

Chapter-1

1 Overview of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 2002, there were 26 Government companies (22 working companies and four non-working* companies) and two working Statutory corporations as against the same number of PSUs as on 31 March 2001 under the control of the State Government. In addition, the State had formed Haryana Electricity Regulatory Commission whose audit is also being conducted by Comptroller and Auditor General of India (CAG). The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the CAG as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations/Commission are as shown below:

Sl. No.	Name of the Corporation	Authority for the audit by the CAG	Audit arrangement
1.	Haryana Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and supplementary audit by CAG
2.	Haryana Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG
3.	Haryana Electricity Regulatory Commission	Item II(2) of the Haryana Electricity Reform Act, 1997	Accountant General (Audit) Haryana under the control of CAG

1.2. Working Public Sector Undertakings (PSUs)

1.2.1 Investment in working PSUs

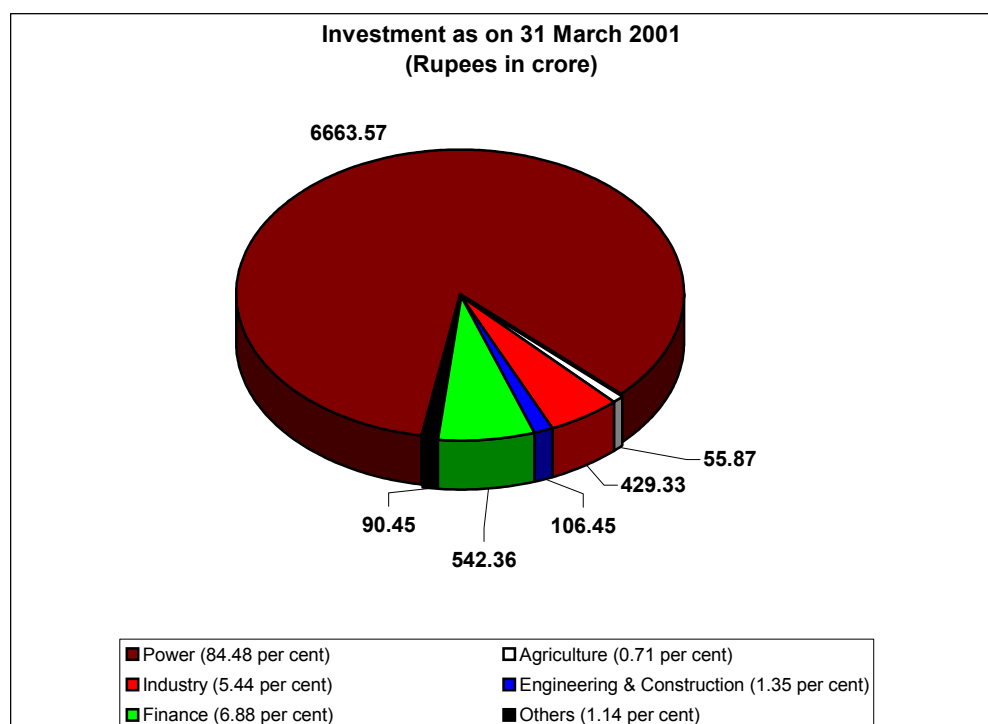
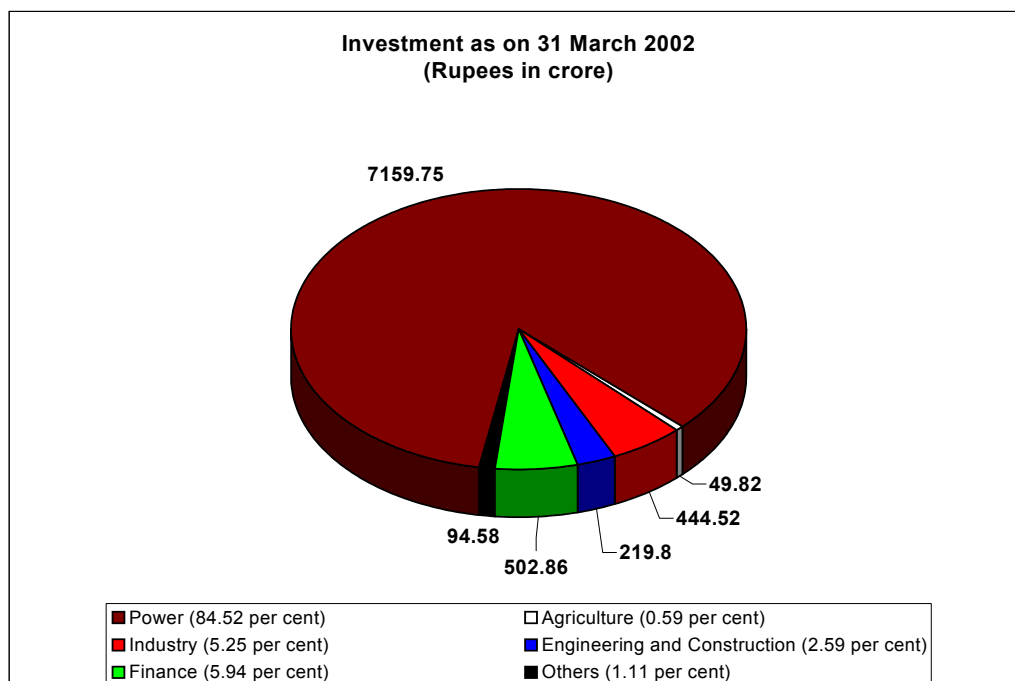
As on 31 March 2002, the total investment in 24 working Public Sector Undertakings (22 Government companies and two Statutory corporations) was Rs 8,471.33 crore (equity: Rs 2,033.45 crore; long-term** loans: Rs 6,256.56 crore and share application money: Rs 181.32 crore) as against 24 working PSUs (22 Government companies and 2 Statutory corporations) with a total investment of Rs 7,888.03 crore (equity: Rs 1,060.06 crore, long-term loans: Rs 5,729.91 crore and share application money: Rs 1,098.06 crore) as on 31 March 2001. The analysis of investment in working PSUs is given in the following paragraphs.

