

**Functioning
of
State Public Sector Undertakings**

Chapter I - Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (SPSUs) in Assam comprises of State Government Companies and Statutory Corporations. The SPSUs were established to carry out activities of a commercial nature, keeping in view the welfare of the people as also to contribute to the growth of the State economy. As on 31 March 2016, there were 49 SPSUs in the State. The details are given below:

Table 1.1: Total number of SPSUs as on 31 March 2016

Type of SPSUs	Working SPSUs	Non-working SPSUs ¹	Total
Government Companies ²	30	16	46
Statutory Corporations	03	0	03
Total	33	16	49

Source: information furnished by the Companies/ Corporations

The working SPSUs registered a turnover of ₹ 5,061.36 crore, as per their latest finalised accounts as of September 2016. This turnover was equal to 2.59 *per cent* of the State Gross Domestic Product (GDP) of ₹ 1,95,145 crore³ for 2015-16. During 2014-15, the contribution of working SPSUs (₹ 4,380.58 crore) was marginally lesser at 2.38 *per cent* of the State GDP (₹ 1,83,798 crore).

The working SPSUs incurred an aggregate loss of ₹ 663.12 crore, as per their latest finalised accounts (as of September 2016), as compared to the aggregate loss of ₹ 700.64 crore incurred by the working SPSUs during 2014-15. The decrease in the aggregate loss of working SPSUs, was mainly on account of profit earned (₹ 0.93 crore) in 2015-16 by Assam Power Generation Corporation Limited against loss (₹ 86.36 crore) incurred as per its accounts for 2013-14 finalised during last year. The SPSUs had employed 40,675 employees, as at the end of March 2016.

As of 31 March 2016, there were 16 non-working SPSUs, having an investment of ₹ 149.86 crore as per their latest finalised accounts as of September 2016. This was a critical area, as the investments in non-working SPSUs neither contributed to the economic growth of the State nor were they released for more productive purposes by way of disposal of assets *etc.*

¹ Non-working SPSUs are those which have ceased to carry on their operations.

² Government Companies include Other Companies, referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013

³ State GDP, as per the Economic Survey, 2015-16, published by the Government of Assam

Accountability framework

1.2 The audit of the financial statements of a Company, in respect of financial years commencing on or after 1 April 2014, is governed by the provisions of the Companies Act, 2013 (Act) and the audit of a Company, in respect of financial years that commenced earlier than 1 April 2014, continued to be governed by the Companies Act, 1956.

According to Section 2 (45) of the Act, a Government Company is one in which not less than 51 *per cent* of the paid-up capital is held by the Central and/or State Government(s) and includes a subsidiary of a Government Company. The process of audit of Government companies under the Act is governed by the concerned provisions of Sections 139 and 143 of the Act.

Statutory Audit

1.3 The financial statements of a Government Company, as defined in Section 2 (45) of the Act, are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG), as per the provisions of Section 139 (5) or (7) of the Act. These financial statements are subject to supplementary audit, to be conducted by the CAG, under the provisions of Section 143 (6) of the Act.

Further, the Statutory Auditors of any Other Company, owned or controlled, directly or indirectly, by the Central and/or State Government(s), are also appointed by CAG, as per the provisions of Section 139 (5) or (7) of the Act.

As per the provisions of Section 143 (7) of the Act, the CAG, may, in case of any Company (Government Company or Other Company), covered under sub-section (5) or sub-section (7) of Section 139 of the Act, if he considers necessary, by an order, cause test audit to be conducted of the accounts of such Company (Government Company and Other Company). The provisions of Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to the report of such test audit.

Audit of Statutory Corporations is governed by their respective legislations. Out of the three Statutory Corporations all working in the State, CAG is the sole auditor for one Corporation, namely, Assam State Transport Corporation. In respect of remaining two Corporations, (*i.e.* Assam State Warehousing Corporation and the Assam Financial Corporation), the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Role of State Government and Legislature

1.4 The State Government exercises control over the affairs of the SPSUs through its administrative departments. The Chief Executive and Directors, on the Boards of the SPSUs, are appointed by the State Government.

