

Chapter I

Overview of Government Companies and Statutory Corporations

Introduction

1.1 As on 31 March 2007, there were 26 Government Companies (22[§] working Companies and four[@] non-working Companies*) and three working Statutory Corporations as against 23 Government Companies (18 working Companies and five non-working Companies) and three Statutory Corporations as on 31 March 2006 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 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 Comptroller and Auditor General of India, under Section 104(2) of the Electricity Act, 2003.

[§] Four working Companies were incorporated in 2006-07 *i.e.* Chhabra Power Limited and Dholpur Gas Power Limited on 22 November 2006, Giral Lignite Power Limited on 23 November 2006 and Barmer Lignite Mining Company Limited on 19 January 2007.

[@] Rajasthan State Granites & Marbles Limited dissolved on 12 May 2006.

* Non-working Companies/Corporations are those, which are under the process of liquidation/closure/merger, *etc.*

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2007, the total investment[#] in 25 working PSUs (22 Government Companies and three Statutory Corporations) was Rs.16,471.83 crore* (equity: Rs.5088.95 crore; long-term loans^{**}: Rs.11,373.10 crore and share application money: Rs.9.78 crore) as against total investment of 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 on 31 March 2006 in 21 working PSUs (18 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.

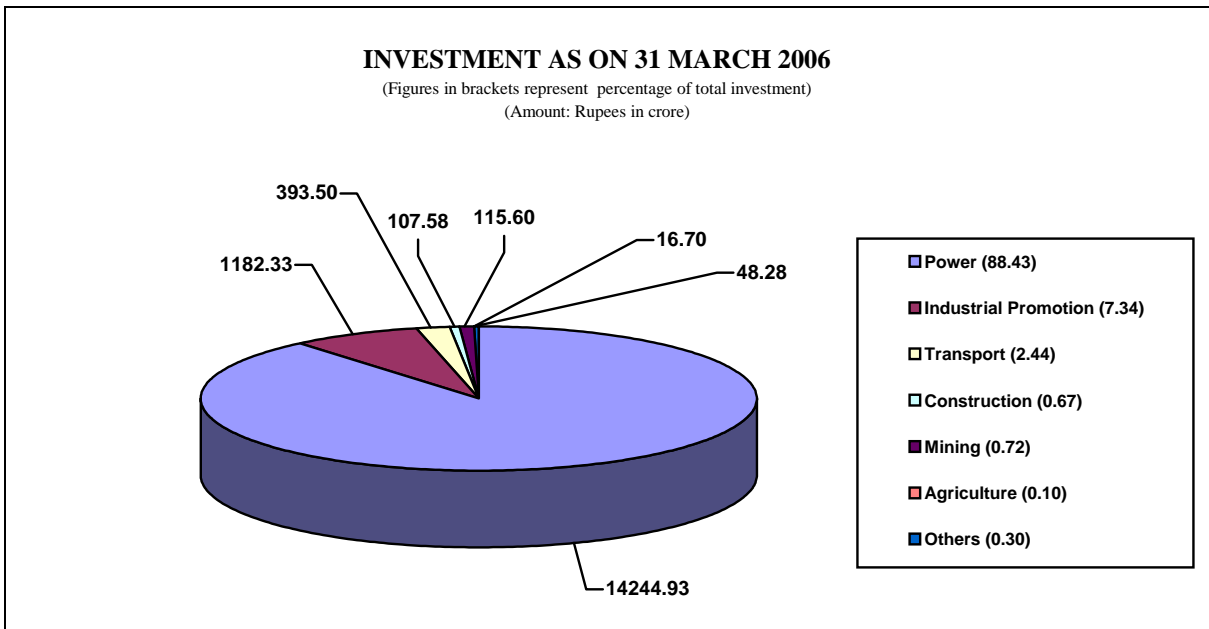
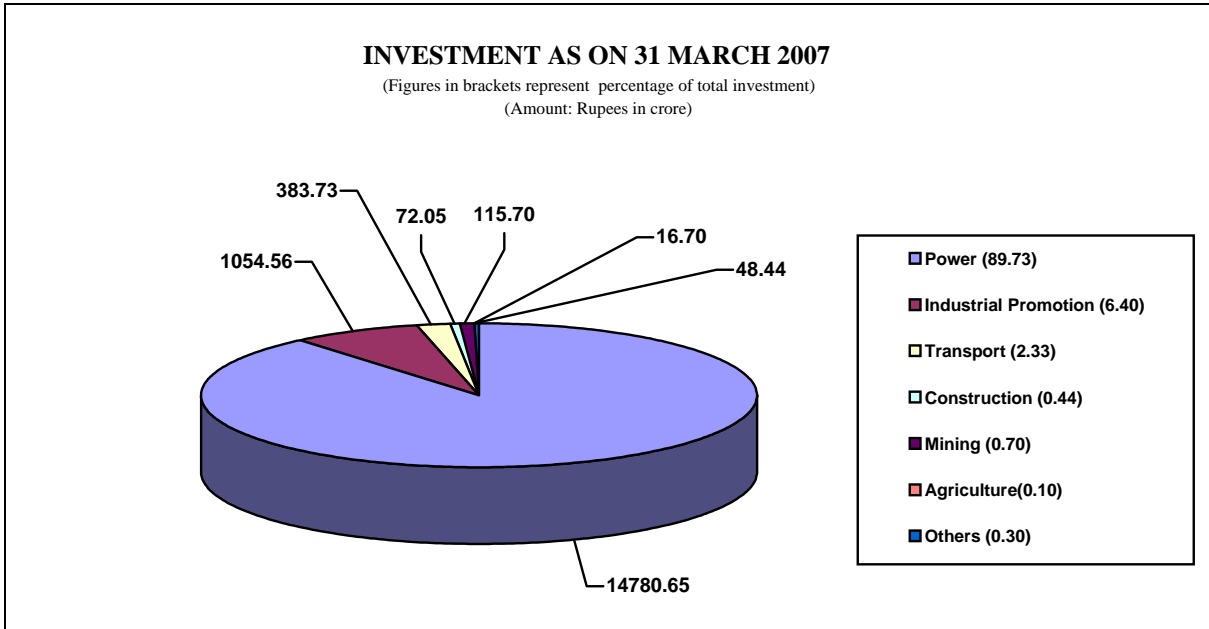
[#] Figures are as furnished by the Companies/Corporations.

