

Chapter I

Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Rajasthan, the State PSUs occupy an important place in the State economy. The State PSUs registered a turnover of ₹ 25,275.63 crore for 2009-10 as per their latest finalised accounts as on 30 September 2010. This turnover was equal to 11.50 *per cent* of State Gross Domestic Product for 2009-10. Major activities of Rajasthan State PSUs are concentrated in power sector. The working State PSUs incurred a loss of ₹ 1,200.90 crore in the aggregate for 2009-10 as per their latest finalised accounts. They had employed 0.70 lakh* employees as on 31 March 2010. The State PSUs do not include 12 prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2010, there were 41 PSUs as *per* the details given below. No company is listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs ^ψ	Total
Government Companies [♦]	34	4	38
Statutory Corporations	3	-	3
Total	37	4	41

1.3 During the year 2009-10, eight new PSU[€] (first three were established in 2006-07 and 2008-09 but intimation from the State Government was received in 2009-10) were established where as no PSU was closed down.

* As per the details provided by 21 PSUs. Remaining 20 PSUs did not furnish the details.

^ψ Non-working PSUs are those which have ceased to carry on their operations.

[♦] There are four 619-B Companies at Sl. No A-27 to 30. of part-A of Annexure -1

[€] Udaipur City Transport Services Limited in January 2007, Bikaner City Transport Services Limited in May 2008, Banswara Thermal Power Company Limited in August 2008, Gurha Thermal Power Company Limited in April 2009, Aravali Transmission Service Company Limited in June 2009, Maru Transmission Service Company Limited in June 2009, Shekhawati Transmission Service Company Limited in June 2009 and Jaipur Metro Rail Corporation Limited was incorporated in January 2010.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a Company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

1.5 The accounts of the State 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 the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory corporations, CAG is the sole auditor for Rajasthan State Road Transport Corporation (RSRTC). In respect of Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by the CAG.

Investment in State PSUs

1.7 As on 31 March 2010, the total investment (capital and long-term loans) in 41 PSUs was ₹ 35,277.13 crore as per details given below.

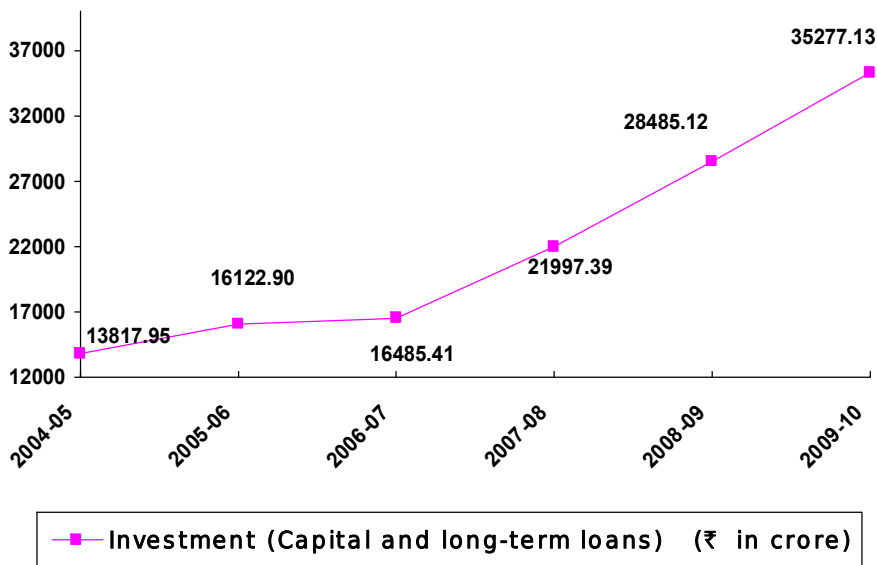
(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	8492.07	25350.54	33842.61	337.99	1049.45	1387.44	35230.05
Non-working PSUs	9.27	37.81	47.08	-	-	-	47.08
Total	8501.34	25388.35	33889.69	337.99	1049.45	1387.44	35277.13

A summarised position of government investment in State PSUs is detailed in **Annexure-1**.

