

CHAPTER-I

1. Overview of Government companies and Statutory corporations

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 Uttar Pradesh, the State PSUs occupy a moderate place in the State economy. The State working PSUs registered a turnover of ` 35,541.61 crore for 2009-10 as per their latest finalised accounts as of September 2010. This turnover was equal to 9.94 *per cent* of State Gross Domestic Product (GDP) for 2009-10. Major activities of Uttar Pradesh State PSUs are concentrated in power sector. The State working PSUs incurred a loss of ` 3,919.77 crore in the aggregate for 2009-10 as per their latest finalised accounts. They had atleast 0.78 lakh¹ employees as of 31 March 2010. The State PSUs do not include six 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.

As on 31 March 2010, there were 126⁴ PSUs as per the details given below. Of these, no company was listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs ²	Total
Government Companies ³	76 ⁴	43	119
Statutory Corporations	7	Nil	7
Total	83	43	126

As per information received during the year 2009-10, Prayag Raj Power Generation Company Limited and Sangam Power Generation Company were privatised⁵ on 23 July 2009.

Audit Mandate

1.2 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.

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 CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

¹ As per the details provided by 53 PSUs. Remaining 73 PSUs did not furnish the details.

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

³ Includes 619-B companies.

⁴ One company named as Uttar Pradesh Power Transmission Corporation Limited has been incorporated on 13 July 2006 under the Companies Act, 1956. This company has been established by Uttar Pradesh Power Corporation Limited under the provision contained in Section 39 of the Electricity Act, 2003.

⁵ Sl.No. A-38 and 40 of Annexure-1.

Audit of Statutory corporations is governed by their respective legislations. Out of seven statutory corporations, CAG is the sole auditor for Uttar Pradesh State Road Transport Corporation, Uttar Pradesh Avas Evam Vikas Parishad, Uttar Pradesh Forest Corporation, and Uttar Pradesh Jal Nigam. In respect of Uttar Pradesh State Warehousing Corporation, Uttar Pradesh Financial Corporation, and Uttar Pradesh Government Employees Welfare Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

The State Government formed Uttar Pradesh Electricity Regulatory Commission and its audit is entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003.

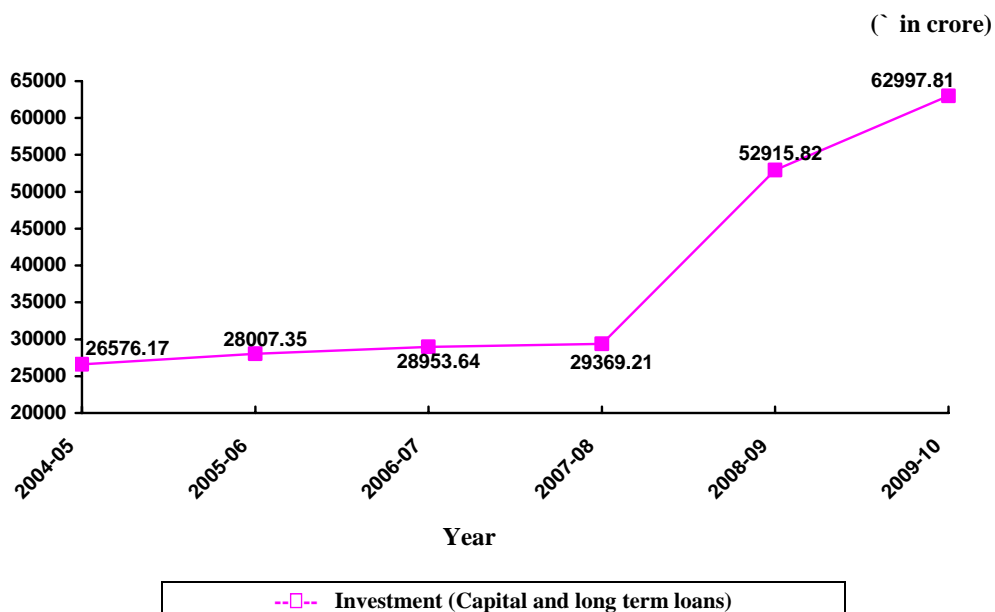
Investment in State PSUs

1.3 As on 31 March 2010, the investment in 126 PSUs (including 619-B companies) was ₹ 62,997.81 crore as per details given below.

