

## CHAPTER-I

### Overview of Government companies and Statutory corporations

#### Introduction

**1.1** As on 31 March 2004, there were 89 Government companies (48 working companies and 41 non-working companies<sup>1</sup>) and seven working Statutory corporations, as against 86 Government companies (46 working companies and 40 non-working companies) and seven working Statutory corporations as on 31 March 2003 under the control of the State Government. During the year 2003-04, four new Government companies<sup>2</sup> were incorporated, two working Government companies<sup>3</sup> became non-working companies and one non-working Government company<sup>4</sup> became a private company. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by 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 Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Uttar Pradesh State Road Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
2.	Uttar Pradesh State Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by CAG
3.	Uttar Pradesh State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by CAG
4.	Uttar Pradesh Avas Evam Vikas Parishad	Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit by CAG
5.	Uttar Pradesh Jal Nigam	Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit by CAG
6.	Uttar Pradesh Forest Corporation	Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	Audit by CAG <sup>5</sup>
7.	Uttar Pradesh State Employees Welfare Corporation	Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	Audit by Chartered Accountants and supplementary audit by CAG

The State Government had formed Uttar Pradesh Electricity Regulatory Commission and its audit is entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003<sup>6</sup>.

<sup>1</sup> Non-working companies are those that are in the process of liquidation/closure/merger, etc.

<sup>2</sup> Serial numbers A-37, 38, 39 and 40 of Annexures 1 and 2.

<sup>3</sup> Serial numbers C-2 and 40 of Annexures-1 and 2.

<sup>4</sup> Uttar Pradesh Carbon and Chemicals Ltd. (subsidiary of Uttar Pradesh State Industrial Development Corporation Ltd.)

<sup>5</sup> Audit is also being conducted by Examiner, Local Fund Accounts as the amendment in the Act is still awaited.

<sup>6</sup> Erstwhile Section 34 (4) of the Electricity Regulatory Commission Act, 1998 repealed by the Electricity Act, 2003.

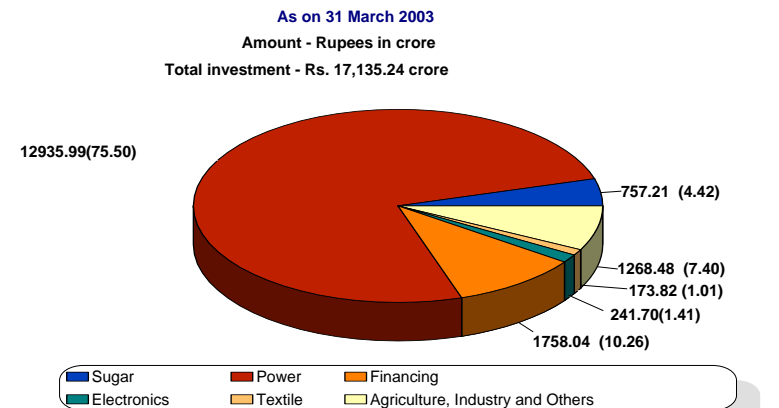
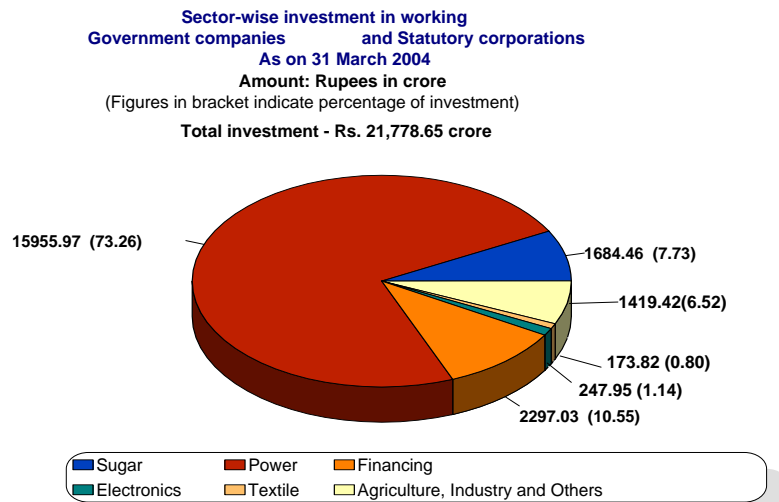
**Working Public Sector Undertakings (PSUs)**

*Investment in working PSUs*

**1.2** As on 31 March 2004, the total investment in 55 working PSUs (48 Government companies and seven Statutory corporations) was Rs.21,778.65 crore\* (equity: Rs.10,054.58 crore, share application money: Rs.2,384.40 crore and long term loans\*\* : Rs.9,339.67 crore) as against 53 working PSUs (46 Government companies and seven Statutory corporations) with a total investment of Rs.17,135.24 crore (equity: Rs.8,535.08 crore, share application money: Rs.1,153.91 crore and long term loans: Rs.7,446.25 crore) as on 31 March 2003. Increase in total investment was due to increase in equity, share application money and loans mainly in power, sugar and financing sectors. The analysis of investment in working PSUs is given in the following paragraphs.

