

Chapter I

Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of the Government of Gujarat (GoG) companies and the statutory corporations. The PSUs are established to carry out the activities of commercial nature keeping in view the welfare of people and occupy an important place in the state economy. The working results of 84 State PSUs comprising of 80 State Government companies (including 12 Non-Working companies) and four statutory corporations are discussed here. The turnover of 72 working PSUs was ₹ 98,718.90 crore in 2013-14 as per their latest finalised accounts as of September 2014. This turnover was equal to 12.75 *per cent* of State Gross Domestic Product (GDP) of ₹ 7,73,990 crore for 2013-14. Major activities of the Gujarat State PSUs are concentrated in power sector and miscellaneous sector. The working State PSUs earned an overall aggregate profit of ₹ 2,252.11 crore for 2013-14 as per their latest finalised accounts as of September 2014. They had 1.12 lakh¹ employees as on 31 March 2014.

1.2 The sector wise summary of investments in the State PSUs is given below:

Table 1.1 : Sector-wise summary of investment in the PSUs

Name of Sector	Government/619B companies		Statutory corporations ²	Total	Investment
	Working	Non-Working	Working		(₹ in crore)
Power	11	00	00	11	33,084.87
Manufacturing	08	07	00	15	13,724.56
Finance	12	02	01	15	4,059.93
Miscellaneous ³	03	00	00	03	43,107.50
Service	20	00	01	21	1,0271.54
Infrastructure	10	01	01	12	1,374.08
Agriculture & Allied	04	02	01	07	150.59
Total	68	12	4	84	1,05,773.07

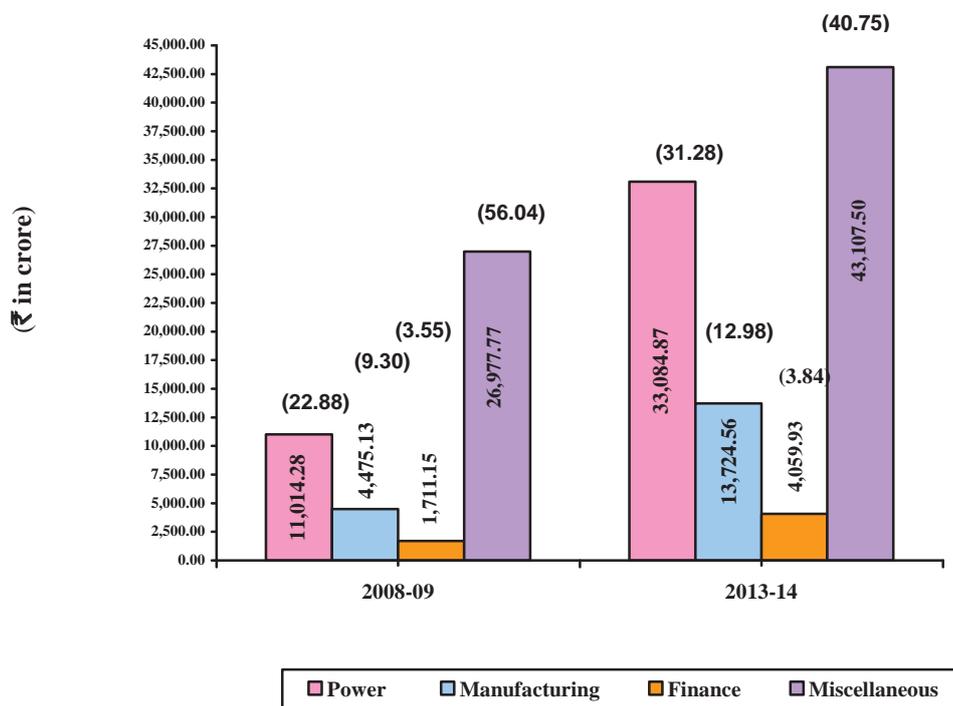
1.3 The investment in four important sectors and percentage thereof at the end of 31 March 2009 and 31 March 2014 are indicated below in the bar chart. The thrust of PSU investment was mainly in power sector which increased from 22.88 *per cent* to 31.28 *per cent* during 2008-09 to 2013-14.

