

Chapter I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2006, there were 23 Government companies (18^{\$} working companies and five non-working companies^{*}) and three working Statutory corporations as against 21 Government companies (16 working companies and five non-working companies) and three Statutory corporations as on 31 March 2005 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of the 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 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the Corporation	Authority for audit by the CAG	Audit arrangement
1.	Rajasthan State Road Transport Corporation (RSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by the CAG
2.	Rajasthan Financial Corporation (RFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by the CAG
3.	Rajasthan State Warehousing Corporation (RSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by the CAG

The State Government formed the Rajasthan Electricity Regulatory Commission (RERC) in January 2000 and its audit is entrusted to the CAG, under Section 104(2) of the Electricity Act, 2003[#].

^{\$} Two working companies were incorporated in 2004-05. Rajasthan Urban Infrastructure Finance and Development Corporation Limited on 1 December 2004 and Rajasthan State Beverages Corporation Limited on 24 February 2005.

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

[#] Erstwhile Electricity Regulatory Commissions Act, 1998 replaced by the Electricity Act, 2003.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2006, the total investment[#] in 21 working PSUs (18 Government companies and three Statutory corporations) was Rs.16,108.92 crore^{*} (equity: Rs.4,257.07 crore; long-term loans^{**}:Rs.11,715.47 crore and share application money: Rs.136.38 crore) as against total investment of Rs.13,805.85 crore (equity: Rs.3,714.86 crore; long-term loans: Rs.10,053.29 crore and share application money: Rs.37.70 crore) as on 31 March 2005 in 19 working PSUs (16 Government companies and three Statutory corporations). The particulars of investments in the working PSUs have been given in **Annexure-1**. An analysis of the investment in PSUs is given in the following paragraphs.

