

# 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, there were 126 PSUs in Kerala. Of these, three companies<sup>1</sup> were listed on the stock exchanges. During the year 2014-15, two PSUs<sup>2</sup> were either incorporated or commenced business. The details of the State PSUs in Kerala as on 31 March 2015 are given below:

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

Type of PSUs	Working PSUs	Non-working PSUs	Total
Government company	107	15	122
Statutory corporation	4	0	4
<b>Total</b>	<b>111</b>	<b>15</b>	<b>126</b>

The working PSUs registered a turnover of ₹19194.06 crore as per their latest finalised accounts as of September 2015. This turnover was equal to 4.25 per cent of State Gross Domestic Product (GDP) for 2014-15. The working PSUs incurred aggregate loss of ₹391.42 crore. They had employed 1.28 lakh employees as at the end of March 2015.

As of 31 March 2015, there were 15 non-working PSUs having investment of ₹110.31 crore. They were non-functioning for last 9 to 31 years. This is a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

### Accountability framework

1.2 The accounts of Government companies (including companies deemed to be Government companies as per the 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 and Sections 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act,

<sup>1</sup> Keltron Component Complex Limited, The Travancore Cements Limited and The Travancore Sugars and Chemicals Limited.

<sup>2</sup> Kerala State Coir Machinery Manufacturing Company Limited and Bhavanam Foundation Kerala.

Government company means any company in which not less than fifty one *per cent* of the paidup 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, 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 19 A of CAG'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 CAG. An audit of the financial statement of a company in respect of the financial years that commence 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. They shall submit a copy of the Audit Report to CAG including financial statements of the company under Section 143(5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report as per the provisions of Section 143(6) of the Act.

Audit of Statutory corporations is governed by their respective legislations. Out of four Statutory corporations, CAG is the sole auditor for Kerala State Road Transport Corporation and Kerala Industrial Infrastructure Development Corporation. In respect of Kerala State Warehousing Corporation and Kerala Financial Corporation, the audit is conducted by 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. Government appoints the Chief Executive and the Directors to the Board.

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' Report and comments of CAG, in respect of State Government companies and Separate Audit Reports in case of Statutory corporations are to be placed before the Legislature under Section 394 of the Act or as stipulated in the

respective Acts. The Audit Reports of the 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 Kerala

1.5 The State Government's stake in the PSUs 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 126 PSUs was ₹19933.20 crore as per details given below:

