

Chapter I

Overview of State Public Sector Undertakings

Introduction

1.1 The Public Sector Undertakings (PSUs) occupy an important place in the State economy. The Government of Rajasthan (GoR) undertakes commercial activities through PSUs which are owned, managed and controlled by the State Government on behalf of public at large. The PSUs are 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 are those 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 and Miscellaneous). The State PSUs had provided employment to 1.03 lakh persons as on 31 March 2014. A sector-wise summary of the PSUs is given below:

Name of sector	Government Companies ¹		Statutory Corporations		Total	Investment ² (₹ in crore)
	Working	Non-working ³	Working	Non-working		
Power	15	-	-	-	15	78672.64
Finance	3	-	1	-	4	613.32
Service	14	-	2	-	16	3658.73
Infrastructure	5	-	-	-	5	2460.39
Others	8	3	-	-	11	1498.65
Total	45	3	3	-	51	86903.73

As on 31 March 2014, there were 51 PSUs, of which 48 were working and three were non-working. Of these, no company was listed on the stock exchange(s). During the year 2013-14, four⁴ new PSUs were established while

1 There are four 619-B Companies at Sl. No.- A- 32, 33, 35 and 45 and one company registered under section 25 at Sl. No. A-40 of Annexure-1.

2 Investments includes capital and long term loans.

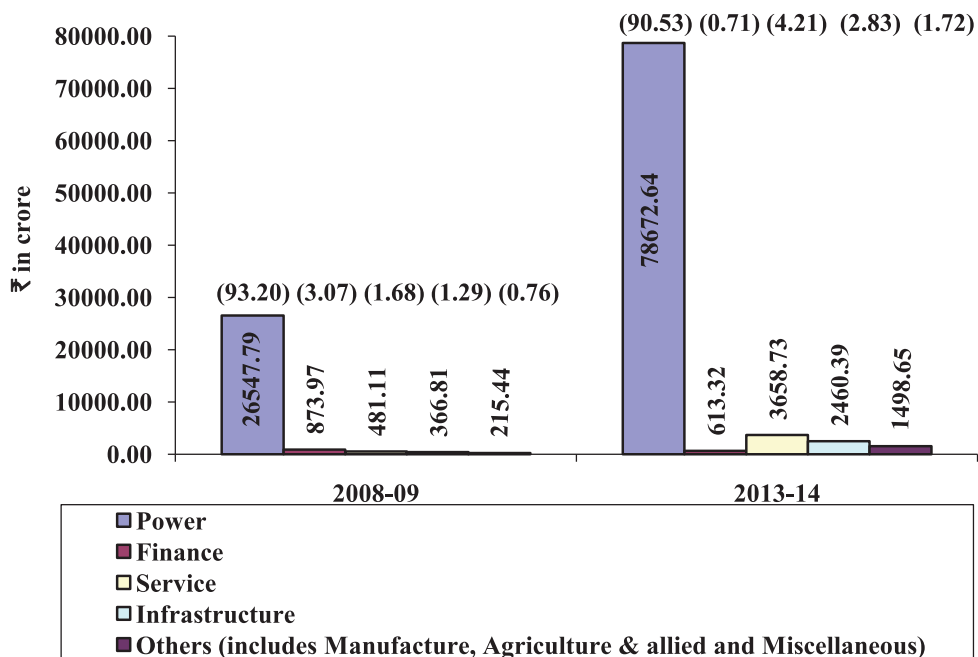
3 Non-working PSUs are those which have ceased to carry on their operations.

4 Rajasthan Avs Vikas and Infrastructure Limited (incorporated on 20 June 1996 as Avs Vikas Limited and later on registered as Government company in May 2012), Rajasthan Police Housing & Construction Corporation Limited in June 2013, RSPCL-GAIL Gas Limited in September 2013 and Rajasthan Veterinary Services Corporation Limited in October 2013.

Gurha Thermal power Company Limited (working PSU) was privatized in May 2013.

