

Chapter I

Overview of State Public Sector Undertakings

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Introduction

1.1 The State Public Sector Undertakings (PSUs) consists of the Government of Gujarat (GoG) Companies and the Statutory Corporations. The State PSUs are established to carry out the activities of commercial nature while keeping in view the welfare of people. The State PSUs occupy an important place in the economy of Gujarat. The working State PSUs registered a turnover of ₹ 91,309.63 crore during 2012-13 as per their latest finalised accounts as of September 2013. This turnover was equal to 13.09 *per cent* of State Gross Domestic Product (GDP) for 2012-13. Major activities of the Gujarat State PSUs are concentrated in power sector. The working State PSUs earned an overall aggregate profit of ₹ 4,041.06 crore during 2012-13 as per their latest finalised accounts as of September 2013. They had employed 1.12 lakh¹ employees as on 31 March 2013.

1.2 As on 31 March 2013, there were 81 PSUs as per the details given below. Of these, three PSUs² were listed on the stock exchange(s).

| Type of PSUs | Working PSUs | Non-working PSUs ³ | Total |
|-----------------------------------|--------------|-------------------------------|-----------|
| Government Companies ⁴ | 65 | 12 | 77 |
| Statutory Corporations | 4 | 0 | 4 |
| Total | 69 | 12 | 81 |

1.3 During the year 2012-13, three companies GSPC Marginal Fields Limited, BISAG Satellite Communication and Gujarat Medical Services Corporation Limited were incorporated.

Audit Mandate

1.4 Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which not less than 51 *per cent* of the paid up capital is held by the Government(s). A Government Company includes a subsidiary of a Government Company. Further, a Company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government Companies and Corporations controlled by Government(s) is treated as if it were a Government Company (deemed Government Company) as per Section 619-B of the Companies Act.

¹ As per the details provided by 65 PSUs (except PSUs at Sl. No. A-12, A-30, A-48 and A-56 of Annexure -1)

² Sl No.A-27, A-51 of and B-2 of Annexure-1.

³ Non-working PSUs are those which have ceased to carry on their operations.

⁴ Includes 619-B companies.

1.5 The accounts of the State Government Companies (as defined in Section 617 and 619-B of the Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of the Section 619 (4) of the Companies Act, 1956.

1.6 Audit of Statutory Corporations is governed by their respective legislations. Out of four Statutory Corporations, the CAG is the sole auditor for Gujarat Industrial Development Corporation and Gujarat State Road Transport Corporation. In respect of Gujarat State Warehousing Corporation, the statutory auditors are appointed by the State Government in consultation with the CAG and the supplementary audit is conducted by the CAG. In respect of Gujarat State Financial Corporation, the statutory auditors are appointed by the Corporation out of the panel approved by the Reserve Bank of India and supplementary audit is conducted by the CAG.

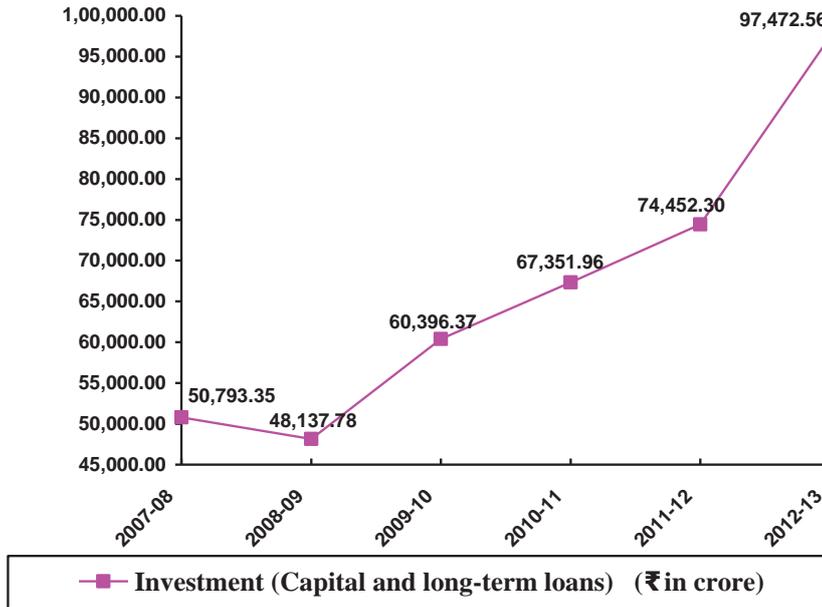
Investment in State PSUs

1.7 As on 31 March 2013, the investment (Capital and Long-term loans) in 81 PSUs (including 619-B Companies) was ₹ 97,472.56 crore as per details given below:

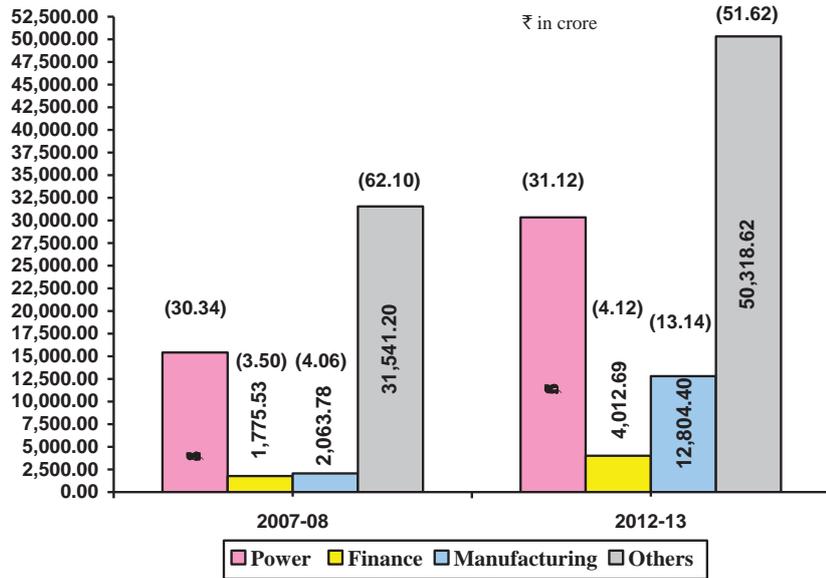
| Type of PSUs | Government Companies | | | Statutory Corporations | | | Grand Total |
|------------------|----------------------|------------------|------------------|------------------------|-----------------|-----------------|------------------|
| | Capital | Long Term Loans | Total | Capital | Long Term Loans | Total | |
| Working PSUs | 51,701.94 | 41,078.86 | 92,780.80 | 852.45 | 3,045.03 | 3,897.48 | 96,678.28 |
| Non-working PSUs | 82.57 | 711.71 | 794.28 | - | - | - | 794.28 |
| Total | 51,784.51 | 41,790.57 | 93,575.08 | 852.45 | 3,045.03 | 3,897.48 | 97,472.56 |

A summarised position of government investment in the State PSUs is detailed in **Annexure 1**.

1.8 As on 31 March 2013, of the total investment in State PSUs, 99.19 per cent was in working PSUs and the remaining 0.81 per cent in non-working PSUs. This total investment consisted of 54 per cent towards capital and 46 per cent in long-term loans. The investment has grown by 91.90 per cent; from ₹ 50,793.35 crore in 2007-08 to ₹ 97,472.56 crore in 2012-13 as shown in the graph as follows:



The investment in various important sectors and percentage thereof at the end of 31 March 2008 and 31 March 2013 are indicated below in the bar chart.



(Figures in brackets show the percentage of total investment)

It can be observed from the above chart that the main thrust of investment was in Power and 'Others' sectors. As against 2007-08, there was an increase in investment in 2012-13 by 96.83 per cent, 126 per cent, 520.43 per cent and 59.53 per cent in power, finance, manufacturing and others sectors respectively. Major change in emphasis was seen in the manufacturing sector whose share in total investment increased from 4.06 per cent in 2007-08 to 13.14 per cent in 2012-13. The increase was mainly attributable to increased investment of ₹ 10,935.94 crore in the Gujarat State Petroleum Corporation

Limited. The increase in 'Finance' sector was attributable to investment of ₹ 1,784.27 crore in Gujarat State Investments Limited and ₹ 431.52 crore in Gujarat Minorities Finance and Development Corporation Limited. The increase in power sector was mainly attributable to increased investment of ₹ 4,205.65 crore and ₹ 4,022.51 crore in Gujarat State Electricity Corporation Limited and Gujarat Energy Transmission Corporation Limited respectively. The increase in 'Others' sector was on account of increase in investment in Sardar Sarovar Narmada Nigam Limited by ₹ 11,618.76 crore.

Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in *Annexure 3*. The summarised details are given below for three years ended 2012-13.

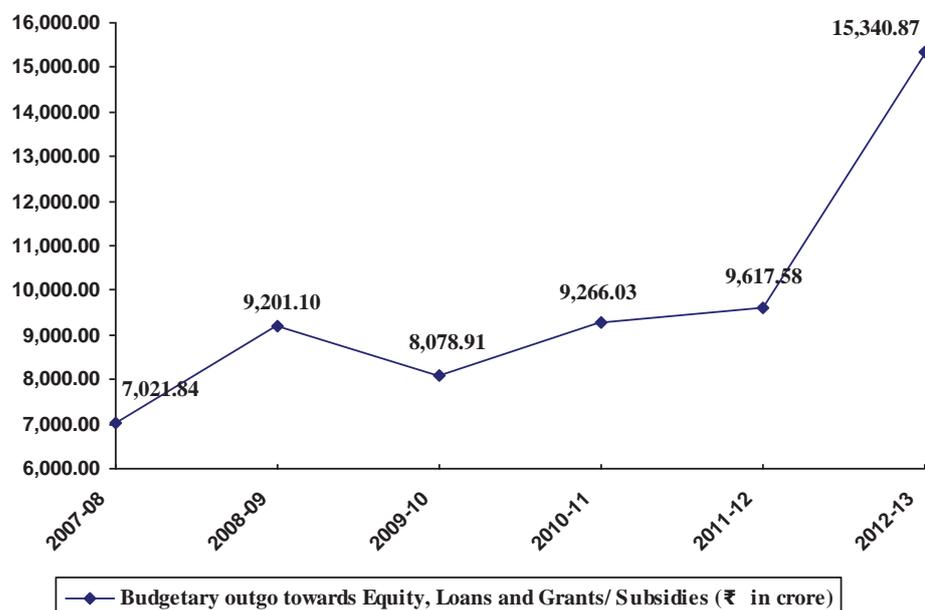
(Amount: ₹ in crore)

