

## Chapter I

### Overview of State Public Sector Undertakings

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#### Introduction

**1.1** The State Public Sector Undertakings (PSUs) consist of Government of Gujarat (GoG) 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. The State PSUs occupy an important place in the economy of Gujarat. The working State PSUs registered a turnover of ₹ 79,641.86 crore for 2011-12 as per their latest finalised accounts as of September 2012. This turnover was equal to 13.47 *per cent* of State Gross Domestic Product (GDP) for 2011-12. Major activities of Gujarat State PSUs are concentrated in power sector. The working State PSUs earned an overall aggregate profit of ₹ 3,928.69 crore for 2011-12 as per their latest finalised accounts as of September 2012. They had employed 1.12 lakh<sup>1</sup> employees as on 31 March 2012.

**1.2** As on 31 March 2012, there were 78 PSUs as per the details given below. Of these, three PSUs<sup>2</sup> were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs <sup>3</sup>	Total
Government Companies <sup>4</sup>	62	12	74
Statutory Corporations	4	-	4
<b>Total</b>	<b>66</b>	<b>12</b>	<b>78</b>

**1.3** During the year 2011-12, six PSUs viz., Gujarat State Aviation Infrastructure Company Limited, Dholera International Airport Company Limited, Guj-Tour Development Company Limited, GSPL India Gasnet Limited, GSPL India Transco Limited and GSPC Distribution Networks Limited were established. The name of one PSU viz., Gujarat National Highways Limited was struck off from the register of Registrar of Companies under Easy Exit Scheme 2011 during this year.

#### 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

<sup>1</sup> As per the details provided by 64 working PSUs (except PSUs at Sl. No. A-29 and A-59 of Annexure 1).

<sup>2</sup> Sl. No. A-27, A-50 and B-2 of Annexure 1.

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

<sup>4</sup> Includes 619-B companies.

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.

**1.5** The accounts of the GoG Companies (as defined in Section 617 and 619-B 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 the CAG as per the provisions of 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 and Gujarat State Financial Corporation, the audit is conducted by the Chartered Accountants and supplementary audit is conducted by the CAG.

### Investment in State PSUs

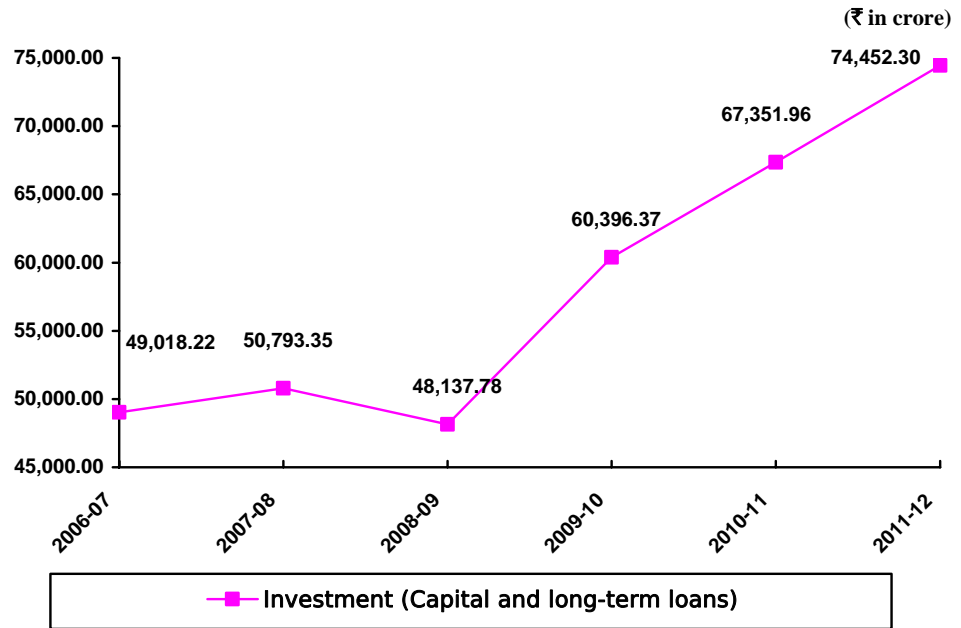
**1.7** As on 31 March 2012, the investment (capital and long-term loans) in 78 PSUs (including 619-B Companies) was ₹ 74,452.30 crore as per details given below:

(₹ in crore)

