

CHAPTER – VIII
GOVERNMENT COMMERCIAL AND TRADING
ACTIVITIES

8.1 General view of Government companies and Statutory corporations

Introduction

As on 31 March 2001, there were 13 Government companies (all working companies) and one working Statutory corporation as against 14 Government companies (13 working companies and one non working company) and one working Statutory corporation as on 31 March 2000 under the control of the State Government. During the year, one non-working company *viz.* Kadamba Suburban Transport Corporation Limited was closed. The accounts of Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General Of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangement of Statutory corporation is shown as below :

TABLE 8.1

Name of the corporation	Authority for audit by the CAG	Audit arrangement
Goa Industrial Development Corporation	Section 25(2) of the Goa Industrial Development Corporation Act, 1965 and section 19(3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit entrusted to the CAG up to 31 March 2002

8.2 Working Public Sector Undertakings (PSUs)

8.2.1 Investment in working PSUs

As on 31 March 2001, the total investment in 14 working PSUs (13 Government companies and one Statutory corporation) was Rs.467.79 crore (equity: Rs.104.40 crore; long-term loans: Rs.363.39 crore) as against total investment of Rs.429.66 crore (equity: Rs.102.50 crore; long-term loans: Rs.327.11 crore; and share application money: Rs.0.05 crore) as on 31 March 2000 in same number of working PSUs.

8.2.2 The analysis of investment in working PSUs is given in the following paragraphs.

Working Government Companies

8.2.3 Total investment in 13 working Government companies as on 31 March 2001 was Rs.443.32 crore (equity : Rs.79.93 crore; long-term loans: Rs.363.39 crore) as against total investment of Rs.406.69 crore (equity: Rs.79.53 crore; long-term loans: Rs.327.11 crore, share application money: Rs.0.05 crore) as on 31 March 2000 in 13 working Government companies.

8.2.4 The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in Appendix-VI.

Sector wise investment in working Government Companies

8.2.5 As on 31 March 2001, the total investment in working Government companies, comprised 18.03 per cent of equity capital and 81.97 per cent, of loans as compared to 19.57 per cent and 80.43 per cent, respectively, as on 31 March 2000.

8.2.6 The investment (equity and long term loans) in various sectors and percentages thereof at the end of 31 March 2001 and 31 March 2000 are indicated below in the pie charts.

CHART 8.1
Sector-wise investment in working Government companies as on 31 March 2001

