

Chapter I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out the activities of commercial nature while keeping in view the welfare of people. In Gujarat, the State PSUs occupy an important place in the State economy. The working State PSUs registered a turnover of ₹ 63,008.20 crore for 2010-11 as per their latest finalised accounts as of September 2011. This turnover was equal to 12.24 *per cent* of State Gross Domestic Product (GDP) for 2010-11. Major activities of Gujarat State PSUs are concentrated in the power sector. The working State PSUs earned an overall aggregate profit of ₹ 2,662.94 crore for 2010-11 as per their latest finalised accounts as of September 2011. They had employed 1.09 lakh¹ employees as of 31 March 2011.

1.2 As on 31 March 2011, there were 73 PSUs as per the details given below. Of these, three PSUs² were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs ³	Total
Government companies ⁴	56	13	69
Statutory corporations	4	-	4
Total	60	13	73

1.3 During the year 2010-11, three PSUs viz., Gujarat Livelihood Promotion Company Limited, Metro Link Express for Gandhinagar and Ahmedabad (MEGA) Company Limited and Gujarat State Mining and Resources Corporation Limited⁵ were established. One PSU viz., Gujarat State Fertilizers and Chemicals Limited went out of Audit purview during this year due to reduction in the shareholdings held by Central/State PSUs below 51 *per cent*.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government(s) is treated as if it

¹ As per the details provided by 59 working PSUs.

² Sl. No. A-25, A-46 and B-2 of Annexure-1.

³ Non-working PSUs are those which have ceased to carry on their operations.

⁴ Includes 619-B companies.

⁵ A subsidiary of Gujarat Mineral Development Corporation Limited

were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 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.

Investment in State PSUs

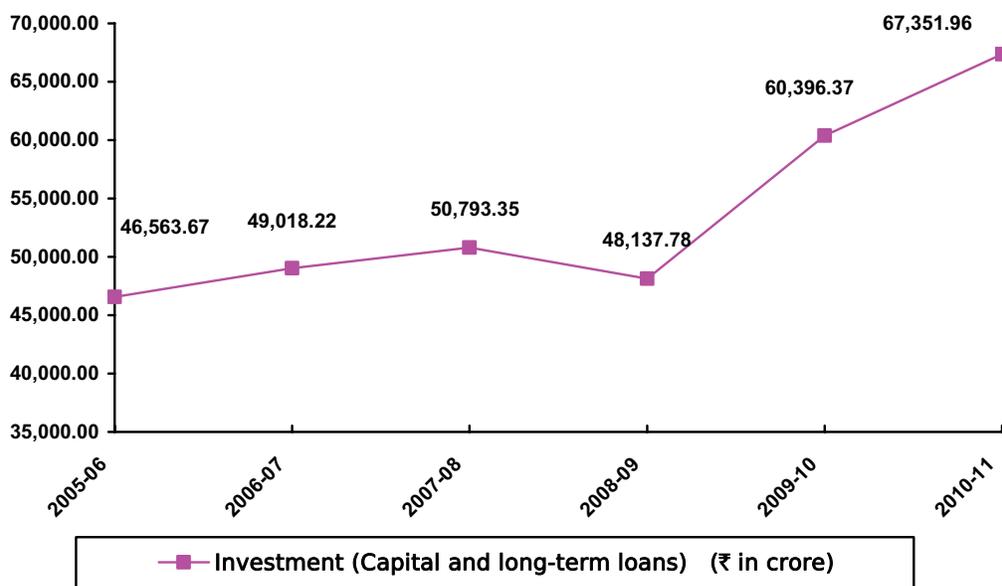
1.7 As on 31 March 2011, the investment (capital and long-term loans) in 73 PSUs (including 619-B companies) was ₹ 67,351.96 crore as per details given below.

