

Chapter-I

1. Overview of Government Companies and Statutory Corporations

Introduction

1.1 As on 31 March 2007, there were 53 Government Companies (41 working and 12 non-working Companies*) and four Statutory Corporations as against 52 Government Companies (39 working and 13 non-working Companies*) and four Statutory Corporations (all working) as on 31 March 2006 under the control of the State Government. During the year two new Companies[⊘] came within the audit purview of the Comptroller and Auditor General of India (CAG) and the name of one non-working Company[⊙] was struck off by the Registrar of Companies under simplified exit scheme-2005. 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 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 2011-12.
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.

⊘ GSPC (JPDA) Limited and GSPC Pipavav Power Company Limited.

⊙ Gujarat Scheduled Castes Economic Development Corporation Limited.

The State had formed (July 1999) the Gujarat Electricity Regulatory Commission and its audit is entrusted to the CAG under Section 104(2) of the Electricity Act, 2003.

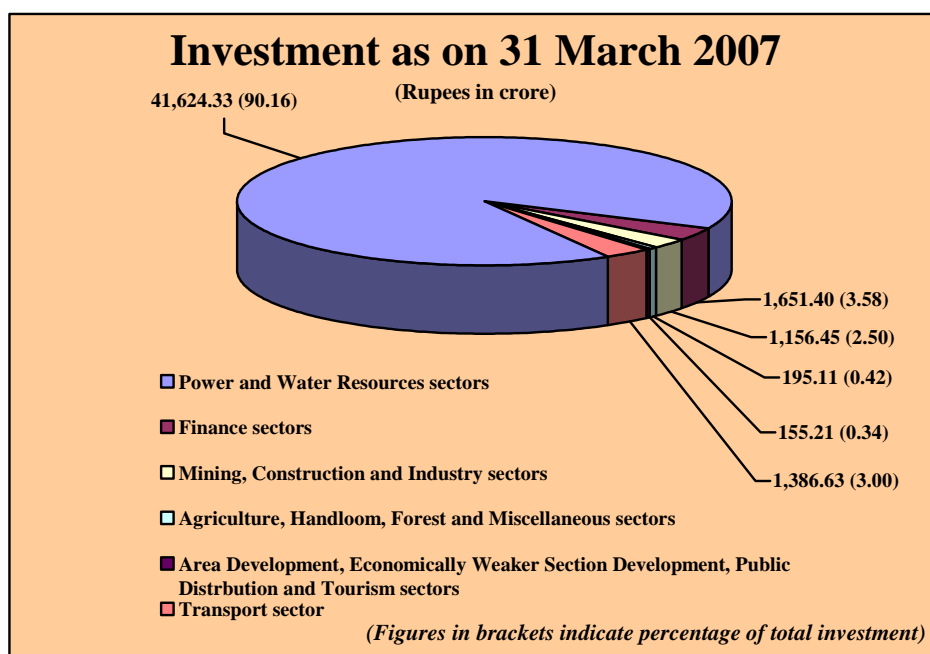
Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2007, the total investment* in 45 working PSUs (41 Government Companies and four Statutory Corporations) was Rs.46,169.13 crore^Y (equity: Rs.17,441.11 crore, share application money: Rs.8,592.70 crore and long-term loans[•]: Rs.20,135.32 crore) as against 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) in 43 working PSUs (39 Government Companies and four Statutory Corporations) as on 31 March 2006. An analysis of the investment in working PSUs is given in the succeeding paragraphs.

Sector wise investment in working Government Companies and Statutory Corporations

