

## CHAPTER I

### 1 Overview of Government Companies and Statutory Corporations

#### 1.1 Introduction

As on 31 March 2002 there were 38 Government companies (28 working companies and 10 non-working companies) and 4 working statutory corporations with no change in position from that as on 31 March 2001 under the control of the State Government. In addition, the State had formed Assam State Electricity Regulatory Commission whose audit is also being conducted by Comptroller and Auditor General of India (CAG). The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by statutory Auditors who are appointed by CAG as per provision of Section 619 (2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provision 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)	Section 69 (2) of the Electricity (Supply) Act, 1948	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	Chartered Accountants and supplementary audit by CAG
4.	Assam State Warehousing Corporation (ASWC)	Section 31 (8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG

## **1.2 Working Public Sector Undertakings (PSUs)**

### ***Investment in working PSUs***

As on 31 March 2002, the total investment in 32 working PSUs (28 Government companies and 4 statutory corporations) was Rs.4,052.98 crore (equity Rs.1,782.96 crore; long term-loans: Rs.2,267.60 crore; and share application money: Rs.2.42 crore) against 32 working PSUs (28 Government companies and 4 statutory corporations) with a total investment of Rs.3,929.54 crore (equity Rs.1,766.23 crore; long term-loans: Rs.2,155.13 crore; and share application money: Rs.8.18 crore) as on 31 March 2001. The analysis of investment in working PSUs is given in the following paragraphs.

#### ***1.2.1. Working Government companies***

Total investment in 28 working Government companies, as on 31 March 2002 was Rs.501.04 crore (equity Rs.241.47 crore; long term-loans: Rs.257.15 crore; share application money: Rs.2.42 crore) against total investment of Rs.442.09 crore (equity Rs.224.83 crore; long term-loans: Rs.209.08 crore; share application money: Rs.8.18 crore) as on 31 March 2001 in 28 working Government companies.

Increase in the total investment was mainly due to fresh investment by Government in Agriculture and Industry sector, and raising of loans from other sources in the Agriculture and Industry Sector.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in Annexure 1.

#### ***Working statutory corporations***

The total investment in 4 working statutory corporations at the end of March 2002 and March 2001 was as follows:

(Rupees in crore)

Name of corporation	2000-2001		2001-2002	
	Capital	Loan	Capital	Loan
Assam State Electricity Board (ASEB)	1,350.00	1,739.86	1,350.00	1,790.25
Assam State Transport Corporation (ASTC)	167.73	130.49	167.73	144.49
Assam Financial Corporation (AFC)	13.43	73.75	13.43	73.75
Assam State Warehousing Corporation (ASWC)	10.24	1.95	10.34	1.95
<b>Total:</b>	<b>1,541.40</b>	<b>1,946.05</b>	<b>1,541.50</b>	<b>2,010.44</b>

The summarised statement of Government investment in working statutory corporations in the form of equity and loans is detailed in Annexure 1.

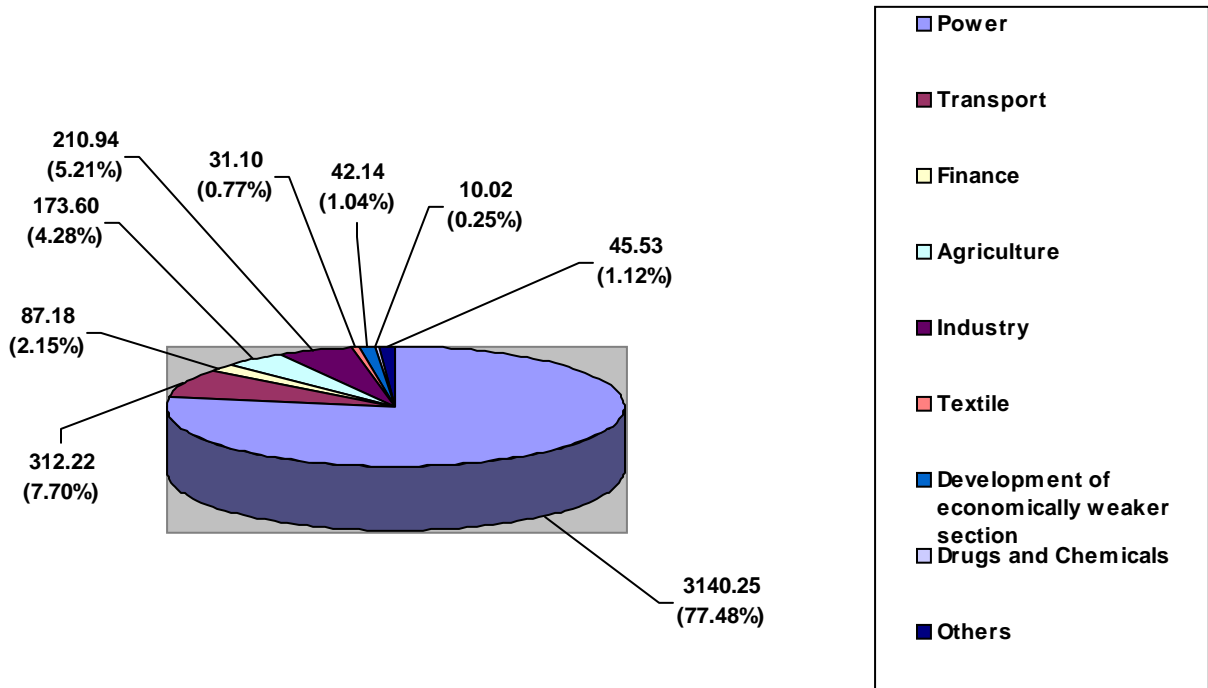
***Sector-wise investment in working Government companies and statutory corporations***

