

**Functioning
of
State Public Sector Undertakings**

Chapter I - Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out the activities of commercial nature keeping in view the welfare of people and also to occupy an important place in the State economy. As on 31 March 2015, in Assam there were 49 SPSUs. Of these, one company¹ was listed on the stock exchange. During the year 2014-15, no new SPSUs were incorporated whereas one non-working Statutory Corporation (*viz.* Assam State Electricity Board), was dissolved and ceased to exist with effect from 31 March 2013. The details of the SPSUs in Assam as on 31 March 2015 are given below.

Table 1.1: Total number of SPSUs as on 31 March 2015

Type of SPSUs	Working SPSUs	Non-working SPSUs ²	Total
Government Companies ³	30	16	46
Statutory Corporations	03	0	03
Total	33	16	49

The working SPSUs registered a turnover of ₹ 4,380.58 crore as *per* their latest finalised accounts as of September 2015. This turnover was equal to 2.38 *per cent* of State Gross Domestic Product (GDP) (₹ 1,83,798 crore)⁴ for 2014-15. During 2013-14, however, the contribution of the turnover (₹ 3,910.26 crore) of working SPSUs was marginally higher at 2.40 *per cent* of the State GDP (₹ 1,62,652 crore) for 2013-14. The working SPSUs incurred an aggregate loss of ₹ 700.64 crore as *per* their latest finalised accounts as of September 2015 as compared to the aggregate loss of ₹ 269.15 crore incurred by the working SPSUs during 2013-14. The increase in the aggregate loss of working SPSUs was mainly on account of heavy losses incurred by three power sector SPSUs as discussed under *paragraph 1.16*. The SPSUs had employed 38,886 employees as at the end of March 2015.

As on 31 March 2015, there were 16 non-working SPSUs, existing since last several years and having investment of ₹ 153.00 crore. This was a critical area as the investments in non-working SPSUs did not contribute to the economic growth of the State and nor was it released by way of disposal of assets *etc.* for use for more production purposes.

¹ Assam Petrochemicals Limited

² Non-working SPSUs are those which have ceased to carry on their operations.

³ Government companies include *Other Companies* referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013.

⁴ State GDP as per Economic Survey, 2014-15, published by Government of Assam

Accountability framework

1.2 The audit of the financial statements of a Company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013. However, the audit of a Company in respect of financial years that commenced earlier than 1 April 2014 continued to be governed by the Companies Act, 1956.

According to Section 2 (45) of the Companies Act, 2013 (Act), a Government Company is one in which not less than 51 *per cent* of the paid-up capital is held by the Central and/or State Government(s) and includes a subsidiary of a Government Company. The process of audit of Government companies under the Act is governed by respective provisions of Section 139 and 143 of the Act.

Statutory Audit

1.3 The financial statements of a Government Company as defined in Section 2 (45) of the Companies Act, 2013 (Act) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 139 (5) or (7) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG under the provisions of Section 143 (6) of the Act.

Further, the Statutory Auditors of any *Other Company* owned or controlled, directly or indirectly, by the Central and/or State Government (s) are also appointed by CAG as per the provisions of Section 139 (5) or (7) of the Act.

As per the provisions of Section 143 (7) of the Act, the CAG, in case of any Company (Government Company or *Other Company*) covered under sub-section (5) or sub-section (7) of Section 139 of the Act, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company (Government Company and *Other Company*). The provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test audit.

Audit of Statutory Corporations is governed by their respective legislations. Out of three working Statutory Corporations in the State, CAG is the sole auditor for Assam State Transport Corporation. In respect of Assam State Warehousing Corporation and Assam Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these SPSUs through its administrative departments. The Chief Executive and Directors on the Board are appointed by the State Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Assam

1.5 The State Government has huge financial stake in these SPSUs. This stake is of mainly three types:

- **Share Capital and Loans** - In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the SPSUs from time to time.
- **Special Financial Support** - State Government provides budgetary support by way of grants and subsidies to the SPSUs as and when required.
- **Guarantees** - State Government also guarantees the repayment of loans with interest availed by the SPSUs from Financial Institutions.

Investment in SPSUs

1.6 As on 31 March 2015, the investment (capital and long-term loans) in 49 SPSUs was ₹ 4,882.50 crore as *per* details given in **Table 1.2**.