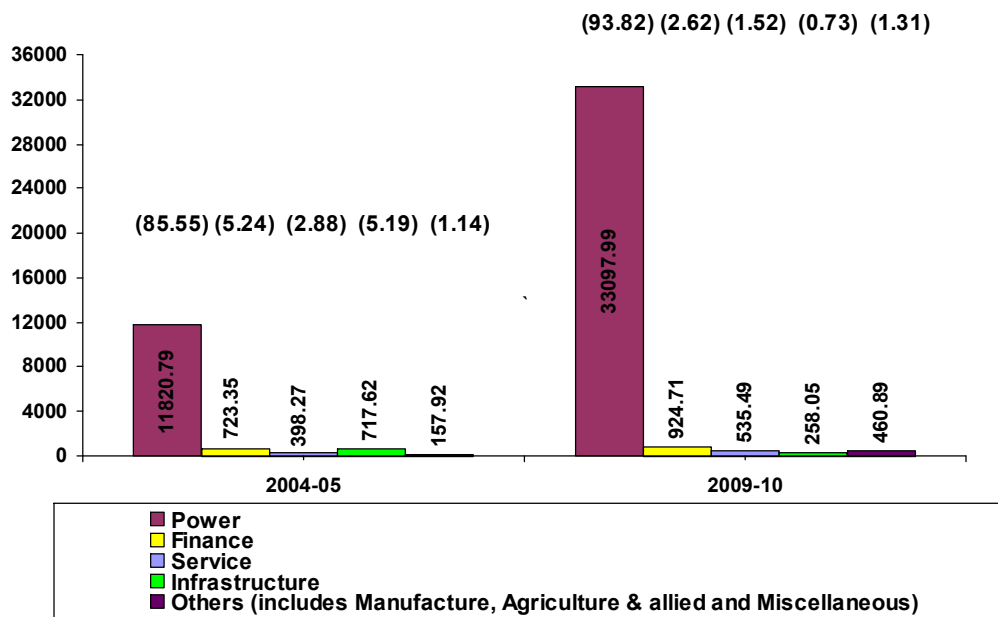
1.8 As on 31 March 2010, of the total investment in State PSUs, 99.87 *per cent* was in working PSUs and the remaining 0.13 *per cent* in non-working PSUs. This consisted of 25.06 *per cent* towards capital and 74.94 *per cent* in long-term loans. The investment has grown by 155.30 *per cent*

from ₹ 13,817.95 crore in 2004-05 to ₹ 35,277.13 crore in 2009-10 as shown in the graph below.



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart. The thrust of PSU investment was mainly on power sector during the five years which has seen its percentage share rising to 93.82 per cent in 2009-10 from 85.55 in 2004-05.

(Figures in brackets show the percentage of total investment)
(Amount: ₹ in crore)



PSUs investment in infrastructure activity had declined from 5.19 per cent (₹ 717.62 crore) in 2004-05 to 0.73 per cent (₹ 258.05 crore) in 2009-10 due to reduction in borrowings by Rajasthan State Industrial Development and Investment Corporation Limited and Rajasthan State Road Development and Construction Corporation Limited.