¹ As per the details provided by 72 PSUs.

² All statutory corporations are working..

³ Out of the total investment shown under this sector, ₹ 42,335.81 crore pertains to Sardar Sarovar Narmada Nigam Limited.

Chart 1.1: Sector wise investment in PSUs



(Figures in brackets show the percentage of total investment)

Accountability Framework

1.4 The accounts of Government companies/statutory corporations for every financial year are required to be finalised within six months from the end of the relevant financial year i.e., by 30 September.

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 the 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 were a Government company (deemed Government company) as per Section 619-B of the Companies Act, 1956.

Statutory audit

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the 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 the CAG as per the provisions of the Section 619(4) of the Companies Act, 1956.

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, the Statutory Auditors are appointed by the State Government in consultation with the CAG and the supplementary audit is conducted by the CAG.
- In respect of Gujarat State Financial Corporation, the Statutory Auditors are appointed by the Corporation out of the panel approved by the Reserve Bank of India and supplementary audit is conducted by the CAG.

Role of Government and Legislature

1.6 The State Government exercises control over the affairs of these PSUs as an owner through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of CAG, in respect of State Government companies and Separate Audit Reports in case of statutory corporations are to be placed before the legislature within three months of their finalisation/ as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Gujarat

1.7 As an owner, GoG has huge financial stake in these PSUs. This stake is of mainly three types:

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

Investment in State PSUs

1.8 As on 31 March 2014, the total investment (Capital and Long-term loans⁴) in 84 PSUs (including 619-B companies) was ₹ 1,05,773.07 crore as per details given below:

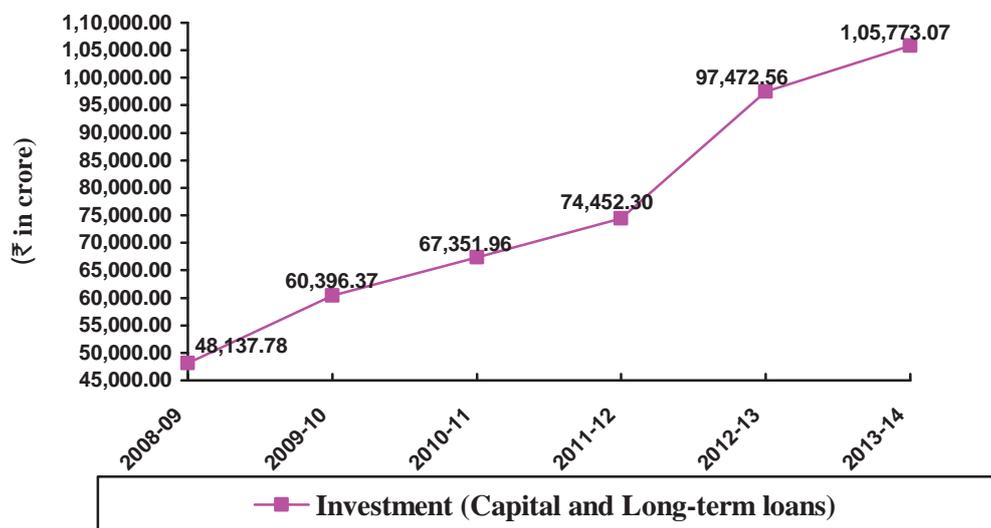
⁴ This represents loans from the Government and financial institutions.

Table 1.2: Investment (Capital and Long term loans) in PSUs (₹ in crore)

Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	58,526.11	41,705.14	100,231.25	1,452.45	3,295.03	4,747.48	1,04,978.73
Non-Working PSUs	82.58	711.76	794.34	-	-	-	794.34
Total	58,608.69	42,416.90	101,025.59	1,452.45	3,295.03	4,747.48	1,05,773.07

As on 31 March 2014, of the total investment in State PSUs, 99.25 per cent was in working PSUs and the remaining 0.75 per cent in non-working PSUs. This total investment consisted of 56.78 per cent towards capital and 43.22 per cent in long-term loans. The investment has grown by 119.73 per cent; from ₹ 48,137.78 crore in 2008-09 to ₹ 1,05,773.07 crore in 2013-14 as shown in the graph below. The total investment in PSUs had increased by ₹ 8,300.51 crore during 2013-14 as compared to 2012-13 which was mainly due to increase in equity and loans to the Power Sector PSUs.