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	47615.06	13222.64	60837.70	561.78	715.23	1277.01	62114.71
Non-working PSUs	440.90	442.20	883.10	-	-	-	883.10
Total	48055.96	13664.84	61720.80	561.78	715.23	1277.01	62997.81

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

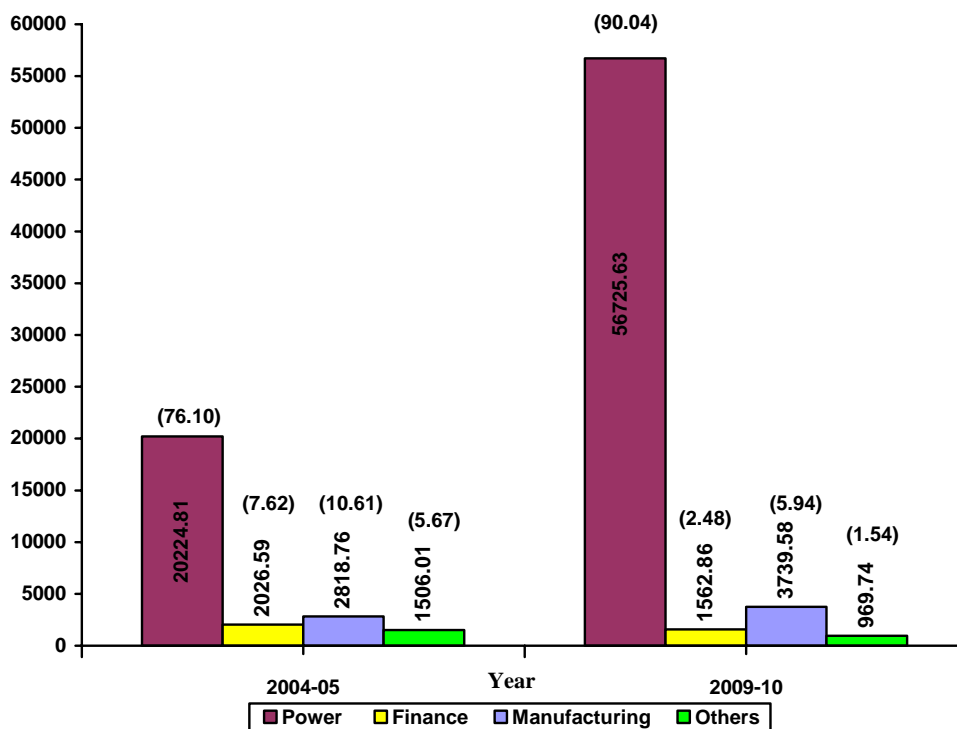
As on 31 March 2010, of the total investment in State PSUs, 98.60 per cent was in working PSUs and the remaining 1.40 per cent in non-working PSUs. This total investment consisted of 77.17 per cent towards capital and 22.83 per cent in long-term loans. The investment has grown by 137.05 per cent from ₹ 26,576.17 crore in 2004-05 to ₹ 62,997.81 crore in 2009-10 as shown in the graph below.



The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart. The thrust of PSU investment was mainly in power sector during the five years which has seen its percentage share rising from 76.10 per cent in 2004-05 to 90.04 per cent

in 2009-10 while the share of manufacturing sector decreased from 10.61 per cent in 2004-05 to 5.94 per cent in 2009-10.

(` in crore)



(Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

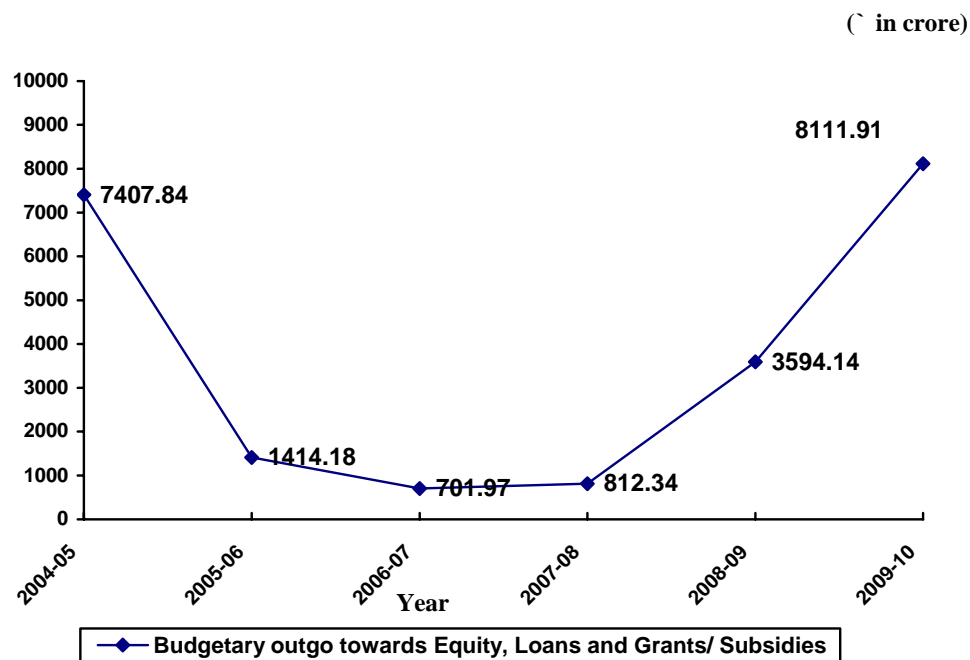
1.4 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-3**. The summarised details are given below for three years ended 2009-10.

(Amount ` in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	5	20.20	5	2405.08	6	5146.82
2.	Loans given from budget	6	214.14	4	90.53	11	1021.96
3.	Grants/Subsidy received	6	578.00	9	1098.53	14	1943.13
4.	Total Outgo (1+2+3)	10*	812.34	14*	3594.14	26*	8111.91
5.	Loans converted into equity	-	-	2	209.30	1	138.77
6.	Guarantees issued	6	455.30	2	20735.82	2	6245.25
7.	Guarantee Commitment	8	322.80	7	10525.81	7	7380.11

*These represents actual number of PSUs which received budgetary support.

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



It can be seen that the budgetary outgo in the form of equity, loans, grants, subsidies, etc. to state PSUs was all time low in 2006-07 during the period from 2004-05 to 2009-10. The budgetary outgo jumped to ` 8,111.91 crore in 2009-10 mainly due to extension of financial support of ` 6,973.69 crore by the State Government to eight power sector companies in the form of equity (` 5,131.97 crore), loan (` 608.52 crore) and grants/subsidies (` 1,233.20 crore). The amount of guarantee outstanding increased from ` 322.80 crore in 2007-08 to ` 10,525.81 crore in 2008-09 and decreased to ` 7,380.11 crore in 2009-10. The amount of guarantee commission payable by four PSUs as on 31 March 2010 was ` 9.10 crore⁶. During the year two PSUs⁷ had paid guarantee commission of ` 8.81 crore.

Reconciliation with Finance Accounts

1.5 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 2010 is stated below.

(` in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	39022.93	37099.87	1923.06
Loans	1273.08	2201.36	928.28
Guarantees	126.52	7380.11	7253.59

We have observed that the differences occurred in respect of 21 PSUs and some of the differences were pending for reconciliation since 2000-01. We have regularly taken up the matter of reconciliation of figures between Finance Accounts and Audit Report (Commercial) with the PSUs requesting them to expedite the reconciliation (September 2010). The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

⁶ The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh, Uttar Pradesh Power Corporation Limited, Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited and Uttar Pradesh Government Employee Welfare Corporation.

⁷ Uttar Pradesh Power Corporation Limited and Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited.

