सत्यमेव जयते

REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED
31 MARCH 1992

No. 1

(COMMERCIAL)

GOVERNMENT OF GUJARAT

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PREFACE

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

- Government companies;
- Statutory corporations; and
- Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government companies and Statutory corporations including the Gujarat Electricity Board and has been prepared for submission to the Government of Gujarat under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in March 1984. The results of audit relating to departmentally managed commercial undertakings are contained in the Report of the Comptroller and Auditor General of India (Civil) - Government of Gujarat.

3. There are certain companies which are not subject to audit by the Comptroller and Auditor General of India, as Government or Government owned/controlled companies/corporations hold less than 51 *per cent* of the shares. A list of such companies in which Government investment was more than Rs. 25 lakhs as on 31st March 1992 is given in *Annexure*-1

4. In respect of the Gujarat Electricity Board and the Gujarat State Road Transport Corporation, which are Statutory corporations,

the Comptroller and Auditor General of India is the sole auditor. In respect of Gujarat State Financial Corporation and Gujarat State Warehousing Corporation, he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. The audit of accounts of the Gujarat Industrial Development Corporation presently stands entrusted to the Comptroller and Auditor General of India under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Condition of Services) Act, 1971 up to the accounts for the year 1996-97. The Audit Reports on the accounts of all these corporations are being forwarded separately to the Government of Gujarat.

5. The cases mentioned in this Report came to notice in the course of audit during the year 1991-92 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 1991-92 have also been included, wherever considered necessary.

OVERVIEW

1. The State had 35 Government companies (including five subsidiaries), seven companies under the purview of Section 619B of the Companies Act, 1956 and five Statutory corporations as on 31st March 1992. Besides, there were four companies in which Government had invested Rs.25 lakhs or more and which were not subject to Audit by the Comptroller and Auditor General of India.

(Paragraph 1.2.1, 1.3.1, 1.2.5 and 1.2.6)

The aggregate paid-up capital of Government companies was Rs.1979.73 crores, of which Rs.1967.01 crores were invested by the State Government, Rs.11.19 crores by the Central Government and Rs.1.53 crores by others. Loans from the State Government aggregating Rs.938.45 crores were outstanding as on 31st March 1992 against 29 companies (including five subsidiaries). The State Government had guaranteed the repayment of loans raised by 18 companies and payment of interest thereon. The amount guaranteed and outstanding thereagainst as on 31st March 1992 were Rs.649.81 crores and Rs.574.36 crores, respectively.

(Paragraph 1.2.2)

While 13 companies (including two subsidiaries) had finalised their accounts for the year 1991-92 the accounts of 22 companies (including three subsidiaries) were in arrears for periods ranging from one year to six years. Out of 13 companies, which had finalised accounts for the year 1991-92, seven companies *earned profits aggregating Rs.21.50 crores. The dividend of Rs.9.10 crores declared by three companies worked out to 0.5 per cent of the total investment of Rs.1978.64 crores in 30 companies (excluding five subsidiaries). The accumulated loss (Rs.264.85 crores) incurred by nine companies had exceeded their paid-up capital of Rs.40.90 crores.*

(Paragraphs 1.2.3 and 1.2.4)

Against the total investment of Rs.130.82 crores in seven companies falling under Section 619B of the Companies Act, 1956, one company incurred loss of Rs.26.49 crores, while five companies earned profits of Rs.63.31 crores. One company is yet to commence operation as per the latest available accounts.

(Paragraph 1.2.5)

As a result of supplementary audit under Section 619(4) of the Companies Act, 1956 on the accounts of 26 companies there was a net increase in the loss by Rs.0.25 crore in two companies, net decrease in profit by Rs.0.02 crore in one company and in the case of two companies, there was a decrease of loss by Rs. 0.04 crore.

(Paragraph 1.2.8)

Gujarat Electricity Board had finalised the accounts up to 1990-91 and the same are under scrutiny of audit.

(Paragraph 1.3.2)

The Gujarat State Road Transport Corporation, Gujarat State Warehousing Corporation and Gujarat Industrial Development

Corporation had finalised the accounts up to 1990-91. The Gujarat State Financial Corporation had finalised the accounts up to 1991-92. The Gujarat State Road Transport Corporation, as per accounts, earned a profit of Rs.4.30 crores during the year 1990-91, but the net profit was found to have been overstated by Rs.0.50 crore. The Gujarat Industrial Development Corporation earned profit amounting to Rs.0.03 crore during the year 1990-91. The Gujarat State Warehousing Corporation earned profit amounting to Rs.0.34 crore during 1990-91 but the net profit was overstated by Rs. 0.04 crore. The Gujarat State Financial Corporation earned a profit of Rs.1.97 crores during the year 1991-92.

(Paragraphs 1.3.2 to 1.8.5)

2. *The activities of Gujarat Water Resources Development Corporation Limited, Gujarat State Warehousing Corporation and some aspects of the resource generation by Gujarat State Road Transport Corporation were reviewed in audit. Besides, reasons of delay in finalisation of accounts by selected Government companies were examined in detail.*

2.1 *The Gujarat Water Resources Development Corporation Limited was incorporated in May 1971 with the main objective of executing tubewell and lift irrigation programmes. The Company started functioning in August 1975.*

(Paragraph 2A.1)

The percentage of failure of tubewell drilled by the Company up to 1990-91 was 12 per cent against the prescribed norm of *four per cent. The Company did not systematically investigate into the incidence of such high rate of failure of tubewells.*

(Paragraph 2A.6.1)

Out of the irrigation potential created by the Company for 2.59 lakh hectares of land only 0.86 lakh hectares (33 per cent) were brought under irrigation. The underutilisation was mainly due to delay in construction of distributory channels, competition from private tube wells, absence of recharge condition and depletion of ground water.

(Paragraph 2A.6.2)

The Company incurred a cumulative loss of Rs.29.26 crores (provisional) up to the end of March 1991, against its paid-up capital of Rs.31.49 crores. The loss was mainly on account of non-revision of water rates, high incidence of establishment and overhead charges and low development of irrigation potentials.

(Paragraph 2A.7.1)

Water rate of Rs.1.80 per 10000 litres of water, fixed in 1985, has not been revised by the Government despite steep increase in all elements of cost. The difference between the economic water rate and the controlled water rate is subsidised by the Government on ad-hoc basis. Revision of subsidy as recommended by a Committee in February 1991 is yet to be decided by the Government.

(Paragraph 2A.7.2)

Total outstanding dues from farmers at the end of March 1991 were Rs.10.69 crores representing 26 months' demand.

Management has not taken adequate steps to effect recovery of its dues from the farmers.

(Paragraph 2A.7.3)

The Company made avoidable payment of interest of Rs.18.80 lakhs due to its failures in utilising its surplus funds, in making timely payment of term loans and in monitoring its remittances.

(Paragraph 2A.8.2)

2.2 *Audited accounts of any Government company should be adopted in Annual General Meeting (AGM) of the shareholders within six months of the end of financial year. Within three months thereafter, annual report on the working of the company should be prepared by the Government for laying before the Legislature along with the Audit Report as soon as may be possible. As on 31st March 1991, 24 companies were in arrears in finalisation of accounts for varying accounting periods. Five of these companies had accumulated arrear accounts of three years and more. As a result, Government investment of Rs. 101 crores in these five companies remained outside public scrutiny.*

(Paragraph 2B.1, 2B.2, and 2B.5.1)

Against the prescribed period of six months for adopting the annual accounts in AGM each year the companies had delayed their accounts from 19 months to 75 months in the case of their latest five years accounts. These delay included five months to 36 months of time taken in completion of Statutory Audit against two months prescribed by the Government of India. The

Management did not pursue effectively the auditors for timely completion of audit.

*(Paragraph 2B.5 and **2B.5.1**)*

The Government/Management were directed by a Legislative Committee (Committee on Papers Laid Before the Legislature) set up in March 1988 to ensure finalisation of accounts in time and their submission to Legislature within ten months. This directive was not implemented. Accountability of managements, for failure to adhere to the directive was not fixed by Government.

(Paragraph 2B.6)

Time schedules for the clearance of arrears were fixed by Government in 1987 and 1988 without analysing the reasons of the accumulation of the arrears. These time schedules were not adhered to by the companies.

(Paragraph 2B.7)

The management of accounting function in these companies were generally characterised by the following weakness:

Absence of well regulated system of reconciliation of accounts and bank transactions; unreliable control on the accuracy of transactions at intermediate level; lack of systematic inspection and supervision of accounting work by higher officials; defusion of accountability regarding finalisation of accounts in absence of specific duties and responsibilities for the accounts staff ; frequent changes in the senior level of general administration and accounting hierarchy leading to instability and lack of direction in accounting management; absence of separate cadre of staff for *ccounts work and lack of sustained and well defined training programmes to up-grade their skills and absence of accounting manuals for guidance of staff.*

(Paragraphs 2B.8.1, 2B.8.2, 2B.8.3, 2B.8.4, 2B.8.5 and 2B.8.6)

.3 Gujarat State Warehousing Corporation's main object is to provide scientific storage facilities for agricultural produce and to help the primary producers in storing their commodities and obtaining credit against their stored commodities. The Corporation started functioning from February 1961.

(Paragraph 3A.2)

The Corporation suffered a net loss of Rs.129.69 lakhs during 1986-87 to 1990-91 in warehousing, its main activity, mainly due to underutilisation of storage capacity and increase in establishment expenses.

(Paragraph 3A.7.1)

The primary producers utilised only up to 3.09 per cent of the storage facility created by the Corporation.

(Paragraph 3A.10)

The break even point of the warehousing centres for the five years from 1986-87 to 1990-91 worked out to 69, 77, 81, 75 and 70 per cent utilisation of average annual capacity during the respective years. Against this, average annual capacity utilisation during this period was 62 per cent only.

(Paragraph 3A.8.1)

The Corporation established the warehousing centre at Dashrath in August 1989 with an investment of Rs.131.50 lakhs *ignoring the objection of Central Warehousing Corporation and without examining its economic viability. Till January 1992, the centre suffered a loss of Rs.38.67 lakhs due to poor utilisation of capacity.*

(Paragraph 3A.8.3(i))

The Corporation planned to increase its storage capacity of godowns by 1.25 lakh tonnes during Seventh Five Year Plan. The Corporation could achieve only 24 per cent of this target.

(Paragraph 3A.14.1)

Under the National Grid of Rural Godowns, the Corporation was to establish godowns in the rural areas mainly to help the small and marginal farmers against distress sale of food-grains and other agricultural products. All the 28 godowns constructed under this scheme by the Corporation with an investment of Rs.144.26 lakhs were located at taluka and district headquarters and not in the rural areas.

(Paragraph 3A.15)

2.4 The Gujarat State Road Transport Corporation was established on 1st March 1960 under Section 3 of the Road Transport Corporations Act, 1950. The objective of the Corporation is to provide an efficient, adequate, economical and properly coordinated system of road transport service in the State.

(Paragraph 3B.1)

Even though the Corporation suffered operating loss during 1988-89 to 1990-91, it was able to show profits during these years due to the financial assistance received from State Government.

(Paragraph 3B.3)

Due to delay in persuing the proposal for fare revision lying with the Government since June 1988, increase in the cost of inputs from April 1988 to October 1990 amounting to Rs.182.16 crores had to be borne by the Corporation.

(Paragraph 3B.6.1)

The Corporation's decision for the hike in the rates of casual contracts in October 1990 without adequate survey to assess the impact of such revision in its business led to decline in operation of casual services and resulted in loss of revenue of Rs.602.77 lakhs during 1991-92.

(Paragraph 3B.6.2)

The Corporation did not operate treasury accounts in Saurashtra area resulting in loss of interest of Rs.24.90 lakhs during July 1989 to March 1991 to the Corporation.

(Paragraph 3B.7)

8. Other major irregularities noticed during the test check of records of Government companies and Statutory corporations were as under.

(i) Gujarat Mineral Development Corporation Limited's decision in awarding the contract for the work of removal of overburden/ earth excavation at lignite mines, Panandhro on hourly rate of payment instead of at a lump sum rate before a techno-economic appraisal of such system of payment resulted in an avoidable expenditure of Rs. 25.54 lakhs.

(Paragraph 4A.1.1)

(ii) *Sardar Sarovar Narmada Nigam Limited decided in January 1991 to advance the approved schedule of construction of dam to achieve RL 95m by June 1994 without the consent of the advisory committee (SSCAC) formed under the Narmada Water Disputes Tribunal leading to additional financial burden of Rs.23.25 crores for the Government. The work was ultimately restricted to the approved schedule of construction at the instance of the SSCAC in December 1991 due to the participating States reservation to take additional load of rehabilitation. The Company did not correlate the progress of the construction of the canal system to derive the benefits from the advancing of construction of the dam work.*

(Paragraph 4A.5.1)

(iii) *Avoidable delay by Gujarat Electricity Board in finalisation of tenders for procurement of power control and instrumentation cable and various types of coal pipe bends for boilers resulted in extra expenditure of Rs. 174.44 lakhs.*

(Paragraph 4B.1.1 and 4B.1.2)

(iv) *Gujarat Industrial Development Corporation established an industrial estate at a cost of Rs. 91.05 lakhs at Doswada, a remote locality in October 1988 without a thorough study of the firm demand of plots by the entrepreneurs. As no plots were put to use, the expenditure was rendered idle.*

(Paragraph 4B.2.2)

CHAPTER - I

SECTION - 1

. **General view of Government companies and Statutory corporations**

.1 Introduction

This chapter contains particulars about the investment, state f accounts, *etc.*, in respect of Government companies and tatutory corporations.

Paragraph 1.2 gives a general view of Government companies nd paragraph 1.3 deals with general aspects of Statutory orporations. Paragraphs 1.4 to 1.8 give more details about each tatutory corporation including its financial and operational erformance.

.2 Government companies - General view

.2.1 There were 35 Government companies (including five ubsidiaries) as on 31st March 1992 as against 36 Government ompanies (including six subsidiaries) as on 31st March 1991.

According to information received by Audit, Gujarat Lease inancing Limited, a subsidiary of Gujarat Industrial Investment orporation Limited, ceased to be a Government company with ffect from 19th September 1991.

.2.2 The particulars of up-to-date paid-up capital, outstanding ans, amount of guarantees given by State Government and mount outstanding there-against, working results, *etc.*, in respect f all Government companies are given in *Annexure*-2. The osition is summarised as under:

(a) Against the aggregate paid-up capital of Rs.1635.34 crores in 36 companies (including six subsidiaries) as on 31st March 1991 the aggregate paid-up capital in 35 companies (including five subsidiaries) as on 31st March 1992 was Rs.1979.73 crores, as per particulars given below:

Serial number	Particulars	Number of Government companies	Investment by State Government	Central Government	Others	Total investment
			(Rupees in crores)			
1	Companies wholly owned by State Government	20	1943.01	—	—	1943.01
2	Companies jointly owned with Central Government/others	10	24.00	11.19	0.44	35.63
3	Subsidiary companies	5	—	—	1.09	1.09
	Total	35	1967.01*	11.19	1.53	1979.73

(b) The balance of long term loans outstanding in respect of 29 companies (including five subsidiaries) as on 31st March 1992 was Rs.938.45 crores (State Government: Rs.169.45 crores, Central Government : Rs. 0.42 crore, others : Rs. 767.28 crores, Deferred payment credits : Rs. 1.30 crores) as against Rs. 858.37 crores as on 31st March 1991 in respect of 30 companies (including six subsidiaries).

(c) The State Government had guaranteed the repayment of loans raised by 18 companies and payment of interest thereon. The amounts guaranteed and outstanding thereagainst as on 31st

* Finance accounts for the year 1991-92 is still under finalisation (September 1992).

ʌarch 1992 were Rs.649.81* crores and Rs. 574.36* crores espectively.

The companies have to pay guarantee commission to the ;overnment at varying rates from half *per cent* to one *per cent* n the amounts guaranteed. The payment of guarantee commission ɾas in arrears to the extent of Rs. 6.35 crores as shown in *ɩnnexure*-2.

.2.3 The financial results of the 35 companies, based on the ɪtest available accounts, is given in *Annexure*-3. Some important bservations in this respect are included in paragraph 1.2.8.

Only 13 companies (including two subsidiaries) finalised the ccounts up to year 1991-92 (serial numbers 1, 4, 7, 10, 14, 15, 0, 21, 28, 29, 31, 32 and 33 of *Annexure*-3). Further 16 ompanies had finalised the accounts for earlier years since revious Report (serial numbers 2, 5, 6, 9, 13, 16, 17, 18, 19, 22, 3, 24, 25, 26, 27 and 35 of *Annexure*-3).

Up to September 1992, the accounts of 22 companies ncluding three subsidiaries) were in arrears as shown in the ɔllowing table :

Finance accounts for the year 1991-92 is under finalisation (September 1992).

Serial number	Extent of arrears	Number of years involved	Number of companies involved.		Invested by Government.		Invested by Holding companies		Reference to serial number in *Annexure*-3
			Companies.	Subsidiary companies.	Capital	Long term loan	Capital	Long term loan	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					(Rupees in crores)				
1	July 1986 June 1987 to 1991-92	6	1	—	1.56	17.99	—	—	19
2	1987-88 to 1991-92	5	1	—	31.49	28.03	—	—	8
3	1988-89 to 1991-92	4	2	—	19.45 (A)	3.76	—	—	16, 24
4	1989-90 to 1991-92	3	4	—	14.37 (B)	2.39	—	—	11,12, 22 and 34
5	1990-91 to 1991-92	2	2	1	5.08	2.16	0.15	0.49	3, 13 and 27*
6	1991-92	1	9	2	34.00 (C)	28.12	0.41	0.01	2, 5, 6, 9, 17, 18, 23, 25*, 26, 30* and 35

(A), (B) and (C) includes investment by the Central Government Rs. 6.89 crores, Rs. 0.58 crore and Rs 2.78 crores respectively.

* Subsidiary companies.

In the absence of finalisation of accounts, the investments of ₹s.178.15 crores (capital Rs. 95.70 crores and long-term loans ₹s.82.45 crores) by the State Government and Rs.1.05 crores capital Rs. 0.55 crore and long-term loans Rs. 0.50 crore) by the holding companies in these companies could not be conclusively vouchsafed.

The latest position of arrears in finalisation of accounts was brought to the notice of Government in July 1992 at the level of Chief Secretary to the Government of Gujarat. Detailed examination of the reasons of the arrears in selected companies were studied in audit and the results of this study has been included in Chapter 2B of this Report.

1.2.4 The following observations are made in respect of the working results of the companies :

(a) Out of the 13 companies (including two subsidiaries) which had finalised their accounts for the year 1991-92, seven companies earned profits during the year. The paid-up capital and profit of these companies during 1991-92 and the previous year are indicated below :

Serial number	Name of company	Paid-up capital		Profit(+)/Loss(-)	
		1990-91	1991-92	1990-91	1991-92
(1)	(2)	(3)	(4)	(5)	(6)
			(Rupees in crores)		
1	Gujarat Small Industries Corporation Limited	4.00	4.00	(+)0.26	(+)1.58
2	Gujarat Industrial Investment Corporation Limited	49.16	59.16	(+)6.30	(+)10.49
3	Gujarat Sheep and Wool Development Corporation Limited	0.54	2.42	(+)0.20	(+)0.06

(1)	(2)	(3)	(4)	(5)	(6)
4	Gujarat State Seeds Corporation Limited	0.55	0.55	(+)1.88	(+)0.4
5	Gujarat Tractor Corporation Limited	4.50	4.50	(-)3.71	(+)0.3
6	The Film Development Corporation of Gujarat Limited	0.25	0.30	(+)0.03	*
7	Gujarat State Investments Limited	236.81	236.81	(+)6.99	(+)8.6
	Total	295.81	307.74	(+)11.95	(+)21.5

(b) For the year 1991-92, three companies declared dividend as per particulars given below :

Serial number	Name of company	Paid-up capital	Distri-butable surplus	Amount retained in business	Dividend declared	Perce-ntage of divi-dend
		(Rupees in crores)				
1	Gujarat Small Industrier Corporation Limited	4.00	0.42	0.02	0.40	10.00
2	Gujarat State Seeds Corporation Limited	0.55	0.52	0.46	0.06	12.00
3	Gujarat State Investments Limited	236.81	8.64	-@-	8.64	3.65

The dividend of Rs.9.10 crores declared by three Governmen companies worked out to 0.46 *per cent* of total investment o Rs.1978.64 crores in 30 companies (excluding five subsidiaries).

(c) Of the remaining six companies four companies *viz.* Stee Corporation of Gujarat Limited, Gujarat State Petrochemical

* Earned a profit of Rs. 38,000/- only.

@ Amount of Rs. 0.56 lakh retained in business.

Corporation Limited, Gujarat Analgesics Limited and Sardar Sarovar Narmada Nigam Limited (serial numbers 10, 21, 28 and 31) had not started commercial production. Gujarat State Police Housing Corporation Limited (serial number 33) started construction of quarters and the works are in progress. Gujarat Communication and Electronics Limited incurred a loss of Rs.5.10 crores during the year compared to a profit of Rs. 2.55 crores in the previous year, as shown in the following table :

Serial number	Name of company	Paid-up capital		Profit(+)/Loss(-)	
		1990-91	1991-92	1990-91	1991-92
		(Rupees in crores)			
1	Gujarat Communication and Electronics Limited	11.20	11.75	(+2.55	(+)5.10

(d) The accumulated losses of the following nine companies up to the period of their completed accounts exceeded their paid-up capital by 6.67 times at the close of the year as shown below. Out of these companies the accumulated loss of Gujarat State Textile Corporation Limited exceeded its paid-up capital by 45.57 times.

Serial number	Name of company	Year up to which accounts prepared	Paid-up capital at the close of the year	Accumulated loss up to the end of the year	Serial number of *Annexure*-2
1	2	3	4	5	6
		(Rupees in crores)			
1	Gujarat State Textile Corporation Limited	1990-91	3.93	179.09	5
2	Gujarat Water Resources Development Corporation Limited	1986-87	19.70	22.01	8
3	Gujarat Dairy Development Corporation Limited	1988-89	3.10	11.86	11

1	2	3	4	5	6
4	Gujarat State Construction Corporation Limited	1989-90	4.35	14.35	13
5	Tourism Corporation of Gujarat Limited	1987-88	3.45	3.50	16
6	Gujarat State Land Development Corporation Limited	July 1985 to June 1986	1.20	10.34	19
7	Gujarat Tractor Corporation Limited	1991-92	4.50	21.66	20
8	Gujarat Rural Industries Marketing Corporation Limited	1988-89	0.38	1.28	22
9	Gujarat Trans Receivers Limited*	1989-90	0.29	0.76	27
	Total		40.90	264.85	

1.2.5 There were seven companies covered under section 619B of the Companies Act, 1956 as on 31st March 1992. Gujarat Power Corporation Limited was declared by the Department of Company Affairs, Government of India, as covered under Section 619B of the Companies Act, 1956, with effect from 28th June 1990. The details of the paid-up capital, Government's share, thereof, working results, *etc.*, in respect of these seven companies as per the latest accounts are as follows :

* Subsidiary of Gujarat Industrial Investment Corporation Limited.

Serial number	Name of company	Accounting year	Paid-up capital	Profit(+) /Loss(-) during the year	Investment by State Government	Investment by Government company	Others
				(Rupees in crores)			
1	Gujarat Leather Industries Limited	1991-92	1.50	*	-	0.77	0.73
2	Gujarat State Machine Tools Corporation Limited	1991-92	5.24	(+) 0.99	-	4.17	1.07
3	Gujarat Industrial and Technical Consultancy Organisation Limited	1991-92	0.20	(+) 0.02	-	0.06	0.14
4	Gujarat State Fertilizers Company Limited	1991-92	60.50	(+)54.37	0.14	25.15	35.21
5	Cement Corporation of Gujarat Limited	1990-91	30.24	(-)26.49	-	8.27	21.97
6	The Ahmedabad Electricity Company Limited	1991-92	33.14	(+) 7.93	11.95	-	21.19
7	Gujarat Power Corporation Limited	1991-92	**	***	**	**	**

* Represents profit of Rs. 0.21 lakh.

** Amount represnets Rs. 700/- only. Amount of Rs. 3668.92 lakhs received from promoters - Government of Gujarat and Gujarat Electricity Board, pending conversion into share capital.

*** Entire expenses during the year were capitalised as it has to commence operations.

1.2.6 In four companies listed in *Annexure*-I, Government had invested Rs. 25 lakhs or more but these were not subject to audit by the Comptroller and Auditor General of India, as Government or Government owned/ controlled companies/ corporations hold less than 51 *per cent* of the total share capital of the company.

1.2.7 The Companies Act, 1956 empowered the Comptroller and Auditor General of India to issue directives to the auditors of Government companies in regard to the performance of their functions. In pursuance of the directives so issued, supplementary reports of the auditors on the accounts of fourteen companies were received from October 1991 to September 1992. The important defects pointed out in these reports are summarised below :

Serial number	Nature of defect	Number of companies where the defects were noticed	Reference to serial number in *Annexure*-2
(1)	(2)	(3)	(4)
1	Absence of accounting manual	6	2,4,5,15, 16,24
2	Absence of system of ascertaining the idle time of machinery and labour	2	8,13
3	Non-fixation of minimum and maximum limits of stores and norms for the consumption of raw-material	2	2,5
4	Non-fixation of standard cost of main products	2	2,8
5	Absence of follow-up action in respect of internal audit report	1	13
6	Absence of manual outlining the scope and programme of internal audit work	2	8,24
7	Absence of effective system of internal audit	1	16
8	Absence of effective system of physical verfication of stores	1	8

(1)	(2)	(3)	(4)
9	Non-reconciliation of periodical trial balance	1	4
10	Non-preparation of detailed revenue and capital, production and sales budgets	1	2
11	Non-confirmation of balances by debtors, bankers, *etc.*	2	8,24
12	Absence of action for debts acquired under Nationalisation Act, 1986	1	5
13	Non-maintenance of plant, property and cost records	4	5,8,13,16
14	Non-preparation of periodical trial balance and non-reconciliation of subsidiary ledger of schemes with control accounts	1	24
15	Inadequacy of accounting systems for obsolete/ non-moving inventories	1	15
16	Absence of preparation of manufacturing accounts	1	2
17	Absence of proper purchase procedure	1	13
18	Non-allocation of works/ renovation expenditure to the fixed assets	1	16

1.2.8 Under Section 619(4) of the Companies Act, 1956 the Comptroller and Auditor General of India has the right to comment upon or supplement the report of the Statutory Auditor. Accordingly, the audited annual accounts of Government companies are reviewed on a selective basis. During the period from October 1991 to September 1992 accounts of 26 companies were selected for review. The net effect of the important comments as a result of such review was as follows :

Serial number 1	Details 2	Number of accounts 3	Monetary effects. 4
			(Rupees in lakhs)
1.	Decrease in profits	1	1.69
2.	Increase in loss	2	25.36
3.	Decrease in loss	2	3.94
4.	Non-disclosure of material facts	5	—

The important errors and omissions noticed in the course of the review of annual accounts, not pointed out by the Statutory Auditors are mentioned below:

1. Gujarat State Construction Corporation Limited
(Accounts for the year 1989-90)

(a) Loss for the year was understated by Rs.16.22 lakhs due to non-provision of interest to be borne equally by the Company and Sardar Sarovar Narmada Nigam Limited which granted the funds.

(b) Loss for the year was overstated by Rs.2.50 lakhs due to erroneous inclusion of advance received against material under advance from clients resulting in understatement of work receipts. In view of above, loss was understated by Rs.13.72 lakhs.

2. Gujarat Tractor Corporation Limited
(Accounts for the year 1990-91)

Loss for the year was understated by Rs.7.72 lakhs due to inclusion of tractor sold on FOR basis (Rs.6.42 lakhs) and inclusion of sale of a tractor damaged in transit and replaced (Rs.1.30 lakhs).

3. Sardar Sarovar Narmada Nigam Limited
(Accounts for the year 1990-91)

Work-in-progress account and incidental expenditure pending capitalisation accounts were understated by Rs.478.10 lakhs and

Rs.3.85 lakhs respectively due to non-provision of payments towards foreign exchange rate variation (Rs.254.90 lakhs), price escalation (Rs.173.94 lakhs), royalty (Rs.1.63 lakhs), consultancy fees (Rs.3.85 lakhs), balance payment to cement suppliers (Rs.59.81 lakhs) and erroneous provision made for 1991-92 (Rs.12.18 lakhs).

1.3 Statutory corporation

General aspects

1.3.1 There were five Statutory corporations in the State as on 31st March 1991 :

- Gujarat Electricity Board;
- Gujarat State Road Transport Corporation;
- Gujarat State Financial Corporation;
- Gujarat State Warehousing Corporation; and
- Gujarat Industrial Development Corporation.

1.3.2 The Gujarat Electricity Board was constituted on 1st May 1960 under Section 5(1) of the Electricity (Supply) Act, 1948 and the Gujarat State Road Transport Corporation was constituted on 1st May 1960 under Section 3 of the Road Transport Corporations Act, 1950. Under the respective Acts, the audit of these organisations vest solely with the Comptroller and Auditor General of India. Audit Reports, incorporating the comments on the annual accounts of each year are sent separately to Government and to the organisations.

The Separate Audit Report on the annual accounts of Gujarat Electricity Board for the year 1989-90 had been issued to the Board and Government in February 1992. The annual accounts alongwith the Separate Audit Report for the year 1988-89 have been presented to the State Legislature on 29th March 1990. The Board finalised annual accounts for the year 1990-91 in September

1992 and the same is under scrutiny of audit. The accounts of the Board for the year 1991-92 have not been finalised so far (September 1992).

Separate Audit Report on the annual accounts of the Gujarat State Road Transport Corporation for the year 1990-91 has been forwarded to the Government in September 1992 for being placed before the State Legislature. The accounts of the Corporation for the year 1991-92 have not been finalised so far (September 1992).

1.3.3 The Gujarat State Financial Corporation was constituted on 1st May 1960 under Section 3(1) of the State Financial Corporation Act, 1951. The jurisdiction of the Corporation was extended to serve Union Territory of Dadra and Nagar Haveli with effect from 11th May 1967. The Gujarat State Warehousing Corporation was constituted in December 1960 under Section 28 of Agricultural Produce (Development & Warehousing) Corporations Act, 1956 (repealed by the Warehousing Corporations Act, 1962). It started functioning in February 1961.

Under the respective Acts, the accounts of these organisations are audited by the Chartered Accountants appointed by the State Government in consultation with the Comptroller and Auditor General of India who may also undertake audit of these Corporations separately. Separate Audit Reports in respect of these Corporations are also issued by the Comptroller and Auditor General of India. While the annual accounts of Gujarat State Financial Corporation for the year 1991-92 as certified by the Chartered Accountants have been received and the Separate Audit Report thereon was under finalisation (September 1992), the accounts of Gujarat State Warehousing Corporation for the year 1991-92 have not been received so far (September 1992). While Separate Audit Report on the annual accounts of the Gujarat State Financial Corporation up to 1990-91 had been presented to the

State Legislature, Separate Audit Report on the accounts of the Gujarat State Warehousing Corporation up to the year 1989-90 had been presented to the State Legislature.

1.3.4 The Gujarat Industrial Development Corporation was constituted in August 1962 under the Gujarat Industrial Development Act, 1962. The audit of the accounts of the Corporation as at present stands entrusted solely to the Comptroller and Auditor General of India under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 up to the accounts for the year 1996-97. Separate Audit Report, mainly incorporating comments on the annual accounts, is issued separately to Government and the Corporation. The Corporation has finalised its accounts up to 1990-91 and Separate Audit Report on the accounts for the year 1990-91 has been presented to the State Legislature in July 1992.

1.3.5 The working results of these Statutory corporations for the latest year for which accounts have been finalised are summarised in *Annexure*-4. Salient points about the accounts and physical performance of these Statutory corporations are given in paragraphs 1.4 to 1.8 below.

1.4 Gujarat Electricity Board

1.4.1 The capital requirements of the Board are met by way of loans from Government, the public, the banks and other financial institutions.

The aggregate of long-term loans including loans from Government obtained by the Board and outstanding as on 31st March 1991 was Rs.3,923.40* crores and represented an increase of Rs.646.90 crores (19.74 *per cent*) on the long-term loans of

* Includes Rs. 464.98 crores being interest accrued and due on Government and other loans.

Rs.3,276.50 crores outstanding at the end of the previous year. Particulars of loans obtained from the State Government and other sources and outstanding at the close of the two years up to 1990-91 were as follows :

Serial number	Sources*	Amount outstanding as on 31st March		Percentage Increase(+)/ Decrease (-)
		1990	1991	
1	2	3	4	5
		(Rupees in crores)		
1.	State Government	2286.20	2745.49	(+)20.09
2.	Debentures/Bonds	394.79	447.99	(+)13.47
3.	Life Insurance Corporation of India	111.70	123.23	(+)10.32
4.	Rural Electrification Corporation Limited	182.32	215.11	(+)17.98
5.	Agricultural Refinance and Development Corporation	11.79	10.74	(-)8.91
6.	Industrial Development Bank of India	107.87	91.24	(-)15.42
7.	Loan under S.P.A. Schemes	56.86	58.08	(+)2.15
8.	Other Loans	124.97	231.52	(+)85.26
		3,276.50	3,923.40	(+)19.74

1.4.2 The Government had guaranteed the repayment of loans raised by the Board and payment of interest thereon. The amount of principal guaranteed and outstanding guarantees as on 31st March 1991 was Rs.1791.80 crores.

1.4.3 The financial position of the Board at the close of the three years up to 1990-91 is given in the following table :

erial umber	Particulars	1988-89	1989-90	1990-91
	2	3	4	5
		(Rupees in crores)		
.	Liabilities			
	Loan from Government	1930.99	2286.20	2745.49
	Other long-term loans (including bonds)	846.20	990.30	1177.91
	Reserves and surplus	176.38	203.49	335.78
	Current liabilities and provisions	1104.90	1370.63	#1498.64
	Total - A	4058.47	4850.62	5757.82
	Assets			
	Gross fixed assets	2375.17	2624.93	3232.53
	Less : Depreciation	505.93	591.15	682.03
	Net fixed assets	1869.24	2033.78	2550.50
	Capital works-in-progress	741.43	954.60	870.54
	Current assets, investments miscellaneous expenditure including deficits	1447.80	1862.24	2336.78
	Total - B	4058.47	4850.62	5757.82
	Capital employed##	1954.89	2183.45	2914.25
	Capital Invested###	2545.15	2968.96	3587.22

.4 The working results of the Board for three years up to 90-91 are summarised below :

Includes Rs. 0.14 crore being amount due for repayment but not repaid to bond/debenture holders due to non-production of bonds/ debentures.