As on 31 March 2002, the total investment in working Government companies and statutory corporations, comprised 44.05 *per cent* of equity capital and 55.95 *per cent* of loans as compared to 45.16 *per cent* and 54.84 *per cent*, respectively, as on 31 March 2001.

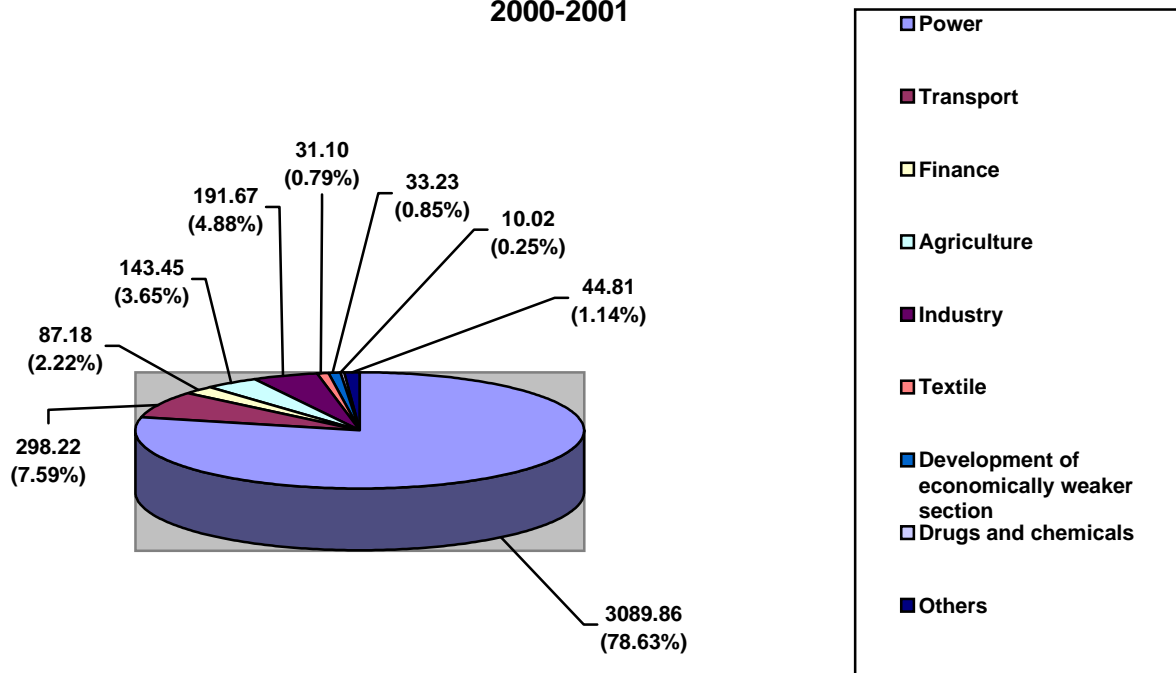
	No. of companies/corporations	2000-2001		2001-2002	
		Equity	Loan	Equity	Loan
Companies	28	233.01	209.08	243.89	257.15
Corporations	4	1,541.40	1,946.05	1,541.50	2,010.44

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2002 and 31 March 2001 are indicated in the pie charts given in next page:

**Total Investment in working Government Companies and Statutory Corporations: Rs.4,052.98 crore  
2001-2002**



**Total Investment in working Government Companies and Statutory Corporations: Rs.3,929.54 crore  
2000-2001**



Due to increase in loan, mainly in Power, Transport, Industry and Agriculture Sector-the debt equity ratio increased to 1.27:1 in 2001-2002 from 1.21:1 in 2000-2001.

