

CHAPTER I

1. OVERVIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1 Introduction

As on 31 March 2001, there were 104 Government companies (91 working companies and 13 non-working companies) and 5 working Statutory corporations as against 103 Government companies (90 working companies and 13 non-working companies*) and 5 working Statutory corporations as on 31 March 2000 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619(2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are shown below:

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Kerala State Electricity Board (KSEB)	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG
2.	Kerala State Road Transport Corporation (KSRTC)	Section 33(2) of the Road Transport corporations Act, 1950	Sole audit by CAG
3.	Kerala Industrial Infrastructure Development Corporation (KINFRA)	Section 20(2) of Kerala Industrial Infrastructure Development Act, 1993	Sole audit by CAG
4.	Kerala Financial Corporation (KFC)	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and supplementary Audit by CAG
5.	Kerala State Warehousing Corporation (KSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG

* Non-working companies 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 96 working PSUs (91 Government companies and 5 Statutory corporations) was Rs.9804.91 crore (equity: Rs.3282.86 crore and long-term loans[#]: Rs.6522.05 crore) as against 95 working PSUs (90 Government companies and 5 Statutory corporations) with a total investment of Rs.8369.29 crore (equity: Rs.3060.77 crore and long term loans: Rs.5308.52 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 91 working Government companies as on 31 March 2001 was Rs.2282.14 crore (equity: Rs.1341.10 crore and long term loans: Rs.941.04 crore) as against total investment of Rs.2044.66 crore (equity: Rs.1247.70 crore and long term loans: Rs.796.96 crore) as on 31 March 2000 in 90 working Government companies.

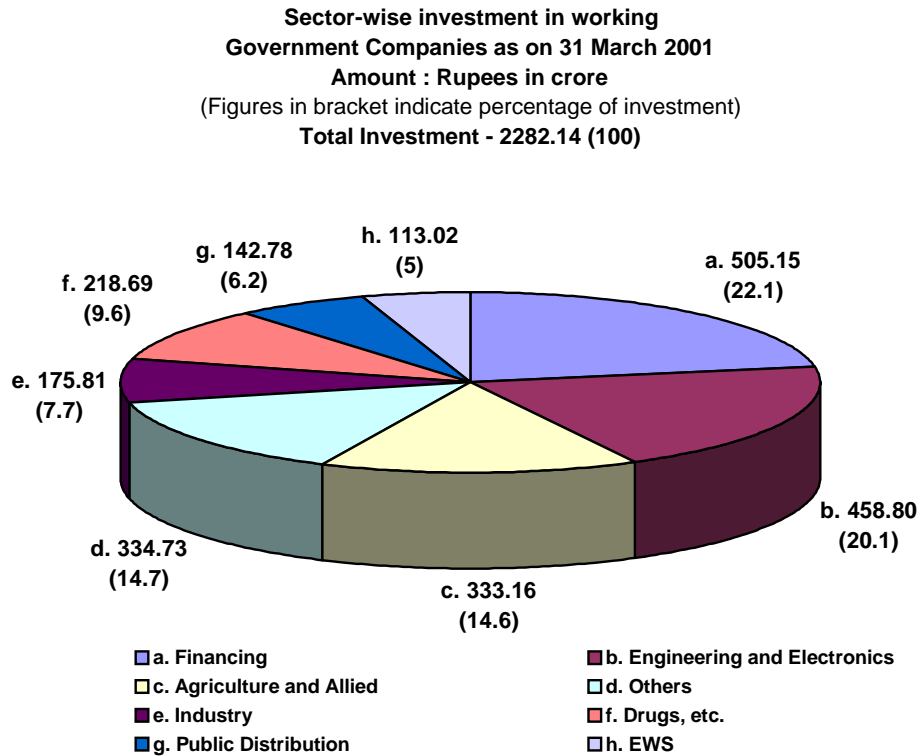
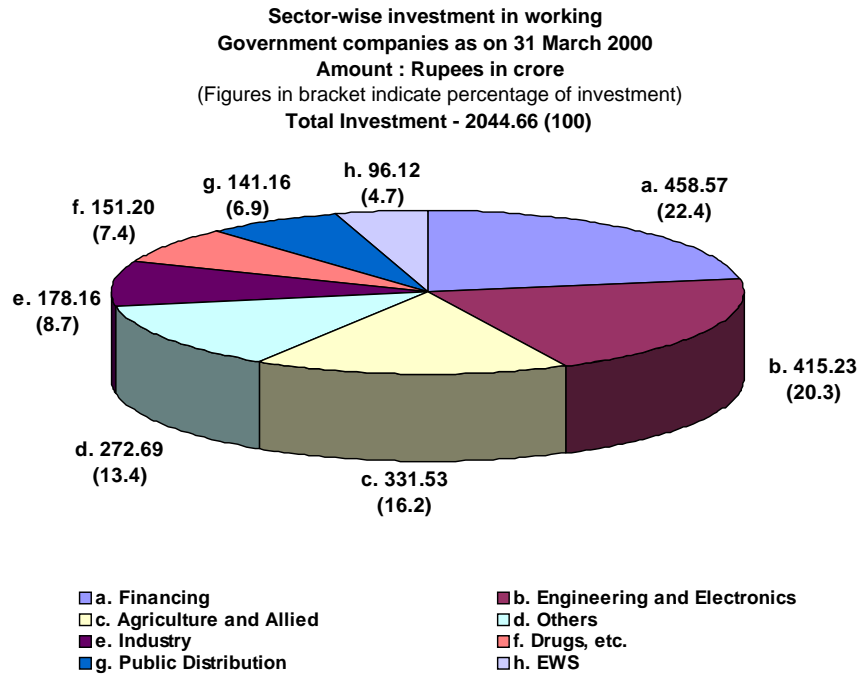
The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in Annexure 1.

