

CHAPTER-VI

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

6.1. Overview of Government companies and Statutory corporations

6.1.1 Introduction

As on 31 March 2005, there were nine¹ Government companies, one Electricity Regulatory Commission and two Statutory corporations (all working) under the control of the State Government, as against six Government companies and two Statutory corporations (all working) as on 31 March 2004. The accounts of the Government companies (as defined in Section 617 of 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. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 (4) of the Companies Act, 1956. The audit arrangements of the Statutory corporations and the Regulatory Commission are as shown below:

Sl. No.	Name of the Corporations	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1.	Chhattisgarh State Electricity Board (CSEB)	Under Rule 14 of the Electricity Supply (Annual Accounts) Rules, 1985 read with Section 185(2) (d) of the Electricity Act, 2003.	Sole audit by the CAG
2	Chhattisgarh State Warehousing Corporation	Section 31(8) of the State Warehousing Corporation Act, 1962	Audit by Chartered Accountants and supplementary audit by the CAG

¹ Three companies not yet commenced commercial activities.

The State Government had constituted the Chhattisgarh State Electricity Regulatory Commission (CSERC) (October 2001) under the erstwhile Electricity Regulatory Commission Act 1998 and its audit is entrusted to the CAG under section 104 (2) of the Electricity Act 2003.

The details of all Government companies and Statutory corporations are given in **Appendices 6.1, 6.2, and 6.3.**

6.1.2 Working Public Sector Undertakings (PSUs)

Investment in working PSUs

The total investment in eight working PSUs (six Government companies and two Statutory corporations) at the end of March 2004 and 11 working PSUs (nine Government Companies and two Statutory corporations) at the end of March 2005 respectively was as follows:

(Amount: Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans	Total
2003-04	8	73.92	2.00	37.46	113.38
2004-05	11	35.66	3.00	1021.81	1060.46 ²

As on 31 March 2005, the total investment in working Government companies and Statutory corporations comprised 3.64 per cent of equity capital and 96.36 per cent of loans, as compared to 66.96 per cent and 33.04 per cent respectively as on 31 March 2004.

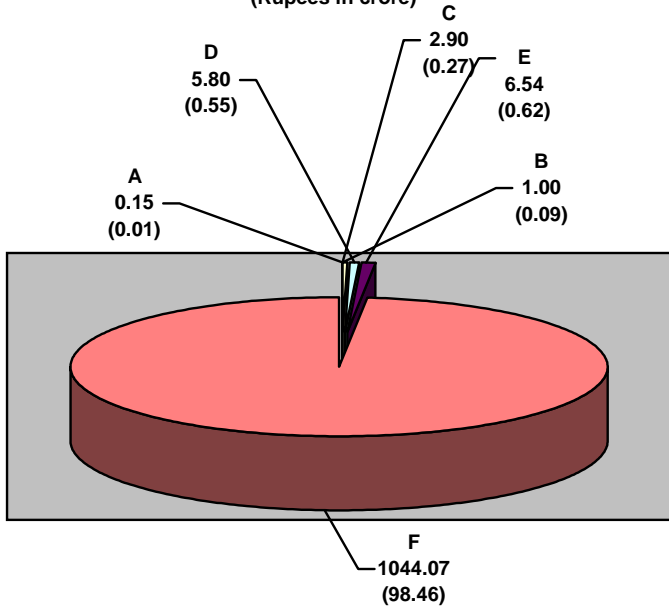
An analysis of investment in PSUs is given in the following paragraphs:

Sector-wise investment in working Government companies and Statutory corporations

The investment (equity and long term loans) in various sectors and percentage thereof at the end of March 2005 and March 2004 are indicated in the following pie charts:

