

**Functioning  
of  
State Public Sector Undertakings**



## Chapter I - Functioning of State Public Sector Undertakings

### Introduction

**1.1** The State Public Sector Undertakings (SPSUs) comprise of State Government Companies and Statutory Corporations. The SPSUs were established to carry out activities of commercial nature, keeping in view the welfare of the people and contribute to the State economy. As on 31 March 2017, there were 49 SPSUs in Assam. The details are given below.

**Table 1.1: Total number of SPSUs as on 31 March 2017**

| Type of SPSUs                     | Working SPSUs | Non-working SPSUs <sup>1</sup> | Total     |
|-----------------------------------|---------------|--------------------------------|-----------|
| Government Companies <sup>2</sup> | 30            | 16                             | 46        |
| Statutory Corporations            | 03            | 0                              | 03        |
| <b>Total</b>                      | <b>33</b>     | <b>16</b>                      | <b>49</b> |

*Source: information furnished by the Companies/Corporations*

The working SPSUs registered a turnover of ₹ 5,608.72 crore as per their latest finalised accounts as on September 2017. This turnover was equal to 2.18 *per cent* of State Gross Domestic Product (GDP) of ₹ 2,57,510 crore<sup>3</sup> for 2016-17. During 2015-16, the contribution of the turnover (₹ 5,061.36 crore) of working SPSUs was marginally higher at 2.24 *per cent* of the State GDP (₹ 2,26,276 crore). The working SPSUs incurred an aggregate loss of ₹ 279.72 crore as per their latest finalised accounts as on September 2017 as compared to the aggregate loss of ₹ 663.12 crore during 2015-16. The losses of working SPSUs during 2016-17 had reduced mainly on account of decrease in the net loss of one power sector company (Assam Power Distribution Company Limited) from ₹ 577.50 crore<sup>4</sup> (2015-16) to ₹ 103.90 crore<sup>5</sup> (2016-17). The SPSUs had employed 37,558 employees as at the end of March 2017. The total investment in 33 working SPSUs was ₹ 5,285.43 crore. The Return on Equity (RoE) in respect of 18 out of 33 working SPSUs was 7.32 *per cent* as per their latest finalised accounts as on 30 September 2017. The accumulated losses (₹ 4,799.52 crore) of remaining 15 working SPSUs had completely eroded their

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

<sup>2</sup> Government Companies include *Other Companies* referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013.

<sup>3</sup> State GDP (Quick estimate) as per information furnished by Director, Economic and Statistics, Government of Assam.

<sup>4</sup> Net loss as per latest finalised accounts (2014-15) as on 30 September 2016.

<sup>5</sup> Net loss as per latest finalised accounts (2015-16) as on 30 September 2017.

share capital (₹ 1,073.45 crore) as per their latest finalised accounts. Hence, RoE of these 15 SPSUs was not workable.

As on 31 March 2017, there were 16 non-working SPSUs having total investment of ₹ 150.87 crore (paid up capital: ₹ 69.64 crore and long term loans: ₹ 81.23 crore). This was a critical area, as the investments in non-working SPSUs do not contribute to the economic growth of the State.

### **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. The audit of a Company in respect of the financial years that commenced earlier than 1 April 2014, however, continues to be governed by the Companies Act, 1956.

According to Section 2(45) of the Companies Act, 2013 (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). The subsidiary of a Government Company is also covered under the definition of a Government Company. The process of audit of Government Companies under the Act is governed by the related provisions of Section 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. The said Statutory Auditors 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 conducted by CAG under the provisions of Section 143(6) of the Act. Further, the Statutory Auditors of any 'Other Company'<sup>6</sup> 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, 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, may if considered 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 Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such 'test audit'.

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<sup>6</sup> As referred to in Section 139(5) and 139(7) of the Act.

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

### ***Role of Government and Legislature***

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

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSUs. For this purpose, the Annual Reports of State Government Companies together with the Statutory Auditors' Reports and comments of the CAG thereon are to be placed before the Legislature under Section 394 of the Act. Similarly, the Annual Reports of Statutory Corporations along with the Separate Audit Reports of CAG are to be placed before the Legislature as per the stipulations made under their respective governing Acts. The Audit Reports of CAG are submitted to the 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 of mainly three types:

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

## Investment in SPSUs

**1.6** As on 31 March 2017, the investment (capital and long-term loans) in 49 SPSUs was ₹ 5,436.30 crore. Details are given in **Table 1.2**.

**Table 1.2: Total investment in SPSUs**

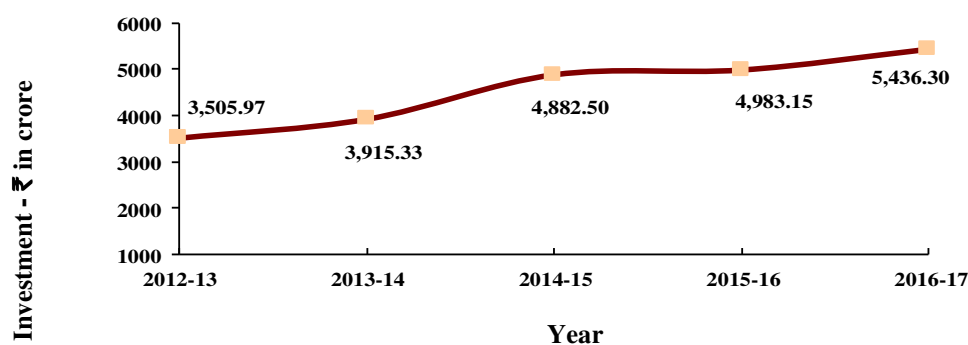
(₹ in crore)

