



सत्यमेव जयते

**EPITOME OF
CAG's REPORTS ON
THE GOVERNMENT OF GUJARAT
FOR THE YEAR ENDED 31 MARCH 2018**



लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

**PRINCIPAL ACCOUNTANT GENERAL
(ECONOMIC AND REVENUE SECTOR AUDIT)
GUJARAT, AHMEDABAD**

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PREFACE

This epitome presents, at a glance, the contents of the Audit Reports (State Finances, General and Social Sector, Revenue Sector, Economic Sector and Public Sector Undertakings) of the Comptroller and Auditor General of India relating to the Government of Gujarat for the year ended 31 March 2018. These Reports contain comments on the State Finances, major findings on audit of financial transactions of Government of Gujarat and Public Sector Undertakings. Other audit observations which are not contained in these Audit Reports are pursued for their settlement with the Controlling Officers, Heads of Offices.

In accordance with Article 151 of the Constitution, the Comptroller and Auditor General of India forwards his Audit Reports on the accounts as well as on the points noticed during audit of financial transactions and performance reviews of the State Government to the Governor, who causes them to be laid on the table of the *Vidhan Sabha*.

The Report of the Comptroller and Auditor General of India on the State Finances, General and Social Sector, Revenue Sector, Economic Sector and Public Sector Undertakings are presented to the *Vidhan Sabha*. While the Reports on the State Finances, General and Social Sector, Revenue Sector and Economic Sector stand referred to the Public Accounts Committee (PAC), the Report on Public Sector Undertakings is referred to the Committee on Public Undertakings (COPU). The Government departments are to submit *suo motu* Action Taken Notes on all Audit Paragraphs and Reviews to the Committees, duly vetted by Audit. The Committees select paragraphs/reviews for detailed examination after which reports containing their observations and recommendations are presented to *Vidhan Sabha*.

The draft of the paragraphs/reviews included in the Audit Reports is always forwarded to the Secretary of the concerned department for comments so that the views of the Government are incorporated in the Audit Reports before their presentation to the *Vidhan Sabha*.

This epitome contains only a summarised version of the important issues included in the Audit Reports. While it has been our endeavour to keep the contents of this document as close to the original Reports as possible, the original Reports ought to be referred to for authentic facts and figures. The names and telephone numbers of the Officers who could be contacted for clarification in respect of Audit Reports are on the inner page of the backside cover of this publication.

Audit Report on State Finances

The State Finances Audit Report for the year ended 31 March 2018 contains three chapters related to the Finances of the State Government, Financial Management and Budgetary Control and Financial Reporting by the Government of Gujarat for the year 2017-18.

Highlights

- The revenue surplus of ₹ 1,704 crore in 2015-16 increased to ₹ 5,947 crore in 2016-17 and decreased to ₹ 5,232 crore in 2017-18.
- During 2017-18, the fiscal deficit (₹ 21,366 crore) increased by ₹ 4,886 crore (29.65 *per cent*) over the previous year.
- The revenue receipts of the State increased steadily from ₹ 79,976 crore in 2013-14 to ₹ 1,23,291 crore in 2017-18. The State's own revenue increased from ₹ 63,391 crore in 2013-14 to ₹ 86,623 crore in 2017-18.
- Capital outlay increased by ₹ 3,957.80 crore (17.70 *per cent*) over the previous year and the disbursement of loans and advances also increased by ₹ 153.51 crore (32.14 *per cent*).
- The outstanding fiscal liabilities of the State increased from ₹ 1,83,057 crore in 2013-14 to ₹ 2,56,366 crore at the end of 2017-18 at an average annual rate of 9.01 *per cent*.
- Against total original budget provisions of ₹ 1,82,971.32 crore, actual expenditure was ₹ 1,61,063.09 crore. An excess expenditure (voted) of ₹ 4,670.60 crore for the years 2007-08 to 2017-18 was yet to be regularised by the State Legislature, though mandatory as per Article 205 of the Constitution of India.
- 2,465 Utilisation Certificates aggregating ₹ 1,996.80 crore due in respect of grants paid during the period 2001-02 to 2016-17 were outstanding as on 31 March 2018.

(i) Summary of Fiscal transactions

(₹ in crore)

Receipts			Disbursements				
	2016-17	2017-18		2016-17	2017-18		
					State Fund Expenditure	Central Assistance including CSS/CS	Total
Section-A: Revenue							
Revenue receipts	1,09,841.81	1,23,291.27	Revenue expenditure	1,03,894.83	1,03,043.68	15,015.98	1,18,059.66
Tax revenue	64,442.71	71,549.41	General services	35,804.35	40,932.63	468.93	41,401.56
Non-tax revenue	13,345.66	15,073.97	Social services	44,926.02	38,934.11	10,104.89	49,039.00
Share of Union taxes/ duties	18,835.39	20,782.29	Economic services	22,748.51	22,702.88	4,442.16	27,145.04
Grants from Government of India	13,218.05	15,885.60	Grants-in-aid and Contributions	415.95	474.06	0.00	474.06
Section-B: Capital							
Misc. Capital receipts	240.05	0.00	Capital Outlay	22,355.39	20,305.34	6,007.85	26,313.19
Recoveries of Loans and Advances	165.77	346.22	Loans and Advances disbursed	477.56	631.07	-	631.07
Public Debt receipts*	27,668.31	26,952.74	Repayment of Public Debt*	9,073.17	-	-	13,700.23
Contingency Fund	3.75	0.00	Contingency Fund	0.00	-	-	0.00
Public Account receipts	2,570.71	1,394.21	Public Account disbursements	0.00	-	-	0.00
Opening Cash Balance	18,559.48	23,248.93	Closing Cash Balance	23,248.93	-	-	16,529.22
Total	1,59,049.88	1,75,233.37		1,59,049.88			1,75,233.37

Source: Finance Accounts for the year 2016-17 and 2017-18

*Excluding net transactions under ways and means advances and overdrafts

**(ii) Summarised Position of Actual Expenditure *vis-à-vis*
Original/Supplementary provisions**

(₹ in crore)

Nature of expenditure		Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure	Saving (-)/ excess (+)	Amount of surrender
Voted	I Revenue	1,07,152.66	10,117.02	1,17,269.68	1,01,112.35	(-)16,157.33	16,441.89
	II Capital	28,936.09	389.52	29,325.61	26,366.64	(-)2,958.97	2,543.72
	III Loans and advances	649.58	166.54	816.12	631.07	185.05	194.09
Total Voted		1,36,738.33	10,673.08	1,47,411.41	1,28,110.06	(-)19,301.35	19,179.70
Charged	IV Revenue	19,589.00	65.31	19,654.31	19,177.73	(-)476.58	410.85
	V Capital	52.10	53.69	105.79	75.07	(-)30.72	30.82
	VI Public debt- repayment	15,799.81	0.00	15,799.81	13,700.23	(-)2,099.58	2,099.58
Total Charged		35,440.91	119.00	35,559.91	32,953.03	(-)2,606.88	2,541.25
Grand total		1,72,179.24	10,792.08	1,82,971.32	1,61,063.09	(-)21,908.23	21,720.95

Source: Appropriation Accounts and Appropriation Act of the State Government for the year 2017-18

1. Finances of the State Government

Deficits/Surplus

The revenue surplus of ₹ 1,704 crore in 2015-16 increased to ₹ 5,947 crore in 2016-17 and decreased to ₹ 5,232 crore in 2017-18. The decrease in revenue surplus during the current year was on account of increase of ₹ 14,165 crore (13.63 *per cent*) in revenue expenditure against an increase of ₹ 13,449 crore (12.24 *per cent*) in revenue receipts over the previous year.

