

**GOVERNMENT OF INDIA
URBAN DEVELOPMENT
LOK SABHA**

UNSTARRED QUESTION NO:2254

ANSWERED ON:18.12.2013

AUDIT OF PRIVATE COMPANIES

Adhalrao Patil Shri Shivaji; Adsul Shri Anandrao Vithoba; Dharmshi Shri Babar Gajanan; Dhotre Shri Sanjay Shamrao; Mahtab Shri Bhartruhari; Yadav Shri Dharmendra

Will the Minister of URBAN DEVELOPMENT be pleased to state:

- (a) whether the Government proposes to get the audit conducted of the expenditure of private companies in Public-Private Partnership (PPP) projects by the Comptroller and Auditor General (CAG);
- (b) if so, the details thereof along with the present status of such proposals;
- (c) the present norms for auditing such expenditure;
- (d) whether the Government has any mechanism to check the genuineness of the cost escalation reported by the said companies under PPP projects;
- (e) If so, the details thereof and if not, the reasons therefor; and
- (f) the corrective measures taken/ being taken by the Government in this direction?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF URBAN DEVELOPMENT (SMT. DEEPA DASMUNSHI)

(a) to (c): The Comptroller & Auditor General's (Duties, Powers & Conditions of Service) Act, 1971 provides for audit of all expenditures from the Consolidated Fund of India; transactions of the Union and the States relating to Contingency Funds and Public Accounts; as well as trading, manufacture, profit and loss accounts and balance sheets of any Department of the Union or of a State. The Joint Ventures (JVs) incorporated under Companies Act, 1956, in which government/a government company in combination with other Companies/Corporations holds less than 51 per cent of the paid up capital of the concerned JV company or subsidiaries of PSU, incorporated outside India are not subject to audit by C&AG within the framework of C&AGs (DPC) Act, 1971 or the Companies Act, 1956. The PPP projects, through audit of Contracting Authority are audited by the Comptroller & Auditor General (C&AG). The C&AG can audit the process of selection of the private partners by the Public Authority, the agreements entered for PPP projects and implementation thereof. Award of PPP projects by Government, expenditure by Government for PPP projects and monitoring of projects by Government are subject to Government Audit. However, the Special Purpose Vehicles formed by the private parties for execution of PPP projects are not subjected to Government Audit. The audit of SPVs is conducted by Statutory Auditors as per Income Tax Act/Companies Act and they are appointed in consultation with the Sponsoring/Implementing Authorities.

(d) to (f): The genuineness of the cost escalation of PPP projects are usually undertaken by the Independent Engineer appointed by the SPV in consultation with the Sponsoring Authority. Further in PPP projects, cost escalation if any, is borne by the Concessionaire/private entity of the project.