

CHAPTER-I

1. Overview of Government Companies and Statutory corporations

Introduction

1.1 As on 31 March 2007, there were 88 Government Companies (48 working Companies and 40 non-working Companies¹) and seven working Statutory corporations under the control of the State Government, as against 87 Government Companies (48 working Companies and 39 non-working Companies) and seven working Statutory corporations as on 31 March 2006. According to information received during the year 2006-07, one non-working company² under liquidation was finally dissolved and two Companies³, which had earlier informed that they had merged with their holding Company, further informed that due to non-completion of legal formalities they existed as separate legal entities. The accounts of the Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Uttar Pradesh State Road Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950	sole audit by CAG
2.	Uttar Pradesh State Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	audit by Chartered Accountants and supplementary audit by CAG
3.	Uttar Pradesh State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	audit by Chartered Accountants and supplementary audit by CAG
4.	Uttar Pradesh Avas Evam Vikas Parishad	Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	sole audit by CAG
5.	Uttar Pradesh Jal Nigam	Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	
6.	Uttar Pradesh Forest Corporation	Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	audit by CAG ⁴
7.	Uttar Pradesh Government Employees Welfare Corporation ⁵	Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	audit by Chartered Accountants and supplementary audit by CAG

The State Government had formed Uttar Pradesh Electricity Regulatory Commission and its audit is entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003.

¹ Non-working Companies are those that are in the process of liquidation/closure/merger, etc.

² Mohammedabad Peoples Tannery Limited.

³ Handloom Intensive Development Corporation (Gorakhpur and Basti) Limited and Handloom Intensive Development Corporation (Bijnore) Limited, both subsidiaries of Uttar Pradesh State Handloom Corporation Limited.

⁴ Audit is also being conducted by Examiner, Local Fund Account as the amendment in the Act is still awaited.

⁵ The Separate Audit Report of the CAG is not to be placed in the State Legislature in the absence of any specific provision in the rules of the Corporation, which is registered under the Societies Registration Act, 1860.

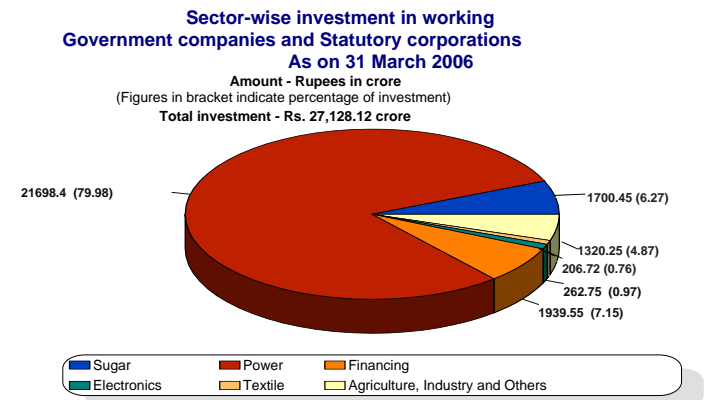
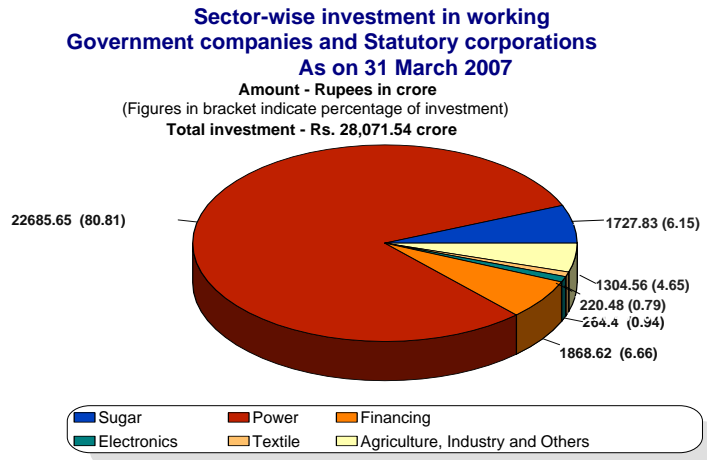
Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2007, the total investment in 55 working PSUs (48 Government Companies and seven Statutory corporations) was Rs.28071.54 crore* (equity: Rs.11603.48 crore, share application money: Rs.7714.18 crore and long term loans** : Rs.8753.88 crore) as against total investment of Rs.27,128.12 crore (equity: Rs.11,152.92 crore, share application money: Rs.7,733.56 crore and long term loans: Rs.8,241.64 crore) in 55 working PSUs (48 Government Companies and seven Statutory corporations) as on 31 March 2006. Increase in total investment was due to increase in equity and loans mainly in the PSUs in power, sugar and textile sectors. The analysis of investment in working PSUs is given in the following paragraphs.

