

## Chapter I

### Overview of State Public Sector Undertakings

#### Introduction

**1.1** The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Rajasthan, the State PSUs occupy an important place in the State economy. The State PSUs registered a turnover of ₹ 30152.24 crore for 2010-11 as per their latest finalised accounts as on 30 September 2011. This turnover was equal to 9.94 *per cent* of State Gross Domestic Product for 2010-11. Major activities of Rajasthan State PSUs are concentrated in power sector. The working State PSUs incurred a loss of ₹ 548.14 crore in the aggregate for 2010-11 as per their latest finalised accounts. They had employed 0.85 lakh\* employees as on 31 March 2011. The State PSUs do not include 12 prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in the State Finance Report.

**1.2** As on 31 March 2011, there were 45 PSUs as per the details given below. No company is listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs <sup>ψ</sup>	Total
Government Companies <sup>♦</sup>	39	3	42
Statutory Corporations	3	-	3
<b>Total</b>	<b>42</b>	<b>3</b>	<b>45</b>

**1.3** During the year 2010-11, seven<sup>€</sup> new PSUs were established whereas two<sup>⊗</sup> working PSUs were privatised and one non-working company (Rajasthan Electronics Limited) wound up in February 2011.

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\* As per the details provided by 40 PSUs. Remaining 5 PSUs did not furnish the details.

<sup>ψ</sup> Non-working PSUs are those which have ceased to carry on their operations.

<sup>♦</sup> There are four 619-B Companies at Sl. No A-28, 29, 31 and 38 and one company registered under section 25 at Sl. No. A-34 of Annexure-1

<sup>€</sup> Barmer Thermal Power Company Limited in July 2010, Rajasthan Mission on Skill and Livelihoods in August 2010, Keshoraipatan Gas Thermal Power Company Limited in September 2010, Raj COMP Info Services Limited in October 2010, Rajasthan State Food and Civil Supplies Corporation Limited in December 2010, Lake City Transmission Service Company Limited in January 2011 and Pink City Transmission Service Company Limited in January 2011.

<sup>⊗</sup> Aravali Transmission Service Company Limited in December 2010 and Maru Transmission Service Company Limited in January 2011.

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## Audit Mandate

**1.4** Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a Company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

**1.5** The accounts of the State 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 the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 of the Companies Act, 1956.

**1.6** Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory corporations, CAG is the sole auditor for Rajasthan State Road Transport Corporation (RSRTC). In respect of Rajasthan State Warehousing Corporation (RSWC) and Rajasthan Financial Corporation (RFC), the audit is conducted by Chartered Accountants and supplementary audit by the CAG.

## Investment in State PSUs

**1.7** As on 31 March 2011, the total investment (capital and long-term loans) in 45 PSUs was ₹ 47144.61 crore as per details given below.

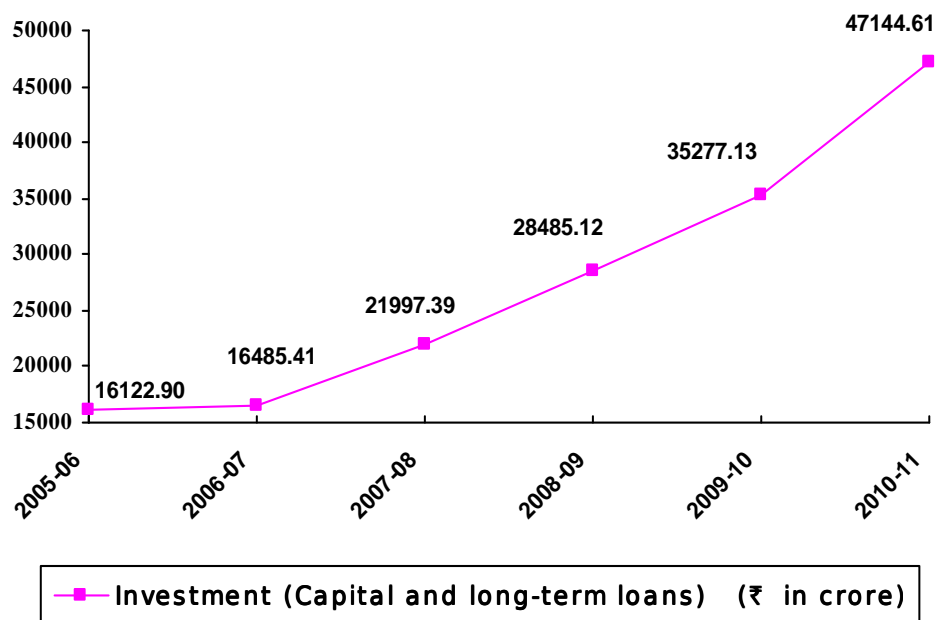
(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	10537.57	35025.64	45563.21	337.99	1219.22	1557.21	47120.42
Non-working PSUs	8.97	15.22	24.19	-	-	-	24.19
<b>Total</b>	<b>10546.54</b>	<b>35040.86</b>	<b>45587.40</b>	<b>337.99</b>	<b>1219.22</b>	<b>1557.21</b>	<b>47144.61</b>