| Sl. No. | Particulars | 2010-11 | | 2011-12 | | 2012-13 | |
|-----------|-------------------------------------|-------------|-----------------|-------------|-----------------|-------------|------------------|
| | | No. of PSUs | Amount | No. of PSUs | Amount | No. of PSUs | Amount |
| 1. | Equity Capital outgo from budget | 11 | 2,909.95 | 15 | 3,970.14 | 17 | 7,952.92 |
| 2. | Loans given from budget | 8 | 1,006.52 | 7 | 1,129.68 | 4 | 610.34 |
| 3. | Grants/Subsidy | 29 | 5,349.56 | 29 | 4,517.76 | 31 | 6,777.61 |
| 4. | Total Outgo (1+2+3) | -- | 9,266.03 | -- | 9,617.58 | -- | 15,340.87 |
| 5. | Loans converted into equity | -- | -- | -- | -- | - | -- |
| 6. | Loans written off | 1 | 7.00 | -- | -- | - | -- |
| 7. | Interest/Penal interest written off | 1 | 2.31 | -- | -- | - | -- |
| 8. | Total Waiver (6+7) | -- | 9.31 | -- | -- | - | -- |
| 9. | Guarantees issued | -- | -- | 1 | 5.00 | 1 | 8.00 |
| 10. | Guarantee Commitment | 12 | 4,960.25 | 7 | 3,376.31 | 6 | 2,718.74 |

Out of ₹ 7,952.92 crore of equity capital outgo during the year 2012-13, the major portion i.e. ₹ 4,827.96 crore was given to Sardar Sarovar Narmada Nigam Limited and ₹ 1,050.00 crore to Gujarat Urja Vikas Nigam Limited. Out of loans of ₹ 610.34 crore given from budget, ₹ 590.00 crore was given to Gujarat State Road Transport Corporation. Likewise, out of ₹ 6,777.61 crore of grants and subsidy given during the year 2012-13, ₹ 4,409.45 crore was given to nine power sector PSUs⁵ and ₹ 600.00 crore to Gujarat State Road Transport Corporation, ₹ 322.75 crore to Gujarat State Police Housing Corporation Limited and ₹ 256.76 crore to Gujarat State Land Development Corporation.

1.11 The details regarding budgetary outgo towards equity, loans and grants/subsidies for past six years are given in a graph as follows:

⁵ Sl No. A-19 to A-27 of Annexure-3



It can be observed that after recording an all-time low of ₹ 7,021.84 crore (2007-08) during the preceding six years period, the budgetary outgo to State PSUs gradually increased (except in 2009-10) each year and registered the highest outgo of ₹ 15,340.87 crore in 2012-13.

1.12 In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee under Gujarat State Guarantee Act, 1963 subject to the limits prescribed by the Constitution of India, for which the guarantee fee is being charged. This fee varies from 0.25 per cent to one per cent as decided by the State Government depending upon the loanees. The guarantee commitment decreased to ₹ 2,718.74 crore during 2012-13 from ₹ 4,960.25 crore during 2010-11. The State Government issued guarantee to one PSU⁶ amounting to ₹ 8.00 crore during 2012-13. Further, eight PSUs⁷ paid guarantee fee⁸ to the tune of ₹ 32.95 crore. Guarantee fee of ₹ 35.60 crore was yet to be paid by one PSU⁹ for the year 2012-13 to the State Government.

⁶ Sl. No. A-13 of Annexure 3.

⁷ Sl. No. A-36, A-38, A-39, A-40, A-41, A-42, A-43 and A-64 of Annexure 1.

⁸ The Guarantee outstanding in respect of six (A-36, A-38, A-39, A-40, A-41 and A-42) subsidiary PSUs of Power sector is shown under holding Company at Sl. No. A-43 of Annexure 1 as the same has not been allocated to its subsidiaries. The details of Guarantee fees as allocated by the holding Company (GUVNL) has been considered.

⁹ Sl. No. B-2 of Annexure 1.

Reconciliation with Finance Accounts

1.13 The amount of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the amount appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2013 is stated below.

(₹ in crore)

| Outstanding in respect of | Amount as per Finance Accounts | Amount as per records of PSUs | Difference |
|---------------------------|--------------------------------|-------------------------------|------------|
| Equity | 46,797.06 | 45,434.99 | 1,362.07 |
| Loans | 3,727.62 | 5,910.03 | 2,182.41 |
| Guarantees | 5,046.43 | 2,718.74 | 2,327.69 |

1.14 Audit observed that the differences occurred in respect of 52 PSUs. The Accountant General (AG) brought (January 2014) the matter to the notice of the Finance Department, concerned administrative Department and the respective PSUs about the differences in figures indicated in the Audit Report (PSUs) and Finance Accounts for the year 2012-13. The Government and the PSUs should take concrete steps to reconcile the differences at the earliest.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of Statutory Corporations are detailed in **Annexure-2, 5 and 6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU's turnover and State GDP for the period 2007-08 to 2012-13.