| Type of SPSUs     | Government Companies |                 |                 | Statutory Corporations |                 |               | Grand Total     |
|-------------------|----------------------|-----------------|-----------------|------------------------|-----------------|---------------|-----------------|
|                   | Capital              | Long Term Loans | Total           | Capital                | Long Term Loans | Total         |                 |
| Working SPSUs     | 1,255.30             | 3,772.25        | 5,027.55        | 213.59                 | 44.29           | 257.88        | 5,285.43        |
| Non-working SPSUs | 69.64                | 81.23           | 150.87          | Nil                    | Nil             | Nil           | 150.87          |
| <b>Total</b>      | <b>1,324.94</b>      | <b>3,853.48</b> | <b>5,178.42</b> | <b>213.59</b>          | <b>44.29</b>    | <b>257.88</b> | <b>5,436.30</b> |

(Source: information furnished by the Companies/Corporations)

Out of the total investment of ₹ 5,436.30 crore in SPSUs as on 31 March 2017, 97.23 per cent was in working SPSUs and the remaining 2.77 per cent in non-working SPSUs. This total investment consisted of 28.30 per cent towards capital and 71.70 per cent in long-term loans. The investment has grown by 55.06 per cent from ₹ 3,505.97 crore in 2012-13 to ₹ 5,436.30 crore in 2016-17 as shown in **Chart 1.1**.

**Chart 1.1: Total investment in SPSUs**



Investment (Capital and long-term loans)

**1.7** The sector wise summary of investments in the State PSUs as on 31 March 2017 is given in **Table 1.3**.

Table 1.3: Sector-wise investment in SPSUs

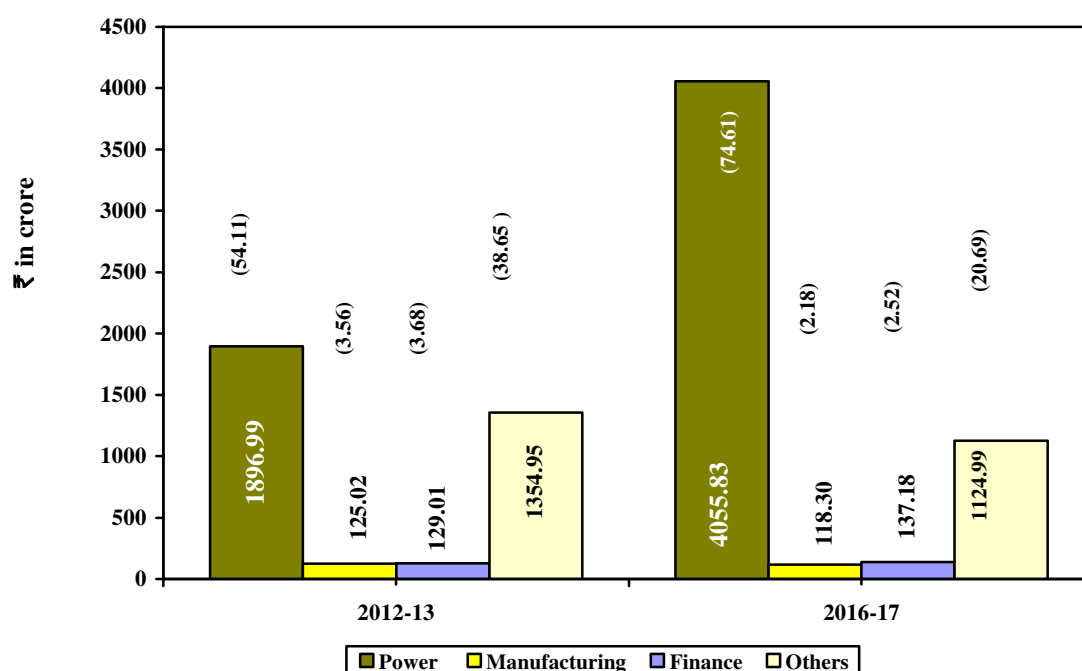
(*₹ in crore*)

| Name of Sector       | Government/Other <sup>7</sup> Companies |               | Statutory Corporations | Total Investment |
|----------------------|---|---------------|------------------------|------------------|
|                      | Working                                 | Non-Working   | Working                |                  |
| Power                | 4,055.83                                | Nil           | Nil                    | 4,055.83         |
| Manufacturing        | 45.68                                   | 72.62         | Nil                    | 118.30           |
| Finance              | 64.79                                   | Nil           | 72.39                  | 137.18           |
| Miscellaneous        | 226.45                                  | Nil           | Nil                    | 226.45           |
| Service              | 0.39                                    | Nil           | 185.49                 | 185.88           |
| Infrastructure       | 307.51                                  | 5.79          | Nil                    | 313.30           |
| Agriculture & Allied | 326.90                                  | 72.46         | Nil                    | 399.36           |
| <b>Total</b>         | <b>5,027.55</b>                         | <b>150.87</b> | <b>257.88</b>          | <b>5,436.30</b>  |

