

## CHAPTER II

# Oversight Role of CAG

### 2.1 Audit of Public Sector Undertakings

CAG appoints the Statutory auditors of a Government company and Government controlled other company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has the right to conduct supplementary audit and issue comments upon or supplement the report of the Statutory auditor. Statutes governing Statutory corporations require that their accounts be either audited or audit report of Statutory auditors supplemented by the CAG and a report submitted to the State Legislature.

### 2.2 Appointment of Statutory auditors of Public Sector Undertakings by CAG

Section 139 (5) of the Companies 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 180 days from the commencement of the financial year.

The Statutory auditors of such PSUs for the year 2021-22 were appointed by CAG from August 2021 onwards.

### 2.3 Submission of accounts by Public Sector Undertakings

#### 2.3.1 Need for timely submission

According to Sections 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). As soon as may be after such preparation, the Annual Report must be laid before the State Legislature, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. Almost similar provisions exist in the respective Acts regulating the Statutory corporations. This mechanism provides the necessary legislative control over the utilization of public funds invested in the companies / Statutory corporations from the Consolidated Fund of the State.

Section 96 of the Companies 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 Companies Act, 2013 stipulates that the audited financial statements for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite the above provision, annual accounts of various PSUs were pending as on 31 March 2022 as detailed in the following para.

### **2.3.2 Timeliness in preparation of accounts by PSUs**

As of 31 March 2022, there were 131 working PSUs comprising of 121 Government companies and six Government controlled other companies and four Statutory corporations under the purview of CAG's audit. The accounts for the year 2021-22 became due from these PSUs on 30 September 2022 as detailed in **Table 2.1**. A total of five PSUs (including one Statutory corporation as discussed below) submitted their accounts for the financial year 2021-22 for audit within the stipulated period. 60 PSUs submitted their arrear accounts (2014-15 to 2020-21) for audit by CAG during October 2021 to September 2022.

Out of four Statutory corporations, the CAG is the sole auditor in two Statutory corporations (Kerala State Road Transport Corporation and Kerala Industrial Infrastructure Development Corporation) and CAG conducts supplementary audit in two Statutory corporations (Kerala Financial Corporation and Kerala State Warehousing Corporation). Of these four Statutory corporations, Kerala Financial Corporation submitted the accounts for the year 2021-22 for audit within the stipulated time. Kerala State Road Transport Corporation (KSRTC) has a pendency of six years (2016-17 to 2021-22), Kerala Industrial Infrastructure Development Corporation has a pendency of two years (2020-21 to 2021-22) and Kerala State Warehousing Corporation has a pendency of three years (2019-20 to 2021-22) as on 30 September 2022.

#### **2.3.2.1 Arrears in submission of accounts**

As per Section 129 (2) of the Companies Act, 2013, every Annual General Meeting of a company, the Board of Directors of the company shall lay before such meeting financial statements for the financial year. Contravention of the provisions of this section attracts fine (not less than ₹50,000 which may extend to ₹5,00,000) and/or imprisonment for a term which may extend to one year for managing directors, the whole-time director in charge of finance and the Chief Financial Officer.

Despite the above provision, numerous cases of non-preparation and non-submission of financial statements were noticed for PSUs in Kerala. Details of arrears in submission of accounts of PSUs for the year 2021-22 are given in **Table 2.1** below:

**Table: 2.1: Details showing the arrears in submission of accounts as on 30/09/2022**

Particulars		Government companies	Government controlled other companies	Statutory corporations	Total
Total number of PSUs under the purview of CAG's audit as on 31/03/2022		130	16	4	150
Working PSUs- Unlisted (including four Statutory corporations)		121	6	4	131
Listed Companies		0	0	0	0
Number of PSUs which presented the accounts for 2021-22 for CAG's audit		4	0	1	5
Number of PSUs from which accounts for 2021-22 were due		117 (333)	6 (6)	3 (11)	126 (350)
Age wise analysis of arrears of working PSUs	One year (2021-22)	32 (32)	6 (6)	0	38 (38)
	Two years (2020-21 and 2021-22)	54 (128)	0	2 (5)	56 (133)
	Three years to five years (2017-18 to 2021-22)	9 (36)	0	0	9 (36)
	Six years and above (beyond 2016-17)	22 (137)	0	1 (6)	23 (143)