The fiscal deficit decreased from ₹ 18,422 crore in 2013-14 to ₹ 16,480 crore in 2016-17, except for an increase in 2015-16 (₹ 23,015 crore). During 2017-18, the fiscal deficit (₹ 21,366 crore) increased by ₹ 4,886 crore (29.65 *per cent*) over the previous year mainly on account of increase in capital expenditure by ₹ 3,958 crore and decrease in revenue surplus by ₹ 715 crore.

An increase of ₹ 4,886 crore in fiscal deficit during 2017-18 offset by an increase of ₹ 1,157 crore in interest payment over the previous year turned the primary surplus of ₹ 1,317 crore in 2016-17 to a primary deficit of ₹ 2,412 crore in 2017-18.

State's own resources

The tax revenue of the State (₹ 71,549 crore) in 2017-18 stood lower by a significant margin of ₹ 41,170 crore vis-a-vis the 14th Finance Commission (FC) projections of ₹ 1,12,719 crore. Also, the tax revenue in 2017-18 was lower than the budget estimates and revised estimates. The State received Goods and Services Tax compensation of ₹ 3,687 crore till March 2018 to compensate for the loss of revenue on account of implementation of Goods and Services Tax Act, 2017. Actual non-tax revenue (₹ 15,074 crore) was higher than the 14th FC projections but lower than the budget estimates and revised estimates.

Total Expenditure

Total expenditure of the State increased from ₹ 98,539 crore in 2013-14 to ₹ 1,45,004 crore in 2017-18.

The movement of the relative share of general, social and economic services in total expenditure exhibited stability during 2013-18, with marginal inter-year variations. The share of social services decreased by 1.10 per cent over the five-year period while the share of general services increased by 1.10 per cent.

<i>Expenditure on Interest payments and Pensions</i>	As percentage of revenue receipts, committed expenditure on interest payments and pensions decreased from 27.01 <i>per cent</i> in 2013-14 to 26.71 <i>per cent</i> in 2017-18.
<i>Expenditure on Salaries</i>	Expenditure on salaries increased from ₹ 7,209 crore in 2013-14 to ₹ 10,485 crore in 2017-18.
<i>Subsidy Payment</i>	Expenditure on subsidies increased by 22.92 <i>per cent</i> from ₹ 11,082 crore in 2016-17 to ₹ 13,621 crore in 2017-18. The major beneficiaries of subsidy during 2017-18 were Energy and Petrochemicals Department (₹ 5,775.71 crore), Industries and Mines Department (₹ 2,614.02 crore) and Agriculture and Co-operation Department (₹ 1,715.97 crore).
<i>Status of guarantees</i>	Of the total outstanding guarantees of ₹ 4,834 crore, 29 <i>per cent</i> (₹ 1,409 crore) were in respect of Sardar Sarovar Narmada Nigam Limited and 13 <i>per cent</i> (₹ 650 crore) were in respect of Gujarat Water Infrastructure Limited.
<i>Fiscal Liabilities</i>	The outstanding fiscal liabilities of the State increased from ₹ 1,83,057 crore in 2013-14 to ₹ 2,56,366 crore at the end of 2017-18 at an average annual rate of 9.01 <i>per cent</i> . The fiscal liabilities (₹ 2,56,366 crore) stood at 208 <i>per cent</i> of the revenue receipts (₹ 1,23,291 crore).
<i>Loans and advances by State Government</i>	The total amount of outstanding loans and advances increased from ₹ 7,327 crore in 2016-17 to ₹ 7,923 crore in 2017-18. Loans advanced during the year increased by ₹ 154 crore over the previous year. Of the total loans advanced during the year (₹ 631 crore), ₹ 265 crore was under social services, ₹ 311 crore was under economic services and ₹ 55 crore was advanced for Miscellaneous purposes. The loans advanced under social services were used for urban development and welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes and Minorities. Major portion of the loans advanced under economic services went to power sector (₹ 107 crore) and transport sector (₹ 195 crore).

2. Financial Management and Budgetary Control

<i>Expenditure of the State Government</i>	During 2017-18, against total budget provisions of ₹ 1,82,971.32 crore, actual expenditure was
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₹ 1,61,063.09 crore. Net savings of ₹ 21,908.23 crore were the result of savings of ₹ 22,242.23 crore in 91 grants and 18 appropriations under the revenue section and 53 grants and 8 appropriations under the capital section, offset by an excess of ₹ 334 crore in one grant and one appropriation under the revenue section and one grant under the capital section

Control over expenditure

Though mandatory under Article 205 of the Constitution of India, an excess expenditure (voted) of ₹ 4,670.60 crore for the years 2007-08 to 2017-18 was yet to be regularised by the State Legislature. The major defaulting Departments during last five years were Agriculture & Co-operation; Education; Forests & Environment; Health & Family Welfare; Narmada, Water Resources, Water Supply and Kalpsar; Panchayat, Rural Housing and Rural Development and Roads and Buildings.

Unnecessary Supplementary Provisions

Supplementary provisions (₹ five crore or more in each case) aggregating ₹ 133.81 crore were made and obtained in six cases during 2017-18, which proved unnecessary. The expenditure incurred did not even reach the levels of the original provision.

Review of Budget Control Mechanism

Test check of records of the Administrative Departments/Controlling Offices relating to Grant No. 49 (Industries) and Grant No.71 (Rural Housing and Rural Development) for the period 2015-18 revealed instances of deviation from budgetary provisions, non-utilisation and non-surrender of grants, unauthorised parking of funds in Gujarat State Financial Services *etc.*

3. Financial Reporting

Delay in furnishing Utilisation Certificates

2,465 Utilisation Certificates (UCs) aggregating ₹ 1,996.80 crore due in respect of grants paid during the period 2001-02 to 2016-17 were outstanding as on 31 March 2018. Of the total outstanding UCs of ₹ 1,996.80 crore, 46 *per cent* amounting to ₹ 922.51 crore pertained to Agriculture and Co-operation Department.