Sector-wise investment in working Government Companies and Statutory corporations

The investment (equity and long term loans) in PSUs in various sectors and percentage thereof at the end of 31 March 2007 and 31 March 2006 are indicated in the pie charts as follows:



Working Government Companies

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

* State Government's investment in working PSUs was Rs.18293.22 crore (others: Rs.9778.32 crore). Figures as per Finance accounts 2006-07 is Rs.22873.62 crore, the difference is under reconciliation.
** Long term loans mentioned in para 1.2, 1.4, 1.5 and 1.18 are excluding interest accrued and due on such loans.

(Rupees in crore)

Year	Number of Companies	Equity	Share application money	Loans	Total
2005-06	48	10650.34	7731.35	6834.70	25216.39
2006-07	48	11100.90	7711.97	7422.60	26235.47

Source: Information furnished by the Companies.

Investment in the current year has increased over the previous year due to increase in equity and loans mainly in PSUs in the power, sugar, textiles and electronics sectors.

As on 31 March 2007, the total investment in working Government Companies comprised 71.71 per cent of equity capital and 28.29 per cent of loans as compared to 72.90 per cent and 27.10 per cent respectively as on 31 March 2006.

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

Working Statutory corporations

1.5 The total investment in seven working Statutory corporations at the end of March 2006 and March 2007* was as follows:

(Rupees in crore)

Name of the corporation	2005-06		2006-07	
	Capital	Loan	Capital	Loan
Uttar Pradesh State Road Transport Corporation	312.13	211.77	312.13	182.59
Uttar Pradesh Financial Corporation	179.28	1008.32	179.28	1008.32
Uttar Pradesh State Warehousing Corporation	11.17 (2.21)	55.45	11.17 (2.21)	39.87
Uttar Pradesh Forest Corporation**	-	-	-	-
Uttar Pradesh Avas Evam Vikas Parishad**	-	-	-	Nil
Uttar Pradesh Jal Nigam**	-	129.75	-	98.85
Uttar Pradesh Government Employees Welfare Corporation**	-	1.65	-	1.65
Total	502.58 (2.21)	1406.94	502.58 (2.21)	1331.28

(Figures in bracket indicate share application money)

Source: Information furnished by the corporations.

As on 31 March 2007, the total investment in working Statutory corporations comprised 27.49 per cent of equity capital and 72.51 per cent of loans compared to 26.40 per cent and 73.60 per cent respectively as on 31 March 2006.

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

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

1.6 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to

* Figures for the year 2006-07 are provisional.

** Do not have share capital and information in respect of Uttar Pradesh Forest Corporation not furnished by the Corporation.

working Government Companies and working Statutory corporations are given in **Annexure-1 and 3**.

The budgetary outgo in the form of equity, loans and grants/subsidies from the State Government to working Government Companies and working Statutory corporations for the three years up to 2006-07 are given below:

(Rupees in crore)

Particulars	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
A. (i) Equity Capital outgo from budget	7	5,575.04	-	-	4	420.86	-	-	5	423.31	--	--
(ii) Loans given from budget	9	453.40	1	3.02	12	508.98	1	30.00	6	126.28	--	--
Total A (i)+(ii)	13	6,028.44	1	3.02	16	929.84	1	30.00	11	549.59	--	--
B. Grants/Subsidy for:												
(i) Projects/programmes/schemes	7	1,297.26 ¹	1	76.91	5	479.01 ³	1	2.02	3	145.38	01	2.62 ⁵
(ii) Other	3	5.23 ²	-	-	2	3.31 ⁴	-	-	1	4.38	--	--
Total B (i) + (ii)		1,302.49	-	76.91	-	482.32	-	2.02	-	149.76	01	2.62
Total outgo (A + B)	17⁶	7,330.93	1⁶	79.93	21⁶	1412.16	2	32.02	13⁶	699.35	01⁶	2.62

Source: Information furnished by the Companies/corporations.

During the year 2006-07, the Government had guaranteed the loans aggregating Rs.4362.05 crore obtained by nine working Companies. At the end of the year, guarantees amounting to Rs.7489.72 crore against 10 working Government Companies (Rs.6941.73 crore) and two working Statutory corporations (Rs.547.99 crore) were outstanding. The guarantee commission paid/payable to the State Government by two⁷ Government Companies and by one⁷ Statutory corporations during the year 2006-07 was Rs.4.84 crore and Rs.31.27 lakh respectively.