(Source: As per latest finalised accounts of PSUs)  
 Figures in brackets represent number of accounts

It could be seen from the above table that:

- Out of the total of 131 working PSUs, only five PSUs submitted their accounts for the year 2021-22 to the CAG for audit, thus representing merely 3.82 *per cent* of the total number of working PSUs under its audit jurisdiction.
- A total of 350 accounts were due from 126 PSUs in the year 2021-22.
- Age-wise analysis revealed that for six years and above (*i.e.*, beyond 2016-17) 143 accounts were pending from 23 PSUs; for three years to five years (*i.e.*, 2017-18 to 2021-22) 36 accounts were pending from 9 PSUs; for 2 years (*i.e.*, 2020-21 and 2021-22) 133 accounts were pending from 56 PSUs.

It was seen that meetings were held (February 2022, May 2022 and September 2022) with Chief Secretary of Government of Kerala to discuss pendency in finalisation of Accounts of Public Sector Undertakings, Autonomous Bodies and Departmental Commercial Undertakings, which have pendency of five or more years as on 31/03/2022. However, despite the instruction of the Chief Secretary to complete the finalisation of accounts up to the financial year 2021-22 within the statutory time limit of September 2022, only five companies submitted the accounts for the year 2021-22 to the CAG for audit, thus representing merely 3.82 *per cent*

of the overall number of working PSUs. Age-wise analysis of the PSUs from which accounts were pending showed that in 126 cases, accounts were pending for the financial year 2021-22. Out of 126 PSUs, there were 23 PSUs whose accounts were pending for more than six years.

## **2.4 CAG's oversight – Audit of accounts and supplementary audit**

### **2.4.1 Financial reporting framework**

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with the National Advisory Committee on Accounting Standards. The Statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

### **2.4.2 Audit of accounts of Government companies by Statutory auditors**

The Statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the Statutory auditors with the overall objective that the Statutory auditors discharge the functions assigned to them properly and effectively. The CAG fulfils its oversight role by exercising the power to:

- issue directions to the Statutory auditors under Section 143 (5) of the Companies Act, 2013 and
- supplement or comment upon the Statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

### **2.4.3 Supplementary audit of accounts of Government companies**

The primary responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is vested with the management of an entity.

The Statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under Section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of the Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The Statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

Out of the 131 working PSUs, 65 PSUs (59 Government companies, five Government Controlled other companies and one Statutory corporation) forwarded 86 audited accounts to Principal Accountants General, Kerala during the period

from October 2021 to September 2022. These included financial statements from the year 2014-15 to 2021-22. Out of the 86 accounts, five accounts were for the year 2021-22 and 30 accounts were for the year 2020-21.

During 2021-22, 350 annual accounts of 126 working PSUs were in arrears. The arrear position of working PSUs in finalisation of their accounts is given in **Table 2.2.** and in *Appendix XII.*

**Table: 2.2: Details showing the arrears in submission of accounts by working PSUs**

Particulars	Number of working PSUs	Number of accounts in arrears
More than 10 years	1	11
7 to 10 years	6	44
4 to 6 years	24	119
1 to 3 years	86	156
First accounts not finalised*	9	20
<b>Total</b>	<b>126</b>	<b>350</b>

\*PSUs which have not submitted even their first year accounts since incorporation.