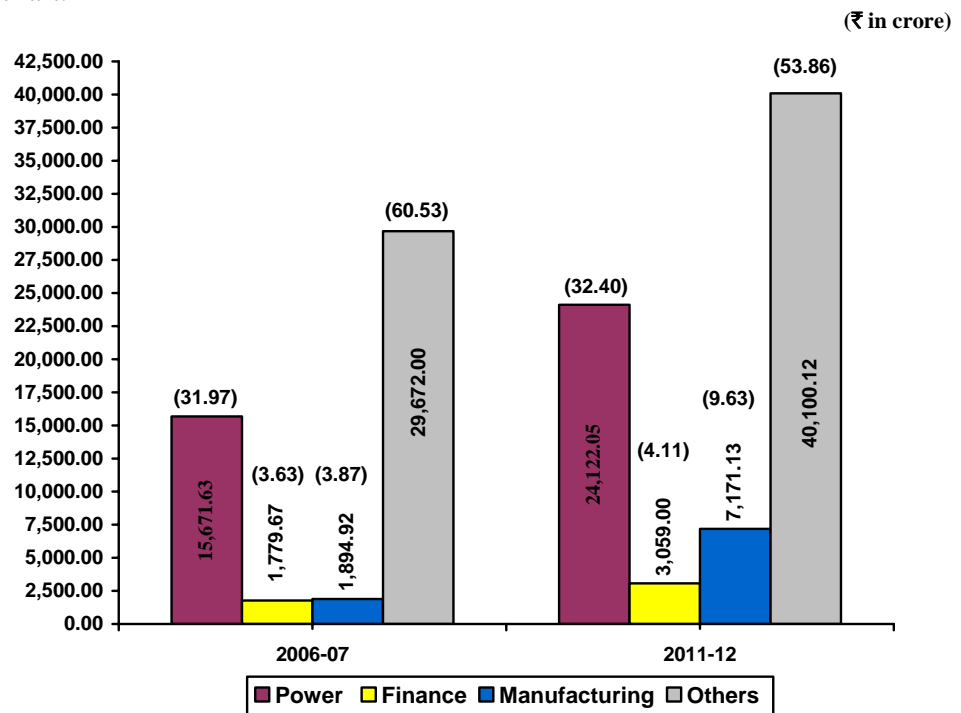
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	43,288.68	27,084.57	70,373.25	827.45	2,457.39	3,284.84	73,658.09
Non-working PSUs	82.57	711.64	794.21	-	-	-	794.21
<b>Total</b>	<b>43,371.25</b>	<b>27,796.21</b>	<b>71,167.46</b>	<b>827.45</b>	<b>2,457.39</b>	<b>3,284.84</b>	<b>74,452.30</b>

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

**1.8** As on 31 March 2012, of the total investment in State PSUs, 98.93 per cent was in working PSUs and the remaining 1.07 per cent in non-working PSUs. This total investment consisted of 59.37 per cent towards capital and 40.63 per cent in long-term loans. The investment has grown by 51.89 per cent; from ₹ 49,018.22 crore in 2006-07 to ₹ 74,452.30 crore in 2011-12 as shown in the graph below:



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 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. The investment in Power sector had grown mainly due to increase of ₹ 8,450.42 crore in the equity/loans investments in state PSUs engaged in power generation and transmission activities. While in case of 'Others' sector,

the investment increased by ₹ 10,428.12 crore of which ₹ 8,172.65 crore was attributable to Sardar Sarovar Narmada Nigam Limited during the said period of six years in the form of equity/loans. There has been an increase in the investment in the form of equity/loans in manufacturing sector by ₹ 5,276.21 crore which was mainly due to increased investment of ₹ 6,057.82 crore in Gujarat State Petroleum Corporation Limited and decrease in investment by ₹ 928.03 crore in Gujarat Mineral Development Corporation Limited due to repayment of loans.

### Budgetary outgo, grants/subsidies, guarantees and loans

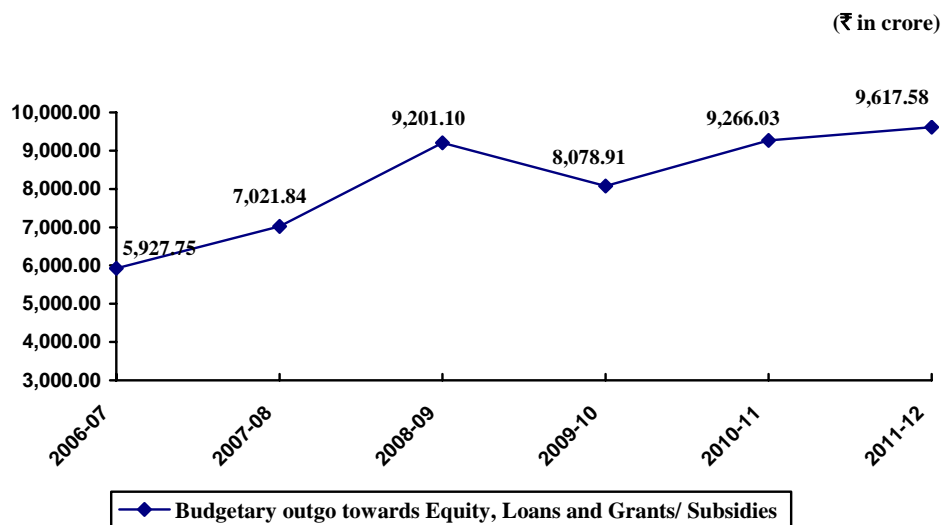
**1.10** The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in *Annexure 3*. The summarised details are given below for three years ended 2011-12.

