

PREFACE

The accounts of Government Companies set up under the provisions of the Companies Act, 1956 (including Government Insurance Companies and Companies deemed to be Government Companies as per provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act, 1956 (as per amendment made in December 2000) are subjected to supplementary or test audit by the CAG. The Companies Act, 1956 empowers CAG to issue directions to the Statutory Auditors on the manner in which the Company's accounts shall be audited.

2. The statutes governing some Corporations and Authorities require their accounts to be audited by CAG and reports to be given by him. In respect of four such corporations, viz., Airports Authority of India, National Highways Authority of India, Inland Waterways Authority of India, and Damodar Valley Corporation, relevant statutes designate CAG as their sole auditor. The Food Corporation Act, 1964 was amended on 2 June 2000 whereby CAG was made the sole auditor for this Corporation also. In respect of Central Warehousing Corporation, CAG has the right to conduct a supplementary or test audit after audit has been conducted by the Chartered Accountants appointed under the statute governing the Corporation.

3. Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by CAG for laying before both the Houses of Parliament under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in 1984.

4. Six reports on the accounts and the performance of the Central Government Companies and Corporations are issued by CAG to the Government. These are:

 `Report No. 1 (Commercial) - Review of Accounts' gives an overall appreciation of the performance of the Companies and Corporations as revealed by their accounts and information obtained in audit.

 `Report No.2 (Commercial)-Comments on Accounts' contains extracts from the important comments of CAG on the accounts of the Companies and Corporations and a resume of the reports submitted by the Statutory Auditors (Chartered Accountants) on the audit of the Companies in pursuance of the directions issued by CAG.

 `Report No.3 (Commercial)- Transaction Audit Observations' contains the observations on individual topics of interest noticed in the course of audit of the Companies and Corporations on aspects of their working.

 Report No.4 (Commercial)- Reviews on some of the activities of the Companies/Corporations.

 Report No.5 (Commercial)- Report on Transaction Audit Observations and Reviews on the performance of Companies in the Telecom Sector.

 Report No.6- Report on the Audit findings noticed in respect of PSUs in individual specific sector.

5. Audit Boards are set up under the supervision and control of CAG to undertake comprehensive appraisals of the performance of the Companies and Corporations subject to audit by CAG. Each Audit Board consists of the Chairman (Deputy Comptroller and Auditor General), two or three whole-time members of the rank of Principal Director of Audit under CAG and two technical or other experts in the area of performance of the Company or Corporation who are part-time members. The part-time members are appointed by the Government of India (through the respective Ministry or Department controlling the Company or Corporation) with the concurrence of CAG. CAG also reviews certain specific aspects of functioning of some PSUs outside the mechanism of the Audit Board. The reports of CAG based on such performance appraisals by the Audit Board and other reviews are issued to the Government as separate reports in addition to the annual reports mentioned in para 4.

6. Provision exists in the Acts governing Reserve Bank of India, Export-Import Bank of India, Industrial Reconstruction Bank of India, National Bank for Agricultural and Rural Development and National Housing Bank for the Central Government to appoint CAG, at any time, to examine and report upon their accounts. No such appointment was made during 2003-04.

7. Gist of important comments or supplementary audit observations of CAG made on the accounts of Central Government Companies and Corporations for the year 2003-04, or earlier years and significant findings reported by the Statutory Auditors while certifying the accounts of PSUs are given in this Report. A resume of the reports submitted to CAG by Statutory Auditors of these Companies/Corporations in compliance with the directions issued to them under Section 619(3) (a) of the Companies Act, 1956, covering the accounts for the year 2003-04 (or earlier years as are finalised during the current year), is also given in this Report.

8. All references to 'Government Companies/Corporations or PSU's in this report may be constructed to refer to 'Central Government Companies/Corporations' unless the context thereof suggests otherwise.