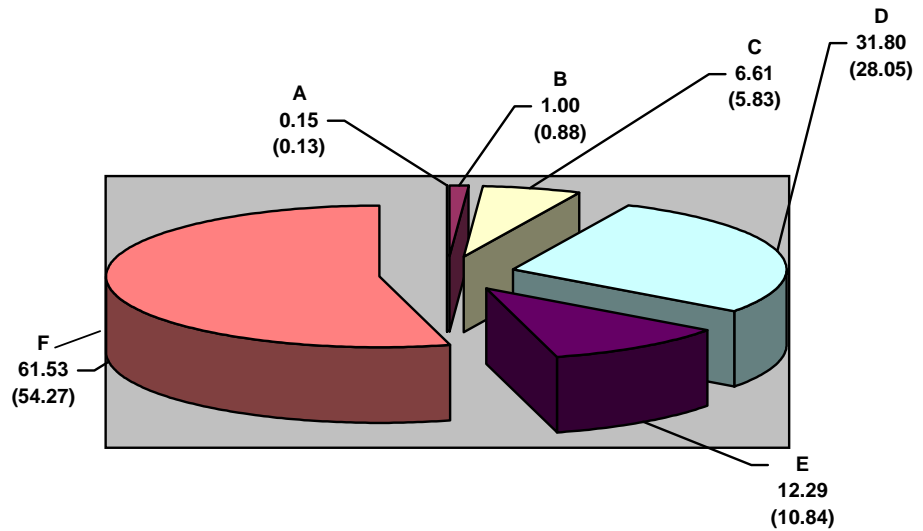
²: State Government's investment in working PSUs was Rs.733.57 crore (others: Rs.326.90 crore). The figure as per Finance accounts is Rs.23.16 crore. The difference is under reconciliation.

Investment as on 31 March 2005
 (Figures within brackets indicate percentage of investment)
 (Rupees in crore)



■ A. INDUSTRIES	■ B. MINING	■ C. PUBLIC DISTRIBUTION
■ D. FINANCE	■ E. FOREST	■ F. ENERGY

Investment as on 31 March 2004
 (Figures within brackets indicate percentage of investment)
 (Rupees in crore)



■ A. INDUSTRIES	■ B. MINING	■ C. PUBLIC DISTRIBUTION
■ D. FINANCE	■ E. FOREST	■ F. ENERGY

6.1.3 Working Government companies

Total investment in the working Government companies at the end of March 2004 and March 2005 respectively was as follows:

(Amount: Rupees in crore)

Year	Number of companies	Investment in working Government companies			
		Equity	Share application money	Loans	Total
2003-04	6	11.39	2.00	33.75	47.14
2004-05	9	11.54	3.00	1.00	15.54

The summarised position of Government investment in these Government companies in the form of equity and loans is detailed in **Appendix 6.1**.

As on 31 March 2005, the total investment in working Government companies comprised 93.50 per cent in equity capital and 6.50 per cent in loans as compared to 28.40 per cent and 71.60 per cent respectively as on 31 March 2004.

6.1.4 Working Statutory corporations

The total investment in two working Statutory corporations at the end of March 2004 and 2005 respectively was as follows:

(Amount: Rupees in crore)

Name of corporation	2003-04 ³		2004-05	
	Capital	Loans	Capital	Loans
Chhattisgarh State Electricity Board	23.12	1020.81	23.12	1020.81
Chhattisgarh State Warehousing Corporation	1.00	3.72	1.00	Nil
Total	24.12	1024.53	24.12	1020.81

As on 31 March 2005, the total investment in working Statutory Corporations comprised 2.31 per cent in equity capital and 97.69 per cent in loans as compared to 2.30 per cent and 97.70 per cent respectively as on 31 March 2004.

The summarised position of investment in working Statutory corporations in the form of equity and loans is detailed in **Appendix 6.1**.

³ As per Ministry of Power, Government of India order dated 4.11.04, the share capital of MPEB as on 14.4.01 for Rs.23115 lakh has been undistributed, which has been provisionally apportioned to CSEB as Rs.2311.50 lakh as its share capital on Asset Ratio.