(Amount: ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	12	2,352.61	11	2,909.95	15	3,970.14
2.	Loans given from budget	7	288.78	8	1,006.52	7	1,129.68
3.	Grants/Subsidy received	27	5,437.52	29	5,349.56	29	4,517.76
<b>4.</b>	<b>Total Outgo (1+2+3)</b>	--	<b>8,078.91</b>	--	<b>9,266.03</b>	--	<b>9,617.58</b>
5.	Loans converted into equity	--	--	--	--	--	--
6.	Loans written off	--	--	1	7.00	--	--
7.	Interest/Penal interest written off	--	--	1	2.31	--	--
<b>8.</b>	<b>Total Waiver (6+7)</b>	--	--	--	<b>9.31</b>	--	--
9.	Guarantees issued	1	0.30	--	--	1	5.00
10.	Guarantee Commitment	17	5,427.81	12	4,960.25	7	3,376.31

Out of ₹ 3,970.14 crore of equity capital outgo during the year 2011-12, the major portion i.e. ₹ 3,164.18 crore was given to Sardar Sarovar Narmada Nigam Limited and ₹ 608.20 crore to Gujarat Urja Vikas Nigam Limited. Out of loans given from budget of ₹ 1,129.68 crore, ₹ 425 crore was given to Gujarat State Road Transport Corporation and ₹ 635 crore to Gujarat State Investments Limited. Likewise, out of ₹ 4,517.76 crore of grants and subsidy given during the year 2011-12, ₹ 2,230.55 crore was given to eight power sector PSUs, ₹ 703.70 crore to Gujarat State Road Transport Corporation, ₹ 485.22 crore to Gujarat State Land Development Corporation and ₹ 222.95 crore to Gujarat State Police Housing Corporation Limited.

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



It can be observed that after recording an all-time low of ₹ 5,927.75 crore (2006-07) during the preceding six years period, the budgetary outgo to the State PSUs gradually increased and registered the highest outgo of ₹ 9,617.58 crore in 2011-12.

**1.12** In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, the GoG gives guarantee under the Gujarat State Guarantee Act, 1963 for which the guarantee fee is being charged. These fees vary from 0.25 per cent to one per cent as decided by the GoG depending upon the loanees. The guarantee commitment decreased to ₹ 3,376.31 crore during 2011-12 from ₹ 5,427.81 crore during 2009-10. The GoG issued guarantee to one<sup>5</sup> PSU amounting to ₹ five crore during 2011-12. Further, nine<sup>6</sup> PSUs paid guarantee fees<sup>7</sup> to the tune of ₹ 46.23 crore. Guarantee fees of ₹ 35.59 crore was yet to be paid by one<sup>8</sup> PSU for the year 2011-12 to the GoG.

### Reconciliation with Finance Accounts

**1.13** The amount of equity, loans and guarantees outstanding as per records of State PSUs should agree with 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 2012 is stated below.

<sup>5</sup> Sl. No. A-11 of Annexure 3.

<sup>6</sup> Sl. No. A-5, A-35, A-37, A-38, A-39, A-40, A-41, A-42 and A-61 of Annexure 1.

<sup>7</sup> The Guarantee outstanding in respect of six (Sl. No. A-35, A-37, A-38, A-39, A-40 and A-41) subsidiary PSUs of Power sector is shown under holding Company at Sl. No. A-42 of Annexure 1 as the same has not been allocated to its subsidiaries. The details of Guarantee fees as allocated by the holding Company (Sl. No. A-42 of Annexure 1) has been considered.

<sup>8</sup> 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	37,821.67	38,441.62	619.95 <sup>9</sup>
Loans	3,157.67	5,382.88	2,225.21
Guarantees	6,402.29	3,376.31	3,025.98

**1.14** We observed that the differences occurred in respect of 52 PSUs. The Accountant General (AG) addressed (November 2012) the matter to the Finance Department, concerned Administrative Departments and the respective PSUs about the differences in figures indicated in the Audit Report (PSUs) and the Finance Accounts for the year 2011-12. 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 the 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's turnover and State GDP for the period from 2006-07 to 2011-12.