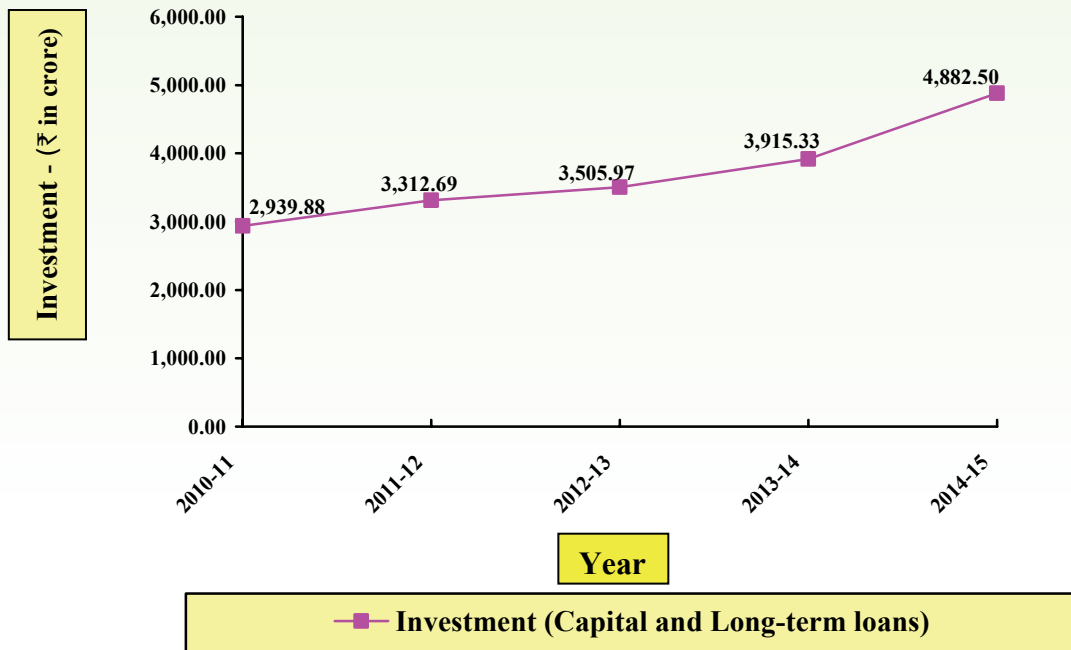
Table 1.2: Total investment in SPSUs

(₹ in crore)

Type of SPSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working SPSUs	1,243.60	2,649.70	3,893.30	783.55	52.65	836.20	4,729.50
Non-working SPSUs	71.83	81.17	153.00	0.00	0.00	0.00	153.00
Total	1,315.43	2,730.87	4,046.30	783.55	52.65	836.20	4,882.50

Out of the total investment of ₹ 4,882.50 crore in SPSUs as on 31 March 2015, 96.87 per cent was in working SPSUs and the remaining 3.13 per cent in non-working SPSUs. This total investment consisted of 42.99 per cent towards capital and 57.01 per cent in long-term loans. The investment has grown by 66.08 per cent from ₹ 2,939.88 crore in 2010-11 to ₹ 4,882.50 crore in 2014-15 as shown in *Chart 1.1*.