Sector-wise investment in working Government companies

As on 31 March 2001, the total investment in working Government companies, comprised 58.8 *per cent* of equity capital and 41.2 *per cent* of loans as compared to 61 *per cent* and 39 *per cent*, respectively, as on 31 March 2000.

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

[#] Long-term loans mentioned in paragraphs 1.2.1, 1.2.1.1 and 1.2.1.2 are excluding interest accrued and due on such loans



Due to significant increase in long term loan of Drugs, Chemicals and Pharmaceuticals sector, the debt equity ratio increased from 0.97:1 in 1999-2000 to 1.84:1 in 2000-01.

1.2.1.2 Working Statutory corporations

The total investment in 5 working Statutory corporations at the end of March 2001 and March 2000 was as follows:

Name of Corporation	(Rupees in crore)			
	1999-2000		2000-01	
	Capital	Loan	Capital	Loan
Kerala State Electricity Board	1553.00	3551.10	1553.00 [@]	4571.41 [@]
Kerala State Road Transport Corporation	115.20	197.50	122.70	163.25
Kerala Financial Corporation	118.00	650.91	127.75	733.34
Kerala State Warehousing Corporation	7.50 [@]	0.62 [@]	7.50 [@]	1.58 [@]
Kerala Industrial Infrastructure Development Corporation	19.37	111.44	130.81 [@]	111.44 [@]

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

As on 31 March 2001, the total investment in working Statutory corporations comprised 26 per cent of equity capital and 74 per cent of loans as compared to 29 per cent and 71 per cent respectively, as on 31 March 2000.

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 & 3.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2000-01 are given below:

	(Amount : Rupees in crore)											
	1998-99				1999-2000				2000-01			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	25	79.31	2	13.25	21	51.65	3	21.75	26	55.59	2	17.25
Loans given from budget	18	58.39	2	149.21	16	68.65	2	30.05	11	35.32	2	26.04
Grant/Subsidy towards												
(i) projects/ programmes/ schemes	...	...	...	...	...	...	...	...	...	...	...	...
(ii) others	10	68.55	2	2.32	18	89.76	2	6.81	11	53.94	4	22.80
(iii) total	10	68.55	2	2.32	18	89.76	2	6.81	11	53.94	4	22.80
Total outgo	48*	206.25	5*	164.78	44*	210.06	5*	58.61	40*	144.85	4*	66.09

[@] Provisional

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

During the year 2001 the Government had guaranteed the loans aggregating Rs.3063.52 crore obtained by 41 working Government companies (Rs.1936.82 crore) and 3 working Statutory corporations (Rs.1126.70 crore). At the end of the year guarantees amounting to Rs.5178.99 crore against 33 working Government companies (Rs.1724.55 crore) and 3 working Statutory corporations (Rs.3454.43 crore) were outstanding. The Government had forgone Rs.0.09 crore by way of interest waived in one company during 2000-01. The Government also converted its loans amounting to Rs.10 crore into equity capital in one Company during the year. The guarantee commission paid/payable to Government by Government companies and by Statutory corporations during 2000-01 was Rs.51.90 crore and Rs.32.08 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, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in the case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Act.

