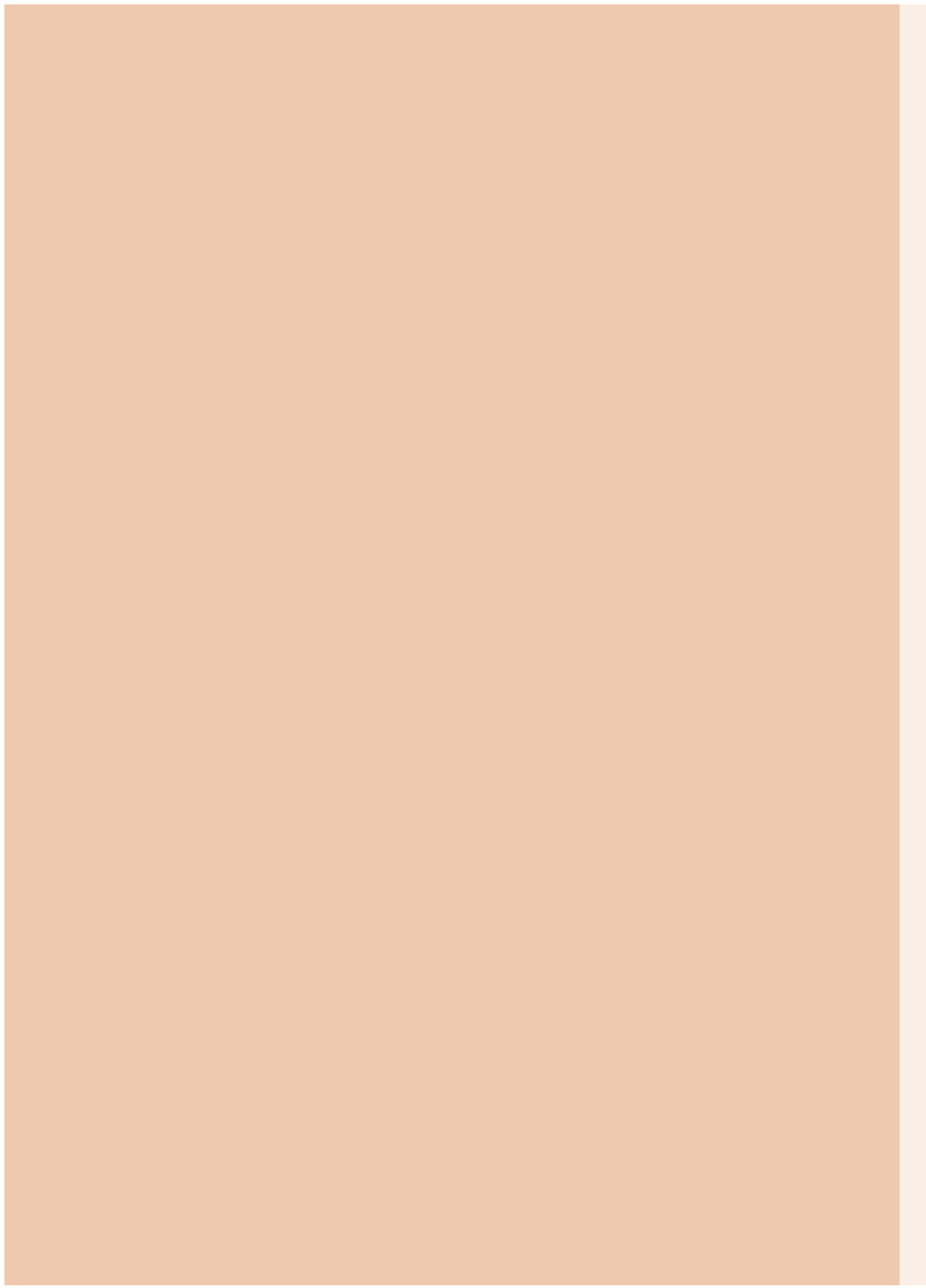


OVERVIEW



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The Report of the Comptroller and Auditor General of India on State Public Sector Enterprises for the year ended 31 March 2022 (Government of Assam) is brought out in two Chapters.

CHAPTER-I on General Purpose Financial Report on State Public Sector Enterprises (SPSEs) containing four Sections.

CHAPTER-II on Compliance Audit Paragraphs on SPSEs containing seven Compliance Audit Paragraphs emerging from the compliance audit of SPSEs.