1.3 The investment in various important sectors and percentage thereof at the end of 31 March 2009 and 31 March 2014 are indicated below in the bar chart. The thrust of PSU investment was in almost all the sectors, except finance, during the last five years ending March 2014. The investment increased by 196.34 per cent (Power), 570.75 per cent (Infrastructure) and 660.48 per cent (Service) in these sectors.

(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.

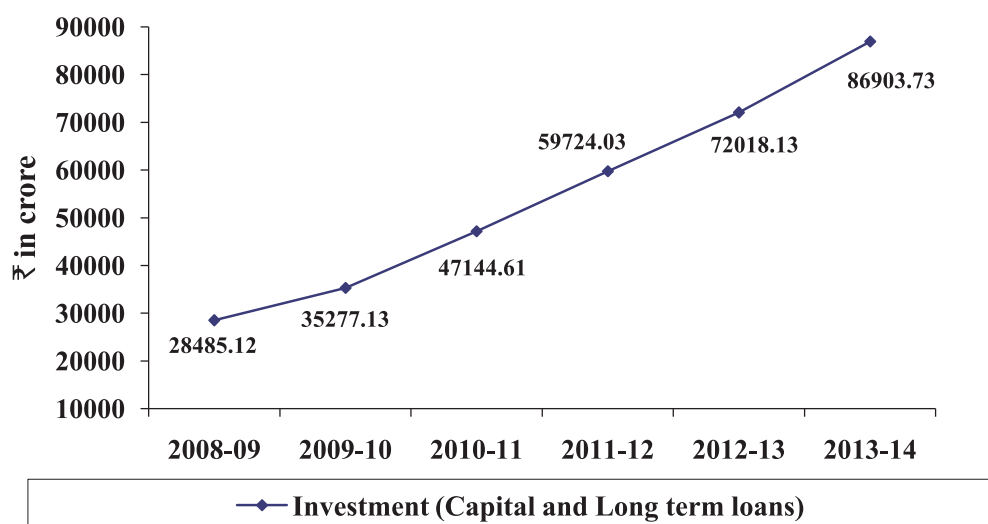
1.11 As on 31 March 2014, the total investment (capital and long term loans) in 51 PSUs (including 619-B companies) was ₹ 86903.73 crore as shown below.

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working	22336.86	62375.43	84712.29	727.54	1437.87	2165.41	86877.70
Non-working	10.16	15.87	26.03	-	-	-	26.03
Total	22347.02	62391.30	84738.32	727.54	1437.87	2165.41	86903.73

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

1.12 As on 31 March 2014, of the total investment in State PSUs, 99.97 per cent was in working PSUs and the remaining 0.03 per cent in non-working PSUs. This consisted of 26.55 per cent towards capital and 73.45 per cent in long-term loans. The investment has grown by 205.08 per cent from ₹ 28485.12 crore in 2008-09 to ₹ 86903.73 crore in 2013-14 as shown in the graph below:



1.13 The capital investment as well as long-term loans increased by ₹ 15544.68 crore and ₹ 42873.93 crore respectively during the period from 2008-09 to 2013-14. There was overall net increase in investment by ₹ 58418.61 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 ₹ 19607.70 crore and the accumulated losses thereagainst were ₹ 56133.11 crore. This had entirely eroded the capital of the State PSUs and culminated into negative net worth⁵ of ₹ 36525.41 crore.

