

CHAPTER-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2004, there were 38 Government companies (28 working companies and 10 non-working* companies) and four working Statutory corporations with no change in position from that as on 31 March 2003 under the control of the State Government. 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 provisions of Section 619 (2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per 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 the 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 the Chartered Accountants and supplementary audit by CAG

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

[#] The earlier provision of Section 69 (2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003.

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

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2004, the total investment in 32 working PSUs (28 Government companies and four Statutory corporations) was Rs.2369.95 crore** (equity: Rs.1786.65 crore and long-term loans: Rs.583.30 crore[@]) as against 32 working PSUs (28 Government companies and four Statutory corporations) with a total investment of Rs.4093 crore (equity: Rs.1,785.17 crore; long term-loans: Rs.2306.88 crore; and share application money: Rs.0.95 crore) as on 31 March 2003. Decrease in the total investment was mainly due to repayment of loans by the agriculture, textile and power sectors. The analysis of investments in working PSUs is given the following paragraphs.

Sector-wise investment in working Government companies and Statutory corporations

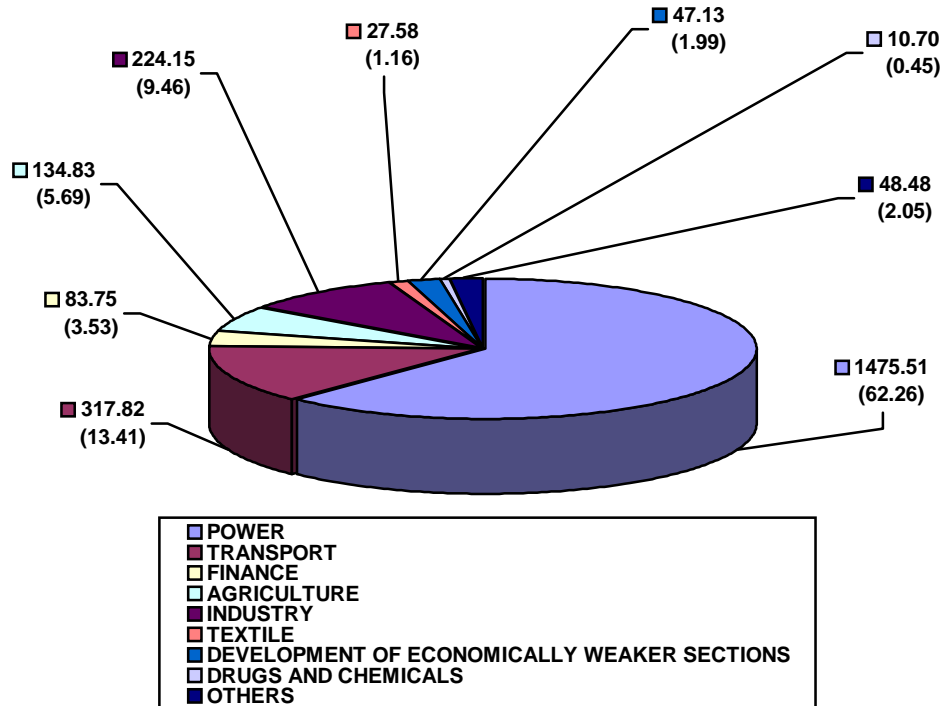
1.3 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 31 March 2003 are indicated in the following pie charts:

* Erstwhile electricity Regulatory Commission Act, 1998 repealed by the Electricity Act, 2003.

