

Chapter I

Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Rajasthan, the State PSUs occupy an important place in the State economy. The State PSUs registered a turnover of Rs. 17,510.67 crore for 2008-09 as per their latest finalised accounts as on 30 September 2009. This turnover was equal to 9.12 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Rajasthan State PSUs are concentrated in power sector. The working State PSUs earned a profit of Rs. 313.99 crore in the aggregate for 2008-09 as per their latest finalised accounts. They had employed 0.85 lakh* employees as of 31 March 2009. The State PSUs do not include 12 prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2009, there were 33 PSUs as *per* the details given below. No company is listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs ^ψ	Total
Government Companies [♦]	26	4	30
Statutory Corporations	3	-	3
Total	29	4	33

1.3 During the year 2008-09, one new PSU[€] was established where as no PSU was closed down. Rajasthan State Petroleum Corporation Limited was incorporated on 10 July 2008 as a subsidiary Company of Rajasthan State Mines and Minerals Limited, Udaipur.

* As per the details provided by 23 PSUs. Remaining 10 PSUs did not furnish the details.

^ψ Non-working PSUs are those which have ceased to carry on their operations.

[♦] There is one 619-B Company.

[€] Rajasthan State Petroleum Corporation Limited.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a Company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory corporations, CAG is the sole auditor for Rajasthan State Road Transport Corporation (RSRTC). In respect of Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by the CAG.

Investment in State PSUs

1.7 As on 31 March 2009, the total investment (capital and long-term loans) in 33 PSUs was Rs. 28,485.12 crore as per details given below.

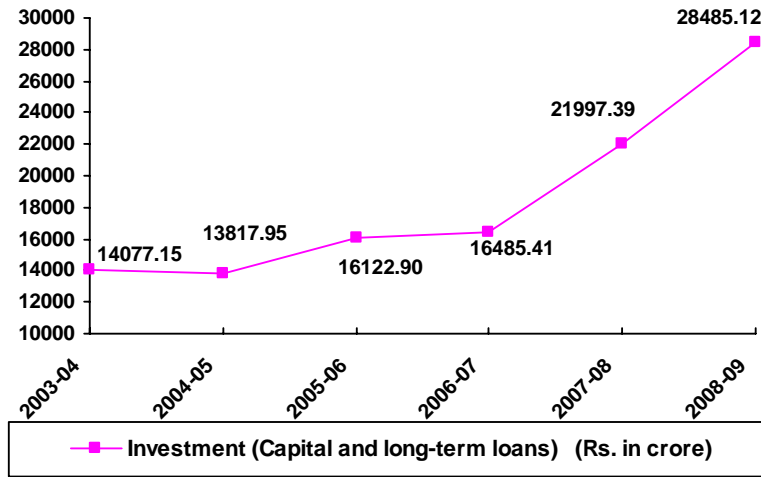
(Rs. in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	7206.17	19982.82	27188.99	314.44	967.94	1282.38	28471.37
Non-working PSUs	9.27	4.48	13.75	-	-	-	13.75
Total	7215.44	19987.30	27202.74	314.44	967.94	1282.38	28485.12

A summarised position of government investment in State PSUs is detailed in **Annexure-1**.

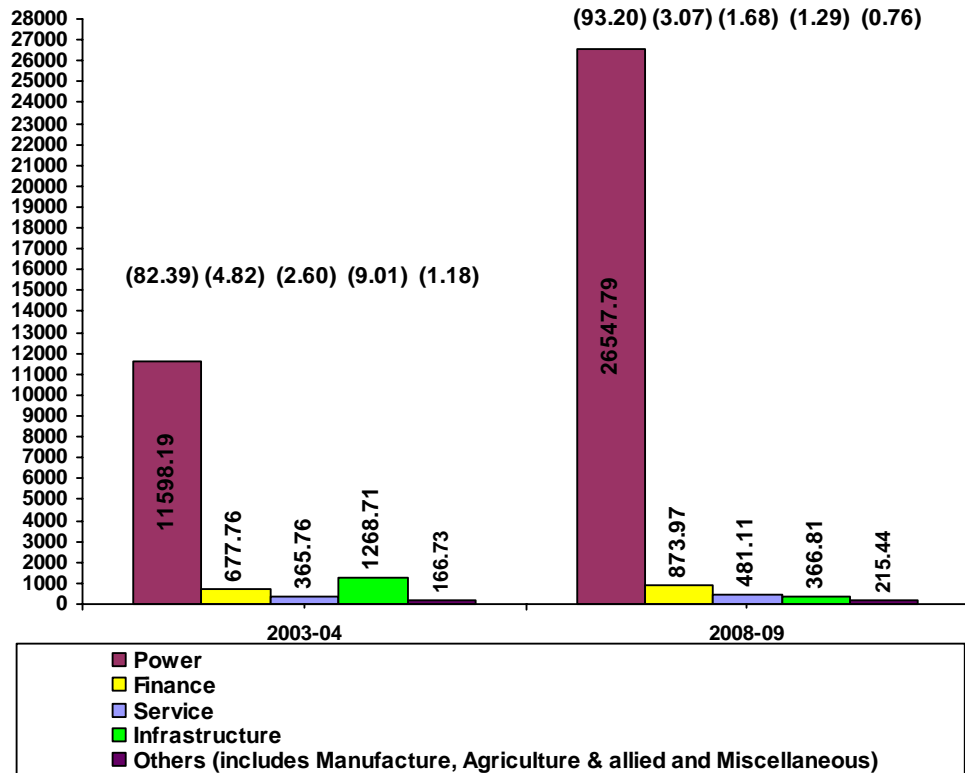
1.8 As on 31 March 2009, of the total investment in State PSUs, 99.95 *per cent* was in working PSUs and the remaining 0.05 *per cent* in non-working PSUs. This consisted of 26.43 *per cent* towards capital and 73.57 *per cent* in long-term loans. The investment has grown by 102.35 *per cent* from

