

## Chapter I

### Overview of State Public Sector Undertakings

#### Introduction

**1.1** The Public Sector Undertakings (PSUs) occupy an important place in the State economy. The Government of Rajasthan (GoR) undertakes commercial activities through PSUs which are owned, managed and controlled by the State Government on behalf of public at large. The PSUs are categorised into Statutory Corporations and Government Companies. Statutory Corporations are public enterprises that came into existence by a special Act of the Legislature. The Act defines the powers and functions, rules and regulations governing the employees and the relationship of the Corporation with the Government. Government Companies refer to companies in which not less than 51 per cent of the paid up capital is held by Government(s). It includes a subsidiary of a Government Company. Further, as per the provisions of Section 619-B of the Companies Act 1956, 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 is treated as if it is a Government Company (deemed Government Company).

**1.2** The PSUs operate in five major sectors of the economy viz., Power, Finance, Service, Infrastructure and others (including Manufacturing, Agriculture & allied and Miscellaneous). The State PSUs had provided employment to about one lakh persons as on 31 March 2013. A sector-wise summary of the PSUs is given below:

Name of sector	Government Companies <sup>1</sup>		Statutory Corporations		Total	Investment <sup>2</sup> (₹ in crore)
	Working	Non-working <sup>3</sup>	Working	Non-working		
Power	16	-	-	-	16	66477.81
Finance	3	-	1	-	4	736.85
Service	13	-	2	-	15	2542.65
Infrastructure	3	-	-	-	3	882.03
Others	8	2	-	-	10	1378.79
<b>Total</b>	<b>43</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>48</b>	<b>72018.13</b>

As on 31 March 2013, there were 48 PSUs, of which 46 were working and two were non-working. Of these, no company was listed on the stock exchange(s). During the year 2012-13, three<sup>4</sup> new PSUs were established

1 There are four 619-B Companies at Sl. No.- A- 30, 31, 33 and 42 and one company registered under section 25 at Sl. No. A-38 of Annexure-1.

2 Investments includes capital and long term loans.

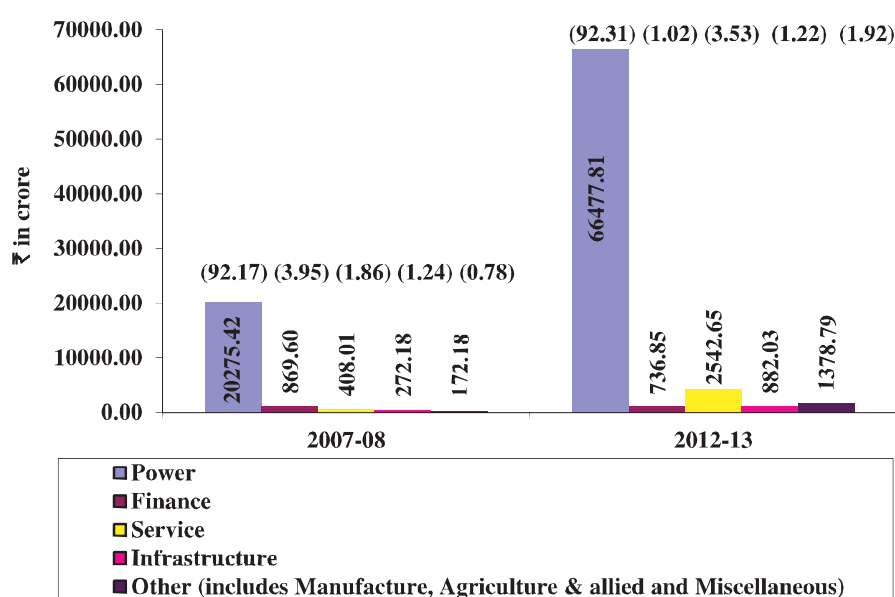
3 Non-working PSUs are those which have ceased to carry on their operations.

4 Rajasthan State Refinery Limited in September 2012 and Rajasthan State Power Finance Corporation Limited in December 2012. Rajasthan Ex-Servicemen Corporation Limited was established in March 2012 but intimation from the State Government was received in 2012-13.

while Shekhawati Transmission Service Company Limited (working PSU) was privatised in February 2013 and Hi-Tech Precision Glass Limited (non-working PSU) was amalgamated with Rajasthan State Ganganagar Sugar Mills Limited.

**1.3** The investment in various important sectors and percentage thereof at the end of 31 March 2008 and 31 March 2013 are indicated below in the bar chart. The thrust of PSU investment was mainly on power sector during the five years which increased by 227.87 per cent from ₹ 20275.42 crore to ₹ 66477.81 crore in 2012-13.

(Figures in brackets show the percentage of total investment)



## Accountability framework

**1.4** The accounts of the Government Companies/Statutory Corporations for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by 30 September.

