Overview

1 Overview of Government companies and Statutory corporations

Introduction

The State Public Sector Undertakings (PSUs), consisting of State Government companies and statutory corporations, are established to carry out activities of a commercial nature, while keeping in view the welfare of the people. As on 31 March 2014, the State of Gujarat had 72 working PSUs (68 companies and four statutory corporations) and 12 non-working PSUs (including seven under liquidation), which employed 1.12 lakh persons. The working PSUs registered a turnover of ₹98,718.90 crore as per their latest finalised accounts. This turnover was equal to 12.75 per cent of the State GDP indicating the important role played by State PSUs in the economy. Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of the State Government companies are audited by Statutory Auditors who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by CAG, as per the provisions of Section 619 of the Companies Act, 1956. Audit of statutory corporations is governed by their respective legislations.

Investments in PSUs

As on 31 March 2014, the total investment (capital and long term loans) in 84 PSUs was ₹1,05,773.07 crore.

Arrears in accounts

33 working PSUs had arrears of 50 accounts as on 30 September 2014. The extent of arrears ranged from 1 to 4 years.

Performance of PSUs

During the year 2013-14, out of 72 working PSUs, 46 PSUs earned profit of ₹3,363.96 crore and 20 PSUs incurred loss of ₹1,111.85 crore. The major contributors to the profit were Gujarat State Petronet Limited (₹ 659.98 crore), Gujarat Mineral Development Corporation Limited (₹629.59 crore) and Gujarat Gas Company Limited (₹611.93 crore). Major loss making companies were GSPC Pipavav Power Company Limited (₹307.10 crore), Gujarat State Energy Generation Limited (₹ 151.21 crore), GSPC Gas Company Limited (₹134.68 crore), Gujarat State Road Transport Corporation (₹132.50 crore) and Gujarat State Financial Corporation (₹112.76 crore).

Comments on accounts and internal audit

During the year, out of 61 accounts of Government companies finalised during the year, Statutory Auditors had given unqualified certificates for 46 accounts and qualified certificates for 15 accounts. The Statutory Auditors pointed out 17 instances of non-compliance of accounting standards in 10 accounts during the year. In addition, five instances of non-compliance of accounting standards were also observed by CAG in four accounts.

(Chapter 1)

2. Performance Audit and Information Technology Audits relating to Government companies

Performance Audit on '**Promotion of tourism in Gujarat with emphasis on the functioning of Tourism Corporation of Gujarat Limited'**, '**IT Audit of GSPC Gas Company Limited'** and '**IT Audit of Drug Logistic Information and Management System'** in **Gujarat Medical Services Corporation Limited** were conducted.

Executive summary of performance audit on **Promotion of tourism in Gujarat with emphasis on the functioning of Tourism Corporation of Gujarat Limited** is given below:

Introduction

The Industries and Mines Department (I&MD) of the Government of Gujarat (GoG) is the nodal department for the administration of the tourism sector in Gujarat. Tourism Corporation of Gujarat Limited (Company) was incorporated in June 1975 and was entrusted with the responsibility of development of tourism industry in the state. The performance audit focused on the efforts made by the Company for development of tourism in the state in accordance with the tourism policy of the state and covered the period 2009-14.

Tourist Inflow

The state adopted three-pronged strategy viz., strengthen existing attractions, develop low profile tourism places into attractions and create new attractions, which resulted into increase in tourist inflow from 1.70 crore in 2009-10 to 2.88 crore in 2013-14. Gujarat registered marginally higher growth than all-India average and when compared to its neighbouring state of Rajasthan, the growth rate was higher though in absolute terms (i.e., the total tourist inflow) Rajasthan still attracted higher footfalls. However, the growth of tourism in other two neighbouring states of Maharashtra and Madhya Pradesh was double than that of Gujarat.

Tourism Policy

GoG declared tourism policy 2003-10 aimed at providing services of international standards, creating excellent infrastructure, connectivity and facility to tourists. The Company implemented some of the policy measures like development of event-based tourism, hospitality industry, infrastructure and adventure sports. However, some measures like creation of Vishwagram and Development of entertainment theme park, Indus valley civilisation sites, wayside amenities, sites related to Buddhism, places related to Sardar Patel and eco-tourism were either not implemented or partially implemented.

Government Support

GoG had released grants of ₹1229.25 crore out of which Company spent ₹1025.45 crore and grant amounting to ₹295.07 crore remained unspent as on March 2014. The Company spent only ₹20.82 lakh against the grant of ₹128.50 crore received for promotion of coastal tourism.

Destination Development

The Company had successfully implemented projects at Dwarka, Saputara, Siddhpur, Becharaji, etc. However, the facilities created under Dandi Heritage Corridor and Dandi Destination at a cost of ₹20.43 crore could not be put to use.

Fairs and festivals

While the Company successfully organised various fairs and festivals like International kite festival, Navratri, Rann Utsav, Tarnetar fair, Monsoon Festival etc., the Company had not made any data collection on tourist inflow and impact analysis of economic benefits from the fairs and festivals. Further, it did not conduct any cost-benefit analysis before organising the Rann-Utsav on PPP mode from 2013-14 onwards.

Management of Hotels

The Company operates and maintains 25 hotels (19 self-managed and six leased), 7 wayside amenities and 5 cafeterias. Out of 14 working hotels, only 4 hotels earned cumulative profits, while the remaining 10 hotels suffered losses. The main reasons for losses were attributed to poor occupancy, high fixed cost, non-revision of tariff and no marketing of hotels, etc.