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

**1.3** 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 as follows:



\* State Government's investment was Rs. 14,136.23 crore (Others: Rs. 7642.42 crore). Figure as per Finance Accounts 2003-04 is Rs. 13,669.21 crore. The difference is under reconciliation.

\*\* Long term loans mentioned in para 1.2, 1.4, 1.5 and 1.18 are excluding interest accrued and due on such loans.

**Working Government companies**

**1.4** The total investment in working Government companies at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Share application money	Loans	Total
2002-03	46	8,023.26	1,151.70	5,887.04	15,062.00
2003-04	48	9,542.76	2,382.19	7,735.59	19,660.54

Investment in the current year has increased over the previous year due to increase in equity, share application money and loans mainly in power, sugar and financing sectors.

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

As on 31 March 2004, the total investment in working Government companies comprised 60.65 per cent of equity capital and 39.35 per cent of loans as compared to 60.91 per cent and 39.09 per cent respectively, as on 31 March 2003.

**Working Statutory corporations**

**1.5** The total investment in seven working Statutory corporations at the end of March 2003 and March 2004<sup>1</sup> was as follows:

(Rupees in crore)

Name of the corporation	2002-03		2003-04	
	Capital	Loan	Capital	Loan
Uttar Pradesh State Road Transport Corporation	321.37	153.74	321.37	227.27
Uttar Pradesh Financial Corporation	179.28	1150.57	179.28	1,117.28
Uttar Pradesh State Warehousing Corporation	11.17 (2.21)	123.53	11.17 (2.21)	110.63
Uttar Pradesh Forest Corporation	-	-	-	17.50
Uttar Pradesh Avas Evam Vikas Parishad <sup>2</sup>	-	0.12 <sup>3</sup>	-	-
Uttar Pradesh Jal Nigam	-	130.36 <sup>3</sup>	-	129.75
Uttar Pradesh State Employees Welfare Corporation	-	0.89 <sup>3</sup>	-	1.65
<b>Total</b>	<b>511.82 (2.21)</b>	<b>1,559.21</b>	<b>511.82 (2.21)</b>	<b>1,604.08</b>

(Figures in bracket indicate share application money)

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 2004, the total investment in working Statutory corporations comprised 24.27 per cent of equity capital and 75.73 per cent of loans as compared to 24.79 per cent and 75.21 per cent respectively as on 31 March 2003.

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

**1.6** The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies and working 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

<sup>1</sup> Figures for the year 2003-04 are provisional.

<sup>2</sup> During the year 2003-04, loan from State Government has been repaid.

<sup>3</sup> Provisional figures.

companies and working Statutory corporations for the three years up to 2003-04 are given below:

(Rupees in crore)

Particulars	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
A. (i) Equity Capital outgo from budget	8	902.96	-	-	4	264.23	-	-	7	1,512.91	-	-
(ii) Loans given from budget	9	374.66	-	-	9	582.35	-	-	13	433.40	1	2.00
<b>Total A (i)+(ii)</b>		<b>1,277.62</b>	-	-		<b>846.58</b>		-	<b>14</b>	<b>1,946.31</b>	<b>1</b>	<b>2.00</b>
<b>B.</b> Grants/Subsidy for:												
(i) Projects/programmes/schemes	6	1,176.15	2	376.52	6	445.93 <sup>1</sup>	1	2.07	5	1,289.19 <sup>3</sup>	1	213.21
(ii) Other	3	6.68	1	2.05	3	695.63 <sup>2</sup>			3	2.91 <sup>4</sup>	1	2.11
<b>Total B (i) + (ii)</b>		<b>1,182.83</b>		<b>378.57</b>		<b>1,141.56</b>		<b>2.07</b>	-	<b>1,292.10</b>	-	<b>215.32</b>
<b>Total outgo (A + B)</b>	<b>18<sup>5</sup></b>	<b>2,460.45</b>	<b>3<sup>5</sup></b>	<b>378.57</b>	<b>16<sup>5</sup></b>	<b>1,988.14</b>	<b>1<sup>5</sup></b>	<b>2.07</b>	<b>19<sup>5</sup></b>	<b>3,238.41</b>	<b>2<sup>5</sup></b>	<b>217.32</b>

