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Report of the Comptroller and Auditor General of India for the year ended March 2014

भारतीय लेखा एवं लेखा परीक्षा विभाग ✦ INDIAN AUDIT AND ACCOUNTS DEPARTMENT

Union Government (Commercial)

No. 2 of 2015

General Purpose Financial Reports of Central Public Sector Enterprises (Compliance Audit)

Report of the
Comptroller and Auditor General
of India

for the year ended March 2014

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Contents

PREFACE

The accounts of Government Companies (including Companies deemed to be Government Companies) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956. The Statutory Auditors (Chartered Accountants) appointed by the CAG certify the accounts of such companies which are subject to supplementary audit by officers of the CAG. The CAG gives his comments or supplements the report of the Statutory Auditors. The Companies Act, 1956 empowers the CAG to issue directions to the Statutory Auditors on the manner in which the Company's accounts shall be audited.

2. In respect of five Corporations *viz.* Airports Authority of India, National Highways Authority of India, Inland Waterways Authority of India, Food Corporation of India and Damodar Valley Corporation, the relevant statutes designate the CAG as their sole auditor. In respect of one Corporation *viz.* Central Warehousing Corporation, the CAG has the right to conduct a supplementary or test audit after audit has been conducted by the Chartered Accountants appointed under the statutes governing the Corporation.

3. Audit Reports in relation to the accounts of a Government Company or Corporation for the year ending March 2014 have been prepared for submission to the Government under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in 1984.

4. The accounts of the CPSEs reviewed in this Report cover the accounts for the years, 2011-12, 2012-13 and 2013-14 (to the extent received). In respect of CPSEs where any particular year's accounts were not received before 30 November 2014, the figures of the last audited accounts have been adopted.

5. In respect of some CPSEs, figures for the previous year might not agree with the corresponding figures shown in the Audit Report No. 2 of 2014 owing to replacement of provisional figures by audited/revised figures.

6. All references to 'Government Companies/Corporations or CPSEs' in this report may be construed to refer to 'Central Government Companies/Corporations' unless the context suggests otherwise.

Executive Summary

I. Financial performance of Central Public Sector Enterprises

As on 31 March 2014, there were 544 Central Government Public Sector Enterprises (CPSEs) under the audit jurisdiction of the Comptroller and Auditor General of India. These included 377 government companies, 161 deemed government companies and six statutory corporations. This Report deals with 353 government companies and corporations (including six statutory corporations) and 144 deemed government companies. Forty seven companies (including 17 deemed government companies) whose accounts were in arrears for three years or more or were defunct/under liquidation are not included in the report.

[Para 1.1.3]

Government Investments

The accounts of 353 government companies and corporations indicated that the Government of India had an investment of ₹ 2,45,191 crore in share capital and had loans outstanding amounting to ₹ 54,907 crore as on 31 March 2014. Compared to the previous year, investment by the Government of India (GOI) in equity of CPSEs registered a net increase of ₹ 13,902 crore and loans given to them increased by ₹ 4,091 crore. The GOI realised ₹ 15,819 crore on disinvestment of its shares in 11 CPSEs and newly formed CPSE-ETF scheme.

[Para 1.2.1 and 1.2.2]

Market Capitalization

The market value of shares of 46 listed government companies, which were traded as per prices prevailing in stock markets on 31 March 2014 stood at ₹ 11,06,657 crore. Market value of shares held by the Government of India stood at ₹ 7, 97,348 crore as on 31 March 2014.

[Para 1.2.4]

Return on Investment

The total profit earned by 202 government companies and corporations was ₹ 1,53,907 crore of which, 65 *per cent* (₹ 1,00,369 crore) was contributed by 41 government companies and corporations under three sectors viz., Petroleum, Coal & Lignite and Power.

[Paras 1.3]

One hundred and eleven government companies and corporations declared dividend of ₹ 66,051 crore for the year 2013-14. Out of this, dividend receivable by Government of India amounted to ₹ 41,842 crore which represented 17.06 *per cent* return on the total investment by the Government of India (₹ 2, 45, 191 crore) in all government companies and corporations.

Ten government companies under the Ministry of Petroleum and Natural Gas contributed ₹14,997 crore representing 22.7 *per cent* of the total dividend declared by all government companies.

Non-compliance with government's directive in the declaration of dividend by 19 companies resulted in a shortfall of ₹ 2,555 crore in the payment of dividend for the year 2013-14.

[Para 1.3.2]

Net Worth/Accumulated Loss

Out of 353 government companies and corporations, the equity investment in 67 companies had been completely eroded by their accumulated losses. As a result, the aggregate net worth of these companies had become negative to the extent of ₹ 87,885 crore as on 31 March 2014. Only nine companies out of 67 companies earned profit of ₹1,399 crore during 2013-14.

[Para 1.4.1]

II. CAG's oversight role

Out of 544 CPSEs, annual accounts for the year 2013-14 were received from 467 CPSEs in time (i.e. by 30 September 2014). Of these, accounts of 297 CPSEs were reviewed in audit.

[Paras 2.3.2, 2.3.3 and 2.5.2]

In order to enhance the quality of financial reporting, the CAG introduced the system of Three Phase Audit of accounts of CPSEs on consensus basis. This had led to a significant improvement in the quality of their financial statements. The net impact of Three Phase Audit in 74 CPSEs for the year 2013-14 on profitability was ₹20,225.28 crore and on assets/liabilities was ₹38,496.51 crore.

[Para 2.5.1]

Revision of Accounts

As a result of supplementary audit by the CAG, the statutory auditors of eight government companies (including two listed government companies) revised their reports.

[Para 2.5.2]

Impact of CAG's comments on the accounts

A number of comments were issued by the CAG subsequent to audit of financial statements of government companies by statutory auditors. In the case of statutory corporations where CAG is the sole auditor, apart from significant comments, rectification of errors amounting to ₹480.06 crore was carried out at the instance of CAG's audit.

[Para 2.5.3]

Departures from Accounting Standards

Deviations from the provisions of Accounting Standards in preparation of the financial statements were noticed in 33 government companies by the statutory auditors. CAG also pointed out such deviations in 13 other companies.

[Para 2.6]

Management Letter

Irregularities and deficiencies in the financial reports or in the reporting process observed during supplementary audit were communicated to the management of 113 CPSEs through 'Management Letter' for taking corrective action.

[Para 2.7]

Observations of statutory auditors

The statutory auditors appointed by the CAG made significant qualifications in their reports in respect of one statutory corporation and 54 companies of which 11 were listed companies.

[Para 2.8]

In compliance with the directions issued by the CAG under Section 619(3)(a) of the Companies Act, 1956, the statutory auditors reported deficiencies relating to financial controls and procedures including lack of internal control measures in respect of fixed assets, internal procedure and operational efficiency, investment, inventory, internal audit, Information Technology policies, fraud & risk and vigilance in various companies.

[Paras 2.9 and 2.10]

III. Corporate Governance

The chapter covers 34 companies under administrative control of Ministries of Commerce and Industry, Ministry of Mines, Ministry of Tourism, Ministry of Urban Development and Ministry of Textiles. DPE guidelines, though mandatory, are not being complied with by some of the CPSEs. Following significant departures from the prescribed guidelines were noticed:

- Representation of independent directors in some of the CPSEs was not adequate. There was no independent director in the Board in 18 CPSEs.

  [Para 3.2.2]

- Risk policy for managing the risk and avoiding damage to the entity's reputation and associated consequences was yet to be evolved in nine CPSEs. In 10 CPSEs less than four meetings of Audit Committee were held.

  [Paras 3.2.6 and 3.3.5]

- There was no whistle blower mechanism in nine CPSEs. Model code of business conduct for Board of Directors was not circulated in 16 CPSEs.

  [Paras 3.3.10 and 3.4]

IV. Convergence of Indian Accounting Standards with IFRS

As per the road-map announced by Ministry of Corporate Affairs (MCA) in March 2010, the Indian Accounting Standards (Ind AS) converged with International Financial Reporting Standards were to be applied to specified class of companies in phases beginning with the financial year 1 April 2011. Audit observed that MCA could not notify the date of implementation of Ind AS as per its notified road-map.

[Para 4.1.1]

In pursuance of the Budget Statement of the Finance Minister in February 2014, MCA after consultations with various stakeholders and regulators, issued a press note on 2 January 2015 wherein a revised Road map for implementation of Ind AS converged with IFRS was laid down for companies other than Banking Companies, Insurance Companies and Non- Banking Finance Companies.

[Para 4.1.2]

Companies Act, 2013 specified that the financial statements shall comply with accounting standards notified by Central Government and shall be in form or forms as may be provided for class or classes of companies. This would facilitate implementation of Ind AS in phases. Accordingly, MCA vide its notification dated 16 February 2015 notified the Companies (Indian Accounting Standards) Rules 2015 specifying 39 Ind AS to be implemented as per the road-map.

[Para 4.1.3]

Challenges to convergence

- Ind AS are based on the concept of fair value measurement of assets and liabilities, corresponding standards under the Income Tax Act are essential to ensure smooth and harmonised transition.

  [Para 4.2.1]

- Banks and Insurance Companies have been kept out of the proposed road map for transition to Ind AS in view of the specific needs and concerns of these two sectors.

  [Para 4.2.2]

- Issues such as cost of compliance, capacity building, managing two sets of standards (one for entities that seek transition and the other for those which do not) and the impact of exceptions or 'carve outs' on the achievement of objectives of convergence would need to be addressed through a well-coordinated mechanism among MCA, DPE and ICAI.

  [Para 4.2.3]

V. Compliance with Department of Public Enterprises' (DPE) Guidelines

Mechanism to monitor CPSEs compliance with DPE guidelines required to be strengthened.

Violation of DPE guidelines resulted in payment of ₹ 1326.80 crore in 46 cases involving 44 CPSEs as pointed out in CAG's Audit Report No.13 of 2013 & 2014. In fact, these irregularities were noticed as a result of test check only and there could be more such cases.

[Para 5.2]

While it is the responsibility of the respective Administrative Ministry/Department to ensure that DPE guidelines are followed by the CPSEs under their jurisdiction, in letter and spirit, in view of the continuous and recurring instances of non-compliance of DPE guidelines being reported in CAG's Audit Reports, a dedicated mechanism either in the Ministry of Finance or DPE may be instituted so that all issues of non-compliance are addressed through regular and critical review.

[Para 5.5]

VI. Corporate Social Responsibility

Department of Public Enterprises has revised its Corporate Social Responsibility (CSR) guidelines which are effective from April 2013 specifying the mandate and scope of activities for CSR in the CPSEs.

[Para 6.2]

A review of 39 CPSEs of Energy Sector under administrative control of Ministry of Power, Ministry of Coal, Ministry of Petroleum & Natural gas, Ministry of Atomic Energy and Ministry of New and Renewable Energy Resources was conducted. For the purpose of the review, an assessment framework was prepared based on the provisions contained in the DPE guidelines of 12 April 2013. Following significant observations were made in the review:

[Para 6.3]

- Six CPSEs had not formulated a CSR and sustainability policy. Further, two CPSEs did not prescribe measurable and the expected outcome and social, economic & environmental impact of such activities.

  [Para 6.4.1 and 6.4.2]

- Each CPSE, with the approval of its Board of Directors, was to make a budgetary allocation for CSR and Sustainability activities / projects for the year based on the profitability of the company. In five CPSEs budgetary allocation was less by ₹ 8.66 crore than the prescribed ranges.

  [Para 6.5.1]

- Implementation and monitoring of the CSR & sustainability activities was to be overseen by constituting the two-tier organisational structure within the organization. However, these guidelines were not complied by eight CPSEs.

  [Para 6.6.1]

- In seven CPSEs CSR projects which are implemented in–house by the Company, are not subject to monitoring and final evaluation has not been assigned to independent external agency.

  [Para 6.6.3]

CHAPTER 1

Financial Performance of Central Public Sector Enterprises

1.1 Introduction

This Report presents the financial performance of government companies, statutory corporations and deemed government companies. The term Central Government Public Sector Enterprises (CPSE) encompasses the government owned companies set up under Companies Act, 1956 and statutory corporations set up under the statutes of the Parliament, where the audit is entrusted to Comptroller and Auditor General of India (CAG).

A **government company*** is defined in section 617 of the Companies Act, 1956 as a company in which not less than fifty one *per cent* of the paid-up share capital is held by central government, or by any state government or governments, or partly by the central government and partly by one or more state governments and it includes a company which is a subsidiary of a government company defined thus. Besides companies covered under Section 619 B of the Companies Act, 1956 are referred to in this Report as **deemed government companies.** Besides, Government of India sets up corporations under Special Acts of the Parliament which have been referred to as **Statutory Corporations.**

> **Government Company**
>
> A company in which not less than 51 per cent of paid-up share capital is held by central government or by one or more state governments or partly by central government and partly by state government(s) and includes subsidiary of a government company.

1.1.1 Mandate

Audit of government companies and deemed government companies is conducted by the CAG under the provisions of Section 619 of the Companies Act, 1956 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 1956, the CAG appoints the Chartered Accountants (Statutory Auditors) as Auditors for companies and gives directions on the manner in which the accounts are to be audited, besides undertaking supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited by CAG.

The Acts governing Reserve Bank of India, Export-Import Bank of India, National Bank for Agricultural and Rural Development and National Housing Bank contain provisions whereby the

* The Department of Public Enterprises (DPE) has been considering CPSEs as a company wherein either the central Government owns more than 50 *per cent* equity or one of its holding companies or its subsidiary owns more than 50 *per cent* equity. In view of the difference in definition adopted by CAG and DPE, there may be difference in number of companies considered as CPSEs by CAG and that of DPE.

Central Government can appoint the CAG, at any time as the auditor to examine and report upon the accounts of these institutions. No such appointment was made during 2013-14.

1.1.2 What does this Report contain

This Report gives an overall picture of the quality of financial reporting by government companies and corporations and appraisal of their performance as revealed by their accounts.

Impact of revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of the Central Government Companies conducted by the CAG for the year 2013-14 (or earlier years as are finalised during the current year), and significant findings reported by the Statutory Auditors while certifying the financial statements of the CPSEs are given in this Report. The report also contains the impact of comments issued by the CAG on the financial statements of the statutory corporations where CAG is the sole auditor. Besides, a resume of the reports submitted by the Statutory Auditors in compliance with the directions issued to them by the CAG under Section 619(3)(a) of the Companies Act, 1956, is also given in this Report.

The Report also gives an overall picture of the status of the adherence of CPSEs to the guidelines issued by the Department of Public Enterprises (DPE) on Corporate Governance and Corporate Social Responsibility.

1.1.3 Number of CPSEs and deemed government companies

As on 31 March 2014, there were 544 CPSEs under the audit jurisdiction of the CAG. These include 377 government companies, 6 statutory corporations and 161 deemed government companies. The overall coverage under this report and the nature of these CPSEs is indicated in the following table:

- **Government Companies 377**
- **Deemed Government Companies 161**
- **Statutory Corporations 6**
- **Total CPSEs 544**

Nature of the CPSE's	Total number of CPSEs	Number of CPSEs covered in the Report				Number of CPSEs not covered in the Report
		Latest data 2013-14	Earlier data		Total	
			2012-13	2011-12		
Government companies	377	330	13	4	347	30
Statutory corporations	6	5	1	0	6	-
Total companies/ corporations	383	335	14	4	353	30
Deemed Government companies	161	138	5	1	144	17
Total	544	473	19	5	497	47

The details of new/ceased government companies/deemed government companies are given in ***Appendix-I***.

However, this Report does not include 47 CPSEs (including 17 deemed government companies) whose accounts were in arrears for three years or more or were defunct/under liquidation or first accounts not received or first accounts were not due. These CPSEs are identified by two asterisks(**) in ***Appendix - II***.

Snapshot of CPSEs

(Government companies and statutory corporations)

Number of CPSEs	**383**
CPSEs covered in this chapter	**353**
Paid up capital (353 CPSEs)	**₹ 3,30,626 crore**
Long term Loans (353 CPSEs)	**₹ 8,81,774 crore**
Market capitalisation (46 listed government companies)	**₹ 11,06,657 crore**
Net profit (202 CPSEs)	**₹ 1,53,907 crore**
Net loss (124 CPSEs)	**₹ 49,612 crore**
Dividend declared (111 CPSEs)	**₹ 66,051 crore**
Total Assets (353 CPSEs)	**₹ 34,94,654 crore**
Value of production (353 CPSEs)	**₹ 14,13,922 crore**
Net worth (353 CPSEs)	**₹ 11,60,694 crore**

1.2 Investment in government companies and corporations

The extent of equity investment and loans in 353* government companies and corporations at the end of 31 March 2014 is given in the following table. Some government companies and corporations had also contributed to the investment in these CPSEs. The details are given below:

(₹in crore)

Sources	As on 31 March 2014			As on 31 March 2013		
	Equity	Long term Loans	Total	Equity	Long term Loans	Total
1.Central Government	2,45,191	54,907	3,00,098	2,31,289	50,816	2,82,105
2.Central Government Companies/ Corporations	44,245	17,409	61,654	27,082	23,818	50,900
3.State Governments/ State Government Companies/ Corporations	20,926	7,776	28,702	18,491	5,753	24,244
4. Financial Institutions/ Others	20,264	8,01,682	8,21,946	18,489	6,42,109	6,60,598
Total	**3,30,626**	**8,81,774**	12,12,400	**2,95,351**	**7,22,496**	10,17,847
Percentage of Central Government to total	74.16	6.23	24.75	78.31	7.03	27.72

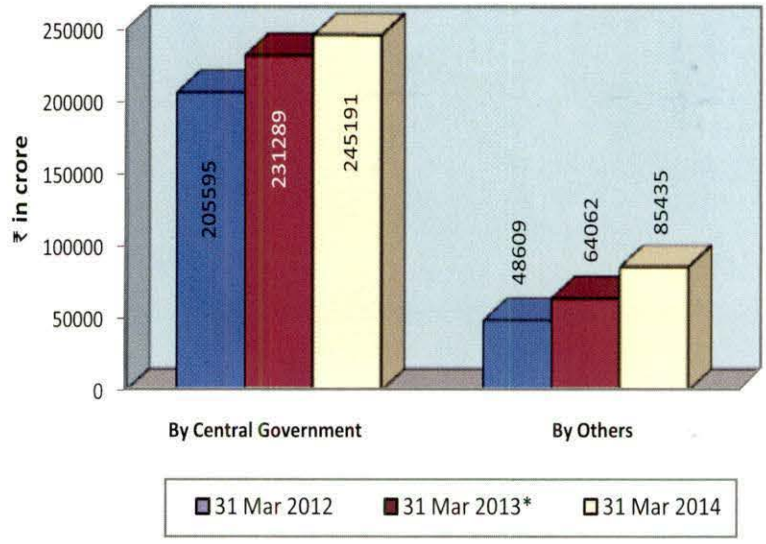
Note: Ministry wise details of equity investment and loans are available on CAG website <www.cag.gov.in>

* 383 CPSEs– 30 CPSEs whose accounts were in arrears

1.2.1 Equity investment

During 2013-14, the investment in equity of these 353 CPSEs registered a net increase of ₹ 35,275 crore. Investment of Government of India increased by ₹ 13,902 crore in 2013-14 in equity of 353 CPSEs.

Equity investment in Government Companies and Corporations



(Previous years' figures updated during 2013-14 as accounts of that year were received)*

Details of significant Investments made by the Central Government during 2013-14 in the paid up capital of the CPSEs is detailed below:

Name of the CPSEs	Name of the Ministry	Amount (₹ in crore)
Statutory Corporations		
National Highways Authority of India	Road Transport and Highways	12,063
Government Companies		
Indian Railway Finance Corporation Ltd	Railways	1,000
Others		839
Total		**13,902**

During the year 2013-14, the following CPSEs issued fully paid bonus shares as under:

Sl no	Name of the company	Amount (₹ in crore)
1	Container Corporation of India Limited	64.99
2	WAPCOS Limited	8.00
3	Balmer Lawrie and Company Limited	12.21
4	National Seeds Corporation Limited	2.06
Total		**87.26**

- During the year 2013-14, the Government of India realised ₹ 15,819[*] crore against a budgeted receipt of ₹ 40,000 crore on disinvestment. Out of ₹ 15,819 crore an amount of ₹ 12,819 crore were from sale of a part of its equity shares in respect of following CPSEs and ₹ 3000 crore from the newly formed CPSE- ETF scheme[†]. .

Sl no	Name of the CPSEs	Percentage of shares disinvested	Face value of the shares (₹ in crore)	Amount realised by Government (₹ in crore)
1	Indian Oil Corporation Limited	10	251.19	5341
2	NHPC Limited	9	1107.16	2131
3	Bharat Heavy Electricals Limited	5	22.82	1887
4	Power Grid Corporation of India Limited	4	185.18	1637
5	MMTC Limited	9	9.33	572
6	Engineers India Limited	11	18.58	497
7	Neyveli Lignite Corporation Limited	4	59.70	358
8	Hindustan Copper Limited	4	18.56	260
9	National Fertilizers Limited	8	37.48	101
10	India Tourism Development Corporation Limited	5	4.36	30
11	The State Trading Corporation of India Limited	1	0.61	5
Total				**12819**

During the year 2013-14 NHPC Limited has bought back 10 *per cent* of its total paid up equity share capital from existing shareholders there by reducing its total paid up share capital. The amount received by Government of India due to buyback was ₹ 2,131 crore.

Also, ₹ 619.57 crore was received due to redemption of preference shares as detailed below:

Sl No	Name of the CPSE	Amount (₹ in crore)
1	Rashtriya Ispat Nigam Limited	606.97
2	MECON Limited	12.60
	Total	**619.57**

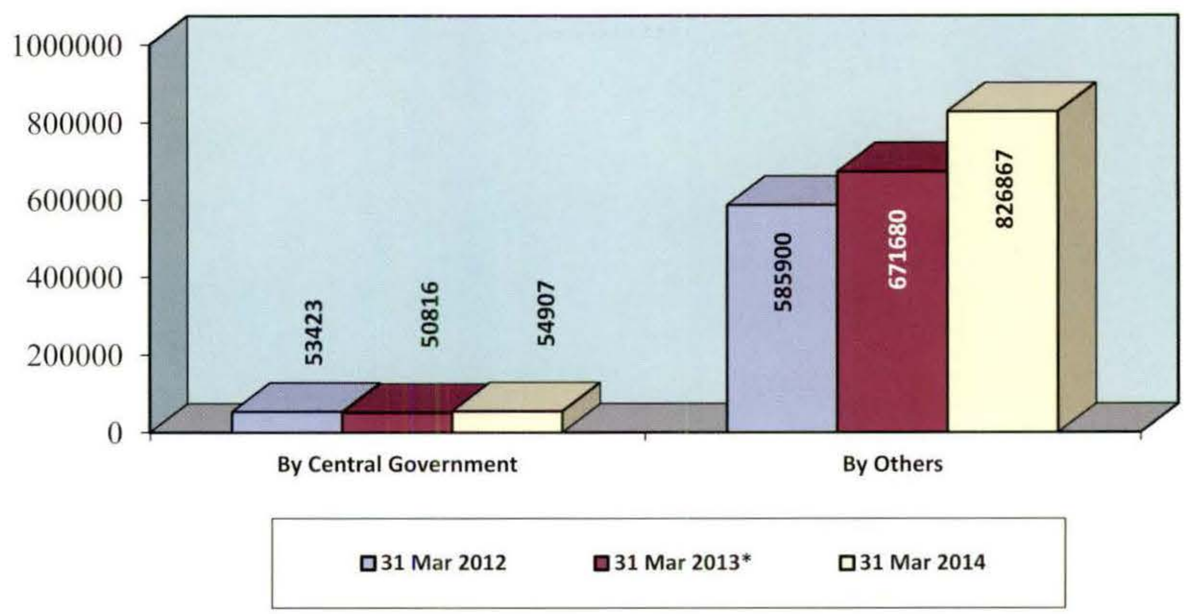
[*] Source: http://www.divest.nic.in/SummarySale.asp

[†] The CPSE-ETF is the disinvestment strategy that helped the government garner ₹ 3,000 crore through disinvestment of 10 PSUs, and it provides an opportunity for investors to become part-owners of ONGC, GAIL, Coal India, IOC, Oil India, Power Finance Corporation, Rural Electrification Corporation, Container Corporation, Engineers India and Bharat Electronics

1.2.2 Loans given to government companies and corporations

During 2013-14, the long term loans of government companies and corporations registered a net increase of ₹ 1,59,278 crore.

Long term loans outstanding in Government Companies and Corporations
(₹ in crore)



(Previous years' figures updated during 2013-14 as accounts of that year were received)*

❖ The total long term loans outstanding in 353 CPSEs from all sources as on 31 March 2014 was ₹ 8,81,774 crore. The comparison of positive and negative coverage of total assets with long term loans during 2013-14, is given in the following table.

	Positive coverage				Negative coverage			
	No. of CPSE	Long term loan	Assets	Percentage of assets to loans	No. of CPSE	Long term loan	Assets	Percentage of assets to loans
		(₹ in crore)				(₹ in crore)		
Statutory Corporations	3	46677	212130	454.46	-	-	-	-
Listed Companies	30	536762	1529726	284.99	2	3765	328	8.71
Unlisted Companies	99	281148	763338	271.51	19	13422	1633	12.17
Total	132	864587	2505194		21	17187	1961	

21 CPSEs, including 2 listed companies, had more loans than their total assets. There were 201 CPSE (including 3 statutory corporations) which did not have any long term loans.

- Interest coverage ratio is used to determine how easily a company can pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the more the company is burdened by debt expense. An interest coverage ratio less than one indicates the company is not generating sufficient revenues to satisfy interest expenses. The details of positive and negative interest coverage ratio for the period 2011-12 to 2013-14, is summarised below:

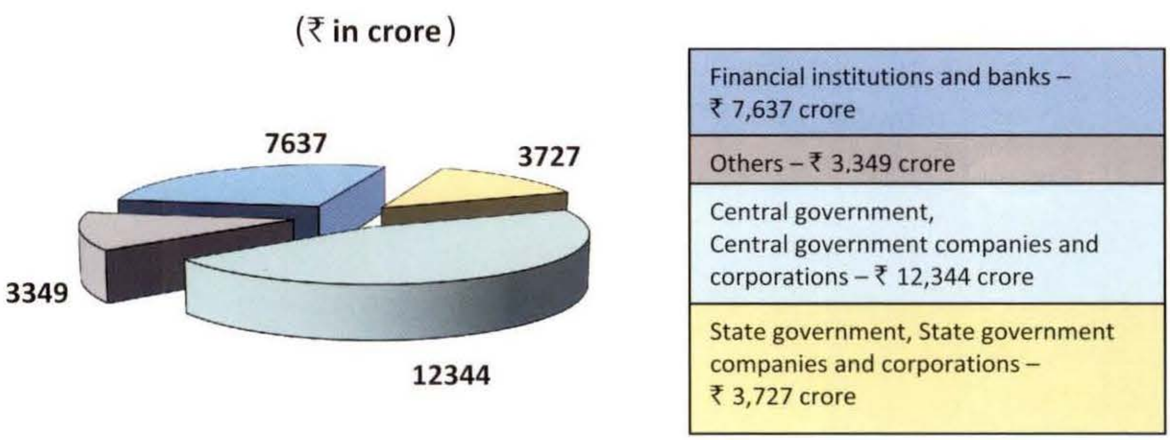
Year	Interest	Earnings before interest and tax (EBIT)	No. of CPSEs*	No. of CPSEs having interest cover ratio more than 1	No. of CPSEs having interest cover ratio less than 1
	(₹ in crore)				
Statutory Corporations					
2011-12	6143	6586	4	4	0
2012-13	1548	3361	3	2	1
2013-14	2188	2530	3	2	1
Listed Government Companies					
2011-12	33285	98910	32	26	6
2012-13	39986	110679	32	20	12
2013-14	43904	127865	32	22	10
Unlisted Government Companies					
2011-12	15483	29742	123	66	57
2012-13	16526	48197	120	52	68
2013-14	17611	31521	118	57	61

It was observed that the number of CPSEs with interest coverage ratio of more than one increased in case of listed as well as unlisted government companies during 2013-14, compared to the previous year.

1.2.3 Investment in deemed government companies

The capital invested by the central government, state governments and by companies and corporations controlled by them in 144 deemed government companies† were as follows.

Composition of share capital in deemed government companies



* excluding CPSEs which have no interest liability

† Note: Company wise details are available on CAG website <www.cag.gov.in>

As of 31 March 2014, equity in these deemed government companies was ₹ 27,057 crore. The equity in these deemed government companies increased by ₹ 1,214 crore, i.e. from ₹ 25,843 crore in 2012-13 to ₹ 27,057 crore in 2013-14.

1.2.4 Market capitalisation of equity investment in government companies

Market capitalisation is a measurement of market value of the shares outstanding of a publicly traded company. Shares of 59 government companies were listed on the various stock exchanges in India consisting of 46 government companies, 5 subsidiaries of government companies and 8[*] deemed government companies.