Budgetary support to PSUs

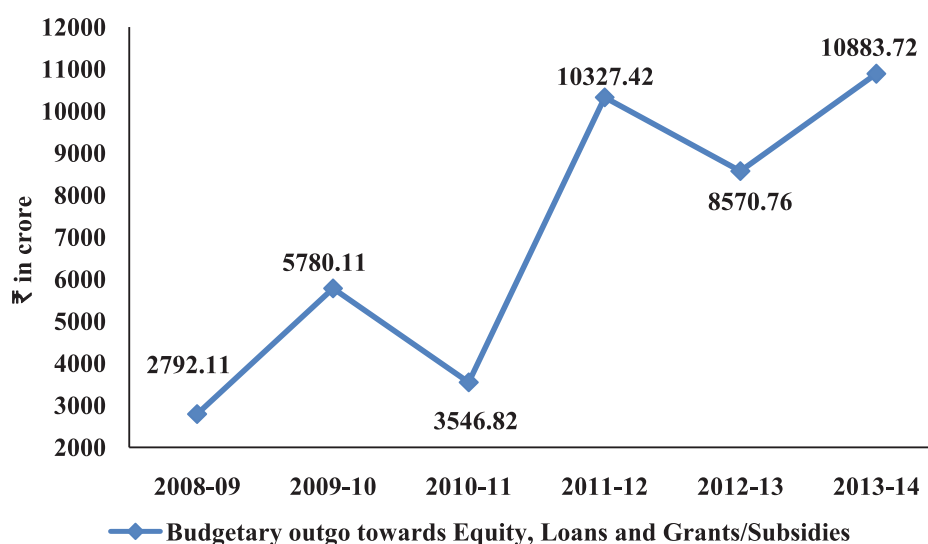
1.15 The GoR provides additional investment and support to PSUs in various forms through annual budget. During the year 2013-14, the GoR extended budgetary support of ₹ 10883.72 crore to 26 PSUs. The details of budgetary outgo towards equity, loans and grants/ subsidies as well as support by way of loans 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 2013-14 are given below:

⁵ Net worth represents paid up capital plus free reserves less accumulated losses.

(₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo	11	1725.09	14	4648.37	14	4722.21
2.	Loans given	8	5552.21	7	813.81	8	428.98
3.	Grants/Subsidy	14	3050.12	13	3108.58	16	5732.53
4.	Total Outgo ⁶ (1+2+3)	18 ⁷	10327.42	23 ⁷	8570.76	26 ⁷	10883.72
5.	Loan repayment written off	1	0.10	-	-	1	204.42
6.	Loans converted into equity	4	1086.25	1	15.65	1	2.62
7.	Guarantees issued	6	17349.50	7	20209.01	7	26881.55
8.	Guarantee Commitment	7	57559.34	7	70365.08	9	81228.38

1.16 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the six years ending 2013-14 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 ₹ 2792.11 crore in 2008-09 to ₹ 10883.72 crore in 2013-14. During 2013-14, the GoR had written off loan repayment of ₹ 204.42 crore in respect of Rajasthan Rajya Vidyut Prasaran Nigam Limited and loan of ₹ 2.62 crore was converted into equity in respect of Rajasthan Civil Aviation Corporation Limited. The main beneficiary of budgetary outgo was power sector which received 82.12 per cent (₹ 3878.00 crore) of total equity capital outgo of ₹ 4722.21 crore and 83.95 per cent (₹ 9136.76 crore) of total budgetary outgo (₹ 10883.72 crore).

Guarantees for loans and outstanding guarantee commission

1.18 The Government decided (February 2011) to charge guarantee commission at the rate of one per cent per annum in case of loan availed by

6 Amount represents outgo from State Budget only.

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

PSUs from banks/financial institutions without any exception under the provision of the Rajasthan State Grant of Guarantees Regulation 1970.

There was an increasing trend of outstanding guarantee commitments which increased from ₹ 25639.95 crore in 2008-09 to ₹ 81228.38 crore in 2013-14 showing rise of 216.80 *per cent*. During the year 2013-14, guarantee commission of ₹ 413.10 crore was paid by the PSUs to the State Government.

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 figures of investment in PSUs

1.20 The Finance Accounts of GoR prepared by the Principal Accountant General (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 2014 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	22755.07	22773.70	18.63
Loans	3918.74	3623.63	295.11
Guarantees	81358.76	81228.38	130.38

1.21 These differences occurred in respect of 14⁸ 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.

8 At Sl. No.-A-1, 7, 9, 12, 13, 15, 23, 28, 33, 44, B-1,2, C-1 and 2 of Annexure-1.

Arrears in finalisation of accounts

1.22 The accounts of the Companies/Statutory Corporations for every financial year are required⁹ to be finalised within six months from the end of the relevant financial year. Thus, accounts for 2013-14 were to be finalised by 30 September 2014. The progress made by these PSUs in finalisation of accounts by 30 September is shown below:

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Number of Working PSUs	37	42	44	46	48
2.	Number of accounts finalised during current year	27	46	33	59 ¹⁰	41 ¹¹
3.	Number of working PSUs which finalised accounts for the current year	16	25	24	33	27
4.	Number of Working PSUs with arrears in accounts	21	17	20	13	21
5.	Number of accounts in arrears	28	24	33	21	29
6.	Number of previous year's accounts finalised during current year	11	21	9	25	14 ¹¹
7.	Average arrear per PSU(5/1)	0.76	0.57	0.75	0.46	0.60
8.	Extent of arrears	One to three years	One to four years	One to five years	One to six years	One to seven years

1.23 Out of 48 PSUs, only 27 PSUs had finalised their accounts for the year 2013-14 by 30 September 2014 and remaining 21 working PSUs had 29 accounts in arrear for the period from 2007-08 to 2013-14. Further, 14 accounts in arrears were finalised during 2013-14 as compared to 25 during 2012-13. Consequently, the average arrear per PSUs increased from 0.46 in 2012-13 to 0.60 in 2013-14.

1.24 Of the 21 working PSUs with arrears of accounts, the GoR had extended budgetary support to 13 PSUs which was ₹ 9516.62 crore (Equity: ₹ 3466.71 crore, Loan: ₹ 352.90 crore, Subsidy: ₹ 5492.59 crore and written off loan re-payment: ₹ 204.42 crore) during the years as detailed in **Annexure-4**.

1.25 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.

1.26 The Accountant General also addressed (July 2014) the Chief Secretary/Administrative Departments/Managements of the PSUs whose

9 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.

10 Barmer Lignite Mining Company submitted revised accounts for the year 2011-12.

11 Includes account of Rajasthan Avas Vikas and Infrastructure Limited for the year 2012-13 which was not shown as arrear in previous year.

accounts were in arrears. The progress in liquidation of arrears of accounts has been discussed in paragraph 1.22 and 1.23.

Finalisation of accounts by Statutory Corporations

1.27 Out of three working Statutory Corporations, two¹² had forwarded their latest accounts of 2013-14 by 30 September 2014. The audit of the accounts of one¹³ Statutory Corporation was in progress (September 2014).

1.28 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 2012-13 had been placed¹⁴ in State Legislature during February to September 2014.

Impact of non-finalisation of accounts

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

1.30 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.

1.31 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 2013-14 could not be ascertained. However, as per the latest finalised accounts the contribution of PSUs to State GDP was 7.58 *per cent*. Further, the result of operation of these PSUs for the year 2013-14 and their contribution to State exchequer was also not reported to the State legislature.

1.32 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

1.33 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

12 PSU at Sl. No. B-1 and B-3 of Annexure-2.

13 PSU at Sl. No. B-1 of Annexure-2.

14 Rajasthan State Warehousing Corporation (6 February 2014), Rajasthan Financial Corporation (17 September 2014) and Rajasthan State Road Transport Corporation (18 July 2014).

performance of major PSUs like Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited, Jodhpur Vidyut Vitran Nigam Limited, Rajasthan Rajya Vidyut Prasaran Nigam Limited, Rajasthan State Mines and Minerals Limited and Rajasthan State Road Transport Corporation could not be commented in the absence of finalisation of account for the year 2013-14.

Performance based on finalised accounts

1.34 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 2008-09 to 2013-14.

