

EXECUTIVE SUMMARY

I. Financial performance of Central Public Sector Undertakings

As on 31 March 2010, there were 451 Central Government Public Sector Undertakings (CPSUs) under the audit jurisdiction of the Comptroller and Auditor General of India. These included 329 government companies, 116 deemed government companies and six statutory corporations. This Report deals with 404 PSUs comprising 302 government companies, 96 deemed government companies and six statutory corporations. Forty seven companies are not covered in this report. Out of them, accounts of seven PSUs were in arrears for three years or more, two PSUs had not submitted their first accounts, 35 PSUs were defunct/under liquidation and accounts of three PSUs were not due.

[Para 1.1.4]

Government Investments

The accounts of 404 PSUs (352 for current year and 52 for earlier years) indicated that the Government of India had invested ₹ 1,73,057 crore directly in the equity capital of 308 government companies and corporations and ₹ 143 crore in four deemed government companies. Loans amounting to ₹ 60,174 crore had also been received by the PSUs directly from the Government of India as on 31 March 2010. Compared to the previous year, investment in equity of PSUs, including deemed government companies, by the Government of India registered a net increase of ₹ 11,478 crore and loans given to them increased by ₹ 350 crore.

[Paras 1.2.1, 1.2.2 and 1.2.3]

Market Capitalisation

The market value of shares of 42 listed government companies as per prices prevailing in stock markets on 31 March 2010 stood at ₹ 14,31,135 crore. Market value of shares held by the Government of India in 37 companies stood at ₹ 11,55,267 crore as on 31 March 2010. Market value of shares held by government companies in five subsidiaries stood at ₹ 16,055 crore as on 31 March 2010

[Para 1.2.4]

Return on Investment

Out of the 308 government companies and corporations where data has been analysed in this Report, 189 government companies and corporations earned profits during the year and 98 government companies suffered losses excluding Food Corporation of India, Inland Waterways Authority of India and National Highways Authority of India. These three statutory corporations prepare accounts on no profit/no loss basis. While shortfall of income over expenditure in respect of Food Corporation of India and Inland Waterways Authority of India is shown as receivable from Government of India, National Highways Authority of India capitalised the amount of excess of expenditure over income during 2009-10. The remaining 18 companies were not in operation. The total profit earned by 189 government companies and corporations was ₹ 1,05,906 crore of which, as much as 66 per cent (₹ 69,445 crore) was contributed by 36 government companies and

corporations under three sectors viz., Petroleum and Natural Gas, Power and Coal and Lignite.

[Paras 1.3 and 1.4]

Out of the 189 government companies and corporations which earned profit, 118 government companies and corporations declared dividend for the year 2009-10 amounting to ₹ 33,804 crore. Out of this, ₹ 23,169 crore were paid/payable to the Government of India. The dividend paid to Government of India represented 13.39 *per cent* return on the total investment by the Government of India (i.e., ₹ 1,73,057 crore) in all government companies and corporations.

[Para 1.3.2]

Government companies under the Ministry of Petroleum and Natural Gas, operating partially under the administered/ regulated prices, contributed ₹ 13,852 crore representing 41 *per cent* of the total dividend declared by all government companies.

[Para 1.3.2.4]

Non compliance with government's directive in the declaration of dividend by 37 companies resulted in a shortfall of ₹ 1,672 crore in the payment of dividend for the year 2009-10.

[Para 1.3.2.5]

Net Worth/Accumulated Loss

Out of 308 government companies and corporations, the equity investment in 68 companies had been completely eroded by their accumulated losses. As a result, the aggregate net worth of these companies had become negative to the extent of ₹ 72,798 crore as on 31 March 2010. The accumulated losses in these 68 government companies increased by ₹ 2,370 crore, from ₹ 84,949 crore in 2008-09 to ₹ 87,319 crore in 2009-10. Due to the negative net worth, recovery of the loans given by the Government to 34 companies out of 68, amounting to ₹ 29,904 crore was doubtful.

[Paras 1.4.1 and 1.4.2]

II. CAG's oversight role

Out of 451 CPSUs including six statutory corporations, annual accounts for the year 2009-10 were received from 352 PSUs including five statutory corporations and 89 deemed government companies. Of these, accounts of 249 PSUs including five statutory corporations were reviewed in audit.

[Paras 2.3.2, 2.3.3 and 2.6.2]

In order to enhance the quality of financial reporting, the CAG introduced the system of Three Phase Audit in 114 CPSUs in 2009-10 on consensus basis. This has led to a significant improvement in the quality of their financial statements. The net impact of Three Phase Audit on the profitability was ₹ 2,273 crore and on assets/liabilities was ₹ 11,471 crore.

[Paras 2.5 and 2.6]

Revision of Accounts

As a result of supplementary audit by the CAG, three companies (including one listed company) revised their accounts for the year 2009-10. The impact of the revision on the profitability of these companies was to the extent of ₹ 93 crore. In addition the statutory auditors of one listed company and seven unlisted companies (including one deemed government company) revised their reports at the instance of supplementary audit by the CAG.

[Paras 2.6.2.1 and 2.6.2.2]

Impact of CAG's comments on the accounts

Comments issued by the CAG as a result of supplementary audit brought out overstatement of profit by ₹ 193 crore in six companies.

Similarly, there was understatement of loss by ₹ 64 crore in five companies and profit by ₹ 144 crore in one company.

[Paras 2.6.3.2 and 2.6.3.3]

In the case of statutory corporations where CAG is the sole auditor, the impact of audit observations on the accounts of two corporations was overstatement of profit by ₹ 3 crore and assets by ₹ 516 crore and understatement of liabilities by ₹ 355 crore.

[Para 2.6.3.4]

Departures from Accounting Standards

Deviations from the provisions of Accounting Standards in preparation of the financial statements were noticed in 31 companies by the statutory auditors. CAG also pointed out such deviations in another two companies.

[Para 2.7]

Observations of statutory auditors

The statutory auditors appointed by the CAG made significant qualifications in their reports in respect of one statutory corporation and 49 companies (including eight deemed government companies) of which 12 were listed companies.

[Paras 2.9.1, 2.9.2 and 2.9.3]

In compliance with the directions issued by the CAG under Section 619(3)(a) of the Companies Act, 1956, the statutory auditors reported deficiencies relating to financial controls and procedures including lack of internal control measures in respect of fixed assets, debtors, inventory and internal audit in various companies (including deemed government companies).

[Paras 2.9.4 and 2.10]

III. Corporate Governance watch

In 17 listed government companies, the Board of Directors did not have required number of independent directors.

[Para 3.5.1]

The composition of the Audit Committees in three listed companies was not as per Clause 49 of the Listing Agreement. The Audit Committee of these companies were not chaired by the independent directors.

[Para 3.6]

The Chairman of the Audit committees of four companies did not attend Annual General Meeting of the respective companies. Further, there was no system of preparation of Annual Report on the working of Audit Committee in seven companies and providing training to the members of Audit Committee in ten companies.

[Paras 3.9, 3.11 and 3.13]