

PREFACE

The accounts of government companies set up under the provisions of the Companies Act (including companies deemed to be government companies as per provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (C&AG) under the provisions of Section 619 of the Companies Act, 1956. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the C&AG under the Companies Act are subject to supplementary or test audit by officers of the C&AG and the C&AG gives his comments or supplements the report of the Statutory Auditors. The Companies Act, 1956 empowers the C&AG 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 C&AG 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 C&AG as their sole auditor. In respect of one corporation *viz.* Central Warehousing Corporation, the C&AG 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 C&AG 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. The Audit Board mechanism was restructured during 2005-06 under the supervision and control of the C&AG. The Board, which is permanent in nature, is chaired by the Deputy Comptroller and Auditor General-(Commercial) and consists of senior officers of the C&AG. Two technical experts are inducted as special invitees, if necessary. The Assistant Comptroller and Auditor General (Commercial) of the C&AG's Office is the Secretary of the Board. The Board approves the topics recommended for performance audit. It also approves the guidelines, audit objectives, criteria and methodology for conducting major performance audits. The Board finalises the stand alone performance audit reports after discussions with the representatives of the Ministry and Management.

5. Annual reports on the accounts of the central government companies and corporations are issued by the C&AG to the Government. For the year 2008, these are:

Compliance Audit Reports (Yellow Series)

Report No.CA 9 - Financial Reporting by Public Sector Undertakings (PSUs): This gives an overall picture of the quality of financial reporting by PSUs and an appraisal of the performance of the companies and corporations as revealed by their accounts.

Report No.CA 10 - Information Technology Applications in PSUs: This gives an overall assessment of the use of information technology in selected areas of operations of selected PSUs.

Report No.CA 11 - Compliance Audit Observations: This contains observations on individual topics of interest noticed in the course of audit of the companies and corporations in all sectors other than the companies in the Telecommunications Sector for which a separate report is prepared.

Report No.CA 12 - Compliance Audit Observations: This contains the observations on individual topics of interest noticed in the course of audit of the companies in the Telecommunications Sector.

Performance Audit Reports (Blue Series)

Report No. PA 9: This contains reviews of selected activities of the companies and corporations.

6. 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 contain provisions whereby the Central Government can appoint the C&AG, at any time, as the auditor to examine and report upon the accounts of these corporations. No such appointment was made during 2006-07.

7. The accounts of the Central Government Public Sector Undertakings reviewed in this Report cover the accounts for the years 2004-05, 2005-06 and 2006-07 (to the extent received). In respect of PSUs where any particular year's accounts were not received before 30 September 2007, 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. 9 of 2007 (Yellow series), owing to replacement of provisional figures by audited/revised figures.

9. Impact of revision of accounts as well as comments issued as a result of supplementary audit of the financial statements of central government companies conducted by the C&AG for the year 2006-07 (or earlier years as are finalised during the current year), and significant findings reported by the Statutory Auditors while certifying the financial statements of the PSUs are given in this Report. The report also contains the impact of comments issued by the C&AG on the financial statements of the statutory corporations where C&AG is the sole auditor. Besides, a resume of the reports submitted by the Statutory Auditors in compliance with the directions issued to them by the C&AG under Section 619(3)(a) of the Companies Act, 1956, is also given in this Report.

10. The Report also enumerates non-compliance with the mandatory requirements relating to composition of the Board of Directors and constitution of the Audit Committee and also highlights the participation of some PSUs in UN's Global Compact and Global Reporting Initiative for social responsibility reporting.

11. 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.