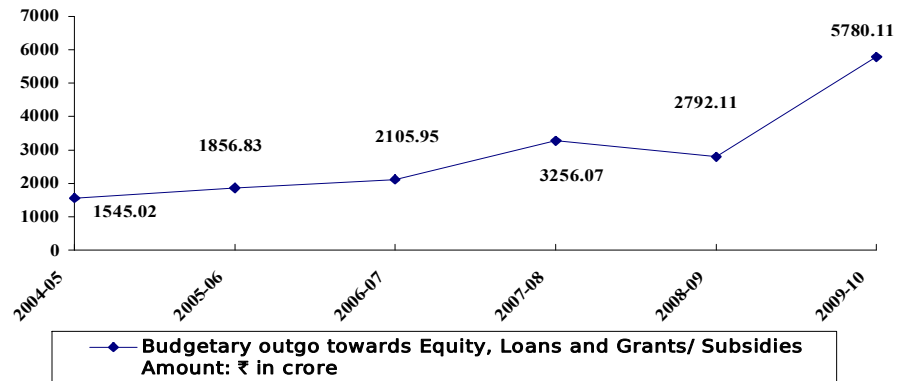
Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-3**. The summarised details are given below for three years ended 2009-10.

(₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	9	1070.71	6	1337.98	10	1470.25
2.	Loans given from budget	3	668.44	5	252.72	7	3341.53
3.	Grants/Subsidy received*	10	1516.92	7	1201.41	14	968.33
4.	Total Outgo (1+2+3)	13 ^s	3256.07	10 ^s	2792.11	18 ^s	5780.11
5.	Loans converted into equity	-	-	-	-	1	23.55
6.	Guarantees issued	5	12705.31	6	13944.73	5	20767.42
7.	Guarantee Commitment	7	18153.83	8	25639.95	5	32099.14

1.11 The details regarding budgetary outgo towards equity, loans and grants/subsidies for six years are given in a graph below.



* Amount represents outgo from State Budget only.

^s The figure represents number of companies which have received outgo form budget under one or more heads i.e. equity, loans, grants/subsidies.

The main beneficiary of budgetary outgo was power sector which received 97.38 per cent (₹ 1,431.80 crore) of equity capital outgo (₹ 1,470.25 crore) and 96.16 per cent (₹ 5,558.35 crore) of total budgetary outgo (₹ 5,780.11 crore).

1.12 The Government charges guarantee commission at the concessional rate of 0.1 per cent per annum for term loans granted by the financial institutions and Banks to the Power Sector PSUs, whereas in case of loan availed by other PSUs it charges guarantee commission at the rate of one per cent per annum. The Government charges guarantee commission at concessional rate of 0.01 per cent per annum on issue of bonds by the Power Sector PSUs, however, no bonds were issued during 2009-10. The guarantee commission is payable quarterly failing which guarantee commission will also carry penal interest at the rate of 15 per cent per annum from the first day of the following month to the quarter to which it relates till the date of final payment. There was increasing trend of outstanding guarantees. The amount of guarantees outstanding increased from ₹ 11,152.15 crore in 2004-05 to ₹ 32,099.14 crore in 2009-10 showing rise of 187.83 per cent. During the year 2009-10 guarantee commission of ₹ 40.36 crore was paid/ payable by the PSUs.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	9015.14	8760.66	254.48
Loans	2503.16	1876.51	626.65
Guarantees	37188.74	32099.14	5089.60

1.14 Audit observed that the differences occurred in respect of 24 PSUs and some of the differences were pending reconciliation since earlier period. The matter was taken up from time to time with Finance Department, Government of Rajasthan regarding difference in figures relating to equity, loans and guarantee as per finance accounts and as per PSU's records. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexure-2, 5 and 6**

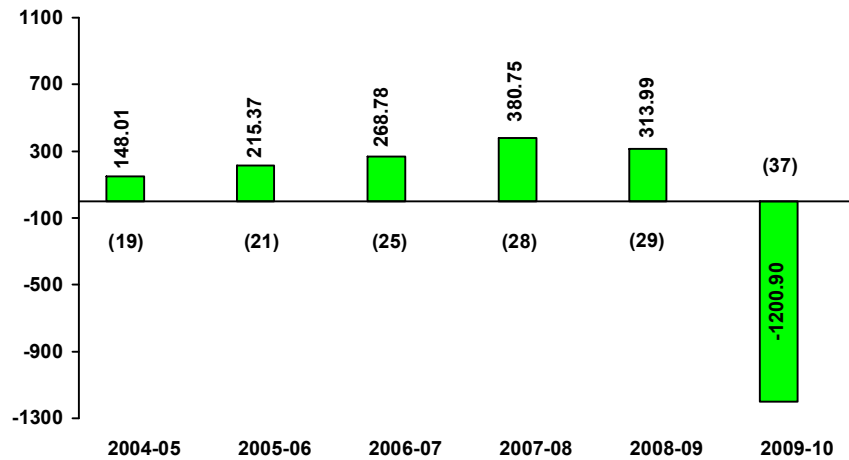
respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2004-05 to 2009-10.

