

Chapter I

Overview of Government Companies and Statutory Corporations

Introduction

1.1 As on 31 March 2008, there were 29 Government Companies (25^S working Companies and four non-working Companies*) and three working Statutory Corporations as against 26 Government Companies (22 working Companies and four non-working Companies) and three Statutory Corporations as on 31 March 2007 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 to be 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.

^S Three working Companies were incorporated in years 2006-07 and 2007-08 *i.e.* Rajasthan Civil Aviation Corporation Limited on 20 December 2006, Kota City Transport Services Limited on 22 December 2006 and Jaipur City Transport Services Limited on 6 February 2008.

* 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 2008, the total investment[#] in 28 working PSUs (25 Government Companies and three Statutory Corporations) was Rs. 21,983.74 crore* (equity: Rs. 6,178.71 crore; long-term loans** : Rs. 15,803.88 crore and share application money: Rs. 1.15 crore) as against total investment of Rs. 16,471.83 crore (equity: Rs. 5,088.95 crore; long-term loans: Rs. 11,373.10 crore and share application money: Rs. 9.78 crore) as on 31 March 2007 in 25 working PSUs (22 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.

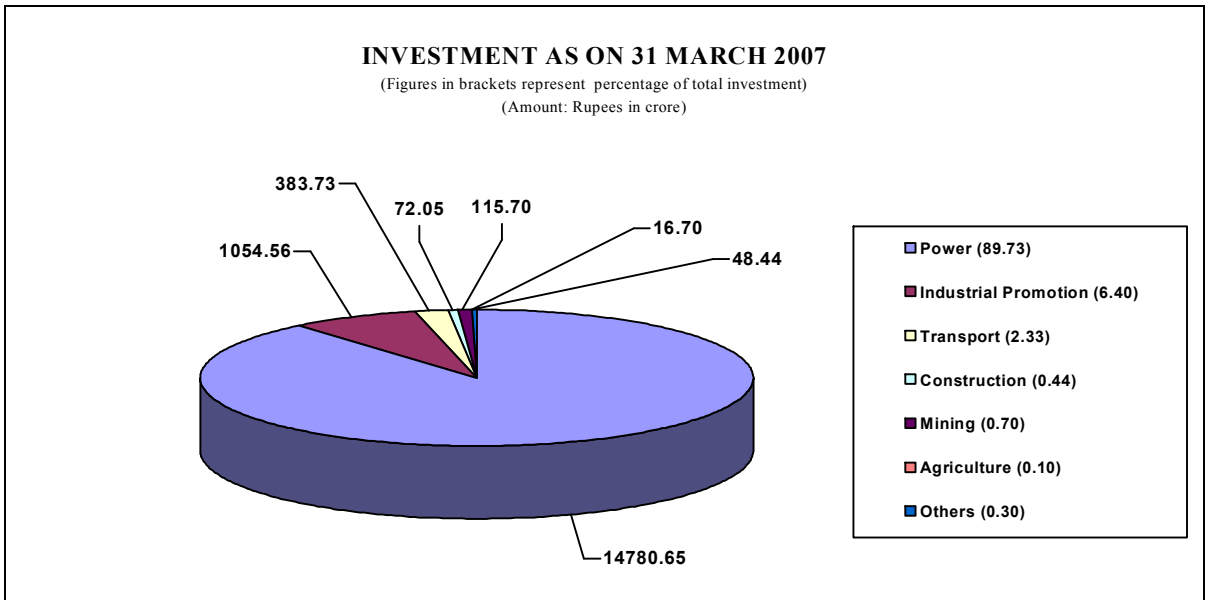
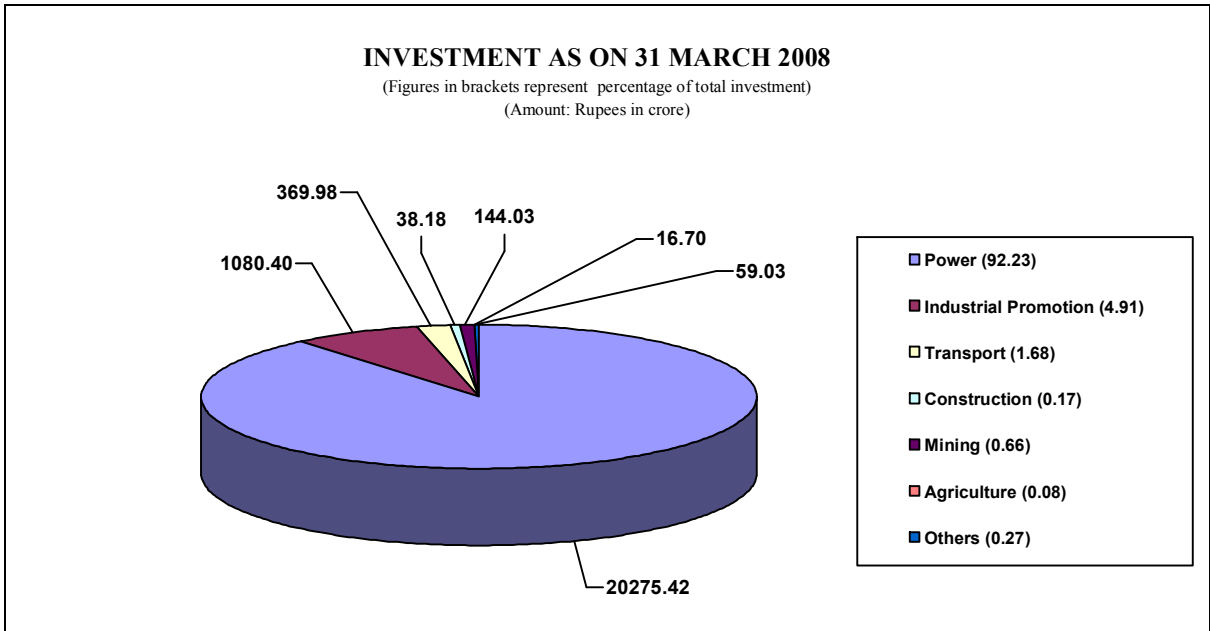
[#] Figures are as furnished by the Companies/Corporations.

