

**Functioning of PSUs  
(other than power sector)**



## PART II

### Chapter IV

#### Functioning of PSUs (other than power sector)

##### Introduction

**4.1** The PSUs (other than power sector) comprised of 30 working PSUs and 16 non-working PSUs. The working PSUs registered a turnover of ₹ 739.18 crore as per their latest finalised accounts as on 30 September 2018. This turnover was equal to 0.26 *per cent* of Gross State Domestic Product (GSDP) of ₹ 2,83,821 crore<sup>1</sup> for 2017-18. During the year 2017-18, the working PSUs earned an overall profit of ₹ 31.09 crore as per their latest finalised accounts as on 30 September 2018 as compared to the aggregate profit of ₹ 22.99 crore earned during 2016-17.

##### *Contribution to Economy of the State*

**4.2** A ratio of PSU-turnover to GSDP shows the extent of PSUs-activities in the State economy. Audit analysed the turnover of PSUs *vis-à-vis* the GSDP during 2013-14 to 2017-18. **Table 4.1** provides the details of PSUs turnover against the GSDP for a period of five years ending 2017-18.

**Table 4.1: Details of working PSUs turnover *vis-a-vis* GSDP**

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover <sup>2</sup>	612.34	709.02	728.94	708.69	739.18
GSDP	1,77,745	1,95,723	2,27,959	2,54,341	2,83,821
Percentage of Turnover to GSDP	0.34	0.36	0.32	0.28	0.26

*Source: Accounts received from PSUs and Directorate of Economic & Statistics, GoA. Figures of GSDP relating to 2016-17 are Provisional estimates and that for 2017-18 are Quick estimates.*

As can be observed from **Table** above, the turnover of the working PSUs showed a mixed trend during five years. The working PSUs, however, had registered an overall increase of 20.71 *per cent* in their turnover during 2013-18. This increase was, however, not commensurate with the growth rate (59.68 *per cent*) of the GSDP during the same period. As a result, contribution of working PSUs turnover to the GSDP had declined from 0.34 *per cent* (2013-14) to 0.26 *per cent* (2017-18) during the period 2013-18.

<sup>1</sup> GSDP (Quick estimates) as per information furnished by Directorate of Economic and Statistics, Government of Assam.

<sup>2</sup> Turnover as per the latest finalised accounts as on 30 September of the respective year.

### Investment in PSUs (other than power sector)

**4.3** As on 31 March 2018, the total investment in 46 PSUs stood at ₹ 1,450.95 crore (equity: ₹ 838.31 crore; long term loans: ₹ 612.64 crore). Out of this, the State Government has contributed ₹ 1,160.25 crore (equity: ₹ 599.37 crore and long term loans ₹ 560.88 crore) while ₹ 290.70 crore (equity: ₹ 238.94 crore and long term loans ₹ 51.76 crore) was contributed by 'Others'. The details of the total investment in respect of 46 PSUs (equity and long term loans) as on 31 March 2018 have been given in *Appendix 2*.

**4.4** The sector-wise summary of the total investment in these 46 PSUs as on 31 March 2018 is given in *Table 4.2*.

**Table 4.2: Sector-wise investment in PSUs**

Name of Sector	Number of PSUs	Total Investment (₹ in crore)		
		Equity	Long-term Loans	Total
Agriculture & Allied	7	60.23	328.48	388.71
Finance	6	50.95	56.05	107.00
Infrastructure	9	178.81	147.15	325.96
Manufacturing	17	178.07	65.87	243.94
Services	3	181.59	4.29	185.88
Miscellaneous <sup>3</sup>	4	188.66	10.80	199.46
<b>Total</b>	<b>46</b>	<b>838.31</b>	<b>612.64</b>	<b>1,450.95</b>

Source: Compiled based on information received from PSUs

As can be noticed from the *Table* above, the thrust of the investment in PSUs (other than power) was mainly in three sectors constituting 66.07 per cent of the total investment, viz. Agriculture & Allied (26.79 per cent), Infrastructure (22.47 per cent) and Manufacturing (16.81 per cent). The total investment (₹ 1,450.95 crore) in 46 PSUs as on 31 March 2018 consisted of 57.78 per cent towards equity and 42.22 per cent in long term loans.

The long term loans advanced by the State Government constituted 91.55 per cent (₹ 560.88 crore) of the total long term loans while the equity contribution by the State Government in 46 PSUs stood at 71.50 per cent (₹ 599.37 crore) of total equity. The 46 PSUs (working and non-working) had employed 23,188 employees as at the end of 31 March 2018.

### Disinvestment, restructuring and privatisation of PSUs (other than power sector)

**4.5** During the year 2017-18, no disinvestment, restructuring or privatization was done by the GoA in PSUs.

<sup>3</sup> Miscellaneous sector includes Assam Gas Company Ltd., DNP Ltd., Assam Government Marketing Corporation Ltd. and Assam State Textbook Production and Publication Corporation Ltd.

**Budgetary support to PSUs (other than power sector)**

**4.6** The Government of Assam (GoA) provides financial support to PSUs in various forms through the annual budget. The details of year-wise budgetary outgo towards equity, loans and grants in respect of PSUs for five years ended 2017-18 are given in *Table 4.3*.

**Table 4.3: Year-wise budgetary support by GoA to PSUs**

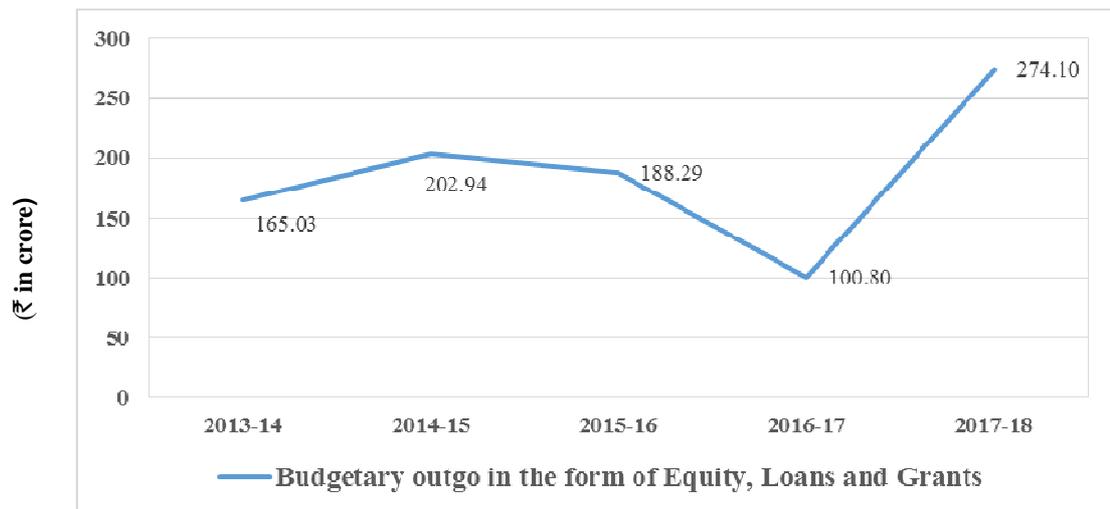
(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16		2016-17		2017-18	
		No. of PSUs	Amount								
1.	Equity outgo from budget	4	1.46	0	0.00	0	0.00	0	0.00	2	111.20
2.	Loans given from budget	3	18.56	2	12.36	6	118.23	4	38.42	4	41.69
3.	Grants/Subsidy from budget	15	145.01	12	190.58	7	70.06	6	62.38	7	121.21
4.	<b>Total Outgo<sup>4</sup></b>	<b>18</b>	<b>165.03</b>	<b>12</b>	<b>202.94</b>	<b>11</b>	<b>188.29</b>	<b>10</b>	<b>100.80</b>	<b>11</b>	<b>274.10</b>
5.	Guarantee commitment	0	0.00	0	0.00	4	27.00	4	27.00	4	27.00
6.	Guarantee issued	0	0.00	0	0.00	4	42.35	4	32.61	2	24.15