A summarised position of government investment in State PSUs is detailed in **Annexure-1**.

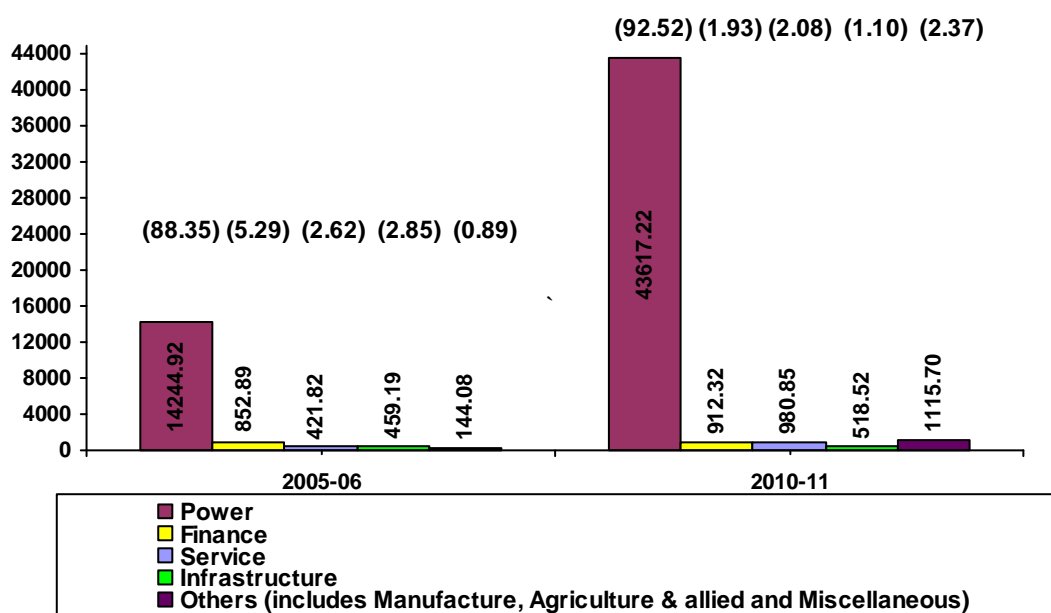
**1.8** As on 31 March 2011, of the total investment in State PSUs, 99.95 *per cent* was in working PSUs and the remaining 0.05 *per cent* in non-

working PSUs. This consisted of 23.09 per cent towards capital and 76.91 per cent in long-term loans. The investment has grown by 192.41 per cent from ₹ 16122.90 crore in 2005-06 to ₹ 47144.61 crore in 2010-11 as shown in the graph below.



**1.9** The investment in various important sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart. The thrust of PSU investment was mainly on power sector during the five years which has seen its percentage share rising to 92.52 per cent in 2010-11 from 88.35 in 2005-06.

(Figures in brackets show the percentage of total investment)  
(Amount: ₹ in crore)