Rs. 14,077.15 crore in 2003-04 to Rs. 28,485.12 crore in 2008-09 as shown in the graph below.



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart. The thrust of PSU investment was mainly on power sector during the five years which has seen its percentage share rising to 93.20 per cent in 2008-09 from 82.39 in 2003-04.

(Figures in brackets show the percentage of total investment)
(Amount: Rupees in crore)



PSUs investment in infrastructure activity had declined from 9.01 per cent (Rs. 1268.71 crore) in 2003-04 to 1.29 per cent (Rs. 366.81 crore) in 2008-09 due to reduction in investment in industrial activity of Rajasthan State Industrial Development and Investment Corporation Limited and reduced level of operation of Rajasthan State Road Development and Construction Corporation Limited.

Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-3**. The summarised details are given below for three years ended 2008-09.

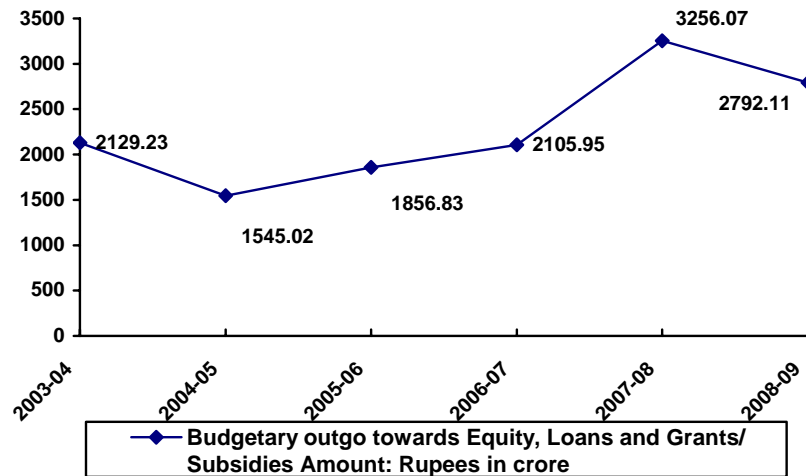
(Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	7	700.30	9	1070.71	6	1337.98
2.	Loans given from budget	3	151.76	3	668.44	5	252.72
3.	Grants/Subsidy received*	8	1253.89	10	1516.92	7	1201.41
4.	Total Outgo (1+2+3)	10 ^{\$}	2105.95	13 ^{\$}	3256.07	10 ^{\$}	2792.11
5.	Loans converted into equity	-	-	-	-	-	-
6.	Loans written off	-	-	-	-	-	-
7.	Interest/Penal interest written off	-	-	-	-	-	-
8.	Total Waiver (6+7)	-	-	-	-	-	-
9.	Guarantees issued	5	4943.91	5	12705.31	6	13944.73
10.	Guarantee Commitment	8	13139.82	7	18153.83	8	25639.95

* Amount represents outgo from State Budget only.

\$ The figure represents number of companies which have received outgo from budget under one or more heads *i.e.* equity, loans, grants/subsidies.

1.11 The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in a graph below.



The main beneficiary of budgetary outgo was power sector which received 99.85 *per cent* (Rs. 1,336 crore) of equity capital outgo (Rs. 1,337.98 crore) and 98.73 *per cent* (Rs. 2,756.61 crore) of total budgetary outgo (Rs. 2,792.11 crore).