^{*} State Government's investment in working PSUs was Rs.6,171.95 crore (others: Rs.10,299.88 crore). Figures as per finance accounts 2006-07 is Rs.7,161.22 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 2007 and 31 March 2006 are indicated in the pie charts.



Working Government Companies

1.3 The total investment in working Government Companies at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Year	No. of Companies	Equity	Share application money	Loans	Total
2005-06	18	3947.63	136.38	10798.98	14882.99
2006-07	22	4779.51	9.78	10478.22	15267.51

As on 31 March 2007, the total investment in working Government Companies comprised 31.37 per cent of equity capital and 68.63 per cent of loans as compared to 27.44 and 72.56 per cent respectively as on 31 March 2006.

Working Statutory Corporations

1.4 The total investment in three working Statutory Corporations at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Name of Corporation	2005-06		2006-07	
	Capital	Loan	Capital	Loan
Rajasthan State Road Transport Corporation	220.06	173.44	220.06	163.67
Rajasthan Financial Corporation	81.53	743.04	81.53	731.21
Rajasthan State Warehousing Corporation	7.85	-	7.85	-
Total	309.44	916.48	309.44	894.88

As on 31 March 2007, the total investment in working Statutory Corporations comprised 25.69 per cent of equity capital and 74.31 per cent of loans as compared to 25.24 and 74.76 per cent respectively as on 31 March 2006.

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 2006-07 are indicated below:

(Amount: Rupees in crore)

	2004-05				2005-06		2006-07	
	Companies		Corporations		Companies		Companies	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity Capital	9	372.92	1	14.00	7	635.88	7	700.30
Loans	2	52.90	-	-	3	176.96	3	151.76
Grant/Subsidy towards:								
(1) Projects/ programmes/schemes	10	1105.20	-	-	9	1043.99	8	1253.89
(2) Others	-	-	-	-	--	-	-	-
Total (1+2)	10	1105.20	-	-	9	1043.99	8	1253.89
Total outgo		1531.02		14.00		1856.83		2105.95

During the year 2006-07, the Government had guaranteed loans aggregating Rs.4,943.91 crore obtained by five working Government Companies. As on 31 March 2007, guarantees amounting to Rs.13,139.82 crore against seven working Government Companies (Rs.12,982.64 crore) and one working Statutory Corporation (Rs.157.18 crore) were outstanding, as against Rs.11,534.63 crore against seven working Government Companies (Rs.11,324.11 crore) and one working Statutory Corporation (Rs.210.52 crore) outstanding as on 31 March 2006. The guarantee commission paid/payable to Government by seven Government Companies and one Statutory Corporation during 2006-07 was Rs.12.12 crore and Rs.2.06 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 15¹ out of 22 working Government Companies and two² out of three working Statutory Corporations had finalised their accounts for the year 2006-07 (up to September 2007). During the period

