

Introduction

Functioning of State Public Sector Undertakings

General

1 State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and thus occupy an important place in the State economy. As on 31 March 2019, there were 43 PSUs in Rajasthan, including three¹ Statutory Corporations and 40 Government Companies (including three² inactive government companies³) under the audit jurisdiction of the Comptroller & Auditor General of India (CAG). None of these Government Companies were listed on the stock exchange.

2 The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2019 is covered in this report. The nature of PSUs and the position of accounts are indicated in table below:

Table 1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period ⁴				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2019
		Accounts up to 2018-19	Accounts up to 2017-18	Accounts up to 2016-17	Total	
Working Government Companies ⁵	37	23	8	2 ⁶	33	14 (20)
Statutory Corporations	3	2	1	-	3	1(1)
Total working PSUs	40	25	9	2	36	15 (21)
Inactive Government Companies	3	-	2	1 ⁷	3	3 (6)
Total	43	25	11	3	39	18 (27)

The working PSUs registered an annual turnover of ₹ 75179.32 crore as per their latest finalised accounts as on 30 September 2019. The turnover was equal to 8.09 *per cent* of Gross State Domestic Product (GSDP) for the year 2018-19 (₹ 929124 crore). The working PSUs earned profit of ₹ 2458.23 crore as per their latest finalised accounts. As on March 2019, the State PSUs had employed around one lakh employees.

The three inactive government companies with an investment of ₹ 28.04 crore towards capital (₹ 11.77 crore) and long term loans (₹ 16.27 crore) ceased their operations for last three to 19 years. This is a critical area as the investments in these companies do not contribute to the economic

1 Rajasthan State Road Transport Corporation, Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation.
2 Rajasthan State Agro Industries Corporation Limited, Rajasthan Jal Vikas Nigam Limited and Rajasthan Civil Aviation Corporation Limited.
3 Inactive PSUs are those which have ceased to carry out their operations.
4 From October 2018 to September 2019
5 Government PSUs include other Companies referred to in Section 139 (5) and 139 (7) of the Companies Act 2013.
6 It includes one Accounts for the year 2015-16.
7 It includes one Accounts for the year 2014-15.

growth of the State.

Accountability framework

3 The procedure for audit of Government companies is laid down in Section 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company⁸ owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments is referred to in this Report as Government Controlled other Companies.

CAG appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Act 2013. Section 139 (5) of the Act 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Act 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the CAG within sixty days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-Section 7 of Section 143 of the Act 2013, CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by Central Government and partly by one or more State Governments, is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory audit

4 The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company

8 Ministry of Corporate Affairs- (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014

under Section 143 (5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013.

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

Submission of accounts by PSUs

Need for timely finalisation and submission

5 According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Act 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Act 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Act 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for noncompliance with the provisions of Section 129 of the Act 2013.

Role of Government and Legislature

6 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 State Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394 of the Act 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Investment by Government of Rajasthan in State PSUs

7 The Government of Rajasthan (GoR) has high financial stakes in the PSUs. This is mainly of 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.

8 The sector-wise summary of investment in the PSUs as on 31 March 2019 is given below:

Table 2: Sector-wise investment in PSUs

Name of sector	Government Companies		Statutory Corporations		Total	Investment ⁹ (₹ in crore)		
	Working	Inactive	Working	Inactive		Equity	Long term loans	Total
Power	15	-	-	-	15	45700.40	66077.98	111778.38
Finance	3	-	1	-	4	303.75	302.22	605.97
Service	8	1	2	-	11	2434.50	2594.67	5029.17
Infrastructure	4	-	-	-	4	359.86	4300.35	4660.21
Others	7	2	-	-	9	491.76	1701.29	2193.05
Total	37	3	3	-	43	49290.27	74976.51	124266.78

Source: Compiled based on information received from PSUs.

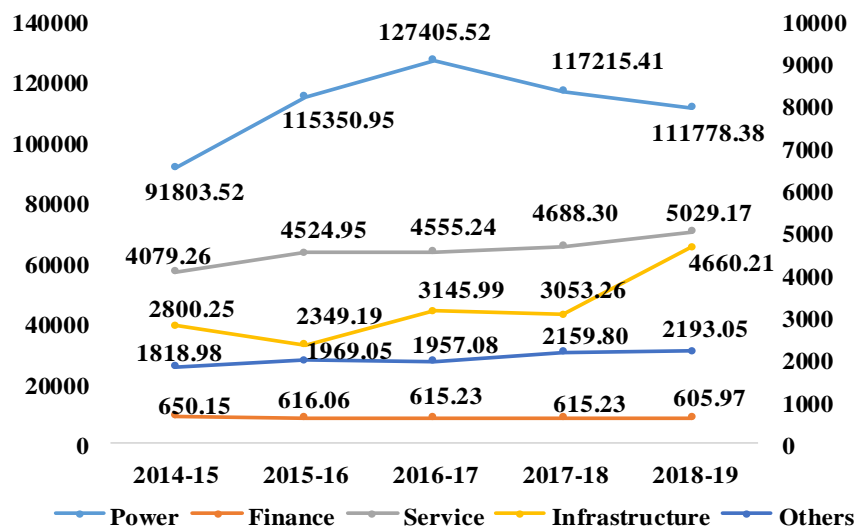
The thrust of PSU investment was mainly on power sector during the last five years. The power sector received investments of ₹ 19974.86 crore (86.42 per cent) out of total investment of ₹ 23114.62 crore made during the period from 2014-15 to 2018-19.

9 The investment in various important sectors at the end of the year for the last five years ended on 31 March 2019 is indicated in the chart below:

9 Investments include equity and long term loans.

Chart 1: Sector-wise investment in PSUs

(Figures in ₹ crore)



Keeping in view the high level of investment in Power Sector, we are presenting the results of audit of 15 Power Sector PSUs in Part I¹⁰ of this report and of the 28 PSUs (other than Power Sector) in the Part II¹¹ of the report.

Audit universe and coverage

10 Out of total 43 PSUs, audit of 32 PSUs is entrusted to this office Accountant General (Audit-II), erstwhile known as AG (E&RSA) whereas audit of remaining 11 PSUs is entrusted to office of the Principal Accountant General (Audit-I), erstwhile known as PAG (G&SSA) Rajasthan. During 2018-19, 1067 units pertaining to 32 PSUs were under the audit universe of this office. Besides financial attest audit of all these PSUs, 248 units were selected for compliance audit.

10 The Part I includes Chapter-I (Functioning of Power Sector Undertakings) and Chapter-II (Compliance Audit Observations relating to Power Sector Undertakings).

11 The Part II includes Chapter-III (Functioning of State PSUs other than Power Sector), Chapter-IV (Performance Audit relating to State PSUs other than Power Sector) and Chapter-V (Compliance Audit Observations relating to State PSUs other than Power Sector).