1.12 The Government charges guarantee commission at the concessional rate of 0.1 *per cent* per annum for term loans granted by the financial institutions and Banks to the Power Sector PSUs, whereas in case of loan availed by other PSUs it charges guarantee commission at the rate of one *per cent* per annum. The Government charges guarantee commission at concessional rate of 0.01 *per cent* per annum on issue of bonds by the Power Sector PSUs, however, no bonds were issued during 2008-09. The guarantee commission is payable quarterly failing which guarantee commission will also carry penal interest at the rate of 15 *per cent* per annum from the first day of the following month to the quarter to which it relates till the date of final payment. There was increasing trend of outstanding guarantees. The amount of guarantees outstanding increased from Rs. 10,584.48 crore in 2003-04 to Rs. 25,639.95 crore in 2008-09 showing rise of 142.24 *per cent*. During the year 2008-09 guarantee commission of Rs. 23.57 crore was paid/payable by the PSUs.

Reconciliation with Finance Accounts

1.13 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 PSUs and the Finance Department should carry out reconciliation

of differences. The position in this regard as at 31 March 2009 is stated below.

(Rs. in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	7436.19	7450.86	14.67
Loans	2429.41	2123.40	306.01
Guarantees	25988.20	25639.95	348.25

1.14 Audit observed that the differences occurred in respect of 19 PSUs and some of the differences were pending reconciliation since earlier period. The matter was taken up from time to time with Finance Department, Government of Rajasthan regarding difference in figures relating to equity, loans and guarantee as per finance accounts and as per PSU's records. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexure-2, 5 and 6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2003-04 to 2008-09.

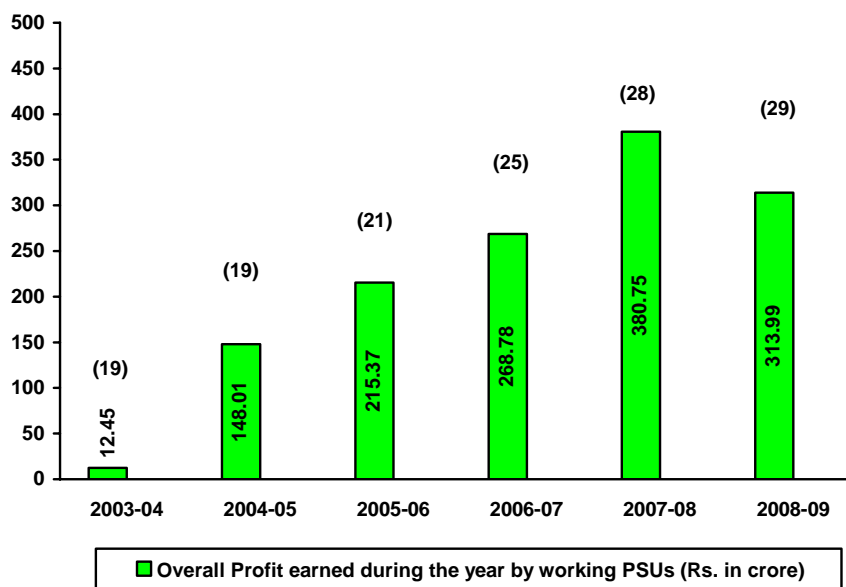
(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover [∞]	14872.19	11185.31	12616.80	14445.07	16644.45	17510.67
State GDP	111606.45	117274.31	128620.63	148849.22	169918.51	191989.90
Percentage of Turnover to State GDP	13.33	9.54	9.81	9.70	9.80	9.12

The turnover of PSUs after recording a decline of Rs. 3,686.88 crore (24.79 *per cent*) in 2004-05 over the previous year (2003-04) increased slowly during 2005-06 to 2008-09. Percentage of increase in turnover ranged between 5.20 to 15.23 during the period 2005-09 whereas percentage of increase in GDP ranged between 5.08 to 15.73 during the period 2003-09. The turnover of PSUs recorded compounded annual growth of 3.35 *per cent* during last five years which was lower than the compounded annual growth of 11.46 *per cent* of State GDP. This had resulted in reduction of PSUs share of turnover to State GDP from 13.33 *per cent* in 2003-04 to 9.12 in 2008-09.

[∞] Turnover as per the latest finalised accounts.

1.16 Profit* (losses) earned (incurred) by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.



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

It can be seen from the above chart that the profit earned by the working PSUs had continuously increased from Rs. 12.45 crore in 2003-04 to Rs. 380.75 crore in 2007-08. According to latest finalized accounts of 29 PSUs, thirteen PSUs earned profit of Rs. 348.40 crore, three PSUs incurred loss of Rs. 34.41 crore, while five power sector PSUs incorporated in 2000-01 prepared accounts on 'No Profit No Loss basis' by showing revenue gap as recoverable from the State Government which was not as per Generally Accepted Accounting Principles (GAAP) prevailing in the country. Eight PSUs incorporated in the year 2006-07 to 2008-09 did not commence commercial activities till 2008-09. The major contributors to the profit were Rajasthan State Mines and Minerals Limited (Rs. 183.45 crore) and Rajasthan State Industrial Development and Investment Corporation Limited (Rs. 131.21 crore). Heavy losses were incurred by RSRTC (Rs. 23.57 crore) as per their latest finalised account for the year 2007-08.

