

## Chapter I

### Overview of Government companies and Statutory corporations

#### Introduction

**1.1** As on 31 March 2004, there were 23<sup>\$</sup> Government companies (16 working companies and seven non-working companies\*) and three working Statutory corporations as against 24 Government companies (16 working companies and eight non-working companies) and three Statutory corporations as on 31 March 2003 under the control of the State Government. The accounts of the 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 provisions of Section 619(2) of the 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 the Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Rajasthan State Road Transport Corporation (RSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
2.	Rajasthan Financial Corporation (RFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by CAG
3.	Rajasthan State Warehousing Corporation (RSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by CAG

The State Government had formed Rajasthan Electricity Regulatory Commission (RERC) and audit is entrusted to the CAG, under Section 104(2) of the Electricity Act, 2003<sup>#</sup>.

<sup>\$</sup> One company viz. Rajasthan State Tungston Development Corporation Limited was dissolved on 4-7-2003.

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

<sup>#</sup> Erstwhile Electricity Regulatory Commissions Act, 1998 replaced by the Electricity Act, 2003.

## Working Public Sector Undertakings (PSUs)

### *Investment in working PSUs*

**1.2** As on 31 March 2004, the total investment<sup>#</sup> in 19 working PSUs (16 Government companies and three Statutory corporations) was Rs.14,064.83 crore (equity: Rs.3,183.53 crore; long-term loans<sup>\*\*</sup>: Rs.10,699.19 crore and share application money: Rs.182.11 crore) as against total investment of Rs.12,849.32 crore (equity: Rs.2,737.57 crore; long-term loans: Rs.9,900.90 crore and share application money: Rs.210.85 crore) as on 31 March 2003 in 19 working PSUs (16 Government companies and three Statutory corporations). The particulars of investments in the working PSUs have been given in **Annexure - 1**. An analysis of investment in PSUs is given in the following paragraphs.

