

CHAPTER I

Overview of State Public Sector Undertakings

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Introduction

1.1 In Rajasthan, the Public Sector Undertakings (PSUs) occupy an important place in the State economy. Government of Rajasthan (GoR) undertakes commercial activities through its business undertakings referred to as Public Sector Undertakings (PSUs) which are owned, managed and controlled by the State on behalf of public at large. They are basically categorised into Statutory Corporations and Government Companies. Statutory Corporations are public enterprises that came into existence by a special Act of the Legislature. The Act defines the powers and functions, rules and regulations governing the employees and the relationship of the Corporation with the Government. Government Companies refer to companies in which not less than 51 *per cent* of the paid up capital is held by Government(s). It includes a subsidiary of a Government company. Further, as per the provisions of Section 619-B of the Companies Act 1956, 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 is treated as if it is a Government Company (deemed Government Company).

1.2 The PSUs operate in five major sectors of the economy *viz.*, Power, Finance, Service, Infrastructure and others (including Manufacturing, Agriculture & allied). The State PSUs had provided employment to about 0.87 lakh¹ persons as on 31 March 2012. A sector-wise summary of the PSUs is given below:

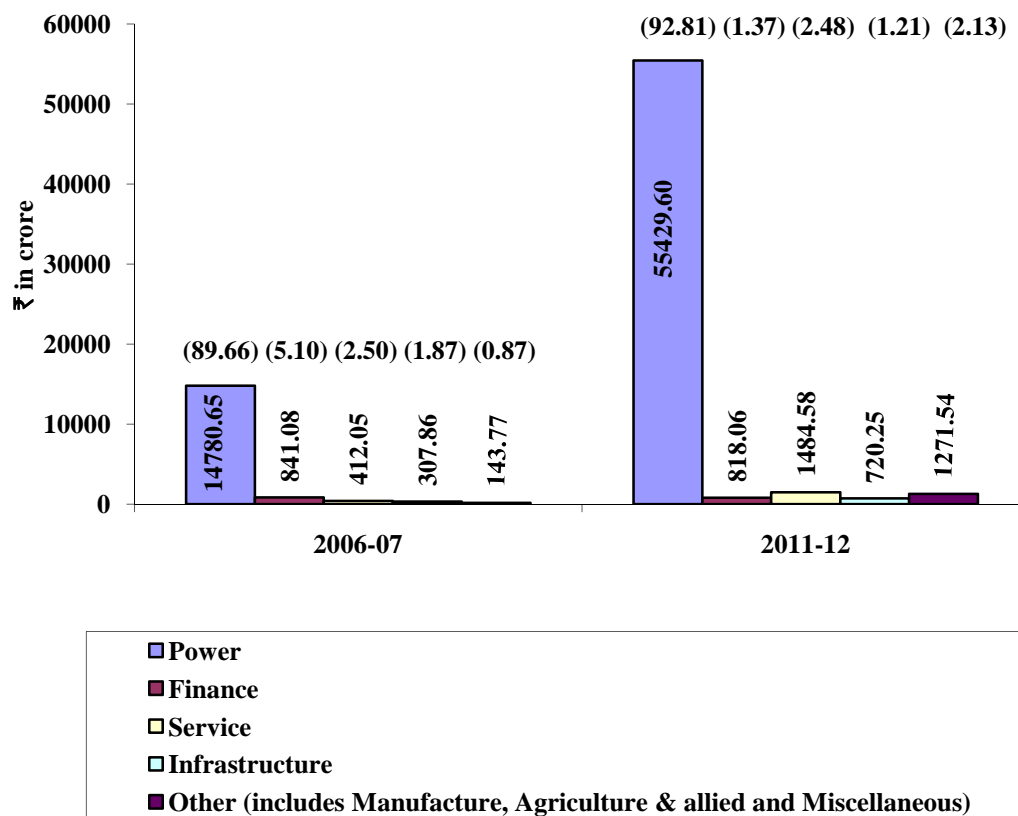
Name of sector	Government Companies ²		Statutory Corporations		Total	Investment ³ (₹ in crore)
	Working	Non-working ⁴	Working	Non-working		
Power	17	-	-	-	17	55429.60
Finance	2	-	1	-	3	818.06
Service	12	-	2	-	14	1484.58
Infrastructure	3	-	-	-	3	720.25
Others ⁵	7	3	-	-	10	1271.54
Total	41	3	3	-	47	59724.03

As on 31 March 2012, there were 47 PSUs, of which 44 were working and three non-working. Of these, no company was listed on the stock exchange(s). During the year 2011-12, two⁶ new PSUs were established.