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover [∞]	11185.31	12616.80	14445.07	16644.45	17510.67	25275.63
State GDP	117274.31	128620.63	148849.22	169918.51	191989.90	219768.80
Percentage of Turnover to State GDP	9.54	9.81	9.70	9.80	9.12	11.50

The turnover of PSUs has recorded continuous increase over previous year turnover from 2005-06 to 2009-10. Percentage of increase in turnover ranged between 5.20 and 44.34 during the period 2005-10, whereas percentage of increase in GDP ranged between 9.68 and 15.73 during the period 2005-10. The turnover of PSUs recorded compounded annual growth of 17.71 per cent during last five years which was higher than the compounded annual growth of 13.38 per cent of State GDP. This had resulted in increase of PSUs share of turnover to State GDP from 9.54 per cent in 2004-05 to 11.50 per cent in 2009-10.

1.16 Profit* (losses) earned (incurred) by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart.



■ Overall Profit earned/Loss incurred during the year by working PSUs (₹ in crore)

(Figures in brackets show the number of working PSUs in respective years)

It can be seen from the above chart that the profit earned by the working PSUs had increased from ₹ 148.01 crore in 2004-05 to ₹ 313.99 crore in 2008-09 but turned into loss of ₹ 1,200.90 crore in 2009-10. According to latest finalized accounts of 37 PSUs, 10 PSUs earned profit of ₹ 361.34 crore,

[∞] Turnover as per the latest finalised accounts.

* Figures are as per the latest finalised accounts during the respective years.

11 PSUs incurred loss of ₹ 1,562.24 crore, while three power sector PSUs *i.e.* Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited, and Jodhpur Vidyut Vitran Nigam Limited incorporated in 2000-01 prepared accounts on 'No Profit No Loss basis' by showing revenue gap as recoverable from the State Government which was not as per Generally Accepted Accounting Principles (GAAP) prevailing in the country. 13 PSUs incorporated in the year 2006-07 to 2009-10 did not commence commercial activities till 2009-10. The major contributors to the profit were Rajasthan State Mines and Minerals Limited (₹ 174.57 crore) and Rajasthan State Industrial Development and Investment Corporation Limited (₹ 142.56 crore). Heavy losses were incurred by Rajasthan Rajya Vidyut Prasaran Nigam Limited (₹ 860.77 crore) and Rajasthan Rajya Vidyut Utpadan Nigam Limited (₹ 495.54 crore) as per their latest finalised account.

1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 1,305.56 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Profit (loss)	380.75	313.99	(1200.90)	(506.16)
Controllable losses as per CAG's Audit Report	116.70	729.70	459.16	1305.56
Infructuous Investment	Nil	3.25	Nil	3.25

1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below.

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (<i>per cent</i>)	7.19	6.61	6.24	6.00	5.82	2.89
Debt	10055.94	11720.00	11377.42	15808.26	20955.24	26437.80
Turnover*	11185.31	12616.80	14445.07	16644.45	17510.67	25275.63
Debt/Turnover Ratio	0.90:1	0.93 : 1	0.79 : 1	0.95 : 1	1.20:1	1.05:1
Interest Payments	1446.83	1236.13	1375.40	1338.95	1599.84	2374.73 ^{\$}
Accumulated Profits (losses)	(274.99)	(193.66)	(63.89)	117.98	364.89	(1343.22) ^{\$}

Note:1. Position for the year 2009-10 was taken from the information received up to 30 September 2010.