Source: Information furnished by the PSUs

The graphical presentation of year-wise budgetary outgo towards equity, loans and grants for past five years to PSUs is given in *Chart 4.1*.

**Chart 4.1: Year-wise budgetary outgo of GoA to PSUs (other than power sector)**



<sup>4</sup> Actual number of PSUs which received equity, loans, grants/subsidies from the State Government.

From **Chart 4.1**, it can be noticed that the budgetary outgo to PSUs in the form of equity, loans, grants, *etc.* has shown a mixed trend during the five years under reference. The budgetary outgo was at the lowest level (₹ 100.80 crore) during 2016-17. The budgetary support provided by the GoA during 2017-18 (₹ 274.10 crore), which was highest in last five years, included the budgetary support of ₹ 185.65 crore (67.73 per cent) provided to three PSUs<sup>5</sup> towards improvement of infrastructure and services.

### Reconciliation with Finance Accounts

**4.7** The figures in respect of equity and loans extended by the GoA and remaining outstanding as per the records furnished by the PSUs should agree with the figures appearing in the Finance Accounts of the State. In case, the figures do not agree, the PSUs concerned and the Finance Department are required to carry out reconciliation of differences in figures. The position in this regard as on 31 March 2018 is summarised in **Table 4.4**.

**Table 4.4 – Equity and loans outstanding as per the State Finance Accounts *vis-à-vis* records of PSUs (other than power sector)**

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	918.00	599.37	318.63
Loans	75.42	560.88	485.46

*Source: Information furnished by the PSUs and Finance Accounts*

It can be noticed that there were significant unreconciled differences in the figures of equity and loans as per two sets of records. The difference in equity figures was mainly because of non-existence of equity details of 19 out of 46 PSUs in the Finance Accounts. Analysis of differences in loan figures was, however, difficult as the Finance Accounts did not provide the PSU-wise details of the loans provided by the GoA.

As the un-reconciled differences of outstanding investments remained significant, the GoA and the PSUs concerned need to take concrete steps to reconcile the differences in a time-bound manner.

### Submission of accounts by PSUs (other than power sector)

**4.8** The financial statements of the PSUs 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), read with Section 129 (2) of the Companies Act 2013 (Act). Failure to do so may attract

<sup>5</sup> Assam Petro-Chemicals Limited (₹ 97.41 crore), Assam Tourism Development Corporation Limited (₹ 29.04 crore) and Assam State Transport Corporation (₹ 59.20 crore).

penal provisions under Section 99 of the Companies Act, 2013. As per the said provisions of the Companies Act, 2013, the PSU and every officer of the PSU who is in default shall be punishable with fine which may extend upto ₹ 1 lakh and in the case of a continuing default with a further fine which may extend upto ₹ 5,000 for every day during which such default continues. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective governing Acts.

**Timeliness in preparation of accounts by the working PSUs**

**4.8.1 Table 4.5** provides the details of progress made by working PSUs in finalisation of accounts as on 30 September 2018.

**Table 4.5: Position relating to submission of accounts by the working PSUs (other than power sector)**

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs	37 <sup>6</sup>	30	30	30	30
2.	Number of accounts submitted during current year	61	54	71	23	23
3.	Number of working PSUs which finalised accounts for the current year	6	7	6	5	4
4.	Number of previous year accounts finalised during current year	55	47	65	18	19
5.	Number of working PSUs with arrears in accounts	31	23	24	25	26
6.	Number of accounts in arrears	289	210	169	176	183
7.	Extent of arrears (years)	1 to 26	1 to 27	1 to 25	1 to 24	1 to 25

*Source: Compiled based on accounts of PSUs received during the period October 2017 to September 2018.*

As can be noticed from **Table** above, the number of accounts in arrears of the working PSUs has shown a decreasing trend during the three years (2013-14 to 2015-16). During the last two years (2016-17 and 2017-18), however, the backlog of accounts had increased from 169 accounts (2015-16) to 183 accounts (2017-18). The deterioration in the arrear position during last two years was mainly due to less number of accounts finalised by the PSUs during 2016-17 and 2017-18 (23 accounts each year) as compared to the annual average of 62 accounts finalised during the earlier three years (2013-14 to 2015-16).

The administrative departments have the responsibility to oversee the activities of the PSUs. The administrative departments concerned were also responsible to ensure that the PSUs finalise and adopt their accounts within the stipulated period. In view of the huge arrears in finalisation of accounts by the PSUs, the Principal Accountant General (PAG) had been taking up (December 2017 and May 2018) the matter regularly with the GoA and the administrative departments concerned for liquidating the arrears of accounts of PSUs. Despite this, 26 working PSUs had backlog of 183 accounts as on 30 September 2018, with period of arrears

<sup>6</sup> This included seven PSUs, which were subsequently transferred (2014-15) to ‘non-working’ category.

ranging up to 25 years, which is a matter of serious concern. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013.

The GoA had invested ₹ 432.61 crore<sup>7</sup> in 16 PSUs during the years for which their accounts were in arrears, as detailed in **Appendix 1**. In the absence of finalisation of accounts and their audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amounts were invested was achieved or not. Thus, the investment by GoA in such PSUs remained outside the control of State Legislature.

#### ***Timeliness in preparation of accounts by non-working PSUs***

**4.8.2** In addition to the above, there were arrears in finalisation of accounts by non-working PSUs. As on 30 September 2018, 15 PSUs<sup>8</sup> out of total 16 non-working PSUs, had arrears of accounts ranging from 1 to 35 years. The position of arrears in accounts of the non-working PSUs is given in **Table 4.6**.

**Table 4.6: Position relating to arrears of accounts in respect of non-working PSUs**

<b>No. of non-working PSUs</b>	<b>Period for which accounts were in arrears</b>
2 <sup>9</sup>	More than 30 years
2 <sup>10</sup>	20-30
1 <sup>11</sup>	10-20
10 <sup>12</sup>	1-10

*Source: Annual Accounts of PSUs*

The GoA needs to expedite the liquidation process to wind-up 16 non-working PSUs as they do not serve any purpose. Besides, avoidable expenditure is being incurred on them year after year, without any benefit to the public.