¹ Rajasthan Jal Vikas Nigam Limited, Rajasthan State Seeds Corporation Limited, Rajasthan State Industrial Development and Investment Corporation Limited, Rajasthan Small Industries Corporation Limited, Rajasthan State Mines and Minerals Limited, Barmer Lignite Mining Company Limited, Rajasthan State Ganganagar Sugar Mills Limited, Rajasthan Renewable Energy Corporation Limited, Rajasthan Rajya Vidyut Utpadan Nigam Limited, Rajasthan Rajya Vidyut Prasaran Nigam Limited, Jaipur Vidyut Vitaran Nigam Limited, Ajmer Vidyut Vitaran Nigam Limited, Chhabra Power Limited, Giral Lignite Power Limited and Dholpur Gas Power Limited.

² Rajasthan Financial Corporation and Rajasthan State Warehousing Corporation.

from October 2006 to September 2007, six working Government Companies and one Statutory Corporation finalised accounts for the previous years.

The accounts for the year 2006-07 of seven³ working Government Companies and one⁴ Statutory Corporation were in arrears for one year as on 30 September 2007.

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 last three years, for which accounts were finalised, are given in **Annexures-4** and **5** respectively.

According to the latest finalised accounts of 22 working Government Companies and three working Statutory Corporations, four⁵ Companies and one⁶ Corporation had incurred loss of Rs.1.54 crore and Rs.30.08 crore respectively; nine⁷ Companies and two⁸ Corporations earned profit of Rs.267.97 crore and Rs.32.42 crore respectively while five⁹ power sector Companies, incorporated in 2000-01, did not show any profit/loss in the accounts finalised for the year 2005-06 and 2006-07 as per the provisions of financial restructuring plan. Four Companies incorporated in the year 2006-07 did not commence commercial activities in the year.

Working Government Companies

Profit earning working Companies and dividend

1.8 Four¹⁰ working Government Company (**Annexure-2**), which finalised its accounts for 2006-07 by September 2007, earned an aggregate profit of Rs.109.62 crore and declared dividend of Rs.12.12 crore. The dividend as a

³ Rajasthan State Handloom Development Corporation Limited, Rajasthan State Road Development and Construction Corporation Limited, Rajasthan Urban Infrastructure Finance and Development Corporation Limited, Rajasthan State Beverage Corporation Limited, Rajasthan State Hotels Corporation Limited, Rajasthan Tourism Development Corporation Limited and Jodhpur Vidyut Vitaran Nigam Limited.

⁴ Rajasthan State Road Transport Corporation.

⁵ Rajasthan Jal Vikas Nigam Limited, Rajasthan Small Industries Corporation Limited, Rajasthan State Handloom Development Corporation Limited and Rajasthan State Hotels Corporation Limited.

⁶ Rajasthan State Road Transport Corporation.

⁷ Rajasthan State Seeds Corporation Limited, Rajasthan State Industrial Development and Investment Corporation Limited, Rajasthan State Mines and Minerals Limited, Rajasthan State Road Development and Construction Corporation Limited, Rajasthan Urban Infrastructure Finance and Development Corporation Limited, Rajasthan State Ganganagar Sugar Mills Limited, Rajasthan State Beverage Corporation Limited, Rajasthan Tourism Development Corporation Limited and Rajasthan Renewable Energy Corporation Limited.

⁸ Rajasthan Financial Corporation and Rajasthan State Warehousing Corporation.

⁹ Rajasthan Rajya Vidyut Utpadan Nigam Limited, Rajasthan Rajya Vidyut Prasaran Nigam Limited, Jaipur Vidyut Vitaran Nigam Limited, Jodhpur Vidyut Vitaran Nigam Limited and Ajmer Vidyut Vitaran Nigam Limited.

¹⁰ Rajasthan State Seeds Corporation Limited Rajasthan State Industrial Development and Investment Corporation Limited, Rajasthan State Ganganagar Sugar Mills Limited and Rajasthan Renewable Energy Corporation Limited.

percentage of share capital in the above profit earning Companies worked out to 5.27 per cent. The total return by way of the above dividend worked out to 0.25 per cent in 2006-07 on total equity investment of Rs.4,777.14 crore by the State Government in all the working Government Companies as against 0.42 per cent in 2005-06.