Capital employed represents net fixed assets (excluding works-in-progress) *plus* working capital.

Capital invested represents long-term loans *plus* free reserves *less* accumulated losses.

535/2.

Serial number	Particulars	1988-89	1989-90	1990-91
1	2	3	4	5
1.	(a) Revenue receipts	1090.95	1180.35	1308.63
	(b) Subsidy/Subvention from Government	156.57	392.04	544.86
		1247.52	1572.39	1853.49
2.	Revenue expenditure	1262.81	1574.23	1764.69
3.	Gross surplus(+)/deficit(-) for the year	(-)15.29	(-)1.84	(+)88.80
4.	Prior period adjustments	(+)29.23	(+)10.95	(+)11.48
5.	Net surplus(+) /deficit(-)	(+)13.94	(+)9.11	(+)100.28
6.	Total return on			
	- capital employed	124.16	168.99	300.97
	- capital invested	136.96	151.64	275.42
7.	Percentage of return on			
	- capital employed	6.4	7.7	10.3
	- capital invested	5.4	5.1	7.7

1.4.5 The Board finalised the accounts for the year 1990-91 i September 1992 and the same are under scrutiny. The majc observations made in the Separate Audit Report on the accoun of the Board for the year 1989-90 indicated net overstatement (surplus to the extent of Rs.39.32 crores made-up of the following

Particulars	Overstatement
	(Rupees in crore
Continuance of unwarranted provision for unbilled revenue	5.95
Withdrawal of provision for liability towards water charges	32.94
Non-accountal of interest and finance charges	0.43
	39.32

1.4.6 The following table indicates the operational performance the Board for the three years up to 1990-91 :

Serial umber (1)	Particulars (2)	1988-89 (3)	1989-90 (4)	1990-91 (5)
1	Installed capacity		(MW)	
	(a) Thermal*	3064.0	3329.0	3399.0
	(b) Hydro	305.0	365.0	425.0
	(c) Gas	54.0	54.0	54.0
	Total	3423.0	3748.0	3878.0
2.	Normal Maximum demand	3371.0	3755.0	4065.0
3.	Power generated :		(MKWH)	
	(a) Thermal	14770.477	16193.692	15907.000
	(b) Hydro	970.564	997.106	1524.000
	(c) Diesel set	Nil	0.206}	
	(d) Wind Farm	0.306	0.428}	1
	Total (3)	15741.347	17191.432	17432.000
4.	Less : Auxiliary consumption including transformation loss (percentage) (4)	1688.802 (10.7)	1781.784 (10.4)	1774.000 (10.2)
5.	Net Power generated (3-4)	14052.545	15409.648	15658.000
6.	Power purchased	3099.286	3619.241	4858.000
7.	Total power available for sale	17151.831	19028.889	20516.000
8.	Power sold	13768.880	14825.970	15993.000
9.	Transmission & distribution losses (7-8)	3382.951	4202.919	4523.000
10.	Load Factor (Percentage)	56.1	60.4	57.7
11.	Percentage of transmission & distribution losses to total power available for sale	19.73	22.09	22.05
12.	Number of villages/towns electrified	18147	18152	18174

This does not include the Board's share of 190 MW capacity of Tarapur Atomic Power Station and 522 MW of National Thermal Power Corporation projects.

(1)	(2)	(3)	(4)	(5)
13.	Number of pump sets/ wells energised	408289	437660	46272
14.	Number of sub-stations	361	387	40
15.	Transmission/distribution lines (in kms)			
	(a) High/medium voltage	117616	122130	12420
	(b) Low voltage	128050	136894	14027
16.	Connected load (in MW)	8612.610	9203.861	9890.69
17.	Number of consumers	4370819	4715346	503946
18.	Number of employees	41223	43022	4345
19.	Total expenditure on staff during the year (Rupees in crores)	167.33	164.97	211.7
20.	Percentage of expenditure on staff to total revenue expenditure	13.3	10.5	12.
21.	Units sold		(M K W H)	
	(a) Agriculture	4402.140	5144.950	5670.00
	(Percentage share to total units sold)	(32.1)	(34.7)	(35.
	(b) Industrial	5720.930	5973.100	6351.00
	(Percentage share to total units sold)	(41.5)	(40.3)	(39.
	(c) Commercial	272.670	322.980	355.00
	(Percentage share to total units sold)	(2.0)	(2.2)	(2.
	(d) Domestic	1046.660	1226.380	1353.00
	(Percentage share to total units sold)	(7.6)	(8.3)	(8.
	(e) Others	2326.480	2158.560	2264.00
	(Percentage share to total units sold)	(16.9)	(14.6)	(14.
	(Total 21)	13768.880	14825.970	15993.00
22.	(a) Revenue (excluding subsidy from Government)		(Paise per KWH)	
		79.23	79.61	81.

(1)	(2)	(3)	(4)	(5)
	(b) Expenditure#	80.66	95.83	98.67
	(c) Profit (+)/ Loss (-)	(-) 1.43	(-) 16.22	(-) 16.87
	(d) Average subsidy claimed from Government (in rupees)	0.07	0.26	0.34
	(e) Average interest charges (in rupees)	0.112	0.104	0.117

.5 Gujarat State Road Transport Corporation

.5.1 Under Section 23(1) of the Road Transport Corporations ct, 1950, the State Government and Central Government had greed to contribute to the capital of the Corporation in the ratio f 2:1. The capital of the Corporation as on 31st March 1991 was s.370.96 crores (State Government: Rs.276.44* crores, Central overnment : Rs.94.52 crores) as against the capital of Rs. 329.26 rores (State Government Rs. 248.99 crores, Central Government s. 80.27 crores) as on 31st March 1990. The shortfall in the apital contribution of the Central Government as on 31st March 990 was Rs. 37.64 crores. The Corporation had decided (April 986) to forego its claim of Rs. 7.10 crores towards Central overnment's matching capital contribution for the years 1980-81 Rs. 4.35 crores) and 1981-82 (Rs. 2.75 crores) as the State overnment, while releasing additional contribution during these ears, had not obtained prior approval of the Central Government/ lanning Commission. Besides, the Central Government had also ot paid Rs.2.77 crores for the year 1985-86, Rs. 11.50 crores for he year 1987-88, Rs. 12.54 crores for the year 1988-89 and s. 3.72 crores for the year 1990-91 for want of satisfactory erformance of the Corporation. Government stated in February

Inclusive of total depreciation for the year but excluding interest on loans.

The figure as per Finance Accounts is Rs. 276.03 crores, the difference is under reconciliation.

1989 that it had decided not to pursue the claim. During the yea 1990-91 the Corporation received Rs.27.45 crores from the Stat Government. The Corporation approached (April 1989) the Centra government for release of their share capital contribution o Rs. 12.54 crores for the year 1988-89. The Central Governmen informed (May 1989) that the matching capital contribution coul be made only to those State Road Transport Corporations whicl either had earned net profit or had run on break even from 1987 88.

As regards capital contribution for the year 1990-91 th Central Government released Rs. 10 crores in March 1991, Rs. 0.9 crores in July 1991 and Rs. 2.74 crores in February 1992.

1.5.2 Government had also given guarantees for the repayment o loans raised by the Corporation and also payment of interes thereon. As on 31st March 1991 amount of such guarantees an loans outstanding thereagainst was Rs. 3.30 crores.

1.5.3 The following table summarises the financial position o the Corporation at the close of each of the three years up t 1990-91.

Serial number (1)	Particulars (2)	1988-89 (3)	1989-90 (4)	1990-91 (5)
		(Rupees in crores)		
A	Liabilities			
1	Capital	283.56	329.26	370.9
2	Borrowings	45.72	51.59	69.2
3	Funds*	0.22	0.24	0.2
4	Trade dues and other current liabilities (including provisions)	90.04	120.18	74.3
	Total	419.54	501.27	514.8

* Excluding depreciation fund.

(1)	(2)	(3)	(4)	(5)
B	Assets			
1	Gross Block	268.10	286.00	313.64
2	Less : Depreciation	184.76	178.87	182.63
3	Net fixed assets	83.34	107.13	131.01
4	Capital works-in-progress (including cost of chassis)	15.51	15.96	14.15
5	Investments	0.06	0.06	0.06
6	Current assets, loans and advances	55.44	88.10	82.84
7	Accumulated losses	265.19	290.02	286.77
	Total	419.54	501.27	514.83
C	Capital employed**	52.94	79.85	139.54
D	Capital invested***	64.09	90.83	153.47

1.5.4 The working results of the Corporation for the three years up to 1990-91 are summarised below.

Serial number	Particulars	1988-89	1989-90	1990-91
(1)	(2)	(3)	(4)	(5)
		(Rupees in crores)		
1	Operating			
	(a) Revenue	327.06	360.14	390.96
	(b) Expenditure	343.03	404.47	449.25
	(c) Surplus(+)/Deficit (-)	(-)15.97	(-)44.33	(-)58.29
2	Non-operating			
	(a) Revenue	38.22	57.81	74.29
	(b) Expenditure	20.59	7.26	11.70
	(c) Surplus (+)/Deficit (-)	(+)17.63	(+)50.55	(+)62.59

** Capital employed represents net fixed assets (excluding works-in-progress) *plus* working capital.

*** Capital invested represents capital contribution *plus* long-term loans and free reserves *less* accumulated losses.

(1)	(2)	(3)	(4)	(5)
3	Total			
	(a) Revenue	365.28	417.95	465.2
	(b) Expenditure	363.62	411.73	460.9
	(c) Net Profit (+)/Loss (-)	(+)1.66	(+)6.22	(+)4.3
4	Interest on capital and loans	20.59	7.20	11.5
5	Total return on			
	- Capital employed	22.25	13.42	15.8
	- Capital invested	21.01	13.42	15.8

1.5.5 The major observations made in the Separate Audit Repor on the accounts of the Corporation for the year 1990-91 indicate overstatement of net profit for the year by Rs.49.91 lakhs a detailed below:

Particulars	Rupees in lakhs
Overstatement of profit (1)	
Excess recovery through Miscellaneous Receipts on account of capitalisation of interest to the work-in progress	14.57
Non-provision for L.T.C. liability	48.90
	63.47
Understatement of profit (2)	
Under provision of P.F.contribution for 1989-90 being treated as current year provision	13.56
Net overstatement of profit (1)-(2)	49.91

1.5.6 The following table indicates the operational performance o the corporation for the three years up to 1990-91:

Serial number (1)	Particulars (2)	1988-89 (3)	1989-90 (4)	1990-91 (5)
1	Average number of vehicles held	7735	7882	8132
2	Average number of vehicles on road	6581	6816	6733
3	Percentage of utilisation	85.1	86.5	82.8
4	Number of routes operated at the end of the year	15257	16257	15631
5	Route kilometres	790753	879525	857943
6	Kilometres operated (in lakhs)			
	(a) Gross	7559.34	7932.41	7795.49
	(b) Effective	7479.89	7848.76	7713.55
	(c) Dead	79.45	83.65	81.94
7	Percentage of dead kilometres to gross kilometers	1.05	1.05	1.06
8	Average kilometres covered per bus per day	313.8	318.3	316.6
9	Average operating revenue per kilometre (Paise)	437	459	507
10	Increase in operating revenue per kilometre over previous years income (*per cent*)	4.54	5.03	10.45
11	Average expenditure per kilometre (paise)	459	515	582
12	Increase in operating expenditure per kilometre over previous year's expenditure (*per cent*)	1.8	12.2	13
13	Loss per kilometre (paise)	21	56	76
14	Number of operating depots	123	126	128
15	Average number of break-down per lakh kilometres	4.3	5.2	5.4
16	Average number of accidents per lakh kilometres	0.30	0.33	0.33

(1)	(2)	(3)	(4)	(5)
17	Passenger kilometres operated (in crores)	3009.46	3302.35	3163.69
18	Occupancy ratio	68.0	70.2	68.2
19	Kilometres obtained per litre of :			
	(a) Diesel Oil	4.95	4.95	4.98
	(b) Engine oil	1311	1226	1275

1.6 Gujarat State Financial Corporation

1.6.1 The paid-up capital of the Corporation as on 31st March 1992 was Rs. 57.30 crores (State Government : Rs. 34.79 crores, Industrial Development Bank of India: Rs. 22.10 crores and others: Rs. 0.41 crore) as against Rs. 51.80 crores (State Government : Rs.29.29 crores, Industrial Development Bank of India : Rs. 22.10 crores and others : Rs. 0.41 crore) as on 31st March 1991.

Government had guaranteed the repayment of share capital of Rs.55.90 crores (excluding special share capital of Rs. 1.40 crores) under Section 6(1) of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at the rate of 3.5 *per cent* on Rs. 13.20 crores (excluding special share capital of Rs.1.40 crores) and 7.5 *per cent* on Rs. 42.70 crores, except on the shares issued under Section 4A of State Financial Corporations Act, 1951. Besides these, Government had also guaranteed repayment of loans (raised through bonds, debentures and fixed deposits *etc.*) of Rs. 373.81 crores. Principal amount outstanding thereagainst as on 31st March 1992 was Rs. 257.35 crores.

1.6.2 The following table summarises the financial position of the Corporation at the end of each of the three years up to 1991-92:

Serial number (1)	Particulars (2)	1988-89 (3)	1989-90 (4)	1990-91 (5)
		(Rupees in crores)		
A.	Liabilities			
1.	Paid-up capital	46.80	51.80	57.30
2.	Reserve fund and other reserves and surplus	12.60	13.02	12.97
3.	Borrowings			
	(i) Bonds and Debentures	172.40	205.95	243.45
	(ii) Fixed Deposits	0.10	—	—
	(iii) Industrial Development Bank of India and Small Industries Development Bank of India	176.68	222.05	283.35
	(iv) Reserve Bank of India	—	—	4.50
	(v) Loan towards share capital			
	(a) State Government	8.03	8.03	8.03
	(b) Industrial Development Bank of India	8.22	8.22	8.22
	(vi) Others (including State Government)	3.20	2.85	2.85
4.	Other Liabilities and provisions	9.10	12.08	19.11
	Total	437.73	524.00	639.78
B.	Assets			
1.	Cash and Bank balances	13.93	19.34	33.14
2.	Investments	0.31	0.68	0.72
3.	Loans and Advances	415.11	495.21	592.37
4.	Net fixed assets	0.94	0.94	1.37 5
	Other assets	7.44	7.83	12.18
	Total	437.73	524.00	639.78

(1)	(2)	(3)	(4)	(5)
C.	Capital employed (A)	398.78	469.97	566.29
D.	Capital invested (B)	418.82	502.60	610.58

1.6.3 The following table gives details of the working results of the Corporation for the three years up to 1991-92 :

Serial number (1)	Particulars (2)	1988-89 (3)	1989-90 (4)	1990-91 (5)
		(Rupees in crores)		
1.	Income			
	(a) Interest on loans	42.34	50.06	61.59
	(b) Other income	2.24	2.67	5.41
	Total - 1	44.58	52.73	67.00
2.	Expenses			
	(a) Interest on long-term loans	30.66	36.63	46.22
	(b) Other expenses	13.37	15.37	18.81
	Total - 2	44.03	52.00	65.03
3.	Profit before tax (1-2)	0.55	0.73	1.97
4.	Provision for tax	0.18	0.21	0.60
5.	Other appropriations	0.30	0.40	1.00

(A) Capital employed represents the mean of the aggregates of opening and closing balances of paid-up capital, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

(B) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

(1)	(2)	(3)	(4)	(5)
6.	Amount available for dividend (AA)	0.07	0.12	0.37
7.	Dividend	2.72	2.93	3.48
8.	Total return on			
	- Capital employed	31.21	37.36	48.19
	- Capital invested	31.21	37.36	48.19
9.	Percentage of return on			
	- Capital employed	7.8	7.9	8.5
	- Capital invested	7.5	7.4	7.9

1.6.4 The following table indicates the position regarding receipts and disposal of application of loans for the three years up to 1991-92 :

(AA) Includes refund of income tax for earlier years, surplus carried from previous years and adjustment of previous years.

Serial number	Particulars	1988-89	
		Number	Amount (Rs. in crores)
1	2	3	4
1.	Applications pending at the beginning of the year	194	33.50
2.	Applications received	2124	185.10
3.	Total	2318	218.60
4.	Applications sanctioned	1842	154.91
5.	Applications cancelled/withdrawn /rejected	333	21.64
6.	Difference between the amount of loan applied and sanctioned	—	13.26
7.	Applications pending at the end of the year	143	28.78
8.	Loans disbursed	1528	106.56
9.	Loans outstanding at the end of the year	13797	414.84
10.	Amount which fell due for recovery at the end of the year		
	(a) Principal	(A)	59.83
	(b) Interest	(A)	53.27
11.	Percentage of default	—	27.3

1989-90		1990-91		Cumulative since inception	
Number	Amount (Rs. in crores)	Number	Amount (Rs. in crores)	Number	Amount (Rs. in crores)
5	6	7	8	9	10
143	28.78	491	82.00	—	—
2717	296.93	3350	356.23	50577	2395.81
2860	325.71	3841	438.23	50577	2395.81
2205	215.34	2858	282.52	37522	1552.17
164	23.13	393	56.37	12465	578.72
—	16.50	—	26.99	—	192.57
491	82.00	590	72.35	590	72.35
1753	132.38	2254	155.21	26891	971.73
14539	500.91	15437	603.09	—	—
(A)	66.16	(A)	75.15	—	—
(A)	62.66	(A)	61.13	—	—
—	25.7	—	22.6	—	—

(A) Party-wise break-up of amounts in instalments, whether of principal or interest overdue for recovery as on 31st March 1990, 31st March 1991 and 31st March 1992 were not complied by the Corporation.

Out of the outstanding loan of Rs. 603.09 crores against 15,437 loanees as on 31st March 1992, Rs. 136.28 crores (including interest of Rs. 62.13 crores which fall due for recovery) were in arrears at the end of the year. The percentage of overdue amount to the total outstanding which was 25.7 in 1990-91 reduced to 22.6 in 1991-92.

1.7 Gujarat State Warehousing Corporation

1.7.1 The paid-up capital of the Corporation as on 31st March 1991 was Rs.2.50 crores (equally contributed by the State Government and Central Warehousing Corporation).

1.7.2 The following table summarises the financial position of the Corporation at the end of each of the three years up to 1990-91:

Serial number	Particulars	1988-89	1989-90	1990-91
(1)	(2)	(3)	(4)	(5)
		(Rupees in crores)		
A.	Liabilities			
1.	Paid-up capital	1.91	1.91	2.50
2.	Reserves and Surplus	3.23	3.67	3.91
3.	Borrowings	—	0.37	0.32
4.	Trade dues and current liabilities (including provision)	1.62	1.59	1.56
	Total - A	6.76	7.54	8.29
B.	Assets			
1.	Gross Block	3.40	5.45	5.82
2.	**Less** : Depreciation	0.80	0.96	1.14
3.	Net fixed assets	2.60	4.49	4.68
4.	Capital works-in-progress	0.51	0.25	0.07
5.	Current assets, loans and advances	3.65	2.80	3.54
	Total-B	6.76	7.54	8.29

(1)	(2)	(3)	(4)	(5)
C.	Capital employed *	4.88	5.95	6.66
D.	Capital invested **	3.63	3.92	4.56

7.3 The following table summarises the working results of the ɔrporation for the three years up to 1990-91:

›erial ımber	Particulars	1988-89	1989-90	1990-91
		(Rupees in crores)		
1.	Income			
	(a) Warehousing charges	1.27	1.20	1.66
	(b) Other income	0.65	0.47	0.43
	Total-1	1.92	1.67	2.09
2.	Expenses			
	(a) Establishment charges	0.73	0.74	0.93
	(b) Other expenses	0.90	0.89	0.82
	Total-2	1.63	1.63	1.75
3.	Profit before tax	0.29	0.04	0.34
4.	Other appropriations	0.07	0.01	0.08
5.	Amount available for dividend	0.44	0.46	0.26
6.	Dividend for the year	0.11	—	*0.12
7.	Total return on			
	- capital employed	0.29	0.07	0.39
	- capital invested	0.29	0.07	0.39
8.	Percentage of return on			
	- capital employed	5.9	1.2	5.8
	- capital invested	8.0	1.8	8.5

Capital employed represents net fixed assets excluding capital works-in-progress *plus* working capital.

Capital invested represents paid-up capital *plus* free reserves *plus* long-term *less* accumulated losses.

Includes dividend of Rs. 1.91 lakhs declared for the year 1989-90.

As per provision of Section 31 (10) of the Warehousi Corporations Act, 1962 the annual accounts of the Corporatic together with Separate Audit Report thereon were required to l placed before Annual General Meeting (AGM) of the Corporatic within six months of the close of respective financial year. Tl annual accounts for the year 1990-91 were finalised by tl Corporation on 17th September 1991 and were presented in AG in October 1991. The annual accounts of the Corporation for tl year 1991-92 have not been finalised so far (September 1992).

1.7.4 The following omissions were pointed out in the Separa Audit Report on the annual accounts of the Corporation for t year 1990-91 :

(i) Warehouse charges Rs. 166.16 lakhs was overstated Rs. 3.72 lakhs due to inclusion of prior period expenses.

(ii) Secured loans from Bank of Baroda Rs. 32.50 lakhs w understated by Rs. 1.97 lakhs due to deduction of a deposit frc loan account.

1.7.5 The table below indicates the physical performance of t Corporation for the three years up to 1990-91:

Serial number (1)	Particulars (2)	1988-89 (3)	1989-90 (4)	1990-9 (5)
1.	Number of stations covered	53	57	
2.	Storage capacity created up to the end of the year (Tonnes in lakhs)			
	(a) Owned	1.15	1.32	1
	(b) Hired	0.52	0.37	0
	Total	1.67	1.69	1
3.	Average capacity utilised during the year (Tonnes in lakhs)	1.14	0.94	1
4.	Percentage of utilisation	68.3	55.6	(

(1)	(2)	(3)	(4)	(5)
5.	Average revenue per tonne per year (Rupees)	168.6	177.6	184.4
6.	Average expenses per tonne per year (Rupees)	142.8	173.6	154.2

l.8 Gujarat Industrial Development Corporation

l.8.1 The capital requirements of the Corporation are provided in he form of loans from the State Government, the public, the ›anks and other financial institutions.

The aggregate of the long-term loans (including loans from Government) obtained by the Corporation was Rs.145.29 crores at he end of 1990-91 and represented a decrease of Rs.2.05 crores 1.4 *per cent*) on the long-term loans of Rs.147.34 crores at the nd of 1989-90.

Details of loans obtained from different sources and utstanding at the close of the two years up to March 1991 were s follows:

Serial umber	Particulars	Amount outstanding as on 31st March		Percentage increase (+) Decrease (-)
		1990	1991	
		(Rupees in crores)		
1	State Government	67.93	69.59	(+) 2.4
2	Public	27.64	28.80	(+) 4.2
3	Banks	45.65	40.96	(-) 10.3
4	Life Insurance Corporation of India	4.49	3.25	(-) 38.15
5	Housing and Urban Development Corporation	0.88	2.13	(-)142.0
6	Others	0.75	0.56	(-) 25.3
	Total	147.34	145.29	(-) 1.4

Government had also given subsidy of Rs. 4.11 crores up to 31st March 1991 to the Corporation for development of rural industrial estates and for implementing the schemes for providing employment to educated unemployed persons and other schemes sponsored by Government. Out of Rs. 4.11 crores received up to 1990-91, the amount remaining unutilised or unadjusted as on 31st March 1991 was Rs. 1.07 crores.

1.8.2 Government had guaranteed the repayment of loans raised by the Corporation to the extent of Rs. 165.99 crores and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1991 was Rs. 46.80 crores.

1.8.3 The table below summarises the financial position of the Corporation at the end of each of the three years up to 1990-91

Serial number	Particulars	1988-89	1989-90	1990-91
(1)	(2)	(3)	(4)	(5)
		(Rupees in crores)		
A.	Liabilities			
1.	Loans	155.71	147.34	145.2
2.	Subsidy from Government	1.30	1.07	1.0
3.	Reserves and surplus	13.96	19.03	28.6
4.	Receipts on capital account	121.24	142.85	171.5
5.	Current liabilities and provisions (including deposits)	45.03	49.62	55.9
	Total - A	337.24	359.91	402.4
B.	**Assets**			
1.	Gross Block	1.90	2.46	2.7
2.	**Less** : Depreciation	1.19	1.35	1.6
3.	Net fixed assets	0.71	1.11	1.1
4.	Capital expenditure on development of industrial estates *etc.*	229.57	241.51	245.9

(1)	(2)	(3)	(4)	(5)
5.	Investments	0.11	0.11	0.09
6.	Other assets	106.57	116.95	155.08
7.	Miscellaneous expenditure	0.28	0.23	0.22
	Total - B	337.24	359.91	402.47
C.	Capital employed*	280.58	301.25	328.43
D.	Capital invested**	169.67	166.37	173.92

1.8.4 The working results of the Corporation for the three years up to 1990-91 are summarisd below:

Serial number	Particulars	1988-89	1989-90	1990-91
		(Rupees in crores)		
1.	Revenue Receipts	33.48	39.31	46.90
2.	Net expenditure after capitalisation	30.76	34.24	37.29
3.	Excess of income over expenditure	2.72	5.07	9.61
4.	Provision for replacement and renewals	2.69	5.06	9.58
5.	Net surplus (3-4)	0.03	0.01	0.03
6.	Total return on			
	- capital employed	17.42	17.07	16.69
	- capital invested	17.42	17.07	16.69
7.	Percentage of return on			
	- capital employed	6.2	5.7	5.1
	- capital invested	10.3	10.3	9.6

* Capital employed represents the mean of aggregate opening and closing balances of reserves and surplus, subsidy from Government, borrowings and receipt on capital account.

** Capital invested represents long-term loans *plus* free reserves.

1.8.5 The following table indicates the operational performance of the Corporation for the three years up to 1990-91:

Serial number (1)	Particulars (2)	1988-89 (3)	1989-90@ (4)	1990-91 (5)
1.	Number of estates	173	175	185
2.	Area		(Hectares)	
	(a) Acquired	13961.92	14658.80	14885.14
	(b) Developed	9231.26	9422.18	9762.70
	(c) Allotted	6247.18	6549.43	6947.66
3.	Sheds :		(Numbers)	
	(a) Constructed	11065	11247	11594
	(b) Allotted	10407	10752	11192
4.	Housing Quarters :			
	(a) Constructed	11398	11514	11598
	(b) Allotted	9700	9929	10110
5.	Percentage of			
	(a) Area developed to area acquired	66.1	64.3	65.6
	(b) Area allotted to sheds constructed	67.7	69.5	71.2
	(c) Sheds allotted to sheds constructed	94.0	95.6	96.5
	(d) Quarters allotted to quarters constructed	85.1	86.2	87.2

1.8.6 The following omissions were pointed out in the Separate Audit Report on the accounts of Gujarat Industrial Development Corporation for the year 1990-91:

(i) Cash with Bank - in Deposit account- Rs.5908.96 lakhs.

The above balance was understated by Rs. 8.97 lakhs due to accountal of cheques issued before six months prior to the closure

@ Figures as per statement number 1 and 3 annexed to the annual accounts for the year.

f accounts but not presented for payment by parties concerned nd also due to non-accountal of credits given by banks. This had lso resulted in understatement of sundry creditors by an equal nount.

i) Total establishment and other charges : Rs.390.58 lakhs

The above amount was understated by 126.64 lakhs due non-provision of (i) Guarantee fee payable (Rs. 1.28 lakhs), i) Reservation charges for drawal of water (Rs. 57.21 lakhs), ii) Charges payable to Ahmedabad Municipal Corporation ır street lighting of industrial estates (Rs. 31.50 lakhs) and v) various other expenditures payable (Rs. 36.65 lakhs).

CHAPTER - I

SECTION - 2

REVIEWS RELATING TO GOVERNMENT COMPANIES

This chapter contains:

2A A review on the working of Gujarat Water Resources Development Corporation Limited

2B A review on the delay in finalisation of accounts by selected Government companies

SECTION 2A

Gujarat Water Resources Development Corporation Limite

Highlights

The Gujarat Water Resources Development Corporatio Limited was incorporated in May 1971 with the main objective (executing tubewell and lift irrigation programmes. The Compan started functioning in August 1975.

Capital grants and loans received from time to time fror Government, banks and other agencies were not fully spent on th related works programmes. The unspent funds, as on 31st Marc 1991, amounting to Rs.23.49 crores were diverted to meet workin capital requirements.

Under refinance scheme of National Bank for Agriculture an Rural Development, the Company has drawn excess loan c Rs.3.62 crores during the five years up to 1987-88 against 20 irrigation schemes due to non-reckoning of the capital subsid provided by the District Rural Development Agency. The exces drawal of loan imposes an interest burden of Rs.0.36 crore *pe annum* to the Company.

Out of the total 3285 tubewells drilled from inception t

1990-91, 409 tubewells were declared as failed, the percentage of failure being 12.45 against the prescribed norm of four. The Company did not investigate into the incidence of such high rate of failure of tubewells.

Out of the irrigation potential created by the Company for 2.59 lakh hectares of land only 0.86 lakh hectares (33 *per cent*) were brought under irrigation. The underutilisation was mainly due to delay in construction of distributory channels, competition from private tubewells, absence of recharge condition and depletion of ground water.

The Company does not have a system of periodical evaluation of projects to assess the impact of the investments. The Government did not prescribe any periodical reporting to monitor and control the progress of the works financed by it.

The Company incurred a cumulative loss of Rs.29.26 crores (provisional) up to the end of March 1991, against its paid-up capital of Rs.31.49 crores. The loss was, mainly, on account of non-revision of water rates, high incidence of establishment and overhead charges and low development of irrigation potential compared to the estimates.

Water rate of Rs.1.80 per 10000 litres of water, fixed by the Government in 1985, has not been revised despite sharp increase in all elements of cost. The difference between the economic water rate and the controlled water rate is subsidised by the Government on *ad-hoc* basis. A decision on the revision of subsidy as recommended by a Committee in February 1991 is yet to be taken by the Government.

Total outstanding dues from farmers at the end of March 1991, were Rs.10.69 crores representing 26 months' demand.

The Company made avoidable payment of interest of Rs.18.80 lakhs due to its failure in utilising its surplus funds

(Rs. 1.23 lakhs), in making timely payment of term loans (Rs. 1.77 lakhs), overpayments of such loans (Rs. 8.01 lakhs) and monitoring its remittances (Rs. 7.79 lakhs).

The Company incurred an extra expenditure of Rs.12.73 lakhs in procurement of pipes from the second lowest tender and in violation of its policy regarding source of purchase.

2A.1 Introduction

The Gujarat Water Resources Development Corporation Limited was incorporated on 3rd May 1971, as a fully owned Government company with the main objective of executing tubewell and lift irrigation programmes by availing funds from Government and Financial Institutions.

Due to a directive from the State Government (May 1971), functioning of the Company was kept in abeyance till August 1975 as a measure of economy. The Company was given Certificate to commence business on 7th August, 1975. In 1975, the Government decided to activate the Company and agreed to provide subsidy to meet the difference between the economic rates and the approved rates to be charged from the farmers for supply of water.

2A.2 Objectives

The main objectives of the Company are :

- to drill/dig new tubewells and manage them for irrigation and other purposes;
- to construct check dams, percolation tanks, *etc.*,
- to carry out and manage lift irrigation schemes and schemes for reservoirs, channels and canals;
- to manage tubewells transferred from the Government and Panchayats;

- to carry out research and investigation concerning ground water in all its facets *viz*., exploration, exploitation, development, and protection, independently or in co-ordination with other agencies; and
- to distribute water and recover cost of it at approved rates.

The Company has been engaged in the activities of nvestigation and identification of the water source areas, drilling, operation and maintenance of tubewells and execution of lift rrigation schemes. The Company also executes and operates projects transferred from the Government and Panchayats.

