

## **CHAPTER I**

### **1. Overview of Government companies and Statutory Corporations**

#### *(i) Introduction*

As on 31 March 2001 there were 70 Government companies (57 working companies and 13 non-working companies\*) and 6 Statutory corporations (working) as against 71 Government companies (58 working and 13 non-working companies) and 6 Statutory corporations (working) as on 31 March 2000 under the control of the State Government. The accounts of 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 provision of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

<b>Sl. No.</b>	<b>Name of the Corporation</b>	<b>Authority for audit by the CAG</b>	<b>Audit arrangement</b>
1	Karnataka State Road Transport Corporation (KSRTC)	Section 33(2) of the Road Transport Corporation Act, 1950	Sole audit by CAG
2	Bangalore Metropolitan Transport Corporation (BMTCL)	Section 33(2) of the Road Transport Corporation Act, 1950	Sole audit by CAG
3	North West Karnataka Road Transport Corporation (NWKRTC)	Section 33(2) of the Road Transport Corporation Act, 1950	Sole audit by CAG
4	North Eastern Karnataka Road Transport Corporation (NEKRTC- formed with effect from 15 August 2000)	Section 33(2) of the Road Transport Corporation Act, 1950	Sole audit by CAG
5	Karnataka State Financial Corporation (KSFC)	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and Supplementary audit by CAG
6.	Karnataka State Warehousing Corporation (KSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and Supplementary audit by CAG

During the year one Government Company viz., Rajiv Gandhi Rural Housing Corporation Limited and one Statutory Corporation viz., North Eastern Road Transport Corporation was incorporated. Two companies viz., Karnataka Dairy Development Corporation Limited and Inland Fisheries Development Corporation Limited were struck off from the Register of Companies and Karnataka Electricity Board ceased to function from 31 March 2000.

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\* Non-working companies/corporations are those, which are under the process of liquidation/closure/merger etc.

## **1.2 Working Public Sector Undertakings (PSUs)**

### **1.2.1 Investment in working PSUs**

As on 31 March 2001, the total investment in 63 working PSUs (57 Government companies and 6 Statutory corporations) was Rs.19,216.77 crore (equity: Rs 4,008.20 crore; long-term loans\*: Rs.13,099.96 crore; and share application money: Rs.2,108.61 crore) as against 64 working PSUs (58 Government companies and 6 Statutory Corporations) with a total investment of Rs 16,570.72 crore (equity: Rs.3,914.27 crore; long term loans: Rs.11,833.62 crore; and share application money: Rs 822.83 crore) as on 31 March 2000. The analysis of investment in working PSUs is given in the following paragraphs.

#### **1.2.1.1 Working Government companies**

Total investment in 57 working Government companies as on 31 March 2001 was Rs.16,323.04 crore (equity: Rs. 3,444.40 crore; long term loans: Rs.10,797.93 crore, share application money: Rs.2,080.71 crore) as against a total investment of Rs.10,898.72 crore (equity: Rs.2,926.74 crore; long term loans: Rs.7,173.45 crore, share application money: Rs.798.53 crore) as on 31 March 2000 in 58 working Government companies.

Increase in total investment was due to significant increase in equity and loan of Power sector and Area Development sector.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in Annexure-1.