Non-submission/ delay in submission of accounts

A total of 170 accounts (including accounts of earlier years) relating to 69 Bodies/Authorities, which attract audit under Section 14 of the CAG's (DPC) Act, 1971,

were audited during the year 2017-18. However, 734 annual accounts of 209 Autonomous Bodies/ Authorities due up to 2017-18 were not received as of 31 July 2018 by the Offices of the Pr. Accountant General (Economic and Revenue Sector Audit) and Pr. Accountant General (General and Social Sector Audit), Gujarat.

The accounts of 34 Autonomous Bodies/Authorities were in arrears for more than five years. In the absence of annual accounts, the accounting/utilisation of the grants and loans disbursed to these Bodies/Authorities could not be verified by Audit.

Delay in submission of accounts/placement of separate audit reports of autonomous bodies

Of the 62 autonomous bodies, which attract audit under Section 19(2), 19(3) and 20(1) of the CAG's (DPC) Act, 1971, only seven Bodies had rendered the accounts for the year 2017-18. The period of delay in non-submission of accounts by the remaining 55 Bodies ranged from two months to 122 months (up to August 2018).

Personal deposit accounts

There were 482 Personal Deposit (PD) Accounts in operation in district treasuries with a closing balance of ₹ 447.41 crore as on 31 March 2018. Four new PD Accounts were opened during the year. The Education Department held the highest number of PD accounts (171), followed by Agriculture and Co-operation Department (69) and General Administration Department (54). During 2017-18, ₹ 1,383.49 crore was credited to PD Accounts from the Consolidated Fund of the State (CFS) and expenditure of ₹ 1,331.35 crore was incurred therefrom.

Further, 29 out of 482 PD Accounts with a total balance of ₹ 2.63 crore were inoperative for a period ranging from one to seven years as of 31 March 2018.

Misappropriations, losses and defalcations

The State Government reported 157 cases of misappropriation, losses, defalcation, etc. involving Government money of ₹ 14.40 crore (up to March 2018) on which final action was pending.

Of the 157 cases, the Narmada, Water Resources, Water Supply and *Kalpsar* Department had 24 cases and the Revenue Department had 21 cases which were pending for more than 25 years. First Information Reports were lodged in 68 of 157 cases.

Audit Report on General and Social Sector

The Audit Report (General and Social Sector) for the year ended 31 March 2018 contains one Performance Audit on “Implementation of Rural Drinking Water Supply Programme in Gujarat” and three Compliance Audit Paragraphs covering theme on “Implementation of National Programme of Nutritional Support of Primary Education”, “Implementation of Underground Drainage System under Rurban Scheme” and “Functioning of Residential Schools under Gujarat State Tribal Education Society”, and two long compliance paragraphs on “Implementation of Indira Gandhi National Old Age Pension Scheme” and “Unfruitful expenditure on procurement of Refuse Compactor Vehicles”. The highlights are given in the following paragraphs.

Highlights

- Government of Gujarat’s (GoG) claim that all 35,996 habitations in the State were fully covered with water supply was not correct.
- There were under-reporting of non-functional Water Supply Schemes (WSSs).
- State Level Laboratory (SLL) at Gujarat Jalseva Training Institute (GJTI) conducted only routine tests instead of conducting specific tests.
- Mobile Laboratory Vans were not being utilised optimally. Field Test Kits meant for water quality testing were not utilized.
- About 10 *per cent* habitations in the State had no fit source of potable water.
- In the test-checked Districts, bacteriological testing was not being done for all sources of water except for water supplied from RWSS.
- Incorrect reporting by the Commissioner (MDM) to the Government of India (GoI) in respect of coverage of schools and students under the scheme was noticed.
- The Commissioner has been under-reporting the closing stock of food grains to GoI during 2015-18.
- The objective to have a uniform menu throughout the State to enhance the nutritional intake of students by dividing single meal into breakfast and lunch was not achieved.
- Checks to ensure use of quality food articles for supply of cooked food to children were not being applied effectively.
- Implementation of 18 out of 19 Underground Drainage System (UDS) projects taken up under Rurban Scheme was far from satisfactory.

- Project reports were prepared without site surveys.
- Adequate supply of water was not ensured before commencement of projects.
- House connections with completed UDS was poor.
- Sites selected for pumping stations and treatment plants were prone to water-logging during monsoon season.
- GoG had not covered all the Below Poverty Line (BPL) beneficiaries both rural and urban BPL populations under the scheme.
- Eligible beneficiaries had been rejected in an arbitrary fashion.
- Non-disbursement of pension in cases of return of money orders were noticed in test-checked Talukas.
- In Dahod, Jamnagar and Palanpur Talukas, pension of 107 beneficiaries was being credited wrongly to the bank accounts of others.
- Test-checked Mamlatdars had not conducted annual personal verification of existing beneficiaries.
- Eighteen out of 43 Tribal Talukas had no Eklavya Model Residential Schools (EMRSs).
- The Gujarat State Tribal Education Society (Society) had extended extra financial benefit to two NGOs-run EMRSs.
- The students of eight EMRSs and 19 GLRSs were deprived of higher secondary education due to non-starting/part commencement of higher secondary section.
- Out of 36 EMRSs and 43 GLRSs, the choice of all the three streams was available in only four EMRSs.
- The teachers were appointed on monthly fixed remuneration on contract basis which was lower than the minimum wages of the State for skilled labourers.
- Classrooms and hostels were found overcrowded in Integrated Tribal Development Project (ITDP) Banaskantha. Shortage of bed and mattress was noticed.
- Of the 25 Refuse Compactor Vehicles procured by Gujarat Urban Development Company Limited (₹ 9.94 crore) for efficient handling of municipal solid waste, 18 vehicles were not being used.

1. Implementation of Rural Drinking Water Supply Programme in Gujarat

Water is a State subject and the State Government is responsible to ensure access to a minimum quantity of potable water. Government of India (GoI) supplements the efforts of the State Governments with technical and financial assistance for provision of safe drinking water to the habitations in the rural

areas of the country. The Water Supply Department (WSD) is responsible for the proper implementation of Rural Water Supply Programme (RWSP) through Gujarat Water Supply and Sewerage Board (GWSSB) and Water and Sanitation Management Organisation (WASMO).