Loss incurring working Government Companies

1.9 Of the four loss incurring working Government Companies, Rajasthan State Handloom Development Corporation Limited had accumulated loss of Rs.42.51 crore up to March 2006, which exceeded its paid-up capital of Rs.6.15 crore and Rajasthan State Hotels Corporation Limited had accumulated loss of Rs.2.82 crore upto March 2006, 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 its accounts for 2006-07. Rajasthan Financial Corporation earned a profit of Rs.10.54 crore and did not declare any dividend. Rajasthan State Warehousing Corporation earned a profit of Rs.21.88 crore and declared a dividend of Rs.1.96 crore during the year 2006-07.

Loss incurring Statutory Corporations

1.11 Out of the three Statutory Corporations, Rajasthan State Road Transport Corporation finalised accounts for 2005-06 and incurred a loss of Rs.30.08 crore. The accumulated loss of Rs.375.56 crore exceeded its paid up capital of Rs.220.06 crore. Rajasthan Financial Corporation (though earned profit during the year 2006-07) had accumulated loss of Rs.55.44 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 2007), the capital employed* worked out to Rs.24,857.68 crore in 22 working Companies. Total return thereon amounted to Rs.1,523.64 crore (6.13 per cent) as compared to total return of Rs.1,367.56 crore (6.35 per cent) in the previous year.

* 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).

Similarly, the capital employed and total return^{\$\$} thereon in case of three working Statutory Corporations as per their latest finalised accounts (upto September 2007) worked out to Rs.972.46 crore and Rs.86.20 crore (8.86 *per cent*), respectively against the total return of Rs.118.42 crore (12.38 *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 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:

^{\$\$} 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.

S.No.	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2007)			
Commitments made by the State Government						
1.	Reduction in transmission and distribution losses	20 per cent by 2006-07	Name of the Company	Transmission loss	Distribution loss	Total
			RRVNL	5.47	-	5.47
			JVVNL	5.60	33.70	39.30
			AVVNL	5.60	37.65	43.25
			JdVVNL	5.42	32.48	37.90
2.	100 per cent metering of all 11 KV distribution feeders	September 2001	Name of the Company	11KV feeders to be metered	11KV feeders metered	Percentage
			JVVNL	3386	2875	84.91
			AVVNL	3774	3430	90.89
			JdVVNL	4281	3856	90.07
3.	100 per cent electrification of all villages	37,889 villages by 2005	35,644 villages electrified* i.e. 94.07 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. 1,70,258 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 August 2003 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 December 2005 on firm basis. (2) No firm allocation is made from Anta Grid Power Station 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:			
			Year	Amount in crore		Total
				Loan	Grant	
			2002-03	62.82	62.82	125.64
			2003-04	109.85	109.85	219.70
			2004-05	20.245	20.245	40.49
			2005-06	Nil	Nil	Nil
			2006-07	24.225	24.225	48.45
General						
9.	Monitoring of MOU	Monitoring was required on quarterly basis	Monitoring is done regularly. Last report sent in May 2007.			

* As per new definition. Figure does not include village electrified from RREC.

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 licences. The Commission is a body corporate and comprises of 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 submitted its accounts for the years 1999-2000 to 2005-06 (22 May 2007). The accounts were not in prescribed format as approved by the State Government, hence these were returned back to the Commission (29 May 2007) for preparation of accounts in prescribed format. During 2006-07, the Commission scrutinised 29 petitions and 66 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 2007, the total investment in four^{**} non-working Government Companies was Rs.13.58 crore (equity: Rs.9.26 crore, long-term loans: Rs.4.32 crore) as against total investment of Rs.13.98 crore (equity: Rs.9.45 crore, long-term loans: Rs.4.53 crore) in the five non-working Companies as on 31 March 2006. The details of investment in non-working PSUs are given in **Annexure-1**.

There is no Company under liquidation.

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

1.17 The State Government did not release any funds to non-working Companies during the year 2006-07.

Total establishment expenditure of non-working PSUs

1.18 The total establishment expenditure of Rs.13.98 lakh (2004-05 Rs.7.20 lakh, 2005-06 Rs.5.34 lakh, 2006-07 Rs. 1.44 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.

^s Since replaced by the Electricity Act, 2003.

^{**} Rajasthan State Granites & Marbles Limited dissolved on 12 May 2006.

Finalisation of accounts by non-working PSUs

1.19 Out of four non-working Companies, two Companies finalised its accounts for 2006-07, the accounts of two non-working Companies for 2006-07 were in arrears for one year (as on 30 September 2007) as shown in **Annexure-2**. One Company finalised accounts for the previous year.