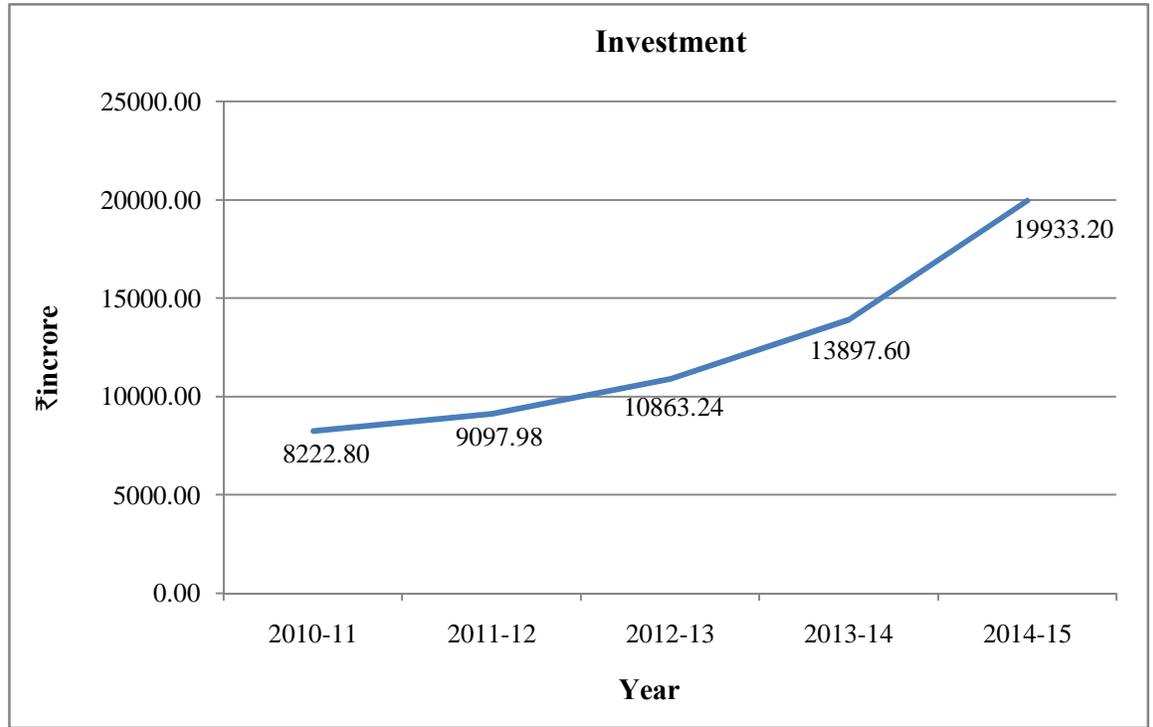
Table 1.2: Total investment in PSUs

(₹ in crore)

Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	6893.21	7035.50	13928.71	942.88	4951.30	5894.18	19822.89
Non-working PSUs	44.87	65.44	110.31	0.00	0.00	0.00	110.31
<b>Total</b>	<b>6938.08</b>	<b>7100.94</b>	<b>14039.02</b>	<b>942.88</b>	<b>4951.30</b>	<b>5894.18</b>	<b>19933.20</b>

As on 31 March 2015, of the total investment in State PSUs, 99.45 per cent was in working PSUs and the remaining 0.55 per cent in non-working PSUs. This total investment consisted of 39.54 per cent towards capital and 60.46 per cent in long-term loans. The investment has grown by 142.41 per cent from ₹8222.80 crore in 2010-11 to ₹19933.20 crore in 2014-15 as shown in Chart 1.1.

**Chart 1.1: Total investment in PSUs**



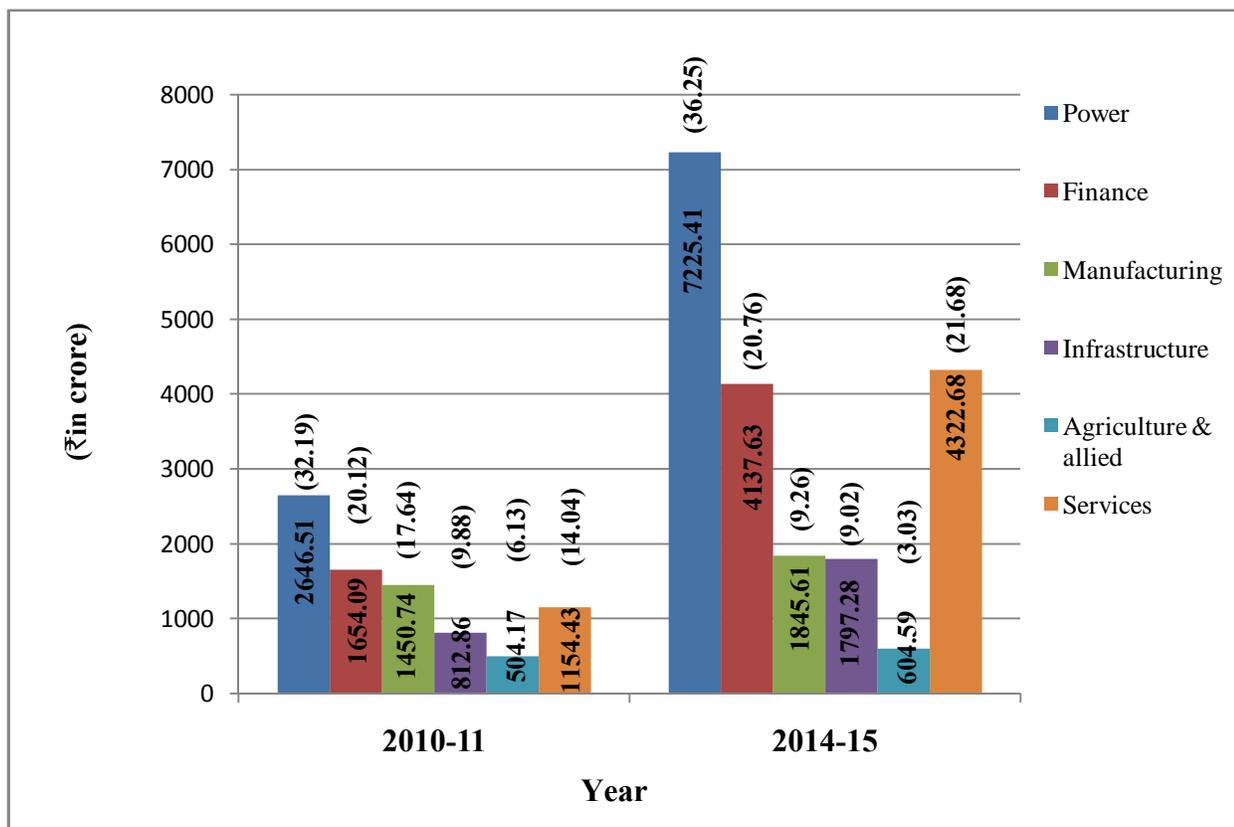
1.7 The sector wise summary of investments in the State PSUs as on 31 March 2015 is given below:

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

Name of sector	Government companies	Statutory corporations	Total	Investment (₹ in crore)
	(Number)			
Power	3	1	3	7225.41
Finance	18	1	19	4137.63
Manufacturing:				
Working	35	1	35	1735.30
Non-working	15	1	15	110.31
Infrastructure	16	1	17	1797.28
Agriculture & allied	16	1	17	604.59
Services	19	1	20	4322.68
<b>Total</b>	<b>122</b>	<b>4</b>	<b>126</b>	<b>19933.20</b>

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

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



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

The thrust of PSU investment was mainly in power sector which increased from ₹2646.51 crore in 2010-11 to ₹7225.41 crore in 2014-15, thus, registering an increase of 173.02 per cent. Investment in service sector also increased substantially from ₹1154.43 crore in 2010-11 to ₹4322.68 crore in 2014-15, thus, registering an increase of 274.44 per cent.

### Financial support and returns during the year

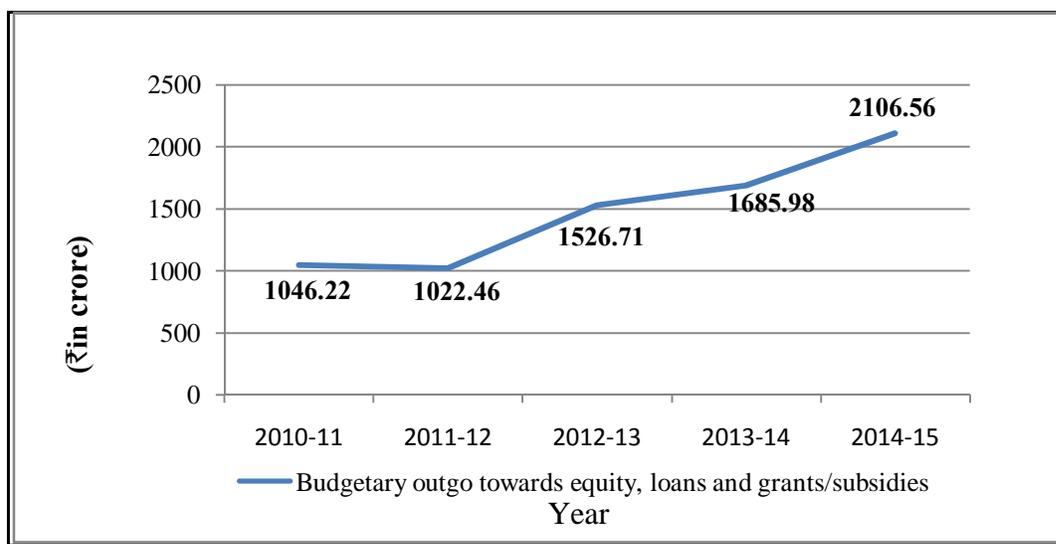
**1.8** The State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and interest waived in respect of State PSUs for three years ended 2014-15 are given in Table 1.4:

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

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)
1.	Equity Capital outgo from budget	22	388.24	24	456.36	23	357.84
2.	Loans given from budget	17	333.00	18	658.86	18	354.92
3.	Grants/Subsidy given	29	805.47	28	570.76	32	1393.80
4.	<b>Total outgo (1+2+3)</b>		<b>1526.71</b>		<b>1685.98</b>		<b>2106.56</b>
5.	Waiver of loans and interest	2	4.54	2	2.24	1	23.98
6.	Guarantees issued	11	3767.26	10	3466.64	7	4696.34
7.	Guarantee commitment	15	3699.40	13	4669.98	14	5579.21

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

**Chart 1.3: Budgetary outgo towards equity, loans and grants/subsidies**



The above chart indicates that the budgetary assistance in the form of equity, loans and grants/subsidies by the Government of Kerala(GoK) to PSUs increased from ₹1046.22 crore in 2010-11 to ₹2106.56 crore in 2014-15. During 2014-15,

GoK waived loans and interest/penal interest of ₹23.98 crore due from one PSU<sup>3</sup> as against ₹2.24 crore waived during the previous year.