- 1 As per the latest information provided by the PSUs.
- 2 There are four 619-B Companies at Sl. No A- 29, 30, 32 and 40 and one company registered under section 25 at Sl. No. A-36 of Annexure-1.
- 3 Investments includes capital and long term loans.
- 4 Non-working PSUs are those which have ceased to carry on their operations.
- 5 Others include Manufacture, Agriculture & allied and Miscellaneous sectors.
- 6 Rajasthan Medical Services Corporation Limited in May 2011 and Rajasthan Solarpark Development Company Limited in November 2011.

1.3 The investment in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 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 share rising to 92.81 per cent in 2011-12 from 89.66 in 2006-07.

(Figures in brackets show the percentage of total investment)



Accountability framework

1.4 The accounts of the Government companies/Statutory corporations for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by 30 September.

Statutory audit

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the 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. The Statutory Auditors submit their Audit Report to the various stakeholders.

1.6 The audit of Statutory corporations follows different pattern as provided by their respective legislations. Thus,

- The CAG is the sole auditor for Rajasthan State Road Transport Corporation.

- Statutory Auditor appointed by the Government in consultation with CAG is the auditor for Rajasthan State Warehousing Corporation and
- Statutory Auditor appointed by the Corporation out of the panel approved by Reserve Bank of India is the auditor in the case of Rajasthan Financial Corporation.

Supplementary audit of CAG

1.7 The accounts of State Government companies are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956. CAG also conducts supplementary audit in respect of the two Statutory corporations viz., Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation.

Role of Legislature and Government

1.8 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government. The accounts of these PSUs are also subjected to scrutiny by the Finance department of the State Government.

1.9 The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Report together with the Statutory Auditors' Report and Comments of the CAG, in respect of State Government companies and Separate Audit Report in case of Statutory corporations are to be placed before the Legislature as stipulated in the respective Acts. The audit reports of the CAG are submitted to the Government under Section 19 A of the CAG's (DPC) Act, 1971.

Stake of Government of Rajasthan

1.10 The financial stake of GoR in these PSUs is of mainly three types:

- Share capital and loans – In addition to the share capital contribution, GoR also provides financial assistance by way of loans to the PSUs from time to time.
- Special financial support – GoR provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- Guarantees – GoR also guarantees the repayment of loans with interest availed by the PSUs from financial institutions.

1.11 As on 31 March 2012, the total investment (capital and long term loans) in 47 PSUs (including 619-B companies) was ₹ 59724.03 crore as

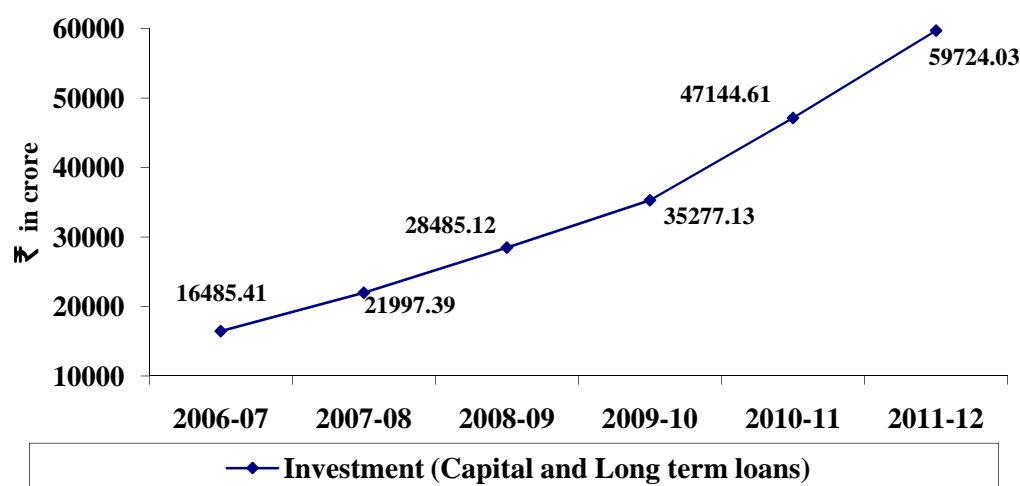
shown below.

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working	13400.92	44760.58	58161.50	337.99	1212.35	1550.34	59711.84
Non-working	8.97	3.22	12.19	-	-	-	12.19
Total	13409.89	44763.80	58173.69	337.99	1212.35	1550.34	59724.03

A summarised position of Government investment in State PSUs is given in **Annexure-1**.