2A.3 Organisational set-up

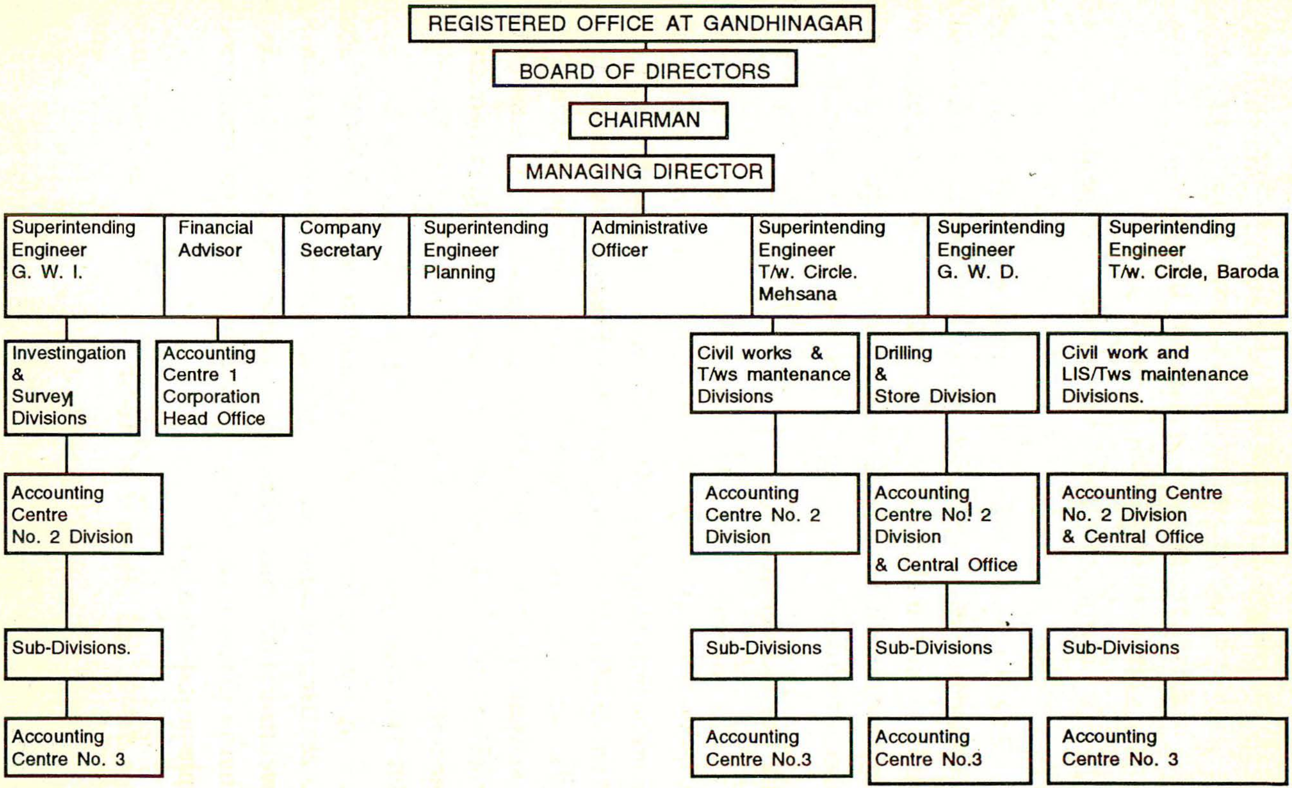
The management of the Company is vested in a Board of Directors consisting of 14 Directors, appointed by the State Government, including a Chairman and a Managing Director. The Managing Director, who is the Chief Executive, is assisted in day-to-day operations by a Superintending Engineer (Ground Water Investigation), a Superintending Engineer (Ground Water Development), a Superintending Engineer (Planning) and two Superintending Engineers from field units (Chart-1).

The Company has fifteen field offices (including four ground water divisions) each headed by an Executive Engineer (Ground Water Divisions headed by Geo-hydrologists) responsible for execution and maintenance of tubewells and lift irrigation schemes. Their activities are coordinated and monitored from Head Office at Gandhinagar.

2A.4 Scope and objective of Audit

The records of the Company at its Head Office and Unit Offices for the period from 1986-87 to 1990-91 were generally

ORGANISATIONAL SETUP CHART



(Chart No. 1 (Referred to in paragraph 2A.3 page 43) xamined during the months from January to March 1992, to eview various aspects of execution and operation of the tubewell nd lift irrigation projects, purchase of materials and some aspects f financial management in the Company.

The working of the Company for the period from 1976-77 to 982-83 was reviewed and included in the Report of the Comptroller and Auditor General of India for the year 1982-83 Commercial). The Report was discussed by the Committee on Public Undertakings (COPU) and the recommendations were ncorporated in their 19th Report of Seventh Vidhan Sabha, placed efore the Legislature in September 1989. Action taken Report of he Government was discussed on 30th September 1991. The final outcome is awaited (August 1992).

2A.5 Sources of financing the schemes

The schemes executed by the Company are financed out of (a) equity, (b) term loans under the refinance scheme of National Bank for Agriculture and Rural Development (NABARD) and (c) subsidies/grants from Government agencies. NABARD changed its lending policy in September 1988 and stopped refinancing new schemes as the water rates were not increased to the level of economic rates.

Up to 1990-91, the Company received funds aggregating Rs. 281.21 crores on account of equity (Rs.31.49 crores) from State Government, term loans (Rs.70.78 crores) from financing banks and subsidy/grants (Rs.178.94 crores) from government for implementation of ground water schemes.

Term loans were available to the extent of 80 *per cent* of the cost of each scheme and were repayable in nine annual instalments (including a moratorium period of two years) with interest rates ranging up to 10.25 *per cent per annum.*

The details of term loans sanctioned by NABARD and drawn by the Company at the end of each of the five years up to 1990-91 are given below :

Up to the end of	Number of schemes	Term loans sanctioned	Loan amount	
			drawn	not drawn
			(Rupees in crores)	
1985-86	88	65.65	54.32	11.33
1986-87	103	66.95	59.00	7.95
1987-88	109	69.80	60.08	9.72
1988-89	110	74.82	66.57	8.25
1989-90	110	74.82	70.64	4.18
1990-91	110	74.82	70.78	4.04

(i) The short-drawal of sanctioned loans was mainly on account of procedural delays in the revalidation of sanctioned period for execution of the schemes, delay in obtaining Government guarantee and tardy progress in execution of programmes by the Company.

(ii) As per terms and conditions in force, the Company is eligible to draw the sanctioned loans from the financing banks in instalments related to the actual expenditure incurred on each scheme. Such expenditure should not include any anticipated expenditure. Contrary to this, the loans were being drawn on the basis of evaluated expenditure of physical progress of each scheme.

A comparison of actual expenditure booked in accounts with the loans drawn for 5 of 14 schemes executed during the period from 1987-88 to 1990-91, revealed that as against Rs. 2.17 crores drawn by way of loan up to March 1991, the actual expenditure incurred was only Rs.1.94 crores. Since the Company was entitled to receive 80 *per cent* of expenditure incurred by way of loan, the amount of loan over drawn worked out to Rs.0.62 crore.

(iii) Mainly due to low volume of works coupled with delays in their execution, the Company could not contain the establishment expenditure within the limit of 17.85 *per cent* provided in the estimates. The actual expenditure exceeded the limit by 12.5 *per cent* (Rs.203.03 lakhs) during the five years up to 1990-91.

(iv) In addition to the above, the Company obtained loan of Rs. 9 crores from the Bank of Baroda in 1990-91 and 1991-92 for executing a programme of digging 500 tubewells and for on-going schemes at an interest rate of 14 *per cent* up to 8th October 1991 and thereafter at 21.25 *per cent.* The State Government also released funds amounting Rs.13.72 crores as grant specially for this programme.

The following table indicates the funds received and expenditure incurred on the 500 tubewells programme:

Year	Funds received from State Government towards 500 tubewells programme	Funds received from Bank of Baroda	Total	Expenditure incurred on 500 tubewells programme	Other capital works
			(Rupees in crores)		
1989-90	7.52	—	7.52	3.21	4.86
1990-91	3.20	3.00	6.20	6.44	1.73
1991-92 (up to January 1992)	3.00	6.00	9.00	1.42	0.34
	13.72	9.00	22.72	11.07	6.93

From the above table, it could be seen that out of Rs.22.72 crores earmarked for 500 tubewells and the on going schemes

Rs.18 crores were utilised on the intended works up to January 1992. The remaining amount of Rs 4.72 crores was diverted for working capital.

Some aspects of funds management are discussed in the succeeding paragraphs:

2A.5.1 Overlapping drawal of finance

Capital cost of execution of the schemes is financed by NABARD by way of refinance as term loan through commercial banks and by the State Government as share capital contribution. During the years from 1983-84 to 1987-88, the Company also received Central Government capital subsidy of Rs.361.62 lakhs in respect of 150 tubewells and 54 Lift Irrigation (LI) schemes from District Rural Development Agency (DRDA). The subsidy from DRDA was available to the extent of the estimated cost of the project equal to the proportion of coverage of small and marginal farmers.

In respect of projects where both subsidy and refinance were involved, the Company was to first deduct subsidy from the total expenditure and then work out admissible refinance. The Company did not follow this procedure and subsidy received from DRDA was not deducted from total expenditure. This resulted in overlapping drawal of finance of Rs.361.62 lakhs during the five years up to 1987-88. The drawal of excess loan resulted in an interest burden of Rs 36.20 lakhs *per annum* to the Company.

One of the conditions of the DRDA subsidy was that the small and marginal farmers should be charged water rates at 50 *per cent* of the water rates charged from other farmers for a period of five years. This was not followed by the Company.

2A.5.2 Diversion of funds

For energisation of tubewells constructed by the Company,

.e Gujarat Electricity Board (GEB) was to lay the distribution ıes which were to be the property of GEB. Under GEB's scheme "Financial participation", the consumers who advance 100 *per ınt* cost of energisation were to get priority in laying such lines. he advance bearing interest at 7.5 *per cent per annum* was payable by GEB after expiry of tenth year of its receipt. overnment was providing funds through interest bearing loans for eeting the cost of energisation of tubewells on the condition that e loan should be repaid in full at the end of tenth year. The ans carried interest at the rate of 7.5 *per cent per annum*.

The following table would indicate the details of loans ceived, amount advanced to GEB, repayment from GEB, *etc*., ıring the six years up to 1991-92 :

ear	Receipt		Utilisation	Balance diverted for other purposes
	State Government loan	Refund from GEB	Deposited with GEB	
			(Rupees in lakhs)	
86-87	60.00	—	70.47	(-)10.47
87-88	30.00	30.00	30.53	29.47
88-89	20.00	30.00	15.00	35.00
89-90	25.00	90.00	115.00	—
90-91	50.00	100.00	—	150.00
91-92	—	100.00	25.00	75.00
OTAL	185.00	350.00	256.00	279.00

Even though the Company received repayments from GEB ainst the advances, it did not utilise this amount for repayment Government loan; instead it was utilised for energisation ırpose and for meeting working capital and other requirements. addition, the Company received Rs.348.78 lakhs as interest on the amounts deposited with GEB during the years from 1986-87 1990-91. The Company, instead of repaying this amount Government, utilised it for other purposes.

The total loan amount repayable under this scheme Government at the end of March 1991 stood at Rs.20.56 cror apart from the interest of Rs.13.79 crores thereon.

2A.5.3 Unutilised grants

The Company executes works in respect of schem formulated by the State Government under the plan programm and also those entrusted to it by other developmental agenci such as Drought Prone Area Programme (DPAP), Dese Development Programme (DDP), District Rural Development Agen (DRDA), *etc.* The Company could utilise these funds only part for the execution of developmental works. The unutilised funds the end of March 1991 amounted to Rs.12.49 crores of which amount of Rs.9.40 crores was more than four years old.

Instead of utilising the funds exclusively for execution developmental works such as drilling of tubewells, lift irrigati schemes, *etc.* the Company diverted these funds for meeting oth expenditure without any authority.

The Government did not prescribe any periodical return utilisation of funds to enable it to ascertain whether the fun were utilised for the works for which these were sanctioned. T Company did not furnish reasons for short utilisation of fun and mode of their diversion.

2A.6 Management of projects/schemes

2A.6.1 Execution of tubewell schemes

2A.6.1.1 The ground water schemes are taken up for providi irrigation facilities for the benefit of farmers. The beneficiaries a required to execute a formal agreement with the Company f getting the benefit of irrigation from the tubewells. Thereafter, t ompany takes up investigation work and prepares a project port for technically and financially viable schemes.

After the project report is finally cleared by NABARD/ overnment, each scheme is required to be completed within 12 onths of grounding but this was often delayed due to delay in entification of beneficiaries and potential zones and for want of nancial tie-up with the sponsors (NABARD/Government).

From its inception till March 1991, the Company had drilled 285 tubewells. Details of number of tubewells drilled along with ercentage of success and failure are given in the following table:

rticulars	Total number of tubewells drilled	Declared successful	Declared failed	Pending decision	Percentage of failure
ibewells ecuted ith the aid NABARD	2414	2222	188	4	7.8
ibewells ecuted with 100 r *cent* aid from ate Government	871	618	221	32	25.4
tal	3285	2840	409	36	12.5

According to the prescribed norms, failure should be within ur *per cent* of the total number of tubewells drilled. The above ble shows that the incidence of failure far exceeded this norm. State sponsored programmes the failure was 25.4 *per cent*. The erall incidence of failure was 12.5 *per cent*. The reasons for the gh incidence of failure had not been investigated by the mpany.

The physical progress of construction of tubewells during the e years up to 1990-91 is depicted in the line graph at Chart 2

PHYSICAL PROGRESS OF TUBEWELLS

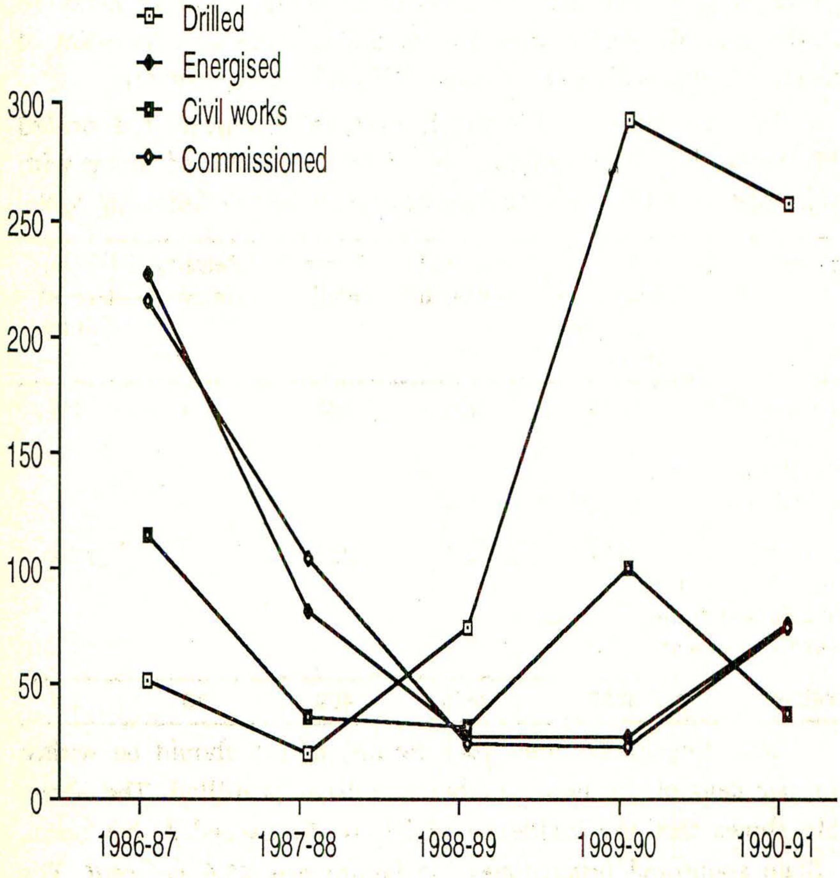


CHART NO. 2 (Referred to in paragraph 2A.6.1.1 page 51)

The details of tubewells drilled, energised and commissioned ıring the five years ending March 1991 are as follows:

ɜar	Drilled	Energised	Civil works completed	Commissioned
		[Number of tubewells)		
ı86-87	45	222	108	210
ı87-88	15	76	30	98
ı88-89	69	21	25	18
ı89-90	287	22	95	17
ı90-91	251	70	32	68
ɔtal	667	411	290	411

This table shows that civil works (distribution channels) ere not completed simultaneously with the completion of ıergisation to ensure optimum utilisation of the discharge ıpability of the distribution channels.

During the five years ending March 1991, the Company ndertook drilling of tubewells under Government sponsored chemes (500 tubewells), community wells programme (10 ıbewells), tribal areas (128 tubewells) and NABARD aided 40 PAP programme. The details of actual expenditure *vis-a-vis* the stimated cost together with the schedule of completion of the rojects undertaken by the Company at the end of March 1991 e given below :

ame of rogramme	Estimated cost	Actual expendiure	Scheduled completion	Remarks
	(Rupees in lakhs)			
10 tubewells	1618.00	965.00	March 1991	In progress
28 tubewells	69.12	66.04	Not fixed	In progress
) DPAP	228.45	199.53	March 1989	In progress

The Company has not maintained works registers for tl projects under execution. As a result, the progress of expenditu: against approved estimate, escalation of cost and other financi information were not available for the individual projects and tl Company was not in a position to review the progress in physic and financial terms and exercise adequate financial and budgetaı control on the project expenditure. Moreover, the project accoun have not been timely closed and as a result, completed worl continued to be shown as work-in-progress thus vitiating tl financial results.

The details of success and failure of drilled tubewells an their commissioning *etc.* as at the end of March 1991 are give below :

Name of project	Drilled	Success-ful	Failed	Pending decision	Energi-sed	Civil works comple-ted	Comm ssione
510 tubewells	421	271	128	22	30	3	24
128 Tribal area	96	51	40	5	—	—	—
40 DPAP	41	37	2	2	25	7	24

By the end of March 1991, the Company could have create irrigation potential of 8608 hectares against which the actu: irrigation potential created was only 2496 hectares.

Out of 48 tubewells put to irrigation, only 18 tubewel: could be completed within the stipulated period. Even though tl 48 tubewells were put to irrigational use, only five tubewells weı completed in all respects. Thus, due to incomplete civil works tl remaining 43 tubewells were not functioning to the full potentia

2A.6.1.2 Performance of tubewells

A tubewell is expected to be used for 2000 hours a year. I one of the six years, up to 1990-91 the irrigation potential eated was utilised fully as can be seen from Charts-3 (A),3(B) nd 3(C).

The details of total number of tubewells and their erformance *etc.* during the five years up to 1990-91 are as llows:

Particulars	1986-87	1987-88	1988-89	1989-90	1990-91
			(number)		
otal tubewells ommissioned/acquired	3211	3312	3330	3347	3415
ubewells operable	2985	2990	3038	3050	3073
ubewells actually perated	2811	2990	2886	2863	2737
			(hectares]		
rigation potential eated	239104	242604	243670	244584	248893
ctual area irrigated	123988	144625	72600	81390	82534
rigation potential eated per tubewell	74.46	73.25	73.17	73.08	72.88
ctual irrigation er tubewell	42.59	48.37	25.16	28.43	30.15
			(percentage)		
ercentage of actual rigation to potential eated	51.85	59.61	29.79	33.27	33.16

During the above period, the percentage of utilisation of rigation potential ranged between 29.79 (1988-89) and 59.61 987-88). Though the number of tubewells drilled/acquired creased from 3211 in 1986-87 to 3415 in 1990-91, the number f tubewells actually operated reduced from 2911 to 2737 during e same period. Also, the actual irrigation per tubewell reduced om 42.59 hectares in 1986-87 to 30.15 hectares in 1990-91.

IRRIGATION POTENTIAL CREATED AND IRRIGATION DONE

(In thousand hectares)

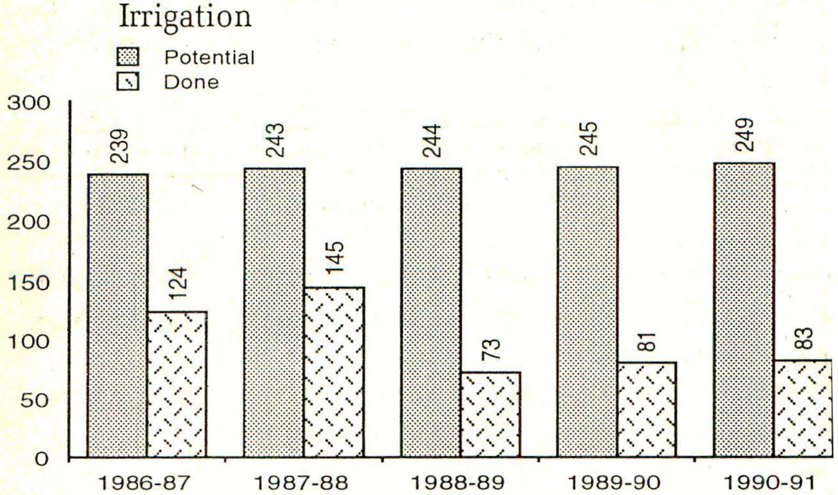


CHART No. 3A (Referred to in paragraph 2A.6.1.2 page 55)

TUBEWELLS RUN DURING THE YEAR

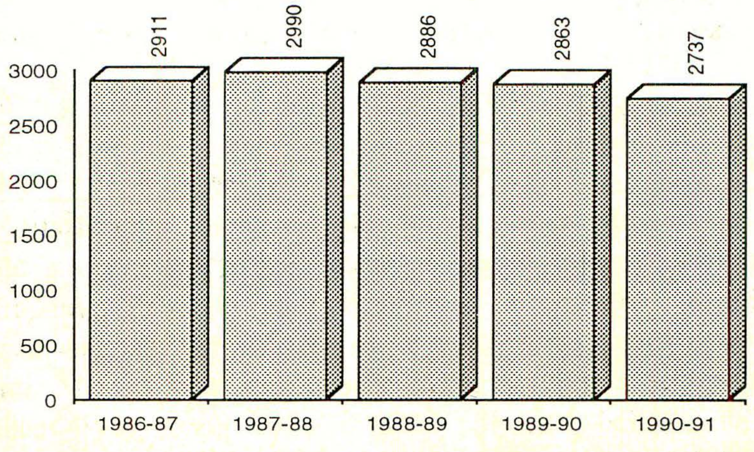


CHART No. 3B (Referred to in paragraph 2A.6.1.2 page 55)

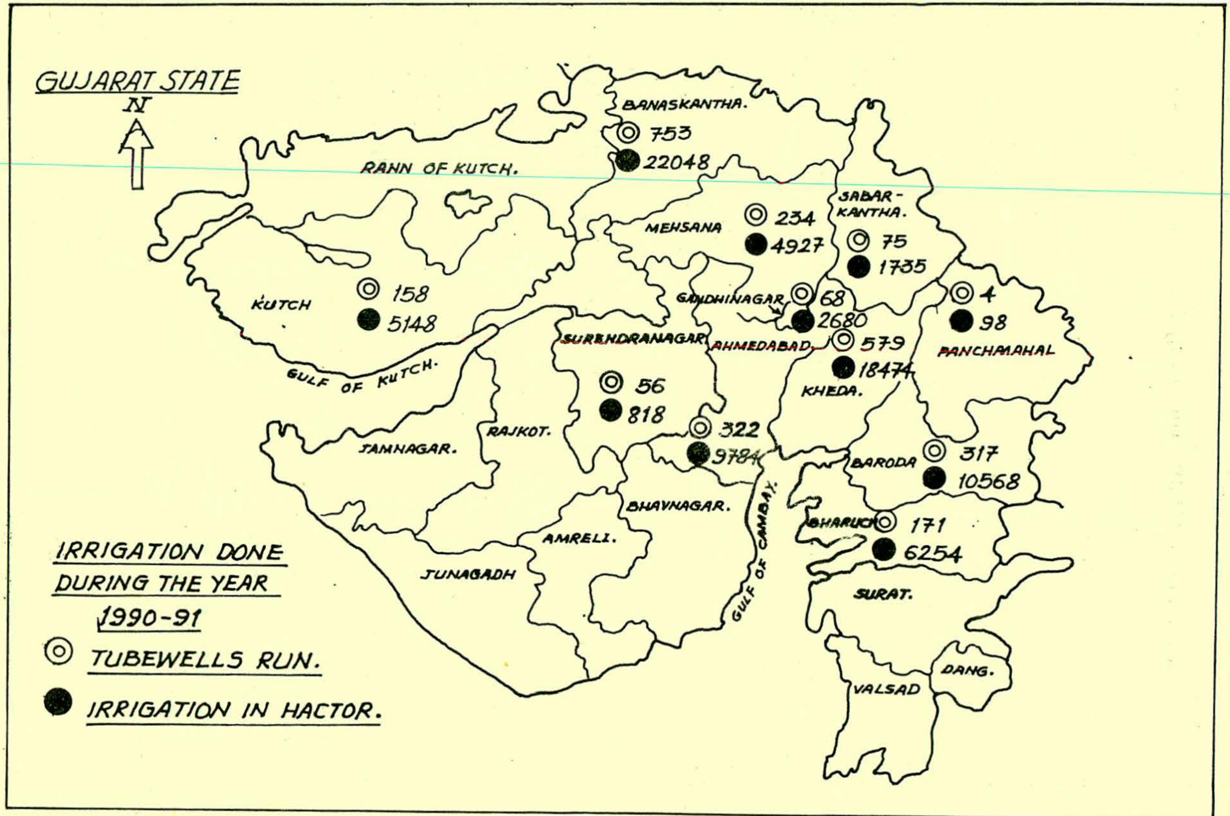


CHART NO. 3C (Referred to in paragraph 2A.6.1.2 page 55)
Source : Company's Administrative Report for year 1990-91

The under-utilisation was attributed by the Management mainly to :

- short and interrupted supply of power
- effect of canal irrigation
- increased irrigation through private tubewells.

However, as analysed in audit, the under-utilisation was mainly attributable to :

- delay in construction of distributory channels (out of 411 tubewells commissioned during the five years up to 1990-91, distributory channels were not completed in respect of 121 tubewells);
- lack of prompt action in cleaning and fishing of tubewells fallen sick due to sand formation or other reasons (678 out of 3415 tubewells commissioned were defunct);
- limited/absence of recharge conditions and over exploitation of ground water; and
- heavy breakdown and delay in repair of submersible pumps.

The yield from the existing tubewells is going down but adequate resources are not employed to maintain their efficiency. Consequently, a large part of investment of Rs. 69.98 crores on tubewells remained idle due to the sick tubewells and underutilised irrigation potential (33 *per cent* utilised out of the potential created as on 31st March 1991).

2A.6.2 Lift irrigation schemes

2A.6.2.1 Execution of schemes

The perennial rivers of Tapi and Mahi traversing the southern regions of Gujarat are harnessed by the Canal Irrigation Schemes. The areas on either side of canals, which lie on higher elevations were deprived of canal irrigation facilities. In order to provide irrigation facilities to such areas and also for carrying water outside canal command areas, the Company eatablished lift irrigation schemes along the canal path. Since March 1978, the Company took up 98 Lift Irrigation (LI) schemes at an estimated cost of Rs.10.20 crores. The Company was to get 80 *per cent* cost of the schemes as loan from NABARD and the balance 20 *per cent* from State Government as share capital contribution. Till the end of March 1991, the Company could obtain loan assistance of Rs. 515.50 lakhs from NABARD and Rs.104 lakhs of share capital from the State Government on the basis of progress of execution of schemes.

As per terms and conditions of NABARD, drawal of funds should be related to actual expenditure incurred on the schemes and such expenditure shall not include any anticipated expenditure. However, while drawing loans, the Company intimated NABARD the evaluated expenditure on each scheme instead of actual expenditure thereon. A comparison of actual expenditure booked in accounts with the loans drawn for 15 schemes out of 61 schemes, showed that as against Rs.147.69 lakhs drawn by way of loans, the actual expenditure was Rs.130.61 lakhs. Since the Company was entitled to receive loan to the extent of 80 *per cent* of actual expenditure incurred, the amount of loan drawn in excess of eligibility worked out to Rs.31.65 lakhs.

2A.6.2.2 Implementation of schemes

The Company took up execution of 98 schemes sanctioned by NABARD during the period from January 1980 to March 1988. Since then no schemes were sanctioned.

(a) Out of the 98 schemes, 48 schemes could be completed up to March 1991 at an expenditure of Rs.5.97 crores. Though these schemes were completed and commissioned, the expenditure on these schemes continued to be shown as works-in-progress (March 1991) and consequently depreciation amounting to Rs. 1.14 crores was not provided thus, vitiating the working results of the Company. The Company has not prescribed any time limit to close the accounts for completed schemes.

(b) As per the project report, the scheduled period for completion of LI schemes is 24 months from the date of its sanction. Out of 48 schemes completed, there was abnormal delay of one year to four years in execution of 43 schemes and only 5 schemes were completed within the prescribed time. This delay deprived the beneficiaries of availing the irrigation facilities to a considerable extent over a long period.

(c) Out of remaining 50 schemes, 13 schemes were still in progress (March 1991). Due to inability of the Company to take up 29 schemes, irrigation potential of 4973 hectares could not be created. As NABARD has stopped financing the schemes, there is remote possibility of reviving these schemes. Eight schemes were dropped due to technical unsuitability for execution.

(d) The irrigation potential created (9896 hectares) during the last five years up to 1990-91, could be utilised only around 39 *per cent per annum*. Consequently, the investment of Rs. 5.97 crores also remained largely unfruitful.

(e) During the year 1990-91, the water charges recovered by the Company (Rs. 8.10 lakhs) were not enough to cover the depreciation (Rs. 25.70 lakhs) and interest on borrowed funds at the rate of 10.25 *per cent* (Rs. 61.20 lakhs). Thus, the rate of return on investment worked out to be negative even without considering the repairs and maintenance cost incurred to run these schemes by the Company.

2A.6.3 Operation of rigs

Tubewells in rocky soils are drilled by Down To Hole (DTH) rigs while in loose soils the same are drilled by rotary rigs. At the end of March 1991, the Company had three DTH rigs (cost Rs.75.99 lakhs) and 19 rotary rigs (cost : Rs. 248.36 lakhs).

The system of periodical analysis of working of the rigs was not introduced and norms for operation were not fixed by the Company. In the absence of such norms, the operational efficiency and proper utilisation of the fleet of rigs, held by the Company, could not be examined in audit.

2A.6.3.1 Cost of drilling

The Company maintained rig-wise accounts, but cost of per metre drilling by each of the rigs was not computed periodically and compared with the rates charged by the private parties for similar work.

The following table would indicate the cost of drilling during the three years up to 1990-91 as computed in audit.

Particulars	1988-89	1989-90	1990-91
Number of rigs deployed	17	17	15
Drilling expenditure during the year (Rupees in lakhs)	229.39	189.30	95.97
Metreage drilled during the year	31743	22923	11709
Metreage drilled perrig during the year	1867	1348	781
Average drilling cost per metre (Rupees)	722.60	825.80	819.60

Compared to the rates charged by the private parties engaged by the Company (Rs.336 to Rs.455 per metre) average drilling cost of Rs.723 to Rs.826 incurred in the case of its own rigs was very high during the above period. This may be attributable to increased underutilisation of rigs as annual metreage drilled per rig declined from 1867 in 1988-89 to 781 in 1990-91. Thus, Company's operation of rigs has scope for improved efficiency and economy.

2A.6.4 Evaluation of programmes

Periodical evaluation of programmes helps in reviewing their progress and ensuring mid-course corrections. Arrangement does not exist in the Company to undertake evaluation of its projects on a periodical basis. The bottlenecks experienced in the execution of programmes and reasons for delay in execution were not analysed at the senior management level for mid-course correction. After completion of projects/schemes no periodical evaluation has been conducted, so far, by the Company or the Government to ascertain whether results conformed to the stated objectives and commensurate with the expenditure.

The Company had constituted a Utilisation Committee prior to 1980 to ensure utilisation of tubewells to their maximum capacity. The Committee held only three meetings up to February 1986 and thereafter no meeting was held till date (March 1992). The Committee has therefore become virtually defunct.

2A.7 Financial results

2A.7.1 Working results

The Company chronically defaulted in finalisation of accounts. As on 31st March 1992, it has finalised its accounts up to 1986-87 only. The Statutory audit of the accounts for 1987-88 is in progress (March 1992). The organisational set-up and the functioning of accounting management of the Company has been studied in audit and the results have been discussed in Section 2B of this Report.

The following table details the working results of the Company for the four years up to 1990-91, for which provisional accounts were available (March 1992):

		1987-88	1988-89	1989-90	1990-91
		(Rupees in lakhs)			
A.	Earnings				
1.	Water Charges	1028.90	676.53	553.21	485.13
2.	Subsidy	1414.69	1804.38	1873.28	1847.32
3.	Other earnings	24.26	53.83	59.36	144.00
		2467.85	2534.74	2485.85	2476.45
B.	Outgoing				
1.	Maintenance & Repairs of tubewellss/lift irrigation schemes	1507.30	1528.90	1522.40	1606.82
2.	Administrative and Office expenses	250.29	323.47	322.08	520.41
3.	Interest	700.62	676.88	628.99	601.03
4.	Depreciation	241.41	238.07	327.36	303.48
5.	Loss on failed tubewells	9.64	5.50	12.77	8.25
		2709.26	2772.82	2813.60	3039.99
C.	Loss for the year	241.41	238.08	327.75	563.54
	Prior period adjustments	(-)0.32	447.07	33.03	(-)256.74
D.	Net Loss	241.09	685.15	360.78	306.80

The cumulative loss up to the end of March 1991, was Rs.2925.67 lakhs against the paid-up capital of Rs. 3148.61 lakhs which works out to 92.92 *per cent.*

The Management gave (January 1992), the following reasons for the continued losses :

(a) Against the cost of Rs.8 per 10,000 litres of providing water, the Company was allowed by Government to recover from the cultivators only Rs.1.80 per 10,000 litres. The recovery rates were fixed by the Government in 1985 and the Company was not allowed to fix the water rates on commercial basis. Though the differential amount is between determined rates and economic rates payable to the Company by the Government by way of subsidy, such subsidy is paid on *ad-hoc* basis as the norms for computation of economic water rates had not been finalised till March 1992.

(b) Establishment charges are high because of revision of pay scales, D.A. increase, *etc.*

(c) Collection of water rates from farmers was poor due to operation of private tubewells around the Company's tubewells and private tubewells owners supplied water at competitive rates.

It was noticed in audit that the losses were also due to low development of irrigation potential compared to the targets resulting in low return of revenue

2A.7.2 State subsidy

The Company was required to recover the water charges for sale of water to the farmers at the rate of Rs.1.80 per 10,000 litres as fixed by the State Government in 1985. The Company was also required to determine its economic water rate and the difference between the economic rate and the water rate fixed by the State Government was to be claimed as subsidy from the State Government. The economic rate was to be worked out on the basis of average cost of generating water as per the norms fixed in December 1979. The payment of subsidy by the State Government is, however, not related to the actual charges incurred by the Company but is decided on *ad-hoc* basis.

The details of estimated expenditure and subsidy released by the Government during the five years up to 1990-91 are as follows:

rticulars	1986-87	1987-88	1988-89	1989-90	1990-91
	(Rupees in lakhs)				
Estimated expenditure	1835.40	1595.46	1810.32	1906.60	2037.10
Estimated demand	1002.59	926.01	625.62	817.60	824.00
Subsidy claimed	82.81	69.45	1184.70	1089.00	1213.10
Subsidy received	500.00	500.00	750.00	1023.28	1023.11

The water rate fixed in 1985 has not been revised by the ɔvernment despite huge increase in all elements of cost and is, tally unrealistic in the present context. The Government nstituted a Committee in September 1988

to decide the working norms for maintenance and repairs of tubewells,

to finalise the quantum of M&R subsidy payable to the Company and

to determine other related issues.