Source: information furnished by the Companies/Corporations

The investment in four significant sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are indicated in **Chart 1.2**. As can be noticed from **Chart 1.2**, the thrust of SPSU-investment was mainly in the power sector SPSUs. The investment in power sector SPSUs increased by 114 *per cent*, from ₹ 1,896.99 crore (2012-13) to ₹ 4,055.83 crore (2016-17). The leap in investment in the power sector was mainly on account of increase of ₹ 2,159.48 crore in the long-term borrowings of three power sector companies from ₹ 1,089.12 crore (2012-13) to ₹ 3,248.60 crore (2016-17) during the period of five years.

Chart 1.2: Sector wise investment in SPSUs

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

<sup>7</sup> 'Other Companies' as referred to under Section 139(5) and 139(7) of the Companies Act, 2013.

### Special support and returns during the year

**1.8** The State Government provides financial support to SPSUs in various forms through the annual budget. The details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of SPSUs for three years ended 2016-17 are given in **Table 1.4**.

**Table 1.4: Details regarding budgetary support to SPSUs**

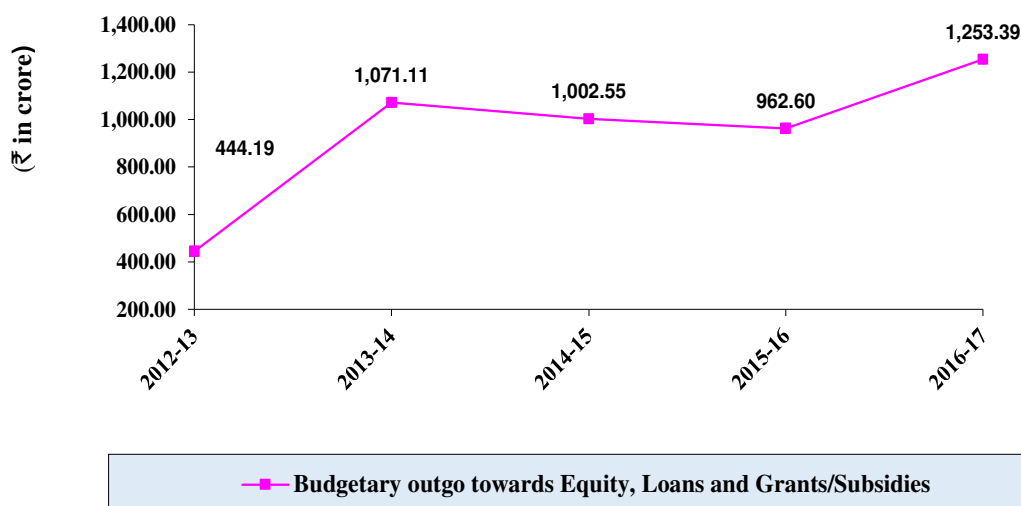
(₹ in crore)

| Sl. No. | Particulars                      | 2014-15      |                 | 2015-16      |               | 2016-17      |                 |
|---------|----------------------------------|--------------|-----------------|--------------|---------------|--------------|-----------------|
|         |                                  | No. of SPSUs | Amount          | No. of SPSUs | Amount        | No. of SPSUs | Amount          |
| 1.      | Equity Capital outgo from budget | Nil          | Nil             | Nil          | Nil           | 1            | 0.07            |
| 2.      | Loans given from budget          | 5            | 589.48          | 6            | 455.35        | 6            | 411.57          |
| 3.      | Grants/Subsidy from budget       | 13           | 413.07          | 9            | 507.25        | 9            | 841.75          |
| 4.      | <b>Total Outgo<sup>8</sup></b>   | <b>17</b>    | <b>1,002.55</b> | <b>12</b>    | <b>962.60</b> | <b>13</b>    | <b>1,253.39</b> |
| 5.      | Waiver of loans and interest     | Nil          | Nil             | Nil          | Nil           | Nil          | Nil             |
| 6.      | Guarantees issued                | Nil          | Nil             | Nil          | Nil           | Nil          | Nil             |
| 7.      | Guarantee Commitment             | Nil          | Nil             | Nil          | Nil           | Nil          | Nil             |

Source: information furnished by the Companies/Corporations

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

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



<sup>8</sup> Actual number of SPSUs, which received equity, loans, grants/subsidies from the State Government



From the **Chart 1.3**, it can be seen that the budgetary outgo to SPSUs during 2012-17 in the form of equity, loans, grants/subsidy, etc. was lowest (₹ 444.19 crore) during 2012-13. The budgetary support during 2013-14 had increased significantly to ₹ 1,071.11 crore. The budgetary outgo to SPSUs, however, showed a mixed trend after 2013-14. During 2016-17, the budgetary outgo to SPSUs was ₹ 1,253.39 crore as compared to ₹ 1,002.55 crore extended during 2014-15. This increase was mainly due to increase in the budgetary support (loans, grants/subsidies) to the power sector SPSUs from ₹ 909.91 crore (2014-15) to ₹ 1,145.64 crore (2016-17). During 2016-17, the State Government had provided the budgetary support of ₹ 107.75 crore to other sector SPSUs (*viz.* Manufacturing, Finance, Services and Others). This budgetary support was less than 10 *per cent* of the budgetary outgo (₹ 1,145.64 crore) provided to power sector SPSUs during 2016-17. This indicated the priorities set by the State Government towards development of the State power sector. As per information furnished by SPSUs, no guarantee commitments were outstanding at the end of 2016-17.