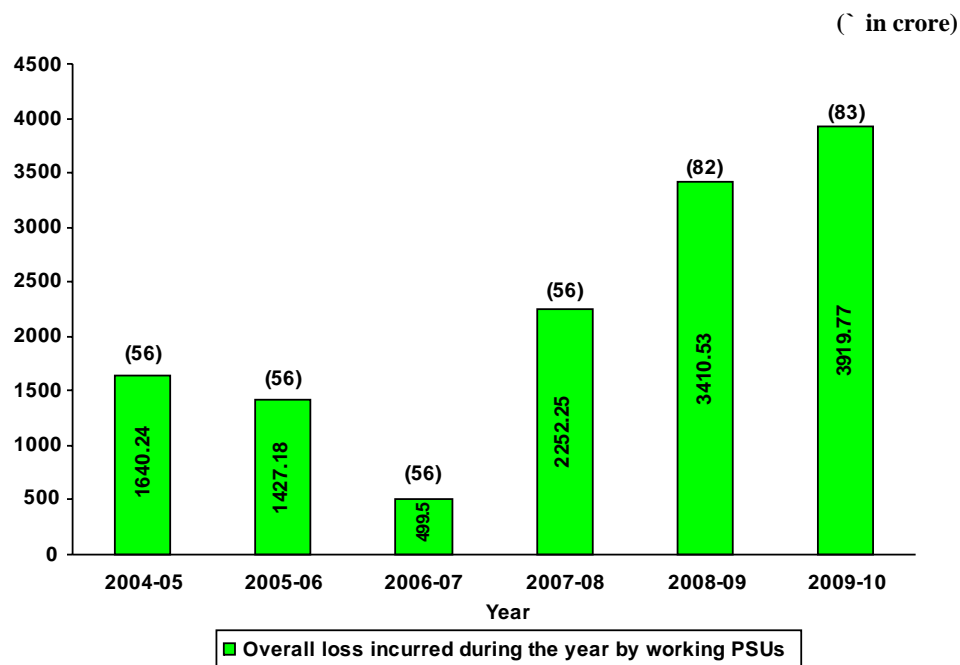
Performance of PSUs

1.6 The financial results of PSUs, financial position and working results of working statutory corporations are detailed in **Annexures-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 2004-05 to 2009-10.

(` in crore)						
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover ⁸	13374.72	18750.76	18860.47	27261.62	31480.07	35541.61
State GDP	248851.00	276969.00	309834.00	344346.00	400711.00	357557.00
Percentage of Turnover to State GDP	5.37	6.77	6.09	7.92	7.86	9.94

The percentage of turnover to state GDP was at 5.37 during 2004-05, which had grown to 9.94 *per cent* during 2009-10 after showing marginal fluctuations in six years period.

Losses incurred by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart.



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

The amount of loss incurred by working PSUs increased from ` 1,640.24 crore in 2004-05 to ` 3,919.77 crore during 2009-10. The position of loss incurred by State PSUs deteriorated from 2006-07, as loss increased from ` 499.50 crore in 2006-07 to ` 3,919.77 crore in 2009-10. During the year 2009-10, out of 83 working PSUs, 33 PSUs earned profit of ` 1,081.60 crore and 21 PSUs incurred loss of ` 5,001.37 crore. Two working PSUs which were incorporated during 2006-07 had not submitted its first accounts whereas 27 companies remained at no profit no loss. The major contributors to profit were Uttar Pradesh Avas Evam Vikas Parishad (` 424.13 crore), Uttar Pradesh Rajkiya Nirman Nigam Limited (` 195.64 crore), Uttar Pradesh State Industrial Development Corporation Limited (` 97.01 crore), Uttar Pradesh Forest Corporation (` 101.59 crore), Uttar Pradesh Jal Nigam

⁸ Turnover as per the latest finalised accounts as of 30 September 2010.

(` 66.54 crore), Uttar Pradesh State Warehousing Corporation (` 39.82 crore) and Uttar Pradesh State Road Transport Corporation (` 10.67 crore). The heavy losses were incurred by Purvanchal Vidyut Vitran Nigam Limited (` 1,096.32 crore), Dakshinanchal Vidyut Vitran Nigam Limited (` 1,070.00 crore), Madhyanchal Vidyut Vitran Nigam Limited (` 738.51 crore), Paschimanchal Vidyut Vitran Nigam Limited (` 729.96 crore), Uttar Pradesh Power Corporation Limited (` 505.42 crore), Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (` 457.75 crore), Kanpur Electricity Supply Company Limited (` 140.57 crore), Uttar Pradesh Financial Corporation (` 115.01 crore) and Uttar Pradesh State Sugar Corporation Limited (` 43.87 crore).

The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of the latest Audit Reports of CAG shows that the State working PSUs incurred losses to the tune of ` 1,807.02 crore and infructuous investment of ` 30.11 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(` in crore)				
Particulars	2007-08	2008-09	2009-10	Total
Net loss	2252.25	3410.53	3919.77	9582.55
Controllable losses as per CAG's Audit Report	832.64	86.37	888.01	1807.02
Infructuous Investment	-	27.60	2.51	30.11

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 losses can be minimised 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.