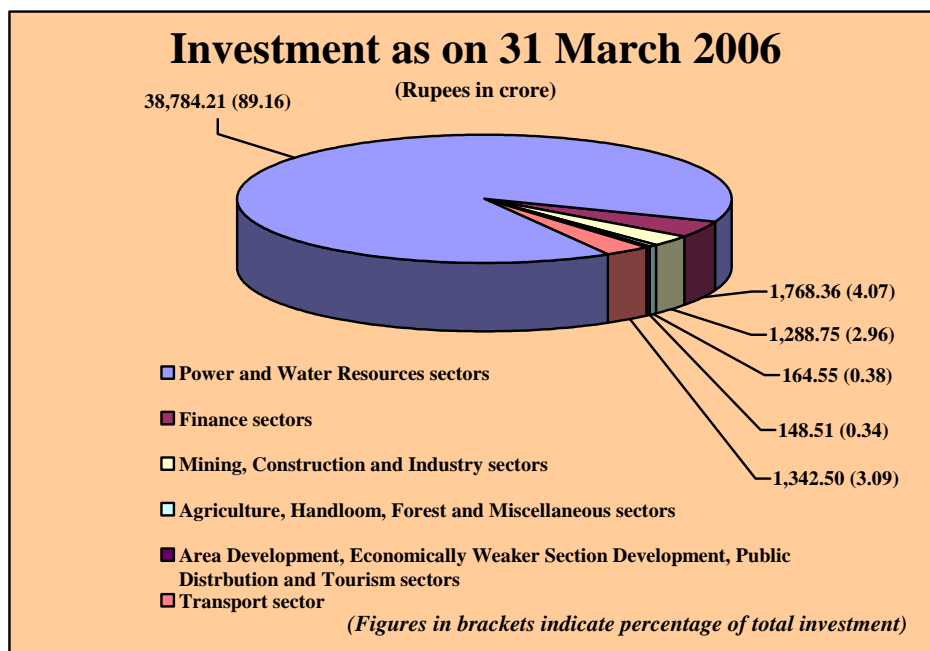
The investment (equity and long-term loans) in various sectors and percentage thereof at the end of March 2007 and March 2006 are indicated below in pie charts:



* Source : Information provided by the PSUs.

^Y State Government investments in the working State PSUs was Rs.21,975.44 crore (other : Rs.24,193.69 crore) and figure as per Finance Accounts 2006-07 is Rs.19,464.65 crore. The difference is under reconciliation.

[•] Long-term loans mentioned in paragraphs 1.2, 1.3, 1.4 and 1.17 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 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government Companies	Equity	Share application money	Long-term loans	Total
2005-06	39	20,815.83	1,183.93	19,200.50	41,200.26
2006-07	41	16,688.65	8,592.70	18,603.01	43,884.36

(Source: Information provided by the Companies)

As on 31 March 2007, the total investment in working Government Companies comprised 57.61 per cent of equity capital and 42.39 per cent of loans as compared to 53.40 and 46.60 per cent respectively as on 31 March 2006.

The increase in the investment in the equity and loans of working Government Companies during 2006-07 was mainly due to infusion of capital by the State Government in power and water resources sector Companies.

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 capital of Government Companies in power and water resources sector, the debt-equity ratio of working Government Companies in this sector decreased from 0.86:1 in 2005-06 to 0.72:1 in 2006-07.

Working Statutory Corporations

1.4 The total investment by way of equity and loans in the working Statutory Corporations at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Name of Corporation	2005-06 ^v		2006-07 ^s	
	Capital	Loans	Capital	Loans
Gujarat State Road Transport Corporation	608.65	733.85	659.34	727.29
Gujarat State Financial Corporation	89.12	858.46	89.12	802.48
Gujarat State Warehousing Corporation	4.00	--	4.00	--
Gujarat Industrial Development Corporation	--	2.54	--	2.54
Total	701.77	1,594.85	752.46	1,532.31

(Source: Information provided by the Corporations)

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

Due to repayment of loans by the Gujarat State Financial Corporation, the debt-equity ratio as a whole decreased from 2.27:1 in 2005-06 to 2.04:1 in 2006-07.

Budgetary outgo, grants/ subsidies, guarantees issued, 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 2004-07 is given below:

(Amount: Rupees in crore)

Particulars	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	9	1,408.93	1	17.69	8	1,478.15	--	--	9	2,664.93	1	33.00
Loans given from budget	4	1,116.38	3	682.61	3	77.75	2	293.87	5	38.96	2	224.17
Grant/ subsidy towards												
(1) Projects/ programmes/schemes	14	331.48	1	17.74	18	1,321.33	1	57.86	20	1,002.03	2	43.42
(2) Other subsidy	6	39.03	3	1,758.18	9	697.16	1	356.00	12	1,564.84	1	356.00
Total grants/subsidy	17*	370.51	4*	1,775.92	21*	2,018.49	2*	413.86	25*	2,566.87	3*	399.42
Total outgo	20*	2,895.82	4*	2,476.22	26*	3,574.39	3*	707.73	28*	5,270.76	3*	656.59

(Source: Information provided by the PSUs)

^v Figures for 2005-06 in respect of Gujarat State Road Transport Corporation are provisional and as furnished by the Corporation.

