

CHAPTER–I
Overview of Government companies
and
Statutory corporations

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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 Uttar Pradesh, the State PSUs occupy a moderate place in the State economy. The State working PSUs registered a turnover of ₹ 65,683.38 crore for 2013-14 as per their latest finalised Accounts. The State working PSUs incurred an aggregate loss of ₹ 12,223.08 crore for 2013-14 as per their latest finalised Accounts. The State PSUs had 0.82 lakh¹ employees as of 31 March 2014. The State PSUs do not include six Departmental Undertakings² (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in the Audit Report (General and Social Sector Audit) of the State.

1.2 As on 31 March 2014, there were 126 PSUs as per the details given in table no. 1.1. Of these, no company was listed on the stock exchange(s).

Table No. 1.1

Type of PSUs	Working PSUs	Non-working PSUs ³	Total
Government companies ⁴	80	39	119
Statutory corporations	7	Nil	7
Total	87	39	126

1.3 During the year 2013-14, one company named Lucknow Metro Rail Corporation Limited was incorporated under the Companies Act, 1956 and one company named South East UP Power Transmission Company Limited has been placed under private ownership w.e.f 16 December 2011 intimated in 2014.

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 as per Section 619-B of the Companies Act, 1956.

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 Comptroller & Auditor General of India as per the provisions of Section 619(2) of the Companies Act, 1956. These Accounts are also subject to supplementary audit conducted by Comptroller & Auditor

¹ As per the details provided by 56 PSUs. Remaining 70 PSUs did not furnish the details.

² Commissioner, Food and Civil Supplies, Government Press, State Pharmacy of Ayurvedic and Unani Medicines, Dy. Director-Animal Husbandry, Irrigation Workshops and Criminal Tribes Settlement Tailoring Factory, Kanpur.

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

⁴ Includes 619-B companies.

General of India 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 seven Statutory corporations, Comptroller & Auditor General of India is the sole auditor for Uttar Pradesh State Road Transport Corporation, Uttar Pradesh Avas Evam Vikas Parishad, Uttar Pradesh Forest Corporation and Uttar Pradesh Jal Nigam. In respect of Uttar Pradesh State Warehousing Corporation, Uttar Pradesh Financial Corporation and Uttar Pradesh Government Employees Welfare Corporation, the audit is conducted by the Chartered Accountants and supplementary audit by the Comptroller & Auditor General of India.

The audit of Uttar Pradesh Electricity Regulatory Commission is entrusted to the Comptroller & Auditor General of India under Section 104 (2) of the Electricity Act, 2003.

Investment in State PSUs

1.7 As on 31 March 2014, the Investment in 126 PSUs (including 619-B companies) was ₹ 1,56,906.28 crore as per details given in table no. 1.2.

Table No. 1.2

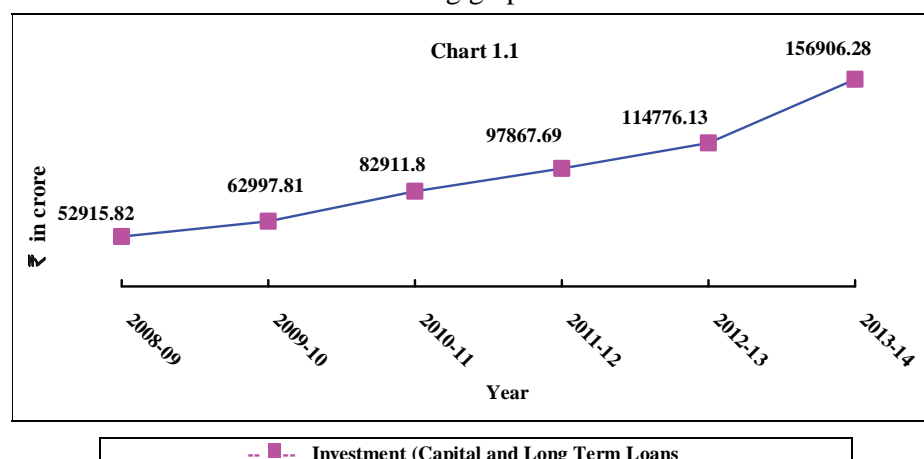
(₹ in crore)