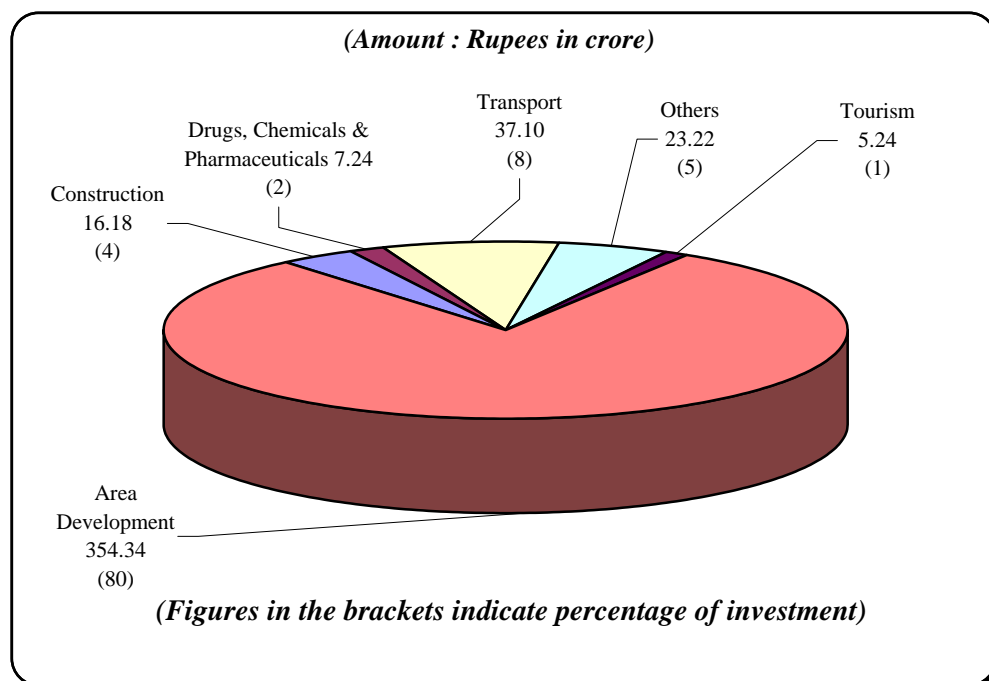
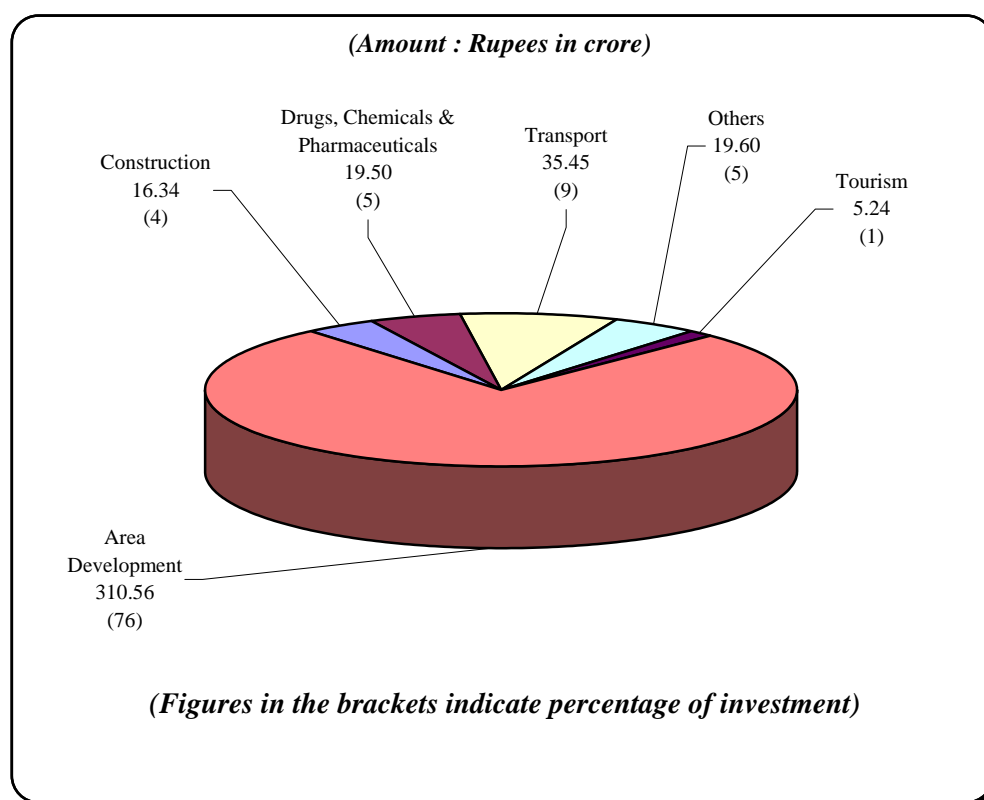


CHART 8.2

Sector-wise investment in working Government companies as on 31 March 2000



8.2.7 Due to significant increase in long-term loans of Industries, Electronics, Area Development and Economically Weaker section Sectors, the debt equity ratio increased from 4.11:1 in 2000 to 4.55:1 in 2001.

Working Statutory Corporation

8.2.8 The total investment in one working statutory corporation at the end of March 2001 and March 2000 was as follows:

TABLE 8.2

(Rupees in crore)

Sr. No.	Name of the corporation	1999-2000		2000-2001	
		Capital	Loan	Capital	Loan
1	Goa Industrial Development Corporation	22.97	---	24.47	---

8.2.9 The summarised statement of Government investment in the working statutory corporation in the form of equity and loans is detailed in Appendix-VI.

Budgetary outgo, grants/subsidies, guarantees and waiver of dues

8.2.10 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporation are given in Appendix-VI and VIII.

8.2.11 The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and working Statutory corporation for the three years up to March 2001 are given below:

TABLE 8.3

(Rupees in crore)

Particulars	1998-1999				1999-2000				2000-2001			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	1	2.00	-	-	1	0.10	-	-	3	0.35	1	1.50
Loans given from budget	1	0.52	-	-	1	0.47	-	-	1	1.18	-	-
Grants/subsidy towards	-	-	-	-	-	-	-	-	-	-	-	-
(i) Project/ Programme Schemes	-	-	-	-	-	-	-	-	-	-	-	-
(ii) Other grants/ subsidy	4	2.16	1	0.18	3	3.55	-	-	4	5.09	-	-
(iii) Total grants/ subsidy	4	2.16	1	0.18	3	3.55	-	-	4	5.09	-	-
Total Outgo	6[@]	4.68	1	0.18	4[@]	4.12	-	-	6[@]	6.62	1	1.50

8.2.12 During the year 2000-2001, the Government had guaranteed loans aggregating to Rs.62.04 crore obtained by three working Government companies. At the end of the year, guarantees amounting to Rs.77.36 crore obtained by three Government companies were outstanding as against the outstanding guarantees of Rs.33.02 crore obtained by four working Government companies as on 31 March 2000. There was no case of default in repayment of guaranteed loan during the year. The Government had waived interest of Rs.0.39 lakh in respect of one company.

