

Chapter I

Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out the activities of commercial nature keeping in view the welfare of people and also occupy an important place in the State economy. As on 31 March 2015, in Gujarat there were 81 SPSUs. Of these, four¹ were listed on the stock exchange(s). During the year 2014-15, one SPSU² was incorporated, whereas one SPSU *viz.*, GSPC Marginal Fields Limited was closed down and one SPSU *viz.* GSFS Capital and Securities Limited went into liquidation. Further, four SPSUs *viz.*, GSPC Gas Limited, Gujarat Gas Company Limited and its two subsidiaries *viz.*, Gujarat Gas Financial Services Limited, Gujarat Gas Trading Company Limited were amalgamated into Gujarat Distribution Network Limited on 30 March 2015, which was subsequently renamed as Gujarat Gas Limited. During the year 2014-15, one SPSU³ came under the purview of Comptroller and Auditor General of India (CAG) as per Section 139(5) of the Companies Act, 2013. The details of SPSUs in Gujarat as on 31 March 2015 are given below.

Table 1.1: Total number of SPSUs as on 31 March 2015

Type of SPSUs	Working SPSUs	Non-working SPSUs ⁴	Total
Government Companies ⁵	64	13	77
Statutory Corporations	4	--	4
Total	68	13	81

The working SPSUs registered a turnover of ₹ 1,06,553.54 crore as per their latest finalised accounts as of 30 September 2015. The turnover was equal to 12.42 *per cent* of State's Gross Domestic Product (GSDP) for 2014-15. The working SPSUs earned aggregate profit of ₹ 3,112.45 crore as per their latest finalised accounts as of 30 September 2015. They had employed 1.10 lakh employees as at the end of March 2015.

As on 31 March 2015, there were 13 non-working SPSUs, existing since 1995-96 and having investment of ₹ 799.43 crore. Government may take suitable decision for the final winding up of the non-working SPSUs.

¹ Gujarat Gas Limited, Gujarat Mineral Development Corporation Limited, Gujarat State Petronet Limited and Gujarat State Financial Corporation.

² Gujarat Scheduled Caste Most Backward Development Corporation was incorporated on 1 October 2014.

³ Sabarmati Gas Limited.

⁴ Non-working SPSUs are those which have ceased to carry on their operations.

⁵ Government Companies include other Companies referred to in Section 139(5) and 139(7) of the Companies Act 2013.

Accountability framework

1.2 The audit of the financial statements of a company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013. However, the audit of a company in respect of financial years that commenced earlier than 1 April 2014 continued to be governed by the Companies Act, 1956.

According to Section 2(45) of the Companies Act, 2013 (Act), a Government company is one in which not less than 51 *per cent* of the paid up share capital is held by the Central and/or State Government(s) and includes a subsidiary of a Government Company. The process of audit of Government Companies under the Act is governed by respective provisions of Section 139 and 143 of the Act.

Statutory Audit

1.3 The financial statements of the Government Company (as defined in Section 2(45) of the Act) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143(6) of the Act.

Further, the Statutory Auditors of any other company (Other Company) owned or controlled, directly or indirectly, by the Central and/or State Government(s) are also appointed by CAG as per the provisions of Section 139(5) or (7) of the Act.

As per the provisions of Section 143(7) of the Act, the CAG, in case of any company (Government Company or Other Company) covered under sub-Section (5) or sub-Section (7) of Section 139 of the Act, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test audit.

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.

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these SPSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports (SARs) in case of Statutory Corporations are to be placed before the Legislature under Section 395 of the Act or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Gujarat

1.5 The State Government has huge financial stake in these SPSUs. This stake is of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the SPSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the SPSUs as and when considered necessary.
- **Guarantees-** State Government also guarantees the repayment of loans with interest, availed by the SPSUs from Financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2015, the investment (Capital and Long-term loans⁶) in 81 SPSUs was ₹ 1,15,932.27 crore⁷ as per details given below:

Table 1.2: Total Investment in SPSUs

Type of SPSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working SPSUs	65,360.30	44,438.44	1,09,798.74	1,839.07	3,495.03	5,334.10	1,15,132.84
Non-working SPSUs	87.57	711.86	799.43	0.00	0.00	0.00	799.43
Total	65,447.87	45,150.30	1,10,598.17	1,839.07	3,495.03	5,334.10	1,15,932.27