The major findings included in the Audit Report are as follows:

Chapter-I: General Purpose Financial Report on State Public Sector Enterprises

Section 1: Financial performance of State Public Sector Enterprises

As on 31 March 2022, there were 51 SPSEs (including 16 non-working) and one State Electricity Regulatory Commission under the audit jurisdiction of the Principal Accountant General (Audit), Assam who represents the Comptroller and Auditor General of India (C&AG) in the State. These 51 SPSEs included three power sector SPSEs (all working Government companies) and 48 other than power sector SPSEs (including three working Statutory Corporations). As per the latest finalised accounts of working SPSEs as on 30 September 2022, the turnover of the 35 working SPSEs stood at ₹ 7,556.36 crore.

(Paragraphs 1.1.4 and 1.1.5)

The total investment (equity and long-term loans) in the 51 SPSEs was ₹ 11,912.21 crore as on 31 March 2022. The investment consisted of 73.30 *per cent* in equity and 26.70 *per cent* in long-term loans. Out of the total investment of ₹ 11,912.21 crore, the investment by GoA was ₹ 9,398.19 crore which consisted of ₹ 8,083.26 crore towards equity and ₹ 1,314.93 crore in long-term loans. During 2019-20 to 2021-22, the total investment of GoA in SPSEs has increased by 105.85 *per cent* (₹ 4,832.68 crore) from ₹ 4,565.51 crore (2019-20) to ₹ 9,398.19 crore (2021-22).

(Paragraph 1.1.6)

During 2021-22, GoA has provided budgetary support of ₹ 1,757.52 crore to 14 SPSEs the form of equity (₹ 40.00 crore), long-term loans (₹ 87.17 crore) and grants/subsidy (₹ 1,630.35 crore). The GoA had also waived off (February 2022) the interest accrued up to 31 March 2021 on GoA loans of the three power sector SPSEs amounting to ₹ 929.88 crore. The GoA also converted (February 2022) capital grants and loans of three power sector SPSEs amounting to ₹ 4684.18 crore and ₹ 1578.90 crore respectively into equity capital.

(Paragraph 1.1.8)

The working SPSEs earned overall profits of ₹ 171.31 crore during 2021-22 as against the losses of ₹ 125.01 crore incurred during 2019-20. During 2019-22, the number of profit-making SPSEs having direct equity infusion by GoA ranged between 14 and 22, of which only Assam Gas Company Limited paid a total dividend of ₹ 15.21 crore to GoA during three years' period (2019-22).

(Paragraphs 1.1.9.1 and 1.1.9.2)

The long-term loans (GoA and Others) of working SPSEs registered a decrease of ₹ 342.22 crore during 2021-22 (₹ 3,918.79 crore) as compared to 2020-21 (₹ 4,261.01 crore). During 2021-22, the major borrowings were availed by three power sector SPSEs, which had total outstanding loans of ₹ 2,631.23 crore (67.14 *per cent*) as per their latest finalised accounts.

(Paragraph 1.1.10)

During 2021-22, the accumulated losses of the working SPSEs had reduced by ₹ 1,721.82 crore (34.31 *per cent*) from ₹ 5,017.77 crore (2020-21) to ₹ 3,295.95 crore (2021-22). Major contributors to the accumulated losses to the extent of ₹ 2,867.67 crore (87.01 *per cent*) during 2021-22, were four SPSEs (three power sector SPSEs and Assam State Transport Corporation).

(Paragraph 1.1.11.1)

During 2021-22, 24 out of 35 working SPSEs had positive capital employed while the remaining 11 SPSEs had negative capital employed. During 2019-20 to 2021-22, the SPSEs with positive capital employed had registered an increase of ₹ 1,242.74 crore (29.73 *per cent*) in aggregate capital employed from ₹ 4,180.30 crore (2019-20) to ₹ 5,423.04 crore (2021-22). The Earnings before Interest & Taxes (EBIT) of these SPSEs had also increased by ₹ 261.83 crore (243.11 *per cent*) from ₹ 107.70 crore (2019-20) to ₹ 369.53 crore (2021-22). As a result, the Return on Capital Employed (RoCE) of the working SPSEs having positive capital employed had also improved from 2.58 *per cent* (2019-20) to 6.81 *per cent* (2021-22).