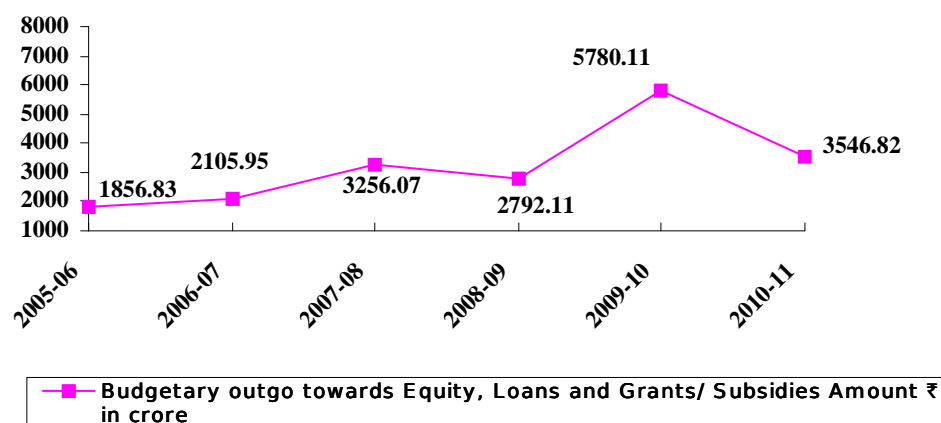
### Budgetary outgo, grants/subsidies, guarantees and loans

**1.10** The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-3**. The summarised details are given below for three years ended 2010-11.

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	6	1337.98	10	1470.25	12	1599.89
2.	Loans given from budget	5	252.72	7	3341.53	2	0.39
3.	Grants/Subsidy received*	7	1201.41	14	968.33	14	1946.54
4.	Total Outgo (1+2+3)	10 <sup>\$</sup>	2792.11	18 <sup>\$</sup>	5780.11	20 <sup>\$</sup>	3546.82
5.	Loans converted into equity	-	-	1	23.55	-	-
6.	Guarantees issued	6	13944.73	5	20767.42	6	24781.66
7.	Guarantee Commitment	8	25639.95	5	32099.14	8	48088.19

(₹ in crore)

**1.11** The details regarding budgetary outgo towards equity, loans and grants/subsidies for six years are given in a graph below.



The main beneficiary of budgetary outgo was power sector which received 82.16 per cent (₹ 1314.39 crore) of equity capital outgo (₹ 1599.89 crore) and 86.32 per cent (₹ 3061.62 crore) of total budgetary outgo (₹ 3546.82 crore).

\* Amount represents outgo from State Budget only.

\$ The figure represents number of companies which have received outgo from budget under one or more heads i.e. equity, loans, grants/subsidies.

**1.12** The Government charges guarantee commission at the concessional rate of 0.1 *per cent* per annum for term loans granted by the financial institutions and Banks to the Power Sector PSUs, whereas in case of loan availed by other PSUs it charges guarantee commission at the rate of one *per cent* per annum. The Government charges guarantee commission at concessional rate of 0.01 *per cent* per annum on issue of bonds by the Power Sector PSUs. Rajasthan Rajya Vidyut Prasaran Nigam Limited issued bonds of ₹ 350.00 crore during 2010-11. The guarantee commission is payable quarterly failing which guarantee commission will also carry penal interest at the rate of 15 *per cent* per annum from the first day of the following month to the quarter to which it relates till the date of final payment. There was increasing trend of outstanding guarantees. The amount of guarantees outstanding increased from ₹ 11534.63 crore in 2005-06 to ₹ 48088.19 crore in 2010-11 showing rise of 316.90 *per cent*. During the year 2010-11 guarantee commission of ₹ 58.23 crore was paid/ payable by the PSUs.

### Reconciliation with Finance Accounts

**1.13** The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2011 is stated below.

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	10571.69	10574.55	2.86
Loans	2417.71	2115.20	302.51
Guarantees	48509.29	48088.19	421.10

**1.14** Audit observed that the differences occurred in respect of 19 PSUs and some of the differences were pending reconciliation since earlier period. The matter was taken up from time to time with Finance Department, Government of Rajasthan regarding difference in figures relating to equity, loans and guarantee as per finance accounts and as per PSU's records. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

### Performance of PSUs

**1.15** The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexure-2, 5 and 6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working