The Committee submitted its report to the Government in ebruary 1991, but the Government is yet to take a decision on e recommendations.

\.7.3 Recovery of water charges

The revenue from the sale of water constitutes the major urce of income of the Company.

After working out the actual water rates for each season, the ɔmpany raises the demand and collects the water rate direct ɔm the farmers.

The details of year-wise demand raised, target fixed for covery and actual recovery effected for four years ended 1990-91 e tabulated as follows:

Particulars	1987-88	1988-89	1989-90	1990-91
		(Rupees in lakhs)		
Opening balance	873.12	1194.65	967.08	1111.25
Demand for the year	1028.90	676.53	651.10*	485.13
Total	1902.02	1871.18	1618.18	1596.38
Targeted recovery	938.68	938.24	Not fixed	868.06
Actual recovery	707.37	904.10	506.93	527.37
Closing balance	1194.65	967.08	1111.25	1069.01
Percentage of recovery to total due for recovery	37	48	31	33
Arrears of water charges expressed as number of average monthly demand.	13.9	17.2	20.5	26.4

The above table indicates that the recovery of dues which w; 37 *per cent* in 1986-87 had declined to 33 *per cent* in 1990-91. Tl outstanding water charges in terms of average monthly demand ro: from 13.9 times in 1987-88 to 26.4 times in 1990-91.

Management advocated the following reasons for declinir demand/poor recovery of water charges:

(i) Number of private tubewells had come up around tl Company's tubewells and private tubewells owners are able supply water at a very competitive rate because of negligib overheads.

(ii) Because of drought and other factors, recoveries had to l postponed at the instance of Government.

It was noticed in audit that there was no separat organisation in the Company for collection of revenue and tl recovery of dues did not receive proper attention of tl management and consequently the control and monitoring of th

* Included Rs. 97.91 lakhs accounted for in 1990-91 as prior peric transaction.

tivity was inadequate. In spite of huge arrears, no separate llection machinery has been installed.

There was no reconciliation of outstanding dues as shown in neral ledger with subsidiary ledgers. The year-wise and division-se break-up of outstanding dues for the period under review ere not available at the Head Office.

As the recovery from farmers was poor, the Company in its oard meeting held in May 1989, decided to issue notices to ose farmers whose outstandings were more than Rs.25 and if ere was no improvement in recovery in spite of notices, legal its were to be filed in cases where dues exceeded Rs. 5,000/-. ie outstanding dues as on March 1991 were Rs. 10.69 crores.

As observed by the Committee on Public Undertakings OPU) in January 1984, the Company was to approach overnment for giving authority to recover the dues under Gujarat iblic Money (Recovery of dues) Act, 1979. The Company could ot produce any record to audit to show that it approached overnment for giving authority to recover the dues. Consolidated osition showing the details of cases where notices were issued, gal suits filed and cases where action is pending were not ailable with Head Office.

\.8 Financial management

\.8.1 Budgetary control

The Company does not have a system of preparation of any inual revenue budget, though the Accounts Officer working ider the Financial Advisor is entrusted with preparation of idget of the Company.

Due to the absence of revenue budgeting, control and eriodical monitoring of income and expenditure is not effective.

2A.8.2 Cash Management

There was no system of preparation of cash flow/fund flc statements at periodical intervals. Consequently control over recei and payment of cash was not satisfactory. The following weakne in the system and its impact were noticed :

(i) Delay in remittance

The Company decided, in June 1988, to make arrangeme for collection of water charges through banks in order to have ε effective control thereon. All the field offices at sub-division level were instructed (June 1988) to open a "non-drawing accoun in the name of the Managing Director. The collections were to l remitted by the banks through mail or telegraphic transfer. Tl arrangement was made effective from July 1988. Accordingly, tl collections for the period from 6th to 20th of the month were t be remitted on 21st of the month and collections from 21st of tl month to 5th of the subsequent month were to be remitted on 6t of that month by retaining Rs.100 in the account. Under tl arrangement, the Company did not prescribe any time limit fo the banks to afford credit in the Company's account.

It may not be out of place to mention here that Gujara State Road Transport Corporation and Gujarat Electricity Board ha prescribed time limit of one day and four days respectively withi which revenues collected by the Banks should be remitted an credited in their head office account. The Company did nc prescribe any such time limit.

A scrutiny of the records, maintained at the Head Office c the Company for the year 1990-91, revealed that there wer abnormal delays in affording credit by banks to the Company' head office account. Considering even seven days as a reasonabl period for affording the credit it was seen that credits wer layed for periods between one day and 151 days in case of ght divisions, the summary of the delays being as follows:

lay ranging tween	Amount	Percentage of total delayed credit
	(Rupees in lakhs)	
and 10 days	114.38	59.8
and 30 days	53.65	28.1
and 151 days	23.16	12.1
tal	191.19	100.00

The amount involved in the delay constituted 35.34 *per cent* the amount of Rs. 541.07 lakhs deposited by the divisions. ius, the Company was deprived of the opportunity of utilising cash collection of Rs.1.91 crores for the delayed period and so suffered avoidable loss of interest of Rs.1.23 lakhs calculated 17.5 *per cent.*

) Uneconomical operation of current/collection accounts

The Company operates its banking transactions through five llection accounts, sixteen current accounts and four cash credit counts. No interest is earned on current/collection accounts and terest at the rate of 16 to 17 *per cent* is paid on cash credit counts.

The Company was expected to control and reduce the rrowing costs by arranging timely transfer of surplus amounts om current/collection accounts and reduce cash credit. On a view of the Company's banking transaction during 1990-91, it as noticed that cash credit accounts were operated even though ige balances were available under current/collection accounts. ilances in the current/collection accounts lying idle ranged tween Rs.9.27 lakhs and Rs.573.13 lakhs and action was not taken to immediately transfer such surplus balances into ca credit account. The Company paid avoidable interest of Rs.7. lakhs on cash credit at 17.5 *per cent* during this peri accounting for 41 *per cent* of the total interest liability of Rs.18. lakhs during the period.

(iii) Excess payment of term loans and loss of interest

The Company did not ensure timely repayment of ter loans taken from commercial banks. This resulted in overpayme of principal amounts of Rs.70.17 lakhs during the period fro December 1978 to July 1991. Out of this, Rs.36.04 lakhs on were adjusted during the period from February 1983 to Decemb 1991. The delay in adjustments ranged between two months an 83 months. The balance amount of overpayment of Rs. 34. lakhs has not been adjusted against the future instalments till th end of December 1991. The unadjusted amount included Rs.8. lakhs relating to the term loan accounts which have already bee closed.

The Company started availing cash credit facility sinc October 1987 with an initial limit of Rs. 1 crore which ha increased to Rs.6 crores at the end of December 1991. Due delayed adjustment of Rs. 13.28 lakhs, the Company had to pa additional interest of Rs.0.90 lakh on cash credit calculated at a average rate of interest of 7 *per cent* being the rate differenc between interest on term loan (10 *per cent*) and interest on cas credit (17 *per cent*). Similarly, the Company paid addition interest of Rs. 7.11 lakhs on the amount of Rs. 34.13 lakh remaining unadjusted till the end of December 1991.

The failure of the Company to evolve a system of repayme of loans and to carry out periodical reconciliation of loan accou with the banks, resulted in additional payment of interest Rs.8.01 lakhs.

/) Avoidable payment of interest

The Company avails of term loans from various banks for nancing its tubewell projects/lift irrigation schemes. The payment of loan and interest is made on half yearly basis for hich the Government has been providing funds.

On a test check of repayment of term loan and payment of iterest for the year 1990-91, it was observed that the Company id not take advance action for timely repayment of loan/ ayment of interest, though, surplus funds ranging between s. 4.41 lakhs and Rs. 522.82 lakhs were available in the bank ccounts. This resulted in avoidable payment of interest of Rs.1.77 ikhs at 14 *per cent.*

A.8.3 Deficiencies in Cash Book

The following deficiencies were noticed in general in the iaintenance of cash books of the Company at its field units :

) Periodical surprise verification of cash by an officer other than the officer in charge of cash was not introduced. Cash was never verified and certified daily by the officers-in-charge of divisions.

ii) Overwriting and corrections were not attested by the officer in charge of maintaining the cash book.

iii) Payment vouchers were not checked with cash book entries by the competent officer.

v) Certificates of balances of cash lying with bank were not obtained regularly from banks and consequently, reconciliation could not also be done regularly.

There was no system of verification of payment entries in he cash book by the officers-in-charge at two field units (Nadiad division and GWD Division at Ahmedabad) where Rs.2.74 lakhs were allegedly embezzled during the period from 1988-89 t 1990-91. Departmental inquiry proceedings are in progress in bot the cases (March 1992).

2A.8.4 Accounting manual

Though the Company is in existence for the last 17 years, has yet to adopt a manual for its accounting procedures, formalis delegation of financial powers and responsibilities, prescribe detai of records to be maintained and controls to be exercised t achieve the accounting goals. In absence of a manual, th Company had been relying on unauthenticated practices or *ad-ho* administrative instructions adopted from Government systems. Th Company's policies in vital areas of financial management an control remain loosely defined leaving considerable scope c economy and efficiency in these areas.

The Company had entrusted the work of preparation o Manual to a firm of Chartered Accountants in August 1988 for fee of Rs.10,000. The firm submitted the draft manual in Januar 1989 to the Company but the manual has not yet been adopte (March 1992).

2A.8.5 Internal audit

The Company had been appointing firms of Charterec Accountants as Internal Auditors since 1980-81 for its Head Offic and for its units but the duties of internal audit were not clearl defined till 1988-89. Even though, the duties of Internal Auditor are defined now, these are not being consistently applied. There was a delay of two to seven months in submission of interna audit reports.

Consolidated record at the Central Office, indicating the objections pending settlement and action taken by the management to settle them was not available.

Out of 68 sub-divisions, internal audit examined records only in 10 sub-divisions in 1988-89, 20 in 1989-90 and only 8 in 1990-91. Considering the scope and activities of the Company, the coverage of records by the Internal Auditor was inadequate. The Statutory Auditors in their certified accounts for 1986-87 had commented in March 1991, that "the Company has an internal audit system; however the scope of the same is to be enlarged and strengthened." Apparently the Company is yet to act on this observation.

Adequate management support to internal audit is lacking. The reports of the Internal Auditors had not been placed before the Managing Director and the Board and compliance of the Internal Audit objections by the Company was not on record.

The Company had set up its own internal audit cell in 1991-92.

2A.8.6 Asset register

The Company had not prepared its Asset Register, in the absence of which, the existence of the assets could not be verified. The work of preparation of Asset Register was entrusted to a firm of Chartered Accountants in August 1988 at a fee of Rs.85,000 plus out-of-pocket expenses up to Rs. 50,000. The work was to be completed before January 1989. The firm was given extension for completion of the work up to June 1991. The work has not yet been completed (March 1992). The management has not set revised target date of completion and is not aware of the progress of work. An amount of Rs.20,000 (fee) plus Rs. 4,963 towards out-of-pocket expenses have been paid to the firm (March 1992).

2A.9 Inventory management

2A.9.1 Management of inventory of stores

The following table shows a summary of opening stock, purchases, consumption and closing stock of stores and spares during the period from 1986-87 to 1990-91:

Particulars	1986-87	1987-88	1988-89	1989-90	1990-91
			(Rupees in lakhs)		
Opening stock	18.30	26.86	112.76	261.79	381.35
Purchases	369.50	543.57	182.48	217.17	48.50
Total	387.80	570.43	295.24	478.96	429.85
Consumption	360.94	457.67	33.45	97.61	64.00
Closing stock	26.86	112.76	261.79	381.35	365.85
Average consumption per month	30.08	38.14	2.79	8.13	5.33

(i) The Company has not fixed the minimum, maximum and re-ordering levels of stores and spares in order to exercise better inventory control. During the five years up to 1990-91, the value of stores and spares in stock was equivalent to consumption of 0.89 month, 2.96 months, 93.83 months, 46.91 months and 68.64 months. Thus, acquisition and holding of stores were not related to any norms or to consumption levels leading to over stocking of costly equipment. The stock as on 31st March 1991 included different types of pipes valuing Rs.114.26 lakhs. Though this was the single biggest item of stores, norms for acquiring and disposal for this store had not been formulated.

(ii) The Company has not established any system to identify and dispose of non-moving and slow moving items of stores. Record was not maintained in respect of unserviceable material and their disposal.

(iii) Record was not maintained to account for and to watch return/replacement of items of stores rejected on quality inspection.

(iv) Obsolete and surplus spares worth Rs. 6.31 lakhs are lying with stores for more than 12 years (March 1992).

2A.9.2 Some specific cases of failure to follow correct practices in respect of purchase and disposal of stores are mentioned below:

(a) As per the policy decision of June 1988 of the Company's Board of Directors, purchase of pipes should be made only from Steel Authority of India Limited (SAIL) subject to its rates being based on F.O.R. Vijapur store or other stores of the Company and the rate being not more than 5 *per cent* higher than the prevailing market rate.

Tenders for purchase of 10.3/4" dia ERW plain ended pipes were issued in April 1991. Three firms responded. The per metre rates offered by these firms were Rs. 523.55, Rs.650.85 and Rs.669.15. The lowest offer was from SAIL.

The tender notice did not specify the delivery schedule. However, the second lowest offer was preferred (August 1991) on grounds of urgency. Though SAIL assured (July 1991) supplies by March/April 1992, the Company's acceptance of the second lowest offer was communicated to the firm in August 1991 and subsequently, a rate contract for one year was entered into in September 1991, indicating that supplies should be effected as and when requirement was intimated to them during the currency of the rate contract. The rate contract was for the supply of 10,000 metres at the quoted rates. Immediately after placement of the rate contract the Company requested the firm to supply the pipes in a phased manner during the period from December 1991 to February 1992. After supplying 3990 metres (cost: Rs. 25.97 lakhs) in December 1991, the firm approached the Company in January 1992, for extension of time up to end of March 1992, stating that the availability position from SAIL has become erratic and difficult owing to shortage of coal and power at SAIL. While recommending the extension, the field office had certified that due to late supply, the works did not suffer. The firm supplied only 1960 metres of pipe (value :Rs. 12.76 lakhs) during the extended period leaving a balance of 4050 metres. The balance quantity is yet to be supplied (March 1992). Compared to the lowest offer of SAIL, the purchase was made at an extra cost of Rs.12.73 lakhs.

(b) Purchase of pipes without invitation of tenders

The Company placed an order in April 1986, on M/s.Ajanta Tubes Limited for supply of 10,000 metres of 12 3/4" dia pipes costing Rs.61.12 lakhs on the basis of competitive bidding. The party supplied the entire quantity by December 1987. The Board placed repeat order in December 1987 with the same firm for supply of 10,000 metres of 12 3/4" pipes at the same rate on the ground that due to drought condition in the country the demand for pipe was likely to go up and there was every possibility that the rates might go up in case fresh tenders were invited. The party supplied 9316.68 metres costing Rs.61.73 lakhs, which included Rs.0.61 lakh being the price variation.

The action of the Company in procuring bulk quantity of high value pipes without inviting tenders was not in order.

(c) Unserviceable submersible pumps

Submersible pump is a critical component in the tubewell and the efficiency of the tubewell depends mainly on the quality of submersible pumps. The useful life of a submersible pump is considered as running of 20,000 hours or 12 years, whichever is later. If the condition of the failed pumps is beyond repair or repairing it is uneconomical, such pumps are declared unserviceable by the Company. Its realisable value was not determined by the Company and only quantity account was maintained.

Till the end of March 1992, the Company had declared 749 submersible pumps as unserviceable. Out of these, only 172 pumps were auctioned at a value of Rs.3.06 lakhs till the end of March 1992 and 101 pumps pertaining to period prior to 1985-86 are awaiting disposal. The year-wise details of pumps declared unserviceable, pumps auctioned and pumps awaiting disposal are as under :

Year	Pumps declared unserviceable	Pumps auctioned	Pumps awaiting disposal
1979-80	22	7	15
1980-81	34	5	29
1981-82	40	9	31
1982-83	14	2	12
1983-84	15	3	12
1984-85	25	14	11
1985-86	45	19	26
1986-87	40	27	13
1987-88	246	79	167
1988-89	181	7	174
1989-90	42	—	42
1990-91	11	—	11
1991-92	34	—	34
Total	749	172	577

There was abnormal delay in disposing of the unserviceable pumps resulting in locking up of funds to the extent of realisable value of these pumps.

Out of 172 pumps auctioned a test check of 104 pumps indicated that only seven pumps completed its useful life of 12 years and 77 pumps were declared unserviceable before completion their useful life.

The Company did not evolve a system of properly investigating the reasons of premature failure of pumps. Such a system would have helped the Company to identify the premature failures of the pumps according to their sources of supply and in purchasing pumps of reliable quality.

2A.10 Information management

We examined existing system in the Company in respect of information management of some of the important activities like drilling of tubewells, completion of mechanical/civil works, energisation of tubewells, failure of tubewells, defunct tubewells, *etc.*, to examine whether the Company have a well defined system of collection and utilisation of critical information for important areas of its management. We found that while monthly/annual statements of recovery performance, progress in execution of work, deployment of rigs, *etc.*, prepared by divisional/circle level, these are not consolidated to generate appropriate information for decision support for the senior management.

The Company does not have a formal system of information management in the following areas:

Inventory management; purchase and utilisation of critical components like submersible pumps; deployment and working of rigs; analysis of operational costing of rigs; progress of works under execution, appointment of agencies for such works *etc.*

We noticed that in these areas the Company has neither defined its requirements of information nor laid out a system for consolidation of the various reports generated at lower and intermediary levels.

We feel that an effective and appropriate system of collection, analysis and utilisation of relevant information by various levels of management in respect of important and critical areas of the Company's activities will ensure better internal control in the Company's management.

These matters were reported to the Government/ Management in June 1992; their replies had not been received (August 1992).

SECTION - 2B

:B Delay in finalisation of accounts by selected Government companies.

Iighlights

The Companies Act, 1956, provides that audited accounts of ıny State Government company should be adopted in Annual ;eneral Meeting (AGM) of the shareholders within six months of :losure of financial year and within three months thereafter, the ;tate Government should cause preparation of an annual report on he working of the company for being laid before the Legislature long with the Audit Report as soon as may be possible. As on ı1st March 1991, finalisation of the accounts of 24 companies was n arrears for varying accounting periods. Five of these companies ıad accumulated arrear accounts of three years and more. As a esult, Government investment of Rs. 101 crores in these ompanies has remained outside public scrutiny. The companies vere Gujarat State Land Development Corporation Limited, Gujarat ;cheduled Castes Economic Development Corporation Limited, 'ourism Corporation of Gujarat Limited, Gujarat Water Resources)evelopment Corporation Limited and Gujarat Rural Industries /Iarketing Corporation Limited.

Against the prescribed period of six months for adopting nnual accounts in AGM each year, the companies had delayed heir accounts substantially from 19 months to 75 months in the ase of latest five years accounts of each company. These delays ncluded five months to 36 months of time taken in completion ıf statutory audit against two months prescribed by the ;overnment of India. The Managements did not effectively pursue vith the auditors for early completion of audit.

A Legislative Committee (Committee on Papers Laid Before the Legislature) set up in March 1988 directed the Government/ Management to ensure finalisation of accounts in time and their submission to Legislature within ten months. This directive was not implemented. Accountability of managements for failure to adhere to the directive was not fixed by Government.

Time schedules for clearance of arrears were fixed by Government in 1987 and 1988, without analysing the reasons of the arrears for taking corrective measures. These time schedules were not adhered to by the companies.

The following weakness were generally noticed in the management of accounting functions in these companies, apparently leading to delay in finalisation of accounts.

Absence of well regulated system of reconciliation of accounts and bank transactions, lack of control on accuracy of transactions at intermediate level, lack of systematic inspection and supervision of accounting work by higher officials, accountability for finalisation of accounts not being enforceable in the absence of specific duties and responsibilities assigned for accounts staff, frequent changes in the senior level of general administration and accounting heirarchy depriving the accounts staff of guidance and direction, absence of separate cadre of staff for accounts work and lack of sustained and well defined training programmes to upgrade their skills and absence of accounting manuals for guidance of staff.

One of the five companies (Gujarat Water Resources Development Corporation Limited) engaged a firm of Chartered Accountants in June 1990 at a fee of Rs.3.30 lakhs plus out-of-pocket expenses to set right the records and carry out the reconciliation for a period of 15 years (since inception up to 1989-90). The work to be completed by June 1991 had not yet been completed (March 1992) and the Management was not aware of the progress and probable date of completion of the assignment.

.1. Introduction

In terms of provisions of Sections 166 and 210 (3) of the mpanies Act, 1956 audited accounts of any company should be proved and adopted in the Annual General Meeting (AGM) of shareholders within six months of closure of its financial year. rther, as per provision of Section 619A (3) of the Companies t, 1956 the State Government should place an annual report on working and affairs of each State Government company before Legislature together with a copy of the Audit Report and mments thereon made by the Comptroller and Auditor General India (CAG) within three months of receipt of such Report. me of the Government companies have not finalised their counts within this stipulated time and are in arrears for long riods.

.2 Extent of arrears

As on 31st March 1991, out of the 36 Government mpanies in the State, only 12 companies finalised their accounts the year 1990-91 and 24 companies were in arrears for various counting periods during the years 1985-86 to 1990-91. Five of ese companies were chronically in arrears during this period d have not finalised their accounts of three years or more as tailed below :

Name of Company	Period of accounts in arrears
Gujarat State Land Development Corporation Limited (GSLDC)	1985-86 to 1990-91*
Gujarat Scheduled Castes Economic Development Corporation Limited (GSCEDC)	1986-87 to 1990-91**

Accounts for the year 1985-86 finalised in May 1992.

Accounts for the year 1986-87 finalised in December 1991.

Name of Company	Period of accounts in arre
3. Tourism Corporation of Gujarat Limited (TCGL)	1987-88 to 1990-91
4. Gujarat Water Resources Development Corporation Limited (GWRDC)	1987-88 to 1990-91
5. Gujarat Rural Industries Marketing Corporation Limited (GRIMCO)	1988-89 to 1990-91

2B.3. Objective of the Study

The objective of the study was to examine the reasons 1 abnormal delay and failure of the five chronically defaulti companies in finalising their accounts. The question whether t management of these companies and controlling agencies of t Government took effective steps to control the delay and ensu early finalisation of the arrear accounts also formed the subje matter of the study.

2B.4. Procedure of finalisation of accounts

The five companies covered in this study represent diver activities such as socio-economic development (GSCEDC), publ works oriented programmes (GWRDC and GSLDC) and commerci and trading activities (TCGL and GRIMCO). In keeping with t nature of their business, the organisational structure of the companies varies from company to company and compilation a consolidation of their accounts do not pass through the san stages. However, inspite of such difference and distinction in t system of management of accounting functions, the general aspec relating to finalisation of accounts of these companies have son common features as described below:

At the primary level, basic accounting records are maintain in the units/centres. Based on these initial accounting informatic furnished by these units, the divisional (second level) accounts a epared. The corpo..ite office (commonly known as Head Office) mpiles the final accounts after carrying out various adjustments. iese accounts are usually checked by the Chartered Accountants orking as internal auditors or by the company's own internal iditors. The annual accounts thus prepared are approved by the)ard of the Company and the approved accounts are then idited by the Statutory Auditors who are appointed by the)mpany Law Board on the recommendation of the CAG of India. ; per the provisions of Section 619 (4) of the Companies Act,)56, the CAG of India, conducts supplementary audit of the counts of the company on selective basis and such accounts ong with the comments of the CAG are placed before the AGM the company for adoption. Thereafter, in terms of Section 619 (3) of the Companies Act, 1956 annual accounts are presented State Legislature.

The Companies Act, 1956 provides in Sections 210 (3) and i6, that audited accounts of the Company should be adopted in e AGM of the shareholders within six months of the closure of e financial year of the company.

.5. Delay in finalisation of accounts

The summarised details in connection with finalisation of counts as on 31st March 1992, in respect of the five companies r the period of five years are given in *Annexure*-5. These details ow that as against the prescribed period of six months, for opting annual accounts in the AGM each year, the companies ive delayed their annual accounts substantially *i.e.* from 19 onths to 75 months. This includes time of 5 months to 36 onths taken in completion of statutory audit.

.5.1 Delay in completion of statutory audit

In terms of Government of India's instructions (April 1987), atutory Auditors are expected to complete their audit within two months of closure of the accounts by the companies so th supplementary audit under Section 619 (4) of the Companies Ac 1956, could be completed by Comptroller and Auditor General India and audited accounts together with Statutory Auditor's repo be placed in the Annual General Meeting of share holders withi the prescribed time limit of six months. The Statutory Auditor however, had substantially delayed either commencement of aud or took more time for completion of audit. The table belo summarises the time taken by Statutory Auditors for completion audit each year (interval in certification of accounts between tw successive years) as per details given in *Annexure* - 5.

Year	Gujarat State Land Development Corporation Limited	Gujarat Scheduled Castes Economic Development Corporation Limited	Tourism Corporation of Gujarat Limited	Gujarat Water Resources Development Corporation Limited	Gujarat Rura Industries Marketing Corporation Limited
			(Months)		
1980-81	36	—	—	—	—
1981-82	8	21	—	—	—
1982-83	19	15	19	5	—
1983-84	15	16	29	6	8
1984-85	9	22	19	6	9
1985-86	—	22	21	11	9
1986-87	—	—	13	8	6
1987-88	—	—	—	—	10

It is seen from the above table that the Statutory Audito have taken on average 17.4 (GSLDC), 19.2 (GSCEDC), 20.2 (TCGL 7.2 (GWRDC) and 8.4 (GRIMCO) months for completion of on year's audit.

The specific reasons for such delay as intimated by th companies were dispute in fixation of remuneration (TCGI GSLDC, GSCEDC), delay in collection and compilation c ıformation as per the requirement of Statutory Auditors (GSLDC) nd lack of co-ordination between joint auditors (GWRDC).

Such delays could be avoided had the companies co-rdinated properly with Statutory Auditors after their appointment. eminders were sent to the auditors routinely for completion of ıeir work but there was no proper follow up with them in a onstructive way to complete the audit within the prescribed eriod.

B.5.2 Comparative position of clearance of arrears

A comparative position of the delay in finalisation of ccounts as on 31st March of each year from 1988 to 1991 is resented in *Annexure*-6.

The companies had made little progress in overtaking the rrears and in some cases, the position has deteriorated further ince 1988. For example, GSLDC had five years and TCGL and ;RIMCO had four years of accounts respectively in arrears in 988. Since then, up to 1991 they could finalise only one year's ccount in each year. Similarly GWRDC finalised only one year's ccount each year during 1989 and 1991. In the case of GSCEDC rom three years accounts being in arrears in 1988, the position leteriorated to five years of arrears in 1991. Thus, the companies ıad not improved the position in real terms and are saddled with ong periods of incomplete accounts.

In the absence of finalised accounts, Government's nvestment of Rs.100.76 crores by way of share capital and loans March 1991) in these companies have remained outside public crutiny.

:B.6. Recommendations of Legislative Committee

Concerned at the continued delay in finalisation of accounts ınd the failure of the companies to place them in the Legislature, the Speaker of Seventh Legislative Assembly set up in Marc 1988 the Committee on papers laid on the table of the Assembl: The objective of the Committee was to examine the causes c failure to finalise the accounts and to fix time limit for placin the accounts together with Audit Report in the Legislature. Th Committee recommended in its two reports of July 1988 an December 1989, that accounts should be finalised within stipulate time and placed in the legislature within ten months of the clos of financial year and if the Assembly was not in session, i should be placed within first ten days of next session. It was als recommended that except for GSLDC, all the companies, whic are in arrears should finalise their accounts up to the yea 1988-89, before the end of 1990 and place them on the table c the Legislature. Further, the Committee recommended that th Managing Director and other Government Directors on the Board of concerned companies should be instructed to strictly adhere t the Company Law provisions.

As regards GSLDC, it was recommended that immediat action be taken to finalise the accounts up to 1988-89 (about eigh years) and place them in the legislature within two years. Th Committee also desired that responsibility of the Managing Directo and other Government Directors on the Board of GSLDC might b fixed in case of any failure in finalising the accounts in future The Department of Company Affairs of the Government of India had also emphasised in May 1985 and April 1987, the need o keeping appropriate schedule for timely finalisation of accounts b the Government companies, besides compliance of provisions o Sections 166, 210 and 220 of the Companies Act, 1956 due t non-finalisation of accounts.

2B.7 Steps taken by Government

The Government exercises its control over the companie:

rough the concerned Administrative Department and the Finance epartment. The Bureau of Public Enterprises (BPE) is the nodal ency which reviews the working of the companies on behalf of e Finance Department.

In terms of Memorandum and Articles of Association of ese companies, the Government has the powers to issue rectives to the company in the interest of the company. Thus, case of failure, as happened in regard to the finalisation of e accounts, the Government has the required authority to escribe specific steps and enforce them in the interest of these mpanies. To fulfill these obligations, the Government was pected to take concrete steps to ensure that the accounts of the mpanies are finalised in due time.

A high powered committee was set up by Government in arch 1987 to draw up and implement time bound programme to pdate the accounts. The timetable fixed up in April 1987 was owever, not observed by the companies.

The matter was therefore, reviewed in January 1988 in a eeting presided over by the Principal Secretary, Finance epartment and a revised time bound programme was drawn-up, ccording to which the delayed accounts were to be presented by e Budget session of 1989.

On the basis of the list of defaulting companies furnished by ccountant General (Audit-I) - Gujarat, BPE issued letters in June 988 to all the Administrative Departments requesting them to ke up the matter of backlog of accounts at the highest level of e Company's management. In December 1988 a reminder was ssued by them. Information was not furnished regarding action aken during 1989.

In June 1990, the Secretary, BPE reminded the executives of ll the companies for clearance of the backlog on a time bound programme. However, in this correspondence no reference w made to the time bound plans earlier approved by the hi powered Committee.

In April 1991, Additional Chief Secretary (Finance) met t Chief Executives of the defaulting companies expressing conce over backlog of accounts.

In December 1991, the Chief Secretary held a meeting wi the Chief Executives of some of the companies when it w agreed that an action plan would be drawn up by them complete the accounts within a definite timeframe. In Janua 1992, the Chief Secretary called for a report on action taken ar progress in framing the time bound programmes.

Out of the five companies under review, three compani (GSLDC, GWRDC and GRIMCO) furnished copies of their actio plan to Audit (the other two companies did not furnish any plan According to these action plans, GSLDC programmed to present i Annual Reports for the years from 1985-86 to 1989-90 betwee Monsoon session 1992 and Budget session 1994, GWRD programmed to present its Annual Reports for the years 1987-8 to 1990-91 between Monsoon sessions 1992 and 1994, whil GRIMCO planned to present its Report for the year 1988-89 i March 1992. Going by the past performance of these companies i keeping up the targets it is doubtful that the latest targets coul be achieved without a very close monitoring and pursuance b the Government. Even if these targets came through as envisaged GSLDC and GWRDC may still be in arrears of four years account by 1994 unless the action plans are suitably modified and closel monitored.

A review of the action taken by the Government shows tha the matter has not been pursued systematically. Time bounc programmes were framed in 1987 and revised in 1988, but these vere not followed-up after 1988. Some activity in this regard was ıgain witnessed since April 1991. Even then the action was estricted to only requesting the defaulting companies to fix time chedules. In December 1991, the Chief Executives were again ısked to draw up action plan to overtake arrears within a definite ime frame. Even then, only three companies so far had drawn up he time bound programmes.It is not known as to what action vas taken to ensure that the remaining two companies also draw ıp action plan as desired by the Chief Secretary in his meeting of)ecember 1991.

Main weakness in this exercise appeared to be that, before ixing time-bound programmes, no systematic investigation was nade into the reasons of failure of these companies to finalise the ıverdue accounts. Thus, target dates were fixed presumably on the ıasis of assurance from the managements and not on the basis of ealistic assessment of reasons of delay or the managements ability o achieve the targets. Moreover, fixing target dates without any ystematic follow-up did not instil enough urgency in these ompanies. In no case action seems to have been initiated against he defaulting management for their failure in this regard and this ıad considerably weakened the accountability of the management o the Government and the Legislature.

In order to help companies in overtaking the arrears of ccounts, Statutory Auditors were appointed, as a special case, for wo or more years for some period in some of these companies ın the advice of CAG of India though under the Companies Act, 956 Statutory Auditors are appointed at a time for one year only. 'his advance action has not made any substantial impact on the rrears position and except for one company (GRIMCO) others ıave not been able to overtake the arrears to any extent.

2B.8 Weakness in accounting management setup and functions

2B.8.1 Accounting system

Out of the five companies covered by this review, four companies (GSLDC, GSCEDC, TCGL and GWRDC) inherited the system of Government accounting and two of these (GSLDC and GWRDC) were following a mixed pattern of Government and commercial accounting system. The remaining three companies were following commercial accounting system from the beginning. All the companies have centralised accounting system and accounts books are maintained at the Head Office. Unit Offices submit monthly accounts to Divisional Offices for compilation and compiled accounts are submitted to Head office. The companies who were initially following Government accounting system had to switch over to commercial accounting system involving substantial rewriting of accounting entries.

2B.8.2 Reconciliation system

To maintain accuracy and timeliness of accounts, there should be regular periodical reconciliation of accounts transactions between the accounting units at the primary level and between the primary and middle/corporate level. For cash and banking transactions reconciliation at frequent intervals i.e. at least once in a month is required to ensure the accuracy of the balances. These arrangements should be formalised with appropriate controls to ensure that the prescribed procedures are followed and mistakes rectified promptly.

These companies were not having any uniform system of reconciliation of accounts transactions inter or interse units/divisions/head office. Reconciliation was being done monthly in GSCEDC and TCGL and annually in GSLDC and GRIMCO. In GWRDC the reconciliation was being done for some items only. Absence of monthly reconciliation of accounts transactions ontributed to delay in finalisation of accounts as the econciliation and consequent adjustments had to be carried out at e final stage involving avoidable clerical work spread over everal stages of accounts records.