** Figures as per Finance Accounts 2003-04 is Rs. 413.46 crore, the difference is under reconciliation.

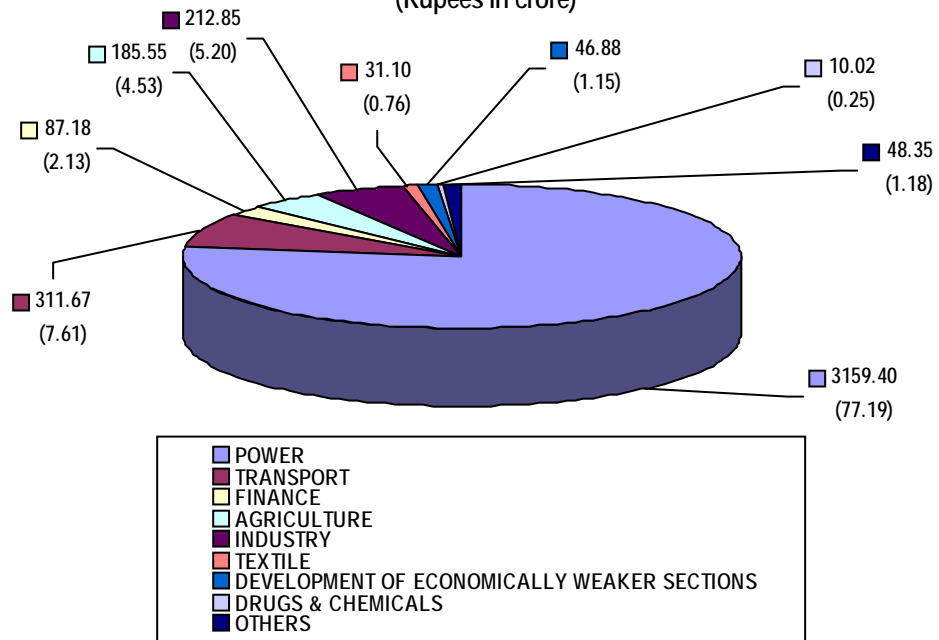
[@] Long-term loans mentioned in Paragraphs 1.2, 1.3, 1.4 and 1.5 are excluding interest accrued and due on such loans.

INVESTMENT AS ON 31 MARCH 2004 (Rs.2369.95 CRORE)
(Rupees in crore)



(Figures in brackets indicate percentage)

INVESTMENT AS ON 31 MARCH 2003 (Rs..4093 CRORE)
(Rupees in crore)



(Figures in brackets indicate percentage)

Working Government companies

1.4 The total investment in the working Government companies at the end of March 2003 and March 2004 was as follows:

Year	Number of working Government companies	Equity	Share application money	Long term loans	Total
		(Rupees in crore)			
2002-2003	28	243.67	0.95	277.84	522.46
2003-2004	28	245.05	-	235.11	480.16

Decrease in the total investment was mainly due to repayment of loans by the agriculture and textile sectors.

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

As on 31 March 2004, the total investment in working Government companies comprised 51.04 per cent of equity capital and 48.96 per cent of loans as compared to 46.82 per cent and 53.18 per cent respectively as on 31 March 2003.

Working Statutory corporations

1.5 The total investment in four working Statutory corporations at the end of March 2003 and March 2004 was as follows:

Name of corporation	2002-2003		2003-2004	
	Capital	Loan	Capital	Loan
(Rupees in crore)				
Assam State Electricity Board (ASEB)	1,350.00	1,809.39	1,350.00	125.51
Assam State Transport Corporation (ASTC)	167.73	143.94	167.73	150.09
Assam Financial Corporation (AFC)	13.43	73.75	13.43	70.32
Assam State Warehousing Corporation (ASWC)	10.34	1.96	10.44	2.27
Total	1,541.50	2,029.04	1,541.60	348.19

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans are detailed in **Annexure 1**.

As on 31 March 2004, the total investment in working Statutory corporations comprised 81.58 per cent of equity capital and 18.42 per cent of loans as compared to 43.17 per cent and 56.83 per cent respectively as on 31 March 2003.

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

1.6 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 **Annexure 1** and **3**.

The budgetary outgo in the form of equity capital, loans and grants/subsidies from the State Government to 28 working Government companies and four working Statutory corporations for the three years up to 31 March 2004 are given below:

(Rupees in crore)

Particulars	2001-2002				2002-2003				2003-2004			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No	Amo- unt	No	Amo- unt	No	Amo- unt	No	Amo- unt	No	Amo- unt	No	Amo- unt
Equity Capital outgo from budget	7	10.73	1	0.10	3	0.54	-	-	-	-	-	-
Loans given from budget	4	9.61	2	99.58	4	6.24	2	52.71	1	0.10	-	-
Grants/Subsidy towards projects/ programmes/ schemes	5	6.68	-	-	6	9.20	-	-	9	9.97	2	194.48
Total outgo	12*	27.02	3*	99.68	10*	15.98	2*	52.71	10*	10.07	2*	194.48

During the year 2003-04, the Government had guaranteed loans aggregating Rs.8.29 crore obtained by one working Government company (Rs.5.61 crore) and one Statutory corporation (Rs.2.68 crore). At the end of the year guarantees amounting to Rs.381.21 crore obtained by five working Government companies (Rs.84.49 crore) and two working Statutory corporations (Rs.296.72 crore) were outstanding. There was no default in repayment of guaranteed loans during the year.