(₹ in crore)

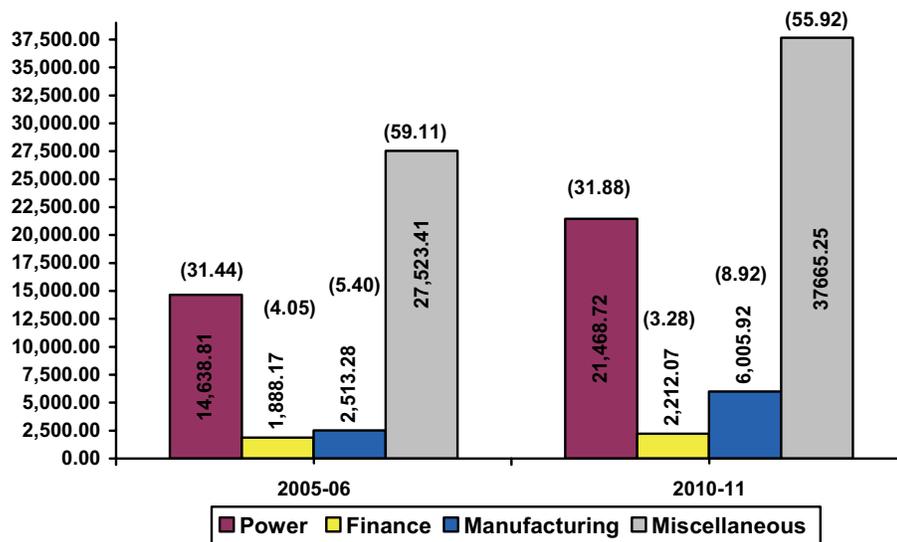
Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	39,578.72	24,116.72	63,695.44	812.45	2,033.87	2,846.32	66,541.76
Non-working PSUs	98.64	711.56	810.20	0	0	0	810.20
Total	39,677.36	24,828.28	64,505.64	812.45	2,033.87	2,846.32	67,351.96

A summarised position of government investment in State PSUs is detailed in *Annexure 1*.

1.8 As on 31 March 2011, of the total investment in State PSUs, 98.80 per cent was in working PSUs and the remaining 1.20 per cent in non-working PSUs. This total investment consisted of 60.12 per cent towards capital and 39.88 per cent in long-term loans. The investment has grown by 44.64 per cent from ₹ 46,563.67 crore in 2005-06 to ₹ 67,351.96 crore in 2010-11 as shown in the graph below:



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart.



(Figures in brackets show the sector percentage to total investment)

It can be observed from the above chart that the thrust of PSUs investment during the six years was mainly in Power sector and Miscellaneous sector. Percentage share in power sector increased from 31.44 per cent in 2005-06 to 31.88 per cent in 2010-11 and share in Miscellaneous sector decreased from 59.11 per cent in 2005-06 to 55.92 per cent in 2010-11. The investment in power sector had grown mainly due to increase of ₹ 6,829.91 crore in the equity/loans investments in state PSUs engaged in power generation and

transmission activities. While in case of 'Miscellaneous' sector, the investment was increased by ₹ 10,141.84 crore of which an amount of ₹ 8,357.26 crore was attributable to Sardar Sarovar Narmada Nigam Limited during the said period of six years in the form of equity/loans.

Budgetary outgo, grants/subsidies, guarantees and loans

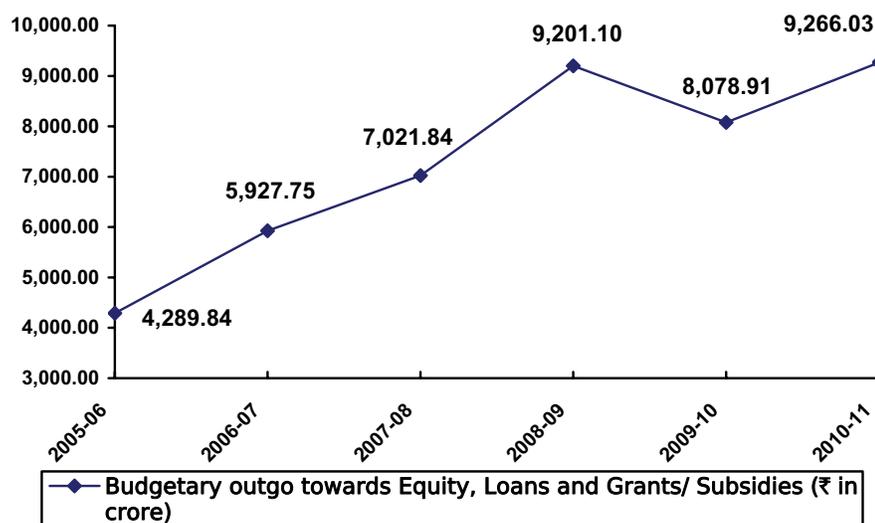
1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in *Annexure 3*. The summarised details are given below for three years ended 2010-11.