- In respect of 46 listed government companies, the shares of 42 companies were traded[α] during 2013-14. In respect of 5 subsidiaries of government companies, 4 were traded and shares of one company[†] was not traded during the year.
- The total market value of shares of 46 listed government companies stood at ₹ 11,06,657 crore as on 31 March 2014. The market value of shares of 42 listed government companies (excluding 4 subsidiary companies) stood at ₹ 10,96,426 crore as on 31 March 2014, out of which, the market value of shares held by the Government of India amounted to ₹ 7,97,348 crore. The total market value of shares decreased by ₹ 9,196 crore (0.83 *per cent*) as on 31 March 2014 as compared to 31 March 2013. The details are indicated in ***Appendix III-A.*** During this period, BSE Sensex increased from 18,835.77 (as on 31 March 2013) to 22,386.27 (as on 31 March 2014), an increase of 18.85 *per cent*. However, the CPSE Index decreased from 6,481.16 (as on 31 March 2013) to 6354.61 (as on 31 March 2014), a decrease of 1.95 *per cent.*
- The market value of shares of 4 subsidiary government companies, the shares of which were traded during 2013-14, stood at ₹ 10,231 crore as on 31 March 2014. The total market value of shares held by government companies in 4 subsidiary government companies had decreased by ₹ 803 crore as on 31 March 2014 as compared to 31 March 2013. The details are indicated in ***Appendix III-B***.
- The top 10 CPSEs with highest market capitalisation on 31 March 2014 is given below:

Sl No	Name of the CPSE	Market Capitalisation (₹in crore)
1	Oil and Natural Gas Corporation Limited	272663
2	Coal India Limited	181848
3	NTPC Limited	98904
4	Indian Oil Corporation Limited	67740
5	NMDC Limited	55288
6	Power Grid Corporation of India Limited	54958
7	Bharat Heavy Electricals Limited	48169

[*] (1) Indbank Housing Limited, (2) Indbank Merchant Banking Services Limited, (3) PNB Gilts Limited, (4) The Bisra Stone Lime Company Limited, (5) Orissa Minerals Development Company Limited, (6) Tamil Nadu Telecommunication Limited, (7) Tourism Finance Corporation of India Limited, and (8) IFCI Limited.

[α] Shares of (1) Hindustan Cables Limited, (2) Hindustan Photo-films (Manufacturing) Company Limited, (3) IRCON International Limited, and (4) KIOCL Limited were not traded during 2013-14

[†] Eastern Investments Limited

8	GAIL (India) Limited	47663
9	Bharat Petroleum Corporation Limited	33284
10	Steel Authority of India Limited	29492

There was increase in market capitalisation in 24 CPSEs and decrease in the rest of the 18 CPSEs. CPSEs with significant decrease in market capitalisation are given as follows:

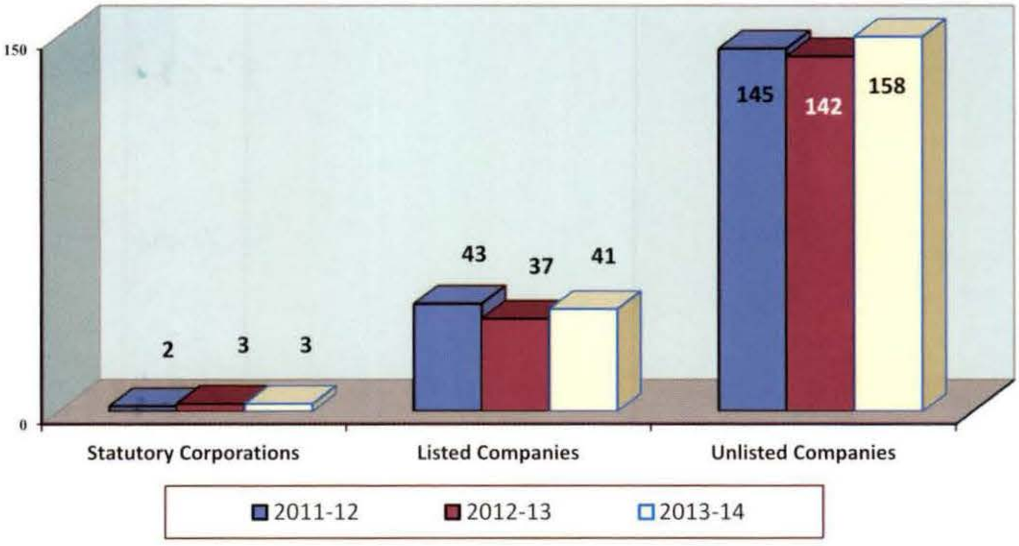
(₹ in crore)

Sl No	Name of the CPSE	Market Capitalisation as on 31/3/2013	Market Capitalisation as on 31/3/2014	Difference
1	NTPC Limited	117086	98904	18182
2	MMTC Limited	19925	5310	14615
3	Coal India Limited	195270	181848	13422
4	India Tourism Development Corporation Limited	5275	826	4449
5	NHPC Limited	24478	21145	3333
6	Hindustan Copper Limited	8577	6347	2230
7	Oil India Limited	30733	28975	1758
8	National Fertilizers Limited	2186	1182	1004
9	Neyveli Lignite Corporation Limited	11056	10259	797
10	Indian Oil Corporation Limited	68335	67740	595

1.3. Return on investment in government companies and corporations

The number of CPSEs that earned profit* increased from 182 in 2012-13 (₹ 1,48,105 crore) to 202 in 2013-14 (₹ 1,53,907 crore).

Number of profit earning statutory corporations, listed and unlisted government companies



* Profitability analysis of 353 government companies and corporations indicating profit before interest and tax, capital employed, profit after tax, dividend, net worth, ratio of profit after tax to net worth, ratio of profit before interest and tax to capital employed and dividend to equity, is available at CAG website <www.cag.gov.in>.

The details of sectors which contributed maximum profit during the year 2013-14 are summarised below:

Sector	No. of Profit earning CPSEs	Net Profit earned (₹ in crore)	Percentage of profit to total CPSE profit
1. Petroleum			
Listed government companies	7	42866	27.85
Unlisted government companies	3	3879	2.52
Total	10	46745	30.37
2. Coal and Lignite			
Listed government companies	2	16510	10.73
Unlisted government companies	7	15003	9.75
Total	9	31513	20.48
3. Power			
Listed government companies	4	17566	11.41
Unlisted government companies	18	4545	2.95
Total	22	22111	14.37
Total (1) to (3)	**41**	**100369**	**65.22**

During 2013-14, as much as 65 *per cent* (₹ 1,00,369 crore) was contributed by 41 CPSEs in these three sectors compared to 62 *per cent* contributed by 37 CPSEs during 2012-13.

The following is the list of CPSEs which earned profit of more than ₹ 5,000 crore during the year 2013-14:

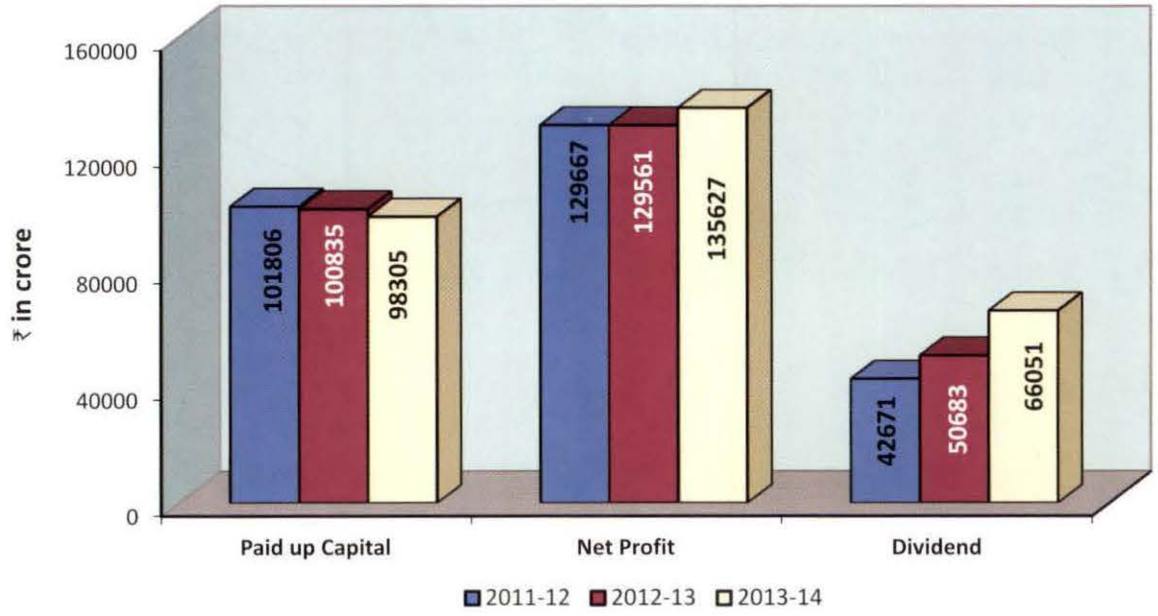
Sl no	Name of the CPSE	Net profit (₹ in crore)
1	Oil and Natural Gas Corporation Limited	22095
2	Coal India Limited	15009
3	NTPC Limited	10975
4	Indian Oil Corporation Limited	7019
5	NMDC Limited	6420
6	Power Finance Corporation Limited	5418
Total		**66936**

It may be seen that these CPSEs contributed 43 *per cent* of the total profit earned by 202 CPSEs as compared to 40 *per cent* of the total profit earned during 2012-13.

1.3.2 Dividend payout by CPSEs

The number of CPSEs* that had declared dividend during the last three years ended 31 March 2014 has been given in ***Appendix - IV.*** There were 111 CPSEs which declared dividend in 2013-14 (including 34 listed government companies and 2 statutory corporations). The dividend declared as a percentage of net profit earned by the CPSEs increased from 39.12 *per cent* in 2012-13 to 48.70 *per cent* in 2013-14. In absolute terms, the dividend declared by the CPSEs in 2013-14 increased by ₹ 15,368 crore from ₹ 50,683 crore in 2012-13 to ₹ 66,051 crore in 2013-14.

Dividend declared vis-a-vis net profit and paid up capital



The details of profit earned and dividend declared is given the following table:

(₹ in crore)

Category	CPSEs declared dividend			
	No. of CPSEs	Paid up capital	Net profit	Dividend declared
Statutory corporations	2	725	896	180
Listed Companies	34	57636	104662	48938
Unlisted Companies	75	39944	30069	16933
Total	111	98305	135627	66051

- Out of total dividend of ₹ 66,051 crore declared by 111 CPSEs in the current year, dividend received/receivable by Government of India amounted to ₹ 41,842 crore. The return on aggregate investment of ₹ 2,45,191 crore made by the Government of India in equity capital of 353 CPSEs was 17.06 *per cent* as compared to 14.55 *per cent* during 2012-13. Similarly, 28 CPSEs received ₹ 14,138 crore as dividend on paid up capital of ₹ 4,839 crore on the equity holdings of other CPSEs.

* Only government companies and statutory corporations

- Under the Ministry of Petroleum and Natural Gas, 10 government companies declared dividend amounting ₹ 14,997 crore which was 22.70 *per cent* of the total dividend of ₹ 66,051 crore declared by various companies in 2013-14.
- The guidelines issued by the Ministry of Finance in September 2004 envisaged that all profit-making CPSEs would declare a minimum dividend of 20 *per cent* either on equity or on post-tax profit, whichever was higher. The minimum dividend payable by companies in Oil, Petroleum, Chemical and other infrastructure sectors was 30 *per cent* of post-tax profit. However, 19 companies which declared dividend (including 3 listed companies) did not comply with the government directive while declaring dividend, as given in ***Appendix-V.*** The total shortfall on this account was ₹ 2,555 crore in 2013-14.
- The Ministry had further emphasised that the objective of the government was to achieve minimum return of five *per cent* on overall investment in all government companies and corporations across the board. The return on the total investment of ₹ 2,45,191 crore made by the Government of India in equity of all the government companies and corporations was ₹ 41,842 crore, i.e. 17.06 *per cent.*

1.3.3 Return on investment in deemed government companies

Of the 144* deemed government companies, 99 companies earned profit of ₹ 4,608 crore. Out of these 99 companies, 43 declared dividend amounting to ₹ 843 crore which represented 12.53 *per cent* of their paid up capital of ₹ 6,726 crore. Thirty eight companies incurred losses of ₹ 2,330 crore during 2013-14 as compared to 39 companies loss of ₹ 1310 crore during 2012-13. Remaining seven companies had not started commercial operations.

Dividend of ₹ 843 crore declared by the 43 deemed government companies during 2013-14 came from the companies under various sectors is given below:

(₹ in crore)

Sector	No. of Companies	Paid up Capital	Net Profit	Dividend
Financial services	26	3729	1735	595
Insurance	1	1000	740	100
Power	2	1229	261	92
Transportation Services	1	164	30	20
Contract & Construction Services	2	446	226	20
Trading and Marketing	1	41	18	6
Petroleum	1	100	45	5
Industrial Development and Technical Consultancy	8	16	18	4
Minerals and Metals	1	1	6	1
	43	**6726**	**3079**	**843**

* 161– 17 deemed government companies whose accounts were in arrears

1.4 Loss-making CPSEs

There were 124 CPSEs that suffered losses during the year 2013-14. The loss incurred by these CPSEs increased significantly to ₹ 49,612 crore in 2013-14 from ₹ 29,184 crore during 2012-13 as detailed in following table.

Listed / Unlisted Year	No of CPSEs[♣] suffered loss	Net loss for the year	Accumulated loss	Net Worth
			(₹ in crore)	
Statutory Corporations				
2011-12	1	858	0	15414
2012-13	0	0	0	0
2013-14	1	995	0	14863
Listed government companies				
2011-12	8	7089	15503	-2598
2012-13	14	11652	22375	4855
2013-14	10	4574	21245	-5606
Unlisted government companies/corporations				
2011-12	88	23181	64273	70732
2012-13	110	17532	65405	53254
2013-14	113	44043	91854	31041
Total				
2011-12	97	31128	79776	83548
2012-13	124	29184	87780	58109
2013-14	124	49612	113099	40298

The following CPSEs incurred a loss of more than ₹ 5,000 crore during the year 2013-14[*].

Sl No	Name of the Company	Net loss in 2013-14 (₹ in crore)
1	Chhattisgarh East Railway Limited	14181
2	Chhattisgarh East West Railway Limited	13458
3	Bharat Sanchar Nigam Limited	7020

1.4.1 Capital erosion in government companies

As on 31 March 2014 there were 150 CPSEs with accumulated loss of ₹ 1,27,020 crore. Of the 150 CPSEs, 102 CPSEs incurred losses during the year 2013-14 amounting to ₹ 39,798 crore and 48 CPSEs had not incurred loss in the current year 2013-14, though had accumulated loss of ₹ 13,921 crore.

Net worth[†] of 67 government companies (out of 150) had been completely eroded by accumulated loss and the net worth was negative. The net worth of these 67 companies was ₹ (-)87,885 crore against equity investment of ₹ 27,957 crore as on 31 March 2014. This included 6 listed companies whose net worth was ₹ (-)19,821 crore against equity investment

[♣] Food Corporation of India, Inland Waterways Authority of India and National Highways Authority of India the deficits of which are reimbursed by the Government of India as subsidy/grant are not included in this table

[*] Accounts of Air India are in arrears. The loss incurred by Air India during 2012-13 was ₹ 5490.16 crore. The provisional loss for the year 2013-14 is ₹ 6280 crore

[†] Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision

of ₹ 1,792 crore. Out of 67 CPSEs, whose capital had eroded, 9 CPSEs had earned profit of ₹ 1,399 crore during 2013-14.

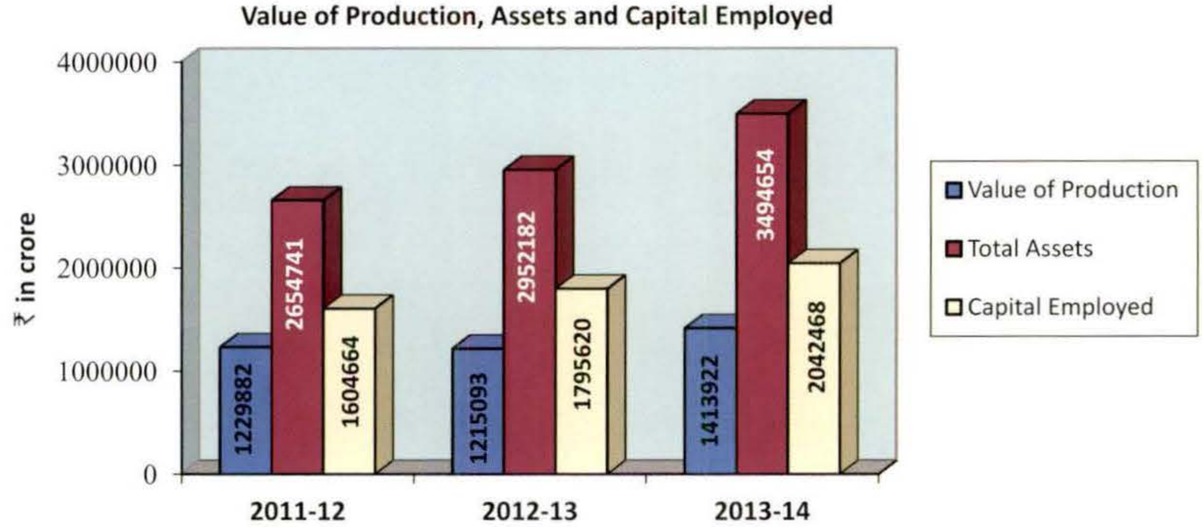
In 31 out of 67 CPSEs whose capital had eroded, government loans outstanding as on 31 March 2014 amounted to ₹ 16,331 crore. This included 4 listed companies with outstanding government loan of ₹ 2,821 crore.

Out of the 286 CPSEs whose net worth was positive, 19 CPSEs net worth was less than half of their paid up capital of ₹ 12,037 crore at the end of 31 March 2014, indicating potential sickness.

1.5 Operating efficiency of government companies

1.5.1 Value of production

The summary graph indicating value of production, total assets and capital employed over a period of three years is given below:



There was an increase in the value of production, total assets and capital employed in year 2013-14 compared to the previous year.

1.5.2 Sales and Marketing

During 2013-14, the total sales of 353 CPSEs was ₹ 19,54,117 crore. Out of these, 113 CPSEs made sales/rendered services to Government sector worth ₹ 2,32,954 crore against their net sales of ₹ 9,76,602 crore. The overall percentage of sales of these 113 CPSEs to the Government sector with reference to their total net sales worked out to 23.85 *per cent*.

There were 61 CPSEs which exported goods or rendered services abroad worth ₹ 1,03,070 crore. This worked out to 11.78 *per cent* against their net sales of ₹ 8,74,786 crore. Against the total sales of ₹ 19,54,117 crore made by the 353 CPSEs the export sales amounted to 5.27 *per cent*.

The following are the CPSEs with export sales of more than ₹ 1,000 crore.

Sl. no	Name of the CPSE	Export sales (₹ in crore)
1	Mangalore Refinery and Petrochemicals Limited	35392
2	Indian Oil Corporation Limited	21192
3	Bharat Heavy Electricals Limited	14063
4	ONGC Videsh Limited	9980
5	MMTC Limited	4209
6	National Aluminium Company Limited	3719
7	PEC Limited	2556
8	IRCON International Limited	2135
9	The State Trading Corporation of India Limited	1781
10	NMDC Limited	1631
11	Steel Authority of India Limited	1527
12	Air India Charters Limited	1018
Total		**99203**

The export sales of these 12 CPSEs accounted for 96 *per cent* of the total export of all CPSEs.

1.5.3 Research & Development

In order to upgrade existing products and to develop new products, processes etc. for sustained growth every organisation has to undertake research and development activities. During the year 2013-14, 58 CPSEs had incurred ₹ 3,652 crore on Research & Development. Following CPSEs had incurred R & D expenditure of more than ₹ 100 crore:

Sl no	Name of the CPSE	Total R&D expenditure (₹ in crore)	Net profit (₹ in crore)	Percentage of R&D exp to Net profit
1	Hindustan Aeronautics Limited	1083	2693	40
2	Oil and Natural Gas Corporation Limited	601	22095	3
3	Bharat Electronics Limited	467	932	50
4	Bharat Heavy Electricals Limited	311	3473	9
5	Indian Oil Corporation Limited	253	7019	4
6	NTPC Limited	134	10975	1
7	Steel Authority of India Limited	110	2616	4
8	Hindustan Petroleum Corporation Limited	101	1734	6

CHAPTER 2

Oversight Role of CAG

2.1 Audit of Public Sector Enterprises

Under Section 619 of the Companies Act, 1956, the auditor (statutory auditor) of a government company including deemed government company, appointed by the CAG, conducts the audit of accounts of these companies. On the basis of supplementary audit conducted thereafter, the CAG issues comments upon or supplements the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be given to the Parliament. In addition to supplementary/test audit, CAG conducts performance audit of specific topics and sectors.

2.2. Appointment of statutory auditors of Public Sector Enterprises by CAG

2.2.1 Objectivity in the appointment of statutory auditors

Statutory auditors for government companies including deemed government companies are appointed by the CAG in exercise of the powers conferred under Section 619(2) of the Companies Act, 1956 as amended vide Companies (Amendment) Act, 2000. For this purpose a panel of firms of Chartered Accountants is maintained by the CAG by inviting applications every year from the eligible firms of Chartered Accountants. The panel so formed is used for selection of statutory auditors of Public Sector Enterprises (CPSEs) for the ensuing financial year. The statutory auditors are appointed annually on regular basis.

Selection of the statutory auditors for appointment is made by correlating the point score earned by each firm of Chartered Accountants that applies for empanelment with the size of the audit assignment. The point score is based upon the experience of the firm, number of partners and their association with the firm, number of Chartered Accountant employees, etc., so that the credentials of the firm are well established and the firm has capacity to handle the allotted audits.

This system ensures that allotment of audit to Chartered Accountants firms is done objectively based on merit and competence.

2.2.2 Timely appointment of statutory auditors of CPSEs for the year 2013-14

Under Sections 210 read with Sections 166 and 230 of the Companies Act, 1956, the annual audited accounts of every company for the financial year are to be laid before the shareholders at its Annual General Meeting (AGM) to be held each year. According to Section 224 of the Companies Act, 1956 the statutory auditor holds office from the conclusion of one AGM until the conclusion of the next AGM.

Statutory auditors of Companies for the year 2013-14 were appointed during July/August 2013.

Clause 41 of the Listing Agreement with the Securities and Exchange Board of India (SEBI) provides that all the entities listed with the Stock Exchanges should publish their Quarterly Financial Review (QFR), duly approved by the Board of Directors and after a "limited review" by submitted their accounts for audit by CAG on or before 30 September 2014. **Accounts of 52 government companies and 24 deemed government companies were in arrears for different reasons.**

Details of arrears in accounts of central government companies are as below:

Particulars		Central government companies where CAG conducts supplementary audit					
		Government companies		**Deemed government companies**		**Total**	
		377		161		538	
		Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Number as on 31.03.2014		**51**	**326**	**8**	**153**	**59**	**479**
Less: New companies from which accounts for 2013-14 were not due		-	-	-	-	-	-
Companies from which accounts for 2013-14 were due		**51**	**326**	**8**	**153**	**59**	**479**
Companies which presented the accounts for CAG's audit by 30 September 2014		**51**	**274**	**8**	**129**	**59**	**403**
Accounts not submitted		-	-	-	-	-	-
Accounts in Arrears		**0**	**52**	**0**	**24**	**0**	**76**
Break-up of Arrears	(i) Under Liquidation	**0**	**23**	**0**	**8**	**0**	**31**
	(ii) Defunct	**0**	**3**	**0**	**6**	**0**	**9**
	(iii) Others	**0**	**26**	**0**	**10**	**0**	**36**
Age–wise Analysis of the arrears against 'Others' category	One year (2013-14)	**0**	**21**	**0**	**6**	**0**	**27**
	Two years (2012-13 and 2013-14)	**0**	**3**	**0**	**1**	**0**	**4**
	Three years and more	**0**	**2**	**0**	**3**	**0**	**5**

The names of these companies are indicated in ***Appendix-II***.

The delay in presentation of the accounts for CAG's audit amounted to dilution of Parliamentary Control over management of public money invested in these entities and violation of statutory provisions.

2.3.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of six statutory corporations is conducted by the CAG. Of the five statutory corporations where CAG is the sole auditor, in case of four viz. Airports Authority of India, Damodar Valley Corporation, Inland Waterways Authority of India and National Highways Authority of India, the accounts for the year 2013-14 were presented for audit in time. The accounts of Food Corporation of India for the year 2013-14 were awaited as on 30 September 2014. In case of Central Warehousing Corporation, CAG conducts supplementary audit and the accounts were received in time.

2.4 CAG's oversight - Audit of accounts and supplementary audit

2.4.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule VI to the Companies Act, 1956 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

2.4.2 Audit of accounts of government companies

The statutory auditors appointed by the CAG under Section 619(2) of the Companies Act, 1956 conduct audit of accounts of the government companies and submit their report thereon in accordance with Section 619(4) of the Companies Act, 1956.

The CAG plays an oversight role by monitoring the performance of the statutory auditors with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power

- **to issue directions to the statutory auditors under Section 619(3) of the Companies Act, 1956. The directions issued by CAG under Section 619(3)(a) are primarily aimed at ensuring compliance with Accounting Standards and evaluating internal controls relating to financial reporting in the audited organisation, and**
- **to supplement or comment upon the statutory auditor's report under Section 619(4) of the Companies Act, 1956.**

2.4.3 Criteria for selection of CPSEs for annual accounts audit

In order to reduce the time to carry out supplementary audit of the annual accounts of CPSEs, CAG has stipulated 42 days to complete the process of supplementary audits. CAG revised the criteria for selection of CPSEs to focus more on important issues and to use the Audit resources optimally. As per the criteria, supplementary audit by the CAG is to be conducted annually in respect of those CPSEs which has turnover of ₹ 5000 crore or more or has paid up capital of ₹ 500 crore or more. All other CPSEs are to be selected for audit based on the risk assessment subject to the condition that these are audited at least once in five years.

2.4.4 Three Phase Audit of annual accounts of selected CPSEs

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 1956 or other relevant Act is of the management of an entity.

> **Three Phase Audit**
>
> **An intensified, innovative, focused and result oriented approach to financial audit introduced by CAG to improve the quality of financial statements of CPSEs.**

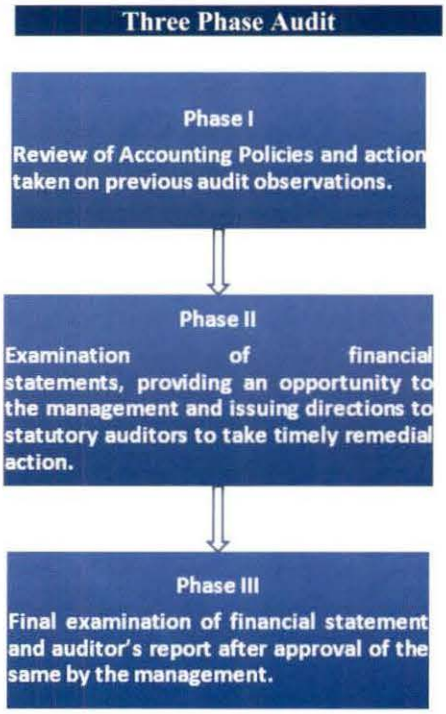
The statutory auditors appointed by the CAG under section 619(2) of the Companies Act, 1956 are responsible for expressing an opinion on the financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standard Auditing Practices of ICAI and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 619(4) of the Companies Act, 1956.

The certified accounts of selected government companies along with report of the statutory auditors are reviewed by CAG. Based on such review through supplementary audit, significant

audit observations, if any, are reported under Section 619 (4) of the Companies Act, 1956 to be placed before the Annual General Meeting.

As the responsibility of the auditor is to help the management in enhancing the quality of financial reporting i.e. readability, reliability and usefulness to different stakeholders, the CAG introduced more intensified, innovative, focused and result oriented approach to financial audit by 'the System of Three Phase Audit'. The Three Phase Audit System was introduced with the following objectives in selected CPSEs falling under categories of 'Listed', 'Navratna', 'Miniratna' and 'Statutory Corporations' for the financial statements of 2008-09 on consensus basis after discussion on the objectives and methodology of new audit approach with the management and statutory auditor concerned:

- **To establish an effective communication and a coordinated approach amongst the statutory auditors, management and CAG's audit for removal of inconsistencies and doubts relating to the financial statements presented by the CPSEs.**
- **To identify and highlight errors, omissions, non-compliance etc., before the approval of the financial statements by the management of the CPSEs and provide an opportunity to the statutory auditors and the managements of the CPSEs to examine such issues for taking timely remedial action.**
- **To reduce the time of CAG's audit after the approval of financial statements by the management of the CPSEs.**



Thus, Three Phase Audit brings substantial qualitative transformation in the audit process and methodology by enabling the management of CPSEs to rectify the accounts in the light of accepted comments on financial statements.