### **Placement of Separate Audit Reports of Statutory Corporations**

**4.9** Separate Audit Reports (SARs) are the audit reports of the CAG on the annual accounts of the Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. The position depicted

<sup>7</sup> Equity: ₹ 14.19 crore (2 PSUs), loans: ₹ 186.45 crore (5 PSUs) and grants: ₹ 231.97 crore (13 PSUs)

<sup>8</sup> Except one non-working PSU (*viz.*, Assam Government Construction Corporation Limited) which had no arrears in accounts.

<sup>9</sup> Sl. No. D-8 and D-14 of **Appendix 3**

<sup>10</sup> Sl. No. D-3 and D-11 of **Appendix 3**

<sup>11</sup> Sl. No. D-9 of **Appendix 3**

<sup>12</sup> Sl. No. D-1, D-2, D-5, D-6, D-7, D-10, D-12, D-13, D-15 and D-16 of **Appendix 3**

in **Table 4.7** shows the status of placement of SARs issued by the CAG (as on 31 December 2018) on the accounts of Statutory Corporations in the Legislature.

**Table 4.7: Status of placement of Separate Audit Reports in the Legislature**

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in the Legislature	
			Year of SAR	Date of issue to Government
1.	Assam State Transport Corporation	2014-15	2015-16	August 2018
2.	Assam Financial Corporation	2016-17	2017-18	December 2018
3.	Assam State Warehousing Corporation	2010-11	2011-12	April 2018
			2012-13	
			2013-14	

*Source: Information received from the Corporations*

As can be noticed from the **Table** above, five SARs issued to the Government upto 31 December 2018 were pending for placement in the State Legislature. As per the latest information provided by the corporations, three SARs pertaining to one corporation (Assam State Warehousing Corporation) were under printing and the same were yet to be forwarded by the corporation to the GoA for placement in the Legislature. Remaining two SARs pertaining to other two corporations had been printed and forwarded (October/November 2018) to GoA for placement in the next Assembly Session.

#### **Impact of non-finalisation of accounts of PSUs (other than power sector)**

**4.10** Delays in finalisation of the accounts entail the risk of fraud and misappropriation of public money apart from violation of the provisions of the relevant Statutes. In view of the position of arrears of accounts indicated under **paragraph 4.8**, the actual contribution of PSUs to the GSDP for the year 2017-18 could not be ascertained and their contribution to State exchequer could not be reported to the State Legislature.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to liquidate the arrears in accounts.

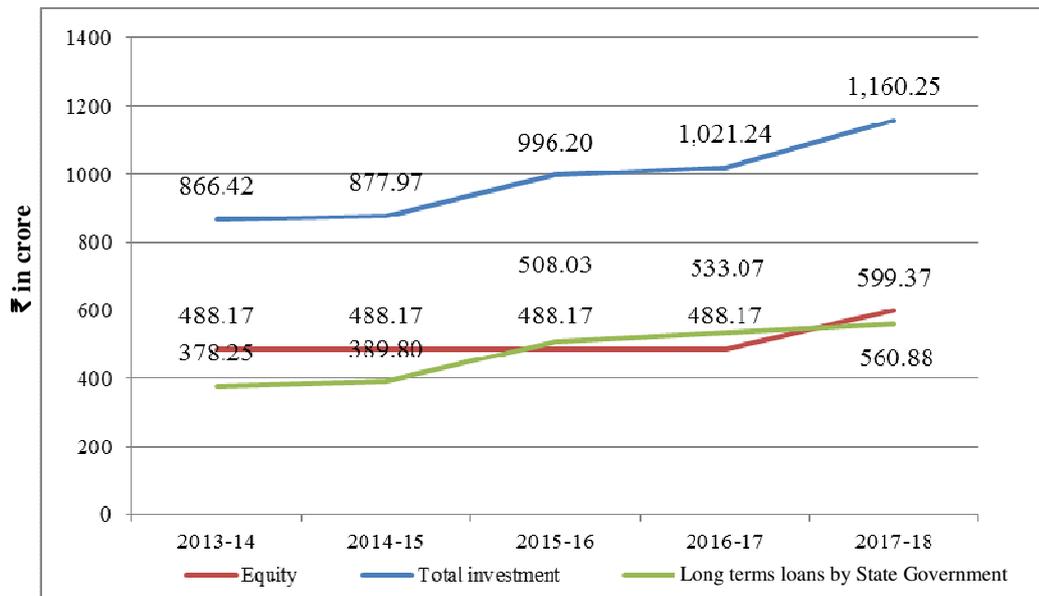
#### **Performance of PSUs (other than power sector)**

**4.11** The financial position and working results of the 46 PSUs (other than power sector) as per their latest finalised accounts as on 30 September 2018 are detailed in **Appendix 3**. As per the information furnished by the PSUs, the

investment in 46 PSUs as on 31 March 2018 was ₹ 1,450.95 crore consisting of ₹ 838.31 crore as equity and ₹ 612.64 crore as long term loans (*Appendix 2*).

This investment (₹ 1,450.95 crore) was contributed by the GoA (equity: ₹ 599.37 crore; long term loans: ₹ 560.88 crore) and Others (equity: ₹ 238.94 crore; long-term loans: ₹ 51.76 crore). The investment by the GoA had grown by 33.91 per cent from ₹ 866.42 crore in 2013-14 to ₹ 1,160.25 crore in 2017-18 as shown in *Chart 4.2*.

**Chart 4.2: Total investment of GoA in PSUs**



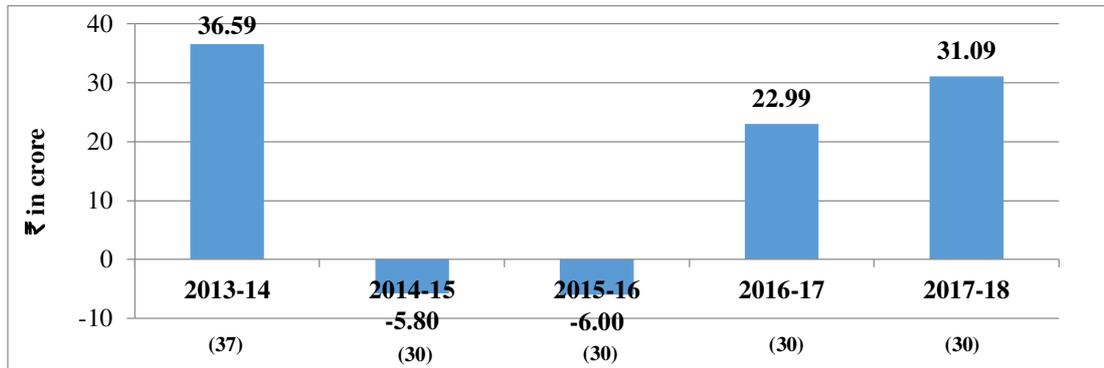
**Investment by GoA (equity and long-term loans)**

The profitability of a company is traditionally assessed through Return on Investment (RoI), Return on Equity and Return on Capital Employed. RoI measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on Capital Employed is a financial ratio that measures the company’s profitability and the efficiency with which its capital is used and is calculated by dividing company’s earnings before interest and taxes (EBIT) by Capital Employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by Shareholders’ fund.

