

## Chapter I

### Functioning of 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 occupy an important place in the State economy. As on 31 March 2017, there were 48 PSUs including three Statutory Corporations and 45 Government Companies. None of these Government Companies was listed on the stock exchange. During the year 2016-17, three<sup>1</sup> new PSUs were incorporated while one non-working PSU *i.e.* Rajasthan State Dairy Development Corporation Limited was wound up. Rajasthan Civil Aviation Corporation Limited ceased to carry out its business activities and became a non-working PSU. Consequent upon clarification issued (December 2016) by the Ministry of Corporate Affairs, eight<sup>2</sup> PSUs under the administrative control of Local Self Government Department ceased to be qualified as Government Company as per section 2(45) of the Companies Act 2013. The details of the PSUs in Rajasthan as on 31 March 2017 are given below:

**Table 1.1: Total number of PSUs as on 31 March 2017**

Type of PSUs	Working PSUs	Non-working PSUs <sup>3</sup>	Total
Government Companies <sup>4</sup>	42	3	45
Statutory Corporations	3	-	3
<b>Total</b>	<b>45</b>	<b>3</b>	<b>48</b>

The working PSUs registered a turnover of ₹ 62,186.43 crore as per their latest finalised accounts as of 30 September 2017. This turnover was equal to 8.29 *per cent* of State Gross Domestic Product (GDP) for the year 2016-17. The working PSUs incurred losses of ₹ 1,614.52 crore as per their latest finalised accounts. As on March 2017, the State PSUs had employed around one lakh employees.

There are three non-working PSUs which were non-functional for last one to 17 years having an investment of ₹ 27.94 crore. This is a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

- 1 Barmer Power Transmission Service Limited (6 June 2016), Hadoti Power Transmission Service Limited (10 May 2016) and Thar Power Transmission Service Limited (10 June 2016).
- 2 Jaipur Smart City Limited, Udaipur Smart City Limited, Bikaner City Transport Services Limited, Jaipur City Transport Services Limited, Kota City Transport Services Limited, Udaipur City Transport Services Limited, Jodhpur Bus Services Limited and Kota Bus Services Limited.
- 3 Non-working PSUs are those which have ceased to carry out their operations.
- 4 Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Act 2013.

## **Accountability framework**

**1.2** The process of audit of Government companies is governed by respective provisions of Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than fifty one *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 2013, the Comptroller and Auditor General of India (CAG) may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered 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 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013.

Audit of Statutory Corporations is governed by their respective legislations. Out of three Statutory Corporations, the CAG is sole auditor for Rajasthan State Road Transport Corporation. In respect of Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the 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 State 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 2013 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 Rajasthan

**1.5** The Government of Rajasthan (GoR) has a huge financial stake in the PSUs. This stake is of mainly three types:

- **Share capital and loans** – In addition to the share capital contribution, GoR also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support** – GoR provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** – GoR 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 2017, the total investment (capital and long term loans) in 48 PSUs was ₹ 1,37,679.06 crore as per details given below:

**Table 1.2: Total investment in PSUs**

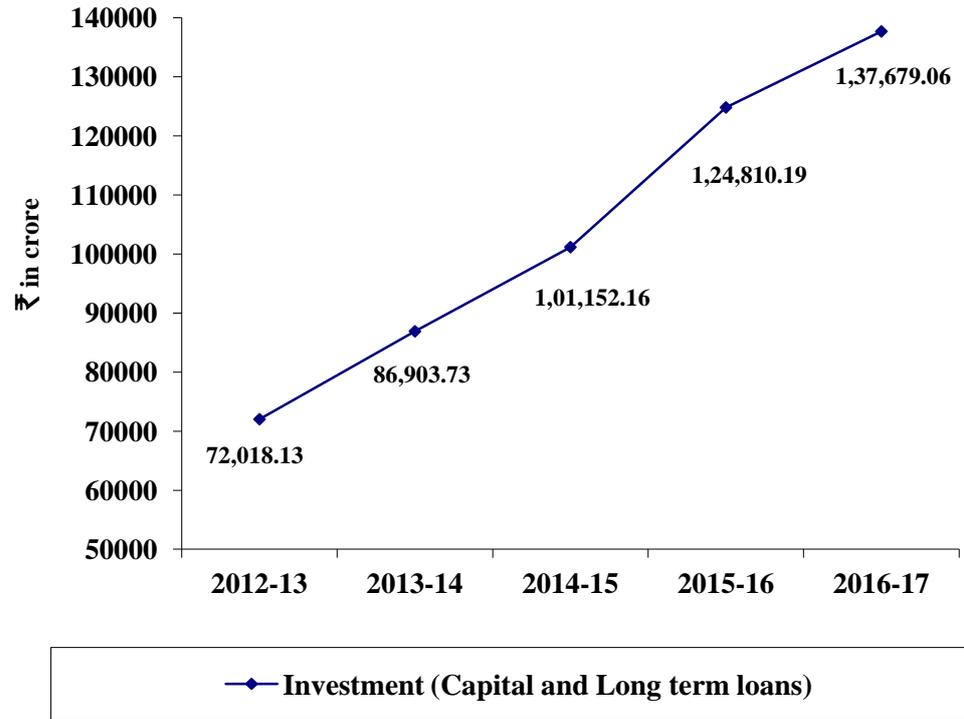
(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working	40651.95	94412.49	135064.44	807.54	1779.14	2586.68	137651.12
Non-working	11.77	16.17	27.94	-	-	-	27.94
<b>Total</b>	<b>40663.72</b>	<b>94428.66</b>	<b>135092.38</b>	<b>807.54</b>	<b>1779.14</b>	<b>2586.68</b>	<b>137679.06</b>

As on 31 March 2017, of the total investment in State PSUs, 99.98 per cent was in working PSUs and the remaining 0.02 per cent was in non-working PSUs. This total investment consisted of 30.12 per cent towards capital and 69.88 per cent in long-term loans. The investment has grown by 91.17 per cent from ₹ 72,018.13 crore in 2012-13 to ₹ 1,37,679.06 crore in 2016-17

as shown in the graph below:

**Chart 1.1: Total investment in PSUs**



**1.7** The sector-wise summary of investment in the PSUs as on 31 March 2017 is given below:

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

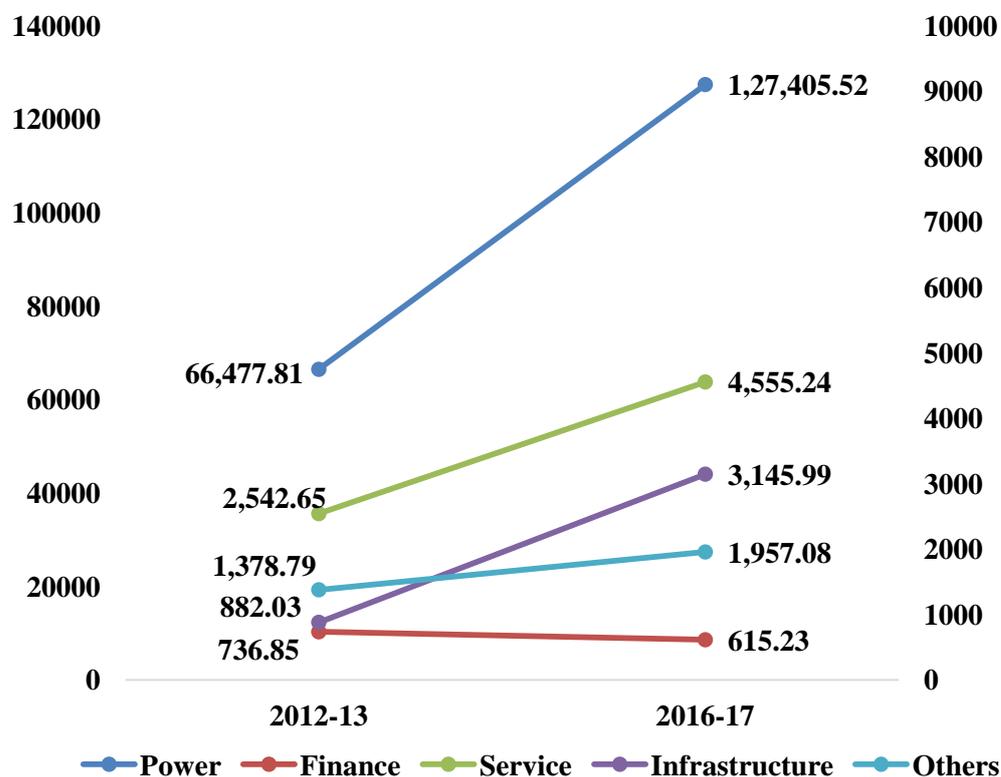
Name of sector	Government Companies		Statutory Corporations		Total	Investment <sup>5</sup> (₹ in crore)
	Working	Non-working	Working	Non-working		
Power	19	-	-	-	19	127405.52
Finance	4	-	1	-	5	615.23
Service	8	1	2	-	11	4555.24
Infrastructure	4	-	-	-	4	3145.99
Others	7	2	-	-	9	1957.08
<b>Total</b>	<b>42</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>48</b>	<b>137679.06</b>