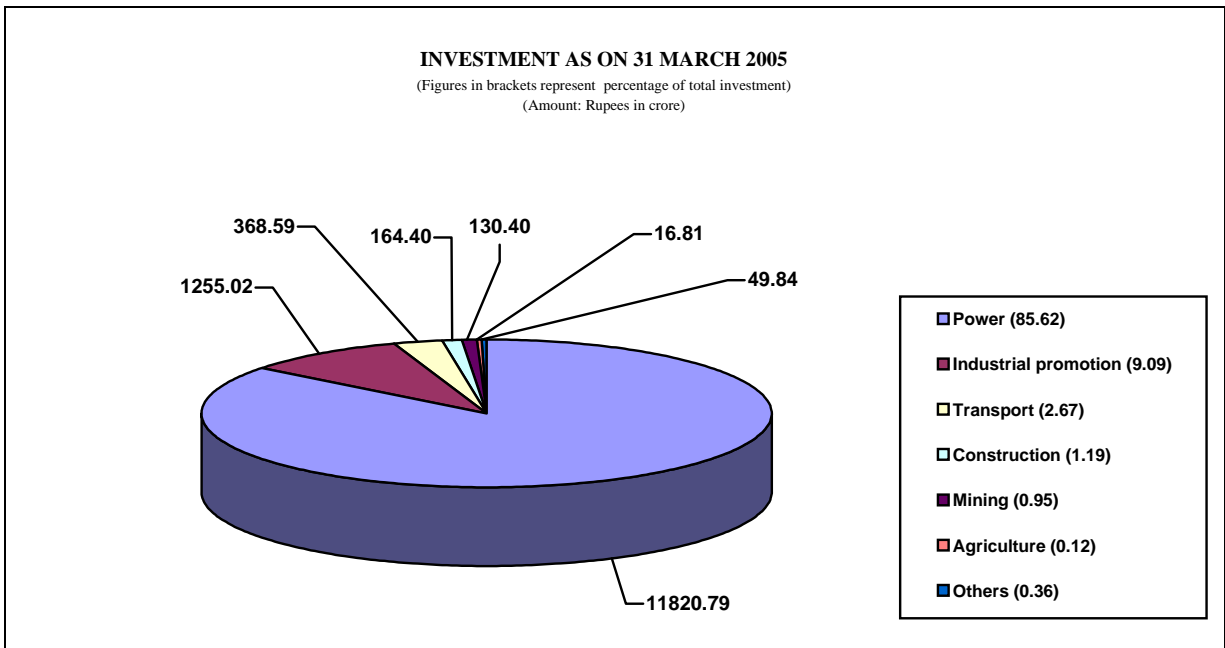
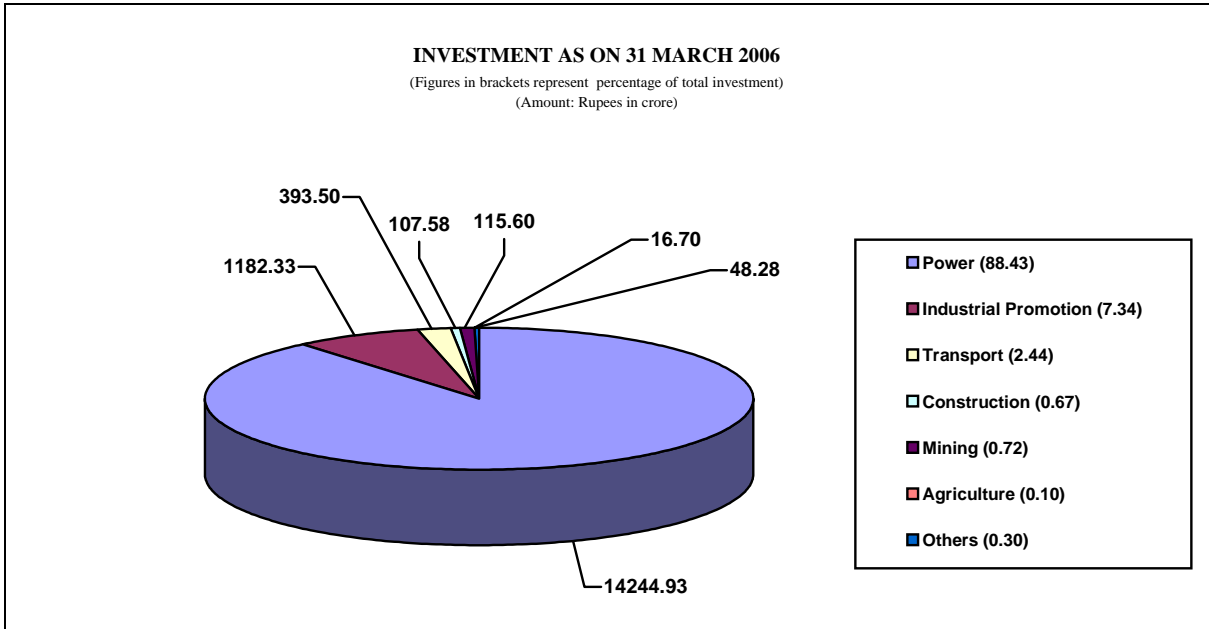
[#] Figures are as furnished by the companies/corporations.

^{*} State Government's investment in working PSUs was Rs.5586.93 crore (others: Rs.10521.99 crore). Figures as per finance accounts 2005-06 is Rs.6324.90 crore. The difference is under reconciliation.

^{**} Long-term loans exclude interest accrued and due on loans.

Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentages thereof at the end of 31 March 2006 and 31 March 2005 are indicated in the pie charts.



Working Government companies

1.3 The total investment in working Government companies at the end of March 2005 and March 2006 was as follows:

(Amount: Rupees in crore)

Year	No. of companies	Equity	Share application money	Loans	Total
2004-05	16	3419.43	23.70	9290.66	12733.79
2005-06	18	3947.63	136.38	10798.98	14882.99

As on 31 March 2006, the total investment in working Government companies comprised 27.44 per cent of equity capital and 72.56 per cent of loans as compared to 27.04 and 72.96 per cent respectively as on 31 March 2005.

