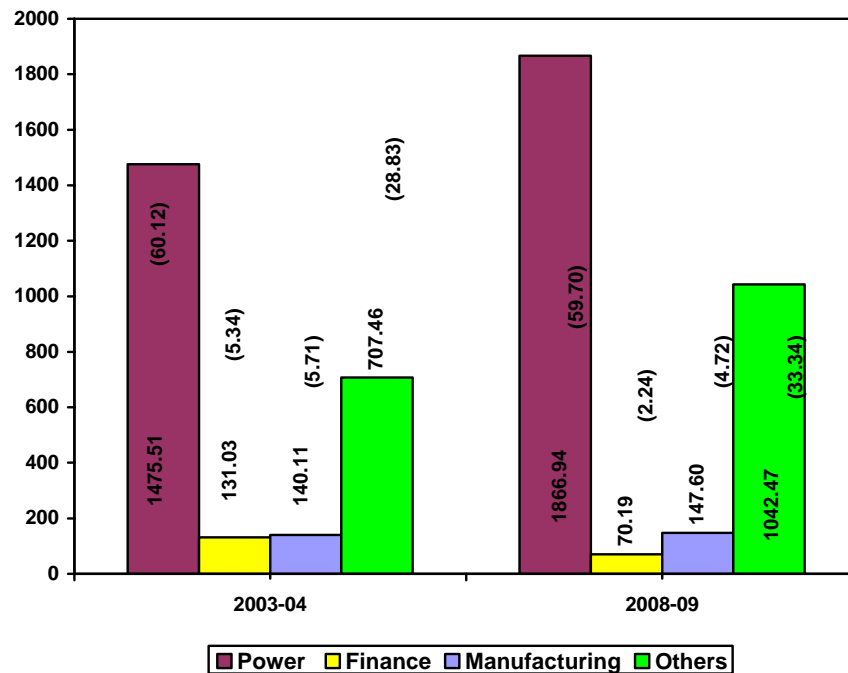
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
	(Rupees in crore)						
Working PSUs	1024.92	1342.79	2367.71	521.27	177.22	698.49	3066.20
Non-working PSUs	26.70	34.30	61.00	-	-	-	61.00
Total	1051.62	1377.09	2428.71	521.27	177.22	698.49	3127.20

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

1.8 As on 31 March 2009, of the total investment in State PSUs, 98.05 *per cent* was in working PSUs and the remaining 1.95 *per cent* in non-working PSUs. This total investment consisted of 50.30 *per cent* towards capital and 49.70 *per cent* in long-term loans. The investment has grown by 27.43 *per cent* from Rs.2,454.11 crore in 2003-04 to Rs.3,127.20 crore in 2008-09 as shown in the graph below.



The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart. As compared to the investment in 2003-04 investment in 2008-09 has increased in the Power, Manufacturing and Other sector whereas investment in Finance sector has decreased.



(Rupees in crore)

(Figures in brackets show the percentage of total investment)

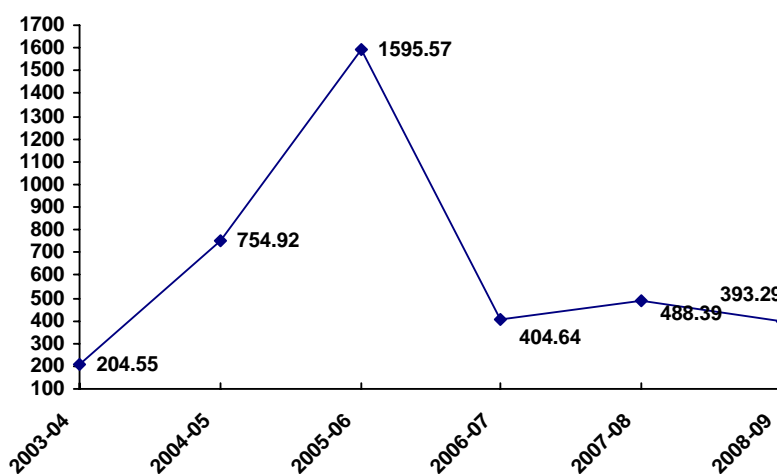
Budgetary outgo, grants/subsidies, guarantees and loans

1.9 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure 3**. The summarised details for three years ended 2008-09 are given below.