1.12 As on 31 March 2012, of the total investment in State PSUs, 99.98 per cent was in working PSUs and the remaining 0.02 per cent in non-working PSUs. This consisted of 23.02 per cent towards capital and 76.98 per cent in long-term loans. The investment has grown by 262.28 per cent from ₹ 16485.41 crore in 2006-07 to ₹ 59724.03 crore in 2011-12 as shown in the graph below:



1.13 The capital investment as well as long-term loans increased by ₹ 8639.89 crore and ₹ 34598.73 crore respectively during 2007-2012. There was overall net increase in investment by ₹ 43238.62 crore during the period.

Erosion of capital due to losses

1.14 As per the latest finalised accounts of the State PSUs, the capital investment was of ₹ 10133.59 crore and the accumulated losses there against were ₹ 1590.48 crore. This had eroded the capital of the State PSUs to a large extent. The present net worth⁷ of the State PSUs was only ₹ 8543.11 crore.

Budgetary support to PSUs

1.15 The GoR provides additional investment and support to PSUs in various forms through annual budget. During the year 2011-12, the GoR

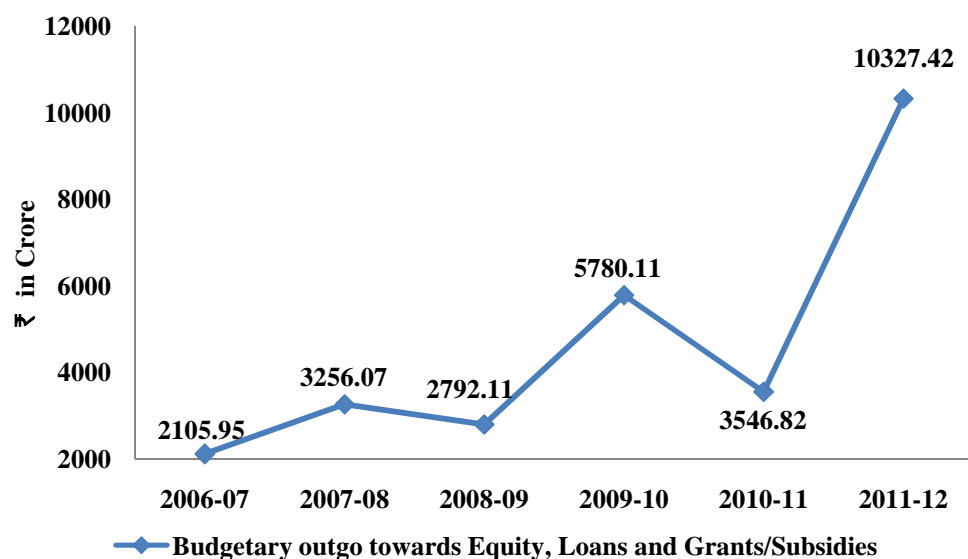
⁷ Net worth represents paid up capital plus free reserves less accumulated losses.

extended budgetary support of ₹ 10327.42 crore to 18 PSUs. The details of budgetary outgo towards equity, loans and grants/ subsidies as well as support by way of loans written off, loans converted into equity and interest waived in respect of PSUs are given in **Annexure-3**. The summarised details for the three years ended 2011-12 are given below:

(₹ in crore)

Sl. No.	Particulars ⁸	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amounts	No. of PSUs	Amount
1.	Equity Capital outgo	10	1470.25	12	1599.89	11	1725.09
2.	Loans given	7	3341.53	2	0.39	8	5552.21
3.	Grants/Subsidy received	14	968.33	14	1946.54	14	3050.12
4.	Total Outgo (1+2+3)	18 ⁹	5780.11	20 ⁹	3546.82	18 ⁹	10327.42
5.	Loan repayment written off	-	-	-	-	1	0.10
6.	Loans converted into equity	1	23.55	-	-	4	1086.25
7.	Guarantees issued	5	20767.42	6	24781.66	6	17349.50
8.	Guarantee Commitment	5	32099.14	8	48088.19	7	57559.34

1.16 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the six years ending 2011-12 are given in a graph below:



1.17 The above indicates that the budgetary assistance in the form of equity, loan and grant/subsidy by the GoR to PSUs had increased from ₹ 2105.95 crore in 2006-07 to ₹ 10327.42 crore in 2011-12. During 2011-12, the GoR had waived loans and interest/penal interest of ₹ 0.10 crore in respect of Rajasthan State Hotels Corporation Limited and converted loan of ₹ 1086.25 crore into equity in respect of four PSUs¹⁰. The main beneficiary of budgetary

8 Amount represents outgo from State Budget only.

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

10 Rajasthan State Handloom Development Corporation Limited, Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited.

outgo was power sector which received 81.43 *per cent* (₹ 1404.71 crore) of equity capital outgo (₹ 1725.09 crore) and 92.67 *per cent* (₹ 9570.90 crore) of total budgetary outgo (₹ 10327.42 crore).