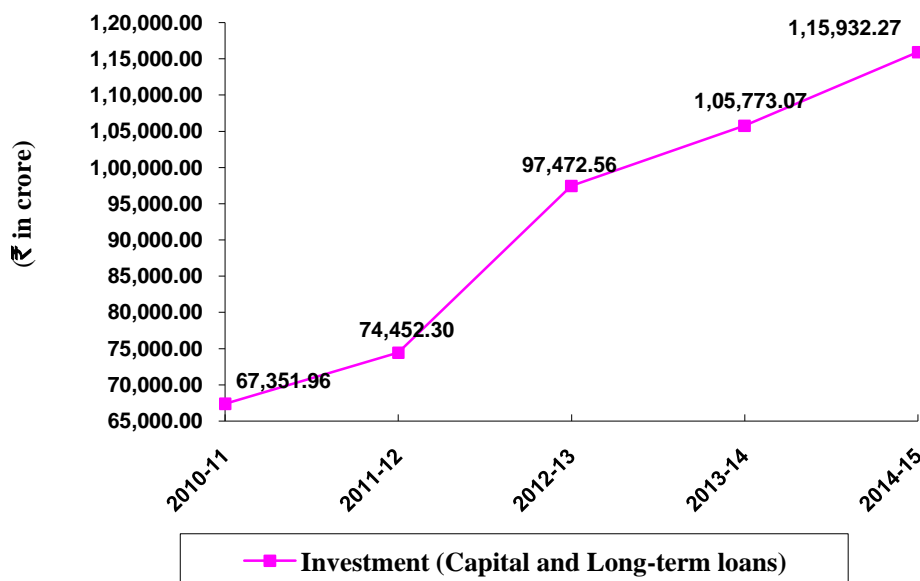
Out of the total investment of ₹ 1,15,932.27 crore in SPSUs as on 31 March 2015, 99.31 per cent was in working SPSUs and the remaining 0.69 per cent in non-working SPSUs. This total investment consisted of 58.04 per cent towards capital and 41.96 per cent in long-term loans. The investment has

⁶ This represents loans from the Government and financial institutions.

⁷ This amount will not tally with Annexure-2 which is based on latest finalised accounts whereas details of investment in SPSUs in the Table 1.2 have been prepared from information furnished by the SPSUs, which includes additions subsequent to the last finalised accounts.

grown by 72.13 per cent from ₹ 67,351.96 crore in 2010-11 to ₹ 1,15,932.27 crore in 2014-15 as shown in the graph below.

Chart 1.1: Total investment in SPSUs



1.7 The sector wise summary of investments in the SPSUs as on 31 March 2015 is given below:

Table 1.3: Total Investment in SPSUs

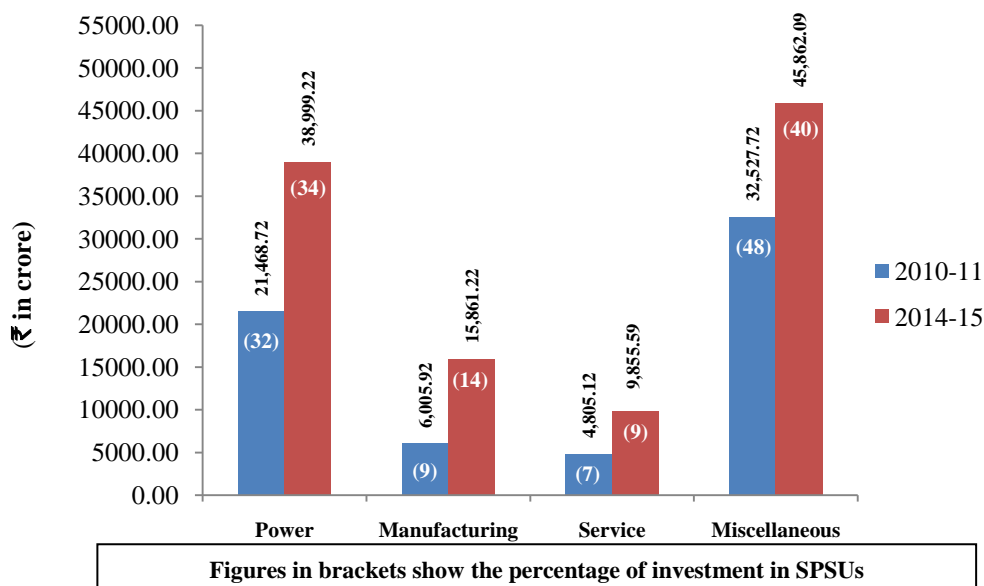
Name of Sector	Government/Other Companies ⁸		Statutory Corporations	Total	Investment (₹ in crore)
	Working	Non-working			
Power	11	0	0	11	38,999.22
Manufacturing	7	7	0	14	15,861.22
Finance	12	3	1	16	3,669.52
Miscellaneous	3	0	0	3	45,862.09 ⁹
Service	17	0	1	18	9,855.59
Infrastructure	10	1	1	12	1,534.05
Agriculture & Allied	4	2	1	7	150.58
Total	64	13	4	81	1,15,932.27