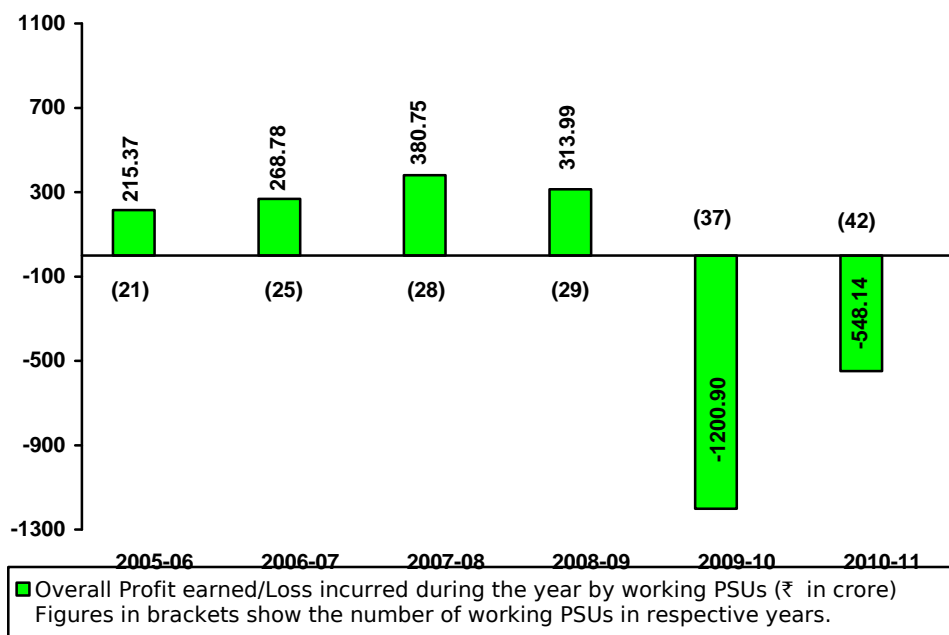
PSU turnover and State GDP for the period 2005-06 to 2010-11.

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover <sup>∞</sup>	12616.80	14445.07	16644.45	17510.67	25275.63	30152.24
State GDP <sup>♣</sup>	142236.14	171042.73	194822.14	225253.53	255295.29	303358.11
Percentage of Turnover to State GDP	8.87	8.45	8.54	7.77	9.90	9.94

The turnover of PSUs has recorded continuous increase over previous year turnover from 2006-07 to 2010-11. Percentage of increase in turnover ranged between 5.20 and 44.34 during the period 2006-11, whereas percentage of increase in GDP ranged between 13.34 and 20.25 during the period 2006-11. The turnover of PSUs recorded compounded annual growth of 19.03 per cent during last five years which was higher than the compounded annual growth of 16.36 per cent of State GDP. This had resulted in increase of PSUs share of turnover to State GDP from 8.87 per cent in 2005-06 to 9.94 per cent in 2010-11.

**1.16** Profit\* (losses) earned (incurred) by State working PSUs during 2005-06 to 2010-11 are given below in a bar chart.



It can be seen from the above chart that the loss incurred by the working PSUs had decreased from ₹ 1200.90 crore in 2009-10 to ₹ 548.14 crore in 2010-11. According to latest finalized accounts of 42 PSUs, 12 PSUs earned profit of ₹ 529.68 crore, 19 PSUs incurred loss of ₹ 1077.82 crore, while three power

∞ Turnover as per the latest finalised accounts.

♣ State GDP as per Economic Review 2010-11 of Government of Rajasthan.

\* Figures are as per the latest finalised accounts during the respective years.

sector PSUs *i.e.* Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited incorporated in 2000-01 prepared accounts on 'No Profit No Loss basis' by showing revenue gap as recoverable from the State Government which was not as per Generally Accepted Accounting Principles (GAAP) prevailing in the country. Eight PSUs incorporated in the year 2006-07 to 2010-11 did not commence commercial activities till 2010-11. The major contributors to the profit were Rajasthan State Industrial Development and Investment Corporation Limited (₹ 292.18 crore) and Rajasthan State Mines and Minerals Limited (₹ 143.54 crore). Heavy losses were incurred by Rajasthan Rajya Vidyut Prasaran Nigam Limited (₹ 815.94 crore) and Rajasthan State Road Transport Corporation (₹ 186.84 crore) as per their latest finalised account.