The new audit approach was appreciated by both management of various CPSEs who opted for it and the statutory auditors concerned. The Phase-I and Phase-II of the new audit approach are extended provisions of Section 619(3) (a) of the Companies Act, 1956. The audit observations under first two phases are treated as preliminary observations and communicated to the statutory auditors as part of sub-directions under Section 619(3) (a) of the Companies Act, 1956. The last phase of audit (Phase-III) is conducted after approval of the financial statements by the management and audit by the statutory auditors which is the same as used to be conducted earlier.

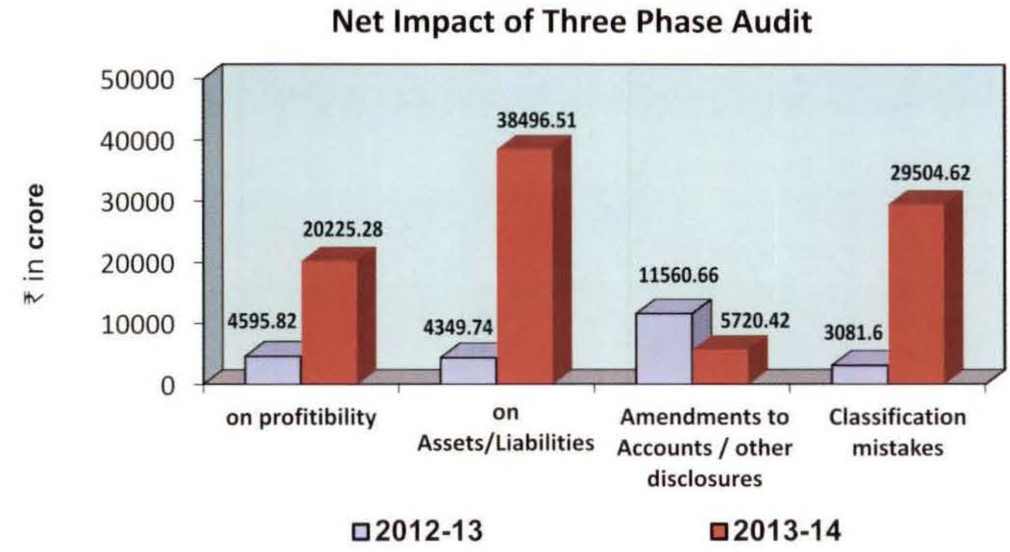
2.5 Result of CAG's oversight role

2.5.1 Impact of Three Phase Audit

As a result of Three Phase Audit conducted in 74 CPSEs, a number of quantitative as well as

qualitative changes were made by the CPSEs in their financial statements which led to improvement in the quality of their financial statements.

The value addition made by Three Phase Audit of financial statements of these CPSEs for the year 2013-14 as compared to the previous year is depicted in the following graph:



CPSEs where major value addition was made are listed below:

Sr. No.	Name of the CPSE
1.	Eastern Coalfields Limited
2.	Gail (India) Limited
3.	General Insurance Corporation of India
4.	Hindustan Aeronautics Limited
5.	Indian Oil Corporation Limited
6.	NHPC Limited
7.	Northern Coalfields Limited
8.	NTPC Limited
9.	Oil and Natural Gas Corporation Limited
10.	Oil India Limited
11.	ONGC Videsh Limited
12.	Power Finance Corporation Limited
13.	Power Grid Corporation of India Limited
14.	SJVN Limited
15.	Steel Authority of India Limited

2.5.2 Audit of accounts of government companies and deemed government companies under Section 619 of the Companies Act, 1956

CAG reviewed accounts of 292 companies and five statutory corporations for the year 2013-14.

Financial statements for the year 2013-14 were received from 325 government companies, 137 deemed government companies and five statutory corporations by 30 September 2014. Of these based on risk assessment, accounts of 224 government companies and 68 deemed government companies and five statutory corporations were reviewed in audit by the CAG.

In sum, CAG reviewed accounts of 69 *per cent* of the government companies and 50 *per cent* of deemed government companies out of the accounts received upto 30 September 2014, based on risk assessment carried out by the principal audit offices keeping in view the prescribed criteria as at para 2.4.3 above.

Revision of Auditors' report:

As a result of supplementary audit of the accounts for the year ended 31 March 2014 conducted by the CAG, the statutory auditors of eight government companies (including two listed Government Companies) revised their report. The significant revisions in the auditors' report are indicated in the following table:

Statutory auditors of eight Companies revised their Report after the supplementary audit by CAG.

Sl.No	Name of the Company	Nature of Revision
1.	BEL Optronics Devices Limited	Changed format of report to include modified opinion and Emphasis of Matter to conform to SA-705 and SA-706.
2.	Bhartiya Rail Bijlee Company Limited	Report revised to incorporate correct amount of disputed dues in respect of wealth tax, service tax, income tax, custom duty, excise duty and cess that had not been deposited with the appropriate authority.
3.	Central Registry Of Securitization Asset Reconstruction and Security Interest of India	Revised Report was submitted in the new format as per revised SA-700.
4.	Heavy Engineering Corporation Limited	As per requirement of SA-700 (Revised), information regarding Cash Flow Statement was included in item No. 2(d) of Report.
5.	Madras Fertilizer Limited	Report revised to include: (i) Reference to section 274(1) (g) of the Companies Act, 1956. (ii) The fact that the statutory dues in respect of sales tax, income tax, provident fund contribution had been regularly deposited. (iii) The fact that accumulated loss exceeded 50 *per cent* of net worth.
6.	Nabinagar Power Generating Company Limited	Report revised to incorporate corrections relating to amount of disputed income tax.
7.	Nellore Transmission Limited	Report revised to present the correct applicable undisputed statutory dues which were deposited with the appropriate authorities.
8.	Rural Electrification Limited	Report was revised to: (i) Delete the word 'Consolidated' from the para on Auditor's Responsibility Report. (ii) Delete the comment on section 227(13) (g) of the Companies Act, 1956 under 'Report on other Legal and Regulatory Requirements'.

		(iii) Bring clarity regarding physical verification of fixed assets. (iv) Include correct amount of disputed tax liabilities.

2.5.3 Comments of the CAG issued as supplement to the statutory auditors' reports on government companies

Subsequent to the audit of the financial statements for the year 2013-14 by statutory auditors, the CAG conducted supplementary audit and the significant comments issued on accounts of government companies are as detailed below:

- **Listed companies**

Comment on Profitability

Name of the Company	Comment
IFCI Limited	Bad and doubtful assets had not been provided in accordance with RBI guidelines (July 2013) applicable to NBFCs, in respect of loan given to Pipavav Marine and Offshore Limited, despite inadequate security cover against the loan, poor past track record of the group in dealing with IFCI and meagre paid up capital of the newly incorporated borrower Company.
Mahanagar Telephone Nigam Limited	• Administrative, Operative and Other Expenses did not include demand for ₹ 1887.70 million raised by the Department of Telecommunication (DoT) (July 2013) towards Provisional Assessment of License fee dues for the period from 2006-07 to 2009-10. • Exceptional Items included an amount of ₹ 1738.10 million to be paid to the GOI on account of interest for delayed payment of leave salary and pension contribution for the period from 1 April 1986 to 30 September 2000, which was not paid by the Company.
National Buildings Construction Corporation Limited	Other Operating Revenue was overstated on account of (i) recognition of interest on mobilization advance recoverable from contractors in respect of East Kidwai Nagar project being executed on behalf of Ministry of Urban Development, in contravention of Escrow Agreement - ₹ 6.84 crore. (ii) Interest on mobilization advance recoverable from the contractor for CRPF works - ₹ 0.17 crore.

Comment on Financial Position

Name of the Company	Comment
ITI Limited	Short Term Loans and Advances was overstated by ₹ 16.90 crore due to inclusion of amount recoverable from M/s HCL Infosystems Limited (HCL) as 'conditional reimbursement' as per the agreement between the Company and HCL. The conditional reimbursement was to be paid by HCL in case orders were placed by the Company. Since the

	Company had not placed any order, accounting for income based on agreement was not correct.
MMTC Limited	• Non-Current Investments included an amount of ₹ 33.80 crore being 26 *per cent* equity investment in joint venture Sical Iron Ore Terminal Limited (SIOTL). Due to restrictions imposed in view of Supreme Court decision on mining, transportation and export of iron ore, the project completed in November 2010 could not commence commercial operation. The SIOTL in its books had not capitalised the above project, resultantly, all administrative costs and financing costs after November 2010 were still being booked to Capital Works in Progress (CWIP) and no depreciation was being provided for. Had these costs been transferred to Profit & Loss Account the net worth of the SIOTL would have completely eroded by 2013-14. • Short Term Loans and Advances were overstated by ₹ 19.29 crore (including ₹ 2.74 crore deducted towards interest on excess payment made by GOI) being the claims recoverable on account of import of pulses under 15 *per cent* scheme of GOI, which had been disallowed by the Ministry of Consumer Affairs.
Steel Authority of India Limited	• The management had reported commissioning of the Bettiah SPU; the Board Committee was also informed that some of the major packages of IISCO Steel Plant were commissioned. It was, however, noted that Bettiah SPU was not capitalised and the dates of the capitalisation of IISCO plant and machinery in the accounts of the Company were at variance with the dates reported about commissioning to the Board. As such, the correctness of dates of capitalization and consequently the depreciation charged could not be verified. • Inventories included ₹ 51.95 crore being the value of estimated 8,688 tonne of extractable skull from the LD slag at Salem Steel Plant (SSP). Valuation of skull was not justified because slag as such was not a saleable inventory. Since there was no physical existence of skull stock of 8,688 tonne in hand at SSP as on 31 March 2014, it could not be considered as inventory.
The State Trading Corporation of India Limited	Trade Receivables included ₹ 1468.14 crore recoverable from GSPI/GSHL on account of steel slabs exported during the period 2008 – 2010. Considering the rate of recovery, even after conciliation agreement dated 15 November 2011 and further settlement agreement dated 17 May 2012 for payment of entire dues, lack of adequate security and age of outstanding dues, the possibility of recovery of outstanding dues was unascertainable.

Comments on Disclosure

Name of the Company	Comment
Mahanagar Telephone Nigam Limited	• The Cabinet approved (January 2014) the refund of ₹ 45339.70 million representing one time BWA spectrum fee paid to DoT in 2010 and allowed the Company, to raise bonds worth ₹ 45339.70 million with sovereign guarantee to be provided by GOI without guarantee fee and with repayment of bonds and interest being the responsibility of the GOI. The Company requested the DoT for sovereign guarantee for ₹ 45339.70 million for issuance of bonds. However, the Department of Economic Affairs approved the sovereign guarantee for bonds of ₹ 10000 million only. Against this, the Company could issue bonds (3A-2014 series) for an amount of ₹ 7650 million only in 2013-14. The fact that Debentures 3A series valued ₹ 7650 million were issued in lieu of refund of onetime BWA spectrum fee by the DoT had not been disclosed. • For the year 2013-14, the amount recoverable from and the amount payable to Bharat Sanchar Nigam Limited (BSNL) was ₹ 41860.40 million and ₹ 18282.54 million respectively resulting in net recoverable amount of ₹ 23577.86 million from BSNL. However, as per annual accounts of BSNL for the year 2013-14, the amount recoverable from and payable to the Company was ₹ 35179.52 million and ₹ 9960.15 million respectively resulting in a recoverable amount of ₹ 25219.37 million from the Company. Thus, there was a net difference of ₹ 48797.23 million in the receivable/payable amounts between these two government companies under the same Ministry. Similar comment was raised on accounts of the Company for the year 2012-13 also. However, there was no change in the status of un-reconciled balances between the Company and BSNL.

- **Unlisted companies**

Comment on Profitability

Name of the Company	Comment
Bharat Sanchar Nigam Limited	• License and spectrum fee did not include ₹ 1428.62 crore towards the penalties imposed by the TERM Cell of DoT during the year 2013-14. • Employee Benefit Expenses (Pension Contribution) was understated by ₹ 707.03 crore due to charging of pension

	contribution of absorbed employees on the basis of actual pay drawn instead of on maximum pay during 2011-12, 2012-13 and 2013-14.
General Insurance Corporation of India	Motor Claims outstanding did not include ₹ 441.84 crore on account of exclusion of underwriting year 2007, while computing provision for 'Incurred but not Reported' in respect of Motor class of business.
Heavy Engineering Corporation Limited	Short Term Trade Receivables included (i) ₹ 8.39 crore against which the Company had accepted the claim of ₹ 2.73 crore in final settlement with the Bhilai Steel Plant. (ii) ₹ 2.40 crore including ₹ 0.74 crore towards service tax against which the Bhilai Steel Plant has accepted only ₹ 1.38 crore for extra work executed by the Company. (iii) ₹ 14.58 crore being the amount awarded by the Appellate Authority in November 1999 in favour of the Company for the claim relating to contract for supply of equipment etc. relating to Bina Coal Handling Plant of Northern Coalfields Limited, which could not be realized even after a lapse of more than fourteen years.
India Renewable Energy Development Agency Limited	Revenue from operations included ₹ 103.10 crore due to write back of 'Provision for Bad & Doubtful Debts' whereas bad & doubtful debts of ₹ 98.80 crore were written off by charging to the Statement of Profit and Loss.
Konkan Railway Corporation Limited	Fixed Assets (Earth Work) included an amount of ₹ 228 crore towards expenditure incurred on Geo-tech safety works from the year 2005-06. As the expenditure was not an expenditure of capital nature which increases the earning capacity from the existing asset, the same should have been charged to Statement of Profit and Loss.
North Eastern Handicrafts and Handloom Development Corporation Limited	Employee Benefit Expenses were understated by ₹ 1.52 crore due to short provision in respect of contribution towards gratuity fund payable to Life Insurance Corporation of India.
Nuclear Power Corporation of India Limited	Administration and other Expenses did not include ₹ 93.31 crore being the interest payable by the Company to Irrigation Department, Government of Gujarat on the delayed/non-payment of water charges during 2010-11 to 2013-14.
PFC Consulting Limited	Other Operating Income included ₹ 2.00 crore on account of sale proceeds of 'Request for Proposal' documents received by the Company in the capacity of Bid Processor Coordinator relating to five Independent Transmission Projects viz., Special Purpose Vehicle which was in violation of Standard Bidding Documents approved by the Ministry of Power for selection of bidders for Independent Transmission Projects which provided that sale proceeds of Request for Proposal documents be deposited directly in the account of Special Purpose Vehicle.

Comments on Financial Position

Name of the Company	Comment
Antrix Corporation Limited	Corporate Social Responsibility and Sustainable Activities Reserve was understated by ₹ 10.25 crore due to non provision of same for the years 2010-11 to 2012-13 and short provision for 2013-14.
Bharat Broadband Network Limited	• Fixed Assets (Tangible Assets) did not include ₹ 3.39 crore towards the value of NOFN-Pilot project in three blocks viz. Arain in Ajmer District (Rajasthan), Parvada in Visakhapatnam (Andhra Pradesh) and Panisagar (Tripura) covering 60 Gram Panchayats, which had been completed and put to use on 10 May 2012. • Cash and Cash Equivalents - Fixed Deposits of Subsidy amount from USOF for NOFN was understated by ₹ 2.50 crore due to utilisation out of this Corpus for purchase of NLD license.
Bharat Sanchar Nigam Limited	DoT, after completing provisional assessment of License fee for the years 2006-07 to 2008-09, raised an additional demand of ₹ 4076.62 crore apart from ₹ 378.30 crore towards demand for short payment of license fee for the year 2012-13. The Company did not provide for the same but disclosed it as a contingent liability.
Bokaro Power Supply Company (P) Limited	Capital Work in Progress included ₹12.35 crore towards the amount of Bank Guarantee encashed by Central Coalfields Limited in March 2011 due to non-fulfilment of commitment given by the Company against Letter of Assurance for purchase of coal for 2x250 MW power plant project. More than three years had elapsed and the Company had not been able to get the refund of forfeited Security Deposit.
Central Registry of Securitisation Assets Reconstruction and Security Interest of India	Cash and Bank Balance did not include Fixed Deposits of ₹ 38.95 crore with original maturity period of less than three months and Fixed Deposits of ₹ 111.75 crore with original maturity period of more than three months but less than 12 months.
Darbhanga Motihari Transmission Company Limited	Capital Work in Progress did not include ₹ 0.40 crore on account of sale proceeds of Request for Proposal documents for calling bids to transfer the Company on tariff based competitive bidding process for development of Independent Transmission System as required by the Standard Bidding Documents approved by the Ministry of Power for selection of Transmission Service Providers.
DGEN Transmission Company Limited	Capital Work in Progress did not include ₹ 0.30 crore on account of sale proceeds of Request for Proposal documents for calling bids to transfer the Company on tariff based competitive bidding process for development of Independent

	Transmission System as required by the Standard Bidding Documents approved by the Ministry of Power for selection of Transmission Service Providers.
Hindustan Prefab Limited	Other Current Liabilities included ₹ 22.47 crore on account of Security Deposits not refundable within one year from the date of Balance Sheet.
HPCL Rajasthan Refinery Limited	Capital Work in Progress included an amount of ₹ 8.19 crore spent on the foundation stone lying ceremony for inauguration of the Company and meeting for finalization of MOU and JV agreement.
Hindustan Shipyard Limited	A reference is invited to the Comments of the CAG on the annual accounts of the Company for the year 2012-13 wherein non-provision for liability for interest of ₹ 42.18 crore earned by the Company on advance funds received for Refurbishment and Replacement of Machinery and Infrastructure (RRMI) Scheme not utilised for the intended purpose within the stipulated period of one year but kept in term deposits during 2011-12 and 2012-13, to be credited to GOI was pointed out. During the year 2013-14 also, the Company neither paid such interest to GOI nor provided for the liability. Further, ₹ 103.05 crore were utilised from RRMI funds for meeting various working capital requirements in contravention of the terms of sanction. Hence, notional interest of ₹ 5.53 crore that would have been earned if invested in similar term deposits was not credited to GOI in accordance with the terms of sanction.
Jagdishpur Paper Mills Limited	Current Liabilities as well as Capital work-in-progress were overstated by ₹ 16.50 crore due to accounting of agency commission considered as payable to the holding company for implementation of the project which was neither included in the Feasibility Report nor approved by the GOI.
MECON Limited	Social Amenities was overstated by ₹ 2.76 crore due to capitalization of cost of repair of existing road.
Nagaland Pulp and Paper Company Limited	Current Liabilities as well as Capital work-in-progress were overstated by ₹ 4.89 crore due to accounting of agency commission considered as payable to the holding company for implementation of revival package which was neither included in the Modified Draft Rehabilitation Scheme submitted to BIFR nor approved by the GOI.
National Film Development Corporation Limited	Provision for Taxation for income tax was overstated by ₹ 1.15 crore due to erroneous provision for Tax/MAT for Financial Year 2012-13.
National Projects Construction Corporation Limited	• Furniture and Fixture and Office Equipment were depicted under same head 'Office Furniture and Equipment' against the format prescribed under revised Schedule VI of the Companies Act, 1956. • Security Deposit with Project Authority had been included in 'Other Non-Current Assets' in place of 'Long

	Term Loan and Advances'. • Fixed deposits with maturity period of more than a year and pledged to Bank/Project Authority for Security Deposits/Bank Guarantee had been shown as 'Other Balances with Scheduled Bank' in place of 'Other Non-Current Assets'. • Trade Payable was understated by ₹ 1.09 crore due to under provision of liability for work done- Rock Excavation work in construction of high altitude road. • Other Current Liabilities was understated by ₹ 22.74 crore due to non provision for payment of additional compensation to land owner in compliance with the judgment of District & Session Judge, Lunglei.
NEPA Limited	Other Non Current Assets included ₹ 3.34 crore paid by the Company as 'Damages' to the Employees Provident Fund Organisation (EPFO) due to penalty imposed by EPFO in view of delay by the Company in depositing EPFO dues. The amount was not recoverable from EPFO and should have been charged to the Statement of Profit and Loss.
Patran Transmission Company Limited	Capital Work in Progress did not include ₹ 0.50 crore on account of sale proceeds of Request for Proposal documents for calling bids to transfer the Company on tariff based competitive bidding process for development of Independent Transmission System as required by the Standard Bidding Documents approved by the Ministry of Power for selection of Transmission Service Providers.
PEC Limited	• Trade Receivables included ₹ 88.61 crore towards amount recoverable from GOI on account of losses booked on import and sale of pulses on Government Account under 15 *per cent* reimbursement scheme. As the Ministry of Commerce & Industry had informed (April 2014) that no admissible claim was pending, the recoverability of the amount was doubtful. • Short Term Loans and Advances included ₹ 121 crore being the claims recoverable from M/s National Spot Exchange Limited. As chances of realisation of the amount were remote, the amount should have been provided.
Purulia Kharagpur Transmission Company Limited	Capital Work in Progress did not include ₹ 0.30 crore on account of sale proceeds of Request for Proposal documents for calling bids to transfer the Company on tariff based competitive bidding process for development of Independent Transmission System as required by the Standard Bidding Documents approved by the Ministry of Power for selection of Transmission Service Providers.

Railtel Corporation of India Limited	Short Term Loans and Advances were overstated due to inclusion of : (i) ₹ 49.96 crore recoverable from Ministry of Railways for sales tax and other recoveries. (ii) ₹ 1.61 crore for advances given to Railways for Capital works.
RAPP Transmission Company Limited	Capital Work in Progress did not include ₹ 0.50 crore on account of sale proceeds of Request for Proposal documents for calling bids to transfer the Company on tariff based competitive bidding process for development of Independent Transmission System as required by the Standard Bidding Documents approved by the Ministry of Power for selection of Transmission Service Providers.

Comments on Disclosure

Name of the Company	Comment
Bharat Broadband Network Limited	As per Schedule wise list of CPSEs, the Company had not been classified as Schedule 'A' Company by the Department of Public Enterprises; however, the Company was extending the facility of a Schedule 'A' Company to its employees at Board level and below Board level. The fact that Schedule 'A' Company status was being extended pending classification by Department of Public Enterprises was not disclosed in the notes.
Bharat Sanchar Nigam Limited	The amount recoverable from and the amount payable to MTNL on current account have been disclosed as ₹ 3517.95 crore and ₹ 996.02 crore respectively resulting in net recoverable amount of ₹ 2521.93 crore from MTNL. However, as per approved annual accounts of MTNL for the year 2013-14, the amount recoverable from and the amount payable to the Company was ₹ 4186.04 crore and ₹ 1828.25 crore respectively resulting in a net recoverable amount of ₹ 2357.79 crore from the Company. Thus, there was net difference of ₹ 4879.72 crore in the receivable/payable amounts between these two Government Companies under the same Ministry. This comment was raised on accounts of the Company for the year 2012-13 also. However, there was no change in the status of un-reconciled balances between the Company and MTNL.
Bokaro Power Supply Company (P) Limited	Contingent Liabilities did not include claim amounting to ₹ 7.39 crore including interest of ₹ 2.45 crore upto 31 March 2014 lodged by the contractor towards work done for 9th Boiler Project.
Central Registry of Securitisation Assets Reconstruction and Security	Capital Commitment to the extent of ₹ 44.24 crore on account of purchase of residential and commercial space from National Building Construction Corporation Limited was

Interest of India	not disclosed.
Hindustan Prefab Limited	Contingent Liabilities did not include ₹ 9.97 crore towards principal claims from customers and suppliers and interest claims in respect of various Court and Arbitration cases filed against the Company.
HPCL Rajasthan Refinery Limited	The Notes regarding establishment of 'Refinery-cum-Petrochemical Complex' did not disclose (i) The review of the project undertaken by Government of Rajasthan considering the commitment towards interest free advance of more than ₹ 56000 crore over a period of 15 years, allotment of land for the project and inadequacy (26%) of its equity into the share capital of the company, and (ii) The project was not cleared by Government of Rajasthan till approval of the financial statement in March 2014. The activities of the project were on hold and further developments in the progress of project depend on the outcome of the review and decision of Government of Rajasthan.
Konkan Railway Corporation Limited	The demand raised for return of the unspent amount of ₹ 25 crore advanced by Research Design & Standard Organisation, Ministry of Railways for 'Sky Bus Project' alongwith interest at the rate of 8% per annum, from August 2007, had not been disclosed.
NEPA Limited	Capital Commitment was understated by ₹ 6.15 crore due to non-considering capital works which were yet to be executed.
NTPC Electric Supply Company Limited	The Contingent Liabilities did not include: (i) Income Tax demand raised under section 156 - ₹ 22.56 crore (ii) Interest on Service Tax and Penalty for the period April 2007 to March 2014 - ₹ 138.30 crore (iii) Penalty and Interest on Service Tax for the period April 2012 to March 2014 - ₹ 9.94 crore.
Rail Vikas Nigam Limited	The Company was accounting for the contract revenue relating to work done by special purpose vehicle engaged for undertaking work obtained from Ministry of Railways without any formal construction agreement in contravention of own Accounting policy. This had not been disclosed.
Sambhar Salts Limited	The fact that 424.80 acres of its land was under encroachment had not been disclosed.

Comments on Auditor's Report

Name of the Company	Comment
DGEN Transmission Company Limited	The observation that the expenses relating to manpower and other administrative overheads as incurred and allocated by PFC Consulting Limited were neither directly attributable to acquisition/construction of fixed assets nor could be said to be attributable to constructive activity in general as the

	construction was yet to commence, was not correct as the expenses were specifically attributable to the Transmission Project to be executed by the Company formed as Special Purpose vehicle by PFC Consulting Limited. These expenses were recoverable by PFC Consulting Limited from the prospective bidder to whom the Company would be transferred on selection of bidder.

Other Comments

Name of the Company	Comment
Chandigarh Scheduled Caste Financial and Development Corporation Limited (2012-13)	The rates of depreciation charged in respect of vehicles were less than the minimum rates prescribed under Schedule XIV of the Companies Act, 1956.
SBI Cards and Payment Services Private Limited	In view of changed accounting policy on treatment of stale cheques including those issued for Credit Balance Refund, unidentified credits and other trade liabilities outstanding for more than three years, income of ₹ 12.21 crore booked in earlier years needs to be reversed/adjusted.

- **Unlisted Deemed government Companies**

Comment on Financial Position

Name of the Company	Comment
Sidcul Concor Infra Company Limited	Other Bank Balances included an amount of ₹ 30 crore towards a fixed deposit created for a period of three months.

Comment on Disclosure

Name of the Company	Comment
Aravali Power Company Private Limited	Contingent Liability was understated by ₹ 1.21 crore due to incorrect assessments and non-inclusion of liabilities towards interest and solatium payable to the owners of the land acquired by the Company in terms of the Land Acquisition Amendment Act, 1984.
Energy Efficiency Services Limited	Capital commitment was overstated by ₹ 0.74 crore due to inclusion of cost of LED lamps to be collected by the vendor from consumer at the time of distribution of LED lamps to the household consumer.
Ratnagiri Gas and Power Private Limited	• Claim for reimbursement of Excise Duty/Value Added Tax and Service Tax amounting to ₹ 4.15 crore made by the Joint Venture of Whessoe Oil & Gas Limited and Punj Lloyd Limited had not been included under Contingent Liabilities. • In terms of opinion of Expert Advisory Committee of the Institute of Chartered Accountants of India given in July

	2014, the Company had neither disclosed the clear charges being made by NTPC Limited and GAIL (India) Limited whose employees were posted in the Company on secondment basis, nor had disclosed impact of changes from Defined Benefit Plan to Defined Contribution Plan adopted by the Company.

Comment on Auditor's Report

Name of the Company	Comment
Energy Efficiency Services Limited	The qualification regarding Prior Period Expenses was not correct since the income of ₹ 7.15 crore payable by Bureau of Energy Efficiency under Perform-Achieve-Trade scheme was related to period till 31 March 2013. As the Company omitted to recognize the income in 2012-13, the Company had rightly booked the amount as prior period income.

Other Comment

Name of the Company	Comment
Sidcul Concor Infra Company Limited	The Company had contradictory Accounting Policies (no. 14 and 16) on 'Miscellaneous Income'. The Company had adopted the policy no. 16 in preparation of the Financial Statement of the Company.

❖ Statutory Corporations where CAG is the sole auditor

The significant comments issued by the CAG on the accounts of statutory corporations where CAG acts as the sole auditor are detailed below:

(1) National Highways Authority of India

(i) Serious reservations regarding the maintenance of proper books of accounts and other relevant records by the NHAI, did not enable forming an opinion as to whether the financial statements of NHAI gave a true and fair view in conformity with accounting principles generally accepted in India as enumerated below:

(a) Capital Work in Progress (CWIP) of ₹ 1,23,064.82 crore could not be verified in the absence of project-wise details of expenditure on ongoing projects.

(b) Borrowing cost of ₹ 904.45 crore booked under 'Expenditure on Completed Projects Awaiting Capitalization/Transfer' was in contravention to generally accepted accounting principles and NHAI's Accounting Policy No.6.2. As the NHAI did not maintain records in respect of utilization of project-wise borrowed funds, correctness of the total borrowing costs allocated to complete and incomplete projects till date could not be verified.

(c) Allocation of 'Net establishment expenses for the year' to completed projects was also against generally accepted accounting principles as this was revenue expenditure and should not be allocated to completed projects. In the absence of project wise details of expenditure, Audit had been unable to quantify the impact of such incorrect booking.