Working Statutory corporations

1.4 The total investment in three working Statutory corporations at the end of March 2005 and March 2006 was as follows:

(Amount: Rupees in crore)

Name of Corporation	2004-05		2005-06	
	Capital	Loan	Capital	Loan
Rajasthan State Road Transport Corporation	220.06	148.53	220.06	173.44
Rajasthan Financial Corporation	81.52 (14.00)	613.99	81.53	743.04
Rajasthan State Warehousing Corporation	7.85	0.11	7.85	-
Total	309.43 (14.00)	762.63	309.44	916.48

(Figures in bracket indicate share application money)

As on 31 March 2006, the total investment in working Statutory corporations comprised 25.24 per cent of equity capital and 74.76 per cent of loans as compared to 28.86 and 71.14 per cent respectively as on 31 March 2005.

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

1.5 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of working Government companies and Statutory corporations are given in **Annexures-1** and **3**.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and Statutory corporations for the three years up to 2005-06 are indicated below:

(Amount: Rupees in crore)

	2003-04				2004-05				2005-06	
	Companies		Corporations		Companies		Corporations		Companies	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity Capital	8	305.11	1	112.11	9	372.92	1	14.00	7	635.88
Loans	4	711.57	-	-	2	52.90	-	-	3	176.96
Grant/Subsidy towards: (1) Projects/ programmes/ schemes	10	995.81	1	4.63	10	1105.20	-	-	9	1043.99
(2) Others	-	-	-	-	-	-	-	-	-	-
Total (1+2)	10	995.81	1	4.63	10	1105.20	-	-	9	1043.99
Total outgo		2012.49		116.74		1531.02		14.00		1856.83

During the year 2005-06, the Government had guaranteed loans aggregating Rs.4,281.76 crore obtained by five working Government companies. As on 31 March 2006, guarantees amounting to Rs.11,534.63 crore against seven working Government companies (Rs.11,324.11 crore) and one working Statutory corporation (Rs.210.52 crore) were outstanding, as against Rs.11,152.15 crore against eight working Government companies (Rs.10,888.10 crore) and one working Statutory corporation (Rs.264.05 crore) outstanding as on 31 March 2005. The guarantee commission paid/payable to Government by six Government companies and one Statutory corporation during 2005-06 was Rs.6.09 crore and Rs.2.48 crore respectively.

Finalisation of accounts by working PSUs

1.6 The accounts of the companies for each financial year are required to be finalised within six months from the end of the relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power 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 required to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

It can be seen from **Annexure-2** that only 12 out of 18 working Government companies and two out of three working Statutory corporations had finalised their accounts for the year 2005-06 (up to September 2006). During the period

from October 2005 to September 2006, four working Government companies and one Statutory corporation finalised accounts for the previous years.

The accounts for the year 2005-06 of six working Government companies and one Statutory corporation were in arrears for one year as on 30 September 2006.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2**. Besides, statements showing the financial position and working results of individual working Statutory corporations for the latest three years, for which accounts were finalised, are given in **Annexures-4** and **5** respectively.

According to the latest finalised accounts of 17 working Government companies and three working Statutory corporations, six companies and one corporation had incurred an aggregate loss of Rs.6.24 crore and Rs.4.63 crore respectively; six companies and two corporations earned an aggregate profit of Rs.188.40 crore and Rs.37.85 crore respectively while five power sector companies, incorporated in 2000-01, have not shown any profit/loss in the accounts finalised for the year 2005-06 as per the provisions of financial restructuring plan. One company *i.e.* Rajasthan State Beverages Corporation Limited has not finalised any account so far.

Working Government companies

Profit earning working companies and dividend

1.8 Five working Government companies (Sl. No.2, 6, 7, 9 & 13 of **Annexure-2**), which finalised their accounts for 2005-06 by September 2006, earned an aggregate profit of Rs.159.37 crore and declared dividend of Rs.17.21 crore. The dividend as a percentage of share capital in the above five profit earning companies worked out to 15.41 *per cent*. The total return by way of the above dividend worked out to 0.42 *per cent* in 2005-06 on total equity investment of Rs.4088.08 crore by the State Government in all the Government companies as against 0.62 *per cent* in 2004-05.