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover <sup>10</sup>	37,238.90	40,632.57	50,289.48	58,451.76	63,008.20	79,641.86
State GDP	2,54,533	2,80,086	3,61,846	3,81,028	5,14,750	5,91,175 <sup>11</sup>
Percentage of Turnover to State GDP	14.63	14.51	13.90	15.34	12.24	13.47

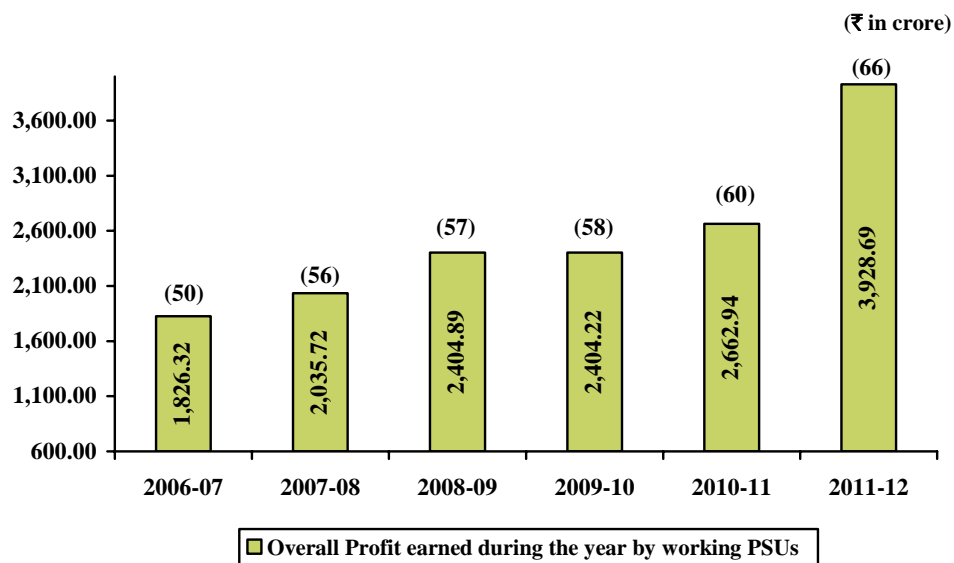
It can be seen from the above that though the turnover gradually increased from ₹ 37,238.90 crore in 2006-07 to ₹ 79,641.86 crore in 2011-12, the ratio remained between 12.24 to 15.34 *per cent*. This happened as the State GDP also increased at almost the same level of turnover.

<sup>9</sup> Out of ₹ 619.95 crore, a difference of ₹ 549.94 crore was reconciled in respect of five PSUs.

<sup>10</sup> Turnover of working PSUs as per the latest finalised accounts as of 30 September 2012.

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

**1.16** Details of profit<sup>12</sup> earned by State working PSUs during 2006-07 to 2011-12 are as given below in a bar chart.



(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 2011-12, out of 66 working PSUs, 41 PSUs earned profit of ₹ 4,326.53 crore and ten PSUs incurred loss of ₹ 397.84 crore. One<sup>13</sup> working PSU had capitalised excess of expenditure over income, five<sup>14</sup> PSU had not prepared its first accounts, eight<sup>15</sup> are under construction and one<sup>16</sup> had transferred excess of expenditure to non-plan grant. The major contributors to the profit were Gujarat State Petroleum Corporation Limited (₹ 941.71 crore), Gujarat State Petronet Limited (₹ 769.02 crore) and Gujarat Mineral Development Corporation Limited (₹ 717.72 crore). Heavy losses were incurred by Gujarat State Financial Corporation (₹ 208.68 crore) and Gujarat State Road Transport Corporation (₹ 159.74 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 three Audit Reports of the CAG shows that the State PSUs incurred losses to the tune of ₹ 4,052.37 crore and infructuous investment of ₹ 166.77 crore, which were controllable with better management. Year wise details from the Audit Reports are stated below.

<sup>12</sup> Represents net profit before tax.

<sup>13</sup> Sl.No. A-19 of Annexure 2.

<sup>14</sup> Sl.No. A-25, A-26, A-32, A-56 and A-59 of Annexure 2.

<sup>15</sup> Sl.No. A-30, A-31, A-33, A-44, A-54, A-57, A-58 and A-61 of Annexure 2.

<sup>16</sup> Sl.No. A-8 of Annexure 2.