6.1.5 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of Government companies and Statutory corporations are given in *Appendices 6.1 and 6.3*.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to Government companies and Statutory corporations for the three years up to 2004-05 are given below:

(Amount: Rupees in crore)

	2002-03				2003-04				2004-05			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	--	--	--	--	2	2.45	--	--	1	1.00	--	--
Loans given from budget	1	27.00	--	--	--	--	1	0.85	--	--	1	47.28
Other grants/ subsidy	2	258.19	1	62.87	2	153.66	2	78.11	2	40.84	1	75.46
Total outgo	3⁴	285.19	1⁴	62.87	4⁴	156.11	2⁴	78.96	3	41.84	1⁴	122.74

During the year 2004-05, Government had guaranteed loans aggregating Rs.429.30 crore obtained by one working Statutory corporation. At the end of the year, guarantees aggregating Rs.354.07 crore were outstanding.

6.1.6 Finalisation of accounts by PSUs

The accounts of the Government 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 and 619 of the Companies Act, 1956, read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

As can be seen from *Appendix 6.2*, out of nine Government companies, two Statutory corporations, and one Electricity Regulatory Commission only three Government companies and one Regulatory Commission had finalised their accounts for 2004-05. During the period October 2004 to September 2005, five working Government companies/corporation finalised six accounts for previous years. CSEB had not finalised its accounts since inception.

4 These are the actual number of companies/corporations which have received budgetary support in the form of equity, loans, grants and subsidy from the State Government during the year.

The accounts of all working Government companies and Statutory corporations were in arrears for periods ranging from one to three years as on September 2005 as detailed below:

Sl. No	Number of working companies/ corporations		Period for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial No. of Appendix 6.2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Nil	1	2001-02 to 2004-05	4	Nil	B-1
2.	3	Nil	2002-03 to 2004-05	3	A-3, 4, 6	Nil
3.	1	1	2003-04 to 2004-05	2	A-5	B-3
4.	2	Nil	2004-05	1	A-1, 2	Nil
	6	2		10		

6.1.7 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Appendix 6.2**.

According to the latest finalised accounts three working Government companies had incurred an aggregate loss of Rs.5.51 crore and one Government Company and one Statutory Corporation earned an aggregate profit of Rs.10.64 crore. One Statutory Corporation, however, declared dividend of Rs.10.00 lakh for the previous year in 2004-05.

6.1.8 Response to Inspection Reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. In respect of Inspection Reports issued up to August 2005 pertaining to eight PSUs, 1402 paragraphs in 537 Inspection Reports remained outstanding at the end of August 2005. Of these, 534 Inspection Reports containing 1387 paragraphs had not been replied to for more than one year. Department-wise break-up of Inspection Reports and Audit observations outstanding as on 31 August 2005 is given in **Appendix 6.4**.

Similarly, draft paragraphs on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Out of three draft paragraphs forwarded to the various departments in August 2005 as detailed in **Appendix 6.5**, reply to none of the paragraph(s) has been received (October 2005).

It is recommended that the Government should ensure that: (a) procedure exists for action against officials who fail to send replies to Inspection Reports/draft paragraphs as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayment is taken in a time-bound schedule; and (c) the system of responding to the audit observations is revamped.

6.1.9 Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

The position of discussion of Audit Reports (Commercial) by COPU and paragraphs pending for discussion in the COPU at the end of September 2005 is shown below:

Audit Report for the year	Number of paragraphs featured in the Audit Report	Number of paragraphs pending for discussion
1999-2000	5 ⁵	2
2000-01	7 ⁶	7
2001-02	2	2
2002-03	7	7
2003-04	8	8

6.2 TRANSACTION AUDIT OBSERVATIONS

CHHATTISGARH STATE BEVERAGES CORPORATION LIMITED

6.2.1 Loss due to non-recovery of cost of holograms Rs.1.41 crore

Chhattisgarh State Beverages Corporation Limited, Raipur (Company) is working as the procurement agent of Indian Made Foreign Liquor (IMFL) on behalf of the Government of Chhattisgarh. In order to authenticate the liquor bottles, the company purchased 12.06 crore holograms costing Rs.1.41 crore and issued them to the suppliers of IMFL for sealing the bottles.