^{*} State Government's investment in working PSUs was Rs. 7,743.71 crore (others: Rs. 14,240.03 crore). Figures as per finance accounts 2007-08 is Rs. 8,341.22 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 2008 and 31 March 2007 are indicated in the pie charts.



Working Government Companies

1.3 The total investment in working Government Companies at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)

Year	No. of Companies	Equity	Share application money	Loans	Total
2006-07	22	4779.51	9.78	10478.22	15267.51
2007-08	25	5864.28	1.15	14901.41	20766.84

As on 31 March 2008, the total investment in working Government Companies comprised of 28.24 *per cent* equity capital and 71.76 *per cent* loans as compared to 31.37 and 68.63 *per cent* respectively as on 31 March 2007.

Working Statutory Corporations

1.4 The total investment in three working Statutory Corporations at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)

Name of Corporation	2006-07		2007-08	
	Capital	Loan	Capital	Loan
Rajasthan State Road Transport Corporation	220.06	163.67	220.06	149.21
Rajasthan Financial Corporation	81.53	731.21	86.53	753.25
Rajasthan State Warehousing Corporation	7.85	-	7.85	-
Total	309.44	894.88	314.44	902.46

As on 31 March 2008, the total investment in working Statutory Corporations comprised of 25.84 *per cent* equity capital and 74.16 *per cent* loans as compared to 25.69 and 74.31 *per cent* respectively as on 31 March 2007.

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 2007-08 are indicated below:

(Amount: Rupees in crore)

	2005-06		2006-07		2007-08			
	Companies		Companies		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity Capital	7	635.88	7	700.30	8	1065.71	1	5.00
Loans	3	176.96	3	151.76	3	668.44	-	-
Grant/Subsidy towards:								
(1) Projects/ programmes/schemes	9	1043.99	8	1253.89	10	1516.92	-	-
(2) Others	-	-	-	-	-	-	-	-
Total (1+2)	9	1043.99	8	1253.89	10	1516.92	-	-
Total outgo		1856.83		2105.95		3251.07		5.00

During the year 2007-08, the Government had given guarantee for loans aggregating Rs. 12,705.31 crore obtained by five working Government Companies. As on 31 March 2008, guarantees amounting to Rs. 18,153.83 crore against six working Government Companies (Rs. 18,015.66 crore) and one working Statutory Corporation (Rs. 138.17 crore) were outstanding, as against Rs. 13,139.82 crore against seven working Government Companies (Rs. 12,982.64 crore) and one working Statutory Corporation (Rs. 157.18 crore) outstanding as on 31 March 2007. The guarantee commission paid/payable to the Government by six Government Companies and one Statutory Corporation during 2007-08 was Rs. 15.07 crore and Rs. 1.52 crore respectively.

