

## OVERVIEW

### 1. Overview of Government companies and Statutory corporations

The total investment in working PSUs decreased from Rs.14,064.83 crore as on 31 March 2004 to Rs.13,805.85 crore as on 31 March 2005. The total investment in non-working PSUs decreased from Rs.12.32 crore to Rs.12.10 crore during the same period.

The budgetary support in the form of capital, loans and grants/subsidy disbursed to working PSUs decreased from Rs.2,129.23 crore in 2003-04 to Rs.1,545.02 crore in 2004-05. The State Government guaranteed loans aggregating Rs.2,711.14 crore in respect of six working Government companies during 2004-05. The total amount of outstanding loans guaranteed by the State Government to working PSUs increased from Rs.10,584.48 crore as on 31 March 2004 to Rs.11,152.15 crore as on 31 March 2005.

Twelve working Government companies and two Statutory corporations finalised their accounts for the year 2004-05. The accounts of remaining four working companies and one corporation were in arrears for one year.

According to the latest finalised accounts, 10 working PSUs (eight Government companies and two Statutory corporations) earned aggregate profit of Rs.189.50 crore. Four working Government companies and one Statutory corporation declared dividend of Rs.21.34 crore and Rs.78.53 lakh respectively. Against this, four PSUs (three Government companies and one Statutory corporation) incurred an aggregate loss of Rs.41.49 crore as per their latest finalised accounts. Of these loss incurring working Government companies, two companies had accumulated loss of Rs.40.59 crore which exceeded their paid up capital of Rs.7.22 crore.

One corporation, which earned profit during 2004-05, had accumulated loss of Rs.68.83 crore against its paid up capital of Rs.81.52 crore.

Even after existence for 21 and 40 years respectively, the turnover of two working Government companies had been less than Rupees five crore in each of the preceding five years as per their latest finalised accounts. Three Government companies (one working and two non-working) had been incurring losses during the last five consecutive years as per their latest finalised accounts, leading to negative net worth. The Government should either improve their performance or consider their closure.

*(Paragraphs 1.2 to 1.16 and 1.29)*

## **2.1 Rajasthan State Road Development and Construction Corporation Limited**

### ***Review on Construction Activity***

Performance of the Company with regard to procurement of works for execution through competitive bidding, timely and cost bound completion of works and efficient work execution /contract management was poor.

The Company secured less than 24 *per cent* works for which it tendered during 2002-03. This rate further declined to about 20 *per cent* during 2003-04. Despite being pointed out by Audit earlier, the Company did not evolve any system to analyse the reasons for the poor success rate in tendered works.

Out of 196 tendered works worth Rs.150.77 crore started during 1999-2004 the Company could complete only 46 works at a cost of Rs.107.50 crore.

Against a targeted profit of 5 to 10 *per cent*, the Company could earn only 0.84 *per cent* during 1999-2004.

Forty-five works executed by the Company suffered time overrun ranging between one and 39 months. The Company had to pay penalty amounting to more than Rs.80 lakh for delay attributed to the Company due to deficient planning and contract management.

Total contribution of the Company as a percentage of total PWD works declined from 14.96 *per cent* in 1999-2000 to 12.92 *per cent* in 2003-04. The State Government assigned only 1.56 *per cent* works to the Company without inviting tenders during year 2001-02 to 2003-04. Though the percentage of contribution in respect of 'Tender Works' increased from 1.11 *per cent* in 2000-01 to 11.70 *per cent* in 2003-04, this quantum jump did not translate into higher returns as the tenders were based on unrealistic estimates.

Inadequate planning and ineffective Contract Management by the Company in execution of RJ-13-01 and RJ-13-02 road projects at Dholpur district resulted in extraordinary delay of 12 and 19 months respectively.

Un-authorized dilution of the specifications resulted in early failure of the bituminous work, which was rectified at a cost of Rs.3.97 crore without sanction of the Government.

*(Paragraphs 2.1.6 to 2.1.10)*

**2.2 Rajasthan Rajya Vidyut Utpadan Nigam Limited,  
Rajasthan Rajya Vidyut Prasaran Nigam Limited,  
Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran  
Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited**

***Evaluation of Internal Control and Internal Audit System in Material Management of Power Sector Companies***

The companies failed to ensure compliance of the Internal Controls prescribed by way of purchase and stores manuals. Top management of these companies did not review and strengthen their internal controls resulting in frequent violations of the control procedures.

The companies failed to utilise budgets as an effective internal control. Budget estimates were prepared violating guidelines and there were large variations between budgeted and actual expenditure. The companies did not analyse these variations to be able to take corrective action. None of these companies prepared separate material budgets.

