

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2008, there were 46 Government companies (36 working companies and 10 non-working* companies) and four working Statutory corporations as against 45 Government companies (35 working companies and 10 non-working companies) and four Statutory corporations as on 31 March 2007, under the control of the State Government. During the year one new company, Assam Hydro-Carbon and Energy Company Limited was set up in the State under the provisions of the Companies Act, 1956. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per the provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Sl. No.	Name of the Corporation	Authority for audit by the CAG	Audit arrangement
1.	Assam State Electricity Board (ASEB)	Under Rule 14 of the Electricity (Supply) Annual Accounts Rules, 1985 read with Section 185(2)(d) of the Electricity Act, 2003	Sole audit by CAG
2.	Assam State Transport Corporation (ASTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
3.	Assam Financial Corporation (AFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by CAG
4.	Assam State Warehousing Corporation (ASWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by CAG

The State Government had formed (August 2001) the Assam Electricity Regulatory Commission and its audit has been entrusted to the Comptroller and Auditor General of India under Section 104(2) of the Electricity Act, 2003.

* Non-working companies/corporations are those, which are not in operation.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

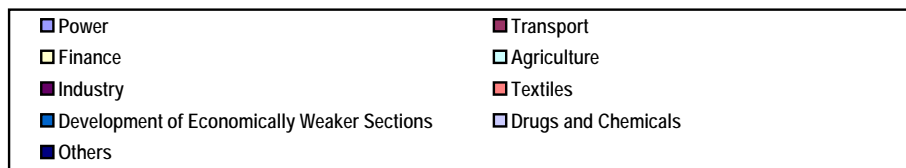
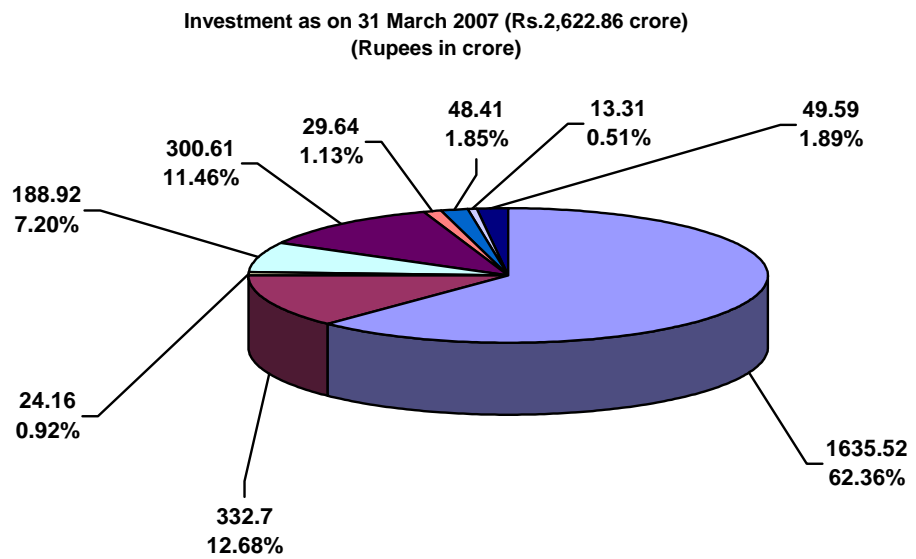
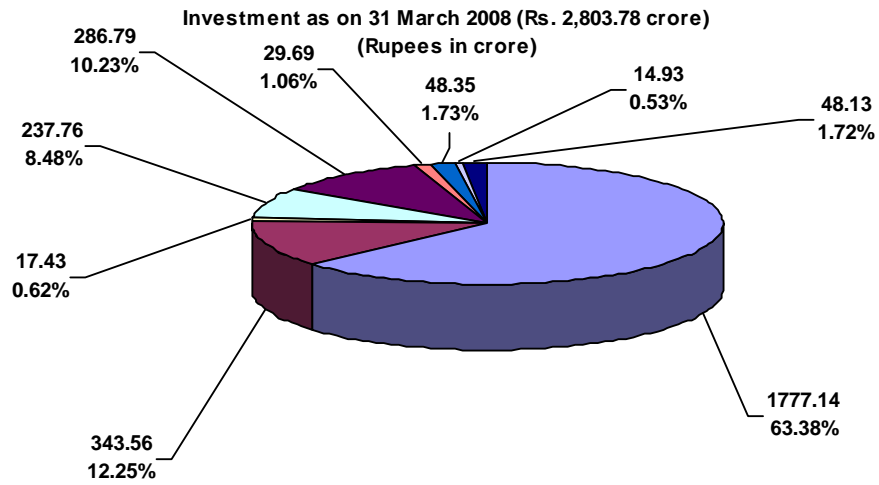
1.2 As on 31 March 2008, the total investment in 40 working PSUs (36 Government companies and four Statutory corporations) was Rs.2,803.78 crore* (equity: Rs.1,282.65 crore and long-term loans: Rs.1,521.13 crore) against the total investment of Rs.2,622.86 crore (equity: Rs.1,259.60 crore and long-term loans: Rs.1,363.26 crore) as on 31 March 2007. An analysis of investments in working PSUs is given in the succeeding paragraphs.