(d) 'Expenditure on completed projects awaiting capitalization/ transfer' included costs incurred by NHAI on 16 road projects which had been handed over, along with tolling rights, to concessionaires for upgradation of the roads to 6-lanes on BOT basis. Similarly, five other road projects had been transferred to the State Governments. Though these projects did not exist with NHAI, no adjustments had been made in the accounts.

(e) NHAI became operational in 1995 and had disclosed an expenditure of ₹ 78727.85 crore as having been incurred on completed Highway projects. Though the said stretches of National Highways were already completed and were being used by the general public but the same had not yet been capitalized and no depreciation was being charged, which was against the generally accepted accounting principles and their own Accounting Policy No. 6.3.

(ii) CWIP Less Capital Reserve of ₹ 667.71 crore represented the amount collected/received by the NHAI on account of encashment of bank guarantee and damages recovered from contractor/concessionaire in case of their default; amount received from third parties on account of income, interest on income tax refund, etc. which were not payable to the Government. These incomes had been booked under the above head without indentifying its nature, viz., revenue or capital. During 2013-14, NHAI had deducted the amount proportionately from the cost of completed project as well as the projects in progress as on 31 March 2014. As the amount recovered in respect of completed projects could not be identified, the proportionate deduction of an amount of ₹ 99.88 crore from the completed project was not correct and it should have been credited to Profit and Loss Account. This was in violation of AS – 10.

(iii) NHAI invested ₹ 345.21 crore in its two subsidiary companies, viz., M/s Moradabad Toll Road Company Limited and M/s Ahmedabad–Vadodara Expressway Company Limited. The road project and toll collection right had been transferred in December 2010 and January 2013, respectively to Concessionaires for upgradation but a provision for diminution in the value of the investments had not been made.

In addition, NHAI invested (including share application money pending allotment) ₹ 226.60 crore in three subsidiary companies, viz., Visakhapatnam Port Road Company Limited, Cochin Port Road Company Limited and Paradip Port Road Company Limited. Due to accumulated losses, value of investment had diminished and resulted in erosion of more than 50 *per cent* of their net worth. However, no provision had been made as per AS - 13.

(iv) Loan to Subsidiary Companies included loan of ₹ 69.47 crore given to two subsidiary companies, viz., M/s Moradabad Toll Road Company Limited and M/s Ahmedabad–Vadodara Expressway Company Limited. The road projects as well as toll collection rights had been transferred to the Concessionaire and decision of winding up of these two companies had already been taken by the Board of Directors. There was no possibility of recovery of the loan.

(v) Interest accrued and due on CALA deposits was understated by ₹ 4.51 crore due to non-accounting of interest earned on the CALA joint bank account during the year 2013-14.

(vi) Other liabilities was understated by ₹ 618.65 crore due to non/short provision of liability on account of CALA demand, proportionate semi-annuity, construction work done and certified, positive grant, land acquisition demand of Defence Authority, payable to forest Department, bill for variations in BOQ and maintenance work.

(vii) Contingent Liability was understated by ₹ 128.78 crore due to non-inclusion of claims against NHAI in arbitration and legal cases.

(viii) Contingent liabilities were understated to the extent of 90 *per cent* of debts due as on 31 March 2014 given to the concessionaire by the commercial banks. The amount of debts was secured under the provisions of termination clause of concession agreements as per the guidelines of the RBI. In the absence of details, audit was unable to quantify the amount of contingent liabilities.

(ix) As per 'Statement by the Members of the Boards' under the heading 'Other Regulatory and Statutory Disclosures' given in the prospectus for issue to Tax Free Secured Redeemable Non Convertible Bonds issued during 2011-12 of ₹ 10000 crore and in the year 2013-14 of ₹ 5000 crore, NHAI committed that:

- All monies received out of each Tranche Issue of the Bonds to the public shall be transferred to a separate bank account.
- Details of all monies utilised out of each Tranche Issue shall disclose the purpose for which such monies were utilised under an appropriate separate head in the Balance Sheet.
- Details of all unutilised monies out of each tranche issue shall disclose the form in which such unutilized monies had been invested under an appropriate separate head in the Balance Sheet.

However, the NHAI had not complied with any of the aforesaid conditions and only given a general disclosure vide Note No. 26 (f) of Notes on Accounts that "*All receipts of NHAI viz. Funds received from the Ministry, Market borrowings through issue of NHAI Tax free Bonds, NHAI Capital Gains Tax Exemption Bonds under Section 54-EC, interest on surplus funds etc. are credited in the NHAI Funds and all expenditure is met out of this Fund as per the provisions of Article 18 of NHAI Act, 1988. As such, no separate Account was being maintained for utilisation of NHAI Bond proceeds.*"

Thus, the disclosure was deficient and also in violation of the Listing Agreement.

(x) NHAI being a body corporate was to act on 'Business Principles' as per Section 10 of NHAI Act, 1988. Further as provided under Section 23 of the NHAI Act, 1988, the format of annual statement of accounts of NHAI had been duly prescribed by the GOI in consultation with the CAG. As per Schedule 5 (Fixed Assets) of the prescribed formats, one of the sub-heads is 'Roads & Bridges' for which the prescribed rate of depreciation was 5 *per cent;* however, this sub-head had been left blank since inception inspite of completed road projects of ₹ 78727.85 crore (including cost of land of ₹ 8204.22 crore) as on 31 March 2014 and the same were depicted under the head CWIP (Expenditure on completed projects awaiting capitalization/transfer) and no depreciation was provided even after the completion of the road projects, which was not in consonance with the approved format. The approved format also provided that the surplus/deficit in the Profit and Loss Account was to be carried to the Balance Sheet; however, the NHAI was allocating the deficit in the Profit and Loss Account at the year end to the on-going and completed projects booked under 'Fixed Assets – CWIP'. Further, as per the format, the Grant-in-aid for Maintenance of Highways and expenditure thereon should have been accounted for in Profit and Loss Account; however, the NHAI was adjusting the same from Capital Account (Plough back of Toll Remittance, etc.). Thus, the NHAI was not following the approved format of 'Annual Statement of Accounts'. Resultantly, the

Profit and Loss Account / Financial Statements did not disclose the income or expenditure of the NHAI.

(xi) NHAI carried out corrections in the accounts to the extent of ₹ 451.12 crore on the basis of audit observations, as detailed below:

(₹ in crore)

Sr. No.	Particulars	Inter Head		Intra Head	
		Debit	Credit	Debit	Credit
1	Assets	449.69	9.18	1.10	1.10
2	Liabilities	0.28	440.84	-	-
3.	P&L A/c	0.05	-		
	Total	**450.02**	**450.02**	**1.10**	**1.10**

(2) Inland Waterways Authority of India

(i) Advance to contractors and suppliers was overstated by ₹ 6.25 crore due to non-adjustment of the advances given to Government Departments. Consequently, 'Claims Recoverable' was also understated to the same extent.

(ii) The Corporation had carried out correction to the draft accounts to the extent of ₹ 28.94 crore on the basis of the observations of CAG Audit.

2.6 Departures from Accounting Standards

In exercise of the powers conferred by clause (a) of sub-section (1) of section 642 of the Companies Act, 1956, read with sub-section (3C) of Section 211 and sub-section (1) of Section 210A of the said Act, the Central Government, in consultation with National Advisory Committee on Accounting Standards prescribed Accounting Standards 1 to 7 and 9 to 29 as recommended by the Institute of Chartered Accountants of India.

The statutory auditor reported that 33 companies as detailed in ***Appendix - VI*** departed from mandatory Accounting Standards.

However, during course of supplementary audit, it was observed that the following companies had not complied with the mandatory Accounting Standards which were not reported by their statutory auditors:

Accounting Standard		Name of the Company	Deviation
AS-3	Cash Flow Statements	IFCI Limited	The Company had neither disclosed nor prescribed policy for composition of cash and cash equivalents.
AS - 5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting	Antrix Corporation Limited	Prior period items amounting to ₹ 18.20 crore was shown under 'other income'.
		Chandigarh Scheduled Caste Financial and Development Corporation Limited	Amount of Reserve for Bad and Doubtful Debts and Reserve for Relief and

	Policies	(2012-13)	Common Good Fund had been shown as Exceptional Items.
		National Film Development Corporation Limited	Impact due to change in Accounting Policies regarding treatment of cost of production of films and production of television serials/acquired programmes had not been disclosed.
AS - 9	Revenue Recognition	Konkan Railway Corporation Limited	The Company had recognized interest at seven *per cent* per annum on the loan of ₹ 19.03 crore given to Konkan Railway Welfare Organisation for construction of accommodation for railway personnel. The loan agreement containing terms and conditions of repayment of loan were still to be executed.
AS - 12	Accounting of Government Grants	Chandigarh Scheduled Caste Financial and Development Corporation Limited (2012-13)	Income and expenditure incurred out of Government Grants were not routed through Statement of Profit and Loss.
		India Renewable Energy Development Agency Limited	Disbursed grant of ₹ 100 crore received from GOI for Rooftop PV and Small Solar Power Generation Programme to various parties for the purpose of generation based incentive without routing through the books of accounts. Also, invoked bank guarantee of ₹ 27.02 crore and kept the amount out of books of accounts.
AS-13	Accounting for Investment	IFCI Limited	Despite continuous cash losses; negative Earning Per Share; heavy debt on balance sheet; erosion of net worth; accumulated losses; non declaration of dividend; passing/filing of winding up petition in courts and having no buy back commitments/ defaults in buy back commitments by investee

			Companies, no assessment had been made for adequacy of the provision for diminution in value of investment in respect of four companies.
AS-15	Employee Benefit	National Projects Construction Corporation Limited	The Company did not make provision for leave travel concession on actuarial basis.
		Railtel Corporation of India Limited	The valuation of employee benefit was not got done from qualified actuary.
		Rajasthan Electronics and Instruments Limited	The Accounting Policy of the Company on leave encashment was not in line with Accounting Standard.
AS-18	Related Party Disclosures	Cement Corporation of India Limited	The names of related party had not been disclosed.
		HARDICON Limited	Disclosure regarding related party relationship as well as details of Key Management personnel had not been given.
		India SME Technology Services Limited	The names of related party had not been disclosed.
		Rajasthan Consultancy Organisation Limited	Disclosure regarding related party relationship as well as details of Key Management personnel had not been given.
AS-20	Earnings Per Share	HARDICON Limited	The Company had not disclosed diluted EPS.
		Rajasthan Consultancy Organisation Limited	The Company had not disclosed its accounting policy relating to calculation of EPS.

2.7 Management Letters

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of PSEs were reported as comments under Section 619(4) of the Companies Act, 1956. Besides these comments, irregularities or deficiencies in the financial reports or in the reporting process were also communicated to the management through a 'Management Letter' for taking corrective action. These deficiencies generally related to

- application and interpretation of accounting policies and practices,
- adjustments arising out of audit that could have a significant effect on the financial statements, and

- inadequate or non disclosure of certain information on which management of the concerned PSE gave assurances that corrective action would be taken in the subsequent year.

During the year 'Management Letter' was issued to 113 companies.

2.8 Significant observations of statutory auditors on the accounts of statutory corporations/government companies

- **Statutory Corporation**

Significant qualifications made by the statutory auditors in their audit reports on the accounts ofstatutory corporation for the year 2013-14 are given below:

Sl. No.	Name of the Corporation	Auditors' qualification
1.	Central Warehousing Corporation	The Title Deeds in respect of 56 freehold/leasehold land sites amounting to ₹ 35.65 crore were pending for execution in favour of the Corporation.

- **Listed government companies**

Significant qualifications made by the statutory auditors in their audit reports on the accounts of listed government companies for the year 2013-14 are given below:

Sl.No.	Name of the Company	Auditors' qualification
1.	Andrew Yule & Co. Limited	No provision had been made in the accounts for diminution in the value of investment in equity shares of WEBFIL Limited.
2.	Chennai Petroleum Corporation Limited	The accumulated loss of the Company was more than 50 *per cent* of its Networth. The Company had not incurred cash loss during the financial year.
3.	Dredging Corporation of India Limited	Impairment of long-term investments of ₹ 30.00 crore in Sethusamudram Corporation Limited was not recognized.
4.	Hindustan Cables Limited	• In the absence of valuation of inventories on net realizable value, the provision made against inventory was inadequate. • Balances of Secured Loans of ₹ 2642.85 crore calls for reclassification into unsecured since all the production units remained closed/unmaintained for more than 10-11 years, movable assets had become redundant, defunct and technically non usable, trade receivables remains unconfirmed, disputed and unrealized over long periods and inventories were mostly in the form of scrap, the value of securities had reduced substantially.
5.	Hindustan Copper Limited	The inventories included ₹ 65.43 crore towards the amount computed by the Company for the first time as cost of 27.50 lakh tonnes of Lean Ore. This was a change in accounting of inventories of the Company during the year.

6.	Hindustan Organic Chemicals Limited	• No provision had been made in the financial statement amounting to ₹ 46.76 crore towards penal interest, loss on account of misappropriation of fund, liability of wage revision and claims of JNPT in respect of lease rentals and water charges. • Capital work in progress included amount of ₹ 29.79 crore incurred on JNPT tank terminal project. The construction had been suspended for more than six years and the lease had been called off by the lessor - JNPT after the expiry of the lease period in June 2010. The project was stagnant, incomplete and of no utility since long. • Although the net worth of the Company was fully eroded the financial statements had been prepared on going concern basis. The Company had made an application for reference to BIFR in terms of Sec-15(1) of the Sick Industrial Company's (Special Provisions) Act, 1985 for declaring the Company as sick under the said Act.
7.	Hindustan Photofilms Manufacturing Company Limited	• The net worth had been fully eroded and the Company had been consistently making significant losses for the past several years. • The Company had been referred to BIFR in terms of the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 on 14 October 1995. The BIFR had confirmed its opinion for winding up the Company under Section 20(1) of the SICA vide order dated 30 January 2003. The Company's appeal to the AAIFR against the order of the BIFR was dismissed confirming the BIFR opinion for winding up of the Company. BRPSE in the review meeting held during June 2013 observed that the Revival Proposal of the Company was not viable. Pursuant to the above CCEA had also directed to take further action for closure of the Company. • The viability of the Company appeared to be doubtful as the Company at current product mix and production level was not in a position to recover even the variable cost in respect of products manufactured by it.
8.	Ind Bank Housing Limited	The Company had defaulted in repayment of dues to financial institutions and banks.
9.	Madras Fertilisers Limited	• The Company had accounted a sum of ₹ 20.80 crore towards additional compensation under Nutrient Based Subsidy for producing P & K fertilizers and exhibited the same as receivable from Department of Fertilizers. Since the proposal to extend the scheme for additional compensation was still under consideration by Department of Fertilizers as at the year end, exhibition of amount of ₹ 68.20 crore (including ₹ 47.40 crore pertaining to previous year) as recoverable from GOI was

		not correct. • The accumulated losses as at the yearend had exceeded 50 *per cent* of the Net worth.
10.	Mahanagar Telephone Nigam Limited	• Amount recoverable from BSNL (₹ 23640.05 million) and DoT (₹ 84202.51 million) were subject to reconciliation and confirmation in view of various pending disputes regarding each other's claims. • The Company allocated the establishment overheads towards capital works on estimated basis.
11.	Steel Authority of India Limited	• The Company had not provided for: a) entry tax in the state of Uttar Pradesh- ₹91.55 crore Chhattisgarh ₹1071.28 crore Odisha - ₹214.81 crore b) claims by DVC for supply of Power - ₹ 291.76 crore • In respect of Rourkela Steel Plant, depreciation and interest had been short provided by ₹ 104.92 crore and ₹ 28.74 crore respectively.

- **Unlisted companies**

Significant qualifications made by the statutory auditors in their audit reports on the accounts of unlisted government companies and deemed government companies for the year 2013-14 are given below:

Sl.No.	Name of the Company	Auditors' qualification
1.	Agriculture Insurance Company of India Limited	During the Financial Year 2009-10, the Company had paid an amount of ₹ 200 crore to the Consolidated Fund of India in terms of Government letter Ref.F.No.C-13014/16/2004-Ins.I dated 23 December 2009 as a prelude to the recasting of the National Agricultural Insurance Schemes and the same was continued to be shown as 'Advances and Other Assets' in the Balance Sheet. This amount had not been adjusted against the retained profits/reserves, pending recasting of the said scheme.
2.	Antrix Corporation Limited	No provision had been made towards the liability of Liquidated Damages in the form of delayed delivery penalty of US$ 5 million (₹ 21.89 crore) for its failure to deliver the leased capacity from a fully operational satellite within the stipulated date as per the terms of the contract entered into with M/s Devas Multimedia Limited.
3.	Assam Ashok Hotel Corporation Limited	The Company had not provided and paid Service Tax due under Reverse Charge Mechanism on services availed by it.
4.	Bharat Bhari Udyog Nigam Limited	An amount of ₹ 68.13 crore shown under the head 'Other Current Assets' represented normal value of disinvestment of 6,81,34,428 number of equity share in Jessop & Co. Limited. An amount of ₹ 18.18 crore was received against this investment and was also refunded to GOI in earlier years. In absence of any instruction from GOI, necessary

		provision, for the resultant loss of ₹ 49.95 crore towards shortfall on realization had not been made in the accounts.
5.	Bharat Sanchar Nigam Limited	• The financial statements, assets and liabilities (including contingent liabilities) taken over from DoT had been verified and valued by the management based on internal calculations and were subject to reconciliations and confirmation from DoT as regards ownership, value and classification. • Amount due from and to DoT included in current assets and current liabilities aggregating to ₹ 1737.79 crore and ₹ 391.09 crore respectively were subject to confirmations and reconciliation. • Capital work-in-progress, in few circles, inter alia included balances pending capitalisation for long-periods of time owing to pending analysis of status, value and obtaining of commissioning certificates. • Revenue from National Long Distance and International Long Distance were segregated on an estimated basis instead of actual usage of pulse which consequently resulted in recognition of the license fees on estimated basis.
6.	Brahmaputra Valley Fertilizer Corporation Limited	• The Company had accounted for Price Escalation (Subsidy) claims amounting to ₹ 30.33 crore which was to be notified and lodged with FICC. The Company had also provided for ₹ 9.64 crore towards Freight Subsidy Claim for the year but not yet lodged with FICC. These claims had been consistently lodged as in previous years, however, pending final settlement of the claims, the effects arising out of these provisions made in the accounts were not ascertainable. • Since accumulated losses of ₹ 969.40 crore at the end of the financial year exceeded 50 *per cent* of its net worth, the Company comes within the purview of Sick Industrial Undertaking as per Section 2 (46AA) of the Companies Act, 1956.
7.	British India Corporation Limited (2012-13)	• The Liability of Cumulative Dividend of ₹ 3.47 crore upto the redemption date of 14 June 2003, accrued in earlier years, continued to remain un-provided for. The Company had continuously defaulted in the Redemption and providing of Accumulated Dividend for 14 *per cent* Cumulative Redeemable Preference Shares of ₹ 100 each. • The Company was in default of complying with the Disclosure requirement(s) as set forth in Schedule VI, which required the "Terms of Redemption" of any redeemable Preference Share Capital to be stated, together with the earliest date of redemption. • Long Term Loans and Loans and Advances included

		Outstanding dues of ₹ 52.76 crore from Subsidiaries and Companies under same Management, a sum ₹ 0.29 crore stands provided for, the difference of ₹ 52.47 crore should have been provided in light of Non-working status and/or in liquidation. • No provision for rent and other Expenses for use of Premise of the subsidiary company Elgin Mills Company Limited had been made which the Company was using since 7 September 2007.
8.	Cement Corporation of India	• Execution of title and lease deed of land of certain units was pending. • Mining lease had expired since long. • Non determination and non provision of the liability arising out of alienation orders was awaited from Revenue Department in respect of Government land outside Adilabad Township. • Interest on inter corporate loans of ₹ 37.00 crore taken by the Company had not been provided for after the cut-off date of 31 March 2005. • The Company had shown entire Inventory of ₹ 43.12 crore in respect of closed Units under Current Assets as against Non-Current Assets in spite of the fact that the inventory was lying as such since long and there was no probability of consuming it in the normal operation cycle of the Units as the Units had been put on sale as per BIFR sanctioned scheme.
9.	Central Cottage Industries Corporation of India Limited	Title deeds in respect of premises at Jawahar Vyapar Bhawan, New Delhi were pending execution.
10.	Central Inland Water Transport Corporation Limited	Out of 113 vessels, 93 vessels were non-operational. The Company had not estimated any value in use or obtained any realizable value of vessels.
11.	Energy Efficiency Services Limited	Value Added Tax (at the rate of 5 *per cent* under DVAT Act, 2004) had not been charged by the Company in contravention to Section 2 (1) (ZC) of DVAT Act, 2004 on invoices raised for supply of "LED Based Solar Lighting Systems" as per individual agreements with the parties.
12.	Hindustan Fertilizer Corporation Limited	• The accounts were prepared on the principle applicable to a 'Going Concern' despite heavy accumulated losses which had totally eroded the Net Worth of the Company. The huge loss of the Company raised substantial doubt that whether the Company would be able to continue as 'Going Concern' and as such the extent of adjustments that would be necessary towards assets and liabilities of the Company which ceases to maintain the status of going concern could not be commented. Reference had been made to the Board for Industrial and Financial Reconstruction and final disposal of the case was pending. The operational

		existence of the Company was dependent on the decision of GOI. • Agreements remain to be executed in regard to 1121.885 acres of land. • The Company had not admitted the claim of Kolkata Port Trust on account of expired lease as debts amounting to ₹ 119.75 crore. • Balances in respect of transactions on account of Brahmaputra Valley Fertilizer Corporation Limited, Rashtriya Chemicals Fertilizer Limited and the Fertilizer Corporation of India Limited had not been reconciled and no confirmation had been received from them.
13.	Hindustan Insecticides Limited	• The Company had not created provision for Minimum Alternate Tax in accordance with section 115JB of Income Tax Act despite there being an estimated tax liability of ₹ 0.50 crore. • Some of the units had not identified redundant/damaged stock and considered the same as good stock.
14.	Hindustan Paper Corporation Limited	• The Company had recognized an amount of ₹ 21.39 crore as commission income from Nagaland Paper & Pulp Company Limited (NPPC) and Jagdishpur Paper Mills Limited (JPML), subsidiaries towards certain projects of NPPC and JPML, as project execution for both the companies was entrusted with the Company as per directives of GOI. In absence of any directive from GOI and the approval from the respective boards of NPPC and JPML, it could not be opined whether the subsidiaries were liable to pay any commission to the Company towards execution of projects. • The Company had recognized net deferred tax asset aggregating to ₹ 138.94 crore till 31 March 2013. For the current financial year, further net deferred tax asset had not been recognised. Since the virtual certainty of sufficient taxable income could not be substantiated realisation of the net deferred tax asset recognised till date could not be opined. • No provision had been made towards liability for agricultural cess amounting to ₹ 0.68 crore.
15.	Hindustan Vegetable Oils Corporation Limited	• All the manufacturing units of the Company had been closed. The liquidation proceedings had already started and liquidator was appointed by GOI. There were substantial losses and negative cash flows. The net worth of the Company was significantly eroded. There was material uncertainty about the entity's ability to continue as a going concern. In such situation the Company might not be able to realize its assets and discharge its liabilities fully and adequately in the

		normal course of its existence. • The Company had been providing huge amount of interest expense to GOI as per the terms of their sanction, the amount of which was ₹ 20.15 crore. There was material uncertainty about its ability to pay such huge interest.
16.	HMT Chinar Watches Limited	Since the Company had closed its operation and inventories had not been moved, provision for non-moving inventories was inadequate.
17.	HMT Watches Limited	• The financial statements had been prepared assuming that the Company would continue as a going concern. The Company's operations were negligible compared to its installed capacity of working. The Company had suffered recurring losses from operations and had net capital deficiency that raised substantial doubt about the Company's ability to continue as a going concern. • Other Current Liabilities included a sum of ₹ 8.90 crore relating to advances received against sale of land including the building for which an Agreement to Sell had been executed and possession of land had been given to the purchaser. The transaction had not been recognized as sale pending approval from the concerned authorities for the execution of sale deed. • The difference of ₹ 1.89 crore between Gross block of fixed assets in Watch Marketing Division and as per Asset Register had not been reconciled.
18.	HOC Chematur Limited	The Company was formed as a Joint Venture between HOCL and CEAB, for setting up a project at Rasayani, Raigad District, Maharashtra, to manufacture 20,000 MTs per annum of Methyl Di-Isocyanate. Project viability in the meantime suffered due to higher input cost and lower sale price for want of project finance. In view of the uncertainty involved in project viability the holding company i.e. HOCL decided to opt for the winding up of the Company. The existence of a material uncertainty cast significant doubt about the Company's ability to continue as a going concern. The Company may not be able to realise its assets and discharge its liabilities in the normal course of business.
19.	India Trade Promotion Organisation	• Provision of ₹ 3.37 crore was made during the year (cumulative up to 31 March 2014 ₹ 27.27 crore) for Performance Related Pay and payments amounting to ₹ 11.75 crore released up to 31 March 2014 without approval of the scheme by the Company. • The quantified liability of Income Tax for ₹86.06 crore, ₹ 36.76 crore and ₹ 33.08 crore for the Assessment years 2009-10, 2010-11 and 2011-12 respectively; un-quantified Income-Tax liabilities for the subsequent assessment years 2012-13, 2013-14 and 2014-15 and un-quantified liability for interest and penalties, if any,

		for all these assessment years was not provided. However, withheld amounts of refunds and payments amounting to ₹ 52.29 crore were shown as asset. • No provision was made for Service-tax demand-cum–show cause for ₹ 26.82 crore and un-quantified interest and penalties, if any.
20.	Indian Drugs and Pharmaceuticals Limited (2011-12)	• In Rishikesh plant, interest on delayed payments to suppliers/service providers including CISF, Payment to employees under VRS, interest receivable from employees on delayed receipts, Port Clearance, Demurrage clearing and forwarding charges were being accounted for on cash basis which was in contravention to the provisions of Section 209(3) of the Companies Act, 1956. • The Company had not filed Income Tax Returns from Assessment year 2004-05 to 2010-11 which might attract penalty under section 271B and 271F of Income Tax Act, 1961.
21.	IndianOil CREDA Biofuels Limited	The Company had not valued the interest in the land which was brought as non cash capital contribution by CREDA. The Company had adopted the policy of maintaining the share capital ratio of 74:26 by allotting requisite share capital to CREDA on the basis of amount invested by IOCL upto 31 March 2013.
22.	Instrumentation Limited	Liability towards 'Liquidated Damage' amounting to ₹ 45.92 crore had not been provided.
23.	Karnataka Trade Promotion Organisation	• The 50 acre of developed land received from Karnataka Industrial Area Development Board amounting to ₹ 10 crore had not been taken in records. • Amount of ₹ 5.85 crore released by Government of Karnataka to Karnataka Industrial Area Development Board for development of external infrastructure had not been recorded. • No provision had been made for Income Tax for 2008-09 to 2013-14.
24.	Konkan Railway Corporation Limited	• Claims lodged against the Company and lying under arbitration (in respect of execution of Udhampur Srinagar Baramulla Rail Link Project) for a sum of ₹ 1587.80 crore was not considered as contingent liability. • No provision for contingency on estimated basis had been made on arbitration award granted for ₹ 10.01 crore.
25.	Moradabad Toll Road Company Limited	The assets (Moradabad by-pass along with other assets) which were earlier transferred to M/s. Moradabad Bareilly Expressway Limited with effect from 4 December 2010, were reinstated on 1 April 2011 at a value of ₹ 58.69 crore and the reinstated assets which were lying in the books as

		on 31 March 2012 had been transferred to NHAI as on 1 April 2012 at Zero value resulting in loss of ₹ 51.12 crore to the Company. However, no supporting evidences, agreements, confirmation etc. were made available confirming the same.
26.	National Bicycle Corporation of India Limited	No provision was made for interest amounting to ₹ 108.46 crore up to 31 March 2014 with respect to Government loans due to different mechanism adopted for calculating interest by Government.
27.	National Centre for Trade Information	The amount of bank and other time deposits of ₹ 4.00 crore made from Corpus Fund of the Company was shown as 'Investments' which was not in accordance with Schedule –VI of the Companies Act, 1956.
28.	National Handicapped Finance and Development Corporation	• Penal interest had been charged for financial years 2012-13 and 2013-14 only, there was no document/policy/resolution of the board or the general body, to show that the Company had waived off the penal interest for the earlier years though the same had never been charged. Though the interest had been calculated party wise yet the parties neither had been notified nor had the entries for the same been made in individual accounts of the parties. • The difference between the totals of the computerised loan outstanding and the manually maintained individual ledger accounts was not reconciled. • The Company had, for the benefit of its employees, created a separate gratuity trust, namely, "NHFDC Employees Group Gratuity Scheme" on 30 June 2011. The Company had booked all the contributions and expenses in its books while the same should have been done in the books of the trust. The following actions had not been taken: (a) The Trust had not been registered under section 12A of the Income Tax act, 1961, (b) No auditors had been appointed and consequently no audits had been conducted for the financial years 2011-12, 2012-13 and 2013-14. (c) The trust deed provided and the company had agreed to the clause that all the expenses of the gratuity trust would be borne by the Company. Non registration of the gratuity trust with the Income Tax Authorities would entail income tax liability on the income of the trust, which would cost additionally to the Company.
29.	National Insurance Company Limited	Cheques amounting to ₹ 986.57 crore and deposited in the banks but not credited by the bank; unidentified credits in the bank statement amounting to ₹ 952.12 crore and not

		effected in the books, and entries amounting to ₹ 146.98 crore (net difference between ledger balance & bank statement and between Gem & Genesis database) were yet to be reconciled.
30.	National Jute Manufacturing Corporation Limited	The accounts of its subsidiary Birds Jute & Exports Limited were not merged in the Company's financial statements.
31.	National Projects Construction Corporation Limited	• Against the amount of security deposit ₹ 59.98 crore deducted by the clients/Project authorities from the work bills raised by the Company, a provision for ₹ 10.15 crore had been created towards amount doubtful of recovery, although the Company had deducted and/or retained the amount equivalent to the security deducted by the client from the Sub-contractors bills amounting to ₹ 179.17 crore. Thus the provision so created for doubtful of recovery was superfluous. • Inventory of Stores/Spares/ Materials / Assets which were lying with third parties had neither been physically verified by the Management nor had any certificate been obtained from the parties holding the same. • In cases where contracts had been terminated resulting into disputes between Company/Sub-Contractors/ Clients/Project Authority, the Company had raised various claim bills on the clients based on the claim received from the Sub-Contractor, such bills had not been accounted in the books as per Accounting Policy (No – 6 (vi)) of the Company.
32.	National Textile Company Limited	Cumulative MAT credit entitlement of ₹ 92.30 crore shown as claimable as on 31 March 2014 was not in accordance with Guidance Note on accounting for credit available in respect of MAT.
33.	New Mangalore Port Road Company Limited	The Company had not charged depreciation of ₹ 7.31 crore, Finance Cost of ₹ 12.68 crore and Administrative cost of ₹ 0.20 crore due to delayed capitalization of 34.98 km of road on 4 December 2013 instead of as on 30 May 2012 which constitutes departure from the Accounting Standards.
34.	North Eastern Electric Power Corporation Limited.	The Company had shown an amount of ₹ 527.31 crore as deferred tax recoverable. The Company had not recognized any income on account of materialization of deferred tax liability though it was permissible as per CERC Regulation 2004. As the Company does not have project wise data of deferred tax liability and deferred tax recoverable of each project commissioned up to financial year 2008-09, total amount of deferred tax recoverable could not be assessed.
35.	NTPC Vidyut Vyapar Nigam Limited	• The Company had accounted for interest income on Fly Ash Utilization Fund as its income under other Income.