Chart 1.2: Total investment in PSUs



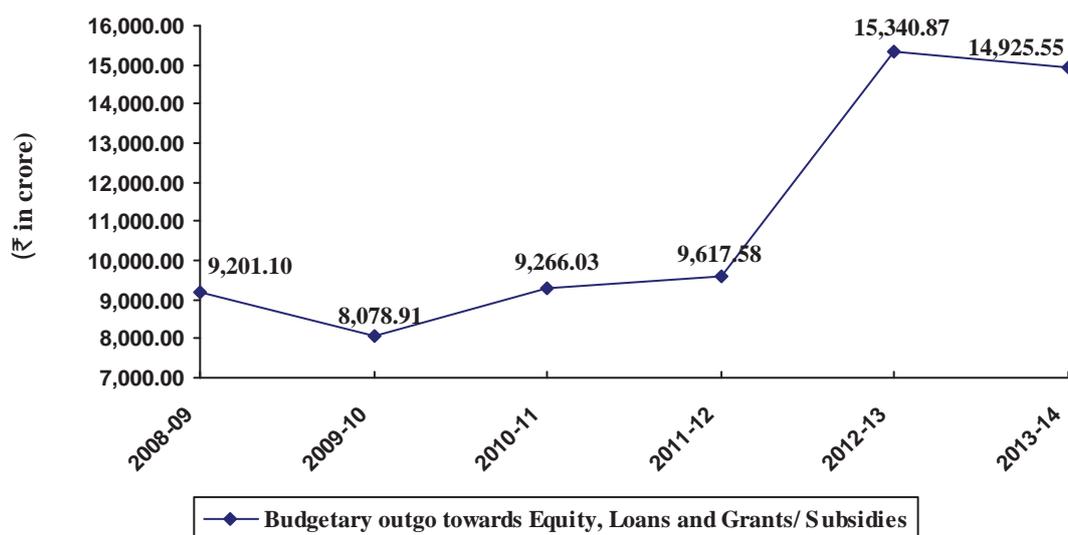
Special support and returns during the year

1.9 The GoG provides financial support to PSUs in various forms through annual budget. During the year 2013-14, the GoG extended budgetary support of ₹ 14,925.55 crore to 40 PSUs. The details of budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs for three years ended 2013-14 are summarised below.

Table 1.3 Details regarding budgetary support to PSUs (₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	15	3,970.14	17	7,952.92	14	7,503.48
2.	Loans given from budget	7	1,129.68	4	610.34	4	279.10
3.	Grants/Subsidy from budget	29	4,517.76	31	6,777.61	33	7,142.97
4.	Total Outgo (1+2+3)	--	9,617.58	--	15,340.87		14,925.55
5.	Waiver of loans and interest	--	--	-	--	--	--
6.	Guarantees issued	1	5.00	1	8.00	--	--
7.	Guarantee Commitment	7	3,376.31	6	2,718.74	6	2,239.79

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

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

The budgetary outgo in the form of equity, loans, grants/subsidies, etc., decreased from ₹ 15,340.87 crore in 2012-13 to ₹ 14,925.55 crore in 2013-14. Similarly, grants/subsidies increased from ₹ 6,777.61 crore in 2012-13 to ₹ 7,142.97 crore in 2013-14.

Guarantees for loans and outstanding guarantee fee

1.10 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 varies from 0.25 per cent to one per cent as decided by the State Government depending upon the loanees. The guarantee commitment decreased to ₹ 2,239.79 crore

during 2013-14 from ₹ 3,376.31 crore during 2011-12. Further, nine PSUs paid guarantee fee⁵ to the tune of ₹ 27 crore during 2013-14.