Sector-wise investment in working Government companies and Statutory corporations

1.3 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2008 and 31 March 2007 are indicated in the pie-charts.

* State Government's investment was Rs. 2,215.92 crore (and others Rs. 587.86 crore). Figure as per Finance Accounts 2007-08 was Rs. 1,798.24 crore. The difference was under reconciliation.

Chapter I Overview of Government companies and Statutory corporations



Working Government companies

1.4 The total investment in working Government companies at the end of March 2007 and March 2008 was as follows:

Year	Number of working Government companies	Equity*	Long term loans	Total
		(Rupees in crore)		
2006-07	35	967.66	1,183.31	2,150.97
2007-08	36	990.11	1,337.05	2,327.16

Increase in the total investment was mainly due to increase in loan to PSUs in power, agriculture and industry sectors.

As on 31 March 2008, the total investment in working Government companies comprised 42.55 per cent equity capital and 57.45 per cent loans as compared to 44.99 and 55.01 per cent respectively as on 31 March 2007.

A summarised position of Government investment in working Government companies in the form of equity and loans is given in *Annexure 1*.

Working Statutory corporations

1.5 The total investment in four working Statutory corporations at the end of March 2007 and March 2008 was as follows:

Name of corporation	2006-07		2007-08	
	Capital	Loan	Capital	Loan
	(Rupees in crore)			
Assam State Electricity Board (ASEB)	99.84	-	99.84	-
Assam State Transport Corporation (ASTC)	167.73	164.97	167.73	175.83
Assam Financial Corporation (AFC)	13.43	10.73	13.43	4.00
Assam State Warehousing Corporation (ASWC)	10.94	4.25	11.54	4.25
Total	291.94	179.95	292.54	184.08

As on 31 March 2008, the total investment in working Statutory corporations comprised 61.38 per cent equity capital and 38.62 per cent loans as compared to 61.87 and 38.13 per cent respectively as on 31 March 2007.

A summarised position of Government investment in working Statutory corporations in the form of equity and loans is given in *Annexure 1*.

* Equity at the end of 2007-08 includes Rs. 738.79 crore of share application money pending allotments in respect of seven companies against Rs. 718.79 crore in six companies at the end of 2006-07.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.6 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies and working Statutory corporations are given in *Annexures 1 and 3*.

The budgetary outgo in the form of equity capital, loans and grants/subsidies from the State Government to working Government companies and Statutory corporations for the three years up to 31 March 2008 are given below:

(Amount Rupees in crore)

Particulars	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	10	721.60	1	0.20	2	0.52	1	0.40	5	1.45	1	0.60
Loans given from budget	10	275.88	1	5.15	9	143.19	1	5.15	11	175.15	1	8.11
Grants/Subsidy towards projects/ programmes/ schemes	11	260.96	2	331.78	9	245.25	1	10.13	8	293.08	1	10.00
Total outgo	17*	1,258.44	3*	337.13	14*	388.96	2*	15.68	16*	469.68	2*	18.71

During the year 2007-08, the Government had not guaranteed any loans obtained by any working Government company or any Statutory corporation. At the end of the year, guarantees amounting to Rs. 286.73 crore obtained by four working Government companies (Rs. 282.73 crore) and one working Statutory corporation (Rupees four crore) were outstanding. There was no default in repayment of guaranteed loans during the year.

Finalisation of accounts by working PSUs

1.7 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Out of 40 working PSUs (36 Government companies and four Statutory corporations), only one Government** company had finalised its accounts for the year 2007-08 up to 30 September 2008 as can be seen from *Annexure 2*.

* These are the actual number of companies/corporations, which received budgetary support in the form of equity, loans, grants and subsidies from Government in the respective years.

** This Company finalised one previous year's account also.

Audit Report (Commercial) for the year ended 31 March 2008

During the period from October 2007 to September 2008, 19 working Government companies finalised 26 accounts for the previous years. Out of four, one Statutory corporation finalised one account and three Statutory corporations finalised two accounts each for previous years.