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 four non-working Government Companies was Rs.(-) 36.23 crore against their total paid-up capital of Rs.9.26 crore. These Companies suffered a cash loss of Rs.1.46 crore and their accumulated loss worked out to Rs.45.65 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	2005-06	2006-07	Not due	-
2.	Rajasthan Financial Corporation	2005-06	2006-07	Not due	-
3.	Rajasthan State Warehousing Corporation	2005-06	2006-07	26 September 2007	-

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

1.22 No disinvestment or privatisation of Public Sector Undertakings has taken place during 2006-07. The management of Rajasthan State Hotels Corporation Limited and Rajasthan Tourism Development Corporation

[§] Restructuring includes merger and closure of PSUs.

Limited proposed merger of the two Companies in February/August 2001. Merger has not, however, taken place (September 2007).

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

1.23 During the period from October 2006 to September 2007, the accounts of 18 Government Companies (16 working and two 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	3	-	25.56	-	1	1.39
Increase in loss	1	-	00.70	-	1	3.36

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 (2005-2006)

1.24 The other liabilities were understated due to non-inclusion of Rs.23.40 lakh being the rent payable to Government of Rajasthan for the part premises of Bikaner House, New Delhi occupied by the Company. Non-accountal of the same has also resulted in overstatement of profit by Rs.23.40 lakh.

1.25 The provision for gratuity was understated by Rs.6.66 crore as the present values of gratuity liability was Rs.10.62 crore. Non provision for the short fall has resulted in understatement of provision for gratuity and overstatement of profit by Rs.6.66 crore.

Rajasthan State Handloom Development Corporation Limited (2005-2006)

1.26 Sundry Creditors included Rs.42.69 lakh of interest accrued and due on cash credit which should have been shown under "Loan funds-Secured loan". Besides, provision of interest accrued and due of Rs.5.84 lakh on the above loan was not made. This has resulted in understatement of Secured loan by Rs.48.53 lakh and loss by Rs.5.84 lakh.

1.27 The interest on term loans was understated by Rs.64 lakh due to non-accounting of penalty on overdue interest. This has resulted in understatement of Loan funds-Unsecured loans-Interest accrued and due and loss by Rs.64 lakh.

Rajasthan State Industrial Development and Investment Corporation Limited (2005-2006)

1.28 The profit after tax has been overstated by Rs.18.36 crore due to non creation of deferred tax assets of Rs.4.82 crore and not providing deferred tax liability of Rs.23.18 crore in violation of Accounting Standards-22. This has also resulted in understatement of Deferred Tax liabilities by Rs.13.86 crore.

Rajasthan State Seeds Corporation Limited (2006-2007)

1.29 The processing expenses have been understated by Rs.31.19 lakh due to adjustment of farm expenses from unutilised subsidy and grant given for specific purpose, other than the farm expenses. This has resulted in overstatement of profit after tax for the year and understatement of Current Liabilities and Provisions- unutilised subsidy/grant by Rs.31.19 lakh.

1.30 The capital work in progress has been overstated by Rs.52.73 lakh due to non-capitalisation of New Plant campus at Sumerpur, which has been started since September 2006. Non-adjustment of expenditure from subsidy has resulted in overstatement of capital work in progress and Current Liabilities and Provisions - Subsidy for Godown by Rs.52.73 lakh.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (2005-2006)

1.31 Secured loans have been overstated by Rs.1,450.30 crore due to inclusion of loans secured by Government guarantee only instead of being secured against tangible assets. Consequently, Unsecured loans have been understated to that extent.

1.32 Capital works in progress have been overstated by Rs.37.66 crore due to non-capitalisation of works already completed. Consequently, fixed assets have been understated by Rs.37.66 crore.

1.33 Capital works in progress was understated by Rs.9.09 crore due to non-accountal of material supplied directly at sight/unit by suppliers. As a result, liability for expenses has been understated to that extent.

1.34 Amount recoverable from supplier was overstated by Rs.7.06 crore due to non-provision of bad and doubtful debts recoverable from the supplier for which no details are available with the Company. As a result, profit for the year has been overstated by Rs.7.06 crore.

1.35 Sundry liabilities have been understated by Rs.1.48 crore due to non-accountal of liability for the demand raised by the Government of Rajasthan against the land allotted to the Company. Consequently, fixed assets have been understated to this extent.

1.36 Staff related liabilities were understated due to non-inclusion of Rs.6.99 crore towards shortfall in Contributory Provident Fund. This has also resulted in understatement of loss to that extent.