Finalisation of accounts by working PSUs

1.7 The accounts of the Government Companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the 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 to be finalised, audited and presented to the Legislature as per the provisions of the respective statutes.

Out of 48 working Government Companies, only five⁸ working Government Companies finalised their accounts for the year 2006-07 and none of the seven working Statutory corporations, finalised their accounts for 2006-07 within the stipulated period. During October 2006 to September 2007, 32 working

¹ Includes grant of Rs.129.69 crore.

² Includes grant of Rs.1.11 crore.

³ Includes grant of Rs.3.21 crore.

⁴ Includes grant of Rs.3.25 crore.

⁵ Grant.

⁶ These are the actual number of Companies /corporations which have received budgetary support in the form of equity, loans, grants and subsidies from the Government during the respective years.

⁷ Out of 10 working Government Companies and two Statutory corporations against which guarantees were outstanding, information has been furnished by only two Government Companies (Uttar Pradesh Rajya Chini Evam Ganna Vikas Nigam Limited and Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited) and one Statutory corporation (Uttar Pradesh State Road Transport Corporation) (Annexure-3).

⁸ Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited, Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited, Uptron Powertronics Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited), Shreetron India Limited (Subsidiary of Uttar Pradesh Electronics Corporation Limited) and Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited (Annexure-2).

Government Companies finalised their 36 accounts for previous years. Similarly, during this period, four working Statutory corporations finalised five accounts for previous years.

The accounts of 43 working Government Companies and seven Statutory corporations were in arrear for periods ranging from 1 to 15 years as on 30 September 2007 as detailed below:

SI No	No. of working Companies/corporations		Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial No. of Annexure-2	
	Government Companies	Statutory corporations			Government Companies	Statutory corporations
1	2	3	4	5	6	7
1	1	--	1992-93 to 2006-07	15	A-24	--
2	1	--	1993-94 to 2006-07	14	A-17	--
3	2	--	1994-95 to 2006-07	13	A-10, 43	--
4	1	--	1996-97 to 2006-07	11	A-14	--
5	1	--	1998-99 to 2006-07	9	A-46	--
6	1	1	1999-2000 to 2006-07	8	A-6	B-4
7	2	--	2000-01 to 2006-07	7	A-8, 21	--
8	3	--	2001-02 to 2006-07	6	A-9, 23, 44	--
9	1	1	2003-04 to 2006-07	4	A-34	B-7
10	12	--	2004-05 to 2006-07	3	A-1, 7, 18, 29, 30, 33, 36, 37, 38, 39, 47,48	--
11	3	2	2005-06 to 2006-07	2	A-28, 32, 45	B-5, 6
12	15	3	2006-07	1	A-4, 5, 11, 15, 16, 19, 20, 22, 25, 26, 27, 31, 35, 40, 41	B-1, 2, 3

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

Financial position and working results of working PSUs

1.8 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 have been finalised, are given in **Annexure-4 and 5** respectively.

According to the latest finalised accounts of 48 working Government Companies and seven working Statutory corporations, 21 Companies and two corporations had incurred an aggregate loss of Rs.1441.07 crore and Rs.24.64 crore

respectively, 26 Companies and five corporations earned an aggregate profit of Rs.867.45 crore and Rs.98.17 crore respectively. One working Government company¹ was under construction.

Working Government Companies

Profit earning working Companies and dividend

1.9 The Government formulated (October 2002) a dividend policy for payment of minimum dividend and directed the PSUs to pay a minimum dividend of 5 per cent on the capital invested by the Government from financial year 2002-03. Out of 32 working Government Companies which finalised their accounts for previous years by September 2007, 18 Companies earned an aggregate profit of Rs.845.43 crore, and 13² of these Companies earned profit for two or more successive years. Only three³ Companies declared dividend of Rs.1.45 crore.

The dividend as a percentage of share capital (Rs.28.08 crore) in above three Companies worked out to 5.16. The remaining 15 profit earning Companies did not declare any dividend. The total return by way of dividend of Rs.1.45 crore worked out to 0.009 per cent in 2006-07 on total equity investment of Rs.16635.51 crore by the State Government in all the working Government Companies as against 0.014 per cent in the previous years.

Loss incurring working Government Companies

1.10 Of the 21 loss incurring working Government Companies, 12 Companies had accumulated losses aggregating Rs.6884.87 crore, which exceeded their aggregate paid up capital of Rs.5021.18 crore (**Annexure-2**).