(Amount Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	0.92	6	2.05	3	5.70
2.	Loans given from budget	10	148.34	12	183.26	8	65.82
3.	Grants/Subsidy received	10	255.38	9	303.08	13	321.77
4.	Total Outgo (1+2+3)	16*	404.64	18*	488.39	20*	393.29
5.	Loans converted into equity	-	-	-	-	-	-
6.	Loans written off	1	5.43	1	1.70	-	-
7.	Interest/Penal interest written off	1	4.24	-	-	-	-
8.	Total Waiver (6+7)	-	9.67	-	1.70	-	-
9.	Guarantees issued	-	-	-	-	-	-
10.	Guarantee Commitment	7	263.74	5	286.73	2	84.84

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



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

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

1.11 The amount of Guarantees outstanding in the year 2006-07 was Rs.263.74 crore which increased to Rs.286.73 crore in the year 2007-08. The Guarantees outstanding, however, decreased to Rs.84.84 crore in the year 2008-09.

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 2009 is stated below.

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
	(Rupees in crore)		
Equity	1964.17	1572.89	391.28
Loans	68.56	1554.31	1485.75
Guarantees	623.36	84.84	538.52

1.13 Audit observed that the differences occurred in respect of 51 PSUs and some of the differences were pending reconciliation since 1986-87. The matter was taken up with the Principal Secretary, Public Enterprises Department of Government of Assam (November 2009).

Performance of PSUs

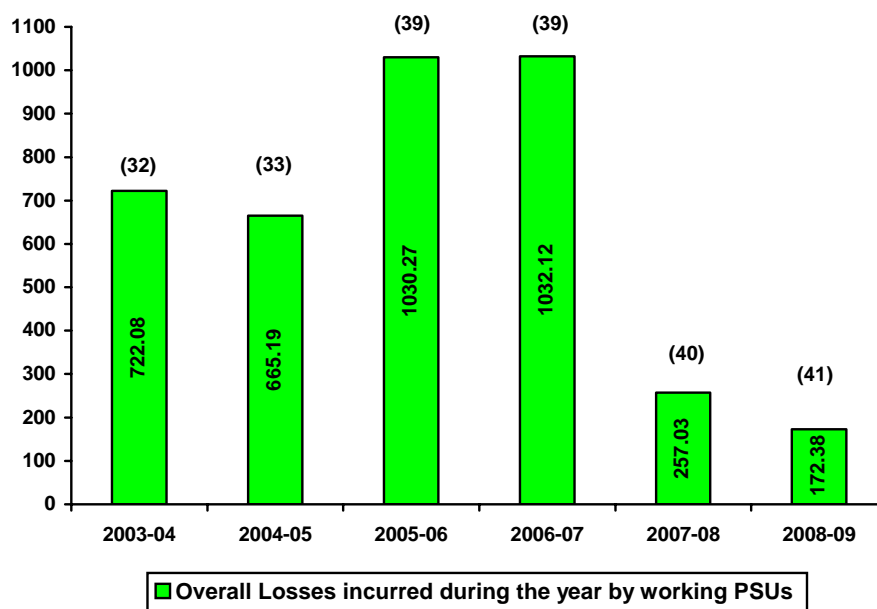
1.14 The financial results of PSUs, financial position and working results of working statutory corporations are detailed in *Annexure 2, 5 and 6* respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2003-04 to 2008-09.

