

## CHAPTER-I

### 1. Overview of Government Companies and Statutory Corporations

#### 1.1 Introduction

As on 31 March 2002, there were 84 Government companies (44 working companies and 40 non-working companies<sup>1</sup>) and seven working Statutory corporations, as against 84<sup>2</sup> Government companies (47 working companies and 37 non-working companies) and seven working statutory corporations as on 31 March 2001 under the control of the State Government. Three<sup>3</sup> working companies in previous year became non-working companies during the year. 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 provision of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted 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	Chartered Accountants and supplementary audit by CAG
3.	Uttar Pradesh State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	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	Sole audit by CAG
6.	Uttar Pradesh Forest Corporation	Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	Amendment in Forest Corporation Act is awaited. Audit by Examiner, Local Fund Account is also being done.
7.	Uttar Pradesh State Employees Welfare Corporation	Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971	Chartered Accountants and supplementary audit by CAG

<sup>1</sup> Non-working companies are those that are in the process of liquidation or closure or merger.

<sup>2</sup> Excluding 14 Government companies (seven working companies and seven non-working companies), which have been transferred to Uttaranchal during 2000-01.

<sup>3</sup> Serial No. C-3 (Uttar Pradesh Poultry and Livestock Specialties Limited), C-36 (The Indian Turpentine and Rosin Company Limited) and C-39 (Uttar Pradesh Panchayati Raj Vitta Evam Vikas Nigam Limited) of Annexure-1.

In addition, the State had formed Uttar Pradesh Electricity Regulatory Commission whose audit is also being conducted by the CAG.

## **1.2 Working Public Sector Undertakings (PSUs)**

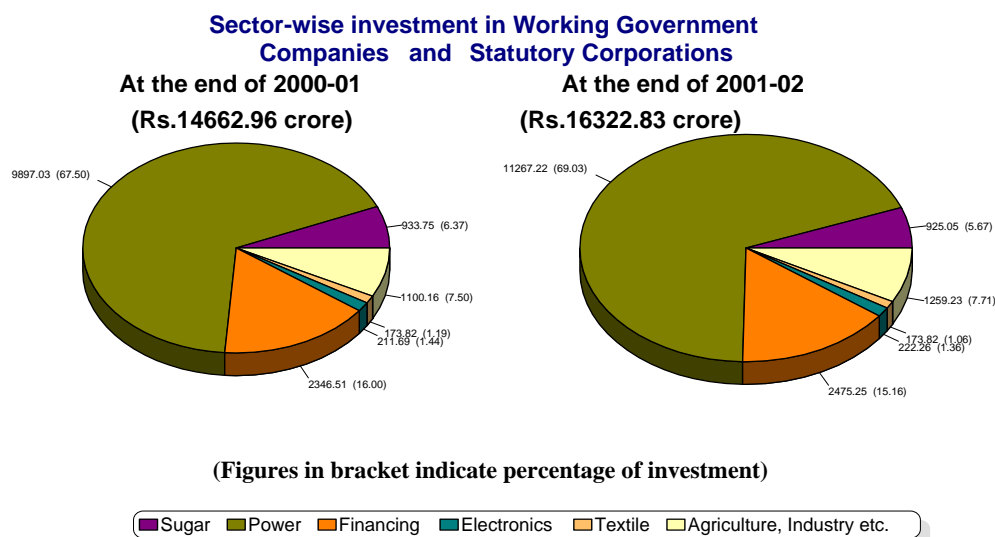
### **1.2.1 Investment in working PSUs**

The total investment in 54 working PSUs (47 Government companies and seven Statutory corporations) at the end of March 2001 and 51 working PSUs (44 Government companies and seven Statutory corporations) at the end of March 2002 was as follows:

Year	Number of working PSUs	Investment in working PSUs (Rs. in crore)			
		Equity	Share application money	Loan <sup>4</sup>	Total
2000-01	54	7155.88	493.58	7013.50	14662.96
2001-02	51	7241.82	1304.99	7776.02	16322.83

The analysis of investment in working PSUs is given in the following paragraphs.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 31 March 2002 are given below in the pie charts:



#### **1.2.1.1 Working Government companies**

The total investment in 47 working Government companies at the end of March 2001 and 44 working Government companies at the end of March 2002 were as follows:

<sup>4</sup> Long term loans mentioned in para 1.2.1, 1.2.1.1 and 1.2.1.2 are excluding interest accrued and due on such loans.