The State Legislature also monitors the accounting and utilisation of State Government investment in the SPSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports (SARs) in case of Statutory Corporations, are to be placed before the Legislature, under Section 394 of the Act, or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the State Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of State Government

1.5 The State Government has significant financial stake in the SPSUs. This stake is mainly of three types:

- **Share Capital and Loans** - In addition to the Share Capital Contribution, the State Government also provides financial assistance by way of loans, to the SPSUs from time to time.
- **Special Financial Support** – The State Government provides budgetary support, by way of grants and subsidies to the SPSUs, as and when required.
- **Guarantees** – The State Government also guarantees the repayment of loans, along with interest availed by the SPSUs from Financial Institutions.

Investment in SPSUs

1.6 As on 31 March 2016, the investment (capital and long-term loans) in the 49 SPSUs was ₹ 4,983.15 crore, as per the details given in *Table 1.2*.

Table 1.2: Total investment in SPSUs

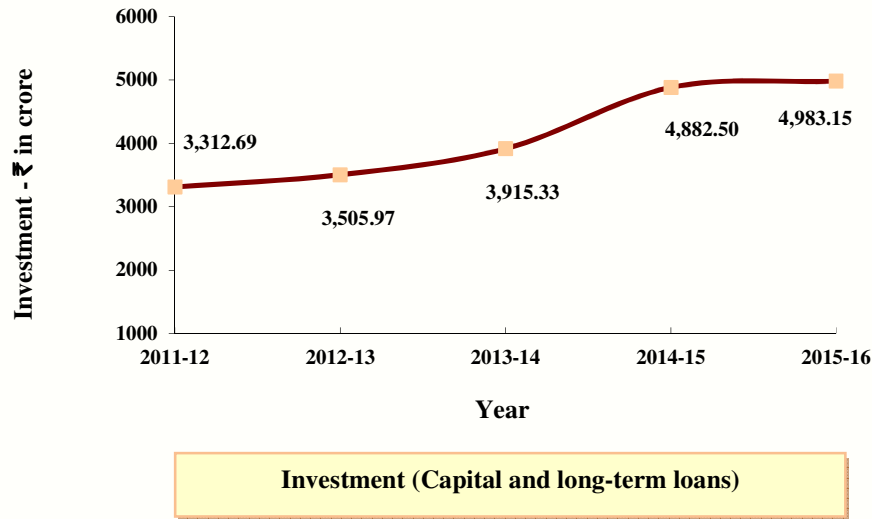
Type of SPSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Loans	Total	Capital	Loans	Total	
Working SPSUs	1,155.27	3,440.70	4595.97	213.51	47.09	260.60	4,856.57
Non-working SPSUs	45.42	81.16	126.58	-	-	-	126.58
Total	1,200.69	3,521.86	4,722.55	213.51	47.09	260.60	4,983.15

Source: information furnished by the Companies/ Corporations

Out of the total investment of ₹ 4,983.15 crore in SPSUs (as on 31 March 2016), 97.46 per cent was in working SPSUs and the remaining 2.54 per cent in non-working SPSUs. This total investment consisted of 28.38 per cent investment towards capital and 71.62 per cent investment in long-term loans. The investment

has grown by 50.43 per cent, from ₹ 3,312.69 crore in 2011-12, to ₹ 4,983.15 crore in 2015-16, as shown in *Chart 1.1*.

Chart 1.1: Total Investment in SPSUs



1.7 The sector wise summary of investments in the State PSUs (as on 31 March 2016) is given in *Table 1.3*.

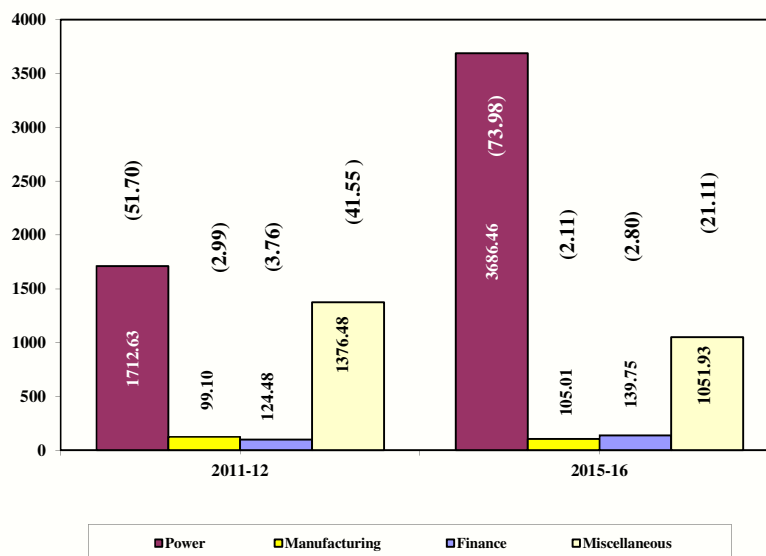
Table 1.3: Sector-wise investment in SPSUs