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these Companies in the form of loans. According to available information, out of these 12 Companies, the total financial support so provided by the State Government by way of loans during 2006-07 to four Companies amounted to Rs.30.13 crore.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.11 Three⁴ out of four working Statutory corporations which finalised their accounts for previous years by September 2007, earned an aggregate profit of Rs.67.03 crore. All these three corporations, earned profit for two or more successive years and one corporation (Uttar Pradesh State Warehousing Corporation) declared dividend amounting to Rs.1.51 crore.

Loss incurring Statutory corporations

1.12 One Statutory corporation (Uttar Pradesh Government Employees Welfare Corporation), out of two loss incurring working Statutory corporations, which

¹ UPSIDC Power Company Limited (Subsidiary of Uttar Pradesh State Industrial Corporation Limited).

² Uttar Pradesh Bhumi Sudhar Nigam, Uttar Pradesh Matsya Vikas Nigam Limited, Uttar Pradesh Beej Vikas Nigam, Uttar Pradesh Rajkiya Nirman Nigam Limited, Uttar Pradesh Police Avas Nigam Limited, Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited, Uttar Pradesh Samaj Kalyan Nirman Nigam Limited, Uttar Pradesh Pichhara Varg Vitta Evam Vikas Nigam Limited, Uttar Pradesh State Sugar Corporation Limited, Uttar Pradesh Drugs and Pharmaceuticals Limited, Uttar Pradesh State Industrial Development Corporation Limited, Uttar Pradesh Development Systems Corporation Limited and Uttar Pradesh Purva Sainik Kalyan Nigam Limited (Annexure-2).

³ Uttar Pradesh Rajkiya Nirman Nigam Limited, Uttar Pradesh Police Avas Nigam Limited and Uttar Pradesh State Industrial Development Corporation Limited (Annexure-2).

⁴ Uttar Pradesh State Road Transport Corporation, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh Avas Evam Vikas Parishad (Annexure-2).

finalised their accounts for previous years by September 2007, had accumulated profit of Rs.11.33 crore. This corporation has no paid-up capital.

Operational performance of working Statutory corporations

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

Return on capital employed

1.14 As per the latest finalised annual accounts of PSUs, the capital employed* worked out to Rs.14,599.13 crore in 48 working Companies and total return** thereon amounted to Rs.337.05 crore as compared to total return of Rs.(-) 582.00 crore in the previous year. Similarly, the capital employed and total return thereon in case of seven working Statutory corporations as per their latest finalised annual accounts worked out to Rs.6712.16 crore and Rs.171.75 crore (2.56 per cent) respectively, as against the total return of Rs.288.75 crore (4.23 per cent) in previous year. The details of capital employed and total return on capital employed in case of the working Government Companies and Statutory corporations are given in **Annexure-2**.

Reforms in the power sector

Status of implementation of MOU between the State Government and Central Government

1.15 A memorandum of understanding (MOU) was signed (February 2000) between the Government of India and the Government of Uttar Pradesh as a joint commitment for implementation of reforms programme in power sector with identified milestones.

Status of implementation of the reforms programme against each commitment made in MOU is detailed below:

Sl. No.	Reforms programme commitment as per MOU	Targeted completion schedule	Present status
1	2	3	4
I	By the State Government:		
(i)	Installation of meters on all 11 KV feeders	30 September 2000	97 per cent meters installed on feeders of transmission network and 99.21 per cent meters installed on feeders of distribution network (March 2007).
(ii)	100 per cent metering of all consumers	31 December 2001	Only 58.70 per cent consumers could be metered (June 2007).
(iii)	Online billing at 20 selected towns	31 March 2001	Introduced in one town only i.e. Lucknow in September 2006. Online billing in other 17 towns is under consideration.
(iv)	Upgradation of distribution system	Nil	Various works viz. rearrangement of service lines, installation of capacitor banks, construction of lines, installation of transformers and augmentation of distribution system were at various stages of completion (September 2007).
(v)	Privatisation of distribution sector, if commercial viability is not achieved	Nil	No privatisation has been done so far (September 2007).

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

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

1	2	3	4
II	By the Central Government:		
(i)	Support from the Government of India for financing renovation and modernisation of existing thermal and hydro power stations	Nil	Loan of Rs.1103.98 crore has been sanctioned by the Power Finance Corporation to Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited. Besides this loan of Rs.18.06 crore and subsidy of equal amount has been sanctioned by Government of India under Accelerated Power Development Reform Programme (APDRP) schedule (March 2006).
(ii)	Support from the Government of India for undertaking construction of important transmission works	Nil	UPPCL received Rs.986.78 crore from Power Finance Corporation against 57 projects (March 2007).