(Above figures pertain to all PSUs except for turnover which is for working PSUs)

* Turnover of working PSUs as per the latest finalised accounts.

\$ Figures as per the latest finalised accounts.

1.20 The turnover of PSUs recorded compounded annual growth of 17.71 *per cent* during last five years while compounded annual growth of debts was 21.33 *per cent* indicating that the debts were rising at much faster rate than turnover. The rising debts to turnover ratio from 0.90:1 in 2004-05 to 1.05:1 in 2009-10 as well as decreasing trend in return on capital employed pointed to deteriorating performance of PSUs. The power sector PSUs were major contributor to the rising debt to turnover ratio as debt/ turnover ratio in respect of power sector PSUs had risen from 0.95:1 in 2004-05 to 1.24:1 in 2009-10.

1.21 The State Government had formulated (September 2004) a dividend policy under which all profit making PSUs are required to pay a minimum return of ten *per cent* on the paid up share capital contributed by the State Government or 20 *per cent* of the profit after tax, whichever is lower. As per their latest finalised accounts, 10 PSUs earned an aggregate profit of ₹ 361.34 crore and seven PSUs declared a dividend of ₹ 36.84 crore which worked out to 0.42 *per cent* of equity capital contributed by the State Government. Out of seven PSUs declaring dividend, two PSUs (Rajasthan State Road Development and Construction Corporation Limited and Rajasthan State Mines and Minerals Limited) declared dividend more than prescribed in the Government dividend policy, while two PSUs (Rajasthan State Ganganagar Sugar Mills Limited and Rajasthan State Industrial Development and Investment Corporation Limited) declared dividend less than prescribed in the Government dividend policy. Three PSUs which earned profit, did not declare dividend due to accumulated losses or marginal profit.

Performance of major PSUs

1.22 The investment in working PSUs and their turnover** together aggregated to ₹ 60,505.68 crore during 2009-10. Out of 37 working PSUs, the following five PSUs accounted for individual investment *plus* turnover of more than ten *per cent* of aggregate investment *plus* turnover. These five PSUs together accounted for 87.88 *per cent* of aggregate investment *plus* turnover.

(₹ in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage of Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
Rajasthan Rajya Vidyut Utpadan Nigam Limited	11288.50	5101.12	16389.62	27.09
Rajasthan Rajya Vidyut Prasaran Nigam Limited	5246.64	1020.62	6267.26	10.36
Jaipur Vidyut Vitran Nigam Limited	7363.16	6341.93	13705.09	22.65
Ajmer Vidyut Vitran Nigam Limited	5793.24	2924.07	8717.31	14.41
Jodhpur Vidyut Vitran Nigam Limited	3324.87	4766.58	8091.45	13.37
Total	33016.41	20154.32	53170.73	87.88

1.23 All of the above five power sector PSUs had arrears of accounts for one year (2009-10) as on 30 September 2010.

** Turnover figures have been taken in respect of all the PSUs as per their latest finalised accounts.

1.24 Out of above five power sector PSUs, three* power sector PSUs prepared their accounts on 'No profit no loss' basis. The turnover has risen from ₹ 10,468.37 crore in 2005-06 to ₹ 20,154.32 crore in 2009-10 during this period. However, the return on capital employed has reduced to 2.37 per cent in 2009-10 from 5.49 per cent in 2005-06 as per latest finalised accounts by the PSUs.

Arrears in finalisation of accounts

1.25 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by 30 September 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of Working PSUs	21	25	28	29	37
2.	Number of accounts finalised during the year	16	22	26	25	27
3.	Number of accounts in arrears	5	8	10	14	28*
4.	Average arrears per PSU (3/1)	0.24	0.32	0.36	0.55	0.76
5.	Number of Working PSUs with arrears in accounts	5	8	9	13	21
6.	Extent of arrears	One year	One year	One to two years	One to Two years	One to Three years

1.26 Out of 37 working PSUs, 21** working PSUs have 28 accounts in arrears. Of these 21 working PSUs, five# working PSUs have arrear in accounts more than one year.

