

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2006, there were 52 Government companies (39 working and 13 non working companies*) and four• Statutory corporations as against 46 Government companies (36 working and 10 non working companies*) and five Statutory corporations as on 31 March 2005 under the control of the State Government. During the year six new companies came under the audit purview of the Comptroller and Auditor General of India (CAG) and three working companies became non working companies. In addition, the State had formed (July 1999) the Gujarat Electricity Regulatory Commission, whose audit is conducted under Section 104(2) of the Electricity Act, 2003. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by the Statutory Auditors appointed by the CAG as per the provision 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 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the Statutory corporation	Authority for audit by the CAG	Audit arrangement
1.	Gujarat State Road Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950.	Sole audit by CAG.
2.	Gujarat Industrial Development Corporation	Section 19(3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971.	Sole audit entrusted by the State Government to CAG up to 2006-07.
3.	Gujarat State Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951.	audit by Chartered Accountants and supplementary audit by CAG.
4.	Gujarat State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962.	audit by Chartered Accountants and supplementary audit by CAG.

* Non working companies are those, which are under the process of liquidation/ closure/ merger, etc.

• Gujarat Electricity Board was unbundled from 1 April 2005.

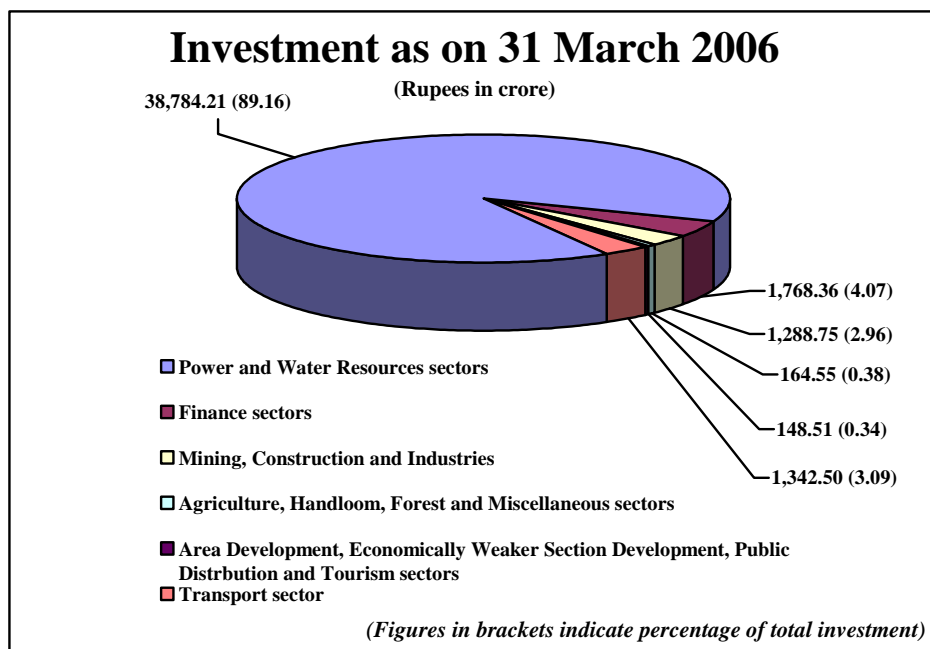
Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2006, the total investment in 43 working PSUs (39 Government companies and four Statutory corporations) was Rs.43,496.88 crore[∨] (equity: Rs.21,517.60 crore, share application money: Rs.1,183.93 crore and long-term loans[•]: Rs.20,795.35 crore) as against Rs.37,710.41 crore (equity: Rs.14,359.46 crore, share application money: Rs.278.54 crore and long-term loans: Rs.23,072.41 crore) in 41 working PSUs (36 Government companies and five Statutory corporations) as on 31 March 2005. An analysis of the investment in working PSUs is given in the succeeding paragraphs.