Source: Information furnished by UPPCL.

1.16 Uttar Pradesh Electricity Regulatory Commission (Commission) was formed on 10 September 1998 under Section 17 of Electricity Regulatory Commission Act, 1998¹. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. The audit of accounts of the Commission has been entrusted to CAG under Section 104 (2) of the Electricity Act, 2003. The Commission had issued six tariff orders up to September 2007.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

1.17 As on 31 March 2007, the total investment in 40 non-working PSUs (all Government Companies) was Rs.878.96 crore² (equity: Rs.391.87 crore, share application money: Rs.48.88 crore and long term loans: Rs.438.21 crore) as against the total investment of Rs.875.84 crore (equity: Rs.391.88 crore, share application money: Rs.45.85 crore and long term loans: Rs.438.11 crore) in 39 non-working PSUs (all Government Companies) as on 31 March 2006.

The classification of non-working Government Companies at the end of March 2007 was as under:

(Rupees in crore)

Status of non-working Government Companies	Number of Companies	Investment	
		Equity ³	Long term loans
1	2	3	4
Under liquidation/ closure	10	59.09	150.77
Under merger	3	0.47	--
Defunct and non-operating Companies	27	381.19	287.44
Total	40	440.75	438.21

Source: Information furnished by the Companies.

Of the above non-working Government Companies, 10 Government Companies were under liquidation/closure under Section 560 of the Companies Act, 1956 for 4 to 32 years and substantial investment of Rs.209.86 crore was involved in these Companies. Effective steps need to be taken for their expeditious liquidation or revival.

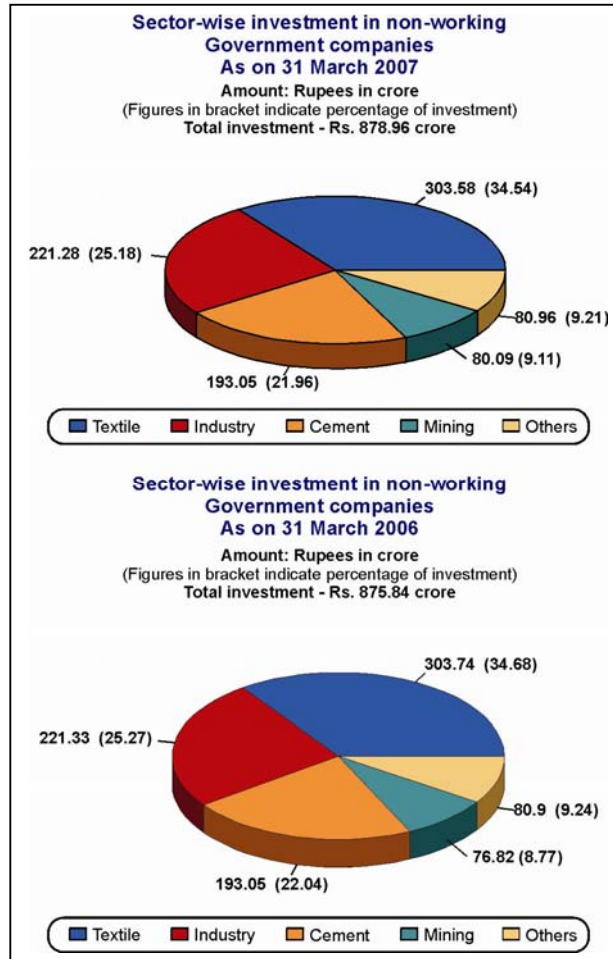
¹ Since replaced with Section 82 (1) of the Electricity Act, 2003.

² State Government investments was Rs.654.07 crore (Others: Rs.224.89 crore). Figures as per finance accounts 2006-07 is Rs.686.17 crore. The difference is under reconciliation.

³ Including share application money of Rs.48.88 crore in respect of defunct and non-operating Companies.

Sector-wise investment in non-working Government Companies

1.18 The investment (equity and long term loans) in PSUs in various sectors and percentage thereof at the end of 31 March 2007 and 2006 are indicated in the pie charts as follows:



Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity

1.19 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of non-working Government Companies are given in Annexures-1 and 3.