Type of PSUs	Government companies			Statutory corporations			Grand total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	69141.97	84856.72	153998.69	610.73	1205.94	1816.67	155815.36
Non-working PSUs	695.39	395.53	1090.92	-	-	-	1090.92
Total	69837.36	85252.25	155089.61	610.73	1205.94	1816.67	156906.28

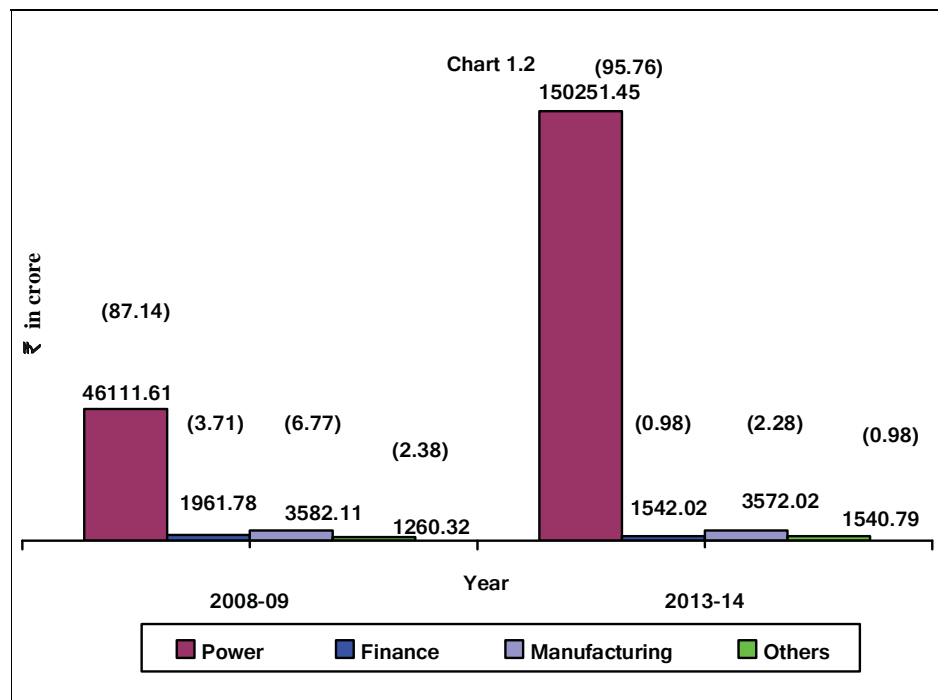
Source: Information furnished by PSUs

A summarised position of Government Investment in State PSUs is given in *Annexure-1.1*.

1.8 As on 31 March 2014, of the total Investment in State PSUs, 99.30 per cent was in working PSUs and the remaining 0.70 per cent in non-working PSUs. This total Investment consisted of 44.90 per cent towards Capital and 55.10 per cent in Long-Term Loans. The Investment has grown by 296.52 per cent from ₹ 52,915.82 crore in 2008-09 to ₹ 1,56,906.28 crore in 2013-14 as shown in the following graph.



1.9 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 no.1.2. The thrust of PSU Investment was mainly in Power Sector during the six years which has seen its percentage share rising from 87.14 per cent in 2008-09 to 95.76 per cent in 2013-14 while the share of manufacturing sector decreased from 6.77 per cent in 2008-09 to 2.28 per cent in 2013-14.



(Figures in brackets indicate the Sector percentage to total Investment)

Budgetary outgo, Grants/Subsidies, Guarantees and Loans

1.10 The details regarding budgetary outgo towards Equity, Loans, Grants/ Subsidies, Loans converted into Equity, Loans written off, Interest waived and Guarantees issued in respect of State PSUs are given in *Annexure-1.2*. The summarised details for the three years ended 2013-14 are given in table no.1.3.