During the year 2003-04, the Government had guaranteed the loans aggregating Rs.1,676.95 crore obtained by eight working companies (Rs.1,580.81 crore) and three working Statutory corporations (Rs.96.14 crore). At the end of the year, guarantees amounting to Rs.2,292.08 crore against 12 working Government companies (Rs.1,477.88 crore) and five working Statutory corporations (Rs.814.20 crore) were outstanding. The Government had waived off interest of Rs.670.42 crore in Uttar Pradesh State Sugar Corporation Limited. The guarantee commission paid/payable to Government by two<sup>6</sup> Government companies and by two<sup>6</sup> Statutory corporations during 2003-04 was Rs.18.27 crore and Rs.1.27 crore respectively.

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

**1.7** 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 the 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 financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of the respective Acts.

It could be noticed from **Annexure-2**, out of 48 working Government companies, only two<sup>7</sup> working companies and out of seven working Statutory corporations, none of the Statutory corporations finalised their accounts for the year 2003-04 within stipulated period. During the period from October 2003 to September 2004, 30 working Government companies finalised 33 accounts

<sup>1</sup> Includes grant of Rs.314.15 crore.

<sup>2</sup> Includes grant of Rs.80.75 lakh.

<sup>3</sup> Includes grant of Rs.137.97 crore.

<sup>4</sup> Includes grant of Rs.59.19 lakh.

<sup>5</sup> These are the actual number of companies /corporations which have received budgetary support in the form of equity, loans, grants and subsidies from the Government during the respective years.

<sup>6</sup> Out of 12 working Government companies and five Statutory corporations against which guarantees were outstanding, information has been furnished by only two Government companies (serial No. A-14 and 16 of Annexure-3) and two Statutory corporations (serial No. B-1 and B-3 of Annexure-3).

<sup>7</sup> Serial No. A-3 and 13 of Annexure-2.

for previous years. Similarly, during this period, four working Statutory corporations finalised four accounts for previous years.

The accounts of 41\* working Government companies and seven Statutory corporations were in arrear for periods ranging from one to 15 years as on 30 September 2004 as detailed below:

Sl No	No. of working companies/corporations		Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial No. of Annexure-2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1	1	-	1989-90 to 2003-04	15	A-25	-
2	2	-	1991-92 to 2003-04	13	A-11, 18	-
3	1	-	1992-93 to 2003-04	12	A-43	-
4	3	-	1996-97 to 2003-04	8	A-9, 15, 46	-
5	2	-	1997-98 to 2003-04	7	A-7, 22	-
6	1	1	1998-99 to 2003-04	6	A-24	B-5
7	1	2	1999-2000 to 2003-04	5	A-47	B-4, 7
8	2	-	2000-01 to 2003-04	4	A-28, 44	-
9	6	-	2001-02 to 2003-04	3	A-10, 19, 26, 27, 35, 48	-
10	10	1	2002-03 to 2003-04	2	A-1, 2, 5, 6, 8, 12, 29, 30, 41, 45	B-6
11	12	3	2003-04	1	A-4, 16, 17, 20, 21, 23, 31, 32, 33, 34, 36, 42,	B-1, 2, 3

It is the responsibility of the administrative departments 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 apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government, and as a result, the net worth of these PSUs could not be assessed in audit.

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

**1.8** 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 are finalised, are given in **Annexure-4 and 5** respectively.

According to the latest finalised accounts of 42\*\* working Government companies and seven working Statutory corporations, 26 companies and two corporations had incurred an aggregate loss of Rs.1,255.58 crore and Rs.125.37 crore respectively, 16 companies and five corporations earned an aggregate profit of Rs.120.69 crore and Rs.58.52 crore respectively.

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

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

**1.9** Out of 30 working Government companies which finalised their accounts for previous years by September 2004, 13 companies earned an

\* Accounts of four companies (serial No. A-37, 38, 39, and 40 of Annexure-2) were not due and one company (serial No. A-14 of Annexure-2) finalised its accounts for the year ended September 2003.

\*\* Accounts of four companies (serial No. A-37, 38, 39, and A-40 of Annexure-2) were not due and two companies (serial No. A-8 and 30 of Annexure-2) had not submitted its first accounts.

aggregate profit of Rs.103.79 crore, and seven\* of these companies earned profit for two or more successive years. Only two\*\* companies declared dividend of Rs.45 lakh. The Government formulated (October 2002) a dividend policy for payment of minimum dividend and ordered the PSUs to pay a minimum dividend of 5 per cent on the capital invested by the Government from financial year 2002-03.