(Rs. in crore)

Year	Number of working Government companies	Investment in working PSUs			
		Equity	Share application money	Loan	Total
2000-01	47	6,723.35	411.51	5,688.09	12,822.95
2001-02	44	6,730.00	13,02.78	6,132.41	14,165.19

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

Investment in the current year has increased over the previous year mainly due to increase in loan and equity in the power, electronic, development of economically weaker section, sugar and financing sectors.

As on 31 March 2002, the total investment in working Government companies, comprised 56.71 per cent of equity capital and 43.29 per cent of loans as compared to 55.64 per cent and 44.36 per cent, respectively, as on 31 March 2001.

### 1.2.1.2 Working Statutory corporations

The total investment in seven working Statutory corporations at the end of March 2002 and March 2001 was as follows:

(Rs. in crore)

Name of the corporation	2000-01		2001-02	
	Capital	Loan	Capital	Loan
Uttar Pradesh State Road Transport Corporation	321.37	104.13	321.37	137.68
Uttar Pradesh Financial Corporation	100.00 (79.86)	1,019.82	179.28	1,208.17
Uttar Pradesh State Warehousing Corporation	11.16 (2.21)	10.00	11.17 (2.21)	131.07
Uttar Pradesh Avas Evam Vikas Parishad	-	54.00	-	19.94
Uttar Pradesh Jal Nigam	-	320.14 <sup>5</sup>	-	130.36
Uttar Pradesh Forest Corporation	-	12.50	-	14.75
Uttar Pradesh State Employees Welfare Corporation	-	1.65	-	1.65
<b>Total</b>	<b>432.53 (82.07)</b>	<b>1,522.24</b>	<b>511.82 (2.21)</b>	<b>1,643.62</b>

(Figures in bracket indicate share application money)

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

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

The details regarding budgetary outgo, guarantees/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in Annexure-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 working Statutory corporations for the two years up to 2001-02 are given on the next page:

<sup>5</sup> As per Accounts for the year 2000-01 finalised by the Corporation during 2001-02.

*Audit Report (Commercial) for the year ended 31 March 2002*

(Amount: Rs. in crore)

Particulars	2000-01				2001-02			
	Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity	11	2,935.16	1	5.00	8	902.96	-	-
Capital outgo from budget								
Loans given from budget	12	2,153.57	3	22.50	9	374.66	-	-
Grants/Subsidy for:								
(i) Projects/ programmes/schemes	5	63.60	2	435.08 <sup>6</sup>	6	1,176.15 <sup>7</sup>	2	376.52 <sup>9</sup>
(ii) Other subsidy	2	5.47	-	-	3	6.68 <sup>8</sup>	1	2.05
<b>Total subsidy</b>	<b>7</b>	<b>69.07</b>	<b>2</b>	<b>435.08</b>	<b>9</b>	<b>1,182.83</b>	<b>3</b>	<b>378.57</b>
<b>Total outgo</b>	<b>20<sup>10</sup></b>	<b>5,157.80</b>	<b>4<sup>10</sup></b>	<b>462.58</b>	<b>18<sup>10</sup></b>	<b>2,460.45</b>	<b>3<sup>10</sup></b>	<b>378.57</b>