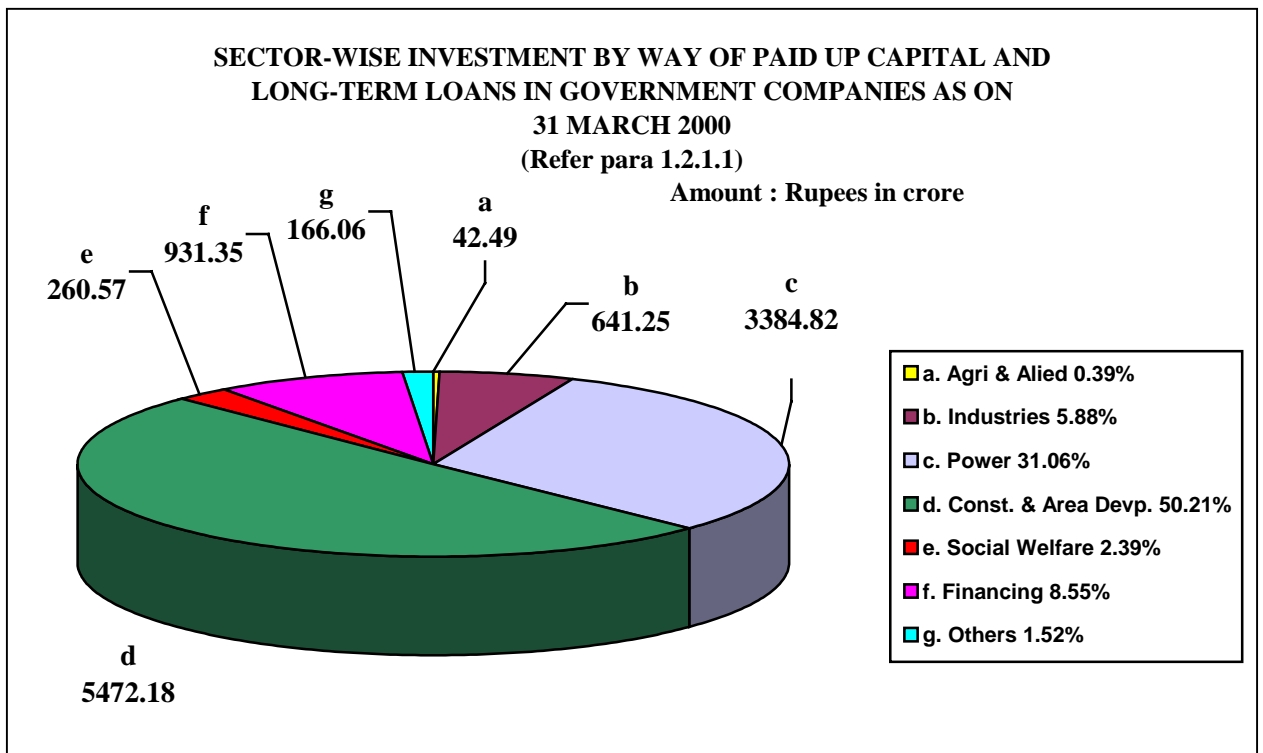
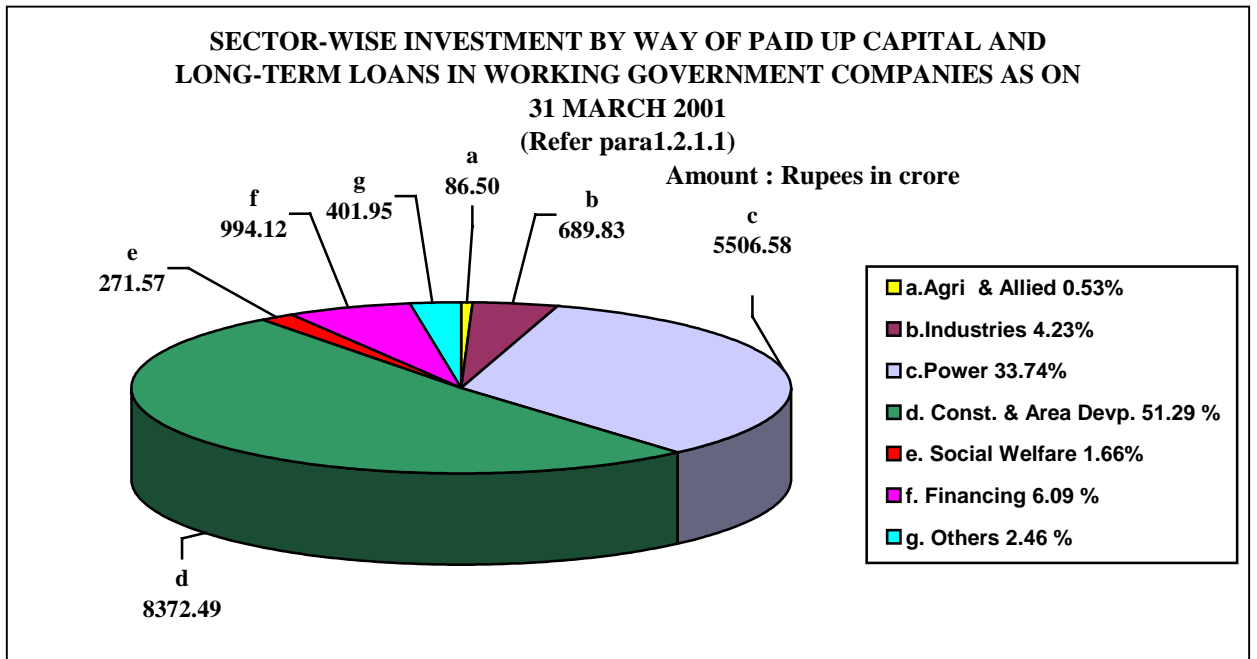
#### **Sector wise investment in working Government companies**