Finalisation of accounts by working PSUs

1.6 The accounts of the Companies for each financial year are to be finalised within six months from the end of the relevant financial year, as required 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 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 16¹ out of 25 working Government Companies and two² out of three working Statutory Corporations could finalise their accounts for the year 2007-08 (up to September 2008). During the period from October 2007 to September 2008, seven working Government Companies and one Statutory Corporation finalised their prior period accounts.

¹ Sr. Nos. A 1 to 4, 6, 7, 10, 11, 14 to 18 and 20 to 22 of Annexure 2.

² Sr. Nos. B 2 and 3 of Annexure 2.

The accounts of eight³ working Government Companies and one⁴ Statutory Corporation for the year 2007-08 were in arrears for one to two years as on 30 September 2008. Out of these eight working Government Companies, in five¹¹ working Government Companies the State Government has made an investment of Rs. 239.01 crore (equity: Rs. 120.31 crore and long-term loans: Rs. 118.70 crore) and provided a subsidy of Rs. 657.62 crore during the year 2007-08 as shown in **Annexure 8**. Further, out of these five Companies, two¹² Government Companies incorporated in year 2006-07 are yet to finalise their first accounts (September 2008).

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 25 working Government Companies and three working Statutory Corporations, three⁵ Companies and one⁶ Corporation had incurred loss of Rs. 3.09 crore and Rs. 19.14 crore respectively; ten⁷ Companies and two⁸ Corporations earned profit of Rs. 391.23 crore and Rs. 11.74 crore respectively while five⁹ power sector Companies, incorporated in 2000-01, did not show any profit/loss in the accounts finalised for the years 2006-07 and 2007-08 as per the provisions of financial restructuring plan. Seven Companies incorporated in the year 2006-07 and 2007-08 did not commence commercial activities in the year 2007-08.

Working Government Companies

Profit earning working Companies and dividend

1.8 Six¹⁰ working Government Companies (**Annexure 2**), which finalised its accounts for 2007-08 by September 2008, earned an aggregate profit of Rs. 389.45 crore and declared dividend of Rs. 41.19 crore. The dividend as a percentage of share capital in the above profit earning Companies worked out to 13.21 *per cent*. The total return by way of the above dividend worked out to 0.70 *per cent* in 2007-08 on total equity investment of Rs. 5,843.10 crore by the State Government in all the working Government Companies as against 0.25 *per cent* in 2006-07.

³ Sr. Nos. A 5, 8, 9, 12, 13, 19, 23 and 25 of Annexure 2.

⁴ Sr. Nos. B 1 of Annexure 2.

⁵ Sr. Nos. A 1, 4 and 5 of Annexure 2.

⁶ Sr. No. B 1 Annexure 2.

⁷ Sr. Nos. A 2, 3, 6 and 8 to 14 of Annexure 2.

⁸ Sr. Nos. B 2 and 3 of Annexure 2.

⁹ Sr. Nos. A 15 to 19 of Annexure 2.

¹⁰ Sr. Nos. A 2, 3, 6, 10, 11 and 14 of Annexure 2.

¹¹ Sr. Nos. A 5, 12, 19, 23 and 25 of Annexure 2.

¹² Sr. Nos. A 23 and 25 of Annexure 2.

Loss incurring working Government Companies

1.9 Of the three loss incurring working Government Companies, Rajasthan State Handloom Development Corporation Limited had accumulated loss of Rs. 45.01 crore up to March 2007, which exceeded its paid-up capital of Rs. 6.15 crore and Rajasthan State Hotels Corporation Limited (though earned profit during the year 2006-07) had accumulated loss of Rs. 2.66 crore upto March 2007, 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, two¹³ Corporations finalised their accounts for 2007-08. Rajasthan Financial Corporation earned a profit of Rs. 5.49 crore but did not declare any dividend. Rajasthan State Warehousing Corporation earned a profit of Rs. 6.25 crore and declared a dividend of Rs. 0.79 crore during the year 2007-08.