* Non-working companies/corporations are those, which are under process of liquidation/closure/merger etc.

** Long-term loans mentioned in para 1.2.1, 1.2.1.1 and 1.2.1.2 are excluding interest accrued and due on such loans.

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2002 and 31 March 2001 are indicated below in the pie charts:

Sector-wise investment in working Government companies and Statutory corporations



1.2.1.1 Working Government companies

Total investment in 22 working Government companies as on 31 March 2002 was Rs 7,961.96 crore (equity: Rs 1,996.68 crore; long-term loans: Rs 5,783.96 crore, share application money: Rs 181.32 crore) as against total investment of Rs 7,339.00 crore (equity: Rs 1,020.35 crore; long-term loans: Rs 5,220.59 crore, share application money: Rs 1,098.06 crore) as on 31 March 2001 in 22 working Government companies. The increase in total investment was mainly due to investment in the power sector companies. The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in Annexure-1.

As on 31 March 2002, the total investment of working Government companies comprised of 27.36 *per cent* equity capital and 72.64 *per cent* as loans compared to 28.87 and 71.13 *per cent* respectively as on 31 March 2001.

Due to significant increase in long-term loans of engineering and power sector, the debt equity ratio of working Government companies as a whole increased from 2.46:1 in 2000-01 to 2.66:1 in 2001-02.

1.2.1.2 Working Statutory corporations

The total investment in two working Statutory corporations at the end of March 2001 and March 2002 was as follows:

Name of corporation	(Rupees in crore)			
	2000-01		2001-02	
	Capital	Loans	Capital	Loans
Haryana Financial Corporation	34.06	508.49	30.92	471.94
Haryana Warehousing Corporation	5.84	0.83	5.84	0.66
Total	39.90	509.32	36.76	472.60

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in Annexure-1.