		• The policy guidelines for Fly Ash Utilization Fund framed by NTPC/NVVN had not been approved by the Ministry of Environment & Forests GOI though the fund was created vide notification dated3 November, 2009.
36.	PEC Limited	• Unable to comment on realisability of claims recoverable aggregating to ₹ 113.95 crore towards reimbursement of loss in supply of Edible Oil under the Public Distribution Scheme of GOI for the Financial Year 2008-09 and 2009-10. • Trade payable included Buyer's Credit of ₹ 502.27 crore which resulted in overstatement of Sundry Creditors and understatement of Unsecured Loans to that extent.
37.	Richardson & Cruddas (1972) Limited	• The appropriateness of the going concern basis was inter-alia dependent on the infusion of requisite funds for meeting its obligations, rescheduling/restructuring of debts. • Provision of Section 383A of the Companies Act, 1956 required a whole time Company Secretary, the same had not been complied. Provision of Section 215 also had not been complied regarding authentication of Financial Statements.
38.	Sambhar Salts Limited	Capital expenditure incurred on installing its Salt Refinery had been shown under capital work-in-progress although the said refinery was commissioned in 2010-11. Consequently depreciation had not been charged for the year.
39.	State Farms Corporation of India Limited	Undistributed amount of production subsidy for ₹ 5.80 crore related to 2007-08 was lying in the books of Bhopal Branch. There were around 700 farmers to whom this subsidy was to be distributed, out of which only 139 had been identified till the end of financial year. Out of identified farmers, the Company had paid the amount of subsidy to 23 such farmers and remaining 116 had not been paid since the bank details of these farmers were not available with the Company. Details regarding balance 561 farmers were not available with the Company.
40.	STCL Limited	The financial statements of the Company had been prepared on the assumption of going concern basis, notwithstanding the following indicators indicating that the preparation of financial statements on going concern basis was inappropriate. • The Shareholders of the Company in their Extraordinary General Meeting held on 12 September 2013 had approved winding up of the Company under Section 433(a) of the Companies Act, 1956. Ministry of Commerce and Industry vide its letter dated 26 August 2013 had conveyed approval of the Union Cabinet for winding up of the Company and offering Voluntary Separation Scheme to the employees. Accordingly, the

		Company had filed winding up petition with the High Court of Karnataka as on 26 November 2013 and had offered VSS to the regular employees. • UCO Bank from whom Company had borrowed short term loans had also filed winding up petition against the Company in the High Court of Karnataka. • The Company had negative net worth and had suffered cash losses. • The consortium of banks (except UCO Bank) had filed case against the Company with the Debt Recovery Tribunal and the bankers had also issued notice under Section 13(2) of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. Based on the above, the bankers had issued two Possession Notices, one on the Factory Land and Building located at Byadagi and another on Factory Land and Building located at Chindwara, Madhya Pradesh.
41.	Tamil Nadu Trade Promotion Organization	The Company had not made provision for income tax liability of ₹ 56.52 crore and deferred tax liability ₹ 24.33 crore.
42.	The Handicraft and Handlooms Export Corporation of India Limited	The title deeds of three properties situated in Delhi had not been executed in the favour of Company. The liability on account of stamp duty on registration of title deeds could not be ascertained.
43.	Tungabhadra Steel Products Limited	The accounts of the Company had been compiled based on the assumption that the Company would continue as a going concern. The accumulated loss of ₹ 411.31 crore had exceeded the net-worth of ₹ 8.44 crore of the Company which had suffered cash loss during the year and in the immediately preceding financial year. The Company was a "sick industrial company" within the meaning of clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions Act), 1985. The Company had made reference to the BIFR during 2004-05. Thus, the Company's ability to continue as a going concern was in doubt and would depend upon any revival programme by BIFR/Government. Further, the BIFR in hearing held on 27 November 2013 formed an opinion that the Company was not likely to make its net worth exceed its accumulated losses within a reasonable time while meeting all its financial obligations and found it equitable and in public interest that it would be wound up under Section 201 of Sick Industrial Companies (Special Provisions Act), 1985.

2.9 Observations reported by the statutory auditors in compliance with directions issued by the CAG under Section 619(3) (a) of the Companies Act, 1956.

Under section 619 (3) (a) of the Companies Act, 1956, CAG have powers to direct the manner in which the company's accounts shall be audited by the auditor appointed in pursuance of sub-section (2) of section 619 and to give such auditor instructions in regard to any matter relating to the performance of his functions.

In compliance with the directions issued by the CAG under section 619 (3) (a) of the Companies Act, 1956, significant observations were made by statutory auditors in their supplementary reports. The number of Companies where statutory auditors had observed deficiencies and had highlighted the need for improvement are given in ***Appendix -VII to Appendix - XVI***. Areas of such observations along with number of CPSEs involved, is depicted below.

Sl. No.	Area of Observation	Number of CPSEs
1.	Accounting Policies and Practices (Deficient accounting policies and practices)	**8**
2.	Business Risk (Procedure for identification of business risk was either inadequate or not in existence)	**22**
3.	System of Accounts and financial Control (System of accounts and financial control are required to be strengthened)	**59**
4.	Assets (including Inventory) (Economic Order Quantity, ABC Analysis, system of physical verification or maintenance of inventory was not adequate/deficient)	**58**
5.	Internal Audit System (Internal audit system needs to be strengthened)	**40**
6.	EDP Audit (Proper security policy for software/hardware, IT strategy/plan needs improvement)	**69**
7.	Costing System (Absence of formal cost policy or existing cost policy not effective)	**16**
8.	Awards and Execution of Contracts (Monitoring and adjusting advances to contractors and suppliers requires to be strengthened)	**17**
9.	Confirmation of Balances of Debtors and Creditors (Deficient system of obtaining confirmation of balances of debtors/creditors)	**22**
10.	Fraud and Risk (Inefficient fraud risk policy/whistle blowing policy)	**68**

2.10 Internal control over financial reporting

Internal control is the process designed and implemented by those charged with governance and management to provide reasonable assurance about the achievement of the entity's objective with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations and checking fraud and misappropriation.

Internal control measures may vary with the size and complexity of the organisation. Effective and efficient internal control measures ensure that:

- the financial statements prepared give a true and fair view, and

- the degree of reliance that a statutory auditor can place on the financial statements for the purpose of reporting.

In accordance with the directions issued by the CAG under Section 619(3) (a) of the Companies Act, 1956, the statutory auditors are required to submit a report on the adequacy or otherwise, of internal control measures followed by the Company and to suggest improvement, if any, in the areas of management, safeguarding and verification of fixed and current assets including debtors, cash and bank balances.

The deficiencies reported by the statutory auditors were with regard to:

- improper maintenance of fixed assets register,
- non-existence of investment policy,
- non-creation of separate vigilance department, and
- non-fixation of inventory stock holding norms in the government companies including deemed government companies etc.

The details regarding lack of internal control in the various companies are given in ***Appendix - XVII***. Area of deficiency along with the number of companies involved is depicted below:

Sl. No.	Area of Deficiency	Number of CPSEs
1	Fixed Assets	7
2	Internal Procedures and Operational Efficiency	4
3	Investment	7
4	Inventory	9
5	Internal Audit	12
6	IT Policy	5
7	Vigilance	14

CHAPTER 3

Corporate Governance

3.1 Corporate Governance

Corporate Governance is a system of structuring, operating and controlling an organisation with a view to achieving long term strategic goals to satisfy the stakeholder (shareholders, employees, customers, suppliers, government and community) and complying with the legal and regulatory requirements. Corporate Governance is a way of directing and controlling companies. It is concerned with the morals, ethics, values, parameters, conduct and behaviour of the company and management. It is the system by which companies are directed and controlled by the management in the best interests of the shareholders and other stakeholders ensuring greater transparency and better timely financial reporting. The absence of good governance structures and lack of adherence to the governance principles increases the risk of corruption and misuse of entrusted power by the management in public sector.

3.1.1 Corporate Governance in India

The direction of Corporate Governance initiatives in India has been dictated mainly by the Companies Act, 1956, Securities and Exchange Board of India (SEBI) and Department of Public Enterprises (DPE). While the various amendments to the Companies Act, 1956 gave the governance direction to the companies in the country as a whole, the DPE had issued guidelines on Corporate Governance for CPSEs providing the path for governance initiatives in the public sector.

3.1.2 DPE guidelines on Corporate Governance for Central Public Sector Undertakings

The DPE issued guidelines on Corporate Governance in November 1992 on the inclusion of non – official directors on the Board of Directors. DPE issued further guidelines in November, 2001 providing for inclusion of independent directors on the Board of Directors. To bring in more transparency and accountability in the functioning of CPSEs, the government in June, 2007 introduced the guidelines on Corporate Governance for CPSEs. These guidelines were voluntary in nature. These guidelines were implemented for an experimental period of one year. On the basis of the experience gained during this period, it was decided to modify and reissue the DPE guidelines in May, 2010. These guidelines have been made mandatory and applicable to all CPSEs. The guidelines issued by DPE covered the areas of composition of Board of Directors, composition and functions of Board committees like Audit Committee, Remuneration committee, details on subsidiary companies, disclosures, reports and the schedules for implementation. All references to DPE guidelines in this chapter refer to the DPE guidelines issued in May, 2010 which are mandatory to all CPSEs. DPE has also incorporated Corporate Governance as a performance parameter in the MoUs of all CPSEs. In addition, DPE issued (July 2014) revised guidelines for grading the CPSEs on Corporate Governance, according to which DPE exempted following classes of companies from compliance with the guidelines on Corporate Governance 2013-14 i.e. (a) Closed CPSEs, (b) CPSE under liquidation, (c) CPSE not undertaking business, and (d) CPSE constituted as SPV. Further, DPE conveyed (February 2015) that deviation from Corporate Governance guidelines would attract negative marking in the performance evaluation of CPSEs under Memorandum of Understanding process from the fiscal year 2015-16.

3.1.3 Provisions of the Companies Act, 1956 with regard to Corporate Governance

The Companies Act, 1956 does not have any direct provisions regarding Corporate Governance but different provisions of the Companies Act, 1956 prescribe certain practices that go in building a robust corporate governance structure. Some of the provisions of the Companies Act, 1956 are indicated below:

- Section 217 (2AA) made applicable with effect from December, 2000 provides for Directors' Responsibility Statement as part of the Board's Report indicating that the applicable Accounting Standards have been followed in the preparation of the accounts and reporting the material departures therefrom, that the companies follow their accounting policies consistently and that all the accounting records are maintained as per the requirements of the Companies Act, 1956.
- Section 292A made applicable with effect from December, 2000 provides for the constitution of Audit Committee as a Committee of the Board in every public limited company having a paid up capital of not less than ₹ 5 crore. The terms of reference of the Audit Committee include all matters related to financial reporting process, internal control and risk management system of the company, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.
- Section 299 requires every director of a company to make disclosure, at the Board meeting, of the nature of his concern or interest in a contract or arrangement (present or proposed) entered by or on behalf of the company. The company is also required to record such transactions in the Register of Contract under Section 301.

For the period beginning 1 April 2014, the above provisions have been replaced by the sections 134, 177 and 184 respectively of new Companies Act, 2013. However, as the present report covers the period upto 31 March 2014, the status of compliance of rules and provisions of Companies Act, 2013 has not been commented upon in this report.

3.1.4 SEBI guidelines on Corporate Governance

The Securities and Exchange Board of India (SEBI) vide its circular dated 21 February 2000 introduced a new clause 49 in the Listing agreement. Clause 49 of the Listing Agreement was amended in October 2004 and the revised clause was made effective from 1 January 2006. Clause 49 of the listing agreement provides for the composition of the Board of Directors, the remuneration of the non–executive directors, composition and functions of the Audit Committee, role of the Board of Directors and Audit Committee of a holding company vis– a– vis the subsidiary, Disclosures and Compliance reports among other things.

3.1.5 Review of compliance by selected CPSEs of the Corporate Governance provisions

As on 31 March 2014, there were 544 CPSEs under the audit jurisdiction of the Comptroller and Auditor General of India. These included 377 government companies, 161 deemed government companies and six statutory corporations. Majority of these CPSEs, including Maharatnas, Navratnas and Miniratnas are earning profit and have improved their financial performance over the years. In the context of the policy of the government to grant more autonomy to the CPSEs, Corporate Governance has become even more important. Under the Maharatna Scheme, CPSEs are expected to expand international operations and become global giants, for which effective Corporate Governance is imperative.

For the purpose of the review, an assessment framework was prepared based on the provisions contained in the Companies Act, 1956, guidelines issued by the SEBI and DPE. The assessment framework consists of specific questions regarding the composition and functions of the Board of Directors, code of conduct of Board members, composition and the terms of reference of Audit Committees etc.

CPSEs under the Ministry of Commerce and Industry, Ministry of Mines, Ministry of Tourism, Ministry of Urban Development and Ministry of Textiles had been selected for the purpose of reviewing their adherence to the Corporate Governance provisions reflected in their assessment framework. As such, the review covered 34 (excluding closed companies and SPVs) companies under the jurisdiction of the aforesaid five ministries. The period of one year ended March, 2014 was covered in the review. A list of these companies is given in the ***Appendix - XVIII***. The findings of the review are presented in the following paragraphs.

3.2 Board of Directors

3.2.1 Government Nominee Directors

DPE guidelines stipulate that Government Directors should not exceed one-sixth of the actual strength of the Board of Directors and it is preferable to have only one representative on the Board. However, in no case, they should exceed two. In the following companies, Government Directors were more than two in number:

Sl. No.	Name of the CPSE	No. of Government Nominee Directors
1	Karnataka Trade Promotion Organisation	8
2	Delhi Metro Rail Corporation Limited	9
3	National Centre for Trade Information	3
4	J & K Development Finance Corporation Limited	6
5	Aurangabad Textiles & Apparel Parks Limited	5
6	New City of Bombay Manufacturing Mill Limited	5
7	Madhya Pradesh Ashok Hotel Corporation Limited	3
8	Indian Trade Promotion Organisation	4

3.2.2 Independent Directors

The Board is the most significant instrument of Corporate Governance. The presence of independent representatives on the Board, capable of challenging the decisions of the management, is widely considered as a means of protecting the interests of shareholders and other stakeholders. In terms of Clause 49 (I) (A) (ii) of listing agreement and the DPE guidelines, where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case he is an executive director, at least half of the Board should comprise of independent directors. The nominee directors are not considered as independent directors.

3.2.2.1 The review of composition of the Board of Directors of the reviewed companies revealed that J&K Development Finance Corporation Limited had only one independent director as against the requirement of three independent directors on its Board.

3.2.2.2 In respect of following CPSEs, there were no independent directors on the Board:

Sl. No.	Name of the CPSE
1	Pondicherry Ashok Hotel Corporation Limited
2	Tamil Nadu Trade Promotion Organisation
3	Jute Corporation of India Limited
4	National Jute Manufactures Corporation Limited
5	Karnataka Trade Promotion Organisation
6	Jharkand National Mineral Development Corporation Limited
7	Ranchi Ashok Bihar Hotel Corporation Limited
8	Delhi Metro Rail Corporation Limited
9	National Centre for Trade information
10	PEC Limited
11	Donyi Polo Ashok Hotel Corporation Limited
12	India United Textile Mill Limited
13	Goldmohur Design & Apparel Parks Limited
14	Apollo Design & Apparel Parks Limited
15	The Cotton Corporation of India Limited
16	National Handloom Development Corporation Limited
17	New City of Bombay Manufacturing Mills Limited
18	Madhya Pradesh Ashok Hotel Corporation Limited

3.2.3 Non-executive Directors on the Board

Clause 49 (I) (A) (i) of listing agreement and para 3.1.1 and 3.1.2 of DPE guidelines stipulate that the Board of Directors of the company shall have an optimum combination of executive and non-executive directors/functional and non – functional directors with not less than 50 *per cent* of the Board of Directors comprising of non-executive directors. In the following companies, the non – executive directors constituted less than 50 *per cent* of the total Board strength:

Sl. No.	Name of the CPSE	Required	Actual
1	National Jute Manufactures Corporation Limited	2	1
2	The Cotton Corporation of India Limited	3	2

3.2.4 Meetings of Board of Directors

DPE guidelines stipulate that the Board shall meet at least once in every three months. At least four such meetings shall be held every year and gap between two meetings shall not exceed three months. During the review, it was noticed that in the case of the following CPSEs, required numbers of four meetings were not held:

Sl. No.	Name of the CPSE	No. of meetings held
1	Tamil Nadu Trade Promotion Organisation	3
2	British India Corporation Limited	2
3	J & K Development Finance Corporation Limited	1

3.2.5 Information on activities and affairs of the company

DPE guidelines and clause 49 of the listing agreement have prescribed the minimum information about the activities and affairs of the company that should be furnished to the Board. Such information includes annual operating plans, budgets, quarterly results, minutes of audit committee, information on recruitment and remuneration of senior level officers just below Board level, details of joint venture, foreign exchange *etc*. In respect of the following companies, the required information was not furnished to the Board:

Sl. No.	Minimum information not furnished	Name of the CPSE
1	Quarterly results of the Company and its operating divisions or business segments;	Tamil Nadu Trade Promotion Organisation
		Ranchi Ashok Bihar Hotel Corporation Limited
		Spices Trading Corporation Limited
		Delhi Metro Rail Corporation Limited
2	Minutes of Audit Committee	Handicrafts and Handlooms Export Corporation of India Limited
3	Information on recruitment and remuneration of senior officers just below the board level including appointment or removal of Chief Financial Officer and Company	Karnataka Trade Promotion Organisation
		Delhi Metro Rail Corporation Limited
		Central Cottage Industries Corporation of India Limited
		Apollo Design & Apparel Parks Limited
		National Textile Corporation Limited

3.2.6 Risk Management

Enterprise risk management helps management in managing the risk and avoiding damage to the entity's reputation and associated consequences. Considering the significance of risk management in the scheme of corporate management strategies, its oversight should be one of the main responsibilities of the Board/Management. DPE guidelines emphasize that the Board should ensure the integration and alignment of the risk management system with the corporate and operational objectives and also that risk management is undertaken as a part of normal business practice and not as a separate task at set times. In respect of the following companies, risk policy is yet to be evolved:

Sl. No.	Name of the CPSE
1	Spices Trading Corporation Limited
2	Pondicherry Ashok Hotel Corporation Limited
3	Tamil Nadu Trade Promotion Organisation
4	Mineral Exploration Corporation Limited
5	Delhi Metro Rail Corporation Limited
6	India United Textile Mill Limited
7	National Textile Corporation Limited
8	New City of Bombay Manufacturing Mills Limited
9	Aurangabad Textiles & Apparel Parks Limited

3.2.7 Filling-up the posts of directors – functional, non-functional and independent

Timely filling up of vacancies in the posts of Directors ensures the availability of required skill and expertise in the management of the company. Any delay in filling of vacancies may hamper the effectiveness of the decision making process. In respect of following companies there was delay of 6 months or more in filling the posts of directors - functional, non-functional, independent etc., as on 31 March 2014:

Sl. No.	Name of the CPSE	Name of the post	No. of months
1	Hindustan Copper Limited	Director (Operations)	8
2	NALCO	CMD	7
		Director (Finance)	8
3	India Tourism Development Corporation Limited	Chairman	Not filled up till 31 March 2014
4	MMTC Limited	CMD	Not filled up till 31 March 2014
5	PEC Limited	Director	17
6	The State Trading Corporation of India Limited	Director (Marketing)	Not filled up till 31 March 2014
		Director (Marketing)	Not filled up till 31 March 2014
7	Central Cottage Industries Corporation of India Ltd	Independent Director	Vacant since May 2010
8	National Textile Corporation Limited	CMD	Vacant since June 2013

3.3 Audit Committee

3.3.1 Clause 49 (II) (A) of listing agreement and Chapter 4 of DPE guidelines stipulate that, there shall be an Audit committee with a minimum of three directors as members of which two-thirds shall be independent Directors. However, in respect of the following companies, there was no audit committee in violation of the DPE guidelines:

Sl. No.	Name of the CPSE
1	Spices Trading Corporation Limited
2	PEC Limited
3	Central Cottage Industries Corporation of India Limited

3.3.2 Composition of Audit Committee

In respect of the following companies, two-thirds of the members of the Audit Committee are not Independent Directors as required:

Sl. No.	Name of the CPSE
1	British India Corporation Limited
2	Aurangabad Textiles & Apparel Parks Limited

3.3.3 Chairman of the Audit Committee

As per the clause II (A) (iii) of listing agreement and DPE guidelines, the Chairman of the Audit Committee shall be an independent director. In the following cases, the Chairman of the Audit Committee was not an independent director despite the presence of independent directors on the Board of the Company:

Sl. No	Name of the CPSE
1	Aurangabad Textiles & Apparel Parks Limited
2	J & K Development Finance Corporation Limited

3.3.4 The Company Secretary did not act as the secretary to the Audit Committee in respect of following companies as required under clause 49 II (A) (vi) of listing agreement and DPE guidelines :

Sl. No.	Name of the CPSE
1	National Jute Manufactures Corporation Limited
2	New City of Bombay Manufacturing Mills Limited
3	Aurangabad Textiles & Apparel Parks Limited

3.3.5 Meetings of Audit Committee

Clause 49 II (B) of Listing Agreement and para 4.4 of DPE guidelines require that the Audit Committee should meet at least four times in a year and not more than four months shall elapse between two meetings. During review, it was noticed that in respect of following companies, there were less than four meetings in the year 2013-14:

Sl. No.	Name of the CPSE
1	National Jute Manufactures Corporation Limited
2	India United Textile Mill
3	Goldmohur Design & Apparel Parks
4	Apollo Design & Apparel Parks Limited
5	Handicrafts and Handlooms Export Corporation of India Limited
6	The Cotton Corporation of India Limited
7	New City of Bombay Manufacturing Mills Limited
8	British India Corporation Limited
9	Aurangabad Textiles & Apparel Parks Limited
10	J & K Development Finance Corporation Limited

3.3.6 In violation of DPE guidelines, in the Audit Committee meeting of India Tourism Development Corporation Limited, less than two independent directors were present in three meetings which did not constitute the required quorum.

3.3.7 Clause 49 (II)(A)(v) of the listing agreement and para 4.1.5 of DPE guidelines contemplate that the Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the Finance function) to be present at the meetings of the Committee. The Audit Committee may also meet without the presence of any executives of the company. The Finance Director, Head of Internal Audit and a representative of the Statutory Auditor may be specifically invited to be present as invitees for the meetings of the Audit Committee as may be decided by the Chairman of the Audit Committee. In respect of the following companies, though the Head of internal Audit and representative of Statutory Auditor were invited, but they were not present in some of the Audit Committee meetings:

Sl. No.	Name of the CPSE	Invitee not attended	Number of meetings not attended
1	National Textile Corporation Limited	Internal Audit Head	1
2	National Handloom Development Corporation Limited	Statutory Auditor	4

3.3.8 Review of information by the Audit Committee

Clause 49 (II) (D) of listing agreement and DPE guidelines has delineated the role of Audit Committees. Among them the important one is review of annual/quarterly financial statements with the management before submission to the Board. The Audit Committee should particularly review the director's responsibility statement, changes, if any, in accounting policies and practices, major accounting entries, significant adjustments made in the financial statements arising out of audit findings, compliance with legal requirements relating to financial statements, disclosure of any related party transactions and qualifications in the draft audit report. It was observed that Audit committees have not reviewed the quarterly financial statements before submission to the Board in respect of the following CPSEs:

Sl. No.	Name of the CPSE
1	India United Textile Mill
2	Goldmohur Design & Apparel Parks Limited
3	Apollo Design & Apparel Parks Limited

3.3.9 Adequacy of internal audit function

Para 4.2.7 of DPE guidelines stipulates that the Audit Committee should review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit. However, in the following companies, the audit committee has not reviewed the internal audit functions:

Sl. No.	Name of the CPSE
1	Export Credit Guarantee Corporation Limited
2	J & K Development Finance Corporation Limited
3	Aurangabad Textiles and Apparel Parks Limited
4	New City of Bombay Manufacturing Company Limited
5	India Tourism Development Corporation Limited

3.3.10 Whistle Blower Mechanism

Clause 49 (II) (D) (12) of the listing agreement and para 4.2.12 of DPE guidelines require the Audit Committee to review the functioning of the 'Whistle Blower Mechanism' in case the same exists in the company. The Listing Agreement contemplates that the company may establish a mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This mechanism could also provide for adequate safeguards against victimisation of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. Once established, the existence of the mechanism may be appropriately communicated within the organization. In the following companies, there was no whistle blower mechanism:

Sl. No.	Name of the CPSE
1	Delhi Metro Rail Corporation Limited
2	India United Textile Mill Limited
3	Goldmohur Design & Apparel Parks Limited
4	Apollo Design & Apparel Parks Limited
5	National Textile Corporation Limited
6	New City of Bombay Manufacturing Mills Limited
7	British India Corporation Limited
8	Aurangabad Textiles & Apparel Parks Limited
9	J & K Development Finance Corporation Limited

3.3.11 In some of the companies, though whistle blower mechanism exists, the Audit Committee did not review the same:

Sl. No.	Name of the CPSE
1	National Jute Manufactures Corporation Limited
2	The Jute Corporation of India Limited
3	Hindustan Copper Limited

3.3.12 Review of specified information

As per Clause 49 (II) (E) of the listing agreement and para 4.5 of the DPE guidelines, the Audit Committee has to mandatorily review certain information reflecting the financial condition of the company. It was observed that in the following companies, the Audit Committee has not carried out such review:

Sl. No.	Information not reviewed by Audit Committee	Name of the CPSE
1	Management Letters/Letters of Internal control weaknesses issued by the Statutory Auditors	The Jute Corporation of India Limited
2	Proposal for changes, if any, in the accounting policies of the Company	NALCO
3	Issues pertaining to interpretation of Accounting Standards	NALCO
4	Internal Audit reports relating to internal control weaknesses	India United Textile Mill Limited
		New City of Bombay Manufacturing Mills Limited
5	The appointment, removal, terms of remuneration of chief Internal Auditor	India United Textile Mill Limited
		National Handloom Development Corporation Limited
		New City of Bombay Manufacturing Mills Limited

3.3.13 Review of Audit findings of Comptroller & Auditor General of India

Section 619 of the Companies Act, 1956, authorizes Comptroller & Auditor General of India (CAG) to carry out supplementary audit of accounts of Government Companies. Para 4.2.13 of DPE guidelines stipulates that the Audit committee should review the follow up action on the audit observations of CAG audit. In the following companies, Audit committees have not reviewed the audit Paras/reviews printed in last years' CAG Audit report:

Sl. No.	Name of the CPSE
1	NALCO
2	National Textile Corporation Limited

3.3.14 Review of fixation of audit fees

As per Para 4.2.2 of DPE guidelines, Audit Committee should recommend the fixation of audit fees of the Statutory Auditors to the Board of Directors. In the case of following companies the Audit Committee did not recommend the fixation of audit fee:

Sl. No.	Name of the CPSE
1	National Jute Manufactures Corporation Limited
2	The Cotton Corporation of India Limited
3	J & K Development Finance Corporation Limited

3.3.15 Discussion with Statutory Auditors

Clause 49 (II)(D) of listing agreement and para 4.2.10 of DPE guidelines provide that Audit Committee should hold discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern. In respect of the following Companies, the audit committees did not hold any such discussion:

Sl. No.	Name of the CPSE	Which Discussion not held
1	Export Credit Guarantee Corporation of India Limited	Pre-audit discussion
2	India United Textile Mill Limited	Pre-audit discussion
3	Goldmohur Design & Apparel Limited Parks Limited	Pre-audit discussion
4	Apollo Design & Apparel Parks Limited	Pre-audit discussion
5	Handicrafts and Handlooms Export Corporation of India Limited	Both pre-audit and post audit discussion
6	National Textile Corporation Limited	Pre-audit discussion
7	The Cotton Corporation of India Limited	Post audit discussion
8	New City of Bombay Manufacturing Mills Limited	Pre-audit discussion
9	Aurangabad Textiles & Apparel Parks Limited	Pre-audit discussion
10	J & K Development Finance Limited Corporation Limited	Both Pre-audit and post audit discussion
11	Indian Tourism Development Corporation Limited	Pre-audit discussion

3.4 Code of Conduct for all Board Members

Clause 49 (I) (D) of the listing agreement and Para 3.4 of DPE guidelines stipulates that the Board shall lay down a code of conduct for all Board members should be circulated and also posted on the website of the company and all Board members and senior management personnel shall affirm compliance with the code on an annual basis. In the following cases, model code of business conduct and ethics were not circulated:

Sl. No.	Name of the CPSE
1	Tamil Nadu Trade Promotion Organisation
2	Assam Ashok Hotel Corporation Limited
3	Donyi Polo Ashok Hotel Corporation Limited
4	National Jute Manufactures Corporation Limited
5	Karnataka Trade Promotion Organisation
6	Ranchi Ashok Bihar Hotel Corporation Limited
7	Spices Trading Corporation Limited
8	India United Textile Mill Limited
9	Goldmohur Design & Apparel Parks Limited
10	Apollo Design & Apparel Parks Limited
11	National Textile Corporation Limited
12	New City of Bombay Manufacturing Mills Ltd
13	British India Corporation Limited
14	J & K Development Finance Corporation Limited
15	Aurangabad Textiles & Apparels Parks Limited
16	Madhya Pradesh Ashok Hotel Corporation Limited

3.4.1 In respect of the following companies, annual affirmation on the code of conduct has not been recorded by the company:

Sl. No.	Name of the CPSE
1	Tamil Nadu Trade Promotion Organisation
2	Assam Ashok Hotel Corporation Limited
3	Donyi Polo Ashok Hotel Corporation Limited
4	National Jute Manufactures Corporation Limited
5	Ranchi Ashok Bihar Hotel Corporation Limited
6	Karnataka Trade Promotion Organisation
7	Spices Trading Corporation Limited
8	India United Textile Mill Limited
9	Goldmohur Design & Apparel Parks Limited
10	Apollo Design & Apparel Parks Limited
11	New City of Bombay Manufacturing Mills Limited
12	J & K Development Finance Corporation Limited
13	Aurangabad Textiles & Apparels Parks Limited

3.5 Subsidiary Companies

Chapter 6 of DPE guidelines stipulates that at least one Independent Director of the holding company shall be a director on the Board of Directors of its subsidiary Company. However, there was no Independent director on the Board of subsidiary companies from the following holding companies:

Sl. No.	Name of the CPSE
1	India Tourism Development Corporation Limited
2	MMTC Limited
3	The State Trading Corporation of India Limited

Department of Public Enterprises stated (April 2015) that CPSEs are under the administrative jurisdiction of their parent administrative Ministries/Departments. The concerned administrative Ministries/Departments are responsible for ensuring the compliance with provisions of Corporate Governance. DPE plays a coordinating role in creating the mechanism for compliance on this issue, such as the grading of CPSEs on corporate governance on the basis of self-evaluation reports of CPSEs forwarded through concerned administrative Ministries/Departments and providing for negative marking under the MoU mechanism for CPSEs who do not make the requisite grade.

