

Chapter I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out the activities of commercial nature while keeping in view the welfare of people. In Gujarat, the State PSUs occupy an important place in the State economy. The working State PSUs registered a turnover of ₹ 58,451.76 crore for 2009-10 as *per* their latest finalised accounts as of September 2010. This turnover was equal to 15.34 *per cent* of State Gross Domestic Product (GDP) for 2009-10. Major activities of Gujarat State PSUs are concentrated in power sector. The working State PSUs earned an overall profit of ₹ 2,404.22 crore in the aggregate for 2009-10 as per their latest finalised accounts as of September 2010. They had employed 1.13 lakh* employees as of 31 March 2010.

1.2 As on 31 March 2010, there were 71 PSUs as *per* the details given below. Of these, four companies[§] were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs [¶]	Total
Government companies [♦]	54	13	67
Statutory corporations	4	-	4
Total	58	13	71

1.3 During the year 2009-10, one PSU (Naini Coal Company Limited) was established on 9 October 2009 as a subsidiary of Gujarat Mineral Development Corporation Limited.

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 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.

* As per the details provided by 57 working PSUs.

§ Sl. No.A-23, A-24, A-44 and B-2 of Annexure-1.

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

♦ Includes 619-B companies.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by 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 CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of four Statutory corporations, CAG is the sole auditor for Gujarat Industrial Development Corporation and Gujarat State Road Transport Corporation. In respect of Gujarat State Warehousing Corporation and Gujarat State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

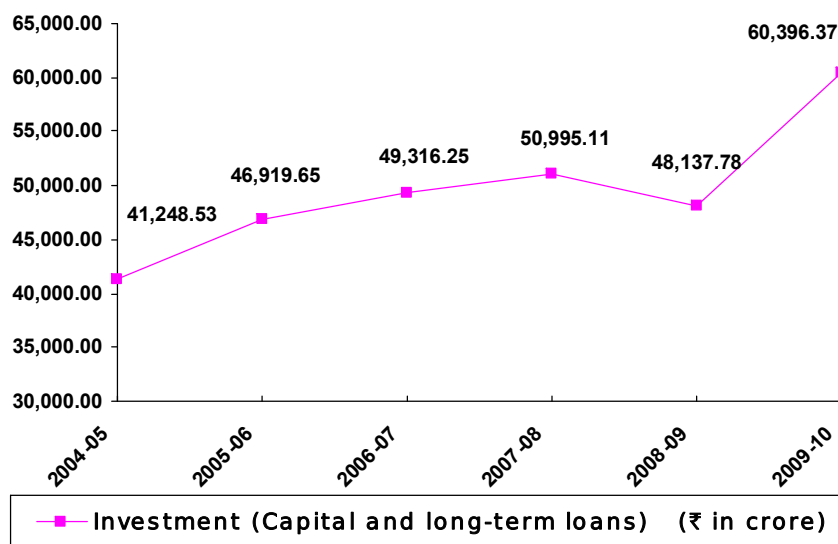
Investment in State PSUs

1.7 As on 31 March 2010, the investment (capital and long-term loans) in 71 PSUs (including 619-B companies) was ₹ 60,396.37 crore as per details given below.