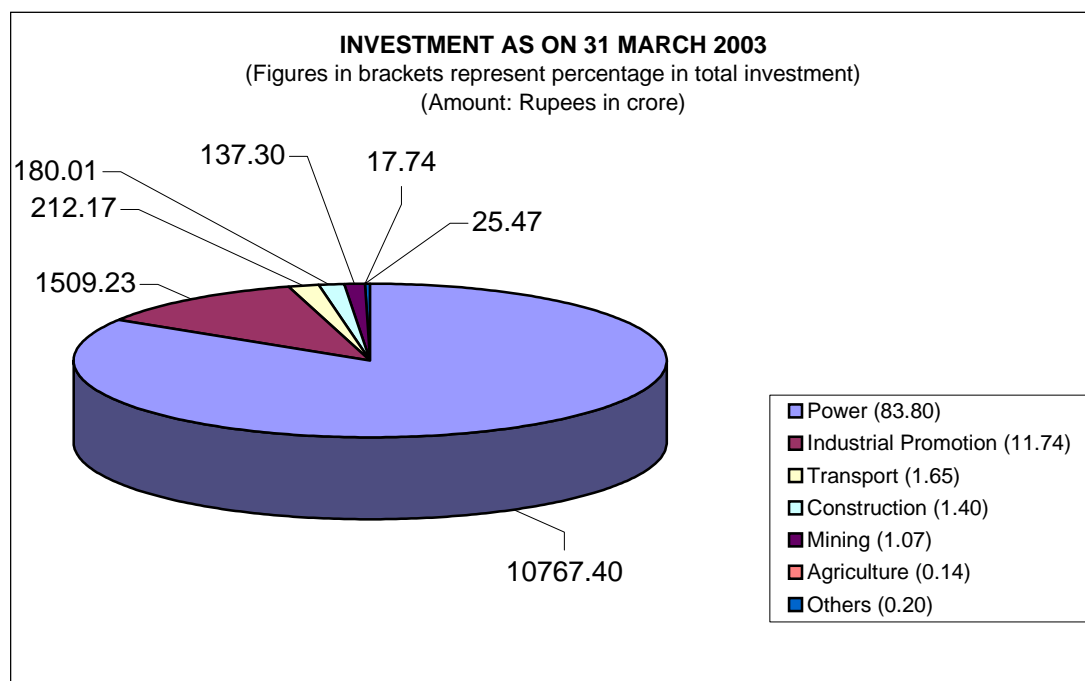
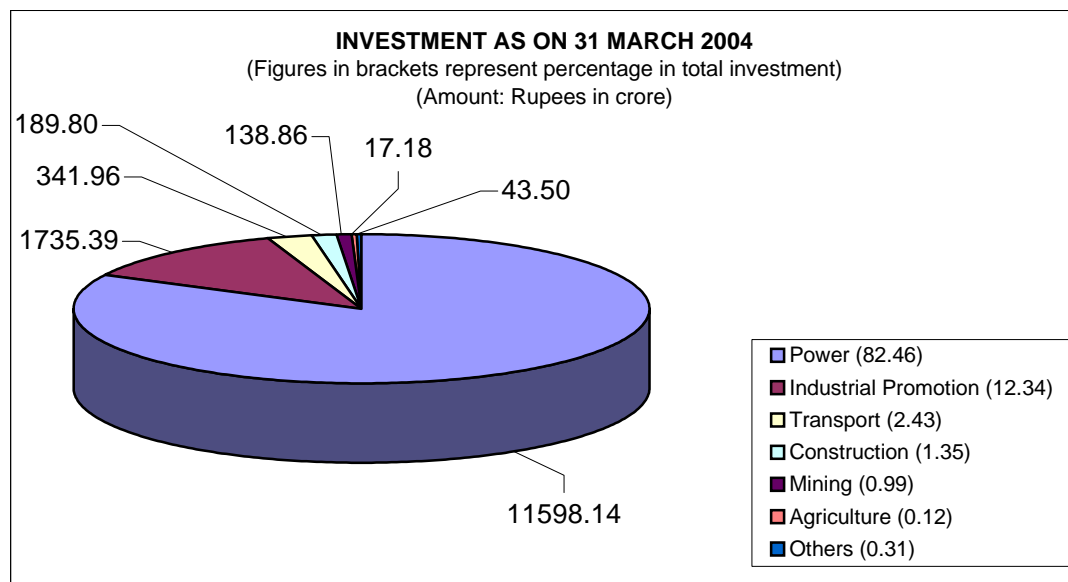
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<sup>#</sup> Figures are as furnished by the companies/corporations.

<sup>\*\*</sup> Long-term loans excludes interest accrued and due on loans.

### ***Sector wise investment in working Government companies and Statutory corporations***

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 31 March 2003 are indicated in the pie charts.



### **Working Government companies**

**1.3** Total investment in working Government companies at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Year	No. of companies	Equity	Share application money	Loans	Total
2002-03	16	2554.24	210.85	9141.62	11906.71
2003-04	16	2888.09	182.11	9996.96	13067.16

There was increase in investment during the year mainly due to increase in equity as well as loan in Power Sector companies.

As on 31 March 2004, the total investment of working Government companies comprised 23.50 *per cent* of equity capital and 76.50 *per cent* of loans as compared to 23.22 and 76.78 *per cent* respectively as on 31 March 2003.

### **Working Statutory corporations**

**1.4** The total investment in three working Statutory corporations at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Name of corporation	2002-03		2003-04	
	Capital	Loan	Capital	Loan
Rajasthan State Road Transport Corporation	107.95	104.21	220.06	121.90
Rajasthan Financial Corporation	67.53	654.02	67.52	579.86
Rajasthan State Warehousing Corporation	7.85	1.05	7.85	0.48
<b>Total</b>	<b>183.33</b>	<b>759.28</b>	<b>295.43</b>	<b>702.24</b>

As on 31 March 2004, the total investment of working Statutory corporations comprised 29.61 *per cent* of equity capital and 70.39 *per cent* of loans as compared to 19.45 and 80.55 *per cent* respectively as on 31 March 2003.