Guarantees for loans and outstanding guarantee commission

1.18 The Government charges guarantee commission at the following rates:

- one *per cent* per annum in case of loan availed by PSUs,
- 0.1 *per cent* per annum for term loans granted by the financial institutions and Banks to the Power Sector PSUs,
- 0.01 *per cent* per annum on issue of bonds by the Power Sector PSUs.

Rajasthan Rajya Vidyut Prasaran Nigam Limited issued bonds of ₹ 399.95 crore during 2011-12. The guarantee commission was payable quarterly, failing which would carry penal interest at the rate of 15 *per cent* per annum. There was increasing trend of outstanding guarantee commitments which increased from ₹ 13139.82 crore in 2006-07 to ₹ 57559.34 crore in 2011-12 showing rise of 338.05 *per cent*. During the year 2011-12 guarantee commission of ₹ 150.57 crore was paid/payable by the PSUs.

Failure to ensure proper accountability of the Government stake in PSUs

1.19 As stated above GoR has huge financial stake in the PSUs. We, however, found that the PSUs/ Government did not ensure proper accountability of this investment. The lapses were mainly in two areas:

- To provide an accurate figure for investment;
- To prepare annual account and get them audited;

These lapses have wide ranging implications including adverse impact on legislative financial control.

Absence of accurate figure for the investment in PSUs

1.20 The Finance Accounts of GoR prepared by the PAG (A&E) and certified by the CAG depicts the Government stake in PSUs in respect of equity, loan and guarantees. These figures as per records of the State PSUs should agree with that appearing in the Finance Accounts. In case of difference, it should be reconciled immediately by the PSU concerned and the Finance department. The position in this regard as on 31 March 2012 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	13365.92	13384.34	18.42
Loans	2261.06	1798.33	462.73
Guarantees	57638.71	57559.34	79.37

1.21 These differences occurred in respect of 17 PSUs. 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.

Arrears in finalisation of accounts

1.22 The accounts of the Companies/Statutory corporations for every financial year are required¹¹ to be finalised within six months from the end of the relevant financial year. Thus accounts for 2011-12 were to be finalised by 30 September 2012. Only 24 PSUs had finalised their accounts by this date. The progress made by these PSUs in finalisation of accounts by 30 September is shown below:

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of Working PSUs	28	29	37	42	44
2.	Number of accounts finalised during current year	26	25	27	46	33 ¹²
3.	Number of working PSUs which finalised accounts for the current year	19	16	16	25	24
4.	Number of Working PSUs with arrears in accounts	9	13	21	17	20
5.	Number of accounts in arrears	10	14	28	24	33
6.	Number of previous year's accounts finalised during current year	7	9	11	21	9
7.	Average arrears per PSU (5/1)	0.36	0.55	0.76	0.57	0.75
8.	Extent of arrears	One to two years	One to two years	One to three years	One to four years	One to five years

1.23 Of above, the remaining 20 working PSUs had 33 accounts in arrear since 2007-2008, of which 15¹³ working PSUs did not finalise even a single account during 2011-12. Further, only nine accounts of previous years were finalised during 2011-12 as compared to 21 arrear accounts finalised during 2010-11. This indicates the progress in finalisation of the accounts was very poor. The arrears per PSU had increased from 0.57 (during 2010-11) to 0.75 during 2011-12.

1.24 Of the 20 working PSUs with arrears of accounts, the GoR had extended support to 11 PSUs which was ₹ 13586.41 crore (Equity: ₹ 2324.44 crore, Loan: ₹ 5551.91 crore, Subsidy: ₹ 4623.71 crore and Other: ₹ 1086.35 crore) during the years as detailed in **Annexure-4**.

11 Sections 166, 210, 230, 619 and 619-B of the Companies Act in case of Companies and provisions of respective Act in case of the Statutory corporations.

12 Pink City Transmission Service Company Limited and Lake City Transmission Service Company Limited were incorporated in January 2011 and their annual accounts for the period 6 January 2011 to 31 March 2011 were shown in arrear in previous year. These companies submitted annual accounts for the period from 6 January 2011 to 31 March 2012.

13 Sl. No. A- 3, 12, 19, 20, 25, 26, 27, 29, 30, 32, 35, 36, 37, 40 and 41 of Annexure-2.

Finalisation of accounts by Statutory Corporations

1.25 Three working Statutory Corporations had forwarded their latest accounts of 2011-12 by 30 September 2012. The audit of the accounts of all these Statutory Corporations was in progress (September 2012).