Chart 1.1: Total investment in SPSUs



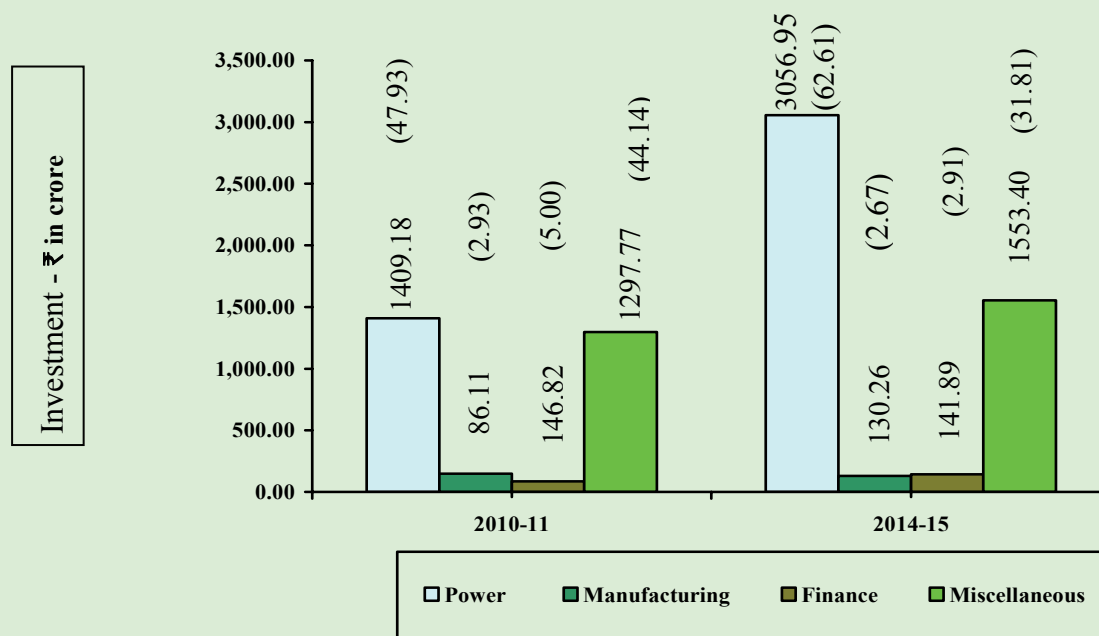
1.7 The sector wise summary of investments in the State PSUs as on 31 March 2015 is given in *Table 1.3*.

Table 1.3: Sector-wise investment in SPSUs

Name of Sector	Government/ <i>Other</i> ⁵ <i>Companies</i>		Statutory Corporations	Total Investment (₹ in crore)
	Working	Non-Working	Working	
Power	3,056.95	-	-	3,056.95
Manufacturing	57.26	73.00	-	130.26
Finance	61.09	-	80.80	141.89
Miscellaneous	281.25	-	-	281.25
Service	0.39	-	755.40	755.79
Infrastructure	194.25	7.54	-	201.79
Agriculture & Allied	242.11	72.46	-	314.57
Total	3,893.30	153.00	836.20	4,882.50

The investment in four significant sectors and *percentage* thereof at the end of 31 March 2011 and 31 March 2015 are indicated in *Chart 1.2*. The thrust of SPSU-investment was mainly in power sector which more than doubled from ₹ 1,409.18 crore to ₹ 3,056.95 crore during 2010-11 to 2014-15. Leap in investment in power sector was on account of increase of ₹ 1,647.77 crore in the long term borrowings of power sector SPSUs from ₹ 601.94 crore (2010-11) to ₹ 2,249.71 crore (2014-15) during the period of five years.

Chart 1.2: Sector wise investment in SPSUs



(Figures in brackets show the *percentage* of total investment)

⁵ ‘*Other Companies*’ as referred to under Section 139 (5) and 139 (7) of the Companies Act, 2013.

Special support and returns during the year

1.8 The State Government provides financial support to SPSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of State PSUs for three years ended 2014-15 have been given in **Table 1.4**.

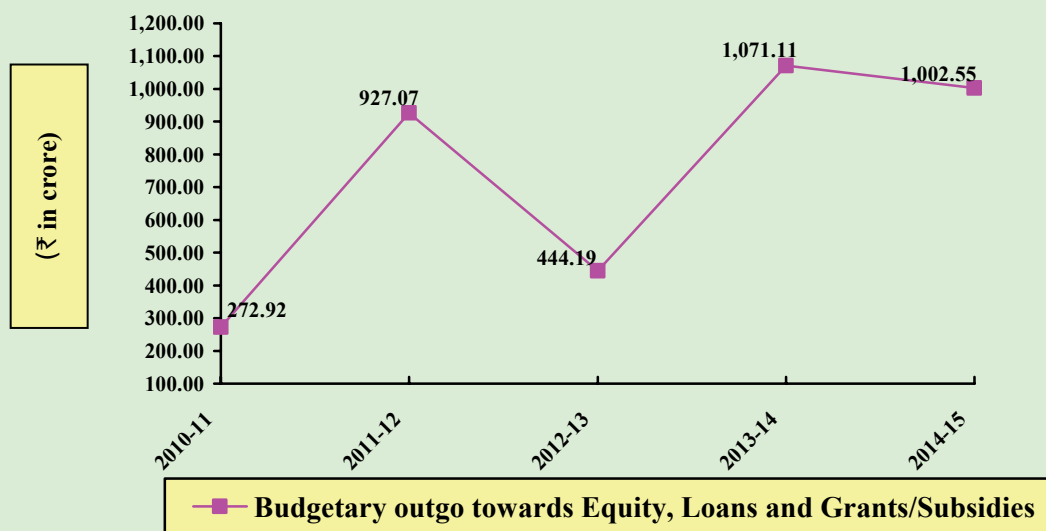
Table 1.4: Details regarding budgetary support to SPSUs