During the year 2006-07, there was budgetary outgo in the form of equity amounting to Rs.3.03 crore to one* non-working company. At the end of March 2007, guarantees amounting to Rs.37.03 crore in respect of five non-working Companies were outstanding.

Total establishment expenditure on non-working PSUs

1.20 The year-wise details of establishment expenditure incurred by non-working Government Companies and the sources of financing them during the last three years up to 2006-07 are given below:

* Uttar Pradesh State Mineral Development Corporation Limited (Annexure-1).

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by				
			Disposal of investment/ assets	Loans from private parties	Government by way of		Others
					Loans	Grants	
2004-05	5	1.13	-	-	-	-	1.13
2005-06	3	0.52	-	-	-	-	0.52
2006-07	2 ¹	0.51	-	-	-	-	0.51

Source: Information furnished by the Companies.

Finalisation of accounts by non-working PSUs

1.21 Ten Companies out of 40 non-working Companies were under liquidation. The accounts of 30 non-working Companies were in arrears for periods ranging from 1 to 25 years as on 30 September 2007 as could be seen from **Annexure-2**.

Financial position and working results of non-working PSUs

1.22 The summarised financial results of non-working Government Companies as per their latest finalised accounts are given in **Annexure-2**.

The summarised details of paid-up capital, net worth, cash loss and accumulated loss of non-working Government Companies as per their latest finalised accounts are given below:

(Rupees in crore)

Particulars	Paid-up capital	Net worth ²	Cash loss ³	Accumulated loss
Non-working Companies	386.03	(-) 1121.39	132.81	1158.25

Source: Latest finalised accounts of the Companies.

Status of placement of Separate Audit Reports of Statutory corporations in Legislature

1.23 The following table indicates the status of placement in the State Legislature of various Separate Audit Reports (SARs) on the accounts of Statutory corporations as issued by the Comptroller and Auditor General of India:

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
1	2	3	4	5
1.	Uttar Pradesh State Road Transport Corporation	01.04.2003 to 30.10.2003	31.10.2003 to 31.03.2004 2004-05 2005-06	11.09.2006 11.06.2007 01.10.2007

¹ Out of 40 non-working Companies, only two Companies (Uttar Pradesh State Mineral Development Corporation Limited and Uttar Pradesh Chalchitra Nigam Limited) furnished details of establishment expenditure.

² Net worth represents paid-up capital plus free reserves less accumulated loss.

³ Cash loss represents loss for the year plus depreciation for the year.

1	2	3	4	5
2.	Uttar Pradesh Financial Corporation	1992-93	1993-94 1994-95 1995-96 1996-97 1997-98 1998-99 1999-2000 2000-01 2001-02 2002-03 2003-04 2004-05	07.07.1995 18.04.1996 28.08.1998 17.12.1999 27.07.2000 20.10.2001 25.07.2002 20.02.2004 28.01.2005 21.12.2005 08.09.2006 01.05.2007
3.	Uttar Pradesh State Warehousing Corporation	2004-05	2005-06	15.06.2007
4.	Uttar Pradesh Forest Corporation *	--	1997-98 1998-99	17.08.2000 23.05.2002
5.	Uttar Pradesh Avas Evam Vikas Parishad	1996-97	1997-98 1998-99 1999-2000 2000-01	22.02.2006 27.07.2006 16.11.2006 23.04.2007
6.	Uttar Pradesh Jal Nigam	1994-95	1995-96 1996-97 1997-98 1998-99 1999-2000 2000-01 2001-02 2002-03 2003-04 2004-05	21.10.1997 18.02.1999 03.07.2000 19.09.2001 07.02.2002 13.02.2003 27.03.2004 30.12.2005 07.06.2006 02.02.2007

Source: Accounts file and information furnished by the Companies.

The State Government has not placed these Separate Audit Reports in the State Legislature even after lapse of 11 years (Uttar Pradesh Financial Corporation). The reasons for non-placement of these SARs in State Legislature, though called for, have not been intimated by the concerned administrative departments.

Disinvestment, Privatisation and Restructuring** of Public Sector Undertakings

1.24 The policy of privatisation/disinvestment of PSUs formulated (June 1994) by the State Government provided for review of all enterprises (excluding those engaged in social and welfare activities and public utilities) whose annual loss was more than Rs.10 crore and which had eroded their net worth by 50 per cent or more.

* Audit entrusted from 1997-98.

