

**CHAPTER VIII**  
**GOVERNMENT COMMERCIAL AND TRADING**  
**ACTIVITIES**

**Overview of Government companies**

**GENERAL**

**8.1. Introduction**

**8.1.1** As on 31 March 2002, there were 6 Government companies including one subsidiary (all working) 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 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 provisions of Section 619 of the Companies Act, 1956.

**8.1.2** 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.

**8.2 Working of Public Sector undertakings**

*Investment in working Government companies*

**8.2.1** The total investment in 6 working Government companies at the end of March 2002 and March 2001 was as follows: -

**Table No.8.1**

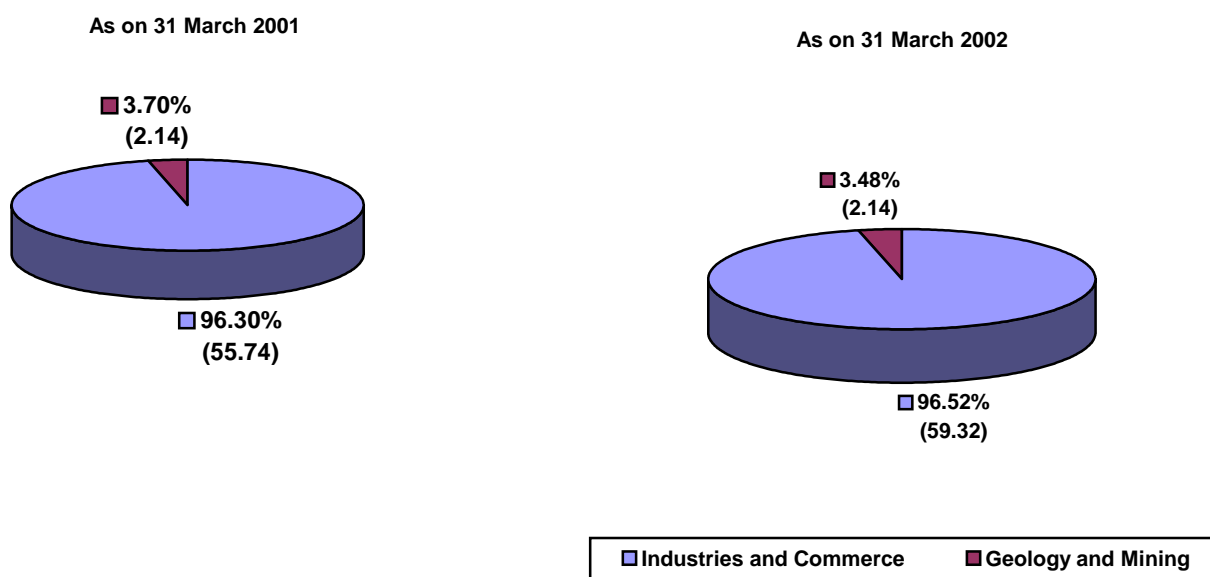
*(Rupees in crore)*

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loan	Total
2001-02	6	19.17	10.20	32.09	61.46
2000-01	6	18.74	9.61	29.53	57.88

8.2.2 The analysis of investment in working Government companies is given in the following paragraphs.

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

*Chart 8.1*



*(Figures in brackets indicate investment in Rupees in crore)*

### *Sector-wise investment in working Government companies*

8.2.4 As on 31 March 2002, the total investment of Government companies comprised 47.79 per cent of equity capital and 52.21 per cent of loans as compared to 48.98 per cent and 51.02 per cent respectively as on 31 March 2001.

8.2.5 The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in *Appendix – XXVIII*.

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

8.3.1 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies are given in *Appendices XXVIII and XXX*.