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

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 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 32 working PSUs (28 working Government companies and four working Statutory corporations), none of the Government companies/corporations had finalised its accounts for the year 2003-04 up to 30 September 2004 as could be noticed from **Annexure-2**. During the period from October 2003 to 30 September 2004, 19 working Government companies finalised 25 accounts for previous years. Similarly, during this period, three working Statutory corporations finalised four accounts for previous years.

The accounts of 28 working Government companies and four Statutory corporations were in arrears for periods ranging from one to 20 years as on 30 September 2004 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	-	1984-1985 to 2003-2004	20	26	-
2.	1	-	1986-1987 to 2003-2004	18	5	-
3.	2	-	1988-1989 to 2003-2004	16	17, 21	-
4.	3	-	1989-1990 to 2003-2004	15	3, 7, 22	-
5.	1	-	1990-1991 to 2003-2004	14	28	-
6.	2	-	1992-1993 to 2003-2004	12	9, 27	-
7.	2	-	1993-1994 to 2003-2004	11	13, 23	-
8.	1	-	1994-1995 to 2003-2004	10	16	-
9.	3	-	1995-1996 to 2003-2004	9	1, 19, 20	-
10.	4	-	1996-1997 to 2003-2004	8	4, 14, 15, 24	-
11.	1	1	1997-1998 to 2003-2004	7	18	2
12.	1	1	1998-1999 to 2003-2004	6	6	4
13.	2	1	2001-2002 to 2003-2004	3	2, 25	3
14.	2	-	2002-2003 to 2003-2004	2	8, 12	-
15.	2	1	2003-2004	1	10, 11	1

It is the responsibility of the administrative departments 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 as on date could not be assessed in Audit.

Financial position and working results of working PSUs

1.8 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 last three years as per latest finalised/provisional accounts are given in **Annexure-4 and 5** respectively.

According to the latest finalised accounts of 28 working Government companies and four working Statutory corporations, 22 companies and three corporations had incurred an aggregate loss of Rs.25.05 crore and Rs.722.43 crore respectively, five companies and one corporation had earned an aggregate profit of Rs.25.30 crore and Rs.10.91 lakh respectively. One company had not commenced commercial activities.

Working Government companies

Profit earning working Government companies and dividend

1.9 Out of 19 working Government companies, which finalised their accounts for previous years by 30 September 2004, five^{**} Government companies earned an aggregate profit of Rs.25.30 crore and two[@] of these companies earned profit for two or more successive years. These companies did not declare dividend.

Loss incurring working Government companies

1.10 Of the 22 loss incurring working Government companies, 14^{*} companies had accumulated losses aggregating Rs.170.79 crore, which exceeded their aggregate paid-up capital of Rs.56.11 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies. According to available information, out of these 14 companies, the total

^{**} Sl. Nos. A-4, 6, 10, 11 and 28 of Annexure-2.

[@] Serial Numbers 10 and 28 of Annexure-2.

^{*} Sl. Nos. A-1, 2, 4, 6, 7, 12, 13, 15, 19, 20, 21, 24, 25 and 27 of Annexure-2.

financial support so provided by the State Government by way of subsidy and grants during 2003-04 to five[#] companies amounted to Rs.6.69 crore.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.11 Assam State Warehousing Corporation, which finalised its accounts for the year 1997-1998 earned profit of Rs.10.91 lakh but did not declare dividend.

Loss incurring Statutory corporations

1.12 All the three^{***} loss incurring working Statutory corporations, had accumulated losses aggregating Rs.4,338.37 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 subsidies and grants. According to available information, the total financial support so provided by the State Government by way of subsidies and grants during 2003-04 to two^{##} corporations, out of these three corporations amounted to Rs.194.48 crore.

Operational performance of working Statutory corporations

1.13 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:

Assam State Electricity Board:

1.14 Net power generated has declined from 706.514 MKWH in 2002-03 to 675.630 MKWH in 2003-04.

Transmission and distribution losses decreased from 44.02 *per cent* in 2001-02 to 40.57 *percent* in 2002-03 and increased to 42.58 *per cent* in 2003-04.