Table No. 1.3

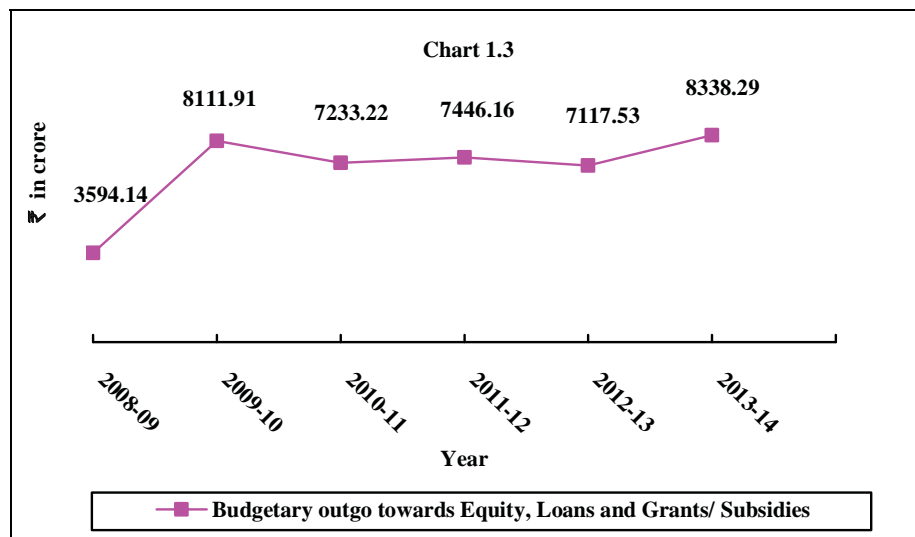
(₹ in crore)

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 from budget	5	4325.50	5	2987.40	5	5324.42
2.	Loans given from budget	1	11.85	3	25.18	6	123.80
3.	Grants/subsidy received	10	3108.81	11	4104.95	7	2890.07
4.	Total Outgo (1+2+3)	15⁵	7446.16	18⁵	7117.53	17⁵	8338.29
5.	Loans converted into Equity	-	-	1	64.38	-	-
6.	Interest waived	-	-	1	425.44	-	-
7.	Guarantees issued	4	1194.65	4	848.35	3	124.68
8.	Guarantee commitment	6	9578.49	9	9734.56	5	9120.15

Source: Information furnished by PSUs

⁵ These represent actual number of PSUs which received budgetary support. Some PSUs fall in more than one category.

1.11 The details regarding budgetary outgo towards Equity, Loans and Grants/Subsidies for past six years are given in the graph.



It can be seen that the budgetary outgo in the form of Equity, Loans and Grants/Subsidies to State PSUs was all time low in 2008-09 during the period from 2008-09 to 2013-14. The budgetary outgo was ₹ 8,338.29 crore in 2013-14. The amount of guarantee outstanding increased from ₹ 9,578.49 crore in 2011-12 to ₹ 9,734.56 crore in 2012-13 but decreased to ₹ 9120.15 crore in 2013-14. The amount of guarantee commission payable by two PSUs as on 31 March 2014 was ₹ 1.44 crore⁶. During the year, six PSUs⁷ had paid guarantee commission of ₹ 3.82 crore.

Reconciliation with Finance Accounts

1.12 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. We observed that differences occurred in respect of 38 PSUs as indicated in the table no. 1.4.

Table No.1.4

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	59032.58	57029.18	2003.40
Loans	1276.26	1517.94	241.68
Guarantees	60505.46	9120.15	51385.31

Source: State Finance Accounts for the year 2013-14 and information furnished by PSUs.

We noticed that some of the differences were pending for reconciliation since 2000-01. The Accountant General had regularly taken up the matter of non-reconciliation of figures between Finance Accounts and Audit Report (PSUs) with the PSUs requesting them to expedite the reconciliation. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

⁶ The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh and Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited.

⁷ Serial Numbers A-31, A-33, A-34, A-35, A-40 and A-41 of Annexure-1.3.

Performance of PSUs

1.13 The financial results of all the PSUs are given in *Annexure-1.3*. The financial position and working results of working Statutory corporations are indicated in *Annexures-1.4 and 1.5* respectively.