However, as could be noticed from Annexure 2 out of 91 working Government companies, only 14 working companies and out of 5 working Statutory corporations only one working corporation have finalised their accounts for the year 2000-01 within the stipulated period. During the period from October 2000 to September 2001, 55 working Government companies finalised 63 accounts for previous years. Similarly, during this period 3 working Statutory corporations finalised 4 accounts for previous years.

The accounts of 77 working Government companies and 4 Statutory corporations were in arrears for periods ranging from one year to 10 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 working companies/corporations		Reference to Sl. No. of Annexure 2	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1	1991-92 to 2000-01	10	2	...	A-59, 60	...
2	1993-94 to 2000-01	8	2	...	A-40, 57	...
3	1994-95 to 2000-01	7	1	...	A-71	...
4	1995-96 to 2000-01	6	5	...	A-18, 46, 70, 74,86	...

5	1996-97 to 2000-01	5	4	...	A-10, 24, 66, 73	...
6	1997-98 to 2000-01	4	7	...	A- 6, 7, 19, 20, 33, 39, 50	...
7	1998-99 to 2000-01	3	5	1	A – 2, 5, 21, 58, 62	B – 4
8	1999-2000 to 2000-01	2	17	...	A – 1, 11, 12, 15, 22, 27, 43, 44, 47, 53, 54, 56, 61, 72, 81, 84, 90	...
9	2000-01	1	34	3	A-4, 9, 14, 16, 17, 23, 25, 26, 28, 29, 30, 31, 32, 34, 35, 36, 37, 38, 41, 42, 45, 48, 49, 55, 63, 64, 65, 68, 76, 78, 79, 80, 85, 91	B – 1, 2, 5
	Total		77	4		

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, statement 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 the latest finalised accounts of 91* working Government companies and 5 working Statutory corporations, 52 companies and 3 corporations had incurred an aggregate loss of Rs.145.52 crore and Rs.148.06 crore, respectively, 36 companies and 2 corporations earned an aggregate profit of Rs.196.10 crore and Rs.44.45 crore, respectively while 2 companies had not commenced commercial activities.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working companies and dividend

Out of 14 working Government companies which finalised their accounts for 2000-01 by September 2001, 9 companies earned an aggregate profit of Rs.23.14 crore and only 8 companies (Sl. Nos. 3, 8, 52, 67, 75, 82, 83 & 88 of Annexure 2) declared dividend aggregating Rs.2.25 crore. The dividend as percentage of share capital in the above 8 profit making companies worked

* One Company at Sl. No. A-54 of Annexure 3 (Kerala Police Housing and Construction Corporation Limited) transfers its excess of expenditure over income to works accounts as per its accounting policy.

out to 4.5. The remaining one profit making company did not declare any dividend. The total return by way of above dividend of Rs.2.25 crore, worked out to 0.2 *per cent* in 2000-01 on total equity investment of Rs.1341.10 crore by the State Government in all Government companies as against 0.4 *per cent* in the previous year. The State Government has formulated (December 1998) a dividend policy for payment of minimum dividend. However, these guidelines were complied by only three companies.

Similarly, out of 77 working Government companies which finalised their accounts for previous years by September 2001, 27 companies earned an aggregate profit of Rs.172.96 crore out of which 25 companies earned profit for two or more successive years.

1.2.4.1.2 Loss incurring working Government companies

Of the 52 loss incurring working Government companies, 36 companies had accumulated losses aggregating Rs.1124.41 crore which exceeded their aggregate paid-up capital of Rs.408.71 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 equity, loan, conversion of loan into equity, subsidy/grant, etc., during 2000-01 to 14 companies, out of these 36 companies amounted to Rs.68.87 crore.