8.3.2 The budgetary outgo (in the form of equity, capital and loans) and grants/subsidies from the State Government to Government companies for the three years upto 2001-02 are given below:

Table No.8.2

	(Rupees in crore)					
	1999-2000		2000-2001		2001-02	
	Number of companies	Amount	Number of companies	Amount	Number of companies	Amount
Equity capital outgo from budget	4	1.19	3	0.85	3	1.89
Loans given from budget	1	0.55	1	0.10	1	0.10
<b>Grants/Subsidy towards</b>						
(i) Projects/Programmes/Schemes	---	---	---	---	---	---
(ii) Other subsidy	---	---	---	---	---	---
(iii) Total subsidy	5	5.29	3	5.21	4	6.46
<b>Total outgo</b>	<b>5*</b>	<b>7.03</b>	<b>3*</b>	<b>6.16</b>	<b>4*</b>	<b>8.45</b>

8.3.3 No guarantees for loans were given by the State Government during the year 2001-02.

#### 8.4 Finalisation of accounts by Government companies

8.4.1 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619 B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year.

8.4.2 However, as could be noticed from *Appendix-XXIX*, none of the 6 Government companies had finalised their accounts for the year 2001-02 within the stipulated period. During the period from October 2001 to September 2002, 2 Government companies finalised 2 accounts for 1992-93 and 1987-88. The accounts of all the companies were in arrears for periods ranging from 9 to 24 years as on 30 September 2002 as detailed below:-

Table No.8.3

Sl. No.	Number of Government companies	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial number of <i>Appendix-XXIX</i>
1.	1	1993-94 to 2001-02	9	1 (i)
2.	1	1981-82 to 2001-02	21	1 (ii)
3.	1	1983-84 to 2001-02	19	1 (iii)
4.	1	1978-79 to 2001-02	24	1 (iv)
5.	1	1985-86 to 2001-02	17	1 (v)
6	1	1988-89 to 2001-02	14	2 (i)

8.4.3 The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the government were apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures had been taken by the

\* These are the actual number of companies which have received budgetary support in the form of equity, loans, grants and subsidy from the Government during respective year

Government. Thus, the Government had no knowledge about the working of the PSU's.

## **8.5 Financial position and working results of Government companies**

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

**8.5.2** According to latest finalised accounts of 4 Government companies, 3 companies had incurred an aggregate loss of Rs.1.72 crore.

### *Loss incurring companies*

**8.5.3** Of the 3 loss making companies, one company\* had accumulated losses of Rs.0.49 crore which exceeded its paid up capital of Rs.0.10 crore.

### *Return on Capital Employed*

**8.5.4** As per latest accounts the capital employed<sup>1</sup> worked out to Rs.16.23 crore in four companies and total return<sup>2</sup> thereon amounted to Rs.(-) 1.71 crore as compared to total return of Rs.(-)1.77 crore in the previous year (accounts finalised upto September 2001). The details of capital employed and total return on capital employed in case of working Government companies are given in *Appendix—XXIX*.

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

**8.5.5** 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.

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\* Sl.No. 1 (ii) of Appendix-XXIX (Nagaland Industrial Raw Materials and Supply Corporation Ltd.)

<sup>1</sup> Capital Employed represents net fixed assets (including capital work in progress) plus working capital except in finance companies where it represents a mean of aggregate of opening and closing balances of paid up capital, free reserves, bonds deposit and borrowings (including re-finance).

<sup>2</sup> For calculating total return on capital employed interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

### 8.6 Response to Inspection Reports

Audit observation noticed during audit and not settled on the spot are communicated to the Head of PSUs and concerned Department of the State Government through Inspection Reports. The heads of PSUs are required to furnish reply through respective heads of Department within a period of six weeks. Inspection Reports issued upto May 2002 pertaining to 6 PSUs disclosed that 293 paragraphs relating to 35 Inspection Reports remained outstanding at the end of September 2002. Of these, 1 Inspection Report containing 14 paragraphs had not been replied for more than 4 years. Department wise break up of Inspection Reports and Audit observations outstanding as on 30 September 2002 is given below:-

Sl. No.	Name of the Department	Number of PSUs	Number of outstanding Inspection Reports	Number of outstanding paragraphs	Year from which paragraphs outstanding
1	Industries and Commerce	5	28	225	1988-89
2	Geology and Mining	1	7	68	1987-88
	<b>Total</b>	<b>6</b>	<b>35</b>	<b>293</b>	

It is recommended that the, (a) Government should ensure that procedure exists for action against the official who failed to send replies to Inspection reports as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment in a time bound schedule and (c) revamping the system of responding to the audit observations.