**1.17** The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 1300.20 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net Profit (loss)	313.99	(1200.90)	(548.14)	(1435.05)
Controllable losses as per CAG's Audit Report	729.70	459.16	111.34	1300.20
Infructuous Investment	3.25	Nil	120.55	123.80

**1.18** The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

**1.19** Some other key parameters pertaining to State PSUs are given below:

(₹ in crore)

Particulars <sup>∞</sup>	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed ( <i>per cent</i> )	6.61	6.24	6.00	5.82	2.89	5.64
Debt	11720.00	11377.42	15808.26	20955.24	26437.80	36260.08
Turnover <sup>*</sup>	12616.80	14445.07	16644.45	17510.67	25275.63	30152.24
Debt/Turnover Ratio	0.93 : 1	0.79 : 1	0.95 : 1	1.20:1	1.05:1	1.20:1
Interest Payments	1236.13	1375.40	1338.95	1599.84	2374.73	3551.29 <sup>§</sup>
Accumulated Profits (losses) <sup>1</sup>	(193.66)	(63.89)	117.98	364.89	(1343.22)	(2066.69) <sup>§</sup>

**1.20** The turnover of PSUs recorded compounded annual growth of 19.03

<sup>∞</sup> Position for the year 2010-11 was taken from the information received up to 30 September 2011.

<sup>\*</sup> Turnover of working PSUs as per the latest finalised accounts.

<sup>§</sup> Figures as per the latest finalised accounts.

<sup>1</sup> Accumulated losses include losses of non-working Companies also.

per cent during last five years while compounded annual growth of debts was 25.34 per cent indicating that the debts were rising at much faster rate than turnover. The rising debts to turnover ratio from 0.93:1 in 2005-06 to 1.20:1 in 2010-11 as well as decreasing trend in return on capital employed pointed to deteriorating performance of PSUs. The power sector PSUs were major contributor to the rising debt to turnover ratio as debt/ turnover ratio in respect of power sector PSUs had risen from 1.00:1 in 2005-06 to 1.38:1 in 2010-11.

**1.21** The State Government had formulated (September 2004) a dividend policy under which all profit making PSUs are required to pay a minimum return of ten per cent on the paid up share capital contributed by the State Government or 20 per cent of the profit after tax, whichever is lower. As per their latest finalised accounts, 12 PSUs earned an aggregate profit of ₹ 529.68 crore and seven PSUs declared a dividend of ₹ 20.94 crore which worked out to 0.20 per cent of equity capital contributed by the State Government. Out of seven PSUs declaring dividend, three PSUs (Rajasthan State Road Development and Construction Corporation Limited, Rajasthan State Mines and Minerals Limited and Rajasthan State Warehousing Corporation) declared dividend more than prescribed while one PSU (Rajasthan State Ganganagar Sugar Mills Limited) declared dividend less than prescribed in the Government dividend policy. Five PSUs which earned profit, did not declare dividend due to accumulated losses or marginal profit.

#### **Performance of major PSUs**

**1.22** The investment in working PSUs and their turnover\*\* together aggregated to ₹ 77272.66 crore during 2010-11. Out of 42 working PSUs, the following five PSUs accounted for individual investment plus turnover of more than ten per cent of aggregate investment plus turnover. These five PSUs together accounted for 87.20 per cent of aggregate investment plus turnover.

(₹ in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage of Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
Ajmer Vidyut Vitran Nigam Limited	8028.58	3119.43	11148.01	14.43
Jaipur Vidyut Vitran Nigam Limited	9803.55	8344.82	18148.37	23.49
Jodhpur Vidyut Vitran Nigam Limited	5009.53	6034.52	11044.05	14.29
Rajasthan Rajya Vidyut Prasaran Nigam Limited	6842.70	1358.13	8200.83	10.61
Rajasthan Rajya Vidyut Utpadan Nigam Limited	13220.44	5620.97	18841.41	24.38
<b>Total</b>	<b>42904.80</b>	<b>24477.87</b>	<b>67382.67</b>	<b>87.20</b>

**1.23** All of the above five power sector PSUs had arrears of accounts for one year (2010-11) as on 30 September 2011.

\*\* Turnover figures have been taken in respect of all the PSUs as per their latest finalised accounts.



**1.24** Out of above five power sector PSUs, three\* power sector PSUs prepared their accounts on 'No profit no loss' basis. The turnover has risen from ₹ 10468.37 crore in 2005-06 to ₹ 24477.87 crore in 2010-11 during this period. However, the return on capital employed has marginally reduced to 5.33 per cent in 2010-11 from 5.49 per cent in 2005-06 as per their latest finalised accounts.