(Amount: ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	11	3,378.02	12	2,352.61	11	2,909.95
2.	Loans given from budget	9	867.72	7	288.78	8	1,006.52
3.	Grants/Subsidy received	28	4,955.36	27	5,437.52	29	5,349.56
4.	Total Outgo (1+2+3)		9,201.10		8,078.91		9,266.03
5.	Loans converted into equity	-	-	-	-	-	-
6.	Loans written off	-	-	-	-	1	7.00
7.	Interest/Penal interest written off	1	13.70	-	-	1	2.31
8.	Total Waiver (6+7)		13.70	-	-		9.31
9.	Guarantees issued	1	150.00	1	0.30	0	0.00
10.	Guarantee Commitment	9	6,694.00	17	5,427.81	12	4,960.25

Out of ₹ 2,909.95 crore of equity capital outgo during the year 2010-11, the major portion i.e. ₹ 2,191.54 crore was extended to Sardar Sarovar Narmada Nigam Limited. Likewise, out of ₹ 5,349.56 crore of grants and subsidy given during the year 2010-11, ₹ 3,126.43 crore was given to seven power sector PSUs.

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



It can be observed that after recording an all time low of ₹ 4,289.84 crore (2005-06) during the preceding six years period, the budgetary outgo to State PSUs gradually increased each year and registered the highest outgo of ₹ 9,266.03 crore in 2010-11.

1.12 In order to enable PSUs 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 may vary between 0.5 per cent and 2 per cent as decided by the State Government depending upon the loanees. The guarantee commitment decreased to ₹ 4,960.25 crore during 2010-11 from ₹ 6,694.00 crore during 2008-09 and ₹ 5,427.81 crore during 2009-10. Further, nine⁶ PSUs paid guarantee fee to the tune of ₹ 51.96 crore and the guarantee fee of ₹ 0.20 crore was yet to be paid by two⁷ PSUs, for the year 2010-11 to the State Government.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2011 is stated below.

⁶ Sl.No. A-5, A-33, A-35, A-36, A-37, A-38, A-39, A-40 and A-55 of Annexure-1

⁷ Sl.No. B-2 and B-3 of Annexure-1

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	33,747.90	34,580.62	832.72
Loans	2,803.48	4,138.70	1,335.22
Guarantees	7,512.26	4,960.25	2,552.01

1.14 We observed that the differences occurred in respect of 50 PSUs and some of the differences were pending reconciliation since November 1994. We had brought (November 2011) the matter to the notice of the Finance Department, concerned administrative Department and the respective PSUs. However, no significant progress was seen in reconciling the differences. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in *Annexures 2, 5 and 6* respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2005-06 to 2010-11.

