

## CHAPTER - VIII

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

#### SECTION: B

#### 8.1 General review of Government companies

##### 8.1.1 Introduction

As on 31 March 2000, there were 6( Nagaland Industrial Development Corporation Ltd., Dimapur, (2) Nagaland Handloom and Handloom and Handicraft Development Corporation Ltd., Dimapur, (3) Nagaland Industrial Raw Material and Supply Corporation Ltd., (4) Nagaland Hotel Ltd., (5) Nagaland Sugar Mills Company Ltd., Dimapur, and (6) Nagaland State Mineral Development Corporation Ltd., Kohima.) Government companies (including one subsidiary) under the control of the State Government. The number of companies remained unchanged over the previous year. The accounts of Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by Government of India on the advice of the Comptroller and Auditor General of India (CAG) as per Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per Section 619(4) of the Companies Act, 1956.

The accounts of departmentally managed Government commercial undertakings are audited solely by the CAG under Section 13 of CAG's (Duties, Powers and Conditions of Service) Act, 1971.

##### 8.1.2 Investment in Government companies

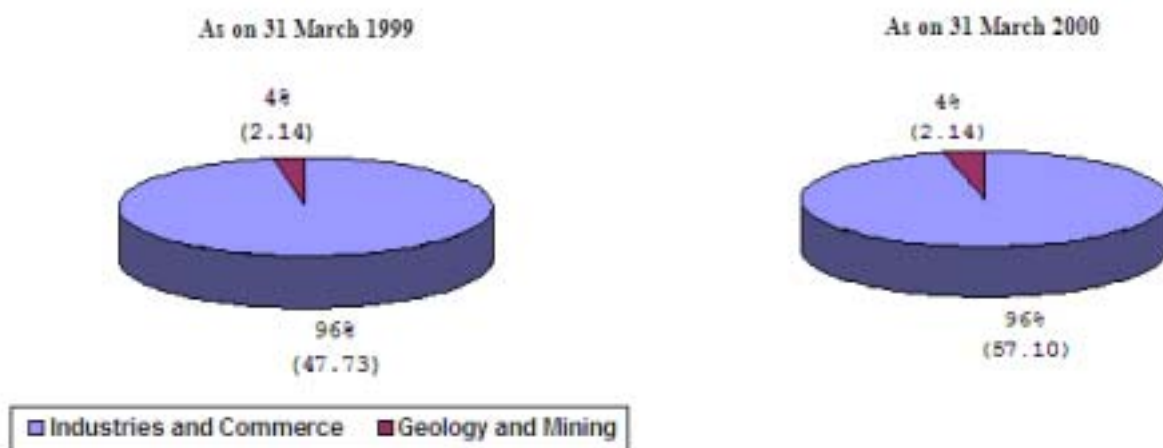
As on 31 March 2000, the total investment in 6 Government Companies (including one subsidiary) was Rs.53.24 crore (equity: Rs.18.19 crore; long term loans: Rs.25.74 crore and share application money: Rs.9.31 crore) as against a total investment of Rs.49.87 crore (equity: Rs.18.19 crore; long term loans: Rs.23.28 crore and share application money: Rs.8.40 crore) in 6 Government Companies (including one subsidiary) as on 31 March 1999. All the companies were working as on 31 March 2000.

The summarised financial results of Government companies are detailed in *Appendix-XLV* and *XLVI*.

##### 8.1.3 Sector-wise investment in Government companies

As on 31 March 2000, of total investment in Government companies, 51.65 per cent comprised equity capital and 48.35 per cent comprised loans compared to 53.32 per cent and 46.68 per cent respectively as on 31 March 1999.

The sector-wise investment (equity and long term loans) in Government companies as of the end of 1998-99 and 1999-2000 is given below in two pie diagrams.



(Figures in brackets indicate investment in Rupees in crore)

#### 8.1.4 Budgetary outgo, subsidies, guarantees and waiver of dues

The year-wise budgetary investment by the State Government to the Government companies for the 3 years upto 1999-2000 is given below:-

(Rupees in crore)

|                                 | 1997-98             |             | 1998-99             |             | 1999-2000           |             |
|---------------------------------|---------------------|-------------|---------------------|-------------|---------------------|-------------|
|                                 | Number of companies | Amount      | Number of companies | Amount      | Number of companies | Amount      |
| Equity capital                  | 2                   | 0.95        | 2                   | 1.15        | 4                   | 1.19        |
| Loans                           | 1                   | 0.55        | 1                   | 0.55        | 1                   | 0.55        |
| Grants                          | 2                   | 1.97        | 2                   | 2.05        | 5                   | 5.29        |
| <b>Subsidy towards</b>          |                     |             |                     |             |                     |             |
| (i) Projects/Programmes/Schemes | ---                 | ---         | ---                 | ---         | ---                 | ---         |
| (ii) Other subsidy              | ---                 | ---         | ---                 | ---         | ---                 | ---         |
| (iii) Total subsidy             | ---                 | ---         | ---                 | ---         | ---                 | ---         |
| <b>Total outgo</b>              | <b>3</b>            | <b>3.47</b> | <b>3</b>            | <b>3.75</b> | <b>5</b>            | <b>7.03</b> |

No guarantees for loans were given by the State Government during the year 1999-2000. However, at the end of the year 1999-2000 guarantees amounting to Rs.3.96 crore against one Government Company(NIDC, Dimapur) was outstanding.