The accounts of 35 working Government companies and four Statutory corporations were in arrears for periods ranging from one to 23 years as on 30 September 2008 as detailed in the following table:

Sl. No.	Number of working companies/corporations		Period for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Serial Number of Annexure-2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	-	1985-86 to 2007-08	23	34	-
2.	1	-	1986-87 to 2007-08	22	5	-
3.	2	-	1988-89 to 2007-08	20	19, 23	-
4.	1	-	1989-90 to 2007-08	19	7	-
5.	2	-	1991-92 to 2007-08	17	24, 36	-
6.	3	-	1993-94 to 2007-08	15	3, 9, 14	-
7.	1	-	1994-95 to 2007-08	14	18	-
8.	1	-	1995-96 to 2007-08	13	35	-
9.	1	-	1997-98 to 2007-08	11	17	-
10.	2	-	1998-99 to 2007-08	10	6, 22	-
11.	4	-	2000-01 to 2007-08	08	15, 20, 21, 25	-
12.	3	-	2001-02 to 2007-08	07	1, 4, 26	-
13.	1	-	2002-03 to 2007-08	06	27	-
14.	1	-	2003-04 to 2007-08	05	16	-
15.	1	2	2004-05 to 2007-08	04	2	2, 4
16.	7	-	2006-07 to 2007-08	02	13, 28, 29, 30, 31, 32, 33	-
17.	3	2	2007-08	01	8, 10, 12	1, 3

The State Government had invested* Rs. 1,107.19 crore (Equity: Rs. 48.25 crore ; loans: Rs.404.51 crore ; grants/subsidy: Rs.616.26 crore and others: Rs.38.17 crore) in 31 working PSUs during the years for which accounts have not been finalised as detailed in *Annexure 4*. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned

* As per information received from PSUs.

administrative departments were informed every quarter by Audit of the arrears in finalisation of accounts of PSUs under their administrative control, no remedial measures had been taken as a result of which the net worth of these PSUs could not be assessed.

Financial position and working results of working PSUs

1.8 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in *Annexure 2*. Besides, statements showing financial position and working results of individual working Statutory corporations for the last three years as per their latest finalised/provisional accounts are given in *Annexures 5 and 6* respectively.

According to the latest finalised accounts of 36 working Government companies and four working Statutory corporations, 28 companies and three Statutory corporations had incurred an aggregate loss of Rs. 148.02 crore and Rs. 147.77 crore respectively. Five companies and one Statutory corporation had earned an aggregate profit of Rs. 38.35 crore and Rs. 41.10 lakh respectively. Two[†] companies have not prepared the profit and loss account, as they have not commenced commercial activities and one company (Sl no. 13 of *Annexure 2*) is yet to finalise its first accounts.

Working Government companies

Profit earning working Government companies and dividend

1.9 One company (Sl no A-11 of the *Annexure 2*) which finalised its accounts for 2007-08 by September 2008, earned profit of Rs. 9.07 crore and declared a dividend of Rs. 91.20 lakh. The dividend as a percentage of share capital of this Company worked out to 10 *per cent*. The total return in 2007-08 by way of dividend of Rs. 91.20 lakh worked out to 0.09 *per cent* of total equity investment of Rs. 968.83 crore by the State Government in all the Government companies. Out of 19 working Government companies, which finalised their accounts for the previous years by September 2008, two^{*} Government companies earned an aggregate profit of Rs. 25.58 crore. Only one company (Sl. No. A-10 of *Annexure 2*) declared dividend of Rs. 1.27 crore. All these companies earned profit for two or more successive years.

Loss making working Government companies

1.10 Of the 28 loss making working Government companies, 20 companies had accumulated losses aggregating Rs. 393.04 crore, which exceeded their aggregate paid-up capital of Rs. 132.24 crore.

[†] Sl. Nos. A-18 and 28 of *Annexure-2*

^{*} Sl. Nos. A-10 and 21 of *Annexure-2*.

Despite poor performance and complete erosion of their paid-up capital, the State Government continued to provide financial support to these companies. According to the available information, the total financial support provided by the State Government by way of equity, loans, subsidies and grants during 2007-08 to 13^{***} out of these 20 companies amounted to Rs. 468.38 crore.