During the year 2001-02, the Government had guaranteed the loans aggregating Rs.1,206.09 crore obtained by 12 working companies (Rs.1,062.08 crore) and four working Statutory corporations (Rs.144.01 crore). At the end of the year, guarantees amounting to Rs.2,499.97 crore against 18 working Government companies (Rs.1,542.63.crore) and five working Statutory corporations (Rs.957.34 crore) were outstanding. Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited (Sl. No. A-4 of Annexure-3) defaulted in repayment of guaranteed loans during the year. The Government had forgone Rs.41.38 crore by way of giving moratorium on loan repayment in Uttar Pradesh State Agro Industrial Corporation Limited, The Pradeshiya Industrial and Investment Corporation of Uttar Pradesh Limited and Uttar Pradesh Export Corporation Limited (Rs.38.98 crore) and Uttar Pradesh State Road Transport Corporation (Rs.2.40 crore) during 2001-02. The Government also converted its loans amounting to Rs.195.24 crore into equity capital in Uttar Pradesh State Sugar Corporation Limited and Uttar Pradesh State Tourism Development Corporation Limited (Rs.115.38 crore) and Uttar Pradesh Financial Corporation (Rs.79.86 crore) during the year. The guarantee commission paid/payable to Government by 12 Government companies and by four Statutory corporations during 2001-02 was Rs.2.58 crore and Rs.1.24 crore respectively.

**1.2.3 Finalisation of accounts by working PSUs**

The accounts of the 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 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 financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of the respective Acts.

However, as could be noticed from Annexure-2, out of 44 working Government companies, only two<sup>11</sup> working companies and out of seven working Statutory

<sup>6</sup> Includes grant of Rs.0.30 crore.

<sup>7</sup> Includes grant of Rs.201.37 crore.

<sup>8</sup> Includes grant of Rs.3.62 crore.

<sup>9</sup> Grant.

<sup>10</sup> Indicate number of of companies/corporations that received budgetary support in the form of equity, loans, grants and subsidies from the Government in respective years.

<sup>11</sup> Serial No. A-3 (Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited) and A-22 (Uttar Pradesh Police Avas Nigam Limited) of Annexure-2.

corporations, no corporation has finalised their accounts for the year 2001-02 within stipulated period. During the period from October 2001 to September 2002, 33 working Government companies finalised 37 accounts for previous years. Similarly, during this period, four working Statutory corporations finalised six accounts for previous years.

The accounts of 42 working Government companies and seven Statutory corporations were in arrear for periods ranging from 1 to 14 years as on 30 September 2002 as detailed below:

SI No.	No. of working Companies/Corporations		Reference to serial No. of Annexure-2		Year from which accounts are in arrear	Number of years for which accounts are in arrear
	Government Companies	Statutory Corporations	Government Companies	Statutory Corporations		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	1		26		1988-89	14
2	3		11, 19, 38		1991-92	11
3	1		42		1994-95	8
4	2		8, 9		1995-96	7
5	2		16, 23		1996-97	6
6	2	2	12, 25	5, 7	1997-98	5
7	5		27, 29, 39, 43, 44		1998-99	4
8	4	1	28, 32, 33, 40	4	1999-2000	3
9	7	1	1, 7, 20, 30, 34, 35, 41	2	2000-01	2
10	15	3	2, 4, 5, 6, 10, 13, 14, 15, 17, 18, 21, 24, 31, 36, 37	1, 3, 6	2001-02	1

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

#### ***1.2.4 Financial position and working results of working PSUs***

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

According to latest accounts of 44 working Government companies and seven working Statutory corporations, 32 companies and three corporations had incurred losses for the respective years aggregating Rs.454.30 crore and Rs.166.71 crore respectively, 12 companies and three corporations earned an aggregate profit of Rs.13.27 crore and Rs.61.79 crore respectively. Uttar Pradesh State Employees Welfare Corporation<sup>12</sup> had not submitted the accounts.

<sup>12</sup> Serial No. B-7 of Annexure-2.

**1.2.4.1 Working Government companies**

**1.2.4.1.1 Profit earning working companies and dividend**

Uttar Pradesh (Paschim) Ganna Beej Evam Vikas Nigam Limited and Uttar Pradesh Police Avas Nigam Limited ((Sl. No. A-3 and A-22 of Annexure-2), which finalised their accounts for 2001-02 by September 2002, did not earn profit.