### Arrears in finalisation of accounts

**1.25** The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by 30 September 2011.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of Working PSUs	25	28	29	37	42
2.	Number of accounts finalised during the year	22	26	25	27	46
3.	Number of accounts in arrears	8	10	14	28 <sup>2</sup>	24
4.	Average arrears per PSU (3/1)	0.32	0.36	0.55	0.76	0.57
5.	Number of Working PSUs with arrears in accounts	8	9	13	21	17
6.	Extent of arrears	One year	One to two years	One to two years	One to three years	One to four years

**1.26** Out of 42 working PSUs, 17 working PSUs have 24 accounts in arrears. Of these 17 working PSUs, three<sup>Σ</sup> working PSUs have arrear in accounts for more than one year as detailed in **Annexure-2**.

**1.27** Out of three non-working PSUs, one PSU has arrear in accounts for more than one year while one other PSU has arrear in accounts for one year.

**1.28** The State Government had invested ₹ 3090.39 crore (Equity: ₹ 1340.89 crore and Subsidy: ₹ 1749.50 crore) in eight PSUs during the year for which accounts have not been finalised as detailed in **Annexure-4**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus Government's investment in such PSUs remains outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the

\* Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited.

2 Three PSUs Bikaner City Transport Services Limited, Kota City Transport Services Limited and Udaipur City Transport Services Limited came into Audit purview this year with seven accounts in arrears.

Σ At Sl. No. A-17, 31 and 38.

provisions of the Companies Act, 1956.

**1.29** The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up periodically with the Chief Secretary/Finance Secretary to expedite clearance of the backlog of arrears in accounts in a time bound manner.

**1.30** In view of above state of arrears, it is recommended that:

- The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.
- The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.

#### **Winding up of non-working PSUs**

**1.31** There were three non-working PSUs (all companies) as on 31 March 2011. The process of merger of Hi-Tech Precision Glass Limited with Rajasthan State Ganganagar Sugar Mills Limited is under progress. None of the other two PSUs has commenced liquidation process whereas one non-working company (Rajasthan Electronics Limited) was struck off by the Registrar of Companies, Jaipur in February 2011. The numbers of non-working companies at the end of each year during past five years are given below.

<b>Particulars</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
No. of non-working companies	4	4	4	4	3
No. of non-working corporations	-	-	-	-	-
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2010-11, one non-working PSU incurred an expenditure of ₹ 0.02 crore towards salary and establishment expenses *etc.* This expenditure was financed by the Holding company.

**1.32** The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	3	-	3
2.	Of (1) above, the No. of PSU under	-	-	-
(a)	liquidation by Court (liquidator appointed)	-	-	-
(b)	Voluntary winding up (liquidator appointed)	-	-	-
(c)	Closure, <i>i.e.</i> closing orders/ instructions issued but liquidation process not yet started.	-	-	-

**1.33** During the year 2010-11, one PSU (Rajasthan Electronics Limited) was finally wound up. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may take a decision regarding winding up of three non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

### Accounts Comments and Internal Audit

**1.34** Thirty five working Companies forwarded their 43<sup>3</sup> audited accounts to the Accountant General during the year 2010-11 (up to 30 September 2011). Of these, 18 accounts of 17<sup>4</sup> Companies were selected for supplementary audit. The audit reports of statutory auditors appointed by the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and the CAG are given below.

Sl. No.	Particulars	(₹ in crore)					
		2008-09		2009-10		2010-11 <sup>5</sup>	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	4	6.58	2	0.91	5	27.97
2.	Increase in profit	-	-	-	-	2	0.99
3.	Increase in loss	-	-	4	3811.29	10	11669.26
4.	Decrease in loss	-	-	-	-	3	37.21
5.	Non-disclosure of material facts	-	-	-	-	1	0.30
6.	Errors of classification	1	-	1	-	-	-

3 Bikaner City Transport Service Limited submitted three accounts (for the year 2008-09, 2009-10 and 2010-11), Rajasthan Renewable Energy Corporation Limited, Gurha Thermal Power Company Limited, Banswara Thermal Power Company Limited and Jaipur City Transport Services Limited submitted two accounts (for the year 2009-10 and 2010-11), Udaipur City Transport Services Limited submitted two accounts (for the year 2006-07 and 2007-08) and Shekhawati Transmission Service Company Limited submitted two accounts (for the period from June 2009 to August 2010 and September 2010 to March 2011).