Loss incurring working Government companies

1.9 Of the six loss incurring working Government companies, Rajasthan State Handloom Development Corporation Limited had accumulated loss of Rs.42.01 crore up to March 2005, which exceeded its paid-up capital of Rs.6.15 crore and Rajasthan State Hotels Corporation Limited had accumulated loss of Rs.2.69 crore upto March 2005, which exceeded its paid-up capital of Rs.1.46 crore.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Out of the three Statutory corporations, two corporations finalised their accounts for 2005-06. Rajasthan Financial Corporation earned a profit of Rs.10.35 crore and did not declare any dividend. Rajasthan State Warehousing Corporation earned a profit of Rs.27.50 crore and declared a dividend of Rs.1.96 crore.

Loss incurring Statutory corporations

1.11 Out of the three Statutory corporations, Rajasthan State Road Transport Corporation finalised accounts for 2004-05 by September 2006 and incurred a loss of Rs.4.63 crore. The accumulated loss of Rs.345.49 crore exceeded its paid up capital of Rs.220.06 crore. Rajasthan Financial Corporation (though earned profit during the year 2005-06) had accumulated loss of Rs.62.48 crore against its paid-up capital of Rs.81.53 crore.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure-6**.

Return on capital employed

1.13 As per the latest finalised accounts (upto September 2006), the capital employed* worked out to Rs.21,531.37 crore in 17 working companies. Total return thereon amounted to Rs.1,367.56 crore (6.35 *per cent*) as compared to total return of Rs.1,358.80 crore (7.19 *per cent*) in the previous year. Similarly, the capital employed and total return^{\$\$} thereon in case of three working Statutory corporations as per their latest finalised accounts (upto September 2006) worked out to Rs.956.26 crore and Rs.118.42 crore (12.38 *per cent*), respectively against the total return of Rs.60.18 crore (6.96 *per cent*) in the previous year. 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**.

Power sector reforms

(A) Status of implementation of Memorandum of Understanding between Government of India and Government of Rajasthan

1.14 In pursuance of the decisions taken at the Chief Ministers' conference on power sector reforms, held in March 2001, a Memorandum of Understanding (MOU) was signed on 23 March 2001 between the Ministry of

* 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 accounts.

Power, Government of India (GOI) and Government of Rajasthan (GOR) as a joint commitment for implementation of the reforms programme in the power sector, with identified milestones. Status of implementation of the reforms programme against each commitment made in the MOU is detailed below:

S.No.	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2006)																						
Commitments made by the State Government																									
1.	Reduction in transmission and distribution losses	20 per cent by 2006-07	<table border="1"> <thead> <tr> <th>Name of the Company</th> <th>Transmission loss</th> <th>Distribution loss</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>RRVNL</td> <td>5.37</td> <td>-</td> <td>5.37</td> </tr> <tr> <td>JVVNL</td> <td>3.64</td> <td>37.30</td> <td>40.94</td> </tr> <tr> <td>AVVNL</td> <td>3.36</td> <td>42.09</td> <td>45.45</td> </tr> <tr> <td>JdVVNL</td> <td>5.27</td> <td>41.72</td> <td>46.99</td> </tr> </tbody> </table>	Name of the Company	Transmission loss	Distribution loss	Total	RRVNL	5.37	-	5.37	JVVNL	3.64	37.30	40.94	AVVNL	3.36	42.09	45.45	JdVVNL	5.27	41.72	46.99		
Name of the Company	Transmission loss	Distribution loss	Total																						
RRVNL	5.37	-	5.37																						
JVVNL	3.64	37.30	40.94																						
AVVNL	3.36	42.09	45.45																						
JdVVNL	5.27	41.72	46.99																						
2.	100 per cent metering of all 11 KV distribution feeders	September 2001	<table border="1"> <thead> <tr> <th>Name of the Company</th> <th>11KV feeders to be metered</th> <th>11KV feeders metered</th> </tr> </thead> <tbody> <tr> <td>JVVNL</td> <td>3060</td> <td>2811</td> </tr> <tr> <td>AVVNL</td> <td>3650</td> <td>3229</td> </tr> <tr> <td>JdVVNL</td> <td>3884</td> <td>3214</td> </tr> </tbody> </table>	Name of the Company	11KV feeders to be metered	11KV feeders metered	JVVNL	3060	2811	AVVNL	3650	3229	JdVVNL	3884	3214										
Name of the Company	11KV feeders to be metered	11KV feeders metered																							
JVVNL	3060	2811																							
AVVNL	3650	3229																							
JdVVNL	3884	3214																							
3.	100 per cent electrification of all villages	37,889 villages by 2005	37,681 villages electrified i.e. 99.45 per cent.																						
4.	100 per cent metering of all consumers	30 June 2002	No connection of any category is being released without meter. All agricultural connections of flat rate are being converted to metered category. 154482 consumers have been converted from agricultural flat rate to metered category in urban/rural areas.																						
5.	Securitisation of outstanding dues of Central Public Sector Undertakings	Not given	State Government has securitised following outstanding dues of CPSU's. NTPC- Rs.290.00 crore NHPC- Rs. 56.98 crore PGCIL- Rs. 21.80 crore Rs.368.78 crore Notification was issued by GOR on 18-08-03 for issue of bonds.																						
6.	State Electricity Regulatory Commission (SERC)																								
	(1) Establishment of SERC	-	SERC was formed in January 2000.																						
	(2) Implementation of tariff orders issued by SERC during the year	An order for distribution tariff was to be implemented from January 2005.	The tariff was implemented from May 2005 as the State Government provided subsidy for the period January 2005 to April 2005.																						
Commitments made by the Central Government																									
7.	Supply of additional power	Government will allocate additional power as under: (1) Additional 100 MW from Eastern grid on firm basis. (2) Ministry of Power (MOP) will take immediate steps to restore the special allocation of one-third of the capacity of Anta Grid Power Station i.e. 112 MW, withdrawn by MOP in November 1999.	(1) About 30 MW power has been allotted from Eastern Grid w.e.f. 14.12.2005 on firm basis. (2) No firm allocation is made so far.																						
8.	Any other help to be provided. (please specify)	Financial support under the Accelerated Power Development Programme (APDP and renamed as APDRP) to upgrade the transmission and distribution programme and renovation and maintenance of thermal plants	Amount released by the Government of India under APDP is as follows: <table border="1"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="2">Amount in crore</th> <th rowspan="2">Total</th> </tr> <tr> <th>Loan</th> <th>Grant</th> </tr> </thead> <tbody> <tr> <td>2002-2003</td> <td>62.82</td> <td>62.82</td> <td>125.64</td> </tr> <tr> <td>2003-2004</td> <td>109.85</td> <td>109.85</td> <td>219.70</td> </tr> <tr> <td>2004-2005</td> <td>24.245</td> <td>24.245</td> <td>48.49</td> </tr> <tr> <td>2005-06</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> </tbody> </table>	Year	Amount in crore		Total	Loan	Grant	2002-2003	62.82	62.82	125.64	2003-2004	109.85	109.85	219.70	2004-2005	24.245	24.245	48.49	2005-06	Nil	Nil	Nil
Year	Amount in crore		Total																						
	Loan	Grant																							
2002-2003	62.82	62.82	125.64																						
2003-2004	109.85	109.85	219.70																						
2004-2005	24.245	24.245	48.49																						
2005-06	Nil	Nil	Nil																						
General																									
9.	Monitoring of MOU	Monitoring was required on quarterly basis	Monitoring is done regularly. Last report sent in May 2006.																						

Rajasthan Electricity Regulatory Commission

1.15 The Rajasthan Electricity Regulatory Commission (Commission) was formed on 10 January 2000 under Section 17 of the Electricity Regulatory Commissions Act, 1998^s with the objective 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 Chairperson who are appointed by the State Government. All expenditure of the Commission is to be charged to the Consolidated Fund of the State. The Commission has not submitted its first account so far. During 2005-06, the Commission scrutinised 62 petitions and 57 cases were dealt with by it while discharging its judicial function.

