



सत्यमेव जयते

**EPITOME OF
CAG's REPORTS ON
THE GOVERNMENT OF GUJARAT
FOR THE YEAR ENDED 31 MARCH 2019**



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, Economic and Revenue Sector, Public Sector Undertakings) of the Comptroller and Auditor General of India relating to the Government of Gujarat for the year ended 31 March 2019. 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, Economic and Revenue Sector and Public Sector Undertakings are presented to the *Vidhan Sabha*. While the Reports on the State Finances, General and Social Sector and Economic and Revenue 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 2019 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 2018-19.

Highlights

- Revenue surplus of ₹ 5,232 crore in 2017-18 decreased by ₹ 2,020 crore to ₹ 3,212 crore in 2018-19.
- During 2018-19, fiscal deficit increased by ₹ 4,999 crore (23.40 *per cent*) from ₹ 21,366 crore in 2017-18 to ₹ 26,365 crore in 2018-19.
- The revenue receipts of the State increased steadily from ₹ 91,978 crore in 2014-15 to ₹ 1,36,002 crore in 2018-19. The State's own revenue increased from ₹ 70,883 crore in 2014-15 to ₹ 93,520 crore in 2018-19.
- Capital outlay increased by ₹ 1,749 crore (6.65 *per cent*) over the previous year and the disbursement of loans and advances also increased by ₹ 1,100 crore (174.37 *per cent*).
- The outstanding fiscal liabilities of the State grew at compound annual growth rate of 9.03 *per cent* from ₹ 2,02,313 crore in 2014-15 to ₹ 2,85,844 crore in 2018-19.
- Against original budget provisions of ₹ 1,83,666.38 crore, actual expenditure was ₹ 1,80,479.68 crore. An excess expenditure (voted) of ₹ 7,064.84 crore for the years 2007-08 to 2018-19 was yet to be regularised by the State Legislature, though mandatory as per Article 205 of the Constitution of India.
- 2,573 Utilisation Certificates aggregating ₹ 4,233.95 crore were outstanding as on 31 March 2019 for grants released during the period 2001-02 to 2017-18.

(i) Summary of Fiscal transactions

(₹ in crore)

Receipts	2009-10	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR ¹ during 2009-19
Revenue receipts	41,672	91,978	97,483	1,09,842	1,23,291	1,36,002	14.05
Tax revenue	26,740	61,340	62,649	64,443	71,549	80,103	12.96
Non-tax revenue	5,452	9,543	10,194	13,346	15,074	13,417	10.52
Share of Union Taxes/Duties	5,891	10,296	15,691	18,835	20,782	23,489	16.61
Grants from Government of India	3,589	10,799	8,949	13,218	15,886	18,993	20.34
Capital Receipts	14,532	20,316	23,611	28,074	27,299	43,362	12.92
Miscellaneous Capital Receipts	136	241	0	240	0	65	-
Recoveries of Loans and Advances	151	621	125	166	346	151	-
Public debt receipts*	14,245	19,454	23,486	27,668	26,953	43,146	13.10
Appropriation from Contingency Fund	0	0	0	0	0	0	-
Amount transferred to Contingency Fund	34	0	14	4	0	0	-
Public Account Receipts	58,660	62,388	65,132	58,959	89,133	1,05,721	6.76
Opening Cash Balance	13,119	15,386	21,077	18,559	23,249	16,529	2.60
a) Earmarked Balances	4,527	5,169	9,034	10,209	10,967	11,686	11.11
b) Cash balance	8,592	10,217	12,042	8,350	12,282	4,843	-
Total	1,28,017	1,90,068	2,07,317	2,15,438	2,62,972	3,01,614	9.99
Disbursements	2009-10	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR during 2009-19
Revenue expenditure	48,638	86,652	95,779	1,03,895	1,18,060	1,32,790	11.81
General services	16,934	30,003	32,876	35,804	41,402	47,564	12.16
Social services	19,605	36,714	42,120	44,926	49,039	53,285	11.75
Economic services	11,993	19,399	20,224	22,749	27,145	31,576	11.36
Grants-in-aid and Contributions	106	536	559	416	474	365	14.73
Capital Outlay	8,047	24,158	24,169	22,355	26,313	28,062	14.89
Loans and Advances disbursed	428	350	675	478	631	1,731	16.80
Repayment of Public Debt*	3,245	5,509	6,194	9,073	13,700	15,432	18.92
Appropriation to Contingency Fund	0	0	0	0	0	0	-
Amount transferred from Contingency Fund	47	14	4	0	0	0.25	-
Public Account Disbursements	56,088	52,309	61,937	56,388	87,739	1,03,998	7.10
Closing Cash Balance	11,524	21,076	18,559	23,249	16,529	19,601	6.08
a) Earmarked Balances	5,027	9,034	10,209	10,967	11,686	12,705	10.85
b) Cash balance	6,497	12,042	8,350	12,282	4,843	6,896	0.66
Total	1,28,017	1,90,068	2,07,317	2,15,438	2,62,972	3,01,614	9.99