(₹ in crore)

| Particulars | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|------------------------|
| Turnover ¹⁰ | 40,632.57 | 50,289.48 | 58,451.76 | 63,008.20 | 79,641.86 | 91,309.63 |
| State GDP | 2,80,086 | 3,61,846 | 3,81,028 | 5,14,750 | 5,91,175 | 6,97,298 ¹¹ |
| Percentage of Turnover to State GDP | 14.51 | 13.90 | 15.34 | 12.24 | 13.47 | 13.09 |

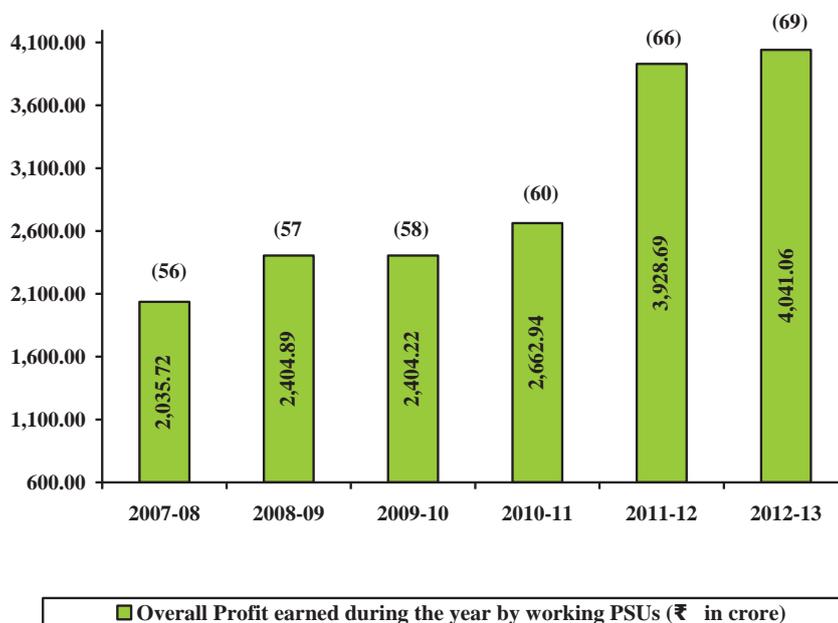
It can be seen from the above that the turnover gradually increased from ₹ 40,632.57 crore in 2007-08 to ₹ 91,309.63 crore in 2012-13. The ratio remained between 12.24 and 15.34 *per cent*.

1.16 Details of profit¹² earned by working State PSUs during 2007-08 to 2012-13 are given in a bar chart, which follows.

¹⁰ Turnover of working PSUs as per the latest finalised accounts as of 30 September 2013.

¹¹ As per Statements prepared under the Gujarat Fiscal Responsibility Act, 2005, Budget Publication No. 30.

¹² Represents net profit before tax.



(Figures in brackets show the number of working PSUs in respective years)

It can be observed from the above that the working of PSUs improved over the period. During the year 2012-13, out of 69 working PSUs, 42 PSUs earned profit of ₹ 4,468.00 crore and 19 PSUs incurred loss of ₹ 426.94 crore. One working PSU¹³ had shown neither profit nor loss as grants relating to expenditure on works completed are transferred to 'Income and Expenditure Account', four PSUs¹⁴ are under construction and one PSU¹⁵ had transferred excess of expenditure over income to non-plan grant. Two Companies¹⁶ had not finalised their first accounts. The major contributors to the profit were Gujarat State Petroleum Corporation Limited (₹ 1,247.14 crore), Gujarat Mineral Development Corporation Limited (₹ 924.07 crore) and Gujarat State Petronet Limited (₹ 825.72 crore). Heavy losses were incurred by Gujarat State Road Transport Corporation (₹ 141.99 crore), Gujarat State Financial Corporation (₹ 113.17 crore) and Alcock Ashdown (Gujarat) Limited (₹ 76.48 crore).

1.17 Though the PSUs were earning profits, there were instances of deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of the three latest Audit

¹³ Sl. No.A-19 of Annexure 2.

¹⁴ Sl No. A-25, A-32, A-56 and A-64 of Annexure 2.

¹⁵ Sl. No. A-8 of Annexure 2.

¹⁶ Sl No.A-29 and A-55 of Annexure 2.