**Return on Investment**

**4.12** The Return on Investment (RoI) is the percentage of profit or loss to the total investment. The overall position of the aggregate profits earned/losses incurred by working PSUs during 2013-14 to 2017-18 has been depicted in *Chart 4.3*.

Chart 4.3: Profit/Loss of working PSUs



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

As can be seen from *Chart 4.3*, working PSUs had earned overall profits of ₹ 36.59 crore (2013-14), ₹ 22.99 crore (2016-17) and ₹ 31.09 crore (2017-18) during three out of five years. During remaining two years (2014-15 and 2015-16), the working PSUs had incurred overall losses of ₹ 5.80 crore (2014-15) and ₹ 6.00 crore (2015-16) mainly because of turnaround of Assam Petro-Chemicals Limited<sup>13</sup> from a profit making entity in 2013-14 to loss incurring company in 2014-15 and 2015-16. This was due to unexpected fall in the prices of its final products (Methanol and Formalin) in the domestic and international market during that period. The situation, however, improved after 2015-16 and as a result, the company could earn a profit of ₹ 2.86 crore (2016-17) and ₹ 5.44 crore (2017-18) during the subsequent two years.

Position regarding the profit earned/loss incurred by 30 working PSUs during 2013-14 to 2017-18 is given in *Table 4.8*.

Table 4.8: Details of working PSUs (other than power sector) which earned/ incurred profit/loss during 2013-14 to 2017-18

Financial year	Total number of PSUs	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year
2013-14	37 <sup>14</sup>	15	19
2014-15	30	14	15
2015-16	30	15	14
2016-17	30	17	13
2017-18	30	17	13

During the year 2017-18, out of 30 working PSUs, 17 PSUs had earned profits of ₹ 130.75 crore while 13 PSUs had incurred loss of ₹ 99.66 crore as per their latest

<sup>13</sup> Assam Petro-Chemicals Limited had earned profit of ₹ 9.38 crore (2013-14) while it incurred loss of ₹ 6.47 crore (2014-15) and ₹ 22.19 crore (2015-16) during subsequent two years.

<sup>14</sup> One PSU (Assam Minorities Development Corporation Limited) had finalised its first annual accounts during 2016-17. Further, other two PSUs had no turnover and expenses during 2013-14. These two PSUs along with other five PSUs became non-functional during 2014-15 and hence the same were transferred (2014-15) under non-working category.

finalised accounts as on 30 September 2018. The major contributors of profit were Assam Gas Company Limited (₹ 71.13 crore) and DNP Limited (₹ 32.31 crore). The heavy losses were incurred by Assam State Transport Corporation (₹ 65.31 crore) and Assam Tea Corporation Limited (₹ 19.36 crore).

As can be noticed from **Appendix 3**, out of 17 PSUs, which earned profits as per their latest finalised accounts as on 30 September 2018, 13 PSUs<sup>15</sup> had not finalised their accounts for the year 2017-18. Hence, there is no assurance regarding the existence of the profits of these PSUs for the year ended 31 March 2018.

**(a) Return on GoA Investment on the basis of historical cost of investment**

**4.13** GoA infused funds in the form of equity in 36 PSUs<sup>16</sup> and in the form of loans and grants/subsidies in all 46 PSUs. The funds infused by GoA in the PSUs in the form of equity qualifies to be considered as investment for the purpose of working out RoI. In the case of long term loans, only 'interest free loans' should be considered as investment since Government does not receive any interest on such loans and are therefore, in the nature of equity investment by Government. In the case of all 46 PSUs (other than power), however, the entire loans provided by GoA till 31 March 2018 are 'interest bearing loans' and hence, the said loans have not been considered as part of GoA investment for the purpose of working out RoI. Further, the funds made available by GoA in the form of the grants/subsidy to these PSUs have also not been reckoned as investment since they do not qualify to be considered as investment. Thus, for the purpose of working out RoI, the GoA funding provided to the PSUs in the form of equity has only been considered as GoA investment.

As mentioned above, out of total 46 PSUs (other than power sector), GoA infused funds in the form of equity in 36 PSUs only. This excluded 10 PSUs, which are subsidiaries of other Government companies and had no direct equity investment of GoA. As on 31 March 2018, the GoA infused ₹ 599.37 crore as equity in the said 36 PSUs<sup>17</sup>. The equity investment of GoA in these 36 PSUs at the end of 2017-18 has been arrived at by considering the initial equity *plus* the equity infused during the later years.

Apart from the above investment in equity by GoA in the other than power sector PSUs, the GoA has also infused budgetary support in the form of loans (interest

<sup>15</sup> Serial no. B5, B11, B13, B15, B17, B18, B19, B20, B23, B25, B26, B28 and C3 of Appendix 3.

<sup>16</sup> Excluding 10 PSUs (11 PSUs during 2013-16) at Serial No. B-24, B-25, B-30, D-7, D-9, D-11, D-12, D-13, D-15 and D-16 of **Appendix 3**, which are subsidiaries of other State Government companies and had no direct equity investment of GoA.

<sup>17</sup> Excluding 10 PSUs (11 PSUs during 2013-16) at Serial No. B-24, B-25, B-30, D-7, D-9, D-11, D-12, D-13, D-15 and D-16 of **Appendix 3**, which are subsidiaries of other State Government companies and had no direct equity investment of GoA.

bearing) and grants by GoA. It was observed that the investment in loans and grants by GoA at the end of 31 March 2018 was ₹ 560.88 crore and ₹ 1,019.19 crore which had substantially increased in comparison to ₹ 378.25 crore and ₹ 574.96 crore as on 31 March 2014.

The return on investment (RoI) on historical cost basis for the period 2013-14 to 2017-18 has been computed in both ways, viz. with and without considering the ‘interest bearing loans’ and ‘grants’ as part of the GoA investment and same has been given in **Table 4.9** below.

**Table 4.9: Return on GoA funds on the basis of historical cost of investment**

Year	Total Earnings for the year	Funds invested by the GoA in form of equity on historical cost (₹in crore)	Funds invested by the GoA in form of equity, loans and grants on historical cost (₹in crore)	RoI on equity (per cent)	RoI on equity, loans and grants (per cent)
2013-14	20.28	488.17	1,441.38	4.15	1.41
2014-15	-10.60	488.17	1,643.51	-2.17	-0.64
2015-16	4.78	488.17	1,831.80	0.98	0.26
2016-17	5.97	488.17	1,919.22	1.22	0.31
2017-18	-4.06	599.37	2,179.44	-0.68	-0.19

The RoI is worked out by dividing the total earnings<sup>18</sup> of these PSUs by the cost of GoA investments. As can be noticed from the **Table** above, the return earned on GoA investment (equity only) ranged between (-) 2.17 per cent and 4.15 per cent during the period 2013-14 to 2017-18. At the same time, considering the loans and grants as part of the total investment of GoA (equity, loans and grants), the RoI ranged between (-) 0.64 per cent and 1.41 per cent during the same period.