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Loss incurring Statutory corporations

Out of three loss incurring working Statutory corporations, one Corporation had accumulated loss of Rs.747.56 crore which exceeded its paid-up capital of Rs.115.20 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to this Corporation in the form of contribution towards equity (Rs.7.50 crore) and subsidy (Rs.12.25 crore) during 2000-01.

1.2.4.2.2 Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations is given in Annexure 6.

The following points were observed on the operational performance of Statutory corporations.

Kerala State Electricity Board

The quantity of cheaper hydro power generated, declined from 7074 million units (MU) in 1999-2000 to 6190 MU in 2000-01. Consequently the purchase of power at higher rates from central grid increased from 4275 MU in 1999-2000 to 5543 MU 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.2126.06 crore in 91 working companies and total return** thereon amounted to Rs.294.10 crore which is 13.8 per cent as compared to total return of Rs.277.70 crore (14.3 per cent) in the previous year (accounts finalised up to September 2000). Similarly, the capital employed and total return thereon in the case of working Statutory corporations as per the latest finalised accounts (up to September 2001) worked out to Rs.6584.63 crore and Rs.420.57 crore (6.4 per cent), respectively, against the total return of Rs.362.24 crore (6.1 per cent) in previous year (accounts finalised up to September 2000). The details of capital employed and total return on capital employed in the 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 PSUs (13 non-working Government companies) was Rs.40.17 crore (equity: Rs.22.89 crore and long term loans: Rs.17.28 crore) as against total investment of Rs.43.86 crore (equity:Rs.22.89 crore and long term loans:Rs.20.97 crore) in 13 non-working PSUs (13 non-working Government companies) as on 31 March 2000.

The classification of the non-working PSUs was under:

Sl. No.	Status of non-working PSUs	Number of companies	(Amount: Rupees in crore)	
			Investment companies	
			Equity	Long term loans
(i)	Under liquidation	6	8.86	6.64
(ii)	Under closure	7	14.03	10.64
(iii)	Under merger	...	...	...
(iv)	Others	...	...	...
	Total	13	22.89	17.28

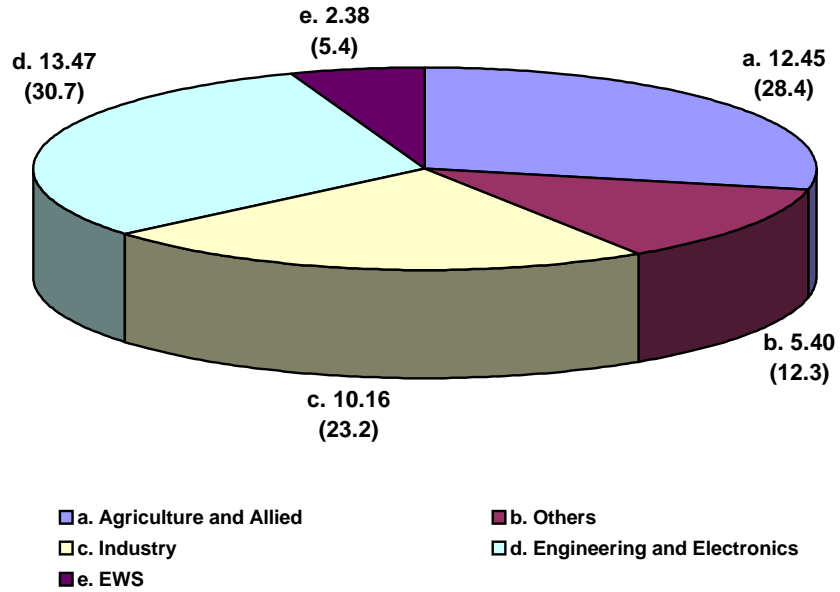
* Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in finance companies and corporations where it represents the mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including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