***Loss incurring working Government companies***

**1.10** Twenty companies, out of 26 loss incurring working Government companies, had accumulated losses aggregating Rs.6,218.51 crore, which exceeded their aggregate paid up capital of Rs.4,864.07 crore (**Annexure-2**).

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 loans, subsidy and grants. According to available information, out of these 20 companies, the total financial support so provided by the State Government by way of loans, subsidies and grants during 2003-04 to six companies amounted to Rs.1,453.14 crore.

***Working Statutory corporations***

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

**1.11** Two corporations (Serial No. B-3 and B-7 of **Annexure-2**), out of four working Statutory corporations which finalised their accounts for previous years by September 2004, earned an aggregate profit of Rs.12.16 crore. One (Serial No. B-3 of **Annexure-2**), out of these two corporations, earned profit for two or more successive years and declared dividend amounting to Rs.1.20 crore.

***Loss incurring Statutory corporations***

**1.12** Two loss incurring working Statutory corporations (Serial No. B-1 and B-2 of **Annexure-2**), which finalised their accounts for previous years by September 2004, had accumulated losses aggregating Rs.1,616.55 crore which exceeded their aggregate paid-up capital of Rs.500.65 crore.

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

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

Some of the important observations on the operational performance of the Statutory corporations are given below:

***Uttar Pradesh State Road Transport Corporation***

- The loss per kilometre increased from 141 paise during 2000-01 to 153 paise during 2002-03 as a sequel to increase in average expenditure (from 1,212 paise in 2000-01 to 1,219 paise in 2002-03).

***Uttar Pradesh State Financial Corporation***

- Percentage of overdue to the total loans outstanding increased from 126.46 per cent during 2000-01 to 150.42 per cent during 2002-03 reflecting poor recovery performance.

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\* Serial No. A-5, 6, 7, 19, 23, 46, and 48 of Annexure-2.

\*\* Serial No. A-19 and 21 of Annexure-2.

**Return on capital employed**

**1.14** As per the latest finalised accounts, the capital employed\* worked out to Rs.8,253.56 crore in 42 working companies and total return\*\* thereon amounted to Rs.(-) 94.15 crore as compared to total return of Rs.(-) 982.01 crore in the previous year. Similarly, the capital employed and total return thereon in case of seven working Statutory corporations as per the latest finalised accounts worked out to Rs.7,362.05 crore and Rs.151.45 crore (2.06 per cent), respectively, against the total return of Rs.95.68 crore (1.28 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**.

**Reforms in power sector****Status of implementation of MOU between the State Government and Central Government**

**1.15** A memorandum of understanding (MOU) was signed (February 2000) between the Government of India and the Government of Uttar Pradesh as a joint commitment for implementation of reforms programme in power sector.

Status of implementation of reform programme against each commitment made in MOU is detailed below:

Sl. No.	Reform programme commitment as per MOU	Targeted completion schedule	Present status
<b>I</b>	<b>By the State Government:</b>		
(i)	Installation of meters on all 11 KV feeders	30 September 2000	Meters on all 11 KV feeders (7059 numbers) installed (December 2003).
(ii)	100 per cent metering of all consumers	31 December 2001	Only 52 per cent consumers could be metered (August 2004).
(iii)	On-line billing at 20 selected towns	31 March 2001	Introduced in one town only i.e. Lucknow (September 2004).
(iv)	Upgradation of distribution system	Nil	Various works have been undertaken which are in progress.
(v)	Formation of distinct distribution profit centres	Nil	Four distribution companies incorporated in May 2003.
(vi)	Privatisation of distribution sector, if commercial viability is not achieved	Nil	No privatisation has been done so far.
<b>II</b>	<b>By the Central Government:</b>		
(i)	Support from the Government of India for financing renovation and modernisation of existing thermal and hydro power stations	Nil	Nil
(ii)	Support from the Government of India for undertaking construction of important transmission works	Nil	Nil

**Unbundling and corporatisation**

**1.16** To make energy sector commercially viable, Government of Uttar Pradesh (GoUP) restructured (January 2000) erstwhile Uttar Pradesh State Electricity Board (UPSEB). Thermal and hydro generation functions were transferred to the existing companies namely, Uttar Pradesh Rajya Vidyut

\* 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.

Utpadan Nigam Limited and Uttar Pradesh Jal Vidyut Nigam Limited. The transmission and distribution functions of UPSEB were transferred to the newly created companies namely, Uttar Pradesh Power Corporation Limited (UPPCL) and Kanpur Electricity Supply Company Limited (KESCO). The transmission function was retained by the UPPCL and the distribution function was further transferred to four distribution companies (Discoms) incorporated in May 2003.