### Reconciliation with Finance Accounts

**1.9** The figures in respect of equity and loans extended by the State Government and remained 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 SPSUs concerned and the Finance Department are required to carry out reconciliation of differences. The position in this regard as on 31 March 2017 is summarised in **Table 1.5**.

**Table 1.5 – Equity and loans outstanding as per the State Finance Accounts *vis-a-vis* records of SPSUs**

(₹ in crore)

| Outstanding in respect of | Amount as per Finance Accounts | Amount as per records of SPSUs | Difference |
|---------------------------|--------------------------------|--------------------------------|------------|
| Equity                    | 2,316.75                       | 1,328.92                       | 987.83     |
| Loans                     | 4,243.55                       | 2,885.61                       | 1,357.94   |

It can be noticed that there were significant unreconciled differences in the figures of equity and loans as per two sets of records. Audit observed that the unreconciled differences in the investment figures had increased by ₹ 613.95 crore (equity) and ₹ 190.60 crore (loans) as compared to last year (2015-16). The difference in equity<sup>9</sup> figures existed in respect of all 49 SPSUs. As the un-reconciled differences of outstanding investments remained significant, the State Government and the SPSUs concerned need to take concrete steps to reconcile the differences in a time-bound manner.

<sup>9</sup> SPSU-wise details of loans were not available in the Finance Accounts of the State.

## 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 September end 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. Similarly, in 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 2017.

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

| Sl. No. | Particulars                                      | 2012-13 | 2013-14 | 2014-15           | 2015-16 | 2016-17 |
|---------|--|---------|---------|-------------------|---------|---------|
| 1.      | Number of working SPSUs                          | 40      | 40      | 33                | 33      | 33      |
| 2.      | Number of accounts finalised during the year     | 46      | 63      | 58                | 74      | 25      |
| 3.      | Number of accounts in arrears                    | 316     | 293     | 212 <sup>10</sup> | 171     | 179     |
| 4.      | Number of working SPSUs with arrears in accounts | 37      | 34      | 25                | 26      | 28      |
| 5.      | Extent of arrears (in years)                     | 1 to 25 | 1 to 26 | 1 to 27           | 1 to 25 | 1 to 24 |

(Source: Records of the office and information furnished by the SPSUs)

As can be noticed from **Table 1.6**, the number of accounts in arrears of the working SPSUs has shown a decreasing trend during the four years (2012-13 to 2015-16). During the current year (2016-17), however, the backlog of accounts had marginally increased from 171 (2015-16) to 179 accounts (2016-17). This increase was due to less number of accounts finalised by the SPSUs during 2016-17 as compared to previous years.

The administrative departments have the responsibility to oversee the activities of the SPSUs. The administrative departments concerned were also responsible to ensure that the SPSUs finalise and adopt their accounts within the stipulated period. In view of the huge arrears in submission of accounts by the SPSUs, the Accountant General (AG) had been taking up (September 2016 and March 2017) the matter regularly with the State Government and the administrative departments concerned for liquidating the arrears of accounts of SPSUs. As on September 2017, however, 28 working SPSUs had backlog of 179 accounts with period of arrears ranging up to 24 years, which was significant.

<sup>10</sup> Excluding the arrears of 56 accounts as of 2013-14 in respect of seven SPSUs (Sl. No. C-1 to C-7 of **Annexure 2**), which are now considered as non-working.

**1.11** The State Government had invested ₹ 1,427.26 crore<sup>11</sup> in 16 SPSUs during the years for which their accounts were in arrears, as detailed in *Annexure 1*. In the absence of finalisation of accounts and their 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 State Legislature.

**1.12** In addition to the above, there were arrears in finalisation of accounts by non-working SPSUs. As on 30 September 2017, 14 SPSUs<sup>12</sup> out of total 16 non-working SPSUs, had arrears of accounts ranging from 1 to 34 years. The position of arrears in accounts of the non-working SPSUs is given in *Table 1.7*.

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

| No. of non-working Companies | Period for which accounts were in arrears | No. of years for which accounts were in arrears |
|------------------------------|---|---|
| 2 <sup>13</sup>              | More than 30 years                        | 67  |
| 2 <sup>14</sup>              | 20-30                                     | 52  |
| 1 <sup>15</sup>              | 10-20                                     | 16  |
| 9 <sup>16</sup>              | 1-10                                      | 39  |

*Source: Information 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 2017) on the accounts of Statutory Corporations in the Legislature.

<sup>11</sup> Equity: ₹ 0.40 crore (2 SPSUs), loans: ₹ 518.87 crore (7 SPSUs) and grants ₹ 907.99 crore (13 SPSUs)

<sup>12</sup> Excepting two non-working SPSUs (*viz.*, Assam Government Construction Corporation Limited and Assam State Textiles Corporation Limited) which had no arrears in accounts.