1.37 Non-determination of O&M expenditure of Satpura Power House by adding 10 *per cent* to the last audited account of 2003-04 as per agreement has resulted in understatement of expenditure by Rs.13.99 crore and prior period expenditure by Rs.13.99 crore. Consequently, liability for expenses has also been understated by Rs.27.98 crore.

1.38 The Company has not disclosed that there was shortfall of Rs.2,947.19 crore in respect of gratuity and pension fund as on 31 March 2005 and further increase in liability of Rs.196.78 crore during the year 2005-06 based on actuary valuation in respect of five power sector Companies and that the share of the Company in the shortfall was not ascertainable.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (2006-2007)

1.39 The revenue from subsidies and grants has been understated by Rs.1.79 crore due to non-accountal of 30 *per cent* interest subsidy on the interest accrued but not due from the State Government on accrual basis. Consequently, Other Current Assets have been understated to that extent.

1.40 The interest and finance charges have been understated by Rs.22.43 crore due to transfer of excess amount of interest on short terms loans to Discoms. Consequently, Sundry Debtors have been overstated to that extent.

1.41 The additional contribution towards gratuity and pension has been understated by Rs.17.81 crore due to short provision of additional contribution for the year 2006-07 as per tariff order issued by Rajasthan Electricity Regulatory Commission. Consequently, Sundry Debtors (Discoms) have been understated to that extent.

1.42 The depreciation has been understated by Rs.2.55 crore due to non accountal of depreciation on Lines and GSS which were commissioned in 2005-06. These were capitalised in the current year accounts. Consequently, the Net Block has been overstated to that extent.

1.43 The inter unit account includes old balance of Rs.12.91 crore which pertains to the Board period *i.e.* before 19 July 2000 and for which decision had been taken in 2004-05 to write off in 5 years. Thus Rs.7.75 crore should have been written off out of this amount up to 2006-07. Non writing off the above has resulted in overstatement of other Current Assets (Inter unit account) by Rs.7.75 crore, understatement of prior period expenses by Rs.5.17 crore and understatement of extra ordinary items for the year by Rs.2.58 crore.

1.44 The balance with scheduled banks includes Rs.5.04 crore pertaining to bank balance of current account of TCC-IX unit. However, the bank balance of current account as per cash books was Rs.80.95 lakh only. Further, amount

of Rs.4.03 crore has been shown in Admitted account in the accounts instead of Rs.5.62 lakh. Thus cash and bank balance is overstated by Rs.4.17 crore and consequently Admitted Account (current liabilities) is overstated by Rs.3.97 crore. The corresponding credit head overstated by Rs.0.20 crore is indeterminable due to non- maintenance of subsidy ledgers/proper control ledger.

1.45 The Unsecured loans have been overstated by Rs.3.52 crore due to inclusion of World Bank Loan (Rs.3.47 crore) and APDRP Loan of (Rs.0.05 crore) which has become due for payment on 1 October 2006 as per the terms of sanction, though the payment is to be made in next year in installments. Consequently, current liabilities have been understated to that extent.

Rajasthan Rajya Vidyut Utpadan Nigam Limited (2005-2006)

1.46 The secured loans have been overstated by Rs.3,541.70 crore due to inclusion of bonds/loans secured by Government guarantee only. Consequently, unsecured loans have also been understated to that extent.

1.47 Expenditure did not include liability of Rs.2.06 crore towards shortfall in Contributory Provident Fund. This has resulted in understatement of loss as well as liability to the extent of Rs.2.06 crore.

1.48 The Company has not disclosed that there was total shortfall of Rs.2947.19 crore in respect of gratuity and pension fund as on 31 March 2005 and further increase in liability of Rs.196.78 crore during the year 2005-06 as per the actuarial valuation in respect of five power sector Companies and the share of the Company in the shortfall was not ascertainable.

1.49 Prior period charges and credits have been overstated by Rs.12.26 crore due to inclusion of credit notes received from coal companies for earlier years. Consequently, income for the year has been understated to this extent.

1.50 Revenue, Subsidies and Grants have been overstated by Rs.18.98 crore being the interest subsidy received from the Government of Rajasthan which should have been adjusted against receivables from the Government. Consequently, other assets have also been overstated to the same extent.

Rajasthan Rajya Vidyut Utpadan Nigam Limited (2006-2007)

1.51 The accumulated depreciation has been understated by Rs.8.32 crore due to non-charging of depreciation on capital spares at Kota Thermal Power Station. This has resulted in understatement of expenditure towards depreciation for the year and prior period charges by Rs.45 lakh and Rs.7.87 crore respectively. Consequently the loss has been understated by Rs.8.32 crore.