### ***State Electricity Regulatory Commission***

**1.17** Uttar Pradesh Electricity Regulatory Commission (Commission) was formed on 10 September 1998 under Section 17 of Electricity Regulatory Commission Act, 1998<sup>1</sup> with the main objectives of rationalising generation, transmission, distribution and supply of electricity in the State, regulating the electricity industry in the State including the purchase, distribution, supply and utilisation of electricity, the quality of service, tariff and other charges keeping in view the interest of the consumers and utilities and creating an environment which will attract participation of private sector entrepreneurs in the electricity industry in the State. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. The audit of accounts of the Commission has been entrusted to CAG under Section 104 (2) of the Electricity Act, 2003. Commission had issued four tariff orders up to September 2003.

### **Non-working Public Sector Undertakings (PSUs)**

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

**1.18** As on 31 March 2004, the total investment in 41 non-working PSUs (all Government companies) was Rs.868.52 crore<sup>2</sup> (equity: Rs.391.37 crore, share application money: Rs.49.06 crore and long term loans: Rs.428.09 crore) as against the total investment of Rs.861.45 crore (equity: Rs.390.01 crore, share application money: Rs.49.06 crore and long term loans: Rs.422.38 crore) in 40 non-working PSUs (all Government companies) as on 31 March 2003.

The classification of non-working Government companies at the end of March 2004 was as under:

Status of non-working Government companies	No. of companies	Investment (Rupees in crore)	
		Equity <sup>3</sup>	Long term loans
Under liquidation/ closure	11	66.78	199.32
Under merger	2	0.44	2.09
Defunct and non-operating companies	28	373.21	226.68
<b>Total</b>	<b>41</b>	<b>440.43</b>	<b>428.09</b>

Of the above non-working Government companies, 11 Government companies were under liquidation/closure under Section 560 of the Companies Act, 1956 for two to 30 years and substantial investment of Rs.266.10 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

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

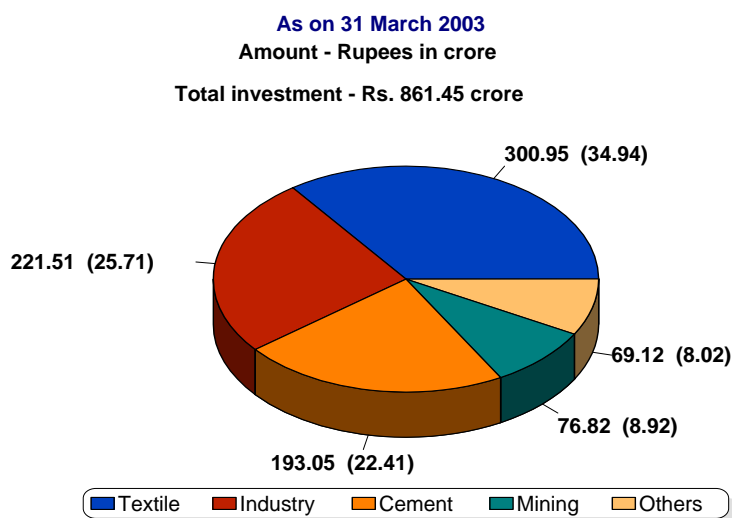
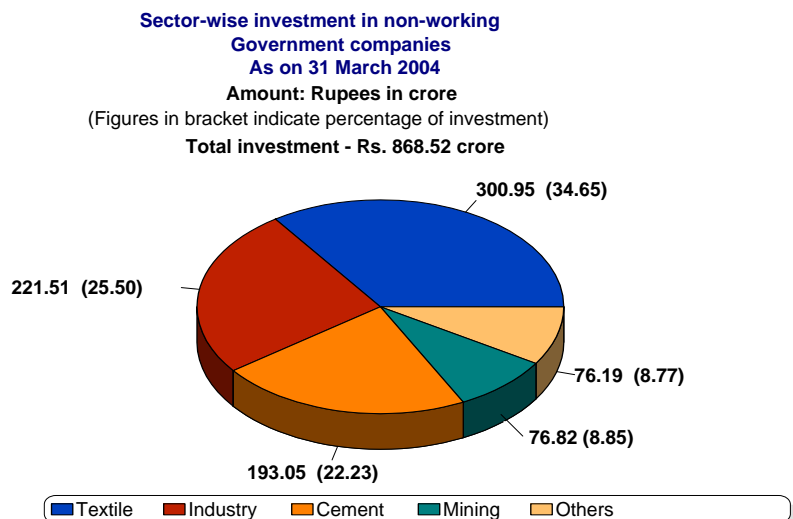
**1.19** The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 2003 are indicated in the pie charts as follows:

<sup>1</sup> Since replaced with Section 82 (1) of the Electricity Act, 2003.