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Turnover ¹⁵	17510.67	25275.63	30152.24	32440.58	33486.33	38953.84
State GDP ¹⁶	230949.00	265825.00	338348.00	403422.00	459215.00	513688.00
Percentage of Turnover to State GDP	7.58	9.51	8.91	8.04	7.29	7.58

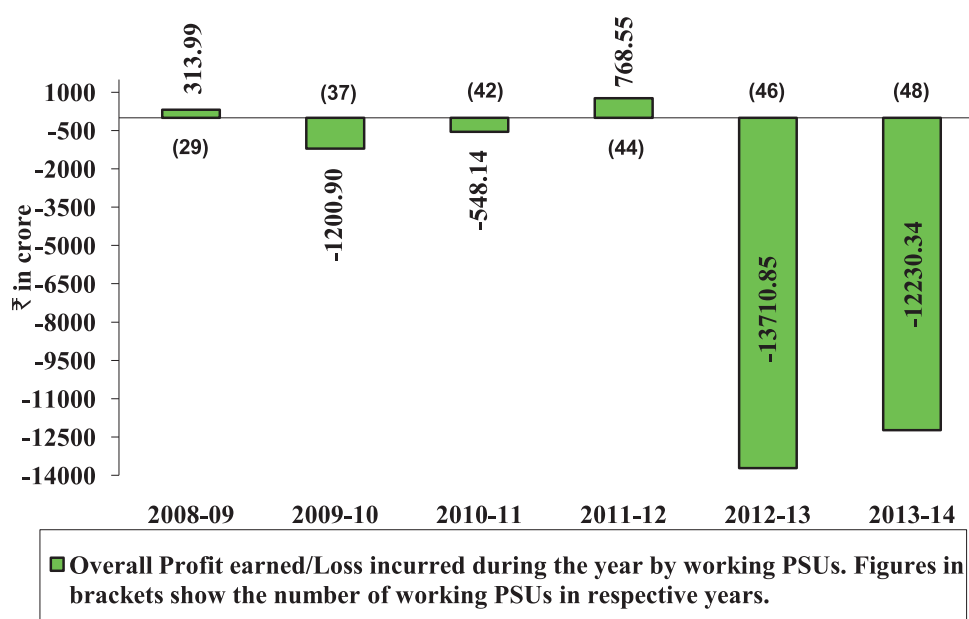
The turnover of PSUs has recorded continuous increase over previous years. Percentage of increase in turnover ranged between 3.22 and 44.34 during the period from 2008-09 to 2013-14, whereas percentage of increase in GDP ranged between 11.86 and 27.28 during the period from 2008-09 to 2013-14. The turnover of PSUs as well as State GDP recorded compounded annual growth of 17.34 *per cent* during last five years. Share of PSUs turnover to State GDP in 2013-14 was equal to 2008-09, despite increase in number of working PSUs from 29 to 48 during 2008-09 to 2013-14.

1.35 Profit¹⁷ earned or losses incurred by State working PSUs during 2008-09 to 2013-14 are given below in a bar chart.

15 Turnover as per the latest finalised accounts.

16 State GDP as per Economic Review 2013-14 of Government of Rajasthan.

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



The working PSUs incurred a loss of ₹ 12230.34 crore in 2013-14 in comparison of profit of ₹ 313.99 crore in 2008-09. According to latest finalised accounts of 48 PSUs, 21¹⁸ PSUs earned profit of ₹ 943.61 crore, 21¹⁸ PSUs incurred loss of ₹ 13173.95 crore, three¹⁹ PSUs had no profit or loss while three²⁰ PSUs are yet to submit their first accounts since inception. Further, out of 48 PSUs, 18²¹ PSUs incorporated during 2006-07 to 2013-14 did not commence their business activities till 2013-14. The purpose of incorporation of these PSUs was therefore defeated. The Government should take appropriate action to commence business activities of these PSUs.

1.36 As per their latest finalised accounts, Rajasthan State Mines and Minerals Limited (₹ 615.83 crore) and Rajasthan State Industrial Development and Investment Corporation Limited (₹ 132.64 crore) were the major contributor to the profit while Jodhpur Vidyut Vitran Nigam Limited (JdVVNL) (₹ 4285.26 crore), Jaipur Vidyut Vitran Nigam Limited (JVVNL) (₹ 4161.23 crore) and Ajmer Vidyut Vitran Nigam Limited (AVVNL) (₹ 3904.73 crore) incurred heavy losses.