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

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

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and Statutory corporations for the three years up to 2003-04 are indicated below:

(Amount: Rupees in crore)

	2001-02				2002-03		2003-04			
	Companies		Corporations		Companies		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity Capital	2	333.20	-	-	7	333.85	8	305.11	1	112.11
Loans	1	1.24	1	0.60	6	143.85	4	711.57	-	-
Grant/Subsidy towards: (1)Projects/ programmes/ schemes	2	7.55	1	0.03	9	432.46	10	995.81	1	4.63
(2)Others	1	0.03	-	-	-	-	-	-	-	-
Total (1+2)	3	7.58	1	0.03	9	432.46		995.81	1	4.63
Total outgo		342.02		0.63		910.16		2012.49		116.74

During the year 2003-04, the Government had guaranteed loans aggregating Rs.3,072.82 crore obtained by seven working Government companies (Rs.2,982.67 crore) and two working Statutory corporations (Rs.90.15 crore). As on 31 March 2004, guarantees amounting to Rs.10,584.48\* crore against 10 working Government companies (Rs.10,224.43 crore) and two working Statutory corporations (Rs.360.05 crore) were outstanding, as against Rs. 8,882.92 crore in nine working Government companies (Rs.8,582.87 crore) and one working Statutory corporation (Rs.300.05 crore) outstanding as on 31 March 2003. The guarantee commission paid/payable to Government by seven Government companies and two Statutory corporations during 2003-04 was Rs.6.88 crore and Rs.3.33 crore respectively.

### *Finalisation of accounts by working PSUs*

**1.6** 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 Service) 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 finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from **Annexure-2**, only eleven out of 16 working Government companies and two out of three working Statutory corporations had finalised their accounts for the year 2003-04 up to September 2004. During the period from October 2003 to September 2004, five working Government companies and one Statutory corporation finalised accounts for previous years.

The accounts of five working Government companies and one Statutory corporation were in arrears for one year as on 30 September 2004.

\* Figures are as furnished by the companies/corporations.

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

**1.7** The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their 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 were finalised, are given in **Annexure-4** and **5**, respectively.

According to the latest finalised accounts of 16 working Government companies and three working Statutory corporations, four companies and two corporations had incurred an aggregate loss of Rs.5.82 crore and Rs.42.73 crore respectively; seven companies and one corporation earned an aggregate profit of Rs.59.24 crore and Rs.1.76 crore, respectively. Five power sector companies, incorporated in 2000-01, have not shown any profit/loss in the accounts finalised for the year 2003-04 as per provisions of financial restructuring plan.

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

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

**1.8** Four working Government companies, which finalised their accounts for 2003-04 by September 2004, earned an aggregate profit of Rs.56.82 crore and these companies (Sl. No.2,3,6 and 8 of **Annexure 2**) declared dividend of Rs.16.35 crore. The dividend as percentage of share capital in the above four profit earning companies worked out to 6.06 *per cent*. The total return by way of above dividend of Rs.16.35 crore worked out to 0.53 *per cent* in 2003-04 on total equity investment of Rs.3,074.50 crore by State Government in all Government companies as against 0.15 *per cent* in 2002-03.

Similarly, out of five working Government companies, which finalised their accounts for previous years by September 2004, two companies earned an aggregate profit of Rs.2.26 crore. However, these companies did not declare dividend. Only two companies earned profit for two or more successive years.

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

**1.9** Of the four loss incurring working Government companies, Rajasthan State Handloom Development Corporation Limited had accumulated loss of Rs.36.33 crore up to March 2003, which exceeded its paid-up capital of Rs.6.15 crore while Rajasthan State Hotels Corporation Limited had also accumulated loss of Rs.1.81 crore upto March 2003, which exceeded its paid-up capital of Rs.1.07 crore.

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

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

**1.10** Out of three Statutory corporations, two corporations finalised their accounts for 2003-04 and one corporation viz. Rajasthan Financial Corporation earned profit of Rs.1.76 crore but did not declare any dividend.