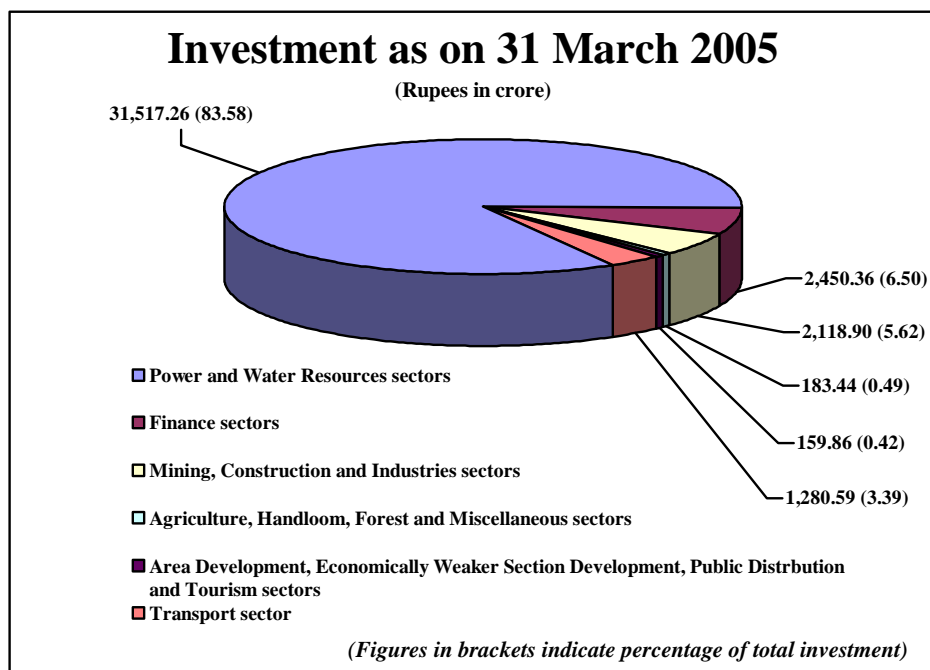
Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of March 2006 and March 2005 are indicated below in pie charts:



[∨] Reconciliation of figures with the Finance Accounts is pending.

[•] Long-term loans mentioned in paragraphs 1.2, 1.3, 1.4 and 1.18 are excluding interest accrued and due on such loans.



Working Government companies

1.3 The total investment in working Government companies at the end of March 2005 and March 2006 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Equity	Share application money	Long-term loans	Total
2004-05	36	13,657.69	278.54	11,635.20	25,571.43
2005-06	39	20,815.83	1,183.93	19,200.50	41,200.26

As on 31 March 2006, the total investment in working Government companies comprised 53.40 per cent of equity capital and 46.60 per cent of loans as compared to 54.50 and 45.50 per cent, respectively as on 31 March 2005.

The sharp increase in the equity and long-term loans of working Government companies during 2005-06 was mainly due to unbundling of erstwhile Gujarat Electricity Board.

The summarised position of Government investment in working Government companies in the form of equity and loans is detailed in **Annexure-1**.

Due to significant increase in long-term loans of Development of Economically Weaker Section sector, the debt-equity ratio of working Government companies in this sector increased from 2.68:1 in 2004-05 to 4.42:1 in 2005-06.

Working Statutory corporations

1.4 The total investment in the working Statutory corporations respectively at the end of March 2005 and March 2006 was as follows:

(Amount: Rupees in crore)

Name of corporation	2004-05		2005-06 [∨]	
	Capital	Loans	Capital	Loans
Gujarat Electricity Board [^]	--	9,622.57	--	--
Gujarat State Road Transport Corporation	608.65	671.94	608.65	733.85
Gujarat State Financial Corporation	89.12	1,137.81	89.12	858.46
Gujarat State Warehousing Corporation	4.00	--	4.00	--
Gujarat Industrial Development Corporation	--	4.89	--	2.54
Total	701.77	11,437.21	701.77	1,594.85

The summarised position of Government investment in working Statutory corporations in the form of equity and loans is detailed in **Annexure-1**.

Due to unbundling and conversion of Gujarat Electricity Board (which had only debt but no equity) into Government companies, the debt-equity ratio as a whole decreased from 15.61:1 in 2004-05 to 2.27:1 in 2005-06.

Budgetary outgo, grants/ subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details regarding budgetary outgo, grants/ subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of working Government companies and working Statutory corporations are given in **Annexures-1** and **3**.