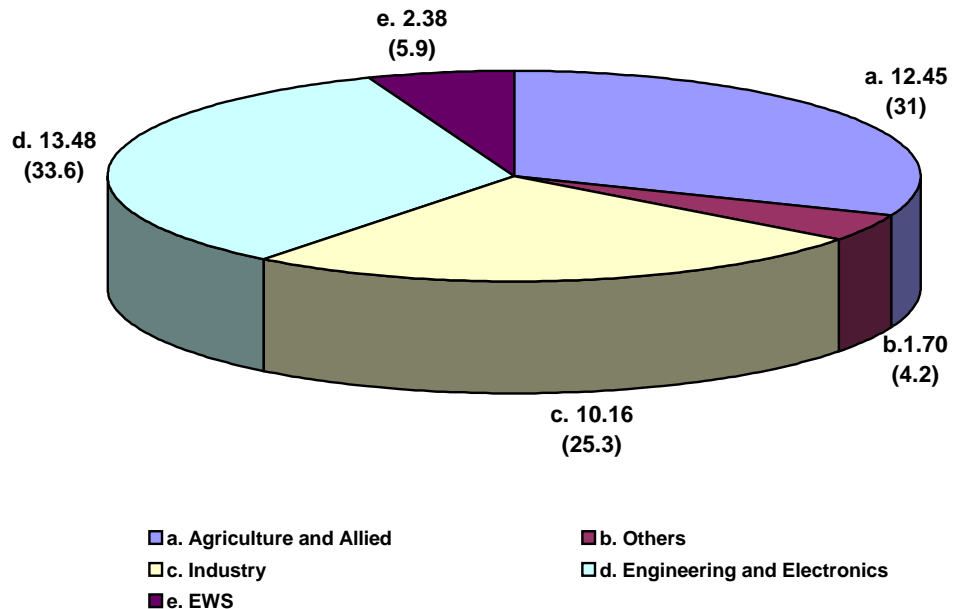
Of the above non-working PSUs, all 13 Government companies were under liquidation or closure under Section 560 of the Companies Act 1956 for 2 to 18 years and substantial investment of Rs.40.17 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

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:

**Sector-wise investment in non-working
Government companies as on 31 March 2000**
Amount : Rupees in crore
(Figures in bracket indicate percentage of investment)
Total Investment - 43.86(100)



**Sector-wise investment in non-working
Government companies as on 31 March 2001**
Amount : Rupees in crore
(Figures in bracket indicate percentage of investment)
Total Investment - 40.17(100)



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

The State Government had not paid any budgetary support or grants/subsidy to any of the 13 non-working companies during the year 2000-01 (Annexure 1 and 3).

1.3.3 *Finalisation of accounts by non-working PSUs*

The accounts of 13 non-working companies were in arrears for periods ranging from 2 years to 18 years as on 30 September 2001 as could be noticed from Annexure 2.

1.3.4 *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 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:

(Rupees in crore)

Sl. No.	Name of the Company	Paid-up capital	Net worth	Cash loss (-)/cash profit(+)	Accumulated loss (-)/accumulated profit(+)
Non-working companies					
1	Kerala State Coconut Development Corporation Limited	2.85	(-)6.87	(-)0.18	(-)9.72
2	The Kerala Fisheries Corporation Limited	4.85	(-)6.20	(-)0.90	(-)11.05
3	Kerala Inland Fisheries Development Corporation Limited	0.16	NIL	NIL	(-)0.16
4	The Kerala Premo Pipe Factory Limited	0.35	(+)0.15	(-)0.12	(-)0.19
5	The Chalakudy Refractories Limited	3.07	(-)0.29	(-)0.39	(-)3.36
6	Kerala Special Refractories Limited	2.91	Commercial production not commenced		
7	The Kerala Asbestos Cement Pipe Factory Limited	0.06	Commercial production not commenced		
8	Kerala State Engineering Works Limited	0.46	(-)1.05	(-)0.17	(-)1.51
9	SIDECO Mohan Kerala Limited	0.17	(-)1.12	NIL	(-)1.29
10	Keltron Power Devices Limited	11.44	(-)18.84	(-)0.77	(-)30.28
11	SIDKEL Televisions Limited	0.44	(-)2.16	(-)0.21	(-)2.60
12	Kerala State Wood Industries Limited	1.70	(-)3.95	(+)0.05	(-)5.65
13	Kerala Fishermen's Welfare Corporation Limited	0.42	(-)0.58	(-)0.32	(-)1.00

Note: Net worth, cash loss/profit and accumulated loss/profit calculated are as per last certified accounts. 13 non-working PSUs(all Government companies) have not finalised their accounts for 2 to 18 years.