A Performance Audit of Rural Drinking Water Supply Programme in Gujarat was conducted between March 2018 and August 2018 covering the period 2013-18. The main audit findings are summarized below:

- As of August 2018, out of 17,843 villages in the State, 8,947 villages had been covered under Narmada Canal based projects/programmes and 3,893 villages under other source based water supply projects.
- Government of Gujarat's (GoG) claim that all 35,996 habitations in the State were fully covered with water supply was not correct.
- Out of 2,352 villages covered under 91 Rural Water Supply Schemes (RWSSs) in eight test-checked Districts, only 1,587 villages were getting water through RWSSs. Of the remaining 765 villages, 258 villages had no access of water due to insufficient water at source, non-creation of internal distribution networks, damaged pipes, *etc.*
- There were under-reporting of non-functional WSSs. Even many of the non-functional schemes were not in the knowledge of the Department.
- State Level Laboratory (SLL) at Gujarat Jalseva Training Institute (GJTI) conducted only routine tests instead of conducting specific tests and could not act as a referral laboratory due to non-availability of high end equipment/instruments. Due to less number of Taluka Level Laboratories (TLLs), there was vast shortfall in the number of water sources to be tested as per norms. Mobile Laboratory Vans were not being utilised optimally. Field Test Kits meant for water quality testing were not utilized by Gram Panchayats (GPs) and Multi Purpose Health Workers (MPHWs) in test-checked habitations.
- GoG's claim of no Quality Affected habitations in the State was not correct. About 10 *per cent* habitations in the State had no fit source of potable water.
- In the test-checked Districts, bacteriological testing was not being done for all sources of water except for water supplied from RWSS, which is supplied after treatment in Water Treatment Plants (WTPs).
- Irregular booking of expenditure under Research and Development (R&D) schemes by GWSSB and the test-checked Districts respectively, non-surrender/non-refund of unspent funds by WASMO, and non-payment of water charges by Gram Panchayats were noticed in Audit.
- Periodical monitoring of completed schemes was not being done.

2. Implementation of National Programme of Nutritional Support to Primary Education

Audit observed incorrect reporting by the Commissioner (MDM) to the Government of India in respect of coverage of schools and students under the scheme. The number of schools reported as covered in Annual Work Plan and Budget (AWP&B) was more than the actual number of schools in the State as per the records of Sarva Shiksha Abhiyan (SSA). Similarly, there was variation in coverage of students reported by Commissioner with respect to the figures reported by test-checked Districts.

The Commissioner has been under-reporting the closing stock of food grains to Government of India during 2015-18, however, there was huge closing stock of food grains at the godowns of Gujarat State Civil Supply Corporations. The objective to have a uniform menu throughout the State to enhance the nutritional intake of students by dividing single meal into breakfast and lunch was not achieved. Checks to ensure use of quality food articles for supply of cooked food to children were not being applied effectively.

3. Implementation of Underground Drainage System (UDS) under Rurban Scheme

Implementation of 18 out of 19 UDS projects taken up under Rurban Scheme was far from satisfactory even after spending ₹194.70 crore (₹ 166.83 crore spent on 15 complete projects + ₹ 27.87 crore spent on 03 incomplete projects) and lapse of six years (from 2012 to 2018), due to flaws in planning. Projects were taken up without city sanitation plans; project reports were prepared without site surveys; adequate supply of water was not ensured before commencement of projects; house connections with completed UDS was poor; sites selected for pumping stations and treatment plants were prone to water-logging during monsoon season; and responsibility of operation and maintenance of completed projects was thrust upon Gram Panchayats without assessing their institutional and financial capacity. The District Panchayats did not ensure availability of jetting-cum-cleaning machinery.

4. Implementation of Indira Gandhi National Old Age Pension Scheme

Audit concludes that Government of Gujarat had not covered all the Below Poverty Line (BPL) beneficiaries both rural and urban BPL populations under the scheme. As against the estimated BPL beneficiaries of 5.81 lakh approved as a ceiling by GoI based on poverty ratio of 2004-05, GoG could cover 5.60 lakh BPL beneficiaries under the scheme as of March 2018.

In the test-checked Talukas, Audit observed that the Mamlatdars have provided pension to ineligible persons with BPL scoring higher than fixed scoring criterion and eligible beneficiaries had been rejected in an arbitrary fashion in contravention to the provisions of the scheme guidelines and instructions issued by the Director, Social Defence.

Instances of non-disbursement of pension in cases of return of money orders were noticed in test-checked Talukas. In Dahod, Jamnagar and Palanpur Talukas, Audit observed that pension of 107 beneficiaries (₹ 10.18 lakh) was being credited wrongly to the bank accounts of others due to incorrect linkage of Aadhaar and incorrect entry of bank account number by the Mamlatdars. The test-checked Mamlatdars had not conducted annual personal verification of existing beneficiaries.

5. Functioning of Residential Schools under Gujarat State Tribal Education Society

Audit observed that horizontal spread of residential schooling for Scheduled Tribes was not uniform and self-evident in the absence of transparent criteria for setting up of Eklavya Model Residential Schools (EMRSs) as 18 out of 43 tribal Talukas had no EMRS while three Talukas had more than one EMRS. The Society and the Girls Literacy Residential Schools (GLRSs) failed to utilise the recurring grant as per the budget estimates and as prescribed in the guidelines resulting in loss of central assistance of ₹5.36 crore. The Society had extended extra financial benefit to two NGOs-run EMRSs (₹ 2.07 crore) managed on Public Private Partnership (PPP) mode by releasing excess recurring grants.

Due to non-starting/part commencement of higher secondary section, the students of eight EMRSs and 19 GLRSs were deprived of higher secondary education. Out of 36 EMRSs and 43 GLRSs, the choice of all the three streams was available in only four EMRSs. The teachers were appointed on monthly fixed remuneration on contract basis which was lower than the minimum wages of the State for skilled labourers. As a result, many of them left the job in between leading to vacancies and affecting regular conduct of classes.

The Society could not start the construction work of seven EMRSs and eight GLRSs though GoI had provided funds to the tune of ₹ 110 crore. Due to non-availability of buildings, these schools were being run in the buildings of other schools. As a result, the classrooms and hostels were found overcrowded in Integrated Tribal Development Project (ITDP) Banaskantha. Shortage of bed and mattress was noticed in two EMRSs and six GLRSs test-checked. In EMRS, Jagana, against 479 students, only 294 sets of bed, mattress and linen

were available; in EMRS, Kadana, against 338 students, only 155 beds were available and the overall shortage of beds in eight out of 12 test-checked schools was *27 per cent*. During visit of three test-checked GLRSs of ITDP, Chhotaudepur, students were found collecting water from the water tankers for storing them in the buckets for their use as the building had no facility of direct water connections.

Monitoring and evaluation of the schools by the Society was found deficient as it had not established any mechanism to assess curricular and extra-curricular progress of the students, data of EMRS students, who got admission in higher educational institutions and details of drop-outs in the Talukas.

6. Unfruitful expenditure on procurement of Refuse Compactor Vehicles

Gujarat Urban Development Company Limited procured 25 Refuse Compactor Vehicles of uniform capacity and payload for the Nagarpalikas (NPs) at a total cost of ₹ 9.94 crore for efficient handling of municipal solid waste. Of the 25 vehicles, 15 could not negotiate the narrow roads/streets in the NP areas for garbage collection due to their large size, while three could not be made functional due to non-availability of matching garbage containers and non-fulfilment of warranty repairs by the contractor, leading to unfruitful expenditure of ₹ 7.16 crore.