The budgetary outgo[#] in the form of equity capital, loans and grants/ subsidies from the State Government to working Government companies and working Statutory corporations during 2003-06 is given below:

(Amount: Rupees in crore)

Particulars	2003-04				2004-05				2005-06			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	12	1,813.38	1	20.11	9	1,408.93	1	17.69	8	1,478.15	--	--
Loans given from budget	4	0.66	2	2,074.18	4	1,116.38	3	682.61	3	77.75	2	293.87
Grant/ subsidy towards												
(1) Projects/ programmes/schemes	11	219.64	1	34.92	14	331.48	1	17.74	18	1,321.33	1	57.86
(2) Other subsidy	4	102.65	2	1,236.28	6	39.03	3	1,758.18	9	697.16	1	356.00
Total grants/subsidy	15*	322.29	3*	1,271.20	17*	370.51	4*	1,775.92	21*	2,018.49	2*	413.86
Total outgo	23[^]	2,136.33	4[#]	3,365.49	20*	2,895.82	4*	2,476.22	26*	3,574.39	3[#]	707.73

[∨] Figures for 2005-06 in respect of corporation at Sl. No. B-1 of **Annexure-1** is provisional and as furnished by respective corporation.

[^] Gujarat Electricity Board was unbundled from 1 April 2005.

[#] Reconciliation of figures with Finance Accounts is pending.

^{*} Actual number of companies/ corporations, which received budgetary support in the form of equity, loans, grants, and subsidies from Government in respective years.

During the year 2005-06, the Government had guaranteed loans aggregating Rs.750 crore obtained by one working Government company. At the end of the year guarantees amounting to Rs.11,662.45 crore obtained by 10 working Government companies (Rs.11,107.14 crore) and three working Statutory corporations (Rs.555.31 crore) were outstanding as against outstanding guarantees of Rs.12,997.68 crore obtained by 11 working Government companies (Rs.6,187.08 crore) and four working Statutory corporations (Rs.6,810.60 crore) as on 31 March 2005. The State Government converted loan of Rs.1,628.76 crore into equity in respect of one Company (Sl.No.A-23 of **Annexure-3**). The guarantee commission paid/ payable to Government by eight Government companies and two Statutory corporations during 2005-06 was Rs.215.55 crore and Rs.34.63 crore, respectively.

Finalisation of accounts by working PSUs

1.6 Out of 39 working Government companies and four Statutory corporations, only nine companies and three Statutory corporations had finalised their accounts for the year 2005-06 up to 30 September 2006. During the period from October 2005 to September 2006, 19 working Government companies finalised 19 accounts for previous years. Similarly, one working Statutory corporation (Sl.No.B-1 of **Annexure-2**) finalised its accounts for previous year (2004-05) during this period. In addition, erstwhile Gujarat Electricity Board, which has been unbundled from 1 April 2005 finalised its accounts for the year 2004-05.

The accounts of 30 working Government companies and one working Statutory corporation were in arrears for periods ranging from one to two years as on 30 September 2006 as detailed below:

Sl. No.	Number of working PSUs whose accounts were in arrears		Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Sl. No. of Annexure-2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1	4	--	2004-05 to 2005-06	2	A-4, 6, 9, 16	--
2	26	1	2005-06	1	A-1, 2, 3, 5, 7, 8, 10, 11, 12, 14, 17, 19, 20, 21, 24, 25, 27, 28, 29, 30, 31, 32, 36, 37, 38 and 39	B-1
	30	1				

The administrative departments need to oversee and ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures had been taken. As a result of which the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

1.7 The summarised financial results of the working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2**. Besides, statement showing the financial position and working results of individual working Statutory corporations for the latest three years for which accounts have been finalised are given in **Annexures-4** and **5**, respectively.

According to the latest finalised accounts of 39 working Government companies and four working Statutory corporations, seven companies and two corporations had incurred an aggregate loss of Rs.14.38 crore and Rs.136.57 crore respectively. Twenty-three companies and two corporations had earned an aggregate profit of Rs.637.66 crore and Rs.45.97 crore, respectively. One* company had capitalised excess of expenditure over income; one# company had transferred excess of expenditure to non plan grant, one^v company is under construction, five\$ companies had not commenced commercial activities and one^v company had not finalised accounts since it became a Government company.

Working Government companies

Profit earning working Government companies and dividend

1.8 Out of the nine working companies which finalised their accounts for 2005-06 up to 30 September 2006, eight companies, earned profit aggregating Rs.67.98 crore. Of these, only two companies (Sl. No. A-34 and 35 of **Annexure-2**) declared dividend of Rs.8.48 crore of which the State Government's share was Rs.7.88 crore. The remaining six profit earning companies did not declare any dividend. The total return by way of the above dividend of Rs.7.88 crore, worked out to 0.05 *per cent* on the total equity investment of Rs.15,414.19 crore in 2005-06 by the State Government in working Government companies as against 0.29 *per cent* in the previous year. The State Government in 2005-06 had not formulated any dividend policy for payment of minimum dividend.