Similarly, 229 annual accounts in respect of 19 non-working PSUs (defunct or under various stages of liquidation) were in arrears. The age-wise analysis of non-submission of accounts of such PSUs is given in **Table 2.3** and in *Appendix XIII.*

**Table: 2.3: Details showing the arrears in submission of accounts by non -working PSUs**

Particulars	Number of non-working PSUs	Number of accounts in arrears
More than 10 years	10	198
7 to 10 years	2	16
4 to 6 years	3	12
1 to 3 years	2	3
Data not available	2	0
<b>Total</b>	<b>19</b>	<b>229</b>

## 2.5 Result of CAG's oversight role

### 2.5.1 Audit of accounts of Government companies / Government controlled other companies under Section 143 of the Companies Act, 2013

Out of 86 certified accounts<sup>23</sup> of 65 PSUs received during period October 2021 to September 2022, 38 certified accounts of 32 Government companies and one Government controlled other company along with the report of the Statutory auditors were reviewed by CAG by carrying out supplementary audits. The accounts of Kerala Financial Corporation for 2021-22 was also audited separately. Based on such review, significant audit observations, if any, were reported under Section 143 (6) of the Companies Act, 2013 to be placed before the AGM. For the balance 47 certified accounts, CAG conducted review of the financial statements and the Statutory auditors' report before issuing Non-review certificate to these companies.

CAG reviewed 39 accounts of 32 Government companies, one Government controlled other company and one Statutory corporation for the year 2021-22.

The results of the review are detailed below:

#### 2.5.1.1 Revision of Auditors' Report

As a result of supplementary audit of the financial statements conducted by the CAG during 2021-22, the Statutory auditors of five Government companies<sup>24</sup> revised their report before laying the financial statements of these companies in their AGM.

#### 2.5.1.2 Significant comments of the CAG issued as supplement to the Statutory auditors' reports on Government companies /Government controlled other companies/Statutory corporations

Out of 86 accounts received from 65 PSUs, 39 accounts were reviewed. This includes 37 accounts of 32 Government companies, one account of one Government controlled other company and one account of one Statutory corporation. In respect of 38 accounts of Government companies / Government controlled other companies, comment certificates were issued in 11 financial statements of 10 PSUs mentioned in *Appendix XIV*. Separate Audit Report was issued in respect of Kerala Financial Corporation also. Some of the significant comments issued on the financial statements of Government companies /Government controlled other companies are shown below. The financial impact of the comments on profitability was ₹3.70 crore and that on assets/liabilities was ₹26.71 crore as tabulated below:

<sup>23</sup> The accounts of the PSUs were selected for supplementary audit annually, triennially and once in five years based on criteria of paid up capital, capital employed and turnover.

<sup>24</sup> Meat Products of India Limited (2018-19), Kerala State Handicapped Persons' Welfare Corporation Limited (2016-17), Rehabilitation Plantations Limited (2020-21), Kerala State Women's Development Corporation Limited (2018-19 and 2019-20) and Kerala Medical Services Corporation Limited (2015-16).

## Comments on Financial Position

Sl. No.	Name of the Company	Comment
1	Kerala Forest Development Corporation Limited (2019-20)	<p><b>Non-current Liabilities</b>  <b>b. Other long term liabilities (Note 5)</b></p> <p>Balance of Scheme fund (₹0.08 crore) under Other long term liabilities was arrived at after wrongly netting off ₹2.02 crore, being the receivables against the six schemes. This resulted in understatement of non-current liabilities by ₹2.02 crore with corresponding understatement of current assets.</p>
2	Kerala State Industrial Development Corporation Limited (2020-21)	<p><b>Other financial liabilities (Note 14)</b>  <b>Grant received for Vyavasaya Bhadratha ₹22.55 crore</b></p> <p>This represents the amount received from Government of Kerala for supporting the existing loanees to mitigate the Covid-19 impact which the Company wrongly accounted as a grant-in-aid. Since the Government had sanctioned the amount not as a relief to the Company, reckoning the amount as grant was not correct. Instead, the fund received should have been accounted as payable to Government of Kerala till finalisation of terms and conditions.</p> <p>This resulted in overstatement of 'Grant received for Vyavasaya Bhadratha' by ₹22.55 crore with corresponding understatement of amount 'Payable to Government'- under Other Non-financial liabilities (Note 17).</p>
3	Kerala State Maritime Development Corporation Limited (2017-18)	<p><b>Long-term loans and advances (Note 10) ₹4.25 crore</b></p> <p>This includes ₹0.63 crore being Hull &amp; Machinery Insurance and P&amp;I Insurance on TSD Sindhuraj, a vessel leased by Government of India (GoI), shown as recoverable from GoI. As the underlying agreement had expired on 22 May 2012 and GoI had not been reimbursing expenses after 2010-11 the recoverability of ₹0.63 crore is doubtful. Non provision for doubtful recovery has, therefore, resulted in overstatement of non-current assets with corresponding understatement of loss.</p>
4	Traco Cable Company Limited (2020-21)	<p><b>Non-Current Assets</b>  <b>Capital work in progress ₹28.42 crore</b></p> <p>This includes ₹1.52 crore being the interest on Government loan capitalized (Property, Plant and Equipment by ₹1.06 crore and Capital Work in Progress by ₹0.46 crore) during previous years. Government of Kerala waived off the interest and penal interest accrued</p>