**(b) Return on Investment on the basis of Present Value of Investment**

**4.14** An analysis of the profits *vis-a-vis* investments in respect of those 36 PSUs where funds (in the form of equity) had been infused by the GoA was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value (PV) of money. The PV of the Government investments has been computed to assess the rate of return on the PV of investments of GoA in the PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year upto 31 March 2018, the past investments/year-wise funds infused by the GoA in the 36 PSUs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds to the

<sup>18</sup> This includes net profit/losses for the concerned year relating to those PSUs where the investments have been made by the GoA.

Government for the concerned year. Therefore, PV of the investments by GoA was computed in respect of those 36 PSUs<sup>19</sup> where funds had been infused by the GoA in the shape of equity since 1998-99 till 31 March 2018. Since no interest free loans were provided by GoA to any of the 46 PSUs (other than power) till 2017-18, GoA investment in the shape of equity capital provided to above mentioned 36 PSUs has only been considered for the purpose of working out the RoI. The Present Value (PV) of the GoA investment has been computed (*paragraph 4.15*) to assess the rate of return on the PV of GoA investment in the above mentioned PSUs as compared to historical value of investments.

The PV of the investment by GoA in PSUs (other than power sector) was computed on the basis of following assumptions:

- The funds made available in the form of interest bearing loans and grant/subsidies have not been reckoned as investment.
- The average rate of interest on government borrowings for the concerned financial year was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of RoI made by the GoA.
- For the purpose of computing returns, earnings after interest and taxes has been taken into account.

Further, during the two out of five years (2014-15 and 2017-18) when the 36 PSUs incurred losses (*paragraph 4.13*), a more appropriate measure of their performance is the erosion of Net Worth due to these losses. The erosion of Net Worth of the working PSUs is commented upon in *paragraph 4.17*.

**4.15** The investment of GoA in these 36 PSUs in the form of equity on historical cost basis for the period from 1998-99 to 2017-18 and the consolidated position of PV of the GoA investment and the total earnings relating to these PSUs for the same period is indicated in in *Table 4.10*.

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<sup>19</sup> This excluded 10 PSUs (Serial No. B-24, B-25, B-30, D-7, D-9, D-11, D-12, D-13, D-15 and D-16 of *Appendix 3*) for 2017-18, which are subsidiaries of other State Government companies and had no direct equity investment of GoA.

Table 4.10: Year wise details of investment by the GoA and PV during 1998-99 to 2017-18

(*₹* in crore)

Year	Present value of total investment at the beginning of the year	Equity infused by GoA during the year	Total investment at the end of the year	Average rate of interest on government borrowings (in per cent)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year (net profit)
i	ii	iii	iv = ii + iii	v	vi = (iv* v) ÷ 100 + iv	vii = (iv* v) ÷ 100	viii
1998-99	0.00	379.46	379.46	9.08	413.91	34.45	-39.88
1999-00	413.91	2.11	416.02	14.91	478.05	62.03	-31.27
2000-01	478.05	4.87	482.92	11.72	539.52	56.60	-12.56
2001-02	539.52	10.82	550.34	12.47	618.97	68.63	-21.45
2002-03	618.97	0.54	619.51	9.82	680.35	60.84	-28.16
2003-04	680.35	0.42	680.77	9.97	748.64	67.87	-22.92
2004-05	748.64	0.35	748.99	8.47	812.43	63.44	-9.96
2005-06	812.43	0.40	812.83	8.18	879.32	66.49	-20.56
2006-07	879.32	0.52	879.84	7.66	947.23	67.40	-18.45
2007-08	947.23	22.06	969.29	7.14	1,038.50	69.21	-16.87
2008-09	1,038.50	5.71	1,044.21	6.76	1,114.80	70.59	-12.63
2009-10	1,114.80	6.04	1,120.84	6.83	1,197.39	76.55	-32.87
2010-11	1,197.39	0.33	1,197.72	6.58	1,276.53	78.81	20.99
2011-12	1,276.53	52.88	1,329.41	6.78	1,419.55	90.13	22.52
2012-13	1,419.55	0.20	1,419.75	6.57	1,513.02	93.28	45.20
2013-14	1,513.02	1.46	1,514.48	6.53	1,613.38	98.90	20.28
2014-15	1,613.38	0.00	1,613.38	6.40	1,716.64	103.26	-10.60
2015-16	1,716.64	0.00	1,716.64	6.47	1,827.70	111.07	4.78
2016-17	1,827.70	0.00	1,827.70	6.57	1,947.78	120.08	5.97
2017-18	1,947.78	111.20	2,058.98	6.33	<b>2,189.32</b>	130.33	-4.06
<b>Total</b>		<b>599.37</b>					

As can be noticed from the *Table* above, the GoA investment (historical cost) in the 36 PSUs at the end of the 2017-18 had increased from ₹ 379.46 crore (1998-99) to ₹ 599.37 crore (2017-2018) as the GoA made further investments in these PSUs in shape of equity (₹ 219.91 crore) during the period 1998-99 to 2017-2018. The PV of funds infused by the GoA upto 31 March 2018 is worked out to ₹ 2,189.32 crore. During the entire period from 1998-99 to 2017-18, the year-wise total earnings of the PSUs remained below the minimum expected return for the respective years indicating failure of the PSUs to recover cost of funds infused by GoA in these PSUs.

**4.16** The comparative position of RoI on GoA investment in above mentioned 36 PSUs at historical cost and present value during the years 2013-14 and 2017-18 is given in *Table 4.11*.

**Table 4.11: Return on GoA investment at historical and present value basis**  
(₹ in crore)

Year	Total Profit for the year	Funds invested by GoA in form of equity	RoI by GoA on historical cost basis (per cent)	PV of the investment by GoA at end of the year	RoI by GoA considering the PV (per cent) <sup>20</sup>
2013-14	20.28	488.17	4.15	1,613.38	1.26
2014-15	-10.60	488.17	-2.17	1,716.64	-
2015-16	4.78	488.17	0.98	1,827.70	0.26
2016-17	5.97	488.17	1.22	1,947.78	0.31
2017-18	-4.06	599.37	-0.68	2,189.32	-

As can be noticed from the *Table* above, the PSUs availing GoA investment had earned profits only during three (2013-14, 2015-16 and 2016-17) out of five years under reference while losses were incurred during the remaining two years (2014-15 and 2017-18). The RoI on GoA investment (at PV) during three years when PSUs earned profits, ranged between 1.26 per cent and 0.26 per cent as against the RoI of 4.15 per cent to 0.98 per cent on GoA investment (historical cost) during the same period.