<sup>5</sup> Investments include capital and long term loans.

The investment in various important sectors at the end of 31 March 2013 and 31 March 2017 is indicated in the chart below.

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

(Figures in ₹ crore)



The thrust of PSU investment was mainly on power sector during the last five years. The power sector received investments of ₹ 60,927.71 crore (92.79 per cent) out of total investment of ₹ 65,660.93 crore made during the period from 2012-13 to 2016-17. The investment in the infrastructure sector had also recorded impressive growth by 256.68 per cent during this period.

### Special support and returns during the year

**1.8** The GoR 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 loans converted into equity in

respect of PSUs for the last three years ending March 2017 are as follows:

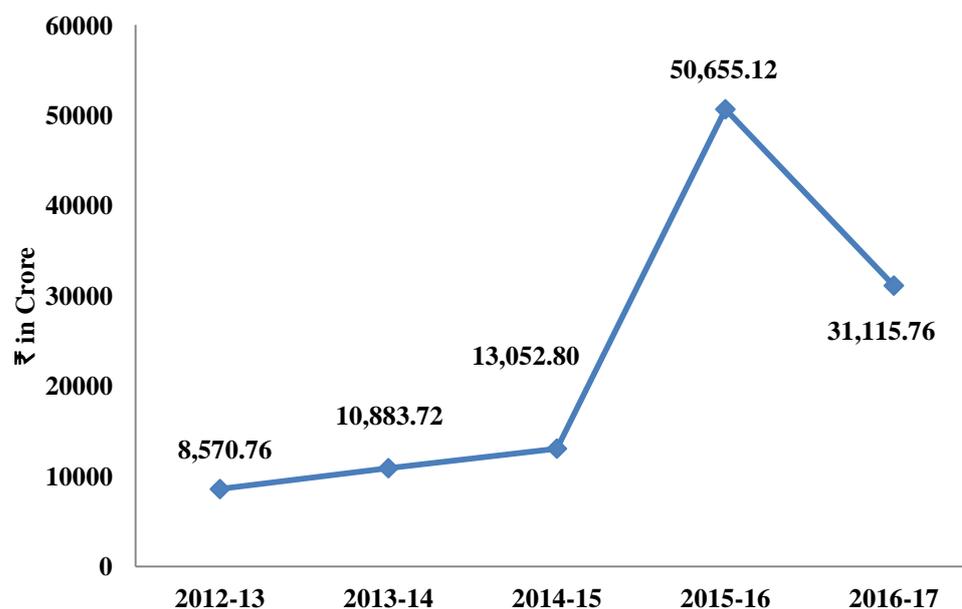
**Table 1.4: Details regarding budgetary support to PSUs**

(₹ in crore)

Particulars <sup>6</sup>	2014-15		2015-16		2016-17	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Equity Capital outgo (i)	7	4371.79	6	8497.69	6	4115.71
Loans given (ii)	11	776.25	9	36568.64	7	12083.93
Grants/Subsidy provided (iii)	14	7904.76	16	5588.79	11	14916.12
Total Outgo (i+ii+iii)	18 <sup>7</sup>	13052.80	19 <sup>7</sup>	50655.12	16 <sup>7</sup>	31115.76
Loan repayment written off	-	-	-	-	2	925.14
Loans converted into equity	-	-	3	995.00	-	-
Guarantees issued	6	12066.92	7	16134.66	5	23313.85
Guarantee Commitment	9	90054.11	9	48678.03	8	46384.27

