

PREFACE

1. The accounts of Government Companies set up under the provisions of the Companies Act (including 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 are subject to supplementary or test audit by officers of the CAG and the CAG gives his comments or supplements the report of the Statutory Auditors. The Companies Act, 1956 empowers the 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 the CAG and reports to be given by him. In respect of five such Corporations viz. Airports Authority of India, National Highways Authority of India, Inland Waterways Authority of India, Food Corporation of India and Damodar Valley Corporation, the relevant statutes designate the CAG as their sole auditor. In respect of one Corporation viz. Central Warehousing Corporation, the CAG has the right to conduct a supplementary or test audit after audit has been conducted by the Chartered Accountants appointed under the statutes governing the Corporation.

3. Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by the CAG 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. Annual reports on the accounts of the Central Government Companies and Corporations are issued by the CAG to the Government. These are:

Regularity Audit (Yellow Series)

Report No.9 - Financial Reporting by Public Sector Undertakings (PSUs): This gives an overall picture of the quality of financial reporting by PSUs and an appraisal of the performance of the Companies and Corporations as revealed by their financial statements.

Report No.10 - Information Technology Applications in Central PSUs: This gives an overall assessment of the use of Information Technology in selected areas of operations of PSUs.

Report No.11 - Transaction Audit Observations: This contains observations on individual topics of interest noticed in the course of audit of the Companies and Corporations other than Companies in the Telecommunications Sector.

Report No.12 - Transaction Audit Observations: This contains the observations on individual topics of interest noticed in the course of audit of the Companies in the Telecommunications Sector.

Performance Audit (Blue Series)

Report No.9: This contains reviews of selected activities of the Companies and Corporations other than Companies in the Telecommunications Sector.

Report No.10: This contains reviews of selected activities of the Companies in the Telecommunications Sector.

5. The Audit Board mechanism was restructured during 2005-06 under the supervision and control of the CAG. The Board, which is permanent in nature, is chaired by the Deputy Comptroller and Auditor General-(Commercial) and consists of senior officers of the CAG. Two technical experts are inducted as special invitees, if necessary. The Director (Commercial) of the CAG's Office is the Secretary of the Board. The Board approves the topics recommended for performance audit. It also approves the guidelines, audit objectives, criteria and methodology for conducting major performance audits. The Board finalises the stand alone performance audit reports after discussions with the representatives of the Ministry and Management.

6. Provisions exist 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 the CAG, at any time, to examine and report upon their accounts. No such appointment was made during 2005-06.

7. The accounts of the Central Government Public Sector Undertakings reviewed in this Report cover the accounts for the years 2003-04, 2004-05 and 2005-06 (to the extent received). In respect of PSUs where any particular year's accounts were not received before 30 September 2006, the figures of the last audited accounts have been adopted.

8. In respect of some PSUs, figures for the previous year might not agree with the corresponding figures shown in the Audit Report- No. 10 of 2006 (Yellow Series), owing to replacement of provisional figures by audited/revised figures.

9. Impact of revision of accounts as well comments issued as a result of supplementary audit of the financial statements of central government companies conducted by the CAG for the year 2005-06 (or earlier years as are finalised during the current year), and significant findings reported by the Statutory Auditors while certifying the financial statements of the PSUs are given in this Report. The report also contains the impact of comments issued by the CAG on the financial statements of the Statutory Corporations where CAG is the sole auditor. Besides, a resume of the reports submitted to the CAG by the Statutory Auditors of these companies in compliance with the directions issued to them under Section 619(3)(a) of the Companies Act, 1956, covering the financial statements is also given in this Report.

10. The Report also enumerates non-compliance with the mandatory requirements of clause 49 of the Listing agreement relating to constitution and functioning of the Audit Committee and also highlights the initiatives of some PSUs in embracing corporate social responsibility by preparing separate Sustainability Report or Social Responsibility Report and participation of PSUs in UN's Global Compact.

11. All references to 'Government Companies/ Corporations or PSUs' in this report may be construed to refer to 'Central Government Companies/ Corporations' unless the context suggests otherwise.