Assam State Transport Corporation:

1.15 Average number of vehicles held decreased from 406 in 2001-02 to 315 in 2003-04.

[#] Sl. Nos. A-1, 5, 8, 10 and 11 of Annexure 3.

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

^{##} Sl. Nos. B-1 and 3 of Annexure-3.

Average number of breakdown per lakh kilometer increased from 25.35 in 2001-02 to 30.50 in 2003-04.

Return on capital employed

1.16 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**. As per the latest finalised accounts (up to 30 September 2004), the capital employed* worked out to Rs.575.90 crore in 27[@] working companies and total return[#] thereon amounted to Rs.18.34 crore which was 3.19 *per cent* as compared to total return of (-) Rs.3.99 crore in the previous year (accounts finalised up to September 2003). Similarly, the capital employed and total return thereon in case of four working Statutory corporations as per the latest finalised accounts (up to 30 September 2004) worked out to Rs.987.92 crore and (-) Rs.447.56 crore respectively, against the total return of (-) Rs.404.50 crore in previous year (accounts finalised up to September 2003).

Reforms in power sector

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

1.17 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.

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 2004)
Commitments made by the State Government			
1.	Reduction of Transmission and Distribution (T&D) losses	To reduce T&D losses to 20 <i>per cent</i> by 31 March 2002	42.58 <i>per cent</i>
2.	100 <i>per cent</i> electrification of all villages	31 March 2007	77 <i>per cent</i> completed
3.	100 <i>per cent</i> metering of all distribution feeder	31 July 2001	Not yet achieved

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

@ Out of 28 Government companies, one company is yet to start commercial function.

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.

Sl. No.	Commitment as per MoU	Targeted completion schedule	Status (As on 31 March 2004)
4.	100 per cent metering of all consumers	31 December 2001	121640 unmetered consumers yet to be converted to the metered consumers
5.	Securitize outstanding due of Central Public Sector Undertakings	30 September 2001	Power Bond issued by the Government of Assam in 2003.
6.	Online computerised billing in all major towns	31 March 2002	Not yet achieved
7.	To bring down the level of ASEB's receivable to 60 days billing	March 2002	Not yet achieved

Assam Electricity Regulatory Commission (AERC)

1.18 Assam Electricity Regulatory Commission was formed on 14 August 2001 under Section 17 of 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, to promote competition, efficiency and economy in the activities of the electricity industry. The Commission is a body corporate and comprises one member who is appointed by the State Government. The audit of accounts of the Commission has been entrusted to CAG under Section 104 (2) of the Electricity Act, 2003. The Commission had not finalised its first accounts so far (30 September 2004).

Impact of Government policies in the State in regard to Power Sector

1.19 The State power sector is largely represented by the Assam State Electricity Board (ASEB), which is responsible for generation, transmission and distribution of power in the State. As on 1 April 1998, the ASEB had four thermal power stations in the State with total installed capacity of 413.50 MW. One 20 MW unit was added to Lakwa Thermal Power Station (LTPS) in May 1999. Two Thermal Power Stations, *namely*, 60 MW Chandrapur Thermal Power Station (CTPS) and 120 MW Bongaigaon Thermal Power Station (BTPS) were shutdown in March 2000 and March 2002 respectively. Thus, as on March 2002, the ASEB's installed capacity stood at 253.50 MW only. With de-rating of Namrup Thermal Power Station (NTPS) from 133.50 MW to 113 MW, the available generating capacity was only 233 MW.

1.20 The Chief Ministers' conferences held in October and December 1996 recommended a Common Minimum National Action Plan for Power (CMNAP) for improving the operational and financial performance of the State Electricity Boards within a definite time frame. In February 1997, the

[#] Since replaced by the Electricity Act, 2003.

State Cabinet accepted the CMNAP, in principle, and as a follow-up action, an Operational and Financial Action Plan (OFAP) was formulated and accepted by the State Cabinet in November 1997 and since then the OFAP was under implementation by the State Electricity Board.