Audit Report on Revenue Sector

The important findings on the audit of receipts have been included in the Audit Report Revenue Sector of the CAG of India on the Government of Gujarat for the year 2017-18.

This Report contains 22 paragraphs and one Performance Audit involving ₹ 443.24 crore.

1 Trend of Revenue Receipts

The total revenue receipts of the Government of Gujarat in 2017-18 were ₹ 1,23,291.27 crore as against ₹ 1,09,841.81 crore during 2016-17. The revenue raised by the State from tax receipts during 2017-18 was ₹ 71,549.41 crore and from non-tax receipts was ₹ 15,073.97 crore. The revenue raised by the State Government was 70 per cent of the total revenue receipts. The main sources of tax revenue during 2017-18 were Gujarat Goods and Service Tax (GGST)/ Value Added Tax (VAT)/ Central Sales Tax (CST)/Entertainment and Luxury Tax (₹ 50,975.15 crore), Stamp Duty and Registration Fees (₹ 7,254.75 crore) and Taxes and Duties on Electricity (₹ 6,484.29 crore). The main receipt under non-tax revenue came from non-ferrous mining and metallurgical industries (₹ 8,988.62 crore).

2 Performance Audit

Mechanism in the State for collection of Arrears

The number of cases pending for recovery of the Government dues of four major Departments pertaining to Stamp Duty, Motor Vehicles Tax, Mining Receipts and Taxes & Duties on Electricity was 1,56,880. Audit checked 4,058 cases and found irregularities in 2,517 cases involving ₹ 253.65 crore.

There were shortcomings in maintenance of initial records/ registers, failure to follow up the recovery process under the respective Acts, utilisation of existing resources properly as well as inadequate action for recovery as arrears of land revenue and follow up action.

Revenue Department (Stamp Duty and Registration Fees)

Demands for payment of deficit stamp duty in

245 instruments of ₹ 10.53 crore were not paid within the time stipulated in the valuation orders. No action to recover these demands as arrears of land revenue under the GLR Code was taken and these remained unrealised. Of these 178 cases were more than two years old. No time limit was prescribed in the Gujarat Stamp Act for declaring the arrears as arrears of land revenue.

The Department did not take the help of revenue authorities in locating the correct address of the defaulters in respect of demand notices remaining undelivered. This resulted in non-realisation of dues of ₹ 2.49 crore in 88 cases pertaining to eight DCs (SDVO) offices.

In 37 cases stamp duty of ₹ 1.60 crore was required to be recovered. The requisitions for making encumbrance entries in the immovable properties of the defaulters were sent to the concerned Mamlatdar/ Village Talatis. However, no corresponding encumbrance entries were made in the village land record of the defaulters.

The immovable properties of defaulters in 37 cases located in seven DCs (SDVO) were not attached under GLR Code for recovery of the dues. This resulted in non-recovery of dues of ₹ 1.20 crore.

In six cases action for recovery of stamp duty of ₹ 4.92 crore finalized by Chief Controlling Revenue Authority (CCRA) was not initiated. This resulted in non-recovery of Government revenue to that extent.

Transport Department (Motor Vehicles Tax)

Audit scrutiny of eight taxation authorities revealed that in 192 cases of tax defaulters there were invalid entries in the VAHAN-IV 'Registration Module' of transport and non-transport vehicles. The tax dues in these cases amounted to ₹ 2.53 crore. It was difficult to identify the vehicles owners and initiate recovery proceedings.

In six offices, demand notices for recovery of motor vehicles tax amounting to ₹ 5.01 crore was not issued in respect of 361 vehicles despite a lapse of one to eight years.

Industries and Mines Department (Mining Receipts)

There were 6,696 cases involving ₹ 154.65 crore of mining receipts pending for collection as on March, 2017. Revenue Recovery Certificates (RRCs) were issued in 1,058 cases involving dues of ₹ 55.98 crore.

As per the information furnished by the eight Geologists/ Assistant Geologists, out of 2,949 cases involving arrears of ₹ 90.51 crore, RRCs were not issued in 1,891 cases. There was no time limit fixed for treating the arrears as arrears of land revenue.

Lack of monitoring and coordination between Commissioner of Geology and Mining and Revenue Department resulted in non-realisation of mining receipts and incorrect removal of the demands of ₹ 5.48 crore in 38 RRC cases in three districts.

Nine Geologist/ Assistant Geologist had issued demand notices in 1,425 cases out of 2,773 cases. In the remaining 1,348 cases, there was neither anything on record to indicate that the demand notices were issued nor did authorities produce individual case files to audit for scrutiny.

Energy and Petrochemicals Department (Taxes and Duties on Electricity)

The Collector of Electricity Duty irregularly removed three consumers against whom dues of ₹ 4.45 crore were recoverable from the list of defaulters without approval of the competent authority.

Tax Monitoring Committee appointed by the Government of Gujarat to review the status of arrears on monthly basis did not meet regularly as per the norms. No mechanism was evolved by the Committee to ensure compliance to the instructions given to the respective Departments for recovery of arrears.

The data regarding outstanding demands of tax / non-tax revenue was not being maintained electronically by Departments test checked except the Transport Department that generated the list of the defaulters in VAHAN.

3 Paragraphs

Some of the important findings included in the paragraphs are as under :-

Goods and Services Tax/Value Added Tax/ Sales Tax

Transition from VAT to GST

Out of 5,15,948 dealers registered under GVAT Act as on 30 June 2017, 4,61,156 dealers were finally granted registration certificates. The remaining 54,792 dealers being 10.61 *per cent* of the existing dealers were not migrated to GST regime.

The department had selected 1,238 cases for verification of GST transitional credit. Of these, in 1,092 cases it required some clarification / information from the taxpayers for verifying the transitional credit claimed by each. This was not obtained despite a lapse of more than one year and the claims remained unverified.

In five ACST offices, audit of 195 cases involving transitional credit of ₹ 133.68 crore revealed irregularities in 53 cases which resulted in excess transitional credit of ₹ 27.90 crore.

The Advance Ruling Authority constituted by the Government of Gujarat had admitted 46 cases for the advance ruling(s), of these, in 18 cases rulings were pronounced while the remaining 28 cases were still pending for pronouncement.

The legacy issues under VAT regime were still to be resolved. The “Module for Refund” was not made operational in GSTN. The refund claims under the GVAT Act were processed through VATis. There was no synchronization between GSTN and VATis as such risk of undue benefit of input tax credit under Gujarat Goods and Services Tax (GGST) Act could not be ruled out.