Name of Sector	Government/Other Companies		Statutory Corporations	Total Investment (₹ in crore)
	Working	Non-Working	Working	
Power	3,686.46	-	-	3,686.46
Manufacturing	58.43	46.58	-	105.01
Finance	64.60	-	75.15	139.75
Miscellaneous	226.45	-	-	226.45
Service	0.39	-	185.45	185.84
Infrastructure	275.22	7.54	-	282.76
Agriculture & Allied	284.42	72.46	-	356.88
Total	4,595.97	126.58	260.60	4,983.15

Source: information furnished by the Companies/ Corporations

The investment in four significant sectors and percentage thereof, at the end of 31 March 2012 and 31 March 2016, are indicated in *Chart 1.2*. The thrust of SPSU investment was mainly in the power sector, which increased by 115 per cent, from ₹ 1,712.63 crore to ₹ 3,686.46 crore, during 2011-12 to 2015-16. The leap in investment in the power sector was on account of an increase of ₹ 2,062.50 crore in the long term borrowings of the power sector SPSUs, from ₹ 905.40 crore (2011-12) to ₹ 2,967.90 crore (2015-16) during this five year period.

Chart 1.2: Sector wise investment in SPSUs



(Figures in brackets show the per cent of total investment)

Source: information furnished by the Companies/ Corporations

Special support and returns during the year

1.8 The State Government provides financial support to SPSUs in various forms through its annual budget. The summarised details of budgetary outgo, towards equity, loans, grants/subsidies, loans written off and interest waived, in respect of State PSUs, for the three years ending 2015-16, have been given in **Table 1.4**.

Table 1.4: Details regarding budgetary support to SPSUs

(₹ in crore)

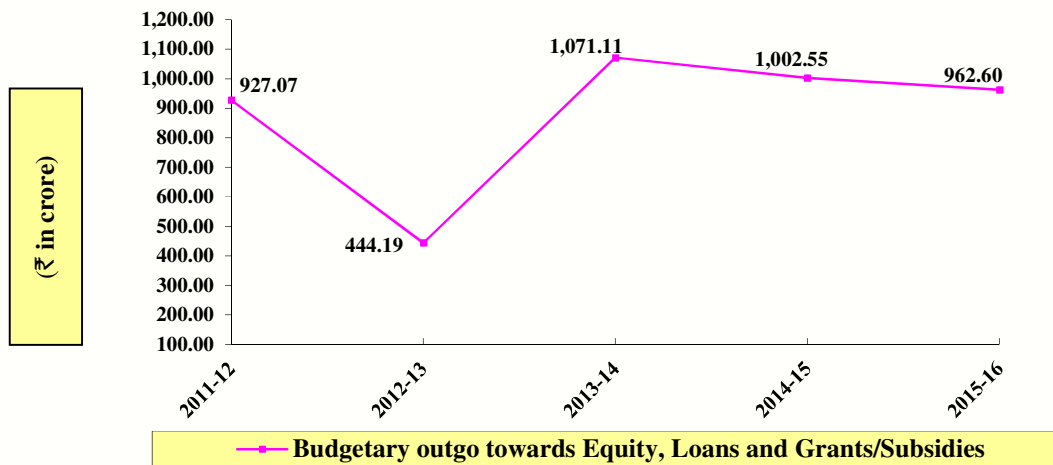
Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	2	55.42	-	-	-	-
2.	Loans given from budget	6	255.94	5	589.48	6	455.35
3.	Grants/Subsidy from budget	18	759.75	13	413.07	9	507.25
4.	Total Outgo (1+2+3)⁴	19	1,071.11	17	1,002.55	12	962.60
5.	Waiver of loans and interest	-	-	-	-	-	-
6.	Guarantees issued	-	-	-	-	-	-
7.	Guarantee Commitment	-	-	-	-	-	-

Source: information furnished by the Companies/ Corporations

Details regarding the budgetary outgo towards equity, loans and grants/ subsidies, for the past five years, are given in **Chart 1.3**.