(Paragraph 1.1.11.2)

During 2021-22, 24 working SPSEs earned a total profit of ₹ 513.40 crore. 16 out of 24 working SPSEs which earned profit had positive equity or shareholders' fund. During 2021-21, the Return on Equity (RoE) of these 16 SPSEs was 13.60 *per cent* as compared to the RoE of 6.77 *per cent* for 15 SPSEs during 2020-21. In case of the remaining eight SPSEs which earned profit during 2021-22, the accumulated losses (₹ 819.57 crore) had completely eroded their paid-up capital (₹ 149.75 crore).

(Paragraph 1.1.11.3)

Analysis of investment and net accumulated losses of 35 working SPSEs revealed that the accumulated losses (net after adjusting free reserves) of 16 working SPSEs (₹ 3,142.23 crore) had completely eroded their paid-up capital (₹ 782.09 crore).

(Paragraph 1.1.11.5)

Section 2: Oversight role of CAG

Out of 51 SPSEs (35 working SPSEs and 16 non-working SPSEs) under the audit jurisdiction of Principal Accountant General (Audit), Assam, only nine SPSEs (Seven working and two non-working) had finalised their up-to-date accounts (2021-22). Further, 22 SPSEs (18 working and 4 non-working) had 57 accounts in arrears for a period of one to five years while the remaining 20 SPSEs (10 working and 10 non-working) had total 331 accounts in arrears for more than five years as on 30 September 2022. GoA had invested ₹ 2,336.25 crore in 18 SPSEs during the years for which their accounts were in arrears.

(Paragraphs 1.2.4 and 1.2.5)

During October 2021 to September 2022, 33 SPSEs forwarded their 62 of these, 51 accounts (8 accounts for the year 2021-22 and 43 accounts for previous years) of 26 SPSEs were selected for supplementary audit. For the remaining 11 accounts (one for the year 2021-22 and 10 accounts for previous years) of eight SPSEs, non-review certificates (NRCs) were issued.

(Paragraph 1.2.9)

Irregularities and deficiencies in the financial reports or in the reporting process observed during supplementary audit which were not material, were communicated to the Management of six SPSEs during 2021-22 through 'Management Letter' separately for taking corrective action.

(Paragraph 1.2.10)

Section 3: Corporate Governance

The review of Corporate Governance covered 31 working companies under the administrative control of various Departments of Government of Assam. The present review covers compliance to general provision of Corporate Governance as well as compliance to the provisions requiring fulfilment of prescribed financial criteria.

During 2021-22, out of 31 working companies who had furnished the required information, 22 working companies did not hold the mandatory four meetings of the Board of Directors each year.

(Paragraphs 1.3.4 and 1.3.6.2)

Three out of seven companies, which were required to have Independent Directors either did not have any Independent Director on their Board or had lesser number of such Directors than the statutory requirement.

(Paragraph 1.3.7.2)

Out of eight companies, which were required to constitute an Audit Committee, two companies did not form the Committee contrary to the requirement of the Companies Act, 2013. Whereas, three companies which were under no legal obligation to constitute the Audit Committee, also formed the same indicating a gesture of good Corporate Governance on their part.

(Paragraph 1.3.8.1)

Out of 28 working companies, which had furnished information as regard to holding of Annual General Meeting (AGM), only six companies had concluded the AGM for the year the current year (2021-22), as their accounts had been finalised up to the financial year 2021-22. Remaining 22 companies having backlog of Accounts had concluded the AGMs for the previous years.

(Paragraph 1.3.9.2)

Section 4: Corporate Social Responsibility

As per the latest finalised accounts of 32 working companies, Section 135 of the Companies Act, 2013 relating to Corporate Social Responsibility (CSR) was applicable to eight companies.

Seven out of eight working companies covered under the provisions of Section 135 of the Act, have constituted the CSR Committee. Regarding composition of the CSR Committee, there was shortfall in appointment of 'Independent Directors' in case of one company.

(Paragraphs 1.4.2 and 1.4.3.1)

Four out of eight working companies which were required to spend on CSR activities did not incur any expenditure on CSR activities. There was an overall shortfall of ₹ 5.31 crore in mandatory CSR spending in respect of five working companies as per their latest finalised accounts.