Working Statutory corporations

Loss incurring Statutory corporations

1.11 All the four Statutory corporations which finalised their accounts for the previous years during October 2007 to September 2008, incurred an aggregate loss of Rs. 147.36 crore. The accumulated loss of three^{****} Statutory corporations aggregating Rs.642.87 crore exceeded their aggregate paid-up capital of Rs. 281 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support amounting to Rs. 18.11 crore to Assam State Transport Corporation by way of loans, subsidies and grants during 2007-08.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in *Annexure 7*.

In case of Assam State Transport Corporation, loss per kilometre decreased from Rs. 20.50 in 2006-07 to Rs.18.27 in 2007-08 due to decrease in expenditure by 7.33 *per cent*.

Amount overdue for recovery at the close of the year increased from Rs. 197.76 crore in 2006-07 to Rs.206.76 crore in 2007-08 in respect of Assam Financial Corporation.

Operational performance of Assam State Warehousing Corporation is analysed in *Chapter III* of this report.

Return on capital employed

1.13 The details of capital employed and total return on capital employed in the case of working Government companies and Statutory corporations are given in *Annexure 2*. As per the latest finalised accounts (up to 30 September 2008), the capital employed* worked out to Rs.2,552 crore in 36 working

^{***} Sl. Nos. A-3,7,8,12,17,23,26,27,29 to 33 of *Annexure 2*.

^{****} Sl. Nos. B-1, 2 and 3 of *Annexure 2*.

* Capital employed represents net fixed assets (including capital work-in-progress) and working capital except in finance companies and corporations where it represents a mean of

companies and total return** thereon amounted to (-) Rs.14.51 crore which was (-) 0.57 per cent as compared to total return of Rs. 32.41crore (5.36 per cent) in the previous year (accounts finalised up to September 2007). Similarly, the capital employed and total return thereon in the case of four working Statutory corporations as per their latest finalised accounts (up to 30 September 2008) worked out to Rs.21.07 crore and (-) Rs.135.13 crore respectively, against the total return of (-) Rs.966.50 crore in the previous year (accounts finalised up to September 2007).

Reforms in power sector

Status of implementation of MoU between the State Government and the Central Government

1.14 In pursuance of the decisions taken at the Chief Ministers' conference (March 2001) on Power Sector Reforms, a Memorandum of Understanding (MOU) was signed (26 March 2001) between the Union Ministry of Power and the Department of Power of the State as a joint commitment for implementation of the reforms programme in the power sector, with identified milestones.

The status of implementation of reforms programme against each commitment made in the MOU is given below:

Sl. No.	Commitment as per MOU	Targeted completion schedule	Status (As on 31 March 2008)
Commitments made by the State Government			
1.	Reduction of Transmission and Distribution (T&D) losses	To reduce T&D losses to 20 per cent by 31 March 2002	33 per cent from generation/transmission upto consumer level.
2.	100 per cent electrification of all villages	31 March 2007	Out of 25,124 villages, 18,792 villages were electrified (75 per cent).
3.	100 per cent metering of all distribution feeder	31 July 2001	100 per cent.
4.	100 per cent metering of all consumers	31 December 2001	Out of 14,86,172 unmetered consumers, 32,902 unmetered consumers are yet to be metered leaving two per cent.
5.	Securitisation of outstanding dues of Central Public Sector Undertakings	30 September 2001	Power Bonds issued by the Government of Assam in August 2003.
6.	Online computerised billing in all major towns	31 March 2002	The computerisation work of billing of all the towns were almost completed by December 2007 except indexing works and expected that the work will be completed by March 2009.
7.	To bring down the level of ASEB's receivable to 60 days billing	31 March 2002	101 days.

aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

** For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the Profit and Loss account.

1.15 In furtherance of the electricity reforms, the State Government reorganised Assam State Electricity Board (Board) and transferred the functions of generation, transmission and distribution of power to five newly incorporated companies with effect from 1 April 2005.

1.16 The Assam Electricity Regulatory Commission (AERC) was formed (14 August 2001) under Section 17 of the Electricity Regulatory Commissions Act, 1998** with the main objective of determining electricity tariff, to regulate power purchase and procurement process of transmission and distribution utilities and to promote competition, efficiency and economy in the activities of the electricity industry. The Commission is a body corporate and comprises of one member, who is appointed by the State Government. The audit of accounts of the Commission has been entrusted to the CAG under Section 104(2) of the Electricity Act, 2003. The Commission had not finalised even a single account so far (September 2008).