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

**1.11** Out of three Statutory corporations, Rajasthan State Road Transport Corporation finalised accounts for 2002-03 and Rajasthan State Warehousing Corporation finalised accounts for 2003-04 up to September 2004. Rajasthan State Road Transport Corporation and Rajasthan State Warehousing Corporation incurred a loss of Rs.42.29 crore and 44 lakh respectively. The accumulated loss of Rs.303.23 crore exceeded the paid up capital of Rs.107.95 crore in respect of Rajasthan State Road Transport Corporation. Moreover, Rajasthan Financial Corporation had (although earned profit during the year) accumulated loss of Rs.71.51 crore against its paid-up capital of Rs.67.52 crore. As per accounts finalised for 2003-04, Rajasthan State Warehousing Corporation incurred a loss of Rs.44 lakh, yet proposed dividend of Rs.79 lakh.

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

**1.12** The operational performance of the working Statutory corporations is given in **Annexure-6**. In case of Rajasthan State Warehousing Corporation, average capacity utilisation decreased from five lakh tonne in 2002-03 to 3.17 lakh tonne in 2003-04.

#### ***Return on capital employed***

**1.13** As per latest finalised accounts (upto September 2004), the capital employed\* worked out to Rs.17,318.78 crore in 16 working companies. Total return thereon amounted to Rs.1,281.62 crore (7.40 per cent) as compared to total return of Rs.1,217.20 crore (8.02 per cent) in the previous year (accounts of 11 companies finalised upto September 2003). Similarly, the capital employed and total return thereon in case of three<sup>\$\$</sup> working Statutory corporations as per their latest finalised accounts (upto September 2004) worked out to Rs.712.83 crore and Rs.48.95 crore (6.87 per cent), respectively against the total return of Rs.56.02 crore (7.22 per cent) in previous year. 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**.

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\* 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).

<sup>\$\$</sup> 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 accounts.

## Reforms in Power sector

### Status of implementation of Memorandum of Understanding between the State Government and the Central Government

**1.14** In pursuance of Chief Ministers' conference on power sector reforms, held in March 2001, a Memorandum of Understanding (MOU) was signed on 23 March 2001 between the Ministry of Power, Government of India (GOI) and Government of Rajasthan (GOR) as a joint commitment for implementation of reforms programme in power sector with identified milestones. Status of implementation of reform programme against each commitment made in the MOU is detailed below:

S.No.	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2004)																
<b>Commitments made by the State Government</b>																			
1.	Reduction in transmission and distribution losses	20 per cent by 2006-07	50 per cent																
2.	100 per cent metering of all 11 KV distribution feeders	September 2001	Achieved																
3.	100 per cent electrification of all villages	37,889 villages by 2005	37,373 villages electrified																
4.	100 per cent metering of all consumers	30 June 2002	1.90 lakh agriculture consumer were unmetered																
5.	Securities outstanding dues of Central Public Sector Undertakings	Not given	Govt. has following outstanding securities : NTPC-290.00 crore NHPC- 56.98 crore PGCIL- 21.80 crore <b><u>368.78 crore</u></b> Notification was issued by GOR on 18-08-03 for issue of bonds.																
6.	State Electricity Regulatory Commission (SERC)	-	SERC was formed in January 2000.																
	(1) Establishment of SERC	Not given	Constituted																
	(2) Implementation of tariff orders issued by SERC during the year	An order for distribution tariff was to be implemented from April 2001.	Since implemented																
<b>Commitments made by the Central Government</b>																			
7	Supply of additional power	Government will allocate additional power from (1) Eastern grid (2) Ministry of Power will take immediate steps to restore the special allocation of one-third of the capacity of Anta Grid Power Station.	(1) No firm allocation is made so far (2) No special allocation is made so far.																
8	Any other help to be provided	Financial support under the Accelerated Power Development Programme (APDP) to upgrade the transmission and distribution programme and renovation and maintenance of thermal plants	Amount released by the Government of India under APDP is as follows: <table border="1"> <tr> <th>Year</th><th colspan="2">Amount in crore</th><th>Total</th></tr> <tr> <td></td><th>Loan</th><th>Grant</th><td></td></tr> <tr> <td>2002-2003</td><td>62.82</td><td>62.82</td><td>125.64</td></tr> <tr> <td>2003-2004</td><td>94.23</td><td>94.23</td><td>188.46</td></tr> </table>	Year	Amount in crore		Total		Loan	Grant		2002-2003	62.82	62.82	125.64	2003-2004	94.23	94.23	188.46
Year	Amount in crore		Total																
	Loan	Grant																	
2002-2003	62.82	62.82	125.64																
2003-2004	94.23	94.23	188.46																
<b>General</b>																			
9	Monitoring of MOU	Monitoring was required on quarterly basis	Monitoring is done regularly. Last report sent in July 2004.																