The investment in four significant sectors and percentage thereof at the end of 31 March 2010 and 31 March 2015 are indicated below in the bar chart.

⁸ 'Other Companies' as referred to under Section 139(5) and 139(7) of the Companies Act, 2013.

⁹ This includes ₹ 45,707.90 crore in Sardar Sarovar Narmada Nigam Limited.

Chart 1.2: Sector wise investment in SPSUs



The thrust of SPSUs investment was mainly in Miscellaneous Sector. The percentage of investment to total investment in the above sector was 40 per cent in 2014-15. The percentage increase of investment in Manufacturing Sector over the period 2010-11 to 2014-15 was 164.09 per cent while that in Power Sector was 81.66 per cent.

Special support and returns during the year

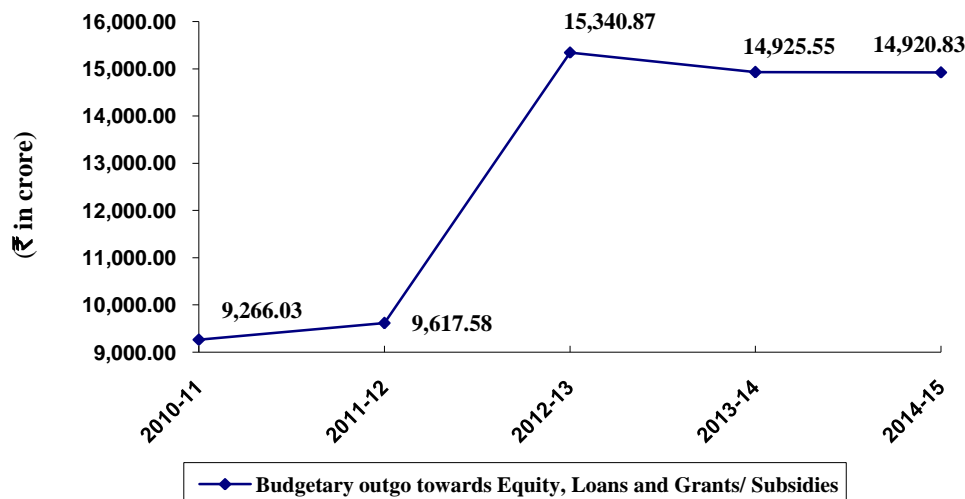
1.8 The State Government provides financial support to SPSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity loans, grants/subsidies, loans written off and interest waived in respect of SPSUs are given below for three years ended 2014-15:

Table 1.4: Details regarding budgetary support to SPSUs

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	17	7,952.92	14	7,503.48	9	6,966.86
2.	Loans given from budget	4	610.34	4	279.10	2	201.50
3.	Grants/Subsidy from budget	31	6,777.61	33	7,142.97	24	7,752.47
4.	Total Outgo (1+2+3)		15,340.87		14,925.55		14,920.83
5.	Waiver of loans and interest	--	--	--	--	--	--
6.	Guarantees issued	1	8.00	--	--	2	1,609.16
7.	Guarantee Commitment	6	2,718.74	6	2,239.79	4	1,652.82

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

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



The budgetary outgo in the form of equity, loans, grants/subsidies, etc., marginally decreased from ₹ 14,925.55 crore in 2013-14 to ₹ 14,920.83 crore in 2014-15. The outgo on account of grants/subsidies increased from ₹ 7,142.97 crore in 2013-14 to ₹ 7,752.47 crore in 2014-15.