In order to enable PSUs to obtain financial assistance from banks and financial institutions, State Government gives guarantees under The Kerala Ceiling on Government Guarantee Act, 2003 subject to the limits prescribed by the Constitution of India, for which the guarantee fee is being charged. This fee varies from 0.25 *per cent* as decided by GoK depending upon the loanees. The guarantee commitment increased to ₹5579.21 crore during 2014-15 from ₹4669.98 crore in 2013-14. Further, 20 PSUs paid guarantee fee to the tune of ₹54.33 crore during 2014-15. There were 16 PSUs which did not pay guarantee fee/commission during the year and accumulated/ outstanding guarantee fee/commission thereagainst was ₹28.33 crores as on 31 March 2015. The PSUs which had major arrears were Kerala State Electricity Board Limited (₹13.32 crore), Kerala State Electronics Development Corporation Limited (₹5.36 crore), The Kerala State Cashew Development Corporation Limited (₹3.92 crore) and United Electrical Industries Limited (₹1.56 crore).

### 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 that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2015 is stated below:

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

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	5013.83	7328.19	2314.36
Loans	5990.12	2872.40	3117.72
Guarantees	6439.25	5579.21	860.04

Audit observed that the differences occurred in respect of 97 PSUs. The Principal Accountant General, Economic & Revenue Sector Audit-Kerala (PAG) had taken up this matter from time to time with the Chief Secretary, Principal Secretary (Finance), Secretaries of departments of GoK concerned and individual PSUs so as to reconcile the differences in a time-bound manner. The progress in

<sup>3</sup> Kerala Electrical and Allied Engineering Company Limited.

reconciliation was, however, not impressive. Thus, GoK 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 financial year i.e. by September end in accordance with the provisions of Section 96 (1) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory corporations, their accounts are required to be 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 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	96	99	101	109	111
2.	Number of accounts finalised during the year	86	97	118	101	95
3.	Number of accounts in arrears	209	207	194	198	239
4.	Number of working PSUs with arrears in accounts	76	77	75	83	94
5.	Extent of arrears (in years)	1 to 13	1 to 14	1 to 12	1 to 11	1 to 19

It can be observed that the number of accounts in arrears has increased from 209 (2010-11) to 239 (2014-15). The number of arrears of accounts includes 233 accounts of 91 Government companies and six accounts of three<sup>4</sup> Statutory Corporations.

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 stipulated period. Though the Administrative Departments concerned were informed regularly (twice a year), the number of accounts in arrears is still on higher side. In addition, this issue was also discussed in the Apex Committee meeting convened by the Chief Secretary and in the Audit Monitoring Committee meetings conducted by the Heads of Administrative Departments. However, no improvement has been noticed.

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<sup>4</sup> Kerala State Warehousing Corporation Limited (2012-13 to 2014-15), Kerala State Road Transport Corporation (2013-14 to 2014-15) and Kerala Industrial Infrastructure Development Corporation (2014-15).

1.11 The State Government had invested ₹3160.47 crore in 55 PSUs {equity: ₹546.07 crore (25 PSUs), loans: ₹890.35 crore (21 PSUs) and grants ₹1724.05 crore (34 PSUs)} during the years for which accounts have not been finalised as detailed in *Appendix 1*. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investment and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus, Government's investment in such PSUs remained outside the control of State Legislature.

1.12 In addition to the above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working PSUs. Out of 15 non-working PSUs, five PSUs<sup>5</sup> were in the process of liquidation whose 29 accounts were in arrears. Of the remaining ten non-working PSUs, 119 accounts<sup>6</sup> were in arrears.

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

Number of non-working companies	Period for which accounts were in arrears	Number of accounts in arrears
15	1985-86 to 2014-15	148

In respect of non-working companies where accounts were in arrears starting from 1985-86 onwards, the progress in finalisation of the accounts was poor. For example, only three<sup>7</sup> non-working PSUs finalised their accounts during 2014-15.