Reconciliation with Finance Accounts

1.11 The Finance Accounts of GoG prepared by the Accountant General (Accounts & Entitlement) and certified by CAG depicts the Government stake in PSUs in the form of equity, loans and guarantees. The amount of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the amount 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 at 31 March 2014 is stated below.

Table 1.4: Equity, loans, guarantees outstanding as per finance accounts and records of PSUs (₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	54,611.98	52,208.34	2,403.64
Loans	3,955.15	6,109.74	2,154.59
Guarantees	5,176.39	2,239.79	2,936.60

Audit observed that the differences occurred in respect of 52 PSUs. The audit brought (December 2014) the matter to the notice of the Finance Department, concerned Administrative Department and the respective PSUs about the differences in figures indicated in the Audit Report (PSUs) and Finance Accounts for the year 2013-14. The Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

Arrears in finalisation of accounts

1.12 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 under the Sections 166, 210, 230, 610 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 as of 30 September 2014.

⁵ In case of subsidiaries of GUVNL, the details of Guarantee fees as allocated by the holding Company (GUVNL) have been considered.

Table 1.5: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Number of Working PSUs	58	60	66	69	72
2.	Number of accounts finalised during the year	73	58	58	71	65
3.	Number of accounts in arrears	36	38	47	42	50 ⁶
4.	Number of Working PSUs with arrears in accounts	25	27	35	30	33
5.	Extent of arrears (numbers in years)	1 to 4	1 to 4	1 to 4	1 to 3	1 to 4

It can be observed that the number of accounts in arrears has increased from 36 (2009-10) to 50 (2013-14).

The GoG had invested ₹ 10,161.59 crore in 24 PSUs {equity: ₹ 4,775.40 crore (8 PSUs), loans: ₹ 1,265.60 crore (2 PSUs) and grants ₹ 4,120.59 crore (23 PSUs)} during the years for which accounts have not been finalised as detailed in *Annexure 1*. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of State Legislature.

1.13 In addition to above, there were arrears in finalisation of accounts by non-working PSUs. Out of 12 non-working PSUs, seven were in the process of liquidation whose accounts were in arrears for seven to 19 years. Of the remaining five non-working PSUs, only one PSU⁷ had arrears of accounts.

Table 1.6: Position relating to arrears of accounts in respect of non-working PSUs

No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
1	1999-00 to 2013-14	15

1.14 Of the four statutory corporations, two had finalised their accounts for the year 2013-14.

The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG (up to 31 December 2014) on the accounts of statutory corporations in the Legislature.

⁶ Includes arrears of four accounts in respect of Infrastructure Finance Company Gujarat Limited which was taken over by GIDC.

⁷ Gujarat Fisheries Development Corporation Limited.

Table 1.7: Status of placement of SARs in Legislature

Sl. No.	Name of statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1.	Gujarat State Warehousing Corporation	2011-12	--	Accounts in arrears since 2012-13
2.	Gujarat State Financial Corporation	2012-13	2013-14	3 December 2014
3.	Gujarat Industrial Development Corporation	2012-13	2013-14	SAR under finalisation
4	Gujarat State Road Transport Corporation	2009-10	2010-11	23 December 2014

Impact of non-finalisation of accounts

1.15 As pointed out in **Paragraph 1.12**, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant acts. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2013-14 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

Performance of PSUs

Performance based on finalised accounts

1.16 The table below provides the details of working PSUs turnover and State GDP for the period 2008-09 to 2013-14.

Table 1.8: Details of working PSUs turnover vis-a vis State GDP (₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Turnover ⁸	50,289.48	58,451.76	63,008.20	79,641.86	91,309.63	98,718.90
State GDP	3,61,846	3,81,028	5,14,750	5,91,175	6,97,298	7,73,990 ⁹
Percentage of Turnover to State GDP	13.90	15.34	12.24	13.47	13.09	12.75