The companies failed to have effective control over material management to prevent excessive purchases or stock-outs. Stores were purchased much in advance of requirements resulting in blockage of funds (Rs.91.37 lakh) and lapse of guarantee period before installation. Similarly, procurement of store materials was delayed resulting in delay in completion of projects and loss of savings of Rs.3.35 crore from reduced energy losses.

The companies did not ensure documentation of transactions and maintenance of important records weakening the managements' control over the operations of these companies.

Physical verification of stores was either not conducted at all or not conducted as per the prescribed periodicity. The companies failed to take remedial action in respect of the shortages/excesses noticed during physical verification.

The companies failed to put in place some critical controls with regards to the time frame for sending transformers for repair, time for repairs and controls to monitor issuance, consumption, return of materials to the contractors and settlement of advances given to contractors and remedies in case of failure. Absence of these control procedures led to delays in sending transformers for repair, repairs by vendors, settlement of advances/issuance of materials to the contractors.

Internal Audit in these companies was found to be inadequate compared to the size and nature of activities of these companies as also pointed out by the Statutory Auditors. As a result internal audit coverage was inadequate, issuance of Inspection Reports was delayed and follow-up was slack.

*(Paragraphs 2.2.6 to 2.2.29)*

### **3.1 Rajasthan Financial Corporation**

#### ***Review on Recovery performance***

Overall performance of recovery by the Corporation was abysmally low. Only 5.60 *per cent* to 7.63 *per cent* of old dues and 33.92 to 58.35 *per cent* of current dues could be recovered during the five years upto 2004-05.

Out of the loans of Rs.2,399.47 crore disbursed upto 2004-05 Rs.1,457.08 crore were outstanding as at the end of March 2005. More than 72 *per cent* of overdues were more than two years old displaying poor recovery efforts.

Targets for recovery were progressively reduced from 25.61 *per cent* of total overdues in 2000-01 to 19.38 in 2004-05. The Corporation failed to achieve these modest targets and recovery remained between 67.68 to 92.22 *per cent* of the targets.

The percentage of non performing assets ranged between 40.33 and 50.95 during 2000-05 indicating an alarming position. Doubtful and loss assets as a percentage of NPA increased from 76.51 to 87.38 during the five years under review.

Out of 611 loans (Rs.62.70 crore) sanctioned during 2001-02, 71 loan accounts (Rs.6.13 crore) became NPA within a short span of two years and out of 628 loans (Rs.84.33 crore) sanctioned during 2002-03, 37 loan accounts (Rs.4.34 crore) became NPA within one year.

The achievement against the target of reduction of NPA to less than 10 *per cent* was only 40.33 *per cent* at the end of March 2005.

Lack of internal control over project appraisals and non-adherence to the policy resulted in the Corporations' failure to recover Rs.11.95 crore sanctioned to unviable units/insufficient securities/doubtful credit worthiness. Risk management by the Corporation was deficient.

The Corporation suffered losses amounting to Rs.97.03 crore due to delayed action, non-identification of properties of promoters/guarantors and imprudent settlement of dues.

*(Paragraphs 3.1.8 to 3.1.22)*

#### **4. Transaction Audit observations relating to Government companies and Statutory corporations**

Transaction audit observations included in the Report highlight deficiencies in the management of PSUs, which had serious financial implications. The irregularities pointed out are broadly of the following nature:

Extra avoidable expenditure of Rs.2.74 crore in six cases.

(Paragraphs 4.3, 4.4, 4.7 4.8, 4.11 and 4.13)

Loss of revenue of Rs.114.59 crore in four cases.

(Paragraphs 4.1, 4.6, 4.9 and 4.12)

Short recovery of Rs.47.16 lakh in one case.

(Paragraph 4.2)

Violation of contractual obligations and undue favour to contractors resulting in loss of Rs.36.19 lakh in one case.

(Paragraph 4.5)

Gist of some of the important audit observations is given below:

***Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited***

Grant of relief to agricultural consumers without firm commitment from the Government for reimbursement resulted in loss of revenue of Rs.110.38 crore.

(Paragraph 4.1)

***Rajasthan State Mines & Minerals Limited***

Non-revision of rates of royalty as per revised IBM formula resulted in loss of Rs.3.93 crore.

(Paragraph 4.6)

The company agreed to pay additional compensation without keeping in mind the legal provisions of section 18 of the Land Acquisition Act, 1894 resulting in extra payment of Rs.1.14 crore on land acquisition.

(Paragraph 4.7)