3.6 Conclusion:

Out of 34 selected CPSEs, no independent directors had appointed in 18 CPSEs; risk policy was yet to be evolved in nine CPSEs, delays of more than six months were observed in filling vacancies in the Board of Directors of eight CPSEs; less than four meetings of Audit Committee were held in 10 CPSEs; no whistle blower mechanism was put in place in nine CPSEs, and model code of conduct for Board of Directors was not circulated in 16 CPSEs. Thus, DPE guidelines on

Corporate Governance, even though mandatory, were not being complied with by a large number of CPSEs.

3.7 Recommendation:

GOI may impress upon the respective Administrative Ministries/Departments to ensure compliance of guidelines and give a fillip to the achievement of the objectives of corporate governance in CPSEs.

The chapter was issued to Ministry of Corporate Affairs in March 2015; reply was awaited (April 2015).

CHAPTER 4

Convergence of Indian Accounting Standards with IFRS

4.1 Convergence process

4.1.1 As per the road-map announced by Ministry of Corporate Affairs (MCA) in March 2010, the Indian Accounting Standards (Ind AS) converged with International Financial Reporting Standards (IFRS) were to be applied to specified class of companies in phases beginning with the financial year 1 April 2011. Audit observed that MCA could not notify the date of implementation of Ind AS as per its notified road-map. Slippages in the implementation of Ind AS were discussed in Chapter 4 of Audit Report No. 2 of 2014.

4.1.2 Subsequently, in pursuance of the Budget Statement of the Finance Minister in February 2014, MCA after consultations with various stakeholders and regulators, issued a press note on 2 January 2015 wherein a revised Road map for implementation of Ind AS converged with IFRS was laid down for companies other than Banking Companies, Insurance Companies and Non-Banking Finance Companies (NBFC). The Ind AS shall be applicable to the companies as follows:

(i) On **voluntary basis** for financial statements for accounting periods beginning on or after 1 April 2015, with the comparatives for the periods ending 31 March, 2015 or thereafter;

(ii) On **mandatory basis** for the accounting periods beginning on or after 1 April 2016, with comparatives for the periods ending 31 March 2016, or thereafter, for the companies specified below:

(a) Companies whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India and having net worth of ₹ 500 crore or more.

(b) Companies other than those covered in (ii) (a) above, having net worth of ₹ 500 crore or more.

(c) Holding, subsidiary, joint venture or associate companies of companies covered under (ii) (a) and (ii) (b) above.

(iii) On mandatory basis for the accounting periods beginning on or after 1 April 2017, with comparatives for the periods ending 31 March, 2017, or thereafter, for the companies specified below:

(a) Companies whose equity and/or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than ₹ 500 crore .

(b) Companies other than those covered in paragraph (ii) and paragraph (iii)(a) above that is unlisted companies having net worth of ₹ 250 crore or more but less than ₹ 500 crore.

(c) Holding, subsidiary, joint venture or associate companies of companies covered under paragraph (iii) (a) and (iii) (b) above.

However, companies whose securities are listed or in the process of listing on SME exchanges shall not be required to apply Ind AS. Such companies shall continue to comply with the existing Accounting Standards unless they choose otherwise.

(iv) Once a company opts to follow the Ind AS, it shall be required to follow the Ind AS for all the subsequent financial statements.

(v) Companies not covered by the above roadmap shall continue to apply existing Accounting Standards prescribed in Annexure to the Companies (Accounting Standards) Rules, 2006.

4.1.3 Notification of Ind AS

Companies Act, 2013 specified that the financial statements shall comply with accounting standards notified by Central Government and shall be in form or forms as may be provided for class or classes of companies. This would facilitate implementation of Ind AS in phases. Accordingly, MCA vide its notification dated 16 February 2015 notified the Companies (Indian Accounting Standards) Rules 2015 specifying 39 Ind AS to be implemented as per the above road-map. The Ind AS have been formulated by MCA in consultation with National Advisory Committee on Accounting Standards (NACAS).

4.2 Challenges to convergence

4.2.1 As Ind AS are essentially based on the concept of fair value measurement of assets and liabilities, corresponding standards under the Income Tax Act are essential to ensure smooth and harmonised transition. Draft Income Computation and Disclosure Standards released by Ministry of Finance in this regard in January 2015 are under finalisation.

4.2.2 Banks and Insurance Companies have been kept out of the proposed road map for transition to Ind AS in view of the specific needs and concerns of these two sectors.

4.2.3 Issues such as cost of compliance, capacity building, managing two sets of standards (one for entities that seek transition and the other for those which do not) and the impact of exceptions or 'carve outs' on the achievement of objectives of convergence would need to be addressed through a well-coordinated mechanism among MCA, DPE and ICAI.

The chapter was issued to Ministry of Corporate Affairs in March 2015; reply was awaited (April 2015).

CHAPTER 5

Compliance with DPE Guideline

5.1 Introduction

The Bureau of Public Enterprises (BPE) was set up in 1965 to provide policy and overall guidance to the Central Public Sector Enterprises (CPSEs) and act as a centralized coordinating unit facilitating continuous appraisal of the performance of CPSEs. In May 1990, BPE was conferred the status of a full-fledged Department and is now known as the Department of Public Enterprises (DPE) in the Ministry of Heavy Industries and Public Enterprises.

Role of DPE in issuing guidelines/directives to CPSEs

- The directions/ instructions are given to CPSEs through Presidential Directives as well as Guidelines issued by Administrative Ministries or DPE.
- **Presidential Directives** are issued by the Administrative Ministries to the concerned CPSEs whenever the situation so warrants and are **mandatory** in nature. For the purpose of maintaining uniformity, such Directives are to be issued in consultation with the DPE if these relate to single CPSE and with the concurrence of the DPE if these are applicable to more than one CPSE.
- **Guidelines** could be issued either by the Administrative Ministries or the DPE as the case may be and are **advisory** in nature. The Board of Directors of the CPSEs will have the discretion not to adopt these guidelines for reasons to be recorded in writing. The Board Resolution on the subject giving the reasons therein is to be forwarded both to the Administrative Ministry concerned as well as to the DPE.

5.2 Non-compliance with DPE guidelines

DPE formulates policy guidelines pertaining to CPSEs in areas like performance improvements and evaluation, financial management, personnel management, Board structures, wage settlement, training, industrial relation, vigilance, performance appraisal, etc.

Instances were noticed in Audit wherein the CPSEs had not complied with guidelines issued by DPE. There were seven and four Audit Paragraphs, included in the CAG's Audit Report No.13 of the year 2013 & 2014 respectively wherein DPE guidelines were violated. These are summed up in the following table:

Sl. No.	Subject Area	Number of			(₹ in crore)		No. of cases in which violation continues	(₹ in cror
		Audit Paras	CPSEs	Cases	Mone-tary Value	Recovery of irregular payment		**Subse-quent irregula paymen**
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
AR No 13 of 2013								
1	Irregular encashment of half pay leave and sick leave	1	20	20	413.98	0.28	2	90.18
2	Irregular encashment of casual leave and optional holidays	1	1	1	20.32	NIL	NIL	NIL
3	Excess payment of Performance related pay	4	4	6	489.14	Nil**	Nil^^	31.04"
4	Irregular payment of incentive	1	1	1	25.98	Nil	Nil	Nil
AR No 13 of 2014								
5	Irregular encashment of Earned leave, Half pay leave, Sick leave	1	5	5	138.58	The report was placed in the Parliament on 1 August 2014. ATNs ar still being received/processed.		
6	Employer's share of EPF contribution	1	7	7	23.42			
7	Irregular payment of Performance related pay	1	5	5	202.95			
8	Irregular encashment of Casual leave	1	1	1	12.43			
	Total	**11**	**44**	**46**	**1326.8**	**0.28**	**2**	**120.92**

**ATN has not been received for SAIL and for PFC no remark was offered in this respect in the ATN.

^^ ATN has not been received for SAIL and for PFC no remark was offered in this respect in the ATN

"ATN has not been received in respect of SAIL.

5.3 Status of 'Follow-up' on non compliance

Audit reviewed the Action Taken Notes (ATNs) submitted by CPSES/ Administrative Ministries on the Audit Paragraphs indicated above. The review revealed that though some CPSEs recovered very small percentage of irregular payment made and some discontinued such irregular payments for future, many of the CPSEs still continued to make irregular payments as detailed below:

Audit Report No 13 of 2013

5.3.1 Irregular encashment of half pay leave & sick leave

Government of India allowed encashment of half pay leave (HPL) and earned leave (EL) put together within the overall ceiling of 300 days with effect from 1 January 2006, on superannuation, which was an enhancement to the earlier ceilings on encashment of EL up to 240 days. In addition to DPE instructions of April 1987[*] requiring CPSEs to frame leave rules keeping broad parameters of the policy guidelines laid in this regard by GoI, DPE also required them to follow the overall ceiling of 300 days for encashment of EL and HPL for their employees on retirement. Further, in a clarification of 17 July 2012[†], DPE reiterated that sick leave could not be encashed though EL and HPL could be encashed subject to overall limit of 300 days. Audit observed that these DPE guidelines were violated by 20 CPSEs and an amount of ₹ 413.98 crore was irregularly paid.

Audit further observed that only three CPSEs recovered ₹ 0.28 crore of the irregular payment and made a subsequent irregular payment of ₹ 90.18 crore and the violation continues in two CPSEs.

5.3.2 Irregular encashment of casual leave and optional holidays

DPE has not issued any specific instructions/guidelines permitting encashment of casual leave and optional holidays but in a clarification on the issues raised by Ministry of Shipping, DPE stated (October 2010[‡]) that casual leave must not be encashed at all and that it must lapse at the end of the calendar year. Audit observed that one CPSE had encashed casual leave before the issue of this clarification and had made payment of ₹ 20.32 crore on this account.

Audit further observed that the CPSE discontinued the scheme to comply with the DPE clarification but did not recover any amount already paid.

5.3.3 Excess payment of Performance related pay

a. While clarifying on the elements of Profit Before Tax (PBT) for computation of performance related pay (PRP), DPE recommended (November 2008[§]) that 'the profit of CPSE is expected to come out from the specified objective and core activity and that extra ordinary items like valuation of stock, grant waived by Government, sale of land, etc. (list of items is not exhaustive) will not be included in calculation of PBT as far as performance related pay is concerned'. Audit observed that this recommendation was violated by two CPSEs and an amount of ₹ 49.29 crore for the PRP was irregularly paid.

Audit further observed that the CPSEs did not recover the irregular payment and made a subsequent irregular payment of ₹ 6.30 crore.

b. i) DPE guidelines of 26 November 2008 permitted PRP by CPSEs subject to a maximum ceiling of 5 *per cent* of distributable profits of an enterprise. These guidelines introduced a maximum ceiling slabs ranging from 40 to 70 *per cent* of basic pay of executives below Board level and 100 *per cent* to 200 per cent of the basic pay for Board level executives for PRP and this was in addition to the overall maximum ceiling of five *per cent* of

[*] OM No.2 (27) 85-BPE(WC) dated 24 April 1987

[†] OM No.2 (14)/2012-DPE (WC) dated 17 July 2012

[‡] O.M. No.2(32)/10-DPE (WC) GL-XXIII/2010 dated 26 October 2010

[§] OM No. 2 (70)/08-DPE (WC)-GL-XVI/08 dated 26 November 2008 distributable profits of an enterprise. Audit observed that this recommendation was violated by one CPSE and an amount of ₹ 20.52 crore for PRP was irregularly paid.

Audit further observed that the CPSE did not recover the irregular payment and made a subsequent irregular payment of ₹ 22.53 crore.

ii) DPE in November 2008 permitted CPSEs to follow 'Cafeteria Approach' allowing executives to choose from a set of perquisites and allowances other than House Rent Allowance and leased accommodation subject to a maximum ceiling of 50 *per cent* of basic pay. Audit observed that one CPSE violated this recommendation and extended benefit in respect of interest subsidy on housing loans to executives which was beyond the maximum ceiling of 50 *per cent* of basic pay of executives aggregated to ₹ 1.11 crore.

Audit further observed that the CPSE did not recover the irregular payment and made a subsequent irregular payment of ₹ 2.21 crore.

c. i) DPE guidelines dated 26 November 2008 and 9 February 2009* required CPSEs to have a robust and transparent performance management system and adopt a 'Bell Curve Approach' in grading the executives so that no more than 10 to 15 *per cent* are graded as Outstanding/Excellent and 10 *per cent* of executives should be graded as 'Below Par' and no PRP is to be paid to those achieving 'below par' rating. One CPSE violated these guidelines and an amount of ₹ 87.45 crore was irregularly paid.

Audit further observed that the CPSE did not recover the irregular payment but made no subsequent irregular payment.

ii) DPE guidelines prescribe the basic formula for PRP payable to an executive. Audit observed that one CPSE adopted a PRP formula wherein the multiplier for the weightage of Executive Performance Rating (EPR) exceeded the DPE prescribed limit which was irregular and made excess payment to executives totalling ₹ 232.16 crore.

Audit further observed that the CPSE did not recover the irregular payment but made no subsequent irregular payment.

d. DPE guidelines of 26 November 2008 and 2 April 2009† provide that perks and allowances admissible to executives is subject to a maximum ceiling of 50 *per cent* of the basic pay, CPSE may also follow 'Cafeteria Approach'. Further, if CPSE has created infrastructure facilities, these should be monetized for the purpose of computing the perks and allowances and for the purpose of reckoning the value of infrastructure facilities, the recurring expenditure alone would be taken into account and should be restricted to 10 *per cent* of basic pay of all executives and non-unionised supervisors within the overall limit of 50 *per cent* of basic pay. Audit observed that one CPSE violated these guidelines and made irregular payment of ₹ 98.61 crore towards performance related pay.

Action Taken Note on the above para has not been received.

5.3.4 Irregular payment of incentive

DPE had issued (November 1997) instructions to all CPSEs which stated that the employees of CPSEs would not be paid bonus, *ex gratia*, honorarium, reward and special incentives, *etc.*

* OM No. 2 (70)/08-DPE (WC)-GL-IV/09 dated 9 February 2009

† OM No. 2 (70)/2008-DPE (WC)-GL-VII/09 dated 2 April 2009

unless the amount was authorized under a duly approved incentive scheme. The guideline was violated by one CPSE which made payment of a one-time financial incentive, based on the pay scales of workmen and grades of officers, on the occasion of completing a project but included not only the employees actually engaged for the project but all others across the company. Audit observed that the payment of financial incentive of ₹ 25.98 crore was not covered under an approved scheme and was in addition to the payment made to the Executives under PRP Scheme and incentives paid to the workmen and was therefore irregular.

Audit further observed that the CPSE did not recover the irregular payment made to the employees on account of one time financial incentive.

Audit Report No 13 of 2014

5.3.5 Irregular encashment of Earned leave, Half pay leave, Sick leave

GoI allowed encashment of half pay leave (HPL) and earned leave (EL) put together within the overall ceiling of 300 days with effect from 1 January 2006, on superannuation, which was an enhancement to the earlier ceilings on encashment of EL up to 240 days. In addition to DPE instructions of April 1987[*] requiring CPSEs to frame leave rules keeping broad parameters of the policy guidelines laid in this regard by GoI, DPE also required them to follow the overall ceiling of 300 days for encashment of EL and HPL for their employees on retirement. Further, in a clarification of 17 July 2012[†], DPE reiterated that sick leave could not be encashed though EL and HPL could be encashed subject to overall limit of 300 days.

Audit observed that five CPSEs violated these DPE guidelines and an amount of ₹ 138.58 crore was irregularly paid.

BHEL has stated in ATN that it had taken remedial action to comply with the guidelines but information of any subsequent irregular payment or recovery is not available. Action taken note (ATN) has not been received from four[‡] CPSEs.

5.3.6 Employer's share of EPF contribution on leave encashment

Contribution to EPF includes employer's contribution at the rate of 12 *per cent* of the basic wages, dearness allowance and retaining allowance (if any) paid to an employee and an equivalent amount is recovered from employee's salary. On the issue of whether the amount of leave encashment paid to employees is to be reckoned as part of basic wages or not, Bombay High Court (September 1994) and Karnataka High Court (October 2003) held that leave encashment is to be reckoned as part of basic wages for the purpose of contribution to EPF. Hon'ble Supreme Court (12 March 2008) decided that basic wage was never intended to include amounts received for leave encashment and if any payment has already been made then it has to be adjusted for future liabilities and there shall be no refund and EPFO issued instructions on the same lines in May 2008. Audit observed that seven CPSEs either continued to make contribution to EPF on the amount of leave encashment or did not adjust the amount already paid against future liabilities. These CPSEs made irregular contribution of ₹ 23.42 crore and did not adjust contributions amounting to ₹ 38.70 crore made prior to the judgement.

Power Finance Corporation had recovered/adjusted ₹ 21.18 lakh out of ₹ 22.86 lakh to be recovered. BHEL has discontinued PF deduction on leave encashment from date of judgement and sought legal opinion on recovery of amount already paid. However, reply from Ministry is

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[*] OM No.2 (27) 85-BPE(WC) dated 24 April 1987

[†] OM No.2 (14)/2012-DPE (WC) dated 17 July 2012

[‡] NALCO, HUDCO, GAIL and IOCL

awaited. NHPC has stated that it has discontinued the practice but recovery of employer's contribution from separated employees may not be feasible. ATN has not been received in respect of four[*] CPSEs.

5.3.7 Irregular payment of Performance Related Pay

DPE issued instructions in November 2008[†] and clarifications in November 2010 and July 2011 laying down conditions for payment of PRP: i) Each CPSE shall adopt a 'Bell Curve Approach' in grading the executives so that no more than 10 to 15 *per cent* are graded as Outstanding/Excellent and 10 *per cent* of executives should be graded as 'Below Par' and no PRP is to be paid to those achieving 'below par' rating, ii) Introduced a maximum ceiling slabs ranging from 40 to 70 *per cent* of basic pay for executives below Board level and 100 *per cent* to 200 *per cent* of the basic pay for Board level executives for PRP and this was in addition to the overall maximum ceiling of five *per cent* of distributable profits of an enterprise, iii) Profit Before Tax (PBT) for computation of performance related pay (PRP) was to come out from the specified objective and core activity and that extra ordinary items like valuation of stock, grant waived by Government, sale of land, etc. (list of items is not exhaustive) shall not be included in calculation of PBT. Audit observed that five CPSEs violated these guidelines and made irregular payment of ₹ 202.95 crore towards PRP.

ATN received from Rural Electrification Corporation limited states that it has not provided for a budget for the payment of Baseline Compensation in the budget provision for FY 2014-15. ATN has not been received from four[‡] CPSEs.

5.3.8 Irregular encashment of Casual leave

DPE stated (October 2010[§]) that casual leave must not be encashed at all and that it must lapse at the end of the calendar year. Audit observed that Hindustan Aeronautics Limited violated these guidelines and made irregular payment of ₹ 12.43 crore towards such violation.

ATN has not been received from Hindustan Aeronautics Limited.

Department of Public Enterprises conveyed (April 2015) that while the cases referred above were to be dealt by the concerned Administrative Ministry, DPE on its part has a mechanism to ensure compliance of its guidelines by way of obtaining a certificate to this effect from the CPSEs. It was further informed that DPE has made changes in the Memorandum of Understanding guideline to incorporate negative marking for non-compliance of DPE guidelines.

5.4 Directives of Parliamentary Standing Committee on Industry

Department-related Parliamentary Standing Committee on Industry in its 216th Report, presented before Parliament on 19 April 2010, recommended that "in order to play a meaningful and effective role in getting the policies and guidelines implemented by the CPSEs, DPE should ask for the Compliance Report from the CPSEs about the implementation of the policies and guidelines formulated by it from time to time and separate paragraph thereon may be incorporated in the "Annual Report of DPE".

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[*] NTPC, PGCIL, THDC and SJVN

[†] OM No. 2 (70)/08-DPE (WC)-GL-XVI/08 dated 26 November 2008

[‡] ONGC, MECON Limited, BHEL and Bharat dynamics Limited

[§] O.M. No.2(32)/10-DPE (WC) GL-XXIII/2010 dated 26 October 2010

Accordingly, in July 2010 and June 2011, DPE requested Administrative Ministries to furnish reports regarding compliance of its guidelines by CPSEs by June of every year. DPE introduced compliance with a few of its guidelines as one of the parameters in MoUs of 2012-13, with mandatory weight of five. However, as per the MoUs guidelines of 2013-14, the compliance will not be a mandatory parameter, but Task Force will have liberty to impose penalty of negative marks up to five depending on degree/ seriousness of non-compliance.

5.5 Recommendation:

While it is the responsibility of the respective Administrative Ministry/Department to ensure that DPE guidelines are followed by the CPSEs under their jurisdiction, in letter and spirit, in view of the continuous and recurring instances of non-compliance of DPE guidelines being reported in CAG's Audit Reports, a dedicated mechanism either in the Ministry of Finance or DPE may be instituted so that all issues of non-compliance are addressed through regular and critical review.

CHAPTER 6

Corporate Social Responsibility

6.1 Introduction

Corporate Social Responsibility (CSR) is a company's commitment to operate in an economically, socially and environmentally sustainable manner, while recognising the interest of its stakeholders.

The Committee on Public Undertakings (COPU) in 1992 examined the issue relating to social obligation of Central Public Sector Enterprises (CPSEs) and observed that "being part of the 'State', every public sector enterprise (PSE) has a moral responsibility to play an active role in discharging the social obligations endowed on a welfare State, subject to the financial health of the enterprise". Based on the recommendation of the COPU, the Department of Public Enterprises (DPE) issued general guidelines in November 1994. These guidelines basically left it to the Board of Directors of the PSEs to devise socially responsible business practices in accordance with their Article of Association, under the general guidance of their respective Administrative Ministry/Department. DPE issued a new set of guidelines on CSR in April 2010 which required the business plan under CSR to be integrated with social and environment concerns related to respective CPSEs. The guidelines laid stress on the link of CSR with sustainable development and specified the mandate and scope of activities for CSR by the CPSEs. The guidelines are in the nature of a charter on activities, projects, expenditure, documentation and monitoring of CSR initiatives of CPSEs.

6.2 Salient features of DPE's guidelines on CSR effective from April 2013

DPE has revised its CSR guidelines which are effective from 1 April 2013. There is infusion of policy content in a large measure in the revised guidelines. Some of the important features of the guidelines are detailed below:

CPSEs are expected to formulate their policies with a balanced emphasis on all aspects of CSR and Sustainability - equally with regard to their internal operations, activities and processes, as well as in their response to externalities.

- CPSEs are to take up at least one major project for development of a backward district.
- CPSEs are expected to act in a socially responsible manner at all times. Even in their normal business activities, public sector companies should try to conduct business in a manner that is beneficial to both, business and society.
- The two tier structure comprising Board level committee and a group of officials headed by a senior executive of not less than one rank below the Board level –which the CPSEs are mandated to create, is expected to have the authority and influence to be able to steer the CSR and Sustainability agenda of the company.
- CPSEs will have to disclose the reasons for not fully utilising the budget allocated for CSR and Sustainability activities for a year.

- Emphasis is now placed on the scalability of CSR and Sustainability projects, in terms of their size and impact, rather than on their numbers.
- The revised guidelines allow the employees to avail the infrastructure facilities created by their company from its CSR and Sustainability budget, provided the facilities are originally created essentially for the external stakeholders, and the use of these facilities by the company's employees (internal stakeholders) is only incidental and confined to less than 25 *per cent* of the total number of beneficiaries.

6.3 Review of compliance by selected PSEs of the Corporate Social Responsibility and Sustainability provisions

As on 31 March 2014, there were 544 CPSEs under the audit jurisdiction of the Comptroller and Auditor General of India. These included 377 government companies, 161 deemed government companies and six statutory corporations.

The review covered 39 CPSEs of Energy Sector under the administrative control of Ministry of Power, Ministry of Coal, Ministry of Petroleum & Natural Gas, Ministry of Atomic Energy and Ministry of New and Renewable Energy Resources. For the purpose of the review, an assessment framework was prepared based on the provisions contained in the DPE guidelines of 12 April 2013. The assessment framework consisted specific questions on compliance by CPSEs of various provisions of these guidelines related to planning, Financial Component, Implementation & Monitoring, Impact Assessment etc.

The period of one year ended March, 2014 was covered in the review. The findings of the review are presented in the following paragraphs.

6.4 Planning

6.4.1 Para 1.4.1 of DPE guidelines on Corporate Social Responsibility (CSR) and Sustainability specify that all CPSEs must adopt a CSR and Sustainability policy and CSR communication strategy specific to their company with the approval of the Board of Directors. The philosophy and spirit of CSR and Sustainability must be firmly ingrained in the policy of the company. The policy must be consistent with the guidelines on CSR and Sustainability enunciated by the DPE.

However it was observed that, the following CPSEs have not formulated a CSR and Sustainability policy so far.

