

## Chapter.V

### Government Commercial and Trading Activities

#### Overview of State Public Sector Undertakings

##### Introduction

**5.1** The State Public Sector Undertakings (PSUs) consists 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 the people. In Nagaland, there were five State PSUs (all Government companies) of which, one Government company was non-working. The five working PSUs occupy insignificant place in state economy. The State working PSUs registered a turnover of Rs. 3.51 crore only for 2008-09, as per their latest finalised accounts as of September 2009. This turnover was equal to 0.05 per cent of State Gross Domestic Product. The State working PSUs incurred an overall loss of Rs. 1.36 crore in the aggregate for 2008-09 as per their latest finalised accounts. Out of five working PSUs three PSUs had employed 245 personnel during 2008-09. Remaining PSUs did not furnish the details. During 2008-09, neither any new PSU was established nor was any existing PSU closed down.

##### Audit Mandate

**5.2** Audit of Government Companies is governed by Section 619 of Companies Act, 1956. According to section 617, a Government company is one in which not less than 51 *per cent* of paid up capital is held by Government. 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. However, there was no 619-B company in Nagaland.

**5.3** The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by statutory auditor, who is appointed by CAG as per 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.

##### Investment in State PSUs

**5.4** As on 31 March 2009, the investment (capital and long term loans) in six PSUs was Rs. 73.36 crore as per details given below:

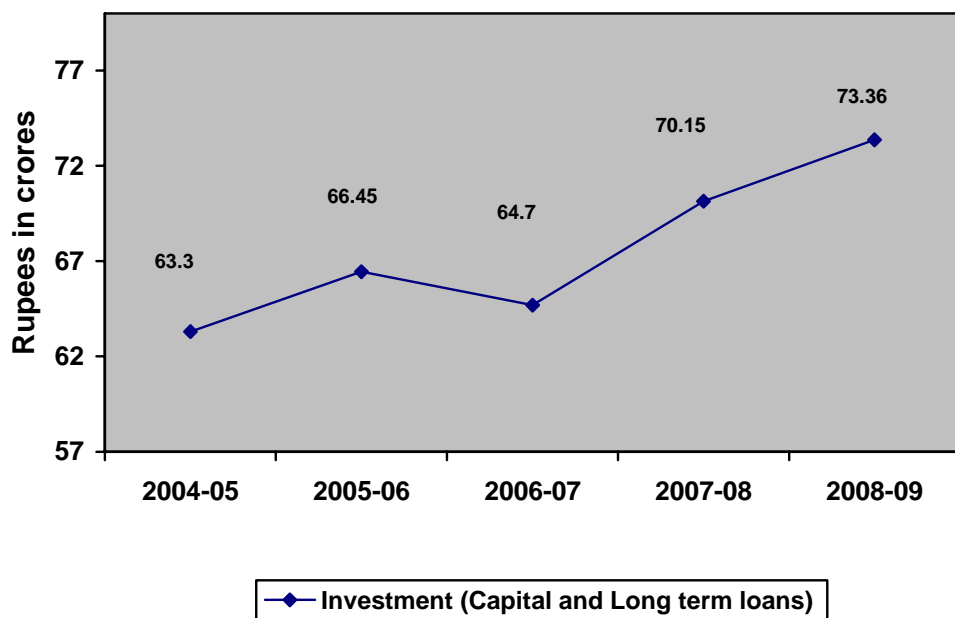
**Table.5.1**

(Rupees in crore)

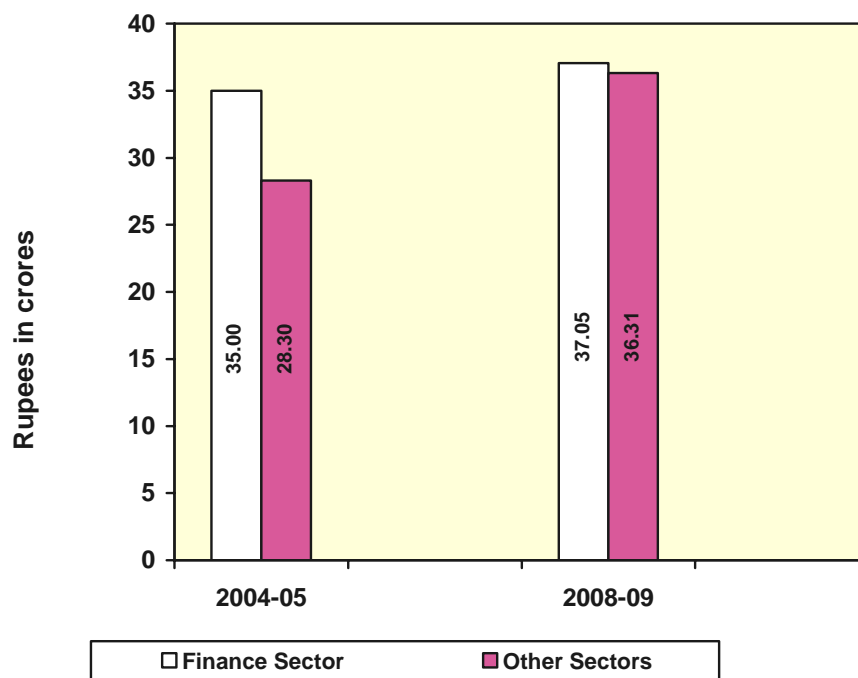
Type of PSUs	Government Companies		
	Capital	Long Term Loans	Total
Working PSUs	24.29	44.11	68.40
Non-working PSUs	4.96	--	4.96
<b>Total:</b>	<b>29.25</b>	<b>44.11</b>	<b>73.36</b>