### Placement of Separate Audit Reports

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

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

Sl. No.	Name of Statutory corporation	Years up to which SARs placed in Legislature
1	Kerala State Road Transport Corporation	2011-12
2	Kerala Financial Corporation	2013-14
3	Kerala State Warehousing Corporation	2011-12
4	Kerala Industrial Infrastructure Development Corporation	2013-14

<sup>5</sup> Keltron Rectifiers Limited, Keltron Counters Limited, Keltron Power Devices Limited, Kunnathara Textiles Limited and Vanjinad Leathers Limited.

<sup>6</sup> Excluding Kunnathara Textiles Limited and Vanjinad Leathers Limited (data regarding their finalisation of accounts were not available).

<sup>7</sup> Keltron Rectifiers Limited (2000-01 to 2005-06), Keltron Power Devices Limited (2003-04 to 2005-06), and Kerala Special Refractors Limited (2013-14).

### Impact of non-finalisation of accounts

**1.14** As pointed out above (Paragraph 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 Statues. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2014-15 could not be ascertained and their contribution to 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 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 *Appendix 2*. 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 PSUs turnover and State GDP for a period of five years ending 2014-15:

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

(₹in crore)

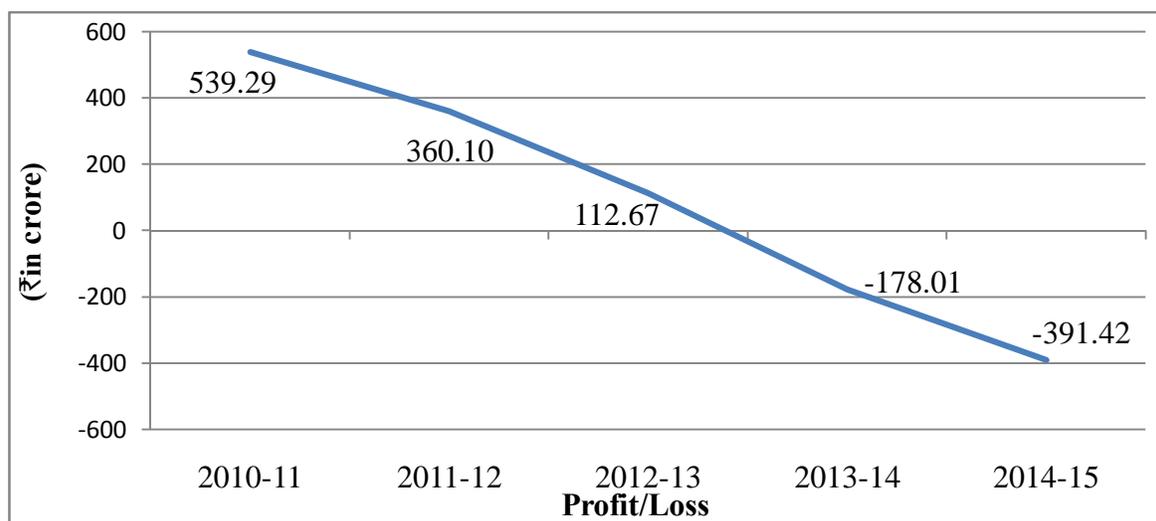
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover <sup>8</sup>	14579.38	16171.31	18486.21	17586.85	19194.06
State GDP <sup>9</sup>	263773	312677	347841	396282	451483
Percentage of Turnover to State GDP	5.53	5.17	5.31	4.44	4.25

**1.16** Overall profit earned or loss incurred by State working PSUs as per the latest accounts forwarded during 2010-11 to 2014-15 are given in Chart 1.4.

<sup>8</sup> Turnover as per the latest finalised accounts as of 30 September of every year.

<sup>9</sup> Figures furnished by Directorate of Economics & Statistics, Kerala. Change in figures with respect to previous Reports is due to adoption of revised GDP figures.

Chart 1.4: Profit/Loss of working PSUs



An analysis of the latest finalised accounts of all working PSUs<sup>10</sup> in the State revealed that 50 PSUs earned profit of ₹498.47 crore, 53 PSUs incurred loss of ₹889.89 crore and four working PSUs had no profit or loss. Five working PSUs have not yet (September 2015) finalised any of their accounts. The major contributors to profit were Kerala State Electricity Board (₹140.42 crore), Kerala State Beverages (Manufacturing and Marketing) Corporation Limited (₹123.54 crore), The Kerala State Financial Enterprises Limited (₹69.90 crore) and Kerala State Industrial Development Corporation Limited (₹30.49 crore). The major PSUs which incurred loss are Kerala State Road Transport Corporation (₹508.22 crore), The Kerala State Cashew Development Corporation Limited (₹127.95 crore) and The Kerala State Civil Supplies Corporation Limited (₹89.11 crore).