The system of reconciliation, as it exists, in these companies as not supported by any codified procedures, except in the form f administrative instructions. As a result, the work was not arried out regularly and there was no control to avoid delay or ven omission of such an important function.

In the matter of bank reconciliation, the companies followed ifferent systems. While GSLDC, TCGL and GWRDC have system monthly reconciliation, GSCEDC has quarterly reconciliation and RIMCO conducts reconciliation yearly. In none of these mpanies, adequate control over reconciliation was in existence ther at the Divisional level or at the Head Office. Consequently, ansactions remained unreconciled for long periods. This ntributed to delay in finalisation of accounts and increased the ssibility of frauds and mis-appropriation of funds due to the ansactions remaining unchecked for long periods.

3.8.3 System of supervision

In accounting functions, supervision of the work of aintenance of books of accounts and other related work is a ecessary control mechanism to ensure timeliness and quality of e work.

Out of these five companies, GSCEDC and GWRDC issued ders prescribing dates of submission of monthly accounts. The maining companies have prescribed dates for submission of counts but orders were not available. These instructions were t followed in most of the cases and submission of monthly counts was grossly delayed. Preparation of monthly accounts and their transmission with supporting documents to the Head Offic was not being controlled and supervised in a systematic way. A extraction of periodical trial balance in division/unit was nc prescribed in these companies, there was no check on th accuracy of transactions in the intermediate level an consequently, apart from possibility of compromising the quality c accounts, the scope of delay in finalisation of accounts increasec

In three companies (GSCEDC, TCGL and GRIMCO) inspectio and supervision of accounting work by prescribed highe authorities was said to be in existence. However, specific order were neither available with these companies nor produced t audit. In GWRDC the system has been introduced very recently i 1991-92.

Only in one company *i.e.* GRIMCO, specific duties an responsibilities of accounts staff including Manager (Finance Accounts) have been prescribed. In others, duties are prescribed i general terms. In general, the accountability of the officials in th financial and accounts wing was not ensured as a result of eithe non-existence of the prescribed duties and responsibilities or du to very loose definition of such duties.

It was noticed in GSCEDC that the work of compilation an preparation of accounts was entrusted to the Internal Audit win in the absence of experienced staff. Absence of effectiv supervision had a negative impact on the timeliness and qualit of accounts.

In the case of GWRDC, maintenance of important contrc records like works register, assets register, register of advances t suppliers/staff, stock account, deposit account register, contracto ledger, material at site account, *etc.* was incomplete/defective Details of advances against materials and other advances were nc ɛconciled with control account. Reconciliation of valuation of ıventory was not done. Division-wise break-up of sundry debtors 'as not available.

In order to set right the records and to carry out the work ꞉ reconciliation of stock and other items and prepare relevant ɛgisters year-wise for a period of 15 years (since inception to 989-90), a firm of Chartered Accountants was appointed in June 990 at a fee of Rs.3.30 lakhs plus out-of-pocket expenses up to 5 *per cent* of the remuneration. The firm was paid part payment ꞉ Rs. 1.35 lakhs plus out-of-pocket expenses Rs.0.30 lakh (March 992).

The work scheduled for completion by June 1991, had not ɛt been completed by the firm (March 1992). It was seen that hile action was initiated on an important aspect, adequate riority and control over this work was not evident. The lanagement was not aware of the progress and exact amount of ork done by the firm. The probable date of completion was also ɔt clearly known.

3.8.4 Stability of tenure of management personnel

Management of these companies at the highest level consists ꞉ Chairman, Managing Director or Directors. Managing Director is sually on deputation from the Government. Financial Adviser/ ontroller or Manager (Finance/Accounts) at the apex of ccounting organisation is either appointed directly or brought on ɛputation from the Government.

At the middle/lower level, Deputy Manager (Accounts), ccounts Officer, Divisional Accountants and clerks are either on ɛputation or have been transferred enbloc from the Government. ı GSCEDC and TCGL accounts management at the higher level ere manned exclusively from the Government except for a very ıort period, whereas, professionally qualified accounts staff for supervision work was appointed from 1984 in GWRDC and froı the year 1987 in GSLDC. In GRIMCO qualified accounting staff ; the supervisory level is available from inception.

There were frequent changes at higher level of accountin management in these companies. For example in GSLDC ther were eleven changes in the incumbency of Managing Directc between March 1978 and April 1992 and three changes in th Financial Advisor and Chief Accounts Officer (FACAO) leve during this period. In GSCEDC there were 19 changes in th incumbency of Managing Director between August 1979 an February 1992 and 15 changes in the FACAO level betwee October 1980 and November 1990. This had affected the overal working of accounts department. Middle/lower level of accountin staff in GSLDC, GSCEDC and GWRDC was not formed wit separate cadre of accounts staff but were part of a common poc of staff catering to various administrative functions includin accounts. These personnel were frequently transferred betwee administration wing and accounts wing. Thus, inexperienced an inadequately trained staff was entrusted with accounts work an this resulted in dislocation of accounting work.

Thus, absence of professionally qualified personnel at th senior level and committed accounting staff at the lower leve coupled with frequent changes in the top levels of managemer led to a situation which was not conducive to achieve stability i performance of accounting tasks.

2B.8.5 Training

These companies had to face the twin problems o changeover from Government system to commercial system c accounting and the takeover of staff who were not qualified an experienced for this new work. To meet the challenge c tabilising the new system of accounts with inexperienced and ınqualified staff, the management was expected to evolve an ppropriate system of upgrading the skill of the accounts staff hrough training and orientation on a sustained basis.

However, no priority was evident on the part of ıanagements of these companies to achieve the goal of putting ualified/trained staff in place. In GSCEDC and TCGL no training rogramme for the staff has been evolved till today. In GSLDC nd GWRDC a training programme for some staff was arranged or a very limited period. GRIMCO has a system of training of ewly recruited staff at the entry stage. A review of these rrangements indicated that a coherent programme of training has ot been evolved with a clear goal of time bound and effective p-gradation of the professional skill of the accounts staff. This as substantially contributed to the weakness in management of ccounting work and delay in finalisation of accounts.

B.8.6 Accounting manual

Accounting manual containing guidelines and instructions for ıaintenance and preparation of accounts has been prepared by nly one company (GSLDC) in 1988 and in GWRDC it was under reparation whereas remaining three companies (GSCEDC, TCGL nd GRIMCO) have not initiated any action for preparation of ıanual.

These matters were reported to the concerned companies and overnment in June 1992; their replies had not been received September 1992).

CHAPTER - III

SECTION - 3

REVIEWS RELATING TO STATUTORY CORPORATIONS

This chapter contains two reviews as below :

3A Review on the working of Gujarat State Warehousing Corporation

3B Resource generation in Gujarat State Road Transport Corporation

SECTION-3A

Gujarat State Warehousing Corporation

Highlights

The Corporation's main object is to provide scientific storage facilities for agricultural produce and to help the primary producers in storing their commodities and obtaining credit against their stored commodities. However, the utilisation of the Corporation's storage facilities by the primary producers was negligible, being 0.66 to 3.09 *per cent.*

Profit of Rs.141.92 lakhs (before tax) during the years from 1986-87 to 1990-91 was earned out of its diversified activities while there was a net loss of Rs.129.69 lakhs in warehousing during the same period. The loss on warehousing was mainly due to underutilisation of storage capacity and increase in establishment expenses.

The break even point of the Warehousing Centres work out to 69. 77, 81, 75 and 70 *per cent* utilisation of average annual capacity respectively for the five years from 1986-87 to 1990-91. Against this, average annual capacity utilisation during the period was 62 *per cent* only.

The Corporation established the warehousing centre at
shrath in August 1989 with an investment of Rs.131.50 lakhs
oring the objection of Central Warehousing Corporation (CWC)
l without examining their economic viability. Till January 1992,
Corporation suffered a loss of Rs.38.67 lakhs due to poor
lisation of the capacity.

The amount of debit for warehousing charges outstanding for
re than three years increased from 133.23 lakhs in 1986-87 to
).87 lakhs in 1990-91. Of these debits, a debit of Rs. 33.54
hs from Food Corporation of India has been outstanding since
i7-68.

The Corporation planned to augment its storage capacity of
lowns by 1.25 lakh tonnes during Seventh Five Year Plan.
iinst this, the Corporation's achievement was only 24 *per cent*.

Under the National Grid of Rural Godowns, the Corporation
s to establish godowns in the rural areas to help the small and
rginal farmers against distress sale of food grains and other
icultural products immediately after harvest and to reduce
ssure on the transport system in the post-harvest period. In
lation of this objective, all the 28 godowns constructed by the
rporation with an investment of Rs.144.26 lakhs during the
iod from 1981-82 to 1991-92 were located at taluka and district
dquarters and not in the rural areas.

.1. Introduction

The Gujarat State Warehousing Corporation was established
5th December 1960 under Section 28 of the Agricultural
duce (Development and Warehousing) Corporations Act, 1956.
Government of India repealed this Act in 1962 and replaced
by the Warehousing Corporations Act, 1962 (Act). The
poration was deemed to be a State Warehousing Corporation

under the Act. The Corporation commenced functioning February 1961.

3A.2. Objectives and functions

The main objective of the Corporation is to prov scientific storage facilities for agricultural and notified commodi and to help the depositors particularly the primary producers obtaining credit against their stored commodities. For achieven of these objectives, main functions prescribed under the S Warehousing Corporations Act, 1962 are to :

- acquire and build godowns and warehouses within the S with the previous approval of the Central Warehous Corporation;
- run warehouses in the State for the storage of agricult produce, seeds, manures, fertilizers, agricultural impleme and notified commodities;
- arrange facilities for the transport of agricultural prod seeds, manures, fertilizers, agricultural implements and noti commodities to and from warehouses;
- act as an agent of the Central Warehousing Corporation o the Government for the purposes of purchase, sale, storage distribution of agricultural produce, seeds, manures, fertiliz agricultural implements and notified commodities; and,
- carry out such other functions as may be prescribed.

3A.3. Activities

In fulfillment of the objectives the Corporation is engage the following activities:

i) providing of storage facilities in its constructed godowns in hired godowns, providing of management services for warehouses in private parties' godowns on the request of the parties concerned,

providing disinfestation services outside its warehouses,

implementation of Farmers Extension Service Scheme (FESS) to propagate benefits of scientific storage,

working as handling, clearing and transport agent for cargo imported under Co-operative for American Relief Everywhere (CARE) and World Food Programme (WFP); and

operating Custom bonded warehouses.

.4. Scope and objective of Audit

The working of the Corporation was last reviewed in the apter II of the Report of the Comptroller and Auditor General India for the year 1980-81 (Commercial) - Government of jarat. The Report was deemed to have been discussed by the mmittee on Public Undertakings. This review was conducted ween January and May 1992 to examine the performance of the rporation during the years from 1986-87 to 1991-92, to assess w far the Corporation achieved its objectives and whether it rried out its main functions effectively with due regard to onomy and efficiency. The Review also aimed to assess its iciency in funds/cash management and related areas.

.5. Organisational structure

Management of the affairs of the Corporation is vested in Board of Directors, consisting of eleven Directors including the airman and Managing Director. Ten of the Directors are minated equally by the Central Warehousing Corporation (CWC) d the State Government. Chairman of the Board of Directors is pointed by the State Government from among the Directors with previous approval of CWC while the Managing Director is pointed by the State Government in consultation with other rectors and with the prior approval of the CWC.

In terms of Section 25 of the Act, an Executive Commit has been constituted consisting of the Chairman, the Managi Director and three other Directors to deal with any matter witl the competence of the Corporation, subject to directions of t Board.

The Managing Director is the Chief Executive of t Corporation and is assisted by the Accounts Officer and Financ Adviser, Manager (Storage), Manager (Ports), Executive Engin and a Secretary at the Head Office. Warehousemen look af various warehouse centres in the field.

3A.6. Share capital

The authorised share capital of the Corporation, as on 3 March 1992 was Rs.300.00 lakhs, divided into 3,00,000 shares Rs.100 each. The paid-up capital as on that date was Rs.300 lakhs contributed equally by the State Government and the CV

3A.7. Financial position and working results

3A.7.1 The table below indicates the financial position of t Corporation at the end of each of the five years up to 1990-9

Particulars (1)	1986-87 (2)	1987-88 (3)	1988-89 (4)	1989-90 (5)	1990- (6)
			(Rupees in lakhs)		
A Liabilities					
(a) Paid-up capital	191.00	191.00	191.00	191.00	250.(
(b) Reserves and surplus	273.52	289.72	322.61	367.12	391.(
(c) Secured loans	—	—	—	36.50	32.!
(d) Trade dues and other liabilities including provisions	148.37	159.64	162.30	159.15	155.!
Total	612.89	640.36	675.91	753.77	829.!

(1)	(2)	(3)	(4)	(5)	(6)
Assets					
Gross block	262.18	275.86	339.83	545.55	582.47
Less : Depreciation	53.06	65.83	80.14	96.53	114.22
Net fixed assets	209.12	210.03	259.69	449.02	468.25
Capital works-in-progress	—	6.59	51.36	24.58	7.47
Current assets, loans and advances	403.77	423.74	364.86	280.17	353.79
Total	612.89	640.36	675.91	753.77	829.51
Capital employed (X)	464.52	474.13	462.25	570.04	666.05
Capital invested (*)	332.36	341.30	363.34	354.40	424.01

Increase in Reserves and surplus was mainly due to credit account of subsidy received from State Government under tional Grid of Rural Godowns (NGRG) during the years from 37-88 to 1990-91.

.7.2 The working results for each of the five years up to 90-91 are summarised below :

ticulars 1)	1986-87 (2)	1987-88 (3)	1988-89 (4)	1989-90 (5)	1990-91 (6)
		(Rupees in lakhs)			
Income					
Warehousing charges	108.04	139.45	127.44	123.00	166.16
Interest	10.02	12.96	18.49	2.45	0.84
) Other income					
a) Net service charges on handling work of CARE commodities	43.08	41.07	33.31	38.42	38.38
b) Supervision charges on construction work of ARDC godowns	1.9	74.00	3.26	2.42	3.03

Capital employed represents net fixed assets *plus* working capital.

Capital invested represents paid-up capital *plus* free reserves.

(1)	(2)	(3)	(4)	(5)	(6)
c) Service charges	1.54	0.23	0.51	0.12	–
d) Others	—	0.32	0.59	0.53	0.2
iv) Provisions written back and deposits refunded	—	1.66	8.03	3.42	0.7
Total	164.65	199.69	191.63	170.36	209.3
2. Expenditure					
i) Establishment	61.59	79.56	76.50	84.14	95.8
ii) Rent, rates, taxes and bonded warehouses expenses	21.90	55.54	45.05	34.51	29.2
iii) Interest	—	—	—	2.99	4.4
iv) Depreciation	12.69	12.78	15.60	17.03	17.6
v) Insurance	5.24	5.00	4.00	5.22	8.8
vi) Others	18.20	17.80	21.18	22.19	18.9
Total	119.62	170.68	162.33	166.08	175.0
3. Profit before tax	45.03	29.01	29.30	4.28	34.3
i) Accumulated profit up to previous year and brought forward	88.56	12.79	21.73	43.77	34.8
Total	133.59	41.80	51.03	48.05	69.1
ii) Net adjustment for prior period income (+) / expenditure (-)	(-) 3.08	(+) 0.55	(+) 0.06	(-) 0.70	(-) 3.2
Total	130.51	42.35	51.09	47.35	65.9
Other appropriations	106.26	7.25	7.32	1.07	8.5
Amount available for dividend	24.25	35.10	43.77	46.28	57.3
Dividend for previous year	—	3.82	—	11.46	1.9
Current year	11.46	9.55	—	—	10.0
Total return on					
(i) Capital employed	45.03	29.01	29.30	4.28	34.3
(ii) Capital invested	45.03	29.01	29.30	4.28	34.3
Rate of return			(per centage)		
i. Capital employed	9.696.12	6.34	0.75	5.15	
ii. Capital invested	13.55	8.50	8.06	1.21	8.0

The decline in profit during the years from 1987-88 to 1990- was mainly due to under-utilisation of storage space occupancy l increase in establishment expenses, godown rent, interest, etc.

Accounts for the year 1986-87 were adopted in Annual neral Meeting (AGM) with the Board recommending dividend at per cent (Rs.11,46,000). The dividend was however paid at 8 r cent (Rs.15,28,000) and the increased dividend for 1986-87 s appropriated from profit of 1987-88. Similarly, dividend at 6 r cent (Rs.11.46 lakhs) for 1989-90 was increased to 7 *per cent* ;.13.37 lakhs) after adoption of accounts for 1989-90 in AGM d was appropriated from profit of 1990-91.

.8. Achievement of main objectives

.8.1 Creation of storage capacity

The Corporation's main activity is acquiring and building downs and warehouses and running them to make storage :ilities available to depositors. It has established 56 storage ntres up to March 1991.

The table below indicates storage capacity created by the rporation through its own godowns and hired godowns during e years from 1986-87 to 1990-91:

on 31st	Storage capacity created		
rch	Own godowns	Hired godowns	Total
	(Tonnes in lakhs)		
87	1.11	0.79	1.90
88	1.06*	0.85	1.91
89	1.15	0.52	1.67
90	1.32	0.37	1.69
91	1.40	0.26	1.66

Reduction in capacity due to recalculation on account of alleyways and other space not available for storage from August 1987.

It is seen from the above table that though the Corporati has increased construction of its own godowns during this peric the overall capacity has gone down by 13 *per cent* during t period from 1986-87 to 1990-91.

The table below indicates details of utilisation of availat warehousing capacity during the years 1986-87 to 1990-91:

Particulars	1986-87	1987-88	1988-89	1989-90	1990-9
Average storage capacity available during the year (in lakh tonnes)	1.90	1.90	1.79##	1.79##	1.7
Average storage capacity utilised during the year (in lakh tonnes)	1.18	1.26	1.14	0.94	1.1
Percentage utilisation of available capacity	61.95	63.00	63.59	55.92	66.3
Average income per tonne /year (in Rupees)	139.53	158.48	168.10	181.23	183.6
Average expenditure per tonne/year (in Rupees)	101.37	135.46	142.39	176.67	153.5

Average capacity utilisation declined from 1.26 lakh tonn in 1987-88 to 1.14 lakh tonnes in 1990-91, while the avera storage capacity available declined from 1.90 lakh tonnes to 1. lakh tonnes during this period. During the year 1989-90 there w significant decline in the percentage utilisation of availab capacity (55.92 *per cent* against a five years average of 62.16 *p cent*). The reasons of this decline have not been analysed by tl Corporation.

The average capacity utilisation of the Corporation was 62.1 *per cent* during this period. Neither the Corporation nor tl

Excludes storage capacity of public bonded warehouses Gandhinagar and Chhatral.

ureau of Public Enterprises (BPE) prescribed norm of Break Even oint (BEP) for the most significant activity of the Corporation, *i.e.* tilisation of available storage capacity, although in some of the tates (like Rajasthan) the BPE has prescribed such norm.

It is seen that in the case of the Corporation the BEP works ut to 69, 77, 81, 75 and 70 *per cent* respectively for the five ears from 1986-87 to 1990-91. Against this, the average annual apacity utilisation by the Corporation during this period was 62 *er cent.*

Out of 56 warehousing centres as on 31st March 1991 (*vide* able at Page 122) 19 warehouses performed consistently below the nnual BEP. The Corporation closed down 4 centres in 1986-87/ 987-88 and subsequently re-opened these centres as shown below :

	Warehousing centre			
'articulars	Rakhil	Kathlal	Thasra	Patdi
Jumber of godowns	2	2	2	2
Constructed capacity (tonnes)	1300	1250	1150	1150
'emporarily closed in	1987-88	1986-87	1987-88	1987-88
Reopened in	1988-89	1988-89	1989-90	1987-88
Capital cost (x) (Rupees in lakhs)	2.09	1.85	1.97	3.67
Average occupancy (tonnes) on e-operation during				
87-88	–	–	–	–
88-89	–	–	–	22
89-90	–	–	13	26
90-91	86	17	20	69

Even after reopening of these centres their occupancy was either 'nil' or negligible.

The Management attributed (January 1992) the poor occupancy to continuous drought. Drought being an almost regular

(x) Excluding cost of land

phenomenon in Gujarat, the Corporation should have considered this factor while reviving the warehouse centres..

The Management intimated the following regarding the low capacity utilisation :

- Godowns were constructed on verbal assurance for utilisation by bulk depositors in some cases, but they ultimately backed out and the capacity created remained unutilised.
- Expected capacity utilisation did not materialise due to development of private/other centres (Rakhial and Talod).
- Surplus land was the only reason for construction of godowns in some cases without examination of commercial viability (Bavla, Kapadvanj and Anjar).
- Bulk depositors went away due to concessional storage charges offered by Taluka Co-operative Purchase and Sale Unions and the National Grid of Rural Godowns (NGRG) schemes (Mahuva and Idar).
- Godowns were scattered and due to poor logistics, depositors were either reluctant to do business or preferred to reduce their demand (Bulsar).

Thus, the creation of facilities by the Corporation was done without due consideration of their commercial viability. Losses, therefore, were inevitable.

The following table indicates income and expenditure for warehousing activities *etc.*, for the years from 1986-87 to 1990-91 :

ear	Average occupancy (tonnes in lakhs)	Income* of Warehousing charges	Expenditure	Loss
		(Rupees in lakhs)		
9c6-87	1.18	108.04	119.62	11.58
987-88	1.26	139.45	170.68	31.23
988-89	1.14	127.44	162.33	34.89
989-90	0.94	123.00	166.07	43.07
990-91	1.14	166.16	175.08	8.92

The Management is not working out centre-wise operational esults and hence losses made by the individual centres could not e ascertained. During the years from 1986-87 to 1990-91, the :orporation could not make any profit from its main activity *i.e.* varehousing and suffered losses amounting to Rs.129.69 lakhs on his account. Management has not analysed the reasons of ontinuous losses from its warehousing activities. Audit xamination showed the following:

) In 1987-88 there was abnormally high *per cent* increase (42.7) in expenditure mainly on staff salary and allowances and rent of hired godowns.

) In 1989-90, though decrease of occupancy over previous year was 17.5 *per cent* corresponding decrease of income was only 3.5 *per cent.* This was offset by increase in expenditure by 2.3 *per cent* and resulted in increase of loss of Rs.8.17 lakhs over the previous year.

:) In 1990-91 increase of income by 35.9 *per cent* over previous year could be achieved due to higher occupancy and partly by upward increase of storage rates from 1st March 1991 which were offset by increased expenditure (5.43 *per cent* over previous year).

* Includes bonded charges of public bonded warehouses and management service charges.

System of periodical review of cost and profitability of it operations was not evolved to control cost and ensure timel revision of storage rates. In our opinion, such a system is critica to determine commercial viability and profitability of the mos significant activity of the Corporation.

3A.8.2 Warehousing operations

During scrutiny of records of 8 centres (Surendranagar Himatnagar, Salal, Unjha, Dashrath, Ranoli (Kamdhenu), Bharuch and Ankleshwar) out of 56 centres test checked by Audit following cases of losses were noticed:

Storage space at Dashrath Centre

(i) By an agreement dated 4th May 1990, the Corporation reserved storage space in godowns at Dashrath centre for four months for Gujarat State Civil Supplies Corporation Limited (depositor) at a rate of Rs. 1.40 per sq.ft./month. Entire storage capacity of five godowns (A1, B1, A3, A2 and A4) was reserved for the depositor.

(a) In terms of the agreement, in the event of retention of storage space beyond the period of agreement without renewal, double the reservation rate was chargeable for the excess period. For storage capacity of godowns (A1, B1, A3 and A2) utilised in excess of four months during the period from September 1990 to July 1991, the Corporation billed only Rs. 2.22 lakhs instead of Rs. 3.33 lakhs as per the agreement. The amount of Rs. 3.33 lakhs remained unrecovered (April 1992).

(b) Interest of Rs.0.31 lakh on delayed payment of reservation charges from May 1990 to March 1991 after allowance of 21 days credit period under the agreement was not recovered.

(c) Reservation charges of Rs.0.91 lakh billed for the period

:om April to July 1991 have not been received (April 1992).

(d) The Corporation has not claimed fumigation charges of .s.0.35 lakh.

For recovery of dues, the Corporation has lien over the ustom deposited but it could not be enforced as entire stock of eposit has been delivered (July 1991). Thus, Rs.4.90 lakhs emained unrecovered (April 1992).

ii) In the following cases of reservation of storage space made in godowns at Dashrath centre for Food Corporation of India (FCI), the Corporation suffered a revenue loss of Rs.3.79 lakhs.

(a) Storage space of 14120 sq. ft. (godown A1) was utilised y FCI during February and March 1990 without entering into greement. Though, minimum three months' reservation charges of s.50,832 were recoverable, only Rs.16,944 were recovered for ctual storage period resulting in a loss of Rs.33,888.

(b) Under an agreement entered into in June 1990 with the CI, 57680 sq. ft. of storage space was reserved at Rs.1.15 per q.ft./month for six months from 15th June 1990. The storage pace was utilised up to July 1991 without renewal of the greement. The Corporation revised its tariff effective from 1st March 1991 and instructed its field offices to issue notices to the ulk depositors for charging reservation charges from the date of enewal of present reservation or after agreement is over, from 1st March 1991. No notice in this regard was issued to FCI. The Corporation charged Rs. 1.10 per sq. ft./month for the entire period without indicating any reason, against the agreed rate of Rs.1.15 per sq.ft./month and Rs.1.80 per sq ft. per month under evised tariff. This resulted in a loss of revenue of Rs.2.28 lakhs

(c) By an agreement dated 17th January 1992, the Warehouse Manager, Dashrath reserved 43260 sq.ft. of storage area at a concessional rate of Rs. 1.10 per sq. ft./month for six montb though the maximum concessional rate in this case was Rs.1.3 per sq. ft/month, against prevalent of rate of Rs. 1.80 per sq. ft month. The value of the concession extended was Rs.1.17 lakh: Specific approval for the revision of concessional rate was nc obtained.

3A.8.3 Uneconomic operation of warehouse centres

(i) Dashrath Centre

The Corporation invested Rs.131.50 lakhs for construction c 12 godowns till end of March 1992, at Dashrath centre.

Though the godowns were ready for commercial use fron 18th August 1989, these remained vacant up to April 1990. Th Corporation suffered a loss of Rs.38.67 lakhs up to January 199: as shown below:

Particulars		1989-90	1990-91	1991-92 (Upto January 1992)
			(Rupees in lakhs)	
(A)	Expenditure on :			
(i)	Interest at 12.5 *per cent* on Rs.131.50 lakhs	10.22	16.44	13.70
(ii)	Depreciation at 5 per cent (written down value)	2.49	3.86	3.05
(iii)	Salary of the staff	0.40	3.91	3.44
	Total	13.11	24.21	20.19
(B)	Receipt of warehouse charges	Nil	10.49	8.35
(C)	Loss (A-B)	13.11	13.72	11.84

The reservation charges for bulk depositors at Rs.2.30 pe sq.ft./month effective from 1st March 1991 is uneconomical. Ever if hundred *per cent* occupancy is obtained for the entire storage capacity of all the twelve godowns, the maximum annual income of storage charges would be Rs.3.88 lakhs.

Thus, without ascertaining commercial viability of the warehouse centre and ignoring CWC's objections on establishing this centre, the Corporation's decision in creating this warehouse has resulted in a source of perennial financial loss.

The Management stated (May 1992) inter alia that before construction of the godowns, it has been doing business in hired accommodation in this area and CWC had never objected to it for parallel activities. Management further stated that interest factor is not relevant on total investment as the Corporation has invested for scientific storage and any expenditure made for the same is initial investment.

Management's replies are not acceptable for the following reasons :

- feasibility report giving details of capital and revenue expenditure and BEP was not prepared for consideration of the Board.
- establishment of Dashrath centre was financed by bank loan bearing interest at 12.5 *per cent per annum*. Interest element is, therefore, an essential element of cost to be considered for deciding economic viability.

(ii) Kandla

The Corporation reserved storage space in open plot for the Cotton Corporation of India Limited (CCI) from 9th October 1980 for storage of its cotton bales meant for export without fixing storage rate. In October 1982, the Corporation claimed Rs.2.71 lakhs for the period from October 1980 to March 1981 but the CCI did not settle the amount. Ultimately after mutual discussions the Corporation settled the claim for Rs.1.25 lakhs which was paid in August 1991. Besides loss of Rs.1.46 lakhs of renta charges there was a loss of interest of Rs.1.63 lakhs at 12 *pe cent* on Rs.1.25 lakhs for October 1980 to August 1991.

(iii) Godowns hired to Postal Department

The Corporation reserved storage space of 9346 sq.ft. i godown No.4 and 5 of Shahibaug warehouse centre for storage o postal articles at storage rate of Rs.0.75 per sq.ft./month from 1s March 1979. No agreement with Postal Department for reservatio of storage space was made. The Corporation increased storage rate per sq.ft./month to Rs.1.05 from 1st September 1980, Rs.1.20 fron June 1983, Rs.1.80 from November 1985 and Rs.2.30 from Marc 1991. The Postal Department did not accept increased rate til date. Consequently the Corporation incurred a loss of revenue o Rs.6.66 lakhs worked out at increased rate from dates given abov during September 1980 to February 1992.

3A.8.4 Loss of revenue due to theft

(a) In Bardoli Warehouse Centre, Gujarat State Fertilizer Company Limited (GSFC) reserved space for storage of 100(tonnes fertilizer in standard bags of 50 kg. During verificatior (December 1986), the fertilizer bags delivered from the warehous stocks were found short in weight by 8 to 10 kg. per bag. Th claim of Rs.3.82 lakhs of the depositor was admitted by th Corporation which paid Rs.3.25 lakhs by adjustment from warehouse charges (April 1991) receivable for storage in th Corporation's warehouse centre, Ranoli.

The Corporation's claim of Rs.3.82 lakhs from insurer was rejected on the ground that the claim is of embezzlement/ dishonesty of the employee not covered under fidelity guarantee policy taken by the Corporation. The Corporation has not investigated in to the loss for fixing responsibility.

(b) The Corporation warehoused 38640 bags (each of 50 kg) :ea fertilizer of GSFC in its godown No.17 located in Balaji tate, Narol warehouse centre, Ahmedabad district, in 1987-88. ıring the period from September to December 1987, 354 bags lued Rs.44024 were found short. The depositor claimed Rs.0.44 kh. A claim lodged (January 1988) by the Corporation for ;.0.44 lakh was rejected (August 1989) by the Insurance ›mpany on the plea that it was not payable under fidelity ıarantee insurance policy taken by the Corporation. Not accepting e plea the Corporation filed a civil suit against Insurance ›mpany for recovery of the claim which has not yet (April 1992) ›en decided.

(c) During March - April 1975 Navsari Warehouse Centre cepted the consignment of fertiliser in 1,39,155 bags of 50 Kg. ch from FCI. In July 1980, wide variations between physical and ›ok stock of fertilizer valuing Rs.17.20 lakhs (market price) were ported. Special inspections of the Corporation's officials revealed at basic records as per Bombay Warehousing Act, 1959 were not ›pt and the stock was not physically verified during handing 'er/taking over the charge.

Settelement of FCI's claim against the Corporation and ›unter claim against United India Insurance Company under delity insurance policy are pending. Meanwhile, FCI has not ıid (March 1992) warehouse charges Rs.49.35 lakhs pertaining to ›riod 1975-76 onwards of various warehouse centres.

ᴬ.9 Quality control

One of the objectives of establishment of the Corporation as to provide scientific storage to prevent losses and spoilage ıring storage.

The Corporation ensures quality control through internal inspection under Chief Inspector and Storage Officer/Manage (Inspection). The Corporation prescribed inspection of warehouse quarterly and once at least in a six months period.

On a review of internal inspection carried out in 17 out c 56 centres during the years from 1986-87 to 1991-92, it wa noticed that inspection of many centres was not carried out a per minimum norm fixed by the Management as is evident fror the following statement showing number of quarterly/half yearl inspections of godowns carried out :

Serial number	Centre	1986-87	1987-88	1988-89 (Number)	1989-90	1990-91	1991-9
1.	Anjar	5	4	4	1	1	2
2.	Amreli	1	1	—	—	—	—
3.	Bodeli	4	4	Nil	1	2	Nil
4.	Bharuch	Nil	5	1	Nil	3	1
5.	Bavla	1	4	2	1	3	1
6.	Dohad	2	3	2	1	2	1
7.	Dhandhuka	4	5	2	1	1	2
8.	Deesa	—	5	3	2	2	2
9.	Dashrath	—	—	—	—	2	2
10.	Bilimora	1	4	Nil	1	1	1
11.	Jamnagar	2	2	5	4	1	2
12.	Junagadh	Nil	6	Nil	1	2	3
13.	Kapadvanj	Nil	4	1	1	2	2
14.	Mehsana	7	5	2	1	3	1
15.	Surendranagar	3	6	2	1	3	3
16.	Rajpipla	2	5	3	Nil	2	1
17.	Unjha	Nil	Nil	Nil	Nil	Nil	2

The reports of internal inspections pointed out instance where the stocks were not properly and systematically stacked

:essary alleyways not kept, dunnage not used, sweepage was reduced, rats and insects were not eliminated, scratching in ɔring, plastering, doors and shutters needed repairs, tin sheets roof flown away, etc. These findings indicate that the practice scientific storage by the Corporation was not consistent. The :poration has settled/is yet to settle claims of Rs.58.30 lakhs taining to various periods due to storage losses, which can be ibuted to the Corporation's failure to exercise quality control l practice scientific storage.