#### 8.1.5 Finalisation of accounts by Government companies

**8.1.5.1** The accounts of the companies are to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230 and 619 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.

However, as could be noticed from *Appendix-XLVI*, none of the 6 Government companies had finalised their accounts for the year 1999-2000, within the stipulated period. The accounts of all the companies were in arrears for periods ranging from nine to 24 years as on 31 July 2000 as detailed below:-

| Sl. No. | Year from which accounts are in arrears | Number of years for which accounts are in arrears | Number of Government companies | Reference to serial number of Appendix-XLVI |
|---------|---|---|--------------------------------|---|
| 1.      | 1976-77 to 1999-2000                    | 24  | 1                              | 1 (iv)                                      |
| 2.      | 1991-92 to 1999-2000                    | 9   | 1                              | 1 (i)                                       |
| 3.      | 1979-80 to 1999-2000                    | 21  | 1                              | 1 (ii)                                      |
| 4.      | 1982-83 to 1999-2000                    | 18  | 1                              | 1 (iii)                                     |
| 5.      | 1985-86 to 1999-2000                    | 15  | 2                              | 1 (v) & 2 (i)                               |

The administrative departments (as given at *Appendix-XLVI*) are to oversee the working of the companies and ensure that the accounts are finalised and adopted by the Government companies within prescribed periods. Though the concerned administrative departments and officials of the government were apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures had been taken by the Government and as a result, the investments made in these companies could not be assessed in Audit.

#### **8.1.6 Working results of Government companies**

According to latest finalised accounts of 5 (Excluding Nagaland Sugar Mills company Ltd., Dimapur) Government companies, 2 (NIDC, Dimapur and NHHDC Dimapur) companies had incurred an aggregate loss of Rs.1.09 crore. However, these figures do not represent the upto-date financial position of the companies.

The summarised financial results of Government companies as per latest financial accounts are given in *Appendix-XLVI*.

##### **8.1.6.1 Profit earning companies and dividend**

Only one Company viz., Nagaland Industrial Raw Materials and Supply Corporation Limited, Dimapur which finalised its accounts for 1978-79 earned a profit of Rs.0.14 lakh during the year (with accumulated profit of Rs.0.28 lakh).

##### **8.1.6.2 Loss incurring companies**

Of the 2 (NIDC, Dimapur and NHHDC, Dimapur) loss making companies, NIDC had accumulated losses of Rs.430.01 lakh and eroded 31.29 per cent of paid up capital (Rs.1374.27 lakh).

#### **8.1.7 Return on Capital Employed**

As per latest finalised accounts the capital employed worked out to Rs.25.07 crore in five companies and total return thereon amounted to Rs.(-) 0.33 crore. The details of capital employed and total return on capital employed in the case of Government companies are given in *Appendix-XLVI*.

### **8.1.8 Results of audit by Comptroller and Auditor General of India**

The summarised financial results of the five Government companies based on the latest available accounts are given in *Appendix-XLVI*.

#### **8.1.8.1 Persistent irregularities and system deficiencies in financial matters of companies**

The following persistent irregularities and system deficiencies in the financial matters of companies had been repeatedly pointed out during the course of the annual audit of their accounts but no corrective action has been taken by these companies so far:

1. The accounts are not finalised in time.
2. Since most of the companies did not hold Board Meetings regularly as required under Section 265 of the Companies Act, 1956, major decisions are often taken without approval of BODs.

#### **8.1.9 Position of discussion of Commercial chapters of Audit Report by the Committee on Public Undertakings (COPU)**

The reviews/paragraphs of Commercial Chapter of Audit Reports pending discussion as on 31 March 2000 by the Committee on Public Undertakings are shown below:-

| Period of Audit Report | Number of Reviews and Paragraphs |                      |  |            |
|------------------------|----------------------------------|----------------------|--|------------|
|                        | Appeared in audit Report         |                      | Pending for discussion   |            |
|                        | Reviews                          | Paragraphs discussed | Reviews  | Paragraphs |
| 1994-95                | ---                              | 1*                   | All the reviews and paragraphs pertaining to the year 1995-96 to 1998-99 are pending for discussion. |            |
| 1995-96                | 1                                | 2                    |  |            |
| 1996-97                | 1                                | Nil                  |  |            |
| 1997-98                | 1                                | 1                    |  |            |
| 1998-99                | 1                                | Nil                  |  |            |

\* Discussed in September 2000 but recommendations of COPU is awaited.