1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs. 1,005.55 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

Particulars	(Rs. in crore)			
	2006-07	2007-08	2008-09	Total
Net Profit (loss)	268.78	380.75	313.99	963.52
Controllable losses as per CAG's Audit Report	159.15	116.70	729.70	1005.55
Infructuous Investment	2.55	Nil	3.25	5.80

* Figures are as per the latest finalised accounts during the respective years.

1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below.

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (<i>per cent</i>)	7.39	7.19	6.61	6.24	6.00	5.82
Debt	10701.84	10055.94	11720.00	11377.42	15808.26	20955.24
Turnover*	14872.19	11185.31	12616.80	14445.07	16644.45	17510.67
Debt/Turnover Ratio	0.72 : 1	0.90 : 1	0.93 : 1	0.79 : 1	0.95 : 1	1.20:1
Interest Payments	1559.29	1446.83	1236.13	1375.40	1338.95	1599.84 [§]
Accumulated Profits (losses)	(312.32)	(274.99)	(193.66)	(63.89)	117.98	364.89 [§]

Note: 1. Position for the year 2008-09 was taken from the information received up to 30 September 2009.

2. Return on capital employed (%) has been worked out on the basis of accounts/information received up to 30 September 2009.

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

1.20 The turnover of PSUs recorded compounded annual growth of 3.45 *per cent* during last five years while compounded annual growth of debts was 14.4 *per cent* indicating that the debts were rising at much faster rate than turnover. The rising debts to turnover ratio from 0.72: 1 in 2003-04 to 1.20: 1 in 2008-09 as well as decreasing trend in return on capital employed pointed to deteriorating performance of PSUs. The power sector PSUs were major contributor to the rising debt to turnover ratio as debt/turnover ratio in respect of power sector PSUs had risen from 0.67:1 in 2003-04 to 1.28:1 in 2008-09.

1.21 The State Government had formulated (September 2004) a dividend policy under which all profit making PSUs are required to pay a minimum return of ten *per cent* on the paid up share capital contributed by the State Government or 20 *per cent* of the profit after tax, whichever is lower. As per their latest finalised accounts, 13 PSUs earned an aggregate profit of Rs. 348.40 crore and seven PSUs declared a dividend of Rs. 37.11 crore which worked out to 0.50 *per cent* of equity capital contributed by the State Government. Out of seven PSUs declaring dividend, one PSU (Rajasthan State Mines and Minerals Limited) declared dividend more than prescribed in the Government dividend policy (20 *per cent* of paid up capital), while one PSU (Rajasthan State Ganganagar Sugar Mills) declared dividend less than prescribed in the Government dividend policy (10 *per cent* of profit after tax).

* Turnover of working PSUs as per the latest finalised accounts.
 § Figures as per the latest finalised accounts.

Six PSUs which earned profit, did not declare dividend due to accumulated losses or marginal profit.

Performance of major PSUs

1.22 The investment in working PSUs and their turnover** together aggregated to Rs. 45,982.04 crore during 2008-09. Out of 29 working PSUs, the following five PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These five PSUs together accounted for 84.07 *per cent* of aggregate investment *plus* turnover.

(Rs. in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage of Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
Rajasthan Rajya Vidyut Utpadan Nigam Limited	9815.16	3875.99	13691.15	29.78
Rajasthan Rajya Vidyut Prasaran Nigam Limited	4600.43	876.64	5477.07	11.91
Jaipur Vidyut Vitran Nigam Limited	5140.29	3200.58	8340.87	18.14
Jodhpur Vidyut Vitran Nigam Limited	3324.88	2139.26	5464.14	11.88
Ajmer Vidyut Vitran Nigam Limited	3573.75	2111.89	5685.64	12.36
Total	26454.51	12204.36	38658.87	84.07

Some of the major audit findings of past five years for above PSUs are stated in the succeeding paragraphs.

1.23 Ajmer Vidyut Vitran Nigam Limited had arrears of accounts for two years as on 30 September 2009.

1.24 The above five power sector PSUs prepared their accounts on 'No profit no loss' basis. The turnover has risen from Rs. 10,468.37 crore in 2005-06 to Rs. 12,204.36 crore in 2008-09 during this period. However, the return on capital employed has declined from 5.49 *per cent* in 2005-06 to 4.88 *per cent* as per latest finalised accounts by the PSUs.

1.25 Deficiencies in planning

Rajasthan Rajya Vidyut Utpadan Nigam Limited (Audit Report 2007-08)

- The Company ignoring the advice of consultant for global tendering as sulphur content in available lignite ranged between 4 to 6 *per cent*, invited single offer from BHEL who had experience in installation of lignite based power plant with sulphur content of less than 2 *per cent* only. This resulted in non-stabilisation of main plant of Giral Lignite Power Project - Phase I and led to increase in expenditure by Rs. 64.27 crore.