Fifteen profit earning working companies, which finalised their accounts for previous years during October 2005 to 30 September 2006, earned profit aggregating Rs.569.68 crore. Out of the above 23 profit earning companies, 22 companies were earning profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the seven loss incurring working Government companies, four^ companies had accumulated loss aggregating Rs.162.54 crore which was more than four times of their aggregate paid-up capital of Rs.35.70 crore.

* Sl.No.A-9 of **Annexure-2**.

Sl.No.A-14 of **Annexure-2**.

^v Sl.No.A-22 of **Annexure-2**.

\$ Sl. No. A-25, 27, 28, 29 and 30 of **Annexure- 2**.

^v Sl.No.A-36 of **Annexure-2**.

^ Sl No.A-4, 6, 11 and 20 of **Annexure-2**.

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, loans, conversion of loans into equity and subsidy, *etc.* According to the available information, the total financial support so provided by the State Government was Rs.116.39 crore by way of equity (Rs.0.35 lakh) and subsidy (Rs.116.38 crore) during 2005-06 to these four companies.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Of the three Statutory corporations which finalised their accounts for 2005-06, two Corporations (Sl. No. B-3 and 4 of ***Annexure-2***) had earned profit aggregating Rs.45.97 crore. Out of these two corporations, only one corporation (Sl.No. B-5 of ***Annexure-2***) declared dividend of Rs.0.40 crore of which the State Government's share was Rs.0.20 crore. The total return by way of the above dividend of Rs.0.20 crore worked out to 0.04 *per cent* on the total equity investment of Rs.553.46 crore as against nil return in the previous year. The State Government had not formulated any dividend policy for payment of minimum dividend.

Loss incurring Statutory corporations

1.11 Of the two loss incurring Statutory corporations, one Statutory corporation (Sl.No.B-2 of ***Annexure-2***) finalised the accounts for 2005-06. The two statutory corporations (Sl.No.B-1 and 2 of ***Annexure-2***) had accumulated losses aggregating Rs.2,126.63 crore which were more than two times of their aggregate paid-up capital of Rs.715.63 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these corporations in the form of equity, loans, conversion of loans into equity and grant, *etc.* According to the available information, the total financial support provided during 2005-06 by the State Government was Rs.540 crore in the form of loans (Rs.184 crore) and grant (Rs.356 crore) to a corporation (Sl.No. B-1 of ***Annexures-1*** and ***3***).

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in ***Annexure-6***.

Return on capital employed

1.13 As per the latest finalised accounts (up to 30 September 2006), the capital employed^s worked out to Rs.25,927.05 crore in 39 working

^s 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 borrowings (including refinance).

Government companies and total return[#] thereon amounted to Rs.902.33 crore (3.48 per cent) as compared to total return of Rs.746.91 crore (3.11 per cent) on capital employed of Rs.23,992.10 crore in the previous year (accounts finalised up to 30 September 2005). Similarly, the capital employed in working Statutory corporations as per the latest finalised accounts (up to 30 September 2006) worked out to Rs.2,950.80 crore and the total return on capital employed was Rs.57.39 crore (1.94 per cent), respectively as against the capital employed of Rs.6,281.63 crore and the total negative return of Rs.619.60 crore thereon in the previous year (accounts finalised up to 30 September 2005). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in *Annexure-2*.

Power sector reforms

Status of implementation of Memorandum of Understanding between the State Government and the Central Government

1.14 A Memorandum of Understanding (MOU) was signed on 19 January 2001 between the Government of India and the Government of Gujarat as a joint commitment for implementation of reforms programme in power sector with identified milestones. Status of implementation of reform programme against the commitment made in the MOU is given in *Annexure-7*.

Unbundling of Gujarat Electricity Board

1.15 Pursuant to the Gujarat Electricity Industry (Re-organisation and Regulation) Act, 2003, the erstwhile Gujarat Electricity Board (GEB) was unbundled in a phased manner by 31 March 2005. The generation, transmission and distribution activities of the erstwhile GEB were transferred (1 April 2005) to one generation company[^], one transmission company[•] and four distribution companies[∨] working under the strategic control of one holding working Government company (Sl. No. A-31 of *Annexure-2*) which has also taken over (1 April 2005) the residual activities of the erstwhile GEB.

