

Introduction

Functioning of State Public Sector Undertakings

Introduction

Functioning of State Public Sector Undertakings

General

1 The Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations under Government of Assam (GoA). The PSUs 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 2018, there were 49 PSUs (33 working PSUs and 16 non-working PSUs¹) in Assam. None of these Government Companies were listed on the stock exchange, which means that the share capital of these companies cannot be officially traded on the stock exchange.

2 The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2018 is covered in this report. The nature of PSUs and the position of accounts are indicated in *Table 1* below:

Table 1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period ²				Number of PSUs of which accounts are in arrear as on 30 September 2018	Total Arrear in Accounts
		Accounts upto 2017-18	Accounts upto 2016-17	Accounts upto 2015-16	Total		
Working Government Companies ³	30	4	7	4	15	26	179
Statutory Corporations	3	1	0	1	2	2	6
Total working PSUs	33	5	7	5	17	28	185
Non-working Government PSUs	16	1	1	3	5	15	177
Total	49	6	8	8	22	43	362

Source: Records of PSUs with audit.

Out of the 49 PSUs, only 6 PSUs (including one non-working) had finalised their latest accounts (2017-18) as on 30 September 2018. The remaining 43 PSUs had arrears of accounts ranged between 1 and 35 years. The PSUs had employed 36,998 employees as at the end of March 2018. The 33 working PSUs registered a turnover of ₹ 6,638.68 crore. This turnover was equal to 2.34 per cent of Gross State Domestic Product (GSDP) of ₹ 2,83,821 crore⁴ for 2017-18 at current prices. During the year 2017-18, the working PSUs earned an aggregate profit of ₹ 371.71 crore as per their latest finalised accounts as on 30 September 2018, as compared to the aggregate loss of ₹ 279.72 crore incurred during 2016-17.

¹ Non-working PSUs are those which have ceased to carry out their operations.

² From October 2017 to September 2018

³ Government PSUs include 'other Companies' referred to in Section 139 (5) and 139 (7) of the Companies Act 2013

⁴ GSDP (Quick estimate) as per information furnished by Directorate of Economic and Statistics, Government of Assam.

Accountability framework

3 The audit of the financial statements of Government Companies in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of Section 139 and 143 of the Companies Act, 2013. The audit of a Company in respect of the financial years that commenced prior to 1 April 2014, however, continued to be governed by the Companies Act, 1956. According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than 51 *per cent* of the paid-up share capital is held singly or jointly by the Central Government and/or any State Government(s) and also includes subsidiary of a Government Company.

The Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government Company under Section 139 (5) and (7) of the Act. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company, the first auditor are to be appointed by the CAG within 60 days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-Section 7 of Section 143 of the Act 2013, the CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and 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. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG.

Statutory Audit

4 The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Companies Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143 (5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013.

Audit of Statutory Corporations is governed by their respective legislations. Out of three Statutory Corporations, the CAG is sole auditor for Assam State Transport Corporation. In respect of Assam State Warehousing Corporation and Assam Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG. The provisions of Section 19A of the CAG's Duties, Powers and Conditions of Service Act, 1971 (DPC) shall apply to the report of such 'test audit'. The audit arrangements of statutory corporations are as shown in **Table 2**:

Table 2: Details of Statutory Corporations

Sl. No.	Name of the Corporation	Authority for audit by CAG	Audit arrangement
1.	Assam State Transport Corporation	Section 33 (2) of the Road Transport Corporations Act, 1950	Sole audit by CAG under Section 19 (2) of the DPC Act, 1971
2.	Assam Financial Corporation	Section 37 (6) of the State Financial Corporations Act, 1951	Audit conducted by Chartered Accountants and supplementary audit by CAG under Section 19 (2) of the DPC Act, 1971
3.	Assam State Warehousing Corporation	Section 31 (8) of the State Warehousing Corporations Act, 1962	Audit conducted by Chartered Accountants and supplementary audit by CAG under Section 19 (2) of the DPC Act, 1971

Need for timely finalisation and submission

5 According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation, laid before the House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating the statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies and statutory corporations from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited financial statements for the financial year have to be placed in the said AGM for consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including Directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature

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

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports of State Government Companies together with the Statutory Auditors' Reports and comments of the CAG thereon are required to be placed before the Legislature under Section 394 of the Companies Act, 2013. Similarly, the Annual Reports of Statutory Corporations along with the Separate Audit Reports of CAG are required 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 State Government under Section 19A of the CAG's (DPC) Act, 1971.

