

## CHAPTER-I

### 1. Functioning 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 keeping in view the welfare of people and also occupy an important place in the State economy. As on 31 March 2015, in Uttar Pradesh, there were 104 PSUs (*Annexure 1.1*). Of these, no Company was listed on the stock exchange(s). During the year 2014-15, one Company named Noida Metro Rail Corporation Limited<sup>1</sup> was incorporated whereas 22 subsidiary companies<sup>2</sup> of Uttar Pradesh State Tourism Development Corporation Limited were closed down due to dissolution<sup>3</sup> by the Ministry of Corporate Affairs. Further, one Company named Western U. P. Power Transmission Company Limited has been placed under private ownership w.e.f. 22 September 2011 as intimated in February 2015. The details of PSUs in Uttar Pradesh as on 31 March 2015 are given in table 1.1.

**Table 1.1: Total number of PSUs as on 31 March 2015**

Type of PSUs	Working PSUs	Non-working PSUs <sup>4</sup>	Total
Government companies <sup>5</sup>	58	39	97
Statutory corporations	7	Nil	7
<b>Total</b>	<b>65</b>	<b>39</b>	<b>104</b>

*Source: Information furnished by PSUs*

The working PSUs registered a turnover of ₹ 85138.42 crore as per their latest finalised accounts as of September 2015. This turnover was equal to 8.72 *per cent* of State Gross Domestic Product (GDP) for 2014-15. The working PSUs incurred an aggregate loss of ₹ 16782.71 crore as per their latest finalised accounts as of September 2015. They had employed 1.25 lakh<sup>6</sup> employees as at the end of March 2015.

As on 31 March 2015, there were 39 non-working PSUs existing from last four to 40 years and having investment of ₹ 1062.25 crore. This is a critical area as the investment in non-working PSUs do not contribute to the economic growth of the State.

#### Accountability framework

**1.2** The audit of Financial statements of Government companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013

<sup>1</sup> Incorporated on 5 November 2014.

<sup>2</sup> 1. Paanchal Paripath Paryatan Nigam Ltd. 2.Sangam Paripath Paryatan Nigam, Ltd. 3.Ganga Saryu Paripath Paryatan Ltd. 4.Satyadarshan Paripath Paryatan Ltd.5.Hindon Paryatn Ltd. 6.Bundelkhand Paripath Paryatn Ltd. 7.Taj Virasat Paripath Paryatan Ltd. 8.Abhyaranya Paripath Paryatan Ltd. 9.Adhyavasai Paripath Paryatan Ltd. 10.Paschimanchal Paripath Paryatan Ltd. 11.Triveni Paripath Paryatan Ltd. 12.Shahjahanpur Paripath Paryatan Ltd. 13.Braj Paripath Paryatan Ltd. 14.Siddhartha Paripath Paryatan Ltd. 15.Garhmukteshwar Paryatan Ltd. 16.Awadh Paryatan Ltd. 17.Braj Darshan Paripath Paryatan Ltd. 18.Madhyanchal Paripath Paryatan Ltd. 19.Gyanodaya Paripath Paryatan Ltd. 20.Hastinapur Paripath Paryatan Limited 21.Taj Shilp Paryatan Limited 22.Bithpur Paripath Paryatan Ltd.

<sup>3</sup> Vide orders dated 7 April 2015.

<sup>4</sup> Non-working PSUs are those which have ceased to carry on their operations.

<sup>5</sup> Government PSUs includes other Companies referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013.

<sup>6</sup> As per the details provided by 59 PSUs. Remaining 45 PSUs did not furnish the details.

(Act). According to Section 2 (45) of the Act, “Government company” means any Company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a Company which is a subsidiary Company of such a Government company.

Further, as per sub-section 7 of Section 143 of the Act, the Comptroller & Auditor General of India (CAG) may, in case of any Company covered under sub-section (5) or sub-section (7) of Section 139, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government company or any other Company owned or controlled, directly or indirectly, by the Central Government or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

#### **Statutory Audit**

**1.3** The financial statements of the Government companies (as defined in Section 2(45) of the Act) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 139 (5) or (7) of the Act which shall submit a copy of the Audit Report to the CAG which, among other things, including financial statements of the Company under Section 143(5) of the Act. These financial Statements are subject to supplementary audit conducted by CAG under the provisions of Section 143 (6) of the Act.

Audit of Statutory corporations is governed by their respective legislations. Out of seven Statutory corporations, CAG is the sole auditor for Uttar Pradesh State Road Transport Corporation, Uttar Pradesh Avas Evam Vikas Parishad, Uttar Pradesh Forest Corporation and Uttar Pradesh Jal Nigam. In respect of Uttar Pradesh State Warehousing Corporation, Uttar Pradesh Financial Corporation and Uttar Pradesh Government Employees Welfare Corporation, the audit is conducted by the Chartered Accountants and supplementary audit by CAG.

#### **Role of Government and Legislature**

**1.4** The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors Reports and comments of the CAG, in respect of State Government companies and Separate Audit Reports in case of Statutory corporations are to be placed before the State Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG’s (Duties, Powers and Conditions of Service) Act, 1971.