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
	(Rupees in crore)					
Turnover [∞]	1,104.48	1,112.34	1,187.84	1,153.83	2,036.24	2,766.90
State GDP	47,191	52,920	57,543	65,033	72,700	77,506
Percentage of Turnover to State GDP	2.34	2.10	2.06	1.77	2.80	3.57

The percentage of turnover to the State GDP has marginally increased owing to marginal increase in turnover in State PSUs in Power sector.

1.15 Losses incurred by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.

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



(Rupees in crore)

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

The sharp decrease in the losses from 2006-07 onwards upto 2008-09 has been mainly because of decrease in overall losses of the power sector from Rs.1,011.28 crore in 2006-07 to Rs.155.31 crore in 2008-09. During the year 2008-09, out of 41 working PSUs nine PSUs earned profit of Rs.39.05 crore and 32 PSUs incurred loss of Rs.211.43 crore. No working PSUs prepared their accounts on a 'no profit no loss' basis. The major contributors to profit were Assam Gas Company Limited (Rs.18.08 Crore), Assam Petrochemicals Limited (Rs.9.07 crore), Assam Financial Corporation (Rs.6.05 crore). The heavy losses were incurred by Assam Electricity Grid Corporation Limited (Rs.68.80 crore), Central Assam Electricity Distribution Company Limited (Rs.38.91 crore).

1.16 The losses of PSUs are 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 Rs.200.63 crore and infructuous investment of Rs.26.22 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

Particulars	2006-07	2007-08	2008-09	Total
	(Rupees in crore)			
Net loss (-)	(-) 1,032.12	(-) 257.03	(-) 172.38	(-) 1,461.53
Controllable losses as per CAG's Audit Report	83.60	76.98	40.05	200.63
Infructuous Investment	0.74	2.74	22.74	26.22

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	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (Per cent)	(-) 27.30	(-) 30.18	(-) 69.53	(-) 64.80	(-) 5.94	(-) 2.11
Debt	624.74	2598.48	792.54	1421.16	1579.94	1554.31
Turnover [†]	1104.48	1112.34	1187.84	1153.83	2036.24	2766.90
Debt/ Turnover Ratio	0.57:1	2.34:1	0.67:1	1.23:1	0.78:1	0.56:1
Interest Payments	294.52	288.60	96.12	101.55	111.48	112.84
Accumulated losses (-)	(-) 4593.02	(-) 5268.40	(-) 6465.55	(-) 6485.11	(-) 1122.44	(-) 1102.85

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

1.19 The ratio of debt to turnover has come down from 0.78:1 in 2007-08 to 0.56:1 in 2008-09. The debt turnover ratio is not showing any specific increasing or decreasing trend. Accumulated losses have come down from Rs.5,268.40 from 2004-05 to Rs.1,102.85 in 2008-09.

1.20 Though the Audit is not aware of any specific policy of the Government of Assam regarding the payment of minimum dividend by the State PSUs yet for confirmation the matter has been taken up with the Secretary of Finance and the Secretary and Commissioner of Public Enterprises Department of the Government of Assam. As per their latest finalised accounts, nine PSUs earned an aggregate profit of Rs.39.05 crore and two PSUs declared dividend of Rs.2.18 crore.

Performance of major PSUs

1.21 The investment in working PSUs and their turnover together aggregated to Rs.5,833.10 crore during 2008-09. Out of 41 working PSUs, the following seven PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These seven

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

PSUs together accounted for 84.89 *per cent* of aggregate investment *plus* turnover.

PSU Name	Investment	Turnover	Total (2) +(3)	Percentage to Aggregate Investment <i>plus</i> Turnover
	(Rupees in crore)			
(1)	(2)	(3)	(4)	(5)
Assam Power Generation Company Limited	859.78	152.91	1012.69	17.36
Assam Electricity Grid Company Limited	338.10	191.18	529.28	9.07
Lower Assam Electricity Distribution Company Limited	165.75	512.84	678.59	11.63
Upper Assam Electricity Distribution Company Limited	257.35	367.31	624.66	10.71
Central Assam Electricity Distribution Company Limited	146.12	301.74	447.86	7.68
Assam State Transport Corporation	568.11	24.63	592.74	10.16
Assam State Electricity Board	99.84	966.39	1066.23	18.28
Total	2435.05	2517.00	4952.05	84.89

Some of the major audit findings of past five years for above PSUs are stated in the succeeding paragraphs.