Sl. No.	Name of the Company	Comment
		on Government loans up to 31 March 2019 vide order dated 05 February 2021. Accordingly, the Company took credit of the interest and penal interest as miscellaneous Income for the year 2019-20. The interest component capitalised in Property Plant and Equipment (PPE) and Capital Work in Progress (CWIP) as mentioned above, however, remained unadjusted. This has resulted in overstatement of PPE by ₹1.06 crore and CWIP by ₹0.46 crore with a net understatement of negative balance of Reserves and Surplus by ₹1.51 crore.

(Source: Comments of CAG in respect of the respective PSUs)

### Comments on Profitability

Sl. No	Name of the Company	Comment
1	Kerala State Coconut Development Corporation Limited, (KSCDC) (2015-16)	<p><b>Other income-₹ 1.15 crore</b> <b>Lease rent- ₹0.14 crore</b></p> <p>This represents the recognized portion of lease rent on 10.79 acres of land at Thiruvangoor, Kozhikode, leased out to Kerala Feeds Private Limited for a period of 30 years. As per the policy followed by the Company the entire lease rent was initially shown in the Balance Sheet as deferred income and the same was apportioned to the Profit and Loss Account equally over the lease period. The land was, however, resumed (April 2013) by the Revenue Department and leased out (September 2015) to Kerala Feeds Limited and accordingly Kerala Feeds Limited stopped payment of lease rent after 31.03.2015 and also claimed to refund the entire amount remitted to KSCDC. Considering the clear uncertainty in realizing the lease rent, the recognition of lease income for the year 2015-16 was not prudent as per AS9.</p> <p>This has resulted in overstatement of other income and profit for the year by ₹0.14 crore with corresponding understatement of Advance Lease Premium under current liabilities.</p>
2	Kerala State Industrial Development Corporation Limited (2020-21)	<p><b>Revenue from operations - Others (Note 22) ₹3.26 crore</b></p> <p>The above represents the amount withdrawn from Special Reserve and accounted as income during the year to offset the difference between the provision created for bad debts and bad debts written off. As</p>



Sl. No	Name of the Company	Comment
		Special Reserve is created as an appropriation of profit earned as per the provisions of section 36(1) (viii) of Income Tax Act, withdrawal therefrom to offset the difference between provision created <i>vide</i> section 36(1) (vii a) of Income Tax Act and bad debts written off was not correct. This has resulted in overstatement of revenue from operations and profit for the year by ₹3.26 crore.
3	Kerala Forest Development Corporation Limited, (2019-20)	<p><b>Expenses</b>  <b>Plantation, Upkeep, Harvesting (Note 18)</b>  <b>Harvesting &amp; Upkeeping ₹1.08 crore</b></p> <p>The Company had created a Forest Development Reserve by collecting Forest Development Tariff (FDT) to be utilised for research and developmental activities (Note 31). FDT was later renamed (May 2007) as Regeneration Charge and the Company decided to utilise the entire amount already collected as FDT for tree plantation activities including fire protection expenses. The Company has disclosed the policy regarding utilisation of Regeneration Reserve in the Significant accounting policies- Item No.1.G. The Company had followed the same accounting policy during the earlier years 2017-18 and 2018-19 and accordingly, the fire protection expenses were deducted from the regeneration charges accumulated in Capital Reserve. During the current year, the Company charged entire fire protection expenses amounting to ₹0.95 crore in the Statement of Profit &amp; Loss under the head –Harvesting &amp; Upkeeping, though there was a balance of ₹0.30 crore under Regeneration Reserve. This has resulted in overstatement of Loss for the year by ₹0.30 crore with corresponding overstatement of Regeneration Reserve.</p>