⁴ Actual number of SPSUs, which received equity, loans, grants/subsidies from the State Government

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



From the chart, it can be seen that during the five years from 2011-12 to 2015-16, the year-wise budgetary outgo of the State Government to the SPSUs, in the form of equity, loans, grants/subsidies, etc. showed a mixed trend. The budgetary outgo to SPSUs was lowest in five year during 2012-13 (₹ 444.19 crore) mainly due to extension of lesser amount of loans/grants to power sector companies in the State as compared to remaining four years. The budgetary outgo was at highest in 2013-14 (₹ 1,071.11 crore), which reduced marginally during subsequent two years to ₹ 1,002.55 crore (2014-15) and ₹ 962.60 crore (2015-16). During the last two years, significant budgetary outgoes of ₹ 909.91 crore⁵ (2014-15) and ₹ 781.74 crore⁶ (2015-16) were extended to the three power sector companies in the form of loan/grants. As per information furnished by SPSUs, no guarantee commitments were outstanding at the end of last three years from 2013-14 to 2015-16.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity and loans extended by the State Government, and those remaining outstanding as per the records of SPSUs, should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department are required to carry out reconciliation of the differences. The position in this regard, as on 31 March 2016, is summarised in *Table 1.5*.

⁵ Loans - ₹ 577.12 crore and grants/subsidies - ₹ 332.79 crore

⁶ Loans - ₹ 344.55 crore and grants/subsidies - ₹ 437.19 crore

Table 1.5: Equity, loans, guarantees outstanding as per the State Finance Accounts vis-a-vis records of SPSUs

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
	(₹ in crore)		
Equity	2,258.01	1,884.13	373.88
Loans	3,835.51	2,668.17	1,167.34

Audit observed that differences in equity⁷ figures existed in respect of 42 SPSUs. It was further, observed that the differences outstanding in respect of equity marginally decreased from ₹ 373.98 crore (2014-15) to ₹ 373.88 crore (2015-16), while the differences in loans had reduced from ₹ 1,414.92 crore (2014-15) to ₹ 1,167.34 crore (2015-16). As the unreconciled differences of outstanding investments remained significant, the State Government and the SPSUs need to take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

1.10 The Financial Statements of the Companies, for every financial year, are required to be finalised, within six months from the end of the relevant financial year *i.e.* by 30 September, in accordance with the provisions of Section 96 (1) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act. In the case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature, as per the provisions of their respective Acts.

Table 1.6 provides the details of progress made by working SPSUs in finalisation of accounts (as on 30 September 2016).

Table 1.6: Position relating to finalisation of accounts of working SPSUs

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Number of Working SPSUs/Other Companies	41	40	40	33	33
2.	Number of accounts finalised during the year	62	46	63	58	74
3.	Number of accounts in arrears	322 ⁸	316	293	212 ⁹	171
4.	Number of Working SPSUs with arrears in accounts	37	37	34	25	26
5.	Extent of arrears (numbers in years)	1 to 25 years	1 to 25 years	1 to 26 years	1 to 27 years	1 to 25 years

Source: information furnished by the Companies/Corporations

⁷ SPSU-wise details of loans were not available in the Finance Accounts of the State.

⁸ This includes 16 arrear accounts of Assam Minorities Development and Finance Corporation Ltd.

⁹ This excludes the arrears of 56 accounts (as of 2013-14), in respect of seven SPSUs (Sl. Nos. C-1 to C-7 of **Annexure 2**), which were considered as 'non-working' during 2014-15.

It can be observed that, during the five years from 2011-12 to 2015-16, the number of accounts, in arrears, of the working SPSUs, has shown a decreasing trend. During the current year (2015-16), the backlog of arrears (171) has reduced by 40 accounts from 212 (2014-15), mainly because of finalisation of total 42 accounts by 5 SPSUs¹⁰ during the period from October 2015 to November 2016. The arrear of the accounts of the working SPSUs was still significant.

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 SPSUs within the stipulated period. The Accountant General (AG) took up the matter (October 2015) with the State Government for liquidating the arrears of accounts. In response, the Department of Public Enterprises convened a review meeting (December 2015) with the representatives of SPSUs having arrears in accounts and directed them to take necessary steps towards liquidation of the arrear accounts. In addition, the departments concerned were also informed (September 2016) of the position of arrears in finalisation of the accounts in respect of the SPSUs. As of September 2016, however, 26 working SPSUs had arrears of 171 accounts under their jurisdiction, with the period of backlog ranging up to 25 years, which was significant (*Annexure 2*).