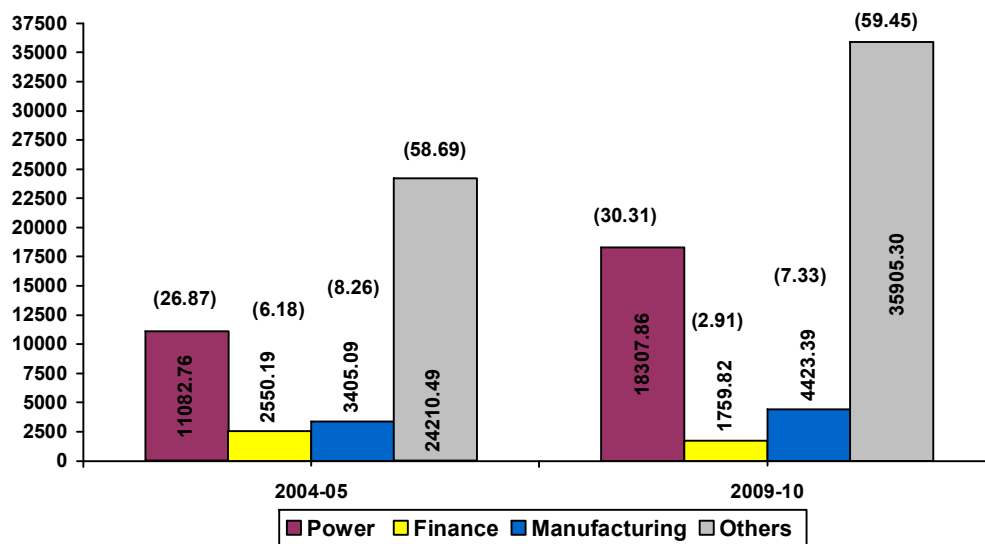
Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	35,765.92	21,238.61	57,004.53	797.45	1,784.20	2,581.65	59,586.18
Non-working PSUs	98.63	711.56	810.19	-	-	-	810.19
Total	35,864.55	21,950.17	57,814.72	797.45	1,784.20	2,581.65	60,396.37

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

1.8 As on 31 March 2010, of the total investment in State PSUs, 98.66 per cent was in working PSUs and the remaining 1.34 per cent in non-working PSUs. This total investment consisted of 60.70 per cent towards capital and 39.30 per cent in long-term loans. The investment has grown by 46.42 per cent from ₹ 41,248.53 crore in 2004-05 to ₹ 60,396.37 crore in 2009-10 as shown in the graph below:



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 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 thrust of PSUs investment during the six years was mainly in power sector and others sector, percentage share of which increased from 26.87 and 58.69 per cent in 2004-05 to 30.31 and 59.45 per cent in 2009-10 respectively. The investment in power sector had grown mainly due to increase of ₹ 6,343.39 crore in the equity/loans investments in Gujarat Urja Vikas Nigam Limited and its six subsidiaries during preceding six years from 2004-05. While in case of ‘Others’ sector, the appreciation in investment was mainly on account of fresh investment of ₹ 3,061.28 crore in Gujarat State Petroleum Corporation Limited and ₹ 9,827.97 crore in Sardar Sarovar Narmada Nigam Limited during the said

period of six years in the form of equity/loans. However, the investment in finance sector had declined from ₹ 2,550.19 crore to ₹ 1,759.82 crore due to repayment of loans by Finance sector PSUs.

Budgetary outgo, grants/subsidies, guarantees and loans

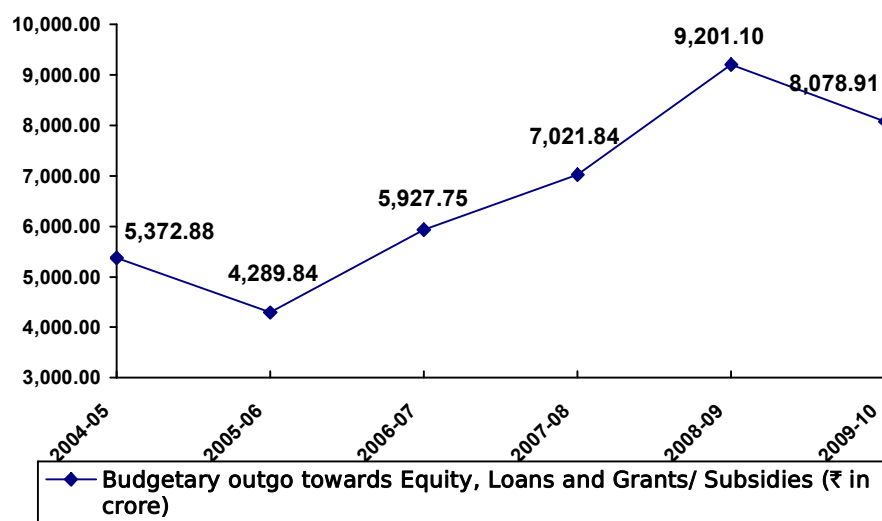
1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in *Annexure 3*. The summarised details are given below for three years ended 2009-10.