As on 31 March 2001, the total investment of working Government companies comprised 33.85 per cent of equity capital and 66.15 per cent of loans as compared to 34.18 per cent and 65.82 per cent, respectively as on 31 March 2000.

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\* Long term loans mentioned in Paragraph 1.2,1.2.1 and 1.2.2 are excluding interest accrued and due on such loans.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 31 March 2000 (year previous to reporting year) are indicated below in the pie charts



Due to significant increase in long term loan of Area Development and Power sector the debt equity ratio increased to 1.95:1 in March 2001 from 1.93:1 in March 2000.

### 1.2.1.2 Working Statutory corporations

The total investment in 6 working Statutory corporations at the end of March 2001 and March 2000 was as follows:

Name of the Corporation	(Rupees in crore)			
	1999-2000		2000-01	
	Capital	Loan	Capital	Loan
Karnataka Electricity Board (KEB)	436.01	2452.58	*	*
Karnataka State Road Transport Corporation (KSRTC)	287.77 (1.30)	198.94	207.57 (1.00)	164.86
Bangalore Metropolitan Transport Corporation (BMTC)	64.53	26.25	64.54	39.33
North West Karnataka Road Transport Corporation (NWKRTC)	93.64	94.11	93.64	98.60
North Eastern Karnataka Road Transport Corporation (NEKRTC)	Nil	Nil	83.20 (0.30)	66.25
Karnataka State Financial Corporation (KSFC)	98.28 (23.00)	1888.12	107.45 (26.60)	1931.34
Karnataka State Warehousing Corporation (KSWC)	7.30	0.18	7.40	1.65
<b>Total</b>	<b>987.53</b> <b>(24.30)</b>	<b>4660.18</b>	<b>563.80</b> <b>(27.90)</b>	<b>2302.03</b>

(Figures in bracket indicate share application money)

The summarized statement of government investment in working statutory corporations in the form of equity and loans is detailed in Annexure 1

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

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in Annexures 1 and 3.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to 29 working Government companies and 6 working Statutory corporations for the three years up to 2001 are summarised below.

\* KEB was corporatised into Karnataka Power Transmission Corporation Limited and Visveswaraya Vidyuth Nigam Limited as of 1 April 2000.

(Amount: Rupees in crore)

	1998-99				1999-2000				2000-2001			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
Equity capital out go from budget	12	336.21	5	5.59	11	500.75	2	10.15	13	1002.64	3	6.70
Loans given from budget	3	38.16	1	1.05	7	61.62	--	--	11	306.55	1	4.84
Grants	8	32.02	--	--	9	33.82	-	-	10	40.95	-	-
Subsidy towards (i) Projects/ Programme/ Schemes	5	6.72	--	--	7	14.00	--	--	6	220.99	--	--
(ii) Other subsidy	2	11.59	4	910.61	3	3.28	4	1093.75	1	2344.63	3	46.88
Total subsidy	7	18.31	4	910.61	10	17.28	4	1093.75	7	2565.62	3	46.88
<b>Total outgo</b>	<b>21</b>	<b>424.7</b>		<b>917.25</b>	<b>25</b>	<b>613.47</b>	<b>6</b>	<b>1103.9</b>	<b>29</b>	<b>3915.76</b>	<b>6</b>	<b>58.42</b>

During the year 2000-01 the Government had guaranteed the loans aggregating Rs. 610.19 crore obtained by 9 working Government companies. At the end of the year guarantees amounting to Rs.7993.95 crore against 24 working Government companies (Rs.7831.07 crore) and 5 working statutory corporations (Rs.162.88 crore) were outstanding. The Government converted its loans amounting to Rs.2.23 crore into equity capital in 2 companies during the year. The guarantee commission paid/payable to Government by Government companies and Statutory corporations during 2000-01 was Rs.17.01 crore and Rs.11.14 crore, respectively.