### Statutory audit

**1.5** The accounts of the State Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by the 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. The Statutory Auditors submit their Audit Report to the various stakeholders.

**1.6** The audit of Statutory Corporations follows different pattern as provided by their respective legislations. Thus,

- the CAG is the sole auditor for Rajasthan State Road Transport Corporation;
- Statutory Auditor appointed by the Government in consultation with CAG is the auditor for Rajasthan State Warehousing Corporation; and
- Statutory Auditor appointed by the Corporation out of the panel approved by Reserve Bank of India is the auditor in the case of Rajasthan Financial Corporation.

#### ***Supplementary audit of CAG***

**1.7** The accounts of State Government Companies are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956. CAG also conducts supplementary audit in respect of the two Statutory Corporations viz., Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation.

#### ***Role of Legislature and Government***

**1.8** The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government. The accounts of these PSUs are also subjected to scrutiny by the Finance department of the State Government.

**1.9** The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Report together with the Statutory Auditors' Report and Comments of the CAG, in respect of State Government Companies and Separate Audit Report in case of Statutory Corporations are to be placed before the Legislature as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19 A of the CAG's (DPC) Act, 1971.

### **Stake of Government of Rajasthan**

**1.10** The financial stake of GoR in these PSUs is of mainly three types:

- Share capital and loans – In addition to the share capital contribution, GoR also provides financial assistance by way of loans to the PSUs from time to time.
- Special financial support – GoR provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- Guarantees – GoR also guarantees the repayment of loans with interest availed by the PSUs from financial institutions.

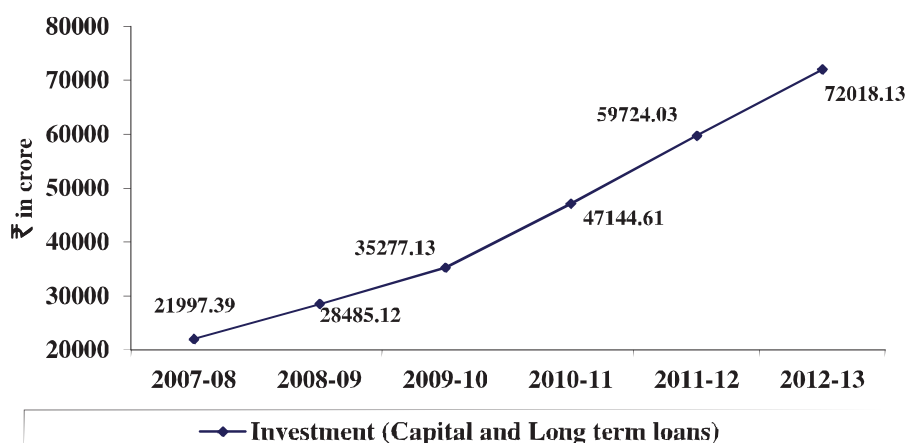
**1.11** As on 31 March 2013, the total investment (capital and long term loans) in 48 PSUs (including 619-B companies) was ₹ 72018.13 crore as shown below.

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working	17953.25	52250.36	70203.61	552.54	1249.73	1802.27	72005.88
Non-working	8.89	3.36	12.25	-	-	-	12.25
<b>Total</b>	<b>17962.14</b>	<b>52253.72</b>	<b>70215.86</b>	<b>552.54</b>	<b>1249.73</b>	<b>1802.27</b>	<b>72018.13</b>

A summarised position of Government investment in State PSUs is given in **Annexure-1**.

**1.12** As on 31 March 2013, of the total investment in State PSUs, 99.98 per cent was in working PSUs and the remaining 0.02 per cent in non-working PSUs. This consisted of 25.71 per cent towards capital and 74.29 per cent in long-term loans. The investment has grown by 227.39 per cent from ₹ 21997.39 crore in 2007-08 to ₹ 72018.13 crore in 2012-13 as shown in the graph below:



**1.13** The capital investment as well as long-term loans increased by ₹ 12325.55 crore and ₹ 37695.19 crore respectively during the period from 2007-08 to 2012-13. There was overall net increase in investment by ₹ 50020.74 crore during the period.

#### ***Erosion of capital due to losses***

**1.14** As per the latest finalised accounts of the State PSUs, the capital investment was of ₹ 15827.72 crore and the accumulated losses there against were ₹ 50951.85 crore. This had entirely eroded the capital of the State PSUs and culminated into negative net worth<sup>5</sup> of ₹ 35124.13 crore.