Non-working Public Sector Undertakings (PSUs)

Investment in non-working Government companies

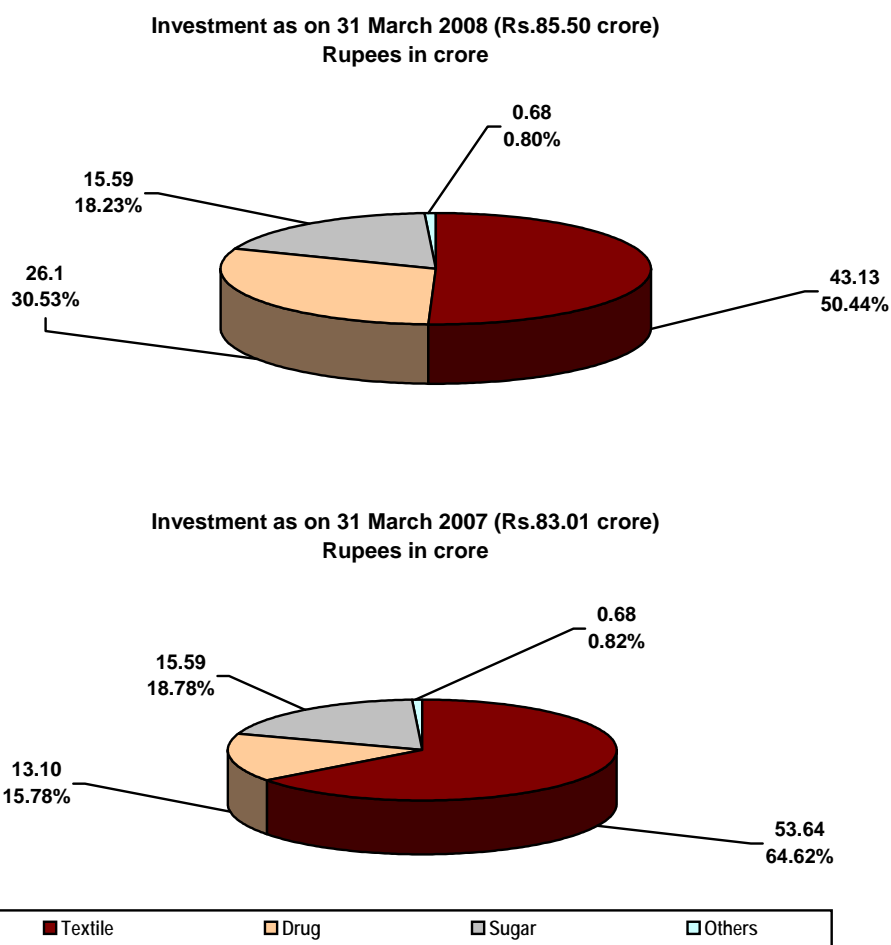
1.17 As on 31 March 2008, the total investment in 10 non-working companies was Rs. 85.50 crore*** (equity: Rs. 26.69 crore and long term loans: Rs. 58.81 crore) against the total investment of Rs. 83.01 crore (equity: Rs. 25.11 crore and long term loans: Rs. 57.90 crore) in the same number of companies as on 31 March 2007.

Sector-wise investment in non-working Government companies

1.18 The investment (equity and long term loans) in PSUs under various sectors and percentage thereof at the end of 31 March 2008 and 31 March 2007 are indicated in the pie charts given in next page:

** Since replaced by the Electricity Act, 2003.

*** Government's investment was Rs. 33.72 crore (others Rs. 51.78 crore). Figure as per Finance Accounts 2007-08 was Rs. 22.01 crore. The difference was under reconciliation.



Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity of non-working PSUs

1.19 During the year the State Government did not make any budgetary allocation as equity, loan and grant/ subsidy, waiver of dues, conversion of loans into equity nor provided guarantee to any non-working company.

Total establishment expenditure of non-working PSUs

1.20 According to the available information, the year-wise details of total establishment expenditure of non-working PSUs and the sources of its financing during the last three years up to 2007-08 are given below:

Year	Number of PSUs	Total establishment expenditure	Financed by holding company
		(Rupees in crore)	
2005 - 06	4	1.76	1.76
2006 - 07	2	0.10	0.10
2007 - 08	2*	0.54	0.54

* Out of 10 non-working companies only two companies have furnished information.

Finalisation of accounts by non-working PSUs

1.21 The accounts of all the 10 non-working companies were in arrears for periods ranging from four to 25 years as on 30 September 2008 as can be seen from **Annexure 2**. Four companies finalised nine accounts for the previous years during the period from October 2007 to September 2008.