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	12	3,249.73	11	3,378.02	12	2,352.61
2.	Loans given from budget	9	369.51	9	867.72	7	288.78
3.	Grants/Subsidy received	26	3,402.60	28	4,955.36	27	5,437.52
4.	Total Outgo (1+2+3)		7,021.84		9,201.10		8,078.91
5.	Loans converted into equity	-	-	-	-	-	-
6.	Loans written off	-	-	-	-	-	-
7.	Interest/Penal interest written off	-	-	1	13.70	-	-
8.	Total Waiver (6+7)	-	-		13.70	-	-
9.	Guarantees issued	5	80.71	1	150.00	1	0.30
10.	Guarantee Commitment	14	8,487.96	9	6,694.00	17	5,427.81

Out of ₹ 2,352.61 crore of equity capital outgo during the year 2009-10, the major portion i.e. ₹ 2,193 crore was given to Sardar Sarovar Narmada Nigam Limited. Likewise, out of ₹ 5,437.52 crore of grants and subsidy given during the year 2009-10, ₹ 3,357.65 crore was given to seven power sector PSUs.

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



It can be observed that after recording an all time low of ₹ 4,289.84 crore (2005-06) during the preceding six years period, the budgetary outgo to State PSUs gradually increased each year and registered the highest outgo of ₹ 9,201.10 crore in 2008-09. During 2009-10, it marginally declined to ₹ 8,078.91 crore.

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 may vary between 0.5 per cent and 2 per cent as decided by the State Government depending upon the loanees. The guarantee commitment decreased to ₹ 5,427.81 crore during 2009-10 from ₹ 8,487.96 crore during 2007-08. The State Government issued guarantee to one* PSU amounting to ₹ 0.30 crore during 2009-10. Further, four† PSUs paid guarantee fee to the tune of ₹ 56.02 crore and the guarantee fee of ₹ 35.36 crore was yet to be paid by one‡ PSU, for the year 2009-10 to the State Government.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures 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 2010 is stated below.

* Sl.No. A-5 of Annexure-1.

† Sl.No. A-5, A-53, B-3 and B-4 of Annexure-1.

‡ Sl.No. B-2 of Annexure-1

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	30,809.67	31,688.80	879.13
Loans	2,351.57	3,378.36	1,026.79
Guarantees	8,397.04	5,427.81	2,969.23

1.14 We observed that the differences occurred in respect of 52 PSUs and some of the differences were pending reconciliation since November 1994. We had brought (March 2010) the matter to the notice of the Finance Department, concerned administrative Department and the respective PSUs about the differences appeared in the Audit Report (Commercial) and Finance Accounts for the year 2008-09. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working 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 turnover and State GDP for the period 2004-05 to 2009-10.

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover [∞]	16,756.24	8,557.28	37,238.90	40,632.57	50,289.48	58,451.76
State GDP	1,89,118	2,19,780	2,54,533	2,80,086	3,61,846	3,81,028*
Percentage of Turnover to State GDP	8.86	3.89	14.63	14.51	13.90	15.34

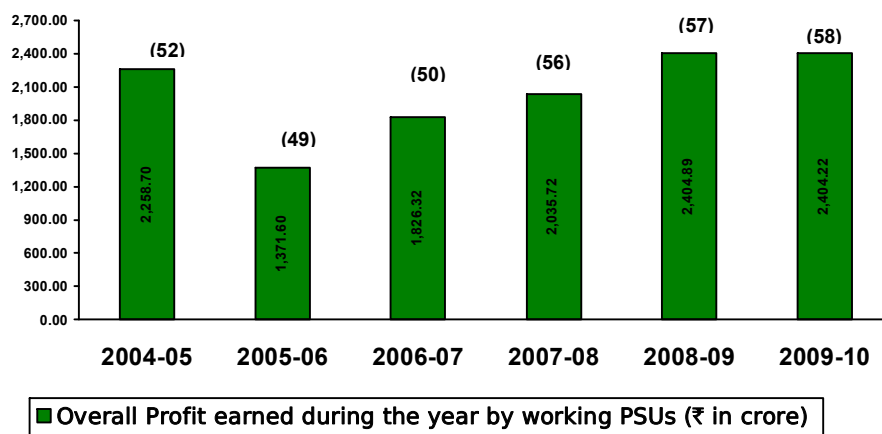
It can be seen from the above that the percentage of turnover of state GDP increased from 8.86 in 2004-05 to 15.34 in 2009-10. Further, the turnover had gradually increased during preceding six years (except during 2005-06) and increased from ₹ 16,756.24 crore in 2004-05 to ₹ 58,451.76 crore in 2009-10. The turnover of State working PSUs during 2005-06 was abnormally low because of non-inclusion of turnover figures of seven power sector companies formed after unbundling of erstwhile Gujarat Electricity Board, which had not finalised their first accounts within the cut-off date (*i.e.* 30 September 2006).