Loss incurring Statutory Corporations

1.11 Out of the three Statutory Corporations, Rajasthan State Road Transport Corporation finalised accounts for 2006-07 and incurred a loss of Rs. 19.14 crore. The accumulated loss of Rs. 394.70 crore exceeded its paid up capital of Rs. 220.06 crore. Rajasthan Financial Corporation (though earned profit during the year 2007-08) had accumulated loss of Rs. 53.95 crore against its paid-up capital of Rs. 86.52 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 2008), the capital employed* worked out to Rs. 31,755.59 crore in 25 working Companies. Total return thereon amounted to Rs. 1,883.19 crore (5.93 *per cent*) as compared to total return of Rs. 1,523.64 crore (6.13 *per cent*) in the previous year. Similarly, the capital employed and total return^{ss} thereon in case of three working Statutory Corporations as per their latest finalised accounts (upto September 2008) worked out to Rs. 903.59 crore and Rs. 74.07 crore

¹³ Sr. Nos. B 2 and 3 of Annexure 2.

* 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).

^{ss} 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.

(8.20 *per cent*), respectively against the total return of Rs. 86.20 crore (8.86 *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

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 the 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 2008)																															
			Commitments made by the State Government																															
1.	Reduction in transmission and distribution losses	20 per cent by 2007-08	Name of the Company	Transmission loss	Distribution loss	Total																												
			RRVPNL	5.94	-	5.94																												
			JVVNL	5.60	28.68	34.28																												
			AVVNL	5.94	34.16	40.10																												
			JdVVNL	5.65	27.88	33.53																												
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 upto March 2008	Percentage																												
			JVVNL	3640	3227	88.65																												
			AVVNL	4291	3954	92.15																												
			JdVVNL	4547	4499	98.94																												
3.	100 per cent electrification of all villages	37,889 villages by 2005	36,125 villages electrified i.e. 95.34 per cent.																															
4.	100 per cent metering of all consumers	30 June 2002	No connection of any category is being released without meter. All flat rate agricultural connections 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 the SERC	-	The 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	The Central Government will allocate additional power as under: (1) Additional 100 MW of surplus power 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 113 MW power has been allotted from Eastern Grid w.e.f. 23 October 2007 on firm basis. (2) No firm allocation of power from Anta Grid Power Station 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 system and renovation and maintenance of thermal plants	Amount released by the Government of India under APDRP 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>2002-03</td> <td>62.82</td> <td>62.82</td> <td>125.64</td> </tr> <tr> <td>2003-04</td> <td>109.85</td> <td>109.85</td> <td>219.70</td> </tr> <tr> <td>2004-05</td> <td>20.245</td> <td>20.245</td> <td>40.49</td> </tr> <tr> <td>2005-06</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>2006-07</td> <td>24.225</td> <td>24.225</td> <td>48.45</td> </tr> <tr> <td>2007-08</td> <td>Nil</td> <td>Nil</td> <td>Nil</td> </tr> </tbody> </table>		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	2007-08	Nil	Nil	Nil
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																															
2007-08	Nil	Nil	Nil																															
General																																		
9.	Monitoring of MOU	Monitoring was required on quarterly basis	Monitoring is being done regularly by SE (Plan) of Jaipur Vidyut Vitran Nigam Limited. Last report was sent in March 2008.																															

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 had finalised its accounts for the years 1999-2000 to 2001-02.

During 2007-08, the Commission scrutinised 37 petitions and 35 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 2008, the total investment in four non-working Government Companies was Rs. 13.64 crore (equity: Rs. 9.26 crore, long-term loans: Rs. 4.38 crore) as against total investment of Rs. 13.58 crore (equity: Rs. 9.26 crore, long-term loans: Rs. 4.32 crore) in the four non-working Companies as on 31 March 2007. 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 fund to non-working Companies during the year 2007-08.

Total establishment expenditure of non-working PSUs

1.18 The total establishment expenditure of Rs. 7.88 lakh (2005-06 Rs. 5.34 lakh, 2006-07 Rs. 1.44 lakh and 2007-08 Rs. 1.10 lakh) of one non-working Company *viz.* Rajasthan Electronics Limited was financed by its holding Company. The remaining three non-working Companies did not incur any expenditure towards establishment.

^s Since replaced by the Electricity Act, 2003.

Finalisation of accounts by non-working PSUs

1.19 Out of four non-working Companies, three¹⁴ Companies finalised their accounts for 2007-08. The account of one¹⁵ non-working Company was in arrear for one year (as on 30 September 2008) as shown in **Annexure 2** in which the State Government has made investment of Rs.6.02 lakh in the year 2007-08 as shown in **Annexure 8**. Two non-working Companies also 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. (-) 37.55 crore against their total paid-up capital of Rs. 9.26 crore. These Companies suffered a cash loss of Rs. 1.31 crore and their accumulated loss worked out to Rs. 46.97 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	2006-07	2007-08	-	-
2.	Rajasthan Financial Corporation	2006-07	2007-08	-	-
3.	Rajasthan State Warehousing Corporation	2006-07	2007-08	17 September 2008	-

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

1.22 No disinvestment or privatisation of Public Sector Undertakings has taken place during 2007-08. The managements of Rajasthan State Hotels Corporation Limited and Rajasthan Tourism Development Corporation

¹⁴ Sr. Nos. C 2 to 4 of Annexure 2.