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

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

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to 28 working Government companies and 4 working statutory corporations for the three years up to 2001- 2002 are given below:

**(Rupees in crore)**

	1999-2000				2000-2001				2001-2002			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
Equity Capital outgo from budget	2	1.21	2	0.95	9	4.98	1	0.10	7	10.73	1	0.10
Loans given from budget	2	1.35	2	58.15	7	7.71	3	103.99	4	9.61	2	99.58
Grants/Subsidy towards												
(i) Projects/ Programmes/ Schemes	5	11.04	1	17.50	2	0.34	-	-	5	6.68	-	-
(ii) Other Subsidy	4	1.56	-	-	-	-	-	-	-	-	-	-
Total grants/subsidy	7	12.60	1	17.50	2	0.34	-	-	5	6.68	-	-
<b>Total outgo</b>	<b>10</b>	<b>15.16</b>	<b>4</b>	<b>76.60</b>	<b>14</b>	<b>13.03</b>	<b>3</b>	<b>104.09</b>	<b>12</b>	<b>27.02</b>	<b>3</b>	<b>99.68</b>

During the year 2001-2002, the Government had guaranteed loans aggregating Rs.33.48 crore obtained by 2 Working Government companies. At the end of the year guarantees amounting to Rs.809.30 crore obtained by 7 Working Government companies (Rs.92.29 crore) and 2 working statutory corporations (Rs.717.01 crore) were outstanding as against the outstanding guarantee of Rs.898.68 crore obtained by 7 working companies (Rs.82.04 crore) and 3 statutory corporations (Rs.816.64 crore) as on 31 March 2001. There were 8 cases of default (companies: 6; corporations: 2) in repayment of guaranteed loans during the year. The Government claimed and received Rs.5 lakh as guarantee commission from one Government Company till 31 March 2002.

### ***1.2.3 Finalisation of accounts by working PSUs***

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 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 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.

However, as could be noticed from Annexure 2, out of 32 working Government companies/corporations, (28 working Companies and 4 working statutory corporations) 2 Government companies have finalised their accounts for the year 2001-2002, within stipulated period. During the period from October 2001 to September 2002, 13<sup>#</sup> working Government companies finalised 15 accounts for previous years. Similarly, during this period 2 Working statutory corporations finalised 2 accounts for previous years.

The accounts of 26 working Government companies and 4 statutory corporations were in arrears for periods ranging from one year to 19 years as on 30 September 2002 as detailed in the following table:

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<sup>#</sup> Out of these 13 companies, one company (Sl. No.10 of Annexure-2) has also finalised accounts for the year 2001-2002.

Sl.No.	No. of working Companies/corporations		Reference to serial No. of Annexure-2		Year from which accounts are in arrears	Number of years for which accounts are in arrears
	Government companies	Statutory corporations	Government companies	Statutory corporations		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	01	-	26	-	1983-1984	19
2.	01	-	5	-	1986-1987	16
3.	02	-	7,21	-	1987-1988	15
4.	03	-	13,17,22	-	1988-1989	14
5.	02	-	3,28	-	1989-1990	13
6.	02	-	9,27	-	1990-1991	12
7.	02	-	1,23	-	1991-1992	11
8.	02	-	19,24	-	1993-1994	09
9.	03	-	14,16,20	-	1994-1995	08
10.	01	01	4	2	1995-1996	07
11.	03	01	6,15,18	4	1996-1997	06
12.	01	-	2	-	1999-2000	03
13.	02	02	12,25	1,3	2000-2001	02
14.	01	-	8	-	2001-2002	01

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result the net worth of these PSUs could not be assessed in audit.

#### **1.2.4. Financial position and working results of working PSUs**

The summarised financial results of working PSUs (Government companies and statutory corporations) as per latest finalised accounts are given in Annexure 2. Besides, statements showing financial position and working results of individual working statutory corporations for the latest three years for which accounts are finalised are given in Annexures 4 and 5 respectively.

According to latest finalised accounts of 28 working Government companies and 4 working statutory corporations, 24 companies and 4 corporations had incurred an aggregate loss of Rs.30.51 crore and Rs.714.56 crore respectively, 3 Companies had earned an aggregate profit of Rs.16.63 crore and one company had not commenced commercial activities.

#### **1.2.4.1 Working Government companies**

##### **1.2.4.1.1 Profit earning working companies and dividend**

Out of 2 working Government companies, which finalised their accounts for 2001-2002 by September 2002, 1 company (Sl. 10 of Annexure-2) earned profit of Rs.16.31 crore and declared dividend of Rs.1.26 crore. The dividend as percentage of share capital in the above 1 profit making company worked out to 7.45 *per cent*. The total return by way of above dividend of Rs.1.26 crore, worked out to 0.56 *per cent* in 2001-2002 on total equity investment of Rs.223.86 crore by the State Government in all Government companies (working and non-working).