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover ⁸	8,557.28	37,238.90	40,632.57	50,289.48	58,451.76	63,008.20
State GDP	2,19,780	2,54,533	2,80,086	3,61,846	3,81,028	5,14,750 ⁹
Percentage of Turnover to State GDP	3.89	14.63	14.51	13.90	15.34	12.24

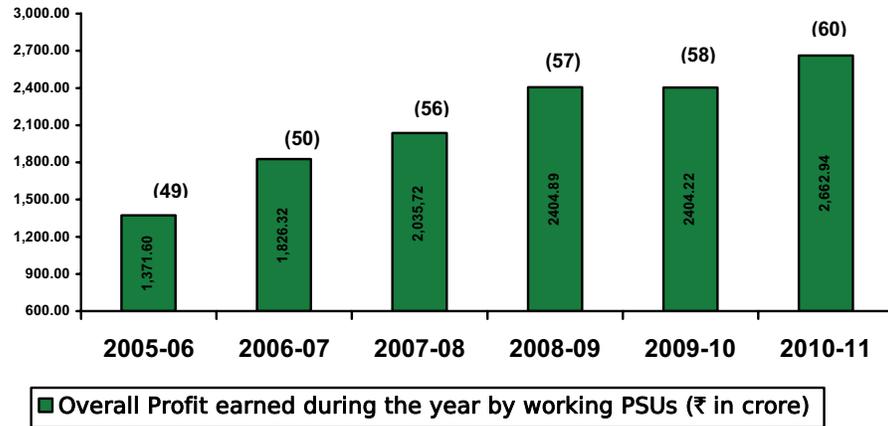
It can be seen from the above that the percentage of turnover to state GDP increased from 3.89 in 2005-06 to 12.24 in 2010-11. Further, the turnover had gradually increased from ₹ 8,557.28 crore in 2005-06 to ₹ 63,008.20 crore in 2010-11. The turnover of State working PSUs during 2005-06 was abnormally low because of non-inclusion of turnover figures of seven power sector companies formed after unbundling of erstwhile Gujarat Electricity Board, which had not finalised their first accounts within the cut-off date (i.e. 30 September 2006).

1.16 Profit¹⁰ earned by State working PSUs during 2005-06 to 2010-11 are given below in a bar chart.

⁸ Turnover of working PSUs as per the latest finalised accounts as of 30 September, 2011.

⁹ As per Statements prepared under the Gujarat Fiscal Responsibility Act, 2005, Budget Publication No.30.

¹⁰ Represents net profit before tax.



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

It can be observed from the above chart that the working of PSUs improved over the period. During the year 2010-11, out of 60 working PSUs, 41 PSUs earned profit of ₹ 3,145.83 crore and eight PSUs incurred loss of ₹ 482.89 crore as per their latest finalised accounts as on 30 September 2011. One¹¹ working PSU had capitalised excess of expenditure over income, two¹² PSUs had not prepared their first accounts, seven¹³ were under construction and one¹⁴ had transferred excess of expenditure to non-plan grant. The major contributors to the profit were Gujarat State Petronet Limited (₹ 765.00 crore), Gujarat Mineral Development Corporation Limited (₹ 584.61 crore) and Gujarat State Petroleum Corporation Limited (₹ 403.62 crore). The heavy losses were incurred by Gujarat State Road Transport Corporation (₹ 159.74 crore), Gujarat State Financial Corporation (₹ 156.91 crore) and Alcock Ashdown (Gujarat) Limited (₹ 131.44 crore).

1.17 Though the PSUs were earning profits, there were instances of deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 4,216.53 crore and infructuous investment of ₹ 300.98 crore, which were controllable with better management. Year wise details from Audit Reports are given below.

Particulars	(₹ in crore)			
	2008-09	2009-10	2010-11	Total
Net Profit	2,404.89	2,404.22	2,662.94	7,472.05
Controllable losses as per CAG's Audit Report	1,058.86	813.11	2,344.56	4,216.53
Infructuous Investment	145.26	152.86	2.86	300.98

1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much

¹¹ Sl.No. A-19 of Annexure-2.

¹² Sl.No. A-24 and A-30 of Annexure 2.

¹³ Sl.No. A-28, A-29, A-31, A-41, A-42, A-50 and A-55 of Annexure-2.

¹⁴ Sl.No. A-8 of Annexure-2.

more. The above table shows that with better management, the controllable losses can be minimised and the profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below.