Assam Power Generation Corporation Limited

1.22 The Company has submitted the accounts upto 2007-08. The Company had arrear of one year's accounts.

1.23 The Company has earned profit of Rs.0.93 crore as per its accounts of 2007-08 against loss incurred amounting Rs.18 crore as per its accounts of 2006-07.

1.24 The following are the major findings from last five years audit reports.

Deficiencies in implementation.

The Karbi-Langpi Hydro-electric project (100 MW) sanctioned in September 1979 at a cost of Rs.36.36 crore was completed in March 2007 at a cost of Rs.414 crore.

(Audit Report 2007-08 Para 2.1)

Deficiencies in monitoring.

Absence of monitoring at the desired level of Karbi Langpi Hydro Electric Project resulted in delay of 12 months in execution.

(Audit Report 2007-08 Para 2.15)

Assam Electricity Grid Corporation Limited

1.25 The Company has submitted the accounts upto 2007-08. The Company had arrear of one year's accounts.

1.26 The losses of the Company have decreased from Rs.68.80 crore in 2006-07 to Rs.58.84 crore in 2007-08.

Lower Assam Electricity Distribution Company Limited.

1.27 The Company has finalised its accounts upto 2007-08. The company had arrear of one year accounts.

1.28 The losses of the Company has decreased from Rs.28.46 crore in 2005-06 to Rs.8.62 crore in 2007-08.

Upper Assam Electricity Distribution Company Limited.

1.29 The company has finalised its accounts upto 2007-08. The Company had arrear of one year's accounts.

1.30 The losses of the company have decreased from Rs.22.21 crore in 2005-06 to Rs.16.20 crore in 2007-08.

Central Assam Electricity Distribution Company Limited.

1.31 The company has finalised its accounts upto 2007-08. The Company had arrear of one year's accounts.

1.32 The losses of the company has increased from Rs.15.25 crore in 2005-06 to Rs.38.91 crore 2007-08.

Assam State Transport Corporation

1.33 The Corporation had arrears of accounts for five years as of September 2009. The arrears were for four years as of September 2006. The arrears have increased in spite of a separate accounts department. The Corporation has failed to take adequate initiative to keep its accounts upto date.

1.34 **The following are the major findings from last five years audit reports**

Deficiencies in implementation.

The Corporation sustained a loss of Rs.1.03 crore due to non-adherence of terms and conditions of the agreement regarding imposition of penalty on defaulting private owners for failure to give prior notice about non placement of buses.

(Audit Report 2006-07 Para 4.8)

Non-achievement of Objectives.

The Corporation un-authorisedly diverted funds of Rs.5.51 crore meant for implementation of Voluntary Retirement Scheme towards payment of salary arrear, HDFC loan and LIC premium.

(Audit Report 2005-06 Para 3.10)

Assam State Electricity Board

1.35 The Board has finalised its accounts upto 2007-08. The Board had arrear of one year's accounts.

1.36 The losses of the Board have decreased from Rs.130.59 crore in 2006-07 to Rs.4.78 crore in 2007-08.

1.37 **The following are the major findings from last five years audit reports.**

Deficiencies in monitoring.

Non-observance of stipulated rules to take timely action against the defaulting consumers by the Board resulted in accumulation of arrears of Rs.13.97 crore which remained un-realised.

(Audit Report 2005-06 Para 4.7)

Non-achievement of Objectives.

Out of capital receipt meant for execution of different schemes/projects, the Board diverted Rs.311.88 crore for working capital purpose.

(Audit Report 2003-04 Para 3.3.11)

Deficiencies in Financial Management.