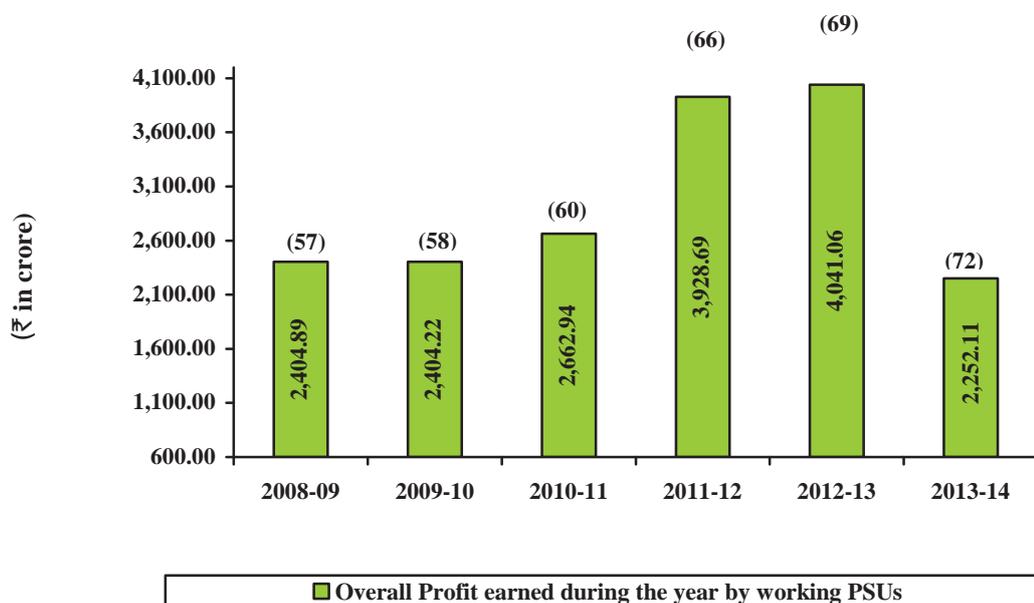
Out of the total turnover of ₹ 98,718.90 crore, ₹ 84,886.97 crore pertains to 39 working PSUs who have finalised their accounts for the year 2013-14 and the balance turnover of ₹ 13,831.93 crore was taken as per the latest finalised accounts.

Details of overall profit¹⁰ earned by working State PSUs as per their latest finalised accounts during 2008-09 to 2013-14 are given in a bar chart below:

⁸ Turnover of working PSUs as per the latest finalised accounts as of 30 September 2014.

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

¹⁰ Represents net profit before tax.

Chart 1.4: Profit/Loss of working PSUs

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

It can be observed from the above that the working of PSUs improved over the period from 2008-09 to 2012-13 but declined in 2013-14. During the year 2013-14, out of 72 working PSUs, 46 PSUs earned profit of ₹ 3,363.96 crore and 20 PSUs incurred loss of ₹ 1,111.85 crore. Three PSUs are under construction, one PSU¹¹ had transferred excess of expenditure over income to non-plan grant, one PSU¹² had set off expenditure from grants and one PSU¹³ had transferred excess of expenditure over income to works completed.

The major contributors to the profit were:

- Gujarat State Petronet Limited (₹ 659.98 crore),
- Gujarat Mineral Development Corporation Limited (₹ 629.59 crore) and
- Gujarat Gas Company Limited (₹ 611.93 crore).

Heavy losses were incurred by:

- GSPC Pipavav Power Company Limited (₹ 307.10 crore),
- Gujarat State Energy Generation Limited (₹ 151.21 crore),
- GSPC Gas Company Limited (₹ 134.68 crore),
- Gujarat State Road Transport Corporation (₹ 132.50 crore) and
- Gujarat State Financial Corporation (₹ 112.76 crore).

The following factors were responsible for major reduction in profitability as compared to last year:

¹¹ Gujarat Women Economic Development Corporation Limited.

¹² Gujarat Foundation for Mental Health and Allied Sciences.

¹³ Gujarat State Police Housing Corporation Limited.