The State Government had invested** Rs.17.70 crore (Loans: Rs.1.11 crore and grants/subsidy: Rs.16.59 crore) in five non-working companies during the years for which accounts have not been finalised as detailed in **Annexure 4**. In absence of timely finalisation of accounts and their audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

Financial position and working results of non-working PSUs

1.22 The summarised financial results of the non-working Government companies as per their latest finalised accounts are given in **Annexure 2**.

The details of paid-up capital, net worth, cash loss and accumulated loss of non-working PSUs as per their latest finalised accounts are given below:

Sl. No.	Name of the company	Paid-up capital	Net worth**	Cash loss***	Accumulated loss
(Rupees in lakh)					
(1)	(2)	(3)	(4)	(5)	(6)
1.	Assam Tanneries Limited	2.40	(-) 1.39	0.12	3.79
2.	Industrial Papers (Assam) Limited	39.93	39.93	Commercial operations not started	
3.	Amtron Sen Electronics Limited	2.00	1.80	0.77	0.20
4.	Assam Spun Silk Mills Limited	169.59	(-) 184.02	5.90	353.61
5.	Assam Polytex Limited	526.01	314.65	Commercial operations not started	
6.	Assam Syntex Limited	511.50	(-) 3,271.92	419.78	5,783.42
7.	Assam State Weaving and Manufacturing Company Limited	1,177.60	(-) 355.10	56.30	945.96
8.	Assam Meghalaya Mineral Development Corporation Limited	23.44	14.71	0.73	8.73
9.	Cachar Sugar Mills Limited	337.85	(-) 912.93	89.15	1,250.78
10.	Fertichem Limited	199.85	(-) 1,957.80	105.79	2,167.50
Total		2,990.17	(-) 6,312.07	678.54	10,513.99

** As per information received from PSUs.

*** Net worth represents paid-up capital plus free reserves less accumulated losses.

**** Cash loss calculated after adding depreciation to the net loss.

Budgetary support to non-working/sick PSUs-status of non-working/sick PSUs

1.23 As per the provision of section 3(1)(O) of the Sick Industrial Companies (Special Provision) Act, 1985 (SICA), a sick industrial company means an industrial company which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

As on 31 March 2008, nine* companies (**Annexure 8**) were sick according to the yardstick prescribed in SICA as per their latest finalised accounts. These included five** companies declared (September 1993 – April 2001) by the State Government as Relief Undertakings under the Assam State Industrial Relief Undertakings (Special Provision) Act, 1989 (IRUA). Two*** more companies though not sick as per SICA yardstick were declared as Relief Undertakings by the State Government under the aforesaid Act.

The present operational status of these companies is given in **Annexure 8**.

The State Government disbursed interest bearing loan of Rs. 10.22 crore to Assam Industrial Development Corporation Limited during the period from 1991 to March 2007 under the scheme of modernisation/revitalisation with specific instruction for onward transmission of the same to Relief Undertakings for making payment of salaries, wages and implementation of Voluntary Retirement Scheme (VRS).

Status of placement of Separate Audit Reports of Statutory corporations in the Legislature

1.24 The following table indicates the status of placement of Separate Audit Reports (SARs) on the accounts of Statutory corporations as issued by the CAG, in the State Legislature by the State Government:

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1.	Assam State Transport Corporation	2002 - 03	2003 - 04	November 2007
2.	Assam State Warehousing Corporation	2000 - 01	2001 - 02 2002 - 03 2003 - 04	January 2007 October 2007 July 2008

* Sl. Nos. 1, 2, 4, 5, 7, 8, 9, 10 and 11 of **Annexure-8**.

** Sl. Nos. 1,2,4,5 and 7 of **Annexure-8**.

*** Sl. Nos. 3 and 6 of **Annexure-8**.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
3.	Assam State Electricity Board	2005 - 06	1996 - 97* 2001 - 02 2002 - 03 2004 - 05 2006 - 07	February 2000 July 2003 May 2004 May 2006 July 2008
4	Assam Financial Corporation	2004 - 05	2005 - 06 2006 - 07	October 2007 July 2008

The main reason for non-placement of these SARs was attributed to delay in printing of Annual Reports alongwith SARs by the concerned Corporation/Board.

Disinvestments, privatisation and restructuring of Public Sector Undertakings

Re-structuring programme of Government of Assam

1.25.1 Operations of Assam Syntex Limited have been leased out to a private party in March 2003 in terms of MOU on Mid Term Fiscal Reforms. The management of Assam State Textile Corporation Limited was handed over to a private firm in 1993 but it failed to achieve desired result.