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (Per cent)	4.4	6.34	5.43	3.95	5.24	5.24
Debt	23,239.60	22,376.93	20,564.74	13,048.33	23,734.37	26,862.15
Turnover ¹⁵	8,557.28	37,238.90	40,632.57	50,289.48	58,451.76	63,008.20
Debt/ Turnover Ratio	2.72:1	0.60:1	0.51:1	0.26:1	0.41:1	0.43:1
Interest Payments	491.42	1,552.64	1,702.33	2,021.74	2,255.99	2,423.60
Accumulated Profits (losses)	(1,860.01)	(1,164.22)	(524.66)	(814.56)	(595.03)	169.34

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

1.20 The turnover figures of PSUs had increased gradually after 2005-06 from ₹ 37,238.90 crore (2006-07) to ₹ 63,008.20 crore in 2010-11. The debt-turnover ratio was abnormally high at 2.72:1 during 2005-06 due to non-inclusion of turnover figures of newly formed Power Sector Companies as these companies did not finalise their first accounts within the cut off date (viz., by 30 September 2006). The debt-turnover ratio had shown gradual improvement up to 2008-09 but deteriorated thereafter and reached from 0.26:1 (2008-09) to 0.43:1 in 2010-11. This was mainly due to increase in borrowings by ₹ 3162.02 crore in manufacture and power sectors during 2010-11. Further, the overall accumulated profit/loss figures of State PSUs have shown gradual improvement over the period of six years and accumulated loss of ₹ 1,860.01 crore for 2005-06 has turned into accumulated profits of ₹ 169.34 crore during 2010-11.

1.21 The State Government had not formulated any dividend policy regarding payment of minimum return by PSUs on paid-up share capital contribution by State Government by way of dividend. As per their latest finalised accounts as on 30 September 2011, 41 PSUs earned an aggregate profit of ₹ 3,145.83 crore and only eight PSUs¹⁶ declared dividend of ₹ 224.05 crore of which the State Government's share was Rs.114.30 crore.

Arrears in finalisation of accounts

1.22 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year

¹⁵ Turnover of working PSUs as per the latest finalised accounts as of 30 September.

¹⁶ A-9, A-10, A-25, A-26, A-34, A-46, A-48 and B-1 of Annexure 2.

under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. 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 PSUs in finalisation of accounts by September 2011.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of Working PSUs	50	56	57	58	60
2.	Number of accounts finalised during the year	48	45	58	73	58
3.	Number of accounts in arrears	41	52	51	36	38
4.	Average arrears <i>per</i> PSU (3/1)	0.82	0.93	0.89	0.62	0.63
5.	Number of Working PSUs with arrears in accounts	25	38	34	25	27
6.	Extent of arrears	1 to 3 years	1 to 5 years	1 to 6 years	1 to 4 years	1 to 4 years

1.23 It can be observed that the number of accounts in arrears has decreased from 52 (2007-08) to 38 (2010-11) with corresponding decrease in average arrears per PSU from 0.93 (2007-08) to 0.63 (2010-11), which is indicative of the efforts made by State PSUs in clearing the backlog of accounts. The increase in the number of PSUs from 50 (2006-07) to 60 (2010-11) also contributed towards decrease in the average arrear per PSU. The accumulation of arrears, however, was mainly due to inadequacy of accounts personnel in the PSUs.

1.24 In addition to above, there were also arrears in finalisation of accounts by non-working PSUs. Out of 13 non-working PSUs, seven¹⁷ had gone into liquidation process. Of the remaining six non-working PSUs, three PSUs¹⁸ had arrears of accounts for one to 12 years.

1.25 The State Government had invested ₹ 7,172.93 crore (20 PSUs) (Equity: ₹ 2,295.29 crore (six PSUs), loans: ₹ 724.80 crore (six PSUs) and grants: ₹ 4,152.84 crore (17 PSUs) in PSUs during the years for which accounts have not been finalised as detailed in *Annexure 4*. Delay in finalisation of accounts of the said PSUs may result in risk of fraud and leakage of public money extended to these PSUs by way of equity, loans and grants apart from violation of the provisions of the Companies Act, 1956.