(i) Due to delay in release of funds to ASEB for the implementation of Accelerated Power Development Reform Programme, the Government of Assam was liable to pay penal interest of Rs.13.43 crore.

(Audit Report 2006-07 Para 3.8.1)

(ii) Due to failure on the part of the Board to generate working capital, it could not repay its power purchase liabilities and interest liabilities in time and had to incur additional expenditure of Rs.132.39 crore towards penal interest on loan and Rs.384.97 crore towards delayed payment surcharge on power purchase bills during 1998-99 to 2002-03.

(Audit Report 2003-04 Para 3.3.1)

Conclusion

1.38 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs. Audit has taken up the matter with the Secretary of Finance and the Secretary and Commissioner of Industries.

Arrears in finalisation of accounts

1.39 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, 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 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	33	39	39	40	41
2.	Number of accounts finalised during the year	25	33	21	36	30
3.	Number of accounts in arrears	302	313	331	336	347
4.	Average arrears per PSU (3/1)	9.15	8.03	8.49	8.40	8.46
5.	Number of Working PSUs with arrears in accounts	33	39	39	39	41
6.	Extent of arrears	1 to 20 years	1 to 21 years	1 to 22 years	1 to 23 years	1 to 24 years

1.40 In addition to above, there was also the arrears in finalisation of accounts by non-working PSUs. Out of 10 non-working PSUs, none had gone into liquidation process. All the non-working PSUs had arrears of accounts ranging from 2 to 26 years.

1.41 The State Government had invested Rs.498.08 crore (Equity: Rs.2.79 crore, loans: Rs.137.61 crore, grants: Rs.357.68 crore) in 11* 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 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.

1.42 The administrative departments 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, of 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 Finance Secretary and concerned PSUs *vide* letters on August 2009 and March 2009 respectively. It was suggested that i) a cell in the Finance department may be created for overseeing the clearance of accounts by an individual company within a time bound programme, ii) preparation of one account for entire period in case of non-working companies going into liquidation, iii) the Company may hold more than one AGM on the same day to discuss the accounts unless the Articles of Association / Memorandum of Association of a particular Company prohibits, iv) The Statutory Auditor may certify the accounts relating to more than one year after disclosing the facts of non-holding of A G M relating to the previous years' accounts.

1.43 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 the targets for individual companies, which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

* Investment in eight PSUs, whose accounts in arrear has been 'Nil'. The remaining 22 PSUs did not furnish information about the investments made by the State Government during the years in which the accounts are in arrears.

Winding-up of non-working PSUs

1.44 There were 10 non-working PSUs (10 companies and no statutory corporation) as on 31 March 2009. Of these, none of the PSUs have commenced liquidation process.

The non-working PSUs are required to be closed down, as their existence is not going to serve any purpose. During 2008-09, one non-working PSU incurred an expenditure of Rs.0.05 crore towards establishment expenditure *etc.* This expenditure was financed by the State Government (Rs.0.05 crore). Information of expenditure in respect of remaining nine PSUs was not received.

1.45 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	10	NIL	10
2.	Of (1) above, the No. under	NIL	NIL	NIL
(a)	Liquidation by Court (liquidator appointed)	NIL	NIL	NIL
(b)	Voluntary winding up (liquidator appointed)	NIL	NIL	NIL
(c)	Closure, <i>i.e.</i> closing orders/instructions issued but liquidation process not yet started.	NIL	NIL	NIL

1.46 During the year 2008-09, 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

1.47 20 working companies forwarded their audited 31 accounts to PAG during the year 2008-09. Of these, 22 accounts of 17 companies were selected for supplementary audit. 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 Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	2.27	-	-	-	-
2.	Increase in loss	3	11.18	8	22.21	9	63.09
3.	Non-disclosure of material facts	3	3.51	6	3.14	1	2.20
4.	Errors of classification	2	8.12	3	101.85	5	465.52

There is a rising trend in the comments in terms of aggregate money value. Sharp increase in the money value is seen in the comments on the increase in loss, comments on errors of classification has also gone up both in terms of accounts and money value.