In order to enable SPSUs 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 varies from 0.25 to one *per cent* as decided by the State Government depending upon the loanees. The guarantee commitment decreased from ₹ 2,718.74 crore during 2012-13 to ₹ 1,652.82 crore during 2014-15. Further, seven SPSUs¹⁰ paid guarantee fee¹¹ to the tune of ₹ 17.53 crore during 2014-15. There was one SPSU¹² which did not pay guarantee fees/commission during the year and accumulated/outstanding guarantee fee/commission there against was ₹ 35.60 crore as on 31 March 2015.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees outstanding as per records of SPSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2015 is stated below:

¹⁰ Gujarat Energy Transmission Corporation Limited, Dakshin Gujarat Vij Company Limited, Madhya Gujarat Vij Company Limited, Paschim Gujarat Vij Company Limited, Uttar Gujarat Vij Company Limited, Gujarat Urja Vikas Nigam Limited and Sardar Sarovar Narmada Nigam Limited.

¹¹ In case of subsidiaries of GUVNL, the details of Guarantee fees as allocated by the holding Company (GUVNL) have been considered.

¹² Gujarat State Financial Corporation.

Table 1.5: Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of SPSUs

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	62,322.61	58,862.75	3,459.86
Loans	3,922.39	5,993.98	2,071.59
Guarantees	4,556.60	1,652.82	2,903.78

Audit observed that the differences occurred in respect of 52 SPSUs. Audit brought (December 2015) the matter to the notice of the Finance Department, concerned Administrative Department and the respective SPSUs about the differences in figures indicated in the Audit Report (PSUs) and Finance Accounts for the year 2014-15. The Government and the SPSUs should take concrete steps to reconcile the differences in a time bound manner.

Arrears in finalisation of accounts

1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year, i.e., by September end in accordance with the provisions of Section 96(1) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act. 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 SPSUs in finalisation of accounts as of 30 September 2015.

Table 1.6: Position relating to finalisation of accounts of working SPSUs

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of Working SPSUs/other companies	60	66	69	72	68
2.	Number of accounts finalised during the year	58	58	71	65	56
3.	Number of accounts in arrears	38	47	42	50	61 ¹³
4.	Number of Working SPSUs with arrears in accounts	27	35	30	33	35
5.	Extent of arrears (numbers in years)	1 to 4	1 to 4	1 to 3	1 to 4	1 to 5

It can be observed that the number of accounts in arrears has increased from 38 (2010-11) to 61 (2014-15). During the year, 46 Companies have finalised their 52 accounts, out of which 22 were arrear accounts.

Similarly, of the four Statutory Corporations, four accounts were finalised during the year 2014-15 out of which two were arrear accounts. Two Statutory Corporations have total five accounts in arrears.

¹³ Includes arrears of five accounts in respect of Infrastructure Finance Company Gujarat Limited which was taken over by GIDC, four accounts each in respect of Gujarat Growth Centre Development Corporation Limited, Gujarat Women Economic Development Corporation Limited and Gujarat Foundation for Mental Health and Allied Sciences.

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 SPSUs within stipulated period. Though the concerned Departments were informed regularly (once in 3 months) there was no progress in the matter. In addition, the matter was taken up with the State Government on 16 October 2015 for liquidating the arrears of the accounts however, no improvement has been noticed.

1.11 The State Government had invested ₹ 12,403.50 crore in 16 SPSUs {equity: ₹ 7,178.86 crore (6 SPSUs), loans: ₹ 1,041.50 crore (2 SPSUs) and grants ₹ 4,183.14 crore (14 SPSUs)} during the years for which accounts have not been finalised as detailed in *Annexure-I*. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such SPSUs remained outside the control of State Legislature.