Monitoring and Control

The projects implemented by the Company were monitored by the GoG at regular intervals. But, the end use of the projects was not monitored at GoG level leading to expenditure on some projects becoming unfruitful.

Recommendations

The GoG may consider framing a new Tourism Policy since there has been no new Tourism Policy after 2010. The Company may coordinate its efforts so that assets created are put to use as the Dandi Heritage Corridor and Dandi Destination Development were not being utilised even after an expenditure of ₹20.43 crore. The Company may analyse reasons for continuous losses in certain hotels operated by it and initiate suitable corrective/ ameliorative measures.

(Chapter 2.1)

Executive summary of **IT Audit of GSPC Gas Company Limited** is given below:

Introduction

GSPC Gas Company Limited (Company) was incorporated on 11 March 1999. The Company supplies compressed natural gas through 160 stations and piped natural gas to domestic households, commercial and non-commercial customers and industrial customers. The Company embarked into major computerisation in April 2010 by implementation of Enterprise Resource Planning (ERP) software SAP at a cost of ₹22.58 crore. The system was made operational with effect from 11 Febuary 2011.

Audit of operation and maintenance

Though the Company implemented ERP system for more than three years, it did not formulate Business Continuity and Disaster Recovery Plan.

Material Management (MM) module

In the MM module meant for managing material planning, procurement and inventory management of the organisation, purchase orders were issued without purchase requisitions. Further, purchase orders were issued without delivery dates. Also, there were delays in posting of goods issued and receipt document and non-availability of guarantee/warranty feature.

Financial Accounting and Controlling (FICO) module

The FICO module meant for capturing all financial processing transactions and providing cost centre wise operational information was not monitoring defaulting consumers and bank guarantee renewals through the system. The regional trial balances were not generated. Further physical verification of assets was not updated in SAP.

Human Capital Management (HCM) module

The HCM module aimed to automate employee administration, time management, pay-roll management and legal reporting process. There was no means to determine the genuineness of conveyance allowance reimbursement and dependency status was not updated.

Process Integration (PI) module

The PI module was not utilised for integrating existing systems of the Company with SAP.

Recommendations

The Company should review the segregation of duties and authorisations to prevent chances of fraud and other irregularities and should utilise all functionalities of the modules and monitor important areas through the system by updating all the fields. All the systems should be integrated to have an online single point MIS for effective control and avoiding dependence on manual controls.

(Chapter 2.2)

Executive summary of **IT Audit of Drug Logistic Information and Management System (DLIMS)** in **Gujarat Medical Services Corporation Limited** is given below:

A web-based system named Drug Logistics Information and Management System (DLIMS) was developed by National Informatics Centre (NIC) for Gujarat Medical Services Corporation Limited (Company) to cover activities starting from the collection of indents to the distribution of indented items of drugs and surgical items.

Issues related to system efficiency

No documentation existed of the authority which could create master data, nor were procedures for its amendment or verification prescribed; as a result unauthorised creation and tampering of master data could not be ruled out.

Quality Control

There was no pre-dispatch testing at four out of five depots. Further as the module for quality assurance monitoring had not been developed, the same was being done manually.

Inventory Management

The principle of First Expired First Out (FEFO) was not facilitated in the system hence issue of drugs was not made on the basis of FEFO. DLIMS was also not having any automotive alert for Near to Expiry Drugs.

Issue of Stores

A review of stock receipt module and stock issue module of drugs revealed that in 16 out of 3,16,347 cases, date of issue was prior to manufacturing dates. In 253 cases, date of

dispatch to depots was prior to date of issue from depots and in 92 cases stores were issued but not dispatched. This indicates that the control needs to be strengthened.

Integrity and Reliability of data

Six cheques involving 23 bills were issued prior to the passing of bills and 25 out of hundred cheques issued were not found in the system database. Further, bill numbers were not system generated.

Documentation

There was no agreement or understanding between the Company and NIC and the Company was not having system development related documents.

Monitoring and Internal control

The Hospitals and other health institutions did not submit e-receipt for acknowledging receipt of stores from depots. Audit trail was not facilitated in the system to recover the history of transactions.

Conclusion and Recommendation

IT audit of DLIMS revealed that due to improper planning without taking into account inter-related activities of the Company and lack of support from the developer etc., the Company was left with a system which had issues relating to integrity and reliability of information. It is recommended that an integrated software package be developed which would take care of the entire business operations of the Company with forward and backward integration.

(Chapter2.3)

3. Compliance Audit Observations

Compliance audit observations included in this Report highlight deficiencies in the management of PSUs which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

Loss of ₹541.68 crore in one case due to non compliance to rules and regulations.

(Paragraphs 3.6)

Loss of ₹ 65.99 crore in five cases due to non-safeguarding the financial interests of organisation.

(Paragraphs 3.2, 3.3, 3.4, 3.5 and 3.7)

Loss of ₹132.27 crore in three cases due to defective/deficient planning.

(Paragraphs 3.1, 3.8 and 3.9)

Gist of the major observations is given below:

Gujarat State Road Development Corporation Limited incorrectly calculated the value of work done leading to excess payments of price variation of ₹ 4.76 crore to the contractors during January 2011 to March 2014.

(Paragraph 3.4)

Gujarat State Petroleum Corporation Limited did not obtain forest clearance for use of reserve forest area resulting in avoidable standby charges of ₹ 541.68 crore.

(Paragraph 3.6)

Naini Coal Company Limited contravened the terms of allotment which resulted in de-allocation of the allocated mine and invocation of performance guarantee of ₹ 16.25 crore in January 2013.

(Paragraph 3.8)