Reports of the CAG shows that the working State PSUs incurred losses to the tune of ₹ 4,891.92 crore and infructuous investment of ₹ 24.52 crore, which were controllable with better management. Year wise details from Audit Reports are stated as follows:

| Particulars | (₹ in crore) | | | |
|---|--------------|----------|----------|-----------|
| | 2010-11 | 2011-12 | 2012-13 | Total |
| Net Profit | 2,662.94 | 3,928.69 | 4,041.06 | 10,632.69 |
| Controllable losses as per CAG's Audit Report | 2,344.56 | 894.70 | 1,652.66 | 4,891.92 |
| Infructuous Investment | 2.86 | 11.05 | 10.61 | 24.52 |

1.18 The above losses pointed out in the Audit Reports of the CAG are based on test check of records of the PSUs. The actual controllable losses would be much more. The above table shows that with better management, the controllable losses could be minimised and the profits could be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to the State PSUs are given below.

| Particulars | (₹ in crore) | | | | | |
|--|--------------|-----------|-----------|-----------|-----------|-----------|
| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| Return on Capital Employed (<i>per cent</i>) | 5.43 | 3.95 | 5.24 | 5.24 | 6.97 | 6.40 |
| Debt | 20,564.74 | 13,048.33 | 23,734.37 | 26,862.15 | 30,253.60 | 44,835.60 |
| Turnover ¹⁷ | 40,632.57 | 50,289.48 | 58,451.76 | 63,008.20 | 79,641.86 | 91,309.63 |
| Debt/ Turnover Ratio | 0.51:1 | 0.26:1 | 0.41:1 | 0.43:1 | 0.38:1 | 0.49:1 |
| Interest Payments | 1,702.33 | 2,021.74 | 2,255.99 | 2,423.60 | 2,935.83 | 3,390.99 |
| Accumulated Profits/ (Losses) | (524.66) | (814.56) | (595.03) | 169.34 | 1,693.73 | 2,865.09 |

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

1.20 The turnover of PSUs had increased gradually from ₹ 40,632.57 crore in 2007-08 to ₹ 91,309.63 crore in 2012-13. The Debt-turnover ratio improved during 2008-09 as compared to various other years. The Debt-turnover ratio for 2012-13 increased to 0.49:1 from 0.38:1 in 2011-12 because of significant increase in the turnover and debt during 2012-13. Accumulated losses increased from ₹ 524.66 crore in 2007-08 to ₹ 814.56 crore in 2008-09 which reduced to ₹ 595.03 crore in 2009-10. In the year 2012-13, accumulated profits were ₹ 2,865.09 crore because of increase in quantum of profits during the last three years.

1.21 The State Government had not formulated any dividend policy regarding payment of minimum return by the PSUs on paid-up share capital contributed by the State Government. As per their latest finalised accounts as on 30 September 2013, 42 PSUs earned aggregate profit of ₹ 4,468 crore and

¹⁷ Turnover of working PSUs as per the latest finalised accounts as of 30 September 2013.

nine PSUs¹⁸ declared dividend of ₹ 306.67 crore of which the State Government's share was ₹ 203.38 crore.

Arrears in finalisation of accounts of PSUs

1.22 The accounts of the Companies for every financial year are required to be finalised within six months from the end of the relevant financial year under the Companies Act, 1956. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2013.

| Sl. No. | Particulars | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---------|---|---------|---------|---------|---------|------------------|
| 1. | Number of Working PSUs | 57 | 58 | 60 | 66 | 69 |
| 2. | Number of accounts finalised during the year | 58 | 73 | 58 | 58 | 71 |
| 3. | Number of accounts in arrears | 51 | 36 | 38 | 47 | 42 ¹⁹ |
| 4. | Average arrears per PSU (3/1) | 0.89 | 0.62 | 0.63 | 0.71 | 0.61 |
| 5. | Number of Working PSUs with arrears in accounts | 34 | 25 | 27 | 35 | 30 |
| 6. | Extent of arrears (numbers in years) | 1 to 6 | 1 to 4 | 1 to 4 | 1 to 4 | 1 to 3 |

1.23 It can be observed that the number of accounts in arrears has decreased from 51 (2008-09) to 42 (2012-13) with corresponding reduction in average arrears per PSU from 0.89 (2008-09) to 0.61 (2012-13). The number of accounts in arrears has decreased from 47 (2011-12) to 42 (2012-13).

1.24 In addition to above, there were arrears in finalisation of accounts by non-working PSUs. Out of 12 non-working PSUs, seven were in the process of liquidation. Of the remaining five non-working PSUs, one PSU had arrears of accounts for the last 14 years.

1.25 The State Government had invested ₹ 5,267.66 crore in 20 PSUs {equity: ₹ 599.10 crore (7 PSUs), loans: ₹ 1,312.80 crore (3 PSUs) and grants ₹ 3,355.76 crore (18 PSUs)} during the years for which accounts have not been finalised as detailed in **Annexure 4**.

1.26 The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though Audit had informed the concerned Administrative Departments and officials of the State Government about the arrears in finalisation of accounts on quarterly basis, adequate remedial measures were not taken. As a result of this, the net worth of these PSUs could not be assessed in Audit. Further, the delay in finalisation

¹⁸ Sl. No. A-1, A-2, A-9, A-10, A-27, A-28, A-51, A-53 and A-63 of Annexure-2.

¹⁹ Includes arrears of three accounts in respect of IFCG which was taken over by GIDC.

of accounts may result in fraud and leakage of public money apart from violation of the provisions of the relevant Acts.