1.26 Separate Audit Reports (SARs) are audit reports of CAG on the accounts of Statutory corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. The SARs in respect of these Statutory Corporations for the period 2010-11 had been placed¹⁴ in State Legislature during February to April 2012.

Failure of the administrative departments

1.27 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.

1.28 As the position of arrears in finalisation of accounts was alarming, CAG took up the matter (September 2011) with the Ministry of Corporate Affairs (MCA) and suggested to devise special arrangements along with actionable issues to ensure enforcement of accountability. The MCA in turn devised (November 2011) a scheme which allowed the PSUs with arrears in accounts for the past several years to finalise the latest two years accounts and clear the backlog within five years.

1.29 The Accountant General/Principal Accountant General also addressed (January/October 2012) the Chief Secretary/Administrative Departments/Managements of the PSUs whose accounts were in arrears. The progress in liquidation of arrears of accounts has been discussed in paragraph 1.22 and 1.23.

Impact of non-finalisation of accounts

1.30 Non-finalisation of accounts by 30 September is a violation of the provisions of the Companies Act, 1956.

1.31 In the absence of accounts and their subsequent audit, there is no assurance that the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature.

1.32 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. In view of the above state of arrears, the actual contribution of PSUs to the State Gross Domestic Product (GDP) for the year 2011-12 could not be ascertained. However, as per the latest finalised accounts the contribution of PSUs to State GDP was 8.81 *per cent*. Further,

14 Rajasthan Financial Corporation (27 March 2012), Rajasthan State Warehousing Corporation (28 February 2012) and Rajasthan State Road Transport Corporation (20 April 2012).

the result of operation of these PSUs for the year 2011-12 and their contribution to State exchequer was also not reported to the State legislature.

1.33 The Government should monitor and ensure timely finalisation of accounts with special focus on liquidation of arrears and comply with the provisions of the Companies Act, 1956.

Performance of PSUs

Problems in assessing performance

1.34 The actual performance of the PSUs, in view of the backlog in finalisation of accounts, could not be ascertained. Thus, the performance of PSUs was assessed on the basis of their latest finalised accounts. The performance of major PSUs like Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited, Jodhpur Vidyut Vitran Nigam Limited and Rajasthan Rajya Vidyut Utpadan Nigam Limited could not be commented in the absence of finalisation of even a single account during the year.

Performance based on finalised accounts

1.35 The financial results of PSUs, financial position and working results of Statutory corporations are detailed in **Annexures-2, 5 and 6** respectively. The ratio of PSUs' turnover to State GDP shows the extent of PSU activities in the State economy. The table below provides the details of working PSUs' turnover and State GDP for the period 2006-07 to 2011-12.

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover ¹⁵	14445.07	16644.45	17510.67	25275.63	30152.24	32440.58
State GDP ¹⁶	171042.73	194822.14	230949.32	263258.01	323682.21	368319.52
Percentage of Turnover to State GDP	8.45	8.54	7.58	9.60	9.32	8.81

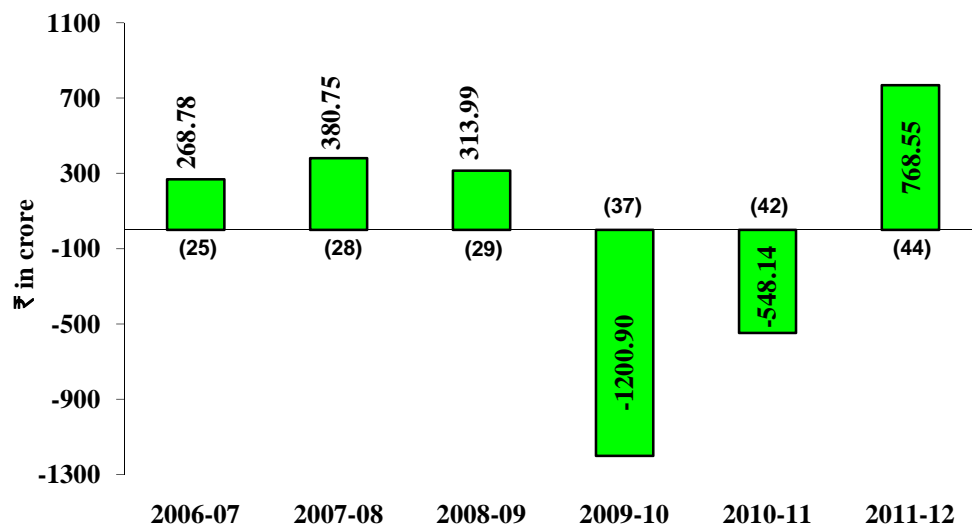
The turnover of PSUs has recorded continuous increase over previous years. Percentage of increase in turnover ranged between 5.20 and 44.34 during the period 2007-12, whereas percentage of increase in GDP ranged between 13.79 and 22.95 during the period 2007-12. The turnover of PSUs recorded compounded annual growth of 17.56 *per cent* during last five years which was higher than the compounded annual growth of 16.58 *per cent* of State GDP. This had resulted in increase of PSUs share of turnover to State GDP from 8.45 *per cent* in 2006-07 to 8.81 *per cent* in 2011-12.