Similarly, out of 13 working Government companies, which finalised their accounts for previous years by September 2002, 2 Government companies earned an aggregate profit of Rs.6.35 crore and both the companies earned profit for two or more successive years.

##### **1.2.4.1.2 Loss incurring working Government companies**

Of the 24 loss incurring working Government companies, 10 \*\* companies had accumulated losses aggregating Rs.130.58 crore, which exceeded their aggregate paid-up capital of Rs.51.25 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, grant/subsidy etc. According to available information, the total financial support so provided by the State Government by way of equity (Rs.2.00 crore), grant/subsidy (Rs.2.90 crore) and loan (Rs.9.12 crore) during 2001-2002 to 4# companies amounted to Rs.14.02 crore out of these 10 companies.

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\*\* Sl. No. A 1,2,4,6,12,13,15,20,21 and 25 of Annexure 2.

# Sl. No. A-6, 12, 15 and 21 of Annexure 2.



### **1.2.4.2. Working statutory corporations**

#### **1.2.4.2.1 Loss incurring statutory corporations**

Of the 4 losses incurring working statutory corporations, 3 corporations had accumulated losses aggregating Rs.3,375.14 crore which exceeded their aggregate paid-up capital of Rs.1,531.16 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these corporations in the form of contribution towards grant of loans. According to available information, the total financial support so provided by the State Government by way of loans during 2001-2002 to 2 corporations out of these 3 corporations amounted to Rs.99.58 crore.

#### **1.2.4.2.2 Operational performance of working statutory corporations**

The operational performance of the working statutory corporations is given in Annexure 6.

Some of the important observations on the operational performance of the statutory corporations are given below:

##### **(a) Assam State Electricity Board:**

- Net power generated has declined from 801.209 MKWH in 1999-2000 to 787.471 MKWH in 2001-2002.
- Percentage of transmission and distribution loss increased from 39.80 in 2000-2001 to 44.02 in 2001-2002.

##### **(b) Assam State Transport Corporation:**

- Percentage of utilisation of vehicles decreased from 43.61 in 1999-2000 to 40 in 2001-2002.

- Loss per kilometer has increased from Rs.16.09 in 1999-2000 to Rs.20.92 in 2001-2002.

### **1.2.5. Return on capital employed**

As per the latest finalised accounts (up to September 2002), the capital employed\* worked out to Rs.439.95 crore in 27<sup>§</sup> working companies and total return<sup>†</sup> thereon amounted to Rs.4.07 crore ( 0.93 *per cent*) as compared to total return of (-) Rs.5.15 crore in the previous year (accounts finalised up to September 2001). Similarly, the capital employed and total return thereon in case of 4 working statutory corporations as per the latest finalised accounts (up to September 2002) worked out to Rs.1357.82 crore and (-) Rs.480.17 crore respectively, against the total return of (-) Rs.310.19 Crore in previous year (accounts finalised up to September 2001). The details of capital employed and total return on capital employed in case of working Government companies and statutory corporations are given in Annexure 2.

## **1.3 Non-working PSUs**

### **1.3.1 Investment in non-working PSUs**

As on 31 March 2002 the total investment in 10 non-working PSUs (10 non-working Government companies) was Rs.82.67 crore (equity: Rs.27.62 crore, long term loans: Rs.39.75 crore and share application money: Rs.15.30 crore) against total investment of Rs.82.44 crore (equity: Rs.27.62 crore, long term loans: Rs.39.52 crore and share application money: Rs.15.30 crore) in 10 non-working PSUs (10 non-working Government companies) as on 31 March 2001.

As per latest finalised accounts, out of 10 companies 5<sup>@</sup> companies have become sick in terms of Section 3 (i) of the Sick Industrial Companies (Special Provision) Act, 1989 since their accumulated loss has exceeded their net worth. Out of these 5 companies 4<sup>\*</sup> companies have been declared as Relief Undertakings under the

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\* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance Companies and corporations where it represents a mean aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

<sup>§</sup> Out of 28 working Government companies, one company is yet to start commercial function.

<sup>†</sup> 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.