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	1	0.20	2	55.42	-	-
2.	Loans given from budget	4	60.29	6	255.94	5	589.48
3.	Grants/Subsidy from budget	15	383.70	18	759.75	13	413.07
4.	Total Outgo (1+2+3)⁶	16	444.19	19	1,071.11	17	1,002.55
5.	Waiver of loans and interest	-	-	-	-	-	-
6.	Guarantees issued	-	-	-	-	-	-
7.	Guarantee Commitment	1	4.00	-	-	-	-

The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in **Chart 1.3**.

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



It may be observed that during the five years from 2010-11 to 2014-15, the year-wise budgetary outgo to the SPSUs in the form of equity, loans, grants/subsidies, etc. had shown a mixed trend.

⁶ Actual number of SPSUs, which received equity, loans, grants/subsidies from the State Government

The budgetary outgo to SPSUs had registered an overall increase of more than 290 *per cent* (₹ 798.19 crore) during four years period from ₹ 272.92 crore (2010-11) to ₹ 1,071.11 crore (2013-14). The budgetary outgo, however, had decreased marginally by 6.40 *per cent* (₹ 68.56 crore) during the year 2014-15. During the last two years, the significant budgetary outgo of ₹ 907.32 crore⁷ (2013-14) and ₹ 909.91 crore (2014-15) were extended to three power sector companies in the form of loan/grants. No guarantee commitments were, however, outstanding at the end of 2013-14 and 2014-15.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2015 is summarised in *Table 1.5* below.

Table 1.5

Equity, loans, guarantees outstanding as per the State Finance Accounts vis-a-vis records of SPSUs

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	2,257.26	1,883.28	373.98
Loans	3,689.34	2,274.42	1,414.92

(₹ in crore)

Audit observed that there were differences in Equity⁸ figures existed in respect of 42 SPSUs. The major differences pertained to seven⁹ SPSUs including three power sector SPSUs. It was further observed that during 2013-14, the differences in figures of Equity and Loans were to the tune of ₹ 364.95 crore and ₹ 1,735.95 crore respectively. It may be noticed that although there was reduction of ₹ 321.03 crore in the difference of outstanding Loans as compared to last year's (2013-14) figures, the unreconciled differences of outstanding investments still remained significant at ₹ 1,414.92 crore (Loans) and ₹ 373.98 crore (Equity). The Government and the SPSUs concerned should take concrete steps to reconcile the differences in a time bound manner.

⁷ Loans ₹ 237.38 crore and grants ₹ 669.94 crore

⁸ SPSUs-wise details of Loans not available in the Finance Accounts of the State

⁹ Serial no. A-4, A-12, A-20, A-23, A-24, A-25 and B-2 of *Annexure-2*.

Arrears in finalisation of accounts

1.10 The Financial Statements of the Companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by September end in accordance with the provisions of Section 96 (1) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Table 1.6 provides the details of progress made by working SPSUs in finalisation of accounts as of 30 September 2015.

Table 1.6: Position relating to finalisation of accounts of working SPSUs

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of Working SPSUs/other companies	40	41	40	40	33
2.	Number of accounts finalised during the year	57	62	46	63	58
3.	Number of accounts in arrears	328	322 ¹⁰	316	293	212 ¹¹
4.	Number of Working SPSUs with arrears in accounts	39	37	37	34	25
5.	Extent of arrears (numbers in years)	1 to 24 years	1 to 25 years	1 to 25 years	1 to 26 years	1 to 27 years

It can be observed that during the five years from 2010-11 to 2014-15, the number of accounts in arrears of the working SPSUs has shown a decreasing trend. During the current year (2014-15) the backlog of arrears has reduced by 81 accounts from 293 (2013-14) to 212 accounts (2014-15) mainly because of finalisation of 58 accounts by 33 SPSUs as well as transfer of 7 working companies with arrears of 56 accounts to non-working category.