1.14 As per the latest finalized Accounts, out of 87⁸ working PSUs, 28 PSUs earned profit of ₹ 1,315.03 crore and 27 PSUs incurred loss of ₹ 13,538.11 crore. Seven working PSUs⁹ had not submitted their first Accounts whereas 25 PSUs earned no profit/loss as their data of financial results was below ₹ one lakh. The major contributors to profit were Uttar Pradesh Avas Evam Vikas Parishad (₹ 456.75 crore), Uttar Pradesh Rajkiya Nirman Nigam Limited (₹ 232.49 crore), Uttar Pradesh Forest Corporation (₹ 114.80 crore) and Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (₹ 111.19 crore). The heavy losses were incurred by Uttar Pradesh Power Corporation Limited (₹ 3,479.32 crore), Dakshinanchal Vidyut Vitran Nigam Limited (₹ 3,364.06 crore), Purvanchal Vidyut Vitran Nigam Limited (₹ 2,532.84 crore), Paschimanchal Vidyut Vitran Nigam Limited (₹ 1,303.35 crore) and Madhyanchal Vidyut Vitran Nigam Limited (₹ 2,033.00 crore).

1.15 The Current Audit Report of Comptroller & Auditor General of India shows that the State working PSUs incurred losses to the tune of ₹ 339.80 crore and made Infructuous Investment of ₹ 47 lakh which were controllable with better management. Year wise details from Audit Reports are stated below.

Table No. 1.5

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
Net loss	6489.58	12097.87	12223.08	30810.53
Controllable losses as per CAG's Audit Report	16879.05 ¹⁰	17170.08 ¹¹	339.80	34388.93
Infructuous Investment	132.80	173.44	0.47	306.71

Source: Latest finalised Accounts of PSUs and CAGs Audit Reports

1.16 The above losses pointed out in Audit Reports of Comptroller & Auditor General of India are based on test check of records of working PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised substantially.

1.17 The State Government had formulated (October 2002) a Dividend policy under which all profit earning PSUs are required to pay a minimum return of five *per cent* on the paid up Share Capital contributed by the State Government. As per their latest finalised Accounts, 28 PSUs earned an aggregate profit of ₹ 1,315.03 crore and eight PSUs¹² declared a dividend of ₹ 6.70 crore. The remaining profit earning PSUs did not comply with the State Government policy regarding payment of minimum dividend.

⁸ 25 PSUs reported net profit/loss below ₹ one lakh, hence profit/loss of such PSUs could not be indicated in Annexure-1.3 wherein the indicated figures are ₹ in crore.

⁹ Serial number: A-17, A-45, A-75, A-77, A-78, A-79 and A-80 in Annexure-1.3.

¹⁰ ₹ 1446.11 crore was incurred up to March 2012 and ₹ 15,432.94 crore will be incurred as per pre-existing rates during the next 25 and 18 years as referred in detail in paragraphs 3.4 and 3.6 of Audit Report (PSUs) for the year ended 31 March 2012.

¹¹ ₹ 7404.28 crore was incurred up to March 2013 and ₹ 12256.46 crore will be incurred as per pre-existing rates during the next 22 years, 23 years 9 months, 24 years and 25 years as referred in detail in paragraph 3.13 of Audit Report (PSUs) for the year ended 31 March 2013.

¹² Serial Numbers A-5, A-6, A-16, A-23, A-68, A-70, A-73 and B-1 of Annexure-1.3.

Arrears in finalisation of Accounts

1.18 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 no. 1.6 provides the details of progress made by working PSUs in finalisation of Accounts by 30 September 2014.