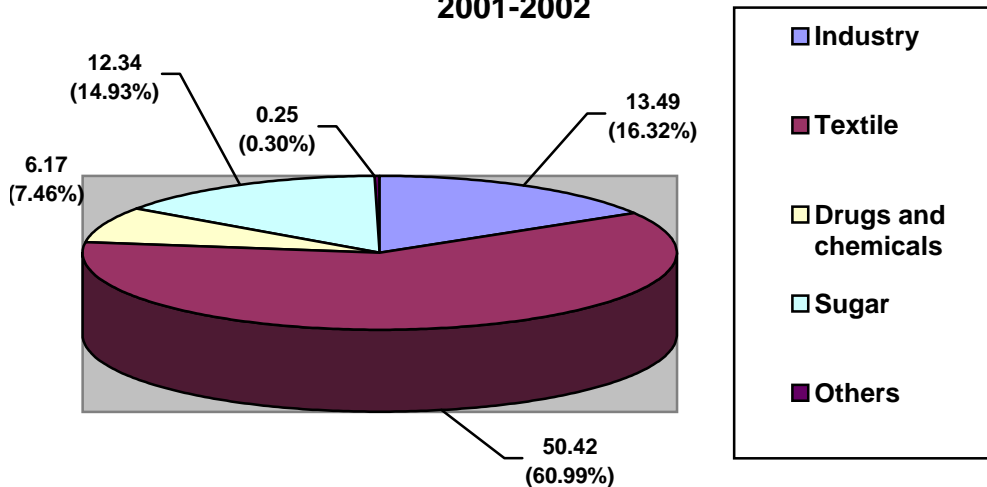
<sup>@</sup> Sl. No. C 1,4,6,9,10 of Annexure 2.

<sup>\*</sup> Sl. No. 4,6,9,10 of Annexure 2.

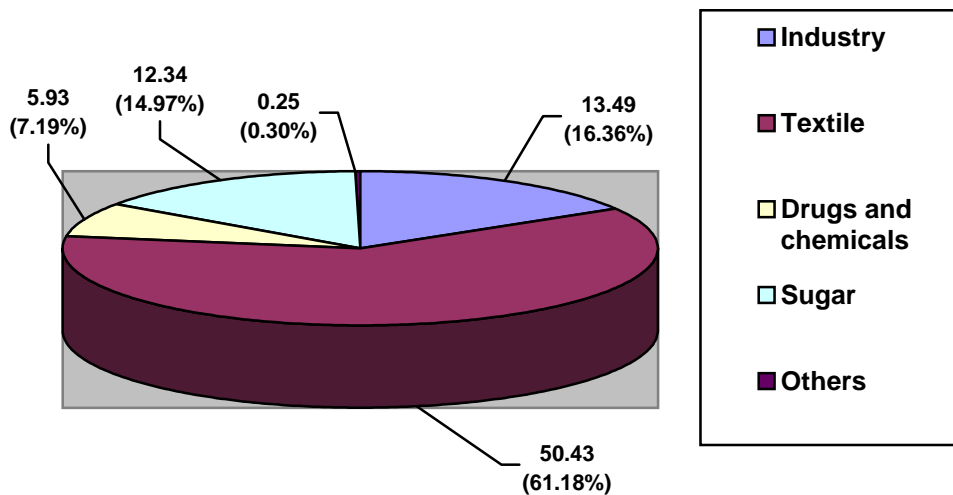
provisions of Assam State Industrial Relief Undertakings (Special Provision) Act, 1989.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2002 and 2001 are indicated in the pie charts given below:

**Total investment in non-working Government Companies: Rs.82.67 crore  
2001-2002**



**Total investment in non-working Government Companies: Rs.82.44 crore  
2000-2001**



**1.3.2 Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity**

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the state Government to non-working PSUs are given in Annexure 1 and 3.

Total guarantees outstanding at the end of the year amounted to Rs.14.25 crore obtained by 2 non-working companies were outstanding.

**1.3.3 Total establishment expenditure of non-working PSUs**

According to available information, the year-wise details of total establishment expenditure of 4 out of 10 non-working PSUs and the sources of financing them during last three years up to 2001-2002 are given below:

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by				
			Disposal of investment/ assets	Loans from private parties	Government by way of		Others
					Loans	Grants	
1999-2000	3	0.94	0.20	-	-	-	0.74
2000-2001	3	0.51	-	-	-	-	0.51
2001-2002	4	2.03	-	-	-	-	2.03

**1.3.4 Finalisation of accounts by non-working PSUs**

The accounts of 10 non-working companies were in arrears for periods ranging from 7 years to 19 years as on 30 September 2002 as can be seen from Annexure 2.

Out of 10 non-working companies, 4 companies finalised 5 Accounts for previous years during the period from October 2001 to September 2002.

### 1.3.5 *Financial position and working results of non-working PSUs*

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

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

(Rupees in crore)

Sl. No.	Name of the company	Paid-up capital	Net worth <sup>&amp;</sup>	Cash loss (-)/ cash profit (+)	Accumulated loss (-)/ accumulated profit (+)
(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 function 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 function not started	
6.	Assam Syntex Limited	511.50	(-) 1059.95	(-) 413.09	(-) 1708.44
7.	Assam State Weaving and manufacturing Company Limited	950.23	847.45	(-) 16.95	(-) 122.49
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	(-) 1250.78
10.	Fertichem Limited	199.47	(-) 634.34	(-) 54.08	(-) 843.66
		<b>2762.42</b>	<b>(-) 1574.09</b>	<b>(-) 580.79</b>	<b>(-) 4291.70</b>

<sup>&</sup> Note: Net worth, Cash loss/profit and accumulated loss/profit calculated are as per latest certified accounts.