1.16 Profit[∅] earned by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart.

[∞] Turnover of working PSUs as per the latest finalised accounts as of 30 September, 2010.

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

[∅] Represents net profit before tax.



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

It can be observed from the above chart that the working of PSUs improved over the period. During the year 2009-10, out of 58 working PSUs, 40 PSUs earned profit of ₹ 2,672.93 crore and nine PSUs incurred loss of ₹ 268.71 crore. One[§] working PSU had capitalised excess of expenditure over income, one^{**} PSU had not prepared its first accounts, six^{††} are under construction and one^{‡‡} had transferred excess of expenditure to non-plan grant. The major contributors to the profit were Gujarat State Petronet Limited (₹ 626.89 crore), Gujarat Mineral Development Corporation Limited (₹ 406.08 crore), Gujarat State Petroleum Corporation Limited (₹ 403.02 crore) and Gujarat State Fertilizers and Chemicals Limited (₹ 389.12 crore). The heavy losses were incurred by Gujarat State Financial Corporation (₹ 129.38 crore) and Gujarat State Road Transport Corporation (₹ 94.57 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 latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 2,266.59 crore and infructuous investment of ₹ 317.90 crore, which were controllable with better management. Year wise details from Audit Reports are stated below.

Particulars	(₹ in crore)			
	2007-08	2008-09	2009-10	Total
Net Profit	2,035.72	2,404.89	2,404.22	6,844.83
Controllable losses as per CAG's Audit Report	394.62	1,058.86	813.11	2,266.59
Infructuous Investment	19.78	145.26	152.86	317.90

1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the controllable losses can be minimised and the profits can be enhanced substantially. The

[§] Sl.No. A-18 of Annexure-1.

^{**} Sl.No. A-29 of Annexure 1.

^{††} Sl.No. A-27, A-28, A-39, A-40, A-48 and A-53 of Annexure-2.

^{‡‡} Sl.No. A-8 of Annexure-2.

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 State PSUs are given below.

(₹ in crore)						
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (Per cent)	0.91	4.4	6.34	5.43	3.95	5.24
Debt	25,609.32	23,239.60	22,376.93	20,564.74	13,048.33	23,734.37
Turnover ^Y	16,756.24	8,557.28	37,238.90	40,632.57	50,289.48	58,451.76
Debt/Turnover Ratio	1.53:1	2.72:1	0.60:1	0.51:1	0.26:1	0.41:1
Interest Payments	1,839.08	491.42	1,552.64	1,702.33	2,021.74	2,255.99
Accumulated Profits (losses)	(8,670.18)	(1,860.01)	(1,164.22)	(524.66)	(814.56)	(595.03)

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

1.20 The turnover figures of PSUs had increased gradually after 2005-06 from ₹ 37,238.90 crore (2006-07) to ₹ 58,451.76 crore (2009-10). The debt-turnover ratio also improved correspondingly up to 2008-09 when it reached to 0.26:1. Debt-turnover ratio for 2009-10 deteriorated to 0.41:1 because of significant increase in the debts which was mainly due to increase in borrowing by ₹ 10,420.41 crore in power sector during 2009-10. As mentioned under paragraph 1.15, the turnover figures for 2005-06 were abnormally low at ₹ 8,557.28 crore due to delayed finalisation of first accounts by newly formed power sector companies. Accumulated losses were significantly decreased from ₹ 8,670.18 crore to ₹ 1,164.22 crore in 2006-07 mainly due to write back of depreciation of ₹ 5,294.00 crore at the time of unbundling of erstwhile Gujarat Electricity Board into seven companies on 1 April 2005. Accumulated losses further decreased to ₹ 595.03 crore in the year 2009-10.