Gujarat Electricity Regulatory Commission

1.16 The Gujarat Electricity Regulatory Commission (Commission) was formed on 12 November 1998 under Section 17 of the Electricity Regulatory Commissions Act, 1998[§] with the main objective of determining electricity tariff, advising the State Government in matters relating to electricity generation, transmission and distribution *etc.* in the State. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. The audit of the accounts of the

[#] 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.

[^] Sl. No. A-24 of *Annexure-2*.

[•] Sl. No. A-25 of *Annexure-2*.

[∨] Sl. No. A-27, 28, 29 and 30 of *Annexure-2*.

[§] Since replaced by the Electricity Act, 2003.

Commission is conducted by the CAG under Section 104(2) of the Electricity Act, 2003. The Commission had finalised its accounts up to 2005-06.

Non working PSUs

Investment in non working PSUs

1.17 As on 31 March 2006, the total investment in 13 non working Government companies (there was no non working Statutory corporation) was Rs.840.61 crore (equity: Rs.54.06 crore, long-term loans: Rs.744.01 crore and share application money: Rs.42.54 crore), as against total investment of Rs.805.44 crore (equity: Rs.38.06 crore, long-term loans: Rs.724.84 crore and share application money: Rs.42.54 crore) in 10 non working Government companies as on 31 March 2005.

The classification of the non working PSUs is as under:

Sl. No.	Status of non working PSUs	Number of companies	Investment (Rupees in crore)	
			Equity	Long-term loans
1.	Under liquidation	5	58.92*	598.17
2.	Under closure	5	21.68	145.84
3.	Others [#]	3	16.00	--
	Total	13	96.60	744.01

Of the above non working PSUs, four[^] Government companies are under liquidation under Section 560 of the Companies Act, 1956 for nine years and in respect of one company (Sl. No. C-4 of **Annexure-1**) the Gujarat High Court had passed order for liquidation on 7 April 2003. Substantial investment of Rs.657.09 crore is involved in these five companies. Further, one company (Sl. No. C-2 of **Annexure-1**) was declared (14 January 2003) a sick unit along with the approval of revival package by the Board for Industrial and Financial Reconstruction (BIFR). Effective steps need to be taken for their expeditious liquidation or revival.

Budgetary outgo, grant/ subsidies, guarantees, waiver of dues and conversion of loans into equity

1.18 The details regarding budgetary outgo, grants/ subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of non working PSUs are given in **Annexures-1** and **3**.

The State Government had provided budgetary support of Rs.7.72 crore in the form of loan to two non working Government companies (Sl.No. C-2 and 10 of **Annexure-1**) during 2005-06. At the end of the year, guarantees

* Equity includes share application money of Rs.42.54 crore for companies under liquidation.

[#] Two Government companies (Sl. No. C-11 and 12 of **Annexure-1**) had applied for striking-off their name under Simplified Exit Scheme-2005 and the Board of Directors of one Government company (Sl. No. C-13 of **Annexure-1**) had decided for winding up the company after clearing the arrears of Accounts. Hence, no figures have been shown against them.

[^] Sl. No.C-6, 7, 8 and 9 of **Annexure-1**.

aggregating Rs.42.70 crore obtained by two non working companies (Sl. No. C-1 and 2 of **Annexure-3**) were outstanding as against guarantees of Rs.40 crore obtained by one non working company as on 31 March 2005.

Total establishment expenditure of non working PSUs

1.19 The year wise details of total establishment expenditure of non working Government companies and sources of financing them during the last three years up to 2005-06 are given below:

(Amount: Rupees in crore)

Year	Number of Government companies	Total establishment expenditure	Financed by		
			Disposal of investment/ assets	Government Loans	Others
2003-04	10	3.31 [#]	--	3.31	--
2004-05	10	1.31 [∨]	0.57	--	0.74
2005-06	13	1.64 [^]	0.38	0.90	0.36
Total		6.26	0.95	4.21	1.10

An amount of Rs.6.26 crore has been spent towards establishment expenditure of the above mentioned non working Government companies during 2003-2006. Expeditious action is necessary for winding up of these companies to avoid further non productive expenditure in this regard.