^s Figures for 2006-07 in respect of Gujarat State Road Transport Corporation, Gujarat State Financial Corporation and Gujarat State Warehousing Corporation are provisional and as furnished by the respective Corporations.

[#] 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 2006-07, the Government had guaranteed loans aggregating Rs.597 crore obtained by Sardar Sarovar Narmada Nigam Limited. At the end of the year, guarantees amounting to Rs.9,646.13 crore obtained by 10 working Government Companies (Rs.9,135.39 crore) and three working Statutory Corporations (Rs.510.74 crore) were outstanding as against outstanding guarantees of 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) as on 31 March 2006. The State Government converted outstanding loans of Rs.623.06 crore against Gujarat Urja Vikas Nigam Limited into its equity capital. The guarantee commission paid/ payable to the State Government by five Government Companies and two Statutory Corporations during 2006-07 was Rs.164.05 crore and Rs.35.59 crore, respectively.

Finalisation of accounts by working PSUs

1.6 The accounts of the Government Companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. These are also to be laid before the Legislature within nine months from the end of relevant financial year. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Statutes.

Out of 41 working Government Companies and four Statutory Corporations, only 18 Companies and one Statutory Corporation had finalised their accounts for the year 2006-07 up to 30 September 2007. During the period from October 2006 to September 2007, 27 working Government Companies finalised 27 accounts for previous years.

The accounts of 23 working Government Companies and three working Statutory Corporations were in arrears for periods ranging from one to three years as on 30 September 2007 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	1	--	2004-05 to 2006-07	3	A-17	--
2	5	1	2005-06 to 2006-07	2	A-4, 7, 10, 15, and 22	B-1
3	17	2	2006-07	1	A-1, 2, 3, 5, 8, 11, 13, 14, 18, 20, 21, 27, 30, 34, 38, 39 and 41	B-2 and 3
	23	3				

(Source: Information compiled from annual accounts of the PSUs)

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 of the arrears in finalisation of accounts by the Audit, 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 41 working Government Companies and four working Statutory Corporations, six Companies and two Corporations had incurred an aggregate loss of Rs.41.29 crore and Rs.136.57 crore respectively. Thirty Companies and two Corporations had earned an aggregate profit of Rs.1,337.79 crore and Rs.83.53 crore, respectively. One* Company had capitalised excess of expenditure over income; one# Company had transferred excess of expenditure to non-plan grant, three[∇] Companies are under construction.

Working Government Companies

Profit earning working Government Companies and dividend

1.8 Out of 18 working Companies which finalised their accounts for 2006-07 up to 30 September 2007, thirteen Companies earned profit aggregating Rs.933.76 crore. Of these, only three Companies[∇] declared dividend of Rs.41.40 crore of which the State Government's share was Rs.34.29 crore. The remaining ten profit earning Companies did not declare any dividend. The total return by way of the above dividend of Rs.34.29 crore worked out to 0.21 *per cent* on the total equity investment of Rs.16,039.36 crore in 2006-07 by the State Government in working Government Companies as against 0.05 *per cent* in the previous year. The State Government had not formulated any dividend policy for payment of minimum dividend by the PSUs.

Seventeen profit earning working Companies, which finalised their accounts for previous years during October 2006 to September 2007, earned profit aggregating Rs.404.02 crore and only four Companies[⊕] declared dividend of

* Gujarat State Police Housing Corporation Limited.

Gujarat Women Economic Development Corporation Limited.

∇ GSPC (JPDA) Limited, Sardar Sarovar Narmada Nigam Limited and GSPC Pipavav Power Company Limited.

∇ Gujarat Mineral Development Corporation Limited, Gujarat State Financial Services Limited and GSFS Capital and Securities Limited.

⊕ Gujarat State Seeds Corporation Limited, Gujarat State Petroleum Corporation Limited, Gujarat Mineral Development Corporation Limited and Gujarat State Civil Supplies Corporation Limited.

Rs.41.58 crore of which State Government's share was Rs.35.55 crore. Out of the above 30 profit earning Companies, 23 Companies were earning profit for the last two or more successive years.