Revival of Assam Fertiliser and Chemicals Limited

1.25.2 A reference is invited to Paragraph 4.4 of the Comptroller and Auditor General's Audit Report (Commercial), Government of Assam for the year 2005-06 wherein it was mentioned that expenditure of Rs. 62.84 lakh incurred for renovation of the Sulphuric Acid Plant of Assam State Fertilizers and Chemicals Limited as a step towards revival of the Company under joint management with private participation proved wasteful and MOU of December 1998 with private partner was terminated in January 2001.

Subsequently in December 2003 with the objective to revive / restructure the sick unit of company, a new Company under the name and style of Pragjyotish Fertilizers and Chemicals Limited (PFCL) was formed with equity participation of two PSUs** in 3:2 ratio. To finance the project cost of Rs. 11.42 crore for two plants, Assam Petrochemicals Limited (APL) and Assam State Fertilizer and Chemicals Limited (ASFCL) were to provide

* Information about placement of these SARs is not available.

**

Assam Petrochemicals Limited	:	60 per cent
Assam State Fertilizers and Chemicals Limited	:	40 per cent

Rs.2.56 crore and Rs. 1.71 crore respectively as equity participation and short term loan of Rs. 6.85 crore was to be obtained from financial institutions. Balance Rs. 30 lakh were expected as capital investment subsidy from the Government. The scheduled date of commissioning of the two plants was August 2005.

Against the above, the PFCL could arrange funds to the extent of Rs. 2.51 crore (equity Rs. 2.33 crore *plus* short term loan Rs. 17.77 lakh). The project work remained held up since May 2005 due to non availability of term loan from financial institutions.

Audit observed that 60 *per cent* of the project cost was proposed to be met by obtaining term loan from financial institution but no analysis / planning was made beforehand to ensure availability of term loan. Thus, due to improper planning, the initiative taken for revival of sick unit did not yield any fruitful result and the Government is now in doubt about the viability of the project. Moreover, pre-operating expenses like idle salary/ wages continued since May 2005.

Closure of PSUs

1.25.3 The State Government under the reform programme of Assam Governance and Public Resource Management has declared for closure of 10 companies (under Sl. No.1,3,4,7,9,10 and 12 to 15 of ***Annexure*** 8) during June 2005 to April 2007. But the winding up process could not be initiated till date due to non-finalisation of accounts which were in arrear for the period ranging from 5 to 22 years.

In furtherance of the process of reforms / closure / revival of PSUs, the Government of Assam has constituted (19 July 2008) a 'Task Force' under the Chairmanship of the Principal Secretary, Public Enterprises Department to identify the PSUs that are to be closed down / revived, finalisation of liabilities and quick disbursement of VRS benefits. Further, development in this regard was awaited (September 2008).

As any delay in closure / revitalization would mean more financial outgo, it is, therefore, desirable that immediate and time bound action on closure / revitalization are taken on case to case basis so that concentrated efforts for revitalisation and nursing of potential State PSUs could be put in. To expedite the process few vital issues need to be addressed on priority basis are: (i) finalisation of accounts which is a pre condition to arrive at the cost of closure/ winding up/ revitalisation and (ii) rationalisation of man power by redeployment and shedding off of surplus manpower under VRS *etc.*

Result of audit of accounts of PSU's

1.26.1 Some of the important comments made by Statutory Auditors appointed by the Comptroller and Audit General of India (CAG) under section 619(2) of the Companies Act, 1956 in their audit reports on the accounts of the companies finalised during the period from October 2007 to September 2008 are given below:

Assam Industrial Development Corporation Limited (2006-07)

- Default in repayment of principal and interest dues to Industrial Development Bank of India amounting to Rs. 31.21 crore and Rs. 28.76 crore respectively.

Assam Power Generation Corporation Limited (2005-06)

- Valuation of stocks was not done in accordance with normally accepted principles.

Assam Petrochemicals Limited (2007-08)

- Physical verification of stores and spares had not been conducted in a systematic manner and proper records were not maintained of these items.

1.26.2 During the period from October 2007 to September 2008, the accounts of 19 working Government companies and two Statutory corporations were selected for supplementary audit of CAG. Remaining two Statutory corporations were solely audited by CAG. The net impact of the important audit observations as a result of audit of the PSUs was as follows:

Details	Working Government companies	Working Statutory corporations	Working Government companies	Working Statutory corporations
	No. of accounts		(Rupees in crore)	
Increase in profit	-	-	-	-
Increase in loss	8	2	22.21	2.19
Decrease in profit	-	1	-	2.46
Decrease in loss	-	1	-	12.29
Non-disclosure of material facts	6	-	3.14	-
Errors of classification	3	-	101.85	-

Errors and omissions noticed in case of Government companies

Some of the major errors and omissions noticed in the course of supplementary audit of annual accounts of some of the companies are mentioned as follows:

Assam Industrial Development Corporation Limited (2006-07)

- Non compliance of IDBI/ RBI guidelines on non-performing assets had resulted in understatement of provision for doubtful debts by Rs. 58.21 lakh.