(₹ in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net Profit	2,404.22	2,662.94	3,928.69	8,995.85
Controllable losses as per the CAG's Audit Report	813.11	2,344.56	894.70	4,052.37
Infructuous Investment	152.86	2.86	11.05	166.77

**1.18** The above losses pointed out by 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 the PSUs.

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

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Return on Capital Employed (Per cent)	6.34	5.43	3.95	5.24	5.24	6.97
Debt	22,376.93	20,564.74	13,048.33	23,734.37	26,862.15	30,253.60
Turnover <sup>17</sup>	37,238.90	40,632.57	50,289.48	58,451.76	63,008.20	79,641.86
Debt/Turnover Ratio	0.60:1	0.51:1	0.26:1	0.41:1	0.43:1	0.38:1
Interest Payments	1,552.64	1,702.33	2,021.74	2,255.99	2,423.60	2,935.83
Accumulated Profits/(Losses)	(1,164.22)	(524.66)	(814.56)	(595.03)	169.34	1,693.73

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

**1.20** The turnover of PSUs had increased gradually from ₹ 37,238.90 crore in the year 2006-07 to ₹ 79,641.86 crore in the year 2011-12. The debt-turnover ratio improved during the year 2008-09 as compared to various other years. The debt-turnover ratio for the year 2011-12 was 0.38:1 because of significant increase in the turnover of ₹ 10,364.88 crore in power sector during the year 2011-12. Accumulated losses decreased from ₹ 1,164.22 crore in the year 2006-07 to ₹ 595.03 crore in the year 2009-10. In the year 2011-12, accumulated profits were ₹ 1,693.73 crore.

**1.21** The GoG had not formulated any dividend policy regarding payment of minimum return by the PSUs on paid-up share capital contributed by the GoG. As per their latest finalised accounts as on 30 September 2012, 41 PSUs earned an aggregate profit of ₹ 4,326.53 crore and seven PSUs<sup>18</sup> declared dividend of ₹ 207.39 crore of which the GoG's share was ₹ 114.36 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

<sup>17</sup> Turnover of working PSUs as per the latest finalised accounts as of 30 September 2012.

<sup>18</sup> A-2, A-9, A-10, A-27, A-28, A-50 and A-52 of Annexure 2.

under the Companies Act, 1956. Similarly, in case of the 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 2012.

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of Working PSUs	56	57	58	60	66
2.	Number of accounts finalised during the year	45	58	73	58	58 <sup>19</sup>
3.	Number of accounts in arrears	52	51	36	38	47 <sup>20</sup>
4.	Average arrears per PSU (3/1)	0.93	0.89	0.62	0.63	0.71
5.	Number of Working PSUs with arrears in accounts	38	34	25	27	35
6.	Extent of arrears (numbers in years)	1 to 5	1 to 6	1 to 4	1 to 4	1 to 4

**1.23** It can be observed that the number of accounts in arrears has decreased from 52 (2007-08) to 36 (2009-10) with corresponding decrease in average arrears per PSU from 0.93 (2007-08) to 0.62 (2009-10), which is indicative of the efforts made in clearing the backlog of accounts. The number of accounts in arrears has increased again to 47 (2011-12) mainly due to increase in number of PSUs from 58 (2009-10) to 66 (2011-12).

**1.24** In addition to above, there were arrears in finalisation of accounts by non-working PSUs. Out of 12 non-working PSUs, seven had gone into liquidation process. Of the remaining five non-working PSUs, one PSU had not finalised accounts for the last 13 years.

**1.25** The GoG had invested ₹ 7,879.53 crore in 25 PSUs (Equity: ₹ 3,281.89 crore (11 PSUs), loans: ₹ 1,596.68 crore (five PSUs) and grants: ₹ 3,000.96 crore (19 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 we had informed the concerned administrative departments and officials of the 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 by us.

**1.27** As the position of arrears in finalisation of accounts of the State PSUs was alarming, the CAG took up the matter (September 2011) with the Ministry of Corporate Affairs (MCA) and suggested to devise special arrangements alongwith actionable issues to ensure enforcement of accountability. The MCA in turn devised (November 2011) a scheme, which

<sup>19</sup> This does not include the original account of the Company at Sl. No. A-24 of Annexure 2 that was revised based on the Comments of the CAG.