¹⁵ Sr. Nos. C 1 of Annexure 2.

[§] Restructuring includes merger and closure of PSUs.

Limited proposed a merger of the two Companies in February/August 2001 which has so far not materialised.

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

1.23 During the period from October 2007 to September 2008, the accounts of 17 Government Companies (16 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 their accounts 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	4	-	21.66	-	1	35.27
Increase in loss	-	-	-	-	1	3.43

Errors and omissions noticed in case of Government Companies

1.24 (a) As a result of audit of accounts of various Companies under Section 619(3) of the Companies Act 1956, the following some of important observations were made by the Statutory Auditors:

Rajasthan Jal Vikas Nigam Limited (2007-08)

- The Company did not follow the Accounting Standard (AS) 2 - Valuation of inventories.

Rajasthan State Seeds Corporation Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 9: Revenue Recognition, AS 12: Accounting for Government Grants, AS 15: Accounting for retirement benefits, AS 17: Segment Reporting and AS 28: Impairment of Assets.

Rajasthan State Industrial Development and Investment Corporation Limited (2007-08)

- Non valuation of stock of land measuring 361.66 acres valuing Rs. 11.16 crore on 31 March 2008 being under litigation and/or encroachment, though the said land was treated as saleable.

- Expenditure relating to maintenance of transferred industrial areas amounting to Rs. 2.68 crore was treated as expenditure of the Company without retaining income from such areas.

Rajasthan Small Industries Corporation Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 1: Disclosure of Accounting policy, AS 15: Accounting for retirement benefits, AS 28: Impairment of assets and AS 29: Provisions, Contingent Liabilities and Contingent Assets.

- The Company did not provide interest amounting to Rs. 2.64 crore upto 31 March 2008 on the overdue amount of Rs. 3.19 crore payable to Rajasthan State Mines and Minerals Limited. The same resulted in understatement of current liabilities and loss by the similar amount.

Rajasthan State Mines and Minerals Limited (2007-08)

- The Company did not provide for liability of additional excavation amounting to Rs. 1.93 crore in the books of accounts and therefore the Profit was overstated and Current Liabilities were understated to that extent. The effect of liability of additional excavation of earlier years amounting to Rs. 13.93 crore approximately was also not provided in the books.

Rajasthan State Ganganagar Sugar Mills Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 2: Valuation of inventories, AS 15: Accounting for retirement benefits, and AS 28: Impairment of assets.

- Short provision of Rs. 12.14 crore against Gratuity as per actuarial valuation resulted into overstatement of General Reserve and understatement of Current Liabilities and Provisions to this extent.
- Cost of past services for leave encashment of Rs. 3.27 crore was charged to Profit and Loss account instead of General Reserve.

Rajasthan Rajya Vidyut Utpadan Nigam Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 2: Valuation of inventory, AS 3: Cash flow statement, AS 10: Accounting for fixed assets, AS 15: Accounting for retirement benefits, AS 22: Accounting for taxes on income and AS 28: Impairment of assets.

- The Company had capitalized administrative and financing cost of Rs. 27.44 crore to the fixed assets of Giral-I Unit after the project was ready for production. This resulted into over statement of capital work in progress and over statement of profit and loss account by this amount.
- In Suratgarh Thermal Power Station (STPS) - MMH units, Rs. 3.72 crore had been shown as Work-in-Progress. However, the construction works in these units had already been completed long before and assets were put to use. As a result, the fixed assets were understated and capital work in progress was overstated by same amount.
- The value of inventory as per financial statements was not reconciled with the value of inventory as per store ledgers. The difference in figures of two records was of Rs. 20.89 crore.
- The Company instead of adjusting interest subsidy of Rs. 46.88 crore received from the State Government from the receivables had accounted the same as income in the year of receipt. This had resulted in under statement of prior period expenditure and over statement of other Assets by Rs. 46.88 crore.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 2: Valuation of inventory, AS 4: Contingencies and events occurring after the balance sheet date, AS 5: Net Profit or loss for the period, prior period items and change in accounting policies, AS 6: Depreciation accounting, AS 9: Revenue recognition, AS 10: Accounting for fixed assets, AS 15: Accounting for retirement benefits, AS 16: Borrowing costs, AS 22: Accounting for taxes on income, AS 27: Financial reporting of interests in joint ventures, AS 28: Impairment of assets, and AS 29: Provisions Contingent Liabilities and Contingent Assets.