Sl No	Name of the CPSE
1	NEEPCO
2	Central Mine Planning & Design Limited
3	REC Transmission Projects Company Limited
4	REC Power Distribution Company Limited
5	Bharatiya Nabhikhya Vidyut Nigam Limited
6	Nuclear Power Corporation of India Limited

6.4.2 According to Para 1.4.2 of DPE guidelines on CSR, each plan must specify the CSR and Sustainability activities planned to be undertaken for each year, define the responsibilities of the designated authorities to be engaged in this task, and also prescribe the measurable and the expected outcome and social / environmental impact of such activities. Contrary to the above, CSR Plans of following CPSEs did not prescribe measurable and the expected outcome and social, economic & environmental impact of such activities.

Sl No	Name of the CPSE
1	NHDC Limited
2	Nuclear Power Corporation of India Limited

6.5 Financial Component

6.5.1 Para 1.5.1 of DPE guidelines states that, every year, each CPSE shall, with the approval of its Board of Directors, make a budgetary allocation for CSR and Sustainability activities / projects for the year based on the profitability of the company. More specifically, it will be determined by the Profit after Tax (PAT) of the company in the previous year as shown hereunder:

PAT of CPSE in the previous year	Range of Budgetary allocation for CSR and Sustainability activities (as % of PAT in previous year)
Less than ₹ 100 Crore	3% - 5%
₹ 100 Crore to ₹ 500 Crore	2% - 3%
₹ 500 Crore and above	1% - 2%

In the following companies, the budgetary allocation was less than the prescribed ranges:

Sl No	Name of the CPSE	Shortfall (₹ In crore)
1	Bharatiya Nabhikhya Vidyut Nigam Limited	0.59
2	IREDA	2.83
3	Nuclear Power Corporation of India Limited	0.58
4	Uranium Corporation of India Limited	0.35
5	NHDC Limited	4.31

6.5.2 Para 1.5.5 and para 1.5.6 of DPE guidelines on CSR stipulate that, CPSEs will have to earmark five *per cent* of their annual budget for CSR and Sustainability activities to meet the emergency needs which would include relief work undertaken during natural calamities / disasters, and contributions towards Prime Minister's / Chief Minister's Relief Funds and/or to the National Disaster Management Authority. However, in the following companies, five *per cent* of annual CSR budget has not been earmarked for emergency needs.

Sl No	Name of the CPSE
1	South Eastern Coal fields Limited
2	Central Mine Planning & Design Limited
3	ONGC
4	Engineers India Limited
5	Certification Engineers International Limited
6	Power system Operation Corporation Limited
7	REC Power Distribution Company Limited
8	Mahanadi Coalfields Limited
9	Uranium Corporation of India Limited
10	Nuclear Power Corporation of India Limited
11	Oil India Limited

6.6 Implementation and Monitoring

6.6.1 Para 1.6.13 to 1.6.16 of DPE guidelines on CSR stipulated that, implementation and monitoring of the CSR and sustainability activities should be overseen by constituting the two-tier organisational structure within the organisation in the form of a Board level committee headed by the Chairman / Managing Director / Independent Director and the below Board level team constituting a group of officials headed by a senior executive of not less than one rank below the Board level.

In the following companies, there is no two tier organisational structure to steer the CSR agenda as mandated by DPE guidelines.

Sl No	Name of the CPSE
1	GAIL Gas Limited
2	Bharatiya Nabhikiya Vidyut Nigam Limited

Further it was observed that, in the following CPSEs Board level CSR committee had not yet constituted.

Sl No	Name of the CPSE
1	GAIL Gas Limited
2	NTPC Electricity Supply Company

In the following companies, there are no Independent Directors on the Board of CSR committee.

Sl No	Name of the CPSE
1	Balmer Lawrie & Co Limited
2	REC Power Distribution Company Limited
3	Neyveli Lignite Corporation

6.6.2 Para 1.6.11 of DPE guidelines stipulated that monitoring of CSR and Sustainability activities should be done periodically with the help of identified key performance indicators. It was observed that, in the following companies, monitoring of CSR project is not done periodically with the help of key performance indicators:

Sl No	Name of the CPSE
1	Western Coalfields Limited
2	Mahanadi Coalfields Limited
3	REC Power Distribution Company Limited

6.6.3 As per Para 1.6.7of DPE guidelines, where the planned CSR and Sustainability activity is closely aligned with the business strategy and the company possesses core competence to do it, a Public Sector company may take up the implementation of CSR activity with its manpower and resources if it feels confident of its organisational capability to execute such projects. In such a case, it is advisable that monitoring is done by an external agency even though the staff of the CPSE may be associated with it. In any case, evaluation must always be assigned to an independent external agency for the sake of objectivity and transparency.

In the following companies, CSR projects which are implemented in–house by the Company, are not subject to monitoring and final evaluation has not been assigned to independent external agency.

Sl No	Name of the CPSE
1	Central Mine Planning & Design Limited
2	REC Power Distribution Company Limited
3	Nuclear Power Corporation of India Limited
4	Indian Rare Earths Limited
5	South Eastern Coalfields Limited
6	Mahanadi Coalfields Limited
7	Certification Engineers International Limited

6.6.4 As per Para 1.6.12 of DPE guidelines, monitoring is crucial to the success of the projects being implemented by external agencies. Hence it must be performed by the CPSEs through their team of officials specifically designated for this task. The external agency, if any, engaged for implementing a project should not be considered for the task of monitoring and evaluation because of the likely conflict of interest involved in the assignment.

However, in respect of REC Power Distribution Company Limited, CSR projects though are being implemented through external agencies, monitoring is not performed by the staff of the CPSE.

6.7 Impact Assessment

The ultimate test of the success of any CSR and Sustainability activity / project is the social, economic or environmental impact thereof. Every such activity is planned and implemented with some anticipated impact on society or environment. In this backdrop, Para 1.8 of DPE guidelines on CSR stipulates that, the completed activity / project should be measured to ascertain the degree of its success, or failure.

It was observed that the following companies did not carry out studies to assess impact of completed CSR project/activities.

Sl No	Name of the CPSE
1	Mahanadi Coal fields Limited
2	NHPC Limited
3	REC Power Distribution Company Limited
4	Nuclear Power Corporation of India Limited
5	South Eastern Coal fields Limited
6	Central Coalfields Limited

6.8 New Companies Act, 2013 and CSR guidelines of DPE with effect from 1 April 2014

The Government of India enacted the Companies Act, 2013 in August 2013. Section 135 of the Companies Act, 2013 deals with the subject of Corporate Social Responsibility (CSR). It lays down the qualifying criteria based on net worth, turnover, and net profit for companies which are required to undertake CSR activities and, inter alia, specifies the broad modalities of selection, implementation and monitoring of the CSR activities by the Board of Directors of CPSEs. The activities which may be included by CPSEs in their CSR policies are listed in Schedule VII of the Act. The provisions of Section 135 of the Act and Schedule VII of the Act apply to all companies, including CPSEs.

The Ministry of Corporate Affairs has formulated CSR Rules under the provisions of the Act and issued the same on 27 February 2014. The CSR Rules are applicable to all companies, including CPSEs w.e.f. 1 April 2014. In addition to the CSR provisions of the Act and the CSR Rules, the DPE has formulated Guidelines on CSR and Sustainability (hereinafter referred to as 'the Guidelines') which are applicable to CPSEs. It is clarified that the Guidelines do not supersede or override any provision of the Act, or Schedule VII of the Act, or the CSR Rules, but will only supplement them. The Guidelines are in the nature of initiatives or endeavour which the key stakeholders expect of CPSEs in the discharge of their Corporate Social Responsibility.

The chapter was issued to Ministry of Corporate Affairs in March 2015; reply was awaited (April 2015).

New Delhi
Dated : 22 April 2015

(PRASENJIT MUKHERJEE)
Deputy Comptroller and Auditor General
and Chairman, Audit Board

Countersigned

New Delhi
Dated : 22 April 2015

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

APPENDICES

APPENDIX-I

(As referred to in Para No.1.1.3)

List of new/ceased government companies/ deemed government companies

Sl. No.	Name of the company
New Government Companies	
1	Angul Sukinda Railway Limited
2	Ballabgarh-GN Transmission Limited
3	Cheyyur Infra Limited
4	Creative Museum Designers
5	Goa Antibiotics & Pharmaceuticals Limited
6	Health Insurance TPA of India Limited
7	Hemisphere Properties India Limited
8	HPCL Rajasthan Refinery Limited
9	Indocat Pvt Limited
10	National Capital Region Transport Corporation Limited
11	NRSS XXIX Transmission Limited
12	NRSS XXXI(A) Transmission Limited
13	NRSS XXXI(B) Transmission Limited
14	Odisha Infra Power Limited
15	Oil India International Limited
16	Punjab Logistics Infrastructure Limited
17	Railway Energy Management Company Limited
18	SAIL Bengal Alloy Castings Private Limited
19	Sidcul Concor Infra Company Limited
20	SJVN Thermal Private Limited
21	Tanda Transmission Limited
22	TCIL LTRL Limited
New Deemed Government Companies	
1	Agri Business Finance (AP) Limited
2	Flavourit Spices Trading Limited
3	National Waqf Development Corporation Limited
Ceased Government Companies	
1	Bharat Heavy Plate & Vessels (merged with BHEL)
2	NTPC Hydro Limited (under merger with NTPC)
3	Bharat Leather Corporation Limited
Ceased Deemed Government Companies	
1	Credit Analysis and Research Limited
2	MITCON Consultancy and Engineering Services Pvt. Limited
3	PNB Life Insurance Company Limited

APPENDIX II A
(As referred to in Para Nos. 1.1.3 and 2.3.2)
Accounts in arrears or company under liquidation
A. Government companies and corporation

Sl. No./ Name of Ministry/ Department	Name of the CPSE	Year for which Accounts not received by 30 September 2014
STATUTORY CORPORATIONS		
1.	Airports Authority of India	2013-14
UNLISTED GOVERNMENT COMPANIES		
BIO TECHNOLOGY		
1.	Bengal Chemicals and Pharmaceuticals Limited	2013-14
**2.	Bengal Immunity Limited	Under liquidation
3.	Bihar Drugs and Organic Chemicals Limited	2012-13 to 2013-14
**4.	IDPL Tamilnadu (Pvt) Limited	2006-07 to 2013-14
5.	Indian Drugs and Pharmaceuticals Limited	2012-13 to 2013-14
**6.	Maharashtra Antibiotics and Pharmaceuticals Limited	Under liquidation
**7.	Manipur State Drugs and Pharmaceuticals Limited	Defunct
**8.	Orissa Drugs and Chemicals Limited	Under liquidation
#9	Rajasthan Drugs and Pharmaceuticals Limited	2013-14
**10	Smith Stanistreet Pharmaceuticals Limited	Under liquidation
**11.	The Southern Pesticides Corporation Limited	Under liquidation
CIVIL AVIATION		
12.	Air India Air Transport Services Limited	2013-14
13.	Air India Charters Limited	2013-14
14.	Air India Engineering Services Company Limited	2013-14
15.	Air India Limited	2013-14
16.	Airlines Allied Services Limited	2013-14
#17	Hotel Corporation of India Limited	2013-14
18	Pawan Hans Helicopters Limited	2013-14
19	Vayudoot Limited	2013-14
COMMERCE AND INDUSTRY		
#20	J&K Development Finance Corporation Limited	2013-14
**21	Tea Trading Corporation of India Limited	Under liquidation
COMMUNICATIONS AND INFORMATION TECHNOLOGY		
**22	Electronics Trade and Technology Development Corporation Limited	Under liquidation
**23	Hemisphere Properties India Ltd	2013-14
FINANCE		
24	Industrial Investment Bank of India Limited	Under liquidation (2012-13 to 2013-14)
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES		
**25	Bharat Brakes and Valves Limited	Under liquidation
**26	Bharat Ophthalmic Glass Limited	Under liquidation

** Annual Accounts not received for three years or more

Accounts received after September 2014

APPENDIX II A(Continued)

Sl. No./ Name of Ministry/ Department	Name of the CPSE	Year for which Accounts not received by 30 September 2014
**27	Bharat Process and Mechanical Engineers Limited	Under liquidation
**28	Bharat Yantra Nigam Limited	Under liquidation
**29	Cycle Corporation of India Limited	Under liquidation
#30	Hindustan Newsprint Limited	2013-14
**31	Mandya National Paper Mills Limited	Under liquidation
**32	Mining and Allied Machinery Corporation Limited	Under liquidation
**33	Rehabilitation Industries Corporation Limited	Under liquidation
**34	Reyroll Burn Limited	Under liquidation
**35	Tannery and Footwear Corporation of India Limited	Under liquidation
**36	The National Industrial Development Corporation Limited	Under liquidation
37	Triveni Structurals Limited	2013-14
38	Tyre Corporation of India Limited	2012-13, 2013-14
**39	Weighbird (India) Limited	Under liquidation
PETROLEUM & NATURAL GAS		
40	Biecco Lawrie Limited	2013-14
RAILWAYS		
**41	Punjab Logistics Infrastructure Ltd	2013-14
ROAD TRANSPORT AND HIGHWAYS		
**42	Indian Road Construction Corporation Limited	Under liquidation
SHIPPING		
#43	Sethusamudram Corporation Limited	2013-14
STEEL		
**44	IISCO Ujjain Pipe and Foundry Company Limited	Under liquidation
TEXTILES		
45	Birds Jute and Exports Limited	2013-14
**46	Brushware Limited	Under liquidation
**47	Cawnpore Textiles Limited	Defunct
48	The British India Corporation Limited	2013-14
**49	The Elgin Mills Company Limited	Defunct
UNION TERRITORY ADMINISTRATION		
**50	Chandigarh Child and Woman Development Corporation Ltd.	2008-09 to 2013-14
51	Chandigarh Scheduled Caste Finance and Development Corporation Limited	2013-14
URBAN DEVELOPMENT		
**52	National Capital Region Transport Corporation Limited	2013-14

APPENDIX II B

Accounts in arrears or company under liquidation/defunct

(As referred to in Para No. 1.1.3 and 2.3.2)

B. Deemed government companies

Sl. No	Name of the Company	Year for which Accounts not received by 30 September 2014
**1.	Accumeasures (Punjab) Limited	Under liquidation
**2.	Allied International Products Limited	Defunct
**3.	Becker Grey and Company Limited	Defunct
**4.	Bihar Industrial and Technical Consultancy Organisation Limited	Defunct
#5.	Energy Efficiency Services Limited	2013-14
**6.	Excellcier Plants Corporation Limited	Under liquidation
**7.	Flavourit Spices Trading Limited	2013-14
**8	Gangavati Sugars Limited	Under liquidation
9	Gas and Power Investment Company Limited	2013-14
**10	India Clearing and Depository Services Limited	Under liquidation
**11	J&K Industrial and Technical Consultancy Organisation Limited	Defunct
12	Meenachil Treated Rubberwood (P) Limited	2013-14
**13	Millennium Information Systems Limited	Under liquidation
**14	Nalanda Ceramics and Industries Limited	Defunct
**15	North Bengal Dolomite Limited	2009-10 to 2013-14
**16	North Eastern Industrial and Technical Consultancy Organisation Limited	2010-11 to 2013-14
**17	Orissa Industrial and Technial Consultancy Organisation Limited	Defunct
18	Pamba Rubbers Limited	2013-14
**19	Pazassi Rubbers (P) Limited	Under liquidation
20	Ponmudi Rubbers (P) Limited	2012-13 to 2013-14
21	Rubberwood India (P) Limited	2013-14
**22	Textile Processing Corporation of India Limited	Under liquidation
23	UP Industrial and Technical Consultants Limited	2013-14
**24	Wagon India Limited	Under liquidation

APPENDIX-III
(As referred to in Para No. 1.2.4)
A.Market capitalisation of listed government companies

(₹ in crore)

Ministry Name of the Company	Paid up Capital	Market value* as on 31.3.2013	Market value* as on 31.3.2014	Increase/ Decrease of market value during 2013-14	Face Value of the Govt Share	Market value of Govt share as on 31.3.2013	Market value of Govt share as on 31.3.2014	Inc/Dec in Market value of Govt share during 2013-14
BIO TECHNOLOGY								
1.Bharat Immunologicals and Biologicals Corporation Limited								
	43.18	52.42	37.52	-14.90	25.59	31.06	22.23	-8.83
CHEMICALS AND FERTILIZERS								
2. Hindustan Organic Chemicals Limited								
	337.27	73.15	80.00	6.85	309.48	43.00	47.02	4.02
3. Madras Fertilizers Limited								
	162.14	191.71	237.53	45.82	95.85	114.06	140.42	26.36
4. National Fertilizers Limited								
	490.58	2185.53	1182.29	-1003.24	441.52	2133.95	1064.06	-1069.89
5. Rashtriya Chemicals and Fertilizers Limited								
	551.69	2019.18	1826.09	-193.09	441.36	1615.36	1460.88	-154.48
6. The Fertilizer and Chemicals Travancore Limited								
	647.07	1400.91	1329.73	-71.18	582.36	1380.76	1196.76	-184.00
COAL								
7. Coal India Limited								
	6316.36	195270.41	181848.13	-13422.28	5662.69	175743.36	163028.85	-12714.51
8. Neyveli Lignite Corporation Limited								
	1677.71	11056.11	10259.19	-796.92	1509.94	10342.34	9233.27	-1109.07
COMMERCE								
9. MMTC Limited								
	100.00	19925.00	5310.00	-14615.00	90.00	19791.74	4779.00	-15012.74
10. The State Trading Corporation of India Limited								
	60.00	815.70	1087.50	271.80	54.00	742.47	978.75	236.28
COMMUNICATION								
11. ITI Limited								
	588.00	465.12	462.24	-2.88	258.89	431.96	416.02	-15.94
12. Mahanagar Telephone Nigam Limited								
	630.00	1159.20	959.49	-199.71	354.38	652.05	539.71	-112.34
DEFENCE PRODUCTION & SUPPLIES								
13. Bharat Electronics Limited								
	80.00	9193.20	9157.20	-36.00	60.02	6974.15	6869.72	-104.43
14. BEML Limited								
	41.77	606.97	1214.35	607.38	22.50	327.94	656.10	328.16
FINANCE								
15. Balmer Lawarie Investments Limited								
	22.20	425.41	408.76	-16.65	13.25	253.86	243.93	-9.93
HEAVY INDUSTRY & PUBLIC ENTERPRISES								
16. Andrew Yule and Company Limited								
	95.30	445.18	436.70	-8.48	58.70	415.36	393.03	-22.33

*Market price as at the close of 31st March or earliest trading at Bombay Stock Exchange, Mumbai

APPENDIX-III(Continued)

(₹ in crore)

Ministry Name of the Company	Paid up Capital	Market value as on 31.3.2013	Market value as on 31.3.2014	Increase / Decrease of market value during the 2013-14	Face Value of the Govt Share	Market value of govt share as on 31.3.2013	Market value of govt share as on 31.3.2014	Inc/Dec in Market value of Govt share during 2013-14
17. Bharat Heavy Electricals Limited								
	489.52	43310.28	48168.77	4858.49	308.69	29330.35	30375.14	1044.79
18. HMT Limited								
	1864.09	1923.69	2197.41	273.72	1344.32	1902.18	2172.85	270.67
19. Scooters India Limited								
	85.38	101.36	138.75	37.39	80.03	97.58	130.06	32.48
MINES								
20. Hindustan Copper Limited								
	462.61	8576.77	6347.00	-2229.77	416.35	8063.19	5712.30	-2350.89
21. National Aluminum Company Limited								
	1288.62	8543.55	10218.75	1675.20	1044.53	6925.23	8283.12	1357.89
PETROLEUM & NATURAL GAS								
22. Engineers India Limited								
	168.47	5207.36	7581.07	2373.71	116.87	4186.77	5258.86	1072.09
23. Bharat Petroleum Corporation Limited								
	723.08	27343.43	33283.57	5940.14	397.20	15020.12	18283.12	3263.00
24. GAIL (India) Limited								
	1268.48	40483.46	47663.04	7179.58	711.73	23215.15	26743.39	3528.24
25. Hindustan Petroleum Corporation Limited								
	339.01	9654.26	10488.98	834.72	173.08	4934.42	5361.05	426.63
26. Indian Oil Corporation Limited								
	2427.95	68334.72	67739.87	-594.85	1664.97	53930.20	46452.54	-7477.66
27. Oil and Natural Gas Corporation Limited								
	4277.76	266546.29	272663.47	6117.18	2948.88	184516.94	187961.61	3444.67
28. Oil India Limited								
	601.14	30733.08	28974.75	-1758.33	406.63	21032.10	19599.66	-1432.44
POWER								
29. NHPC Limited								
	11070.67	24478.48	21144.98	-3333.50	9516.21	21140.50	18175.96	-2964.54
30. NTPC Limited								
	8245.46	117085.59	98904.35	-18181.24	6184.10	87814.20	74178.26	-13635.94
31. Power Finance Corporation Limited								
	1320.04	23958.36	25529.57	1571.21	960.95	17661.07	18584.88	923.81
32. Power Grid Corporation of India Limited								
	5231.59	49051.94	54957.85	5905.91	3028.84	34052.59	31817.91	-2234.68
33. Rural Electrification Corporation Limited								
	987.46	20553.96	22593.06	2039.10	648.17	13729.72	14830.09	1100.37
34. SJVN Limited								
	4136.63	7859.59	8686.92	827.33	2666.61	5066.56	5599.88	533.32
RAILWAYS								
35. Container Corporation of India Limited								
	194.97	13394.08	18990.49	5596.41	120.49	8449.67	11735.58	3285.91

APPENDIX-III(Continued)

(₹ in crore)

Ministry Name of the Company	Paid up Capital	Market value as on 31.3.2013	Market value as on 31.3.2014	Increase/ Decrease of market value during the year 2013-14	Face Value of the Govt Share	Market value of govt share as on 31.3.2013	Market value of govt share as on 31.3.2014	Inc/Dec in Market value of Govt share during the year 2013-14
STEEL								
36. Steel Authority of India Limited								
	4130.53	25753.83	29491.95	3738.12	3304.29	22101.14	23592.66	1491.52
37. MOIL Limited								
	168.00	3728.76	4215.96	487.20	120.24	2983.01	3017.31	34.30
38. NMDC Limited								
	396.47	54534.67	55287.96	753.29	317.19	43630.13	44232.80	602.67
SHIPPING								
39. Dredging Corporation of India Limited								
	28.00	547.54	667.94	120.40	22.00	430.17	524.76	94.59
40.The Shipping Corporation of India Limited								
	465.80	1891.14	1937.72	46.58	296.94	1205.58	1235.27	29.69
TOURISM								
41.India Tourism Development Corporation Limited								
	85.77	5275.25	825.53	-4449.72	74.64	4858.93	718.43	-4140.50
URBAN DEVELOPMENT								
42. National Buildings Construction Corporation Limited								
	120.00	1465.20	1889.40	424.20	108.00	1318.68	1700.46	381.78
Total		**1105621.84**	**1096425.83**	**-9195.82**		**838589.60**	**797347.70**	**-41241.50**

<u>Shares not traded</u>: 1. Hindustan Cables Limited, 2. Hindustan Photo-films (Manufacturing) Company Limited, 3. IRCON International Limited, 4. KIOCL Limited,

B. Market capitalization of listed Government Companies (subsidiaries)

₹ in crore

Ministry Name of the Company	Paid up Capital	Market value on 31.3.2013	Market value as on 31.3.2014	Increase/ Decrease of market value	Face Value of the Govt Companies Share	Market value of shares held by Holding company as on 31.3.2013	Market value of shares held by Holding company as on 31.3.2014	Market value of shares held by Holding company
CHEMICALS AND FERTILIZERS								
1. Hindustan Fluorocarbons Limited								
	19.61	12.33	9.02	-3.31	11.06	6.95	5.09	-1.86
PETROLEUM								
2. Balmer Lawrie and Company Limited								
	28.50	986.61	868.13	-118.48	17.61	609.72	536.50	-73.22
3. Chennai Petroleum Corporation Limited								
	149.00	1809.27	1020.04	-789.23	77.27	938.18	528.93	-409.25
4. Mangalore Refinery and Petrochemicals Limited								
	1752.66	8692.89	8333.61	-359.28	1552.51	7700.15	7381.90	-318.25
Total		**11501.10**	**10230.80**	**-1270.30**		**9255.00**	**8452.42**	**-802.58**

<u>Shares not traded</u>: 1. Eastern Investment Limited

APPENDIX-IV

(As referred to in Para No. 1.3.2)

Details of profit earned and dividend paid by government companies and cor orations

(₹ in crore)

Year	PSUs which declared/paid Dividend				
	Nos.	Paid up capital	Net Profit	Dividend	*Per cent* of dividend to net profit
Statutory Corporations					
2011-12	2	724.58	959.47	199.09	20.75
2012-13	2	724.58	874.55	174.87	20.00
2013-14	2	724.58	896.05	179.63	20.05
Listed Government Companies					
2011-12	35	59272.21	104144.41	32007.95	30.73
2012-13	32	58019.66	97514.91	38352.73	39.33
2013-14	34	57636.21	104662.36	48937.89	46.76
Unlisted Government Companies					
2011-12	74	41809.14	24562.65	10464.21	42.60
2012-13	75	42091.27	31172.00	12155.39	38.99
2013-14	75	39944.48	30068.63	16933.81	56.32
Total					
2011-12	111	101805.93	129666.53	42671.25	32.91
2012-13	109	100835.51	129561.46	50682.99	39.12
2013-14	111	98305.27	135627.04	66051.33	48.70

APPENDIX-V

(As referred to in Para No.1.3.2)

Shortfall in dividend declared by government companies

(₹ in crore)

Sl. No	Name of the CPSE	Paid up Capital	Profit After Tax	Dividend declared	20% of Paid up Capital	20% Profit after Tax	Minimum Dividend required to be declared	Shortfall
LISTED GOVERNMENT COMPANIES								
CHEMICALS AND FERTILIZERS								
1	Rashtriya Chemicals and Fertilizers Limited	551.69	249.89	82.75	110.34	49.98	110.34	27.59
Power								
2	SJVN Limited	4136.63	1114.63	405.39	827.33	222.93	827.33	421.94
RAILWAYS								
3	IRCON International Limited	19.80	1061.60	182.12	3.96	212.32	212.32	30.20
UNLISTED GOVERNMENT COMPANIES								
AGRICULTURE								
4	State Farms Corporation of India Limited	31.49	41.83	2.36	6.30	8.37	8.37	6.01
5	National Seeds Corporation Limited	22.68	54.07	4.12	4.54	10.81	10.81	6.69
ATOMIC ENERGY								
6	Nuclear Power Corporation of India Limited	10174.33	2299.20	689.77	2034.87	459.84	2034.87	1345.10
7	Electronics Corporation of India Limited	163.37	47.39	9.48	32.67	9.48	32.67	23.19
COMMERCE AND INDUSTRY								
8	Export Credit Guarantee Corporation of India Limited	1100.00	365.13	88.00	220.00	73.03	220.00	132.00
COMMUNICATIONS AND INFORMATION TECHNOLOGY								
9	Telecommunications Consultants of India Limited	43.20	14.75	1.03	8.64	2.95	8.64	7.61
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES								
10	BBJ Construction Company Limited	20.26	44.12	4.05	4.05	8.82	8.82	4.77
HOUSING AND URBAN POVERTY ALLEVIATION								
11	Housing and Urban Development Corporation Limited	2001.90	726.34	100.01	400.38	145.27	400.38	300.37
MINES								
12	Mineral Exploration Corporation Limited	119.55	25.46	5.14	23.91	5.09	23.91	18.77
NEW AND RENEWABLE ENERGY								
13	India Renewable Energy Development Agency Ltd	744.60	240.51	35.00	148.92	48.10	148.92	113.92
PETROLEUM & NATURAL GAS								
14	Numaligarh Refinery Ltd	735.63	371.09	117.70	147.13	74.22	147.13	29.43

APPENDIX-V (Continued)

(₹ in crore)

Sl. No	Name of the PSU	Paid up Capital	Profit After Tax	Dividend declared	20% of Paid up Capital	20% Profit after Tax	Minimum Dividend required to be declared	Shortfall
POWER								
15	REC Power Distribution Company limited	0.05	33.01	0.25	0.01	6.60	6.60	6.35
16	REC Transmission Projects Company Limited	0.05	23.86	0.10	0.01	4.77	4.77	4.67
RAILWAYS								
17	RailTel Corporation of India Limited	320.94	137.93	17.00	64.19	27.59	64.19	47.19
SHIPPING								
18	Cochin Shipyard Limited	113.28	194.24	16.99	22.66	38.85	38.85	21.86
TEXTILES								
19	The Cotton Corporation of India Limited	25.00	59.84	5.00	5.00	11.97	11.97	6.97
	Total Shortfall							**2554.63**

APPENDIX-VI

(As referred to in Para 2.6)

Details of Companies which departed from Accounting Standards as reported by the statutory auditors