1.2.2 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 State Government to working Government companies and working Statutory corporations are given in Annexures-1 and 3.

The budgetary outgo in the form of equity capital, loans and grants/subsidies from the State Government to working Government companies during

1999-2002 are given below:

(Amount: Rupees in crore)												
Particulars	1999-2000				2000-01				2001-02			
	Companies		Corporations#		Companies		Corporations#		Companies		Corporations#	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital	6	351.28	-	-	9	273.49	-	-	10	58.55	-	-
Loans	2	27.55	-	-	2	90.26	-	-	4	72.04	-	-
Grants/Subsidy towards												
i) Projects/ Programmes/ Schemes	7	57.16	-	-	9	73.18	-	-	5	95.65	-	-
ii) Others	4	412.32	-	-	3	769.62	-	-	5	852.58	-	-
Total (i+ii)		469.48	-	-		842.80	-	-		948.23	-	-
Total outgo		848.31	--	--		1206.55	-	-		1078.82	-	-

The State Government did not provide financial support in the form of equity capital, loans and grants/subsidies to Statutory corporations during 1999-2002.

During the year 2001-02, the Government had guaranteed loans aggregating Rs 3,982.88 crore obtained by nine working Government companies (Rs 3,351.03 crore) and two working Statutory corporations (Rs 631.85 crore). At the end of the year, guarantees amounting to Rs 6,938.94 crore against 13 working Government companies (Rs 6,192.59 crore) and two working Statutory corporations (Rs 746.35 crore) were outstanding. One[@] Company defaulted repayment of guaranteed loans during the year. The Government allowed moratorium on loan repayment of Rs 14.91 crore to one^{*} Company during the year. The guarantee commission paid/payable to Government by one Government company and one Statutory corporation during the year was Rs 0.83 crore and Rs 0.77 crore respectively.

1.2.3 Finalisation of accounts by working PSUs

The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of 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 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.

[@] Sl. No. 10 of Annexure 3.

^{*} Sl. No. 14 of Annexure 3.

However, as could be noticed from Annexure-2, out of 22 Working Government companies, and two Statutory corporations, 3 working companies and one working corporation, respectively had finalised their accounts for the year 2001-02, within the stipulated period. During the period from October 2001 to September 2002, 11 working Government companies finalised 13 accounts for previous years. Similarly, during this period, one Statutory corporation finalised one account for previous year. The accounts of 19 working Government companies and one Statutory corporation were in arrears for period ranging from one to six years as on 30 September 2002 as detailed below:

Sl. No.	Year from which accounts were in arrears	Number of years for which accounts were in arrears	No. of working companies/ corporations		Reference to serial no. of Annexure-2	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1.	2001-02	1	10	1	A2,4,5,6,7,8,14,20,21,22	B1
2.	2000-01	2	3	-	10,12,19	
3.	1999-2000	3	1	-	17	
4.	1998-99	4	3	-	15,16,18	
5.	1997-98	5	1	-	1	
6.	1996-97	6	1	-	11	

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by Audit regarding arrears in finalisation of accounts, no effective measures had been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

1.2.4 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Working Government companies and working Statutory corporations) as per their latest finalised accounts are given in Annexure-2. Financial position, working results and operational performance of power sector companies are also given separately in Annexure-4. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in Annexure 5 and 6.

According to the latest finalised accounts of 22 working Government companies and two working Statutory corporations, 10 companies had incurred loss during the respective year aggregating Rs 237.78 crore and 10 companies and two corporations earned profit during the respective year aggregating Rs 4.45 crore and Rs 22.09 crore respectively. One Company did not prepare profit and loss account as it capitalised excess of expenditure over income and another Company neither showed profit nor loss as its total income was equal to expenditure.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working Government companies and dividend

Ten profit earning working Government companies, which finalised their accounts by September 2002, earned profit aggregating Rs 4.45 crore. Of ten companies, eight companies were earning profit for two or more successive years. These companies did not declare dividend. The State Government had not formulated any dividend policy for payment of minimum dividend.