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

(` in crore)						
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (Per cent)	-	-	2.28	-	-	-
Debt	8133.48	8680.00	9192.09	9538.97	11656.61	14380.07
Turnover ⁹	13374.72	18750.76	18860.47	27261.62	31480.07	35541.61
Debt/ Turnover Ratio	0.61:1	0.46:1	0.49:1	0.35:1	0.37:1	0.40:1
Interest Payments	12995.58	1166.79	1055.11	1212.39	1058.32	1187.42
Accumulated losses	10590.38	11141.45	12305.62	14129.45	15520.04	19024.03

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

During the period 2004-05 to 2009-10 the debt to turnover ratio has improved from 0.61:1 in 2004-05 to 0.40:1 in 2009-10 which indicates that there is less pressure on profit margin. However, the amount of accumulated losses increased from ` 10,590.38 crore (2004-05) to ` 19,024.03 crore (2009-10). The return on capital employed was also negative in all the six years except during 2006-07.

The State Government had formulated (October 2002) a dividend policy under which all profit earning PSUs are required to pay a minimum return of five per cent on the paid up share capital contributed by the State Government. As per their latest finalised accounts, 33 PSUs earned an aggregate profit of ` 1,081.60 crore and six PSU¹⁰ declared a dividend of ` 4.08 crore. Thus, the remaining profit earning PSUs did not comply with the State Government policy regarding payment of minimum dividend.

⁹ Turnover of working PSUs as per the latest finalised accounts as of 30 September 2010.

¹⁰ Uttar Pradesh Samaj Kalyan Nirman Nigam Limited, Uttar Pradesh State Industrial Development Corporation Limited, Uttar Pradesh Project Corporation Limited, Uttar Pradesh Police Avas Nigam Limited, Uttar Pradesh Rajkiya Nirman Nigam Limited and Uttar Pradesh State Warehousing Corporation.

Arrears in finalisation of accounts

1.7 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 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of Working PSUs	56	56	56	60	83
2.	Number of accounts finalised during the year	55	42	64	46	98 ¹¹
3.	Number of accounts in arrears	183	195	180	197	182
4.	Average arrears per PSU (3/1)	3.27	3.48	3.21	3.28	2.19
5.	Number of Working PSUs with arrears in accounts	49	50	49	54	52
6.	Extent of arrears	1 to 16 years	1 to 15 years	1 to 14 years	1 to 14 years	1 to 15 years

During the period 2005-06 to 2007-08 the number of working PSUs having their accounts in arrear remained between 49 and 50 and in 2009-10 it increased to 52 due to increase in the number of working PSUs. In 2008-09, despite increase in the number of working PSUs, the number of accounts finalised was lower at 46 accounts as against 64 accounts during 2007-08 and in 2009-10 98 accounts finalised by 71 PSUs. Resultantly, number of accounts in arrears increased to 197 during 2008-09 as against 180 in 2007-08 and reduced to 182 in 2009-10. Most of the working PSUs failed to finalise even one year's accounts every year causing accumulation of arrears. The main reasons responsible for arrear in accounts are delay in holding of annual general meetings, delay in approval of accounts by the Board of Directors, delay in certification of accounts by Statutory Auditor, delay in adoption of accounts in the Annual General Meetings, lack of accounts personnel, etc.

In addition to above, there were also arrears in finalisation of accounts by non-working PSUs. Out of 43 non-working PSUs, 12¹² had gone into liquidation process. Of the remaining 31 non-working PSUs, 31 PSUs had arrears of accounts for 1 to 35 years.

The State Government had invested ` 31,715.86 crore (Equity: ` 28,372.33 crore, loans: ` 992.54 crore, grants: ` 1,679.90 crore and subsidies: ` 671.09 crore) in 25 PSUs during the years 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 and thus Government's investment in such PSUs remained 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.

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

¹¹ Uttar Pradesh Forest Corporation submitted its account for the year 2008-09 after doing necessary amendment in the UP Forest Corporation Act, 1974. The arrear of accounts for nine years (1999-2000 to 2007-08) has been counted in the finalised accounts during the year.