A summarised position of Government investment in State PSUs is detailed in **Appendix -5.1**.

**5.5** As on 31 March 2009, of the total investment in State PSUs, 93.24 per cent was in working PSUs and the remaining 6.76 per cent was in non-working PSU (only one PSU). The total investment consisted of 39.87 per cent towards capital and 60.13 per cent in long term loans. The investment has grown by 15.89 per cent from Rs. 63.30 crore in 2004-05 to Rs. 73.36 crore in 2008-09 as shown in graph below:-



**5.6** The investment in various sectors at the end of 31 March 2005 and 31<sup>st</sup> March 2009 are indicated below in the bar chart.



### Budgetary outgo, grants/subsidies, guarantees and loans

**5.7** The details regarding budgetary outgo towards equity, loans grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in

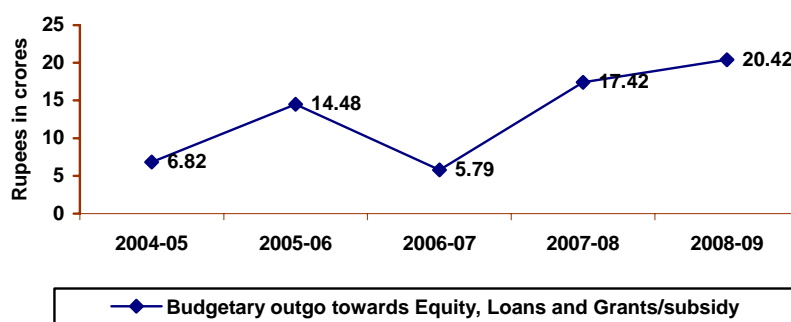
respect of State PSUs are given in **Appendix 5.3**. The summarised details for three years ended 2008-09 are given below.

**Table. 5.2**

(Amount: Rupees 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	02	0.45	02	0.47	03	4.11
2.	Loans given from Budget	Nil	Nil	01	7.15	02	7.40
3.	Grants/subsidy received	03	5.34	04	9.80	04	8.91
4.	Total outgo (1+2+3)		5.79		17.42		20.42
5.	Loans written off	01	0.54	--	--	--	--
6.	Total waiver (5 above)	01	0.54	--	--	--	--
7.	Guarantees issued	01	5.28	02	7.27	02	39.40

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



### Reconciliation with finance Accounts

**5.9** 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. Since the accounts of the companies are in arrears from nine to 26 years, actual amount invested by Government in PSUs is not known. Hence the reconciliation of figures invested by Government and the figures in the accounts of companies with respect to equities, loans and guarantees could not be taken up.

### Performance of PSUs

**5.10** The financial position and the financial results of PSUs are detailed in **Appendix 5.2**. A ratio of PSU turnover to GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs turnover and State GDP for the period 2004-05 to 2008-09.