<sup>13</sup> Sl. No. C-8 and C-14 of *Annexure 2*

<sup>14</sup> Sl. No. C-3 and C-11 of *Annexure 2*

<sup>15</sup> Sl. No. C-9 of *Annexure 2*

<sup>16</sup> Sl. No. C-1, C-2, C-5, C-7, C-10, C-12, C-13, C-15 and C-16 of *Annexure 2*

**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                                     | Nil   | Nil                         | Nil            |
| 2.      | Assam Financial Corporation         | 2014-15                                     | 2015-16                                       | December 2016               | Not placed     |
| 3.      | Assam State Warehousing Corporation | 2007-08                                     | 2008-09                                       | September 2013              | Not placed     |
|         |                                     |   | 2009-10                                       | August 2014                 | Not placed     |
|         |                                     |   | 2010-11                                       | November 2016               | Not placed     |

*Source: Records of the office and information furnished by the Corporations*

As could be noticed from **Table 1.8**, total four SARs issued by CAG upto 30 September 2017 were pending for placement in the State Legislature by the State Government. These four SARs pertained to two Statutory Corporations, namely, Assam Financial Corporation (one SAR) and Assam State Warehousing Corporation (three SARs). The State Government and the Statutory Corporations, however, had not provided any information with regard to the reasons for delay in placement of SARs in the Legislature.

### Impact of arrears in accounts

**1.14** Delays in finalisation of the accounts 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 **paragraph 1.10 to 1.12**, the actual contribution of SPSUs to the State GDP for the year 2016-17 could not be ascertained and their contribution to State exchequer could not be reported to the State Legislature.

*The Government may therefore, consider:*

- to set up a cell to oversee the clearance of arrears in accounts and set the targets for individual SPSUs which would 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 SPSUs are detailed in **Annexure 2**. A ratio of SPSU-turnover to State GDP shows the extent of SPSU-activities in the State economy. **Table 1.9** provides the details of working SPSUs turnover against the State GDP for a period of five years ending 2016-17.

**Table 1.9: Details of working SPSUs turnover vis-a-vis State GDP***(₹ in crore)*

| Particulars                         | 2012-13  | 2013-14  | 2014-15  | 2015-16  | 2016-17  |
|-------------------------------------|----------|----------|----------|----------|----------|
| Turnover <sup>17</sup>              | 3,509.96 | 3,910.26 | 4,380.58 | 5,061.36 | 5,608.72 |
| State GDP <sup>18</sup>             | 1,56,864 | 1,77,745 | 1,95,723 | 2,26,276 | 2,57,510 |
| Percentage of Turnover to State GDP | 2.24     | 2.20     | 2.24     | 2.24     | 2.18     |

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

As can be noticed from **Table 1.9**, the turnover of the working SPSUs showed an increasing trend during five years from 2012-13 to 2016-17. The *percentage* of turnover to the State GDP during the said period, however, mostly remained consistent excepting marginal variations during 2013-14 and 2016-17. This was indicative of the fact that year-wise growth in SPSUs turnover was mostly commensurate with the corresponding growth in the State GDP during 2012-13 to 2016-17.

The Power and Transport sectors are important drivers of the economy. Audit analysed the turnover of Power and Transport sector SPSUs vis-à-vis the State GDP during 2012-13 to 2016-17. Audit observed that during 2012-13 to 2016-17, the said SPSUs had registered an overall increase of 70.74 *per cent* in their turnover. This increase was encouraging as compared to the growth rate (64.16 *per cent*) of the State GDP during the same period.

### ***Erosion of capital due to losses***

**1.15.1** The paid-up capital and accumulated losses of 33 working SPSUs as per their latest finalised accounts as on 30 September 2017 were ₹ 1,937.87 crore and ₹ 4,280.26 crore respectively (**Annexure 2**). Analysis of investment and accumulated losses of these SPSUs revealed that the accumulated losses (₹ 4,799.52 crore) of 15<sup>19</sup> working SPSUs had completely eroded their paid-up capital (₹ 1,073.45 crore).

Of these 15 SPSUs, the primary erosion of paid-up capital was in respect of 2<sup>20</sup> power sector companies. The accumulated losses (₹ 3,511.13 crore) of these 2 power sector companies had completely eroded their paid-up capital (₹ 262.70 crore) as per their latest finalised accounts. Among non-power sector

<sup>17</sup> Turnover as per the latest finalised accounts as of 30 September of the respective year.

<sup>18</sup> State GDP as per Economic Survey, 2016-17, published by Government of Assam.

<sup>19</sup> Sl. No. A1, A4, A6, A7, A9, A11, A13, A18, A19, A21, A22, A24, A25, A27 & B2 of **Annexure 2**.