#### **Stake of Government of Uttar Pradesh**

**1.5** The State Government has huge financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans**– In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support**- State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees**– State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

**Investment in State PSUs**

1.6 As on 31 March 2015, the investment (capital and long-term loans) in 104 PSUs (including companies under Section 139 (5) and 139 (7) of the Act) was ₹ 171247.04 crore as per details given in table 1.2.

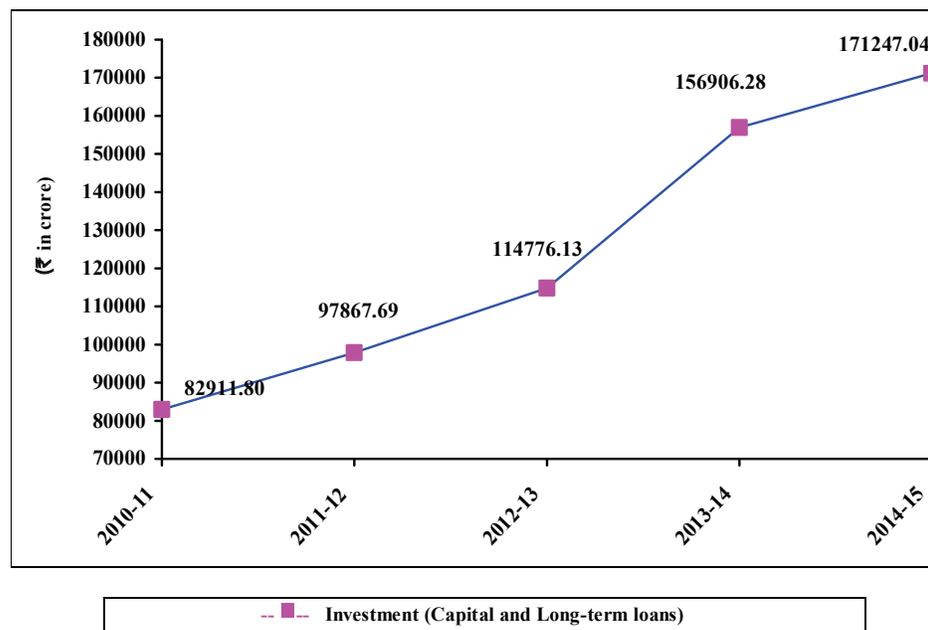
**Table 1.2: Total investments in PSUs**

Type of PSUs	Government companies			Statutory corporations			Grand total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	81076.16	87262.48	168338.64	610.73	1235.42	1846.15	170184.79
Non-working PSUs	709.86	352.39	1062.25	0.00	0.00	0.00	1062.25
<b>Total</b>	<b>81786.02</b>	<b>87614.87</b>	<b>169400.89</b>	<b>610.73</b>	<b>1235.42</b>	<b>1846.15</b>	<b>171247.04</b>

Source: Information furnished by PSUs

As on 31 March 2015, of the total investment in State PSUs, 99.38 per cent was in working PSUs and the remaining 0.62 per cent in non-working PSUs. This total investment consisted of 48.12 per cent towards capital and 51.88 per cent in long-term loans. The investment has grown by 206.54 per cent from ₹ 82911.80 crore in 2010-11 to ₹ 171247.04 crore in 2014-15 as shown in the line chart 1.1.

**Chart 1.1: Total investment in PSUs**



1.7 The sector-wise summary of investments in the State PSUs as on 31 March 2015 is given in table 1.3.

**Table 1.3: Sector-wise investment in PSUs**

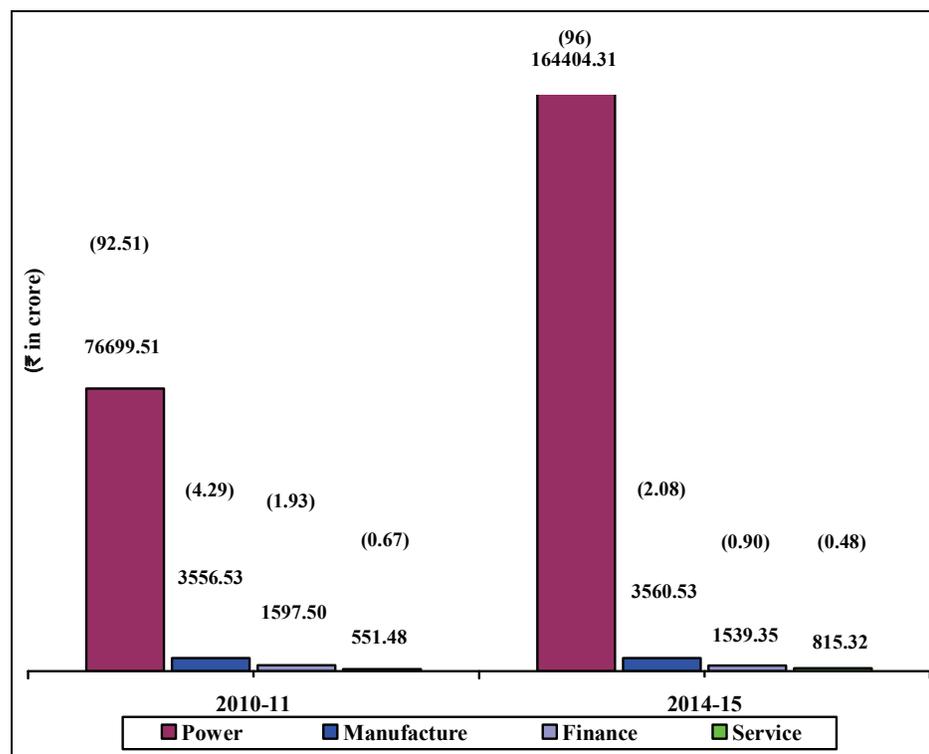
(₹ in crore)