1.11 The State Government had invested ₹ 578.59 crore {equity: ₹ 3.54 crore (6 SPSUs), loans: ₹ 347.73 crore (6 SPSUs) and grants ₹ 227.32 crore (14 SPSUs)} in 17 SPSUs, during the years for which their accounts are in arrears, as detailed in *Annexure 1*. In the absence of finalisation of the accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amounts were invested was achieved or not. Thus, the State Government investment in such SPSUs remained outside the control of the State Legislature.

1.12 In addition to above, as on 30 September 2016, there were arrears in finalisation of accounts by non-working PSUs. Out of the 16 non-working SPSUs, 14 SPSUs¹¹ had arrears of accounts ranging from 1 to 30 years. None of the 16 non-working SPSUs had started the process of liquidation (November 2016). The position of arrears in accounts of the non-working SPSUs is depicted in *Table 1.7*.

¹⁰ SPSUs at Sl. No. A-6 (15 accounts), A-7 (11 accounts), A-21 (6 accounts), A-27 (5 accounts) and A-5 (5 accounts) of *Annexure 2*.

¹¹ Assam Government Construction Corporation Limited and Assam State Textiles Corporation Limited had no arrears in accounts.

Table 1.7: Position relating to arrears of accounts in respect of non-working SPSUs

No. of non-working companies having arrear of accounts	Period for which accounts were in arrears	Total number of accounts in arrears
2 ¹²	More than 30 years	64
2 ¹³	20-30	50
1 ¹⁴	10-20	15
9 ¹⁵	1-10	35

Source: information as furnished by the Companies/ Corporations

Placement of Separate Audit Reports

1.13 The position depicted in *Table 1.8* shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2016) on the accounts of Statutory Corporations in the Legislature.

Table 1.8: Placement of Separate Audit Reports

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 Government	Present Status
1.	Assam State Transport Corporation	2014-15	-	-	-
2.	Assam Financial Corporation	2012-13	2013-14	October 2014	Yet to be placed
			2014-15	November 2015	Yet to be placed
3.	Assam State Warehousing Corporation	2007-08	2008-09	September 2013	Yet to be placed
			2009-10	August 2014	Yet to be placed

The SARs issued by the CAG on the accounts of Assam State Transport Corporation for the years upto 2014-15 were placed in the State Legislature by the State Government. As per the available information, the SARs in respect of Assam Financial Corporation for two years (2013-14 and 2014-15) have already been printed and were in the process of placement in the State Legislature. No information was, however, available with regard to the reasons for delay in

¹² Sl. Nos. C-8 and C-14 of *Annexure 2*

¹³ Sl. Nos. C-3 and C-11 of *Annexure 2*

¹⁴ Sl. No. C-9 of *Annexure 2*

¹⁵ Sl. Nos. C-1, C-2, C-5, C-7, C-10, C-12, C-13, C-15 and C-16 of *Annexure 2*

placement of SARs in respect of Assam State Warehousing Corporation for the years 2008-09 and 2009-10 (November 2016).

Impact of arrears in accounts

1.14 Delays in finalisation of accounts may entail the risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. In view of the position of arrears of accounts indicated under *paragraphs 1.10 to 1.12*, the actual contribution of SPSUs to the State GDP, for the year 2015-16, could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

State Government may therefore, consider:

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

Performance of SPSUs, as per their latest finalised accounts

1.15 The financial position and working results of working Government Companies and Statutory Corporations are detailed in *Annexure 2*. The ratio of turnover of SPSUs to the State GDP indicates the extent of activities of the SPSUs in the State economy. *Table 1.9* below provides the details of turnover of the working SPSUs and State GDP for a period of five years ending 2015-16.

