

Audits give away PSUs

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Public sector undertakings (PSUs) are often accused of not publishing their annual reports. The answer probably lies in the state of affairs revealed by the unabridged balance sheets of the PSUs involved in the present tranche of partial divestment.

Take the case of Engineers India Ltd. Its auditors have qualified its 1993-94 annual report stating that "the existing system of internal audit is not sufficiently wide in scope taking into account the size and nature of the company's business". The auditor has recommended that the system needs to be strengthened and follow up made more effective for adjustments and recoveries.

The report further states that "there is further scope for improvement of internal audit in the areas of checking of periodical operational results, especially that of year end and reconciliation of actual manhours with budgeted manhours and evaluation of physical progress of lump-sum jobs". This gains significance in the light of the company being involved mainly in engineering consultancy and calculation of manhours is vital.

The report also states that due to change in accounting policy the Rs 243.75-crore income for the year has been overstated by Rs 9.17 crores. But according to EIL officials, this is insignificant as the Comptroller and Auditor General of India (CAG) has no comments to offer on this qualification.

Gas Authority of India Ltd. (GAIL), has been found to be sitting over money which is not its own. Its auditors have come down on the management for not maintaining a separate bank account in 1993-94 for depositing the gas pool money amounting to a whopping Rs 329.59 crores. This has to be maintained according to the directions of the ministry of petroleum and natural gas. But in the previous year too, the sum involved was Rs 93.68 crores.

The CAG too has pointed out that the gas pool money did not belong to the company and was eventually transferred to the ministry. Moreover the company has earned an average yield of 14.45 per cent on the surplus funds parked in inter-corporate deposits. Therefore, the CAG says, the interest calculated at this rate on the gas pool money amounts to Rs 27.20 crores which has not been shown as payable to the ministry resulting in overstatement of profit.

Moreover current liabilities and provisions of Rs 983.39

crores does not include guarantee fees of Rs 2.79 crores payable to the ministry of finance for external borrowings. Changes in accounting policy has also resulted in Rs 320.59-crore net profit being overwritten by Rs 18.31 crores.

Another cash rich PSU, Kudremukh Iron Ore Company (KIOCL) has been qualified by auditors on several fronts. Deposits worth Rs 54 crores with the scam tainted Andhra Bank Financial Services Ltd along with interest of Rs 2.97 crores have neither been recognised nor written off. Another inter-corporate loan of Rs 18 crores to Hindustan Photo Films with interest of 5.57 crores remains unpaid.

Moreover the Rs 94.87-crore profit has been overstated by Rs 80 lakhs on account of settlement of price for concentrate supply to Bahrain in 1994. It has also failed to provide for demurrage of Rs 72.47 lakhs on shipment to Yugoslavia in the current liabilities of Rs 56.68 crores.

In the report of Videsh Sanchar Nigam Ltd., for 1993-94, the CAG has observed that the current liabilities are understated by Rs 75.04 lakhs, plant and machinery by Rs 70.58 lakhs while profit has been overstated by Rs 4.46 lakhs. This is on account of the Rs 3.94 crores of expenditure on construction in South East Asia-Middle East-Western Europe-2 project not being accounted and the value of material procured and installed by VSNL under Asian Development Bank assisted projects.

Moreover, the current liabilities and work-in-progress are understated by Rs 1.86 crores for bills towards expenditure on construction of "Indefeasible Rights of User (IRU)". A sum of Rs 10.48 lakhs are provided for liabilities for materials and software systems not received from suppliers. The auditors have pointed out that profit is overstated by Rs 25.79 lakhs as the balance in subsidiary ledgers for debtors does not match with the consolidated Sundry Debtors amount. But the VSNL management reply to the CAG report contains only the comments "noted" or "no comments"

The auditors report on India Tourism Development Corporation for 1993-94 is as diverse as the scale of operations of the company. A range of qualifications for varying amounts have been recorded under different heads. The grounds for qualification include computation of liabilities on account of income tax, sales tax, receipts from consumers, gratuity liability, customs

duty, depreciation, pending litigation, capitalisation of various costs and general maintenance of accounts.

Some other grounds also include amounts recoverable from ministry of external affairs, misappropriation of cash by employees, misuse of old cheque leaves, reconciliation differences, treatment of voluntary retirement schemes as deferred revenue expenditure and inability of branch auditors to comment on records.

The CAG in his comments has also recorded understatement of current liabilities to the extent of Rs 23.70 lakhs for short provision of property tax and expenditure tax in some hotels in the chain. The management has pointed out that payment of entertainment has now been shown in the books of its branch.

While the accountability on the part of the PSUs can only improve on account of divestment of government stake, what must be granted to the government is the fact that transparency is gradually setting in. The other bright spot is that the qualifications are actually being done without being covered up, prior to presentations to the public.