.10. Benefits of warehousing facilities to farmers

During the years from 1986-87 to 1990-91, though occupancy storage of agricultural produce accounted for 58 to 71 *per cent* was mainly utilised by the State/Central Government and their ncies. The utilisation of storage capacity by the farmers oducers) was negligible at 0.66 to 3.09 *per cent* and Co-rative Societies 2.63 to 17.86 *per cent* as shown in table given ɔw:

ial nber	Depositors	1986-87	1987-88	1988-89	1989-90	1990-91
				(in tonnes)		
	Co-operative Societies	3086 (10)	17436 (19)	20306 (11)	7891 (17)	8932 (22)
	Producers	1807 (117)	785 (205)	1846 (83)	2485 (175)	3507 (182)
	State/Central Government and their agencies	102372 (128)	96953 (86)	83087 (74)	68877 (92)	79596 (83)
	Traders	10408 (355)	3723 (97)	8427 (106)	14924 (282)	21520 (276)
	Total	117676 (620)	118900 (407)	113666 (274)	94177 (566)	113555 (563)

ures in bracket indicate number of depositors

3A.11. Public Bonded Warehouses

Under Section 57 of the Customs Act, 1962, the Custor Department appointed the Corporation's ten warehouses (six clos and one open plot in Gandhinagar and three plots in Chhatral Mehsana District) to be Public Bonded Warehouse (PBH) where imported goods brought under Bond were authorised for depo without payment of duty. The Corporation commenced the activi from 6th April 1989. The performance of the Corporation wi regard to this activity was reviewed by Audit.

On operation of the PBHs, the Corporation made a loss Rs.7.75 lakhs in following cases :

(i) The Corporation hired an open plot (plot No.805 Engineering Zone of GIDC Estate, Gandhinagar) having area 5451 sq.mt. at Rs.8.60 per sq.mt./month without feasibility survey report for operating PBH. The PBH remained vacant 1 two years from date of hiring (August 1989) and the Corporati paid rent of Rs.5.95 lakhs up to August 1991.

(ii) Though sufficient storage area was available a new PI was hired from 1st May 1990 at Gandhinagar resulting avoidable expenditure of Rs.1.34 lakhs on rent from 1st May 19 to 31st March 1991.

(iii) PBH, Gandhinagar failed to charge additional fifty p *cent* bond charges in cases of utilisation of space in excess reserved space for bonding the goods resulting in a loss of Rs.0. lakh to the Corporation. The following irregularities were al noticed:

(a) Though Bond charges were to be recovered in cash or dema draft the Manager, PBH, Gandhinagar accepted cheques three cases. The cheques were dishonoured causing delay receipt of bond charges of Rs.0.72 lakh. In case of o depositor, payment of bond charges (Rs.0.61 lakh) were acknowledged late by 8 months (three transactions) and cheques remitted late in Bank. The receipt was not issued for the correct amount. Thus, these depositors were given undue financial benefit.

) Prompt action was not taken to recover bonded charges of Rs.4.95 lakhs (43 depositors) which were outstanding for more than two years as at end of March 1992.

:) As on 31st March 1991, balance in PBH account, Gandhinagar maintained at Head Office showed debit balance of Rs.0.42 lakh whereas the same as per cash book maintained by PBH, Gandhinagar was Rs.0.31 lakh. These balances have not yet been reconciled (April 1992).

l) In August 1990, complaints were received from the depositors (Chhatral PBH) for losses of their bonded custom. Results of police investigation are awaited (April 1992). The liability of the Corporation for the value of bonded goods lost is Rs.1.55 lakhs.

A.12. Recovery of outstanding dues

The Corporation's tariff provides recovery of warehouse harges in case of general warehousing at the stage of withdrawal f custom by depositors and in case of bulk depositors, three ıonths' reservation charges while making reservation of storage pace adjustable from the first three months' bills. Credit of fifteen ays from the date of bill for warehouse charges was given in all ther cases.

A review of outstanding debtors as at end of the years from 986-87 to 1990-91 revealed that the Management could not ecover debts within the credit period as per the following table :

Year	Warehouse and Service@ charges	Outstanding debtors	
		Warehouse charges	In terms of month: warehousing incom
		(Rupees in lakhs)	
1986-87	154.40	133.23	10.35
1987-88	184.75	136.22	8.85
1988-89	164.52	120.75	8.81
1989-90	160.87	149.38	11.14
1990-91	207.57	160.87	9.30

The amount of outstanding debts for warehousing charg increased from Rs.133.23 lakhs in 1986-87 to Rs.160.87 lakhs i 1990-91.

As per annual report of the Corporation for 1990-91, deb of Rs.43.90 lakhs were outstanding for more than three years. Some of the debts were outstanding since as far back as 1967-6 (Rs.33.54 lakhs recoverable from FCI). But the Management ha not assessed the possibility of recovering these dues and th necessity of providing for bad debts before declaring dividend.

3A.13. Storage rates

A review of the rates of the Corporation for the variou services during the five years ending 1991-92 revealed that th storage charges effective from November 1985, were revised fror March 1991. The Corporation had proposed revision of rate earlier in 1987 but this was not carried out due to drough However, since then the Corporation has not evolved an reasonable time frame for review of costs and revision of price Thus, revision of cost was overdue when it was carried out i 1991. The rates were increased by about 25 to 35 *per cent.*

@ included net income on handling CARE/WFP commodities, handlin of cement/fertilizers/maize and supervision charges on construction o ARDC godowns.

According to the Management, the Corporation took into :count the higher rates of CWC effective from April 1987 and [ay 1989 and other factors like overheads, demand and supply of orage space, rate of storage charges/godowns prevailing in market ıd depositors' paying capacity. However, the revised rates of the orporation were much lower in all commodities compared to WC's rates effective from May 1989.

Average expenditure for storage by the Corporation per 100 g. ranged from Rs.0.85 to Rs.1.47 during the years from 1986-87 1989-90 and Rs.1.29 in 1990 91.But the revised rates for food :ains and fertilizers - the two major commodities - were much ›wer as shown below :

ommodity	Rate per 100 kg. effective from	
	1st November 1985 to 28th February 1991	1st March 1991
	(Rupees)	
ood grains	0.80	1.05
ertilizers	0.80	1.00
addy	1.06	1.40
ement	1.20	1.60
pices	1.33	0.90 to 4.60
otton bales upto 200 kg.	2.25	3.00
il seeds	0.90	1.10 to 2.50

Higher rate fixed for cotton bales did not set off losses on ood grains and fertilizer warehoused.

A.14. Planning

A.14.1 Storage capacity

The following table indicates the Corporation's planned ugmentation of storage capacity and achievement thereagainst luring the years from 1985-86 to 1989-90 :

Year	Increase of constructed storage capacity			Percentage of achievement to	
	Planned	Budgeted	Achieved	Planned	Budgete
		(Tonnes)			
1985-86	25000	25000	7600	30.4	30.4
1986-87	26250	21750	8750	33.3	40.2
1987-88	26250	21750	2870	10.9	13.2
1988-89	25000	21750	7900	31.6	36.3
1989-90	22500	37360	3360	14.8	8.9
Total	125000	127610	30480	24.4	23.7

The Management stated (March 1992), that the Corporatic has not received funds from various sources, as expected, and ha therefore, failed to achieve the targets.

The following table shows that the Corporation's effor could generate only 19 *per cent* out of the expected finance fi increase in its own constructed storage capacity :

Serial number	Generation of financial sources	Receipts (Rupees in lakhs)	1985-86	1986-87	1987-88	1988-89	1989-90	Total
1.	Share capital contribution from State Government/ and CWC	Expected	60.00	60.00	60.00	60.00	60.00	300.00
		Actual	—	13.00	—	—	—	13.00
2.	Loan from Government	Expected	60.00	60.00	60.00	60.00	60.00	300.00
		Actual	—	—	—	—	36.50*	36.50*
3.	Subsidy from State Government	Expected	20.00	20.00	20.00	20.00	20.00	100.00
		Actual	4.18	8.24	—	(-)4.71	46.49	54.20
4.	Internal resources	Expected	10.00	10.00	10.00	10.00	10.00	50.00
		Actual	6.39	9.21	8.96	22.03	(-)8.94	37.65
	Total	Expected	150.00	150.00	150.00	150.00	150.00	750.00
		Actual	10.57	30.45	8.96	17.32	74.05	141.35

* From Scheduled bank

It is seen that the Corporation's assessment of source funds for its most significant activity was unrealisti Consequently, the targets were pitched too high leading to ve low achievement of the targets.

3A.14.2 Storage occupancy

The Corporation planned to increase average occupancy available storage capacity by 5 *per cent* per year by expandi customer base, improving services and contacting past patrons the State.

The table below indicates the average occupancy during t five years up to 1990-91 :

Serial number	Particulars	1986-87	1987-88	1988-89	1989-90	1990-9
1.	Warehousing centres (Numbers)	53	51	53	55*	56*
2.	Capacity (lakh tonnes)					
	- constructed	1.12	1.06	1.15	1.32	1.40
	- hired	0.78	0.85	0.52	0.37	0.26
	- Total	1.90	1.91	1.67	1.69	1.66
3.	Average capacity during the year (lakh tonnes)	N.A.	N.A.	1.79	1.68	1.71
4.	Average occupancy during the year (lakh tonnes)					
	- at beginning of the year	0.99	1.18	1.26	1.14	0.9
	- at close of the year	1.18	1.26	1.14	0.94	1.1
5.	Percentage achievement during the year	(+)18.7	(+)7.33	(-)10.1	(-)17.2	(+)20

* excludes storage capacity of public bonded warehouse at Gandhinag and Chhatral.

Against the target increase of 5 *per cent*, the achievement uring 1988-89 and 1989-90 was negative. The Management has ot reviewed its achievement against targets and appraised the oard about its performance, reasons for non-achievement of rgets and results of action taken, if any.

A.14.3 Establishment of warehousing centres

) Vapi

The Corporation constructed one godown of 650 tonnes apacity in 1981-82 at a cost of Rs.2.42 lakhs. The godown emained vacant almost till January 1990 and is now (April 1992) eing used as mainly office space. The Management attributed the egligible occupancy to the unhygienic conditions around the odown created by slum dwellers, useless land, difficult approach, aking movement of vehicles cumbersome and lack of facilities r scientific storage. Considering these reasons, the Corporation ecided (January 1990) to sell the godown (depreciated value s.1.49 lakhs in 1990-91) at a value between Rs.3.10 lakhs to s.3.25 lakhs to be negotiated with the prospective buyer. The le is yet to materialise (April 1992).

Thus, the godown which was constructed without any asibility study has resulted in a godown worth Rs.2.42 lakhs not eing utilised for the intended purpose.

) Dashrath

Inspite of CWC's objection to Corporation's decision to urchase land from Vadodara Urban Development Authority VUDA) for establishment of a warehousing centre in Vadodara, e Corporation purchased (4th November 1987) land of 20 acres r Rs.14.50 lakhs and took possession of the land in 1988. No onsideration was made at this stage that the entire land should e got levelled.

The Corporation ultimately spent Rs.37.34 lakhs on ear filling which was disproportionate to the cost of land (Rs.14. lakhs).

3A.15. National grid of rural godowns

The State Government introduced a scheme of National Gr of Rural Godowns (NGRG) in 1981-82 with the object to create network of rural godowns to take care of storage requirements small and marginal farmers. The scheme was intended to preve distress sale of food grains and other agricultural produ immediately after harvest at comparatively lower prices and strengthen the farmers' ability to hold their stocks for favourab market conditions. The scheme aimed at reducing pressure on th transport system in the post-harvest period. The Corporation w nominated the implementing agency for this scheme.

Under the scheme, 50 *per cent* of construction cost was be paid as subsidy to be shared by the State and Centr Governments, and balance 50 *per cent* was to be met by bar loan. The Corporation did not borrow funds from the Bank, b employed its own funds of Rs.72.13 lakhs.

3A.15.1 Establishment of godowns

The following table indicates godowns constructed, cost construction and subsidy received and utilised during the peric from 1981-82 to 1991-92.

ar	Godowns constructed		Cost (Rupees	Subsidy		
ıstru-			in	Receiv-	Recei-	Bala-
on	Number	Capacity in tonnes	lakhs)	able	ved	nce
				(Rupees in lakhs)		
31-82	2	1800	7.44	3.72	3.60	0.12
32-83	—	—	—	—	—	—
33-84	3	2700	11.84	5.92	5.40	0.52
34-85	1	1000	5.32	2.66	2.35	0.31
35-86	6	5400	26.94	13.47	12.77	0.70
36-87	5	5000	24.90	12.45	11.77	0.68
37-88	8	8000	48.24	24.12	18.84	5.28
38-89	—	—	—	—	—	—
39-90	—	—	—	—	—	—
90-91	2	2000	13.32	6.66	2.36	4.30
91-92	1	1000	6.26	3.13	2.35	0.78
ıtal*	28	26900	144.26	72.13	59.44	12.69

The Corporation has not claimed the balance subsidy of ;.12.69 lakhs to which it was entitled at 50 *per cent* of ınstruction cost. The Management replied (April 1992) that the bsidy was sanctioned on estimated cost. The Corporation has ıt worked out its entitlement on the basis of actual cost (August ı92).

Though the scheme aimed at construction of godowns at llage level, no godown was constructed in any village. Instead, ıdowns were constructed only at taluka and district headquarters. ıe Management replied (April 1992) that they constructed ıdowns considering location of market area and connection of ısiness potential. Thus, the main purpose of the scheme was not ırved.

exclude subsidy received Rs. 1.18 lakhs in 1987-88 for construction of godown at Bavla as it is work-in-progress due to court's stay.

3A.16. Parallel activities

Under the provisions of Section 24(a) of the Warehousi Corporations Act, 1962, a State Warehousing Corporation has obtain previous approval of Central Warehousing Corporatic (CWC) for acquiring and building godowns and warehouses places within the State.

During the period from 1986-87 to 1991-92 the Corporatic constructed 29 godowns. The records do not indicate wheth approval of CWC had been obtained therefor. The Manageme stated (May 1992) that CWC had objected to the construction godowns at Narol and Aslali (Ahmedabad district), Dashrat (Vadodara district), Ranoli (Vadodara district), Kandla (Bh district) and Jamnagar (Jamnagar district). Despite the objection the Corporation constructed godowns at Narol, Dashrath, Rano and Jamnagar. Construction of godowns at Kandla and Aslali we abandoned after incurring a capital expenditure of Rs.6.53 lakhs Kandla and an interest liability of Rs.2.58 lakhs on Rs.10.00 lakh advanced from January 1988 to January 1990 towards purchase land at Aslali. The Management, further, clarified that the experienced difficulties in getting custom of various bul depositors *viz.* Food Corporation of India, Gujarat State Fertilizer Company Limited, Indian Farmers Fertilizers Co-operatives Limited Indian Petrochemicals Limited etc. at Narol, Dashrath and Ranol centres due to parallel operations by CWC.

The Act does not specify jurisdiction of construction acquiring of godowns and warehouses at a place in a State wher CWC and State Warehousing Corporation godowns also existed Since a State Warehousing Corporation is set up for carrying ou warehousing activity on commercial lines, any such organisatio would like to carry out its functions at a place where ther would be more occupancy of available storage capacity.

The various State Warehousing Corporations and CWC have 'med National Association of Warehousing Corporations ssociation). At an Annual meeting of the Chairmen and ınaging Directors of the members of Association held in 1983, a ɔrking Group was formed for deciding the areas of demarcation :ween the CWC and the SWC. The Corporation could not nish a copy of the accepted recommendations of the Working oup and it could not be verified in Audit whether the rporation is implementing these recommendations.

..17. Financial and cash management

..17.1 While the general superintendence and management of the rporation vest in the Board of Directors, the Executive mmittee is authorised to deal with any matter within the mpetence of the Corporation, subject to directives of the Board. e Managing Director is the Chief Executive who ensures that e policy laid down by the Board, Executive Committee and ıer Committees and Rules and Regulations framed under the Act e fulfilled. Accounts Officer and Financial Adviser are sponsible for drawing of budget estimates, maintenance, eparation and finalisation of annual accounts, preparing ovisional profit and loss account quarterly and placing them fore management for review, looking after recovery of the rporation's dues, operation of Bank accounts and investment of rplus funds.

While annual accounts were being prepared, provisional ofit and loss accounts, as prescribed in the Accounts Manual, ere not prepared quarterly and placed before the management. perating results of the centres were not placed, periodically, fore the Executive Committee or Board of Directors.

The system of preparation of periodical cash flow statements d not been evolved.

Observations on cash management are discussed succeeding paragraphs.

3A.17.2 Cash management

(a) In April 1986, the State Government directed all t Corporations operating on commercial basis, that 75 *per cent* their surplus funds be invested in a public account for at le one year which would carry interest of half *per cent* above t bank rate. The Corporation did not follow these instructions a invested surplus funds in commercial banks during May 1986 May 1988 and thereby incurred a loss of Rs.0.96 lakh by way differential interest.

The Board considered that the Corporation had no surpl funds for depositing in Treasury. The contention of the Board not convincing in as much as there were 60 instances of fix deposits made with commercial banks for period varying from tv to four years involving Rs.0.24 lakh to Rs.3.75 lakhs.

(b) During the period from 1986-87 to 1991-92, fun ranging between Rs.0.50 lakh and Rs.15 lakhs (43 transaction were invested in fixed deposits for one year in 10 scheduled a two co-operative banks. The Corporation retired these investmer prematurely and incurred interest loss of Rs.6.22 lakhs calculat at the rate applicable on those fixed deposits. Orders of t competent authority for their premature retirement were not ma available to the Audit. Had the Corporation prepared regular ca and fund flow statements, it could have planned its investmen in long-term fixed deposits in a more systematic way there l avoiding the necessity of their frequent premature retirements.

3A.17.3 Irregularities in the maintenance of cash records.

(a) Maintenance of cheques receipt register showing debto name, cheque number and date, amount and its remittance in ık was not introduced. Cheques received were not entered in cash book on the same day and there was considerable delay remittance into Bank. Such delay was noticed at Chhani, lmalla, Ranoli (Kamdhenu), Dashrath, Bharuch and Gandhinagar ıtres. As a result Corporation's funds between Rs.6285 and 1,75,664 remained locked up for 1 to 10 days (112 cases), 11 20 days (38 cases) and 21 to 70 days (5 cases).

(b) Internal Audit of the Corporation commented on various iciencies in the matter of cash accounting. These related to ı-maintenance of petty cash book (PBH, Chhatral) and imprest ister (PBH, Gandhinagar), balancing of cash book entries, ission of entries in cash book, non-reconciliation of banking nsactions, cash receipt issued for amount more than actual eipt, *etc.* No record was available to examine whether these nments were attended to. The Corporation has not reported ıgust 1992) compliance of the above observations.

.18. Assets Register

Up to 1990-91, the Corporation acquired land on ownership ıis (Rs.81.82 lakhs) and also on lease basis. The value of ldings and warehouses constructed on own and leasehold land s Rs.492.35 lakhs, furniture and fixtures : Rs.4.04 lakhs, ıipments : Rs.6.24 lakhs and vehicles : Rs.6.19 lakhs. The rporation has not maintained an Assets Register recording the ails of the assets acquired.

The following table indicates addition to land and buildings l warehouses during the five years up to 1990-91.

Year	Addition to		
	Land		Buildings an
	Area (Sq.mts)	Value	warehouses
		(Rupees in lakhs)	
1986-87	3,152	0.47	21.47
1987-88	84,520	15.60	10.21
1988-89	41,398	11.71	52.91
1989-90	20,234	44.64	54.40
1990-91	24,281	0.73	11.04

On enquiry by Audit (April 1992) about land purchased a utilisation for construction of godowns *etc.*, the managem replied (May 1992) that furnishing of details from 1986-87 is v labourious work and cannot be given within a month or two. T showed that the management did not maintain important reco in a systematic manner to exercise proper control over investm of Rs.468.71 lakhs.

These matters were reported to Government/Management June 1992; their replies had not been received (September 199

SECTION - 3B

arat State Road Transport Corporation

hlights

The Gujarat State Road Transport Corporation was ıblished on 1st May 1960 under Section 3 of the Road ısport Corporations Act, 1950. The objective of the Corporation o provide an efficient, adequate, economical and properly rdinated system of road transport services in the State.

Even though the Corporation suffered operating loss during years from 1988-89 to 1990-91, it was able to show profits ing these years due to the financial assistance received from te Government. This also enabled it to obtain capital tribution from the Central Government.

As the Corporation was unable to fulfil the conditions laid ʼn by the Central Government during the years from 1987-88 .988-89, it was unable to avail the Central Government's capital tribution of Rs.24.04 crores.

Due to delay in pursuing the proposal for fare revision lying ı the Government since June 1988, the increase in the cost of ıts from April 1988 to October 1990 amounting to Rs.182.16 'es had to be borne by the Corporation.

The Corporation's decision for hike in the rates of casual tracts in October 1990 without adequate survey to assess the act of such revision in its business led to decline in operation casusl services and resulted in loss of revenue of Rs.602.77 ıs during the year 1991-92.

The Corporation did not operate treasury accounts in rashtra area resulting in loss of interest of Rs.24.90 lakhs ing the period from July 1989 to March 1991 to the

Corporation. The Corporation also suffered loss of interest Rs.5.07 lakhs due to delay in getting credit from the treasur The Corporation made irregular payment of commission charge: Rs.6.17 lakhs on remittance/transfer of cash to the banks dur the period from 1986-87 to 1991-92 (up to December 1991).

3B.1 Introduction

The Gujarat State Road Transport Corporation established on 1st May 1960, under Section 3 of the R Transport Corporations Act, 1950. The objective of the Corpora is to provide an efficient, adequate, economical and prop coordinated system of road transport service in the state. Corporation is operating its fleet through 128 depots and 15 tr divisions. In addition, the Corporation has a central workshop bus body building, civil engineering, central purchase and st departments.

3B.2 Scope and Objective of Audit

A review of resource generation including transactions the treasuries and banks for the years 1989-90 and 1990-91 conducted by Audit involving examination of records in se divisions and 14 depots between December, 1991 and Ma 1992. The results of the study are given in the succeed paragraphs. The objective of the Audit was to examine whet resource generation system is proper one and to examine whe the Corporation's management of cash and funds are conduc efficiently and with due regard to the economy and efficiency

3B.3 Working Results

The following table gives summary of the working result the Corporation for each of the three years up to 1990-91 :

Particulars	1988-89	1989-90	1990-91
		(Rupees in crores)	
a) Operating Revenue	327.06	360.14	390.96
Expenditure	343.03	404.47	449.26
Deficit	15.97	44.33	58.30
b) Non-operating Revenue	38.22	57.81	74.29
Expenditure	20.59	7.26	11.70
Profit	17.63	50.55	62.59
c) Total Revenue	365.28	417.95	465.25
Expenditure	363.62	411.73	460.96
Profit	1.66	6.22	4.29
Interest charged to profit and loss account	20.55	7.20	11.58
Total return on capital employed	22.21	13.42	15.87

The Corporation suffered operating losses of Rs.15.97 crores, 14.33 crores and Rs.58.30 crores in the years 1988-89, 1989-90 1990-91, respectively. Despite such operating losses, the poration was able to show net profit of Rs.1.66 crores, Rs.6.22 res and Rs. 4.29 crores in the years 1988-89, 1989-90 and 0-91, respectively, on account of receipt of financial assistance n the State Government as shown below :

Particulars	1988-89	1989-90	1990-91
		(Rupees in crores)	
Grant-in-aid	20.00	38.00	8.00
Waiver of interest on term loan	3.02	3.02	2.42
Waiver of interest on capital contribution from State Government	—	14.42	17.09
Assistance by way of adjustments towards passenger tax	—	—	36.48
Conversion of term loan into assistance	—	—	13.98
Total	23.02	55.44	77.97

This financial result showing a net profit enabled Corporation to obtain capital assistance from the Cen Government who had insisted on earning of profit or break even by the Corporation as eligibility criteria for receiv assistance during the years subsequent to 1986-87.

3B.4 Sources and use of funds

Capital contribution from State and Central Governme borrowings from Life Insurance Corporation of India, Indust Development Bank of India, public, disposal of useless assets scrap and bus fares constitute the main sources of funds for Corporation. The following table would indicate the position resources raised and their deployment in the activities of Corporation during the three years up to 1990-91 :

	1988-89	1989-90	1990-
	(Rupees in crores)		
Sources of funds:			
Capital funds			
- capital contribution	25.08	45.70	41.7
- borrowings	33.62	10.56	35.1
- sale of fixed assets	16.25	31.22	28.4
- sale of investments	0.17	—	-
	75.12	87.48	105.3
Revenue funds			
- depreciation	5.91	(5.89)	3.7
- reserves and surplus	(0.01)	0.02	0.0
- funds from operations	(3.37)	(24.84)	3.2
	2.53	(30.71)	7.0
Total of resources	77.65	56.77	112.3
Application of funds			
Capital purposes			
- fixed assets and work-in-progress	40.99	49.57	54.3
- repayment of loans	6.26	6.65	21.7
	47.25	56.22	76.0
Revenue purposes (working capital)	30.40	0.55	36.2
	77.65	56.77	112.3

The above table would indicate the extent of Corporation's ɔendence on external resources of capital contribution and rowings involving heavy financing cost, use of capital funds for enue operations and negligible or negative generation of internal ources mainly due to an uneconomic fare structure.

On a review of the raising of funds and their utilisation by Corporation, it was observed that the Corporation had not lised certain potential areas of resource generation as discussed paragraph 3B.6 *infra*.

.5 Capital contribution

According to Section 23 of the Road Transport Corporations t 1950, the capital required by the Corporation for the purpose carrying on its activities is to be contributed by the Central d State Governments proportionately as per agreed terms. The ɔital contribution of the Corporation is shared by the State vernment and the Central Government (the Railways) in the io of 2:1. The requirements of capital every year are based on capital programmes of the Corporation in its budget estimates.

The capital contribution of the Corporation as on 31st March 91 was Rs.370.96 crores (Rs.276.44 crores contributed by the ate Government and Rs.94.52 crores contributed by the ilways). There was a shortfall of Rs.43.70 crores in the capital ntribution payable by the Central Government (the Railways) as 31st March 1991. The Central Government declined to ntribute Rs.15.93 crores for the years from 1980-81 to 1990-91 any contribution made by a State Government either over and ove the allocation made by the Planning Commission or without ior approval of the Planning Commission does not qualify for atching contribution from Central Government. The net shortfall as Rs. 27.77 crores as on 31st March 1991.

The Government of India, Ministry of Surface Transp (Transport Wing) vide letter No.TW/TTC/(29)/85, dated 20th Ju 1988 imposed following conditions for the release of capital lo assistance to the State Road Transport Corporations,

"(a) for the year 1987-88, the release of capital loan assistance v be only to such State Road Transport Corporations which run on net profit during 1986-87 or which have brought do their net losses by 20 *per cent* or more during that ye compared to the previous year *i.e.* 1985-86,

(b) release of capital loan assistance to the State Road Transp Corporations in respect of the year 1988-89 and onwards w be only to those State Road Transport Corporations which not incur any net loss or which run at break even".

The imposition of the above conditions by the Cent Government resulted in disentitlement of Rs.24.04 crores for t years 1987-88 (Rs.11.50 crores) and 1988-89 (Rs.12.54 cror towards capital loan assistance to the Corporation. The balance Rs.3.73 crores (Rs. 27.77 crores minus Rs. 24.04 crores) towar capital contribution was outstanding as on 31st March 1991 whi was received in 1991-92.

3B.6 Traffic Revenue

3B.6.1 Delayed revision of passenger fares

The Corporation made upward revision of passenger fares the years 1974, 1976, 1979, 1981, 1982 and 1987. Due to sha rise in sales tax on diesel, prices of tyres, tubes, flaps a employees wages, the Corporation submitted a proposal f revision of fare structure to the State Government in August 198 The Corporation did not pursue the matter with the Governme and the Board of Directors decided in April 1990 to submit new proposal for upward revision of fare structure owing rther increase in the cost of inputs. The State Government corded its approval in October 1990 and revised fare rates came to force from 1st November 1990. Thus, the increase in the cost inputs from April 1988 to October 1990 amounting to Rs.182.16 ores had to be borne by the Corporation.

۱.6.2 Casual contract operations

Contract carriage means a motor vehicle which carries a ıssenger or passengers from one point to another without opping to pick-up or set-down, along the line of route, ıssengers not included in the contract. Casual contracts are ainly of two types. In the first type, such contracts are entered .to by the public with the Corporation for carrying a group of ıssengers from one place to another in connection with marriage, ıgagements, religious function, *etc.* In the second type, such ›ntracts are entered into by public and private sector business rganisations with the Corporation for their day to day ›quirements of hauling their employees etc., utilising large umber of buses which is known as long term casual contracts.

The Corporation is vested with the authority of revising its ıres for casual contracts without the approval of State overnment and thus the Corporation has the freedom to fix ›munerative tariff in this area of its business. The Corporation, owever, did not revise the casual contract fare structure from 987 to October 1990 and thus lost the opportunity of increasing s earnings from this source during this period.

When the fares of casual contracts were revised in October 990, the revision was very steep as the revised rates were 126.37 *er cent* higher than the 1987 rates. This abrupt and high increase n the tariff had an adverse impact on its business of casual ontracts as seen from the significant drop in income and the ilometres run during 1991-92 in comparison with those of 989-90 :

Year	Casual contract income (Rupees in lakhs)	Casual contract kilometres (in lakhs)
1989-90	1270.96	192.64
1991-92 (Up to January 1992)	871.82	70.59

The loss of revenue during the year 1991-92 (up to Januar 1992) was Rs.602.77 lakhs worked out at the average kilometre operated in the preceding three years. Some of the important lon term contract parties viz. Cement Corporation of Gujarat Limitec Veraval (one bus), Gujarat Mineral Development Corporatio Limited, Panandhro (one bus) and Indian Petrochemical Corporation Limited, Baroda (twenty buses) cancelled thei contracts during this period presumably due to steep rise in th rates. In view of the decline in operation of the contract service the vehicles had to be diverted on regular routes. This los assumes significance in the context of this operating loss of th Corporation which could have been recouped at least, partiall from a judicious handling of the casual contract business.

Thus, the Corporation's decision to hike the rates of casua contract was carried out without adequate survey to assess th impact of such revision in its business. The increase in rates no only failed to recoup the increased cost but it led to overall los in revenue.

3B.7 Banking transactions

The State Government decided in March 1989 to pay interest on the treasury account balance outstanding at the end of each month retrospectively from April 1987 and the same was communicated by the Corporation to its divisions in June 1989. Out of 15 divisions, 11 divisions maintained their treasury accounts with State Bank of India, while the remaining four ivisions maintained current account with State Bank of aurashtra. The communication made to divisions in June 1989 id not contain any instruction for the opening of treasury ccounts in those four divisions, though State Bank of Saurashtra authorised to operate treasury accounts and such account ntitled the Corporation to claim interest on the balances as on ie last day of each month at the rate of 9.5 *per cent per annum.* lon-maintenance of treasury accounts deprived the Corporation of iterest income of Rs. 24.90 lakhs after July 1989. Further, no such redits were given in the Corporation's account by the treasuries n the month of April of the succeeding year in any of the ivisions. While reckoning the balance outstanding at the end of ach month, the interest earned during the preceding years which emained to be credited was not taken into account. Thus, the elay in giving credit for interest resulted in loss of interest of ls. 5.07 lakhs in three divisions. In respect of the remaining eight livisions having treasury accounts the position could not be xamined as the Corporation did not furnish the information.

The Corporation was having facility of drawing demand lrafts free of charge for transfer of funds from one unit to nother. Moreover, free remittance facility between the Corporation's own account maintained at various branches of State Bank of India in Gujarat was also available to the Corporation. However, three divisions paid commission charges of Rs.6.17 lakhs o the State Bank of India for drawing demand drafts. The Corporation replied in April 1992, that the matter was referred to State Bank of India. In respect of other eight divisions information has not been furnished.

These matters were reported to the Government/Management in June 1992; their replies had not been received (September 1992).

CHAPTER - I\

SECTION - 4

Miscellaneous Topics of Interest Relating to Government companie and Statutory corporations

4A GOVERNMENT COMPANIES

4A.1 Gujarat Mineral Development Corporation Limited

4A.1.1 Extra cost on account of hiring of 3 excavators and 1 tipper dumpers at Panandhro Lignite Project on hourl basis

General Contract Company, Bhuj was having a contract wit the Company for the removal of overburden/earth excavation a lignite mines, Panandhro. The consideration for the work o removal of overburden was paid at the rate of Rs.13.40 per cubi metre. The contractor had executed the work of removal o overburden of 3.95 lakhs cubic metres. During the currency of thi contract, another contract was made in January 1989, with th same contractor for hiring three hydraulic excavators along wit 12 self-tipping dumpers for the same purpose on hourly rate basi without a comparative study of the cost advantage of the tw system of payments. Later, at the instance of Audit, a techno economic appraisal was made in August 1989, by the Projec authorities and it was observed that the hourly rate in case of the second contract worked out to be Rs.31.03 per cubic metre agains the former contractual rate of Rs.13.40 per cubic metre. Thus, the hourly rate for the second contract was found to be costlier by Rs.17.63 per cubic metre. The excess expenditure on this count worked out to be Rs.25.54 lakhs for the period from 19th February 1989 to 18th May 1989, on 1.45 lakh cubic metres o overburden excavated.

Thus, by awarding the contract on hourly rate of payment ›fore a techno-economic appraisal of such system of payment, the ompany incurred an avoidable expenditure of Rs.25.54 lakhs.

The matter was reported to the Government/Management in ebruary 1992; their replies had not been received (September 992).

A.2 Gujarat Industrial Investment Corporation Limited

A.2.1 Inappropriate release of financial assistance

Financial assistance by way of term loan amounting to Rs.82 ıkhs and Government subsidy of Rs.17.20 lakhs as sanctioned by ıe Company in February 1984 in consortium with Gujarat State inancial Corporation (GSFC) (Rs.30 lakhs) was disbursed between ebruary 1985 and April 1986 to Chemox Synthetics & Chemicals ?) Limited for setting up a project for processing polyester and lended fabrics at Sarigam. The performance of the unit since ommencement of production in December 1985 was far from atisfactory even in initial years of operation resulting in gradual rosion of its net worth, which ultimately reached negative figures y December 1987. As the unit continuously defaulted in making ayment of dues to the Company, action under Gujarat Public Moneys (Recovery of Dues) Act 1979 (GPM) was initiated against he unit in March 1988 and suit filed in the Court against ersonal guarantors in September 1988. Though, the Board for ndustrial and Financial Reconstruction (BIFR) passed orders in anuary 1991, for winding up of the unit on the basis of enquiry conducted into the affairs of the unit after forming an opinion hat the unit is not viable and that there was no proposal from ıny buyer for taking over the sick Unit. In view of the winding ıp orders issued by the BIFR and non-payment of dues by the Jnit, the entire outstanding dues of Rs.100.84 lakhs were written off as bad debt in the accounts of the Company for the yea 1990-91. Moreover, the dues amounting to Rs.73.10 lakhs to GSF from the loanee is also remained outstanding since 1984.