1.21 The State Government had not formulated any dividend policy regarding payment of minimum return by PSUs on paid-up share capital contribution by State Government by way of dividend. As per their latest finalised accounts as on 30 September 2010, 40 PSUs earned an aggregate profit of ₹ 2,672.93 crore and 10 PSUs^V declared dividend of ₹ 226.30 crore.

Arrears in finalisation of accounts

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

^Y Turnover of working PSUs as per the latest finalised accounts as of 30 September.

^V A-2, A-9, A-10, A-23, A-24, A-25, A-44, A-46, A-52 and B-1 of Annexure 1.

under Sections 166, 210, 230, 619 and 619-B of 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 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of Working PSUs	49	50	56	57	58
2.	Number of accounts finalised during the year	40	48	45	58	73 [⊗]
3.	Number of accounts in arrears	39	41	52	51	36
4.	Average arrears <i>per</i> PSU (3/1)	0.80	0.82	0.93	0.89	0.62
5.	Number of Working PSUs with arrears in accounts	31	25	38	34	25
6.	Extent of arrears	1 to 2 years	1 to 3 years	1 to 5 years	1 to 6 years	1 to 4 years

1.23 It can be observed that the number of PSUs increased from 49 in 2005-06 to 58 in 2009-10 with consequential decrease in the average arrear per PSU from 0.80 in 2005-06 to 0.62 in 2009-10. The accumulation of arrears was mainly due to inadequacy of manpower in the PSUs.

1.24 In addition to above, there were also arrears in finalisation of accounts by non-working PSUs. Out of 13 non-working PSUs, seven had gone into liquidation process. Of the remaining six non-working PSUs, four PSUs had arrears of accounts for one to 11 years.

1.25 The State Government had invested ₹ 2,565.34 crore (17 PSUs) (Equity: ₹ 37.62 crore (five PSUs), loans: ₹ 383.80 crore (four PSUs) and grants: ₹ 2,143.92 crore (16 PSUs) in PSUs during the years for which accounts have not been finalised as detailed in *Annexure 4*. Delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

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 we had informed the concerned administrative departments and officials of the Government of the arrears in finalisation of accounts on quarterly basis, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. We had also taken up the matter of arrears in accounts with the Chief Secretary/ Finance Secretary to expedite the backlog of arrears in accounts in a time bound manner.

[⊗] Including first three accounts (2003-04 to 2005-06) of one Company at Sl. No. A-48 of Annexure 2 which were certified by the auditors appointed by the Company and accounts so certified were adopted in the Annual General Meetings of the Company in violation of the provisions of Section 619 of the Companies Act, 1956. None of the said three accounts of the Company were forwarded to PAG, for supplementary audit.

1.27 In view of above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

1.28 There were 13 non-working companies as on 31 March 2010. Of these, seven PSUs have commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
No. of non-working companies	15	14	14	13	13

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2009-10, three non-working PSUs incurred an expenditure of ₹ 0.42 crore towards establishment expenditure. This expenditure was financed by the Holding Company (₹ 0.07 crore), out of the own fund (₹ 0.25 crore) and through sale of assets (₹ 0.10 crore).

1.29 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	No. of Companies
1.	Total No. of non-working PSUs	13
2.	Of (1) above, the No. under	
(a)	liquidation by Court (liquidator appointed)	6
(b)	Voluntary winding up (liquidator appointed)	1
(c)	Winding up after clearance of arrear in accounts.	1
(d)	Closure, <i>i.e.</i> closing orders/ instructions not issued.	5

1.30 The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may consider setting up a cell to expedite closing down its non-working companies. The Government may make a decision regarding winding up of five non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working.

Accounts Comments and Internal Audit

1.31 Forty- four working companies forwarded 65 accounts to PAG during the year 2009-10 which were selected for supplementary audit. The audit

reports of Statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory auditors and CAG are given below.