1.2.4.1.2 Loss incurring working Government companies

Of the 10 loss incurring working Government companies, four[#] companies had accumulated losses aggregating Rs 93.84 crore which exceeded their aggregate paid-up capital of Rs 16 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity and subsidy, etc. According to available information, the total financial support so provided by the State Government by way of equity/subsidy during 2001-02 to two[@] out of these four companies amounted to Rs 82.34 crore.

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Profit earning Statutory corporations and dividend

Haryana Financial Corporation finalised its accounts for 2000-01 and Haryana Warehousing Corporation had finalised its accounts for 2001-02. Both the Corporations earned profit of Rs 22.09 crore and declared dividend of Rs 2.01 crore. The dividend as percentage of total share capital in the above profit earning corporations worked out to 5.04 *per cent*.

1.2.4.2.2 Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations is given in Annexure-7. In Haryana Financial Corporation, the overdue amount of loans increased from Rs 573.73 crore in 1999-2000 to Rs 890.39 crore in 2001-02. The percentage of overdue loans to total outstanding loans also increased from 29.84 to 42.83 during the same period.

[#] Sl. No. A1, 6, 10 and 12 of Annexure-2.

[@] Sl. No. A1, 6 of Annexure 2.

1.2.5 Return on capital employed

As per latest finalised accounts (up to September 2002), the capital employed* worked out to Rs 5,131.87 crore in 22 working companies and total return** thereon amounted to Rs 236.53 crore (4.61 per cent) as compared to total return of (-) Rs 169.95 crore on capital employed of Rs 4,461.87 crore in previous year (accounts finalised up to September 2001). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per latest finalised accounts (up to September 2002) worked out to Rs 1,257.27 crore and Rs 89.59 crore (7.13 per cent) respectively as against capital employed of Rs 1,053.75 crore and the total return of Rs 89.96 crore (8.54 per cent) thereon for previous year (accounts finalised up to September 2001). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in Annexure-2.

1.2.6 Haryana Electricity Regulatory Commission

Haryana Electricity Regulatory Commission (Commission) was formed on 17 August 1998 under the Haryana Electricity Reforms Act, 1997 with the object of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. As per Section 8(3) of the Act, all expenditure of the Commission are to be charged to the Consolidated Fund of the State. The audit of accounts of the Commission had been entrusted to CAG under Section 19(3) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 for the period 1998-2003. The Commission had finalised its accounts up to 2000-01.

1.3 Non-working PSUs

1.3.1 Investment in non-working PSUs

As on 31 March 2002, the total investment in four non-working PSUs (all Government companies) was Rs 15.54 crore (equity: Rs 8.21 crore; long-term loans: Rs 7.26 crore and share application money: Rs 0.07 crore) as against total investment of Rs 21.11 crore (equity: Rs 13.79 crore; long-term loans: Rs 7.25 crore and share application money: Rs 0.07 crore) as on 31 March 2001 in four non-working Government companies. The decrease in investment was due to write off/repayment of equity capital by one Company[@] on its liquidation. The summarised statement of Government investment in

* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

** For calculating total return on capital employed, interest on borrowed funds is added to net profit/ subtracted from the loss as disclosed in the profit and loss account.

@ Haryana Dairy Development Corporation Limited.

non-working Government companies in the form of equity and loans is detailed in Annexure-I. The classification of the non-working PSUs was as under:

Sl.No.	Status of non-working PSUs	Number of companies	Number of corporations	Investment in companies	
				Equity	Long term loans
				(Rupees in crore)	
(i)	Under liquidation	2	-	6.85	3.69
(ii)	Others*	2	-	1.43	3.57
	Total	4	-	8.28	7.26

1.3.2 Budgetary outgo

The State Government did not extend any budgetary support to the non-working Government companies during the year 2001-02. At the end of the year, guarantees amounting to Rs 31.84 crore against two non-working Government companies were outstanding as against the same amount as on 31 March 2001.