<sup>2</sup> State Government's investment was Rs.645.32 crore (Others: Rs.223.20 crore). Figure as per Finance Accounts 2003-04 is Rs.597.32 crore. The difference is under reconciliation.

<sup>3</sup> Including share application money of Rs.49.06 crore in respect of defunct and non-operating companies.





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

**1.20** 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 Government companies are given in **Annexures-1 and 3**.

During the year 2003-04, there was no budgetary outgo in the form of equity/loans/subsidy/grants.

At the end of March 2004, guarantees amounting to Rs.36.07 crore in respect of five non-working companies were outstanding.

***Total establishment expenditure on non-working PSUs***

**1.21** The year-wise details of total establishment expenditure of non-working Government companies and the sources of financing them during last three years up to 2003-04 are given in the table below:

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by				
			Disposal of investment /assets	Loans from private parties	Government by way of		Others
					Loans	Grants	
2001-02	8	0.98	0.34	-	-	-	0.64
2002-03	5	0.61	0.02	-	-	-	0.59
2003-04	5 <sup>1</sup>	0.85	-	-	-	-	0.85

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

**1.22** Eleven companies out of 41 non-working companies were under liquidation. The accounts of 30 non-working companies were in arrears for periods ranging from one to 29 years as on 30 September 2004 as could be noticed from **Annexure-2**.

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

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

The summarised details of paid-up capital, net worth, cash loss and accumulated loss of non-working Government companies as per their latest finalised accounts are given below:

(Rupees in crore)

Particulars	Paid-up capital	Net worth <sup>2</sup>	Cash loss <sup>3</sup>	Accumulated loss
Non-working companies	385.48	(-) 453.66	105.00	924.97

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

**1.24** 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 State 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 the Government	Reasons for delay in placement to the Legislature
(1)	(2)	(3)	(4)	(5)	(6)
1.	Uttar Pradesh State Road Transport Corporation	1999-2000	2000-01 2001-02	09.09.2003 26.12.2003	Reasons not furnished by the Department/ Corporation
2.	Uttar Pradesh Financial Corporation	1992-93	1993-94 1994-95 1995-96 1996-97 1997-98 1998-99 1999-2000 2000-01	07.07.1995 18.04.1996 28.08.1998 17.12.1999 27.07.2000 20.10.2001 25.07.2002 20.02.2004	Reasons not furnished by the Department/ Corporation

<sup>1</sup> Out of 41 non-working companies, only five companies (Serial No. C-1, 4, 21, 30 and C-41 of Annexure-1) furnished details of establishment expenditure.

<sup>2</sup> Net worth represents paid-up capital *plus* free reserves *less* accumulated loss.

<sup>3</sup> Cash loss represents loss for the year *plus* depreciation for the year.

(1)	(2)	(3)	(4)	(5)	(6)
3.	Uttar Pradesh State Warehousing Corporation	1997-98	1998-99 1999-2000 2000-01 2001-02 2002-03	27.07.2000 29.05.2001 29.04.2002 13.08.2003 16.09.2004	Reasons not furnished by the Department/ Corporation
4.	Uttar Pradesh Forest Corporation <sup>1</sup>	--	1997-98 1998-99	17.08.2000 23.05.2002	Reasons not furnished by the Department/ Corporation
5.	Uttar Pradesh Avas Evam Vikas Parishad	1989-90	1990-91 1991-92 1992-93 1993-94 1995-96 1996-97	23.02.1998 23.02.1998 27.02.1998 19.08.1999 10.02.2003 29.01.2004	Reasons not furnished by the Department/ Corporation
6.	Uttar Pradesh Jal Nigam	1994-95	1995-96 1996-97 1997-98 1998-99 1999-2000 2000-01 2001-02	21.10.1997 18.02.1999 03.07.2000 19.09.2001 07.02.2002 13.02.2003 27.03.2004	Reasons not furnished by the Department/ Corporation
7.	Uttar Pradesh State Employees Welfare Corporation <sup>2</sup>	--	--	--	--

The State Government has not placed the Separate Audit Reports in the State Legislature even after lapse of nine years (Uttar Pradesh Financial Corporation). Though under respective statutes, State Government is required to place the separate Audit Reports in the Legislature, same has not been complied with.

### **Disinvestment, Privatisation and Restructuring<sup>3</sup> of Public Sector Undertakings**

**1.25** The policy of privatisation/disinvestment of PSUs formulated (June 1994) by the State Government provided for the review of all enterprises (excluding those engaged in social and welfare activities and public utilities) whose annual loss was more than Rs.10 crore and which had eroded their net worth by 50 per cent or more.