#### **8.1.10 Departmentally managed Government Commercial/ Quasi-Commercial Undertakings**

***Proforma accounts of departmental and departmentally managed commercial undertakings were in arrears ranging from 1 to 28 years.***

As on 31 March 2000, there were nine departmentally managed Government commercial and quasi-commercial undertakings.

Mention was made in paragraph 8.1.10 of the Report of the Comptroller and Auditor General of India for the year 1998-99 about delay in preparation of proforma accounts of these undertakings.

The following table depicts the extent of arrears in preparation of proforma accounts by the undertakings/departments:-

| <b>Sl. No.</b> | <b>Name of the Department/Undertaking</b>                          | <b>Extent of arrears</b> |
|----------------|--|--------------------------|
| 1.             | Organisation of the Director of Food and Civil Supplies Department | 1971-72 to 1999-2000     |
| 2.             | Nagaland State Transport Department                                | 1988-89 to 1999-2000     |
| 3.             | Nagaland Power Department  | 1985-86 to 1999-2000     |
| 4.             | Farms under Agriculture Department                                 |                          |
|                | (i) Potato Seed Farm, Kuthur                                       | 1998-99 to 1999-2000     |
|                | (ii) Medium size Seed farm, Merapani                               | 1999-2000                |
|                | (iii) Seed Farm, Tizit   | 1998-99 to 1999-2000     |
| 5.             | Changki Valley Fruit Preservation Factory                          | 1987-88 to 1999-2000     |
| 6.             | Timber Treatment and Seasoning Plant, Dimapur                      | 1998-99 to 1999-2000     |
| 7.             | Government Cottage Industries Emporia, Kohima                      | 1979-80 to 1999-2000     |
| 8.             | Farms under Veretinary and Animal Husbandry Department             |                          |
|                | (i) Cattle Breeding Farm, Medziphema                               | 1998-99 to 1999-2000     |
|                | (ii) Cattle Breeding farm, Tuensang                                | 1998-99 to 1999-2000     |
|                | (iii) Cattle Breeding Farm, Aliba                                  | 1998-99 to 1999-2000     |
|                | (iv) State Cattle Breeding Farm, Lerie                             | 1993-94 to 1999-2000     |
|                | (v) Chick Rearing Centre (with Hatchery Unit), Mokokchung          | 1998-99 to 1999-2000     |
|                | (vi) Chick Rearing Centre (with Hatchery Unit), Dimapur            | 1998-99 to 1999-2000     |
|                | (vii) Chick Rearing Centre, Tuensang                               | 1985-86 to 1999-2000     |
|                | (viii) Chick Rearing Centre, Medziphema                            | 1985-86 to 1999-2000     |
|                | (ix) Pig Breeding Centre, Medziphema                               | 1997-98 to 1999-         |

|    |   |                      |
|----|---|----------------------|
|    |   | 2000                 |
|    | (x) Pig Breeding Centre, Tizit                  | 1997-98 to 1999-2000 |
|    | (xi) Pig Breeding Centre, Tuensang              | 1985-86 to 1999-2000 |
|    | (xii) Pig Breeding Centre, Mokokchung           | 1985-86 to 1999-2000 |
|    | (xiii) Pig Breeding Centre, Tuli (Mokokchung)   | 1980-81 to 1999-2000 |
|    | (xiv) Regional Rabbit Breeding Farm, Jharnapani | 1998-99 to 1999-2000 |
|    | (xv) Pig Breeding Centre, Merangkong            | 1998-99 to 1999-2000 |
|    | (xvi) Chick Rearing Centre, Kohima              | 1998-99 to 1999-2000 |
|    | (xvii) Pig Breeding Centre, Sathuja             | 1998-99 to 1999-2000 |
|    | (xviii) Cattle Breeding farm, Baghty            | 1998-99 to 1999-2000 |
|    | (xix) Sheep Farm, Poilwa                        | 1998-99 to 1999-2000 |
|    | (xx) Buffalo Farm, Jalukie                      | 1998-99 to 1999-2000 |
|    | (xxi) Regional Broiler Centre, Kohima           | 1998-99 to 1999-2000 |
| 9. | Farm under Horticulture Department              |                      |
|    | Fruit Canning Factory, Longnak                  | 1993-94 to 1999-2000 |

**Kohima**  
The 22 May 2001

**(V.RAVINDRAN)**  
Accountant General (Audit), Nagaland.

Countersigned

**New Delhi**  
The 13 June 2001

**(V.K.SHUNGLU)**  
Comptroller and Auditor General of India.