1.3.3 Total establishment expenditure of non-working PSUs

The year-wise details of total expenditure of non-working PSUs and the sources of financing them during 1999-2002 are given below:

(Amount: Rupees in lakh)

Year	Number of PSUs	Total establishment expenditure	Financed by				
			Disposal of investment/ assets	Loans from private parties	Government by way of		Others
					Loans	Grants	
Government companies							
1999-2000	3	0.96	131.94	-	-	-	12.53
2000-01	2	0.21	-	-	-	-	0.21
2001-02	1 ^x	0.39	-	-	-	-	0.48

Note: There is no non-working Statutory Corporation.

Expeditious action is necessary to wind up these companies and avoid further non-productive expenditure.

1.3.4 Finalisation of accounts by non-working PSUs

Out of four non-working Government companies, one Company^x finalised its accounts for 2001-02 within the stipulated period. The accounts of other three non-working companies were in arrears for period ranging from one to four years as on 30 September 2002 as could be noticed from Annexure-2.

* Two companies viz. Haryana Tanneries Limited and Punjab State Iron Limited are non-functional.

^x Haryana Tanneries Limited.

1.3.5 Financial position and working results of non-working PSUs

The summarised financial results of non-working Government companies as per latest finalised accounts are given in Annexure-2. The year wise details of paid-up capital, net worth, cash loss/cash profit and accumulated loss of non-working companies as per their latest finalised accounts are given below:

Sl. No.	Name of PSUs	Year	Paid-up capital	Net worth	Cash loss (-)/cash profit (+)	Accumulated loss (-)
Non working companies						
1	Punjab State Irons Limited	2000-01	7.45	(+)5.47	(-) 0.31	(-)1.87
2	Haryana Tanneries Limited	2001-02	135.15	(-)906.71	(-) 0.39	(-)1055.29
3	Haryana Concast Limited	1997-98	685.50	(-)230.20	(-) 797.09	(-) 2718.04
4	Haryana Dairy Development Corporation Limited	2000-2001 (upto 28 February * 2001)	557.48	(-)116.00	(-) 0.43	(-) 673.74

1.4 Status of placement of Separate Audit Reports of Statutory corporations/Commission in Legislature

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG in the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Haryana Financial Corporation	1999-2000	2000-01	Accounts under audit	--
2	Haryana Warehousing Corporation	1999-2000	2000-01	13 February 2002	Annual report is under printing
3.	Haryana Electricity Regulatory Commission	-	1998-99 1999-2000 2000-2001	28 March 2002 -do- 26 April 2002	Hindi version of Audit Report and replies of the Commission thereto was sent to the State Government by the Commission on 6 September 2002.

1.5 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

The State Government did not undertake the exercise of dis-investment, privatisation and restructuring of any of its PSUs during 2001-02.

* The Company has gone into liquidation on 28 February 2001.

1.6 Results of Audit by Comptroller and Auditor General of India

During the period from October 2001 to September 2002, the accounts of 16 Government companies (13 working and three non-working) and two Statutory corporations were selected for review. The net impact of important audit observations as a result of review of the PSUs was as follows:

Sl No.	Details	No. of Accounts		(Rupees in crore)	
		Government companies	Statutory corporations	Government companies	Statutory corporations
(i)	Decrease in profit	5	1	7.42	4.54
(ii)	Increase in profit	-	-	-	-
(iii)	Increase in loss	7	1	115.42	9.22
(iv)	Decrease in loss	2	-	4.42	-
(v)	Non disclosure of material facts	9	1	554.97	2.29
(vi)	Errors of classification	8	1	146.65	1.33

Some of the major errors and omissions noticed in the course of review of annual accounts of these PSUs are mentioned below:

1.6.1 Errors and omissions in case of Government companies

(a) Haryana Roadways Engineering Corporation Limited (2000-01)

Non-provision of gratuity and leave encashment on accrual basis had resulted in understatement of provisions and overstatement of profit by Rs 54.82 lakh.

