

## PREFACE

1. The accounts of Government Companies set up under the provisions of the Companies Act (including Government Insurance Companies and Companies deemed to be Government Companies as per provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary or test audit by officers of the CAG and the CAG gives his comments or supplements the report of the Statutory Auditors. The Companies Act, 1956 empowers the CAG to issue directions to the Statutory Auditors on the manner in which the Company's accounts shall be audited.

2. The statutes governing some Corporations and Authorities require their accounts to be audited by the CAG and reports to be given by him. In respect of five such Corporations viz. Airports Authority of India, National Highways Authority of India, Inland Waterways Authority of India, Food Corporation of India and Damodar Valley Corporation, the relevant statutes designate the CAG as their sole auditor. In respect of one Corporation viz. Central Warehousing Corporation, the CAG has the right to conduct a supplementary or test audit after audit has been conducted by the Chartered Accountants appointed under the statutes governing the Corporation.

3. Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by the CAG under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in 1984.

4. Annual reports on the accounts of the Central Government Companies and Corporations are issued by the CAG to the Government. These are:

### **Regularity Audit (Yellow Series)**

Report No.10 - Review of Accounts: This gives an overall appreciation of the performance of the Companies and Corporations as revealed by their accounts and information obtained in Audit.

Report No.11 - Comments on Accounts: This contains extracts from the important comments of the CAG on the accounts of the Companies and Corporations and a resume of the reports submitted by the Statutory Auditors (Chartered Accountants) on the Audit of the Companies in pursuance of the directions issued by the CAG.

Report No.12 - Transaction Audit Observations: This contains the observations on individual topics of interest noticed in the course of Audit of the Companies and Corporations other than Companies under the Telecommunications Sector.

Report No.13 - Transaction Audit Observations: This contains the observations on individual topics of interest noticed in the course of Audit of the Companies under Telecommunications Sector.

**Performance Audit (Blue Series)**

Report No.8 : This contains reviews on some of the activities of the Companies and Corporations other than Companies under the Telecommunications Sector.

Report No.9 : This contains reviews on some of the activities of the Companies under the Telecommunications Sector.

5. The existing Audit Board mechanism was revamped during 2005-06. The restructured Audit Board for Central PSUs is set up under the supervision and control of the CAG. The Board examines the selection of topics based on strategic audit plan of the Department and approves the topics recommended for performance audit. It also approves the guidelines, audit objectives, criteria and methodology for conducting performance audits which are reported through stand alone volumes in Reports No.8 and 9. The Board finalises the stand alone performance audits with the representatives of the Ministry and Management. The Board, which is permanent in nature, consists of the Chairperson (Deputy Comptroller and Auditor General-Commercial), Director General (Performance Audit), Economic Advisor and three Principal Directors of Audit under the CAG as members and two technical experts as special invitees, if necessary, in the area of performance of the Company or Corporation. The Principal Director (Commercial) of the CAG's Office is the Member Secretary of the Board.

6. Provisions exist in the Acts governing Reserve Bank of India, Export-Import Bank of India, Industrial Reconstruction Bank of India, National Bank for Agricultural and Rural Development and National Housing Bank for the Central Government to appoint the CAG, at any time, to examine and report upon their accounts. No such appointment was made during 2004-05.

7. The accounts of the Central Government Public Sector Undertakings reviewed in this Report cover the accounts for the years 2002-03, 2003-04 and 2004-05 (to the extent received). In respect of PSUs where any particular year's accounts were not received before 30 September 2005, the figures of the last audited accounts have been adopted.

8. In respect of some PSUs, figures for the previous year might not agree with the corresponding figures shown in the Audit Report- No. 1 of 2005, owing to replacement of provisional figures by audited/revised figures.

9. All references to 'Government Companies/ Corporations or PSUs' in this report may be construed to refer to 'Central Government Companies/ Corporations' unless the context suggests otherwise.