Non/Short levy of tax due to misclassification and application of incorrect rate of tax

Short levy of VAT of ₹ 65.25 crore was noticed in 82 assessments in 23 offices due to misclassification of commodities/application of incorrect rate of tax.

Non/Short reduction/reversal

Excess tax credit of ₹ 5.49 crore was allowed in the assessment records of 23 offices in 63 assessments of

of tax credit

51 dealers due to non/ short reduction of Input Tax Credit (ITC).

Incorrect determination of turnover

Short levy of VAT of ₹ 1.11 crore was noticed in assessment records of four dealers of four offices due to incorrect determination of turnover.

Land Revenue

Short levy of premium price

Premium price of ₹ 60.47 lakh was short recovered due to incorrect valuation of land on its conversion from new tenure to old tenure in four cases.

Non levy of conversion tax

Additional occupancy price of ₹ 5.34 crore was short levied in three cases of allotment of Gauchar land to a company by Collector office, Vadodara during the period 2015-16.

Stamp Duty and Registration Fees

Blockage/Short levy of revenue on documents comprising distinct transactions

In eight Sub Registrar offices blockage / short levy of stamp duty aggregating to ₹ 7.35 crore was noticed in 21 registered documents.

Short levy of stamp duty due to misclassification of documents

In two Sub Registrar offices, there was short levy of stamp duty ₹ 1.29 crore due to misclassification of three documents.

Other Tax and Non-Tax Receipts

Levy and Collection of Mining receipts from petroleum and natural gas

The Department had not specified the items eligible for post well head expenditure / cost and the method of calculation for such cost. In six cases, inclusion of 'notional cost of capital' in post well head expenses without specific instructions resulted in short levy of royalty of ₹ 16.19 crore.

PNG Rules provided for restriction of use of the gas for uneconomical purposes, the Department, however, did not make any efforts to ascertain the correctness of the loss/ deduction claimed. No norms were fixed for restricting the use of Petroleum and Natural gas which was un-economical or conducive to waste.

Non-execution of the lease deeds deprived the State Government of revenue aggregating to ₹ 36.79 crore during 2015-17 by way of stamp duty and registration fees.

Non-revision of rates of surface rent resulted in foregone revenue of ₹ 2.99 crore while non-realisation of dead rent and late payment charges amounted to ₹ 1.32 crore.

Lessees were allowed to continue mining operations in 74.24 *per cent* of the total PMLs without grant order. Lessees had continued mining operations and commercial production without valid authority.

No instruction for issue of NOC was issued by the DoP. In 37 cases out of 60, it had issued NOCs after a lapse of more than one year from the date of application during the period 2012-13 to 2016-17.

Instructions were issued to the District Collectors (DCs) for issuing of NOC within a period of two months, however, the District Collectors had issued NOCs in only four PMLs out of 66 PMLs granted during the period 2012-13 to 2016-17.

Transport Department

Non-realization of motor vehicles tax

In seven Regional Transport Offices, operators of 780 transport and non-transport vehicles had neither paid tax nor filed non-use declarations for the periods between 2013-14 and 2016-17. This resulted in non-realisation of motor vehicles tax of ₹ 3.47 crore.

Variation in the amount of tax dues from defaulters in two different modules

There was variation of ₹ 21.93 lakh in the amount of tax dues as reported by two different modules of VAHAN-IV (*software*) in 41 cases test checked in four RTOs. As per the 'Tax Defaulter List' module total tax payable was ₹ 71.19 lakh whereas as per 'Collection of MV Tax' module the total tax payable was ₹ 49.26 lakh.

Industries and Mines Department

Non-levy of dead rent

There was non-realisation of dead rent of ₹ 96.93 lakh against 38 lease holder in four districts Geologist offices. Though, the leases were required to be cancelled, the concerned Geologist did not cancel the leases.

Audit Report on Economic Sector

The present Report contains seven compliance audit paragraphs (including one subject specific compliance audit) pertaining to the Narmada, Water Resources, Water Supply & Kalpsar (NWRWS&K) Department, Science and Technology (S&T) Department, Climate Change (CC) Department and Roads and Buildings (R&B) Department. The highlights of the Report are as under:

1 Results of Compliance Audit

Department wise audit findings containing one subject specific compliance audit on “Implementation of Extension, Renovation and Modernisation of Irrigation Projects” under Narmada, Water Resources, Water Supply and Kalpsar (NWRWS&K) Department and six individual paragraphs having significant audit findings relating to non-recovery of annual rent, maintenance and repair charges, blocking of funds due to non-utilisation of grants, non-recovery of annual certification charges, excess expenditure on star rate difference of asphalt, avoidable expenditure and undue benefit to the contractor amounting to ₹ 300.05 crore are narrated below:

Narmada, Water Resources, Water Supply and Kalpsar Department (Water Resources)

Implementation of extension, renovation and modernisation (ERM) of Irrigation Projects

Water Resources Department is responsible for construction, operation and maintenance of Major, Medium and Minor irrigation projects in Gujarat. ERM works of the canal systems contribute in reducing the gap between the created Culturable Command Area (CCA) and its utilisation.

The Water Resources Department is organised geographically into five regions namely North Gujarat, South Gujarat, Central Gujarat, Saurashtra and Kachchh. Out of five regions, projects located in three regions namely, South Gujarat, Central Gujarat and North Gujarat were selected for detailed audit examination to assess the efficacy of planning, implementation and monitoring of ERM works undertaken by the Department between 2012-13 and 2017-18.

Against the total CCA of 12.96 lakh ha, CCA of 7.96 lakh ha (61 *per cent*) has been covered under ERM works up to March 2018. Absence of project wise plans in eight out of 12 test-checked projects, not preparing the Detailed Project Reports, improper planning for works *etc.*, were observed during the course of Audit. Thus, gap between the CCA created *vis-a-vis* utilised was not bridged even after taking up of works under ERM of canal systems.

In Jhuj Irrigation Project; Sabarmati Right Bank Canal & Bhavsor and Ladol

distributaries of Dharoi Project; and Kadana Project, the utilisation of CCA was less as compared to the CCA created, due to requisite works not being accorded priority while carrying out the ERM works. Similarly, in four projects namely Waidy Minor Irrigation Project, Kakrapar Right Bank Main Canal, Fatewadi Canal System and Tail Extended Distributary of Watrak Main Canal, improper planning in taking up of works led to under utilisation of the created CCA.