As can further be noticed from *Table 4.11*, the profits (₹ 20.28 crore) of the PSUs were highest during 2013-14 in last five years, which deteriorated in subsequent years and turned into losses (₹ 4.06 crore) during 2017-18. Deterioration in PSUs performance was mainly due to poor performance of PSUs under two sectors (Agricultural & Allied sector and Services sector). In Agricultural & Allied sector the aggregate losses of two PSUs<sup>21</sup> during five years period (2013-18) had increased by ₹ 16.72 crore from ₹ 6.28 crore (2013-14) to ₹ 23 crore (2017-18). Similarly, in Services sector there has been an increase in the losses of Assam State Transport Corporation by ₹ 31.88 crore during 2013-18 from ₹ 33.43 crore (2013-14) to ₹ 65.31 crore (2017-18). Decline in the performance of PSUs during 2013-18 had corresponding adverse impact on the RoI on GoA investment (both at historical value and PV).

#### ***Erosion of Net worth***

**4.17** Net Worth means the sum total of the paid-up capital and free reserves and surplus *minus* accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The paid-up capital and accumulated losses of 30 working PSUs (other than power sector) as per their

<sup>20</sup> In the case of negative returns (losses) during 2014-15 and 2017-18, the percentage of RoI on PV of investment would show improved position as compared to that on the historical value of investment, which is not a realistic picture. Hence, these figures have been omitted.

<sup>21</sup> Assam Seeds Corporation Limited and Assam Tea Corporation Limited

latest finalised accounts as on 30 September 2018 were ₹ 647.66 crore and ₹ 692.49 crore<sup>22</sup> respectively (*Appendix 3*).

The *Table 4.12* below indicates paid-up capital, accumulated profit/loss and Net Worth of 30 working PSUs during the period 2013-14 to 2017-18 as per their latest finalised accounts as on 30 September of the respective year.

**Table 4.12: Net worth of working PSUs (other than power sector) during 2013-18**

(₹ in crore)

Year	Paid-up capital at end of the year	Accumulated profit (+)/ loss (-) at end of the year	Deferred revenue Expenditure	Net Worth
i	ii	iii	iv	v = (ii + iii – iv)
2013-14	611.45	-529.33	0	82.12
2014-15	643.18	-544.08	0	99.10
2015-16	647.33	-514.44	0	132.89
2016-17	647.33	-677.22	0	-29.89
2017-18	647.66	-692.49	0	-44.83

As can be seen from the *Table* above, the net worth of these PSUs had shown an increasing trend up to 2015-16 but deteriorated thereafter during subsequent two years mainly due to constant increase in the accumulated losses of these PSUs.

Analysis of investment and accumulated losses of these PSUs further revealed that the accumulated losses (₹ 1,371.36 crore) of 13 working PSUs<sup>23</sup> had completely eroded their paid-up capital (₹ 238.76 crore). Accumulation of huge losses by these PSUs had eroded public wealth, which is a cause of serious concern.

#### **Dividend Payout**

**4.18** There was no information available on record regarding the existence of any specific policy of the GoA on payment of minimum dividend by the PSUs. Dividend Payout relating to 30 working PSUs (other than power sector) where equity was infused by GoA during the period is shown in *Table 4.13*.

<sup>22</sup> Accumulated loss of 30 working PSUs included accumulated loss (₹ 1,503.64 crore) of 18 PSUs and accumulated profit (₹ 811.15 crore) of 12 PSUs.

<sup>23</sup> Serial no. B4, B7, B9, B10, B12, B14, B16, B21, B22, B24, B25, B27 and C2 of *Appendix 3*.

**Table 4.13: Dividend Payout of working PSUs (other than Power Sector) during 2013-18**

(₹ in crore)

Year	PSUs where equity infused by GoA		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (per cent)
	Number of PSUs	Equity infused by GoA	Number of PSUs	Equity infused by GoA	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5x100
2013-14	26 <sup>24</sup>	444.97	11	95.34	1	1.69	1.77
2014-15	26	444.97	12	210.86	1	1.69	0.80
2015-16	26	444.97	13	219.40	1	1.69	0.77
2016-17	26	444.97	14	219.47	1	1.69	0.77
2017-18	27 <sup>25</sup>	556.17	15	338.60	2	3.87	1.14

During the period 2013-14 to 2017-18, the number of profit making PSUs ranged between 11 and 15. However, only two PSUs (Assam Gas Company Limited and Assam Mineral Development Corporation Limited) declared/paid dividend during the period (2013-18) to GoA. One PSU (Assam Gas Company Limited) had declared dividend (₹ 1.69 crore<sup>26</sup>) constantly during each of the five years. The Dividend Payout Ratio of the PSUs during 2013-14 to 2017-18 ranged between 0.77 per cent and 1.77 per cent only.

#### **Return on Equity**

**4.19** Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using shareholders fund to create profits and is calculated by dividing net income (*i.e.* net profit after taxes) by Shareholders' Fund. It is expressed as a percentage and can be calculated for any company if net income and Shareholders' fund are both positive figures.

Shareholders fund of a Company is calculated by adding paid-up capital and free reserves net of accumulated losses and deferred revenue expenditure. The Shareholders fund of a Company indicated how much would be left for a company's shareholders if all assets were sold and all debts paid. A positive Shareholders fund reveals that the company has enough assets to cover its liabilities while negative Shareholders equity means that liabilities exceed the assets.

<sup>24</sup> Excluding 4 working PSUs (*viz.* DNP Ltd., Assam Petrochemicals Ltd., Assam State Fertilizers and Chemicals Ltd. and AMTRON Informatics (I) Ltd.) where GoA had no direct equity investment. (*viz.* DNP Ltd., Assam Petro-chemicals Ltd., Assam State Fertilizers and Chemicals Ltd. and AMTRON Informatics (I) Ltd.)

<sup>25</sup> GoA has invested in equity of Assam Petro-chemicals Ltd. during 2017-18.

<sup>26</sup> Dividend at the rate of 10 per cent of the face value of equity capital investment.

RoE has been computed in respect of 36 PSUs<sup>27</sup> where funds had been infused by the GoA in the form equity. The summarised details of the Shareholders fund and RoE relating to these 36 PSUs during the period from 2013-14 to 2017-18 as per their latest finalised accounts as on 30 September of the respective year are given in **Table 4.14**.

**Table 4.14: RoE relating to 36 PSUs (other than power sector) where funds were infused by the GoA**

Year	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	RoE (per cent)
2013-14	20.28	-194.19	-
2014-15	-10.60	-209.24	-
2015-16	4.78	-80.98	-
2016-17	5.97	-271.46	-
2017-18	-4.06	-202.46	-

As can be noticed from **Table 4.14** above, the net income was positive during the three years (2013-14, 2015-16 and 2016-17) out of the five years under reference. Since the shareholders fund of these PSUs during all the five years (2013-18) were negative, RoE in respect of these PSUs was not workable for these years.