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2017 are given in a graph below:

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



— Budgetary outgo towards Equity, Loans and Grants/Subsidies

The budgetary assistance by the GoR in the form of equity, loan and grant/subsidy to the PSUs had increased from ₹ 8,570.76 crore to ₹ 31,115.76 crore during the period from 2012-13 to 2016-17. The power sector was major

6 Amount represents outgo from State Budget only.

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

recipient as it received 98.24 *per cent* (₹ 49,762.43 crore) and 98.33 *per cent* (₹ 30,595.90 crore) of the total budgetary outgo during the year 2015-16 and 2016-17 respectively. The budgetary assistance to the power sector during last two years was significant because the State Government provided assistance to power distribution companies in form of loan under Ujwal Discom Assurance Yojna (UDAY Scheme). Under UDAY Scheme, the three distribution Companies received loans amounting to ₹ 34,349.77<sup>8</sup> crore and ₹ 10,372.09<sup>9</sup> crore from the State Government during 2015-16 and 2016-17 respectively.

In order to provide financial assistance to PSUs from banks and financial institutions, GoR gives guarantee under Rajasthan State Grant of Guarantees Regulation 1970. The Government decided (February 2011) to charge guarantee commission at the rate of one *per cent* per annum in case of loan availed by PSUs from banks/financial institutions without any exception under the provision of the Rajasthan State Grant of Guarantees Regulation 1970. Outstanding guarantee commitments decreased by 34.08 *per cent* from ₹ 70,365.08 crore in 2012-13 to ₹ 46,384.27 crore in 2016-17. During the year 2016-17 guarantee commission of ₹ 380.51 crore was paid by the PSUs.

### 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 concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2017 is stated below:

**Table 1.5: Equity, loans, 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	40730.66	40763.74	33.08
Loans	49672.49	49321.63	350.86
Guarantees	46784.04	46384.27	399.77

Audit observed that the difference occurred in respect of 12<sup>10</sup> PSUs. The differences between the figures are persisting since last many years. The issue was also taken up with the PSUs/Departments from time to time to reconcile the differences. We, therefore, recommend that the State Government and the PSUs should reconcile the differences in a time-bound manner.

8 Ajmer Vidyut Vitran Nigam Limited (₹ 11785.86 crore), Jodhpur Vidyut Vitran Nigam Limited (₹ 10779.31 crore) and Jaipur Vidyut Vitran Nigam Limited (₹ 11784.60 crore).

9 Ajmer Vidyut Vitran Nigam Limited (₹ 3070.39 crore), Jodhpur Vidyut Vitran Nigam Limited (₹ 3569.13 crore) and Jaipur Vidyut Vitran Nigam Limited (₹ 3732.57 crore).

10 At Sl. No.-A-1, 6, 7, 9, 12, 14, 16, 25, 29, 35, B-1, and C-1 of Annexure-2.

### 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 relevant financial year *i.e.* by September end in accordance with the provisions of Section 96 (1) of the Act 2013. Failure to do so may attract penal provisions under section 99 of the Act 2013. 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 as on 30 September 2017:

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

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of Working PSUs	46	48	48	51	45
2.	Number of accounts finalised during current year	59	41	51	55	43
3.	Number of working PSUs which finalised accounts for the current year	33	27	34	37	38
4.	Number of previous year accounts finalised during current year	25	14	17	18	5
5.	Number of Working PSUs with arrears in accounts	13	21	14	12	7
6.	Number of accounts in arrears	21	29	26	20	9
7.	Extent of arrears	One to six years	One to seven years	One to eight years	One to five years	One to two years

Of the total 45 working PSUs, 40 working PSUs had finalised 43 annual accounts, of which 38 PSUs' annual account pertained to 2016-17 and remaining five annual accounts pertained to previous years. Seven working PSUs had nine accounts in arrears which had arrears in accounts since 2015-16. 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 stipulated period. The concerned Departments were informed quarterly regarding arrear in accounts.