Table No. 1.6

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Number of Working PSUs	60	83	83	85	87	87
2.	Number of Accounts finalised during the year	46	98	59	66	84	41
3.	Number of Accounts in arrears	197	182	206	234	228	274 ¹³
4.	Average arrears per PSUs (3/1)	3.28	2.19	2.48	2.75	2.62	3.15
5.	Number of Working PSUs with arrears in Accounts	54	52	69	81	82	83
6.	Extent of arrears	1 to 14 years	1 to 15 years	1 to 15 years	1 to 16 years	1 to 17 years	1 to 18 years

(Source: Latest finalised Accounts of PSUs)

1.19 The average number of Accounts in arrears per working PSUs ranged between 2.19 to 3.28 during 2008-09 to 2013-14. Out of the 87 working PSUs, only four PSUs finalised their Accounts for the year 2013-14 while 83 PSUs had arrear of 274 Accounts as of September 2014 with extent of arrear ranging from one to 18 years. The PSUs having arrears of Accounts need to take effective measures for early clearance of back log and make the Accounts up-to-date. The PSUs should also ensure that at least one year's Accounts are finalised each year so as to restrict the accumulation of arrears.

1.20 In addition to above, there were also arrears in finalisation of Accounts by non-working PSUs. Out of 39 non-working PSUs, 13¹⁴ PSUs had gone into liquidation process which had arrears of 312 Accounts ranging from seven to 39 years. The remaining 26 non-working PSUs had arrears of 383 Accounts ranging from one to 31 years.

1.21 The State Government had invested ₹ 8,338.29 crore (Equity: ₹ 5324.42 crore, Loans: ₹ 123.80 crore, Grants: ₹ 1218.43 crore and Subsidies ₹ 1671.64 crore) in 17 working PSUs during the year for which Accounts have not been finalised as detailed in *Annexure-1.6*. In the absence of Accounts and their subsequent audit, it can not be ensured whether the Investments and expenditure incurred have been properly accounted for and the purposes for which the amount was invested have been achieved. Thus outcome of the Investment of the Government in such PSUs remained outside the scrutiny of the State Legislature. This delay in finalisation of Accounts apart from being a violation of the provisions of the Companies Act, 1956, may also result in risk of fraud and leakage of public money.

¹³ It includes one account of 2011- 12 of South East UP Power Transmission company limited which was placed under private ownership w.e.f 16.12.2011.

¹⁴ Serial no. C-2, 3, 9, 11, 12, 13, 15, 16, 18, 21, 22, 24, and 27 of Annexure-1.3.

1.22 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. The Accountant General brought the position of arrears of Accounts to the notice of the Administrative Departments concerned at the end of every quarter. No remedial measures were, however, 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 brought to the attention of the Chief Secretary/Finance Secretary from time to time highlighting the need to finalise the Accounts with special emphasis or to expedite clearance of the backlog of arrears in Accounts in a time bound manner.

Status of placement of Annual Report

1.23 As per Section 619 A(3) of the Companies Act, 1956 where State Government is a member of a company, the State Government shall cause an Annual Report on the working and affairs of the Company alongwith the Audit Report and comments or supplement of the Comptroller and Auditor General of India to be placed before the State Legislature within three months from the date of Annual General Meeting (AGM) of the Company in which the Accounts have been adopted. The placing of the Annual Report before the State Legislature gives the Legislature an opportunity to have important information regarding the performance of a Government company, in which the State Government is the major shareholder.

We observed that in 30¹⁵ Companies the Annual Report alongwith Audit Report and Comments of Comptroller and Auditor General have not been placed in the State Legislature (September 2014).

Winding up of non-working PSUs

1.24 There were 39 non-working PSUs (37 Government companies and two 619-B Government companies) as on 31 March 2014. Of these, 13 PSUs had gone into liquidation process. The non-working PSUs should be closed down as their existence is a financial burden on the State exchequer. During 2013-14, three¹⁶ non-working PSUs incurred an expenditure of ₹ 2.40 crore towards establishment expenditure.

1.25 The stages of closure as on 31 March 2014 in respect of non-working PSUs are given table no. 1.7.

Table No. 1.7

Sl. No.	Particulars	Companies
1.	Total no. of non-working PSUs	39
2.	Of (1) above, the no. of PSUs under:	
(a)	Liquidation by Court (Liquidator appointed)	13
(b)	Voluntary winding up (Liquidator appointed)	-
(c)	Closure, i.e. closing orders/ instructions issued by the State Government but liquidation process not yet started.	26

(Source: Information furnished by Registrar of Companies)

1.26 The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from ten years to 33 years.

¹⁵ Serial no. A-1, 8,10,11,12,14,15,16,19,21,23,24,28,29,30,32,34,35,36,37,38,39, 42,44,72,73, C-17,26,41 & 37 of Annexure-1.3.