4 Two accounts of Rajasthan Renewable Energy Corporation Limited for the year 2009-10 and 2010-11 were selected for supplementary audit.

5 Position as on 30 September 2011.

**1.35** During the year 2010-11, the statutory auditors had given qualified certificates on 34 accounts and adverse certificate (which means that accounts do not reflect a true and fair position) on four accounts. Additionally, the CAG gave adverse certificate on two accounts (two PSUs relating to power sector) during the supplementary audit. The compliance of the Accounting Standards (AS) by PSUs remained poor as there were 79 instances of non-compliance in 20 accounts as pointed by the Statutory Auditors.

**1.36** Some of the important comments in respect of accounts of companies are stated below:

***Jaipur Vidyut Vitran Nigam Limited (2009-10)***

- ‘Rent, Rates and Taxes’ was understated by ₹ 14.47 crore due to non-provision of liability towards statutory dues. Consequently, ‘Current Liability and Provisions’ as well as ‘Loss for the year’ were understated to the same extent.
- ‘Depreciation’ was understated by ₹ 14.50 crore due to non-charging of depreciation for the entire year in respect of feeders completed under Feeder Renovation Program in 2008-09. Consequently, ‘Fixed Assets’ were overstated and ‘Loss for the year’ was understated to the same extent.
- ‘Sundry Debtors’ were overstated by ₹ 19.91 crore due to non writing off of the dues in excess of the amount of one time settlement with Urban Local Bodies on account of public street lighting. Consequently, ‘Other Debits’ as well as ‘Loss for the year’ were understated to this extent.

***Jodhpur Vidyut Vitran Nigam Limited (2009-10)***

- Due to our comments and those of statutory auditors, the net loss for the year worked out to ₹ 3680.15 crore instead of NIL shown by the Company. Hence the accounts did not represent a true and fair view.

***Ajmer Vidyut Vitran Nigam Limited (2009-10)***

- Due to our comments and those of statutory auditors, the net loss for the year worked out to ₹ 3702.03 crore instead of NIL shown by the Company. Hence the accounts did not represent a true and fair view.

***Rajasthan Rajya Vidyut Utpadan Nigam Limited (2009-10)***

- ‘Revenue from Sale of Power’ was overstated by ₹ 89.83 crore due to excess billing to Discoms. Consequently, ‘Sundry Debtors’ were overstated by ₹ 89.83 crore and ‘Loss for the year’ was understated to the same extent.
- ‘Administration & Other Expenses’ were understated by ₹ 14.47 crore due to non-provision of liability of statutory dues of Municipal Bodies.

Consequently, 'Current Liabilities and Provisions' and 'Loss for the year' were understated by ₹ 14.47 Crore.

***Rajasthan Raja Vidyut Prasaran Nigam Limited (2009-10)***

- 'Employee Cost' was overstated by ₹ 163.65 crore due to incorrect account of liability of pension to CPF Employees for which the company was not liable as the company was regularly depositing its contribution to PF Commissioner. Consequently, 'Current Liabilities and Provisions' and 'Loss for the year' was overstated to that extent.

***Rajasthan State Seeds Corporation Limited (2010-11)***

- 'Loan & Advances' were overstated by ₹ 2.05 crore due to inclusion of Subsidy receivable from Government which refused to pay owing to non-provision in budget. Consequently, 'profit for the year' was overstated by the same amount.

1.37 Similarly, three working Statutory corporations forwarded their accounts of 2010-11 to Accountant General (up to 30 September 2011). Of these, one account of one Statutory corporation pertained to sole audit by the CAG which was completed during the year. Remaining two accounts were selected for supplementary audit. The compliance of the Accounting Standards (AS) by PSUs remained poor as there were four instances of non-compliance in one account during supplementary audit. The details of aggregate money value of comments of statutory auditors and supplementary audit by the CAG are given below:

(₹ in crore)							
Sl. No.	Particulars	2008-09		2009-10		2010-11 <sup>Y</sup>	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in profit	-	-	-	-	1	0.59
3.	Increase in loss	-	-	2	152.81	2 <sup>6</sup>	116.04
4.	Non-disclosure of material facts	-	-	-	-	1	78.25
5.	Errors of classification	-	-	-	-	-	-

1.38 Out of two accounts received during the year 2010-11, the statutory auditors had given qualified certificates for both accounts.