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

**4.20** Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is deployed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the Capital Employed<sup>28</sup>. The details of RoCE of all the 46 PSUs (other than power sector) during the period of five years from 2013-14 to 2017-18 as per their latest finalised accounts as on 30 September of the respective year are given in **Table 4.15**.

**Table 4.15: Return on Capital Employed**

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
2013-14	80.71	250.84	32.18
2014-15	58.12	310.89	18.69
2015-16	62.86	404.05	15.56
2016-17	68.98	301.41	22.88
2017-18	102.64	279.27	36.75

<sup>27</sup> This excluded 10 PSUs (Serial No. B-24, B-25, B-30, D-7, D-9, D-11, D-12, D-13, D-15 and D-16 of **Appendix 3**) for 2017-18 and 11 PSUs for previous years, which are subsidiaries of other State Government companies and had no direct equity investment of GoA.

<sup>28</sup> Capital employed = paid-up capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

The RoCE of these PSUs showed an increasing trend after 2015-16 mainly due to decrease in Capital Employed by ₹ 124.78 crore from ₹ 404.05 crore (2015-16) to ₹ 279.27 crore (2017-18) and increase in the EBIT by ₹ 39.78 crore from ₹ 62.86 crore (2015-16) to ₹ 102.64 crore (2017-18).

***Analysis of Long Term Loans of the PSUs (other than power sector)***

**4.21** The long term loans of the PSUs having leverage during 2013-14 to 2017-18 were analysed in audit with a view to assess the ability of the PSUs to service their debts owed to GoA, banks and other financial institutions. This was assessed through the Interest Coverage Ratio and Debt Turnover Ratio.

***Interest Coverage Ratio***

**4.22** Interest Coverage Ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An Interest Coverage Ratio of below one indicates that the PSU is not generating sufficient revenues to meet its expenses on interest. The details of Interest Coverage Ratio in respect of the PSUs which had interest burden during the period from 2013-14 to 2017-18 are given in in **Table 4.16**.

**Table 4.16: Interest Coverage Ratio relating to the PSUs (other than power sector) having interest burden during 2013-18**

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government, Banks and other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2013-14	13.73	80.71	28	1	27
2014-15	23.78	58.12	26	2	24
2015-16	19.65	62.86	24	2	22
2016-17	5.57	68.98	26	1	25
2017-18	10.61	102.64	22	3	19

As can be noticed from **Table 4.16** above, only one to three PSUs were having the Interest Coverage Ratio of more than one during last five years (2013-18), which indicated that most of the PSUs were not comfortable to service their long term loans during the said period of five years.

During 2017-18, out of 22 PSUs having liability of loans availed from Government as well as banks and other financial institutions, only 3 PSUs had Interest Coverage Ratio of more than one. The Interest Coverage Ratio of remaining 19 PSUs remained below one which indicates that these PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

### Debt Turnover Ratio

**4.23** A low Debt-to-Turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can signal of having too much of debt against the income of PSUs from core activities. Thus, the PSUs having lower DTR are more likely to successfully manage their debt servicing and repayments.

The summarised details of the Debts and Turnover of the 46 PSUs (other than power) during the five years ending 2017-18 as per their finalised accounts *vis-à-vis* the Debt-Turnover Ratio for the respective years has been given in **Table 4.17**.

**Table 4.17: Debt Turnover Ratio relating to the PSUs (other than Power Sector)**  
(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and Financial Institutions)	550.55	533.82	482.16	524.40	472.97
Turnover	612.34	709.02	728.94	708.69	739.18
Debt-Turnover Ratio	0.90:1	0.75:1	0.66:1	0.74:1	0.64:1

Source: Compiled based on information received from PSUs

As can be seen from the **Table** above, the DTR of the PSUs was at the worst (0.90:1) during 2013-14 in last five years but improved consistently thereafter excepting 2016-17. During 2017-18, the DTR was at 0.64:1, which indicated the better position of PSUs to service their long-term debts as compared to previous four years. The improvement in DTR was mainly due to consistent appreciation in PSU-turnover in four out of five years (excepting 2016-17), which increased by more than 20.71 per cent during last five years from ₹ 612.34 crore (2013-14) to ₹ 739.18 crore (2017-18).

During the period of five years, the PSUs debt had decreased by ₹ 77.58 crore (14.09 per cent) from ₹ 550.55 crore (2013-14) to ₹ 472.97 crore (2017-18). This had correspondingly decreased the interest burden of the PSUs by ₹ 3.12 crore (22.72 per cent) during the said period (**paragraph 4.22**).

### Winding up of non-working PSUs

**4.24** As on 31 March 2018, the GoA had 16 non-working PSUs. The GoA had issued (December 2006 to October 2008) notifications for closure of 12<sup>29</sup> out of 16 non-working PSUs as they were not contributing to the State economy nor meeting the intended objectives of their formation. Further, based on the directions (August 2010) of the administrative department<sup>30</sup> of one PSU<sup>31</sup>, the holding Company (Assam Petro-Chemicals Limited) of this PSU had initiated

<sup>29</sup> Serial no. D1 to D6, D9, D10, D12, D13, D15 and D16 of **Appendix 3**.

<sup>30</sup> Industries & Commerce Department, Government of Assam

<sup>31</sup> Pragjyotish Fertilizers & Chemicals Limited.

(November 2018) the process for its closure. The remaining three<sup>32</sup> non-working PSUs were, however, untraceable and the GoA had also not provided any information about the existence of these PSUs. As all the non-working PSUs were registered under the Companies Act, 1956 (presently Companies Act, 2013), these companies need to be liquidated/wound-up as per the provisions of sections 270 to 365 of the Companies Act, 2013.

For disposal of assets of the PSUs under closure, the GoA had constituted (July 2008) a Task Force under Public Enterprise Department to take decisions in the matter. Subsequently, an Asset Management Cell (AMC) was also formed (August 2008) under the supervision of the Task Force to ensure safe custody of assets of the closed PSUs. AMC valued the assets of 12 closed PSUs with land<sup>33</sup> (valuing ₹ 67.08 crore), building (valuing ₹ 29.10 crore) and movable assets (valuing ₹ 37.30 crore). The land<sup>34</sup> relating to nine PSUs were transferred to other GoA entities while the movable assets of one PSU<sup>35</sup> were disposed of at ₹ 0.26 crore. The remaining land<sup>36</sup> of three PSUs valuing ₹ 15.29 crore, building of all 12 PSUs and movable assets of 11 PSUs were pending for disposal (December 2018). Delay in disposal of movable and immovable assets of 12 non-working PSUs had hampered the process of liquidation of these PSUs, which had already been notified (December 2006/October 2008) for closure by the GoA. During 2017-18, seven<sup>37</sup> non-working PSUs incurred an expenditure of ₹ 1.00 crore towards salaries and establishment expenditure *etc.* The PSUs concerned had financed the said expenditure through their own sources, *viz.* interest on fixed deposits.