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 SPSUs within the stipulated period. The concerned Department/Ministry was informed regularly (October 2015) of the arrears in finalisation of accounts by these SPSUs. In addition, the Accountant General took up the matter (May 2015) with the State Government/Department/Ministry concerned for liquidating the arrears of accounts. As of September 2015, however, 25 working SPSUs still had arrears of total 212 accounts with period of backlog ranging up to 27 years, which was significant.

¹⁰ This includes 16 arrear accounts of newly added Company *i.e.* Assam Minorities Development and Finance Corporation limited

¹¹ Excluding the arrears of 56 accounts as of 2013-14 in respect of seven SPSUs (Sl. No. C-1 to C-7 of *Annexure 2*), which are now considered as non-working.

1.11 The State Government had invested ₹ 1,276.71 crore in 17 SPSUs {equity: ₹ 3.10 crore (2 SPSUs), loans: ₹ 695.03 crore (4 SPSUs) and grants ₹ 578.58 crore (15 SPSUs)} during the years for which accounts have not been finalised as detailed in *Annexure 1*. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such SPSUs remained outside the control of State Legislature.

1.12 In addition to the above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working SPSUs. None of these 16 non-working SPSUs had started the process of liquidation (September 2015). Out of the 16 non-working SPSUs, 15 SPSUs¹² had arrears of accounts.

Table 1.7: Position relating to arrears of accounts in respect of non-working SPSUs

No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
2 ¹³	More than 30 years	63
2 ¹⁴	20-30	48
1 ¹⁵	10-20	14
10 ¹⁶	1-10	32

Placement of Separate Audit Reports

1.13 The position depicted in *Table 1.8* show the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2015) on the accounts of Statutory Corporations in the Legislature.

Table 1.8: Placement of Separate Audit Reports

Sl. No.	Name of statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1.	Assam State Transport Corporation	2011-12	2012-13	Issued in August 2015
			2013-14	
2.	Assam Financial Corporation	2012-13	2013-14	Issued in October 2014

¹² Assam Government Construction Corporation Limited had no arrears in accounts.

¹³ Sl. No. 4 and 14 of *Annexure 2*

¹⁴ Sl. No. 3 and 11 of *Annexure 2*

¹⁵ Sl. No. 9 of *Annexure 2*

¹⁶ Sl. No. 1, 2, 5, 6, 7, 10, 12, 13, 15 and 16 of *Annexure 2*

Impact of arrears in accounts

1.14 As pointed out above in *paragraph 1.10 to 1.12*, the 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 relevant Statutes. In view of the above state of arrears of accounts, the actual contribution of SPSUs to the State GDP for the year 2014-15 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that:

- ❖ **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- ❖ **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Performance of SPSUs as per their latest finalised accounts

1.15 The financial position and working results of working Government Companies and Statutory Corporations are detailed in *Annexure 2*. A ratio of SPSU-turnover to State GDP shows the extent of SPSU-activities in the State economy. *Table 1.9* below provides the details of working SPSUs turnover against the State GDP for a period of five years ending 2014-15.

Table 1.9: Details of working SPSUs turnover vis-a-vis State GDP

Particulars	(₹ in crore)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover ¹⁷	2,644.44	2,879.21	3,509.96	3,910.26	4,380.58
State GDP ¹⁸	1,04,218	1,15,408	1,43,567	1,62,652	1,83,798
<i>Percentage of Turnover to State GDP</i>	2.54	2.49	2.44	2.40	2.38

Though the turnover of the working SPSUs showed a continuous increase during the years from 2010-11 to 2014-15, the overall growth in terms of *percentage* of turnover to the State GDP showed a decreasing trend. As against the growth of 76.36 *per cent* in the State GDP during the period 2010-11 to 2014-15 the growth in the turnover of the SPSUs had been only 65.65 *per cent* which was indicative of the fact that the growth in the turnover of the SPSUs was not very encouraging as compared to the year wise growth in the State GDP figures.