### 8.7 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 2002 by the Committee on Public Undertakings are shown below:-

Table No.8.4

Period of Audit Report	Number of Reviews and Paragraphs			
	Appeared in Audit Report		Pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1994-95	---	1 <sup>3</sup>		
1995-96	1	2 <sup>4</sup>		
1996-97	1 <sup>4</sup>	Nil		
1997-98	1 <sup>4</sup>	1 <sup>4</sup>		
1998-99	1 <sup>5</sup>	1 <sup>5</sup>		---
1999-2000	---	1		1999-2000 and 2000-01
2000-2001	---	1		are pending for discussion

<sup>3</sup> Discussed in September 2000 but recommendation of COPU is awaited.

<sup>4</sup> Discussed in June 2001 but recommendation of COPU is awaited.

<sup>5</sup> Discussed in February 2002 but recommendation of COPU is awaited.

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

**Proforma accounts of departmental and departmentally managed commercial undertakings were in arrears ranging from 3 to 31 years**

**8.8.1** As on 31 March 2002, there were nine departmentally managed Government commercial and quasi-commercial undertakings.

**8.8.2** Mention was made in paragraph 8.1.11 of the Report of the Comptroller and Auditor General of India for the year 2000-01 about delay in preparation of proforma accounts of these undertakings.

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

*Table No.8.5*

<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 2001-02
2.	Nagaland State Transport Department	1988-89 to 2001-02
3.	Nagaland Power Department	1993-94 to 2001-02
4.	Farms under Agriculture Department	
	(i) Potato Seed Farm, Kuthur	1998-99 to 2001-02
	(ii) Medium size Seed farm, Merapani	1999-2000 to 2001-02
	(iii) Seed Farm, Tizit	1998-99 to 2001-02
5.	Changki Valley Fruit Preservation Factory	1987-88 to 2001-02
6.	Timber Treatment and Seasoning Plant, Dimapur	1998-99 to 2001-02
7.	Government Cottage Industries Emporia, Kohima	1979-80 to 2001-02
8.	Farms under Veterinary and Animal Husbandry Department	
	(i) Cattle Breeding Farm, Medziphema	1998-99 to 2001-02
	(ii) Cattle Breeding farm, Tuensang	1998-99 to 2001-02
	(iii) Cattle Breeding Farm, Aliba	1998-99 to 2001-02
	(iv) State Cattle Breeding Farm, Lerie	1993-94 to 2001-02
	(v) Chick Rearing Centre (with Hatchery Unit), Mokokchung	1998-99 to 2001-02
	(vi) Chick Rearing Centre (with Hatchery Unit), Dimapur	1998-99 to 2001-02
	(vii) Chick Rearing Centre, Tuensang	1985-86 to 2001-02
	(viii) Chick Rearing Centre, Medziphema	1985-86 to 2001-02
	(ix) Pig Breeding Centre, Medziphema	1997-98 to 2001-02
	(x) Pig Breeding Centre, Tizit	1997-98 to 2001-02

<b>Sl. No.</b>	<b>Name of the Department/Undertaking</b>	<b>Extent of arrears</b>
	(xi) Pig Breeding Centre, Tuensang	1985-86 to 2001-02
	(xii) Pig Breeding Centre, Mokokchung	1985-86 to 2001-02
	(xiii) Pig Breeding Centre, Tuli (Mokokchung)	1980-81 to 2001-02
	(xiv) Regional Rabbit Breeding Farm, Jharnapani	1998-99 to 2001-02
	(xv) Pig Breeding Centre, Merangkong	1998-99 to 2001-02
	(xvi) Chick Rearing Centre, Kohima	1998-99 to 2001-02
	(xvii) Pig Breeding Centre, Sathuja	1998-99 to 2001-02
	(xviii) Cattle Breeding farm, Baghty	1998-99 to 2001-02
	(xix) Sheep Farm, Poilwa	1998-99 to 2001-02
	(xx) Buffalo Farm, Jalukie	1998-99 to 2001-02
	(xxi) Regional Broiler Centre, Kohima	1998-99 to 2001-02
9.	Farm under Horticulture Department	
	Fruit Canning Factory, Longnak	1993-94 to 2001-02