Table 1.9: Details of working SPSUs turnover vis-a-vis State GDP

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover ¹⁶	2,879.21	3,509.96	3,910.26	4,380.58	5,061.36
State GDP	1,15,408	1,43,567	1,62,652	1,83,798	1,95,145
Percentage of Turnover to State GDP	2.49	2.44	2.40	2.38	2.59

Source: information furnished by the Companies/ Corporations and Economic Survey, published by the State Government

Though the turnover of the working SPSUs showed a continuous increase during the years from 2011-12 to 2015-16, the overall growth in terms of *percentage* of turnover to the State GDP showed a decreasing trend till 2014-15; with a marginal increase during 2015-16. As against the growth of 69.09 *per cent* in the State GDP

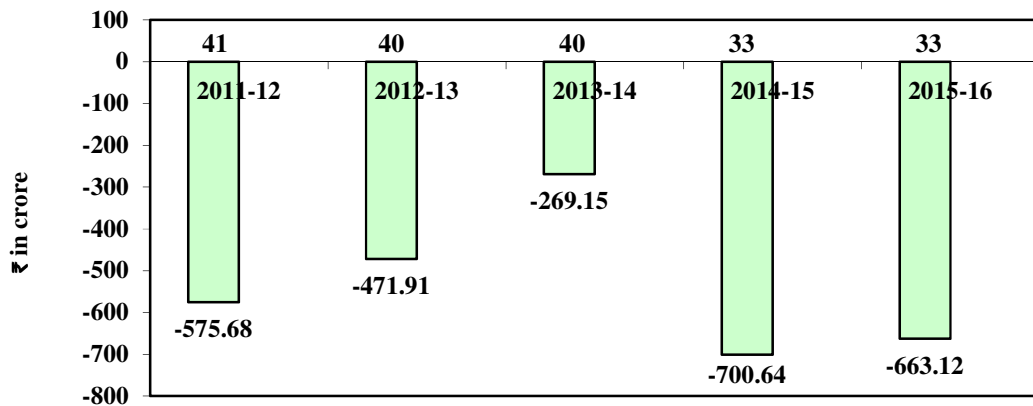
¹⁶ Turnover as per the latest finalised accounts, as of 30 September of the respective year.

during the period 2011-12 to 2015-16, the growth in the turnover of the SPSUs was 75.79 per cent. This was indicative of the fact that the growth in the turnover of the SPSUs was marginally higher, as compared to the year wise growth in the State GDP figures, which led to an overall increase of 0.10 per cent from 2.49 per cent (2011-12) to 2.59 per cent (2015-16)

The power and transport sectors are considered to be the important drivers of the economy. Analysis of the turnover of power and transport sector SPSUs revealed that, during 2011-12 to 2015-16, the turnover of these SPSUs had increased by 82.92 per cent¹⁷, which was encouraging as compared to the growth rate (69.09 per cent) of the State GDP during this period.

1.16 The overall position of losses incurred by working SPSUs during 2011-12 to 2015-16 is shown in *Chart 1.4*.

Chart 1.4: Overall losses incurred by working SPSUs



Source: latest finalised accounts of the working SPSUs

Note: Figures in brackets show the number of working SPSUs in respective years

It may be seen that the overall losses of the working SPSUs showed a mixed trend during the last five years from 2011-12 to 2015-16. The losses of working SPSUs during 2011-14 gradually decreased from ₹ 575.68 crore (2011-12) to ₹ 269.15 crore (2013-14), the same had again increased steeply to ₹ 700.64 crore, due to heavy losses (₹ 694.84 crore) incurred by the three¹⁸ power sector SPSUs in the State. During 2015-16, the losses in the power sector SPSUs had marginally reduced

¹⁷ There was an increase of 82.92 per cent in the turnover of power and transport sector SPSUs, from ₹ 2,414.94 crore (2011-12) to ₹ 4,417.54 crore (2015-16), as per their latest finalised accounts, as on 30 September of the respective years.

¹⁸ Assam Power Generation Corporation Limited (₹ 86.36 crore); Assam Electricity Grid Corporation Limited (₹ 80.55 crore) and Assam Power Distribution Company Limited (₹ 527.93 crore)

to ₹ 657.12 crore, which had resulted in corresponding reduction in the overall losses of working SPSUs to ₹ 663.12 crore during 2015-16.

During the year 2015-16, out of 33 working SPSUs, 16 SPSUs earned aggregate profits of ₹ 97.98 crore and 17 SPSUs incurred loss of ₹ 761.10 crore.

The major contributors to these profits were the Assam Gas Company Limited (₹ 67.32 crore), DNP Limited (₹ 9.58 crore), Assam Industrial Development Corporation Limited (₹ 5.53 crore) and the Assam Mineral Development Corporation Limited (₹ 4.14 crore). Heavy losses were, however, incurred by the Assam Power Distribution Company Limited (₹ 577.50 crore) and the Assam Electricity Grid Corporation Limited (₹ 80.55 crore). The heavy operational losses of the power sector companies were attributable to the high costs of power generation/purchase, as well as high employee costs.