Finalisation of accounts by PSUs

8.2.13 The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with

[@] Indicates total number of companies/corporations which have received Budgetary support from the State Government in the form of Equity, Loans, Grants & Subsidy.

Section 19 of Comptroller and Auditor General’s (Duties, Powers and Conditions of service) Act, 1971. They are also to be laid before the legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the State legislature as per the provisions of their respective Acts.

8.2.14 However, as could be noticed from Appendix-VII, out of 13 working Government companies, only six working companies and one Statutory corporation have finalised their accounts for the year 2000-01 within stipulated period. During the period from October 2000 to September 2001, six working Government companies finalised seven accounts for previous years.

8.2.15 The accounts of other seven working Government companies were in arrears for periods ranging from one year to two years as on 30 September 2001 as detailed below:

TABLE 8.4

Sl. No.	Year from which accounts are in arrears	Number of years for which Accounts were in arrears	Number of companies/ corporations		Reference to Sl. No. of Appendix-VI & VII	
			Government companies	Statutory corporation	Government companies	Statutory corporation
1.	2000-01	1	5	-	A-1, 7, 8, 11, 12	-
2.	1999-2000 and 2000-01	2	2	-	A-5, 9	-
Total			7	-	-	-

8.2.16 The Administrative Departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were appraised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government. As a result, the investments made in these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

8.2.17 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per latest finalised accounts are given in Appendix-VII. Besides, statement showing financial position and working results of individual working Statutory corporation for the three years for which accounts are finalised are given in Appendix-IX and X respectively.

8.2.18 According to latest finalised accounts of 13 working Government companies and lone working Statutory corporation, nine companies and one corporation had incurred an aggregate loss of Rs.14.27 crore and Rs.1.44 crore respectively, whereas four companies earned an aggregate profit of Rs.1.67 crore.

8.3 Working Government companies :

Profit earning working companies and dividend

8.3.1 Two profit earning working companies which finalised their accounts for the year 2000-2001 by September 2001, earned an aggregate profit of Rs.0.57 crore but did not declare any dividend. The State Government has not formulated dividend policy for payment of minimum dividend.

8.3.2 Two profit earning working companies which finalised their accounts for previous years by September 2001, earned an aggregate profit of Rs.1.10 crore and only one company earned profit for two or more successive years.

Loss incurring Government companies

8.3.3 Of the nine loss incurring working Government companies, six companies had accumulated losses aggregating Rs.61.53 crore which exceeded their aggregate paid-up capital of Rs.30.18 crore by more than two times.

8.3.4 Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. According to available information total financial support so provided by the State Government was Rs.4 crore by way of subsidy to one company during 2000-01.

8.4 Working Statutory corporation

Loss incurring Statutory corporation

8.4.1 The lone Statutory Corporation, which finalised its accounts for the year 2000-01 incurred a loss of Rs.1.44 crore during the year and had an accumulated profit of Rs.8.32 crore.

Operational performance of working statutory corporation

8.4.2 The operational performance of the working statutory corporation is given in Appendix-XI.

8.5 Return on Capital employed

As per the latest finalised accounts (up to September 2001) the capital employed* worked out to Rs.401.39 crore in 13 working companies and total

* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free-reserves, bonds, deposits and borrowing (including refinance).

return* thereon amounted to Rs.27.43 crore which is 6.83 percent as compared to total return on Rs.25.06 crore (7.14 *per cent*) in the previous year. Similarly, the capital employed and total return thereon in case of working statutory corporation as per the latest finalised accounts (up to September 2001) worked out to Rs.30.12 crore and Rs.(-)1.04 crore (negative return), respectively, against the total return of Rs.2.66 crore (6.6 *per cent*) in previous year. The details of capital employed and total return on capital employed in case of working Government companies and statutory corporation are given in Appendix-VII.

8.6 Status of placement of Separate Audit Report of Statutory Corporation in Legislature

The following table indicate the status of placement of Separate Audit Report (SARs) on the accounts of Statutory corporation issued by the CAG of India in the Legislature by the Government.