(Paragraphs 2.3.8 and 2.3.14)

** Turnover figures have been taken in respect of all the PSUs as per their latest finalised accounts.

Ajmer Vidyut Vitran Nigam Limited (Audit Report 2007-08)

- The objective of electrification of all villages by March 2007 and providing all Rural Households (RHHs) with access to electricity by 2009 failed in the planning and sanction stage itself as no efforts were made by the Company with the State Government to provide funds.

(Paragraph 2.1.13)

1.26 Deficiencies in implementation

Rajasthan Rajya Vidyut Utpadan Nigam Limited (Audit Report 2003-04)

- Non use of beneficiated coal at Kota Thermal Power Station deprived the Company from a saving of Rs. 3.90 crore.

(Paragraph 2.1.8)

Rajasthan Rajya Vidyut Prasaran Nigam Limited (Audit Report 2007-08)

- The Company's decision to award the work on turnkey basis without ensuring timely completion deprived the Company of intended benefits besides resulting in excess cost of project by Rs. 1.93 crore.

(Paragraph 4.1)

Ajmer Vidyut Vitran Nigam Limited (Audit Report 2007-08)

- Targets relating to electrification of all Below Poverty Line Rural Households by March 2007 under Rajiv Gandhi Grameen Vidyutikaran Yojana, could not be met even by the end of March 2008 by the Company.

(Paragraph 2.1.25)

1.27 Deficiencies in monitoring

Rajasthan Rajya Vidyut Utpadan Nigam Limited (Audit Report 2003-04)

- Actual heat rate was in excess of station heat rate norms in Kota Thermal Power Station and Suratgarh Thermal Power Station. Thus heat equivalent of 9.45 lakh MT coal valuing Rs. 157.39 crore was consumed in excess.

(Paragraph 2.1.7)

Jodhpur Vidyut Vitran Nigam Limited (Audit Report 2007-08)

- Negligence of officials in charge of revenue realisation facilitated embezzlement of cash amounting to Rs. 31.70 lakh.

(Paragraph 4.11)

Ajmer Vidyut Vitran Nigam Limited (Audit Report 2007-08)

- Lack of effective monitoring in Feeder Renovation Programme resulted in non-achievement of the prime objective of reduction of distribution losses below 15 *per cent*.

(Paragraph 2.1.47)

Jaipur Vidyut Vitran Nigam Limited (Audit Report 2005-06)

- Failure of the Company to ensure three phase 24 hours power supply for operation of the Remote Control Load Management scheme resulted in wasteful expenditure of Rs. 2.15 crore towards purchase of hardware/software.

(Paragraph 2.3.20)

1.28 Non-achievement of objectives

Rajasthan Rajya Vidyut Prasaran Nigam Limited (Audit Report 2005-06)

- Stores and spares costing Rs. 2.78 crore were not issued and were lying in store defeating the very purpose of procurement of these testing instruments.

(Paragraph 2.3.15)

Three Distribution companies-Jaipur/Ajmer/Jodhpur Vidyut Vitran Nigam Limited

- Primary objective of Accelerated Power Development Reforms Programme to reduce the existing Aggregate Technical & Commercial losses to 15 *per cent* was not achieved as losses increased to an average of 44.33 *per cent* in 2005-06.

(Audit Report 2006-07; Paragraphs 2.3.14 to 2.3.16)

- The three Distribution Companies failed to achieve targets fixed by the Regulatory Commission for distribution losses despite capital investment of Rs. 2,387 crore during 2001-05 as losses ranged between 34.06 and 45.51 *per cent*.

(Audit Report 2005-06; Paragraph 2.3.18)

1.29 Deficiencies in financial management

Rajasthan Rajya Vidyut Prasaran Nigam Limited

- Non availment of payment facility either through post dated cheques/ warrants or through core banking led to loss of interest earning of Rs. 1.11 crore to the Company.

(Audit Report 2007-08; Paragraph 4.2)

- Due to non-enhancing the value of the Letter of Credit, the Company was deprived of incentive of Rs. 1.13 crore.

(Audit Report 2006-07; Paragraph 3.3)

Three Distribution companies-Jaipur/Ajmer/Jodhpur Vidyut Vitran Nigam Limited (Audit Report 2004-05 and 2006-07)

- Grant of relief to agricultural consumers without firm commitment from the Government for reimbursement resulted in loss of revenue of Rs. 110.38 crore to the companies.

(Audit Report 2004-05; Paragraph 4.1)

- Non-insertion of put/call option clause in the bonds issued during 2001-02 caused avoidable payment of interest of Rs. 3.40 crore by the companies.