### State Electricity Regulatory Commission

**1.15** The Rajasthan State Electricity Regulatory Commission (Commission) was formed on 10 January 2000 under Section 17 of the Electricity Regulatory



Commissions Act, 1998<sup>\$</sup> with the object of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. The Commission is a body corporate and comprises three members including a Chairperson who are appointed by the State Government. All expenditure of the Commission is to be charged to Consolidated Fund of the State. The Commission had not finalised its first account so far. During 2003-04 the Commission scrutinised and disposed of six petitions.

### Non-working PSUs

#### *Investment in non-working PSUs*

**1.16** As on 31 March 2004, the total investment in seven non-working Government companies was Rs.12.32 crore (equity: Rs.9.62 crore, long-term loans: Rs.2.65 crore and share application money: Rs. five lakh) as against total investment of Rs.41.81 crore (equity: Rs.10.93 crore, long-term loans: Rs.30.78 crore and share application money: Rs.10 lakh) in the eight non-working companies as on 31 March 2003. The details of investment in non-working PSUs is given in **Annexure-1**.

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

(Rupees in crore)				
Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Equity <sup>*</sup>	Long term loans
(1)	Under liquidation	1	0.19	0.21
(2)	Others <sup>**</sup>	6	9.48	2.44
	<b>Total</b>	<b>7</b>	<b>9.67</b>	<b>2.65</b>

Of the above non-working PSUs, one company *viz.* Rajasthan State Granites and Marbles Limited is under liquidation under Section 560(2) of the Companies Act, 1956 for five years and investment of Rs.40 lakh was involved in this company. Effective steps need to be taken for its expeditious liquidation. One company Rajasthan State Tungsten Development Corporation was dissolved on 4 July 2003.

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

**1.17** The total establishment expenditure of Rs.24.95 lakh (2001-02: Rs.6.93 lakh; 2002-03: Rs.8.89 lakh; 2003-04: Rs.9.13 lakh) of one non-

<sup>\$</sup> Since replaced by the Electricity Act, 2003.

<sup>\*</sup> Equity includes share application money of Rs.0.05 crore for companies under 'others'.

<sup>\*\*</sup> Four companies are defunct and two companies closed on 29 March 2004 (Rajasthan Rajya Van Vikas Nigam Ltd.) and on 23 December 2003 (Rajasthan State Electricity Corporation).

working company<sup>@</sup> was financed by its holding company. The remaining non-working companies are not incurring any expenditure towards establishment.

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

**1.18** Out of seven non-working companies, four companies finalised their accounts for 2003-04, the accounts of two non-working companies were in arrears for one year and one company is under liquidation as on 30 September 2004, as seen from **Annexure-2**.

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

**1.19** The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure-2**. The net worth of seven non-working Government companies was Rs.(-)31.89 crore against their total paid-up capital of Rs.9.67 crore. These companies suffered a cash loss of Rs.98.62 lakh and their accumulated loss worked out to Rs.41.71 crore.

### **Status of placement of Separate Audit Reports on the accounts of Statutory corporations in Legislature**

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

Sl. No.	Name of Statutory corporation	Years up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1.	Rajasthan State Road Transport Corporation	2001-02	2002-03	18-12-2003	NA
2.	Rajasthan Financial Corporation	2002-03	-	-	-
3.	Rajasthan State Warehousing Corporation	2002-03	-	-	-

### **Disinvestment, privatisation and restructuring<sup>\*</sup> of Public Sector Undertakings**

**1.21** No disinvestment and privatisation of Public Sector Undertakings has taken place during 2003-04. The management of Rajasthan State Hotels Corporation Limited and Rajasthan Tourism Development Corporation Limited proposed merger of both the companies in February/August 2001. However, merger has not taken place (September 2004).