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	75.12	6	72.85	11	107.32
2.	Increase in loss	1	16.17	-	-	1	0.02
3.	Non-disclosure of material facts	5	286.21	12	457.52	4	7.98
4.	Errors of classification	13	3,451.79	16	4,567.03	17	5179.16

1.32 It can be observed from the above that money value objections for decrease in profit and errors of classification increased from ₹ 75.12 crore and ₹ 3,451.79 crore in 2007-08 to ₹ 107.32 crore and ₹ 5179.16 crore in 2009-10 respectively. However, increase in loss and non-disclosure of material facts had reduced from ₹ 16.17 crore and ₹ 286.21 crore in 2007-08 to ₹ 0.02 crore and ₹ 7.98 crore in 2009-10.

1.33 During the year, the statutory auditors had given unqualified certificates for 34 accounts, qualified certificates for 31 accounts, the compliance of companies with the Accounting Standards (AS) remained poor as there were 35 instances of non-compliance in 13 accounts during the year.

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

1.34 Gujarat Water Resources Development Corporation Limited (2008-09)

- The Company had accounted net amount of Grant/ Subsidy receivable from State Government of ₹ 42.45 crore by adjusting 'Payable to State Government' of ₹ 79.47 crore with Grant/ Subsidy receivable from State Government amounting to ₹ 121.92 crore for which final approval is pending from State Government. Thus, inappropriate recognition of Grants in violation of AS-12 by the Company had resulted in overstatement of Grants Receivable by ₹ 42.45 crore, understatement of payables to State government by ₹ 79.47 crore and accumulated loss by ₹ 121.92 crore.

1.35 Gujarat State Electricity Corporation Limited (2008-09)

- The Company incorrectly net off the receivables from Gujarat Urja Vikas Nigam Limited (GUVNL) relating to sale of power during 2008-09 for prompt payment of power purchase bills which was irregular and was not in line with the terms of Power Purchase Agreement. This had resulted in understatement of profit and debtors by ₹ 174.55 crore.

1.36 Gujarat State Land Development Corporation Limited (2008-09)

- The Company continued to depict ₹ 2.14 crore towards losses of Boring and Blasting Scheme as a grant receivable since 1983 without any firm commitment from the Government for its reimbursement. This had resulted in overstatement of grant receivable and profit by ₹ 2.14 crore.

1.37 Paschim Gujarat Vij Company Limited (2008-09)

- The Company had not accounted power purchased from wind farm generators to the tune of ₹ 6.16 crore pending receipt of certificate from Gujarat Energy Development Authority and Gujarat Energy Transmission Corporation Limited. This resulted in overstatement of profit and understatement of current liabilities to the extent of ₹ 6.16 crore.

1.38 Sardar Sarovar Narmada Nigam Limited (2008-09)

- The Company had commissioned five units of Canal Head Power House and six units of River Bed Power House during August 2004 to June 2006. Instead of capitalising the expenditure of ₹ 4,670 crore incurred on power houses, they continued to show the same under works-in-progress. This had resulted in understatement of “completed assets” and overstatement of “capital works in progress” by ₹ 4,670 crore.
- Accounting of income of ₹ 74.40 crore earned on sale of power on behalf of State Government as a deduction from Incidental Expenditure had resulted in understatement of Incidental Expenditure and as well as sundry creditors by the same amount.

1.39 Similarly, three working Statutory corporations forwarded their five accounts for the year 2007-08 to 2009-10 to PAG during the year 2009-10. Of these, two accounts of two Statutory corporations pertained to sole audit by CAG which was completed. All the remaining three accounts pertaining to other two Statutory corporations were selected for supplementary audit. The audit reports of statutory auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	--	--	1	11.11	2	14.13
2.	Increase in loss	1	14.06	3	21.76	2	257.56
3.	Non-disclosure of material facts	2	378.71	1	15.53	2	232.17
4.	Errors of classification	1	73.18	3	276.23	3	153.80

It can be observed from the above that the money value objection in all the categories except errors of classification had increased in 2009-10 compared to 2008-09.