**1.11** The GoR had invested ₹ 210.00 crore in one PSU (Loan: ₹ 150.00 crore, Subsidy: ₹ 60.00 crore) during the year 2016-17 for which accounts had not been finalised as shown in **Annexure-1**. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoR investment in the PSU, therefore, remained outside the control of State Legislature.

**1.12** In addition to above, there were arrears in finalisation of accounts by Rajasthan State Agro Industries Corporation Limited as given below:

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

S. No.	Name of non-working companies	Period for which accounts were in arrears
1	Rajasthan State Agro Industries Corporation Limited	2014-15 to 2016-17

The other two non-working PSUs have forwarded their annual accounts for the year 2016-17.

### Placement of Separate Audit Reports

**1.13** Out of three working Statutory Corporations, two had forwarded their accounts of 2016-17 by 30 September 2017. The audit of accounts of one Statutory Corporation was in progress (30 September 2017).

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. The SARs on accounts of 2015-16 in respect of Rajasthan Financial Corporation had been placed (February 2017) in State Legislature and remaining two SARs are yet to be placed (30 September 2017).

### Impact of non-finalisation of accounts

**1.14** As pointed in paragraph 1.10, 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 2016-17 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the Company and take necessary steps to liquidate the arrears in accounts.

### 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-2**. A ratio of PSUs' turnover to GDP shows the extent of activities of PSUs in the State economy. The table below provides the details of turnover of working PSUs and State GDP for a period of five years ending March 2017.

**Table 1.8: Details of working PSUs turnover vis-a-vis State GDP**

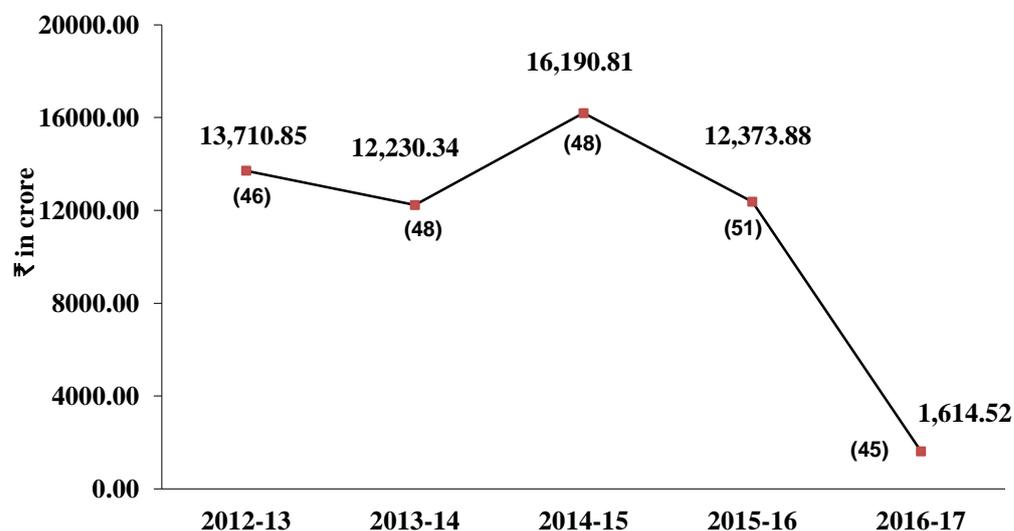
(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover <sup>11</sup>	33486.33	38953.84	47914.29	54834.65	62186.43
State GDP <sup>12</sup>	493007.00	548391.00	606465.00	672707.00	749692.00
Percentage of Turnover to State GDP	6.79	7.10	7.90	8.15	8.29

The turnover of PSUs has recorded continuous increase over previous years. The increase in turnover ranged between 13.41 and 23.00 per cent during the period 2012-17, whereas increase in GDP ranged between 10.59 and 11.44 per cent during the same period. The turnover of PSUs recorded compounded annual growth of 16.74 per cent during last five years which was higher than the compounded annual growth of 11.05 per cent of State GDP. This resulted in increase of PSUs share of turnover to State GDP from 6.79 per cent in 2012-13 to 8.29 per cent in 2016-17.