### 1.2.3 Finalisation of accounts by working PSUs.

The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Services) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations their accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from Annexure 2, out of 57 working Government companies, only 26 working companies and none of the 6 working Statutory corporations have finalised their accounts for the year 2000-01 within stipulated period. During the period from October 2000 to September 2001, 30 working Government companies finalised 30 accounts for previous years.

The accounts of 31 working Government companies and 6 Statutory corporations were in arrears for periods ranging from one year to four years as on 30 September 2001 as detailed below.

Sl. No	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Number of companies / corporations		Reference to serial number of Annexure 2	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1	1997-98	4	1	-	49	-
2	1999-2000	2	2	1	7, 38	5
3	2000-2001	1	28	5	1,2,6,8,10,11,13,14,19,20,21,23,24,26,28,29,30,31,33,36,42,43,44,47,48,52,53,57.	1,2,3,4,6

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were appraised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the investments made in these PSUs could not be assessed in audit.

#### **1.2.4 Financial position and working results of working PSUs**

The summarised financial results of working PSUs (Government companies and Statutory corporations) as per latest finalised accounts are given in Annexure 2. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in Annexure 4 and 5 respectively.

According to latest finalised accounts of 57 working Government companies and 6 working Statutory corporations, 24 companies and 2 corporations had incurred an aggregate loss of Rs.278.32 crore and Rs.110.07 crore, respectively, 24 companies and 3 corporations earned an aggregate profit of Rs.81.42 crore and Rs.9.21 crore, respectively and 3 companies and one statutory corporation had not finalised their first accounts while 2 companies had not commenced commercial activities. In case of 4 companies excess over the income are capitalised and no profit and loss account are prepared.

##### **1.2.4.1 Working Government companies**

###### **1.2.4.1.1 Profit earning working companies and dividend**

Out of 26 working Government companies, which finalised their accounts for 2000-01 by September 2001, 11 companies earned an aggregate profit of Rs.56.43 crore and only 3 companies (Sl Nos.12, 45, 54 of Annexure 2) declared dividend aggregating Rs.3.80 crore. The dividend as percentage of share capital in the above 3 profit making companies worked out to 2.91 per cent. The remaining 8 profit making companies did not declare any dividend. The total return by way of above dividend of Rs.3.80 crore, worked out to 0.07 per cent in 2000-01 on total equity investment of Rs 5,425.54 crore by the

State Government in all Government companies as against 0.03 per cent in the previous year.

Similarly, out of 30 working Government companies, which finalised their accounts for previous years by September 2001, 8 companies earned an aggregate profit of Rs.16.80 crore and only 3 companies earned profit for two or more successive years. State Government had not formulated any dividend policy so far.

#### **1.2.4.1.2 Loss incurring working Government companies**

Of the 24 loss incurring working Government companies, 12 companies had accumulated losses aggregating Rs.236.47 crore which exceeded their aggregate paid up capital of Rs.105.13 crore.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. According to available information, the total financial support so provided by the State Government by way of loan and Grants during 2000-01 to 5 companies, out of these 12 companies, amounted to Rs.14.20 crore.

#### **1.2.4.2 Working Statutory corporations**

##### **1.2.4.2.1 Profit earning Statutory corporations and dividend**

Out of 4 Statutory corporations which finalised their accounts for previous year by September 2001, 3 corporations earned aggregate profit of Rs.9.21 crore and one corporation declared dividend of Rs.0.26 crore. The dividend as a percentage of share capital of the Statutory Corporation worked out to 3.56 per cent. The total return by way of dividend of Rs.0.26 crore worked out to 0.04 per cent in 2000-01 on total equity investment of Rs.643.99 crore by the State Government in all the Statutory corporations.

##### **1.2.4.2.2 Loss incurring Statutory corporations**

Out of 2 loss incurring Statutory corporations, one Statutory corporation (Karnataka State Road Transport Corporation) finalised accounts for 1999-2000 and another (Karnataka State Financial Corporation) for 1998-99 and had accumulated losses aggregating Rs.470.18 crore which had far exceeded their aggregate paid up capital of Rs.395.01 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these 2 corporations by way of equity, loan and subsidy amounting to Rs.26.44 crore.