¹² Serial no. C-2, 3, 11, 13, 14, 18, 21, 22, 23, 25, 29 and 34 of Annexure-2.

departments and officials of the Government were informed every quarter by us, 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 by us. The matter of arrears in accounts was also taken up with the Chief Secretary/ Finance Secretary on 30 October 2009, 05 February 2010, 21 April 2010 and 02 August 2010 to expedite the backlog of arrears in accounts in a time bound manner. Further the Chief Secretary has also held a meeting on 19 May 2010 with PSUs having arrears in accounts to discuss the matter.

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

1.8 There were 43 non-working PSUs (40 Government companies and 3 deemed Government companies) as on 31 March 2010. Of these, 12 PSUs had gone into liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
No. of non-working companies	42	43	43	43	43

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2009-10, three¹³ non-working PSUs incurred an expenditure of ` 0.16 crore towards establishment expenditure.

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

Sl. No.	Particulars	Companies
1.	Total No. of non-working PSUs	43
2.	Of (1) above, the No. under	
(a)	liquidation by Court (liquidator appointed)	12
(b)	Voluntary winding up (liquidator appointed)	-
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	31

During the year 2009-10, no company was finally wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 6 years to 32 years. 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 31 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 the non-working companies.

Accounts Comments and Internal Audit

1.9 Sixty five working companies forwarded their audited 82 accounts to us during the year 2009-10. Of these, 58 accounts¹⁴ of 46 companies were selected

¹³ Out of 43 non working companies only three companies furnished the information. (Uttar Pradesh Pashudhan Udhog Nigam Limited - ` 5.05 lakh, Uttar Pradesh Chalchitra Nigam Limited - ` 9.10 lakh and Uttar Pradesh Poultry and Livestock Specialities Limited- ` 1.52 lakh).

¹⁴ Twenty four accounts of 19 companies were issued Non-Review Certificates.

for supplementary audit. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit by us indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of our comments and those of Statutory Auditors are given below:

(Amount ` in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	8	17.67	10	53.60	15	352.49
2.	Increase in loss	12	95.02	8	843.84	4	2.05
3.	Non-disclosure of material facts	-	-	-	-	2	2.04
4.	Errors of classification	6	13.09	4	225.44	2	32.46
	Total:		125.78		1122.88		389.04

The aggregate money value of total comments decreased from ` 1,122.88 crore in 2008-09 to ` 389.04 crore in 2009-10 indicating improvement in the quality of accounts of the PSUs.

During the year, the Statutory Auditors had given unqualified certificates for seven accounts, qualified certificates for 53 accounts, adverse certificates (which means that accounts do not reflect a true and fair position) for four accounts and disclaimers (meaning the auditors are unable to form an opinion on accounts) for one account in respect of latest accounts finalised by 65 companies. The compliance of companies with the Accounting Standards (AS) remained poor as there were eight instances of non-compliance with the AS in five accounts during the year.

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

Uttar Pradesh State Agro Industrial Corporation Limited (2005-06)

- The Sundry debtors were overstated by ` 1.43 crore due to non-reversal of amount receivable booked against the excess expenditure incurred without government approval on installation of hand pumps during 1994-95 to 2004-05.
- Loans and Advances were overstated and accumulated loss understated by ` 11.97 crore due to adoption of wrong basis of booking the incidental charges for procurement of wheat for the years 2002-03 to 2005-06.

Uttar Pradesh State Sugar Corporation (2006-07)

- The loss for the year was understated by ` 1.03 crore due to provision for employers contribution to employees provident fund at 10 *per cent* instead of 12 *per cent* as applicable under the provision of Employees Provident Fund and Miscellaneous Provision Act, 1952.

Purvanchal Vidyut Vitran Nigam Limited (2006-07)

- The loss as well as current liabilities and provisions were understated by ` 3.28 crore due to inclusion of ` 3.28 crore on account of interest earned on fixed deposits on Government Fund amounting to ` 443.50 crore received during 2006-07 under Rajeev Gandhi Gramin Vidyutikaran Yojna (RGGVY), which should have been credited to Government Accounts instead of treating it as company's income.

Kanpur Electricity Supply Company (2005-06)

- The loss for the year and purchase of power were overstated by ` 105.64 crore due to accountal of energy purchased (2,384.711 MU) at the rate of ` 2.34 per unit instead of applicable rate of ` 1.897 per unit.