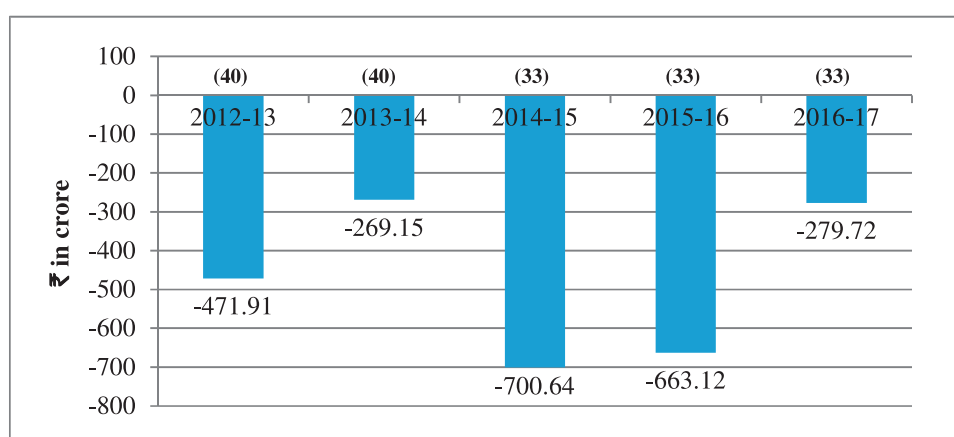
<sup>20</sup> Sl. No. A24 and A25 of **Annexure 2**.

SPSUs, the paid-up capital had primarily eroded in respect of two SPSUs, namely, Assam State Transport Corporation (paid-up capital: ₹ 737.72 crore; accumulated losses: ₹ 779.90 crore) and Assam Tea Corporation Limited (paid-up capital: ₹ 29.54 crore; accumulated losses: ₹ 286.40 crore).

Accumulation of huge losses by these SPSUs had eroded public wealth, which is a cause of serious concern.

**1.16** Overall position of the aggregate profits earned/losses incurred by working SPSUs during 2012-13 to 2016-17 has been depicted in **Chart 1.4**.

**Chart 1.4 Profit/Loss of working SPSUs**



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

As could be noticed from the **Chart 1.4**, the working SPSUs had incurred overall losses during all five years under reference. The overall losses of the working SPSUs had shown a mixed trend during the last five years from 2012-13 to 2016-17. The significant increases in the losses of SPSUs during 2014-16 were mainly due to heavy losses<sup>21</sup> incurred by the three power sectors companies. During 2016-17, however, the losses of power sector companies had reduced significantly to ₹ 302.71 crore, which correspondingly reduced the overall losses of the working SPSUs to ₹ 279.72 crore during 2016-17.

During the year 2016-17, out of 33 working SPSUs, 18 SPSUs earned an aggregate profit of ₹ 105.96 crore as per their latest finalised accounts as on 30 September 2017. The remaining 15 SPSUs, however, incurred loss aggregating ₹ 385.68 crore as per their latest finalised accounts.

The major contributors to profit were Assam Gas Company Limited (₹ 68.75 crore), DNP<sup>22</sup> Limited (₹ 13.49 crore), Assam Industrial Development Corporation Limited

<sup>21</sup> Losses of three Power sector Companies: ₹ 694.84 crore (2014-15) and ₹ 657.12 crore (2015-16)

<sup>22</sup> DNP stood for Duliajan-Numaligarh Pipeline. The Company was, however, registered in the name of 'DNP Limited' as per the certificate of incorporation issued by the Registrar of Companies.

(₹ 5.53 crore) and Assam Mineral Development Corporation Limited (₹ 4.14 crore). The heavy losses were incurred by Assam Electricity Grid Corporation Limited (₹ 199.74 crore) and Assam Power Distribution Company Limited (₹ 103.90 crore). The heavy operational losses of the power sector companies were attributable to high cost of power generation/purchase as well as high employee cost.

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

**Table 1.10: Key Parameters of SPSUs**

(₹ in crore)

| Particulars                                     | 2012-13      | 2013-14      | 2014-15      | 2015-16      | 2016-17      |
|---|--------------|--------------|--------------|--------------|--------------|
| Return on Capital Employed ( <i>per cent</i> )* | not workable | not workable | not workable | not workable | not workable |
| Debt  | 1,675.47     | 1,921.51     | 2,783.52     | 2,479.79     | 2,647.10     |
| Turnover <sup>23</sup>                          | 3,509.96     | 3,910.26     | 4,380.58     | 5,061.36     | 5,608.72     |
| Debt/ Turnover Ratio                            | 0.48:1       | 0.49:1       | 0.64:1       | 0.49:1       | 0.47:1       |
| Interest Payments                               | 173.32       | 231.26       | 261.01       | 277.30       | 303.51       |
| Accumulated Profits (losses)                    | (2,640.42)   | (2,892.00)   | (3,658.21)   | (3,833.84)   | (4,483.72)   |

\*Not workable as the figures of overall capital employed of SPSUs was negative.

(Source: Information furnished by the Companies/Corporations)

From *Table 1.10*, it could be seen that the percentage of returns on capital employed was not workable as the overall capital employed of SPSUs throughout the five years from 2012-13 to 2016-17 was completely wiped off by the accumulated losses of these SPSUs as at the end of the respective year. This was mainly due to huge losses incurred by the working SPSUs during the said periods. The losses incurred by working SPSUs during last five years had correspondingly contributed towards increase in the accumulated loss of SPSUs by 69.81 *per cent* from ₹ 2,640.42 crore (2012-13) to ₹ 4,483.72 crore (2016-17). It could also be noticed that the long-term debts of the SPSUs had gradually increased from ₹ 1,675.47 crore (2012-13) to ₹ 2,647.10 crore (2016-17). This caused increase of 75.11 *per cent* in the interest liability of working SPSUs from ₹ 173.32 crore (2012-13) to ₹ 303.51 crore (2016-17). The increase in the interest liability has correspondingly increased pressure on the profitability of the SPSUs.