Non-working PSUs

1.27 There were 12 non-working Companies as on 31 March 2013. Of these, seven PSUs have commenced liquidation process while the decision of the GoG regarding closure of remaining five PSUs was awaited. During 2012-13, three non-working PSUs²⁰ incurred an expenditure of ₹ 0.47 crore towards establishment expenditure. This expenditure was financed by borrowings (₹ 0.23 crore²¹) and through interest received on their investments (₹ 0.24 crore²²).

1.28 The stages of closure in respect of non-working PSUs as on 30 September 2013 are given below.

| Sl. No. | Particulars | No. of PSUs |
|---------|--|-----------------|
| 1. | Total number of non-working PSUs | 12 |
| 2. | Of (1.) above, the number under: | |
| (a) | Liquidation by Court (liquidator appointed) | 6 ²³ |
| (b) | Voluntary winding up (liquidator appointed) | 1 ²⁴ |
| (c) | Closure, i.e. closing orders/ instructions not issued. | 5 ²⁵ |

Comments on Accounts and Internal Audit

1.29 Fifty seven working Companies forwarded 68 accounts to AG during the year 2012-13 for the purpose of supplementary audit. The audit reports of Statutory Auditors appointed by the CAG and the supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments²⁶ of the Statutory Auditors and the CAG are given below.

²⁰ Sl.No-C-2, C-5 and C-7 of Annexure 2.

²¹ Sl. No. C-2 (₹ 0.17 crore) and C-7 (₹ 0.06 crore) of Annexure 2

²² Sl.No. C-2 (₹ 0.10 crore) and C-5 (₹ 0.14 crore) of Annexure 2

²³ Sl.No. C-4, C-6, C-8, C-10, C-11 and C-12 of Annexure 2.

²⁴ Sl.No. C-3 Annexure 2.

²⁵ Sl.No. C-1, C-2, C-5, C-7 and C-9 of Annexure 2.

²⁶ For the purpose of CAG comments only those comments actually issued during October 2012 to September 2013 have been considered including accounts of previous period for which comments were issued in the current period.

(Amount: ₹ in crore)

| Sl. No. | Particulars | 2010-11 | | 2011-12 | | 2012-13 | |
|---------|----------------------------------|-----------------|----------|-----------------|-----------|-----------------|-----------|
| | | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| 1. | Decrease in profit | 9 | 20.41 | 10 | 14.79 | 5 | 56.54 |
| 2. | Increase in loss | 1 | 0.35 | 1 | 0.35 | 2 | 135.57 |
| 3. | Non-disclosure of material facts | 6 | 71.99 | 5 | 159.32 | 2 | 17.31 |
| 4. | Errors of classification | 7 | 4,913.43 | 3 | 22,917.62 | 1 | 23,885.27 |

1.30 It can be observed from the above that money value objections for decrease in profit increased from ₹ 20.41 crore in 2010-11 to ₹ 56.54 crore in 2012-13. The cases of increase in loss increased from ₹ 0.35 crore in 2010-11 to ₹ 135.57 crore in 2012-13. However, cases of non-disclosure of material facts decreased from ₹ 71.99 crore in 2010-11 to ₹ 17.31 crore in 2012-13. The one error of classification in 2012-13 was in respect of SSNNL which has been repeated since 2007-08.

1.31 During the year, the Statutory Auditors had given unqualified certificates for 41 accounts, qualified certificates for 27 accounts. The compliance of Companies with the Accounting Standards (AS) remained poor as there were 39 instances of non-compliance in 19 accounts during the year.

Some of the important comments in respect of accounts of Companies are stated below:

1.32 Gujarat Water Resource Development Corporation Limited (2011-12)

The Company received an adhoc Maintenance and Repairs subsidy of ₹ 572.60 crore for the period 1997-98 to 2011-12 from GoG and also accounted additional receivables of ₹ 131.71 crore as on 31 March 2012 based on Committee recommendations. The Company, also suo motu adjusted payables (GoG loans and interest accrued thereon and guarantee fees payable) to GoG of ₹ 79.47 crore and arrived at a net receivable amount of ₹ 52.24 crore under Current Assets. The Company, in violation of paragraph 6 of AS-12, recognised an amount of ₹ 131.71 crore as 'Grants Receivable' as its collection was not reasonably certain resulting in overstatement of 'Grants Receivable' by ₹ 52.24 crore, understatement of payables to GoG by ₹ 79.47 crore and understatement of accumulated loss by ₹ 131.71 crore.

1.33 Uttar Gujarat Vij Company Limited (2011-12)

In violation of requirement of Revised Schedule VI of the Companies Act, 1956 the Company wrote off a balance of ₹ 20.96 crore which was outstanding under "Deferred Revenue Expenditure on Energy Efficient Pump Set Scheme" against General Reserve instead of charging the same to Profit and Loss resulting in overstatement of profit by the same amount. Consequently, a profit of ₹ 12.45 crore would turn into loss of ₹ 8.51 crore.