*Since the non-working PSUs are neither contributing to the State economy nor meeting the intended objectives, the liquidation process to wind up these PSUs needs to be expedited.*

#### **Comments on Accounts of PSUs (other than power sector)**

**4.25** During October 2017 to September 2018, 15 working companies forwarded their 18 accounts to the PAG. Of these, 12 accounts of 12 companies were selected for supplementary audit. For the remaining six accounts of four Companies, non-review certificates were issued. The comments in the Audit Reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG highlighted significant observations on the financial statements. As a result

<sup>32</sup> Serial no. D8, D11 and D14 of *Appendix 3*.

<sup>33</sup> 1,320.40 Bigha, 18 katha and 61 lecha

<sup>34</sup> 1,286 Bigha, 15 katha and 61 lecha

<sup>35</sup> Assam Government Construction Corporation Ltd.

<sup>36</sup> 34.40 Bigha and 3 katha

<sup>37</sup> Companies at Serial No. D-4, D-6, D-7, D-12, D-13, D-15 and D-16 of *Appendix 3*.

of these audit observations, operational results (net profit or net loss) of the Companies as depicted in their financial statements were found to be understated or overstated. Further, the said observations also highlighted non-disclosure of material facts and errors of classification. Thus, the observations of the Statutory Auditors and CAG indicated the quality of financial statements and highlighted the areas, which needed improvement. The details of aggregate money value of comments of Statutory Auditors and CAG for last three years from 2015-16 to 2017-18 are given in **Table 4.18**.

**Table 4.18: Impact of audit comments on the accounts of the working Companies**  
(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	7	39.50	1	0.50	3	10.59
2.	Increase in loss	23	74.02	11	201.02	2	12.05
3.	Non-disclosure of material facts	4	29.64	Nil	Nil	4	99.64
4.	Errors of classification	3	4.48	Nil	Nil	6	4.58

Source: Statutory Auditors' Report and comments of CAG

During the year, the Statutory Auditors had given qualified certificates to all the accounts finalised by the companies. The compliance of companies with the Accounting Standards (AS) remained poor, as there were 72 instances of non-compliance to AS in 14 accounts during the year. This indicated that the financial statements of the PSUs needed to be improved to ensure compliance to the AS.

**4.26** Similarly, three working Statutory Corporations forwarded five accounts to the PAG during October 2017 to September 2018. Of these, audit of the accounts (2015-16) of Assam State Transport Corporation where CAG was the sole auditor, had been completed. Out of the remaining four accounts of two corporations, the audit of three accounts (2011-12 to 2013-14) of one corporation (Assam State Warehousing Corporation) and one account (2017-18) of the other corporation (Assam Financial Corporation) where supplementary audit was done by CAG had also been completed. All the five accounts of three Statutory Corporations received qualified<sup>38</sup> report. The Audit Reports of Statutory Auditors and the sole/supplementary audit of CAG mentioned significant observations on the financial statements whereby the profit or loss reported by the corporations were either understated or overstated. The said observations of Statutory Auditors

<sup>38</sup> A 'qualified report' of auditor means a report in which the auditors have included certain qualification, reservation or adverse remarks on maintenance of accounts as well as other matters in the financial statements including non-compliance to 'generally accepted accounting principles'.

and CAG indicated that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of the comments of the Statutory Auditors and the CAG are given in *Table 4.19*.

**Table 4.19: Impact of audit comments on the accounts of the working Statutory Corporations**

(₹ in crore)

Sl. No	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	Nil	Nil	1	2.02	4	1.19
2.	Increase in loss	1	4.00	Nil	Nil	1	24.96

*Source: Reports of the Statutory Auditors and comments of CAG*

The aggregate money value of the Statutory Auditors and the CAG comments during the year 2017-18 was ₹ 26.15 crore, which was significantly higher as compared to previous two years.

### **Performance Audit and Compliance Audits Paragraphs**

**4.27** For the Chapter V and VI of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, one performance audit and three audit paragraphs emerged from the compliance audit of PSUs involving three departments of the GoA. The performance audit and audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective departments with the request to furnish replies within six weeks. The replies of the GoA in respect of two compliance audit paragraphs were, however, awaited (April 2019). Audit discussed (November 2018) all the compliance audit paragraphs and the performance audit in the Exit Conference held with the representatives of the respective PSUs and the administrative departments concerned. Audit considered the view expressed by the PSUs and the respective administrative departments of the GoA in the Exit Conference appropriately, while finalising the Audit Report.

### **Follow up action on Audit Reports**

#### *Explanatory notes not received*

**4.28** The CAG's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained by various PSUs. It was, therefore, necessary that the Audit Reports elicit appropriate and timely response from the Executive. Finance (Audit & Fund) Department, Government of Assam issued (May 1994) instructions on preparing the explanatory notes in respect of performance audits and audit paragraphs by the administrative departments concerned. As per the said instructions, the

administrative departments concerned were required to prepare the explanatory notes on the paragraphs and performance audits included in the Audit Reports immediately on receipt of the said Audit Reports. The administrative departments were required to indicate the action taken or proposed to be taken in the explanatory notes. The explanatory notes shall also include the status of recovery of any amount due to Government as pointed out in the performance audits/ audit paragraphs included in the Audit Reports. The administrative departments were also required to submit the said explanatory notes to the Assam Legislative Assembly with a copy to the AG within 20 days from the date of receipt of the Audit Reports.

As on 30 September 2018, 27 Audit Reports (1990-91 to 2016-17) containing 37 performance audits and 182 paragraphs were submitted to the State Legislature; of which, 19 performance audits and 88 audit paragraphs were pending for discussion by COPU. The explanatory notes relating to said 19 performance audits and 88 audit paragraphs pertaining to 27 Audit Reports were yet to be submitted by the administrative departments concerned to the State Legislature (April 2019).

**Discussion on Audit Reports by COPU**

**4.29** The status of discussion on Audit Reports by COPU as on 30 September 2018 is given in *Appendix 6*. It can be seen from *Appendix 6* that 27 Audit Reports containing 37 performance audits and 182 paragraphs were placed in the State Legislature. As on 30 September 2018, total 19 performance audits and 88 paragraphs pertaining to 27 Audit Reports were pending for discussion and necessary action by COPU.

**Compliance to Reports of COPU**

**4.30** Action Taken Notes (ATN) on 22 recommendations pertaining to 4 Reports of the COPU presented to the State Legislature between December 2004 and September 2018 had not been received (April 2019) as indicated in *Table 4.20*.

**Table 4.20: 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 were pending
2004-05	1	9	9
2008-09	1	3	3
2009-10	1	3	3
2018-19	1	7	7
<b>Total</b>	<b>4</b>	<b>22</b>	<b>22</b>

Source: Register of Action Taken Notes

*Audit Report (PSUs) for the year ended 31 March 2018*

These reports of COPU contained recommendations in respect of six paragraphs and two performance audits pertaining to five departments, which appeared in the Audit Reports of the CAG of India for the years 1994-95 to 2014-15.