1.48 During the year, the statutory auditors had given unqualified certificates for three accounts, qualified certificates for 24 accounts, while no adverse certificates (which means that accounts do not reflect a true and fair position) and no disclaimer (meaning the auditors are unable to form an opinion on accounts) has been given in respect of any accounts. The compliance of companies with the Accounting Standards remained poor as there were 88 instances of non-compliance in 18 accounts during the year.

1.49 Some of the important comments in respect of accounts of companies are stated below.

Central Assam Electricity Distribution Company Limited (2007-08)

Understatement of loss by Rs.85.69 lakh due to not making provision for arrear D.A of the employees.

Assam Industrial Development Corporation Limited (2006-07)

The Company has made less provision in violation of IDBI/RBI guidelines resulting in understatement of loss by Rs.58.21 lakh.

Assam Industrial Development Corporation Limited (2007-08)

(i) Non-provision of interest receivable from closed subsidiary companies resulted in understatement of loss and overstatement of interest receivable by Rs.6.35 crore.

(ii) Short provision of Rs.1.10 crore relating to liability on account of gratuity and leave encashment resulted in understatement of loss by that amount.

Assam Power Generation Corporation Limited (2006-07)

(i) Fixed assets were overstated by Rs.4.17 crore due to non adjustment (value of Rs.62.50 lakh) of infirm power (*i.e.* power generated during the period from technical commissioning to commercial working) and inclusion of Rs.3.54 crore being amount refundable by a contractor.

(ii) Non-provision for obsolete/unserviceable material valued at Rs.5.25 crore, resulted in overstatement of current assets/stores.

Central Assam Electricity Distribution Company Limited (2006-07)

(i) Non accountal of capital grant amounting to Rs.48.53 crore received under APDRP resulted in understatement of Reserves and Surplus and overstatement of current liabilities by that amount.

(ii) Non-accountal of interest income on investment made by ASEB on behalf of the Company resulted in overstatement of loss by Rs.5.39 crore.

Lower Assam Electricity Distribution Company Limited (2006-07)

The Company's loss was understated by Rs.37.72 crore for making short provision of Depreciation.

Lower Assam Electricity Distribution Company Limited (2007-08)

(i) The Company made excess provision against obsolete stores and spares resulting in overstatement of cumulative loss by Rs.6.75 crore.

(ii) The Company made excess provision against sundry debtor resulting in overstatement of cumulative loss by Rs.6.87 crore.

1.50 Similarly, three working statutory corporations forwarded their five accounts to PAG during the year 2008-09. Of these, one accounts of one Statutory Corporation pertained to sole audit by CAG which was completed. Of the remaining four accounts relating to two corporations 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 Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	1	2.46	-	-
2.	Increase in loss	-	-	2	2.19	1	9.77
3.	Non-disclosure of material facts	1	13.03	-	-	-	-
4.	Errors of classification	-	-	-	-	-	-

There has been an increase in the aggregate money value of the comments in 2008-09 as compared to the year 2007-08.

1.51 During the year, out of three accounts, no accounts received unqualified certificates, three accounts received qualified certificates and no account was given adverse certificate and no account was assigned disclaimer.

1.52 Some of the important comments in respect of accounts of statutory corporations are stated below.

Assam State Electricity Board (2006-07)

(i) Non-netting of cash in transit representing the grants and loans transferred to the successor companies with other liabilities (grants and loan) has resulted in overstatement of cash in transit and other liabilities (grants and loan) by Rs.23.88 crore.

(ii) Non-accountal of compensation receivable from private sector power companies resulted in overstatement of loss for the year and understatement of sundry debtors by Rs.1.09 crore.

(iii) The cost of power purchases was overstated by Rs.12.29 crore resulting in overstatement of loss to the same extent.

Assam State Electricity Board (2007-08)

(i) Excess provision of power purchase liability resulted in overstatement of current liabilities and loss by Rs.3.52 crore.