(Paragraph 1.4.3.2)

Chapter-II: Compliance Audit Paragraphs relating to SPSEs

Compliance Audit paragraphs included in this Chapter highlight deficiencies in the management of SPSEs. Brief details of the important audit observations have been given below:

MOITRI Society

Assam Police Housing Corporation Limited

Assam State Co-Operative Housing Federation Limited

Implementation of Mission of Overall Improvement of Thana for Responsive Image (MOITRI) Scheme

The MOITRI Scheme was launched with the aim to create modern and citizen friendly infrastructure in 345 Police Stations (PS) within five years (2017-18 to 2021-22) in a transparent and competitive manner. The objective of the Scheme was defeated as 48 out of 119 PS taken up during first and second phase of the Scheme remained incomplete as of June 2022 while scheme works in remaining 226 PS were still at planning stage. Further, out of 155 other works (100 barracks and 55 other infrastructure projects) planned under the Scheme, only 16 works (one barrack and 15 other projects) could be

completed (June 2022). Of the remaining 139 works, 85 works (45 barracks and 40 other projects) were in progress (June 2022) while works in the remaining 54 barracks could not be started so far (September 2022).

Besides, instances of various irregularities (viz. award of works without following tender process, awarding multiple works without assessing the credentials/workable capacity of contractors, non-collection of performance security/retention money to safeguard against future defect liability, etc.) were also noticed in Scheme implementation indicating poor contract management by Executing Agencies.

The budgetary control mechanism of GoA was deficient as GoA released Scheme funds to MOITRI Society based on incorrect Utilisation Certificates, without assessing the actual fund requirement. As a result, significant Government money/Scheme Funds irregularly remained with MOITRI Society outside the budgetary process for long periods.

(Paragraph 2.1)

Assam Power Generation Corporation Limited

Construction of Power Projects

As on 1 April 2017, the Company had three operational power plants with installed capacity of 361.70 MW. During 2017-18 to 2021-22, out of the planned capacity addition of 371.66 MW (five projects), the Company commissioned three projects (181.66 MW). Of the three projects completed during 2017-22, one project (69.76 MW) was commissioned on time, while the other two projects were commissioned with a delay of 6 and 9 years. Against one completed project, which was partly financed through interest bearing loan and was delayed (9 years) mainly due to poor performance of the Contractor, the Company had to bear additional interest liability of ₹ 183.50 crore on account of this delay.

In addition, GoA had taken up (May 2010 to May 2013) six small hydro projects out of which only one project was completed till date (June 2022). GoA did not follow statutory and policy requirements in project execution resulting in abandonment/suspension of remaining five hydro projects.

(Paragraph 2.2)

Non adherence to the Investment Policy of the Company

The Company had to forego interest revenue of ₹ 2.44 crore due to investing in STDs offering lower rates of interest contrary to its declared investment policy.

(Paragraph 2.3)

Assam Mineral Development Corporation Limited

Mining activities

The Company operated two coal mines namely Garampani Coal Extraction Project (GCEP) and Khota Ardha Coal Extraction Project (KACEP). The Company was also allotted (June 1992 to July 2012) five limestone mine blocks (area: 861 hectare) in 'Umrangshu'; of which, four blocks (694 ha) were not in operation since their allotment.

The Company continued unauthorised mining activities in both the coal mines and one limestone mine despite not having GoI approved mining plans/mining leases or environment clearances. Although GoI and GoA were aware of the irregularity while terming the mining operations of the Company as illegal, no action was taken against the Company to prevent the illegal mining by imposing the deterrent penalty in this regard. The mining sites were thus, exposed to the risk of possible environmental damages and consequential health hazards to the surrounding population.

(Paragraph 2.4)

Assam Petro-Chemicals Limited

Wasteful expenditure

Injudicious decision of the Company to launch two pilot projects simultaneously on alternative use of methanol as fuel without waiting for the first pilot study report led to a wasteful expenditure of ₹ 1.36 crore.

(Paragraph 2.5)

Undue benefit

The Company extended undue benefit of ₹ 7.64 crore to the Contractor by not recovering penalty for delay in work completion (₹ 6.85 crore) and additional works cost (₹ 0.79 crore) caused due to defective design/drawings and delay in providing revised drawings to the works contractor.

(Paragraph 2.6)

Assam Seeds Corporation Limited

Avoidable expenditure

Due to imprudent tax management, the Company had to make an avoidable payment of ₹ 2.31 crore towards income tax and interest for default in furnishing ITR and payment of advance tax.

(Paragraph 2.7)