1.36 Profit¹⁷ (losses) earned (incurred) by State working PSUs during 2006-07 to 2011-12 are given below in a bar chart.

15 Turnover as per the latest finalised accounts.

16 State GDP as per Economic Review 2011-12 of Government of Rajasthan.

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



■ Overall Profit earned/Loss incurred during the year by working PSUs. Figures in brackets show the number of working PSUs in respective years.

The working PSUs earned a profit of ₹ 768.55 crore in 2011-12 against a loss of ₹ 548.14 crore in 2010-11. According to latest finalised accounts of 44 PSUs, 14¹⁸ PSUs earned profit of ₹ 1026.90 crore, 21¹⁸ PSUs incurred loss of ₹ 258.35 crore, while three DISCOMs had been preparing their annual accounts on no profit and no loss basis. Out of remaining six PSUs, two¹⁹ PSUs did not prepare Profit and Loss Account, three²⁰ PSUs are yet to submit their first accounts since inception and one²¹ PSU did not show any profit/loss. Further, out of 44 PSUs, 16²² PSUs incorporated in the years 2006-07 to 2011-12 did not commence their commercial activities till 2011-12.

1.37 As per their latest finalised accounts, Rajasthan State Industrial Development and Investment Corporation Limited (₹ 463.48 crore) and Rajasthan State Mines and Minerals Limited (₹ 403.97 crore) were the major contributor to the profit. Heavy loss was incurred by Rajasthan State Road Transport Corporation (₹ 130.89 crore).

1.38 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 had prepared their latest accounts on 'No Profit No Loss basis' upto the year 2009-10 by showing revenue gap as recoverable from the State Government.

Reasons for the losses

1.39 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations

- 18 Including those PSUs which had not started their business activities but were showing marginal profit/loss.
- 19 Chhabra Power Limited and Dholpur Gas Power Limited.
- 20 Kota City Transport Services Limited, Rajasthan Medical Services Corporation Limited and Rajasthan Solarpark Development Company Limited.
- 21 Rajasthan Mission on Skill and Livelihoods.
- 22 PSUs at Sl. No. A-11, 13, 14, 15, 16, 18, 21, 22, 23, 27, 28, 29, 31, 32, 35 and 37 of Annexure 2.

and monitoring. A review of latest Audit Report of CAG shows that the State PSUs incurred losses to the tune of ₹ 138.11 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net Profit (loss)	(1200.90)	(548.14)	768.55	(980.49)
Controllable losses as per CAG's Audit Report	459.16	111.34	138.11	708.61
Infructuous Investment	Nil	120.55	Nil	120.55

1.40 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 table above indicates 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.

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

(₹ in crore)

Particulars ²³	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Return on Capital Employed (per cent)	6.24	6.00	5.82	2.89	5.64	8.09
Debt Turnover ²⁴	11377.42	15808.26	20955.24	26437.80	36260.08	45976.15
Debt/Turnover Ratio	0.79 : 1	0.95 : 1	1.20:1	1.05:1	1.20:1	1.42:1
Interest Payments ²⁴	1375.40	1338.95	1599.84	2374.73	3551.29	3681.11
Accumulated Profits (losses) ²⁴	(63.89)	117.98	364.89	(1343.22)	(2066.69)	(1590.48)

1.42 During last five years, the turnover of PSUs recorded compound annual growth of 17.56 per cent. However, the compound annual growth of debts was 32.22 per cent indicating rising at much faster rate than turnover. The rising debts to turnover ratio from 0.79:1 in 2006-07 to 1.42:1 in 2011-12 indicated increased reliance on debts by PSUs.

1.43 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, 14 PSUs earned an aggregate profit of ₹ 1026.90 crore and seven²⁵ PSUs declared a dividend of ₹ 90.69 crore which worked out to 0.68 per cent of equity capital contributed by the State Government in all the PSUs. Out of seven PSUs declaring dividend, four²⁶ PSUs declared dividend more than prescribed while Rajasthan State Ganganagar Sugar Mills Limited declared dividend less than prescribed in the

23 Position for the year 2011-12 was as per the latest information made available up to 30 September 2012.

24 As per latest finalised accounts.

25 PSUs at Sl. No.-A-1, 4, 5, 8, 9, 10 and B-3 of Annexure-2.

26 Rajasthan State Industrial Development and Investment Corporation Limited, Rajasthan State Road Development and Construction Corporation Limited, Rajasthan State Mines and Minerals Limited and Rajasthan State Warehousing Corporation.