Loss incurring working Government Companies

1.9 Of the six loss incurring working Government Companies, four[^] Companies had accumulated loss aggregating Rs.170.94 crore which was more than four times of their aggregate paid-up capital of Rs.39.47 crore.

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.174.36 crore by way of equity (Rs.0.35 lakh), loan (Rs.3.11 crore) and subsidy (Rs.171.25 crore) during 2006-07 to these four Companies.

Working Statutory Corporations

Profit earning Statutory Corporations and dividend

1.10 Of the four Statutory Corporations, Gujarat Industrial Development Corporation which finalised its accounts for 2006-07 had earned profit of Rs.79.38 crore and did not declare any dividend. As against 0.04 *per cent* return on equity investment of Rs.553.46 crore in the previous year, the return on investment of Rs.604.15 crore was nil. One Statutory Corporation which finalised its accounts for earlier year earned profit of Rs.4.16 crore and declare dividend of Rs.0.40 crore of which the State Government's share was Rs.0.20 crore.

Loss incurring Statutory Corporations

1.11 The two loss incurring Statutory Corporations[∅] had accumulated losses aggregating Rs.2,126.63 crore which were more than three times of their aggregate paid-up capital of Rs.697.77 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 2006-07 by the State Government was Rs.613.24 crore in the form of equity (Rs.33 crore), loans (Rs.224.17 crore) and subsidy (Rs.356.07 crore) to these two Statutory Corporations[∅] (***Annexures-1 and 3***).

[^] Gujarat State Land Development Corporation Limited, Gujarat State Handloom and Handicrafts Development Corporation Limited, Gujarat Minorities Finance and Development Corporation Limited and Tourism Corporation of Gujarat Limited.

[∅] Gujarat State Road Transport Corporation and Gujarat State Financial Corporation.

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 of 41 Government Companies (accounts finalised up to 30 September 2007), the capital employed[§] worked out to Rs.41,599.12 crore and the total return[#] thereon amounted to Rs.2,642.68 crore (6.35 *per cent*) as compared to total return of Rs.902.33 crore (3.48 *per cent*) on capital employed of Rs.25,927.05 crore in the previous year (as per accounts finalised up to 30 September 2006). Similarly, the capital employed in working Statutory Corporations as per the latest finalised accounts (up to 30 September 2007) worked out to Rs.3,318.99 crore and the total return on capital employed was Rs.94.95 crore (2.86 *per cent*), respectively as against the capital employed of Rs.2,950.80 crore and the total return of Rs.57.39 crore thereon in the previous year (as per accounts finalised up to 30 September 2006). 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 Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The MOU *inter alia* included reduction in transmission and distribution (T&D) losses for which no targets were fixed and 100 *per cent* metering of all agriculture consumers by 9 October 2003. Against this, T&D losses and metering of agriculture consumers achieved were 22.20 *per cent* and 31.51 *per cent* respectively (March 2007).

Gujarat Electricity Regulatory Commission

1.15 The Gujarat Electricity Regulatory Commission (GERC) was formed (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 generation, transmission and distribution of electricity, *etc.* in the State. The audit of accounts of GERC is conducted by the CAG under Section 104(2) of the Electricity Act, 2003. The Commission had finalised its accounts up to

[§] 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).

[#] 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.

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

2006-07. During 2006-07, GERC issued 58 orders (12 on annual revenue requirements and 46 on others) against 44 orders issued (44 on annual revenue requirements and nil on others) during 2005-06.

Non-working Government Companies

Investment in non-working Government Companies

1.16 As on 31 March 2007, the total investment in 12 non-working Government Companies was Rs.838.71 crore (equity: Rs.54.06 crore, long-term loans: Rs.742.11 crore and share application money: Rs.42.54 crore), as against the total investment of Rs.840.61 crore (equity: Rs.54.06 crore, long-term loans: Rs.744.01 crore and share application money: Rs.42.54 crore) in 13 non-working Government Companies as on 31 March 2006.