**1.4 Status of placement of Separate Audit Reports of statutory corporations in Legislature:**

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of statutory corporations issued by the C&AG of India in the Legislature by the Government:

Sl. No.	Name of statutory corporation	Years up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1.	Assam State Electricity Board	1995-1996	1996-1997, 1997-1998 1998-1999 1999-2000	February 2000, July 2000 September 2001 December 2001	NA
2.	Assam State Transport Corporation	1989-1990	1990-1991 1991-1992 1992-1993 to 1994-1995	January 1997 February 1997 November 1998	NA
3.	Assam Financial Corporation	1999-2000			
4.	Assam State Warehousing Corporation	1994-1995	1995-1996	June 2002	NA

The state Government has not placed the Separate Audit Reports even after lapse of 5 years (Assam State Transport Corporation). Though under respective statutes, State Government is required to place the Separate Audit Reports in the Legislature, same has not been complied with as evidenced above.

**1.5 Results of audit of accounts of PSUs by Comptroller and Auditor General of India**

During the period from October 2001 to September 2002, the audit of accounts of 18 Government companies (working 14 and non-working 4) and 2 corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Details	No. of accounts				Rupees in lakh			
	Government companies		Statutory corporations		Government companies		Statutory corporations	
	Working	Non-working	Working	Non-working	Working	Non-working	Working	Non-working
(i) Decrease in profit	2	-	-	-	95.60	-	-	-
(ii) Increase in profit	2	-	-	-	260.26	-	-	-
(iii) Increase in loss	7	2	2	-	317.32	8.14	27,017.23	-
(iv) Decrease in loss	-	1	2	-	-	7.40	176.97	-
(v) Non-disclosure of material facts	4	1	1	-	6 Nos.	3 Nos.	3 Nos.	-
(vi) Errors of classification	3	-	1	-	5 Nos.	-	5 Nos.	-

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

### ***1.5.1 Errors and omissions noticed in case of Government companies***

Major errors/omissions noticed in course of audit of annual accounts of some of the companies were as follows: -

#### **(i) Assam Industrial Development Corporation Limited (2000-2001)**

Non-provision of interest on Government loans resulted in understatement of loss as well as liabilities by Rs.2.28 crore.

#### **(ii) Assam Gas Company Limited (2000-2001)**

Profit for the year remained understated by Rs.2.56 crore due to charging of depreciation at higher rate on Gas pipe lines and compressors.

**(iii) Assam Gas Company Limited (2001-2002)**

- (a) Non-adjustment of accepted claim against the company for refund of excess realisation made in earlier years resulted in overstatement of Sundry debtors and accumulated profit by Rs.0.51 crore.
- (b) The trading profit of Rs.0.66 crore includes Sales Tax and Royalties realised on differential sales volume, which cannot be treated as income.

**(iv) Ashok Paper Mills (Assam) Limited (1999-2000)**

The company did not charge interest on loan received from Government of Assam resulting in understatement of loss for the period and unsecured loans by Rs.32.97 lakh.

**(v) Assam State Fertilizers and Chemicals Limited (1999-2000)**

Accumulated loss was understated by Rs.23.40 lakh due to non-charging of depreciation on plant and machinery, electrical installations, water works and material handling equipment during 1995-1996 to 1999-2000.

**1.5.2 *Errors and omissions noticed in case of statutory corporations***

The following major errors, omissions and irregularities were pointed out in the Separate Audit Report (SAR) on the Annual Accounts of ASEB for the year ended 31 March 2000.

**Assam State Electricity Board-1999-2000**

The net deficit of Rs.695.07 crore after prior period adjustment has been understated by Rs.247.62 crore as under:



<b><u>A</u></b>	<b><u>Understated due to</u></b>	<b><u>Amount</u></b>
		<b><u>(Rupees in crore)</u></b>
i.	Short provision for purchase of power	207.91
ii.	Non-provision of land revenue	0.27
iii.	Non-provision of interest on LICICI loan	3.47
iv.	Short accountal of oil consumption	0.03
v.	Non-provision of theft materials	7.13
vi.	Non-adjustment of unbilled revenue	6.71
vii.	Non-accountal of waiver of penalty	0.09
viii.	Non-provision of time barred claims	0.21
ix.	Non-provision of stock	<u>23.27</u>
<b>Total (A)</b>		<b><u>249.09</u></b>
<b><u>B</u></b>	<b><u>Overstated due to</u></b>	
i.	Non-provision for unbilled revenue	0.38
ii.	Short accountal of subsidy	<u>1.09</u>
<b>Total (B)</b>		<b><u>1.47</u></b>
<b>Net understatement</b>		<b><u>247.62</u></b>

**Assam Financial Corporation (1999-2000)**

Non-provision of interest on loans from Industrial Development Bank of India (IDBI)/Small Industries Development Bank of India (SIDBI), bonds and deposits on accrual basis as per IDBI guidelines resulted in understatement of cumulative loss by Rs.21.07 crore.