### **Budgetary support to PSUs**

**1.15** The GoR provides additional investment and support to PSUs in various forms through annual budget. During the year 2012-13, the GoR

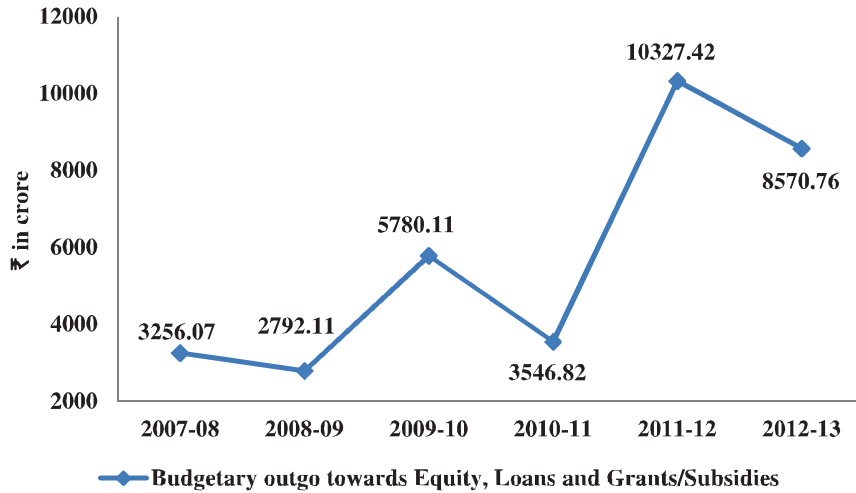
5 Net worth represents paid up capital plus free reserves less accumulated losses.

extended budgetary support of ₹ 8570.76 crore to 23 PSUs. The details of budgetary outgo towards equity, loans and grants/ subsidies as well as support by way of loans written off, loans converted into equity and interest waived in respect of PSUs are given in **Annexure-3**. The summarised details for the three years ended 2012-13 are given below:

(₹ in crore)

Sl. No.	Particulars <sup>6</sup>	2010-11		2011-12		2012-13	
		No. of PSUs	Amount	No. of PSUs	Amounts	No. of PSUs	Amount
1.	Equity Capital outgo	12	1599.89	11	1725.09	14	4648.37
2.	Loans given	2	0.39	8	5552.21	7	813.81
3.	Grants/Subsidy	14	1946.54	14	3050.12	13	3108.58
4.	Total Outgo (1+2+3)	20 <sup>7</sup>	3546.82	18 <sup>7</sup>	10327.42	23 <sup>7</sup>	8570.76
5.	Loan repayment written off	-	-	1	0.10	-	-
6.	Loans converted into equity	-	-	4	1086.25	1	15.65
7.	Guarantees issued	6	24781.66	6	17349.50	7	20209.01
8.	Guarantee Commitment	8	48088.19	7	57559.34	7	70365.08

**1.16** The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the six years ending 2012-13 are given in a graph below:



**1.17** The above indicates that the budgetary assistance in the form of equity, loan and grant/subsidy by the GoR to PSUs had increased from ₹ 3256.07 crore in 2007-08 to ₹ 8570.76 crore in 2012-13. During 2012-13, the GoR had converted loan of ₹ 15.65 crore into equity in respect of Rajasthan Financial Corporation. The main beneficiary of budgetary outgo was power sector which received 82.78 per cent (₹ 3848.00 crore) of total equity capital outgo

6 Amount represents outgo from State Budget only.

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

(₹ 4648.37 crore) and 84.41 per cent (₹ 7234.21 crore) of total budgetary outgo (₹ 8570.76 crore).

**Guarantees for loans and outstanding guarantee commission**

1.18 The Government decided (February 2011) to charge guarantee commission at the rate of one per cent per annum in case of loan availed by PSUs from banks/financial institutions without any exception under the provision of the Rajasthan State Grant of Guarantees Regulation 1970.

There was increasing trend of outstanding guarantee commitments which increased from ₹ 18153.83 crore in 2007-08 to ₹ 70365.08 crore in 2012-13 showing rise of 287.60 per cent. During the year 2012-13 guarantee commission of ₹ 345.87 crore was payable by the PSUs out of which ₹ 227.41 crore was paid during the year.

**Failure to ensure proper accountability of the Government stake in PSUs**

1.19 As stated above GoR has huge financial stake in the PSUs. We, however, found that the PSUs/ Government did not ensure proper accountability of this investment. The lapses were mainly in two areas:

- To provide an accurate figure for investment;
- To prepare annual account and get them audited;

These lapses have wide ranging implications including adverse impact on legislative financial control.