Name of Sector	Government/Other companies		Statutory corporation	Total Investment
	Working	Non-Working	Working	
Power	164404.31	0.00	0.00	164404.31
Manufacturing	2827.80	732.73	0.00	3560.53
Finance	705.39	6.65	827.31	1539.35
Service	68.40	26.48	720.44	815.32
Infrastructure	134.25	271.14	270.03	675.42
Agriculture & Allied	143.29	25.25	13.37	181.91
Miscellaneous	55.20	0.00	15.00	70.20
<b>Total</b>	<b>168338.64</b>	<b>1062.25</b>	<b>1846.15</b>	<b>171247.04</b>

Source: Information furnished by PSUs

The investment in four significant sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 are indicated in the bar chart 1.2.

**Chart 1.2: Sector wise investment in PSUs**



(Figures in brackets indicate the sector percentage to total investment)

The bar chart 1.2 depicts that, out of four significant sectors, the thrust of PSUs investment was mainly in power sector, which increased from ₹ 76699.51 crore (92.51 per cent) in 2010-11 to ₹ 164404.31 crore (96 per cent) in 2014-15. The remaining PSUs investment was distributed in other

three significant sectors viz. Manufacturing, Finance and Service, which decreased from 6.89 per cent in 2010-11 to 3.46 per cent in 2014-15.

**Special support and returns during the year**

1.8 The State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and interest waived in respect of PSUs for three years ended 2014-15 are given in table 1.4.

**Table 1.4: Details regarding budgetary support to PSUs**

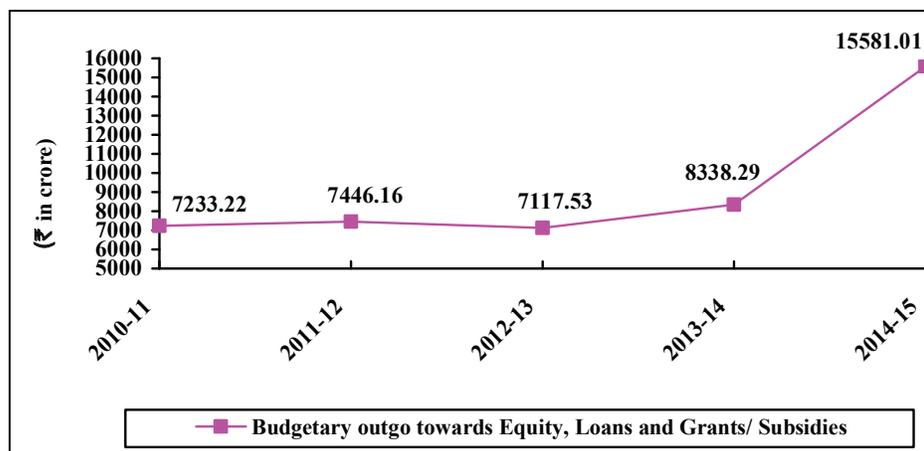
(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	5	2987.40	5	5324.42	6	11464.85
2.	Loans given from budget	3	25.18	6	123.80	6	138.78
3.	Grants/Subsidy from budget	11	4104.95	7	2890.07	10	3977.38
4.	<b>Total Outgo (1+2+3)</b>	<b>18<sup>7</sup></b>	<b>7117.53</b>	<b>17<sup>7</sup></b>	<b>8338.29</b>	<b>19<sup>7</sup></b>	<b>15581.01</b>
5.	Loans converted into Equity	1	64.38	-	-	3	1210.28
6.	Interest waived	1	425.44	-	-	-	-
7.	Guarantees issued	4	848.35	3	124.68	3	241.00
8.	Guarantee commitment	9	9734.56	5	9120.15	5	59822.93

Source: Information furnished by PSUs

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in the line chart 1.3.

**Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/ Subsidies**



The line chart 1.3 depicts that the budgetary outgo in the form of equity, loans and grants/subsidies to PSUs was in increasing trend and registered an increase of 115.41 per cent during 2010-11 to 2014-15 except in 2012-13,

<sup>7</sup> These represent actual number of PSUs which received budgetary support. Some PSUs fall in more than one category.

where it slightly decreased by 1.6 *per cent* as compared to the budgetary outgo in 2010-11.

It may be seen from table 1.4 that the amount of guarantees outstanding stood at ₹ 59822.93 crore in 2014-15, which registered a significant increase of 555.94 *per cent* during 2013-14 to 2014-15.