Similarly, nine profit earning companies, which finalised their accounts for previous years during October 2001 to September 2002, earned an aggregate profit of Rs.9.08 crore. Of these, seven<sup>13</sup> companies were earning profit for two or more successive years. Of these, only Uttar Pradesh State Bridge Corporation Limited and Uttar Pradesh State Industrial Development Corporation Limited ((Sl. No. A-20 and A-36 of Annexure-2) declared dividend aggregating Rs.0.98 crore. The Government has not formulated a dividend policy for payment of minimum dividend.

**1.2.4.1.2 Loss incurring working Government companies**

Of the 32 loss incurring working Government companies, 22 companies had accumulated losses aggregating Rs.2,192.36 crore, which exceeded their aggregate paid up capital of Rs.913.84 crore.

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 contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. The total financial support extended to these 11 companies by the State Government in the form of equity, further grants of loans, subsidy and conversion of loans into equity during 2001-02 amounted to Rs.2,541.59 crore.

**1.2.4.2 Working Statutory corporations**

**1.2.4.2.1 Profit earning Statutory corporations and dividend**

No working Statutory corporation finalised accounts for 2001-02 by September 2002.

Out of four working Statutory corporations which finalised their accounts for previous years by September 2002, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh Avas Evam Vikas Parishad (Serial No. B-3 and B-5 of Annexure-2) earned an aggregate profit of Rs.32.49 crore and these two corporations were earning profit for two or more successive years.

**1.2.4.2.2 Loss incurring Statutory corporations**

Of the three loss incurring working Statutory corporations, Uttar Pradesh State Road Transport Corporation and Uttar Pradesh Financial Corporation (Sl. No. B-1 and B-2 of Annexure-2) had accumulated losses aggregating Rs.1,134.41 crore which exceeded their aggregate paid-up capital of Rs.421.37 crore.

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<sup>13</sup> Serial No. A- 5, 10, 13, 20, 21, 36 and 44 of Annexure –2.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these corporations in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. According to available information, the total financial support so provided by the State Government by way of equity, loan, subsidy and conversion of loans into equity during 2001-02 to two corporations amounted to Rs.82.51 crore.

#### **1.2.4.2.3 Operational performance of working statutory corporations**

The operational performance of the working Statutory corporations is given in Annexure-6 which brings out the following facts:

- (i) The average number of vehicles on road (including hired) of Uttar Pradesh State Road Transport Corporation dropped by six *per cent* during 2001-02 as compared to 1999-2000. The loss per kilometer increased from 116 paise during 1999-2000 to 179 paise during 2001-02 as a sequel to increase in average expenditure (from 1,128 paise to 1,247 paise), drop in occupancy ratio (63 *per cent* dropped to 57 *per cent*), and operated passenger kms (2,316 crore to 2,043 crore) during the same period.
- (ii) The percentage of overdue principal and interest in respect of Uttar Pradesh Financial Corporation increased from 41.32 during 1997-98 to 84.74 during 1999-2000 reflecting poor recovery performance.

#### **1.2.5 Return on capital employed**

As per the latest accounts, the capital employed<sup>14</sup> worked out to Rs.7,734.90 crore in 44 working companies and total return<sup>15</sup> thereon amounted to Rs.(-)72.35 crore as compared to total return of Rs.(-)2.73 crore in the previous year. Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest accounts worked out to Rs.6,727.86 crore and Rs.130.14 crore (1.93 *per cent*), respectively, against the total return of Rs.113.11 crore (1.94 *per cent*) in 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.

#### **1.2.6 Reforms in power sector**

##### **A. Uttar Pradesh Electricity Regulatory Commission**

Commission was formed on 10.09.1998 under Section 17 of Electricity Regulatory Commission Act, 1998 with the main objective of rationalising generation, transmission, distribution and supply of electricity in the State, regulating the electricity industry in the State including the purchase,

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<sup>14</sup> Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in finance companies and corporations where it represents mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

<sup>15</sup> 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.

distribution, supply and utilisation of electricity, the quality of service, tariff and other charges keeping in view the interest of the consumers and utilities and creating an environment which will attract participation of private sector entrepreneurs in the electricity industry in the State. 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 34 of the Act *ibid*. The commission has finalised its accounts up to 2000-01.