The operational and financial performance in respect of ASEB, however, recorded a downward slide as would be seen from the following table:

Sl. No.	Particulars	1997-1998	2002-2003
(i)	Net power generated (MU)	936.39	706.51
(ii)	Plant load factor (percentage)	21.34	14.88
(iii)	Power purchased (MU)	1700.23	2593.10
(iv)	Percentage of power purchased to total units available	63.36	78.59
(v)	Percentage of T&D losses	30.05	40.57
(vi)	Operational loss (Rupees in crore)		
	For the year	387.25	695.51
	Cumulative	1879.08	4037.93

While power generation decreased from 936.39 MU in 1997-1998 to 706.51 MU in 2002-2003, the power purchased increased from 1700.23 MU to 2593.10 MU over the same period. Plant load factor decreased from 21.34 *per cent* in 1997-1998 to 14.88 *per cent* in 2002-2003 and percentage of T&D losses increased from 30.05 *per cent* in 1997-1998 to 40.57 *per cent* in 2002-2003. Operational loss increased from Rs.387.25 crore in 1997-98 to Rs.695.51 crore in 2002-03.

As per Industrial Policy of Assam (1997), the State Government was required to take effective steps for completion of (i) Amguri Gas-based Power Project (360 MW) and (ii) Karbi-Langpi Hydro-electric Power Project (100 MW) within five years. It was, however, seen in audit that the Amguri Gas based Power Project was stopped in 1994 after incurring an expenditure of Rs.9.01 crore for purchase of land and had not been revived thereafter. The Karbi-Langpi Hydro-electric Power Project started way back in 1980 was yet to be completed.

As a step towards restructuring, ASEB has been bi-furcated into five companies incorporated under Companies Act, 1956 on 23 October 2003, but the actual operation of these companies are yet (30 September 2004) to start due to non-transfer/non-bifurcation of assets and liabilities. ASEB has been authorised (August 2004) to continue to function as the State Transmission Utility and as a Licensee up to 9 October 2004.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

1.21 As on 31 March 2004 the total investment in 10 non-working PSUs (10 non-working Government companies) was Rs.84.16 crore (equity: Rs.27.42 crore, share application money: Rs.15.30 crore and long term loans: Rs.41.44 crore) as against the total investment of Rs.86.90 crore (equity: Rs.27.42 crore, share application money: Rs.15.30 crore and long term loans: Rs.44.18 crore) in 10 non-working PSUs (Government companies) as on 31 March 2003.

As per latest finalised accounts, out of 10 companies, five[@] companies have become sick in terms of Section 3 (1) of the Sick Industrial Companies (Special Provision) Act, 1985 since their accumulated losses have exceeded their net worth. Out of these five companies, four^{*} companies have been declared as Relief Undertakings under the provisions of Assam State Industrial Relief Undertakings (Special Provision) Act, 1989.

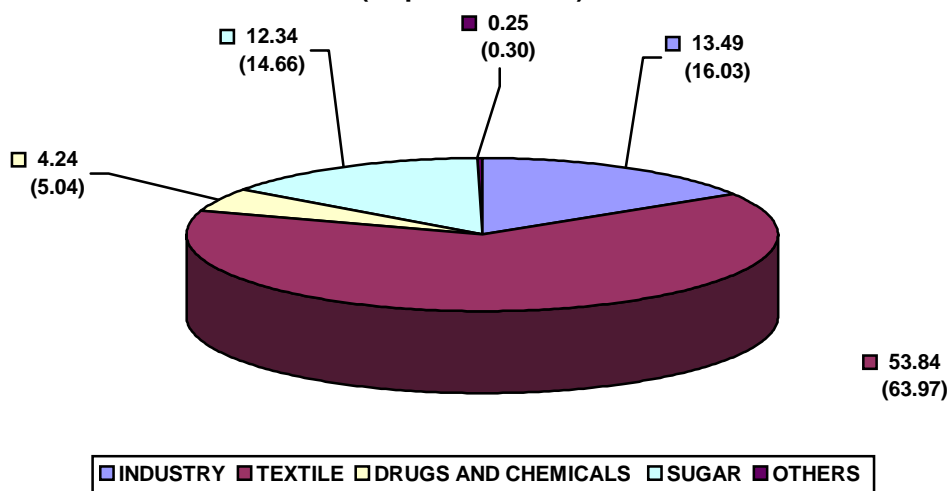
Sector-wise investment in non-working Government companies

1.22 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 2003 are indicated in the pie charts as follows:

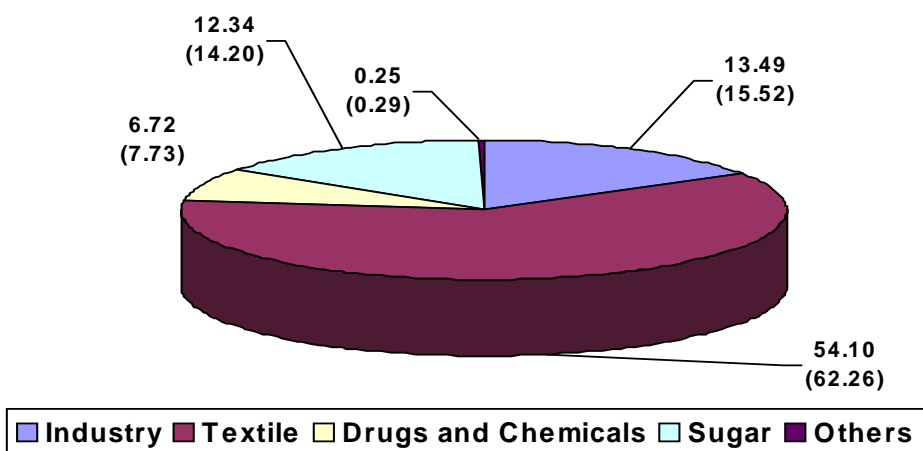
[@] Sl. No. C 1,4,6,9,10 of Annexure 2.

^{*} Sl. No. C 4,6,9,10 of Annexure 2.

**INVESTMENT AS ON 31 MARCH 2004 (Rs.84.16 CRORE)
(Rupees in crore)**



(Figures in brackets indicate percentage)
**INVESTMENT AS ON 31 MARCH 2005 (Rs. 88.90 CRORE)
(Rupees in crore)**



(Figures in brackets indicate percentage)

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

1.23 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**.

During the year 2003-04, there was no budgetary outgo in the form of subsidy/grants. The State Government, however, waived loans (Rs.17.08 lakh) and interest (Rs.5.71 crore) of one non-working Government company.

Total guarantees outstanding at the end of the year amounted to Rs.2.12 crore obtained by one non-working company.

Total establishment expenditure of non-working PSUs

1.24 According to available information, the year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2003-04 are given below:

Year	Number of PSUs	Total establishment expenditure	Financed by holding company
		(Rupees in crore)	
2001-2002	4	2.03	2.03
2002-2003	4	1.95	1.95
2003-2004	3 [@]	1.11	1.11

Finalisation of accounts by non-working PSUs

1.25 The accounts of 10 non-working companies were in arrears for periods ranging from 7-21 years as on 30 September 2004 as can be seen from **Annexure 2**. Out of 10 non-working companies, two companies finalised two Accounts for previous years during the period from October 2003 to 30 September 2004.

Financial position and working results of non-working PSUs

1.26 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 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 function not started	

[@] Out of 10 non-working Government companies, only three companies had furnished the information.

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

Cash loss calculated after adding depreciation to the net loss .

(1)	(2)	(3)	(4)	(5)	(6)
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	(-) 1820.90	264.88	2332.40
7.	Assam State Weaving and Manufacturing Company Limited	1052.80	813.35	46.00	239.45
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	(-) 831.32	53.27	1004.65
Total		2864.99	(-) 2566.12	460.82	5193.61

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

1.27 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 2004, nine** companies (**Annexure.9**) were sick under SICA yardstick as per latest finalised accounts. These included five*** companies declared (September 1993 – April 2001) by the State Government also as relief undertakings under Assam State Industrial Relief Undertakings (Special Provision) Act, 1989 (IRUA).

Two@ more companies though not sick by SICA yardstick were declared as relief undertakings by the State Government under the aforesaid Act.

Present operational status of these companies is enumerated in **Annexure 9**.

It would be observed that in order to revive six out of 11 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 August 2000. In two 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*, efforts for revival through private/joint sector participation were taken only after a lapse of 2¹/₂ to 10 years from the date of their becoming non-operational.

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

*** Sl. Nos. 1,2,4,5,7 of Annexure-9.

@ Sl. Nos. 3 and 6 of Annexure-9.

* Out of six companies whose MoUs were signed, four are non-working and two companies though working but no production being carried out.

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.7.52 crore to Assam Industrial Development Corporation Limited (AIDC) during the period from 1991 to March 2003 with specific instruction for onward transmission of the same to 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.9.76 crore (March 2004).

