

Overview

1. Overview of Government Companies and Statutory Corporations

Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government Companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2012, the State of Gujarat had 66 working PSUs (62 companies and four Statutory Corporations) and 12 non-working PSUs (all companies). The working PSUs, which employed 1.12 lakh employees, registered a turnover of ₹79,641.86 crore for 2011-12, as per their latest finalised accounts as of 30 September 2012. This turnover was equal to 13.47 per cent of State GDP indicating an important role played by State PSUs in the State economy. During 2011-12, the working PSUs earned an overall aggregate profit of ₹3,928.69 crore as per their latest finalised accounts as of 30 September 2012. The aggregate accumulated profits of all PSUs were ₹1,693.73 crore as per their latest finalised accounts.

Investments in PSUs

As on 31 March 2012, the investment (capital and long-term loans) in 78 PSUs was ₹74,452.30 crore. It grew by 51.89 per cent from ₹49,018.22 crore in 2006-07. Besides the miscellaneous sector, the thrust of PSU investment was mainly in power sector, in which percentage share of investment increased from 31.97 in 2006-07 to 32.40 in 2011-12. The Government contributed ₹9,617.58 crore towards equity, loans and grants/subsidies to State PSUs during 2011-12.

Performance of PSUs

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. 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).

Though the PSUs were earning profits, there were instances of various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of the CAG shows that in the State PSUs' losses of ₹4,052.37 crore and infructuous investment of ₹166.77 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and enhance profits/minimise losses. The PSUs can discharge their role efficiently only if they are financially self reliant. There is a need for greater professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. Twenty-seven out of 58 accounts of working companies finalised during October 2011 to September 2012 received qualified certificates. There were 31 instances of non-compliance with Accounting Standards in 13 accounts. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts

Thirty-five working PSUs had arrears of 47 accounts as of September 2012. The arrears need to be cleared by setting targets for PSUs. At the instance of the CAG, Ministry of Corporate Affairs (MCA) devised a scheme allowing such PSUs to finalise the last two years accounts and clear the backlog within five years.

(Chapter 1)

2. Performance audits relating to Government Companies

Performance audits relating to 'Power Transmission Utilities' and 'Soil and Water Conservation Activities by the Gujarat State Land Development Corporation Limited' were conducted.

Executive summary of performance audit on 'Power Transmission Utilities in Gujarat viz., Gujarat Energy Transmission Corporation Limited' is given below:

With a view to supply reliable and quality power to all by 2012, the Government of India (GoI) prepared the National Electricity Policy (NEP) in February 2005 which stated that the Transmission System required adequate and timely investment alongwith efficient and coordinated action to develop a robust and integrated power system for the country. It also, inter-alia recognised the need for development of National and State Grid with the coordination of Central/ State Transmission Utilities. Gujarat Energy Transmission Corporation Limited (GETCO) is mandated to provide an efficient, adequate and properly coordinated grid management and transmission of energy in Gujarat.

Planning and Development

GETCO's transmission network at the beginning of 2007-08 consisted of 880 Extra High Tension (EHT) Sub-stations (SSs) with a transmission capacity of 43,742 MVA and 35,169 CKM of EHT transmission lines. The transmission network as on 31 March 2012 consisted of 1,270 EHT SSs with a transformation capacity of 56,594 MVA and 44,946 CKM of EHT transmission lines.

Against the targeted construction of 400 EHT SSs and laying of 12,261 CKM of EHT lines, GETCO constructed 390 EHT SSs and 9,777 CKM EHT lines during the five year period (achievement of 97.5 per cent and 79.74 per cent respectively). The transmission capacity added was 12,852 MVA for the five-year period ending 2011-12.

Project management of transmission system

Out of the 390 SSs and 550 lines constructed during 2007-12, 289 SSs and 550 lines were commercially commissioned upto 31 March 2012, of

which 71 SSs and 69 lines were test checked in audit. There were delays in commissioning ranging from 6-50 months and 6-12 months in 25 SSs and 15 lines respectively. Besides, in two SSs and 10 lines, which were in progress as on 31 March 2012, there were delays ranging between two to three years and 12 to 68 months respectively.

Eight SSs were commissioned from September 2009 to 31 March 2012 and six SSs were commissioned during April 2012 to September 2012 after delays of 4 to 19 months from the date of back charging. These assets were created at a cost of ₹43.44 crore from borrowed funds. Out of the 101 SSs not commercially commissioned upto 31 March 2012, five SSs were back charged in 2010-11 leading to blocking of funds of ₹10.44 crore for a period of 18-22 months.