1.27 Out of four non-working PSUs, no PSU had gone into liquidation process.

1.28 The State Government had invested ₹ 5,605.63 crore (Equity: ₹ 1,451.25 crore, Loans: ₹ 3,341.39 crore and Grants: ₹ 812.99 crore) in nine PSUs during the year for which accounts have not been finalised as detailed in **Annexure-4**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus Government's investment in such PSUs remains

* Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited.

** Sl. No. A-3,10,11,12,13,14,15,16,17,19,21,22,23,24,25,27,28,29,30,31 and 33 of Annexure-2.

Sl. No. A-19,21,28,29 and 30 of Annexure-2.

• Three PSUs Bikaner City Transport Services Limited, Kota City Transport Services Limited and Udaipur City Transport Services Limited came into Audit purview this year with seven accounts in arrears.

outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.29 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up periodically with the Chief Secretary/Finance Secretary to expedite clearance of the backlog of arrears in accounts in a time bound manner.

1.30 In view of above state of arrears, it is recommended that:

- The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.
- The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.

Winding up of non-working PSUs

1.31 There were four non-working PSUs (four Companies and nil Statutory corporations) as on 31 March 2010. None of these PSUs have commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
No. of non-working companies	5	4	4	4	4
No. of non-working corporations	-	-	-	-	-
Total	5	4	4	4	4

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2009-10, two non-working PSUs incurred an expenditure of ₹ 0.02 crore towards salary and establishment expenses *etc.* This expenditure was financed by the Holding companies.

1.32 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	4	-	4
2.	Of (1) above, the No. Under	-	-	-
(a)	liquidation by Court (liquidator appointed)	-	-	-
(b)	Voluntary winding up (liquidator appointed)	-	-	-
(c)	Closure, <i>i.e.</i> closing orders/ instructions issued but liquidation process not yet started.	1*	-	1

* Rajasthan Electronics Limited

1.33 During the year 2009-10, no PSU was finally wound up. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may take a decision regarding winding up of four non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.34 Twenty two working Companies forwarded their 24* audited accounts to the Accountant General during the year 2009-10 (up to 30 September 2010). Of these, 18 accounts of 17** Companies were selected for supplementary audit. The audit reports of statutory auditors appointed by the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and the CAG are given below.

(₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10*	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	6	28.90	4	6.58	2	0.91
2.	Increase in loss	7	4595.12	-	-	4	3811.29
3.	Non-disclosure of material facts	2		-	-	-	-
4.	Errors of classification	2		1	-	1	-

1.35 During the year 2009-10, the statutory auditors had given qualified certificates on 22 accounts and adverse certificate (which means that accounts do not reflect a true and fair position) on one account and disclaimer (meaning the auditors are unable to form an opinion on accounts) on one account. Additionally, the CAG gave adverse certificate on two accounts (two PSUs relating to power sector) during the supplementary audit. The compliance of the Accounting Standards (AS) by PSUs remained poor as there were 73 instances of non-compliance in 15 accounts during supplementary audit.

1.36 Some of the important comments in respect of accounts of companies are stated below:

Ajmer Vidyut Vitran Nigam Limited (2007-08)

- Due to comments of the CAG and Statutory Auditors, the net loss for the year carried to Balance Sheet worked out to ₹ 1,175.82 crore

* Position as on 30 September 2010.

* Ajmer Vidyut Vitran Nigam Limited (AVVNL) submitted two accounts for the year 2007-08 and 2008-09 and Rajasthan Civil Aviation Corporation Limited submitted two accounts for the year 2008-09 and 2009-10.