¹⁶ Out of 39 non-working PSUs only three PSUs (Uttar Pradesh Pashudhan Udhdyog Nigam Limited - ₹ 14.94 lakh, Ghatampur Sugar Company Limited- ₹ 220.06 lakh and Uttar Pradesh Bundelkhand Vikas Nigam Limited- ₹ 5.45 lakh) furnished the information of establishment expenditure.

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 26 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 the non-working companies.

Accounts Comments and Internal Audit

1.27 Thirty three¹⁷ working companies forwarded their 36 Accounts to the Accountant General during the year 2013-14¹⁸. Of these, 31 Accounts¹⁹ of 29 companies were selected for supplementary audit. The Audit Reports of Statutory Auditors appointed by Comptroller & Auditor General of India and the supplementary audit by us indicate that the quality of maintenance of Accounts needs to be improved substantially. The details of aggregate money value of our comments and those of Statutory Auditors are given in table no. 1.8.

Table No. 1.8

(₹ 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	15	107.12	14	163.88	10	68.55
2.	Increase in Loss	5	2165.60	21	1248.38	15	248.82
3.	Non-disclosure of material facts	3	12.92	8	587.68	11	9057.64
4.	Errors of classification	5	7.42	1	0.07	3	255.37
	Total		2293.06		2000.01		9630.38

The aggregate money value of total comments increased from ₹ 2,000.01 crore in 2012-13 to ₹ 9,630.38 crore in 2013-14.

1.28 During the year, the Statutory Auditors had given qualified certificates for 33 Accounts, adverse certificates (which means that Accounts do not reflect a true and fair position) for two Accounts of two Companies²⁰ and disclaimers (meaning the Auditors are unable to form an opinion on Accounts) for one Accounts²¹ in respect of latest Accounts finalised by 33 companies. The compliance to the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) remained poor as there were 104 instances of non-compliance with the AS in 29 Accounts during the year.

1.29 Some of the important comments in respect of Accounts of the companies finalised during the year 2013-14 are stated below:

¹⁷ Serial no. A-1, 3, 5, 6, 7, 10, 11, 13, 15, 16, 18, 19, 23, 28, 29, 30, 31, 32, 33, 34, 35, 37, 39, 40, 41, 42, 68, 69, 70, 71, 72 & 73 of Annexure-1.3 and South East UP Power Transmission Limited.

¹⁸ October 2013 to September 2014

¹⁹ Five accounts of four companies were not selected for supplementary audit. These were issued a No Review Certificate.

²⁰ Uttar Pradesh Pichhra Varg Vitta Evam Vikas Nigam Limited and Uttar Pradesh State Spinning Company Limited.

²¹ Uttar Pradesh State Food and Essential Commodities Corporation Limited.

Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (2011- 12)

- Non provision for payment of compensation to land owners for construction of Anpara Thermal Power Project resulted in understatement of Fixed Assets and Other liabilities by ₹ 35.58 crore each.
- The Company neither paid nor provided for Guarantee fee at the rate of one *per cent* on the outstanding amount of loan taken from financial institutions for financial year 2003- 04 to 2011-12.

This resulted in overstatement of profit as well as understatement of Finance cost by ₹ 8.00 crore.

Purvanchal Vidyut Vitran Nigam Limited (2012-13)

The Company had not capitalised the works of sub-station and associated lines under Maha Kumbh Mela which resulted in overstatement of Capital Work-in-Progress and understatement of Fixed Assets by ₹ 43.94 crore each.

Kanpur Electricity Supply Company Limited (2012- 13)

Loss for the year was understated by ₹ 1.74 crore due to inclusion of expenditure incurred on Accelerated Power Development and Reforms Programme scheme rejected by the Board of Directors under Capital Work-in-Progress.