***1.5.2.1 Audit assessment of the working results of Assam State Electricity Board***

Based on the audit assessment of the working results of the Assam State Electricity Board (ASEB) for three years up to 1999-2000 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the ASEB and not taking into account the subsidy/subventions receivable from

the State Government, the net surplus/deficit and the percentage of return on capital employed and capital invested of the ASEB will be as given below:

(Rupees in crore)

Sl. No.	Particulars	1997-1998	1998-1999	1999-2000
1.	Net surplus/(-) deficit as per books of accounts	(-) 387.25	(-) 549.76	(-) 695.07
2.	Subsidy from the State Government	52.33	52.33	52.33
3.	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-) 439.58	(-) 602.09	(-) 747.40
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts of the SEB	(-) 481.01	(-) 197.19	(-) 247.62
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-) 920.59	(-) 799.28	(-) 995.02
6.	Total return* on capital employed	(-) 737.68	(-) 544.38	(-) 763.76
7.	Percentage of total return on capital employed	(-) 36.63	(-) 32.30	(-) 61.56

The deficit during the last three years ending March 2000 before accounting for subsidy increased from Rs.439.58 crore in 1997-1998 to Rs.747.40 crore in 1999-2000.

## 1.6 Recommendation for closure of PSUs

Even after completion of 12 to 48 years of their existence, the turnover of 19 Government companies (working:15, non-working:4) and 2 statutory<sup>@</sup> corporations have been less than Rs.5 crore in each of the preceding five years of latest finalised accounts. Similarly, 4 Government companies (working: 3; Non-working:1) had been incurring losses for five consecutive years (as per latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above 19 Government companies and 2 statutory corporations or consider their closure. The Government may also like to consider the merger of Assam Financial Corporation

\* Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalized).

<sup>@</sup> Excluding State Electricity Board and Transport Corporation

with the Assam Industrial Development Corporation since their functions are identical in nature. Moreover, turnover of AFC is less than five crore with losses for consecutive 5 years leading to negative net worth (Annexure-9 & 10).

### **1.7 Response to Inspection Reports, Draft paras and reviews**

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2002 pertaining to 38 PSUs disclosed that 4802 paragraphs relating to 822 Inspection Reports remained outstanding at the end of September 2002. Of these, 341 Inspection Reports containing 2613 paragraphs had not been replied to for more than one year. Department-wise break-up of Inspection reports and Audit Observations outstanding as on 30 September 2002 is given in Annexure 7.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 18 draft paragraphs and 2 draft reviews forwarded to the various departments during April and June 2002 as detailed in Annexure-8, had not been replied to so far.

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action may be taken to recover loss/outstanding advances/overpayment in a time bound schedule and (c) revamp the system of responding to the audit observations.

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

During the period from April 2001 to March 2002, COPU met on nine occasions to discuss the Audit Reports. Neither any recommendation of COPU on the Audit Report nor any Action Taken Note on the recommendations made earlier has been received (September 2002).

Position of discussion of Audit Reports and reviews/paragraphs pending with the COPU as on 31 March 2002 is shown below: -

Period of Audit Report	No. of reviews and paragraphs appeared in Audit Report		No. of reviews and paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
<b>1989-1990</b>	4	19	-	5
<b>1990-1991</b>	3	15	2	1
<b>1991-1992</b>	2	11	2	5
<b>1992-1993</b>	2	6	1	6
<b>1993-1994</b>	3	13	3	5
<b>1994-1995</b>	3	11	2	5
<b>1995-1996</b>	2	14	1	6
<b>1996-1997</b>	2	12	-	4
<b>1997-1998</b>	3	16	3	8
<b>1998-1999</b>	4	11	3	10
<b>1999-2000</b>	3	17	3	10
<b>2000-2001</b>	3	10	3	10
<b>Total</b>	<b>34</b>	<b>155</b>	<b>23</b>	<b>75</b>

Out of 34 reviews and 155 paragraphs which featured in the Audit Reports for the years 1989-90 to 2000-2001, 11 reviews and 80 paragraphs only have been discussed by COPU. Recommendations of COPU on the Audit Report 1991-92 have been received in August 1997. However, the Action Taken Note on the recommendations is still awaited from the Government (September 2002).