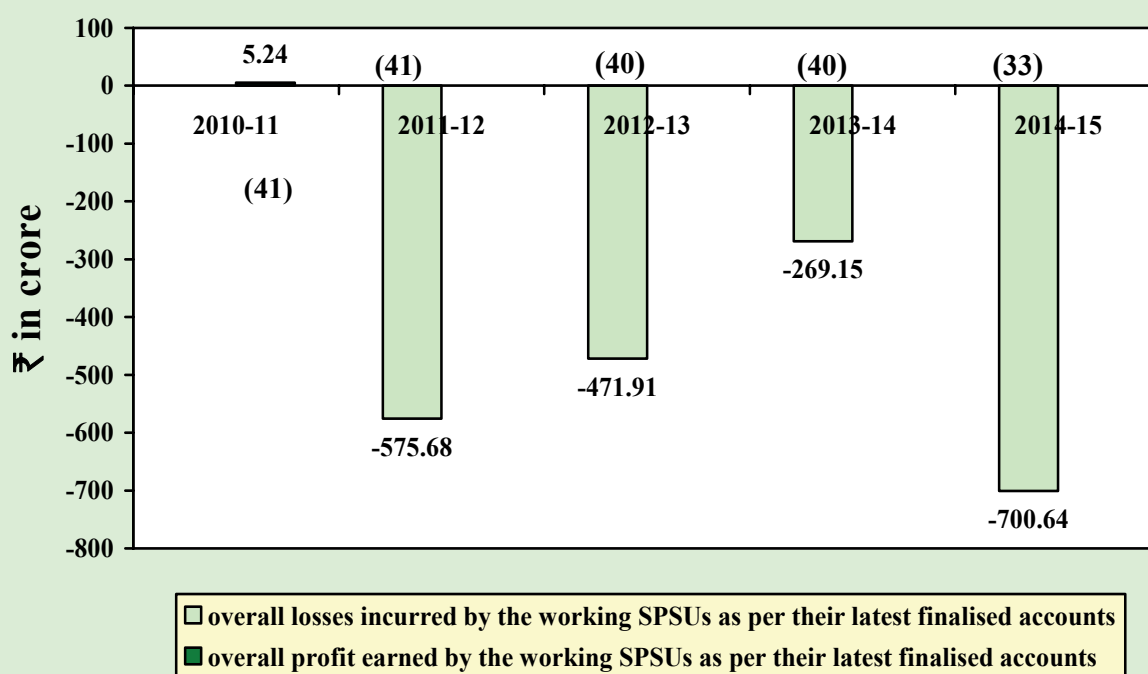
¹⁷ Turnover as per the latest finalised accounts as of 30 September of the respective year.

¹⁸ State GDP as per Economic Survey, 2014-15, published by Government of Assam

The power and transport sectors are considered to be the economy drivers. Analysis of the turnover of power and transport sector SPSUs revealed that during 2010-11 to 2014-15, the turnover of these SPSUs had increased by 73.15 per cent¹⁹, which was almost at par with the growth rate (76.36 per cent) of the State GDP during the said period. Thus, downward trend in the percentage of SPSUs turnover to State GDP as shown in the **Table 1.9**, was attributable to inadequate growth in the turnover of SPSUs of other sectors during 2010-11 to 2014-15.

1.16 Overall position of profits earned/losses incurred by State working SPSUs during 2010-11 to 2014-15 has been depicted in **Chart 1.4**.

Chart 1.4 Profit/Loss of working SPSUs



(Figures in brackets show the number of working SPSUs in respective years)

It could be noticed that the overall working results of the working SPSUs had shown a mixed trend during the last five years from 2010-11 to 2014-15. The working SPSUs had incurred overall losses during last four years. However, the losses of the working SPSUs had gradually decreased from ₹ 575.68 crore (2011-12) to ₹ 269.15 crore (2013-14). In the last financial year during 2014-15, the losses had again steeply increased to ₹ 700.64 crore due to heavy losses

¹⁹ Increase of 73.15 per cent in the turnover of power and transport sector SPSUs from ₹ 2,169.59 crore (2010-11) to ₹ 3,756.68 crore (2014-15) as per their latest finalised accounts as on 30 September of the respective year.

(₹ 694.84 crore) incurred by three²⁰ power sector SPSUs in the State. During the year 2014-15, out of 33 working SPSUs 14 SPSUs earned aggregate profit of ₹ 81.48 crore and 18 SPSUs incurred loss of ₹ 782.12 crore. One working SPSU²¹, however, had not finalised its first accounts. The major contributors to profit were Assam Gas Company Limited. (₹ 59.53 crore), DNP Limited (₹ 6.70 crore) and Assam Industrial Development Corporation Limited (₹ 4.97 crore). The heavy losses were incurred by Assam Power Distribution Company Limited (₹ 527.93 crore), Assam Power Generation Corporation Limited (₹ 86.36 crore) and Assam Electricity Grid Corporation Limited (₹ 80.55 crore). The heavy operational losses of these power sector companies were attributable to high cost of power generation/purchase as well as high employee costs.