The classification of the non-working Government Companies is as under:

Sl. No.	Status of non-working Government Companies	Number of Companies	Investment (Rupees in crore)	
			Equity	Long-term loans
1.	Under liquidation	5	58.91*	598.17
2.	Under closure	5	21.69	143.94
3.	Others [#]	2	16.00	--
	Total	12	96.60	742.11

(Source: Information provided by the Companies)

Of the above 12 non-working Government Companies, four[^] Government Companies are under liquidation under Section 560 of the Companies Act, 1956 for nine years and in respect of one Company[∇] the Gujarat High Court had passed order for liquidation on 7 April 2003. Substantial investment of Rs.657.08 crore is involved in these five Companies. Further, one Company[⊗] has been declared (14 January 2003) as a sick unit under the Sick Industrial Companies Act, 1985 and package for revival of the Company has been approved by the Board for Industrial and Financial Reconstruction. Further developments were awaited. Effective steps need to be taken for their expeditious liquidation or revival of these Government Companies.

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

1.17 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 Government Companies are given in **Annexures-1** and **3**.

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

[#] The Film Development Corporation of Gujarat Limited had applied for striking-off its name under Simplified Exit Scheme-2005. Hence, no figures are shown against it. The Board of Directors of Gujarat National Highways Limited had decided for winding up the Company after clearing the arrears of Accounts (**Annexure-1**).

[^] Gujarat State Textile Corporation Limited, Gujarat Fintex Limited, Gujarat Siltex Limited and Gujarat Texfab Limited.

[∇] Gujarat Communications and Electronics Limited.

[⊗] Gujarat Dairy Development Corporation Limited.

The State Government had provided budgetary support of Rs.0.40 crore in the form of loan to Gujarat Small Industries Corporation Limited during 2006-07. At the end March 2006 and March 2007, guarantees aggregating Rs.42.70 crore obtained by two non-working Companies[∇] were outstanding. The guarantee commission paid/payable to the State Government by these two non-working Government Companies during 2006-07 was Rs.0.90 crore.

Total establishment expenditure of non-working Government Companies

1.18 The year wise details of establishment expenditure incurred by non-working Government Companies and sources of financing them during the last three years up to 2006-07 are given below:

(Amount: Rupees in crore)

Year	Number of Government Companies	Total establishment expenditure	Financed by		
			Disposal of investment/assets	Government Loans	Others
2004-05	10	1.31 [∇]	0.57	--	0.74
2005-06	13	1.64 [^]	0.38	0.90	0.36
2006-07	12	0.67 [*]	0.49	--	0.18
Total		3.62	1.44	0.90	1.28

(Source: Information provided by the Companies)

An amount of Rs.3.62 crore has been spent towards establishment expenditure by the above mentioned non-working Government Companies during 2004-07. Expeditious action is necessary for winding up of these Companies to avoid further non-productive expenditure in this regard.

[∇] Gujarat Communications and Electronics Limited and Gujarat State Construction Corporation Limited.

[∇] This relates to eight non-working Government Companies viz., Gujarat Fisheries Development Corporation Limited, Gujarat Dairy Development Corporation Limited, Gujarat Small Industries Corporation Limited, Gujarat State Textile Corporation Limited, Gujarat Fintex Limited, Gujarat Siltex Limited, Gujarat Textfab Limited and Gujarat State Construction Corporation Limited; the remaining two Companies viz., Gujarat Communications and Electronics Limited and Gujarat Trans-Receiver Limited did not furnish the information.

[^] This relates to four non-working Government Companies viz., Gujarat Fisheries Development Corporation Limited, Gujarat Dairy Development Corporation Limited, Gujarat Small Industries Corporation Limited and Gujarat State Construction Corporation Limited; five non-working Government Companies viz., Gujarat Communications and Electronics Limited, Gujarat State Textile Corporation Limited, Gujarat Fintex Limited, Gujarat Siltex Limited and Gujarat Textfab Limited were under liquidation; two non-working Government Companies viz., Gujarat Scheduled Castes Economic Development Corporation Limited and The Film Development Corporation of Gujarat Limited had applied for striking off their name under Simplified Exit Scheme-2005 and information was not furnished by two Companies viz., Gujarat Trans-Receiver Limited and Gujarat National Highways Limited.