1.17 Some other key parameters of the SPSUs are given in **Table 1.10** below.

Table 1.10: Key Parameters of SPSUs

<i>(₹ in crore)</i>					
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Return on Capital Employed	*	*	*	*	*
Debt	1,505.09	1,675.47	1,921.51	2,783.52	2,479.79
Turnover ¹⁹	2,879.21	3,509.96	3,910.26	4,380.58	5,061.36
Debt/ Turnover Ratio	0.52:1	0.48:1	0.49:1	0.64:1	0.49:1
Interest Payments	166.49	173.32	231.26	261.01	277.30
Accumulated Profits/ (Losses)	(2,248.10)	(2,640.42)	(2,892.00)	(3,658.21)	(3,833.84)

Source: information furnished by the Companies/ Corporations

** Negative figures during all the five years under reference*

From **Table 1.10**, it can be seen that the return on capital employed of working SPSUs was negative throughout the period of five years from 2011-12 to 2015-16. This was mainly due to the huge losses incurred by the working SPSUs during the above period. As a result, the accumulated loss of the SPSUs had also increased by 70.54 *per cent* from ₹ 2,248.10 crore (2011-12), to ₹ 3,833.84 (2015-16) crore, during the period of five years from 2011-16. Further, there was gradual increase in the long term debts of the SPSUs, from ₹ 1,505.09 (2011-12) to ₹ 2,479.79 crore (2015-16). This correspondingly increased pressure on the profitability of the SPSUs by way of a significant increase of 66.56 *per cent* in the interest payments during the five years from ₹ 166.49 crore (2011-12) to ₹ 277.30 crore (2015-16).

¹⁹ Turnover of working SPSUs, as per the latest finalised accounts, as of 30 September of the respective year.

1.18 There was no information available on record regarding the existence of any specific policy of the State Government on payment of minimum dividend by the SPSUs. As per their latest finalised accounts as on 30 September 2016, 16 SPSUs had earned an aggregate profit of ₹ 97.98 crore and only one SPSU (*viz.* Assam Gas Company Limited) had declared a dividend of ₹ 1.69 crore during 2015-16.

Winding up of non-working SPSUs

1.19 There were 16 non-working SPSUs (all Companies) as on 31 March 2016. None of these SPSUs, however, have commenced the liquidation process. The number of non-working SPSUs (Companies and Corporations), at the end of each year, during the past five years, is given in *Table 1.11*.

Table 1.11: Non-working SPSUs

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
No. of non-working Companies	10	9	9	16	16
No. of non-working Corporations	-	1	1	-	-
Total	10	10	10	16	16

Source: information furnished by the Companies/ Corporations

Since the non-working SPSUs are neither contributing to the State economy nor meeting the intended objectives, these SPSUs need to be considered either for closing down or revival. During 2015-16, three non-working SPSUs incurred an expenditure of ₹ 0.40 crore towards salaries and establishment expenditure *etc.* This expenditure was financed through own sources.

1.20 As on 30 September 2016, the State Government had already issued necessary orders for closure of all the 16 non-working SPSUs. The liquidation process in respect of all 16 non-working SPSUs was, however, not started (November 2016). As no purpose is served by keeping 16 non-working SPSUs in existence, the liquidation process to wind up these SPSUs need to be expedited.

Accounts Comments

1.21 Twenty two working companies forwarded 72 audited accounts to the office of the AG, during October 2015 to September 2016. Of these, 46 accounts relating to 18 companies were selected for supplementary audit. While remaining 26 accounts relating to 10 companies were issued “Non-Review Certificates”. The audit reports of statutory auditors appointed by CAG, and the supplementary audit of CAG, indicate that the quality of maintenance of accounts needs substantial improvement. Details of the aggregate money value of the comments of statutory auditors and CAG are given in *Table 1.12*.

Table 1.12: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	15.51	4	10.92	7	39.05
2.	Increase in loss	2	4.03	16	171.61	23	74.02
3.	Non-disclosure of material facts	2	132.32	5	34.89	4	29.64
4.	Errors of classification	3	8.00	1	230.79	3	4.48

Source: information furnished by the Companies

During the year, the Statutory Auditors had given qualified certificates to all the 72 accounts finalised. The compliance of Companies with Accounting Standards (AS) remained poor, as there were 59 instances of non-compliance to AS in 22 accounts during the year.