1.17 Some other key parameters of SPSUs are given in **Table 1.10** below.

Table 1.10: Key Parameters of SPSUs

Particulars	(₹ in crore)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital Employed (<i>Per cent</i>)	2.97	*	*	*	*
Debt	1,217.87	1,505.09	1,675.47	1,921.51	2,783.52
Turnover ²²	2,644.44	2,879.21	3,509.96	3,910.26	4,380.58
Debt/ Turnover Ratio	0.46:1	0.52:1	0.48:1	0.49:1	0.64:1
Interest Payments	105.13	166.49	173.32	231.26	261.01
Accumulated Profits (losses)	(1,091.09)	(2,248.10)	(2,640.42)	(2,892.00)	(3,658.21)

(Above figures pertain to all SPSUs except for turnover which is for working SPSUs)

From the **Table 1.10**, it could be noticed that excepting 2010-11, the percentage of returns on capital employed was negative throughout the period of five years from 2010-11 to 2014-15. This was mainly due to huge losses incurred by the working SPSUs during the said periods. As a result, the accumulated loss of the SPSUs had also increased by 235.28 *per cent* from ₹ 1,091.09 crore (2010-11) to ₹ 3,658.21 (2014-15) crore during the said period. Further, there was gradual increase in the long term debts of the SPSUs from ₹ 1,217.87 (2010-11) to ₹ 2,783.52 crore (2014-15). This has correspondingly increased pressure on the profitability of the SPSUs by way of significant increase of 148 *per cent* in the interest liability during the five years from ₹ 105.13 crore (2010-11) to ₹ 261.01 crore (2014-15).

1.18 There was no information available regarding existence of any specific policy of the State Government on payment of minimum dividend by the SPSUs. As per their latest finalised accounts as on 30 September 2015, 14 SPSUs earned an aggregate profit of ₹ 81.48 crore and only one SPSU (*viz.* Assam Gas Company Limited) had declared a dividend of ₹ 1.69 crore.

²⁰ Assam Power Generation Corporation Limited (₹ 86.36 crore); Assam Electricity Grid Corporation Limited (₹ 80.55 crore) and Assam Power Distribution Company Limited (₹ 527.93 crore)

²¹ Serial no. A-8 of **Annexure 2**

²² Turnover of working SPSUs as per the latest finalised accounts as of 30 September of the respective year.

Winding up of non-working SPSUs

1.19 There were 16 non-working SPSUs (all Companies) as on 31 March 2015. None of these SPSUs, however, have commenced liquidation process. The numbers of non-working SPSUs (Companies and Corporations) at the end of each year during past five years are given in **Table 1.11**.

Table 1.11: Non-working SPSUs

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
No. of non-working companies	10	10	9	9	16
No. of non-working corporations	-	-	1	1	-
Total	10	10	10	10	16

Since the non-working SPSUs are neither contributing to the State economy nor meeting the intended objectives, these SPSUs may be considered either to be closed down or revived. During 2014-15, 7²³ non-working SPSUs incurred an expenditure of ₹ 2.39 crore towards salaries, establishment expenditure and closure liabilities etc. This expenditure was financed by the State Government (₹ 1.80 crore) and through own sources (₹ 0.59 crore).

1.20 The stages of closure in respect of non-working SPSUs are given below.

Table 1.12: Closure of Non-working SPSUs

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working SPSUs	16	NIL	16
2.	Of (1) above, the No. under	-	-	-
(a).	Liquidation by Court (liquidator appointed)	-	-	-
(b).	Voluntary winding up (liquidator appointed)	-	-	-
(c).	Closure, <i>i.e.</i> closing orders/ instructions issued but liquidation process not yet started.	16	-	16

The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may make a decision regarding winding up of 16 non-working SPSUs where no decision about their continuation or otherwise has been taken after these became non-working.

Accounts Comments

1.21 Twenty four working companies forwarded their audited 54 accounts to the Accountant General, Assam during October 2014 to September 2015. Of these, 30 accounts of 14 companies were selected for supplementary audit based on the laid down criteria. The audit reports of

²³ Companies at serial number C-5, C-6, C-7, C-12, C-13, C-15 and C-16 of *Annexure 2*.

statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given in **Table 1.13**.