Non-working PSUs**Investment in non-working PSUs**

1.16 As on 31 March 2006, the total investment in five non-working Government companies was Rs.13.98 crore (equity: Rs.9.45 crore, long-term loans: Rs.4.53 crore) as against total investment of Rs.12.10 crore (equity: Rs.9.45 crore, long-term loans: Rs.2.65 crore) in the five non-working companies as on 31 March 2005. The details of investment in non-working PSUs are given in **Annexure-1**.

The classification of the non-working PSUs is as under:

(Amount: Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Equity	Long term loans
(1)	Under liquidation	1	0.19	0.21
(2)	Others	4	9.26	4.32
	Total	5	9.45	4.53

Of the above non-working PSUs, one company *viz.* Rajasthan State Granites and Marbles Limited is under liquidation under Section 560(2) of the Companies Act, 1956 for seven years. An investment of Rs.40 lakh is involved in this company.

^s Since replaced by the Electricity Act, 2003.

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

1.17 The State Government did not release any fund to non-working companies during the year 2005-06.

Total establishment expenditure of non-working PSUs

1.18 The total establishment expenditure of Rs.21.67 lakh (2003-04: Rs.9.13 lakh; 2004-05 Rs.7.20 lakh, 2005-06 Rs.5.34 lakh) of one non-working company viz. Rajasthan Electronics Limited was financed by its holding company. The remaining non-working companies are not incurring any expenditure towards establishment.

Finalisation of accounts by non-working PSUs

1.19 Out of five non-working companies, three companies finalised their accounts for 2005-06, the accounts of one non-working company was in arrear for one year (as on 30 September 2006) and one company was under liquidation as on 31 March 2006 as shown in **Annexure-2**.

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure-2**. The net worth of five non-working Government companies was Rs.(-) 34.82 crore against their total paid-up capital of Rs.9.45 crore. These companies suffered a cash loss of Rs.1.31 crore and their accumulated loss worked out to Rs.44.75 crore.

Status of placement of Separate Audit Reports on the accounts of Statutory corporations in the Legislature

1.21 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	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1.	Rajasthan State Road Transport Corporation	2003-04	2004-05	23.12.2005	N.A.
2.	Rajasthan Financial Corporation	2004-05	-	-	-
3.	Rajasthan State Warehousing Corporation	2004-05	2005-06	15.09.2006	-

Disinvestment, privatisation and restructuring[§] of Public Sector Undertakings

1.22 No disinvestment or privatisation of Public Sector Undertakings has taken place during 2005-06. The management of Rajasthan State Hotels Corporation Limited and Rajasthan Tourism Development Corporation Limited proposed merger of the two companies in February/August 2001. Merger has not, however, taken place (September 2006).

Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

1.23 During the period from October 2005 to September 2006, the accounts of 15 Government companies (14 working and one non-working) and three working Statutory corporations were selected for audit. The net impact of the major audit observations as a result of audit of the PSUs was as follows:

Details	Government companies				Statutory corporations	
	No of accounts		Rupees in crore		No. of accounts	Rupees in crore
	Working	Non working	Working	Non working	Working	
Decrease in profit	2	-	1.30	-	-	-
Increase in loss	-	-	-	-	1	7.89

Errors and omissions noticed in case of Government companies

As a result of audit of accounts of various companies under section 619(4) of the Companies Act 1956, the following important points were noticed by Audit:

Rajasthan Tourism Development Corporation (2004-05)

1.24 Deferred tax is overstated by Rs.18.06 lakh due to considering unabsorbed depreciation as Rs.150.86 lakh instead of Rs.97.22 lakh. As such the tax effect due to unabsorbed depreciation works out to Rs.32.72 lakh as against Rs.50.78 lakh accounted for. This has resulted in understatement of deferred tax liability and overstatement of profit after tax by Rs.18.06 lakh.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (2004-05)

1.25 Capital work in progress included advances to suppliers and contractors for capital works amounting to Rs.1.35 crore for which neither the material is pending to be received nor any details thereof available with the Company. Non-provision of the same has resulted in understatement of loss by Rs.1.35 crore.