Government dividend policy. Seven²⁷ PSUs which earned profit, did not declare dividend due to accumulated losses or marginal profit.

Non-working PSUs

1.44 There were three non-working PSUs (all companies) as on 31 March 2012 having a total investment of ₹ 12.19 crore towards capital (₹ 8.97 crore) and long term loans (₹ 3.22 crore). Rajasthan State Agro Industries Corporation Limited had arrear in accounts for two years.

1.45 The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
No. of non-working companies	4	4	4	3	3

1.46 None of these non-working companies was under liquidation. The Government may take a decision regarding winding up of three non-working PSUs.

Accounts Comments and Internal Audit of PSUs

1.47 Twenty six working Companies forwarded their 30²⁸ audited accounts to the Accountant General during the year 2011-12 (up to 30 September 2012). Of these, 16 accounts of 15²⁹ 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	2009-10		2010-11		2011-12 ³⁰	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	0.91	5	27.97	4	496.05
2.	Increase in profit	-	-	2	0.99	1	62.24
3.	Increase in loss	4	3811.29	10	11669.26	4	8.01
4.	Decrease in loss	-	-	3	37.21	1	0.68
5.	Non-disclosure of material facts	-	-	1	0.30	10	29.25
6.	Errors of classification	1	-	-	-	4	1293.47

27 PSUs at Sl. No. A-6, 24, 26, 29, 33, 40 and B-1 of Annexure-2

28 Rajasthan State Petroleum Corporation Limited, Rajasthan State Mines and Minerals Limited and Rajasthan Civil Aviation Limited had submitted its two accounts for the year 2010-11 and 2011-12. Lake City Transmission Service Company Limited and Pink City Transmission Service Company Limited had submitted accounts for the period from January 2011 to March 2012.

29 Two accounts of Rajasthan State Mines and Minerals Limited for the year 2010-11 and 2011-12 were selected for supplementary audit.

30 Position as on 30 September 2012.

1.48 During the year 2011-12, the statutory auditors had given qualified certificates on 17 accounts and disclaimer (meaning the auditors are unable to form an opinion on accounts) in one account. The compliance of the Accounting Standards (AS) by PSUs remained poor as there were 34 instances of non-compliance in 10 accounts as pointed out by the Statutory Auditors.

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

Rajasthan State Mines and Minerals Limited (2010-11)

- ‘Mining & Other Operating Expenses’ was understated by ₹ 11.62 crore due to non-provision of liability for cost of abandonment of lignite mines of the Company. Consequently, ‘Current Liabilities and Provisions’ was understated and profit for the year was overstated by ₹ 11.62 crore.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (2010-11)

- ‘Revenue from Transmission and SLDC Charges and Generation Cost Recovered’ was overstated by ₹ 20.76 crore due to calculation of actual transmission capacity handled for power purchased by Discoms from captive power plants, through bilateral arrangements and energy exchanges factoring in a load factor for which the Company had no approval of Rajasthan Electricity Regulatory Commission. This resulted in overstatement of ‘Sundry Debtors’ as well as profit by ₹ 20.76 crore.
- ‘Net Interest, Finance Charges and Lease Rental’ was understated by ₹ 47.34 crore due to capitalisation of interest on the total amount of loan received in Rural Electrification Schemes, containing a number of works, until all the work envisaged in the Scheme were completed. This resulted in overstatement of Net profit by ₹ 47.34 crore.

Rajasthan State Mines and Minerals Limited (2011-12)

- ‘Other Expenses’ did not include ₹ 1.18 crore being the various demands raised by the Department of Mines & Geology on account of interest on late payment of premium charges/lease rent and dead rent. Though the Company has not contested the same and had shown the demand as Contingent Liability instead of making provision for the same. This resulted in overstatement of profit by ₹ 1.18 crore.

1.50 Similarly, three working Statutory Corporations forwarded their accounts of 2011-12 to Accountant General (up to 30 September 2012). Of these, one account of Statutory Corporation pertained to sole audit by the CAG. Remaining two accounts were selected for supplementary audit. As pointed out by Statutory Auditors, there were two instances of non-compliance of the Accounting Standards. The details of aggregate money value of comments of statutory auditors and supplementary audit by the CAG

are given below:

(₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	1	45.86
2.	Increase in profit	-	-	1	0.59	-	-
3.	Increase in loss	2	152.81	2	116.04	-	-
4.	Non-disclosure of material facts	-	-	1	78.25	-	-

1.51 Out of two accounts received during the year 2011-12, the statutory auditors had given qualified certificates for both accounts.