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

1.28 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG in the State Legislature by the 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 Electricity Board	1995-1996	1996-1997 1997-1998 1998-1999 1999-2000 2000-2001 2001-2002 2002-2003	February 2000 July 2000 September 2001 December 2001 November 2002 July 2003 May 2004
2.	Assam State Transport Corporation	1989-1990	1990-1991 1991-1992 1992-1993 to 1994-1995 1995-1996 1996-1997	January 1997 February 1997 November 1998 November 2003 March 2004
3.	Assam Financial Corporation	1999-2000	2000-2001	September 2003
4.	Assam State Warehousing Corporation	1994-1995	1995-1996 1996-1997 1997-1998	June 2002 March 2003 December 2003

The State Government has not placed the Separate Audit Reports in the State Legislature even after lapse of seven 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.

Disinvestments, Privatisation, and Restructuring of Public Sector Undertakings

1.29 As per MoU on Mid Term Fiscal Reforms, process of disinvestments in four Government companies (Assam Tea Corporation Limited, Assam Syntex Limited, Assam State Textile Corporation Limited and Assam State Weaving and Manufacturing Company Limited) was to be completed by 31 December 2003. Disinvestments, however, did not materialise till September 2004 except in case of Assam Syntex Limited, which had been leased out to a private party *with effect from* March 2003.

1.30 As identified by the State Government, four Government companies (Cachar Sugar Mills Limited, Assam Spun Silk Mills Limited, Fertilchem Limited and Assam State Minor Irrigation Development Corporation Limited) were to be closed by 31 December 2003. The closure of these PSUs, however, have not materialised till now (September 2004).

Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

1.31 During October 2003 to 30 September 2004, the audit of accounts of 19 working Government companies and three Statutory 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	
	Working Government companies	Working Statutory corporations	Working Government companies	Working Statutory corporations
Decrease in profit	2	-	18.57	-
Increase in profit	1	1	51.27	31.44
Increase in loss	4	2	84.67	15,073.14
Decrease in loss	2	-	90.23	-
Non-disclosure of material facts	1	-	136.84	-
Errors of classification	2	1	20.80	10,822

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:

Errors and omissions noticed in case of Government companies

Assam Gas Company Limited (2002-03)

1.32 Non-transfer of the amount, equivalent to the additional depreciation charged on revalued assets, to Profit and Loss Account as per Guidance note issued by the Institute of Chartered Accountants of India, resulted in understatement of cumulative profits by Rs.59.24 lakh.

Assam Agro-Industries Development Corporation Limited (2000-01)

1.33 Non-provision of doubtful debts resulted in understatement of loss by Rs.56.31 lakh.

Assam Seeds Corporation Limited (1994-95)

1.34 The cumulative loss of Rs.19.66 crore was overstated by Rs.90 lakh due to wrong accounting of revenue fund as grants-in-aid.

Assam Government Marketing Corporation Limited (1983-84)

1.35 Neither any provision nor any disclosure as to interest liability on unsecured loan of Rs.1.18 crore had been made in the accounts.

Errors and omissions noticed in case of Statutory corporations

1.36 The following major errors, omissions and irregularities were pointed out in the Separate Audit Report (SAR) on the Annual Accounts of two Statutory corporations.

Assam State Electricity Board-2002-03

1.37 The net deficit of Rs.695.51 crore after prior period adjustment had been understated (net) by Rs.121.19 crore as detailed below:

<u>A</u>	<u>Understated due to</u>	<u>Amount</u> <u>(Rupees in crore)</u>
i.	Excess accountal of rebates	0.22
ii.	Short provision for purchase of power	9.93
iii.	Non-accountal of transmission charges	1.30
iv.	Non-provision of interest on loan	11.18
v.	Excess withdrawal of provisions for penal interest	22.78
vi.	Wrong accountal of security	0.38
vii.	Non-accountal of difference in physical stock	58.81
viii.	Short provision of current liabilities	28.47
	Total (A)	133.07
<u>B</u>	<u>Overstated due to</u>	
i.	Short-provision of unbilled revenue	0.50
ii.	Non-adjustment of minimum guarantee charges	1.38
iii.	Wrong accountal of revenue from Government	10.00
	Total (B)	11.88
	Net understatement (A-B)	121.19

Assam State Transport Corporation (1996-97)

1.38 The accumulated loss of Rs.231.98 crore was understated by Rs.28.79 crore due to non-provision of Contributory Provident Fund (CPF) as per closing balance of 1995-96 and interest thereon.