### **1.9 Budgetary Support to Non-working/Sick PSUs-- status of non-working/sick PSUs**

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 2002, 9 companies were sick under SICA yardstick as per latest finalised accounts. These included 5 companies declared (September 1993 – April 2001) by the State Government also as relief undertaking under Assam State Industrial Relief Undertakings (Special Provision) Act, 1989 (IRUA).

Besides, 2 more companies though not sick by SICA yardstick were declared as such by the State Government under the aforesaid act (IRUA).

Present operational and financial status of these companies is enumerated in Annexure 11.

It would be observed that in order to revive 6 sick/relief undertakings by way of private/joint sector participation, the Government of Assam had signed MOUs with different parties during the period from July 1993 to February 2001. However, in three cases parties subsequently backed out, and in one case MOU had to be cancelled before it could be implemented. In this connection, it was observed that although the companies had been non-operational<sup>#</sup>, efforts for revival through private/joint sector participation were taken only after a lapse of 2<sup>1</sup>/<sub>2</sub> to 9 years from the date of their becoming non-operational.

Scrutiny further revealed that the Government of Assam under the scheme of modernisation/revitalisation disbursed interest (17.75 *per cent* including penal interest of 2.75 *per cent*) bearing loan of Rs.6.53 crore to Assam Industrial Development Corporation Limited (AIDC) during the period from 1991 to November 2000 with specific instruction for onward transmission of the same to 6 relief undertakings for making payment of salaries and wages. Since the companies so assisted had been incurring losses over the years, action of the Government in providing unproductive wages, instead of taking any concrete measure for revival/revitalisation of those units, was not justified. Moreover, by routing the funds through AIDC, the latter was unduly burdened with interest liability of Rs.7.20 crore (March 2002).

In this connection, reference is invited to Para 1.5.1.2, Para 1.5.1.2. & 1.7. D and Para 1.6 of the Comptroller and Auditor General's Audit Report (Commercial), Government of Assam for the year 1998-99, 1999-2000 and 2000-2001 where in it was recommended that in view of poor performance and continuous losses incurred by the PSUs, the Government may either improve their performance or consider their closure/merger. But so far no concrete steps appeared to have been taken by the Government in that direction. Thus, these sick and non-working companies continue to be a perpetual burden on the state exchequer.

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<sup>#</sup> Out of 6 companies whose MoUs were signed, 4 are non-working and 2 companies though working but no production being carried out.

**1.10 Reforms in Power Sector**

**1.10.1(A) Status of implementation of MoU between the State Government and the Central Government.**

In pursuance to Chief Ministers' conference on Power Sector Reforms, held in March 2001, a Memorandum of Understanding (MoU) was signed on 26 March 2001 between the Ministry of Power, Government of India (GOI) and the Department of Power, Government of Assam (GOA) as a joint commitment for implementation of reforms programme in power sector with identified milestones.

Milestones as set out in the MoU and actual achievement thereagainst are as follows:

	<b>Commitment as per MoU</b>	<b>Targeted completion schedule</b>	<b>Status (As on 31 March 2002)</b>
<b>Commitments made by the State Government</b>			
1.	Establishment of SERC/appointment of Chairman	30.04.2001	14.08.2001
2.	100 per cent metering of all distribution feeders	31.07.2001	Not yet achieved.
3.	100 per cent metering of all consumers	31.12.2001	1,42,379 consumers were yet to be converted to the metered consumer.
4.	On-line computerised billing in all major towns	31.03.2002	Not yet taken up.
5.	To bring down the level of ASEB's receivable to 60 days billing	March 2002	No steps taken so far.
6.	Securitized outstanding due of CPSUs	30.09.2001	Not yet done.

Status of implementation of reform programme is discussed in paragraph 2.3 of Chapter II.

**(B) State Electricity Regulatory Commission**

Government of India enacted the Electricity Regulatory Commission (ERC) Act, 1998, which was also adopted by the State Government. Accordingly, Assam State Electricity Regulatory Commission (ASERC) with single member was constituted with effect from 14 August 2001 under Section 17 of the Act *ibid*.

**Functions:** The main functions of the SERC are as follows:

- To determine the tariff for electricity, wholesale, bulk, grid or retail.
- To determine the tariff payable for use of transmission facilities.
- To regulate power purchase and procurement process of both transmission and distribution utilities.
- To promote competition, efficiency and economy in the activities of the electricity industry.

**Activities:** Though the single member commission was constituted with the appointment of Chairperson in August 2001, the SERC could not become operational till March 2002 as the State Government failed to provide manpower, accommodation and other infrastructure required for the purpose.

The audit of accounts of the commission has been entrusted to CAG under Section 34 of the ERC Act, 1998. The Commission had not finalised its first accounts so far (30 September 2002).