Reasons for the losses

1.37 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 Report of CAG shows that the State working PSUs incurred losses to the tune of ₹ 367.91 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

18 Including those PSUs which had not started their business activities but were showing marginal profit/loss.

19 PSU at Sl. No. A-15, 20 and 21 of Annexure-2.

20 PSU at Sl. No.-A-16, 35 and 44 of Annexure-2.

21 PSUs at Sl. No. A-4, 6, 14, 15, 16, 18, 19, 20, 21, 25, 26, 27, 31, 32, 34, 35, 37 and 44 of Annexure 2.

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
Net Profit (loss)	768.55	(13710.85)	(12230.34)	(25172.64)
Controllable losses as per CAG's Audit Report	138.11	96.67	367.91	602.69
Infructuous Investment	Nil	Nil	Nil	Nil

1.38 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The table above indicates that with better management, the losses can be reduced. 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.

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

(₹ in crore)

Particulars ²²	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Capital Employed ²³ (per cent)	5.82	2.89	5.64	8.09	-16.32	-7.86
Debt	20955.24	26437.80	36260.08	45976.15	53503.45	63829.17
Turnover ²⁴	17510.67	25275.63	30152.24	32440.58	33486.33	38953.84
Debt/Turnover Ratio	1.20:1	1.05:1	1.20:1	1.42:1	1.60:1	1.64:1
Interest Payments ²⁴	1599.84	2374.73	3551.29	3681.11	7864.69	8498.38
Accumulated Profits (losses) ²⁴	364.89	(1343.22)	(2066.69)	(1590.48)	(50951.85)	(56133.11)

1.40 During the last five years, the turnover of PSUs recorded compound annual growth of 17.34 per cent. However, the compound annual growth of debts was 24.95 per cent indicating increase at a much faster rate than the turnover. The rising debts to turnover ratio from 1.20:1 in 2008-09 to 1.64:1 in 2013-14 indicated increased reliance on debts by PSUs.

1.41 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 or 20 per cent of the profit after tax, whichever is lower. As per their latest finalised accounts, 21 PSUs earned an aggregate profit of ₹ 943.61 crore and eight²⁵ PSUs declared a dividend of ₹ 58.45 crore which worked out to 0.30 per cent of equity capital of all the PSUs. Out of eight PSUs declaring dividend, two²⁶ PSUs declared dividend more than the prescribed limit while three²⁷ PSUs declared dividend less than the prescribed limit in the Government dividend policy. Thirteen²⁸ PSUs which earned profit, did not declare dividend due to accumulated losses or marginal profits.

22 Position for the year 2013-14 was as per the latest information made available up to 30 September 2014.

23 Upto 2011-12, Capital employed has been worked out using formula (Net fixed assets + Working capital). From 2012-13, Capital employed has been worked out using formula (Shareholder's fund + Long-term borrowings).

24 As per latest finalised accounts.

25 PSUs at Sl. No.-A-1, 7, 8, 11, 12, 13, 30 and B-3 of Annexure-2.

26 PSUs at Sl. No.-A-13 and B-3 of Annexure-2.

27 PSUs at Sl. No.-A-7, 8 and 12 of Annexure-2.

28 PSUs at Sl. No. A-3, 5, 9, 10, 28, 31, 32, 36, 37, 38, 41, 45 and B-1 of Annexure-2.

Non-working PSUs

1.42 There were three non-working PSUs (all companies) as on 31 March 2014 having a total investment of ₹ 26.03 crore towards capital (₹ 10.16 crore) and long term loans (₹ 15.87 crore). Rajasthan State Agro Industries Corporation Limited had arrear in accounts for two years.

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

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
No. of non-working companies	4	3	3	2	3

During the year 2013-14, Rajasthan Jal Vikas Nigam Limited ceased to carry on its operational activities and turned into non-working PSU.