- A sum of Rs. 15.80 crore due from BBMB* had been shown under other receivables. Realisability of the same was considered doubtful for which no provision had been made.
- Common pool expenditure of Rs. 47.81 crore, receivable (net of payable) from other Boards was not confirmed/reconciled. Hence, nothing could be commented on realisability of the above amount.
- Proper records relating to fixed assets had not been maintained and the system of physical verification was deficient and hence discrepancies including non existence of assets and their not being in working condition could not be commented upon.

* Bhakra Beas Management Board

- Income by way of interest on deferred subvention receivable from Government amounting to Rs. 26.39 crore for the current year and Rs. 79.46 crore of earlier years had not been accounted for.
- The capitalisation was found to be improper, resulting in incorrect charging of depreciation in the following cases:
 - a. A sum of Rs. 2.06 crore pertaining to the works commissioned in earlier years was accounted for in the current year.
 - b. Errors of Rs. 0.71 crore in capitalisations of fixed assets in earlier years.
 - c. Works completed in earlier years but not capitalized in respective years amounting to Rs. 18.90 crore.
 - d. Works on which no expenditure was incurred during the year but not capitalized during earlier years amounting to Rs. 7.12 crore.

The corresponding impact on depreciation could not be quantified for want of complete details.

- Balance (Dr.) of Rs. 26.01 crore in Inter Unit Account included old amounts being carried over without adjustments due to non reconciliation of the inter unit accounts. The corresponding impact could not be quantified as the details of old balances were not available.

Jaipur Vidyut Vitran Nigam Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 2: Valuation of Inventory, AS 3: Cash Flow Statement, AS 6: Accounting for Depreciation, AS 9: Revenue Recognition, AS 10: Accounting for Fixed Assets, AS 11: Account for the effects of changes in foreign Exchange Rates, AS 12: Accounting for Government Grants, AS 15: Accounting for retirement benefits, AS 16: Borrowing Costs, AS 22: Accounting for Taxes on Income and AS 28: Impairment of Assets.

- The Company had accounted for Rs. 693.87 crore being subvention receivable against revenue gap for the year 2007-08 and Rs. 31.72 crore being subsidy receivable from the State Government against rebate allowed to agricultural consumers subject to confirmation thereof; which was not in accordance with AS 9. Further, total subsidy receivable of Rs. 2218.89 crore from the Government was also subject to confirmation.
- Addition of employees costs Rs. 71.59 crore and administrative costs Rs. 11 crore to the fixed assets was on adhoc basis, which were in contravention of AS 10.

- The Company had eliminated Rs. 98.78 crore from fixed assets where benefit was still expected from its use and not held for disposal. The same resulted in understatement of Fixed Assets and overstatement of inventories by the similar amount. Impact on depreciation could not be quantified.

Jodhpur Vidyut Vitran Nigam Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 1: Disclosure of accounting policies, AS 2: Valuation of inventories, AS 5: Net Profit or Loss for the period prior period items and change in the accounting policies, AS 6: Depreciation accounting, AS 9: Revenue recognition, AS 10: Accounting for fixed assets, AS 12: Accounting for Government grants, AS 15: Accounting for retirement benefit, AS 16: Borrowing cost and AS 22: Accounting for taxes on income.

- The information and explanations relating to reconciliation of bank statement, reconciliation of net salary payable account, reconciliation of inter unit accounts, details of liability for O&M supply and details of staff advance & liabilities were not provided by the Company.

In the absence of proper details and reconciliation, accounts did not show true and fair position in this regard.

- Reserves for material costs variation *i.e.* difference of standard rate of material and actual cost, was a hypothetical figure and the same was directly credited to reserve and surplus head which resulted into over capitalisation and over charging in revenue expenditure. This was in violation of AS 2, AS 6 and AS 10 and resulted into creation of fictitious reserve to the extent of Rs. 83.04 crore as on 31 March 2008, affecting the true and fair position of the state of affairs and profit/loss of the Company.
- The provision for obsolete and unserviceable stores Rs. 2.65 crore was carried forward from earlier years and there were no details of such provisions. In absence of such basic accounting data, the true and fair position of stock and its effect on Profit and Loss could not be ascertained.
- The Company had transferred Rs. 18.71 crore being a portion of interest on borrowings attributable to construction. The basis of borrowed cost capitalised was not accordance with the AS 16. In absence of details the extent of under/over capitalisation of interest and finance charges could not verified.
- The Company had not maintained proper fixed assets register. However, details in form of fixed assets register were prepared upto 31 March 2005 and depreciation was charged on estimated basis.