Funds of ₹ 243 crore in respect of 17 completed lines and funds of ₹99.97 crore in respect of 12 lines in progress were blocked up for periods ranging from 5-17 months and 7-25 months respectively due to delayed decision on Right of Way (RoW) compensation.

Performance of transmission system

During the period under review GETCO augmented transformation capacity by 7,865 MVA besides adding capacity of 4,987 MVA through construction of SSs. The installed overall transmission capacity at 220 KV always remained in excess of peak demand even after allowing 30 per cent towards redundancy. The capacity at the end of 2011-12 was excess by 825 MVA created at the cost of ₹24.26 crore that was passed on to the consumers.

Inappropriate conductors were used in an important line providing electricity to

Indo Pak Border resulting in infructuous expenditure of ₹2.49 crore.

The transmission losses increased from 3.85 per cent in 2007-08 to 4.30 per cent in 2008-09 and 2009-10, decreased to 3.85 per cent in 2010-11 and again increased to 3.97 per cent in 2011-12. However, the transmission loss was within the norms fixed by GERC in all the years except 2009-10. The transmission loss was within the norms in terms of CEA norms of four per cent also in all years except in 2008-09 and 2009-10.

Grid management

The Gujarat state Load Despatch Centre operated by GETCO ensures integrated operation of power system in the State. Remote Terminal Units/Sub-station Management systems (RTUs/SMSs) were not provided in all the 220 and 132 KV SSs.

Energy accounting and audit

Energy accounting and audit is necessary to assess and reduce the transmission losses. As on 31 March 2012 there were 1,123 interface boundary metering points between Generation to Transmission (GT) and 2,216 metering points between Transmission to Distribution (TD). All the GT and TD points were provided with meters.

Financial management

The Profit before tax of GETCO increased by 702 per cent from ₹38.97 crore in 2007-08 to ₹312.64 crore in 2011-12. The debt-equity ratio of GETCO increased from 1.42:1 to 7.02:1 during the period from 2007-08 to 2011-12 due to fresh borrowings.

Monthly transmission invoices were raised by GETCO during 2009-10 to 2011-12 after a delay ranging from 7-22

days leading to blocking of monthly receivables to the extent of ₹84 crore to ₹135 crore for the delayed period and consequential interest loss of ₹17.42 crore. The delay could have been avoided by adopting the previous month's pooled losses for invoice purpose and not waiting for the intimation of current month's loss by WRPC.

Non revision of pro rata charges since March 2007 led to net under recovery of ₹2.81 crore for the additional load released to consumers during 2008-09 to 2011-12.

Material management

The closing stock in terms of months' consumption reduced from 7.5 in 2008-09 to 3.6 in 2009-10 and increased to 4.9 in 2011-12. However, no norms were fixed for maintaining the stock in terms of months' consumption.

Conclusion

Substations could not be commercially commissioned as planned due to delay in land acquisition, delay in completion of associated lines and non synchronisation of construction activities. Failure to address RoW compensation led to delay in completion of lines. Delayed raising of monthly invoices led to blocking of funds. Evaluation of schemes was not done.

Recommendations

GETCO may ensure completion of substations and lines as per schedule. Raising of transmission invoices in time should be ensured. Studies for evaluating benefits of transmissions schemes after their completion may be conducted.

(Chapter 2.1)

Executive summary of performance audit on 'Soil and Water Conservation Activities by the Gujarat State Land Development Corporation Limited' is given below:

The Agriculture and Cooperation (A&C) department of Government of Gujarat (GoG) deals with agriculture and related issues and the planning and implementation of related Government of India (GoI) and the GoG schemes. The Gujarat State Land Development Corporation limited (Company) is the

project implementing agency for the GoG in undertaking soil and water conservation activities in the State under the GoG and the GoI schemes.

During the eleventh five year plan period 2007-08 to 2011-12, the Company received ₹1,451.06 crore for soil and water

conservation activities from the GoG and had implemented 24 schemes (consisting 39 sub schemes). Besides, the Company also implemented 33 schemes with funding from local bodies/ other agencies.

The review covered the soil and water conservation activities undertaken by the Company during the period from 2007-08 to 2011-12.