An Empowered Committee (EC) was constituted (December 1995) to review and decide cases for privatisation/disinvestment/ reference to BIFR and to recommend other alternatives such as partial privatisation, management by private entrepreneurs, lease to private entrepreneurs, etc. The recommendations of the EC have not been made available to Audit. On the recommendation of EC, the State Disinvestment Commission was constituted (November 1998) but it was dissolved (January 2000) and a Divestment Commission (DC) was constituted (January 2000).

For smooth functioning of process of disinvestments, a Central Committee (CC) was also constituted (January 2000). The CC was entrusted to make reference to the DC on the matters relating to reform in working, merger, reorganisation, privatisation or closure of the PSUs. It was envisaged that DC would forward its recommendations to the CC.

<sup>1</sup> Audit entrusted from 1997-98.

<sup>2</sup> Audit entrusted during 1998-99. Audit of annual accounts for the year 1998-99, received in March 2004, is under Audit.

<sup>3</sup> Restructuring includes merger and closure of PSUs.

Reference of 27 PSUs was made to DC, and the DC in all these cases gave recommendations. The CC considered and gave recommendations in respect of 25 PSUs. These recommendations were not made available to Audit.

Further, High Power Disinvestment Committee (HPDC) was constituted (April 2003) and the work of disinvestments was assigned to the Planning Department.

The Government intimated (September 2003) that:

- In first stage, disinvestment process has commenced for 11 sugar mills of Uttar Pradesh State Sugar Corporation Limited, and eight sick and five closed sugar mills of Uttar Pradesh Rajya Chini Avam Ganna Vikas Nigam Limited.
- Action would be taken on the recommendation of DC on 27 PSUs, which were referred to the DC.
- Information was being collected for possibility of disinvestment from Departments/PSUs and on the basis of information obtained, necessary action for disinvestment would be taken.
- The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited (PICUP) has been selected for consultancy for disinvestments. The HPDC was taking consultancy from PICUP for deciding policy matters and for making practical recommendations.

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

**1.26** During the period from October 2003 to September 2004, the audit of accounts of 31 Government companies (26 working and five non-working) and five Statutory corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Details	No. of accounts			Rs. in lakh		
	Government companies		Statutory corporations	Government companies		Statutory corporations
	Working	Non-working	Working	Working	Non-working	Working
(i) Decrease in profit	6	-	1	4,693.61	-	50.00
(ii) Increase in loss	9	1	2	23,272.02	0.12	15,085.00
(iii) Decrease in loss	3	-	1	3,840.00	-	294.00
(iv) Non disclosure of material facts	10	1	3	7,909.04	4.94	1,613.18
(v) Errors of classification	12	1	3	5,209.04	1,103.28	15,897.04

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

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

##### ***1.27 Uttar Pradesh Power Corporation Limited (2001-02)***

- Sundry Debtors were overstated and accumulated loss understated by Rs.104.73 crore due to inclusion of delayed payment surcharge which had already been waived off.

##### ***1.28 Uttar Pradesh Jal Vidyut Nigam Limited (2001-02)***

- Late payment surcharge amounting to Rs.15.07 crore on amount unpaid by Uttar Pradesh Power Corporation Limited up to 31 March 2002 was not provided, resulting in overstatement of loss by Rs.15.07 crore and understatement of sundry debtors to the same extent.

**1.29 Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (2002-03)**

- Revenue from Sale of Power was overstated by Rs.9.02 crore due to accountal of revenue from sale of power to UPPCL as Rs.2,815.70 crore instead of Rs.2,806.68 crore. This resulted in understatement of loss and overstatement of sundry debtors by Rs.9.02 crore.

**1.30 The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited (2002-03)**

- Provision for Assets Classification (non-performing assets) was understated by Rs.29.70 crore, resulting in understatement of loss and overstatement of Current Assets, Loans & Advances to that extent.

**1.31 Uttar Pradesh State Agro Industrial Corporation Limited (2001-02)**

- Current Liabilities & Provisions were understated by Rs.14.14 crore on account of non-provision of liability for future payment of gratuity (Rs. 13.48 crore) and leave encashment (Rs.0.66 crore).

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

**1.32 Uttar Pradesh Jal Nigam (2001-02)**

- Stock was overstated by Rs.36.92 crore as the inventory in six zones was accounted for on book balance without adjusting surplus/shortages found in physical verification, resulting in understatement of deficit to the same extent.
- The accumulated deficit was understated by Rs.79.50 crore due to charging centage on Accelerated Water Supply Scheme (1986) of the Government of India on which no centage was admissible.