**1.16** The overall position of losses<sup>13</sup> incurred by State working PSUs during 2012-13 to 2016-17 is depicted below in a chart.

**Chart 1.4: Losses incurred by working PSUs**



— Overall Losses incurred during the year by working PSUs. Figures in brackets show the number of working PSUs in respective years.

The losses incurred by working PSUs decreased from ₹ 13,710.85 crore in 2012-13 to ₹ 1,614.52 crore in 2016-17 due to decrease in losses incurred by Power Sector PSUs. According to latest finalised accounts of 45 PSUs,

11 Turnover as per the latest finalised accounts.

12 State GDP as per Economic Review 2016-17 of Government of Rajasthan.

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

23<sup>14</sup> PSUs earned profit of ₹ 1,193.49 crore, 16<sup>14</sup> PSUs incurred loss of ₹ 2,808.01 crore, six PSUs had no profit or loss. Further, out of 45 PSUs, 12<sup>15</sup> PSUs incorporated during 2006-07 to 2016-17 did not commence their commercial activities till 2016-17 (**Annexure -2**).

The top profit making companies were Rajasthan Rajya Vidyut Utpadan Nigam Limited (₹ 351.80 crore), Rajasthan State Industrial Development and Investment Corporation Limited (₹ 349.58 crore), Rajasthan State Mines and Minerals Limited (₹ 200.33 crore), Rajasthan State Ganganagar Sugar Mills Limited (₹ 56.69 crore) and Rajasthan State Warehousing Corporation (₹ 34.83 crore). While Jodhpur Vidyut Vitran Nigam Limited (₹ 1,028.68 crore), Jaipur Vidyut Vitran Nigam Limited (₹ 615.75 crore), Ajmer Vidyut Vitran Nigam Limited (₹ 336.69 crore), Rajasthan State Road Transport Corporation (₹ 492.41 crore) and Giral Lignite Power Limited (₹ 235.97 crore) incurred heavy losses. The Discoms incurred losses due to heavy transmission and distribution losses, sale of electricity to agricultural consumers at subsidised rates, etc.

**1.17** Some other key parameters pertaining to State PSUs are given below.

**Table 1.9 Key parameters of the State PSUs**

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Capital Employed <sup>16</sup>	35832.20	47508.98	52664.65	49508.24	63718.61
Return on Capital Employed	-5847.55	-3733.44	-5845.69	307.48	6813.04
Percentage of return on Capital Employed	-16.32	-7.86	-11.10	0.62	10.69
Debt	53503.45	63829.17	74747.68	88721.51	96207.80
Turnover <sup>17</sup>	33486.33	38953.84	47914.29	54834.65	62186.43
Debt/Turnover Ratio	1.60:1	1.64:1	1.56:1	1.62:1	1.55:1
Interest Payments <sup>17</sup>	7864.69	8498.38	10346.56	12682.80	8428.91
Accumulated Profits (losses) <sup>17</sup>	(50951.85)	(56133.11)	(83732.89)	(99343.29)	(101241.75)
Paid up Capital <sup>17</sup>	15827.72	19607.70	25410.86	36088.31	41465.19

During the last five years, the turnover of PSUs recorded compounded annual growth of 16.74 *per cent* and compounded annual growth of debt was 15.80 *per cent*. The negative return of 16.32 *per cent* on capital employed during 2012-13 transformed to positive return of 10.69 *per cent* during 2016-17 due to decrease in losses.

**1.18** 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 or 20 *per cent* of the profit after tax, whichever is lower. As per their latest finalised accounts, 23 PSUs

14 Including those PSUs which had not started their business activities but were showing marginal profit/loss.

15 PSUs at Sl. No.-A-2, 15, 17, 18, 19, 20, 21, 23, 26, 27, 28 and 34 of Annexure-2.

16 Capital employed is aggregate of Shareholder's fund and Long-term borrowings.

17 As per latest finalised accounts.

earned an aggregate profit of ₹ 1,193.49 crore and seven<sup>18</sup> PSUs declared a dividend of ₹ 62.79 crore which worked out to 0.15 per cent of equity capital of all the PSUs. Of 23 profit earning PSUs, 16 PSUs did not declare dividend due to accumulated losses or marginal profits, three<sup>19</sup> PSUs declared dividend higher than the prescribed limit, while two<sup>20</sup> PSUs declared dividend lower than the prescribed limit and remaining two<sup>21</sup> PSUs declared dividend as per policy.