1.24 (b) As a result of Supplementary audit of accounts of various Companies under Section 619(4) of the Companies Act 1956, the following important points were noticed by the Comptroller and Auditor General of India:

Rajasthan State Industrial Development and Investment Corporation Limited (2006-07)

- Fixed assets included Rs. 32 lakh being unamortised amount of additional demand of Rs. 40 lakh raised during June 2006 by the State Government for the right to use of the rooms in Rajasthan State Guest House at New Delhi which was allotted during 2001-02. This had resulted in overstatement of fixed assets (net block) and net profit by Rs. 32 lakh.

Rajasthan State Industrial Development and Investment Corporation Limited (2007-08)

- The Interest on Tax was understated by Rs. 1.43 crore due to non-accountal of the liability of interest payable on income tax for the assessment year 2005-06. Consequently, Current Assets (Advance to Income Tax Office) were also overstated to that extent.
- The other liabilities were understated by Rs. 8.71 crore, being liability towards gratuity premium demanded by Life Insurance Corporation of India, based on the actuarial valuation. Consequently, the profit was also overstated to that extent.

Rajasthan Tourism Development Corporation Limited (2006-07)

- The provision was understated by Rs. 11.85 crore in respect of gratuity and leave salary encashment liability as on 31 March 2007. Non-provision for shortfall had resulted in understatement of provisions for gratuity liability (Rs. 7.60 crore), leave salary encashment (Rs. 4.25 crore) and overstatement of profit for the year by Rs. 11.85 crore.

Rajasthan Renewable Energy Corporation Limited (2006-07)

- The incidental expenditure during construction period was overstated by Rs. 1.52 crore due to non-writing off of the expenditure incurred on salary, office expenses, consultancy charges for 140 MW Integrated Solar Combined Cycle Mathania Project, which was found to be commercially unviable. Consequently, Reserve and Surplus had also been overstated to this extent.

Jodhpur Vidyut Vitran Nigam Limited (2006-07)

- The subvention against Electricity Duty had been overstated by Rs. 2.60 crore due to non-adjustment of excess subsidy paid which was subsequently adjusted by the State Government. Consequently, Other Current Liabilities had been understated to that extent.

- The subvention had been understated by Rs. 2.57 crore due to non-accountal of interest subsidy receivable from the Government of Rajasthan on World Bank Loan. Consequently, Current Assets (other receivables) had been understated to that extent.
- Depreciation had been overstated by Rs. 55.97 crore due to charging of depreciation at the rates notified by Government of India instead of rates prescribed by the Rajasthan Electricity Regulatory Commission. Consequently, the Fixed Assets (Net Block) had been understated to that extent.
- The purchase of power had been understated by Rs. 1.60 crore due to non-adjustment of final cost of purchase of power as intimated by Rajasthan Rajya Vidyut Utpadan Nigam Limited. Consequently, sundry creditors had been understated to that extent.
- The Loan Funds - Secured Loans had been overstated by Rs. 209.84 crore due to inclusion of loans secured by the Government guarantee only, instead of being secured against tangible assets. As a result, unsecured loans had been understated to that extent.
- The loan funds (unsecured) had been overstated by Rs. 7.47 crore due to inclusion of World Bank Loan (Rs. 5.18 crore) and APDRP Loan of (Rs. 2.29 crore) which had become due for payment on 1 October 2006. Consequently current liabilities had been understated to that extent.
- The grants towards cost of capital assets had been understated by Rs. 2.15 crore due to non-accountal of subsidy in respect of Rajiv Gandhi Grameen Vidhutikaran Yozana which was released by the Rural Electrification Corporation Limited (REC) on 31 March 2007. Consequently, Other Assets (Other receivables) had been understated to that extent.