**Absence of accurate figure for the investment in PSUs**

1.20 The Finance Accounts of GoR prepared by the PAG (A&E) and certified by the CAG depicts the Government stake in PSUs in respect of equity, loan and guarantees. These figures as per records of the State PSUs should agree with that appearing in the Finance Accounts. In case of difference, it should be reconciled immediately by the PSU concerned and the Finance department. The position in this regard as on 31 March 2013 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	18032.46	18048.35	15.89
Loans	3324.75	2388.74	936.01
Guarantees	71584.26	70365.08	1219.18

1.21 These differences occurred in respect of 19<sup>8</sup> PSUs. 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

8 At Sl. No.-A-1, 2, 5, 6, 7, 10, 11, 13, 14, 21, 22, 26, 27, 31, 35, 41, B-1, C-1 and 2 of Annexure-1

and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

### Arrears in finalisation of accounts

**1.22** The accounts of the Companies/Statutory Corporations for every financial year are required<sup>9</sup> to be finalised within six months from the end of the relevant financial year. Thus accounts for 2012-13 were to be finalised by 30 September 2013. The progress made by these PSUs in finalisation of accounts by 30 September is shown below:

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of Working PSUs	29	37	42	44	46
2.	Number of accounts finalised during current year	25	27	46	33	59 <sup>10</sup>
3.	Number of working PSUs which finalised accounts for the current year	16	16	25	24	33
4.	Number of Working PSUs with arrears in accounts	13	21	17	20	13
5.	Number of accounts in arrears	14	28	24	33	21
6.	Number of previous year's accounts finalised during current year	9	11	21	9	25
7.	Average arrears per PSU (5/1)	0.55	0.76	0.57	0.75	0.46
8.	Extent of arrears	One to two years	One to three years	One to four years	One to five years	One to six years

**1.23** Out of 46 PSUs, only 33 PSUs had finalised their accounts for the year 2012-13 by 30 September 2013 and remaining 13 working PSUs had 21 accounts in arrear for the period from 2007-08 to 2012-13. Two<sup>11</sup> working PSUs did not finalise even a single account during 2012-13. Further, 25 accounts in arrears were finalised during 2012-13 as compared to 9 during 2011-12 consequently average arrears per PSUs decreased from 0.75 in 2011-12 to 0.46 in 2012-13.

**1.24** Of the 13 working PSUs with arrears of accounts, the GoR had extended budgetary support to six PSUs which was ₹ 5501.41 crore (Equity: ₹ 2486.91 crore, Loan: ₹ 3004.97 crore, Subsidy: ₹ 9.53 crore) during the years as detailed in **Annexure-4**.

9 Sections 166, 210, 230, 619 and 619-B of the Companies Act in case of Companies and provisions of respective Act in case of the Statutory Corporations.

10 Barmer Lignite Mining Company submitted revised accounts for the year 2011-12.

11 Rajasthan State Road Development and Construction Corporation Limited and Kota City Transport Services Limited.

### **Finalisation of accounts by Statutory Corporations**

**1.25** Three working Statutory Corporations had forwarded their latest accounts of 2012-13 by 30 September 2013. The audit of the accounts of two<sup>12</sup> Statutory Corporations was in progress (September 2013).

**1.26** Separate Audit Reports (SARs) are audit reports of CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. The SARs in respect of these Statutory Corporations for the period 2011-12 had been placed<sup>13</sup> in State Legislature during February to March 2013.

### **Failure of the administrative departments**

**1.27** 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.

**1.28** As the position of arrears in finalisation of accounts was alarming, CAG took up the matter (September 2011) with the Ministry of Corporate Affairs (MCA) and suggested to devise special arrangements along with actionable issues to ensure enforcement of accountability. The MCA in turn devised (November 2011) a scheme which allowed the PSUs with arrears in accounts for the past several years to finalise the latest two years accounts and clear the backlog within five years.

**1.29** The Accountant General also addressed (July 2013) the Chief Secretary/Administrative Departments/ Managements of the PSUs whose accounts were in arrears. The progress in liquidation of arrears of accounts has been discussed in paragraph 1.22 and 1.23.

### **Impact of non-finalisation of accounts**

**1.30** Non-finalisation of accounts by 30 September is a violation of the provisions of the Companies Act, 1956.

**1.31** In the absence of accounts and their subsequent audit, there is no assurance that the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature.

**1.32** 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. In view of the above state of arrears, the actual contribution of PSUs to the State Gross Domestic Product (GDP) for the year 2012-13 could not be ascertained. However, as per the latest finalised accounts the contribution of PSUs to State GDP was seven *per cent*. Further,

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12 PSUs at Sl. No. B-1 and B-2 of Annexure-2.

13 Rajasthan State Warehousing Corporation (22 February 2013), Rajasthan Financial Corporation (7 March 2013) and Rajasthan State Road Transport Corporation (20 March 2013).



the result of operation of these PSUs for the year 2012-13 and their contribution to State exchequer was also not reported to the State legislature.