**Persistent irregularities and system deficiencies in financial matters of PSUs**

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

Sl. No.	Name of the Government companies/Statutory corporations	Nature of irregularities
(1)	(2)	(3)
<b>Government companies</b>		
1.	Uttar Pradesh Power Corporation Limited	Inclusion of time barred cheques in Cash and Bank Balances.
2.	Uttar Pradesh State Bridge Corporation Limited	Inclusion of inadmissible centage in gross value of work done.
3.	Uttar Pradesh Projects Corporation Limited	Treating interest income on unutilised funds received from Government as company's income instead of showing it as payable to the Government.
4.	The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited	Inclusion of missing assets in the gross block of the Company.
5.	Uttar Pradesh State Sugar Corporation Limited	<ul style="list-style-type: none"> <li>• Inclusion of expenditure incurred on civil works in the capital work-in-progress though the project had been abandoned.</li> <li>• Non-accounting of commission recoverable from subsidiaries for the marketing services rendered.</li> </ul>
6.	Uttar Pradesh Pichhra Varg Vitta Evam Vikas Nigam Limited	Share certificates not delivered to the shareholders in violation of Section 113 (1) of the Companies Act, 1956.

(1)	(2)	(3)
<b>Statutory corporations</b>		
1.	Utar Pradesh State Road Transport Corporation	Non-reconciliation of inter office remittances.
2.	Uttar Pradesh Jal Nigam	Capital work-in-progress continued to include expenditure in respect Kumbh Mela works, which were completed in 1998-99.

#### **Recoveries at the instance of audit**

**1.34** Test check of records of power sector companies conducted during 2003-04 disclosed wrong fixation of tariff/non-levy/short levy of tariff/short realisation of revenue or other observations aggregating Rs.42.05 crore in 124 cases. The companies accepted the observations in 69 cases which had been pointed out by audit and a sum of Rs.1.35 crore relating to seven audit observations was recovered at the instance of audit.

#### **Internal audit/Internal control**

**1.35** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control systems in the companies audited by them in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. Accordingly, the Statutory Auditors observed deficiencies in respect of internal audit system in case of nine companies during the year 2003-04. A resume of major recommendations made/ comments made by Statutory Auditors on possible improvement in the internal audit/ internal control system is indicated in **Annexure-7**. It is noticed from the **Annexure** that major comments were of the following nature:

- internal audit system was not commensurate with the size and nature of business of Government companies,
- internal audit not conducted,
- the time involved by Internal Auditor was not as per size of the unit, internal audit was virtually ineffective as the Internal Auditors were made responsible for preparation of certain records/accounts of the Company apart from internal audit.

#### **Recommendation for closure of PSUs**

**1.36** Even after completion of five years of their existence, the turnover (sales and other income) of 11 Government companies (working: 10 and non-working:one) has been less than Rupees five crore in each of the preceding five years of latest finalised accounts (**Annexure-8**). Similarly, seven working Government companies (**Annexure-8A**) had been incurring losses for five consecutive years (as per latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above Government companies or consider their closure.

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

**1.37** The position of Audit Report (Commercial) pending in COPU for discussion as on 30 September 2004 was as follows:

Period of Audit Report	Reviews and paragraphs appeared in the Audit Report		Reviews and paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1976-77	2	53	--	2
1977-78	5	28	--	1
1979-80	6	59	--	7
1980-81	6	30	--	1
1981-82	4	73	2	37
1982-83	5	50	3	16
1983-84	4	60	3	2
1984-85	2	14	1	6
1985-86	6	22	5	9
1986-87	3	28	1	12
1987-88	8	23	4	6
1988-89	5	22	3	9
1989-90	6	14	1	7
1990-91	6	21	4	19
1991-92	4	38	4	35
1992-93	5	33	3	26
1993-94	5	31	5	23
1994-95	5	41	4	23
1995-96	7	39	5	22
1996-97	8	40	7	20
1997-98	5	67	5	60
1998-99	5	26	5	12
1999-2000	4	41	4	39
2000-01	5	34	5	27
2001-02	4	34	4	34
2002-03	4	38	4	38
<b>Total</b>	<b>129</b>	<b>959</b>	<b>82</b>	<b>493</b>

During the period from October 2003 to September 2004, the Committee on Public Undertakings (COPU) held 14 meetings and discussed four reviews and 24 draft paragraphs of Audit Reports (Commercial) for the years from 1997-98 to 2000-01.

#### **619-B Companies**

**1.38** There were four companies coming under Section 619-B of the Companies Act, 1956 of which only one was working Company. **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.