Audit scrutiny of the sanction of financial assistance to th Unit revealed that the term loan of Rs.82 lakhs was sanctioned b the Company in February 1984, despite unsatisfactory performanc of five out of seven units for which assistance was granted by th Company, earlier for similar purposes. The term loan of Rs 8 lakhs was sanctioned by the Company in February 1984 mainl on the grounds that the products of the associate concerns of th promoters were well accepted in the market, the proposed projec was intended to meet the captive requirements of the promote companies and easy marketing of the product was assured, an the promoters were having relevant experience in the textile trad and manufacturing. While writting-off of the loan, the Compan justified its action on the grounds that the project failed due t increased competition, financial difficulties and overall managemen deficiency. Thus, the Company's evaluation of the viability of th project for sanctioning of loan was not realistic and there is nee for improvement in such assessments.

The matter was reported to the Government/Management i February 1992; their replies had not been received (Septembe 1992).

4A.2.2 Loss due to improper release of loan

The Company sanctioned a foreign currency loan of Rs.44.0 lakhs (equivalent to 8,80,73,400 Japanese Yen) in January 1985 under the foreign currency refinance scheme of Industria Development Bank of India (IDBI) to Gravure Graphic System (P Ltd., Bombay for setting up a plant for manufacture and processing of photo engraved printing rollers at GIDC Estate, Pardi t a project cost of Rs.102 lakhs. Subsequently, the project cost ras revised to Rs.119.50 lakhs and the unit was sanctioned an dditional rupee loan of Rs.9 lakhs in October 1986 to meet the ıcreased excise duty liability due to revision of the foreign xchange rate on account of delay in importing the machinery. 'he Company also stood guarantor for a bridge loan taken by the nit from the Bank of Credit and Commerce International Overseas) Limited (BCCI) against the cash subsidy sanctioned by ıe Company to the unit for Rs.13.22 lakhs.

The unit started trial production in September 1987 but xperienced difficulty in manufacturing and its product faced ustomer complaints and rejection. The unit stopped functioning n May 1988 due to paucity of working capital, difference of pinion among its directors and the stoppage of electricity supply y Gujarat Electricity Board. Though, the unit restarted its peration in July 1989, it could not be sustained due to various roblems and the unit was provisionally wound up in March 990 under the orders of Bombay High Court. As the recovery of ts dues was considered remote, the Company decided to write off ts dues amounting to Rs.60.46 lakhs in 1989-90 and also an dditional amount of Rs.22.11 lakhs in 1990-91 payable by the Company to IDBI on account of fluctuation of foreign exchange ate and interest on foreign currency loan.

The Company could not recover any amount by selling the lant and machinery of the unit as there was no buyer. No action vas taken to recover the dues from the guarantors of the loan. Thus, the entire written off amount of Rs.82.57 lakhs was a total oss to the Company.

Audit scrutiny of the relevant records revealed that the unit ıad allowed the manufacturer of imported machinery to operate he letter of credit opened towards the cost of machinery despite

a change in the model of the machinery actually supplied th
that originally negotiated and agreed upon. It was, further, notic
that rollers manufactured out of the imported machinery we
found not suitable to Indian conditions and Indian ink resulti
in several rejections of the products. Records did not indicate th
these aspects were considered before agreeing to grant financi
assistance to the unit. The Unit had also failed to obtain t
performance guarantee from the manufacturer for the machine
proposed to be supplied as per the terms and conditions
sanction of financial assistance to the unit and also as per terr
and conditions prescribed by the IDBI.

The Company had sanctioned such heavy loan witho
taking into account the technical and commercial viability of t
project to suit Indian conditions and without adequate safegua
for recovery of its dues. Besides, the decision to write off t
entire amount was taken without examining the feasibility
taking steps to recover its dues either by sale of assets or actio
against the guarantors of the loan.

The matter was reported to the Government/Management
February 1992; their replies had not been received (Septemb
1992).

4A.3. Gujarat State Textile Corporation Limited

4A.3.1 Unfruitful expenditure

A mention was made in para 2.2.6 (iii) (b) of the Report
the Comptroller and Auditor General of India for the Year 1984-
(Commercial) about procurement of defective water treatment pla
at a cost of Rs.2.10 lakhs by the Gujarat State Textile Corporatic
Limited. It was highlighted in the Report that the plant did n
perform satisfactorily since its commissioning in October 1983 an
had to be closed down in December 1984.

During the local audit of the Company in January 1991, it ; seen that on the advice of ION Exchange India Limited, nedabad, who had supplied the plant to Priyalaxmi Mills, oda, a unit of the Company, additional equipments like frontal es, valves and proportional doser were purchased for improving working of the plant at a cost of Rs.1.66 lakhs in January 7. However, as the original plant was not working, these ipments were not installed till February 1992.

The Management explained in May 1991 that arrangements 'e being made to start the plant within one month, but there ; no progress and the plant remained non-functional. The ration had not commenced even till February 1992, as firmed by the Management.

Thus, apart from the original expenditure of Rs.2.10 lakhs, additional expenditure of Rs.1.66 lakhs also proved unfruitful to injudicious purchase of additional equipment before ertaining its capability to restore the working of the original nt.

The matter was reported to the Government/Management in y 1992; the replies had not been received (September 1992).

4. Gujarat State Civil Supplies Corporation Limited

4.1 Avoidable payment of guarantee fee

The Company was purchasing palmolein oil from State ding Corporation for public distribution system and availing of dit facilities from suppliers against Government guarantees on payment of guarantee fee at the rate of one *per cent.*

The outstanding guarantee amount in January 1986 which s Rs. 6 crores, increased to Rs.7 crores and to Rs.12 crores h effect from 29th March 1986 and 14th August 1986, pectively.

With sufficient funds at its disposal, the Company did avail of credit facilities up to 13th September 1986 and m advance payments from April 1986 to State Trading Corporati The Company requested the Civil Supplies Department September 1986 and June 1987, not to charge guarantee fee non-availment of credit facilities for which guarantee was to operated. The Civil Supplies Department clarified (October 19 that the Company will have to pay the guarantee fee even for period of non-availment of credit facilities as the guarantee fee required to be paid in advance. Accordingly, the Company p Rs. 3.61 lakhs for the period from 1st April to 13th Septem 1986, as guarantee fee on guarantees of Rs. 7 crores up to 1 August 1986 and Rs.12 crores thereafter. This payment guarantee fee could have been avoided had the Company ma timely assessment of availability of funds with it and tak appropriate action for not availing the guarantees from April 19

The matter was reported to the Government/Management February 1992; their replies had not been received (Septeml 1992).

4A.4.2 Excess payment of advance and loss of interest

The Company had appointed Nitin Transport, a transp contractor, on 4th October 1986 for lifting its allotment palmolein oil from State Trading Corporation (STC), Bombay a carrying it to various godowns of the Company for the period to 31st March 1987. On 24th October 1986, the transpor telephonically intimated that the delivery order for lifting t material for October 1986 would be completed within three da and for any further lifting of material, further delivery order w necessary. Based on this telephonic request, the Company sent t demand drafts for Rs.46.80 lakhs each on 27th October 19 towards the cost of 1000 tonnes of palmolein oil to STC, Bomb issue of further release order to the transporter. However, STC eased only 125 tonnes of palmolein oil valuing Rs.11.70 lakhs. e of the two demand drafts was returned on 13th November 36. The balance amount of Rs.35.10 lakhs out of the second ift of Rs.46.80 lakhs (after adjusting Rs.11.70 lakhs) was received :k by the Company only on 30th April 1987 *i.e.,* after 177 days m the date of drawal of the demand draft.

Thus, the remittance of advance money to STC, Bombay thout ascertaining the availability of material resulted in locking funds to the extent of Rs.46.80 lakhs for 17 days and Rs.35.10 :hs for 177 days with a consequential interest loss of Rs.3 :hs.

The matter was reported to the Government/Management in ırch 1992; their replies had not been received (September 1992).

..5 Sardar Sarovar Narmada Nigam Limited

..5.1 Loss due to inappropriate decision to speed up dam works

The work of constructing concrete dam across River Narmada : Sardar Sarovar (Narmada) Project was entrusted by the mpany in April 1987 to Jayaprakash Associates at a tendered st of Rs.32,000 lakhs. The work was to be completed in a ased manner by June 1996. As per these provisions, the agency ıs to complete the work in such a way as to permit diversion water for irrigation and for generation of power at RL 110.5 M. May 1994 (85 months). The agency reported in October 1988 fficulties in arranging import licences for machinery and uipments and consequent delay in commissioning these uipments. Thus, there were slippages in execution of the work en at the first stage of the construction programme. In view of e delay, a team of experts which examined the revised nstruction programme submitted by the agency opined that the construction programme needed revision and indicated a tot delay of 19 months in completion of the project. A revise construction programme for these works was therefore approved i December 1989 by the Sardar Sarovar Construction Advisor Committee (SSCAC) - a committee constituted as per terms c award declared by the Narmada Water Disputes Tribunal envisaging the dam height to the reduced level of 85 m. by Jun 1994 and 110 m. by June 1995.

The Company requested the agency for advancement of th approved construction schedule to achieve construction of the dar up to a height of 95 m. by June 1994 so as to realise the benefi of irrigation and power generation at least a year ahead of th revised schedule. In response to the request, the agency requeste for financial assistance to the tune of Rs.2835 lakhs for achievin the advancement of the target.

The proposal for the advancement of the target was nc accepted by the SSCAC, who recommended that the Governmen should adhere to the Revised Implementation Schedule (RIS approved by them in December 1989. Since these proposals wer not accepted by the SSCAC the Company indicated to th Government that the entire expenditure on these proposals, whicl was scaled down to Rs.2325 lakhs, based on negotiations hel with the agency, were to be borne by the Government Accordingly, Government gave their consent to these proposals i January 1991 and sanctioned an interest free advance of Rs.100 lakhs to the agency repayable in monthly instalments of Rs.2 lakhs on expiry of 12 months from the date of disbursement o the first instalment. In addition, Rs.1325 lakhs were authorised t be paid in 15 quarterly instalments of Rs.80 lakhs each, startin from IV quarter 1990 after satisfying that the dam works hav reached the respective stages as per revised schedules agreed b agency. The remaining Rs.125 lakhs was to be given after eving minimum RL 95m. by June 1994.

These advances were further subject to the condition that ɔle interest at the rate of 12 *per cent per annum* on the ınce of Rs.1000 lakhs and payments of Rs.1325 lakhs along ı interest at 12 *per cent per annum* would be recoverable if agency failed to achieve the revised targets set for construction he dam for reasons attributable to them and that the interest advance of Rs.1000 lakhs would not be taken into account for ulation of price adjustments due to the agency.

The interest free advance of Rs.1000 lakhs was paid to the ıcy in two instalment of Rs.500 lakhs each in September 1990 January 1991 in anticipation of approval of the proposals to effect and out of Rs.1325 lakhs, payments totalling Rs.400 s were released between April 1991 and January 1992.

Scrutiny of the related documents revealed the following ıts :

(1) The Company did not correlate the progress in ıtruction of the canal system to synchronize with the revised schedule for construction of the dam so as to derive the ɔfits from the completion of dam works ahead of schedule. ugh dam works up to 95 m. were expected to be completed une 1994 as per the revised schedule agreed to by the agency, struction of main canal in reach 58-82 kilometres was ulated to be completed only by December 1994 and major ctures like aqueducts on river Mahi (ch. 142.8 km.) and ıng (48.55 Km.) scheduled to be completed by September 1994 ɔer existing agreements.

(2) The revised time schedules were accepted for lementation without assessment of the progress made in land ıisition necessary for completion of dam and canal works and

rehabilitation of oustees. While the Company went ahead with construction of the work as per the revised time schedules, SSCAC directed the Company in December 1991 to restrict placement of concrete in the dam to such levels so that backw levels in monsoon 1992 would not exceed the backwater leve approved construction programme of December 1989, due reservation expressed by the Maharashtra and Madhya Prad Governments regarding their ability to take up the additional l of rehabilitation. Thus, the Company's programme for speeding construction work of the dam taken up in January 1991 had tc reversed in December 1991.

(3) As per the agreement of April 1987, the agency sanctioned Rs.4800 lakhs as mobilisation advance bearing inte at 12 *per cent* and at the time of consideration of their req for financial assistance they had drawn only Rs.2647 lakhs ou this advance. The desirability of encouraging the agency to d the balance of these advances instead of granting an interest advance of Rs.1000 lakhs was not considered at all. The Comp estimated the loss of interest due to grant of the interest advance to the agency at Rs.360 lakhs.

(4) The decision to ignore the interest free advance Rs.1000 lakhs for calculation of price adjustment payme available to the agency which was contrary to the provisions the existing agreement also resulted in additional benefit Rs.86.25 lakhs to the agency up to March 1992 by way enhanced price variation payments.

Thus, the decision of the Company to speed up construction of dam at considerable cost without due considerat of the ability of the participating States to speed-up rehabilitation work and without synchronising the progress of canal and subsidiary works was unwise and resulted in substan unfruitful expenditure.

The matter was reported to the Government/Management in e 1992; their replies had not been received (September 1992)

5.2 Avoidable expenditure

The Company has been availing power supply from Gujarat ctricity Board (GEB) since March 1988 with a contracted nand of 12000 KVA. In terms of the power tariff of GEB the ısumer is required to maintain an average power factor at a cified minimum level - 95 *per cent* up to 30th June 1988, 92 *cent* from 1st July 1988 and 90 *per cent* from 16th November 90. In the event of fall of power factor up to 85 *per cent*, ver factor adjustment charges were payable by the consumer at *per cent* of demand and energy charges and at 2 *per cent* in e power factor fall below 85 *per cent*.

On a review of electricity charges for the period from April 38 to January 1992, it was noticed that the prescribed minimum el was never maintained and the average monthly power factor ıged between 68 *per cent* and 86.6 *per cent*. Consequently, the mpany had to pay Rs.212.20 lakhs as power factor adjustment arges which could have been avoided by taking corrective asures. The efforts made by the Company in this direction led for by Audit were not furnished.

The matter was reported to the Government/Management in ırch 1992; their replies had not been received (September 1992).

.5.3 Price escalation payments beyond contractual provisions

The work of construction of concrete dam across Narmada ver for Sardar Sarovar Narmada Project was entrusted to prakash Associates, New Delhi, against an agreement entered to in April 1987 by the Government. The agreement provided supply of specified materials departmentally at pre-determined tes (also specified in the agreement). According to clause 34 of the agreement, price variation, if any, in the case departmentally issued materials was to be to the account Narmada Nigam.

Based on the contractor's representation in September 19 that departmental materials issued for enabling works should be excluded from the purview of price escalation, the Compa made payment of Rs. 89.19 lakhs during May and June 1989 account of escalation in cement, steel and CGI sheets issued enabling works after obtaining approval of Committee of Direct constituted for the purpose. The above payment was not o outside the agreement provision but also was unjustified in much as the materials were supplied at the pre-determined ra thereby absorbing the escalation cost to the account of t Company.

The matter was reported to the Government/Management May 1992 ; their replies had not been received (September 199

4A.5.4 Extra benefit to the contractor by allowing use of grav in place of crushed metal

The work of construction of Vadodara Branch Canal Chan (0.00 km to 21.40 km) was awarded to a contractor (B.A.Patel) June 1988 at a total cost of Rs. 634 lakhs. The stipulated date completion was 30th June 1991. As per the terms and conditio of the contract, crushed metal was to be used by the contractor his cost for execution of concreting work.

During the course of execution of the work, the contract represented (April 1989) that with the source of quarry met (having schedule of rates as Rs.130.40 per cubic metre) havi been totally stopped, he should be allowed to use an alternati source i.e. natural gravel which was available in abundance Dev River situated at about 15 kms from the site of work. Th Contractor further assured that no extra charges would be payab him on account of this change. The Chief Engineer (NMC&D- I) er field visit in April 1989 found the gravel from Dev River to acceptable. Accordingly, the use of gravel (having a lower cost) place of crushed metal (having higher cost) was allowed to be ed in work without adjusting the difference in rates from the ntractor. It was mentioned that the rate of gravel as analysed by Company was Rs. 70.60 and Rs. 79.50 per cubic metre during 89-90 and 1990-91 respectively as against Rs. 130.40 and . 148.50 per cubic metre of crushed metal during the same riod. Thus, the Company's decision to accept the contractors tes without adjusting the price of the substituted material sulted in undue benefit to the contractor aggregating Rs.11.38 khs on 17137.69 cubic metres for 1989-90 and 1634.19 cubic etres for 1990-91 (up to July 1990).

The Company in its reply stated (June 1992) that the ntractor was allowed the use of screened gravel which nformed to the specifications in place of crushed metal because ushed metal was not available as the quarries nearby were osed.

The reply of the Company is not tenable as cost of screened avel conforming to the specification was much lower than ushed metal and the differential cost should have been adjusted om the claims of the contractor.

The matter was reported to the Government in May 1992; eir replies had not been received (September 1992).

A.5.5 Loss due to delayed finalisation of tenders

Tenders for the work of constructing Kundhela Branch Canal m.Ch.0.01 to 44.20 km at an estimated cost of Rs.642.34 lakhs vited by the Company in September 1987 were opened in ovember 1988. The validity of the offers was 90 days after the ate of opening of the tenders *i.e.* up to 25th February 1989.

After detailed scrutiny of the tenders, Superintendi: Engineer, Narmada Project Canal Distributor System Circle No Baroda had recommended in December 1988, to the Chi Engineer for acceptance of the lowest tender of G.Shivprasad (Fi G) subject to the condition that the tenderer provided details equipment for concreting work to be deployed by him to t satisfaction of the Superintending Engineer. In pursuance of th condition, the tenderer (Firm G) had agreed to arrange t required machinery for use on the work. However, the tende could not be finalised within the validity period by the Compan In reply to an audit query, the Company stated that the lowe tender of the same firm (Firm G) in respect of POR UNT branch canal was under process. Consequently, the Compa asked first two lowest tenderers in January 1989 and April 19 to extend the validity for a further period of 60 days and up 28th July 1989, respectively.

The first lowest tenderer (Firm G) did not extend th validity period (August 1989) on the ground that the rates earli quoted had become unworkable, in view of the increase in th cost of work and labour /machinery *etc.* as a result of abnorm time taken by the Company in finalising the tenders.

The second lowest tenderer J. K. Construction (Firm agreed to extend the validity period of tender initially up to 31 July 1989 and thereafter up to 31st October 1989. His tender w accepted by the Chief Engineer (NMC & Dist-I) in September 19 at a higher rate of Rs.655.11 lakhs and work order was issued o 23rd October 1989, by the Executive Engineer, NPC, Division Vadodara.

Had the Company finalised the tenders within the validit period, an extra expenditure of Rs.6.86 lakhs could have bee avoided.

The Company in its reply (June 1992) stated that the first)west tenderer (Firm G) was not finally awarded the contract 10ugh the contract was initially accepted as the contractor was ualified for works up to Rupees seven crores only and also he 'as already having unfinished contract works worth Rs.5.44 rores.

The reply of the Company is not tenable as the tender of rm 'G' was accepted after consideration of the above facts and ne Company inordinately delayed in approving the list of nachinery to be deployed by the contractor.

The matter was reported to the Government in May 1992; neir replies had not been received (September 1992).

A.5.6 Incorrect refund for rubble used in concrete

The Company executed an agreement with Jaiprakash ssociates Private Limited in December 1980 for the work of onstruction of rockfill dykes in the head reach of Narmada Main anal. The contract provided for free use of excavated materials y the agency except rubble and rock spall for which recovery at he rate of Rs. 15 per cubic metre was provided. The provision lso stipulated that in the event of actual line of excavation being teeper than that specified, payment for work would be limited to he excavation done up to specified limits and that refilling these ver-cuts and unauthorised excavation with concrete, masonry or ompacted impervious material would have to be done by the gency at its expense. The agency executed the work and was aid for 39,986.69 cubic metres of rubble masonry based on actual xecution of work done within the specified pay line up to 190th unning account bill in June 1989. A recovery of Rs. 10.88 lakhs or the use of 72,537.29 cubic metres of rubble in refilling of ver-cuts and unauthorised excavation within the pay line and eyond was made as per the contract at the specified rate of

Rs. 15/- per cubic metre. The agency represented in August 198 against the recovery on the ground that such over-cuts ha occurred despite expert advice and utmost care taken by them ar were very much higher than what were anticipated at the time tendering due to existence of geologically weak and fragile roc The agency's representation was accepted by the Superintendir Engineer who authorised the refund of Rs. 4.86 lakhs in Augu 1989 representing cost of rubble consumed in such over-cuts.

The decision of the Superintending Engineer in accepting th agency's representations and authorising the refund was contrary t the provisions of the agreement. This resulted in an unauthorise financial benefit of Rs. 4.86 lakhs to the agency, as an miscalculations and misunderstanding about site conditions by th agency while tendering cannot be a valid ground for waivin recoveries stipulated in the agreement.

The matter was reported to the Government in May 199 their replies had not been received (September 1992).

4B STATUTORY CORPORATIONS

4B.1 Gujarat Electricity Board

4B.1.1 Extra expenditure in procurement of power contro instrumentation cables

The Board invited tenders in December 1986 for procuremen of various types and sizes of power control and instrumentatio cables to meet the requirement of Gandhinagar Thermal Powe Station extension units 3 and 4 and K.L.T.P. units 1 and 2. Bid were received from 17 firms with validity of their offers up t 17th July 1987. Since the Board could not finalise the tender within the validity period, all the tenderers were asked to extend the validity period initially up to 17th September 1987, then up to end of November 1987 and finally up to end of Decembe 1987. The two lowest tenderers revised their prices during the ɛtended validity period. Their offers were not, therefore, ɔnsidered and the Board decided in December 1987, to place the ːders on the next eleven lowest tenderers at the end cost of s 1328.26 lakhs. Accordingly, orders were placed on different rms on 12th April 1988. Thus, delay in deciding about the offers ıd belated placement of orders resulted in an extra expenditure f Rs.154.49 lakhs representing the differential over unavailed ›west offers.

The Government endorsed the reply of the Board (May 1992) ıat due to large quantum of work involved in evaluation of ffers, the tenders could not be finalised during the initial validity eriod.

The reply is not tenable as the Board, for finalising the offer ad to extend the validity period thrice and took nine months for nalisation of the tender by incurring an avoidable expenditure of .s.154.49 lakhs.

B.1.2 Avoidable expenditure due to delay in placement of supply orders

The Board invited tenders in February 1987 for supply of arious types of coal pipes bends for boilers of Ukai Thermal 'ower Station with validity of offer for 120 days up to 30th June 987, which was later on extended up to 31st August 1987. In all ɘn firms responded to the tender.

After evaluation of technical and financial bids, the Board lecided in September 1987 to place 70 *per cent* quantity (end ːost of Rs.23.65 lakhs) on firm 'A' and the balance 30 *per cent* end cost of Rs. 7.22 lakhs) on firm 'J'. The acceptance of offers vere communicated to both the firms by savingram letter in ;eptember 1987 and the detailed order was issued after six nonths in April 1988. However, firm 'J' showed its unwillingness o supply the materials in July 1988 on the plea that the order was placed after expiry of validity of offer and there was stee rise in the cost of raw materials and excise duty. In th circumstances, the Board had to cancel (September 1988) th supply order on firm 'J'. The quantity ordered on 'J' was offere to firm 'A' at the quoted rates of the tender. While confirming th supply of additional quantity, firm 'A' demanded 20 *per cer* increase in price consequent upon increase in the cost of ra materials. The offer of firm 'A' for the additional quantity wa rejected in December 1988, as the firm had demanded higher rat The Board also could not revoke the condition of repeat order i December 1988 on firm 'A'.

A fresh tender for the remaining 30 *per cent* quantity wa invited in June 1989 and orders were placed in December 198 on the same firm 'A' at a total end cost of Rs.27.17 lakhs. Th tender cost of firm 'A' was approximately 376 *per cent* highe than the original tender rate of firm 'J' (quoted in March 1987 and 155 *per cent* higher than the escalated rate of firm 'A (quoted in September 1988). Thus, due to the delay in placing th orders, the Board could not avail the benefit of lower rate of firn 'J', for 30 per cent of the tendered quantity. This resulted in ar avoidable expenditure of Rs. 19.95 lakhs. The Board could have minimised the excess expenditure at least to the extent of Rs.15.9 lakhs even if it had accepted the offer of firm 'A' for 20 *per cen* rise in price.

The matter was reported to the Government/Board in May 1992. In its reply, the Government replied (August 1992) that the proposal was put up to the competent authority on 30.9.1987 and it was finally approved on 8.3.1988. The draft acceptance of tender could not be proposed in time as the indent file was under process and the order was issued on 13.4.1988. Hence there was no under delay at any stage. Regarding failure to invoke ɔeat order clause Government mentioned that the Board could t resort to this clause except in urgent cases and hence fresh ɪders were invited. The reply is not tenable as the time taken : deciding about the tender was unduly long. The agreement for lure to invoke repeat order clause is not convincing as the uation was urgent in view of the extra cost involved in inviting fresh tender.

.1.3 Avoidable expenditure in coal handling works

A tender for coal handling works for the two years from :cember 1986 to November 1988 at Gandhinagar Thermal Power ation (TPS) was invited by the Board in November 1986 at an timated cost of Rs.50.61 lakhs. One of the tender conditions ovided that any increase/decrease in the cost of labour was to regulated as per a prescribed labour escalation formula.

The lowest tenderer (Firm A) quoted the rates at 44 *per nt* below the estimated cost with 19.5 *per cent* labour calation. While finalising the tenders, it was found that the ɔour escalation formula included in the tender specification was roneous. The Board revised the formula unilaterally (February 87) and asked the 'Firm A' to execute the work on the basis of vised formula. 'Firm A' declined to accept the revised formula ebruary 1987) on the ground that the proposed changes in the bour escalation formula reduced the labour escalation by 1/15th om the original escalation and a major change in tender nditions would not be legally fair and tenable. In the rcumstances, the Board invited (June 1987) fresh tenders and the ork was awarded to another contractor (February 1988).

The work of coal handling for the intervening period from ecember 1986 to February 1988 was got done from Chirag & ɔmpany extending their earlier contract at a cost of Rs.20.39 khs without working out the economics with reference to the later tender rates. Had the Board got the work executed for same period from firm 'A' at their quoted rates with origi escalation formula of the tender, the cost of the work would h been Rs.15.26 lakhs and the Board could have avoided ex expenditure of Rs.5.13 lakhs.

Thus the failure to decide correct specifications bef inviting tenders led to avoidable delay in finalising the tender a consequent extra expenditure of Rs.5.13 lakhs.

The Government, in its reply (April 1992), stated that wh tenders were reinvited (June 1987) after firm 'A' rejected the off lower rates were received than those quoted by firm 'A' earl (December 1986).

The Government offered no comments on the fact that extending the contract of Chirag and Company, the Board incurr an avoidable extra expenditure of Rs.5.13 lakhs.

4B.1.4 Underbilling of revenue

The meter installed by the Board in the premises of a H consumer, Lakme Ltd., to whom power is supplied by t Operation and Maintenance Division, Anjar was found defective January 1989 and was replaced in June 1989. However, whi examining the average consumption for the months from Ju 1989 to August 1989 before issuing the revised bill for the peri from January 1989 to May 1989, the meter replaced in June 19 was also found defective in July 1989. The revised bill for t above period was, therefore, not issued to the consumer.

The installation checking squad of the Board checked t meter in January 1990 and found that the wiring of t installation was wrong and set right the meter by correcting t wiring. The checking squad reported in April 1990 that the met was slow by 31.65 *per cent*. On the basis of the report of t checking squad, the revised bill for the period from June 1989 ı January 1990 for Rs.1.36 lakhs was issued to the consumer) paid the amount in September 1990. However, revised bill 2,05,104 units for the period January to May 1989 valuing !.68 lakhs on the basis of consumption for the months from ꜫ to August 1989 had not been issued by the Board to the sumer so far (January 1992).

The Board stated (December 1991), that the defective meter replaced in June 1989 and hence the question of revising the ; for the period prior to June 1989 does not arise. The Board's ly is not tenable as the meter, installed prior to June 1989 was nd defective in January 1989 and, therefore, revised bill for the iod January to May 1989 is required to be issued.

The Government replied in May 1992 that the Board has :ructed the Division to issue additional bill to Lakme Limited. ther developments were awaited (September 1992).

1.5 Excessive expenditure in transportation of transformer

The Board invited tenders in February 1988 for nsportation of 50 MVA transformer weighing 75 MT from dhra Railway Station to the Board's Godhra Sub-station olving a distance of ten kilometres. The work of transportation s awarded in July 1988 to J.H.Parobia (Transport) Private nited, Vadodara, whose offer at Rs.1.80 lakhs was the lowest at ꜫ rate of Rs. 240 per MT per Kilometre The work was npleted by the Agency in December 1988 and final payment s released by the Board in December 1990.

The rate accepted by the Board was very much on the ;her side as compared to the rates quoted by the same agency d accepted by the Board for transporting similar/heavier nsformers for the longer distances, during the same period. A mparative picture is given below :

Serial number	Type of transformer and details of places	Weight of transformer and accessories (Metric Tonnes)	Distance (in kilometres)	Contract value (Rupees in lakhs)	Equivalant rate per tonne per kilometre (Rupees)	Date of contract
1	50 MVA-From Godhra Railway Station to Godhra Sub-station	75.000	10	1.80	240.00	15.07.88
2	100 KVA - From Pratapnagar Railway Station to Chandrapur Sub-station	146.700	55	1.67	20.70 say Rs.21.00	18.10.88
3	50 MVA - From Pratapnagar Railway Station to Chandrapur Sub-station	74.400	50	0.92	24.73 say Rs.25.00	24.07.89

Considering the rate of Rs.25 per tonne per kilometre as sonable, the Board has incurred extra expenditure of Rs. 1.61 hs by accepting the rate of Rs. 240 per tonne per kilometre.

The Management replied to an audit query that the nsformer was required to be carted through Godhra City having mber of weak bridges and culverts. Considering the risk olved in carting heavy transformer over such bridges and verts, the agency had quoted higher rate. It was further stated the management that distance is not the criteria for nsportation of heavy equipment but the risk involved in ding, transporting and unloading such heavy and costly iipment is required to be taken into consideration. The reply is tenable as the Board has accepted lower rates of the same ency in transporting heavier and costlier transformers through y like Vadodara and on highways having number of small dges and culverts.

Thus, the decision to award the contract at an abnormally h rate was injudicious and resulted in an excess expenditure of 1.61 lakhs.

The matter was reported to the Government/Board in June 92; their replies had not been received (September 1992).

.2 Gujarat Industrial Development Corporation

.2.1 Idle investment on waste water collection system

Gujarat Industrial Development Corporation incurred an penditure of Rs. 94.65 lakhs between September 1982 and vember 1987 on the construction of waste water collection stem for its Pandesara Industrial Estate near Surat, to provide neral service to the industrialists within the estate. Part of this tate fell within Surat Municipal Limits. For providing this rvice, the Corporation had the right to recover drainage cess.

While granting license to the allottee industrialists, Corporation did not ask them to install water treatment plant their units simultaneously, according to ISI standards as provi in the agreements so that as soon as the waste water collect system is ready, drainage connection can be given. As per Act Plan of the Corporation approved in 1987, the industrial u were to obtain no objection certificate from Gujarat Pollut Control Board (GPCB) before taking drainage connection.

However, the industrial units were unwilling to t connection from the waste water collection system on the p that standards of effluence prescribed by GPCB were stricter t those prevailing for sister industries under Surat Munici Corporation limits. In spite of clear instructions from Corporation, the allottee industrial units did not install a treatment plant for effluents and did not take connection from Corporation's waste water collection system installed at a cost Rs. 94.65 lakhs and the investment remained idle since Novem 1987. The Corporation had also not disconnected the water sup or resumed the possession of land as provided in the agreeme with the units though they had not treated the water according ISI standards.

The Corporation had lately started negotiating (Febru 1992) with Surat Municipal Corporation for transfer of the sche to it on the ground that some portion of the estate was cove in the limits of Surat Municipal Corporation. Final outcome v awaited (March 1992).

It was observed from the detailed note prepared by t Corporation's Superintendenting Engineer (P.H.), that due prolonged non use of the drainage system since its completion 1987, the drainage lines have silted and will again need desilti and dewatering and the pumps in the dry well will ne rhauling. Estimates for works requiring commissioning the ection system are yet to be prepared (June 1992).

Thus, due to inadequate planning and lack of coordination ı the beneficiaries, the water collection system costing 94.65 lakhs remained idle for a prolonged period. Even after wing that the allottees are unwilling to follow the required cedure for treating the effluents and taking connection from the er collection system, neither the Corporation took timely iative to solve the matter, nor it initiated the necessary itive action to enforce the contract conditions. Consequently, ıents in the allottee units are not being treated as required and h untreated effluents may adversely affect the environment.

Apart from the locking up of funds and consequent loss of rest (Rs. 49.29 lakhs calculated at 12.5 *per cent per annum*), Corporation now has the liability to incur further avoidable enditure for desilting/dewatering of the drainage lines, rhauling of pumps and reconnection of electric power.

The matter was reported to the Government/Management in ril 1992; their replies had not been received (September 1992).

2.2 Injudicious decision for development of industrial estate

The Corporation develops industrial estates after examining feasibility and worthiness of the estate and a study of demand plots by the industrialists.