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, Government of Uttar Pradesh (GoUP) gives guarantee for which the guarantee commission is being charged at the rate of 0.25 *per cent* to one *per cent* as decided by the GoUP depending upon the loanees. The amount of guarantee commission payable up to 2013-14 by two PSUs<sup>8</sup> was ₹ 0.44 crore, which increased to ₹ 4.46 crore payable during current year by five PSUs<sup>9</sup>. Out of this, three PSUs<sup>10</sup> had paid guarantee commission of ₹ 3.16 crore during the current year. There were two PSUs<sup>11</sup> which did not pay guarantee commission during the year and accumulated/outstanding guarantee commission there against was ₹ 1.30 crore as on 31 March 2015.

### **Reconciliation with Finance Accounts**

**1.9** The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with 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 of 31 March 2015 is stated in table 1.5.

**Table 1.5: Equity, loans and guarantees outstanding as per finance accounts *vis-a-vis* records of PSUs**

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	(₹ in crore)
			Difference
Equity	50479.08	66700.63	16221.55
Loans	1466.75	1581.91	115.16
Guarantees	67558.32	59822.93	7735.39

*Source: State Finance Accounts for the year 2014-15 and information furnished by PSUs*

Audit observed that the differences between the figures as per Finance Accounts and that as per records of the PSUs occurred in respect of 37 PSUs and some of the differences were pending for reconciliation since 2000-01. The Accountant General had regularly taken up the matter of non-reconciliation of figures appearing in Finance Accounts and that in Audit Report (PSUs) with the PSUs requesting them to expedite the reconciliation. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

### **Arrears in finalisation of accounts**

**1.10** The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant

<sup>8</sup> The Pradeshiya Industrial and Investment Corporation of U. P. Limited (₹ 0.42 crore) and Pachimanchal Vidyut Vitran Nigam Limited (₹ 0.02 crore).

<sup>9</sup> The Pradeshiya Industrial and Investment Corporation of U. P. Limited (₹ 0.49 crore), Uttar Pradesh Power Corporation Limited (₹ 1.45 crore), Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (₹ 0.81 crore), Uttar Pradesh Power Transmission Corporation Limited (₹ 1.69 crore) and Pachimanchal Vidyut Vitran Nigam Limited (₹ 0.02 crore).

<sup>10</sup> Uttar Pradesh Power Corporation Limited (₹ 1.45 crore), Uttar Pradesh Power Transmission Corporation Limited (₹ 1.69 crore) and Pachimanchal Vidyut Vitran Nigam Limited (₹ 0.02 crore).

<sup>11</sup> The Pradeshiya Industrial and Investment Corporation of U. P. Limited (₹ 0.49 crore) and Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (₹ 0.81 crore)

financial year i.e. by September end in accordance with the provisions of Section 96(1) of the Companies Act, 2013 (Act). Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the State Legislature as per the provisions of their respective Acts.

The table 1.6 provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2015.

**Table 1.6: Position relating to finalisation of accounts of working PSUs**

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of Working PSUs/other companies	83	85	87	87	65 <sup>12</sup>
2.	Number of accounts finalised during the year	59	66	84	42	43 <sup>13</sup>
3.	Number of accounts in arrears	206	234	228	273	249 <sup>14</sup>
4.	Number of Working PSUs with arrears in accounts	69	81	82	83	61
5.	Extent of arrears	1 to 15 years	1 to 16 years	1 to 17 years	1 to 18 years	1 to 19 years

*Source: Latest finalised accounts of PSUs*

It can be observed that the number of accounts in arrears has increased from 206 in 2010-11 to 249 in 2014-15. The average number of accounts in arrears per working PSUs ranged between 2.48 and 3.83 during 2010-11 to 2014-15. Out of the 65 working PSUs, only four<sup>15</sup> PSUs finalised their accounts for the year 2014-15 while 61 PSUs had 249 accounts in arrears as of September 2015 with extent of arrears ranging from one to 19 years.

The Administrative Departments have the responsibility to oversee the activities of these PSUs and to ensure that the accounts are finalised and adopted by these PSUs within stipulated period. The concerned departments were informed regularly. In addition, the matter had been taken up by the Accountant General with the Chief Secretary and Principal Secretary (Finance), Government of Uttar Pradesh through quarterly Demi Official letters for liquidating the arrears of accounts. However, no improvement has been noticed.

**1.11** The State Government had invested ₹ 15581.01 crore (equity: ₹ 11464.85 crore, loans: ₹ 138.78 crore, grants: ₹ 1543.96 crore and Subsidies ₹ 2433.42 crore) in 19 working PSUs during the year for which accounts have not been finalised as detailed in **Annexure-1.2**. In the absence of finalisation

<sup>12</sup> 22 subsidiary companies of Uttar Pradesh State Tourism Development Corporation Limited have been closed down due to dissolution by the Ministry of Corporate Affairs. One Company named Western U. P. Power Transmission Company Limited has been placed under private ownership w.e.f. 22 September 2011 as intimated in February 2015 and one Company named Noida Metro Rail Corporation Limited was incorporated in 2014-15.