1.26 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 PSUs within the prescribed period. Though we had informed the concerned administrative departments and officials of the Government of the arrears in finalisation of accounts on quarterly basis, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. We had also taken up (19 July 2010, 22 November 2010,

¹⁷ Serial no. C-3, C-4, C-7, C-9, C-11, C-12 and C-13 of Annexure 2.

¹⁸ Serial no. C-1, C-5 and C-6 of Annexure 2

24 January 2011 and 18 April 2011) the matter of arrears in accounts with the Chief Secretary/ Finance Secretary to expedite the backlog of arrears in accounts in a time bound manner.

1.27 In view of above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lack necessary expertise.**

Winding up of non-working PSUs

1.28 There were 13 non-working companies as on 31 March 2011. Of these, seven PSUs have commenced liquidation process. The numbers of non-working companies at the end of each year during the past five years are given below.

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
No. of non-working companies	14	14	13	13	13

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2010-11, two non-working PSUs¹⁹ incurred an expenditure of ₹ 0.07 crore towards establishment expenditure. This expenditure was financed by the Holding Company (₹ 0.01 crore) and through sale of assets (₹ 0.06 crore).

1.29 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	No. of Companies
1.	Total No. of non-working PSUs	13
2.	Of (1) above, the No. under	
(a)	liquidation by Court (liquidator appointed) ²⁰	6
(b)	Voluntary winding up (liquidator appointed) ²¹	1
(c)	Winding up after clearance of arrear in accounts ²² .	1
(d)	Closure, i.e. closing orders/ instructions not issued.	5

1.30 The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may

¹⁹ C-8 and C-10 of Annexure 2.

²⁰ C-4, C-7, C-9, C-11, C-12 and C-13 of Annexure 2

²¹ C-3 of Annexure 2

²² C-6 of Annexure 2, the name of the Company was struck off from the register of Registrar of the Companies on 14 August 2011 under section 560 (5) of the Companies Act, 1956 under Easy Exit Scheme 2011.

consider setting up a cell to expedite closing down its non-working companies. The Government may make a decision regarding winding up of five non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working.

Accounts Comments and Internal Audit

1.31 Forty-seven working companies forwarded 54 accounts to PAG during the year 2010-11 which were selected for supplementary audit. The audit reports of Statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory auditors and CAG are given below.

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	6	72.85	11	107.32	9	20.41
2.	Increase in loss	-	-	1	0.02	1	0.35
3.	Non-disclosure of material facts	12	457.52	4	7.98	6	71.99
4.	Errors of classification	16	4,567.03	17	5,179.16	7	4,913.43

1.32 It can be observed from the above that money value objections for decrease in profit and non disclosure of material facts decreased from ₹ 72.85 crore in 2008-09 to ₹ 20.41 crore in 2010- 11 and ₹ 457.52 crore in 2008-09 to ₹ 71.99 crore in 2010-11 respectively. However, errors of classification increased from ₹ 4,567.03 crore in 2008-09 to ₹ 4,913.43 crore in 2010-11.

1.33 During the year, the statutory auditors had given unqualified certificates for 39 accounts and qualified certificates for 15 accounts. Additionally, CAG offered adverse comments on 12 accounts. The compliance of companies with the Accounting Standards (AS) remained poor as there were 24 instances of non-compliance in 10 accounts during the year.

Some of the important comments in respect of accounts of companies are stated below.

1.34 Gujarat State Road Development Corporation Limited (2009-10)

- The Company treats the grant received for various purposes as its liabilities and debits any expenses incurred for the respective purpose to the said grants. Contrary to the disclosed accounting policy, the company wrongly charged an amount of ₹ 10.60 crore, incurred in execution of Railway Over bridge Projects of the State Government to the profit and loss account instead of to respective grants. Further, the above cost of works included an amount of ₹ 5.05 crore to be borne by the Indian Railways, being their share in the costs of the projects executed and not booked as receivables by the company. This had resulted in understatement of profit by ₹ 10.60 crore, understatement

of current assets by ₹ 5.05 crore with overstatement of current liabilities (grants) by ₹ 5.55 crore.