- Gujarat State Petroleum Corporation Limited which earned a profit of ₹ 1,247.14 crore in the year 2012-13 earned a profit of only ₹ 97.01 crore in the year 2013-14 due to writing off the exploration cost of ₹ 1,610 crore during the year.
- There was a reduction in the profit of Gujarat Mineral Development Corporation Limited (₹ 294.48 crore) and Gujarat State Petronet Limited (₹ 165.74 crore).
- GSPC Gas incurred loss in the current year against profit of ₹ 97.93 crore during last year and GSPC Pipavav Power Company Limited showed significant increase of ₹ 304.32 crore in losses.

1.17 Though the PSUs were earning overall profits, there were instances of deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of the latest three Audit Reports of the CAG shows that the working State PSUs incurred losses to the tune of ₹ 3,278.28 crore and made infructuous investment of ₹ 51.11 crore, which were controllable with better management. Year wise details from Audit Reports are stated as follows:

Table 1.9: Controllable losses and Infructuous investment commented in Audit Reports (₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
Net Profit	3,928.69	4,041.06	2,252.11	10,221.86
Controllable losses as per CAG's Audit Report	894.70	1,652.66	730.92	3,278.28
Infructuous Investment	11.05	10.61	29.45	51.11

The above losses pointed out in the Audit Reports of the CAG are based on test check of records of the PSUs. The actual controllable losses could be much more. The above table shows that with better management, the controllable losses could be minimised (or eliminated or the profits can be enhanced substantially). PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for increased professionalism and accountability in the functioning of PSUs.

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

Table 1.10: Key Parameters of State PSUs (₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Capital Employed (<i>per cent</i>)	3.95	5.24	5.24	6.97	6.40	5.00
Debt	13,048.33	23,734.37	26,862.15	30,253.60	44,835.60	45,711.93
Turnover ¹⁴	50,289.48	58,451.76	63,008.20	79,641.86	91,309.63	98,718.90
Debt/ Turnover Ratio	0.26:1	0.41:1	0.43:1	0.38:1	0.49:1	0.46:1
Interest Payments	2,021.74	2,255.99	2,423.60	2,935.83	3,390.99	4,214.21
Accumulated Profits/ (Losses)	(814.56)	(595.03)	169.34	1,693.73	2,865.09	3,805.28

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

¹⁴ Turnover of working PSUs as per the latest finalised accounts as of 30 September 2014.

The turnover of PSUs had increased gradually from ₹ 50,289.48 crore in 2008-09 to ₹ 98,718.90 crore in 2013-14. The debt-turnover ratio increased during 2012-13 as compared to various other years and again decreased in 2013-14 to 0.46:1 because of significant increase in the turnover. Accumulated losses of ₹ 814.56 crore in 2008-09 turned into profits of ₹ 3,805.28 crore in 2013-14. Thus, performance of state PSUs registered marked improvement since 2010-11.

1.19 The State Government had not formulated any dividend policy regarding payment of minimum return by the PSUs on paid-up share capital contributed by the State Government. As per their latest finalised accounts as on 30 September 2014, 46 PSUs earned aggregate profit of ₹ 3,363.96 crore. However, only six PSUs declared dividend of ₹ 270.75 crore of which the State Government's share was ₹ 74.11 crore.

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

Winding up of non-working PSUs

1.20 There were 12 non-working companies as on 31 March 2014. Of these, seven PSUs have commenced liquidation process while the decision of the GoG regarding closure of remaining five PSUs was awaited. During 2013-14, three non-working PSUs¹⁵ incurred an expenditure of ₹ 5.06 crore towards establishment expenditure. This expenditure was financed by borrowings (₹ 4.80 crore¹⁶) and through interest received on their investments (₹ 0.26 crore¹⁷).

The stages of closure in respect of non-working PSUs as on 30 September 2014 are given below.

¹⁵ Gujarat Dairy Development Corporation Limited, Gujarat State Construction Corporation Limited, Gujarat State Machine Tools Limited.

¹⁶ Gujarat Dairy Development Corporation Limited (₹ 0.35 crore), Gujarat State Construction Corporation Limited (₹ 4.39 crore) and Gujarat State Machine Tools Limited (₹ 0.06 crore).

¹⁷ Gujarat Dairy Development Corporation Limited (₹ 0.08 crore) and Gujarat State Construction Corporation Limited (₹ 0.18 crore).