**B. Status of implementation of MOU between the State and Central Government**

A memorandum of understanding (MOU) was reached on 25 January 2000 between the Government of India and Government of Uttar Pradesh as a joint commitment for implementation of reforms programme in power sector with identified milestones as summarised below:

- Energy audit programme envisaged monitoring of feeder-wise energy account to facilitate identification of high loss feeders. For this, meters have been installed on all 6,500 11 KV outgoing feeder panels and regular monitoring is being done. Against the target of 100 *per cent* installation of meters at consumers' premises by March 2004, 27 *per cent* meters have been installed as of September 2002.
- Arrangement for online computerised billing has been made in 24 (out of 26) centres in Lucknow City. This is to be implemented in 17 other districts subsequently.
- Formation of distribution profit centres was another area of the MOU. The Uttar Pradesh Cabinet had decided (14 November 2002) to form four distribution companies (excluding LESA and NOIDA). Further modalities were in the process of finalisation.
- Regarding clearance of outstanding dues of Rural Electrification Corporation, the case was to be referred to an expert group, yet to be constituted. Further, as per MOU, outstanding dues of Central PSUs are to be securitised. However, no step has been taken in this direction so far.

**1.3 Non-working PSUs**

**1.3.1 Investment in non-working PSUs**

The total investment in 37 non-working PSUs<sup>16</sup> (all Government companies) at the end of March 2001 and 40 non-working PSUs<sup>16</sup> (all Government companies) at the end of March 2002 was as follows:

**(Rs. in crore)**

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loan	Total
2000-01	37	386.60	47.88	416.63	851.11
2001-02	40	390.01	49.06	425.04	864.11

<sup>16</sup> There is no non-working statutory corporation.



The classification of non-working Government companies at the end of March 2002 was as under:

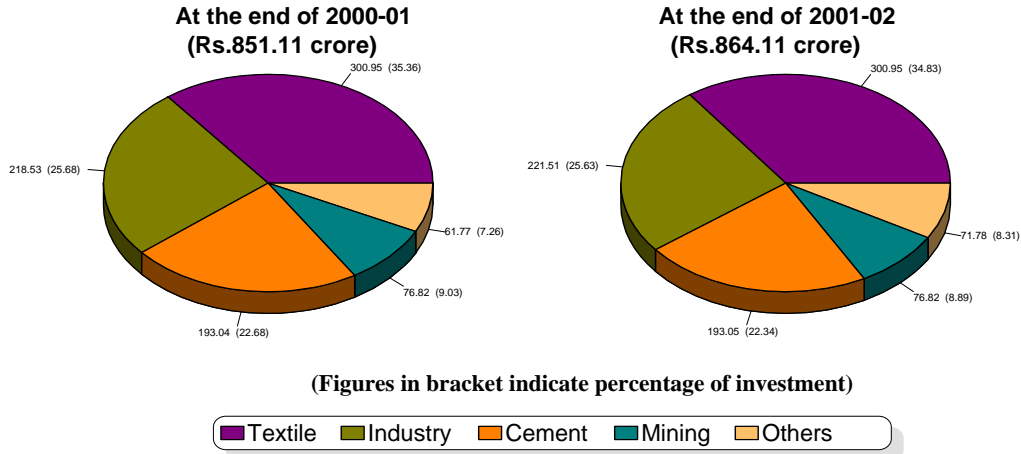
(Amount: Rs. in crore)

Sl. No.	Status of non-working Government companies	Number of companies	Investment	
			Equity <sup>17</sup>	Long term loans
(i)	Under liquidation/ closure	9	12.94	11.04
(ii)	Under merger	2	0.44	2.09
(iii)	Others <sup>18</sup>	29	425.69	411.91
	<b>Total</b>	<b>40</b>	<b>439.07</b>	<b>425.04</b>