Finalisation of accounts by non working PSUs

1.20 Out of 13 non working Government companies, two companies had finalised their accounts for 2005-06 and the accounts of four companies were in arrears for periods ranging from one to seven years. Five^{*} companies were under liquidation as can be seen from **Annexure-2**. Two[§] companies had applied (July 2005) to the Registrar of Companies (ROC) for striking off their names under Simplified Exit Scheme-2005.

Financial position and working results of non-working PSUs

1.21 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure-2**. The net worth of 11^{*} non working Government companies against their paid-up

[#] This relates to six non working Government companies (Sl. No.C-2, 6, 7, 8, 9 and 10 of **Annexure-2**) remaining four companies (Sl. No. C-1, 3, 4 and 5 of **Annexure-2**) did not furnish the information.

[∨] This relates to eight non working Government companies (Sl. No.C-1, 2, 3, 6, 7, 8, 9 and 10 of **Annexure-2**) remaining two companies (Sl. No. C-4 and 5 of **Annexure-2**) did not furnish the information.

[^] This relates to four non working Government companies (Sl. No. C-1, 2, 3 and 10 of **Annexure-2**), five non working Government companies (Sl. No. C-4, 6, 7, 8 and 9 of **Annexure-2**) were under liquidation, two non working Government companies (Sl. No. C-11 and 12 of **Annexure-2**) had applied for striking off their name under Simplified Exit Scheme-2005 and information was not furnished by two companies (Sl. No. C-5 and 13 of **Annexure-2**).

^{*} Sl. No. C-4, 6, 7, 8 and 9 of **Annexure-2**.

[§] Sl. No. C-11 and 12 of **Annexure-2**.

^{*} Two companies at Sl. No. C-11 and 12 of **Annexure-2** had applied to the Registrar of Companies for striking off their name under Simplified Exit Scheme-2005.

capital of Rs.96.60 crore was Rs.(-)1,194.09 crore. These companies had suffered cash loss of Rs.367.48 crore and their accumulated loss worked out to Rs.1,255.13 crore.

Status of placement of Separate Audit Reports of Statutory corporations in the Legislative Assembly

1.22 The following table gives the status of placement in the Legislature of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations:

Sl. No.	Name of the Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1.	Gujarat State Road Transport Corporation	2003-04	2004-05	SAR under process.
2.	Gujarat State Financial Corporation	2003-04	2004-05 2005-06	19 September 2006 Audit in progress.
3.	Gujarat State Warehousing Corporation	2004-05	2005-06	Audit in progress.
4.	Gujarat Industrial Development Corporation	2003-04	2004-05 2005-06	SAR under process. Audit in progress.

Disinvestment, Privatisation and Restructuring* of Public Sector Undertakings

1.23 During the year 2005-06, the State Government had neither disinvested nor privatised any of its PSUs. In October 1992, the Government of Gujarat had constituted State Finance Commission to examine the potential for privatisation and disinvestment of PSUs of the State Government. The recommendations of the Commission including setting up of a High Level Committee for formulating broad guidelines and constitution of a Cabinet Sub-Committee (constituted in March 1996) were reported *vide* paragraph 1.2.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 (Commercial)-Government of Gujarat. The action taken as a follow-up to the decisions of the Cabinet Sub-Committee up to March 2006 was as under:

Disinvestment

1.24 The Cabinet Sub-Committee decided to reduce the stake of the Government in Gujarat Industrial Investment Corporation Limited to 49 *per cent* of equity shares. As a follow-up, 11 *per cent* equity shares were to be transferred to Gujarat Narmada Valley Fertilizers Company Limited and Gujarat State Fertilizers and Chemicals Limited. The term lending activity of the Company had been reduced. VRS had been offered to staff and the Company was refocusing on implementing infrastructure projects.

* Restructuring includes merger and closure of PSUs.

1.25 In case of Gujarat Mineral Development Corporation Limited, the Cabinet Sub-Committee decided to disinvest 49 *per cent* equity shares and twenty-six *per cent* of the equity shares had already been disinvested.