Table 1.11: Details of investment and accumulated losses in Non-working PSUs
(₹ in crore)

Sl. No.	Particulars	No. of PSUs	Investment	Accumulated profit/(loss)
1.	Total number of non-working PSUs	12	794.34	(354.25)
2.	Of (1.) above, the number under:			
(a)	Liquidation by Court (liquidator appointed)	6	660.64	(105.37)
(b)	Voluntary winding up (liquidator appointed)	1 ¹⁸	27.07	(74.93)
(c)	Closure, i.e. closing orders/instructions not issued.	5	106.63	(173.95)

The GoG may take a suitable decision on the five non-working PSUs early and further action in case of the seven PSUs under liquidation.

Comments on Accounts and Internal Audit

1.21 Fifty six working companies forwarded 61 accounts to AG during the year 2013-14 for the purpose of supplementary audit. The audit reports of Statutory Auditors appointed by the CAG and the supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of comments¹⁹ of the Statutory Auditors and the CAG are given below.

Table 1.12: Details of aggregate money value of comments (₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	10	14.79	5	56.54	2	0.23
2.	Increase in loss	1	0.35	2	135.57	3	34.99
3.	Non-disclosure of material facts	5	159.32	2	17.31	2	277.78
4.	Errors of classification	3	22,917.62	1	23,885.27	8	25,512.22

It is observed from the above that cases of non-disclosure of material facts increased from ₹ 159.32 crore in 2011-12 to ₹ 277.78 crore in 2013-14. Similarly, cases of error of classification increased from ₹ 22,917.62 crore in 2011-12 to ₹ 25,512.22 crore in 2013-14 in which one error of classification in 2013-14 was in respect of SSNNL persistently appearing since 2007-08.

During the year, the Statutory Auditors had given unqualified certificates for 46 accounts and qualified certificates for 15 accounts. The compliance of companies with the Accounting Standards (AS) remained deficient as there were 17 instances of non-compliance in 10 accounts during the year as reported by the Statutory Auditors. In addition, five instances of non

¹⁸ Gujarat Small Industries Corporation Limited.

¹⁹ For the purpose of CAG comments only those comments actually issued during October 2013 to September 2014 have been considered including accounts of previous period for which comments were issued in the current period.

compliance of accounting standards were also noticed by CAG in four accounts.

1.22 Similarly, three working statutory corporations²⁰ forwarded four accounts to AG during the year which pertained to 2010-11, 2012-13 and 2013-14. The Separate Audit Report of Gujarat State Road Transport Corporation Limited (2010-11) was under finalisation and in respect of Gujarat Industrial Development Corporation the comments of 2013-14 were under finalisation as on 30 September 2014. The details of aggregate money value of comments of Statutory Auditors and CAG are given below.

Table 1.13: Details of aggregate money value of comments (₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	4.81	2	1.49	0	0.00
2.	Increase in loss	1	243.51	2	120.05	1	20.40
3.	Non-disclosure of material facts	2	247.73	1	896.59	1	844.65
4.	Errors of classification	1	46.96	1	115.73	1	80.99

It is observed from the above that the money value objection for non-disclosure of material facts increased from ₹ 247.73 crore in 2011-12 to ₹ 844.65 crore in 2013-14. Likewise, the cases of errors of classification increased from ₹ 46.96 crore in 2011-12 to ₹ 80.99 crore in 2013-14.

Audit by Statutory Auditors under the directions of the CAG

1.23 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 two companies²¹ for the year 2010-11, two companies²² for the year 2011-12, 17 companies for the year 2012-13 and 21 companies for the year 2013-14 are given below:

²⁰ Gujarat State Road Transport Corporation, Gujarat Industrial Development Corporation and Gujarat State Financial Corporation.

²¹ Gujarat Growth Centre Development Corporation Limited, Gujarat Foundation for Mental Health and Allied Sciences.

²² Gujarat Sheep and Wool Development Corporation Limited and Gujarat State Handloom and Handicraft Development Corporation Limited.