1.39 Some of the important comments in respect of accounts of Statutory Corporation are stated below:

***Rajasthan State Road Transport Corporation (2009-10)***

- 'Creditors for Expenses' were understated by ₹ 26.07 crore due to

<sup>Y</sup> Position as on 30 September 2011.

<sup>6</sup> As per audit of accounts for the year 2009-10.

non-provision of claims raised by State Government, despite recommendation of Public Accounts Committee to recover the amount from the Corporation. Consequently, 'net loss for the year' was understated by ₹ 26.07 crore.

- 'Government Creditors' were understated by ₹ 62.65 crore due to under provision of liability towards 'Special Road Tax'. Consequently, 'net loss for the year' was understated by ₹ 62.65 crore.

**Rajasthan Financial Corporation (2009-10)**

- Due to our comments and those of statutory auditors, the net loss for the year worked out to ₹ 123.59 crore instead of ₹ 104.54 crore shown by the Corporation.

**1.40** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited 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. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 14 accounts of PSUs for the year 2009-10 and 15 accounts of 14 PSUs for the year 2010-11 (position taken on the basis of accounts received upto 30 September 2011) are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of PSUs where recommendations were made	Reference to serial number of the PSUs as per Annexure 2
1.	Absence of internal audit system commensurate with the nature and size of business of the company	(2009-10)=14 (2010-11)=15	A-3,4,6,9,10,12,19,20,24,25,29, 33 & 39 and B-1 A-2,3,4,8,12,19,20,24,25,28 <sup>μ</sup> , 29,37&39 and B-1
2.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	(2009-10)=10 (2010-11)=10	A-4,9,10,12,19,20,24,25,33 & 36 A-2,8,9,12,19,20,24,25,26 & 36

**Recoveries at the instance of audit**

**1.41** During the course of propriety audit in 2010-11, recoveries of ₹ 0.64 crore were pointed out to the Management of various PSUs, which was recovered during the year 2010-11.

<sup>μ</sup> Two accounts for the year 2009-10 and 2010-11

### Status of placement of Separate Audit Reports

**1.42** The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Rajasthan Financial Corporation	2009-10 (10.03.2011)	-	-	-
2.	Rajasthan State Warehousing Corporation	2009-10 (17.02.2011)	-	-	-
3.	Rajasthan State Road Transport Corporation	2009-10 (18.02.2011)	-	-	-

The audit of the accounts of all three Statutory corporations for the year 2010-11 is in progress.

### Disinvestment, Privatisation and Restructuring of PSUs

**1.43** During 2010-11 two PSUs named Aravali Transmission Service Company Limited and Maru Transmission Service Company Limited were privatized and both were transferred to GMR Energy Limited. No other disinvestment of Public Sector Undertakings took place during 2010-11.

### Reforms in Power Sector

**1.44** Rajasthan has Rajasthan Electricity Regulatory Commission (RERC) formed in January 2000 under section 17 of the Electricity Regulatory Commissions Act, 1998 with the objective of rationalization of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2010-11, RERC issued 28 orders (13 on annual revenue requirements and 15 on others).

**1.45** Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl No.	Milestone		Achievement as at March 2011			
			Name of the Company	Transmission loss %	Distribution loss %	Total
1.	Reduction in transmission and distribution losses	20 per cent by 2008-09	JVVNL	6.15	18.82	24.97
			AVVNL	5.46	22.48	27.94
			JdVVNL	10.89	17.94	28.83
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 2011	Percentage
			JVVNL	4647	4133	88.94
			AVVNL	5237	4568	87.23
			JdVVNL	5853	5217	89.13
3.	100 per cent electrification of all villages	41353 villages by 2005	37964 villages (as per Census 2001) electrified i.e. 91.80 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. 227086 consumers were converted from agricultural flat rate to metered category in urban/rural areas.			
5.	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	Tariff order of January 2005 was in implementation up to September 2011 and thereafter new order with increased tariff was issued on 8 September 2011.	The tariff order of January 2005 was implemented from May 2005 as the State Government provided subsidy for the period January 2005 to April 2005. This order was in implementation upto September 2011. Thereafter, the tariff order issued on 8 September 2011 was implemented from October 2011 onwards.			
	<b>General</b>					
6.	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 2011.			