(b) Haryana Police Housing Corporation Limited (2000-01)

Non-inclusion of loan received from HUDCO during March 2001 had resulted in understatement of secured loans and bank receipt by Rs 43.95 lakh.

(c) Haryana Land Reclamation and Development Corporation Limited (2000-01)

Non-provision of leave encashment, leave salary and pension contribution on accrual basis had resulted in overstatement of current year's profit as well as reserves and surplus by Rs 20 lakh and Rs 1.37 crore respectively.

(d) Haryana Agro Industries Corporation Limited (2000-01)

As per the accounting policy of the Company, enhanced incidental and storage charges and interest received from Food Corporation of India on account of wheat/paddy sold to them were to be accounted for on actual receipt basis. However, sale for the year included enhanced incidental and storage charges of Rs 4.65 crore for 1998-99, which were actually received during April to June 2001 and interest of Rs 0.90 crore, which was not received till finalisation of the accounts. This had resulted in overstatement of both profit and current assets by Rs 5.55 crore.

(e) Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited (1997-98)

Non-provision of doubtful recovery of loan and non-accounting of loan written off during the year had resulted in overstatement of loans and advances and understatement of accumulated loss by Rs 2.06 crore.

(f) Haryana State Minor Irrigation and Tubewells Corporation Limited (1995-96, 1996-97)

Accounts for 1995-96, 1996-97

Fixed assets and current liabilities had been understated by Rs 48.89 lakh due to non-provision of enhanced cost of land.

Current assets included Rs 178.73 lakh recoverable from Govt. (Rs 60.73 lakh), HSEB (Rs 38.64 lakh) Suppliers (Rs 12.18 lakh) and UNDP (Rs 67.18 lakh) which had become irrecoverable for various reasons. It has resulted in overstatement of current assets and understatement of loss by Rs 178.73 lakh.

Accounts for 1996-97

The amount recoverable from cultivators is Rs 280.87 lakh against Rs 51.13 lakh shown in the accounts. It has resulted in understatement of sundry debtors and overstatement of loss by Rs 229.74 lakh.

(g) Haryana Vidyut Prasaran Nigam Limited (1998-99, 1999-2000 and 2000-01)

Accounts for 1998-99

Non-provision of liabilities towards wheeling charges (Rs 44.90 lakh), income tax (Rs 2.21 crore), interest on bonds (Rs 3.81 crore), service charges and brokerage fee (Rs 24.42 lakh) had resulted in understatement of loss as well as current liabilities by Rs. 6.71 crore.

Accounts for 1999-2000

Non-provision of interest on loans had resulted in understatement of loss as well as current liabilities by Rs 0.72 crore.

Accounts for 2000-01

Short provision of interest on loans had resulted in overstatement of profit by Rs 0.88 crore.

(h) Uttar Haryana Bijli Vitran Nigam Limited (2000-01)

Non-provision of liabilities towards refunds on account of reduction in the minimum monthly charges (Rs 3.32 crore) and excess inclusion of subsidy (Rs 50.40 crore) had resulted in understatement of loss by Rs 53.72 crore.

(i) Dakshin Haryana Bijli Vitran Nigam Limited (1999-2000 and 2000-01)

Accounts for 1999-2000

Non-adjustment of surcharge waived of (Rs 30.51 crore), claim on furnace charges (Rs 2.37 crore) and non-provision of interest on loans (Rs 0.64 crore) had resulted in understatement of loss to the extent of Rs 33.52 crore. Consequently, current assets were overstated by Rs 32.88 crore and current liabilities were understated by Rs 0.64 crore.

Accounts for 2000-01

Loss was understated by Rs 16.81 crore due to overstatement of income from interest on deferred subsidy (Rs 3.10 crore), non-accounting of surcharge due from customers but waived of by the Company (Rs 12.21 crore) and non-provision of interest on IBRD loan (Rs 1.50 crore). Resultantly, receivables from the State Government and Sundry Debtors were overstated by Rs 3.10 crore and Rs 12.21 crore, respectively and current liabilities and provisions understated by Rs 1.50 crore.