1.22 Similarly, 2 working Statutory Corporations, forwarded 2 accounts to the AG, during the year 2015-16. Both the Statutory Corporations (*viz.* The Assam Financial Corporation and Assam State Warehousing Corporation) which had submitted their accounts to the AG are subject to supplementary audit by CAG. Both the accounts of Statutory Corporations were selected for supplementary audit and these accounts received qualified certificates. 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. Details of the aggregate money value of the comments of the statutory auditors and the CAG are given in *Table 1.13*.

Table 1.13: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in loss	-	-	1	2.50	1	4
3.	Non-disclosure of material facts	-	-	-	-	-	-
4.	Errors of classification	1	69.75	-	-	-	-

Source: information furnished by the Corporations

Response of the State Government to Audit

1.23 For the Audit Report (PSUs) of the CAG for the year ended 31 March 2016 (Report No. 5 of 2016 of Government of Assam), one performance audit and nine audit paragraphs emerging from the Compliance Audit of SPSUs, involving eight departments of the State Government, were issued to the Additional Chief Secretaries/Principal Secretaries of the respective departments, with the request to furnish replies within six weeks. The replies of the State Government in respect of all the audit objections were, however, awaited (November 2016).

Follow up action on Audit Reports

Replies outstanding

1.24 The CAG's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained by various SPSUs. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance (Audit & Fund) Department, Government of Assam issued (May 1994) instructions to all administrative departments that immediately on receipt of Audit Reports, the concerned departments would prepare an explanatory note on the paragraphs and performance audits included in the Audit Reports indicating the corrective/remedial action taken or proposed to be taken and submit the explanatory notes to the Assam Legislative Assembly with a copy to the AG within 20 days from the date of receipt of the Reports.

Table 1.14: Explanatory notes not received (as on 30 September 2016)

Year of the Audit Report	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PA	Paragraphs	PA	Paragraphs
2011-12	4 April 2013	1	9	1	6
2012-13	4 August 2014	1	7	0	7
2013-14	2 March 2015	1	9	0	8
2014-15	18 July 2016	1	8	0	6
Total		4	33	1	27

Source: Audit Reports (PSU) of respective years

From the **Table 1.14**, it can be seen that out of 33 paragraphs and 4 performance audits, explanatory notes to 27 paragraphs and 1 performance audit, in respect of seven departments, which were commented upon, were awaited (November 2016).

Discussion of Audit Reports by COPU

1.25 The status (as on 30 September 2016) of Performance Audits and paragraphs, which appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU), was as summarised in *Table 1.15*.

Table 1.15: Performance Audits/Paragraphs which appeared in Audit Reports *vis-a-vis* those discussed (as on 30 September 2016)

Period of Audit Report	Number of performance audits/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2004-05	2	11	1	9
2005-06	3	11	2	6
2006-07	2	13	1	11
2007-08	2	16	1	15
2008-09	2	14	2	5
2009-10	1	10	1	7
2010-11	1	8	1	2
2011-12	1	9	0	7
2012-13	1	7	0	2
2013-14	1	9	0	1
2014-15	1	8	0	0
Total	17	116	9	65

Compliance to Reports of Committee on Public Undertakings (COPU)

1.26 Action Taken Notes (ATN) on 31 recommendations pertaining to 10 Reports of the COPU, presented to the State Legislature between April 2008 and December 2011, had not been received (November 2016), as indicated in *Table 1.16*.

Table 1.16: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
2008-09	6	65	24
2009-10	2	10	1
2010-11	1	9	5
2011-12	1	6	1
Total	10	90	31

These reports of COPU contained recommendations in respect of paragraphs pertaining to five departments, which had appeared in the Reports of the CAG of India for the years 2002-03 to 2005-06.

It is recommended that the State Government may ensure:

- (a) sending of replies to IRs/explanatory notes/draft paragraphs/performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule;**
- (b) recovery of loss/outstanding advances/overpayments within the prescribed period; and**
- (c) revamping of the system of responding to audit observations in a timely manner.**

Coverage of this Report

1.27 This Report contains nine audit paragraphs and one performance audit on the functioning of Assam Petro-Chemicals Limited involving a financial effect of ₹ 57.77 crore.

Disinvestment, Restructuring and Privatisation of SPSUs and any reforms in power sector

1.28 There was no information regarding any disinvestment or privatisation programme in any of the SPSUs.