##### **1.2.4.2.3 Operational performance of working Statutory corporations**

The operational performance of the Statutory corporations is given in Annexure 6. The average expenses per tonne per year incurred by Karnataka

State Warehousing Corporation increased sharply (50.33 per cent) from Rs.158.81 in 1999-2000 to Rs.238.75 in 2000-01.

### 1.2.5 Return on Capital Employed

As per the latest finalised accounts (up to September 2001), the capital employed\* worked out to Rs.13,674.26 crore in 57 working companies and total return+ thereon amounted to Rs.491.88 crore which is 3.60 per cent as compared to total return of Rs.459.56 crore (4.48 per cent) in the previous year (accounts finalised up to September 2000). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2001) worked out to Rs.2441.02\* crore and Rs.220.17 crore (9.04s per cent) respectively, against the total return of Rs.351.14 crore (6.44 per cent) in previous year (accounts finalised up to September 2000). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in Annexure 2.

## 1.3 Non-working PSUs

### 1.3.1 Investment in non-working PSUs

As on 31 March 2001, the total investment in 13 non working Government companies was Rs.77.9 crore (equity Rs.38.72 crore, long term loans Rs.38.47 crore and share application money Rs.0.71 crore) as against total investment of Rs.70.54 crore (equity: Rs.36.91 crore, long term loans Rs.32.74 crore and share application money Rs.0.89 crore) in 13 non-working Government companies as on 31 March 2000.

The classification of the non-working PSUs was as under:

Sl. No.	Status of non-working PSUs	Number of companies	(Rupees in crore)	
			Equity <sup>§</sup>	Long term loans
(i)	Under liquidation	--	--	--
(ii)	Under closure	12	38.18	35.81
(iii)	Under merger	1	1.25	2.66
(iv)	Others	--	--	--
	<b>Total</b>	<b>13</b>	<b>39.43</b>	<b>38.47</b>

Effective steps need to be taken for their expeditious liquidation or revival.

\* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

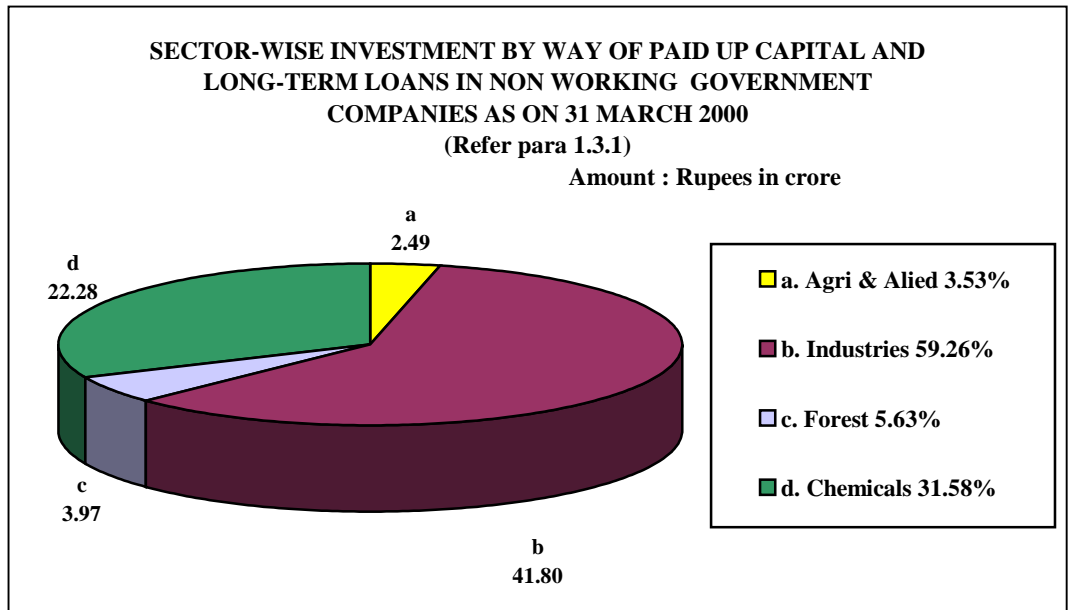
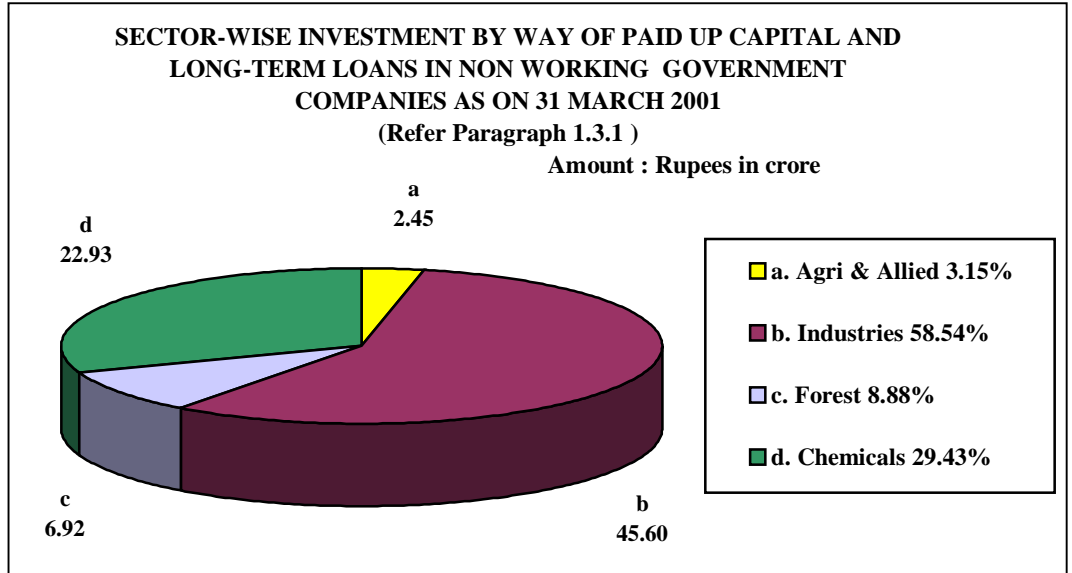
+ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

♦ The reduction in capital employed is due to non-inclusion of capital employed in Karnataka Electricity Board, which has now been bifurcated into 2 separate companies.

§ Equity includes share application money of Rs.0.71 crore for companies under closure.



The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 2000 are indicated below in the pie charts:



### 1.3.2 Budgetary outgo, grant/subsidy, guarantees waiver of dues and conversion of loans into equity

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to non-working PSUs are given in Annexure 1 and 3.

The State Government had released budgetary support of Rs.2.92 crore in the form of loans during 2000-01.

### 1.3.3 Total establishment expenditure of non-working PSUs

The year wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2000-01 are given below:

Year	Number of PSUs	Total establishment expenditure	(Rupees in crore)				Others <sup>@</sup>
			Financed by				
			Disposal of investment / assets	Loans from private parties	Government by way of		
Loans	Grants						
Government companies							
1998-99	12	4.14	--	--	2.03	--	2.11
1999-2000	13	5.43	--	--	3.77	--	1.66
2000-01	13	7.25	--	--	5.42	--	1.83

### 1.3.4 Finalisation of accounts by non-working PSUs

The accounts of 6 non-working companies were in arrears for periods ranging from one year to 3 years as on 30 September 2001 as could be noticed from Annexure 2.

### 1.3.5 Financial position and working results of non-working PSUs

The summarised financial results of non-working Government companies as per latest finalised accounts are given in Annexure 2.

The year wise details of paid-up capital, net worth, cash loss/cash profits and accumulated loss/accumulated profit of non working PSUs as per their latest finalised accounts are given below:

Year of latest finalised accounts	No. of companies	Paid-up capital	Net worth	Cash loss (-) / cash profit (+)	(Rupees in crore)
					Accumulated loss (-) / accumulated profit (+)
1997-98	1	0.0001	--	--	--
1998-99	2	1.11	(-)12.67	(-)0.90	(-)13.78
1999-2000	3	2.44	(-)31.20	(-)6.99	(-)33.64
2000-2001	7	35.17	(-)49.03	(-)11.81	(-)84.20
<b>Total</b>	<b>13</b>	<b>38.72</b>	<b>(-)92.90</b>	<b>(-)19.70</b>	<b>(-)131.62</b>

<sup>@</sup> This includes Income from Sales, building rent, Interest, etc.,

(Note: Net worth, cash loss / profit and accumulated losses / profit calculated are as per last certified accounts. 6 non working PSUs have not finalised their accounts for 1 to 3 years as indicated in Annexure-2).