1.52 The current liabilities and provisions have been understated by Rs.7.73 crore due to non provision of liability of Minimum Gas Off Take claim of Gas

Authority of India Limited. Non-provision of the above has also resulted in understatement of loss by the same extent.

1.53 The prior period charges and credits have been overstated by Rs.9.06 crore due to inclusion of credit notes received from coal companies for earlier years on account of grade difference, shortage of coal *etc.* Consequently, income for the year has been understated to this extent.

1.54 The interest accrued but not due on term loan has been understated by Rs.1.31 crore due to incorrect computation of interest on Power Finance Corporation Limited loan. Consequently, the capital work in progress has also been understated to this extent.

Jaipur Vidyut Vitran Nigam Limited (2005-2006)

1.55 Secured loans have been overstated by Rs.1,709.51 crore due to inclusion of loan secured by Government guarantee and not hypothecated against tangible assets. Consequently, Unsecured loans have also been understated to that extent.

1.56 Sundry debtors included an amount of Rs.328.56 crore comprising dues recoverable from permanent disconnected consumers (Rs.265.68 crore) and consumer dues for which no details are available (Rs.62.88 crore), the recovery of which is doubtful. The Company has made provision of only Rs.126.33 crore there against for doubtful sundry debtors.

1.57 Remittance in transit has been understated by Rs.1.64 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.

1.58 Subvention/receivable for State Government included an amount of Rs.119.61 crore being the relief allowed to agriculture consumers (metered), the reimbursement of which has been rejected by State Government resulting in overstatement of other assets and understatement of loss.

1.59 Liability for purchase of power has been overstated by Rs.20.53 crore due to non-adjustment of credits/debits raised by various generating companies. As a result, the expenditure against purchase of power has also been overstated to that extent.

1.60 Staff liabilities did not include liability of Rs.10.82 crore towards shortfall in Contributory Provident Fund. This has resulted in understatement of loss as well as liability to the extent of Rs.10.82 crore.

1.61 The Company has prepared the accounts on no profit no loss basis and actual loss for the year Rs.334.95 crore has been shown as revenue from subsidies and grants against committed subsidy of Rs.325 crore from the Government of Rajasthan. This has resulted in excess revenue recognition by Rs.9.95 crore.

Jaipur Vidyut Vitran Nigam Limited (2006-2007)

1.62 The depreciation is overstated by Rs.87.65 crore due to applying the rates of depreciation in accordance with Government of India notification dated 29 March 1994 instead of directions issued by Rajasthan Electricity Regulatory Commission. The rates of depreciation so notified were applicable for the purpose of tariff as well as accounting. Consequently, Fixed Assets were understated to the same extent.

1.63 The revenue from subsidies and grants has been understated by Rs.3.30 crore due to non accountal of interest subsidy on World Bank loan despite commitment by the Government in Financial Restructuring Plan for reimbursement of the differential interest rates. Consequently, other current assets (subsidy/grant receivable) were also understated to the same extent.

1.64 The secured loans have been overstated by Rs.244.88 crore due to inclusion of loan secured by Government guarantee and not hypothecated against tangible assets. Consequently, unsecured loans have also been understated to that extent.

1.65 The current liabilities and provisions does not include provision for Rs.6.28 crore for supply and execution of SCADA System in Jaipur City Circle. Consequently capital works in progress were also understated to the same extent.

1.66 Subsidy and grants receivable have been overstated by Rs.1.41 crore due to accountal of subsidy for the differential electricity duty (ED) on the differential tariff of revised and pre- revised applicable on the agriculture flat rate consumers, which was rejected by the Government. Consequently, subvention from the State Government against ED has also been overstated to that extent.

Jodhpur Vidyut Vitran Nigam Limited (2005-2006)

1.67 Material cost variance of Rs.31.82 crore shown as addition during the year represents over capitalisation and over charging in revenue expenditure to the extent of 15 *per cent* minus actual price variation claim. This has resulted in the overstatement of fixed assets/revenue expenditure and creation of reserves of fictitious nature in the Balance Sheet.

1.68 Secured loans have been overstated by Rs.651.36 crore due to inclusion of loans secured by Government guarantee only instead of being secured against tangible assets. As a result, unsecured loans have been understated to that extent.

1.69 The provision for unbilled revenue worked out to Rs.220.60 crore as against Rs.200.83 crore shown in the accounts resulting in understatement of revenue and corresponding understatement of Sundry Debtors to the extent of Rs.19.77 crore.