[§] Restructuring includes merger and closure of PSUs.

1.26 Sundry receivable other than trading account has been overstated by Rs.1.19 crore due to non-accountal of payment received from PGCIL towards O&M charges.

1.27 Liabilities for purchase of power have been overstated by Rs.6.06 crore due to non adjustment of excess liability of energy bills of NTPC provided in previous years. Consequently, net prior period income and loss have been understated to this extent.

1.28 Repair & Maintenance has been understated by Rs.93.34 lakh due to non-accountal of expenditure incurred on repair and maintenance of plant and machinery by TCC^{*} III & TCC V units. Consequently, loss for the year has been understated and other assets have been overstated to this extent.

1.29 Extraordinary items have been overstated by Rs.25.68 crore due to accountal of short provision of depreciation of earlier year as extraordinary item which has arisen due to certain discrepancies in assets register. Consequently, prior period expenditure has been understated to that extent.

Rajasthan Rajya Vidyut Utpadan Nigam Limited (2004-05)

1.30 Depreciation was understated by Rs.8.59 crore due to incorrect application of the rate of depreciation on batteries at Suratgarh Thermal Power Station (Rs.31.36 lakh) and non charging of depreciation on gas station, gas pipelines, office equipment, hydrolic work *etc.* at RGTPP (Rs.8.28 crore). Consequently, loss for the year has also been understated to the same extent.

1.31 Current Liabilities & Provisions were understated by Rs.7.73 crore due to non provision of minimum gas off take claim of GAIL which the company had agreed to pay. Consequently, loss for the year has also been understated to the same extent.

1.32 Capital work in progress included advances to suppliers and contractors for capital works amounting to Rs.6.52 crore in respect of which neither material was pending to be received nor are any details thereof available with the Company. Non-provision of the same has resulted in understatement of loss by Rs.6.52 crore.

Jaipur Vidyut Vitran Nigam Limited (2004-05)

1.33 Subsidy/Grant receivable was overstated by Rs.42.42 crore being relief in minimum charges allowed to agriculture consumers which the State Government has refused to reimburse. This has resulted in overstatement of other assets by Rs.42.42 crore and overstatement of Revenue from Sale of Power by Rs.24.07 crore and understatement of prior period expenses by Rs.18.35 crore.

* Transmission Construction Circle

1.34 Revenue from sale of power was overstated by Rs.41.06 lakh being amount received towards meter box charges from consumers which should have been included in consumers contribution for service connection and lines under Reserve & Surplus.

1.35 Remittance in transit has been understated by Rs.3.05 crore being excess credit received from the bank and wrongly adjusted against remittance in transit. Consequently, current liabilities and provisions have been also understated to the same extent.

Jodhpur Vidyut Vitran Nigam Limited (2004-05)

1.36 Subvention receivable from State Government included Rs.30.44 crore being the relief in minimum charges to the agriculture (metered) consumers which the State Government had refused to reimburse. This has resulted in overstatement of other assets and profit by Rs.30.44 crore.

1.37 Administration and other expenses were overstated by Rs.2.45 crore being the difference between actual cost of material received and standard issue rates, which should have been adjusted from reserve for material cost variance. Consequently, profit has been understated and Reserve & Surplus has been overstated to the same extent.

1.38 Non adjustment of consumers contribution for service connection lines amounting to Rs.2.99 crore towards meter box security resulted in understatement of prior period credit and consumers contribution for service connection lines under the head Reserve & Surplus.

Ajmer Vidyut Vitran Nigam Limited (2004-05)

1.39 Subsidy/Grant receivable was understated by Rs.13.99 crore due to non accountal of rebate allowed to agriculture (metered) consumers and domestic consumers during the year against minimum charges. Consequently, revenue from sale of power has been understated to the same extent.