Results of audit on the accounts of PSUs by the Comptroller and Auditor General of India

1.26 During the period from October 2005 to September 2006, 23 accounts of 23 Government companies (22 working and one non working) and five Statutory corporations (all working) were selected for review. The net impact of the major audit observations made was as follows:

Sl. No.	Details	Number of accounts		Amount (Rupees in crore)	
		Working Government companies	Working Statutory corporations	Working Government companies	Working Statutory corporations
1.	Increase in profit	2	1	0.55	0.08
	Decrease in profit	1	1	0.45	15.53
2.	Increase in loss	--	4	--	649.15
	Decrease in loss	1	--	0.28	--
3.	Non disclosure of material facts	7	--	24.67	--
4.	Errors of classification	3	3	31.24	957.98
5.	Non compliance with statutory requirements	2	--	1,075.00	--

Some of the major errors and omissions noticed during October 2005 to September 2006 in the course of review of annual accounts of these PSUs are mentioned below:

Errors and omissions noticed in case of Government companies

Gujarat Agro Industries Corporation Limited (2004-05)

1.27 The Company had provided Rs.1.92 crore towards liability on account of gratuity and leave encashment against the liability of Rs.2.37 crore assessed on actuarial valuation. This had resulted in understatement of expenditure on salary, wages and bonus *etc.* and overstatement of profit by Rs.44.68 lakh.

Sardar Sarovar Narmada Nigam Limited (2004-05)

1.28 The Company had double accounted the profit of Rs.2.26 crore on sale of machinery and vehicles in one division and had committed errors of Rs.2.32 crore in computation of profit on sale of building, machineries and vehicles in another division. This has resulted in overstatement of profit on sale of assets and understatement of incidental expenditure pending capitalisation by Rs.4.58 crore.

Errors and omissions noticed in the case of Statutory corporations

Gujarat State Financial Corporation (2004-05)

1.29 The Corporation did not provide for differential interest of Rs.8.74 crore for the years 2003-04 and 2004-05 payable to the bond holders who had

not agreed for bonds restructuring. This has resulted in understatement of provision for interest and loss by Rs.8.74 crore.

1.30 The Corporation had not provided for interest of Rs.1.73 crore payable to the shareholders under section 205 A (4) of the Companies Act, 1956, for non maintenance of balance with banks equivalent to unpaid/unclaimed dividend. This had resulted in understatement of provision for other expenses and loss by Rs.1.73 crore.

Gujarat Industrial Development Corporation (2003-04)

1.31 The Corporation had not provided for non-agricultural assessment charges of Rs.14.09 crore payable for the year 2003-04. This had resulted in understatement of Non Agricultural charges and overstatement of excess of income over expenditure by Rs.14.09 crore.

Recoveries at the instance of Audit

1.32 Test check of records of PSUs conducted during April 2005 to March 2006 disclosed short levy of tariff, short realisation of revenue, excess payments, non credit of lapsed deposits, non recovery of water charges, non levy of liquidated damages, non levy of penalty, avoidable expenditure and other observations, *etc*, aggregating Rs.8.38 crore in 77 cases apart from 10 cases where money value of recovery was not determined at the time of audit. The PSUs accepted the observations in all the 87 cases pointed out by Audit and a sum of Rs.7.80 crore relating to the above mentioned 87 cases had been recovered.

Internal audit/ internal control

1.33 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on the various aspects including the internal control/ internal audit system in the companies audited in accordance with the directions issued to them by the Comptroller and Auditor General of India under section 619(3)(a) of the Companies Act, 1956 and to identify the areas, which need improvement. An illustrative resume of major recommendations made/ comments made on possible improvement in the internal audit/ internal control system in respect of State Government companies is given below:

Nature of comments/ recommendations made by the Statutory Auditors	Number of companies where observations were made	Reference to Sl. No. of the companies as per Annexure-2
The Internal audit system needed to be strengthened having due regard to the size and nature of its business	6	A-3, 4, 8, 15, 20 and 22
The compliance on internal audit report was not adequate	2	A- 12 and 16
Inadequate internal audit system	4	A-6, 11, 18 and 36

Recommendations for closure of PSUs

1.34 Even after completion of five years of their existence, the turnover of seven* working Government companies had remained less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Five^ PSUs (three working companies and two working Statutory corporations) had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth.

In view of poor turnover and continuous losses, the Government should review and either improve the performance of these 12 PSUs (10 Government companies and two Statutory corporations) or consider their closure.

619-B Companies

1.35 There were eight companies falling under Section 619-B of the Companies Act, 1956 of which one (Sl. No.2 of **Annexure-8**) company was non working. **Annexure-8** gives the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest finalised accounts.

* Sl. No.A-2, 10, 11, 12, 13, 15 and 37 of **Annexure-2**.

^ Sl. No. A-4, 6, 20, B-2, 3 of **Annexure-2**.