#### **1.4 Status of placement of Separate Audit Reports of Statutory corporations in Legislature**

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

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to Government	Reason for delay in placement in Legislature
1	KEB	1998-99	1999-2000	10.9.2001	Assembly session not held
2	KSRTC	1998-99	1999-2000	6.9.2001	Assembly session not held
3	BMTC	1999-2000	2000-2001	Audit under progress	--
4	NWKRTC	1999-2000	2000-2001	Audit under progress	--
5	KSFC	1999-2000	2000-2001	Audit under progress	--
6	KSWC	1999-2000	2000-2001	Accounts not received	

#### **1.5 Disinvestment, Privatisation and Restructuring\* of Public Sector Undertakings**

**1.5.1** Government of Karnataka constituted (March 2000) Public Sector Restructuring Commission (PSRC) to study the performance of PSUs and to make suitable recommendations regarding restructuring through rationalisation, closure, disinvestment, merger and privatisation of some sick units in the context of low return on huge investments. The PSRC has submitted its reports on 7 PSUs and Government has taken decision to close one company and recommendations on 6 PSUs are under examination. The Government of Karnataka also approved and adopted (February 2001) a comprehensive policy on Public Sector Reforms and Privatisation of PSUs in the State.

\* Restructuring includes merger and closure of PSUs.

In consultation with PSRC, the Government of Karnataka identified 15<sup>s</sup> PSUs for closure/privatisation, of which 10 were to be closed or privatised by March 2002.

**1.5.2** Under the Karnataka Electricity Reforms Act 1999, the Karnataka Electricity Board (KEB) was restructured on functional basis with effect from 1 August 1999 into two wholly owned Government companies viz, Karnataka Power Transmission Corporation Limited for transmission and distribution and Visveswaraya Vidyuth Nigam Limited, for generation of electricity at two generating stations viz, Sivasamudram and Jog. In order to exercise the regulatory functions, Karnataka Electricity Regulatory Commission was formed on 6 October 1999. The assets and liabilities of the erstwhile Karnataka Electricity Board were transferred to the new corporations with effect from 1 April 2000.

## **1.6 Results of audit by Comptroller and Auditor General of India**

During the period from October 2000 to September 2001, the audit of accounts of 43 Government companies (37 working and 6 non working) and 4 Statutory corporations (4 working) were selected for review. As a result of the observations made by CAG, 4<sup>#</sup> companies and 3<sup>£</sup> corporations revised their accounts. In addition, the net impact of the important audit observations as a result of review of the accounts of PSUs were as follows:

- i) Karnataka Small Industries Marketing Corporation Limited (1999-2000) - The correctness of cash and bank balances of Rs.65.87 lakh as on 31 March 2000 could not be vouched by Audit.
- ii) Karnataka State Road Transport Corporation (1999-2000) – The loss of Rs.21.06 crore is understated by Rs.2.22 crore.
- iii) North West Karnataka Road Transport Corporation (1999-2000) – The profit of Rs.2.76 crore is overstated by Rs.91.76 lakh
- iv) Bangalore Metropolitan Transport Corporation (1999-2000) – The profit of Rs.2.11 crore is overstated by Rs.8.90 lakh.

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<sup>s</sup> 1) Karnataka Telecom Limited, 2) Mysore Lamp Works Limited, 3) NGEF Limited 4) Mysore Acetate and Chemicals Limited 5) Mysore Electrical Industries Limited, 6) Chamundi Machine Tools Limited, 7) Karnataka Soaps and Detergents Limited, 8) Mysore Paper Mills Limited, 9) Mysore Match Company Limited 10) Karnataka Vidyuth Karkhane Limited, 11) Mysore Cosmetics Limited, 12) Karnataka State Construction Corporation Limited 13) Karnataka State Electronics Development Corporation Limited, 14) Karnataka State Textiles Limited, 15) Karnataka Agro Proteins Limited.