**Erosion of capital due to losses**

**1.19** The capital investment and accumulated losses of the State PSUs as per their latest finalised accounts were ₹ 41,465.19 crore and ₹ 1,01,241.75 crore respectively as detailed in **Annexure-2**. Analysis of investment and accumulated losses disclosed that net worth eroded in 19 out of 48 PSUs. The capital investment and accumulated losses of these 19 PSUs were ₹ 25,219.56 crore and ₹ 99,077.80 crore respectively. Of these 19 PSUs, the net worth was primarily eroded in power sector companies like Jaipur Vidyut Vitran Nigam Limited (₹ 24,446.69 crore), Jodhpur Vidyut Vitran Nigam Limited (₹ 23,213.83 crore), Ajmer Vidyut Vitran Nigam Limited (₹ 22,829.59 crore), Giral Lignite Power Limited (₹ 329.14 crore) and Barmer Thermal Power Company Limited (₹ 13.49 crore) as detailed in **Annexure 2A**. The accumulated losses of the power sector PSUs were ₹ 1,01,239.35 crore as against the capital investment of ₹ 38,026.84 crore (**Annexure 2**). Among non-power sector PSUs, the net worth was primarily eroded in Rajasthan State Road Transport Corporation (₹ 2,830.55 crore), Rajasthan Tourism Development Corporation Limited (₹ 103.11 crore), Rajasthan State Agro Industries Corporation Limited (₹ 47.20 crore), Rajasthan Small Industries Corporation Limited (₹ 10.33 crore) and Rajasthan Skill and Livelihoods Development Corporation (₹ 7.95 crore) as detailed in **Annexure 2B**.

**Winding up of non-working PSUs**

**1.20** There were three non-working PSUs (all companies) as on 31 March 2017 having a total investment of ₹ 27.94 crore (₹ 22.18 crore in Rajasthan State Agro Industries Corporation Limited, ₹ 4.49 crore in Rajasthan Civil Aviation Corporation Limited and ₹ 1.27 crore in Rajasthan Jal Vikas Nigam Limited.) towards capital (₹ 11.77 crore) and long term loans (₹ 16.17 crore). During the year 2016-17, one non-working PSUs *i.e.* Rajasthan State Dairy Development Corporation Limited was wound up while Rajasthan Civil Aviation Corporation Limited ceased to carry out its business activities and became a non-working PSU. The numbers of non-working companies at the end of each year during past five years are given below:

**Table 1.10: Non-working PSUs**

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
No. of non-working companies	2	3	3	3	3

18 PSUs at Sl. No.-A-1, 7, 11, 12, 14, 31 and B-3 of Annexure-2.

19 PSUs at Sl. No.- A-14, 31 and B-3 of Annexure-2.

20 PSUs at Sl. No.-A- 7 and 12 of Annexure-2.

21 PSUs at Sl. No.-A- 1 and 11 of Annexure-2.

None of these non-working companies was under liquidation. As the non-working PSUs are not functional from last one to 17 years, the Government may take appropriate decision regarding these PSUs.

### Comments on Accounts

**1.21** Thirty six working Companies forwarded their 41 audited accounts to the Accountant General during the period from October 2016 to 30 September 2017. Of these, 32 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are as follows:

**Table 1.11: Impact of audit comments on working Companies**

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	85.90	5	28.74	2	0.29
2.	Increase in profit	8	121.79	6	14.24	3	3.91
3.	Increase in loss	8	3059.24	6	712.94	2	15.32
4.	Decrease in loss	2	55.54	3	203.06	2	16.82
5.	Non-disclosure of material facts	3	68.25	1	2.98	3	6.23
6.	Errors of classification	10	2738.30	6	398.16	6	266.47

During the year 2016-17, the Statutory Auditors had given qualified certificates on 17 accounts. Compliance to the Accounting Standards by the PSUs remained poor. The Statutory Auditors pointed out 29 instances of non-compliance to the Accounting Standards in 10 accounts.