TABLE 8.5

Sl. No	Name of Statutory corporation	Years up to which SARs placed in Legislature	Years for which SAR not placed in Legislature		
			Year of SAR	Date of issued to the Government	Reasons for delay in placement in the Legislature
1.	Goa Industrial Development Corporation	1998-99	1999-2000	23-05-2001	Information awaited.

8.7 Dis-investment, privatisation and Restructuring of Public Sector Undertakings

There was no case of dis-investment in the PSUs and no Government company or Statutory corporation of the State was privatised, restructured or merged during 2000-01. One non-working Government company *viz.* Kadamba Suburban Transport Corporation Limited was closed in March 2001 as per the directives of the State Government.

8.8 Results of the Audit by the Comptroller and Auditor General of India

8.8.1 During the period from October 2000 to September 2001, the audit of accounts of 11 working Government companies and one working statutory corporation were selected for review. The net impact of the important audit observations as a result of review of the PSUs were as follows:

* For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

TABLE 8.6

Sl. No.	Details	Number of accounts				(Rupees in lakh)			
		Government companies		Statutory corporations		Government companies		Statutory corporations	
		Working	Non-working	Working	Non-working	Working	Non-working	Working	Non-working
i)	Decrease in profit	-	-	1	-	-	-	15.3	-
ii)	Increase in profit	-	-	-	-	-	-	-	-
iii)	Increase in losses	1	-	-	-	4.54	-	-	-
iv)	Decrease in losses	3	-	-	-	13.78	-	-	-
v)	Non-disclosure of material facts	1	-	1	-	11.61	-	29.32	-
vi)	Errors of classification	3	-	1	-	253.98	-	226.35	-

8.8.2 Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporation are mentioned below:

Errors and omissions noticed in case of Government companies

1. Goa Meat Complex Limited (1999-2000)

(i) Income Tax Department had disallowed (March 2000) 100 per cent depreciation on incinerator and raised demand of Rs.3.84 lakh. Non-provision thereof had resulted in under statement of loss to that extent.

(ii) Company had paid premium of Rs.3.32 lakh towards Group gratuity for the year 1999-2000 to Life Insurance Corporation during August 1999. Besides, the Company had also made a provision of Rs.2.94 lakh towards gratuity liability during the year in which it was not required, as the premium had already been paid. The excess provision had resulted in overstatement of expenditure and loss for the year and also provision for gratuity by Rs.2.94 lakh.

2. Goa Handicrafts, Rural and Small Scale Industries Development Corporation Limited (1999-2000)

Other income did not include interest of Rs.1.00 lakh accrued for 1999-2000 on the House Building Advance granted to employees. This had resulted in understatement of other income and profit to that extent.

3. Goa Construction, Housing and Finance Corporation Limited (1999-2000)

Loans and Advances included an advance of Rs.27.52 lakh given to Choudhary & Choudhary India Limited, against which principal amount of Rs.3.44 lakh was recovered and credited to "Interest Received Account" instead of adjusting it against "Advances". This had resulted in overstatement of Loans and Advances and understatement of loss to the extent of Rs.3.44 lakh.

4. Kadamba Transport Corporation Limited (1999-2000)

Operating expenses included Rs.6.94 lakh being value of high-speed diesel issued to the Karnataka State Road Transport Corporation buses during March 2000. This had resulted in understatement of Loans and Advances and overstatement of loss to the extent of Rs.6.94 lakh.

8.8.3 Errors and omissions noticed in case of Statutory Corporation

Goa Industrial Development Corporation (1999-2000)

(i) Water supply and electricity charges and profit for the year were overstated by Rs.22.22 lakh due to (a) inclusion of expenditure (Rs.41.59 lakh) relating to the year 1998-99, (b) non-inclusion of water charges (Rs.13.31 lakh) for the period January 2000 to March 2000 and (c) inclusion of refund (Rs.6.06 lakh) received from PWD relating to year 1997-98.

(ii) Interest on EDC loan had been arrived after adjusting debit of Rs.10.00 lakh being interest of EDC loan relating to the year 1998-99 instead of adjusting it through 'Prior Period adjustment account'. This had resulted in understatement of net surplus and prior period expenses by Rs.10.00 lakh.