<sup>13</sup> Excluding 19 accounts of subsidiary companies of Uttar Pradesh State Tourism Development Corporation Limited finalised during 2014- 15 as these companies are excluded from total working companies.

<sup>14</sup> Excluding 44 arrears of accounts of closed subsidiary companies of Uttar Pradesh State Tourism Development Corporation Limited and two arrears of accounts of Western U. P. Power Transmission Company Limited which was placed under private ownership w.e.f.22 September 2011.

<sup>15</sup> Serial no. A-1, 19, 20 & 22 of Annexure 1.1.

of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purposes for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of the State Legislature.

**1.12** In addition to above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working PSUs. Out of 39 non-working PSUs, 13<sup>16</sup> PSUs were in the process of liquidation, whose 325 accounts were in arrears for seven to 40 years. The remaining 26 non-working PSUs had arrears of 403 accounts ranging from one to 32 years as on 30 September 2015. The position relating to arrears of accounts in respect of non-working PSUs is given in table 1.7.

**Table 1.7: Position relating to arrears of accounts in respect of non-working PSUs**

Year	No. of non-working PSUs	No. of accounts in arrear	Period for which accounts were in arrears	No. of years for which accounts were in arrears
2012-13	39	661	1974- 75 to 2012-13	1 to 38
2013-14	39	695	1974- 75 to 2013-14	1 to 39
2014-15	39	728	1974- 75 to 2014-15	1 to 40

*Source: Information furnished by non-working PSUs*

Table 1.7 depicts that the number of accounts in arrears has increased from 661 in 2012-13 to 728 in 2014-15 (10.14 *per cent*). The average number of accounts in arrears per non-working PSUs ranged between 17 and 19 during 2012-13 to 2014-15, which reflected an increasing trend in arrears of accounts of non-working PSUs.

#### **Placement of Separate Audit Reports**

**1.13** The position depicted in table 1.8 shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2015) on the accounts of Statutory corporations in the State Legislature.

**Table 1.8: Status of placement of SARs in State Legislature**

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in State Legislature	Years for which SARs not placed in State Legislature	
			Year of SAR	Date of issue to the Government/ Present Status
1.	Uttar Pradesh State Road Transport Corporation	2011-12	2012-13 2013-14	6 June 2014 2 September 2015
2.	Uttar Pradesh Financial Corporation	2007-08	2008-09 2009-10 2010-11 2011-12	20 May 2011 13 April 2012 27 August 2012 16 September 2013

<sup>16</sup> Serial no. C-2, 3, 9, 11, 12, 13, 15, 16, 18, 21, 22, 24, and 27 of Annexure 1.1.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in State Legislature	Years for which SARs not placed in State Legislature	
			Year of SAR	Date of issue to the Government/ Present Status
3.	Uttar Pradesh Forest Corporation <sup>17</sup>	--	2008-09 2009-10 2010-11 2011-12 2012-13 2013-14	9 March 2011 16 November 2011 21 September 2012 11 July 2013 6 June 2014 21 April 2015
4.	Uttar Pradesh Avas Evam Vikas Parishad	2010-11	2011-12 2012-13 2013-14	16 September 2013 7 November 2014 20 August 2015
5.	Uttar Pradesh Jal Nigam	2007-08	2008-09 2009-10 2010-11	3 August 2011 20 May 2013 12 December 2013
6	Uttar Pradesh State Warehousing Corporation	2011-12	2012-13	29 June 2015

Source: Information furnished by corporations and compiled by Audit

### Impact of non-finalisation of accounts

**1.14** As pointed out in paragraphs 1.10 to 1.12, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to State GDP for the year 2014-15 could not be ascertained and their contribution to the State exchequer was also not reported to the State Legislature.

**It is, therefore, recommended that:**

- the Government may set up a cell to oversee the clearance of arrears of accounts in a time bound manner 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.

### Performance of PSUs as per their latest finalised accounts

**1.15** The financial position and working results of working Government companies and Statutory corporations are detailed in **Annexure-1.1**. A ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. Table 1.9 provides the details of working PSUs turnover and State GDP for a period of five years ending 2014-15.

<sup>17</sup> Uttar Pradesh Forest Corporation submitted its account for the year 2008-09 after incorporating necessary amendment in U. P. Forest Corporation Act, 1974.