Similarly, six working Statutory corporations forwarded their seven accounts to us during the year 2009-10¹⁵. Of these, four accounts of four Statutory corporations pertained to sole audit by CAG of which audit of only one account was completed (30 September 2010) and the other three accounts are under audit. The remaining three accounts of two Statutory corporations were selected for supplementary audit and completed (30 September 2010). The audit reports of Statutory Auditors and our sole/supplementary audit indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of our comments and those of Statutory Auditors are given below.

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	202.57	2	3.89	1	0.68
2.	Increase in loss	1	5.37	1	0.68	-	-

(Amount ` in crore)

During the year, out of seven accounts received, audit of four accounts was completed and we issued qualified certificate and rest three are under finalisation.

During the year, Statutory Auditors had given unqualified certificate for one account, qualified certificate for one account and adverse certificate to one account.

1.11 Some of the important comments in respect of accounts of Statutory corporations are stated below:

Uttar Pradesh Financial Corporation (2007-08)

- Loss for the year was understated by ` 20.45 lakh due to non provision of interest payable on SLR Bonds.
- Loss for the year was understated by ` 47.79 lakh due to capitalisation of restoration charges and extension fee instead of charging the same to the profit and loss Account.

Uttar Pradesh State Warehousing Corporation (2008-09)

- The liabilities and profit after tax were understated by ` 2.66 crore due to total tax liability of the corporation working out to ` 12.78 crore instead of ` 10.12 crore.
- The sundry debtors and profit for the year were understated by ` 4.10 crore due to inclusion of storage charges accrued in the year 2007-08 as storage charges Accounts instead of consumer's account during the current year.

Uttar Pradesh State Road Transport Corporation (2008-09)

- The profit for the year was overstated by ` 1.25 crore as provision for leave encashment on retirement/death had not been made in the Accounts. (in respect of Faizabad region: ` 64.24 lakh, Training Institute, Kanpur: ` 26.03 lakh and Dr. Ram Manohar Lohia workshop: ` 34.99 lakh).

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 31 companies¹⁶ for the year 2008-09 and 31¹⁷ companies for the year 2009-10 are given below:

¹⁵ October 2009 to September 2010.

¹⁶ Sl. No. A2, 3, 7, 11 to 15, 17, 18, 20, 22, 27 to 29, 31, 33 to 37, 39, 44 to 46, 71, 73, 74, C16, 28 and 38 of Annexure-2.

¹⁷ Sl. No. A-4,7,8,11,12,13,14,15,16,17,18,24,26,27,28,32,34,35,36,37,38,39,40,42,44,46,74 C-17,20,37 and 41 of Annexure-2.

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	2	3
1.	Non-fixation of minimum/ maximum limits of store and spares	22	A3, 7, 14, 15, 16, 17, 18, 20, 27, 28, 29, 32, 33, 34, 35, 36, 37, 39, 44, 45, 46 and C-20
2.	Absence of internal audit system commensurate with the nature and size of business of the company	28	A3, 4, 7, 8, 11, 12, 14, 15, 16, 17, 18, 22, 28, 29, 34, 35, 37, 38, 39, 40, 42, 71, 73, 74, C-16, 17, 20 and 41.
3.	Non maintenance of cost record	11	A-14, 17, 34, 35, 36, 37, 39, 44, 46, 74 and C-20.
4.	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.	33	A-2, 4, 7, 11, 13, 14, 15, 16, 17, 18, 20, 24, 26, 28, 29, 31, 34, 35, 36, 37, 39, 44, 46, 71, 73, 74, C-16, 17, 20, 28, 37, 38 and 41.

Recoveries at the instance of audit

1.12 During the course of propriety audit in 2009-10, we have pointed out recoveries of ` 962.51 crore to the Management of various PSUs, of which, recoveries of ` 1.48 crore were admitted and ` 1.47 crore were recovered by PSUs.