**1.22** The State has three Statutory Corporations *i.e.* (i) Rajasthan State Road Transport Corporation (RSRTC), (ii) Rajasthan Financial Corporation (RFC) and (iii) Rajasthan State Warehousing Corporation (RSWC). The CAG is sole auditor in respect of RSRTC.

In case of the accounts of both RSRTC and RFC the CAG has given a not 'true and fair' certificate on the accounts of the year 2015-16. There was one instance of non-compliance with the Accounting Standards as commented by the Statutory Auditors in case of RFC for the year 2016-17.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG are given below:

**Table 1.12: Impact of audit comments on Statutory Corporations**

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	22.41	1	31.59	1	49.81
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	1	2162.57	1	2364.69	1	1658.39
4.	Non-disclosure of material facts	1	604.45	1	1819.89	1	7404.63
5.	Errors of classification	-	-	2	81.00	2	83.00

### Performance Audits and Paragraphs

**1.23** For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2017, one performance audit and 10 compliance audit paragraphs were issued to the Principal Secretaries/Secretaries of the respective Administrative Departments with request to furnish replies within four weeks. The replies on four<sup>22</sup> compliance audit paragraphs were awaited (30 September 2017) from the State Government. However, replies on 'Factual Statements' from the concerned PSUs were received and taken into account while finalising paragraphs.

### Follow up action on Audit Reports

#### *Replies outstanding*

**1.24** The Report of the Comptroller and Auditor General of India represents 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 Rajasthan issued (July 2002) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

22 On one compliance audit paragraph each relating to Rajasthan State Road Development and Construction Corporation Limited, Rajasthan Tourism Development Corporation Limited, Rajasthan State Mines and Minerals Limited and Rajasthan State Road Transport Corporation.

**Table 1.13: Position of explanatory notes on Audit Reports  
(as on 30 September 2017)**

Year 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
2015-16	28.03.2017	2	10	1	4

Explanatory notes on one<sup>23</sup> performance audit and four<sup>24</sup> compliance audit paragraphs are pending with four departments.

#### *Discussion of Audit Reports by COPU*

**1.25** The status of discussion of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) by the COPU as on 30 September 2017 was as under:

**Table 1.14: Performance Audits/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2017**

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2014-15	2	9	2	4
2015-16	2	10	-	-

The discussion on Audit Reports (PSUs) up to 2013-14 has been completed.

#### *Compliance to Reports of COPU*

**1.26** Action Taken Notes (ATNs) on one Report of the COPU presented to the State Legislature in March 2017 had not been received (30 September 2017) as indicated in the following table:

**Table 1.15: Compliance to COPU Reports**

Year of the COPU Report	Total number of COPU Reports	Total number of recommendation in COPU Reports	Number of recommendations where ATNs not received
2016-17	1	12	12

The above mentioned Report of COPU contained recommendations in respect of paragraphs pertaining to Rajasthan Tourism Development Corporation which appeared in the Reports of the CAG of India for the year 2012-13.

The Government may ensure that replies to draft paragraphs/performance audits and ATNs on the recommendations of COPU are sent as per the prescribed time schedule and recovery of losses/ outstanding advances/ overpayments is done within the prescribed period.

<sup>23</sup> On performance audit relating to Rajasthan State Road Transport Corporation.

<sup>24</sup> On two compliance audit paragraphs relating to Rajasthan State Mines and Minerals Limited and one compliance audit paragraph each relating to Rajasthan State Road Transport Corporation and Rajasthan State Hotels Corporation Limited.

### **Disinvestment, Restructuring and privatisation of PSUs**

**1.27** No disinvestment, restructuring and privatisation of the State PSUs took place during the year ended 31 March 2017.

### **Coverage of this Report**

**1.28** This Report contains one performance audit *i.e.* on 'Performance Audit on Procurement and Inventory Management by Jaipur Vidyut Vitran Nigam Limited' and 10 compliance audit paragraphs involving financial effect of ₹ 384.52 crore.