** Restructuring includes merger and closure of PSUs.

An Empowered Committee (EC) was constituted (December 1995) to review and decide cases of privatisation/disinvestment/ reference to BIFR and to recommend other alternatives such as partial privatisation, management by private entrepreneurs, lease to private entrepreneurs, etc. The recommendations of the EC were not made available to Audit. On the recommendation of EC, the State Disinvestment Commission was constituted (November 1998) but it was dissolved (January 2000) and a Divestment Commission (DC) was constituted (January 2000).

For smooth functioning of process of disinvestments, a Central Committee (CC) was also constituted (January 2000). The CC was entrusted to make reference to the DC on the matters relating to reform in working, merger, reorganisation, privatisation or closure of the PSUs. It was envisaged that DC would forward its recommendations to the CC.

27 PSUs were referred to DC and the DC gave its recommendations in all these cases. The CC considered and gave recommendations in respect of 25 PSUs. These recommendations were not made available to Audit.

In April 2003, a High Power Disinvestment Committee (HPDC) was constituted for disinvestment of State PSUs.

The Government intimated (September 2003) that:

- In the first stage, disinvestment process has commenced for 11 sugar mills of Uttar Pradesh State Sugar Corporation Limited, and eight sick and five closed sugar mills of Uttar Pradesh Rajya Chini Avam Ganna Vikas Nigam Limited.
- Action would be taken on the recommendations of DC on 27 PSUs, which were referred to the DC.
- Information was being collected regarding possible disinvestment from Departments/PSUs and, on the basis of information received, necessary action for disinvestment would be taken.
- The Pradeshia Industrial and Investment Corporation of Uttar Pradesh Limited (PICUP) has been selected for providing consultancy for disinvestments. The HPDC was taking consultancy from PICUP for deciding policy matters and making practical recommendations.

Further progress in the matter was not furnished by the State Government.

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

1.25 During the period from October 2006 to September 2007, the audit of accounts of 55 Government Companies (39 working and 16 non-working) and five Statutory corporations were selected for audit. The net impact of the important audit observations as a result of audit of accounts of the PSUs was as follows:

Details	No. of accounts			Rs. in lakh		
	Government Companies		Statutory corporations	Government Companies		Statutory corporations
	Working	Non-working	Working	Working	Non-working	Working
(i) Increase in profit	6	-	1	237.00	-	215.41
(ii) Decrease in profit	--	-	-	--	-	-
(iii) Increase in loss	2	-	-	21544.25	-	-
(iv) Decrease in loss	6	5	1	15582.06	152.44	7.09
(v) Non disclosure of material facts	4	-	1	475.53	-	341.09
(vi) Errors of classification	5	1	1	2349.72	1.09	3.37

Source: Comments/SARs issued during October 2006 to September 2007.

Some of the major errors and omissions noticed during the course of audit of annual accounts of some of the above Government Companies and Statutory corporations are mentioned below:

Errors and omissions noticed in case of Government Companies

1.26 Uttar Pradesh Power Corporation Limited (2003-04)

- The Company did not provide for late payment surcharge aggregating Rs.199.45 crore on the ground that in the supplementary agreements with the Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited, the clauses relating to rebate for timely payment and surcharge for late payment had been deleted. The supplementary agreements were, however, not submitted to the Commission for their approval as per Uttar Pradesh Electricity Regulatory Commission Conduct of Business Regulations 2004.
- Other Current Assets (Rs.784.11 crore) included an unauthorised transaction of Rs.100 crore shown as receivable from the State Government though adjustment entry was passed by crediting the amount to Uttar Pradesh Power Sector Employees Trust Accounts on behalf of the State Government without any such orders from the State Government.

1.27 Uttar Pradesh Jal Vidyut Nigam Limited (2004-05)

- Sale of power as well as Sundry Debtors were understated by Rs.10.42 crore due to accounting of sale of energy as Rs.47.21 crore instead of Rs.57.63 crore.

1.28 Uttar Pradesh Police Avas Nigam Limited (2005-06)

- Non-provision of expenditure incurred in excess of the sanctioned cost resulted in overstatement of current assets (work-in-progress/executed works) and current liabilities by Rs.15.52 crore and overstatement of profit by Rs.2.71 crore.

1.29 Handloom Intensive Development Project (Bijnore) Limited (1992-93)

- Loans and advances were overstated and loss was understated due to non-provision for doubtful debts which were outstanding for 20 years.

Errors and omissions noticed in case of Statutory corporations

1.30 Uttar Pradesh State Road Transport Corporation (2005-06)

- The Corporation is liable to pay service tax on the income from taxis but neither the payment had been made nor the service tax payable has been assessed and provided for in the Accounts. The service tax liability worked out to Rs.75.78 lakh for 2005-06 and Rs.62.56 lakh for 2004-05.