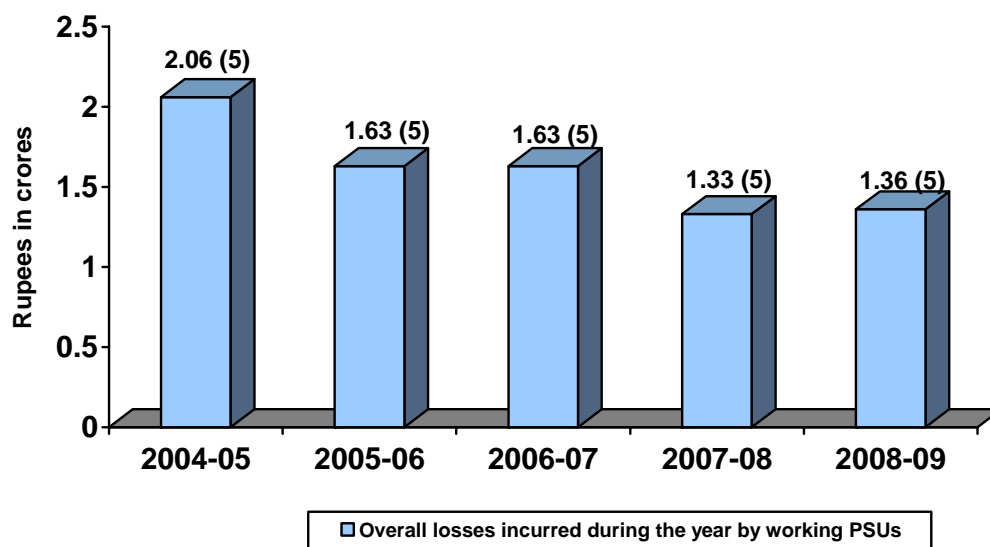
Table.5.3

(Rupees in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover	1.27	1.89	1.89	3.70	3.51
State GDP	5778.77	6374.56	6957.97	7168.52	7552.63
Percentage of turnover to State GDP	0.02	0.03	0.03	0.05	0.05

(Source: Audit reports for the years 2004-05 to 2007-08 and statement furnished by the Companies)

5.11. Losses incurred by State working PSUs during 2004-05 to 2008-09 are given below in a bar chart.



(Figures in bracket represent the number of working PSUs in respective years)

5.12 Some key parameters pertaining to State PSUs are given below:

Table.5.4

(Rupees in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Return on capital employed ( <i>per cent</i> )	NA	6.79	4.50	3.65	--
Debt	35.89	38.54	36.35	40.29	44.11
Turnover	1.27	1.89	1.89	3.70	3.51
Debt/Turnover ratio	28.25:1	20.39:1	19.23:1	10.89:1	12.57:1
Accumulated losses	25.88	26.96	26.96	26.95	28.63

### Arrears in finalisation of Accounts

5.13 The accounts of the companies for every financial year are required to be finalized within six months from the end of relevant financial year under section 166, 210, 240, 619 and 619-B of Companies Act, 1956. The table below provides details of progress made by working PSUs in finalisation of accounts by September 2009.

**Table.5.5****(Rupees in crore)**

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09
1	No. of working PSUs	5	5	5	5
2	No. of accounts finalized during the year	4	2	3	3
3	Number of accounts in arrears	85	88	90	92
4	Average arrears per PSU (3/1)	17	17.6	18	18.4
5	Number of working PSUs with arrears in accounts	5	5	5	5
6	Extent of arrears (in years)	8 to 25	9 to 26	9 to 26	9 to 26

**5.14** The average number of accounts in arrears per working PSU increased from 17 in 2005-06 to 18.4 in 2008-09. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and make the accounts up to date. The PSUs should ensure that at least one year's accounts are finalised each year so as to restrict further accumulation of arrears.

**5.15** In addition to above, the accounts of the only non-working PSU in the State were also in arrears for 31 years. As no purpose is served by keeping this non-working company in existence, Government needs to expedite closing down of this company.

**5.16** The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalized and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and the officials of the government were informed every quarter by audit, of the arrears in finalization of accounts, no remedial measure were taken. As a result of this the net worth of these PSUs could not be assessed in audit.

**5.17** 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.**

#### Accounts comments and Internal Audit

**5.18** Three working companies forwarded their three audited accounts to the Accountant General during 2008-09. Of these one account was selected for supplementary audit. During the year, the statutory auditors had given qualified certificates to all the three accounts.

**Discussion of Audit Reports by COPU**

**5.19** The status as on 30 September 2009 of reviews and paragraphs that appeared in the Commercial Chapters of Audit Reports (Civil) and discussed by the Committee on Public Undertakings (COPU) is as under.

**Table .5.6**

<b>Period of Audit Report</b>	<b>Number of Reviews and Paragraphs</b>			
	<b>Appeared in Audit Report</b>		<b>Discussed</b>	
	<b>Reviews</b>	<b>Paragraphs</b>	<b>Reviews</b>	<b>Paragraphs</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
2002-03	1	1	--	--
2003-04	1	1	--	--
2004-05	--	2	--	--
2005-06	1	--	--	--
2006-07	--	--	--	--
2007-08	--	--	--	--
<b>Total</b>	<b>3</b>	<b>4</b>	<b>--</b>	<b>--</b>

**Kohima  
The**

**2009**

**(A. N. Sarkar)  
Accountant General (Audit),  
Nagaland, Kohima**

**Countersigned**

**New Delhi  
The**

**2009**

**(Vinod Rai)  
Comptroller and Auditor General of India**