1.6.2 Errors and omissions in case of Statutory corporations

(a) Haryana Warehousing Corporation (2000-01)

(i) Non-provision of storage losses deducted by the FCI from the storage bills had resulted in overstatement of recoverable from parties and profit to the extent of Rs 0.54 crore.

(ii) Recoverable from various parties included storage charges of Rs 1.79 crore on the revised rates recoverable from CONFED w.e.f. April 1995 for which rates were not approved by the State Government till finalisation of accounts. This had resulted in overstatement of recoverable from various parties and profit by Rs 1.79 crore.

(iii) Inclusion of incidentals recoverable from FCI as per provisional rate (Rs 103.35 per quintal) on stock of 19.12 lakh quintals against the actual expenditure (Rs 92.51 per quintal) had resulted in overstatement of income and profit by Rs 2.07 crore.

(b) Haryana Financial Corporation (1999-2000)

(i) Non-provision for diminution in value of investments had resulted in overstatement of investments and understatement of accumulated loss by Rs 8.14 crore.

(ii) Non-provision of depreciation on additional cost of flats during 1995-99 had resulted in understatement of accumulated loss and overstatement of land and building by Rs 41.89 lakh.

1.6.3 Persistent irregularities and system deficiencies in financial matters of PSUs

The following persistent irregularities and system deficiencies in financial matters of PSUs had been repeatedly pointed out during the course of audit of their accounts but no corrective action had been taken by these PSUs so far.

1.6.3.1 Government companies

Haryana State Minor Irrigation and Tubewells Corporation Limited (1995-96 and 1996-97)

Despite being pointed out in the comments on the accounts of the Company for the years ended March 1983 to March 1997, adjustments have not been made in the accounts in respect of following:

- (a) Provision of energy charges (Rs 6.88 lakh).
- (b) Tubewells written off during previous years (Rs 12.35 lakh).
- (c) Non-provision of capital loss (Rs 18.13 lakh) on abandonment of tubewells.

1.7 Recommendations for closure of PSUs

Even after completion of seven to 37 years of their existence, the turnover of seven Government companies (four* working and three** non-working) had been less than Rs 5 crore in each of the preceding five years of latest finalised accounts. Similarly, two*** Government companies (both working) had been incurring losses for five consecutive years (as per their latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve the performance of the above nine Government companies or consider their closure.

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 State Government through Inspection Reports. The heads of PSUs are required to

* Sl. No. A-9, 15, 16 and 17 of Annexure - 2.

** Sl. No. C-1, 2 and 3 of Annexure - 2.

*** Sl. No. A-1 and 10 of Annexure - 2.

furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2002 pertaining to 26 PSUs disclosed that 1,105 paragraphs relating to 533 Inspection Reports remained outstanding at the end of September 2002. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2002 is given in Annexure-8.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 14 draft paragraphs and two draft reviews forwarded to the various departments during January to May 2002 as detailed in Annexure-9 had not been replied to so far (September 2002).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews 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.

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

Details of reviews and paragraphs relating to Audit Reports (Commercial) that were yet to be discussed by the COPU as on 30 September 2002 were as under:

Period of Audit Report	Number of reviews/paragraphs appeared in Audit Report		Number of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1998-99	6	18	6	7
1999-2000	3	18	3	18
2000-01	4	16	4	16

During the year 2001-02, the COPU completed discussion of one review and seven paras in respect of Audit Reports of the year 1996-97 and 1997-98. The COPU also discussed 11 paragraphs of Audit Report for the year 1998-99. Audit Report (Commercial) for the year 2000-01 was placed before the State Legislature on 15 March 2002.

1.10 619-B companies

There was no Company under Section 619-B of the Companies Act, 1956.