**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. Audit noticed that 18 working SPSUs had earned an aggregate profit of ₹ 105.96 crore as per their latest finalised accounts as on 30 September 2017. Audit

<sup>23</sup> Turnover of working SPSUs as per the latest finalised accounts as of 30 September of the respective year.



further noticed that only one of these 18 profit earning SPSUs (Assam Gas Company Limited) had declared a dividend of ₹ 1.69 crore.

### **Winding up of non-working SPSUs**

**1.19** There were 16 non-working SPSUs (all companies) as on 31 March 2017. None of these Companies, however, had commenced the liquidation process. The numbers of non-working SPSUs (Companies and Corporations) at the end of each year during past five years are given in **Table 1.11**.

**Table 1.11: Non-working SPSUs**

| Particulars                     | 2012-13   | 2013-14   | 2014-15   | 2015-16   | 2016-17   |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| No. of non-working Companies    | 9         | 9         | 16        | 16        | 16        |
| No. of non-working Corporations | 1         | 1         | Nil       | Nil       | Nil       |
| <b>Total</b>                    | <b>10</b> | <b>10</b> | <b>16</b> | <b>16</b> | <b>16</b> |

*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 to be closed down or revived. During 2016-17, seven<sup>24</sup> non-working SPSUs incurred an expenditure of ₹ 1.01 crore towards salaries and establishment expenditure etc. The SPSUs concerned had financed the said expenditure through their own sources, viz., interest on fixed deposits.

**1.20** As on 30 September 2017, the State Government had already issued necessary orders for closure of all the 16 non-working SPSUs. The liquidation process in respect of all the 16 non-working SPSUs was, however, not started (October 2017). As no purpose is served by keeping 16 non-working SPSUs in existence, the liquidation process to wind up these SPSUs needs to be expedited.

### **Accounts Comments**

**1.21** Fourteen working Companies forwarded their audited 24 accounts to the Accountant General, Assam (AG) during October 2016 to September 2017. Of these, 20 accounts of 13 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 these accounts needs to be improved substantially. The details of aggregate money value of comments of

<sup>24</sup> Companies at serial number C-4, C-6, C-9, C-12, C-13, C-15 and C-16 of **Annexure 2**.



statutory auditors and CAG for last three years from 2014-15 to 2016-17 are given in **Table 1.12**.

**Table 1.12: Impact of audit comments on the accounts of the working Companies**  
(₹ in crore)

| Sl. No. | Particulars                      | 2014-15         |        | 2015-16         |        | 2016-17         |        |
|---------|----------------------------------|-----------------|--------|-----------------|--------|-----------------|--------|
|         |                                  | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| 1.      | Decrease in profit               | 4               | 10.92  | 7               | 39.50  | 1               | 0.50   |
| 2.      | Increase in loss                 | 16              | 171.61 | 23              | 74.02  | 11              | 201.02 |
| 3.      | Non-disclosure of material facts | 5               | 34.89  | 4               | 29.64  | Nil             | Nil    |
| 4.      | Errors of classification         | 1               | 230.79 | 3               | 4.48   | Nil             | Nil    |

*Source: Statutory Auditors' Report and comments of CAG*

During the year, the Statutory Auditors had given qualified certificates to all the accounts finalised by the companies. The compliance of companies with the Accounting Standards (AS) remained poor, as there were 19 instances of non-compliance to AS in 12 accounts during the year.

**1.22** Similarly, only one working Statutory Corporation (Assam Financial Corporation) forwarded one-year accounts to the AG during October 2016 to September 2017 for supplementary audit. AG had conducted the supplementary audit of the accounts forwarded by the Corporation. The accounts of the Statutory Corporation received qualified certificate. The Audit Report of Statutory Auditors and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of the comments of the statutory auditors and the CAG for last three years are given in **Table 1.13**.

**Table 1.13: Impact of audit comments on the accounts of the working Statutory Corporations**

(₹ in crore)

| Sl. No. | Particulars        | 2014-15         |        | 2015-16         |        | 2016-17         |        |
|---------|--------------------|-----------------|--------|-----------------|--------|-----------------|--------|
|         |                    | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| 1.      | Decrease in profit | Nil             | Nil    | Nil             | Nil    | 1               | 2.02   |
| 2.      | Increase in loss   | 1               | 2.50   | 1               | 4.00   | Nil             | Nil    |

*Source: Reports of the Statutory Auditors and comments of CAG*

### Response of the State Government to Audit

**1.23** For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2017 (Report No. 1 of 2018), one performance audit and nine audit

paragraphs emerged from the Compliance Audit of SPSUs involving four departments of the State Government. The performance audit and audit paragraphs 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 five compliance audit paragraphs and one performance audit were, however, awaited (September 2017). Audit however, discussed (5 September 2017) the draft PA with the representatives of the GoA in the Exit Conference. Audit had appropriately considered the view expressed by the representatives of the GoA in the Exit conference while finalising the Audit Report.