Persistent irregularities and system deficiencies in financial matters of PSUs

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

Sl. No.	Name of the Government Company/Statutory Corporation	Nature of irregularities
Government Companies		
1	Uttar Pradesh Jal Vidyut Nigam Limited	(i) Not accounting of income of late payment surcharge on accrual basis. (ii) Providing depreciation on fixed assets at the rates prescribed under Income Tax Act, 1961 instead of rates prescribed in the Electricity Supply Act, 1948 (now merged in Electricity Act, 2003). (iii) Adjustment of debit balances against credit balances in bank accounts instead of showing credit balances under current liabilities.
2	Uttar Pradesh Scheduled Castes Finance and Development Corporation Limited	(i) Adjustment of debit balances against credit balances in bank accounts instead of showing credit balances under current liabilities. (ii) Inclusion of time barred cheques in bank balances (iii) The Auditors had been reporting that the accounts of the company do not give true and fair view continuously from 1982-83 but no corrective action were taken by the management.
3	Uttar Pradesh Bridge Corporation Limited	(i) Non-provision of expenditure incurred over sanctioned estimate without any commitment from the clients for payment of excess amount spent. (ii) Non-provision for doubtful advances outstanding for the last 11 years.
Statutory Corporations		
1	Uttar Pradesh State Road Transport Corporation	(i) Non-disclosure of extra ordinary item of income. (ii) Non-adjustment of advances after completion of work.
2	Uttar Pradesh State Warehousing Corporation	Including the amount deducted by the customer in the Income.

Source: Comments/SARs issued during October 2006 to September 2007.

Recoveries at the instance of Audit

1.32 Test check of records of power sector Companies during 2006-07 disclosed non-levy/ short levy and non-realisation of revenue aggregating Rs.111.48 crore in 235 cases. The Companies accepted the observations in 129 cases aggregating Rs.63.11 crore and a sum of Rs.3.98 crore relating to 10 audit observations was recovered at the instance of Audit.

Internal audit/Internal control

1.33 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit /internal control systems in the Companies audited by them in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. Accordingly, the Statutory

Auditors observed deficiencies in respect of internal audit system in case of nine Companies during the year 2006-07. An illustrative resume of major recommendations/comments made by Statutory Auditors on possible improvement in the internal audit/ internal control system is indicated in **Annexure-7**. It would be noticed from the Annexure that major comments were of the following nature:

- internal audit system was not commensurate with the size and nature of business of most of the Government Companies,
- internal audit system was non-existent in some PSUs.

Recommendation for closure of PSUs

1.34 Even after completion of 15 to 33 years of their existence, the turnover (sales and other income) of nine working Government Companies has been less than Rupees five crore in each of the preceding five years as per their latest finalised accounts (**Annexure-8**). Similarly, five working Government Companies (**Annexure-9**) had been incurring losses for five consecutive years (as per latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve the performance of these Government Companies or consider their closure.

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

1.35 The following table indicates the details regarding number of reviews and paragraphs discussed by COPU by the end of 30 September 2007:

Period of Audit Report	Reviews and paragraphs appeared in the Audit Report		Reviews and paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1	2	3	4	5
1982-83	5	50	4	49
1983-84	4	60	2	60
1984-85	2	14	1	14
1985-86	6	22	5	22
1986-87	3	28	2	25
1987-88	8	23	7	23
1988-89	5	22	4	22
1989-90	6	14	6	14
1990-91	6	21	2	3
1991-92	4	38	--	5
1992-93	5	33	3	8
1993-94	5	31	2	17
1994-95	5	41	1	32
1995-96	7	39	5	19
1996-97	8	40	2	29
1997-98	5	67	3	20
1998-99	5	26	3	14
1999-2000	4	41	3	23
2000-01	5	34	3	28
2001-02	4	34	--	--
2002-03	4	38	2	3
2003-04	4	26	--	2
2004-05	4	27	--	2
2005-06	6	34	--	--
Total	120	803	60	434

During the period from October 2006 to September 2007, the Committee on Public Undertakings (COPU) held six meetings and discussed three reviews and two draft paragraphs of Audit Report (Commercial) for the years from 1993-94 to 2004-05.

619-B Companies

1.36 There were four Companies coming within the purview of Section 619-B of the Companies Act, 1956 of which only one was working Company. **Annexure-10** indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these Companies based on their latest available accounts.