1.44 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

1.45 Thirty four working Companies forwarded their 39 audited accounts to the Accountant General during the period from October 2013 to September 2014. Of these, 28 accounts of 25 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	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	4	496.05	5	30.01	6	266.83
2.	Increase in profit	1	62.24	2	7.60	1	0.81
3.	Increase in loss	4	8.01	12	2131.55	5	459.02
4.	Decrease in loss	1	0.68	2	4.00	3	20.16
5.	Non-disclosure of material facts	10	29.25	2	2.57	1	26.54
6.	Errors of classification	4	1293.47	15	19411.76	4	28.42

1.46 During the year 2013-14, the Statutory Auditors had given qualified certificates on 19 accounts, adverse²⁹ certificate on one accounts of JdVVNL for the year 2012-13 and disclaimer³⁰ on two accounts of Giral Lignite Power Limited for the year 2011-12 and 2012-13. The compliance of the Accounting Standards (AS) by PSUs remained poor as there were 53 instances of non-compliance in 12 accounts as pointed out by the Statutory Auditors. Additionally, the CAG gave adverse certificate on the accounts of Rajasthan

²⁹ Accounts do not reflect true and fair position.

³⁰ Auditors are unable to form an opinion on accounts.

Rajya Vidyut Prasaran Nigam Limited (RRVPL) for the year 2012-13 and disclaimer on the accounts of Giral Lignite Power Limited for the year 2011-12.

1.47 Some of the important comments by the CAG during supplementary audit of accounts of companies are stated below:

Barmer Lignite Mining Company Limited (2012-13)

- 'Fixed Assets' did not include ₹ 32.58 crore being demand of Government land raised by District Collector Barmer in July 2012 on which mining activities was carried out by the Company since the NOC was issued by the Government in January 2010. Consequently, Fixed Assets, Depreciation and Current Liabilities were understated by ₹ 30.57 crore, ₹ 2.01 crore and ₹ 32.58 crore respectively and profit was overstated by ₹ 2.01 crore.

Rajasthan State Food & Civil Supplies Corporation Limited (2012-13)

- 'Commission Received' was overstated by ₹ 0.81 crore due to excess account of commission for Fortified Atta. This resulted in overstatement of profit to the same extent.

Jodhpur Vidyut Vitran Nigam Limited (2012-13)

- 'Revenue from Operation' was understated by ₹ 50.85 crore due to non-accounting of Fuel Surcharge recoverable for the first two quarters of financial year 2012-13 as per clause no-127 of RERC Regulation 2009 which resulted in overstatement of the loss by ₹ 50.85 crore.
- 'Purchase of Power' was understated by ₹ 26.75 crore due to non-accounting of bills related to power purchase for the period from 2004-05 to 2012-13 received in the month of May and June 2013 which resulted in understatement of loss for the year to the same extent.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (2012-13)

- Due to our comments, the net profit for the year was worked out to ₹ 8.87 crore instead of the net profit of ₹ 41.28 crore shown by the company. Hence, the Accounts did not present a true and fair view.

1.48 Similarly, out of three working Statutory Corporations, two³¹ forwarded their accounts for 2013-14 to the Accountant General (up to 30 September 2014). Both accounts were selected for supplementary audit. The details of aggregate money value of comments of Statutory Auditors and supplementary audit by the CAG are given below:

31 PSU at Sl. No.- B-1 and B-3 of Annexure-2.

(₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	63.83	1	31.19	2	51.91
2.	Increase in profit	-	-	-	-	1	1.30
3.	Increase in loss	1	1071.47	-	-	1	729.18
4.	Non-disclosure of material facts	1	48.04	-	-	2	554.11
5.	Errors of classification	1	1.02	-	-	1	1.27

1.49 Out of two accounts received during the year 2013-14, the Statutory Auditors had given qualified certificates for both accounts.

1.50 Audit of annual accounts of Rajasthan Financial Corporation for the year 2013-14 by the CAG was in progress as on 30 September 2014. Some of the important comments in respect of Accounts of Statutory Corporation finalised during 2013-14 are stated below:

Rajasthan State Road Transport Corporation (2012-13)

- ‘Provision for Gratuity & Pension Contribution for Corporation Employees Fund’ was understated by ₹ 663.36 crore due to non-provision for liability towards Gratuity & Pension Contribution as per actuarial valuation as on 31 March 2009 report, which resulted in understatement of welfare and superannuation expenditures and net loss by ₹ 663.36 crore.