8.9 Recommendation for Closure of PSUs

Even after completion of five years of their existence, the turnover of five (Sl. No. A-1, 2, 7, 9, 12 of Appendix-VI) working Government companies have been less than Rs.5 crore in each of the preceding five years of latest finalised accounts. Similarly, one working Government company (Sl. No.A-11 of Appendix-VI) had been incurring losses for five consecutive years leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above six Government Companies or consider their closure. On being pointed out by Audit, the Government stated (June 2001) that it would review the status and position of each of the above six SLPSUs and take a decision on the course to be followed for which guidelines for dis-investments would be laid down. The Government further stated that action regarding Goa State Schedule Caste and Other Backward Classes Development Corporation Limited would be taken only in consultation with the Ministry of Social Justice and Empowerment, Government of India. Further progress was awaited October 2001).

8.10 Response to Inspection Reports, Draft Paras and Reviews

8.10.1 Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued upto March 2001 pertaining to 10 PSUs disclosed that 71 paragraphs relating to 14 Inspection Reports remained outstanding at the end of September 2001. Of

these, 2 Inspection Reports containing 19 paragraphs had not been replied for more than 1 year. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2001 is given in Appendix-XII.

8.10.2 It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to Inspection Reports as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment in a time bound scheme and (c) revamping the system of responding to the audit observations.

8.11 Position of discussion of Audit Reports (Civil) by the Committee on Public Undertakings (COPU)

8.11.1 Reviews and paragraphs of the Chapter on Commercial and Trading Activities included in Audit Reports (Civil) - Government of Goa pending for discussion by COPU as at the end of March 2001 were as below:

TABLE 8.7

Period of Audit Report	Number of reviews and Paragraphs appeared in the Audit Report		Number of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1992-93	1	-	1	-
1993-94	1	-	1	-
1994-95	-	-	-	-
1995-96	1	-	1	-
1998-99	1	2	1	2
Total	4	2	4	2

8.11.2 The COPU held their last meeting on 27-10-1995 and completed discussion on commercial chapter of Audit Reports (Civil) Government of Goa for the years 1988-89 to 1991-92. The Committee have made recommendations vide their 9th and 11th report, however action taken thereon was awaited from the three companies and one Statutory corporation (September 2001).

8.11.3 The Audit Report (Civil) for the year 1999-2000 was placed before the State legislature on 17 July 2001.

8.12 619-B Companies

There was only one working company coming under Section 619-B of the Companies Act, 1956. Appendix-XIII indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of this company based on its latest available accounts.

8.13 Departmentally managed Government Commercial/Quasi Commercial Undertakings

8.13.1 There were two Departmentally managed Government Commercial/Quasi Commercial Undertakings *viz.* Electricity Department and River Navigation Department in the State as on 31 March 2001.

8.13.2 The proforma accounts of Electricity Department for the year 2000-01 and of River Navigation Department for the years 1997-98 to 2000-2001 were in arrears (October 2001).

8.13.3 The summarised financial results of the Electricity Department for the years 1997-98 to 1999-2000 and that of River Navigation Department for the years 1994-95 to 1996-97 are given in Appendix-XIV.

SECTION – B - OTHER TOPICS OF INTEREST

**GOA HANDICRAFTS, RURAL AND SMALL SCALE
INDUSTRIES DEVELOPMENT CORPORATION
LIMITED**

8.14 Loss on disposal of steel

Company suffered loss of Rs.0.15 crore due to purchase of steel without assessing the demand and subsequent sale of the same on discount.

8.14.1 Government of Goa (GOG) directed (April 1997) the State Public Works Department (PWD) to procure 50 *per cent* of steel required by PWD contractors from the Company. On the basis of the above directive, the Company purchased (June to September 1997) 637.8 MT of steel of various dimensions from SAIL valued at Rs.1.03 crore without assessing the demand for steel from State PWD. In spite of the specific directive from GOG, PWD contractors did not purchase steel from the Company in the absence of stipulation to this effect in the PWD's contract with the contractors. The Company could sell only 212.76 MT (Rs.0.35 crore) of steel in open market due to sluggish market conditions, heavy recession and lower rates prevalent in the market. The Company did not pursue the GOG to enforce the above order and decided (November 1997/April 1998) to sell the remaining quantity of balance steel (425.04 MT) at discounted rate in order to avoid loss due to deterioration. Accordingly, the remaining quantity of 425.04 MT procured at a cost of Rs.0.69 crore was sold (January 1998 to June 1998) in the open market for Rs.0.54 crore incurring loss of Rs.0.15 crore.

8.14.2 The Government while admitting the loss stated (July 2001) that with no prospects of PWD lifting the material, the Company had no other option but to dispose of the material as early as possible by allowing discount.

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