1.40 Other income was understated by Rs.2.08 crore being the incentive receivable from NTPC for the year 2004-05 as per tripartite agreement and was received in April 2005 by RRVPNL. Consequently, this has resulted in understatement of other current asset to the same extent.

1.41 Repair and maintenance was understated by Rs.2.59 crore being the cost of repair of the transformers/equipments which were repaired during 2004-05 and payments made during 2005-06. Consequently, current liabilities and provisions have been understated to the same extent.

1.42 Depreciation was understated by Rs.8.48 crore due to under charging of depreciation on transmission plants. This has resulted in overstatement of profit after tax and also overstatement of fixed assets (net block) to the same extent.

***Rajasthan State Road Development & Construction Corporation Limited
(2005-06)***

1.43 Build, Operate and Transfer (BOT) assets were overstated by Rs.2.71 crore due to capitalisation of centage charges during 2004-05 in violation of Accounting Standard 10. Consequently, Reserve and Surplus is also overstated to this extent.

1.44 Stock/Work in progress of current assets was overstated by Rs.16.63 crore due to inclusion of incomplete BOT works which are fixed assets of the company and should have been shown as capital work in progress under fixed assets. Consequently, capital work in progress has been understated to that extent.

1.45 Stock/Work in progress of current assets was overstated by Rs.1.12 crore due to excess capitalisation of overheads on incomplete BOT works in violation of Accounting Standard 10. Consequently, profit for the year has also been overstated to that extent.

Errors and omissions noticed in case of Statutory corporations

Rajasthan State Road Transport Corporation (2004-05)

1.46 Loss of the Corporation remained understated by Rs.7.89 crore mainly due to under provision of liability of service tax (Rs.4.25 crore), non provision of liability despite clarification of the Government (Rs.3.24 crore) and non provision of doubtful debt/expenditure (Rs.0.40 crore).

Recoveries at the instance of Audit

1.47 Test checks of records of Power sector companies/other PSUs conducted during 2005-06 disclosed wrong fixation of tariffs/non levy/ short levy of tariff/short realisation of revenue or other observations aggregating Rs.4.77 crore in 96 cases. The PSUs/companies accepted the observations pointed out by Audit in 90 cases, and a sum of Rs.2.16 crore relating to 82 audit observations was recovered. A sum of Rs.57.15 lakh was also recovered in 99 cases which had been pointed out in previous years.

Internal audit/internal control

1.48 The statutory auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal control/internal audit system in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3) (a) of the Companies Act 1956, and to identify areas which need improvement. An illustrative resume of major recommendations made/comments made by statutory auditors on possible improvement in the

internal audit/internal control system in respect of State Government companies is indicated in **Annexure-9**. It will be seen from the annexure that major comments were of the following nature:

- There was no Internal Audit System in three companies.
- The Internal Audit System was not commensurate with the size and nature of business in 13 Government companies and two Statutory corporations.
- There was scope for improvement in the area, frequency and manner of audit, communication of observations and their follow up and compliance in 13 companies and two Statutory corporations.

Recommendations for closure of PSUs

1.49 Even after existence for 21 to 43 years, the turnover of two working Government companies had been less than Rupees five crore and of the three non working companies the turnover had been Nil in each of the preceding five years as per their latest finalised accounts (**Annexure-7**). Similarly, four Government companies (working: two and non-working: two) had been incurring losses for five consecutive years (as per their latest finalised accounts) leading to negative net worth (**Annexure-8**). In view of poor turnover and continuous losses, the Government should review and either improve the performance of these companies or consider their closure.

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

1.50 The position of discussion of Audit Reports (Commercial) by the COPU as on 30 September 2006 was as under:

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report		Number of reviews / paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1998-99	4	30	4	19
1999-2000	4	29	4	18
2000-01	3	26	2	16
2001-02	3	24	3	14
2002-03	3	31	3	7
2003-04	4	58	1	3
2004-05	3	49	-	-
Total	24	247	17	77

Thus, during October 2005 to September 2006, a total of 10 reviews and 35 paragraphs were discussed by the COPU.

619-B companies

1.51 There was no company covered under section 619-B of the Companies Act, 1956.