(Source: Comments of CAG in respect of the respective PSUs)

#### General Comments

Sl. No	Name of the Company	Comment
1	Kerala State Coconut Development Corporation Limited (2015-16)	The Company received grant of ₹ 0.90 crore during the year against the total grant of ₹1.80 crore sanctioned by the Director of Agriculture vide order dt 28/08/2014 for implementing the scheme 'Neera production under value addition scheme 2014'. Against ₹0.90 crore reckoned as income for the year, the total Neera expenses charged to the Profit and Loss Account for the year was ₹0.31 crore only. As per the accounting policy followed by the

Sl. No	Name of the Company	Comment
		company, grants from Government towards revenue expenditure will be recognised over the period in which the related costs are incurred and are deducted from the related cost. The Company has not maintained separate account of expenses incurred from this grant, in the absence of which the correctness of accounting of grant of ₹0.90 crore as income cannot be ensured by Audit.

(Source: Comments of CAG in respect of the respective PSUs)

### Comments on Cash flow Statement

Sl. No	Name of the Company	Comment
1	Kerala Police Housing and Construction Corporation Limited (2015-16)	<b>Cash flow from Financing activities- (₹3.43 crore)</b> ₹3.43 crore being the provision created for interest expenditure for the period 2015-16 was included in the cash flow statement as 'cash used' under financing activities. Since there was no cash flow from this activity, the same should not have been included in the cash flow statement as required under para 40 of the Accounting Standard-3. This has resulted in overstatement of cash used under financing activities and cash flow from operating activities by ₹3.43 crore
3	KINESCO Power and Utilities Private Limited (2020-21)	<b>Cash and Cash equivalents at the end of the year ₹25.62 crore</b> This is overstated by ₹9.90 crore due to inclusion of fixed deposit amount having lien with the bank for issuing Bank Guarantee and Letter of Credit towards Security Deposit for power purchase.

(Source: Comments of CAG in respect of the respective PSUs)

### Comments on Disclosure

Sl. No	Name of the Company	Comment
1	Kerala State Industrial Development Corporation Limited (2020-21)	Since the Company has not availed the entire sanctioned loan of ₹180 crore sanctioned by HDFC bank and the loan account was closed before finalisation of current year accounts, the unamortized processing fee of ₹0.49 crore should have been disclosed in the notes on accounts as per para 21 of Ind AS 10. This has not been complied with.

Sl. No	Name of the Company	Comment
2	Kerala Financial Corporation (2021-22)	The Corporation has sanctioned and released (31/03/2022) short term loan of ₹500 crore to Kerala State Social Security Pension Limited based on a 'Letter of Comfort' from Government of Kerala. Since the loan was sanctioned without obtaining any financial commitment/guarantee from the Government the fact should have been suitably disclosed for enabling a better understanding of the financial statements.

(Source: Comments of CAG in respect of the respective PSUs)

## 2.6 Non-compliance with provisions of Accounting Standards/ Ind AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Sections 129 (1), 132 and 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The Statutory auditors reported that 40 companies as detailed in *Appendix XV* did not comply with mandatory Accounting Standards/Ind AS.

## 2.7 Management Letters

One of the objectives of financial audit is to establish communication on matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of PSUs were reported as comments by the CAG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial statements or in the reporting process were also communicated to the management of the PSU / administrative department of the Government through a 'Management Letter' for taking corrective action. 'Management Letters' were issued to all PSUs reviewed by CAG during 2021-22, including all 10 PSUs for which comment certificates were issued.

The deficiencies reported through Management Letters generally related to:

- make provision / account for all expenditure that occur between the balance Sheet date and the date of approval of the accounts.
- take necessary steps for increasing the authorised share capital and to allot shares which were pending allotment.
- take necessary action to rectify repeated qualifications/ comments of the Statutory auditors while finalising the next financial statements of the Company.