Of the above non-working Government companies, nine Government companies were under liquidation/closure under Section 560 of the Companies Act, 1956 for 6 to 29 years and substantial investment of Rs.23.98 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 2002 are indicated below in the pie charts:

**Sector-wise investment in non-working Government companies**



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

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

The State Government had paid budgetary support of Rs.3.06 crore by way of loan to three<sup>19</sup> non-working companies during 2001-02. At the end of the year,

<sup>17</sup> Equity includes share application money of Rs.49.06 crore for companies under ‘others’.  
<sup>18</sup> Defunct and non-operating companies.  
<sup>19</sup> Sl. No. C-32 (Moradabad Mandal Vikas Nigam Limited), C-36 (The Indian Turpentine and Rosin Company Limited) and C-40 (Uttar Pradesh Chalchitra Nigam Limited) of Annexure-1.

guarantee amounting to Rs.36.07 crore obtained by five non-working companies was outstanding as against the outstanding guarantees of Rs.200.15 crore obtained by six non-working companies as on 31 March 2001.

### **1.3.3 Total establishment expenditure on non-working Government companies**

The summarised details of total establishment expenditure of non-working Government companies and the sources of financing them during last three years up to 2001-02 are given in the table below:

(Amount: Rs. 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	
1999-2000	4	24.18	11.73	-	-	-	12.45
2000-01	4	0.99	0.92	-	-	-	0.07
2001-02	8 <sup>20</sup>	0.98	0.34	-	-	-	0.64

### **1.3.4 Finalisation of accounts by non-working Government companies**

The accounts of 40 non-working companies were in arrears for periods ranging from 1 to 27 years as on 30 September 2002 as could be noticed from sub-section C of Annexure-2.

### **1.3.5 Financial position and working results of non-working Government companies**

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

The details of paid-up capital, net worth, cash loss/profits and accumulated loss/accumulated profit of non-working Government companies as per latest accounts are given below:

(Rs. in crore)

Particulars	Paid-up capital	Net worth <sup>21</sup>	Cash loss(-) / profit <sup>22</sup> (+)	Accumulated loss (-)/ profit(+)
Non-working companies	384.12	(-) 414.82	(-) 71.51	(-) 857.20

## **1.4 Status of placement of Separate Audit Reports of Statutory corporations in Legislature**

The table given on the next page indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by CAG of India in the Legislature by the Government:

<sup>20</sup> Out of 40 non-working companies, only eight companies (Serial No. C-1, 3, 8, 16, 20, 36, 39 and 40 of Annexure-1) furnished details of establishment expenditure.

<sup>21</sup> Net worth represents paid-up capital *plus* free reserves *less* accumulated loss.

<sup>22</sup> Cash loss/profit represents loss/profit for the year *plus* depreciation for the year.

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 to the Legislature
(1)	(2)	(3)	(4)	(5)	(6)
1.	Uttar Pradesh State Road Transport Corporation	1993-94	1994-95 1995-96 1996-97 1997-98 1998-99 1999-2000	08.11.1996 20.01.1998 10.09.1999 12.01.2000 11.10.2001 05.10.2002	Information awaited
2.	Uttar Pradesh Financial Corporation	1992-93	1993-94 1994-95 1995-96 1996-97 1997-98 1998-99 1999-2000	07.07.1995 18.04.1996 28.08.1998 17.12.1999 27.07.2000 20.10.2001 25.07.2002	Information awaited
3.	Uttar Pradesh State Warehousing Corporation	1997-98	1998-99 1999-2000 2000-01	27.07.2000 29.05.2001 29.04.2002	Information awaited
4.	Uttar Pradesh Forest Corporation <sup>23</sup>	--	1997-98 1998-99	17.08.2000 23.05.2002	Information awaited
5.	Uttar Pradesh Avas Evam Vikas Parishad	-- <sup>24</sup>	1990-91 1991-92 1992-93 1993-94	23.02.1998 23.02.1998 27.02.1998 19.08.1999	Information awaited
6.	Uttar Pradesh Jal Nigam	-- <sup>24</sup>	1995-96 1996-97 1997-98 1998-99 1999-2000	21.10.1997 18.02.1999 03.07.2000 19.09.2001 07.02.2002	Information awaited
7.	Uttar Pradesh State Employees Welfare Corporation <sup>25</sup>	--	--	--	--

The State Government has not provided the information regarding placement of SAR in the Legislature. Besides others, the SAR of Uttar Pradesh Financial Corporation for the year 1993-94 was issued on 7.7.1995, however, the information regarding its placement is still awaited.