Implementation of schemes

Watershed based (WS) State plan schemes

The Soil Conservation scheme (Normal Area) (SCNA) is meant for non-tribal areas. However, an amount of ₹6.84 crore was diverted from the scheme to tribal areas in Dahod and Chhota Udepur SCSD.

None of the 101 watersheds approved under SCNA during 2007-08 to 2011-12 for Anand and Palanpur SCSD, covering an area of 38,138 ha and involving an expenditure of ₹114.97 crore were saturated/ completed.

Anand SCSD incurred expenditure of ₹2.15 crore from the Soil Conservation scheme (Tribal Area) (SCTA) in the non-tribal areas of Dabhoi and Savli talukas.

None of the 40 WSs approved under SCTA during 2007-08 to 2011-12 for Anand and Palanpur SCSD covering an area of 12,640 ha of land and involving an estimated expenditure of ₹34.44 crore were saturated/ completed.

Infructuous expenditure of ₹7.93 crore was incurred in eight villages of Dharampur SCSD while implementing Integrated Watershed Development Programme for prevention of salinity ingress with inadequate/ incomplete construction of reclamation bund for preventing sea water influx.

Scattered area based State plan schemes

Four divisions of Ahmedabad, Rajkot, Vadodara and Amreli incurred an additional expenditure of ₹10.08 crore from 2007-08 to 2010-11 due to adoption of higher machinery hiring rates in the scheme for construction of farm pond and sim talavs.

The scheme for desilting of village ponds stipulated tendering for hiring of excavator in all 10 districts from 1 April 2006. The Company did not go in for open tendering till March 2010 to minimise the payment of higher rates for hiring of excavators.

GoI schemes - Macro Management Agriculture (MMA)

Surendranagar SCSD incurred an infructuous expenditure of ₹63.45 lakh on entry point activities in nine villages under National Watershed Development Project for Rain Fed Area without following it up with scheme activities.

Dahod SCSD treated 25,908 ha land River Valley Project and Flood Prone Rivers scheme by incurring excess expenditure of ₹8.43 crore.

Nine villages of Anand SCSD incurred an excess expenditure of ₹2.01 crore due to wrong categorisation under scheme for Reclamation and Development of Alkali and Acidic soil and thereby entitling the beneficiaries to higher subsidy.

GoI schemes - Rashtriya Krishi Vikas Yojana (RKVY)

The physical performance under the sub-schemes was not in proportion to the financial performance and excess/ non-execution of works against the targets fixed was also observed. In four out of five and three out of six schemes implemented by Chhota Udepur and Anand SCSDs respectively, the expenditure incurred was less than 50 per cent indicating fixation of targets without any proper assessment.

Recovery of Scheme Funds

In the four the GoG schemes where loan recovery was involved, total outstanding balance as on 31 March 2012 was ₹97.04 crore of which ₹36.26 crore was more than five years old.

Conclusion

Targets for WS based schemes were not fixed on WS basis. Concerted efforts were not made to utilise economical means for executing soil and water conservation works. Recovery mechanism was not

effectively implemented. The system of evaluation of schemes was absent.

Recommendations

Targets for WS based schemes should be fixed on WS basis and not on hectare basis. Least cost option should be

employed for executing soil and water conservation works. Recovery mechanism should be implemented effectively and schemes should be evaluated through an effective system.

(Chapter 2.2)

3. Transaction Audit Observations

Transaction 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 ₹ 162.43 crore in five cases due to non-compliance with rules, directives, procedures and terms and conditions of contracts.

(Paragraphs 3.4, 3.5, 3.6, 3.7, and 3.10)

Loss of ₹ 100.04 crore in five cases due to non-safeguarding the financial interests of organisation.

(Paragraphs 3.1, 3.2, 3.3, 3.8 and 3.9)

Gist of the major observations is given below:

Sardar Sarovar Narmada Nigam Limited did not consider an eligible bidder under the original tender leading to award of work at an extra cost of ₹ 45.09 crore and also delayed irrigation of cultivable command area of 1.06 lakh hectares of land.

(Paragraph 3.2)

Gujarat State Petronet Limited passed undue benefit of ₹ 52.27 crore to a firm by deviating from the agreed terms of recovery of transportation charges for transportation of gas from the specified entry point of the Company's pipeline network.

(Paragraph 3.3)

Gujarat Urja Vikas Nigam Limited did not adhere to the terms of Power Purchase Agreement leading to short recovery of penalty of ₹ 160.26 crore and passing of undue benefit to a private firm.

(Paragraph 3.7)