Investment of GoA in Public Sector Undertakings (PSUs)

7 The GoA has significant financial stake in the PSUs. 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 PSUs from time to time.
- **Special Financial Support** - State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** - State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

8 The sector wise summary of investments of GoA in the PSUs as on 31 March 2018 is given in **Table 3**.

Table 3: Sector-wise investment of GoA in PSUs

Name of Sector	Government Companies		Statutory Corporations	Total	Investment (₹ in crore)		
	Working	Non-Working	Working		Equity	Long-term Loans	Total
Power	3	0	0	3	807.24	2,776.83	3,584.07
Agriculture & Allied	5	2	0	7	57.01	327.98	384.99
Finance	5	0	1	6	40.99	40.04	81.03
Infrastructure	7	2	0	9	177.81	128.50	306.31
Manufacturing	5	12	0	17	137.63	64.32	201.95
Service	1	0	2	3	165.86	0.04	165.90
Miscellaneous ⁵	4	0	0	4	20.07	0.00	20.07
Total	30	16	3	49	1,406.61⁶	3,337.71	4,744.32

Source: Information furnished by the PSUs

⁵ Miscellaneous sector includes Assam Gas Company Ltd., DNP Ltd., Assam Government Marketing Corporation Ltd. and Assam State Textbook Production and Publication Corporation Ltd.

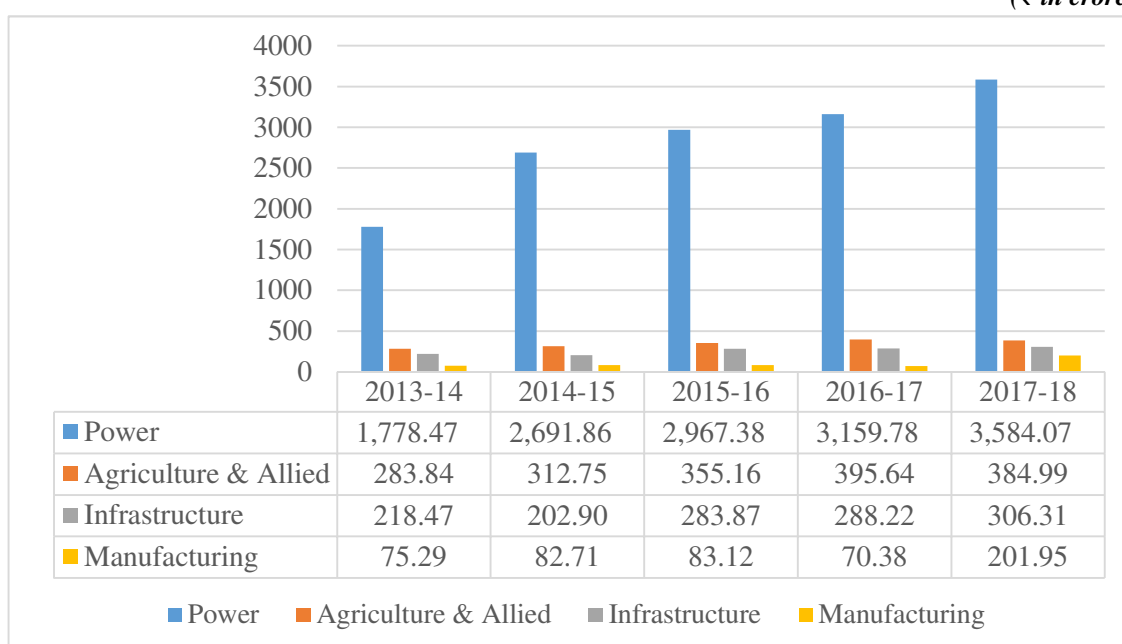
⁶ This does not include ₹ 519.15 crore (plan/non-plan fund) received by Assam State Transport Corporation for creation of assets which was included in the previous Audit Reports as equity.

The thrust of GoA investment during the last five years was in the power sector PSUs. The investment in power sector PSUs increased by 101.53 per cent from ₹ 1,778.47 crore (2013-14) to ₹ 3,584.07 crore (2017-18). This was mainly on account of net additions of ₹ 1,805.60 crore⁷ (185.91 per cent) during 2013-18 in the funding provided by the GoA to three PSUs by way of long-term loans. The said GoA funding provided to three power sector PSUs aimed to implement several infrastructure development projects and schemes such as, Restructured Accelerated Power Development and Reforms Programme, etc.

9 The comparative figures of GoA investment in four major sectors at the end of 31 March 2014 and 31 March 2018 are indicated in **Chart 1**.

Chart 1: Sector-wise investment in PSUs

(₹ in crore)



In addition to above, GoA had also provided budgetary support aggregating ₹ 5,235.51 crore to the PSUs (power sector: ₹ 4,646.27 crore and other than power sector: ₹ 589.24 crore) during the period of five years (2013-18) by way of grants/subsidy as detailed under **Chapter I** and **IV (paragraph 1.5 and 4.6)** of this Report.

Keeping in view the high level of investment in power sector, we are presenting the results of audit of three power sector PSUs in Part I⁸ of this Report and that of the remaining 46 PSUs (other than power sector) in the Part II⁹ of the Report.

⁷ Long term loan provided by GoA = ₹ 2,776.83 crore (2017-18) – ₹ 971.23 crore (2013-14)

⁸ The Part I includes Chapter-I (Functioning of Power Sector Undertakings), Chapter-II (Performance Audit relating to power sector PSUs) and Chapter-III (Compliance Audit Observations relating to power sector PSUs).

⁹ The Part II includes Chapter-IV (Functioning of PSUs other than power sector) and Chapter-V (Performance Audit relating to PSUs other than power sector) and Chapter-VI (Compliance Audit Observations relating to PSUs other than power sector).