The Corporation assessed in December 1982 that 15 to 20 all engineering industries may be attracted at Doswada, a ckward area in the Songadh Taluka of Surat District and posed to the Board that a small estate may be developed at swada, having 20 hectares size with an investment of Rs. 40.80 hs. While considering the agenda item in the meeting held on th December 1982, one of the Directors suggested that a rough study about firm demand from entrepreneurs should be made before setting up the new estate to avoid idling of invent due to any problem for setting plots/sheds. The Chairman assu that this suggestion would be considered while formulati proposals for new estates. After deliberations, the Board decided set up an estate of 10 hectares instead of 20 hectares at Doswa

Before the estate was developed, a list of 31 industrialists Songadh taluka was procured from District Industries Centre a nine parties evinced interest in April 1983 for bringing t industries in the estate, but a thorough study was not conduc as assured by the Chairman.

In March 1986, a revised proposal for acquiring 144 hecta of land in Doswada was submitted to the Board on the grou that most of the industrial growth was in or around Surat and was essential to establish such estates in interior parts particula in tribal belt so that employment opportunities could be creat for tribal youths. Further, large scale industrial development wou generate all-round development of the backward area. The propo did not indicate whether any survey was done regarding potent for industries in such a remote locality. Without such a surv and any indication regarding demand for plots, the Boa approved the proposal for acquiring 144 hectares of land 1 estimated project cost of Rs. 877.24 lakhs.

In August 1986, the Corporation acquired 165.62 hectares land for Rs. 40.23 lakhs and Rs. 30.17 lakhs were paid as depo for power connection. For development of the estate and 1 construction of 10 sheds Rs. 20.66 lakhs were incurred. It w observed that out of the available developed land (3.13 la sq.mtrs) 10 sheds were constructed in October 1988 and only o plot of 1000 sq.mtrs had been allotted so far (March 1992). Ev this plot has not been put to use.

The decision to establish a big industrial estate in a remote ıcality without a thorough study of demand of plots by the ıtrepreneurs comprehensively failed to achieve its objective of ·eating industrial development and generating employment ɔpportunities for tribals. The investment of Rs. 91.05 lakhs on the .nd and developing the estate was remaining idle since October ɔ88.

The matter was reported to the Government/Management in .pril 1992; their replies had not been received (September 1992).

B.2.3 Non recovery of frontage charges and interest

The Corporation has been levying frontage charges since ınuary 1971 for plots/sheds having locational advantage of being ituated on National/State highways and on main roads of the state having width of 60 feet or more. The rates have been evised from time to time.

In Kalol Industrial Estate of Mehsana region the Corporation .ad to collect frontage charges from 174 allottees of plots/sheds, ut frontage charges were recovered only from 20 allottees up to 'ebruary 1992, resulting in non-recovery of Rs.3.90 lakhs from 154 .llottees.

Out of those 154 allottees, notices for recovery of frontage :harges of Rs.1.18 lakhs and interest of Rs.2.33 lakhs were issued n January 1991 to 56 allottees whereas no action was initiated ıgainst remaining 98 allottees from whom an amount of Rs. 7.16 akhs (Rs.2.72 lakhs as frontage charges and Rs. 4.44 lakhs as nterest thereon) was recoverable up to February 1992.

The matter was reported to the Government / Management in March 1992; their replies had not been received (September 1992).

4B.2.4 Non-recovery of development charges and interest fror allottees

The Corporation allots developed plots/sheds to allottees fc which development charges and cost of the plots are recoverabl At the initial stage, only a percentage of the total charges i recovered as deposit and the balance amount with interest i recovered in instalments over a period of 12 years. Th development charges are recoverable after the recovery of the cos of plots/sheds at an agreed rate. The Corporation intimates th allottees the outstanding dues by way of statement of account every year. The statement of accounts is prepared and hande over by accounts section to the recovery section for follow up o the recoveries. In the event of non-payment of dues, th Corporation has a right to disallow general facilities like wate connection or to take punitive action of eviction and getting bacl the possession of the land/plot.

In Makarpura Industrial Estate, Vadodara, the Corporatio allotted plots/sheds to 91 allottees prior to 1971. After the expir of 12 years of allotment, the Corporation had to recove development charges from the allottees at the rate of Rs. 4/- pe square metre in addition to the premium price either in lump-sum or in instalments with interest as agreed upon with those allottees It was noticed that the recovery of development charges of Rs.5.42 lakhs which had become due since 1983 and interest of Rs.5.78 lakhs there on was not effected from 37 allottees up to February 1992.

In reply to preliminary audit observation the Corporation stated in May 1989, that the recovery of development charges remained out of sight due to decentralisation of allotment work from head office to the field offices.

Thus, failure on the part of the Corporation to monitor the ims effectively and take timely action for pursuing the overies led to non-recovery of Rs.5.42 lakhs of development ırges for 10 years together with interest of Rs.5.78 lakhs.

The matter was reported to the Government/Management in ril 1992; their replies had not been received (September 1992).

.2.5 Avoidable payment of interest due to late remittance of C.P.F. Contribution

As per the Employees Provident Fund and Miscellaneous ɔvisions Act, 1952, read with regulation 15 of Gujarat Industrial velopment Corporation (GIDC) Employees Contributory Provident nd Regulations, 1970, the Corporation is required to recover bscription from the emoluments of each member of the Fund at e time of disbursement and contribute to the Fund as ıployer's contribution an amount equal to employee's bscription not exceeding 8.33 *per cent* of the monthly ıoluments earned by an employee.

It was noticed that the Corporation had either short remitted remitted belatedly the amount recovered from members as well its own contribution during the years 1987-88 to 1989-90 to e Trust created for the purpose. The Corporation had to pay ;.4.33 lakhs as interest at 12 *per cent per annum* as per Section Q of the Employees' Provident Funds and Miscellaneous ovisions Act, 1952 to the Trust due to delay or short remittance Rs.28.82 lakhs towards Fund, on the consideration that had the ıyments been made in time, the Trust could have earned interest ı the investments made out of the Fund.

The payment of interest could have been avoided by making mely payment of contribution to the Trust, as the Corporation was holding sufficient funds in current accounts without earni any interest throughout the period of three years.

The matter was reported to the Government/Management February 1992; their replies had not been received (Septemb 1992).

Ahmedabad
The 9 फरवरी FEB 1993

(P. K. MUKHOPADHYAY)
Accountant General (Audit) I,
Gujarat

Countersigned

New Delhi
The 16 FEB 1993

(C. G. SOMIAH)
Comptroller and Auditor General
of India

ANNEXURES

ANNEXURE–1

List of companies in which Government had invested more than 25 lakhs but which are not subject to audit by Comptroller and ditor General of India.

eferred to in paragraphs 3 of Preface page (iii) and 1.2.6 of page 10)

Serial umber	Name of company	Investment
		(Rupees in lakhs)
1	Narmada Cement Company Limited, Bombay	242.20
2	VXL India Limited, Jamnagar	453.64
3	Gujarat Fusion Glass Limited, Calcutta	106.00
4	Surat Electricity Company Limited, Surat	25.03

ANNEXU

Statement showing particulars of paid-up capital, outstanding loans, amc amount outstanding up-to date working results, *etc.*, of the compai

(Figures in column 3(a) to !

Serial number	Name of company	Paid-up capital a: of the curi		
		State Government	Central Government	Oth
(1)	(2)	3(a)	3(b)	3(
1	Gujarat Small Industries Corporation Limited	378.95	—	21
2	Gujarat Mineral Development Corporation Limited	636.00	—	—
3	Gujarat State Export Corporation Limited	8.49	—	6.
4	Gujarat Industrial Investment Corporation Limited (GIIC)	5915.70	—	—
5	Gujarat State Textile Corporation Limited	392.50	—	—
6	Gujarat Agro-Industries Corporation Limited (GAIC)	288.00	248.00	—
7	Gujarat Sheep and Wool Development Corporation Limited	133.91	94.20	14.
8	Gujarat Water Resources Development Corporation Limited	3148.61	—	—
9	Gujarat Fisheries Development Corporation Limited	111.92	—	*
10	Steel Corporation of Gujarat Limited (Subsidiary of GIIC)	—	—	*

:

guarantees given by Government and
eferred to in paragraph 1.2.2 page 1)
d 6(b) to (d) are rupees in lakhs)

the end year Total	Loans outstanding at the close of 1991-92	Amount of guarantee given	Amount of guarantee outstanding at the close 1991-92	Outstanding guarantee commission payable at the close of 1991-92
3(d)	(4)	5(a)	5(b)	5(c)
400.00	4203.57	1816.00	1778.50	—
636.00	5872.75	6000.00	3070.31	—
15.00	12.00	—	—	—
5915.70	32086.37	3389.00	3389.00	—
392.50	10039.56	4496.27	4496.27	79.12
536.00	379.80	—	—	—
242.36	—	—	—	—
3148.61	6099.46	6802.05	6802.05	33.08
**111.92	208.82	6.00	6.00	0.26
*	0.12	—	—	—
11398.09	58902.45			

ANNEXU

Serial number	Position at the end of the year		
	Year for which accounts were finalised	Paid-up capital at the end of the year	Accumulated profit (+)/ loss (-)
(1)	6(a)	6(b)	6(c)
1	1991-92	400.00	(+)216.81
2	1990-91	318.00	(+)3247.07
3	1989-90	15.00	(+)222.24
4	1991-92	5915.70	(+)952.08
5	1990-91	392.50	(-)17909.51
6	1990-91	506.00	(+)148.86
7	1991-92	242.36	(+)2.59
8	1986-87	*1969.73	(-)2201.09
9	1990-91	101.92	(-)47.89
10	1991-92	—	—

(Continued)

h accounts were finalised		
Excess of loss over paid-up capital	Percentage of accumulated loss to paid-up capital	Remarks
6(d)	6(e)	(7)
—	—	—
—	—	—
—	—	—
—	—	—
17517.01	4562.90	—
—	—	—
—	—	—
231.36	111.70	* includes Rs.7.85 lakhs amount pending allotment.
—	47.00	* Rs.100/- only. ** includes share application money Rs.10.00 lakhs.
—	—	* The total paid-up capital is Rs.70 only. The Company under construction

35/12.

ANNEXU

(1)	(2)	3(a)	3(b)	3(
11	Gujarat Dairy Development Corporation Limited	930.76	—	—
12	Gujarat State Handicrafts Development Corporation Limited	148.42	10.00	—
13	Gujarat State Construction Corporation Limited	500.00	—	—
14	Gujarat State Seeds Corporation Limited	55.00	—	—
15	Gujarat Communications and Electronics Limited	1175.01	—	—
16	Tourism Corporation of Gujarat Limited	667.91	—	—
17	Gujarat State Forest Development Corporation Limited	358.56	30.00	—
18	Gujarat State Rural Development Corporation Limited	58.00	—	—
19	Gujarat State Land Development Corporation Limited	156.00	—	—
20	Gujarat Tractor Corporation Limited	450.20	—	—
21	Gujarat State Petrochemicals Corporation Limited	*80.11	—	—
22	Gujarat Rural Industries Marketing Corporation Limited	123.00	—	—
23	Gujarat State Handloom Development Corporation Limited	206.75	—	2.

(Continued)

3(d)	(4)	5(a)	5(b)	5(c)
930.76	1053.15	300.00	300.00	—
*158.42	*62.95	*100.00	—	—
500.00	535.43	883.28	424.69	—
55.00	240.00	—	—	—
1175.01	5625.43	1494.31	163.78	—
667.91	489.10	—	—	—
388.56	814.18	1292.37	670.88	—
58.00	—	—	—	—
156.00	1798.56	533.54	533.54	—
450.20	1802.66	100.00	100.00	4.00
*80.11	—	—	—	—
123.00	210.74	—	—	—
208.75	179.49	150.00	—	—
4951.72	12811.69			

ANNEXU

(1)	6(a)	6(b)	6(c)
11	1988-89	309.97	(-)1186.37
12	1988-89	102.92	(-)13.27
13	1989-90	435.00	(-)1435.37
14	1991-92	55.00	(+)280.22
15	1991-92	1175.01	(+)248.54
16	1987-88	344.69	(-)349.52
17	1990-91	354.01	(+)641.84
18	1990-91	58.00	(-)33.95
19	July 1985 to June 1986	120.00	(-)1033.90
20	1991-92	450.20	(-)2165.63
21	1991-92	80.11	—
22	1988-89	38.00	(-)127.62
23	1990-91	138.75	(-)1.74

2 (Continued)

6(d)	6(e)	(7)
876.40	382.70	—
—	12.90	* Provisional
1000.37	330.00	—
—	—	—
—	—	—
4.83	101.40	—
—	—	—
—	58.50	—
913.90	861.60	—
1715.43	481.00	—
—	—	* includes Rs.1.10 lakhs pending allotment. The Company under construction
89.62	335.80	—
—	1.20	—

ANNEXU

(1)	(2)	3(a)	3(b)	3(
24	Gujarat Scheduled Castes Economic Development Corporation Limited	—	689.32	—
25	Gujarat Insecticides Limited (Subsidiary of GAIC)	—	—	65.
26	Gujarat State Civil Supplies Corporation Limited	1000.00	—	—
27	Gujarat Trans-Receivers Limited (Subsidiary of GIIC)	—	—	29.
28	Gujarat Analgesics Limited (Subsidiary of GIIC)	—	—	*
29	The Film Development Corporation of Gujarat Limited	30.01	—	—
30	Agrocel Pesticides Limited (Subsidiary of GAIC)	—	—	15.
31	Sardar Sarovar Narmada Nigam Limited	154256.18	—	—
32	Gujarat State Investments Limited	23681.42	—	—
33	Gujarat State Police Housing Corporation Limited	964.82	—	—
34	Gujarat Women Economic Development Corporation Limited	177.00	47.93	—
35	Gujarat State Leather Industries Development Corporation Limited	80.00	—	—

(Continued)

3(d)	(4)	5(a)	5(b)	5(c)
689.32	469.12	686.00	88.97	—
65.01	36.14	—	—	—
1000.00	*5211.00	5570.00	4250.00	—
29.00	117.85	—	—	—
*	0.62	—	—	—
30.01	—	—	—	—
15.22	26.19	—	—	—
154256.18	9488.94	30000.00	30000.00	519.00
23681.42	6000.00	—	—	—
964.82	789.73	1362.36	1362.36	—
224.93	—	—	—	—
80.00	—	—	—	—

181035.91
4951.72
11398.09
197385.72

22139.59
12811.69
~~58902.45~~
93853.73

ANNEXU

(1)	6(a)	6(b)	6(c)
24	1987-88	979.07	(+)192.59
25	1990-91	65.01	(+)1330.36
26	1990-91	1000.00	(-)489.72
27	1989-90	29.00	(-)75.68
28	1991-92	*	—
29	1991-92	30.01	(-)0.12
30	1990-91	15.22	(-)10.02
31	1991-92	154256.18	—
32	1991-92	23681.42	(+)0.56
33	1991-92	964.82	—
34	August 1988 to March 1989	10.00	*
35	9th March 1990 to 31st March 1991	75.00	(-)3.15

2 (Continued)

6(d)	6(e)	(7)
—	—	—
—	—	—
—	49.00	* Provisional
46.68	261.00	—
—	—	* Paid-up capital Rs.150/- only. Company under construction.
—	0.40	—
—	65.80	—
—	—	The company under construction.
—	—	—
—	—	Construction works in progress.
—	*	* Excess of expenditure over income Rs.8.57 lakhs compensated by Government by way of grant.
—	4.20	—

ANNEXUI

Summarised financial results of all the Government cor
(Referred to in paragraph 1.2.3 page

Serial number	Name of company	Name of Department	Date of incorporation
(1)	(2)	(3)	(4)
1	Gujarat Small Industries Corporation Limited	Industries and Mines	26th March 1962
2	Gujarat Mineral Development Corporation Limited	Industries and Mines	15th May 1963
3	Gujarat State Export Corporation Limited	Industries and Mines	14th October 1965
4	Gujarat Industrial Investment Corporation Limited (GIIC)	Industries and Mines	12th August 1968
5	Gujarat State Textile Corporation Limited	Industries and Mines	30th November 1968
6	Gujarat Agro-Industries Corporation Limited (GAIC)	Agriculture, Cooperation and Rural Development	9th May 1969
7	Gujarat Sheep and Wool Development Corporation Limited	Agriculture, Cooperation and Rural Development	9th December 1970
8	Gujarat Water Resources Development Corporation Limited	Narmada and Water Resources	3rd May 1971
9	Gujarat Fisheries Development Corporation Limited	Ports and Fisheries	17th December 1971
10	Steel Corporation of Gujarat Limited (Subsidiary of GIIC)	Industries and Mines	16th January 1973
11	Gujarat Dairy Development Corporation Limited	Agriculture, Cooperation and Rural Development	29th March 1973
12	Gujarat State Handicrafts Development Corporation Limited	Industries and Mines	10th August 1973
13	Gujarat State Construction Corporation Limited	Roads and Buildings	16th December 1974

s for the latest year for which accounts were finalised
ures in columns 7 to 13 are in lakhs of rupees)

Period of accounts	Date on which finalised	Total capital invested at the end of year of accounts (A)
(5)	(6)	(7)
1991-92	7th August 1992	1656.67
1990-91	11th November 1991	10384.37
1989-90	11th October 1991	288.40
1991-92	*	38214.54
1990-91	*	1498.13
1990-91	25th June 1992	848.91
1991-92	3rd July 1992	304.95
1986-87	26th July 1991	6314.17
1990-91	27th January 1992	254.27
1991-92	21st July 1992	0.12
1988-89	26th November 1991	609.98
1988-89	3rd February 1992	156,06
1989-90	4th August 1992	192.23
		60722.80

ANNEXU

Serial nimber	Profit (+) or Loss (-)	Total interest charged to Profit and Loss Account	Interest on long term loan	Total retu on capita invested (8+10)
(1)	(8)	(9)	(10)	(11)
1	(+)157.57	502.12	127.63	285.20
2	(+)1892.04	821.05	819.48	2711.52
3	(+)6.40	15.26	10.82	17.22
4	(+)1048.67	3111.46	3026.17	4074.84
5	(-)3390.31	1279.73	1073.81	(-)2316.50
6	(+)24.59	177.62	29.15	53.74
7	(+)6.11	—	—	6.11
8	(-)358.26	398.59	398.59	40.33
9	(+)9.34	8.17	7.93	17.27
10	D	—	—	—
11	(-)402.79	105.53	79.70	(-)323.09
12	(+)61.28	7.21	5.26	66.54
13	(-)102.17	62.27	30.19	(-)71.98

(Continued)

Capital employed (B) (12)	Total return on capital employed (8+9) (13)	Percentage of total return on capital	
		Invested to capital invested (14)	employed to capital employed (15)
4745.39	659.69	17.2	13.9
10287.11	2713.09	26.1	26.4
467.00	21.66	6.0	4.6
35937.80	4160.13	10.7	11.6
717.36	(-)2110.58	—	—
2469.05	202.21	6.3	8.2
307.42	6.11	2.0	2.0
3537.83	40.33	0.6	1.1
287.96	17.51	6.8	6.1
0.10	—	—	—
1515.11	(-)297.26	—	—
166.63	68.49	42.6	41.1
416.05	(-)39.90	—	—

ANNEXURE

(1)	(2)	(3)	(4)
14	Gujarat State Seeds Corporation Limited	Agriculture, Cooperation and Rural Development	16th April 1975
15	Gujarat Communications and Electronics Limited	Industries and Mines	30th May 1975
16	Tourism Corporation of Gujarat Limited	Information, Broadcasting and Tourism	10th June 1975
17	Gujarat State Forest Development Corporation Limited	Forest and Environment	20th August 1976
18	Gujarat State Rural Development Corporation Limited	Agriculture, Cooperation and Rural Development	9th July 1977
19	Gujarat State Land Development Corporation Limited	Agriculture, Cooperation and Rural Development	28th March 1978
20	Gujarat Tractor Corporation Limited	Agriculture, Cooperation and Rural Development	31st March 1978
21	Gujarat State Petrochemicals Corporation Limited	Energy and Petrochemicals	29th January 1978
22	Gujarat Rural Industries Marketing Corporation Limited	Industries and Mines	16th May 1979 1992
23	Gujarat State Handloom Development Corporation Limited	Industries and Mines	12th November 1979
24	Gujarat Scheduled Castes Economic Development Corporation Limited	Social Welfare	29th November 1979
25	Gujarat Insecticides Limited (Subsidiary of GAIC)	Agriculture, Cooperation and Rural Development	30th August 1980
26	Gujarat State Civil Supplies Corporation Limited	Food and Civil Supplies	26th September 1980
27	Gujarat Trans-Receivers Limited (Subsidiary of GIIC)	Industries and Mines	26th March 1981
28	Gujarat Analgesics Limited (Subsidiary of GIIC)	Industries and Mines	17th August 1982

3 (Continued)

(5)	(6)	(7)
1991-92	*	397.22
1991-92	*	3534.49
1987-88	*	177.81
1990-91	24th January 1992	1666.73
1990-91	24th January 1992	24.05
July 1985 to June 1986	8th July 1992	775.07
1991-92	*	446.48
1991-92	7th September 1992	80.11
1988-89	9th July	59.49
1990-91	*	261.80
1987-88	14th October 1992	1272.08
1990-91	*	1442.73
1990-91	*	5086.34
1989-90	7th May 1992	102.19
1991-92	24th July 1992	0.62
		15327.21

ANNEXUR

(1)	(8)	(9)	(10)	(11)
14	(+)40.87	16.11	—	40.87
15	(-)510.24	763.86	273.96	—
16	(-)125.17	24.17	—	(-)125.17
17	(+)1021.48	1.07	—	1021.48
18	(-)20.51	—	—	(-)20.51
19	(-)502.38	148.89	148.89	(-)353.49
20	(+)30.87	106.64	—	30.87
21	D	—	—	—
22	(-)30.75	16.90	9.23	(-)21.52
23	(+)1.11	25.88	9.62	10.73
24	(+)18.14	3.63	3.63	21.77
25	(+)225.55	72.73	8.38	233.93
26	(-)28.82	671.79	—	(-)28.82
27	(-)10.40	12.88	9.14	(-)1.26
28	D	—	—	—

3 (Continued)

(12)	(13)	(14)	(15)
639.30	56.98	10.3	8.9
6714.18	253.62	—	3.8
207.02	(-)101.00	—	—
1829.10	1022.55	61.3	55.9
24.05	(-)20.51	—	—
828.90	(-)353.49	—	—
1495.48	137.51	6.9	9.2
8.87	—	—	—
63.22	(-)13.85	—	—
301.31	26.99	4.1	8.9
1288.36	21.77	1.7	1.7
2059.38	298.28	16.2	14.5
5348.38	642.97	—	12.0
126.26	2.48	—	2.0
0.01	—	—	—

ANNEXURI

(1)	(2)	(3)	(4)
29	The Film Development Corporation of Gujarat Limited	Information, Broadcasting and Tourism	4th February 1984
30	Agrocel Pesticides Limited (Subsidiary of GAIC)	Agriculture, Cooperation and Rural Development	16th January 1985
31	Sardar Sarovar Narmada Nigam Limited	Narmada and Water Resources	24th March 1988
32	Gujarat State Investments Limited	Industries and Mines	29th January 1988
33	Gujarat State Police Housing Corporation Limited	Home	1st Ncvember 1988
34	Gujarat Women Economic Development Corporation Limited	Social Welfare	16th August 1988
35	Gujarat State Leather Industries Development Corporation Limited	Industries and Mines	9th March 1990

* - Comments under finalisation.

A - Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

B - Capital employed represents net fixed assets (excluding capital work-in-progress) *plus* working capital.

3 (Continued)

(5)	(6)	(7)
1991-92	4th September 1992	29.89
1990-91	11th October 1991	25.16
1991-92	14th October 1992	174253.75
1991-92	28th September 1992	29681.98
1991-92	28th July 1992	1754.55
August 1988 to March 1989	9th May 1991	13.02
First Accounts for the period March 1990 to March 1991		71.85

205830.20
15327.21
60722.80

- Capital employed represents mean of opening and closing balance of paid-up capital, bonds, reserves (other than those specifically funded and backed by outside investments) and borrowings.
- Entire expenses during the year were capitalised.
- Various construction works undertaken by the Company are in progress.
- Excess of expenditure over income adjusted against Government grant.

281880.41
266880.20
281880.2

ANNEXUI

(1)	(8)	(9)	(10)	(11)
29	(+)0.38	—	—	0.38
30	(-)3.96	2.69	2.69	(-)1.27
31	D	—	—	—
32	(+)864.88	898.81	898.81	1763.69
33	E	—	—	—
34	F	—	—	—
35	(-)3.15	—	—	—

3 (Continued)

(12)	(13)	(14)	(15)
29.88	0.38	1.3	1.3
32.80	(-)1.27	—	—
45399.34	—	—	—
29663.78	1763.69	5.9	5.9
1752.97	—	—	—
12.58	—	—	—
70.88	—	—	—

ANNEXURE

Summarised fiancial results of Statutory Corporaions based on their
(Referred to in paragraph 1.3.5 page 15)

Serial number	Name of Corporation/ Board	Name of Department	Date of incorporation	Year of accounts	Capital invested (A)	Profit(+)/ Loss (-)
1	2	3	4	5	6	7
1	Gujarat Electricity Board	Energy and Petro-chemicals	1st May 1960	1990-91	3587.22	(+)88.80
2	Gujarat State Road Transport Corporation	Home	1st May 1960	1990-91	153.47	(+)4.30
3	Gujarat State Financial Corporation	Industries and Mines	1st May 1960	1991-92	610.58	(+)1.97
4	Gujarat State Warehousing Corporation	Agriculture, Cooperation and Rural Development	5th December 1960	1990-91	4.56	(+)0.34
5	Gujarat Industrial Development Corporation	Industries and Mines	4th August 1962	1990-91	173.92	(+)0.03
					4529.75	

(A) Capital invested represents paid-up capital plus long term loans *plus* free reserves less accmulated losses

(B) Capital employed represents net fixed assets (excluding capital works in progress) *plus* working capital

(C) Represents net amount of interest deducting interest on investment.

finalised accounts
res in coloums 5 to 11 are in crores of rupees)

interest rged to and loss count	Interest on long term loans	Total return on capital invested (7+9)	Capital employed (B)	Total return on capital employed (7+8)	Percentage of total return on	
					Capital invested	Capital employed
8	9	10	11	12	13	14
?.17	186.62	275.42	2914.25	300.97	7.7	10.3
11.58 (C)	11.58	15.88	139.54	15.88	11.4	11.4
46.22	—	48.19	566.29 (D)	48.19	7.9	8.5
—	—	0.39	6.66	0.39	5.8	8.5
16.66	16.66	16.69	328.43 (E)	16.69	9.6	5.08

Capital employed in respect of Gujarat State Financial Corporation represents the mean of opening and closing balances of paid-up capital,

reserves (other than those which have been opened specifically and backed by investment outside), bonds, deposits and borrowings (including refinance).

Capital employed of Gujarat Industrial Development Corporation represents the mean of the opening and closing balances of reserves and surplus, subsidy from Government, borrowings and receipts on capital account.

ANNEX

(Referred to in para

Serial number	Particulars	Gujarat State Land Development Corpora Limited			
1	Year of accounts	1980-81	1981-82	1982-83	198
2	Due date of completion	31st December 1981	31st December 1982	31st December 1983	31st Dec 198
3	Date of proposal for appointment of Statutory Auditors	21st July 1981	18th January 1985	18th January 1985	18th Janu 198
4	Date of appointment of Statutory Auditors	29th October 1961/2nd April 1882	15th May 1985	15th May 1985	14th Augu 1987
5	Date of commencement of audit by Statutory Auditors	September 1984	April 1987	16th Septem-ber 1988	29th July 1989
6	Date of completion of audit by Statutory Auditors	March 1987	November 1987	9th June 1989	25th Septe 1990
7	Date of approval by Board	24th March 1987	4th December 1987	17th June 1989	27th Septe 1990
8	Date of Statutory Auditors Report	20th April 1987	4th December 1987	22nd June 1989	1st Octob 1990
9	Period involved since last accounts (year/ months months from Statutory Auditors Report)	3-0	0-8	1-7	1-3
10	Date of AGM	31st December 1987	26th July 1988	20th January 1990	13th March 1991
11	Period of overall delay (year/months)	6-0	5-7	6-1	6-3
12	Date of presentation to Legislative Assembly	2nd March 1988	2nd August 1988	27th March 1990	22nd March 1991

Note : GSCEDC has finalised accounts for the year 1986-87 in December 1991 a

5.1 page 84)

.imited	Gujarat Scheduled Castes Economic Development Corporation Limited				
34-85	1981-82	1982-83	1983-84	1984-85	1985-86
st cember 35	30th September 1982	30th September 1983	30th September 1984	30th September 1985	30th September 1986
l nuary 89	1st July 1982	21st June 1983	30th January 1985	11th April 1985	11th April 1985
ı bruary 90	23rd May 1983	8th September 1983	27th January 1986	21st April 1987	19th May 1987
ly 90	9th July 1984	15th February 1985	28th March 1987	18th August 1987	16th July 1990
ne 91	10th October 1984	20th January 1986	22nd May 1987	25th May 1988	1st January 1991
'th ne 91	23rd October 1984	5th March 1986	27th March 1987	30th June 1988	19th December 1990
ıd ıly 91	October 1984	20th January 1986	22nd May 1987	6th March 1989	1st January 1991
9	1-9	1-3	1-4	1-10	1-10
'th ctober 991	29th January 1985	29th May 1987	5th January 1988	30th March 1989	25th March 1991
-10	2-4	3-8	3-5	3-6	4-6
arch 992	—	—	25th February 1988	31st March 1989	27th March 1991

laced in Legislative Assembly in April 1992.

ANNEXU

Serial number	Tourism Corporation of Gujarat Limied					Gujarat Water Corporation	
1	1982-83	1983-84	1984-85	1985-86	1986-87	1982-83	1983-8
2	30th September 1983	30th September 1984	30th September 1985	30th September 1986	30th September 1987	30th September 1983	30th Septen bor 19
3	April 1983	April 1983	April 1987	April 1987	March 1990	4th September 1985	4th Septem ber 19
4	November 1983	November 1983	May 1987	May 1987	October 1990	5th February 1987 / 12th June 1987	12th June 1987
5	December 1983	January 1985	July 1987	October 1988	December 1990	August 1987	August 1987
6	October 1984	March 1987	July 1988	March 1989	July 1991	15th July 1988	5th January 1989
7	10th October 1984	18th March 1987	20th September 1988	20th July 1990	13th August 1991	4th August 1988	31st January 1989
8	17th October 1984	30th March 1987	25th October 1988	20th July 1990	22nd August 1991	5th August 1988	31st January 1989
9	1-9	2-5	1-7	1-9	1-1	0-5	0-6
10	26th March 1985	25th May 1987	28th July 1989	8th July 1991	22nd January 1992	7th December 1988	10th May 1989
11	1-7	2-8	3-10	4-11	4-4	5-2	4-7
12	20th February 1986	11th February 1988	29th September 1989	10th September 1991	—	2nd March 1989	28th September 1989

(Continued)

	Resources Development Limited		Gujarat Rural Industries Marketing Corporation Limited				
-85	1985-86	1986-87	1983-84	1984-85	1985-86	1986-87	1987-88
em- 1985	30th September 1986	30th September 1987	30th September 1984	30th September 1985	30th September 1986	30th September 1987	30th September 1988
h	3rd July 1987	25th February 1988	17th April 1986	4th March 1987	4th March 1987	21st January 1989	21st January 1989
mber	2nd June 1989 / 18th July 1989	5th February 1990	3rd June 1986	25th March 1987	25th May 1987	5th June 1990	22nd November 1990
ary	3rd October 1989	21st May 1990	9th February 1988	November 1988	23rd July 1989	1st July 1990	17th January 1991
	1st July 1990	15th February 1991	23rd September 1988	16th June 1989	24th March 1990	8th September 1990	21st July 1991
ust 9	20th July 1990	7th March 1991	7th September 1988	16th May 1989	20th March 1990	7th September 1990	11th July 1991
ust 9	25th July 1990	12th March 1991	23rd September 1988	16th June 1989	24th March 1990	8th September 1990	21st July 1991
	0-11	0-8	0-8	0-9	0-9	0-6	0-10
ruary 0	15th January 1991	September 1991	23rd February 1989	24th July 1989	15th June 1990	24th October 1990	7th September 1991
	4-3	2-11	4-5	3-10	3-9	3-1	3-0
t e 0	20th February 1991	—	20th March 1989	29th September 1989	27th July 1990	21st February 1991	11th September 1991

ANNEXUR

(Referred to in paragrap

Serial number	Name of company	Report of the Comptroller and Auditor General of			
		1988		1989	
		Extent of arrears involved	Number of years	Extent of arrears involved	Number o years
1	Gujarat State Land Development Corporation Limited	July 1982 to June 1983 and 1983-84 to 1986-87	5	July 1983 to June 1984 and 1984-85 to 1987-88	5
2	Gujarat Scheduled Castes Economic Development Corporation Limited	1985-86 to 1987-88	3	1985-86 to 1988-89	4
3	Tourism Corporation of Gujarat Limited	1984-85 to 1987-88	4	1985-86 to 1988-89	4
4	Gujarat Water Resources Developments Corporation Limited	July 1982 to June 1983 and 1983-84 to 1986-87	5	1985-86 to 1988-89	4
5	Gujarat Rural Industries Marketing Corporation Limited	1984-85 to 1987-88	4	1985-86 to 1988-89	4

* Accounts for the year 1986-87 were finalised in December 1991.

- 6
2B.5.2 page 85)

India for the year ended 31 March 1990		1991	
Extent of arrears involved	Number of years	Extent of arrears involved	Number of years
July 1984 to June 1985 and 1985-86 to 1988-89	5	July 1985 to June 1986 and 1986-87 to 1990-91	6
1985-86 to 1989-90	5	*1986-87 to 1990-91	5
1986-87 to 1989-90	4	1987-88 to 1990-91	4
1986-87 to 1989-90	4	1987-88 to 1990-91	4
1987-88 to 1989-90	3	1988-89 to 1990-91	3

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ERRATA

Report of the Comptroller and Auditor General of India for the year 1991–92 (Commercial)–Government of Gujarat

Serial number	Reference to			For	Read
	Page number	Para number	Line number		
1.	vii		Last line	12 *per cent*	12.5 *per cent*
2.	7	1.2.4(c)	1st line in the table	(+) 5.10	(–) 5.10
3.	41		2nd line	12.45	12.5