

## OVERVIEW

### I. Comments on Accounts of Public Sector Undertakings

The number of Central Government Companies including Deemed Government Companies and Corporations for which accounts for 2003-04 were received for audit under the Statutes governing the concerned Corporation or for supplementary audit under Section 619 (4) of the Companies Act, 1956 and in respect of which comments were issued was as follows: -

|  | Government Companies | Deemed Government Companies | Corporations | Total |
|--|----------------------|-----------------------------|--------------|-------|
| a) Total number of Central Government Companies/ Corporations  | 290                  | 88                          | 6            | 384   |
| b) No. of Companies/ Corporations whose accounts for 2003-04 were received (upto 15 December 2004)                                       | 238                  | 61                          | 5            | 304   |
| c) No. of Companies/ Corporations the accounts of which were selected for test audit.  | 202                  | 53                          | 5            | 260   |
| d) No. of Companies/ Corporations the accounts of which were revised as a result of test check and consequently no comments were issued. | 15                   | 2                           | 0            | 17    |
| e) No. of Companies/ Corporations on the accounts of which supplementary audit comments were issued.                                     | 53                   | 5                           | 2            | 60    |
| f) No. of Companies/ Corporations on the accounts of which no supplementary comments were issued.  | 127                  | 42                          | 0            | 169   |
| g) No. of Companies/ Corporations where audit of accounts was in progress (as of 15 December 2004)                                       | 7                    | 4                           | 3            | 14    |

### II. Revision of Profit or Loss in Accounts:

As a result of the test audit of the accounts of Government Companies and Deemed Government Companies by the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 and consequent revision of their accounts by some of

the Companies, the impact on profit/loss shown in the accounts for 2003-2004 was as follows:

|                        | <b>(Rupees in crore)</b> |                   |
|------------------------|--------------------------|-------------------|
|                        | <b>No. of Companies</b>  | <b>Net Effect</b> |
| i) Increase in Profit  | 2                        | 12.57             |
| ii) Decrease in Profit | 8                        | 115.57            |
| iii) Increase in Loss  | 5                        | 31.54             |

*[Paragraph 1.1(A)]*

### **III. Nature of Comments**

The comments issued by the Comptroller and Auditor General of India on the accounts of the Public Sector Undertakings (PSUs) audited under Companies Act, 1956 were of the following nature:

#### **(i) On Balance Sheet**

Aggregate value of assets as on 31 March 2004 was overstated by Rs.222.43 crore in 15 PSUs and understated by Rs.101.38 crore in two PSUs. Similarly liabilities were understated by Rs.167.60 crore in 12 PSUs and overstated by Rs.1196.79 crore in five PSUs other than Navratna PSUs.

*[Paragraph 1.1-B (a)(i& ii)]*

#### **(ii) On Profit or Loss**

(a) Had all the 22 PSUs whose accounts were test checked and were reflected in this report revised their accounts on the basis of comments made by CAG, aggregate profit for 2003-04 would have decreased by Rs.118.05 crore in nine PSUs and would have increased by Rs.1120.84 crore in four PSUs (excluding Navratna PSUs). Similarly, loss for 2003-04 would have been increased by Rs.94.81 crore in eight PSUs.

*[Paragraph 1.1-B (a)(iii& iv)]*

(b) The accounts of all the nine 'Navratna' PSUs were test checked. As a result of test check, aggregate value of assets as on 31 March 2004 was found over-stated by Rs.380.77 crore in two PSUs and understated by Rs.39.55 crore in one PSU. Similarly, liabilities were understated by Rs.200.05 crore in four PSUs and overstated by Rs.12.62 crore in one PSU. The comments of CAG on the PSUs brought out overstatement of profit by Rs.528.65 crore in five PSUs. The overall variance arising in the profit of five Navratna Companies as a result of CAG's comments was ranged between 0.49 to 3.70 per cent.

*[Paragraph 1.1-B (b)(i) & (ii)]*

### **IV. Reports by Statutory Auditors**

Some of the salient points raised by the Statutory Auditors in pursuance of the directions issued by the Comptroller and Auditor General of India under Section 619(3) (a) of the Companies Act, 1956 were of the following nature: -

- (i) Inadequacy and ineffectiveness in the system of financial control and accounts, non-reconciliation of books and deficiencies in the maintenance of asset registers were noticed.

***[Paragraph 2.1 & 2.2]***

- (ii) Debts were outstanding for three years or more and there was increase in Sundry debtors and doubtful debts.

***[Paragraph 2.2]***

- (iii) There were cases of non-payment of loan instalments, interest and penal interest by PSUs due on Government loans.

***[Paragraph 2.3]***

- (iv) Excess inventory, surplus or obsolete stores and spares, non-fixation of maximum and minimum levels of stock holdings and non-fixation of economic order quantity were also noticed.

***[Paragraph 2.4 & Annexure-III]***

- (v) Deficiencies in cost control system were also found.

***[Paragraph 2.5]***

- (vi) Internal Audit system was not commensurate with the size and nature of business of PSUs.

***[Paragraph 2.6]***

- (vii) Segment-wise profit and loss statements were not prepared.

***[Paragraphs 2.1 and 2.7]***