Table 1.13: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	6	6.47	3	15.51	4	10.92
2.	Increase in loss	7	35.17	2	4.03	16	171.61
3.	Non-disclosure of material facts	2	176.42	2	132.32	5	34.89
4.	Errors of classification	1	35.35	3	8.00	1	230.79

During the year, the Statutory Auditors had given qualified certificates for 49 accounts, and disclaimers (meaning the auditors were unable to form an opinion on accounts) for 5²⁴ accounts. The compliance of Companies with the Accounting Standards (AS) remained poor as there were 84 instances of non-compliance to AS in 13 accounts during the year.

1.22 Similarly, 2 working Statutory Corporations forwarded their 4 accounts to the Accountant General, Assam during the year 2014-15. Of these, 3 accounts of 1 Statutory Corporation (Assam State Transport Corporation) pertained to sole audit by CAG, which was completed. The remaining one account of one Corporation (*viz.* Assam Financial Corporation) was selected for supplementary audit. All 4 accounts of Statutory Corporations received qualified certificates. The Audit Reports of Statutory Auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given in **Table 1.14**.

Table 1.14: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in loss	2	0.91	-	-	1	2.50
3.	Non-disclosure of material facts	1	0.80	-	-	-	-
4.	Errors of classification	-	-	1	69.75	-	-

²⁴ Three accounts of Assam Plains Tribe Development Corporation Limited and two accounts of Assam Hills Small Industries Development Corporation Limited.

Response of the Government to Audit

Performance Audits and Paragraphs

1.23 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015 (Report No. 3 of 2015), one performance audit and eight audit paragraphs involving six departments of the State Government were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of six compliance audit paragraphs were awaited from the State Government (September 2015).

Follow up action on Audit Reports

Replies outstanding

1.24 The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive.

Table 1.15: Explanatory notes not received (as on 30 September 2015)

Year of the Audit Report (Commercial/SPSUs)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2010-11	1 March 2012	1	8	1	6
2011-12	4 April 2013	1	9	1	6
2012-13	4 August 2014	1	7	0	7
2013-14	2 March 2015	1	9	0	8
Total		4	33	2	27

From the above, it could be seen that out of 37 paragraphs/performance audits, explanatory notes to 29 paragraphs/performance audits in respect of seven departments, which were commented upon, were awaited (September 2015).

Discussion of Audit Reports by COPU

1.25 The status as on 30 September 2015 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as summarised under **Table 1.16**.

Table 1.16: Performance Audits/Paras appeared in Audit Reports vis-a-vis discussed as on 30 September 2015

Period of Audit Report	Number of performance audits/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2004-05	2	11	1	9
2005-06	3	11	2	6
2006-07	2	13	1	11
2007-08	2	16	1	15
2008-09	2	14	2	5
2009-10	1	10	1	6
2010-11	1	8	1	2
2011-12	1	9	0	6
2012-13	1	7	0	0
2013-14	1	9	0	0
Total	16	108	9	60

Compliance to Reports of Committee on Public Undertakings (COPU)

1.26 Action Taken Notes (ATN) to 31 recommendations pertaining to 13 Reports of the COPU presented to the State Legislature between April 2003 and December 2011 had not been received (October 2015) as indicated in **Table 1.17**.

Table 1.17: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
2007-08	3	6	0
2008-09	6	65	24
2009-10	2	10	1
2010-11	1	9	5
2011-12	1	6	1
Total	13	96	31

These reports of COPU contained recommendations in respect of paragraphs pertaining to five departments, which appeared in the Reports of the CAG of India for the years 1995-96 to 2005-06.

It is recommended that the Government may ensure:

- (a) sending of replies to IRs/explanatory notes/draft paragraphs/performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule;**
- (b) recovery of loss/outstanding advances/overpayments within the prescribed period; and**
- (c) revamping of the system of responding to audit observations in a timely manner.**

Coverage of this Report

1.27 This Report contains eight paragraphs and one Performance Audit with involvement of six Government Departments with financial impact of ₹ 80.61 crore.

Disinvestment, Restructuring and Privatisation of SPSUs and any reforms in power sector

1.28 There was no information regarding any disinvestment or privatisation programme in any of the SPSUs.