1.12 In addition to above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working SPSUs. Out of 13 non-working SPSUs, eight were in the process of liquidation whose accounts were in arrears for eight to 20 years. Of the remaining five non-working SPSUs, only three SPSUs¹⁴ had arrears of accounts.

Table 1.7: Position relating to arrears of accounts in respect of non-working SPSUs

No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
1 ¹⁵	1999-00 to 2014-15	16
2 ¹⁶	2014-15	1

Placement of Separate Audit Reports

1.13 The position depicted below shows the status of placement of SARs issued by the CAG (up to 30 September 2015) on the accounts of Statutory Corporations in the Legislature.

¹⁴ Gujarat Fisheries Development Corporation Limited, Gujarat State Machine Tools Limited and Gujarat Trans Receivers Limited.

¹⁵ Gujarat Fisheries Development Corporation Limited.

¹⁶ Gujarat State Machine Tools Limited and Gujarat Trans Receivers Limited.

Table 1.8: Status of placement of SARs in Legislature

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/ Present Status
1.	Gujarat State Warehousing Corporation	2010-11	2012-13	10 June 2015
			2011-12	31 July 2013
2.	Gujarat State Financial Corporation	2013-14	2014-15	SAR under finalisation
3.	Gujarat Industrial Development Corporation	2013-14	2014-15	SAR under finalisation
4.	Gujarat State Road Transport Corporation	2010-11	2011-12	SAR under finalisation

Impact of non-finalisation of accounts

1.14 As pointed out above (Paragraph 1.10 to 1.12), the 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 relevant statutes. In view of the above state of arrears of accounts, the actual contribution of SPSUs to the GSDP for the year 2014-15 could not be ascertained and their performance was also not reported to the State Legislature.

It is therefore, recommended that:

- *The Government may evolve a suitable mechanism to oversee and monitor the clearance of arrears and set the targets for individual companies.*
- *The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.*

Performance of SPSUs as per their latest finalised accounts

1.15 The financial position and working results of working SPSUs are detailed in **Annexure-2**. A ratio of SPSUs turnover to GSDP shows the extent of SPSUs' activities in the State economy. Table below provides the details of working SPSUs' turnover and GSDP for a period of five years ending 2014-15.

Table 1.9: Details of working SPSUs turnover vis-a vis GSDP

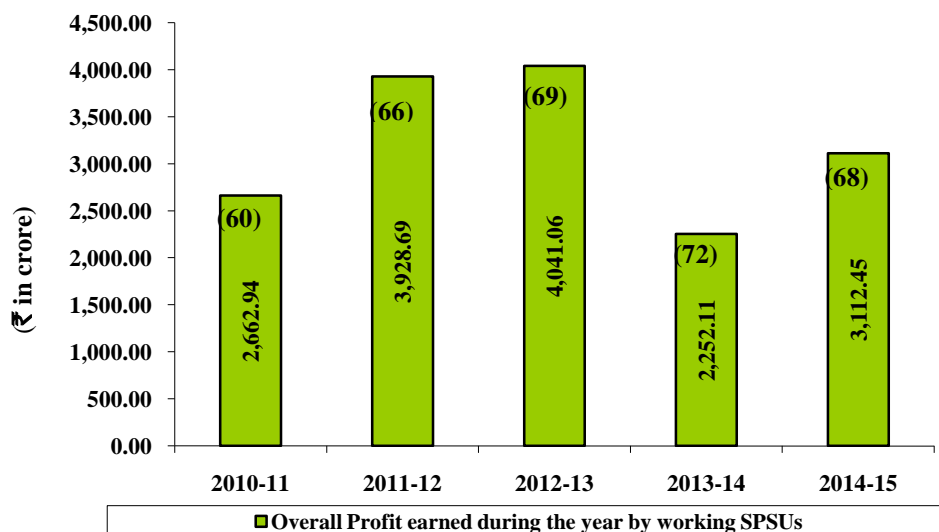
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover ¹⁷ (₹ in crore)	63,008.20	79,641.86	91,309.63	98,718.90	1,06,553.54
GSDP (₹ in crore)	5,21,519	5,98,786	6,58,540(P)	7,65,638(Q)	8,58,189(A) ¹⁸
Percentage of Turnover to State GDP	12.08	13.30	13.87	12.89	12.42

Estimate: (P) = Provisional, (Q) = Quick and (A) = Advance

Out of the total turnover of ₹ 1,06,553.54 crore, ₹ 73,665.41 crore pertains to 32 working SPSUs who have finalised their accounts for the year 2014-15 and the balance turnover of ₹ 32,888.13 crore was taken as per the latest finalised accounts.