<sup>@</sup> Excluding those, whose accounts are in arrears.

<sup>\*</sup> Restructuring includes merger and closure of PSUs.

### Results of Audit of accounts of PSUs by Comptroller and Auditor General of India

**1.22** During the period from October 2003 to September 2004, the accounts of 20 Government companies (16 working and four non-working) and three working Statutory corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs were as follows:

Details	Government companies				Statutory corporation	
	No of accounts		Rupees in crore		No of accounts	Rupees in crore
	Working	Non working	Working	Non working	Working	
Decrease in profit	2	-	0.35	-	1	17.28
Increase in profit	1	-	8.92	-	-	-
Increase in loss	-	1	-	0.05	1	76.29

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

As a result of review of accounts of various companies under section 619(4) of the Companies Act 1956, the following important points were noticed in Audit:

#### *Rajasthan State Mines and Minerals Limited (2002-03, 2003-04)*

##### *Accounts for 2002-03*

**1.23** Net profit as well as current assets were overstated by Rs.21.80 lakh on account of overvaluation of closing stock of different grades of rock phosphate due to taking higher unit rate for valuation purpose than that of net realisable value.

**1.24** Expenditure was understated by Rs.4.38 crore due to non-provision of third instalment of arrear payment (paid in May 2003) for the period October 1997 to March 2001 as per long-term wage settlement with Union.

##### *Accounts for 2003-04*

**1.25** The closing stock of Rock Phosphate has been undervalued by Rs.2.24 crore due to incorrect estimation of realisable value of 17 *per cent* low-grade ore fed to the concentrate plant. Consequently, profit for the year and inventories have been understated by Rs.2.24 crore.

**1.26** The expenses on Rates and Taxes have been overstated by Rs.5.36 crore due to accounting of previous year road tax as current year expenditure. Consequently, prior period expenses as well as prior period profit have been understated.

***Rajasthan Rajya Vidyut Utpadan Nigam Ltd. (2003-04)***

**1.27** Inventories, stores and spares overstated by Rs.53.75 lakh being the value of auctioned materials lifted by the purchaser and the proceeds credited to work-in-progress.

**1.28** Revenue Subsidy and Grants was overstated by Rs.18.98 crore being the interest subsidy received from Government of Rajasthan which should have been adjusted against subvention receivable from the State Government as per final financial restructuring plan approved by Government of Rajasthan.

***Jaipur Vidyut Vitran Nigam Ltd. (2003-04)***

**1.29** Subsidy/Grant receivable from State Government was overstated by Rs.18.35 crore being the relief in minimum charges and other concessions allowed to agriculture customers, which the State Government has refused to reimburse.

**1.30** Revenue from sale of power was overstated by Rs. 6.17 crore due to inclusion of amount received from consumers towards meter box charges, line cost, meter box security which should have been included in Consumers Contribution under Reserve and Surplus.

**1.31** Revenue from subsidies and grants was overstated by Rs. 48.44 crore due to inclusion of Capital grant received under Accelerated Power Development Programme (APDP).

**1.32** Depreciation was overstated by Rs. 1.65 crore due to misclassification of assets resulting in overstatement of expenses and understatement of net fixed assets to that extent.

***Jodhpur Vidyut Vitran Nigam Ltd. (2003-04)***

**1.33** Subvention receivable from State Government includes Rs. 24.13 crore being relief in minimum charges allowed to Agriculture (metered) consumers resulting in overstatement of other assets and profit by Rs. 24.13 crore.

**1.34** Revenue from sale of power was overstated by Rs.5.12 crore due to wrong calculation of energy sold for unbilled revenue (Rs.1.58 crore) and the amount received towards meter box charges and cost of transformer, line, meter, and meter box security (Rs.3.54 crore) which should have been included in consumer contribution under Reserve and Surplus.

**1.35** Revenue from subsidies and grants was overstated by Rs.37.55 crore due to inclusion of capital grant received under Accelerated Power Development Programme (APDP) of Government of India.