**Table 1.9: Details of working PSUs turnover vis-a-vis State GDP**

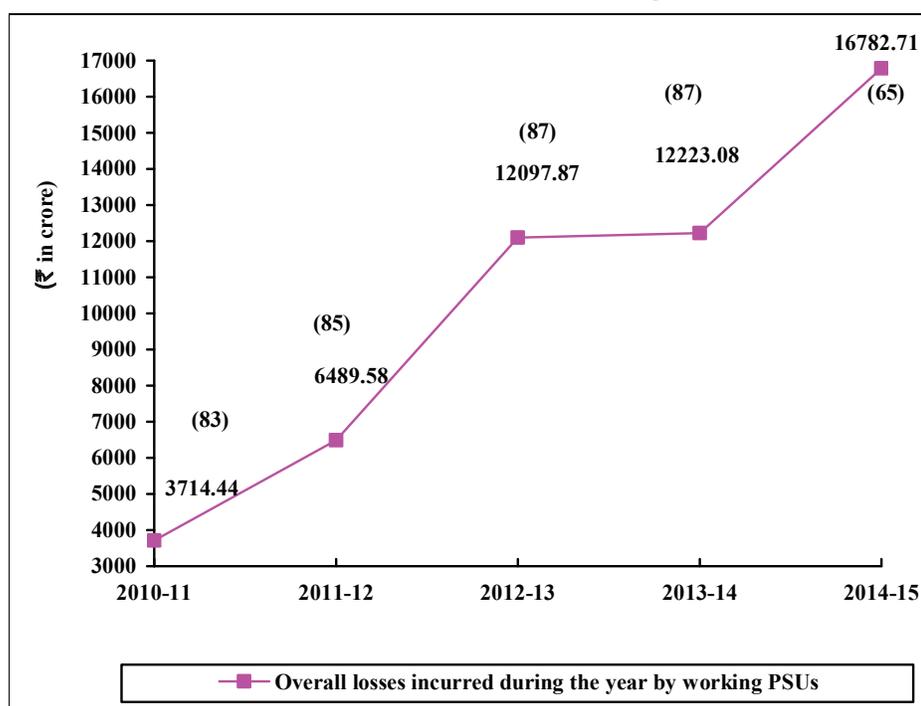
(₹ in crore)					
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover <sup>18</sup>	39298.30	42987.46	62432.56	65683.38	85138.42
State GDP	588467	687836	769729	890265	976297
Percentage of Turnover to State GDP	6.68	6.25	8.11	7.38	8.72

Source: Information furnished by working PSUs and Finance Accounts

Table 1.9 depicts that the turnover of the working PSUs stood at ₹ 39298.30 crore and ₹ 85138.42 crore in 2010-11 and 2014-15 respectively, which registered an increase of 116.65 per cent during the above period against which State GDP registered an increase of 65.91 per cent during the same period. However, percentage of turnover to State GDP increased from 6.68 per cent in 2010-11 to 8.72 per cent in 2014-15.

**1.16** Overall losses<sup>19</sup> incurred by State working PSUs during 2010-11 to 2014-15 are given in the line chart 1.4.

**Chart 1.4: Overall losses of working PSUs**



(Figures in brackets show the number of working PSUs in respective years)

The line chart 1.4 depicts that losses incurred by working PSUs have increased from ₹ 3714.44 crore in 2010-11 to ₹ 16782.71 crore (351.82 per cent) in 2014-15 which reflected a deteriorating financial position of PSUs.

As per latest finalised accounts, during the year 2014-15, out of 65 working PSUs, 30 PSUs earned profit of ₹ 1661.53 crore and 26 PSUs incurred loss of ₹ 18444.24 crore. Six working PSUs<sup>20</sup> had not submitted their first accounts

<sup>18</sup> As per the latest finalised accounts as of 30 September 2015.

<sup>19</sup> As per the latest finalised accounts as of 30 September 2015.

<sup>20</sup> Serial no. A-18, A-53, A-55, A-56, A-57 and A-58 of Annexure 1.1.

whereas three working PSUs<sup>21</sup> prepared their accounts on a “no profit no loss” basis. The major contributors to profit were Uttar Pradesh Avas Evam Vikas Parishad (₹ 495.11 crore), Uttar Pradesh Power Transmission Corporation Limited (₹ 321.39 crore), Uttar Pradesh Rajkiya Nirman Nigam Limited (₹ 232.49 crore) and Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (₹ 218.08 crore). The heavy losses were incurred by Dakshinanchal Vidyut Vitran Nigam Limited (₹ 5521 crore), Purvanchal Vidyut Vitran Nigam Limited (₹ 4094.62 crore), Madhyanchal Vidyut Vitran Nigam Limited (₹ 3262.77 crore) and Paschimanchal Vidyut Vitran Nigam Limited (₹ 3171.51 crore).

**1.17** Some other key parameters of PSUs (working and non-working) are given in table 1.10.

**Table 1.10: Key Parameters of State PSUs**

Particulars <sup>22</sup>	(₹ in crore)				
	2010- 11	2011- 12	2012- 13	2013- 14	2014- 15
Return on Capital Employed <sup>23</sup> (per cent)	-	-	-	-	-
Debt	25081.29	35952.78	50259.24	86458.19	88850.29
Turnover	39298.30	42987.46	62432.56	65683.38	85138.42
Debt-Turnover Ratio	0.64:1	0.84:1	0.81:1	1.32:1	1.04:1
Interest Payments	1273.00	1639.70	3756.60	4920.79	5182.60
Accumulated Losses	(22598.81)	(29380.10)	(64555.91)	(77258.93)	(94151.70)

*Source: Information furnished by PSUs and worked out by Audit*

*(Above figures pertain to all PSUs except for turnover which is for working PSUs)*

It can be observed that the debt of the PSUs stood at ₹ 25081.29 crore and ₹ 88850.29 crore in 2010-11 and 2014-15 respectively, which registered an increase of 254.25 per cent during the above period against which debt-turnover ratio increased from 0.64:1 in 2010-11 to 1.04:1 in 2014-15. The increase in interest payments corresponding to increase in debts impacted the accumulated losses which registered an increase of 316.62 per cent during 2010-11 to 2014-15. The overall return on capital employed remained negative in all five years due to negative return of power sector companies.