**1.33** The Government should monitor and ensure timely finalisation of accounts with special focus on liquidation of arrears and comply with the provisions of the Companies Act, 1956.

## Performance of PSUs

### *Problems in assessing performance*

**1.34** The actual performance of the PSUs, in view of the backlog in finalisation of accounts, could not be ascertained. Thus, the performance of PSUs was assessed on the basis of their latest finalised accounts. The performance of major PSUs like Jodhpur Vidyut Vitran Nigam Limited, Rajasthan Rajya Vidyut Prasaran Nigam Limited and Rajasthan Rajya Vidyut Utpadan Nigam Limited could not be commented in the absence of finalisation of account for the year 2012-13.

### *Performance based on finalised accounts*

**1.35** The financial results of PSUs, financial position and working results of Statutory Corporations are detailed in **Annexures-2, 5 and 6** respectively. The ratio of PSUs' turnover to State GDP shows the extent of PSU activities in the State economy. The table below provides the details of working PSUs' turnover and State GDP for the period 2007-08 to 2012-13.

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Turnover <sup>14</sup>	16644.45	17510.67	25275.63	30152.24	32440.58	33486.33
State GDP <sup>15</sup>	194822.00	230949.00	265825.00	341865.00	416755.00	478160.00
Percentage of Turnover to State GDP	8.54	7.58	9.51	8.82	7.78	7.00

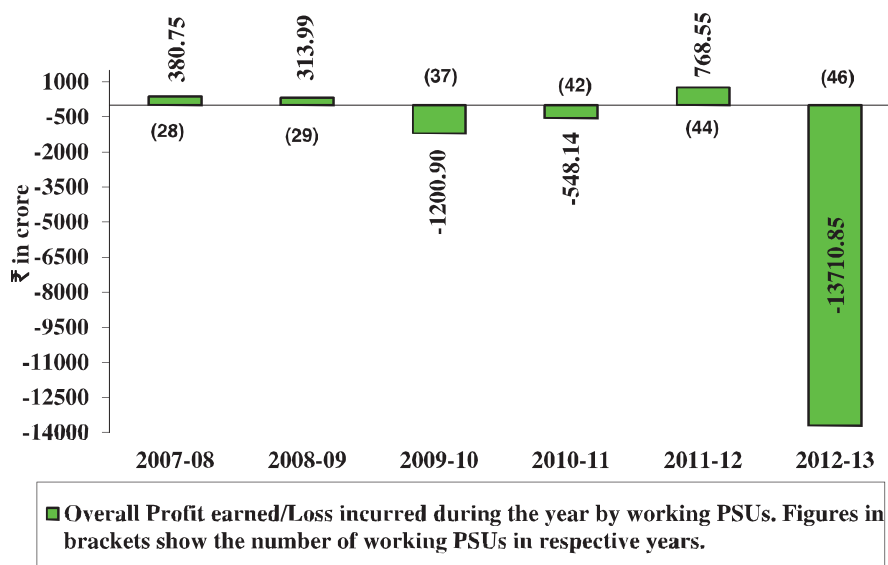
The turnover of PSUs has recorded continuous increase over previous years. Percentage of increase in turnover ranged between 3.22 and 44.34 during the period from 2007-08 to 2012-13, whereas percentage of increase in GDP ranged between 13.90 and 28.61 during the period from 2007-08 to 2012-13. The turnover of PSUs recorded compounded annual growth of 15.01 *per cent* during last five years which was lower than the compounded annual growth of 19.67 *per cent* of State GDP. This had resulted in decrease of PSUs share of turnover to State GDP from 8.54 *per cent* in 2007-08 to 7.00 *per cent* in 2012-13, despite increase in number of PSUs from 28 to 46 during 2007-08 to 2012-13.

**1.36** Profit<sup>16</sup> earned or losses incurred by State working PSUs during 2007-08 to 2012-13 are given below in a bar chart.

14 Turnover as per the latest finalised accounts.

15 State GDP as per Economic Review 2012-13 of Government of Rajasthan.

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



The working PSUs incurred a loss of ₹ 13710.85 crore in 2012-13 in comparison of profit of ₹ 768.55 crore in 2011-12. The main reason attributable to heavy losses during 2012-13 was depiction of losses in latest finalised accounts by Power distribution companies<sup>17</sup> (Discoms) which were earlier showing “No Profit No Loss” in their accounts prepared upto 2011-12. According to latest finalised accounts of 46 PSUs, 18<sup>18</sup> PSUs earned profit of ₹ 1071.40 crore, 26<sup>18</sup> PSUs incurred loss of ₹ 14782.25 crore, one<sup>19</sup> PSU had no profit and loss while one<sup>20</sup> PSU is yet to submit its first accounts since inception. Further, out of 46 PSUs, 15<sup>21</sup> PSUs incorporated during 2006-07 to 2012-13 did not commence their commercial activities till 2012-13.