1.35 Gujarat Water Resources Development Corporation Limited (2009-10)

- The Company had accounted net amount of Grant/Subsidy receivable from State Government of ₹ 49.33 crore by adjusting 'Payable to State Government' of ₹ 79.47 crore with Grant/Subsidy receivable from State Government amounting to ₹ 128.80 crore for which final approval is pending from State Government. Thus, inappropriate recognition of Grants in violation of AS-12 by the Company had resulted in overstatement of Grant Receivable by ₹ 49.33 crore, understatement of payable to State Government by ₹ 79.47 crore and understatement of accumulated loss by ₹ 128.80 crore.

1.36 Gujarat Energy Transmission Corporation Limited. (2009-10)

- The fixed asset was overstated by ₹ 7.70 crore due to erroneous capitalisation of interest amount for the period beyond the date of commercial commissioning. This resulted in understatement of Interest and Financial Charges (net after capitalisation) by ₹ 4.16 crore, understatement of 'Net Prior Period expenses' by ₹ 3.54 crore with corresponding overstatement of profit carried forward to Balance Sheet by ₹ 7.70 crore.

1.37 Madhya Gujarat Vij Company Limited. (2009-10)

- The Company overstated employee costs by ₹ 1.90 crore, being provision made during the year towards third installment of Sixth Pay Commission arrears which was already provided for in 2008-09. Consequent to the double booking for expenses, the liability is overstated and profit is understated to that extent.

1.38 Sardar Sarovar Narmada Nigam Limited (2009-10)

- The Company had commissioned five units of Canal Head Power House and six units of Riverbed Powerhouse during August 2004 to June 2006. Instead of capitalising the expenditure of ₹ 4,683.78 crore incurred on power houses, the Company continued to show the said expenditure under works-in-progress. This had resulted in understatement of completed assets and overstatement of capital works-in-progress by ₹ 4,683.78 crore.

1.39 Similarly, four working Statutory corporations forwarded their four accounts for the years 2008-09 to 2010-11 to PAG during the year 2010-11. Of these, two accounts pertained to two Statutory corporations (Sl. No. B-3 and B-4 of Annexure 2) where CAG is sole auditor. Audit of one of these accounts of one corporation (Sl.No.B-3 of Annexure-2) has been completed. Of the remaining two accounts pertaining to other two Statutory corporations, audit was completed for one corporation (Sl. No. B-1 of Annexure 2), while the audit of the accounts of other corporation (Sl. No. B-2 of Annexure 2) was

in progress. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	11.11	2	14.13	2	16.44
2.	Increase in loss	3	21.76	2	257.56	1	55.98
3.	Non-disclosure of material facts	1	15.53	2	232.17	1	123.72
4.	Errors of classification	3	276.23	3	153.80	1	70.98

It can be observed from the average money value per account audited increased from ₹.11.11 crore (2008-09) to ₹ 8.22 crore (2010-11) and from ₹ 7.25 crore (2008-09) to ₹ 55.98 crore (2010-11) for 'Decrease in profit' and 'Increase in loss' categories respectively. The average money value per account under 'non-disclosure of material facts' also showed increasing trend in three years period.

During the year, all the three accounts²³ received qualified certificates.

Some of the important comments in respect of accounts of Statutory corporations are stated below.

1.40 Gujarat State Financial Corporation (2009-10)

- The Corporation had not provided liability of Sales tax on Hire Purchase transaction even after rejection (April 2001) of the Corporation's appeal before Sales Tax Commissioner (Litigation). This led to understatement of loss as well as current liability and provision by ₹ 55.98 crore.