The Department also accepted unworkable rates in tender relating to two works leading to those works remaining incomplete. In 31 works, the Divisions split up the works without obtaining approval from the competent authority and allowed the Executive Engineer to exercise the power both as a technical sanctioning authority and tender accepting authority besides depriving scrutiny and monitoring of tenders at higher levels. In nine works, Division had irregularly paid for excess and extra items to the contractors though the approval of the Department was not received. Further, due to not fixing the closure period for the canals in Mazam and Meshwo Projects and in 13 other works, the ERM works could not be completed. The Divisions had not conducted pre and post monsoon inspections of the canals as per the Department's own Guidelines relating to it. As a result, damages in the canals went unnoticed. No evaluation study was conducted after completion of the works to assess the adequacy, effectiveness and efficiency of the ERM works undertaken by the Department.

Twenty three Divisions of the Department did not recover the prescribed annual rent and annual charges for maintenance & repair from licensees who had been given permission for laying of pipelines crossing rivers, canals and drains which led to non-recovery of revenue of ₹ 7.35 crore.

Science and Technology Department

Department of Science and Technology failed to monitor the utilisation of grants-in-aid by its subordinate institutions which resulted in non-utilisation of grants. Further, the institutions funded did not surrender the unutilised grant to the Department which led to blocking of ₹ 109.94 crore during the year 2013-14 to 2017-18.

Climate Change Department

Gujarat Energy Development Agency failed to recover annual certification charges of ₹ 5.62 crore as of January 2019 due to absence of proper monitoring system for recovery of annual certification charges from windfarm owners.

Roads and Buildings Department

Non-adoption of star rate prevailing at the time of approval of Draft Tender Papers for payment of price variation for asphalt resulted in excess expenditure

on price variation of ₹ 5.84 crore in 11 works of five Divisions.

Preparation of incorrect estimates by two Divisions of Roads and Buildings Department based on (i) visual inspection in one work; (ii) without considering actual site conditions in the second work; and (iii) adoption of incorrect rate in the third work, led to avoidable expenditure of ₹ 1.95 crore.

The Government revised the star rate as prevalent on the date of approval of excess items which was lower than the star rate originally adopted in the tender which led to undue benefit of ₹ 1.18 crore to the contractor.

Audit Report on Public Sector Undertakings

This Report deals with the results of audit of 87 Government Companies and four Statutory Corporations for the year ended 31 March 2018. The Report gives an overview of Government Companies and Statutory Corporations in the State and also contains one performance audit on Gujarat Industrial Development Corporation.

1. Overview on the Functioning of State Public Sector Undertakings

Introduction

The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are engaged in activities of commercial nature that occupy an important place in the State economy. As on 31 March 2018, there were 91 SPSUs (69 Companies and four Statutory Corporations and 18 inactive SPSUs). Of the 91 SPSUs, four SPSUs were listed on the stock exchange(s). The active SPSUs registered a turnover of ₹ 1,25,827.15 crore as per their latest finalised financial statements as on 30 September 2018. The turnover was *9.53 per cent* of State's Gross Domestic Product (GSDP) for 2017-18. The active SPSUs earned aggregate loss of ₹ 453.35 crore as per their latest finalised financial statements.

Accountability framework

The process for audit of Government Companies in respect of financial years commencing on or after 1 April 2014 is governed by respective provisions of Sections 139 and 143 of the Companies Act, 2013 (Act). The financial statements of Government Companies are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (C&AG) as per the provisions of Section 139(5) or (7) of the Act. These financial statements are subject to supplementary audit by C&AG within 60 days from the date of receipt of the audit report under provisions of Section 143(6) of the Act. Audit of Statutory Corporations is governed by their respective legislations.

Investment in SPSUs

As on 31 March 2018, the investment in 91 SPSUs was ₹ 1,48,820.22 crore. The thrust of SPSUs investment was mainly in the Infrastructure sector as the percentage share of investment in Infrastructure sector to total investment was 44.67 in 2017-18 as compared to 42.03 in 2013-14. The percentage share of investment in Power sector increased from 31.28 in 2013-14 to 33.13 in 2017-18.

Overview on Functioning of Power Sector Undertakings

Introduction

The SPSUs engaged in generation, transmission and distribution of electricity are classified under Power sector. Of the 91 SPSUs, 11 SPSUs are engaged in electricity related business and remaining 80 SPSUs are engaged in other activities as on 31 March 2018. The 11 SPSUs are active State Government Companies, which includes eight subsidiary/joint venture Companies of other Government Companies. The turnover of Power sector SPSUs recorded continuous increase over previous years and was ₹ 94,544.75 crore as on 2017-18. The increase in GSDP of Gujarat ranged between 11.22 and 13.99 *per cent* during the period 2013-14 to 2017-18. During last five years against the Compounded Annual Growth Rate (CAGR) of 12.76 *per cent* of GSDP, the CAGR for turnover of Power sector SPSUs was 3.48 *per cent* during last five years.

Investment and budgetary support in Power sector SPSUs

As on 31 March 2018, the investment in 11 SPSUs was ₹ 49,302.62 crore. Government of Gujarat (GoG) periodically provides financial support to three Power sector SPSUs as budgetary assistance through annual budget in various forms that ranged between ₹ 6,162.96 crore and ₹ 8,166.86 crore during the period from 2013-14 to 2017-18 no funds were infused in the remaining eight SPSUs. During 2017-18 total budgetary assistance of ₹ 7,550.28 crore received included ₹ 2,878.49 crore, ₹ 50.62 crore and ₹ 4,621.17 crore in the form of equity, loans and grants/subsidy respectively.

Performance and Status of finalisation of financial statements of Power sector SPSUs

Of the 11 Power sector SPSUs, as per their latest finalised financial statements, 10 SPSUs earned profit of ₹ 1,274.56 crore and Bhavnagar Energy Company Limited incurred loss of ₹ 617.31 crore. The financial statement of Gujarat Power Corporation Limited for 2017-18 was in arrears.

Return on investment

GoG infused funds in the form of equity and loans in only three Power sector SPSUs. The Return on investment (RoI) from the three SPSUs based on historical cost ranged between 1.78 and 4.88 *per cent* during the period from 2013-14 to 2017-18. Further, investment by GoG in the three SPSUs increased from ₹ 200.32 crore in 2004-05 to ₹ 17,841.35 crore in 2017-18. The return based on Present Value (PV) of above investment being ₹ 27,512.43 crore as at 31 March 2018 to total earnings of three SPSUs during 2017-18 was

1.93 *per cent*. An analysis of investment and accumulated profit/losses disclosed that the net worth of Power sector SPSUs as on 31 March 2018 was ₹ 22,703.96 crore.

Return on equity and capital employed

The Return on equity in respect of the three SPSUs as on 31 March 2018 was 2.34 *per cent*. During last five years ended March 2018, the Net Income and Shareholder's fund was positive. The Return on capital employed of Power sector SPSUs was consistent and ranged between 5.18 and 7.12 *per cent* during the period from 2013-14 to 2017-18.