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 the Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1.	Kerala State Electricity Board	1997-98	1998-99	28.08.2001	Legislature not in session since then
			1999-2000	Audit in progress	...
			2000-01	Accounts in arrears	...
2.	Kerala State Road Transport Corporation	1998-99	1999-2000	Audit in progress	...
			2000-01	Accounts in arrears	...
3.	Kerala Financial Corporation	1998-99	1999-2000	Audit in progress	...
			2000-01	Audit to be taken up	...
4.	Kerala State Warehousing Corporation	1997-98	1998-99	Accounts in arrears	...
			1999-2000	-do-	...
			2000-01	-do-	...
5.	Kerala Industrial Infrastructure Development Corporation	1998-99	1999-2000	Yet to be issued by the Corporation	...
			2000-01	Under finalisation	...

1.5 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

The Government had not laid down any policy in regard to disinvestment, privatisation and restructuring of PSUs so far (September 2001). No disinvestment, privatisation and restructuring in PSUs had taken place during the year 2000-01.

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 57 Government companies (working 57 and non-working nil) and

four working Statutory corporations (non-working nil) were selected for review. As a result of the observations made by CAG, one company (The Kerala Ceramics Limited) and one Statutory corporation (Kerala State Electricity Board) revised their accounts. In addition, the net impact of the important audit observations as a result of review of the remaining PSUs were as follows:

Details	No. of accounts				Rupees in lakh			
	Government companies		Statutory corporations		Government companies		Statutory corporations	
	Working	Non-working	Working	Non-working	Working	Non-working	Working	Non-working
i. Decrease in profit	6	...	1	...	220.32	...	17100.63	...
ii. Increase in profit	...	...	...	...	...	...	...	...
iii. Increase in loss	7	...	1	...	125.02	...	882.95	...
iv. Decrease in loss	3	...	...	...	11.01	...	...	...
v. Non disclosure of material facts	7	...	1	...	1512.80	...	849.00	...
vi. Errors of classification	3	...	...	...	148.03	...	...	...

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

1.6.1 Errors and omissions noticed in the case of Government companies

1. The State Farming Corporation of Kerala Limited (1997-98)

Profit (Rs.2.90 crore) of the Company for the year was overstated by Rs.30.32 lakh due to overvaluation of stock-in-trade.

2. Kerala Forest Development Corporation Limited (1998-99)

Net profit (Rs.71 lakh) of the Company for the year was overstated by Rs.1.13 crore (net) due to wrong inclusion of subsidy (Rs.22.04 lakh), under sales, failure to write-off value (Rs.1.39 crore) of destroyed plantation, inclusion of value (Rs.31.02 lakh) of already extracted and sold plantation under work-in-progress and non-accountal of revenue subsidy (Rs.78.69 lakh) against sales.

3. Kerala State Handloom Development Corporation Limited (1999-2000)

Net loss (Rs.52.17 lakh) of the Company for the year was understated by Rs.36.49 lakh due to overvaluation of stock (Rs.23.42 lakh), excess accountal of rebate (Rs.12.07 lakh) and short - provision of expenses (Rs. 1 lakh).

1.6.2 Errors and omissions noticed in the case of Statutory corporations

Kerala State Electricity Board (1998-99)

Surplus (Rs.38.75 crore) was overstated by Rs.148.19 crore due to excess provision for unbilled revenue (Rs.111.31 crore), non-provision of incentive payable (Rs.1.52 crore), tax payable (Rs.4.35 crore), short-provision of terminal benefits (Rs.15.74 crore) and depreciation (Rs.15.27 crore).

1.6.2.1 Audit assessment of the working results of Kerala State Electricity Board

Based on the audit assessment of the working results of the Kerala State Electricity Board (KSEB) for the three years up to 1999-2000 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of KSEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of KSEB would be as given below:

Sl. No	Particulars	1997-98	1998-99	1999-2000
		(Rupees in crore)		
1.	Net surplus/(-) deficit as per accounts	24.62	38.75	44.12
2	Subsidy from the State Government	321.31	301.91	332.36
3	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)296.69	(-)263.16	(-)288.23
4	Net increase/decrease in net surplus / (-) deficit on account of audit comments on the annual accounts	(-)101.24	(-)171.01	Under audit
5	Net surplus / (-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)397.93	(-)434.17	-do-
6	Total return on capital employed	(-)172.90	(-)148.99	-do-
7	Percentage of total return on capital employed.	...	...	-do-

It is evident from the above, that the surplus of Rs.38.75 crore for the year 1998-99 was arrived at after taking credit for Government subsidy of Rs.301.91 crore. But for the above subsidy, the working of the Board would have resulted in a deficit of Rs.263.16 crore.