1.41 Gujarat Industrial Development Corporation (2009-10)

- The liability towards payment of price escalation, solatium and interest had been overstated by ₹ 3.55 crore with corresponding over-statement of expenditure for the year to that extent. This resulted in understatement of excess of income over expenditure by the same amount.
- The Capital works-in-progress had been overstated by ₹ 49.24 crore on account of non capitalisation of three works which were completed and the final payments were also made to contractors. This had correspondingly resulted in understatement of Fixed Assets to that extent and depreciation.
- The Corporation up to 2008-09 had shown expenditure on power lines, sub-stations etc. as assets in Balance Sheet and from subsequent year 2009-10 charged the same to Profit and loss account. The expenditure included ₹ 122.32 crore and ₹ 1.40 crore towards creation of power lines and sub-stations for the period up to 2008-09 and during 2009-10

²³ Including one account (2010-11) of Gujarat State Financial Corporation (Sl.No.B-2 of Annexure-2) audit of which is completed by Statutory Auditors but audit by CAG is in progress.

respectively. The change in accounting policy to treat the expenditure as revenue item and its impact has not been disclosed by the Corporation under 'Notes to Accounts'.

1.42 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of 12 companies²⁴ for the year 2009-10 and 12 companies²⁵ for the year 2010-11 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Annexure 2
1.	Non-fixation of minimum/ maximum limits of store and spares	1	A-3
2.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	5	A-3, A-6, A-38, A-43, C-10
3.	Internal control needs to be strengthened	3	A-3, A-15, A-53
4.	Internal Audit required to be strengthened	9	A-3, A-6, A-11, A-13, A-15, A-21, A-25, A-32, A-38

Recoveries at the instance of audit

1.43 During the course of propriety audit in 2010-11, recoveries of ₹ 64.47 crore were pointed out to the Management of various PSUs of which, recoveries of ₹ 0.24 crore were admitted and recovered by PSUs during the year 2010-11.

Status of placement of Separate Audit Reports

1.44 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

²⁴ Sl.No.A-2, A-3, A-6, A-23, A-26, A-27, A-34, A-39, A-44, A-55, A-56 and C-13 of Annexure 2

²⁵ Sl. No. A-3, A-6, A-11, A-13, A-15, A-21, A-25, A-32, A-38, A-43, A-53 and C-10 of Annexure 2.

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	Reasons for delay in placement in Legislature
1.	Gujarat Industrial Development Corporation	2008-09	2009-10	SAR under issue	--
2.	Gujarat State Warehousing Corporation	2008-09	2009-10	25.06.2011	Delay in placement of Report in Board of Directors meeting and printing of report.

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature.

Disinvestment, Privatisation and Restructuring of PSUs

1.45 During the year 2010-11, the State Government had neither disinvested nor privatised any of its PSUs.

Reforms in Power Sector

1.46 The State has the Gujarat Electricity Regulatory Commission (GERC) formed in November 1998 under the Section 17 of the Electricity Regulatory Commission Act 1998 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2010-11, GERC issued 91 orders (two on tariff orders, four on renewal energy, 39 oral orders and 46 on other matters).

1.47 Memorandum of Understanding (MoU) was signed in (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 progress achieved so far in respect of important milestones is stated below:

Sl. No.	Milestone	Achievement ²⁶ as at March 2011
1.	Reduction in T&D losses (No target fixed)	Instead of reduction, T&D losses remained at 20.13 <i>per cent</i> during 2010-11 as was prevailed at the time of signing of MoU during 2001-02.
2.	100 <i>per cent</i> electrification of all villages.	Achieved (March 2002).
3.	100 <i>per cent</i> metering of all distribution feeders.	Achieved (March 2002).
4.	100 <i>per cent</i> metering of agriculture consumers	Only 42.42 <i>per cent</i> metering of agriculture consumers was completed (March 2011).
5.	Securitized outstanding dues of Central Public Sector Undertakings (CPSUs).	The dues of CPSUs were reconciled and bonds of ₹ 1,628.71 crore were issued by State Government against the dues.

²⁶ Status as furnished by Gujarat Urja Vikas Nigam Limited, holding company of four State Power Distribution Companies.