**1.37** As per their latest finalised accounts, Rajasthan State Mines and Minerals Limited (₹ 615.83 crore) and Rajasthan State Industrial Development and Investment Corporation Limited (₹ 271.39 crore) were the major contributor to the profit while Jodhpur Vidyut Vitran Nigam Limited (JdVVNL) (₹ 6178.90 crore), Jaipur Vidyut Vitran Nigam Limited (JVVNL) (₹ 4161.23 crore) and Ajmer Vidyut Vitran Nigam Limited (AVVNL) (₹ 3904.73 crore) incurred heavy losses.

#### **Reasons for the losses**

**1.38** 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 Report of CAG shows that the State

17 Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited.  
 18 Including those PSUs which had not started their business activities but were showing marginal profit/loss.  
 19 Rajasthan State Refinery Limited.  
 20 Kota City Transport Services Limited.  
 21 PSUs at Sl. No. A-4, 12, 13, 15, 16, 17, 18, 20, 23, 24, 25, 29, 30, 32 and 33 of Annexure 2.

PSUs incurred losses to the tune of ₹ 96.67 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	Total
Net Profit (loss)	(548.14)	768.55	(13710.85)	(13490.44)
Controllable losses as per CAG's Audit Report	111.34	138.11	96.67	346.12
Infructuous Investment	120.55	Nil	Nil	120.55

**1.39** 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 table above indicates that with better management, the losses can be reduced. 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.

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

(₹ in crore)

Particulars <sup>22</sup>	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Return on Capital Employed <sup>23</sup> (per cent)	6.00	5.82	2.89	5.64	8.09	-16.32
Debt	15808.26	20955.24	26437.80	36260.08	45976.15	53503.45
Turnover <sup>24</sup>	16644.45	17510.67	25275.63	30152.24	32440.58	33486.33
Debt/Turnover Ratio	0.95 : 1	1.20:1	1.05:1	1.20:1	1.42:1	1.60:1
Interest Payments <sup>24</sup>	1338.95	1599.84	2374.73	3551.29	3681.11	7864.69
Accumulated Profits (losses) <sup>24</sup>	117.98	364.89	(1343.22)	(2066.69)	(1590.48)	(50951.85)

**1.41** During last five years, the turnover of PSUs recorded compound annual growth of 15.01 per cent. However, the compound annual growth of debts was 27.61 per cent indicating increase at a much faster rate than the turnover. The rising debts to turnover ratio from 0.95:1 in 2007-08 to 1.60:1 in 2012-13 indicated increased reliance on debts by PSUs.

**1.42** 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 or 20 per cent of the profit after tax, whichever is lower. As per their latest finalised accounts, 18 PSUs earned an aggregate profit of ₹ 1071.40 crore and eight<sup>25</sup> PSUs declared a dividend of ₹ 63.86 crore which worked out to 0.40 per cent of equity capital of all the PSUs. Out of eight PSUs declaring dividend, three<sup>26</sup> PSUs declared dividend more than the prescribed limit while two<sup>27</sup> PSUs declared dividend less than the prescribed limit in the Government dividend policy. Ten<sup>28</sup> PSUs

22 Position for the year 2012-13 was as per the latest information made available up to 30 September 2013.

23 Upto 2011-12, Capital employed has been worked out using formula (Net fixed assets + Working capital). For the year 2012-13, Capital employed has been worked out using formula (Shareholder's fund + Long-term borrowings).

24 As per latest finalised accounts.

25 PSUs at Sl. No.-A-1, 5, 6, 9, 10, 11, 28 and B-3 of Annexure-2.

26 PSUs at Sl. No.-A-6, 11 and B-3 of Annexure-2.

27 PSUs at Sl. No.-A-5 and 10 of Annexure-2.

28 PSUs at Sl. No. A-2, 3, 7, 30, 32, 34, 39, 40, 42 and B-1 of Annexure-2.

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

### Non-working PSUs

1.43 There were two non-working PSUs (all companies) as on 31 March 2013 having a total investment of ₹ 12.25 crore towards capital (₹ 8.89 crore) and long term loans (₹ 3.36 crore). Rajasthan State Agro Industries Corporation Limited had arrear in accounts for two years.

1.44 The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
No. of non-working companies	4	4	3	3	2

During the year 2012-13, one non-working PSU (Hi-Tech Glass Precision Limited) was amalgamated with Rajasthan State Ganganagar Sugar Mills Limited.

1.45 None of these non-working companies was under liquidation. The Government may take a decision regarding winding up of two non-working PSUs.