1.16 Overall profits¹⁹ (losses) earned (incurred) by working SPSUs during 2010-11 to 2014-15 are given below in a bar chart.

Chart 1.4: Profit/Loss of working SPSUs



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

As per their latest finalised accounts, out of 68 working SPSUs, 49 SPSUs earned profit of ₹ 3,725.62 crore and 13 SPSUs incurred loss of ₹ 613.17 crore. Two Companies²⁰ are under construction, one Company²¹ has not finalised its first accounts, one²² Company's excess income transferred to non-plan grants, one Company's²³ excess of expenditure over income

¹⁷ Turnover of working SPSUs as per the latest finalised accounts as of 30 September 2015.

¹⁸ As per Statements prepared under the Gujarat Fiscal Responsibility Act 2005, Budget Publication No. 30.

¹⁹ Represents net profit before tax.

²⁰ GSPC LNG Limited and Sardar Sarovar Narmada Nigam Limited (Sl. No. A-31 and A-63 of Annexure-2 respectively).

²¹ Gujarat Scheduled Caste Most Backward Development Corporation (Sl. No. A-16 of Annexure-2).

²² Gujarat Women Economic Development Corporation Limited (Sl. No. A-8 of Annexure-2).

²³ Gujarat State Police Housing Corporation Limited (Sl. No. A-19 of Annexure-2).

transferred to works completed and one²⁴ Company's expenditure incurred set off from grant income.

The major contributors to the profit were:

- Gujarat State Petronet Limited (₹ 660.32 crore),
- Gujarat Gas Limited (₹ 641.44 crore),
- Gujarat Mineral Development Corporation Limited (₹ 635.87 crore),
- Gujarat Energy Transmission Corporation Limited (₹ 412.65 crore)

Heavy losses were incurred by:

- Gujarat State Road Transport Corporation (₹ 183.58 crore),
- Gujarat State Energy Generation Limited (₹ 130.03 crore),
- Gujarat State Financial Corporation (₹ 94.81 crore),
- Gujarat Water Infrastructure Limited (₹ 91.37 crore)

1.17 Some other key parameters of SPSUs are given below.

Table 1.10: Key Parameters of State PSUs

Particulars	(₹ in crore)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital Employed (<i>per cent</i>)	5.24	6.97	6.40	5.00	5.56
Debt	26,862.15	30,253.60	44,835.60	45,711.93	42,509.05 ²⁵
Turnover ²⁶	63,008.20	79,641.86	91,309.63	98,718.90	1,06,553.54
Debt/ Turnover Ratio	0.43:1	0.38:1	0.49:1	0.46:1	0.40:1
Interest Payments	2,423.60	2,935.83	3,390.99	4,214.21	4,949.38
Accumulated Profits/ (Losses)	169.34	1,693.73	2,865.09	3,805.28	3,721.00 ²⁷

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

The turnover of SPSUs had increased gradually from ₹ 63,008.20 crore in 2010-11 to ₹ 1,06,553.54 crore in 2014-15. Simultaneously, the debts also increased from ₹ 26,862.15 crore in 2010-11 to ₹ 42,509.05 crore in 2014-15. The debt-turnover ratio which increased during 2012-13 as compared to other years has decreased in subsequent years and stood at 0.40:1 in 2014-15 because of significant increase in the turnover. Accumulated profits of ₹ 169.34 crore in 2010-11 have progressively increased to ₹ 3,805.28 crore in 2013-14 and decreased to ₹ 3,721 crore in 2014-15. Thus, performance of SPSUs registered marked improvement since 2010-11.

1.18 The State Government had not formulated any dividend policy under which all SPSUs are required to pay a minimum return on paid-up share capital contributed by the State Government. As per their latest finalised accounts, out of 68 SPSUs, 49 SPSUs earned an aggregate profit of

²⁴ Gujarat Foundation for Mental Health and Allied Sciences (Sl. No. A-53 of Annexure-2).