<sup>20</sup> The information in respect of Gujarat State Aviation Infrastructure Company Limited incorporated on 7 July 2010 was received during the year for which two accounts viz., 2010-11 and 2011-12 are in arrears as on 30 September 2012.

allowed the PSUs with arrears in accounts to finalise the latest two years accounts and clear the backlog within five years. The Accountant General (AG) also addressed the Chief Secretary / Finance Secretary in July 2012 to expedite the backlog of arrears in accounts in a time bound manner. Delay in finalisation of accounts may result in fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

### Non-working PSUs

**1.28** There were 12 non-working Companies as on 31 March 2012. Of these, seven PSUs have commenced liquidation process.

During 2011-12, three non-working PSUs incurred an expenditure of ₹ 0.19 crore towards establishment expenditure. The expenditure was financed in case of one PSU by its Holding Company (₹ 0.07 crore) and in case of the other two PSUs through interest received on their investments (₹ 0.12 crore).

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

Sl. No.	Particulars	No. of Companies
1.	Total number of non-working PSUs	12
2.	Of (1) above, the number under:	
(a)	liquidation by Court (liquidator appointed)	6 <sup>21</sup>
(b)	Voluntary winding up (liquidator appointed)	1 <sup>22</sup>
(c)	Closure, <i>i.e.</i> closing orders/ instructions not issued.	5 <sup>23</sup>

### Comments on Accounts and Internal Audit

**1.30** Forty-seven working Companies forwarded 54 accounts to the AG during the year 2011-12 which were selected for 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 comments<sup>24</sup> of the Statutory Auditors and the CAG are as given below:

<sup>21</sup> Sl.No. C-4, C-6, C-8, C-10, C-11 and C-12 of Annexure 2.

<sup>22</sup> Sl.No. C-3 Annexure 2.

<sup>23</sup> Sl.No. C-1, C-2, C-5, C-7 and C-9 of Annexure 2.

<sup>24</sup> For the purpose of the CAG comments only those comments actually issued during October 2011 to September 2012 have been considered including accounts of previous period for which comments were issued in the current period.

(Amount: ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	11	107.32	9	20.41	10	14.79
2.	Increase in loss	1	0.02	1	0.35	1	0.35
3.	Non-disclosure of material facts	4	7.98	6	71.99	5	159.32
4.	Errors of classification	17	5,179.16	7	4,913.43	3	22,917.62

**1.31** It can be observed from the above that the money value objections for decrease in profit came down from ₹ 107.32 crore in 2009-10 to ₹ 14.79 crore in 2011-12. However, cases of non-disclosure of material facts increased from ₹ 7.98 crore in 2009-10 to ₹ 159.32 crore in 2011-12. The cases of errors of classification decreased from ₹ 5,179.16 crore in 2009-10 to ₹ 4,913.43 crore in 2010-11, but increased substantially to ₹ 22,917.62 crore in 2011-12.

**1.32** During the year, the Statutory Auditors had given unqualified certificates for 29 accounts and qualified certificates for 25 accounts. The compliance of Companies with the Accounting Standards (AS) remained poor as there were 31 instances of non-compliance in 13 accounts during the year.

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

### **1.33 Gujarat Safai Kamdar Vikas Nigam (2010-11)**

The Company had availed loan from National Safai Karamcharis Finance and Development Corporation who demanded ₹ 2.29 crore towards late payment and non-utilisation charges on loan. The Company did not account for the liability instead it had shown the same only as contingent liability violating the Accounting Standard 29. This had resulted in understatement of Current Liabilities and overstatement of net surplus of Income over Expenditure by ₹ 2.29 crore.

### **1.34 Gujarat State Civil Supplies Corporation Limited (2010-11)**

The Company had leased out a building to Gujarat State Police Housing Corporation Limited (GSPHCL) for which the Company raised and accounted a claim of ₹ 1.22 crore towards differential rent applying revised rates retrospectively. Further, there was no formal agreement for fixation/ revision of rent. Thus, the differential rent recovery was uncertain and not recognisable as per paragraph 9.2 and 9.4 of Accounting Standard 9. This had resulted in overstatement of other income and Current Assets, Loans and Advances by ₹ 1.22 crore and profit before tax of ₹ 0.13 crore became loss of ₹ 1.09 crore.

### **1.35 Tourism Corporation of Gujarat Limited (2010-11)**

The Company while computing the income tax payable considered the disallowable cumulative provision for doubtful debts of ₹ 4.45 crore instead of admissible amount of ₹ 0.75 crore being bad debts already written off. The excess disallowable deduction of ₹ 3.70 crore considered for computing provision of income tax resulted in understatement of income tax and overstatement of profit by ₹ 1.23 crore.