- frame and include an accounting policy on the recognition of bad and doubtful debts in the financial statements and to review all pending dues of the Company and create adequate provision in next year's financial statements.
- misclassification of bank charges and credit card commission as finance cost.

## 2.8 Oversight role of the CAG with respect to compliance matters

Apart from the oversight role of the CAG with respect to financial audit, the CAG also conducts compliance and performance audits to ensure that economy, efficiency and effectiveness is observed while spending government money. Audit findings with respect to such matters are separately issued in the Performance Audit Reports and Compliance Audit Reports. Instances of such cases are given below:

The significant issues relating to non-compliance with procurement guidelines by PSUs included in Audit Reports 2019-22 are as follows.

Sl. No	Name of the Company	Comment
1	Autokast Limited (Compliance Audit Report 2019-21)	The purchase order issued (March 2011) by Autokast Limited did not contain provision for terminating the contract and completing the works at the risk and cost of the contractor in case of their failure, as required by the Stores Purchase Manual (SPM).
2	Transformers and Electricals Kerala Limited (Compliance Audit Report 2019-21)	Avoidable Loss - Failure of the Company to incorporate the provisions of performance security in the contract as envisaged in Rule 8.17 of SPM and invoke 'risk and cost' clause, as per Rule 10.6 of the SPM against the supplier who did not supply raw material led to avoidable loss of ₹0.65 crore.
3	Kerala State Drugs and Pharmaceuticals Limited (Compliance Audit Report 2019-21)	Undue benefit to contractor - Non-inclusion of appropriate clause in the tender document for regulating the recovery of interest free mobilisation advance as per CVC guidelines and allowance of excess payment of interest free advance resulted in extension of undue benefit of ₹0.33 crore to the contractor
4	Traco Cable Company Limited (Draft Compliance Audit Report 2021-22)	Uneconomic procurement of materials – Loss ₹6.44 crore The directions of SPM to tender all purchases above ₹10 lakh were not followed for the purchases amounting to ₹473.37 crore during the audit period.
5	The Kerala State Cashew Development Corporation Limited (Draft Compliance Audit Report 2021-22)	Extra expenditure - Cancellation of tender in violation to the provisions of the SPM entailed extra expenditure of ₹0.93 crore (Violation of Rules 1.2 and 7.50 of SPM)

## 2.9 Reply of the Government of Kerala

Government of Kerala replied (March 2023) that issues pertaining to non-completion of audited accounts in stipulated time are under consideration of Government and necessary instructions are being given to the institutions concerned to expedite and clear these issues.

## 2.10 Conclusion

This Chapter dealt with the oversight role of CAG with respect to compliance matters of various criteria and preparation and submission of financial statements by Public Sector Undertakings (PSUs). Analysis revealed that a total of five PSUs (including one Statutory corporation) submitted their accounts for the financial year 2021-22 for audit within the stipulated period. This shows that only 3.82 per cent of the accounts were submitted to the CAG for audit.

Sixty PSUs submitted their arrear accounts (2014-15 to 2020-21) for supplementary audit by CAG during October 2021 to September 2022. Age-wise analysis of the PSUs from which accounts were pending showed that in 126 PSUs 350 accounts were pending for the financial year 2021-22. Similarly, 229 annual accounts of 19 non-working PSUs were also in arrears.

## 2.11 Recommendations

1. *For delay in submission of accounts, Government must fix responsibility on the CEOs/CMDs/CFOs concerned and timely submission of accounts as a criterion needs to be fixed for further extension of tenure or for fresh appointment of CEOs in other companies.*
2. *Government should establish a robust monitoring and accountability mechanism to ensure that all PSUs comply with the statutory time limit for finalisation and submission of accounts, thereby promoting transparency and financial discipline within these organizations.*
3. *Government should also contemplate the application of the provision of section 129 (7) of the Companies Act which requires fines and/or imprisonment for non-preparation of accounts timely.*