Errors and omission noticed in case of Statutory Corporations

1.25 (a) As a result of audit of accounts of various Corporations, the following important observations were made by the Statutory Auditors:

Rajasthan Financial Corporation (2007-08)

- The preparation of financial statements on cash (receipts and disbursement) basis, resulted in non compliance of following Accounting Standards:

AS 3: Cash flow statements, AS 4: Contingencies and events occurring after the balance sheet date, AS 5: Net profit or loss for the period, prior period items and change in accounting policies, AS 9: Revenue recognition, AS 13: Accounting for investments, AS 15: Accounting for retirement benefits, AS 17: Segment reporting, AS 18: Related party disclosures, AS 22: Accounting for taxes on income, AS 28: Impairment

of assets, and AS 29: Provisions, Contingent Liabilities and Contingent Assets.

- Loans and Advances of Rs. 929.83 crore had been shown at gross value without deducting therefrom Special Reserve of Rs. 58.04 crore (created u/s 36(1)(viii) of the Income Tax Act) and provision for Non Performing Assets (NPA) of Rs. 94.85 crore in contravention of various SIDBI circulars in respect of NPA classification and provisioning.
- The amount and the details of the cases where the possession of the units was taken by the Corporation were not available and hence the unsecured portion of Loans and Advances on this account was not ascertainable.
- Rs. 19.35 lakh and Rs. 10.56 crore representing Advance Interest Tax and Income Tax Deposit respectively had been shown as "Other Assets" in the Balance Sheet, since appellate proceedings at various forums were pending and the Corporation was confident of full refund thereagainst. However, provision of additional tax liability in respect of certain additions sustained in IT proceedings and said addition not being subject matter of further appeals, had neither provided for, nor quantified.

1.25 (b) As a result of audit of accounts of various Corporations, the following important points were noticed by the Comptroller and Auditor General of India:

Rajasthan Financial Corporation (2006-2007)

- The interest on borrowings, bonds and deposits did not include Rs. 67.33 lakh on account of interest on matching contribution payable in Provident Fund account for the years 2005-06 and 2006-07 due to withdrawal of Pension Scheme in 2004-05. This had resulted in understatement of interest on borrowings, bonds and deposits *etc.* by Rs. 43.33 lakh, prior period expenditure by Rs. 24 lakh and overstatement of net profit by Rs. 67.33 lakh. This had also resulted in understatement of other liabilities by Rs. 67.33 lakh.
- The personal and administrative expenditure did not include Rs. 1.15 crore payable as contribution to Provident Fund Scheme due to withdrawal of Pension Scheme. Non-provision of PF contribution had resulted in overstatement of net profit and understatement of other liabilities by Rs. 1.15 crore.
- The provision for Non Performing Assets (NPA) did not include Rs. 15.26 crore short provided by the Corporation against non-performing assets which was required to be made as per directions issued by SIDBI effective from 31 March 2007. This had resulted in understatement of Provision for NPA and overstatement of net profit by Rs. 15.26 crore.

- The net profit was overstated by Rs. 18.19 crore due to non creation of deferred tax liability for Special Reserve created under section 36(i) (viii) of the Income Tax Act in violation of AS 22. Consequently, provisions had also been understated.

Rajasthan State Road Transport Corporation (2006-2007)

- The loss of the Corporation remained understated by Rs. 3.43 crore mainly due to non-provision of liability of House Tax (Rs. 2.21 crore), land and building tax (Rs. 0.94 crore), non-provision of license fees (Rs. 0.23 crore) and considering the advance sale of tickets as income for current year (Rs. 0.05 crore).

Recoveries at the instance of Audit

1.26 Test checks of records of Power Sector and other Companies/other PSUs conducted during 2007-08 disclosed wrong levy/non levy/short levy of tariff/short realisation of revenue or other observations aggregating Rs. 50.15 crore in 155 cases. The PSUs/Companies accepted the observations pointed out by Audit in 143 cases, and a sum of Rs. 18.55 crore relating to 42 audit observations was recovered as compared to Rs. 1.01 crore relating to 21 audit observations during the period 2006-07.

Internal audit/internal control

1.27 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 7**. It will be seen from the annexure that major comments were of the following nature:

- There was no Internal Audit System in two* Companies.
- The Internal Audit System was not commensurate with the size and nature of business in 11 Government Companies and two Statutory Corporations.

* Rajasthan State Handloom Development Corporation Limited and Rajasthan Jal Vikas Nigam Limited

- 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.

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

1.28 During October 2007 to September 2008, total 6 reviews and 33 paragraphs were discussed by the COPU. Out of five reviews and 20 paragraphs included in Audit Report (Commercial) for the year 2006-07, two paragraphs were discussed so far (September 2008).

619-B Companies

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