### **1.36 Gujarat Water Resources Development Corporation Limited (2010-11)**

The Company implemented Agriculture Refinance Development (ARD) and Salinity Ingress Investigation Scheme (SIIS) for which the GoG had fully reimbursed all administrative and contingency expenditure. The Company, however, charged ₹ 1.48 crore as overhead charges without approval of the GoG being 17.85 per cent of grant received for ARD and SIIS schemes. This had resulted in overstatement of income and 'overspent grant' for GoG schemes by ₹ 1.48 crore. Had these overhead charges not been accounted by the Company then profit of ₹ 1.17 crore would have turned into loss of ₹ 0.31 crore.

### **1.37 Sardar Sarovar Narmada Nigam Limited (2010-11)**

- The Company had commissioned five units of Canal Head Power House and six units of Riverbed Powerhouse during August 2004 to June 2006. Instead of capitalising the expenditure of ₹ 4,829.16 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 ₹ 4,829.16 crore.
- Similarly, expenditure incurred for Dam and appurtenant works (₹ 6,982.40 crore), Main canal (₹ 7,653.04 crore and Branches with distributaries (₹ 3,417.30 crore), which were already constructed and put to use were not capitalized. This resulted in understatement of fixed assets by ₹ 18,052.74 crore and overstatement of capital work-in-progress to that extent.

### **1.38 Dahej SEZ Limited (2009-10)**

Gujarat Industrial Development Corporation (GIDC) raised bills of ₹ 4.41 crore for infrastructure upgradation charges for 2009-10 which were waived by GIDC before approval of the accounts of 2009-10 by Dahej SEZ Limited. However, the Company did not adjust the above waiver by writing back the expenditure in its account. This has resulted in overstatement of 'Current liabilities' and understatement of profit for the year by ₹ 4.41 crore.

**1.39** Similarly, three working Statutory Corporations forwarded their four accounts for the year 2010-11 and 2011-12 to the AG during the year 2011-12. Of these, two accounts of Statutory Corporations (Sl.No.B-3 of *Annexure 2*) pertained to sole audit by the CAG wherein Separate Audit Report was issued for one account (2010-11) during the year and audit was under process for the second account (2011-12). Of the remaining two accounts pertaining to other two Statutory Corporations (Sl.No.B-1 and B-2 of *Annexure 2*), audit was under progress. In respect of Gujarat State Road Transport Corporation, the Separate Audit Report for 2008-09 was issued during the year. The details of aggregate money value of comments of the Statutory Auditors and the CAG are given below:

(Amount: ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	14.13	2	16.44	1	4.81
2.	Increase in loss	2	257.56	1	55.98	1	243.51
3.	Non-disclosure of material facts	2	232.17	1	123.72	2	247.73
4.	Errors of classification	3	153.80	1	70.98	1	46.96

It can be observed from the above that the money value objection for Decrease in profit reduced from ₹ 14.13 crore in 2009-10 to ₹ 4.81 crore in 2011-12; Increase in loss came down from ₹ 257.56 crore in 2009-10 to ₹ 243.51 crore in 2011-12 and Non-disclosure of material facts increased from ₹ 232.17 crore in 2009-10 to ₹ 247.73 crore in 2011-12. On the other hand the Error of classification decreased from ₹ 153.80 crore in 2009-10 to ₹ 46.96 crore in 2011-12.

During the year, two accounts received qualified certificates and the sole audit of the CAG in respect of one account was under progress as on 30 September 2012.

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

#### **1.40 Gujarat Industrial Development Corporation (2010-11)**

- The current liability towards payment of non-agricultural assessment charges had been understated by ₹ 3.82 crore with corresponding understatement of expenditure for the year to that extent. This resulted in overstatement of excess of income over expenditure for the year.
- The provision of ₹ 88.98 crore payable towards advance compensation to land owners was assessed based on the consent agreements entered into and was known with certainty. Even when the liability was known with certainty the same was not provided for in the books. This resulted in understatement of liability for capital expenditure towards cost of land and development of industrial estate to the same extent.
- Non accounting of the withdrawal of concession which were earlier accorded to four allottees resulted in understatement of sundry debtors by ₹ 54.33 crore with corresponding understatement of capital receipts.

#### **1.41 Gujarat State Road Transport Corporation (2008-09)**

- The Corporation receives reimbursement from the GoG towards loss due to student concession and was accounted for on cash basis. The reimbursement of ₹ 487.57 crore had accrued to Corporation but reimbursement claim of ₹ 361.62 crore received from the GoG was only accounted. The accounting of reimbursement claim on cash basis instead of accrual basis goes against the matching concept. This resulted in understatement of reimbursement receivable and overstatement of loss by ₹ 125.95 crore.
- The Corporation receives concession fees for giving lease rights to construct commercial properties on its bus terminals. The Corporation

had given lease rights to develop six bus terminals at six different places in the State. The Corporation received concession fees of ₹ 6.24 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 ₹ 6.24 crore.