(Audit Report 2006-07; Paragraph 3.1)

Conclusion

1.30 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

1.31 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. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	19	21	25	28	29
2.	Number of accounts finalised during the year	14	14	17	18	16**
3.	Number of accounts in arrears	5	7	8	9 ⁺ +2=11	13+3=16
4.	Average arrears per PSU (3/1)	0.26	0.33	0.32	0.39	0.55
5.	Number of Working PSUs with arrears in accounts	5	7	8	9	13
6.	Extent of arrears	One year	One year	One year	One to Two years	One to Three years

** Accounts received upto 30 September 2009.

* The account of Jaipur City Transport Corporation was not shown in arrear as this Company was incorporated on 6 February 2008.

1.32 All working PSUs were finalizing their accounts yearly on regular basis except Ajmer Vidyut Vitran Nigam Limited (AVVNL) and Kota City Transport Services Limited. AVVNL could not finalize its accounts due to non compliance of Accounting Standards and other observations of Statutory Auditors, while Kota City Transport Services Limited was a new PSU.

1.33 Out of four non-working PSUs, no PSU had gone into liquidation process and two PSUs had arrears of accounts for one year.

1.34 The State Government had invested Rs. 2,761.15 crore (Equity: Rs. 1,337.82 crore, loans: Rs. 252.72 crore, grants: Rs. 1,170.61 crore and others: NIL) in seven PSUs during the year for which accounts have not been finalised as detailed in **Annexure-4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus Government's investment in such PSUs remains outside the scrutiny of the State Legislature. Further, 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 Companies Act, 1956.

1.35 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up periodically with the Chief Secretary/Finance Secretary to expedite clearance of the backlog of arrears in accounts in a time bound manner.

1.36 In view of above state of arrears, it is 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.

Winding up of non-working PSUs

1.37 There were 4 non-working PSUs (4 Companies and nil Statutory corporations) as on 31 March 2009. None of these PSUs have commenced liquidation process. The numbers of non-working companies at the end of

each year during past five years are given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
No. of non-working companies	5	5	4	4	4
No. of non-working corporations	-	-	-	-	-
Total	5	5	4	4	4

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2008-09, two non-working PSUs incurred an expenditure of Rs. 0.01 crore towards salary and establishment expenses *etc.* This expenditure was financed by the Holding companies.

1.38 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	4	-	4
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.	1*	-	-

* Rajasthan Electronics Limited

1.39 During the year 2008-09, no PSU was finally wound up. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may take a decision regarding winding up of four non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.40 Twenty one working Companies forwarded their audited accounts to the AG during the year 2008-09. Of these, 17 accounts of 17 Companies were selected for supplementary audit. Similarly, 14 working Companies forwarded their audited accounts for the year 2008-09 to the AG during April to September 2009. Of these, 13 accounts were selected for supplementary audit. The audit reports of statutory auditors appointed by the CAG and the supplementary audit of the 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 the CAG are given below.

(Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	7	49.16	6	28.90	4	6.58
2.	Increase in loss	4	193.93	7	4595.12	-	-
3.	Non-disclosure of material facts	2	-	2		-	-
4.	Errors of classification	1	-	2		1	-

1.41 During the year 2008-09, the statutory auditors had given qualified certificates on 21 accounts and while no adverse certificates (which means that accounts do not reflect a true and fair position) and no disclaimers (meaning the auditors are unable to form an opinion on accounts) were given for any accounts. Additionally, the CAG gave adverse certificates on four accounts of PSUs relating to power sector during the supplementary audit. The compliance of the Accounting Standards (AS) by PSUs remained poor as there were 17 instances of non-compliance in six accounts during supplementary audit.

Similarly, out of 14 accounts for 2008-09 received during the period April to September 2009, the statutory auditors had given qualified certificates on all 14 accounts and while no adverse certificates and no disclaimers were given on any of the accounts. The compliance of the AS by PSUs remained poor as there were 18 instances of non-compliance in eight accounts.

1.42 Some of the important comments in respect of accounts of companies are stated below.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (2007-08)

- The expenses as well as current liabilities have been understated due to non-provision of liability of Rs. 2,493.61 crore towards superannuation and gratuity fund on the basis of actuarial valuation of March 2005.
- Due to our comments and those of the statutory auditors, the net loss for the year worked out to Rs. 2,496.89 crore instead of NIL loss shown by the Company. Hence the accounts did not represent a true and fair view.

Jaipur Vidyut Vitran Nigam Limited (2007-08)

- The loss in the current year, after accounting for all subsidy/revenue which had been committed/remitted by the State Government for the year 2007-08, was Rs. 693.87 crore. The Company has accounted for this loss amount as receivable from the State Government which was incorrect and in contravention to AS-12 relating to ‘Accounting for Governments Grants’ as the Government has not given any commitment for the same.
- Due to comments of the CAG, the net loss for the year worked out to Rs. 821.60 crore instead of NIL loss shown by the Company. Hence the accounts did not represent a true and fair view.