(ii) Non-provision of income tax reimbursement as per agreement with Eastern India Powertech Limited resulted in understatement of cost of power as well as loss by Rs.6.95 crore.

Assam Financial Corporation (2007-08)

(i) Funds amounting to Rs.69.75 crore contributed by the State Government during the year 2005-06 and 2006-07 were adjusted against accumulated losses upto 31 March 2007 in place of General Reserve.

(ii) Non-provision of gratuity resulted in understatement of cumulative loss as well as liability by Rs.1.03 crore.

1.53 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon 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 12 companies^h for the year 2008-09 are given 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.	Non-fixation of minimum/ maximum limits of store and spares	-	-
2.	Absence of internal audit system commensurate with the nature and size of business of the company	12	A-1,4,11,19,25,28,29,30,31,32,37, B-4
3.	Non maintenance of cost record	5	A-26,28,30,31,32
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	13	A-1,4,11,15,19,21,25,28,29,30,31,32, B-4
5.	Lack of internal control over sale of power	5	A-28,29,30,31,32

^h Sr. No. A-1,4,11,19,25,28,29,30,31,32,37,B-4 in *Annexure - 2*.

Recoveries at the instance of audit

1.54 During the course of propriety audit in 2008-09, recoveries of Rs.18.94 crore were pointed out to the Management of various PSUs, of which, recoveries of Rs.1.15 crore were admitted by PSUs. An amount of Rs.0.13 crore was recovered during the year 2008-09.

Status of placement of Separate Audit Reports

1.55 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	2002-03	2003-04	November 2007	N.A.
2.	Assam State Warehousing Corporation	2000-01	2001-02 2002-03 2003-04 2004-05	January 2007 October 2007 July 2008 June 2009	N.A.
3.	Assam State Electricity Board	2005-06*	2006-07 2007-08	July 2008 March 2009	N.A.
4.	Assam Financial Corporation	2006-07	2007-08	March 2009	N.A.

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The matter was also taken up with the Chief Secretary to the Government of Assam in November 2008. The Government should ensure prompt placement of SARs in the legislature(s).

Disinvestment, Privatisation and Restructuring of PSUs

1.56 The audit is not aware of any disinvestment or privatization programme in any of the state PSUs.

Reforms in Power Sector

1.57 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 2008-09, AERC issued one order on annual revenue requirements.

* Information about placement of SARs for the year 1996-97, 2001-02, 2002-03, 2004-05 is not available.

1.58 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 2009
1.	Reduction of Transmission and Distribution losses	33.81 <i>per cent</i>
2.	100 <i>per cent</i> electrification of all villages	New scheme for total electrification under RGGVY has taken up and the target for 100 <i>per cent</i> electrification of all villages is fixed by 2012.
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	98.5 <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	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	80 days

Discussion of Audit Reports by COPU

1.59 The status as on 31 December 2009 of reviews and paragraphs that appeared in Audit Reports (Commercial) and discussed by the Committee on Public Undertakings (COPU) is as under.

Period of Audit Report	Number of reviews/paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1989-1990	4	19	4	14
1990-1991	3	15	1	14
1991-1992	2	10	0	6
1992-1993	2	6	1	0
1993-1994	3	13	0	8
1994-1995	3	11	1	9
1995-1996	2	14	2	8
1996-1997	2	12	2	7
1997-1998	3	16	2	11
1998-1999	4	11	4	6
1999-2000	3	17	2	13
2000-2001	3	10	0	2
2001-2002	2	14	0	5
2002-2003	3	13	1	13
2003-2004	1	16	1	14
2004-2005	2	11	1	9
2005-2006	3	11	2	6
2006-2007	2	13	1	11
2007-2008	2	16	0	6
Total	49	248	25	162

1.60 The matter relating to clearance of backlog of reviews/ paragraphs was also informed to the Chairperson of COPU in August 2009.