### Accounts Comments and Internal Audit of PSUs

1.46 Forty one working Companies forwarded their 56 audited accounts to the Accountant General during the period from October 2012 to September 2013. Of these, 39 accounts of 28 Companies were selected for supplementary audit. The Audit Reports of Statutory Auditors appointed by 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.

(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	27.97	4	496.05	5	30.01
2.	Increase in profit	2	0.99	1	62.24	2	7.60
3.	Increase in loss	10	11669.26	4	8.01	12	2131.55
4.	Decrease in loss	3	37.21	1	0.68	2	4.00
5.	Non-disclosure of material facts	1	0.30	10	29.25	2	2.57
6.	Errors of classification	-	-	4	1293.47	15	19411.76

1.47 During the year 2012-13, the Statutory Auditors had given qualified certificates on 22 accounts, adverse<sup>29</sup> certificate on 11 accounts and

29 Accounts do not reflect true and fair position.

disclaimer<sup>30</sup> on two accounts. The compliance of the Accounting Standards (AS) by PSUs remained poor as there were 111 instances of non-compliance in 27 accounts as pointed out by the Statutory Auditors. Additionally, the CAG gave adverse certificate on the accounts of Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) for the year 2010-11. As a result of CAG's comments and those of Statutory Auditors, the net loss of RRVUNL increased from ₹ 41.20 crore to ₹ 107.90 crore.

**1.48** Some of the important comments by the CAG during supplementary audit of accounts of companies are stated below:

***Rajasthan Rajya Vidyut Prasaran Nigam Limited (2011-12)***

- The Company did not capitalise the Chhabra Thermal Power Station (CTPP) to Dahra Grid Sub Station segment 400 kV transmission line from CTPP to Bhilwara from the date of charge of transmission line. This resulted in understatement of 'Prior Period Expenses' by ₹ 54.98 crore, overstatement of 'Fixed Assets' as well as 'Depreciation' by ₹ 53.28 crore and ₹ 1.70 crore respectively. Consequently, 'Accumulated Losses' were understated by ₹ 53.28 crore.

***Jodhpur Vidyut Vitran Nigam Limited (2011-12)***

- 'Subsidies/Grant Receivables' included ₹ 55.35 crore being receivable from State Government towards Electricity Duty (ED) which has been accounted for by the Company on the basis of sanction of State Government instead of actual receipt of ED. The Company had shown ED payable of ₹ 16.92 crore to GoR under the head 'Other Current Liabilities'. Consequently, 'Other Current Liabilities' and 'Other Operating Income' have been overstated by ₹ 16.92 crore and ₹ 38.43 crore respectively. Loss for the year has also been understated by ₹ 38.43 crore.

***Jaipur Vidyut Vitran Nigam Limited (2011-12)***

- 'Purchase of Power' was understated by ₹ 10.31 crore due to short provision of amount payable to JdVVNL and AVVNL on account of adjustment of billing of power purchase on actual basis. This resulted in understatement of 'Current Liabilities' and loss by ₹ 10.31 crore.

***Ajmer Vidyut Vitran Nigam Limited (2011-12)***

- 'Subsidies/Grants Receivables' included ₹ 54.80 crore receivable from State Government towards Electricity Duty (ED) which had been accounted for by the Company on the basis of sanction of State Government instead of actual receipt of ED. The Company had also shown the ED payable (₹ 16.66 crore) to the State Government under the head Current Liability. Thus, the 'Current Assets' have been overstated by ₹ 54.80 crore. Consequently, 'Current Liabilities' and 'Other Operating Income' have been overstated by ₹ 16.66 crore and ₹ 38.14 crore respectively. Loss for the year had also been understated by ₹ 38.14 crore.

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30 Auditors are unable to form an opinion on accounts.

1.49 Similarly, three working Statutory Corporations forwarded their accounts of 2012-13 to Accountant General (up to 30 September 2013). Of these, one account of Statutory Corporation pertains to sole audit by the CAG. Remaining two accounts were selected for supplementary audit. The details of aggregate money value of comments of Statutory Auditors and supplementary audit by the CAG are given below:

**(₹ in crore)**

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	1	63.83	1	31.19
2.	Increase in profit	1	0.59	-	-	-	-
3.	Increase in loss	2	116.04	1	1071.47	-	-
4.	Non-disclosure of material facts	1	78.25	1	48.04	-	-
5.	Errors of classification	-	-	1	1.02	-	-

1.50 Out of two accounts received during the year 2012-13, the Statutory Auditors had given qualified certificates for both accounts.