***Ajmer Vidyut Vitran Nigam Ltd. (2003-04)***

**1.36** Current liabilities and provisions is under stated by Rs.79.66 lakh due to non provision of electricity duty on compounding charges for the period 1993-94 to 19 July 2000 resulting in understatement of prior period expenses by Rs.79.66 lakh.

**1.37** Non-provision of liability of expenditure in respect of contract, lease rent and death claims, which pertains to financial year 2003-04. Consequently the expenditure for the year has also been understated by Rs.44.72 lakh.

**1.38** Repair and Maintenance is under stated by Rs.1.07 crore due to non-provision of cost of repair of transformers/ equipments which were repaired during 2003-04 and payment were made during 2004-05.

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

***Rajasthan State Road Transport Corporation (2002-03)***

**1.39** Loss of the Corporation remained understated by Rs.76.29 crore mainly due to non-creation of fund as per Passenger Accident Compensation Scheme (Rs.8.11 crore), under-provision of liability of Road Tax (Rs.62.86 crore), under-provision of liability of Land and Building Tax (Rs.2.32 crore), non-provision of liability of Provident Fund on DA arrears (1.74 crore) and others (Rs.1.26 crore).

***Rajasthan Financial Corporation (2002-03, 2003-04)***

***Accounts for 2002-03***

**1.40** Due to short provision for bad and doubtful debts by Rs.6.46 crore, the profit for the year (Rs.79.82 lakh) would turn into loss of Rs.5.66 crore.

***Accounts for 2003-04***

**1.41** The classification of loan assets was not done as per norms resulting in short provision for bad and doubtful debts by Rs.7.98 crore. Net profit for the year (Rs.1.76 crore) would turn into net loss of Rs.6.21 crore.

**Recoveries at the instance of Audit**

**1.42** Tests check of records of Power sector companies/other PSUs conducted during 2003-04 disclosed wrong fixation of tariffs/non levy/ short levy of tariff/short realisation of revenue or other observations aggregating Rs.1.56 crore in 44 cases. The PSUs/companies accepted the observations in 36 cases, which had been pointed out by Audit and, a sum of Rs.1.04 crore relating to 34 audit observations was recovered at the instance of audit.

### **Recommendations for closure of PSUs**

**1.43** Even after existence of eight to 41 years, the turnover of seven\* Government companies (working: three and non-working: four) had been less than Rs. five crore in each of the preceding five years as per their latest finalised accounts. Similarly, seven\*\* Government companies (working: two and non-working: five) had been incurring losses for five consecutive years (as per their latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government should either improve performance of these companies or consider their closure.

### **Reports of Statutory Auditors for improvement in internal audit/internal control on the directions of Comptroller and Auditor General of India**

**1.44** The statutory auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal control/internal audit system in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3) (a) of the Companies Act 1956, and to identify areas which needed improvement. An illustrative resume of major recommendations made/comments made by statutory auditors on possible improvement in the internal audit/internal control system in respect of State Government companies is indicated in **Annexure - 7**. It is noticed from the annexure that major comments were of following nature:

- There was no Internal Audit System in one company.
- Internal Audit System was not commensurate with the size and nature of business of nine Government companies.
- There was scope for improvement in the area, frequency and manner of audit, communication of observations and their follow up and compliance in nine companies.

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

**1.45** The position of discussion of Audit Reports (Commercial) by the COPU, reviews and paragraphs pending for discussion in the COPU as on 30 September 2004 was as under:

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\*  
Sl.No. A-1,9,11 and C-2,3,4,5 of Annexure -2

\*\*  
Sl.No. A-5,9 and C-1,2,4,6,7 of Annexure -2

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report		Number of reviews / paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1998-99	4	30	2	20
1999-2000	4	29	1	23
2000-01	3	26	3	23
2001-02	3	24	3	24
2002-03	3	31	3	31
<b>Total</b>	<b>17</b>	<b>140</b>	<b>12</b>	<b>121</b>

During October 2003 to September 2004, one review and two draft paragraphs were discussed by the COPU.

### **619-B companies**

**1.46** There was no company covered under Section 619-B of the Companies Act, 1956.