**1.18** The State Government had formulated (October 2002) a dividend policy under which all profit earning PSUs are required to pay a minimum return of five per cent on the paid up share capital contributed by the State Government. As per their latest finalised accounts, 30 PSUs earned an aggregate profit of ₹ 1661.53 crore and nine PSUs<sup>24</sup> declared a dividend of

<sup>21</sup> UCM Coal Company Limited, Uttar Pradesh Waqf Vikas Nigam Limited and Meerut City Transport Services Limited.

<sup>22</sup> As per the latest finalised accounts as of 30 September 2015.

<sup>23</sup> Overall return on capital employed remained negative due to negative return of Power sector companies.

<sup>24</sup> Serial Numbers A-5, A-6, A-12, A-16, A-24, A-46, A-48, A-51 and B-1 of Annexure-1.1.

₹ 8.06 crore. The remaining profit earning PSUs did not comply with the State Government policy regarding payment of minimum dividend.

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

**1.19** There were 39 non-working PSUs (37 Government companies and two companies under Section 139 (5) and 139 (7) of the Act) as on 31 March 2015. Of these, 13 PSUs have commenced liquidation process. Since, the non-working PSUs are not contributing to the State economy and meeting the intended objectives, these PSUs may be considered either to be closed down or revived. During 2014-15, one non-working PSU<sup>25</sup> incurred an expenditure of ₹ 0.72 crore towards establishment expenditure. This expenditure was financed by the holding Company of the above PSU.

**1.20** The stages of closure in respect of non-working PSUs are given in table 1.11.

**Table 1.11: Closure of non-working PSUs**

Sl. No.	Particulars	Companies
1.	Total no. of non-working PSUs	39
2.	Of (1) above, the no. of PSUs under:	
(a)	Liquidation by Court (liquidator appointed)	13
(b)	Voluntary winding up (liquidator appointed)	-
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	26

*Source: Information furnished by Registrar of Companies*

During the year 2014-15, no PSU was finally wound up. The 13 PSUs which have taken the route of winding up by Court order are under liquidation for a period ranging from 10 years to 34 years. 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 26 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working.

### **Accounts Comments**

**1.21** Thirty seven<sup>26</sup> working companies forwarded their audited 38 accounts<sup>27</sup> to the Accountant General during the year 2014-15<sup>28</sup>. Of these, 33 accounts<sup>29</sup> of 33 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of 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 CAG are given in table 1.12.

<sup>25</sup> Ghatampur Sugar Company Limited.

<sup>26</sup> Serial no. A-1,2, 3, 5, 6, 7, 8, 11, 12, 13, 15, 16, 17, 19, 20, 22, 24, 25, 27, 29, 31, 32, 33, 34, 35, 36, 37, 39, 40, 41, 42, 43, 45, 46, 48, 50 and 51 of Annexure-1.1. It excludes 19 accounts of subsidiary companies U. P. State Tourism Development Corporation Limited due to dissolution of subsidiary companies.

<sup>27</sup> Including two account of Uptron Powertronics Limited for the year 2013-14 and 2014-15.

<sup>28</sup> October 2014 to September 2015

<sup>29</sup> Five accounts of five companies were not selected for supplementary audit. These were issued a Non-review certificate.

**Table 1.12: Impact of audit comments on working companies**

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	14	163.88	10	68.55	10	43.92
2.	Increase in loss	21	1248.38	15	248.82	9	7.11
3.	Non-disclosure of material facts	8	587.68	11	9057.64	12	2290.30
4.	Errors of classification	1	0.07	3	255.37	2	2.20
	<b>Total</b>	<b>44</b>	<b>2000.01</b>	<b>39</b>	<b>9630.38</b>	<b>33</b>	<b>2343.53</b>

Source: Figures worked out by Audit

The aggregate money value of comments of statutory auditors and CAG increased from ₹ 2000.01 crore in 2012-13 to ₹ 2343.53 crore in 2014-15 with an exceptional increase in 2013-14. Further, the average money value of comments per account of ₹ 45.46 crore in 2012-13 increased to ₹ 71.02 crore in 2014-15. This indicated the need of improvement of quality of accounts.

During the year, the statutory auditors had given qualified certificates for 36 accounts, adverse certificate for one account<sup>30</sup> and disclaimer for one account<sup>31</sup>. The compliance of companies with the Accounting Standards remained poor as there were 144 instances of non-compliance in 28 accounts during the year.

**1.22** Similarly, five working Statutory corporations forwarded their five accounts to the Accountant General during the year 2014-15<sup>32</sup>. Of these, three accounts of three Statutory corporations<sup>33</sup> pertained to sole audit by CAG, which was completed. The remaining two accounts were selected for supplementary audit. The Audit Reports of statutory auditors and the sole/supplementary audit of 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 CAG are given in table 1.13.