1.34 Sardar Sarovar Narmada Nigam Limited (2011-12)

The qualification by the Statutory Auditor was deficient to the extent of non-quantification of the impact of non-capitalisation of works in progress citing the absence of relevant details as regards completed dam & appurtenant works, irrigation and water work which could be operated independently. Since, the expenditure amounting to ₹ 23,885.27 crore was incurred on the completed assets which were put to use but were not capitalised, it resulted in overstatement of Capital Work in Progress and understatement of Fixed Assets to the same extent.

1.35 Similarly, three working Statutory Corporations forwarded one account each to AG during the year which pertained to 2009-10, 2011-12 and 2012-13. Of these, one account of Statutory Corporations (Sl. No B-4 of *Annexure 2*) pertained to sole audit by CAG wherein Separate Audit Report was issued for that account (2009-10) during the year. Of the remaining two accounts pertaining to other two Statutory Corporations (Sl. No B-1 and B-2 of *Annexure 2*), comments were issued to Gujarat State Warehousing Corporation (2011-12) and audit was under progress in respect of Gujarat State Financial Corporation (2012-13) as on 30 September 2013. The details of aggregate money value of comments of statutory auditors and the CAG are given below.

(Amount: ₹ in crore)

| Sl. No. | Particulars | 2010-11 | | 2011-12 | | 2012-13 | |
|---------|----------------------------------|-----------------|--------|-----------------|--------|-----------------|--------|
| | | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| 1. | Decrease in profit | 2 | 16.44 | 1 | 4.81 | 2 | 1.49 |
| 2. | Increase in loss | 1 | 55.98 | 1 | 243.51 | 2 | 120.05 |
| 3. | Non-disclosure of material facts | 1 | 123.72 | 2 | 247.73 | 1 | 896.59 |
| 4. | Errors of classification | 1 | 70.98 | 1 | 46.96 | 1 | 115.73 |

It can be observed from the above that the money value objection for decrease in profit reduced from ₹ 16.44 crore in 2010-11 to ₹ 1.49 crore in 2012-13; increase in loss of ₹ 55.98 crore in 2010-11 went up to ₹ 120.05 crore in 2012-13 and non-disclosure of material facts increased from ₹ 123.72 crore in 2010-11 to ₹ 896.59 crore in 2012-13. Likewise, the cases of error of classification increased from ₹ 70.98 crore in 2010-11 to ₹ 115.73 crore in 2012-13.

During the year, one account²⁷ received qualified certificate.

²⁷ Gujarat State Warehousing Corporation (Sl.No.B-1 of Annexure 2).

Some of the important comments in respect of accounts of Statutory Corporations are stated below.

1.36 Gujarat Industrial Development Corporation (2011-12)

- The Corporation allotted (September 2009) a plot to Gujarat State Fertilizers and Chemicals Limited (GSFC) at Dahej II Industrial Estate at the cost of ₹ 80.99 crore. As the land allotted was not suitable for operations, GSFC requested (August 2010) the Corporation to cancel its earlier allotment and refund the amount. However, the Corporation did not provide for the liability for refund to GSFC resulting in understatement of Current Liabilities and overstatement of Capital Receipts by ₹ 80.99 crore.
- The Corporation instead of showing the total expenditure of ₹ 106.60 crore incurred up to March 2012 under Capital Work in Progress showed only the balance amount of ₹ 71.86 crore payable to the contractor resulting in the understatement of Capital Work in Progress and overstatement of Maintenance expenditure under the head Miscellaneous expenditure by ₹ 34.74 crore.

1.37 Gujarat State Financial Corporation (2011-12)

An appeal preferred by the Corporation with Sales Tax Commissioner (Litigation II) (April 2001) against the demand of ₹ 56.58 crore raised by Sales Tax Department towards Sales Tax, Interest and Penalty for non-remittance of Sales Tax on Hire Purchase transactions entered into (1995) with 197 units by the Corporation was rejected. The Corporation however, had not provided for this liability in the accounts resulting in understatement of Current Liabilities and Provisions and Loss by ₹ 56.58 crore.

1.38 Gujarat State Road Transport Corporation (2009-10)

- Though, the Corporation before finalisation of accounts accepted (May 2011) the damages of ₹ 33.96 crore demanded by Regional Provident Fund Commissioner, Ahmedabad under Employment Pension Yojana (2008), it did not provide for the same in the books of accounts resulting in understatement of expenses and liabilities to the same extent.
- As per regulations approved by the State Government, for the purpose of calculating depreciation on the buses, the estimated life of buses was considered to be 7 lakh kms. However, the Corporation without the approval of State Government, increased the estimated life of buses to 8 lakh kms resulting in understatement of expenses - depreciation and depreciation fund by ₹ 11.06 crore.
- The Corporation had given lease rights to construct commercial properties in its bus terminals at six different places. The Corporation received concession fees of ₹ 4.42 crore that has been credited to revenue account

instead of keeping it separately in a fund account. This has resulted in understatement of loss by ₹ 4.42 crore.

