

## Executive Summary

### Financial performance of State Public Sector Enterprises

As on 31 March 2020, there were 45 State Public Sector Enterprises (SPSEs) in the State of Rajasthan, including 38 Government Companies, four Government Controlled other Companies and three Statutory Corporations, under the audit jurisdiction of the CAG. This Report deals with all 45 SPSEs.

#### *Investment in SPSEs*

During FY 2019-20, the total investment (₹ 157588.59 crore) in 41 SPSEs was slightly reduced due to conversion of loan amounting to ₹ 14721.97 crore under Ujwal DISCOM Assurance Yojana into equity and subsidy. Major part of the total investment pertained to the Power Sector SPSEs, as 92.22 per cent of the total investment (₹ 145323.58 crore) as on 31 March 2020 was infused in the Power Sector SPSEs.

During FY 2019-20, Equity investment in the 41 SPSEs registered a net increase of ₹ 2095.54 crore. The State Government infused entire equity in the Power Sector SPSEs through issue of shares (₹ 1190.04 crore) and conversion of loan into equity (₹ 905.50 crore).

Till 31 March 2020, the total capital investment in four Government Controlled other Companies was ₹ 600.01 crore which was invested equally by the State Government and by the Municipal Corporations controlled by it.

*(Para 1.6, 1.7 and 1.16)*

#### *Return on investment*

Out of 41 SPSEs, 25 SPSEs earned profit of ₹ 3843.10 crore in 2019-20, of which, 85.92 per cent pertains to Power Sector on account of subsidy received under UDAY.

*(Para 1.21)*

Out of 41 SPSEs, 13 SPSEs incurred loss of ₹ 489.54 crore during the year 2019-20.

*(Para 1.24)*

#### *Erosion of Net Worth*

The capital investment and accumulated losses of the 41 SPSEs as per their latest finalised accounts were ₹ 51383.84 crore and ₹ 94469.51 crore respectively resulting in negative net worth of ₹ 43148.15 crore after deducting deferred revenue expenditure of ₹ 62.48 crore. Net worth of 15 SPSEs had eroded fully as the capital investment and accumulated losses of these SPSEs were ₹ 33384.14 crore and ₹ 93721.74 crore respectively.

*(Para 1.25)*

### ***Rate of Return on State Government Investment***

The Present Value (PV) of State Government investment was computed in 32 SPSEs i.e. wherein the State Government infused funds in the form of equity, loans and grants/ subsidies, to assess the Rate of Real Return on Government investment (RORR) as compare to historical cost of Government Investment (ROR). The PV of State Government investment without considering subsidy and with subsidy received under UDAY was worked out to ₹ 92767.49 crore and ₹ 148093.09 crore respectively whereas the RORR was worked out to 3.83 per cent and 2.40 per cent respectively.

***(Para 1.28)***

### **Oversight Role of CAG**

Out of 42 SPSEs (excluding three Statutory Corporations) under jurisdiction of the CAG, financial statements of 30 SPSEs including three Government controlled other Companies were received on or before 31 December 2020. Financial Statements of 12 SPSEs including one Government controlled other Company were in arrear due to different reasons.

***(Para 2.4)***

Out of 30 SPSEs from which the Financial Statements were received in time, supplementary audit was undertaken in 21 SPSEs. Besides, financial statements of two Statutory Corporations were also received and supplementary audit of the same were also undertaken.

***(Para 2.9)***

As a result of supplementary audit, one Government Company (Rajasthan Urban Drinking Water Sewerage and Infrastructure Limited) amended its financial statement for the year 2016-17 before laying the same in the Annual General Meeting.

***(Para 2.10)***

Irregularities and deficiencies in the financial reports or in the reporting process observed during supplementary audit which were not material, were communicated to the Management of 26 SPSEs through 'Management Letter' for taking corrective action.

***(Para 2.14)***

### **Corporate Governance**

The review of Corporate Governance covers all the Government Companies under administrative control of various Ministries except Rajasthan State Agro Industries Corporation Limited which is under liquidation. Provisions of the Companies Act, 2013 regarding Corporate Governance, though mandatory,

were not being complied with by some of the SPSEs. During the year the following significant departures from the prescribed guidelines were noticed:

Representation of Independent Directors in four SPSEs was less than the required numbers whereas 17 SPSEs did not have Independent Directors on their Board.

*(Para 3.5)*

Two SPSEs did not have woman director throughout FY 2019-20.

*(Para 3.6)*

100 *per cent* presence of Independent Directors was only in 57 *per cent* of the Board Meetings. Further, the Independent Directors of two SPSEs did not give importance to the role assigned to them on behalf of the stakeholders by not attending the Board meetings.