Sr. No.	Name of the Company	Category	Government Company (GC) and Deemed Government Company (DGC)	No. of the Accounting Standard
1.	Agriculture Insurance Company of India Limited	Unlisted	GC	AS- 1and 9
2.	Bharat Sanchar Nigam Limited	Unlisted	GC	AS – 5, 12, 15, 17, 22 and 28
3.	British India Corporation Limited	Unlisted	GC	AS-1,2,21 and 28
4.	Central Cottage Industries Corporation of India Limited	Unlisted	GC	AS-17
5.	Central Inland Water Transport Corporation Limited	Unlisted	GC	AS – 1, 5, 22 and 28
6.	Chandigarh Scheduled Caste Financial and Development Corporation Limited	Unlisted	GC	AS - 15
7.	Chennai Ennore Port Road Company Limited	Unlisted	GC	AS – 1 and 26
8.	Goa Antibiotics and Pharmaceuticals Limited	Unlisted	GC	AS – 15 and 19
9.	Hindustan Antibiotics Limited	Unlisted	GC	AS – 2, 27 and 29
10.	Hindustan Cables Limited	Listed	GC	AS – 1, 10 and 28
11.	Hindustan Insecticides Limited	Unlisted	GC	AS - 2, 9, 12, 17, 20, 22, 28 and 29
12.	Hindustan Paper Corporation Limited	Unlisted	GC	AS - 15
13.	HLL Lifecare Limited	Unlisted	GC	AS - 13
14.	HMT Chinar Watches Limited	Unlisted	GC	AS-15
15.	Indian Drugs and Pharmaceuticals Limited	Unlisted	GC	AS - 2, 6, 10, 13 and 15
16.	Instrumentation Limited	Unlisted	GC	AS - 15
17.	Lakshadweep Development Corporation Limited	Unlisted	GC	AS – 1 and 28
18.	Madras Fertilisers Limited	Listed	GC	AS - 2
19.	Mahanagar Telephone Nigam Limited	Listed	GC	AS – 2, 6, 9, 10, 13, 17, 28 and 29

APPENDIX-VI (Continued)

Sr. No.	Name of the Company	Category	Government Company (GC) and Deemed Government Company (DGC)	No. of the Accounting Standard
20.	Mishra Dhatu Nigam Limited	Unlisted	GC	AS - 29
21.	MSTC Limited	Unlisted	GC	AS - 11
22.	National Backward Classes Finance and Development Corporation	Unlisted	GC	AS - 9
23.	National Informatics Centre Services Inc.	Unlisted	GC	As – 3, 4, 9, 10, 15, 18 and 26
24.	National Projects Construction Corporation Limited	Unlisted	GC	AS – 7, 9 and 28
25.	National Research Development Corporation of India Limited	Unlisted	GC	AS – 9 and 13
26.	National Scheduled Castes Finance and Development Corporation	Unlisted	GC	AS - 15
27.	National Textile Corporation Limited	Unlisted	GC	AS-17
28.	Oriental Insurance Company Limited	Unlisted	GC	AS-15
29.	Rites Limited	Unlisted	GC	AS - 11
30.	Sambhar Salts Limited	Unlisted	GC	AS - 16
31.	Security Printing and Minting Corporation of India Limited	Unlisted	GC	AS-2, 6, 9, 10 and 29
32.	The Handicraft and Handlooms Export Corporation of India Limited	Unlisted	GC	AS-1
33.	The Shipping Corporation of India Limited	Listed	GC	AS - 28

APPENDIX-VII

(As referred to in Para No. 2.9.1)

CPSEs where deficiencies in the accounting policies and accounting practices were noticed

Sr. No.	Name of the CPSEs
1	All Bank Finance Limited
2	Andrew Yule & Co. Limited
3	Central Inland Water Transport Corporation Limited
4	Hindustan Cables Limited
5	MSTC Limited
6	National Jute Manufactures Corporation Limited
7	The Handicraft and Handlooms Export Corporation of India Limited
8	The Jute Corporation of India Limited

APPENDIX-VIII

(As referred to in Para No. 2.9.2)

CPSEs where procedure for identification of business risk was either inadequate or not in existence

Sr. No.	Name of the CPSEs
1.	British India Corporation Limited
2.	Burn Standard Company Limited
3.	Energy Efficiency Services Limited
4.	Garden Reach Ship Builders Limited
5.	Hindustan Antibiotics Limited
6.	Hindustan Fertilizers Corporation Limited
7.	Hindustan Organic Chemicals Limited
8.	HOC Chematur Limited
9.	Hooghly Printing Company Limited
10.	IFCI Limited
11.	Konkan Railway Corporation Limited
12.	MMTC Limited
13.	National Jute Manufactures Corporation Limited
14.	National Textile Corporation Limited
15.	NEPA Limited
16.	New City of Bombay Manufacturing Mills Limited
17.	North Eastern Power Corporation Limited
18.	Ratnagiri Gas and Power Private Limited
19.	Solar Energy Corporation of India Limited
20.	STCL Limited
21.	The Jute Corporation of India Limited
22.	The Shipping Corporation of India Limited

APPENDIX-IX

(As referred to in Para No. 2.9.3)

CPSEs where system of accounts and financial control are required to be strengthened

Sr. No.	Name of the CPSEs
1	Ahmadabad Vadodara Expressway Company Limited
2	Aravali Power Company Private Limited
3	Aurangabad Textile and Apparel Parks Limited
4	Bharat Electronics Limited
5	Bharat Sanchar Nigam Limited
6	Brahmaputra Valley Fertilizer Corporation Limited
7	British India Corporation Limited
8	Burn Standard Company Limited
9	Cement Corporation of India Limited
10	Central Inland Water Transport Corporation Limited
11	Central Railside Warehouse Company Limited
12	Central Registry of Securitization Asset Reconstruction and Security Interest of India
13	Coal India Limited
14	Energy Efficiency Services Limited
15	Engineering Projects (India) Limited
16	GAIL Gas Limited
17	HARDICON Limited
18	Hindustan Antibiotics Limited
19	Hindustan Cables Limited
20	Hindustan Insecticides Limited
21	Hindustan Photofilms Manufacturing Company Limited
22	Hindustan Prefab Limited
23	Hindustan Salts Limited
24	HMT Limited
25	HMT Machine Limited
26	HMT Watches Limited
27	Housing & Urban Development Corporation Limited
28	IDBI Trusteeship Services Limited
29	IIFCL Asset Management Company Limited
30	India SME Technology Services Limited
31	India Trade Promotion Organisation
32	India United Textile Limited
33	Indian Tourism Development Corporation Limited
34	Instrumentation Limited
35	Konkan Railway Corporation Limited
36	Madras Fertilizers Limited
37	Mahanadi Coalfields Limited
38	Mahanagar Telephone Nigam Limited
39	MMTC Limited
40	MSTC Limited
41	National Informatics Centre Services Inc.

APPENDIX-IX (Continued)

Sr. No.	Name of the CPSEs
42	National Insurance Company Limited
43	New City of Bombay Manufacturing Mills Limited
44	Northern Coalfields Limited
45	NTPC BHEL Power Projects Private Limited
46	Oriental Insurance Corporation Limited
47	PEC Limited
48	Power System Operation Corporation Limited
49	Powergrid Corporation of India Limited
50	Ratnagiri Gas and Power Private Limited
51	REC Power Distribution Company Limited
52	Richardson and Cruddas (1972) Limited
53	Security Printing and Minting Corporation of India Limited
54	Solar Energy Corporation of India Limited
55	STCL Limited
56	The Handicraft and Handlooms Export Corporation of India Limited
57	The Shipping Corporation of India Limited
58	The State Trading Corporation of India Limited
59	Tuticorin Port Road Company Limited

APPENDIX-X

(As referred to in Para No. 2.9.4)

CPSEs where Economic Order Quantity, ABC Analysis, system of physical verification or maintenance of inventory was not adequate/ deficient

Sr. No.	Name of the CPSEs
1	Andrew Yule & Co. Limited
2	Aravali Power Company Private Limited
3	Aurangabad Textile and Apparel Parks Limited
4	Bharat Heavy Electricals Limited
5	Bharat Pumps and Compressors Limited
6	Bharat Sanchar Nigam Limited
7	Brahmaputra Valley Fertilizer Corporation Limited
8	BBJ Construction Company Limited
9	Bridge and Roof Co. (India) Limited
10	British India Corporation Limited
11	Burn Standard Company Limited
12	Cement Corporation of India Limited
13	Cent Bank Home Finance Company Limited
14	Central Cottage Industries Corporation of India Limited
15	Central Railside Warehouse Company Limited
16	Central Registry of Securitization Asset Reconstruction and Security Interest of India
17	Chennai Metro Rail Limited
18	Delhi Mumbai Industrial Corridor Development Corporation Limited
19	Donyi Polo Ashok Hotel Corporation Limited

APPENDIX-X (Continued)

Sr. No.	Name of the CPSEs
20	Eastern Coalfields Limited
21	Energy Efficiency Services Limited
22	General Insurance Corporation of India
23	Goldmohur Design and Apparel Parks Limited
24	Hindustan Antibiotics Limited
25	Hindustan Cables Limited
26	Hindustan Copper Limited
27	Hindustan Insecticides Limited
28	Hindustan Organic Chemicals Limited
29	Hindustan Photofilms Manufacturing Company Limited
30	HMT Limited
31	HOC Chematur Limited
32	IFCI Infrastructure Development Limited
33	IFIN Credit Limited
34	India Trade Promotion Organisation
35	Mahanadi Coalfields Limited
36	Mahanagar Telephone Nigam Limited
37	Mineral Exploration Corporation Limited
38	MOIL Limited
39	MPCON Limited
40	National Bicycle Corporation of India Limited
41	National Buildings Construction Corporation Limited
42	National Fertilizers Limited
43	National Jute Manufactures Corporation Limited
44	National Textile Corporation Limited
45	NEPA Limited
46	New City of Bombay Manufacturing Mills Limited
47	North Eastern Electric Power Corporation Limited
48	Northern Coalfields Limited
49	NTPC Limited
50	NTPC Tamil Nadu Energy Company Limited
51	Power System Operation Corporation Limited
52	Rajasthan Consultancy Organisation Limited
53	Ratnagiri Gas & Power Private Limited
54	Richardson and Cruddas (1972) Limited
55	Scooters India Limited
56	Security Printing and Minting Corporation of India Limited
57	The Handicraft and Handlooms Export Corporation of India Limited
58	The Shipping Corporation of India Limited

APPENDIX-XI

(As referred to in Para No. 2.9.5)

CPSEs where internal audit system needs to be strengthened

Sr. No.	Name of the CPSEs
1	Andrew Yule & Co. Limited
2	Aurangabad Textile and Apparel Parks Limited
3	BBJ Construction Company Limited
4	Bharat Bhari Udyog Nigam Limited
5	Bharat Pumps & Compressors Limited
6	British India Corporation Limited
7	Cement Corporation of India Limited
8	Central Registry of Securitization Asset Reconstruction and Security Interest of India
9	Creative Museum Designers
10	Engineering Projects India Limited
11	GAIL Gas Limited
12	Hindustan Cable Limited
13	Hindustan Copper Limited
14	Hindustan Insecticides Limited
15	Hindustan Prefab Limited
16	IFCI Limited
17	IFCI Securities Finance Limited
18	IFIN Credit Limited
19	IIFCL Projects Limited
20	India Tourism Development Corporation Limited
21	India United Textile Mills Limited
22	Kanti Bijlee Utpadan Nigam Limited
23	Konkan Railway Corporation Limited
24	Loktak Downstream Hydro Electric Corporation Limited
25	Mahanagar Telephone Nigam Limited
26	MSTC Limited
27	National Jute Manufacture Corporation Limited
28	Neelachal Ispat Nigam Limited
29	New City of Bombay Manufacturing Mills Limited
30	Northern Coalfields Limited
31	NTPC Tamil Nadu Energy Company Limited
32	Power System Operation Corporation Limited
33	Powergrid Corporation of India Limited
34	Rajasthan Consultancy Organisation Limited
35	Security Printing and Minting Corporation of India Limited
36	Solar Energy Corporation of India Limited
37	The Shipping Corporation of India Limited
38	Tamil Nadu Trade Promotion Organization
39	Tourism Finance Corporation of India Limited
40	Urvarak Videsh Limited

APPENDIX-XII

(As referred to in Para No. 2.9.6)

CPSEs where proper security policy for software/hardware, IT strategy/plan needs improvement

Sr. No.	Name of the CPSEs
1	All Bank Finance Limited
2	Andrew Yule & Co. Limited
3	Aurangabad Textile and Apparel Parks Limited
4	BBJ Construction Company Limited
5	Bharat Pump & Compressors Limited
6	Brahmaputra Valley Fertilizer Corporation Limited
7	British India Corporation Limited
8	Burn Standard Company Limited
9	Central Cottage Industries Corporation of India Limited
10	Central Registry of Securitization Asset Reconstruction and Security Interest of India
11	Chennai Metro Rail Limited
12	Coal India Limited
13	Delhi Mumbai Industrial Corridor Development Corporation Limited
14	Engineering Project (India) Limited
15	FCI Aravali and Minerals India Limited
16	Fertilizer and Chemicals Travancore Limited
17	Garden Reach Ship Builders Limited
18	Goldmohur Design and Apparel Parks Limited
19	Hindustan Copper Limited
20	Hindustan Insecticides Limited
21	Hindustan Shipyard Limited
22	HMT Chinar Watches Limited
23	IFCI Factors Limited
24	IFCI Financial Services Limited
25	IFCI Infrastructure Development Limited
26	IFCI Limited
27	IFCI Securities Finance Limited
28	IFCI Venture Capital Fund Limited
29	IFIN Commodities Limited
30	IFIN Credit Limited
31	IIDL Realtors Private Limited
32	India SME Technology Services Limited
33	Kanti Bijlee Utpadan Nigam Limited
34	KITCO Limited
35	Konkan Railway Corporation Limited
36	Loktak Downstream Hydroelectric Corporation Limited
37	Mahanadi Coalfields Limited
38	Mineral Exploration Corporation Limited
39	MMTC Limited
40	MSTC Limited
41	Nabinagar Power Generating Company Private Limited

APPENDIX_XII (Continued)

Sr. No.	Name of the CPSEs
42	National Jute Manufactures Corporation Limited
43	National Textile Corporation Limited
44	Neelachal Ispat Nigam Limited
45	NEPA Limited
46	New City of Bombay Manufacturing Mills Limited
47	North Eastern Development Finance Corporation Limited
48	North Eastern Power Corporation Limited
49	NTPC BHEL Power Projects Private Limited
50	NTPC Tamil Nadu Energy Company Limited
51	PEC Limited
52	Power System Operation Corporation Limited
53	Powergrid Corporation Of India Limited
54	Rajasthan Consultancy Organisation Limited
55	Rajasthan Electronics & Instruments Limited
56	Ratnagiri Gas & Power Private Limited
57	REC Power Distribution Company Limited
58	Sail Refractory Company Limited
59	Scooters India Limited
60	Solar Energy Corporation of India
61	STC Limited
62	The Bisra Stone Lime Company Limited
63	The Handicraft and Handlooms Export Corporation of India Limited
64	The Oriental Insurance Company Limited
65	The Orissa Minerals Development Company Limited
66	The Shipping Corporation of India Limited
67	The State Trading Corporation of India Limited
68	Tourism Finance Corporation of India Limited
69	Urvarak Videsh Limited

APPENDIX-XIII

(As referred to in Para No. 2.9.7)

CPSEs which did not have any formal cost policy or existing cost policy was not effective

Sr. No.	Name of the CPSEs
1	Aurangabad Textile and Apparel Parks Limited
2	BBJ Construction Company Limited
3	British India Corporation Limited
4	Burn Standard Company Limited
5	Donyi Polo Ashok Hotel Corporation Limited
6	Garden Reach Ship Builders Limited
7	Hindustan Organic Chemicals Limited
8	Hindustan Prefab Limited
9	HMT Chinar Watches Limited
10	IFCI Infrastructure Development Limited
11	IIDL Realtors Private Limited
12	India United Textile Mills Limited
13	NHPC Limited
14	Ratnagiri Gas and Power Private Limited
15	Security Printing and Minting Corporation of India Limited
16	Steel Authority of India Limited

APPENDIX-XIV

(As referred to in Para No. 2.9.8)

CPSEs where monitoring and adjusting advances to contractors and suppliers requires to be strengthened

Sr. No.	Name of the CPSEs
1	Bharat Bhari Udyog Nigam Limited
2	British India Corporation Limited
3	Burn Standard Company Limited
4	Cement Corporation of India Limited
5	Central Inland Water Transport Corporation Limited
6	Hindustan Antibiotics Limited
7	Hindustan Prefab Limited
8	HOC Chematur Limited
9	Mahanadi Coalfields Limited
10	National Aluminum Company Limited
11	NEPA Limited
12	NHPC Limited
13	Power System Operation Corporation Limited
14	Powergrid Corporation of India Limited
15	Ratnagiri Gas and Power Private Limited
16	Richardson and Cruddas (1972) Limited
17	Security Printing and Minting Corporation of India Limited

APPENDIX-XV

(As referred to in Para No. 2.9.9)

Details of CPSEs where confirmation of balances in respect of debtors/creditors were not obtained by the Management

S.No.	Name of CPSEs
1.	All Bank Finance Limited
2.	Andrew Yule & Co. Limited
3.	Bharat Bhari Udyog Nigam Limited
4.	BBJ Construction Company Limited
5.	Cement Corporation of India Limited
6.	Central Cottage Industries Corporation of India Limited
7.	Central Inland Water Transport Corporation Limited
8.	Donyi Polo Ashok Hotel Corporation Limited
9.	Hindustan Antibiotics Limited
10.	Hindustan Copper Limited
11.	Hindustan Insecticides Limited
12.	Hindustan Organic Chemicals Limited
13.	Hooghly Printing Company Limited
14.	IFCI Factors Limited
15.	IFCI Infrastructure Development Limited
16.	MSTC Limited
17.	National Fertilizers Limited
18.	PNB Housing Finance Limited
19.	Projects & Development India Limited
20.	Richardson and Cruddas (1972) Limited
21.	Tamil Nadu Trade Promotion Organization
22.	The Handicraft and Handlooms Export Corporation of India Limited

APPENDIX-XVI

(As referred to in Para No. 2.9.10)

CPSEs where fraud and risk policy/whistle blowing policy was inefficient

Sr. No.	Name of the CPSEs
1.	Aurangabad Textiles and Apparel Parks Limited
2.	Baira Siul Sarna Transmission Limited
3.	BEML Limited
4.	Bengal Chemicals and Pharmaceuticals Limited
5.	Bharat Dynamics Limited
6.	Bharat Heavy Electricals Limited
7.	Bharat Pumps & Compressors Limited
8.	Bhartiya Rail Bijlee Utpadan Nigam Limited
9.	British India Corporation Limited
10.	Canara Robeco Asset Management Company Limited
11.	Cement Corporation of India Limited
12.	Cent Bank Home Finance Company Limited
13.	Central Railside Warehouse Company Limited
14.	Certification Engineers International Limited
15.	Delhi Mumbai Industrial Corridor Development Corporation Limited
16.	Eastern Coalfields Limited
17.	Energy Efficiency Services Limited
18.	Garden Reach Ship Builders Limited
19.	Goldmohur Design and Apparel Parks Limited
20.	HARDICON Limited
21.	Hindustan Insecticides Limited
22.	Hindustan Prefab Limited
23.	Hindustan Salts Limited
24.	HMT Watches Limited
25.	Housing & Urban Development Corporation Limited
26.	IFCI Factors Limited
27.	IFCI Financial Services Limited
28.	IFCI Infrastructure Development Limited
29.	IFCI Limited
30.	IFCI Venture Capital Fund Limited
31.	IFIN Commodities Limited
32.	IFIN Credit Limited
33.	IFIN Securities Finance Limited
34.	IIDL Realtors Private Limited
35.	IIFCL Asset Management Company Limited
36.	IIFCL Projects Limited
37.	India SME Technology Services Limited
38.	Loktak Downstream Hydroelectric Corporation Limited
39.	Madras Fertilizers Limited
40.	Mahanadi Coalfields Limited
41.	Mazagaon Dock Limited
42.	Mineral Exploration Corporation Limited

APPENDIX-XVI (Continued)

Sr. No.	Name of the CPSEs
43.	MMTC Limited
44.	MOIL Limited
45.	National Fertilizers Limited
46.	National High Power Test Laboratory Private Limited
47.	National Textile Company Limited
48.	NEPA Limited
49.	New City of Bombay Manufacturing Mills Limited
50.	North East Transmission Company Limited
51.	Northern Coalfields Limited
52.	NTPC BHEL Power Projects Private Limited
53.	NTPC Tamil Nadu Energy Company Limited
54.	PEC Limited
55.	PNB Gilts Limited
56.	Power Grid Corporation of India Limited
57.	Projects & Development India Limited
58.	Rajasthan Consultancy Organisation Limited
59.	Ratnagiri Gas and Power Private Limited
60.	Solar Energy Corporation of India
61.	STCL Limited
62.	Steel Authority of India Limited
63.	The State Trading Corporation of India Limited
64.	Tourism Finance Corporation of India Limited
65.	Union KBC Asset Management Company Limited
66.	Union KBC Trustee Company Limited
67.	Urvarak Videsh Limited
68.	Vignyan Industries Limited

APPENDIX-XVII

(As referred to in Paragraph 2.10)

Details of CPSEs indicating nature of the deficiencies relating to internal controls

S.No.	Name of the CPSE	Nature of Deficiency
1.	Bharat Bhari Udyog Nigam Limited	The Company does not have any investment policy.
2.	Bharat Pumps & Compressors Limited	• Economic order quantity for procurement of stores was not fixed by the Company. • ABC analysis was not adopted to control the inventory. • No system of survey of fixed assets was in existence and fixed assets had not been revalued during the year. • The Company had not evolved proper security policy for Software/Hardware.
3.	Bharat Sanchar Nigam Limited	• In Corporate Office, there was no formal compliance reporting mechanism on internal audit observations. This needs to be strengthened. • The scope of internal audit needed to be widened. Further, frequency of internal audit should be done quarterly during the year with submission of report in 6-8 weeks after the end of quarter. Management should prepare the compliance on the Internal Audit Report and place the same before Audit Committee of the Boards of Directors. • Compliance mechanism on Internal Audit observations needed to be strengthened in 25 SSAs. There was no uniform reporting system by the SSA / circle internal auditors.
4.	British India Corporation Limited	The fixed asset register maintained by the Company was not proper as it does not show full particulars, including quantitative details, situation and their respective identification number. No particulars in respect of land had been recorded.
5.	Cement Corporation of India Limited	No internal audit standards/manual/ guidelines.
6.	Central Inland Water Transport Corporation Limited	• The Company does not have any specific credit policy. • Internal control procedure for procurement of stores (standard/non-standard) needed improvement as there was huge stock of stores left even after completion of the job.
7.	Donyi Polo Ashok Hotel Corporation Ltd.	The Company does not have any norms for storage losses of inventories.

APPENDIX-XVII (Continued)

S.No.	Name of the CPSE	Nature of Deficiency
8.	Gail Gas Limited	• There was difference between customers who started drawing gas and number of customers for which bills were raised. • Many times GR/IR balances were cleared through manual intervention which was contrary to system discipline. • No physical verification of material issued to contractors was made. • No regular system of gas reconciliation. • The Company's Internal Audit had been taken care of by GAIL (India) Limited which needs further strengthening and the Company has been advised to go in for a third party internal audit by a chartered accountant for financial matters.
9.	Goldmohur Design and Apparel Parks Limited	Whistle blowing policy and Fraud Policy were not framed by the Company. Further, it does not have any separate Vigilance wing.
10.	Hindustan Antibiotics Limited	Internal Control system needed to be strengthened having regard to the size of the Company and nature of its business.
11.	Hindustan Cables Limited	The inventories were stated at its book value and not compared with its Net Realizable Value.
12.	Hindustan Copper Limited	• The internal control system needed to be strengthened keeping in view the size of the company and the nature of its business to avoid any chance of fraud/irregularities in the day to day administration of the company. • There were financial irregularities regarding fraudulent encashment of cheques at Indian Copper Complex, Ghatshila, stated vide clause 16 of Note No.35 of Annual Audit Accounts. The management had not reported the same as fraud.
13.	IFCI Factors Limited	• No separate vigilance department. • No internal audit standards/manual/ guidelines.
14.	IFCI Financial Services Limited	• No separate vigilance department. • No investment policy. • No internal audit standards/manual/ guidelines.
15.	IFCI Infrastructure Development Limited	• No separate vigilance department. • Fixed Asset register had not been maintained. • Physical verification of inventory had not been carried out.
16.	IFCI Securities Finance Limited	• No separate vigilance department. • No internal audit had been carried out by the Company. • No IT security policy.

APPENDIX-XVII (Continued)

S.No.	Name of the CPSE	Nature of Deficiency
17.	IFCI Venture Capital Fund Limited	• No separate vigilance department. • No investment policy. • No internal audit standards/manual/ guidelines.
18.	IFIN Commodities Limited	• No separate vigilance department. • No investment policy. • No internal audit standards/manual/ guidelines.
19.	IFIN Credit Limited	• No separate vigilance department. • Fixed Asset register had not been maintained.
20.	IIDL Realtors Private Limited	• No separate vigilance department. • No internal audit standards/manual/ guidelines.
21.	India SME Technology Services Limited	• No separate vigilance department. • No investment policy.
22.	Mahanagar Telephone Nigam Limited	There were no laid down guidelines for inter-project transfer of stores.
23.	MPCON Limited	Fixed assets register needed updation.
24.	National Fertilizers Limited	Fixed Asset register was being maintained on different computer software by different Units and had not been interconnected through interface.
25.	National Jute Manufactures Corporation Limited	The company does not have any investment policy.
26.	National Textile Company Limited	• The Company does not have approved IT strategy plan & IT Committee and effective disaster recovery plan. • Internal Audit needed to be strengthened. Scope of Internal Audit should be widened to include high value tenders, Joint Venture transactions and reporting on old outstanding and confirmations etc.
27.	Neelachal Ispat Nigam Limited	The Company does not have any investment policy.
28.	ONGC Videsh Limited	Internal Audit manual/ guidelines were not made available and Manual was not documented.
29.	PNB Housing Finance Limited	No separate vigilance department.
30.	Rajasthan Consultancy Organization Limited	• The Company does not have approved disaster Recovery Plan. Further Company does not have any EDP audit. • Company was not having any internal audit section.
31.	Scooters India Limited	Economic order quantity for procurement of stores was not fixed by the Company.
32.	Security Printing and Minting Corporation of India Limited	• The Company had no written policy prescribing the economic order quantity and maximum and minimum limit of inventory. • ABC analysis was not adopted to control the inventory. • The Company was not maintaining proper records of inventory in some of the units.

APPENDIX-XVII (Continued)

S.No.	Name of the CPSE	Nature of Deficiency
33.	The Handicraft and Handlooms Export Corporation of India Limited	Internal Control mechanism needed to be strengthened in following areas viz. on stores, obtaining confirmations, periodic reconciliation of returns, TDS on works contracts, foreign exchange records, etc.
34.	The Oriental Insurance Company Limited	• The Audit Committee had not reviewed and discussed with the management the adequacy and effectiveness of the accounting and financial controls. • Security policy for Software /Hardware had not been reviewed by internal team on annual basis as defined in IS Policy Manual under "Independent Review of Information Security" section.
35.	Tourism Finance Corporation of India Limited	No separate vigilance department.
36.	Urvarak Videsh Limited	No separate vigilance department.
37.	Utkal Ashok Hotel Corporation Limited	There was no physical verification of fixed assets made during the period.

Appendix-XVIII
(As referred to in Para no 3.1.5)
CPSEs covered for the Chapter on Corporate Governance under Ministry of Commerce and Industry, Ministry of Mines, Ministry of Tourism, Ministry of Urban Development and Ministry of Textiles

Sl. No.	Name of the CPSEs
1	Pondicherry Ashok Hotel Corporation Limited
2	Tamil Nadu Trade Promotion Organisation
3	Jharkhand National Mineral Development Corporation
4	Karnataka Trade Promotion Organisation
5	STCL Limited
6	Assam Ashok Hotel Corporation Limited
7	Donyi Polo Ashok Hotel Corporation Limited
8	Hindustan Copper Limited
9	Jute Corporation of India Limited
10	National Aluminium Company Limited
11	National Jute Manufactures Corporation Limited
12	Export Credit Guarantee Corporation of India Limited
13	Delhi Metro Rail Corporation Limited
14	India Tourism Development Corporation Limited
15	MMTC Limited
16	National Building Construction Corporation Limited
17	National Centre for Trade Information
18	PEC Limited
19	State Trading Corporation of India Limited
20	Central Cottage Industries Corporation of India Limited
21	J & K Development Finance Corporation Limited
22	National Handloom Development Corporation Limited
23	National Textile Corporation Limited
24	British India Corporation Limited
25	The Cotton Corporation of India Limited
26	Handicrafts and Handlooms Export Corporation of India
27	Mineral Exploration Corporation Limited
28	Madhya Pradesh Ashok Hotel Corporation Limited
29	Ranchi Ashok Bihar Hotel Corporation Limited
30	Apollo Design and Apparel Parks Limited
31	Aurangabad Textiles and Apparel Parks Limited
32	Goldmohur Design & Apparel Parks Limited
33	India United textile Mills Limited
34	New City of Bombay Manufacturing Mills Limited