Madhyanchal Vidyut Vitran Nigam Limited (2012- 13)

Capital works worth ₹ 234.55 crore was shown under Capital Work-in-Progress (CWIP) although works were completed during the year. Non-capitalization/transfer to fixed assets resulted in overstatement of CWIP by ₹ 234.55 crore and understatement of accumulated loss/depreciation by ₹ 35.92 crore including ₹ 11.14 crore for the year 2012-13. This also led to understatement of assets by ₹ 198.63 crore.

Uttar Pradesh State Textile Corporation Limited (2012- 13)

The U.P Government in March 2003 waived ₹ 12.89 crore towards U.P. Government loan of Kashipur and Jashpur Units. The company however had not made the adjustments in the Accounts despite mentioning it in the Modified Draft Revival Scheme submitted to the Board for Industrial and Financial Reconstruction.

This has resulted in overstatement of Current liabilities by ₹ 12.89 crore and also the losses to the same extent.

U. P. Electronics Corporation Limited (2012- 13)

Non provision for doubtful debts in respect of closed Company resulted in overstatement of loans and advances and understatement of provision for bad and doubtful debts by ₹ 1.69 crore.

1.30 Similarly, five working Statutory corporations forwarded their five Accounts to the Accountant General during the year 2013-14²². Of these, three Accounts of three Statutory corporations were subject to sole audit by Comptroller & Auditor General of India. The Audit Reports of Statutory Auditors and our sole/supplementary audit indicate that the quality of maintenance of Accounts needs to be improved substantially. The details of

²² October 2013 to September 2014.

aggregate money value of our comments and those of Statutory Auditors are given in table no. 1.9.

Table No. 1.9

(₹ 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	2	13.98	4	38.05	4	731.98
2.	Increase in Loss	1	87.84	1	79.60	1	4.05

During the year, out of five Accounts received, audit of five Accounts was completed. Of these, three accounts where Comptroller and Auditor General of India is sole auditor, qualified certificates were issued. For remaining two Accounts, Statutory Auditors had given qualified certificates for one Account and adverse certificate for one Account²³.

1.31 Important comments in respect of Accounts of the Statutory corporations finalised during the year 2013-14 are stated below:

Uttar Pradesh State Road Transport Corporation (2012-13)

Cost of chasis on which bus building had not been completed was shown under Fixed Assets instead of showing the same as Inventories. This resulted in overstatement of Fixed Asset (Vehicles) and understatement of Inventories by ₹ 14.85 crore each.

Uttar Pradesh Forest Corporation (2012- 13)

Wind Erosion Prediction System (WEPS) software of ₹ 2.69 crore related to computer networking, was developed and installed, but included in 'Assets not in use' under Fixed Assets. Consequently no depreciation on the same was provided which resulted in overstatement of fixed assets and profit for the year by ₹ 1.61 crore each.

Uttar Pradesh State Warehousing Corporation (2012- 13)

Short provision of ₹ 13.48 crore for premium payable to Life Insurance Corporation for Gratuity Scheme resulted in understatement of Current Liabilities and overstatement of profit for the year by ₹ 13.48 crore.

1.32 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 Comptroller & Auditor General of India 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 are given in table no. 1.10.

Table No. 1.10

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- 3
1.	Non-fixation of minimum/maximum limits of store and spares	18	A-3, 5, 6, 16, 28, 29, 30, 31, 32, 33, 34, 35, 41, 42, 71, C-4, 17 and 31.
2.	Absence of internal audit system commensurate with the nature and size of business of the company	20	A-3, 5, 6, 7, 10, 11, 29, 32, 33, 34, 35, 37, 40, 41, 68, 71, 72, 73 and C -4, 17

²³ Uttar Pradesh Government Employees Welfare Corporation (2011- 12).

3.	Non-maintenance of cost record	9	A-3, 5, 16, 29, 31, 34, and C-4, 31, 17
4.	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.	20	A-3, 7, 13, 16, 28, 29, 31, 32, 33, 34, 35, 40, 41, 42, 68, 71, 72, 73 and C -4, 17

Source: Detailed Reports furnished by Statutory Auditors in accordance with the directions issued by the CAG

Recoveries at the instance of audit

1.33 During the course of propriety audit, recoveries of ₹ 53.42 crore were pointed out to the Management of various PSUs, of which, recoveries of ₹ 5.01 crore were admitted and ₹ 4.23 crore relating to years 2004-05 to 2013-14 was recovered by PSUs during the year 2013-14.