^{*} This relates to three non-working Government Companies viz., Gujarat Dairy Development Corporation Limited, Gujarat Small Industries Corporation Limited and Gujarat State Construction Corporation Limited; five non-working Government Companies viz., Gujarat Communications and Electronics Limited, Gujarat State Textile Corporation, Gujarat Fintex Limited, Gujarat Siltex Limited and Gujarat Textfab Limited were under liquidation, The Film Development Corporation of Gujarat Limited had applied for striking off its name under Simplified Exit Scheme-2005 and information was not furnished by three Companies viz., Gujarat Fisheries Development Corporation Limited, Gujarat Trans-Receiver Limited and Gujarat National Highways Limited.

Finalisation of accounts by non-working Government Companies

1.19 Out of 12 non-working Government Companies, one Company had finalised the account for 2006-07 and the accounts of five Companies were in arrears for periods ranging from one to eight years. Five^{*} Companies were under liquidation (**Annexure-2**) and one[§] Company had applied (July 2005) to the Registrar of Companies (ROC) for striking off its name under Simplified Exit Scheme-2005.

Financial position and working results of non-working Government Companies

1.20 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 capital of Rs.96.60 crore was Rs.(-)1,299.86 crore. These Companies had suffered cash loss of Rs.336.95 crore and their accumulated loss amounted to Rs.1,245.80 crore.

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

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

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 2005-06	9 March 2007. SAR under process.
2.	Gujarat State Financial Corporation	2003-04	2004-05 2005-06	19 September 2006 SAR under process.
3.	Gujarat State Warehousing Corporation	2004-05	2005-06	18 May 2007.
4.	Gujarat Industrial Development Corporation	2003-04	2004-05 2005-06 2006-07	2 August 2007. SAR under process. Audit in progress.

(Source: Information provided by the Corporations)

* Gujarat Communications and Electronics Limited, Gujarat State Textile Corporation Limited, Gujarat Fintex Limited, Gujarat Siltex Limited and Gujarat Texfab Limited.

§ The Film Development Corporation of Gujarat Limited.

The Film Development Corporation of Gujarat Limited had applied to the Registrar of Companies for striking off its name under Simplified Exit Scheme-2005.

Disinvestment, Privatisation and Restructuring* of Public Sector Undertakings

1.22 During the year 2006-07, 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 the 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 follow-up action taken on the decisions of the Cabinet Sub-Committee up to March 2007 was as under:

Disinvestment

1.23 The Cabinet Sub-Committee decided to reduce the stake of the State Government in Gujarat Industrial Investment Corporation Limited to 49 *per cent* of its 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. However, the shares were not transferred (March 2007).

1.24 In case of Gujarat Mineral Development Corporation Limited, the Cabinet Sub-Committee decided to disinvest 49 *per cent* equity shares and 26 *per cent* of the equity shares had already been disinvested. The balance 23 *per cent* of the equity shares are still to be disinvested.

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

1.25 During October 2006 to September 2007, 48 accounts of 39 Government Companies (36 working and three non-working) and three Statutory Corporations (all working) were selected for audit. As a result of the observations made by CAG, Gujarat Industrial Investment Corporation Limited revised its accounts for the year 2005-06. The net impact of the major audit observations on the profitability of these Companies 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	7	1	49.82	0.12
2.	Decrease in profit	3	1	29.58	51.02
3.	Increase in loss	--	1	--	24.42
4.	Decrease in loss	1	--	0.05	--

Some of the major errors and omissions noticed in the course of audit of annual accounts of these PSUs are as under:

* Restructuring includes merger and closure of PSUs.

Errors and omissions noticed in case of Government Companies

Gujarat State Civil Supplies Corporation Limited (2005-06)

1.26 The Company has accounted Rs.67.11 lakh received against the insurance claim for damaged food grains as miscellaneous income, which was refundable to State Government. This has resulted in overstatement of profit for the year and understatement of liabilities payable to State Government by Rs.67.11 lakh.

Gujarat State Seeds Corporation Limited (2005-06)

1.27 Balance in fixed deposit account was overstated by Rupees four crore with corresponding understatement of balance in current account due to wrong accounting of next year's fixed deposits in the current year accounts.

Gujarat Water Infrastructure Limited (2005-06)

1.28 The interest and commitment charges were overstated by Rs.2.16 crore due to provision for prepayment charges on outstanding loan paid in subsequent year (2006-07). This resulted in understatement of profit and overstatement of loan by Rs.2.16 crore.