As per clause 2.2 (b) of the terms and conditions of Notice Inviting Tenders (NIT) for the year 2003-04, bottles were to be affixed with hologram stickers supplied by the Company. Since there was no clause for recovery, the company could not recover the cost of holograms worth Rs.1.41 crore from the suppliers of IMFL though it was an addition to the cost of material, resulting in undue benefit to that extent to the IMFL suppliers and equivalent loss to the company during the period from 3 January 2002 (date of commencement of purchase of holograms) to 31 March 2004.

5 *Pertain to 2 reviews of Audit Report (Commercial)-Government of Madhya Pradesh*
6 *Pertain to 1 review of Audit Report (Commercial)-Government of Madhya Pradesh*

The Management stated (October 2005) that upto 2003-04 there was no clause for recovery of its cost but from 2004-05, NIT has been amended to include clause 4 (B) which provides for recovery of hologram charges. The reply confirmed that as a result of not incorporating a clause regarding recovery of hologram charges in the terms and conditions of NIT up to the year 2003-04, the company had extended an undue benefit to the IMFL suppliers.

The matter was reported to the Government (September 2005), its reply had not been received so far (November 2005).

6.2.2 Loss due to non-realisation of godown rent Rs.29.40 lakh

Chhattisgarh State Beverages Corporation Limited, Raipur (Company) is the sole procurement agency of Indian Made Foreign Liquor (IMFL) in Chhattisgarh. The terms and conditions of notice inviting offer for registration and supply of IMFL during the period 2001-02 to 2003-04 mentioned in its clause 3.1(D) that "The supplier shall take all necessary steps for liquidating the stocks of IMFL supplied to the corporation. If the stock is not liquidated within 90 days, the supplier shall be liable to pay rupees four per case of the unsold stock per month towards godown rental and hologram charges or have it adjusted against its security deposit. On failure of the liquidation of stock within 180 days by the supplier, the corporation shall auction such stock and take such action as deemed proper".

During the period 2001-02 to 2003-04, the company paid an amount of Rs.51.68 lakh as godown rent to the Warehousing Corporation. During the same period an amount of Rs.22.28 lakh was received on account of amounts paid by the suppliers for retention of stock in godowns beyond 90 days. Thus the company sustained a loss of Rs.29.40 lakh due to omission to realise godown rent which was essential because the company was working as a procurement agent and godowns were hired by it to provide space for storing the materials on behalf of the suppliers. Since the company was not the owner of the stock kept in the godown and was only acting as a custodian of the same and the ownership of the material lying in the godown had never been vested with the company, the entire rent paid by the company on hiring godowns, should have been recovered from suppliers in the best interest of the company instead of recovery at rupees four per case only after 90 days of storage.

The Management stated (October 2005) that the terms and conditions of the Notice Inviting Tender do not provide for recovery of godown rent. The reply is not tenable because by not providing for such recovery in the terms and conditions, the company had extended undue favour to the suppliers.

The matter was reported to the Government (September 2005); its reply had not been received so far (November 2005).

CHHATTISGARH STATE ELECTRICITY BOARD

6.2.3 Loss due to claims becoming time barred

Nikita Castings Ltd, Urla, Raipur a HT consumer had entered into (March 1991) an agreement with the erstwhile Madhya Pradesh State Electricity Board for availing 2200 KVs HT power supply which was later on increased (July 1995) to 4500 KVs. Due to non-payment of energy dues amounting to Rs.1.78 crore the line of the consumer was disconnected (January 1997) permanently. As per the law of limitation in case of consumers whose lines have been disconnected due to non-payment of energy dues, certificate cases are required to be filed promptly to realise the dues. If certificate case is not filed within three years the dues become time barred. In such cases the concerned officer would be liable for disciplinary action, held responsible for dues becoming time barred and the amount of time barred dues could be realised from the erring officer.

Consequent on formation of the State of Chhattisgarh, the assets and liabilities of the MPSEB were transferred to the Chhattisgarh State Electricity Board (Board). Scrutiny of records revealed that CSEB had not taken any action to file certificate cases against the consumers in time and the cases became time barred. Thus due to non-filing of certificate cases within time, the Board suffered a loss of Rs.1.78 crore.

The matter was reported to Government (September 2005); its reply had not been received so far (November 2005).