1.6.3 Persistent irregularities and system deficiencies in financial matters of PSUs

The following persistent irregularities and system deficiencies in financial matters of PSUs had been repeatedly pointed out during the course of audit of their accounts but no corrective action taken by these PSUs so far:

Statutory corporations

a) Kerala State Electricity Board

- 1) Depreciation in respect of assets put to use was not being provided for.
- 2) Value of assets commissioned/put to use and also expenditure incurred on abandoned projects included under capital work-in-progress.
- 3) Sundry debtors for sale of power includes dues from 1982 onwards without details.
- 4) Payments made towards advances to suppliers/contractors remaining unadjusted .

b) Kerala State Road Transport Corporation

- 1) Non-capitalisation and non provision of depreciation on Chief Office building already put to use
- 2) Non-maintenance of assets register
- 3) Sales relating to 1985-86 yet to be invoiced for want of details.
- 4) Inclusion of expenditure incurred on interior arrangement/decoration (in a hired building during the period from 1984-85 to 1987-88 and surrendered in March 1988) in capital works.
- 5) Short term advances to employees being shown after adjusting credit balances.
- 6) Non-reconciliation of General Provident Fund, State Transport Provident Fund accounts and non-provision of liability on account of pension and gratuity on accrual basis.

c) Kerala Financial Corporation

- 1) Non-provision of interest on bonds.
- 2) Non-accountal of all expenses on accrual basis instead of cash basis in terms of directions of Government of Kerala and IDBI.

1.7 Recommendations for Closure of PSUs

Even after completion of 5 to 72 years of their existence, the turnover of 32 Government companies (working; 32 and non-working; nil) and one working Statutory corporation have been less than Rs.5 crore in each of the preceding five years of latest finalised accounts. Similarly, 12 Government companies (working; 12 and non-working; nil) had been incurring losses for five consecutive years (as per latest finalised accounts) leading to a negative net worth. In view of poor turnover and continuous losses, the Government may

either improve performance of above 44 Government companies and one Statutory corporation or consider their closure.

1.8 Response to Inspection Reports, Draft paragraphs 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 up to March 2001 pertaining to 90 PSUs disclosed that 5557 paragraphs relating to 1208 Inspection Reports remained outstanding at the end of September 2001. Of these 301 Inspection Reports containing 2161 paragraphs had not been replied to for 1 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 9 draft paragraphs and 3 draft reviews forwarded to the various departments during July 2000 to June 2001, as detailed in Annexure 8 had not been replied to 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 Committee on Public Undertakings (COPU)

Period of Audit Report	No. of Reviews and paragraphs appeared in the Audit Report		No. of reviews and paragraphs pending (September 2001) for discussion by COPU	
	Reviews	Paragraphs	Reviews	Paragraphs
1989-90	4	16	...	1
1990-91	5	17	1	1
1991-92	6	19	...	1
1992-93	4	28	...	8
1993-94	5	30	2	5
1994-95	5	27	3	10
1995-96	5	30	2	23
1996-97	5	28	3	24
1997-98	4	29	3	20
1998-99	3	39	3	39
1999-2000	4	25	4	25

During the period November 2000 to September 2001, COPU considered three reviews and 19 paragraphs relating to the year 1992-93 (one paragraph), 1993-94 (one review), 1995-96 (one review and 17 paragraphs) and 1997-98 (one review and one paragraph). The present Committee has decided to consider all paragraphs pending before them by selecting old and current paragraphs on a 50:50 basis. As at the end of September 2001, 50 reports of COPU were pending settlement of which Action Taken Statement in respect of 37 reports are pending receipt from Government. Remedial Action Taken Notes on 72 audit paragraphs relating to the year 1989-90 onwards are also pending receipt from Government.

1.10 619-B companies

There were six companies coming under Section 619-B of the Companies Act, 1956 of which none was non-working. 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.