Rajasthan State Seeds Corporation Limited (2007-08)

- L.I.C. Group Gratuity Premium is understated by Rs. 1.20 crore due to non-accountal of the liability of gratuity as per actuarial valuation in violation of requirement of AS-15.

Rajasthan State Seeds Corporation Limited (2008-09)

- Closing stock was overstated by Rs. 1.53 crore due to non- adjustment of the subsidy received. Consequently, the profit was also overstated to this extent.

Rajasthan Rajya Vidyut Utpadan Nigam Limited (2007-08)

- Due to comments of statutory auditors and the CAG, the net loss for the year worked out to Rs. 223.02 crore instead of NIL loss shown by the Company. Hence the accounts did not represent a true and fair view.

Jodhpur Vidyut Vitran Nigam Limited (2007-08)

- The loss in the current year, after accounting for all subsidy/revenue which had been committed / remitted by the State Government for the year 2007-08, was Rs. 762.40 crore. The Company had accounted for this loss amount as receivable from the State Government which was incorrect and in contravention to AS-12 relating to ‘Accounting for Governments Grants’ as the Government had not given any commitment for the same.
- Due to comments of the CAG, the net loss for the year worked out to Rs. 1,038.29 crore instead of NIL loss shown by the Company. Hence the accounts did not represent a true and fair view.

Rajasthan State Road Development and Construction Corporation Limited (2007-08)

- The Company had not made any provision for the unfunded amount of Rs. 14.97 crore of pension liabilities.

Rajasthan State Industrial Development and Investment Corporation Limited (2008-09)

- During the year the Company had changed accounting policy in relation to accounting of grant utilized by switching over from reduction of expenses concept to income concept, which has resulted in overstatement of profit amounting to Rs. 25.60 crore.

1.43 Similarly, three working Statutory corporations forwarded their accounts to AG during the year 2008-09. Of these, one account of one Statutory corporation pertained to sole audit by the CAG which was completed during the year. Remaining two accounts were selected for supplementary audit. Further, during the period from April to September 2009, two working Statutory corporations forwarded their accounts which were selected for supplementary audit. Recasted accounts of Rajasthan State Road Transport Corporation for the year 2008-09 where CAG is the sole auditor were not received up to 30 September 2009. The audit reports of statutory auditors and the sole/supplementary audit of the 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 the CAG are given below:

(Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	35.27	1	27.53	-	-
2.	Increase in loss	1	3.43	1	40.06	-	-
3.	Non-disclosure of material facts	-	-	1	-	-	-
4.	Errors of classification	-	-	-	-	-	-

For the year 2006-07, comments worth Rs. 35.27 crore relating to decrease in profit and Rs. 3.43 crore relating to increase in loss were pointed out by the CAG. Similarly, in the year 2007-08, comments worth Rs. 40.06 crore relating to increase in loss and Rs. 27.53 crore relating to decrease in profit were also pointed out by the CAG. Statutory auditors pointed out one case of non disclosure of material fact during the year 2007-08.

1.44 Out of two accounts received during the year 2008-09, the statutory auditors had given qualified certificates for both accounts. Similarly, during the period April to September 2009, two accounts were received with qualified certificates.

1.45 Some of the important comments in respect of accounts of Statutory corporations are stated below.

Rajasthan Financial Corporation (2007-08)

- Staff Provident and Pension Fund was understated by Rs. 3.68 crore due to short provision against pension fund resulting in overstatement of net profit by the same amount.
- Personnel and Administration Expenses did not include Rs. 1.15 crore payable as contribution to Provident Fund Scheme due to withdrawal of Pension Scheme resulting in overstatement of net profit and understatement of other liabilities by the same amount.
- Provision for Bad & Doubtful Debts against non-performing assets was short provided by the Corporation by Rs. 2.40 crore.
- Net profit was overstated by Rs. 19.73 crore due to non creation of deferred tax liability for special reserve created under section 36(i) (viii) of the Income Tax Act, in violation of AS-22.

Rajasthan Financial Corporation (2008-09)

- Accounting Standards-15, 22, 28 and 29 were not complied with, the effect was not quantifiable.

Rajasthan State Road Transport Corporation (2007-08)

- The Corporation had not provided liability for short-payment of Rs. 24.50 crore towards claims raised by State Government for rent of the area occupied by the Corporation in Bikaner House, New Delhi despite recommendation (September 2006) of Public Accounts Committee to recover the amount from the Corporation.
- Liability for payment of Rs. 8.67 crore to RSRTC CPF Trust towards deficit in trust accounts during 2004-05 to 2006-07 was not provided for despite being payable as per the Government of India notification dated 29 October 2003 and demanded (February 2008) accordingly by the Regional Provident Fund Commissioner, Jaipur.
- Government Debtors were overstated by Rs. 2.23 crore as Education department has accepted Rs. 9.49 crore only against claim of the Corporation of Rs. 11.72 crore.