<sup>#</sup> Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited (1999-2000 and 2000-2001), Karnataka Backward Classes Development Corporation Limited (2000-2001), Karnataka State Powerloom Development Corporation Limited (2000-2001) and Karnataka Soaps and Detergents Limited (2000-2001).

<sup>£</sup> Karnataka State Road Transport Corporation (1999-2000), Bangalore Metropolitan Road Transport Corporation (1999-2000) and North West Karnataka Road Transport Corporation (1999-2000).

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the companies and corporations are mentioned below:

**1.6.1 Errors and omissions noticed in case of Government companies**

**Karnataka Small Industries Marketing Corporation Limited (1999-2000).**

- (i) An amount of Rs.1.07 crore received on behalf of SSI units from 35 Government departments located in four districts were kept outside the cashbook of Hassan branch.
- (ii) An amount of Rs. 40.89 lakh received from various Government departments were kept outside the books of Belgaum branch
- (iii) The cashbook at Hassan branch was falsified on 767 occasions involving an amount of Rs.2.13 crore

**1.6.2 Errors and omissions noticed in case of Statutory corporations**

**Karnataka State Road Transport Corporation (1999-2000)**

- (i) Overstatement of Sundry Debtors and corresponding understatement of Net Loss of Rs.37.18 crore as no amount is receivable towards consideration for transfer of business to newly formed corporations.
- (ii) Non-provision of no fault liability in respect of accidents occurred during the year resulted in understatement of loss by Rs.1.34 crore.
- (iii) Accountal of Revenue Expenditure as Capital Expenditure resulted in understatement of loss by Rs.50.76 lakh, and overstatement of Fixed Assets by the same amount.
- (iv) Understatement of both assets and liabilities by Rs.1.30 crore due to non-accounting of assets received during the year.

**North West Karnataka Road Transport Corporation (1999-2000)**

- (i) Revenue liabilities are overstated by Rs.1.42 crore due to provision of ex-gratia to the trainees who were not eligible for ex-gratia.
- (ii) Non-provision of no fault liability in respect of fatal accidents occurred during 1999-2000 was Rs.75.80 lakh.
- (iii) Non-provision of liability towards supplies completed during the year was Rs.46.96 lakh.

## **1.7 Recommendations for Closure of PSUs**

Even after completion of 5 years of their existence, the turnover of 13 Government companies (working 3, non-working 10) have been less than Rs. 5 crore in each of the preceding five years of latest finalised accounts. Similarly 2 Government companies (working) viz., NGEF Limited and Karnataka Agro Industries Corporation Limited had been incurring losses for 5 consecutive years (as per latest finalised accounts) leading to negative net worth. Besides Karnataka Tungsten Moly Limited had not under taken any activity since its inception (December 1986). In view of poor turnover and continuous losses, the Government may either improve performance of above Government companies or consider their closure.

## **1.8 Response to Inspection Reports, Drafts paras and reviews**

Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued upto March 2001 pertaining to 54 PSUs disclosed that 5465 paragraphs relating to 1041 Inspection Reports remained outstanding at the end of September 2001. Of these, 680 Inspection Reports containing 1272 paragraphs are pending due to non-receipt of even first replies from 8 to 15 years. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2001 is given in Annexure-7.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was however observed that 19 draft paragraphs and 3 draft reviews forwarded to the various departments during July 2000 to July 2001, as detailed in Annexure-8, had not been replied so far.

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

### 1.9 Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

The table below indicates the position of reviews/paragraphs appeared in the Audit Reports and pending for discussion as on 30 September 2001.

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		No. of reviews/Paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1991-92	4	20	2	1
1992-93	5	16	2	3
1994-95	4	15	1	3
1995-96	4	19	1	4
1996-97	4	27	0	5
1997-98	8	27	2	7
1998-99	3	32	2	9
1999-2000	3	29	3	26
<b>Total</b>	<b>35</b>	<b>185</b>	<b>13</b>	<b>58</b>

### 1.10 619-B Companies

There were three companies coming under Section 619-B of the Companies Act, 1956. Annexure-9 indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest available accounts.