Status of placement of Separate Audit Reports

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

Table No. 1.11

Sl No.	Name of Statutory corporation	Year up to which SAR placed in Legislature	Years for which SAR not placed in Legislature		Reasons for non-placement of SAR
			Year of SAR	Date of issue to the Government	
(1)	(2)	(3)	(4)	(5)	(6)
1.	Uttar Pradesh State Road Transport Corporation	2011-12	2012-13	06 June 2014	Reasons not furnished by the Corporation
2.	Uttar Pradesh Financial Corporation	2007-08	2008-09 2009-10 2010-11 2011-12	20 May 2011 13 April 2012 27 August 2012 16 September 2013	Reasons not furnished by the Corporation
3.	Uttar Pradesh Forest Corporation ²⁴	--	2008-09 2009-10 2010-11 2011-12 2012-13	09 March 2011 16 November 2011 21 September 2012 11 July 2013 6 June 2014	Reasons not furnished by the Corporation
4.	Uttar Pradesh Avas Evam Vikas Parishad	2010-11	2011-12	16 September 2013	Reasons not furnished by the Corporation
5.	Uttar Pradesh Jal Nigam	2007-08	2008-09 2009-10 2010-11	03 August 2011 20 May 2013 12 December 2013	Reasons not furnished by the Corporation
6	Uttar Pradesh State Warehousing Corporation	2010-11	2011-12	14 August 2014	Reasons not furnished by the Corporation

Delay in placement of SAR weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. Despite the fact that the matter of delay in placement of SARs was taken up (February 2009) by the Comptroller & Auditor General of India with the Chief Minister of the State and is also being pursued regularly by the Accountant General, as on 30 September 2014, 15 SARs are pending for placement in the State Legislature. The Government should ensure prompt placement of SAR in the Legislature.

²⁴ Uttar Pradesh Forest Corporation submitted its Account for the year 2008-09 after doing necessary amendment in UP Forest Corporation Act, 1974.

Disinvestment, Privatisation and Restructuring of PSUs

1.35 The policy of privatisation/disinvestment of PSUs formulated (June 1994) by the State Government provided for review of all enterprises (excluding those engaged in social and welfare activities and public utilities) whose annual loss was more than ₹ 10 crore and which had eroded their net worth by 50 *per cent* or more.

An Empowered Committee (EC) was constituted (December 1995) to review and decide cases of privatisation/disinvestment/reference to Board for Industrial and Financial Reconstruction (BIFR) and to recommend other alternatives such as partial privatisation, management by private entrepreneurs, lease to private entrepreneurs, etc. The recommendations of the EC were not made available to Audit. On the recommendation of EC, the State Disinvestment Commission (DC) and a Central Committee (CC) were constituted (January 2000). The CC was entrusted to make reference to the DC on the matters relating to reform in working, merger, reorganisation, privatisation or closure of the PSUs. It was envisaged that DC would forward its recommendations to the CC.

In April 2003, a High Power Disinvestment Committee (HPDC) was also constituted for disinvestment of State PSUs.

The Government of Uttar Pradesh issued (June 2007) Guidelines for selection of consultants/advisors, developers for Public Private Partnership (PPP) projects and private partners for disinvestment in Uttar Pradesh. The guidelines provide for formation of various committees, process to be followed for disinvestment, appointment and functions of Lead Advisor, Legal Advisor, Accounting Advisors, Asset Valuers, procedure to be followed for bidding and methodologies of valuation of enterprise. After 2010-11²⁵ no further disinvestment was done by the Government.

²⁵ Audit findings on disinvestment of 10 Mills of Uttar Pradesh Sugar Corporation Limited and 11 mills of Uttar Pradesh Rajya Chinni Evam Ganna Vikas Nigam Limited made in the year 2010-11 has been reported in the stand-alone Report of the Comptroller and Auditor General of India for the year ended 31 March 2011.