### 1.5 Disinvestment, Privatisation and Restructuring<sup>26</sup> of Public Sector Undertakings

The policy of privatisation/disinvestment of PSUs formulated (June 1994) by the Government provided for the review of all enterprises (excluding those engaged in social and welfare activities and public utilities) whose annual loss was more

<sup>23</sup> Audit entrusted from 1997-98.

<sup>24</sup> Information in respect of Uttar Pradesh Avas Evam Vikas Parishad prior to 1990-91 and Uttar Pradesh Jal Nigam prior to 1995-96 awaited from Government.

<sup>25</sup> Audit entrusted from 1997-98, accounts not been received so far (October 2002).

<sup>26</sup> Restructuring includes merger and closure of PSUs.

than Rs.10 crore and which had eroded their net worth by 50 *per cent* or more. A comprehensive policy detailing various modalities and basis of valuation of assets and liabilities, selection of entrepreneurs etc. is yet to be adopted by the Government.

An Empowered Committee (EC) was constituted (December 1995) to review and decide cases for 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 have not been made available to Audit. The Government intimated (May 2000) that on the recommendation of EC, the State Disinvestment Commission has since been constituted.

### **1.6 Results of audit by Comptroller and Auditor General of India**

During the period from October 2001 to September 2002, the accounts of 40 Government companies (32 working and 8 non-working) and four Statutory corporations were selected for review. The net impact of the important audit observations as a result of review 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) Decrease in profit	5	-	-	1,321.40	-	-
(ii) Increase in loss	12	5	3	1,247.70	916.89	11,385.42
(iii) Decrease in loss	-	-	2	-	-	94.77
(iv) Non disclosure of material facts	11	-	4	2,635.05	-	5,53,572.23
(v) Errors of classification	8	-	3	1,739.23	-	32,364.23

Note: None of the Statutory corporations are non-working.

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

#### **1.6.1 Errors and omissions noticed in case of Government companies**

##### ***Uttar Pradesh State Bridge Corporation Limited (1999-2000)***

- Sundry debtors (Rs.36.73 crore) included Rs.4 crore against the Indian Road Construction Corporation, New Delhi, which has gone into liquidation, rendering the amount as doubtful of recovery.

##### ***Uttar Pradesh State Sugar Corporation Limited (1997-98)***

- Stock-in-trade (Rs.476.20 crore) was understated by Rs.32.62 crore due to non-provision of Excise Duty on stock of sugar and molasses stored in factory godowns/bonded warehouses resulting in understatement of current liabilities and stock-in-trade both to that extent.
- Income from other sources (Rs.22.72 crore) included Rs.6.81 crore being interest income on the loans and advances to its two subsidiaries, which are

to be wound up as decided by the Government. Recognition of doubtful interest income resulted in understatement of loss for the year and overstatement of loans and advances by Rs.6.81 crore each.

- In spite of rehabilitation package approved by BIFR and consequent decision of the Board of Directors (30.10.1999) to waive off Rs.1.74 crore being interest on loan to Chhata Sugar Company Limited – a subsidiary of the Company – the amount was recognised as income from other sources, resulting in overstatement of loan and advances and understatement of loss by the same amount.

***Uttar Pradesh State Mineral Development Corporation Limited (1998-99)***

- Gratuity was understated by Rs.1.03 crore being non-provision for premium on Group Gratuity-cum-Life Assurance policy, resulting in understatement of loss for the year by Rs.1.03 crore.