Rajasthan Financial Corporation (2012-13)

- Due to our comments, the net profit after tax of ₹ 3.40 crore shown in Accounts turned into a loss of ₹ 19.56 crore. Hence, the Accounts did not represent a true and fair view.

Rajasthan State Warehousing Corporation (2013-14)

- ‘Office & Other Expenses’ was overstated by ₹ 95.24 lakh due to incorrect account of interest on loan for construction of Godown/Warehousing under Rural Infrastructure Development Fund Scheme as revenue expenditure instead of capitalization of this expenditure which resulted in understatement of profit to the same extent.

1.51 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 39 annual accounts of working companies which were forwarded to the Accountant General during October 2013 to September 2014 is given below:

Sl. No.	Nature of comments made by Statutory Auditors	Number of working companies where comments were made		Reference to serial number of the working companies as per Annexure 2
		Year of accounts	No. of accounts	
1.	Absence of internal audit system commensurate with the nature and size of business of the company	2011-12	2	A-22 & 29
		2012-13	7	A-5,8,22,24,28,29 & 43
		2013-14	7	A-2,7,12,29,30,33 & 38
2.	Non maintenance of proper records showing full particulars including quantitative details and situations of fixed assets.	2011-12	2	A-22 & 29
		2012-13	5	A-22,24,28,29 & 42
		2013-14	6	A-2,7,29,30,33 & 34
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.	2011-12	1	A-29
		2012-13	6	A-8,24,28,29,41 & 43
		2013-14	6	A-2,7,12,29,38 & 39
4	Accumulated losses at the end of the financial year are not less than 50 of its net worth in case of company which has been registered for a period not less than five years,	2011-12	1	A-22
		2012-13	4	A-22,24,42 & 43
		2013-14	10	A-2, 18, 19, 20, 21, 25, 26, 27, 33 & 37
5	Cash losses incurred during the financial year by company which has been registered for a period not less than five years.	2011-12	1	A-22
		2012-13	4	A-22,24,42 & 43
		2013-14	6	A-2,18,20,21,25 & 33

Recoveries at the instance of audit

1.52 During the course of compliance audit in 2013-14, recoveries of ₹ 47.70 crore were pointed out to the Management of various PSUs, of which, recoveries of ₹ 40.40 crore were admitted by PSUs. An amount of ₹ 16.70 crore had been recovered during the year 2013-14.

Disinvestment, Privatisation and Restructuring of PSUs

1.53 During 2013-14 one PSU namely Gurha Thermal Power Company Limited was privatized.

Reforms in Power Sector

1.54 Rajasthan Electricity Regulatory Commission (RERC) was formed in January 2000 under Section 17 of the Electricity Regulatory Commissions Act, 1998 with the objective of rationalisation of electricity tariff, advising on matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2013-14, RERC issued 76 orders (29 on annual revenue requirements and 47 on other issues).

1.55 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 program 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 2014			
			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		28.13	
			AVVNL		20.99	
			JdVVNL		21.88	
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 2013	Percentage
			JVVNL	5642	4320	76.57
			AVVNL	6602	4523	68.51
			JdVVNL	7672	5653	73.68
3.	100 per cent electrification of all villages	41353 villages by March 2005	40249 villages (as per Census 2001) electrified i.e. 97.33 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. 131875 consumers were converted from agricultural flat rate to metered category in urban/rural areas upto March 2014.			
5.	State Electricity Regulatory Commission (SERC)					
	(1) Establishment of the SERC	–	The RERC was formed in January 2000.			
	(2) Implementation of tariff orders issued by SERC during the year	–	Latest tariff order was issued on 6 June 2013 and implemented from 7 June 2013.			
	General					
6.	Monitoring of MOU	–	Monitoring was being done by SE (Plan) of Jaipur Vidyut Vitran Nigam Limited and last report was sent in March 2012.			