**Table 1.13: Impact of audit comments on working Statutory corporations**

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	4	38.05	4	731.98	3	232.85
2.	Increase in loss	1	79.60	1	4.05	1	10.00
3.	Non-disclosure of material facts	-	-	-	-	4	704.58
4.	Errors of classification	-	-	-	-	2	20.05
	<b>Total</b>	<b>5</b>	<b>117.65</b>	<b>5</b>	<b>736.03</b>	<b>10</b>	<b>967.48</b>

Source: Figures worked out by Audit

The aggregate money value of comments of statutory auditors and CAG increased from ₹ 117.65 crore in 2012-13 to ₹ 967.48 crore in 2014-15. Further, the average money value of comments per account of ₹ 23.53 crore in 2012-13 increased to ₹ 96.75 crore in 2014-15. This indicated the need of improvement of quality of accounts.

<sup>30</sup> Uttar Pradesh State Spinning Company Limited.

<sup>31</sup> Uttar Pradesh State Food and Essential Commodities Corporation Limited.

<sup>32</sup> October 2014 to September 2015.

<sup>33</sup> Uttar Pradesh State Road Transport Corporation, Uttar Pradesh Avam Vikas Parishad and Uttar Pradesh Forest Corporation.

During the year, out of five<sup>34</sup> accounts, two<sup>35</sup> accounts received qualified certificate and one<sup>36</sup> account was given adverse certificate in case where CAG is sole auditor. For remaining two accounts, statutory auditors had given qualified certificate. The compliance of Statutory corporations with the Accounting Standards remained poor as there were 12 instances of non-compliance in five accounts during the year.

### **Response of the Government to Audit**

#### **Performance Audits and Paragraphs**

**1.23** For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015, two Performance audits, one Follow up audit, three long paragraphs and 12 transaction audit paragraphs were issued to the Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of two Performance audits, one Follow up audit, three long paragraphs and nine transaction audit paragraphs were awaited from the State Government (November 2015).

### **Follow up action on Audit Reports**

#### **Replies outstanding**

**1.24** The Report of the Comptroller and Auditor General of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Uttar Pradesh issued (June 1987) instructions to all administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Audit Reports of the CAG of India within a period of two to three months of their presentation to the State Legislature, in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The position of explanatory notes not received is given in table 1.14.

**Table 1.14: Explanatory notes not received (as on 30 September 2015)**

Year of the Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2009-10	5 August 2011	3	13	0	4
2010-11	30 May 2012	2	13	0	8
2011-12	16 September 2013	2	14	1	7
2012-13	20 June 2014	1	19	1	5
2013-14	17 August 2015	2	15	2	15
<b>Total</b>		<b>10</b>	<b>74</b>	<b>4</b>	<b>39</b>

*Source: Information compiled by Audit*

From the above, it could be seen that, out of 74 paragraphs and 10 performance audits, explanatory notes to 39 paragraphs and four performance audits in respect of 11 departments, which were commented upon, were awaited (September 2015).

<sup>34</sup> Serial no. B-1, 2, 3, 5 and 7 of Annexure 1.1

<sup>35</sup> Uttar Pradesh Forest Corporation (2013-14) and Uttar Pradesh State Road Transport Corporation (2013- 14).

<sup>36</sup> Uttar Pradesh Awam Vikas Parishad (2013-14).

### Discussion of Audit Reports by COPU

**1.25** The status as on 30 September 2015 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the COPU is given in table 1.15.

**Table 1.15: Performance Audits/ Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2015**

Period of Audit Report	Number of Performance Audits (PAs)/Paragraphs			
	Appeared in Audit Report		PAs and Paragraphs discussed	
	Pas	Paragraphs	PAs	Paragraphs
1982-83 to 2008-09	132	888	76	534
2009-10	3	13	0	4
2010-11	3 <sup>37</sup>	13	0	3
2011-12	2	14	0	2
2012-13	1	19	0	3
2013-14	2	15	0	0
<b>Total</b>	<b>143</b>	<b>962</b>	<b>76</b>	<b>546</b>

Source: Information compiled by Audit

### Compliance to Reports of the Committee on Public Undertakings

**1.26** The internal working rules of COPU do not provide for vetting of Action Taken Notes (ATNs) by AG. Hence, the ATNs on the recommendations of COPU are furnished by the Departments to AG, only at the time of discussion of ATNs by COPU. Therefore, the status of ATNs is not discussed here.

**It is recommended that the Government may ensure:**

- sending of replies/explanatory notes to Paragraphs/Performance Audits as per the prescribed time schedule;
- revamping of the system of responding to audit observations.

#### Coverage of this Report

**1.27** This Report contains 12 transaction audit paragraphs, three long paragraphs, one Follow up audit and two Performance audits on Government companies and Statutory corporations involving financial impact of ₹ 10369.60 crore.

#### Disinvestment, Restructuring and Privatisation of PSUs and reforms in power sector

**1.28** There was no disinvestment, restructuring, privatisation of PSUs and reforms in power sector in the State of Uttar Pradesh during 2014-15.

<sup>37</sup> Included Stand alone Performance Audit Report on Sale of Sugar Mills of Uttar Pradesh State Sugar Corporation Limited.