1.17 Some other key parameters of PSUs are given below:

Table 1.10: Key Parameters of State working PSUs

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital Employed ( <i>per cent</i> )	8.32	6.75	5.87	4.10	5.28
Debt (₹ in crore)	3533.36	4306.05	5620.44	8391.62	8912.96
Turnover (₹ in crore)	14579.38	16171.31	18486.21	17586.85	19194.06
Debt/Turnover Ratio	0.24:1	0.27:1	0.30:1	0.48:1	0.46:1
Interest Payments (₹ in crore)	737.47	985.89	1185.61	1039.87	1508.11
Accumulated profit/loss(-)(₹ in crore)	-77.28	214.30	289.81	-284.62	-198.94

<sup>10</sup>Including Kerala State Electricity Board. Government of Kerala vested (31 October 2013) all assets, rights and liabilities of KSEB in the newly formed (January 2011) Kerala State Electricity Board Limited. Though it was not in existence as on 31 March 2015 as Statutory Corporation, its performance as per the latest accounts was considered for this Report for better presentation of performance of PSUs.

**1.18** GoK had formulated (December 1998) a Dividend Policy under which all PSUs are required to pay a minimum return of twenty *per cent* on the paid up share capital contributed by it. As per the latest finalised accounts, 50 working PSUs earned an aggregate profit of ₹498.47 crore and out of which 20 PSUs declared an aggregate dividend of ₹28.57 crore. Only three<sup>11</sup> PSUs, however, complied with the State Government Policy on dividend payment.

### Winding up of non-working PSUs

**1.19** There were 15 non-working PSUs as on 31 March 2015. Of these, five PSUs have commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below:

**Table 1.11: Non working PSUs**

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Number of non-working companies	24	17	16	16	15

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.

**1.20** The stages of closure in respect of non-working PSUs are given below:

**Table 1.12: Closure of non-working PSUs**

Sl. No.	Particulars	Government companies
1	Total number of non-working PSUs	15
2	Of (1) above, number under	
(a)	liquidation by court (liquidator appointed)	...
(b)	Voluntary winding up (liquidator appointed)	5 <sup>12</sup>
(c)	Closure, i.e. closing orders/instructions issued but liquidation process not yet started.	9
(d)	Others	1

The process of voluntary winding up under the Companies Act is much faster and needs to be adopted and pursued vigorously. The Government may make an early decision regarding winding up of nine non-working PSUs where closing orders/instructions have been issued but liquidation process has not yet started. The Government may consider expediting closing down of its non-working companies.

<sup>11</sup> Kerala State Beverages (Manufacturing and Marketing) Corporation Limited, The Kerala State Financial Enterprises Limited and Kerala Agro Machinery Corporation Limited.

<sup>12</sup> Keltron Power Devices Limited, Keltron Counters Limited, Keltron Rectifiers Limited, Kunnathara Textiles Limited and Vanjinad Leathers Limited.

<b>Accounts Comments</b>
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**1.21** Seventysix working companies forwarded their audited 92 accounts to PAG during the year 2014-15. Of these, 64accounts of 54companies 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 andCAG are given below:

**Table 1.13: Impact of audit comments on the working companies**

(Amount ₹ 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	17	141.98	15	143.40	16	916.96
2	Increase in loss	10	39.79	16	61.62	22	95.61
3	Increase in profit	1	1	1	1	3	0.35
4	Decrease in loss	1	1	1	1	2	1.15
5	Non-disclosure of material facts	8	26.38	7	7.67	4	13.92
6	Errors of classification	9	27.60	8	28.82	10	14.21

**1.22** During the year, the Statutory Auditors had given unqualified certificates for 20 accounts, qualified certificates for 70 accounts and adverse certificates (which mean that accounts do not reflect a true and fair position) for two accounts<sup>13</sup>. Additionally, CAG gave comments on 38 accounts during the supplementary audit and two accounts were revised based on supplementary audit observations. The compliance of companies with the Accounting Standards (AS) remained poor. There were 134 instances of non-compliance of AS in 45 accounts of 39 companies during the year.