Audit assessment of the working results of Assam State Electricity Board

1.39 Based on the audit assessment of the working results of the Assam State Electricity Board (ASEB) for three years up to 2002-03 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 of the ASEB is as follows:

Sl. No.	Particulars	2000-2001	2001-2002	2002-2003
		(Rupees in crore)		
1.	Net surplus (+)/deficit (-) as per books of accounts	(-) 671.40	(-) 643.68	(-) 695.51
2.	Subsidy/subvention from the State Government	52.65	52.33	80.06
3.	Net surplus (+)/deficit (-) before subsidy from the State Government (1-2)	(-) 724.05	(-) 696.01	(-) 775.57
4.	Net increase/decrease in net surplus (+)/deficit (-) on account of audit comments on the annual accounts of the SEB	(-) 375.77	(-) 452.84	(-) 121.19
5.	Net surplus (+)/deficit (-) after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-) 1099.82	(-) 1148.85	(-) 896.76
6.	Total return* on capital employed	(-) 859.98	(-) 893.11	(-) 628.07
7.	Percentage of total return on capital employed	(-) 92.16	(-) 203.94	(-) 72.77

Recoveries at the instance of audit

1.40 Test check of records of Assam State Electricity Board conducted during April 2001 to March 2004 disclosed wrong fixation of tariff/non-levy/short levy/short realisation of revenue aggregating Rs.29.80 crore in 11 cases. The Board accepted the observations in all these cases which had been pointed by audit and a sum of Rs.6.07 crore relating to the above audit observations was recovered at the instance of audit.

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

Internal audit/Internal control

1.41 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 in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. Accordingly, the Statutory Auditors observed deficiencies in respect of internal audit system in case of nine companies, during the year 2003-04. Comments in respect of these companies were of the following nature:

- Internal audit required to be strengthened having due regard to its size and nature of its business^{**}
- Inadequate internal audit system^{***}
- The scope of work and responsibility of internal audit wing were not clearly laid down[#]
- The compliance on internal audit report was not adequate^{@@}

Recommendation for closure of PSUs

1.42 Even after completion of 14 to 50 years of their existence, the turnover of 20 Government companies (working: 15, non-working: 5) and two Statutory[@] corporations have been less than Rupees five crore in each of the preceding five years of latest finalised accounts (**Annexure-7**). Similarly, three working Government companies and two Statutory corporations have been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth (**Annexure-8**). In view of poor turnover and continuous losses, the Government may either improve performance of above 23 Government companies and two^{*} Statutory corporations or consider their closure. The Government may also like to consider the merger of Assam Financial Corporation (AFC) with the Assam Industrial Development Corporation since their functions are identical in nature. Moreover, turnover of AFC is less than Rupees five crore with losses for consecutive five years leading to negative net worth (**Annexure-7**).

^{**} Sl. Nos. A-7, 13, 24 and C-10 of Annexure-2.

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

[#] Sl. No. A-10 of Annexure-2.

^{@@} Sl. Nos. A-6 and 24 of Annexure-2.

[@] Excluding Assam State Electricity Board and Assam State Transport Corporation

^{*} Excluding Assam State Electricity Board and Assam State Transport Corporation.

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

1.43 During the period from April 2003 to March 2004, Committee On Public Undertakings (COPU) held three meetings and discussed one review and 12 paragraphs of the Audit Reports (Commercial) for the years 1994-95 to 2000-01.

The position of Audit Reports (Commercial) pending in COPU for discussion as on 31 March 2004 was as follows:

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
1989-1990	4	19	-	5
1990-1991	3	15	2	1
1991-1992	2	10	2	4
1992-1993	2	6	1	6
1993-1994	3	13	3	5
1994-1995	3	11	2	2
1995-1996	2	14	-	6
1996-1997	2	12	-	5
1997-1998	3	16	2	5
1998-1999	4	11	-	5
1999-2000	3	17	2	4
2000-2001	3	10	3	9
2001-2002	2	14	2	14
2002-2003	3	13	3	13
Total	39	181	22	84

619-B Companies

1.44 There was no company under Section 619-B of the Companies Act, 1956.