Dakshin Gujarat Vij Company Limited (2005-06)

1.29 The Company did not disclose the fact that the fixed assets of Rs.448.99 crore have been valued at Rs.685.24 crore on revaluation by the State Government before demerger as required under Accounting Standard 6 as issued by the Institute of Chartered Accountants of India.

Gujarat State Financial Services Limited (2006-07)

1.30 The unsecured loans were overstated by Rs.104.37 crore (cheques received for inter corporate deposit (ICD): Rs.4.51 crore and interest accrued but not due on ICD: Rs.99.86 crore). The cheques received should have been treated as advance towards ICD and the interest accrued but not due on ICD should have been shown as current liabilities and provisions. This has resulted in overstatement of unsecured loans with corresponding understatement of current liabilities and provisions by Rs.104.37 crore.

Gujarat Agro Industries Corporation Limited (2005-06)

1.31 The Company had provided Rs.2.09 crore towards liability on account of gratuity and leave encashment against the liability of Rs.2.52 crore assessed on actuarial valuation. This had resulted in understatement of expenditure on salary, wages and bonus *etc.* and overstatement of profit by Rs.0.43 crore for the year.

Errors and omissions noticed in the case of Statutory Corporations

Gujarat State Road Transport Corporation (2004-05)

1.32 The Corporation has not accounted the discount receivable from Indian Oil Corporation Limited for supply of diesel to its divisions. This has resulted in understatement of miscellaneous income and overstatement of loss by Rs.4.40 crore.

1.33 The Corporation has accepted the gratuity scheme of Life Insurance Corporation of India (LIC) and accordingly provided details to LIC. The LIC raised a demand of Rs.28.82 crore being the shortfall in gratuity fund of Rs.100 crore to be maintained with LIC for Corporations' gratuity liability. But the Corporation neither paid nor provided or disclosed the amount in the Accounts.

Gujarat Industrial Development Corporation (2004-05)

1.34 The Corporation had not provided the liability towards water charges payable to Irrigation Department for non-agricultural use of water. This had resulted in understatement of water supply expenditure and overstatement of excess of income over expenditure by Rs.46.37 crore.

1.35 The Corporation short provided the liability for leave encashment benefits resulting in understatement of establishment and other charges and overstatement of excess of income over expenditure by Rs.1.85 crore.

Recoveries at the instance of Audit

1.36 Test check of records of PSUs conducted during April 2006 to March 2007 disclosed short levy of tariff, short realisation of revenue, excess payments, non-credit of lapsed deposits, non-recovery of interest, avoidable expenditure, extra expenditure due to abandonment of work and other observations, *etc*, aggregating Rs.33.76 crore in 54 cases apart from seven cases where money value of recovery was not determined at the time of audit. The PSUs accepted the observations in all the 61 cases pointed out by Audit and Rs.32.53 crore relating to the above mentioned cases had been recovered.

Internal audit/ internal control

1.37 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 <i>Annexure-2</i>
Internal audit system needed to be strengthened keeping in view the size and nature of business of PSUs.	6	A-4, 7, 9, 13, 19, and 24.
The compliance on internal audit report was not adequate.	1	A- 23.
Internal audit system was not adequate.	2	A-38 and 40.
Internal control system was not adequate.	4	A-11, 26, 28 and 30.

Recommendations for closure of PSUs

1.38 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 (*Annexure-2*). Five^ PSUs (three working Companies and two working Statutory Corporations) had been incurring losses for five consecutive years as per their latest finalised accounts (*Annexure-2*), 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

1.39 There were seven Companies falling within the purview of Section 619-B of the Companies Act, 1956 of which one Company[∇] was non-working and one Company[⊗] was under liquidation. *Annexure-7* 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.

* Gujarat Sheep and Wool Development Corporation Limited, Gujarat State Road Development Corporation Limited, Gujarat State Rural Development Corporation Limited, Gujarat Growth Centres Development Corporation Limited, Gujarat Urban Development Company Limited, Gujarat Minorities Finance and Development Corporation Limited and GSFS Capital and Securities Limited.

^ Gujarat State Land Development Corporation Limited, Gujarat State Handloom and Handicrafts Development Corporation Limited, Tourism Corporation of Gujarat Limited, Gujarat State Road Transport Corporation and Gujarat State Financial Corporation.

∇ Gujarat State Machine Tools Limited.

⊗ Gujarat Leather Industries Limited.