Status of placement of Separate Audit Reports

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

Sl No.	Name of Statutory corporation	Year up to which SAR placed in Legislature	Years for which SAR not placed in Legislature		Reasons for non-placement of SAR
			Year of SAR	Date of issue to the Government	
1	2	3	4	5	6
1.	Uttar Pradesh State Road Transport Corporation	2007-08	2008-09	22.07.2010	Reasons not furnished by the Corporation
2.	Uttar Pradesh Financial Corporation	1992-93	1993-94 1994-95 1995-96 1996-97 1997-98 1998-99 1999-2000 2000-01 2001-02 2002-03 2003-04 2004-05 2005-06 2006-07 2007-08	07.07.1995 18.04.1996 28.08.1998 17.12.1999 27.07.2000 20.10.2001 25.07.2002 20.02.2004 28.01.2005 21.12.2005 08.09.2006 01.05.2007 12.09.2007 17.04.2008 07-08-09	Reasons not furnished by the Corporation
3.	Uttar Pradesh State Warehousing Corporation	2005-06	2006-07 2007-08 2008-09	17.01.2008 24-03-2009 20.08.2010	Reasons not furnished by the Corporation
4.	Uttar Pradesh Forest Corporation ¹⁸	--	1997-98 1998-99	17.08.2000 23.05.2002	Reasons not furnished by the Corporation
5.	Uttar Pradesh Avas Evam Vikas Parishad	2001-02	2002-03 2003-04 2004-05	10-12-2008 08.02.2008 13.07.2010	Reasons not furnished by the Corporation
6.	Uttar Pradesh Jal Nigam	2003-04	2004-05 2005-06 2006-07	02.02.2007 02.04.2008 21-03-2009	Reasons not furnished by the Corporation

Delay in placement of SAR weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SAR in the Legislature.

¹⁸ Audit entrusted from 1997-98.

Reforms in Power Sector

1.14 The State has Uttar Pradesh Electricity Regulatory Commission (Commission) formed in September 1998 under Section 17 of the Electricity Regulatory Commission Act¹⁹ with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2008-09, (ERC) issued 46 orders (four orders on annual revenue requirements and 42 on others).

Memorandum of Understanding (MoU) was signed in (February 2000) between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programmed in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Reforms programme commitment as per MOU	Targeted completion schedule	Present status (as of October 2010)
1	2	3	4
I By the State Government:			
(i)	Installation of meters on all 11 KV feeders	30 September 2000	Kanpur Electricity Supply Company Limited, Madhyanchal Vidyut Vitaran Nigam Limited and Purvanchal Vidyut Vitaran Nigam Limited have completed the work as per information received from the companies. The information is awaited from others companies.
(ii)	100 per cent metering of all consumers	31 December 2001	Kanpur Electricity Supply Company Limited (dated 06.11.2009) has completed the works. In Madhyanchal Vidyut Vitaran Nigam Limited only 61.17 per cent consumers could be metered (July 2009), Purvanchal Vidyut Vitaran Nigam Limited metered only 43 per cent consumers (August 2009).
(iii)	Online billing at 20 selected towns	31 March 2001	As per available information on-line billing is being done at Lucknow Electricity Supply Authority and Kanpur Electricity Supply Company Limited.
(iv)	Upgradation of distribution system	Nil	Cent per cent work has been completed in Kanpur Electricity Supply Company Limited (September 2010).
(v)	Privatisation of distribution sector, if commercial viability is not achieved	Nil	An agreement has been made between Torrent Power Limited and Kanpur Electricity Supply Company Limited for Distribution arrangements of Electricity (18.05.2009) and Distribution of electricity work in Agra has been handed over to Torrent Power Limited (01.04.2009).
II By the Central Government:			
(i)	Support from the Government of India for financing renovation and modernisation of existing thermal and hydro power stations	Nil	Loan of ` 2,773.676 crore has been sanctioned by the Power Finance Corporation to Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited for renovation and modernisation of Power plants (March 2010). Besides loan of ` 18.06 crore and subsidy of equal amount has been sanctioned by Government of India under Accelerated Power Development Reform Programme (APDRP) (March 2006).
(ii)	Support from the Government of India for undertaking construction of important transmission works	Nil	Power Finance Corporation has sanctioned a total loan of ` 3,889.47 crore for 96 schemes. Against this the loan of ` 1,616.58 crore had already been received for 85 schemes. (March 2009). In addition to above Power Finance Corporation sanctioned ` 216.5 crore for 26 projects in principle. At present, 05 schemes are pending for ` 63.31 crore for sanction.

¹⁹ Since replaced with Section 82(1) of the Electricity Act, 2003.