***The Pradeshiya Industrial and Investment Corporation of  
Uttar Pradesh Limited (1999-2000)***

- The Government sanctioned (31.07.2002) conversion of principal amount of different loans aggregating Rs.33.53 crore into equity but the interest was not waived off. However, Company did not provide for the interest amounting to Rs.3.72 crore, resulting in understatement of loss and liability by Rs.3.72 crore each.
- Provision for assets classification (including lease assistance and investment: Rs.14.35 crore) and loss for the year were understated by Rs.3.12 crore on account of:
  - i. Non-provision of Rs.1.50 crore consequent upon upgrading term loan amounting Rs.15 crore, pertaining to SVC Superchem Limited, from sub-standard to standard, in contravention of guidelines issued by Industrial Development Bank of India (IDBI);
  - ii. Under provision of Rs.1.03 crore because of upgrading six assets of lower category to standard, in contravention of guidelines issued by IDBI;
  - iii. Non-provision of Rs.0.59 crore for permanent diminution in the value of investment in equity shares of Hindustan Biotech Limited.

***1.6.2 Errors and omissions noticed in case of Statutory corporations***

***Uttar Pradesh State Road Transport Corporation (1998-99)***

- Consequent upon implementation of recommendation of pay commission, the pay of employees/officers, who retired during 01.01.1996 to 31.12.1998, was also revised. However, no provision for arrears for pay amounting to Rs.5.63 crore was made in the accounts. This resulted in understatement of accumulated loss and other liabilities both by Rs.5.63 crore.

### **1.6.3 Persistent irregularities and system deficiencies in financial matters of PSUs**

#### **Government Companies**

##### ***Uttar Pradesh Mahila Kalyan Nigam Limited***

- Under the provisions of clause 21 (b) of the Articles of Association of the Company, share certificates should have been issued within three months of allotment/transfer of shares as approved by the Board of Directors. However, the Company did not issue share certificates up to April 2002 although shares were allotted during 1990-91.

#### **1.7 Recommendation for closure of PSUs**

Even after completion of five years of their existence, the turnover (sales and other income) of 16 working Government companies (Annexure-7) has been less than Rs.5 crore in each of the preceding five years of latest accounts. Similarly, 12 working Government companies (Annexure-7A) had been incurring losses for five consecutive years (as per latest accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above Government companies or consider their closure.

#### **1.8 Response to Inspection Reports, Draft Paras and Reviews**

Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2002 pertaining to 66 PSUs disclosed that 12,448 paragraphs relating to 3,384 Inspection Reports remained outstanding at the end of September 2002.

Of these, 712 Inspection Reports containing 3,802 paragraphs had not been replied for more than five years. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2002 is given in Annexure-8.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary, Finance and the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that out of 34 draft paragraphs and four draft reviews forwarded to the various departments during May 2002 to October 2002, the Government had not replied to three draft reviews and 25 draft paragraphs so far, as detailed in Annexure-9.

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to Inspection Reports/Draft Paragraphs/Reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment in a time bound schedule and (c) revamping the system of responding to the audit observations.

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

Period	Total No. of reviews and paragraphs appeared in the Audit Report		No. of reviews and paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1976-77	2	53	--	4
1977-78	5	28	--	3
1979-80	6	59	--	7
1980-81	6	30	--	1
1981-82	4	73	2	39
1982-83	5	50	3	16
1983-84	4	60	3	4
1984-85	2	14	1	7
1985-86	6	22	6	9
1986-87	3	28	2	13
1987-88	8	23	6	8
1988-89	5	22	3	10
1989-90	6	14	1	7
1990-91	6	21	4	19
1991-92	4	38	4	35
1992-93	5	33	3	26
1993-94	5	31	5	23
1994-95	5	41	5	23
1995-96	7	39	6	26
1996-97	8	40	8	20
1997-98	5	67	5	63
1998-99	5	26	5	26
1999-2000	4	41	4	41
<b>Total</b>	<b>116</b>	<b>853</b>	<b>76</b>	<b>430</b>

### 1.10 619-B Companies

There were five companies coming under Section 619-B of the Companies Act, 1956 of which three were non-working. 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.