1.52 Though, audit of annual accounts for the year 2011-12 by the CAG was in progress as on 30 September 2012, some of the important comments in respect of accounts of Statutory Corporation for the year 2010-11 finalised during 2011-12 are stated below:

Rajasthan State Road Transport Corporation (2010-11)

- ‘Provision for Gratuity & Pension Contribution for Corporation Employees Fund’ were understated by ₹ 823.68 crore due to non-provision for liability towards Gratuity & Pension Contribution as per actuarial valuation obtained upto 31.03.2009. Consequently, ‘Welfare and Superannuation expenses’ as well as net losses for the year had been understated to the same extent.
- Further, due to our comments (including above) the net loss for the year worked out to ₹ 1166.83 crore instead of ₹ 185.00 crore shown by the Corporation.

Rajasthan Financial Corporation (2010-11)

- ‘Personnel Expenses’ was understated by ₹ 6.06 crore being non-provision of ex-gratia payments due to employees for the year 2010-11 as per service conditions. This resulted in overstatement of profit to the same extent.
- Due to our comments and those of statutory auditors, the net profit for the year had been worked out to ₹ 10.92 crore instead of ₹ 24.47 crore shown by the Corporation.

1.53 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 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 30 annual accounts of working companies which were forwarded to the Accountant General during the year

2011-12 (upto 30 September 2012) is given below:

Sl. No.	Nature of comments made by Statutory Auditors	Number of working companies where recommendations were made ³¹	Reference to serial number of the working companies as per Annexure 2
1.	Absence of internal audit system commensurate with the nature and size of business of the company	9	A-2 ³² ,4,5,9,17,24, 34 & 39
2.	Non maintenance of proper records showing full particulars including quantitative details and situations of fixed assets.	7	A-2 ³² ,4,9,17,24 & 38
3	Inadequate internal control procedure commensurate with the size of the company and the nature of its business for purchase of inventory, fixed assets and for sale of goods.	8	A-2 ³² ,4,5,24, 34 ,38 & 39
4	Company which has been registered for a period not less than five years, accumulated losses at the end of the financial year are not less than 50% of its net worth.	7	A-2 ³² ,7,24,34,38 &39
5	Company which has been registered for a period not less than five years, has incurred cash losses in the financial year.	5	A-2 ³² ,7,34 & 38

Recoveries at the instance of audit

1.54 During the course of propriety audit in 2011-12, recoveries of ₹ 70.05 crore were pointed out to the Management of various PSUs, of which, recoveries of ₹ 69.25 crore were admitted by PSUs. An amount of ₹ 67.13 crore had been recovered during the year 2011-12.

Disinvestment, Privatisation and Restructuring of PSUs

1.55 No disinvestment or privatisation of Public Sector Undertakings has taken place during 2011-12.

Reforms in Power Sector

1.56 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 rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2011-12, RERC issued 22 orders (eight on annual revenue requirements and 14 on others).

³¹ On Annual accounts of PSUs submitted from October 2011 to September 2012.

³² On Two accounts for the year 2010-11 and 2011-12

1.57 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 2012			
			Name of the Company	Transmission and Distribution losses (In per cent)		
1.	Reduction in transmission and distribution losses	20 per cent by 2008-09	JVVNL	23.59		
			AVVNL	26.14		
			JdVVNL	23.70		
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 2012	Percentage
			JVVNL	4807	4235	88.10
			AVVNL	5529	4741	85.74
			JdVVNL	6244	5353	85.73
3.	100 per cent electrification of all villages	41353 villages by 2005	39846 villages (as per Census 2001) electrified i.e. 96.36 per cent.			
4.	100 per cent metering of all consumers	30 June 2002	No connection of any category was being released without meter. All flat rate agricultural connections were being converted to metered category. 235456 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	Tariff order of January 2005 was in implementation up to September 2011 and thereafter new order with increased tariff was issued on 8 September 2011.	The tariff order of January 2005 was implemented from May 2005 as the State Government provided subsidy for the period January 2005 to April 2005. This order was in implementation up to September 2011. Thereafter, the tariff order issued on 8 September 2011 was implemented from October 2011 onwards.			
	General					
6.	Monitoring of MOU	Monitoring was required on quarterly basis	Monitoring was being done regularly by SE (Plan) of Jaipur Vidyut Vitran Nigam Limited and latest report was sent in March 2012.			