*(Para 3.9-A)*

Independent Directors of seven SPSEs did not attend the general meeting. Further, presence of Independent Directors in other Board Committee meeting *i.e.* Corporate Social Responsibility committee and Audit Committee was also insufficient.

*(Para 3.9-B & C)*

Independent Directors of 13 SPSEs did not conduct separate meetings during 2019-20.

*(Para 3.10)*

16 SPSEs failed to conduct four BoD meetings whereas four SPSEs held only one BoD meeting during FY 2019-20. Further in 15 SPSEs, the intervening period of two consecutive BoD meetings ranged between 123 days and 385 days as against the prescribed time limit of 120/180 days.

*(Para 3.12)*

One SPSE namely Kota Smart City Limited did not constitute Audit Committee. Further, representation of Independent Directors in Audit Committees of 21 SPSEs was insufficient as they were not in majority.

*(Para 3.13 & 3.14)*

There was no whistle blower mechanism in four SPSEs.

*(Para 3.19)*

## **Corporate Social Responsibility**

As per provision contained in section 135 (1) of the Companies Act 2013, 20 SPSEs were required to constitute CSR Committee in the year 2019-20. Of these 20 SPSEs, 16 SPSEs have been selected for detailed scrutiny.

No Independent Director was appointed by 13 SPSEs.

**(Para 4.8)**

One SPSE *i.e.* Rajasthan State Gas Limited did not frame its CSR Policy. Further, formulated CSR policy of Rajasthan State Road Development and Construction Corporation Limited and Rajasthan Rajya Vidyut Utpadan Nigam Limited had not included monitoring framework and provision relating to treatment of surplus from CSR activities respectively.

**(Para 4.9)**

Seven SPSEs could not get their annual CSR plan and budget approved by the Board through CSR Committee.

**(Para 4.10)**

There were instances of under allocation (RMSCL and RISL) and excess allocation (RSGL) of funds.

Only four SPSEs had fully utilised the CSR funds whereas three SPSEs partially utilised the amount. Further, seven SPSEs did not spend any amount of CSR fund.

**(Para 4.11)**

Three SPSEs partially incurred expenditure on CSR activities from the carried forward unspent CSR amount of previous year. Further, five SPSEs failed to make any expenditure out of the carried forward amount.

**(Para 4.12)**

Three SPSEs (RSGL, RIICO and RISL) made treatment of unspent amount in contravention to the Guidance Note on Accounting for CSR.

**(Para 4.13)**

During 2019-20, total spending on CSR activities by the nine SPSEs was ₹ 1346.88 lakh. RRVPNL was top spender followed by RRVUNL, RSMML and RSGSML.

**(Para 4.15)**

RSGSML had transferred a sum of ₹ 93.93 lakh and ₹ 96.80 lakh to the Rajasthan Chief Minister's Relief Fund on account of CSR in the FY 2018-19 and FY 2019-20 respectively which was not eligible for CSR activities under Schedule VII of the Act and the clarification provided vide General Circular dated 10 April 2020.

**(Para 4.22)**

Under CSR expenditure focus was on healthcare followed by education.

**(Para 4.24)**

### **Compliance of RTPP Act, 2012 and RTPP Rules, 2013**

GoR has notified Rajasthan Transparency in Public Procurement Act 2012 (Act) and Rajasthan Transparency in Public Procurement Rules, 2013 (Rules) in April 2012 and January 2013 respectively. After enactment/notifying of the Act 2012 and Rules 2013, the public procurement by all SPSEs is governed by the provisions of the said Act and Rules. The compliance of provisions of RTPP Act and RTPP Rules was examined in 37 SPSEs and significant issues/cases of non-adherence of provision noticed during the year were as under:

Out of 37 SPSEs, 28 SPSEs, wherein various standing committees were constituted, failed to comply with the rule proviso in totality. Further, in eight SPSEs (where standing committees were constituted), senior most accounts officer or official was not nominated as member of the committee. Besides, one SPSE (RSWC) failed to nominate the senior most accounts officer or official as a committee member.

*(Para 5.7)*

Procurement Management Information System (PMIS) was not developed by all the 37 SPSEs. In absence of which, all 37 SPSEs were not in the position to track performance of various parameters including performance of contracts, delays *etc.*

*(Para 5.8)*

Out of 37 SPSEs, the concerned administrative department of only one SPSE (RRVNL) specified the equivalent authority competent to take decision on the bid.

*(Para 5.10)*