- The Regional Provident Fund Commissioner, Ahmedabad demanded ₹ 33.96 crore in November 2008 towards pension damage under the employment pension yojana, which was accepted before approval of the accounts. The Corporation did not provide for this liability. This resulted in understatement of other charges and loss by ₹ 33.96 crore.

### ***Audit by Statutory Auditors under the directions of the CAG***

**1.42** 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<sup>25</sup> Company for the year 2008-09, one Company<sup>26</sup> for the year 2009-10, 18 Companies<sup>27</sup> for the year 2010-11 and 11 Companies<sup>28</sup> for the year 2011-12 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	08	A-6, A-13, A-29, A-45, A-46, A-47, A-52, A-60
2.	Internal Audit required to be strengthened	13	A-6, A-8, A-11, A-13, A-14, A-15, A-16, A-24, A-29, A-46, A-60, C-7, C-8
3.	Non maintenance of cost records	05	A-6,- A-33, A-52, A-58, A-60
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	08	A-6, A-8, A-11, A-29, A-46, A-57, C-7, C-8.
5.	Absence of credit policy for providing doubtful debts, write-off of liquidated damages	10	A-6, A-11, A-13, A-19, A-28, A-29, A-45, A-46, A-51, A-52
6.	Non evolution of security policy for software/ hardware and backup of past records	11	A-6, A-7, A-9, A-10, A-11, A-13, A-15, A-24, A-29, A-46, A-60
7	Ineffective system of monitoring advances/ outstanding dues	10	A-6, A-8, A-11, A-13, A-14, A-15, A-45, A-46, A-52, A-60
8	Non-existence of separate vigilance department and effectiveness of delineated fraud policy	26	A-6, A-7, A-8, A-9, A-10, A-11, A-13, A-14, A-15, A-18, A-19, A-22, A-24, A-28, A-29, A-33, A-34, A-44, A-45, A-46, A-51, A-52, A-57, A-58, A-60, B-1

<sup>25</sup> Sl. No. A-8 of Annexure 2.

<sup>26</sup> Sl.No. A-6 of Annexure 2.

<sup>27</sup> Sl. No. A-7, A-11, A-13, A-14, A-15, A-16, A-17, A-19, A-22, A-24, A-29, A-34, A-45, A-46, A-47, A-51, A-60 and B-1 of Annexure 2.

<sup>28</sup> A-9, A-10, A-18, A-28, A-33, A-44, A-52, A-57, A-58, C-7 and C-8 of Annexure 2.

### Recoveries at the instance of Audit

**1.43** During the course of propriety audit in 2011-12, recoveries of ₹ 42.15 crore were pointed out to the Management of various PSUs, of which recoveries of ₹ 0.15 crore were admitted and recovered by the PSUs during the year 2011-12.

### Status of placement of Separate Audit Reports

**1.44** 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 Warehousing Corporation	2009-10	2010-11	3 October 2012	--
2.	Gujarat State Financial Corporation	2010-11	2011-12	Audit under progress	--
3.	Gujarat Industrial Development Corporation	2009-10	2010-11	13 September 2012	--
			2011-12	Audit under progress	--
4	Gujarat State Road Transport Corporation	2007-08	2008-09	27 July 2012	Printing of Annual Report under progress

We recommend that the Government ensure prompt placement of SARs in the legislature.

### Disinvestment, Privatisation and Restructuring of PSUs

**1.45** During the year 2011-12, the GoG had neither disinvested nor privatised any of its PSUs.

### Reforms in Power Sector

**1.46** The 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 2011-12, GERC issued 252 orders (nine on tariff orders, one on renewal energy, 242 orders on petitions).



**1.47** Memorandum of Understanding (MoU) was signed in (January 2001) between the Union Ministry of Power and the GoG 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 2012
1.	Reduction in T&D losses (No target fixed)	The T&D losses reduced from 20.13 <i>per cent</i> in 2001-02 to 18.63 <i>per cent</i> during 2011-12.
2.	100 <i>per cent</i> electrification of all villages.	Achieved (March 2002).
3.	100 <i>per cent</i> metering of all distribution feeders.	Achieved (March 2002).
4.	100 <i>per cent</i> metering of agriculture consumers	Only 54 <i>per cent</i> metering of agriculture consumers was completed (March 2012).
5.	Securitised outstanding dues of Central Public Sector Undertakings (CPSUs).	The dues of CPSUs were reconciled and bonds of ₹ 1,628.71 crore were issued by the GoG against the dues.