** Two accounts of AVVNL for the year 2007-08 and 2008-09 was selected for supplementary audit.

instead of ₹ NIL shown by the Company. Further, the depiction of net loss in Profit and Loss Account and accumulated loss in the Balance Sheet was not as per AS-12 and Schedule VI of the Companies Act, 1956. Hence, the account do not represent true and fair view.

Rajasthan Rajya Vidyut Utpadan Nigam Limited (2008-09)

- The 'Loss before tax' and 'Other assets' were overstated by ₹ 48.18 crore due to incorrect accountal of various expenditures incurred on Giral Lignite Thermal Power Plant-I (GLTPP-I) during the year 2008-09 as company's expenditure instead of showing the same as receivable from Giral Lignite Power Limited (GLPL). This amount was recoverable from Discoms by the subsidiary company as fixed charges as per tariff order issued by Rajasthan Electricity Regulatory Commission (RERC).
- The 'Loss for the year' and 'Reserves and Surplus' were understated by ₹ 27.15 crore due to incorrect accountal of amount received against contingency reserve as revenue which was received to meet out capital cost of assets to be incurred towards damage due to accident or avoidable circumstances and was required to be set aside separately.
- The 'Loss for the year' was understated and 'Sundry debtors' were overstated by ₹ 6.15 crore due to recovery of excess energy charges from Discoms on account of generation incentive of Kota and Suratgarh power plants in violation of terms and conditions of the Tariff Regulation, 2004 issued by RERC.

Rajasthan State Mines & Minerals Limited (2008-09)

- Provision for gratuity includes LIC premium of ₹ 52.41 lakh pertaining to the period 2009-10. This resulted in overstatement of provision for gratuity and understatement of profit and prepaid expenses by ₹ 52.41 lakh.

Rajasthan State Road Development and Construction Corporation Limited (2009-10)

- 'Payment to and Provision for Employees' was understated by ₹ 1.92 crore as maximum gratuity amount payable to an employee increased from ₹ 3.50 lakh to ₹ 10 lakh with effect from 24 May 2010 vide the Payment of Gratuity (Amendment) Act, 2010. Consequently, profit for the year has been overstated to same extent.

Rajasthan State Industrial Development and Investment Corporation Limited (2009-10)

- 'Income from Financial and Other Activities' was overstated by ₹ 6.11 crore due to inclusion of interest allowed (June 2010) by Income Tax Department on additional tax paid for the Assessment Year 2005-06, pending the matter subjudiced in contravention of AS-9. Consequently, Profit after tax as well as Current Assets, Loans and Advances were overstated by ₹ 6.11 crore.

- 'Income Tax' was overstated by ₹ 16.63 crore due to incorrect account of refund of Income Tax made by Income Tax Department (June 2010) towards Assessment Year 2005-06, pending the matter subjudiced. Consequently, Profit after tax as well as Current Assets, Loans and Advances were overstated by ₹ 16.63 crore.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (2008-09)

- The Company revised the financial statement to give effect to some of our audit observations highlighted during supplementary audit which resulted in increase of loss from ₹ 719.23 crore to ₹ 860.77 crore.
- Further, due to our comments and those of statutory auditors, the net loss for the year worked out to ₹ 1,211.48 crore instead of ₹ 860.77 crore loss shown by the Company in revised accounts.

Jodhpur Vidyut Vitran Nigam Limited (2008-09)

- Due to our comments and those of statutory auditors, the net loss for the year worked out to ₹ 2,251.46 crore instead of NIL shown by the Company. Hence the accounts did not represent a true and fair view.