Audit by Statutory Auditors under the directions of the CAG

1.39 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the Companies audited in accordance with the directions issued by the CAG to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of one Company²⁸ for the year 2008-09, two Companies²⁹ for the year 2010-11, 15 Companies³⁰ for the year 2011-12 and 14 Companies³¹ for the year 2012-13 are given below:

| Sl. No . | Nature of comments made by Statutory Auditors | Number of Companies where recommendations were made | Reference to serial number of the Companies as per Annexure 2 |
|----------|---|---|---|
| 1. | Non-fixation of minimum/maximum limits of store and spares | 09 | A-6, A-28, A-30, A-32, A-44, A-46, A-47, A-53, A-63 |
| 2. | Internal Audit required to be strengthened | 06 | A-6, A-16, A-21,A-24, A-26, A-30 |
| 3. | Non maintenance of cost records | 07 | A-5, A-6, A-21, A-24, A-32, A-46, A-63 |
| 4. | Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations | 06 | A-6, A-8, A-17, A-47, A-64, A-65 |
| 5. | Absence of credit policy for providing doubtful debts, write-off of liquidated damages | 07 | A-6, A-21, A-28, A-47,A-48, A-53, C-5 |
| 6. | Non evolution of security policy for software/ hardware and backup of past records | 09 | A-5, A-6, A-9, A-25, A-30, A-35, A-47, A-63 , C-7 |
| 7 | Ineffective system of monitoring advances/ outstanding dues | 09 | A-6, A-28, A-32, A-46, A-47, A-51, A-53, C-5, C-7 |
| 8 | Non-existence of separate vigilance department and effectiveness of delineated fraud policy | 26 | A-5, A-6, A-9, A-16, A-20,A-21, A-22, A-23, A-24, A-26, A-28, A-30, A-31, A-32, A-35, A-37, A-44, A-47, A-48, A-51, A-53, A-57, A-58, A-63, A-65, C-5 |

²⁸ Sl. No. A-20 of Annexure 2.

²⁹ Sl.No. A-6 and A-8 of Annexure 2.

³⁰ Sl.No. A-5 A-16, A-21, A-23, A-24, A-25, A-30, A-35, A-37, A-46, A-47, A-48, A-57, A-63, A-64 of Annexure 2.

³¹ Sl.No. A-9, A-17, A-22, A-26, A-28, A31, A-32, A-44, A-51, A-53, A-58, A-65 , C-5 and C-7 of Annexure 2.

Recoveries at the instance of Audit

1.40 During the course of compliance audit in 2012-13, Audit pointed out recoveries of ₹ 446.56 crore to the Management of various PSUs, of which recoveries of ₹ 0.11 crore were admitted and recovered by PSUs during the year 2012-13. The progress of recovery is very slow.

Status of placement of Separate Audit Reports

1.41 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2013) on the accounts of Statutory Corporations in the Legislature by the Government.

| Sl. No. | Name of Statutory Corporation | Year up to which SARs placed in Legislature | Year for which SARs not placed in Legislature | | |
|---------|--|---|---|---------------------------------------|---|
| | | | Year of SAR | Date of issue to the Government | Reasons for delay in placement in Legislature |
| 1. | Gujarat State Warehousing Corporation | 2010-11 | 2011-12 | 31 July 2013 | -- |
| 2. | Gujarat State Financial Corporation | 2011-12 | 2012-13 | Draft SAR issued on 20 September 2013 | -- |
| 3. | Gujarat Industrial Development Corporation | 2011-12 | - | - | -- |
| 4 | Gujarat State Road Transport Corporation | 2008-09 | 2009-10 | 16 September 2013 | -- |

Audit recommends that the Government should ensure timely placement of SARs in the Legislature.

Disinvestment, Privatisation and Restructuring of PSUs

1.42 During the year 2012-13, the State Government had neither disinvested nor privatised any of its PSUs.

Reforms in Power Sector

1.43 The Gujarat Electricity Regulatory Commission (GERC) was formed in November 1998 under Section 17 of the Electricity Regulatory Commission Act 1998 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2012-13, GERC issued 64 orders (10 on tariff, one on renewable energy and 53 on petitions).

1.44 Memorandum of Understanding (MoU) was signed in (January 2001) between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below:

Audit Report (PSUs) for the year ended 31 March 2013 Report No. 3 of 2014

| Sl. No. | Milestone | Achievement as at March 2013 |
|----------------|--|---|
| 1. | Reduction in T&D losses (No target fixed) | The T&D losses increased from 20.13 <i>per cent</i> in 2001-02 to 21.28 <i>per cent</i> during 2012-13. |
| 2. | 100 <i>per cent</i> electrification of all villages. | 99.81 <i>per cent</i> achieved (March 2013). |
| 3. | 100 <i>per cent</i> metering of all distribution feeders. | Achieved (March 2013). |
| 4. | 100 <i>per cent</i> metering of agriculture consumers | Only 60.11 <i>per cent</i> metering of agriculture consumers was completed (March 2013). |
| 5. | Securitise outstanding dues of Central Public Sector Undertakings (CPSUs). | The dues of CPSUs were reconciled and bonds of ₹ 1,628.71 crore were issued by State Government against the dues. |