### **Follow up action on Audit Reports**

#### **Explanatory notes not received**

**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 on preparing the explanatory notes by the administrative departments concerned. As per the said instructions, the administrative departments concerned were required to prepare an explanatory note on the paragraphs and performance audits included in the Audit Reports immediately on receipt of the said Audit Reports. The administrative departments were required to indicate the corrective/remedial action taken or proposed action in the explanatory notes. The administrative departments were also required to submit the said explanatory notes to the Assam Legislative Assembly with a copy to the AG within 20 days from the date of receipt of the Audit Reports.

As on 30 September 2017, 26 Audit Reports (1990-91 to 2015-16) containing 54 performance audits and 303 audit paragraphs were submitted to the State Legislature. The administrative departments concerned, however, did not submit any explanatory notes on the performance audits and paragraphs appeared in the above Reports to the State Legislative Assembly (December 2017).

#### **Discussion of Audit Reports by COPU**

**1.25** The status of discussion of Audit Reports by the Committee on Public Undertakings (COPU) as on 30 September 2017 is given in *Annexure 3*. It can be seen from *Annexure 3* that during the period 1990-91 to 2015-16, total 26 Audit Reports containing 54 performance audits and 303 paragraphs were placed in the State Legislature. As on September 2017, the COPU had discussed total 31 performance audits and 188 paragraphs pertaining to 25 Audit Reports.

**Compliance to Reports of Committee on Public Undertakings (COPU)**

**1.26** Action Taken Notes (ATN) on 112 recommendations pertaining to 15 Reports of the COPU presented to the State Legislature between October 2002 and December 2011 had not been received (September 2017) as indicated in **Table 1.14**.

**Table 1.14: Compliance to COPU Reports**

| <b>Year of the COPU Report</b> | <b>Total number of COPU Reports</b> | <b>Total no. of recommendations in COPU Report</b> | <b>No. of recommendations where ATNs received</b> |
|--------------------------------|-------------------------------------|--|---|
| 2002-03                        | 1                                   | 9  | 0   |
| 2003-04                        | 2                                   | 17   | 0   |
| 2004-05                        | 1                                   | 9  | 0   |
| 2007-08                        | 1                                   | 6  | 0   |
| 2008-09                        | 6                                   | 55   | 4   |
| 2009-10                        | 2                                   | 8  | 0   |
| 2010-11                        | 1                                   | 8  | 0   |
| 2011-12                        | 1                                   | 4  | 0   |
| <b>Total</b>                   | <b>15</b>                           | <b>116</b>   | <b>4</b>  |

*Source: Register of Action Taken Notes*

These reports of COPU contained recommendations in respect of 50 paragraphs and 9 performance audits pertaining to 7 departments, which appeared in the Audit Reports of the CAG of India for the years 1994-95 to 2006-07.

*It is recommended that the Government may ensure:*

- (a) sending of replies to 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.

|                                |
|--------------------------------|
| <b>Coverage of this Report</b> |
|--------------------------------|

**1.27** This Report contains nine compliance audit paragraphs and one performance audit on 'Implementation of Restructured-Accelerated Power Development and Reforms Programme component in Assam under Integrated Power Development Scheme' by Assam Power Distribution Company Limited.

The Audit findings covered in the Report relate to six SPSUs. The Investment, Turnover, Equity, Return and percentage of Return on Equity (RoE) in respect of these SPSUs are given in **Table 1.15**.

**Table 1.15: Key parameters of the SPSUs covered in the Report**

(₹ in crore)

| Sl. No.      | Name of the PSU   | Investment     | Turnover       | Equity <sup>25</sup> | Return <sup>26</sup> | RoE (per cent)      |
|--------------|---|----------------|----------------|----------------------|----------------------|---------------------|
| 1            | Assam Power Distribution Company                        | 2308.99        | 3664.39        | -2926.16             | -103.90              | Not workable        |
| 2            | Assam Power Generation Company Limited                  | 1155.63        | 697.72         | 282.59               | 0.93                 | 0.33                |
| 3            | DNP Limited   | 205.05         | 66.51          | 192.29               | 13.49                | 7.02                |
| 4            | Assam Electronics development Corporation               | 10.06          | 0.92           | 9.71                 | 2.26                 | 23.27               |
| 5            | Assam Small Industries Development Corporation Limited  | 11.86          | 90.00          | -7.85                | -1.70                | Not workable        |
| 6            | Assam State Textbook Production and Publication Limited | 1.00           | 7.82           | 2.26                 | 0.28                 | 12.39               |
| <b>Total</b> |   | <b>3692.59</b> | <b>4527.36</b> | <b>-2447.16</b>      | <b>-88.64</b>        | <b>Not workable</b> |

Source: Information furnished by the Companies/Corporations.

It can be seen from the **Table 1.15** above that the six SPSUs had total investment of ₹ 3,692.59 crore. The Equity of two SPSUs (serial no. 1 and 5 above) was, however, completely eroded by their accumulated losses and hence, RoE of these SPSUs was not workable. The RoE of remaining four SPSUs ranged between 0.33 and 23.27 per cent.

### 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.

<sup>25</sup> Equity represents Paid-up Equity Capital plus Free Reserves plus Accumulated profits minus Accumulated losses.

<sup>26</sup> Net profit after tax.