1.70 Subvention receivable from the State Government included Rs.71.78 crore on account of the relief in minimum charges to the agricultural (metered) consumers, although the reimbursement has already been rejected by the State Government, resulting in overstatement of other assets and understatement of loss.

Ajmer Vidyut Vitran Nigam Limited (2005-2006)

1.71 Secured loans have been overstated by Rs.1,656.60 crore due to inclusion of loans secured by Government guarantee only instead of being secured against tangible assets. Consequently, Unsecured loans have been understated to that extent.

1.72 Office equipments were overstated by Rs.47.17 crore as Direction and Supervision charges capitalized were wrongly booked in the head instead of allocation in the respective fixed assets. Consequently, other fixed assets and depreciation were understated.

1.73 Capital work in progress was overstated by Rs.34.79 crore being the amount of interest capitalised booked under this head. Consequently, fixed assets and depreciation were understated to this extent.

1.74 Dues from permanently disconnected consumers were overstated by Rs.61.79 crore being the amount for which no details are available with the Company. Consequently, administration and other expenses are understated to this extent.

1.75 Subsidy/Grants receivable included Rs.154.16 crore being the sum of relief of minimum charges allowed to the agriculture consumers but reimbursement of which was refused by the State Government. Consequently, Bad debts under administrative and general expenses were understated by Rs.154.16 crore.

1.76 Revenue from sale of power was overstated by Rs.6.50 crore being the amount excess charged to the consumers but adjusted in April 2006 bills. Consequently, Sundry debtors for sale of power were overstated to this extent.

1.77 Administration and other expenses were understated by Rs.48.39 crore being the amount of negative balance of Material Cost Variance Account. This should be booked under expenditure side of the profit and loss account. Consequently, Reserve and Surplus was understated to this extent.

1.78 Interest on security deposit to consumers was understated by Rs.3.65 crore being the amount of interest on security deposit to consumers neither paid nor provided for as liability. Consequently, liability for expenses was understated to this extent.

Errors and omission noticed in case of Statutory Corporations

Rajasthan Financial Corporation (2005-2006)

1.79 Interest on borrowings, bonds and deposits *etc.* did not include Rs.24 lakh on account of interest on matching contribution payable by the Corporation into the Provident Fund account. This has resulted in overstatement of net profit and understatement of other liabilities by Rs.24 lakh.

1.80 The personnel and administration expenses do not include Rs.1.15 crore payable as contribution in provident fund scheme due to withdrawal of pension scheme. Non provision of provident fund contribution has resulted in overstatement of net profit and other liabilities by Rs 1.15 crore.

Rajasthan State Road Transport Corporation (2005-2006)

1.81 Loss of the Corporation remained understated by Rs 3.36 crore mainly due to non provision of liability of House Tax despite clarification of the Government (Rs.3.24 crore) and non provision of doubtful debts (Rs.0.12 crore).

Recoveries at the instance of Audit

1.82 Test checks of records of Power Sector and other Companies/other PSUs conducted during 2006-07 disclosed wrong levy/non levy/short levy of tariff/short realisation of revenue or other observations aggregating Rs.1.34 crore in 30 cases. The PSUs/Companies accepted the observations pointed out by Audit in 27 cases, and a sum of Rs.1.01 crore relating to 21 audit observations was recovered. A sum of Rs. 88.52 lakh was also recovered in 22 cases which had been pointed out in previous years.

Internal audit/internal control

1.83 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 11 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 11 Companies and two Statutory Corporations.

Recommendations for closure of PSUs

1.84 Even after existence for 22 to 44 years, the turnover of two working Government Companies had been less than Rupees five crore and of the four 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 take measures to improve the performance of these Companies or consider their closure.

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

1.85 The position of discussion of Audit Reports (Commercial) by the COPU as on 30 September 2007 was as under:

Period of Audit Reports	Number of reviews and paragraphs appeared in the Audit Reports			Number of reviews/ Paragraphs discussed		
	Reviews	Paragraphs	Paras of introductory chapter	Reviews	Paragraphs	Paras of introductory chapter
1998-99	4	19	11	4	19	11
1999-2000	4	18	11	4	18	11
2000-01	3	16	10	3	16	10
2001-02	3	14	10	3	14	-
2002-03	3	9	22	3	9	-
2003-04	4	12	46	4	12	-
2004-05	3	17	32	1	6	-
2005-06	4	22	51	-	2	-
Total	28	127	193	22	96	32

Thus, during October 2006 to September 2007, a total of 5 reviews and 51 (including discussed/deemed discussed paras of introductory chapter) paragraphs were discussed by the COPU.

619-B Companies

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