Table 1.14: Comments of Statutory Auditors on the internal audit/Internal control system of companies

Sl. No	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made
1.	Non-fixation of minimum/ maximum limits of store and spares	05
2.	Internal Audit required to be strengthened	06
3.	Non maintenance of cost records	08
4.	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	08
5.	Absence of credit policy for providing doubtful debts, write-off of liquidated damages	11
6.	Non evolution of security policy for software/ hardware and backup of past records	12
7	Ineffective system of monitoring advances/ outstanding dues	06
8	Non-existence of separate vigilance department and effectiveness of delineated fraud policy	35

Recoveries at the instance of Audit

1.24 During the course of compliance audit in 2013-14, Audit pointed out recoveries of ₹ 309.50 crore to the Management of various PSUs, of which recoveries of ₹ 0.17 crore were admitted and recovered by PSUs during the year 2013-14. The progress of recovery is very slow.

Follow-up action on Audit Reports

Outstanding 'Action Taken Notes'

1.25 As per Rule 32 of the Rules of Procedure (Internal Working) of COPU, Gujarat Legislative Assembly, the administrative departments of PSUs should submit the Action Taken Notes (ATNs) on the recommendations within a period of three months from the date of its presentation. The status of non receipt of ATNs on recommendations of COPU Reports is given below:

Table 1.15 Table showing ATNs not received

Sl. No.	COPU Report No. And Assembly	Date of placement of Report in the Assembly	Year of the AR to which it pertains	Total recommendations in the Report	Recommendations in respect of which ATNs not received
1	1 st Report/ 12 th Assembly	19.02.2009	AR 1993-94 to 2003-04	44	1
2	14 th Report/ 12 th Assembly	29.03.2011	AR 2004-05	4	0
3	17 th Report/ 12 th Assembly	22.03.2012	AR 2004-05	1	1
4	18 th Report/ 12 th Assembly	19.07.2012	AR 2005-06 and 2006-07	6	1
5	1 st Report/ 13 th Assembly	03.10.2013	AR 2007-08	4	2
6	2 nd Report/ 13 th Assembly	15.07.2014	AR 2008-09	17	17
	Total			76	22

The Reports in all contained 76 recommendations on 52 paragraphs and 13 performance audits related to 18 PSUs falling under nine administrative departments included in the Audit Reports for the years 1993-94 to 2008-09 (Commercial), Government of Gujarat.

ATNs on five recommendations pertaining to four PSUs²³ falling under three²⁴ Administrative Departments had not been received for vetting by Accountant General as on 30 September 2014. Further, no ATNs pertaining to the 2nd Report of the 13th Assembly of COPU, which were due up to 15 October 2014 i.e., within three months of placement of report in the State Legislature were received as on that date.

Outstanding Explanatory Notes

1.26 Audit Reports of the CAG represent the culmination of the process of scrutiny, starting with initial inspection of accounts and records maintained by various public sector undertakings (PSUs) and Departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. As per Rule 7 of the Rules of Procedure (Internal Working) of Committee on Public Undertakings (COPU), Gujarat Legislative Assembly, all the administrative departments of PSUs should submit, within three months of their presentation to the Legislature, explanatory notes indicating the corrective/ remedial action taken or proposed to be taken on paragraphs and performance audits included in the Audit Reports.

²³ Gujarat Industrial Investment Corporation Limited, Gujarat State Financial Corporation, Gujarat Women Economic Development Corporation Limited and Gujarat Water Resources Development Corporation Limited.

²⁴ Industries and Mines Department and Women and Child Development Department, Narmada, Water Resources and Kalpsar Department.

Table No.1.16: Explanatory notes not received

Year of the Audit Report (Commercial /PSU)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2009-10	30 March 2011	2	16	0	2
2010-11	30 March 2012	2	15	0	1
2011-12	2 April 2013	2	10	1	3
2012-13	25 July 2014	1	13	1	13
Total		7	54	2	19

From the above, it could be seen that out of 61 paragraphs/ performance audits, explanatory notes to 21 paragraphs/ performance audits in respect of six departments, which were commented upon, were awaited (September 2014).