During the year, out of five accounts, three accounts received unqualified certificates whereas two accounts received qualified certificates.

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

1.40 Gujarat Industrial Development Corporation (2007-08)

The Corporation had not made any provision against revenue charges amounting to ₹ 11.42 crore which were pending to be recovered since 1973 from Indian Petro Chemicals Limited. This had resulted in overstatement of excess of income over expenditure as well as current assets to the tune of ₹ 11.42 crore.

Gujarat Industrial Development Corporation (2008-09)

Non provision of ₹ 41.72 crore towards cess and penalty thereon payable on the executed capital works of ₹ 2,086.28 crore resulted in overstatement of excess of income over expenditure with consequent understatement of outstanding liabilities by ₹ 41.72 crore.

1.41 Gujarat State Financial Corporation (2008-09)

The Corporation had not provided liability of Sales tax on Hire Purchase transactions even after rejection (April 2001) of PSU's appeal before Sales Tax Commissioner (Litigation II). This had resulted in understatement of loss for the year as well as current liabilities and provisions by ₹ 55.98 crore.

1.42 Gujarat State Road Transport Corporation (2007-08)

The Corporation had revised estimated life of vehicle without obtaining approval of State Government, which resulted in undercharging of depreciation by ₹ 13.22 crore. This also resulted in understatement of loss and overstatement of fixed assets by ₹ 13.22 crore.

The Corporation had not provided liability of claims under Motor Accident Claims Tribunal awarded by court to the tune of ₹ 85.14 crore, which resulted in understatement of loss as well as liabilities to the same extent.

1.43 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 11 companies[£] for the year 2008-09 and 12 companies[#] for the year 2009-10 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	9	A-2, A-6, A-26, A-34, A-35, A-37, A-41, A-46, A-53
2.	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	8	A-6, A-20, A-36, A-37, A-41, A-42, A-53, C-13,
3.	Internal control needs to be strengthened	5	A-2, A-6, A-20, A-22, A-32
4.	Internal Audit required to be strengthened	9	A-2, A-3, A-6, A-20, A-25, A-26, A-41, A-42, A-54,
5.	Non maintenance of cost records	1	A-17

Recoveries at the instance of audit

1.44 During the course of propriety audit in 2009-10, recoveries of ₹ 780.11 crore were pointed out to the Management of various PSUs, of which, recoveries of ₹ 43.23 crore were admitted by PSUs. An amount of ₹ 5.60 crore was recovered during the year 2009-10.

Status of placement of Separate Audit Reports

1.45 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG 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 Financial Corporation	2008-09	2009-10	SAR under finalisation	--
2.	Gujarat State Road Transport Corporation	2006-07	2007-08	23 July 2010	Likely to be placed in the next session of the Assembly.

[£] Sl. No. A-2, A-17, A-20, A-25, A-26, A-34, A-35, A-36, A-41, A-46 and A-53 - of Annexure 2.

[#] Sl.No.A-2, A-3, A-6, A-22, A-25, A-26, A-32, A-37, A-42, A-53, A-54 and C-13 of Annexure 2.

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature.

Disinvestment, Privatisation and Restructuring of PSUs

1.46 During the year 2009-10, the State Government had neither disinvested nor privatised any of its PSUs.

Reforms in Power Sector

1.47 The State has Gujarat Electricity Regulatory Commission (GERC) formed in November 1998 under the 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 2009-10, (GERC) issued 59 orders (eight on annual revenue requirements, 25 oral orders and 26 on other matters).

1.48 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.

Sl. No.	Milestone	Achievement as at March 2010
1.	Reduction in T&D losses (No target fixed)	Instead of reduction, T&D losses increased from 20.13 <i>per cent</i> (2001-02) to 24.22 <i>per cent</i> (2009-10).
2.	100 <i>per cent</i> electrification of all villages.	100 <i>per cent</i> villages electrified.
3.	100 <i>per cent</i> metering of all distribution feeders.	100 <i>per cent</i> metering of distribution feeders achieved.
4.	100 <i>per cent</i> metering of agriculture consumers	Only 41.91 <i>per cent</i> metering of agriculture consumers was completed.
5.	Securitized 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.