²⁵ This represents the long term loans as per the latest finalised accounts reflected in Annexure-2 of all SPSUs.

²⁶ Turnover of working SPSUs as per the latest finalised accounts as of 30 September 2015.

²⁷ Includes closing balance as per the finalised accounts and excludes General/ Capital/ Other Reserves etc.

₹ 3,725.62 crore. However only seven SPSUs declared dividend of ₹ 145.99 crore of which the State Government's share was ₹ 8.65 crore.

The State Government may consider formulation of a dividend Policy regarding payment of reasonable return from the profit earning SPSUs on the paid up share capital contribution by the State Government.

Winding up of non-working SPSUs

1.19 There were 13 non-working SPSUs as on 31 March 2015. Of these, eight SPSUs have commenced liquidation process. The number of non-working companies at the end of each year during past five years is given below.

Table 1.11: Non-working SPSUs

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
No. of Non-working Companies	12	12	12	12	13
No. of Non-working Corporations	--	--	--	--	--
Total	12	12	12	12	13

Since the non-working SPSUs are not contributing to the State economy and meeting the intended objectives, therefore, these SPSUs may be considered for closure or revival. During 2014-15, two out of 13 non-working SPSUs incurred an expenditure of ₹ 0.63 crore towards establishment. This expenditure was met from interest income (₹ 0.23 crore) received on their investments and borrowing (₹ 0.43 crore). Other 11 SPSUs did not furnish their accounts.

1.20 The stages of closure in respect of non-working SPSUs as on 30 September 2015 are given below.

Table 1.12: Closure of Non-working SPSUs

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working SPSUs	13	--	13
2.	Of (1.) above, the No. under:			
(a)	Liquidation by Court (liquidator appointed)	6	--	6
(b)	Voluntary winding up (liquidator appointed)	2 ²⁸	--	2
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	5	--	5

The Companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 1 year to 20 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously.

²⁸ Gujarat Small Industries Corporation Limited and GSFS Capital and Securities Limited.

The Government may take a decision regarding winding up of five non-working SPSUs where no decision about their continuation or otherwise has been taken after they became non-working.

Accounts Comments

1.21 Forty six working companies forwarded their 52 audited accounts to us during the year 2014-15. Of the 52 accounts of 46 Companies, 39 accounts 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 comments²⁹ of Statutory Auditors and CAG for the last three years are given below.

Table 1.13: Impact of audit comments on the accounts of working Companies

(Amount: ₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	56.54	2	0.23	8	251.06
2.	Increase in loss	2	135.57	3	34.99	1	152.55
3.	Non-disclosure of material facts	2	17.31	2	277.78	1	115.20
4.	Errors of classification	1	23,885.27	8	25,512.22	6	1,784.86

It is observed from the above that cases of non-disclosure of material facts increased from ₹ 17.31 crore in 2012-13 to ₹ 277.78 crore in 2013-14 and reduced to ₹ 115.20 crore in 2014-15. Cases of decrease in profits and increase in losses increased from ₹ 56.54 crore and ₹ 135.57 crore to ₹ 251.06 crore and ₹ 152.55 crore respectively.

During the year, the Statutory Auditors had given unqualified certificates for 36 accounts and qualified certificates for 15 accounts, and disclaimer certificate (meaning the auditors are unable to form an opinion on accounts) for one accounts. The compliance of companies with the Accounting Standards remained deficient as there were 12 instances of non-compliance in 10 accounts during the year.

1.22 Similarly, four working Statutory Corporations³⁰ forwarded four accounts to us during the year 2014-15. Of these, two accounts of two Statutory Corporations pertain to sole audit by CAG, which was completed. The remaining two accounts were selected for supplementary audit. The Audit Report of Statutory Auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved

²⁹ For the purpose of CAG comments only those comments actually issued during October 2014 to September 2015 have been considered including accounts received in the previous period for which comments were issued in the current period.

³⁰ Gujarat State Warehousing Corporation, Gujarat State Road Transport Corporation, Gujarat Industrial Development Corporation and Gujarat State Financial Corporation.

substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below.