Similarly, three working Statutory corporations forwarded their threeaccounts to PAG during the year 2014-15. Of these, accounts of Kerala State Road Transport Corporation for the year 2012-13 was revised based on the audit by CAG. In respect of remaining twoaccounts, whichwere selected for sole/supplementary audit, the auditwas completed and SAR issued.

<sup>13</sup> Kerala Rapid Transit Corporation Limited (Erstwhile Kerala Monorail Corporation Limited) (2013-14) and Kerala Electrical and Allied Engineering Company Limited (2013-14).

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 the CAG are given below:

**Table 1.14: Impact of audit comments on Statutory corporations**

(Amount ₹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	...	...	1	0.09	1	0.07
2	Increase in loss	...	...	1	0.05	...	...
3	Increase in profit	...	...	...	...	1	0.29
4	Non-disclosure of material facts	3	111.97	...	...	...	...
5	Errors of classification	1	32.04	1	4	1	27.26

### Response of the Government to Audit

#### Performance Audit and Paragraphs

**1.23** For the Report of CAG for the year ended 31 March 2015, three Performance Audits and twelve Compliance Audit Paragraphs involving ₹576.35 crore were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments to furnish replies within six weeks. Replies in respect of seven Compliance Audit Paragraphs were awaited from the State Government (December 2015).

### Follow up action on Audit Reports

#### Replies outstanding

**1.24** The Report of CAG 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 Kerala issued (April 2005) instructions to all Administrative Departments to submit replies/ Explanatory Notes to Paragraphs/Performance Audits included in the Audit Reports of CAG within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (CoPU).

Table 1.15: Explanatory Notes received (as on 30 September 2015)

Years of the Audit Report (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
2008-09	25/03/2010	3	23	0	2
2011-12	18/02/2013	2	12	0	1
2012-13	10/06/2014	3	10	2	1
2013-14	23/03/2015	2	9	2	7
<b>Total</b>		<b>10</b>	<b>54</b>	<b>4</b>	<b>11</b>

From the above, it could be seen that out of 10 Performance Audits and 54 Paragraphs, Explanatory Notes to four Performance Audits and 11 Paragraphs in respect of three departments, which were commented upon, were awaited (September 2015).

#### Discussion of Audit Reports by CoPU

1.25 The status as on 30 September 2015 of Performance Audits and Paragraphs that appeared in Audit Report (PSUs) and discussed by CoPU was as under:

Table 1.16: Performance Audits/Paragraphs appeared in Audit Reports *vis-a-vis* discussed (as on 30 September 2015)

Period of Audit Report	Number of Performance Audits/ Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2002-03	3	17	2	16
2003-04	2	18	1	18
2004-05	4	19	2	18
2005-06	5	26	0	21
2006-07	5	20	3	19
2007-08	4	19	1	9
2008-09	3	23	0	13
2009-10	2	11	0	9
2010-11	2	18	2	17
2011-12	2	12	0	8
2012-13	3	10	0	4
2013-14	2	9	0	2
<b>Total</b>	<b>37</b>	<b>202</b>	<b>11</b>	<b>154</b>

### **Compliance to Reports of Committee on Public Undertakings (CoPU)**

**1.26** Action Taken Notes (ATNs) to 140 Paragraphs in 35 Reports of the CoPU presented to the State Legislature between July 2004 and March 2015 have not been received (December 2015) as indicated in *Table* below:

**Table 1.17: Compliance to CoPU Report**

<b>Year of the CoPU Report</b>	<b>Total number of CoPU Reports<sup>14</sup></b>	<b>Total number of recommendations in the CoPU Reports</b>	<b>No. of recommendations where ATNs not received</b>
2004-06	2	6	6
2006-08	5	57	9
2008-11	2	15	2
2011-14	7	53	25
2014-16	19	100	98
<b>Total</b>	<b>35</b>	<b>231</b>	<b>140</b>

These Reports of CoPU contained recommendations in respect of Paragraphs pertaining to seven Departments, which appeared in the Report of CAG of India for the year 1994 to 2011.

It is recommended that the Government may ensure:

- (a) sending of replies/ Explanatory Notes to Inspection Reports/ Paragraphs/ Performance Audits and ATNs on the recommendations of CoPU as per the prescribed time schedule;
- (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and
- (c) revamping of the system of responding to audit observations.

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<sup>14</sup>Total number of the Reports of CoPU presented to the State Legislature between July 2004 and March 2015 is 205.