Comments on financial statements

Eleven SPSUs forwarded their 13 financial statements during the period from October 2017 to September 2018. Statutory Auditors had given unqualified opinion for ten financial statements and qualified opinion for three financial statements. The compliance of SPSUs with the Accounting Standards / INDAS remained deficient, as there were 16 instances of non-compliance in seven financial statements.

Overview on Functioning of State Public Sector Undertakings (Excluding State Public Sector Undertakings of Power sector) Introduction

The State has 91 SPSUs as on 31 March 2018 of which 11 SPSUs are engaged in electricity related business and remaining 80 SPSUs are engaged in other activities. These 80 SPSUs include 76 State Government Companies (SGCs) and four Statutory Corporations for undertaking different activities. GoG periodically provides financial support to SPSUs in the form of equity, loans and grants/ subsidy. Of the 80 SPSUs, GoG invested funds in 58 SPSUs and no funds were infused in remaining 22 SPSUs that were joint venture/subsidiary of SGCs. The turnover of these SPSUs was ₹ 31,282.40 crore as on 2017-18.

Investment and budgetary support in SPSUs

As on 31 March 2018, the investment in 80 SPSUs was ₹ 99,517.60 crore. GoG provides financial support to SPSUs in various forms through the annual budget. The budgetary assistance received by these SPSUs ranged between ₹ 8,132.00 crore and ₹ 9,953.83 crore during the period from 2013-14 to 2017-18. The budgetary assistance of ₹ 9,953.83 crore provided during 2017-18 included loans, grants / subsidy and equity of ₹ 165.20 crore, ₹ 3,934.99 crore and ₹ 5,853.64 crore respectively.

Performance and Status of finalisation of financial statements of SPSUs

During 2017-18, as per their latest finalised financial statements, out of 62 active SPSUs, 38 SPSUs earned profit of ₹ 2,180.01 crore and 20 SPSUs incurred loss of ₹ 3,290.61 crore. Of the total 62 active SPSUs, 37 SPSUs had 57 financial statements in arrears, which ranged between one and four years.

Return on investment

Out of 80 SPSUs, GoG infused funds in the form of equity and loans in 56 SPSUs. The Return on investment from these 56 SPSUs on historical cost basis ranged between (-) 27.69 *per cent* and 1.31 *per cent* during the period from 2013-14 to 2017-18. Further, investment by GoG in these 56 SPSUs increased from ₹ 13,928.03 crore in 2004-05 to ₹ 67,163.90 crore in 2017-18. The Present Value (PV) of investment of GoG up to 31 March 2018 was ₹ 1,25,225.25 crore. An analysis of investment and accumulated profit / losses disclosed that the net worth of 80 SPSUs as on 31 March 2018 was ₹ 57,591.38 crore.

Return on equity and capital employed

During last five years ended March 2018, net income was reported during financial years (FYs) 2013-14 and 2014-15 and their Return on equity was respectively 1.33 and 0.90 *per cent*. Since net loss was reported in 56 SPSUs during FYs 2015-16, 2016-17 and 2017-18, Return on equity in respect of these SPSUs was Nil. The Return on capital employed ranged between 3.03 and 5.18 *per cent* during the period from 2013-14 to 2017-18.

Comments on financial statements

Fifty active SPSUs forwarded 61 audited financial statements for audit during the period from October 2017 to September 2018, Statutory Auditors had given unqualified opinion for 48 financial statements and qualified opinion for 13 financial statements. The compliance of SPSUs with the Accounting Standards / IND AS remained deficient, as there were 29 instances of non-compliance in 16 financial statements.

Of the four active Statutory Corporations, two Corporations forwarded financial statements for audit during the period from October 2017 to September 2018. Statutory Auditor expressed qualified opinion on financial statements of Gujarat State Financial Corporation. Gujarat Industrial Development Corporation did not disclose the contingent liability of ₹ 1,180.98 crore towards demand for income tax.

Performance Audit relating to Statutory Corporations

Gujarat Industrial Development Corporation (Corporation) was incorporated on 4 August 1962 under Section 3 of the Gujarat Industrial Development Act, 1962 for assisting in the orderly establishment and organisation of industries in the State. Its main functions in respect of industrial estates include acquisition of land, establishment, development, management, allotment of plots/ sheds and recovery of various service charges from the allottees. As on 31 March 2018, the Corporation had 202 estates, of which 189 were functional. The Corporation had total assets of ₹ 15,654.98 crore and excess of income over expenditure of ₹ 161.71 crore as on March 2018.

During Audit, observations with monetary value of ₹ 526.46 crore including recovery of ₹ 448.75 crore were pointed out. Against this, the Corporation recovered ₹ 19.61 crore. Besides, the Corporation took corrective actions on certain observations.

Audit observed that the Corporation achieved most of the objectives envisaged in the State Industrial policy 2009 and 2015 except developing the estates in ‘developing *talukas*’ of the State.

No major lapses in the land acquisition procedures adopted and pricing were noticed. However, instances of deviations like acquisition of land in coastal regulatory zone area, delay in follow up of refunds for surrendered land and delayed acquisition of land parcels resulting in exchange of developed plots against undeveloped land were noticed.

Audit noticed instances of unfruitful expenditure in construction of multi-level sheds in an unsaturated estate and delay in surrender of unutilised grants to GoG.

During 2013-18, the Corporation fixed the initial allotment price (AP) in 15 estates. Audit observed two instances of non-adherence to the policy/ guidelines of GoG for fixing AP and one case of non-adhering to the existing methodology for fixation of AP. This resulted in consequential loss of ₹ 38.27 crore to the Corporation.

The Corporation failed to verify the payments made to land owners with respect to the legal provisions resulting in overpayments of ₹ 5 crore and short payment of ₹ 4.84 crore. Further, there was delayed/ non-recovery of additional compensation paid by the Corporation under Land reference Cases from allottees amounting to ₹ 261.53 crore.

No major deviations were observed with respect to the system laid down for selection of the applicants and allotment.

In two instances of allotment of additional area, the Corporation did not initiate prompt action for recovery of the additional allotment price of ₹ 147.27 crore.

Due to multiplicity of circulars issued by the Corporation for granting permissions and recovery of fees based on it, there were instances of incorrect application/ interpretation of the circulars by field offices. This resulted in short recovery/ non-recovery of ₹ 13.10 crore.

Inadequate system for monitoring of allotted plots in the estates resulted in delayed / unauthorised construction. It also led to unauthorised/ non-utilisation of allotted plots.

Audit noticed that the utilisation of allotted plots was not monitored periodically by the Corporation. Due to this, it failed to raise demand for non-utilisation (NU) penalty. Absence of periodical review also led to unauthorised construction on the allotted plots without submission of layout plan. In two instances noticed in test-check, there was non-recovery of NU penalty of ₹ 26.21 crore due to absence of periodical review system. Joint visits in three test-checked estates revealed unauthorised utilisation of industrial plots for commercial activities.

