

## Overview

### 1 Overview on the Functioning of State Public Sector Undertakings

#### Introduction

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 2017, in Gujarat there were 77 working SPSUs (73 Companies and four Statutory Corporations) and 14 non-working SPSUs. The working SPSUs registered a turnover of ₹ 1,11,953.31 crore as per their latest finalised accounts. The turnover was equal to 9.95 per cent of State's Gross Domestic Product for 2016-17. The overall profit of ₹ 1,633.12 crore earned in previous year (2015-16) turned into aggregate losses of ₹ 14,764.43 crore in the current year due to the exceptional loss of ₹ 17,061.20 crore incurred by Gujarat State Petroleum Corporation Limited.

#### Accountability framework

The Audit of financial statements of a Company in respect of financial years commencing on or after 1 April 2014 is governed by section 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by Statutory Auditors who are appointed by the C&AG as per the provisions of Section 139(5) or (7) of the Act. These financial statements are subject to supplementary audit by C&AG within 60 days from the date of receipt of the audit report under the provisions of Section 143(6) of the Act. Audit of Statutory Corporations is governed by their respective legislations.

#### Investment in SPSUs

As on 31 March 2017, the investment (capital and long term loans) in 91 SPSUs was ₹ 1,43,217.84 crore. Out of the total investment, 99.44 per cent (₹ 1,42,417.16 crore) was in working SPSUs and remaining 0.56 per cent (₹ 800.68 crore) was in non-working SPSUs.

#### Arrears in finalisation of Accounts

Forty two working SPSUs had arrears of 75 accounts as on 30 September 2017. The extent of arrears ranged from one to six years.

#### Performance of SPSUs

During the year 2016-17, as per their latest finalised accounts, out of 77 working SPSUs, 54 SPSUs earned profit of ₹ 3,647.96 crore and 14 SPSUs incurred loss of ₹ 18,412.39 crore. The major contributors to

the profit were Gujarat State Petronet limited (₹ 737.79 crore), Gujarat Mineral Development Corporation Limited (₹ 445.98 crore), Gujarat Gas Limited (₹ 303.33 crore), Gujarat Industrial Development Corporation (₹ 293.38 crore) and Gujarat Energy Transmission Corporation Limited (₹ 284.79 crore). Major loss making SPSUs were Gujarat State Petroleum Corporation Limited (₹ 17,061.20 crore), Sardar Sarovar Narmada Nigam Limited (₹ 973.50 crore), Gujarat State Road Transport Corporation (₹ 184.45 crore) and Gujarat State Financial Corporation (₹ 117.18 crore). An analysis of investment and accumulated losses disclosed that the erosion in networth occurred in 11 working SPSUs out of total 77 working SPSUs.

The investment in SPSUs increased from ₹ 1,02,689.21 crore in 2012-13 to ₹ 1,49,499.29 crore in 2016-17. The return on investment ranged between 4.95 per cent and 6.82 per cent during 2012-13 to 2015-16. Similarly, the total equity of the SPSUs increased from ₹ 59,130.71 crore in 2012-13 to ₹ 85,112.91 crore in 2016-17. The return on equity ranged between 0.27 per cent and 4.53 per cent during 2012-13 to 2015-16. However, there was net loss in 2016-17. Therefore, the return on investment and equity was not computed in 2016-17.

#### Accounts Comments

Out of 70 accounts finalised during the period 2016-17, Statutory Auditors had given unqualified certificates for 54 accounts and qualified certificates for 16 accounts. There were 24 instances of non-compliance with Accounting Standards in 10 accounts during 2016-17.

(Chapter 1)

## 2. Performance Audit relating to Statutory Corporation

Performance Audit on 'Functioning of Gujarat State Road Transport Corporation' was conducted.

Highlights of the performance audit on **Functioning of Gujarat State Road Transport Corporation** are given below:

**Gujarat State Road Transport Corporation (Corporation)** was established on 01 May 1960 under Section 3 of the Road Transport Corporations (RTC) Act, 1950 with mandate to provide an efficient, adequate, economical and properly co-ordinated Road Transport services.

As on 31 March 2017, the Corporation had a fleet strength of 7,603 buses. Further, 39 Volvo buses were taken on hire for operating services on 10 selected routes. The Corporation carried on an average 21.61 lakh passengers *per day* during 2016-17. As *per* the latest finalised accounts for the year 2014-15, the Corporation had accumulated losses of ₹ 2,721.52 crore.

The Audit findings are enumerated below:

The income *per km* increased from ₹ 24.20 to ₹ 27.68 due to two fare

revisions and increase in other income besides subsidy. However, the Corporation continued to report net loss. The net worth was negative for the three years 2012-13 to 2014-15.

The load factor decreased from 69.18 *per cent* to 61.81 *per cent* during 2012-16. It increased in 2016-17 to 66.22 *per cent* due to increase in fleet utilisation. The percentage of overage buses in the fleet increased from 2.90 in 2012-13 to 7.47 in 2015-16 but decreased to 3.52 in 2016-17. The fleet utilisation of the Corporation ranged between 83.89 *per cent* and 86.72 *per cent* against all India average of 89.50 *per cent* to 91 *per cent* during 2012-13 to 2016-17.

Cancellation of schedule KMs decreased from 9.09 *per cent* in 2012-13 to 7.47 *per cent* in 2016-17. The cancellation of schedule KMs was mainly for want of crew and fleet which was avoidable. The share of the Corporation in public transport declined from 15.48 *per cent* in 2012-13 to 12.30 *per cent* in 2016-17 due to decrease in fleet of the Corporation.

Manpower and fuel constituted 71 *per cent* to 72 *per cent* of total cost. The operating cost of Corporation buses was higher due to non-procurement of fuel efficient buses (mini-buses), inadequate recovery of toll tax and excess crew. In the hiring contract of Volvo buses, the Corporation incurred a net loss of ₹ 7.03 crore on its operations during March 2011 to March 2017.