1.46 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 15 companies[£] for the year 2007-08 and 7 companies^µ for the year 2008-09 (position taken on the basis of accounts received upto 30 September 2009) are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Annexure 2
1.	Absence of internal audit system commensurate with the nature and size of business of the company	2007-08 – 15 2008-09- 7	A-1, 2, 3, 4,5,9,10,13, 14,15,16,24 & 26 B- 1 & 2. A-2,3,4,5,9,26 & B -2
2.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	2007-08 - 8 2008-09 - 6	A-3, 4,9,13,14,15,16 & 25. A-3,4,8,9,12 & B-2

£ Sr. No. A-1, 2, 3, 4, 5, 9, 10,13, 14, 15, 16, 24 & 26 and B- 1 & 2 in Annexure – 2.
µ Sr. No. A-2,3,4,5,9,26 & B -2 in Annexure – 2.

Recoveries at the instance of audit

1.47 During the course of propriety audit in 2008-09, recoveries of Rs. 24.52 crore were pointed out to the Management of various PSUs, of which, recoveries of Rs. 10.12 crore were admitted by PSUs. An amount of Rs. 4.58 crore was recovered during the year 2008-09.

Status of placement of Separate Audit Reports

1.48 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

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	Reasons for delay in placement in Legislature
1.	Rajasthan Financial Corporation	2007-08	-	-	-
2.	Rajasthan State Warehousing Corporation	2007-08	2008-09	17 September 2009	-
3.	Rajasthan state Road Transport Corporation	2007-08	-	-	-

The audit of the accounts of remaining two Statutory corporations for the year 2008-09 is in progress.

Disinvestment, Privatisation and Restructuring of PSUs

1.49 No disinvestment or privatisation of Public Sector Undertakings has taken place during 2008-09.

Reforms in Power Sector

1.50 Rajasthan has Rajasthan Electricity Regulatory Commission (RERC) formed in January 2000 under section 17 of the Electricity Regulatory Commissions Act, 1998 with the objective of rationalization of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2008-09, RERC issued 22 orders (8 on annual revenue requirements and 14 on others).

1.51 Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important

milestones is stated below.

Sl No.	Milestone		Achievement as at March 2009			
			Name of the Company	Transmission loss	Distribution loss	Total
1.	Reduction in transmission and distribution losses	20 per cent by 2008-09	JVVNL	5.60	24.41	30.01
			AVVNL	6.67	29.30	35.97
			JdVVNL	4.61	27.92	32.53
2.	100 per cent metering of all 11 KV distribution feeders	September 2001	Name of the Company	11KV feeders to be metered	11KV feeders metered upto March 2009	Percentage
			JVVNL	4136	3829	92.57
			AVVNL	4447	4057	91.23
			JdVVNL	4982	4786	96.06
3.	100 per cent electrification of all villages	41,353 villages by 2005	37,897 villages electrified i.e. 91.64 per cent.			
4.	100 per cent metering of all consumers	30 June 2002	No connection of any category is being released without meter. All flat rate agricultural connections are being converted to metered category. 2,04,827 consumers have been converted from agricultural flat rate to metered category in urban/rural areas.			
5.	State Electricity Regulatory Commission (SERC)					
	(1) Establishment of the SERC	-	The SERC was formed in January 2000.			
	(2) Implementation of tariff orders issued by SERC during the year	An order for distribution tariff was to be implemented from January 2005.	The tariff was implemented from May 2005 as the State Government provided subsidy for the period January 2005 to April 2005. There was no change in tariff since then.			
6.	Supply of additional power	The Central Government will allocate additional power as under: (1) Additional 100 MW of surplus power from Eastern grid on firm basis. (2) Ministry of Power (MOP) will take immediate steps to restore the special allocation of one-third of the capacity of Anta Grid Power Station i.e. 112 MW, withdrawn by MOP in November 1999.	(1) About 113 MW power has been allotted from Eastern Grid w.e.f. 08 January 2009 on firm basis excluding 14.7 MW allocated from Majia TPS which has so far been not scheduled by DVC. (2) No firm allocation of power from Anta Grid Power Station has been made so far.			
	General					
7.	Monitoring of MOU	Monitoring was required on quarterly basis	Monitoring is being done regularly by SE (Plan) of Jaipur Vidyut Vitran Nigam Limited. Last report was sent in March 2009.			

Discussion of Audit Reports by COPU

1.52 The status as on 30 September 2009 of reviews and paragraphs that appeared in Audit Reports (Commercial) and discussed by the Committee on Public Undertakings (COPU) was as under:

Audit Report	Number of reviews/paragraphs					
	Appeared in Audit report		Paras discussed		Paras pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs
2006-07	5	20	3	11	2	9
2007-08	5	22	-	-	5	22
Total	10	42	3	11	7	31

1.53 The matter relating to clearance of backlog of reviews/ paragraphs was also discussed with the Chairperson of COPU by the Accountant General in May 2009.