1.51 Though, audit of annual accounts for the year 2012-13 by the CAG was in progress as on 30 September 2013, some of the important comments in respect of accounts of Statutory Corporation for the year 2011-12 finalised during 2012-13 are stated below:

**Rajasthan State Road Transport Corporation (2011-12)**

- The Provision for Gratuity & Pension Contribution for Corporation Employees Fund was understated by ₹ 822.18 crore due to non-provision for liability towards Gratuity & Pension Contribution as per actuarial valuation report. This resulted in understatement of Welfare and Superannuation Expenditure and Net Loss by ₹ 822.18 crore.
- The Government Creditors was understated by ₹ 127.51 crore due to short provision of liability toward Special Road Tax (SRT) disregarding the cost of chasis notified by the Transport Department, Government of Rajasthan. This resulted in understatement of License and Taxes as well as Net Loss by ₹ 127.51 crore

**Rajasthan Financial Corporation (2011-12)**

- Due to our comments, the net profit after tax of ₹ 5.88 crore shown in Accounts turned into a loss of ₹ 12.09 crore. Hence, the Accounts did not represent a true and fair view.

1.52 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 56 annual accounts of working companies which were forwarded to the Accountant General during October 2012 to September 2013 is given below:

Sl. No.	Nature of comments made by Statutory Auditors	Number of working companies where comments were made		Reference to serial number of the working companies as per Annexure 2
		Year of accounts	No. of accounts	
1.	Absence of internal audit system commensurate with the nature and size of business of the company	2009-10	1	A-19
		2010-11	5	A-14, 19, 21, 22 & 27
		2011-12	11	A-3, 14, 21, 22, 26, 28, 30, 31, 39, 41 & 43
		2012-13	11	A-2, 3, 5, 10, 11, 14, 21, 28, 31, 32 & 43
2.	Non maintenance of proper records showing full particulars including quantitative details and situations of fixed assets.	2009-10	1	A-19
		2010-11	5	A-14, 19, 21, 22 & 27
		2011-12	7	A-14, 21, 22, 26, 28, 31 & 40
		2012-13	8	A-2, 5, 10, 14, 21, 28, 31 & 32
3	Inadequate internal control procedure commensurate with the size of the company and the nature of its business for purchase of inventory, fixed assets and for sale of goods.	2009-10	1	A-19
		2010-11	5	A-14, 19, 21, 22 & 27
		2011-12	9	A-3, 14, 21, 22, 26, 31, 37, 40 & 43
		2012-13	10	A-2, 3, 5, 11, 14, 21, 32, 35, 37 & 43
4	Company which has been registered for a period not less than five years, accumulated losses at the end of the financial year are not less than 50 per cent of its net worth.	2010-11	3	A-14, 21 & 22
		2011-12	9	A-3, 14, 21, 22, 26, 31, 40, 41 & 43
		2012-13	12	A-2, 3, 14, 16, 18, 21, 23, 24, 25, 31, 35 & 43
5	Company which has been registered for a period not less than five years, has incurred cash losses in the financial year.	2010-11	3	A-14, 21 & 22
		2011-12	7	A-3, 14, 21, 22, 26, 31 & 43
		2012-13	8	A-2, 14, 18, 21, 23, 31, 35 & 43

### Recoveries at the instance of audit

**1.53** During the course of propriety audit in 2012-13, recoveries of ₹ 49.13 crore were pointed out to the Management of various PSUs, of which, recoveries of ₹ 39.50 crore were admitted by PSUs. An amount of ₹ 9.40 crore had been recovered during the year 2012-13.

### Disinvestment, Privatisation and Restructuring of PSUs

**1.54** During 2012-13 one PSU namely Shekhawati Transmission Service Company Limited was privatized.



### Reforms in Power Sector

**1.55** Rajasthan Electricity Regulatory Commission (RERC) was formed in January 2000 under Section 17 of the Electricity Regulatory Commissions Act, 1998 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 2012-13, RERC issued 57 orders (21 on annual revenue requirements and 36 on other issues).

**1.56** 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 2013			
1.	Reduction in transmission and distribution losses	20 per cent by 2008-09	Name of the Company		Transmission and Distribution losses (In per cent)	
			JVVNL		23.64	
			AVVNL		19.85	
			JdVVNL		17.32	
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 2013	Percentage
			JVVNL	5370	4579	85.27
			AVVNL	5803	4761	82.04
			JdVVNL	6781	5632	83.05
3.	100 per cent electrification of all villages	41353 villages by 2005	40202 villages (as per Census 2001) electrified i.e. 97.22 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.			
5.	<b>State Electricity Regulatory Commission (SERC)</b>					
	(1) Establishment of the SERC	–	The RERC was formed in January 2000.			
	(2) Implementation of tariff orders issued by SERC during the year	–	A tariff order was issued on 8 August 2012 and implemented from 10 August 2012.			
	<b>General</b>					
6.	Monitoring of MOU	–	Monitoring was being done by SE (Plan) of Jaipur Vidyut Vitran Nigam Limited and last report was sent in March 2012.			