Delay in submission of fare proposals to GoG led to delay in fare revisions. In the fare proposals, the Corporation did not consider the Motor Accident Claim and payment of pay arrears to its employees.

The Corporation suffered interest loss of ₹ 6.97 crore due to investment of available fund for shorter durations besides interest loss of ₹ 3.96 crore due to balances lying in non-interest bearing Personal Ledger Account.

The internal control mechanism of the Corporation was weak. Peripatetic Audit Parties had not been constituted and Bank Reconciliation Statements were not prepared. Monitoring by top management was deficient as evident from non submission of Management Information System reports to Board of Directors, delay in submission of subsidy claims and fare revision proposals.

*(Chapter 2)*

### **3. Compliance Audit Observations**

Compliance audit observations included in this Report highlight deficiencies in the management of PSUs which resulted in serious financial implications.

Gist of the observations is given below:

**Gujarat Agro Industries Corporation Limited** (Company) was incorporated in 1969 to promote agricultural activities. The Company acted as a nodal agency for implementation of GoI / GoG schemes, trading agent of fertilizer & minor agri-inputs, and manufactured pesticides and bio-fertilizers. The Company did not have a business plan and annual plan for achievement of its

objectives. The Company had not framed production and marketing policy which was critical for promotion and sale of its own products. The Company incurred operating losses during the period 2012-16. In trading activities, the sale of fertilizers accounted for 93 to 95 *per cent* of the total sales during 2012-16. Audit observed deficiencies in implementation of infrastructure projects and schemes meant to augment the agro potential of the State by GoI / GoG. Lacunae were observed in internal control and monitoring mechanism as was highlighted in non-preparation of business plan, operations, policies, annual accounts, ineffective monitoring of infrastructure projects and contractual arrangements. The Company did not have a system for monitoring critical processes like destruction of expired pesticides, which resulted in violation of environmental laws.

*(Paragraph 3.1)*

**Gujarat Water Resources Development Corporation Limited** carried out activities related to drilling of tube-wells, creation of Pressured Irrigation Network System (PINS) with Micro Irrigation System (MIS) on tube-wells; and implementation of Lift Irrigation Scheme. Though Company was established with the main purpose of drilling and maintenance of tube-wells, it had ceased to carry out maintenance activities after transfer of tube-wells to *Juths / Mandalis* since 1988. Failure in drilling activities and delays in electrification of successful tube-wells were observed under the tribal scheme. Due to a lackadaisical approach, non-operational tube-wells were not disposed. Fixation of higher pre-qualifications criteria put forth in the tender for PINS with MIS led to limited competition for the same. Out of 1,293 tube-wells planned to be taken up for implementation of PINS with MIS, only 555 had been taken up till March 2017. As a result, 16.86 *per cent* of estimated Culturable Command Area remained un-achieved in eight completed works. The LIS works were awarded to Non-Governmental Organisations without following the due tendering procedure. Instances of delays in completion and electrification as well as non-compliance to tender conditions were also observed in test checked cases of LIS works.

*(Paragraph 3.2)*

**Tourism Corporation of Gujarat Limited** gave unfair advantage to the Operator by deviating from the tender conditions and allowing *Visamo*, a tourist facility centre for day tourists to be turned in to a resort thereby defeating Government of Gujarat's objective of development of *Visamo* in Saputara.

*(Paragraph 3.3)*

**Sardar Sarovar Narmada Nigam Limited** finalised electricity contract demand without considering the progress of civil works and pumping stations which led to avoidable payment of ₹ 47.91 crore towards demand charges.

*(Paragraph 3.4)*

Incorrect calculation of value of work done by the **Sardar Sarovar Narmada Nigam Limited** led to excess payment of price adjustment of ₹ 3.80 crore to the contractors.

*(Paragraph 3.5)*

**Gujarat State Petronet Limited** did not recover interest of ₹ 2.97 crore on the delayed payments made by customers for the supplementary invoices raised for implementing the tariff order of Petroleum and Natural Gas Regulatory Board.

*(Paragraph 3.6)*

Rural Feeders constituted 70 *per cent* of the total distribution feeders of the **State Distribution Companies (DISCOMs)** and contributed more than 50 *per cent* of the distribution losses in the State. Audit examined the adequacy and effectiveness of the activities undertaken by the **DISCOMs** to reduce the Distribution losses in rural feeders. The scope of audit focused on the high loss rural feeders having losses of more than 50 *per cent*. It was observed that the overall distribution losses had reduced during 2012-17 in the rural feeders from 30.97 to 23.42 *per cent*. **DISCOMs** undertook various measures like installation of High Voltage Distribution System, conversion of Low Tension (LT) lines into High Tension (HT) lines, metering of unmetered consumers, etc. to reduce the feeder losses, however, the progress of metering of unmetered agricultural consumers and replacement of conventional meters with static meters was slow. Further, there was scope in improving the HT-LT lines ratio to augment the momentum of **DISCOMs** in reducing the losses in rural feeders.

*(Paragraph 3.7)*

Decision of the **Uttar Gujarat Vij Company Limited** to acquire land despite being aware of construction constraints led to blockage of funds of ₹ 78.45 crore.

*(Paragraph 3.8)*

**Sabarmati Gas Limited** lost revenue of ₹ 58.09 lakh due to incorrect categorization of a commercial customer as an industrial customer.

*(Paragraph 3.9)*

**Gujarat Industrial Development Corporation** allotted additional plots demanded by an allottee at discounted rates in violation of Board's decision resulting in extension of unjustified concession of ₹ 2.97 crore.

*(Paragraph 3.10)*