Assam Power Generation Corporation Limited (2005-06)

- Depreciation and loss was understated by Rs. 2.12 crore due to non-compliance with provision of schedule VI of the Companies Act, 1956.

Assam Petrochemicals Limited (2007-08)

- Profit was overstated with understatement of current liabilities by Rs. 1.26 crore due to recognition of disallowed exemption of Assam General Sales Tax (Rs. 7.18 lakh) and Central Sales Tax (Rs. 1.18 crore) as income.

Upper Assam Electricity Distribution Company Limited (2005-06)

- Non-provision of interest and penal interest had resulted in understatement of loss by Rs. 29.49 lakh.

Recoveries at the instance of Audit

I.27 Test check of records of Assam State Electricity Board conducted during April 2007 to March 2008 disclosed short deduction of Assam Professional Tax, short realization of revenue, non realisation of penalty aggregating Rs.5.34 lakh. The Board accepted the observations pointed out by Audit and a sum of Rs. 5.29 lakh was recovered. Similarly, Audit pointed out misappropriation of revenue, non-realisation of lease money, shortage of cash *etc.* in Assam State Transport Corporation (ASTC) aggregating Rs. 66.90 lakh out of which an amount of Rs. 61.98 lakh was recovered.

Internal audit/Internal control

I.28 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/ internal control system in the companies audited by them, in accordance with the directions issued by the Comptroller and Auditor General of India under Section 619(3)(a) of the Companies Act, 1956 and identify areas which need improvement. Accordingly, the Statutory Auditors had observed deficiencies in respect of the internal audit system in case of 16 companies and one corporation, during the year 2007-08. Comments in respect of these companies/corporations were of the following nature:

- Internal audit and internal control in 15 PSUs required to be strengthened keeping in view the size and nature of their business*.
- Internal audit was not conducted in one company**.
- There were lapses in internal control procedures with regard to stores, raw materials, purchases and sale of goods and assets in six PSUs***.
- Internal Auditor was not appointed for checking of books and records in two PSUs****.

Untraced companies

1.29 Despite the matter being taken up with the Public Enterprise Department (PED) from time to time, the information regarding existence of four companies (Sl No C-1, 3,5 and 8 of *Annexure I*) could not be furnished either by the PED or by the concerned administrative department. Since there was no information about the whereabouts and existence of these four PSUs hence they were not enlisted as State PSUs in the records of the Government. The matter, thus, needs attention by the Committee on Public Undertakings (COPU).

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.30 The following table indicates the details regarding number of reviews and paragraphs discussed by COPU at the end of September 2008:

Period of Audit Report	No. of reviews and paragraphs appeared in Audit Report		No. of reviews and paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1989-1990	4	19	4	14
1990-1991	3	15	1	14
1991-1992	2	10	-	6
1992-1993	2	6	1	-
1993-1994	3	13	-	8
1994-1995	3	11	1	9
1995-1996	2	14	2	8
1996-1997	2	12	2	7
1997-1998	3	16	2	11
1998-1999	4	11	4	6
1999-2000	3	17	2	13
2000-2001	3	10	-	2
2001-2002	2	14	-	5

* Sl. Nos. A-1, 10, 21, 22, 25, 26, 29, 30, 31, 32, 33, 35 and C-2, 6 and 7 of *Annexure-2*.

** Sl. No. A-20 of *Annexure-2*.

*** Sl. Nos A-21, 29, 30, 31, 32 and 33 of *Annexure-2*.

**** Sl. Nos. A-20 and B-4 of *Annexure-2*.

Period of Audit Report	No. of reviews and paragraphs appeared in Audit Report		No. of reviews and paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2002-2003	3	13	1	13
2003-2004	1	16	1	14
2004-2005	2	11	1	9
2005-2006	3	11	2	6
2006-2007	2	13	-	6
Total	47	232	24	151

During the period from October 2007 to September 2008, the COPU held seven meetings and discussed one review and 20 draft paragraphs contained in Audit Reports (Commercial) for the years 2003-04 to 2006-07.

619-B Companies

1.31 There was no company within the provisions of Section 619-B of the Companies Act, 1956.