Table 1.14: Impact of audit comments on the accounts of Statutory Corporations

(Amount: ₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	1.49	0	0.00	1	0.29
2.	Increase in loss	2	120.05	1	20.40	2	99.73
3.	Non-disclosure of material facts	1	896.59	1	844.65	2	976.96
4.	Errors of classification	1	115.73	1	80.99	1	3.48

It is observed from the above that the money value objection for non-disclosure of material facts increased from ₹ 896.59 crore in 2012-13 to ₹ 976.96 crore in 2014-15. However, the cases of errors of classification decreased from ₹ 115.73 crore in 2012-13 to ₹ 3.48 crore in 2014-15.

During the year, one qualified certificate and one unqualified certificate was given by Statutory Auditors in respect of two accounts. While CAG gave qualified certificate in two accounts of two Statutory Corporations, which are under sole audit of CAG.

Response of the Government to Audit

Performance Audits and Paragraphs

1.23 For the Report of CAG of India for the year ended 31 March 2015, two performance audit reports and eight audit paragraphs contained in this report, were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of both the Performance Audits and five compliance audit paragraphs were awaited from State Government (November 2015).

Follow-up action on Audit Reports

Replies outstanding

1.24 The Report of the CAG of India represents the culmination of audit scrutiny. It is therefore, necessary that they elicit appropriate and timely response from the executive. As per Rule 7 of the Rules of Procedure (Internal Working) of Committee on Public Undertakings (COPU), Gujarat Legislative Assembly, all the administrative departments of SPSUs should submit, within three months of their presentation to the Legislature, explanatory notes indicating the corrective/ remedial action taken or proposed to be taken on paragraphs and performance audits included in the Audit Reports.

Table 1.15: Explanatory notes not received as on 30 September 2015

Year of the Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2010-11	30 March 2012	2	15	0	1
2011-12	2 April 2013	2	10	1	3
2012-13	25 July 2014	1	13	1	8
2013-14	31 March 2015	3	9	2	8
Total		8	47	4	20

From the above, it could be seen that out of 55 Paragraphs/ Performance Audits, explanatory notes to 24 Paragraphs/ Performance Audits in respect of five³¹ Departments, which were commented upon, were awaited (September 2015).

Discussion of Audit Reports by COPU

1.25 The status as on 30 September 2015 of Performance Audits and paragraphs that appeared in Audit Reports (SPSUs) and discussed by Committee on Public Undertaking (COPU) was as under.

Table 1.16: Reviews/Paragraphs appeared in Audit Reports *vis a vis* discussed as on 30 September 2015

Period of Audit Report	Number of review/ paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2010-11	2	15	0	3
2011-12	2	10	0	0
2012-13	1	13	0	0
2013-14	3	9	0	0
Total	8	47	0	3

Compliance to Reports of COPU

1.26 Action Taken Notes (ATN) to seven paragraphs pertaining to three Reports of the COPU presented to the State Legislature between July 2012 and March 2015 had not been received (October 2015) as indicated below:

Table 1.17: Compliance to COPU Reports

Report of COPU	Total no. of recommendations in COPU Report	No. of recommendations for which ATNs not received
18 th Report of 12 th Assembly	6	1
2 nd Report of 13 th Assembly	17	3
3 rd Report of 13 th Assembly	10	3
Total	33	7

³¹ Agriculture and Cooperation Department, Energy and Petrochemicals Department, Health and Family Welfare Department, Industries and Mines Department and Urban Housing and Development Department.

These Reports of COPU contained recommendations in respect of paragraphs pertaining to three³² Departments, which appeared in the Reports of the CAG of India for the years 2005-06 to 2009-10.

It is recommended that the Government may ensure: (a) sending of replies to Inspection Reports/ Explanatory Notes/ Draft Paragraphs/ Performance audits and ATNs on the recommendation of COPU as per the prescribed time schedule and (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period.

Coverage of this Report

1.27 This Report contains eight paragraphs and two Performance Audits involving financial effect of ₹ 1,750.85 crore.

³² Energy and Petrochemicals Department, Industries and Mines Department and Women and Child Development Department.