1.37 Similarly, three working Statutory corporations forwarded their accounts of 2009-10 to Accountant General during the year 2010-11 (up to 30 September 2010). Of these, one account of one Statutory corporation pertained to sole audit by the CAG which was completed during the year. Remaining two accounts were selected for supplementary audit. The audit reports of statutory auditors indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and Supplementary audit of CAG are given below:

(₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10 ^Y	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	27.53	-	-	-	-
2.	Increase in loss	1	40.06	-	-	2	152.81
3.	Non-disclosure of material facts	1	-	-	-	-	-
4.	Errors of classification	-	-	-	-	-	-

1.38 Out of two accounts received during the year 2009-10, the statutory auditors had given qualified certificates for both accounts.

1.39 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by

^Y Position as on 30 September 2010.

the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of seven companies for the year 2008-09 and 14 companies for the year 2009-10 (position taken on the basis of accounts received upto 30 September 2010) are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Annexure 2
1.	Absence of internal audit system commensurate with the nature and size of business of the company	2008-09- 7 2009-10 –14	A-2, 3, 4, 5, 9, 34 & B -2 A-2, 4, 6, 9, 10, 13, 14, 15, 16, 17, 26, 27, 34 & B-1
2.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	2008-09 – 6 2009-10 – 10	A-3, 4, 8, 9, 12 & B-2 A-4, 9, 10, 13, 14, 15, 16, 17, 26 & 31

Recoveries at the instance of audit

1.40 During the course of propriety audit in 2009-10, recoveries of ₹ 5.68 crore were pointed out to the Management of various PSUs, of which, recoveries of ₹ 5.48 crore were admitted by PSUs. An amount of ₹ 3.95 crore was recovered during the year 2009-10.

Status of placement of Separate Audit Reports

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

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Rajasthan Financial Corporation	2008-09 (23.02.2010)	-	-	-
2.	Rajasthan State Warehousing Corporation	2008-09 (23.02.2010)	2009-10	13.09.2010	-
3.	Rajasthan State Road Transport Corporation	2008-09 (24.02.2010)	-	-	-

The audit of the accounts of remaining two Statutory corporations for the year 2009-10 is in progress.

Disinvestment, Privatisation and Restructuring of PSUs

1.42 No disinvestment or privatisation of Public Sector Undertakings took place during 2009-10.

Reforms in Power Sector

1.43 Rajasthan has Rajasthan Electricity Regulatory Commission (RERC) formed in January 2000 under section 17 of the Electricity Regulatory Commissions Act, 1998 with the objective of rationalization of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2009-10, RERC issued 27 orders (15 on annual revenue requirements and 12 on others).

1.44 Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl No.	Milestone		Achievement as at March 2010			
			Name of the Company	Transmission loss	Distribution loss	Total
1.	Reduction in transmission and distribution losses	20 per cent by 2008-09	JVVNL	7.00	22.86	29.86
			AVVNL	6.20	29.67	35.87
			JdVVNL	6.24	25.49	31.73
2.	100 per cent metering of all 11 KV distribution feeders	September 2001	Name of the Company	11KV feeders to be metered	11KV feeders metered upto March 2010	Percentage
			JVVNL	4304	3874	90.00
			AVVNL	4806	4342	90.35
			JdVVNL	5484	5082	92.67
3.	100 per cent electrification of all villages	41,353 villages by 2005	38,644 villages electrified i.e. 93.45 per cent.			
4.	100 per cent metering of all consumers	30 June 2002	No connection of any category is being released without meter. All flat rate agricultural connections are being converted to metered category. 2,13,574 consumers were converted from agricultural flat rate to metered category in urban/rural areas.			
5.	State Electricity Regulatory Commission (SERC)					
	(1) Establishment of the SERC	-	The SERC was formed in January 2000.			
	(2) Implementation of tariff orders issued by SERC during the year	An order for distribution tariff was to be implemented from January 2005.	The tariff was implemented from May 2005 as the State Government provided subsidy for the period January 2005 to April 2005. There was no change in tariff since then.			
	General					
6.	Monitoring of MOU	Monitoring was required on quarterly basis	Monitoring is being done regularly by SE (Plan) of Jaipur Vidyut Vitran Nigam Limited. Last report was sent in March 2010.			