Source : Finance Accounts of respective years

*Excluding net transactions under ways and means advances and overdrafts

¹ Compound Annual Growth Rate

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

(₹ in crore)

Nature of expenditure		Original grant / Appropriations	Supplementary grant/ Appropriations	Total	Actual expenditure	Saving (-)/ excess (+)	Amount of surrender
Voted	I Revenue	1,15,621.05	13,162.29	1,28,783.34	1,14,148.67	(-)14,634.67	17,299.24
	II Capital	30,564.05	2,803.99	33,368.04	28,583.73	(-)4,784.31	4,579.96
	III Loans and advances	1,535.91	508.61	2,044.52	1,731.47	(-)313.05	376.74
	Total Voted	1,47,721.01	16,474.89	1,64,195.90	1,44,463.87	(-)19,732.03	22,255.94
Charged	Revenue	20,466.99	327.84	20,794.83	20,453.96	(-) 340.87	397.39
	V Capital	44.10	101.30	145.40	129.83	(-)15.57	17.31
	VI Public debt-repayment	15,434.28	5.56	15,439.84	15,432.02	(-)7.82	0.01
	Total Charged	35,945.37	434.70	36,380.07	36,015.81	(-)364.26	414.71
Grand total		1,83,666.38	16,909.59	2,00,575.97	1,80,479.68	(-)20,096.29	22,670.65

Source : Appropriation Accounts and Appropriation Act of the State Government for the year 2018-19

1. Finances of the State Government

Revenue Surplus

The State has been revenue surplus since 2011-12. However, the Revenue surplus of ₹ 5,232 crore in 2017-18 decreased by ₹ 2,020 crore to ₹ 3,212 crore in 2018-19. The decrease in revenue surplus during the current year was on account of increase of ₹ 14,730 crore (12.48 per cent) in revenue expenditure against an increase of ₹ 12,710 crore (10.31 per cent) in revenue receipts over the previous year.

Fiscal Deficit

Fiscal Deficit normally represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt or by the use of surplus funds from public account.

During 2018-19, fiscal deficit increased by ₹ 4,999 crore (23.40 per cent) from ₹ 21,366 crore in 2017-18 to ₹ 26,365 crore in 2018-19, on account of increase in net capital expenditure by ₹ 1,684 crore, decrease in revenue surplus by ₹ 2,020 crore and increase in net loans and advances disbursed by ₹ 1,295 crore.

However, fiscal deficit as a percentage of GSDP (1.76 *per cent*) in the current year was within the limit of three *per cent* fixed by 14th FC but more than Gujarat Fiscal Responsibility Act, 2005 (1.71 *per cent*).

Primary Deficit

While fiscal deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payments in respect of States having deficit on revenue account. Interest payments represent the expenditure of past obligations and are independent of ongoing expenditure. To look at the imbalances of current nature, these payments need to be separated and deducted from the total imbalances.

During 2018-19, primary deficit increased by ₹ 3,770 crore from ₹ 2,412 crore in 2017-18 to ₹ 6,182 crore in 2018-19. This was due to an increase of ₹ 4,999 crore in fiscal deficit during the current year over the previous year, offset by an increase of ₹ 1,229 crore in interest payment.

State's own resources

The actual tax revenue of the State in 2018-19 stood significantly lower than the projections made in the 14th FC, Medium Term Fiscal Policy Statement (MTFPS) / budget estimates and revised estimates. The actual tax revenue was lower than budget estimates mainly due to less collection of SGST (₹ 7,861 crore), Stamps and registration fees (₹ 599 crore) and taxes on duties on electricity (₹ 782 crore). Actual non-tax revenue was lower than the 14th FC projections but higher than the MTFPS / budget estimates and revised estimates.

Total Expenditure

Total expenditure of the State increased from ₹ 1,11,160 crore in 2014-15 to ₹ 1,62,583 crore in 2018-19.

The movement of the relative share of general, social and economic services in total expenditure exhibited stability during 2014-19, with marginal inter-year variations. The share of social services decreased by 1.98 *per cent* while that of general services increased by two *per cent* over the last five years.

Capital Outlay

Capital outlay increased by ₹ 1,749 crore (6.65 *per cent*) over the previous year and disbursement of loans and advances also increased by

₹ 1,100 crore (174.37 per cent). Compound Annual Growth Rate (CAGR) of capital outlay (14.89) was higher than CAGR of revenue expenditure (11.81).

Expenditure on Interest payments and Pensions

As percentage of revenue receipts, committed expenditure on interest payments and pensions increased from 26.24 per cent in 2014-15 to 28.29 per cent in 2018-19.

Expenditure on Salaries

Expenditure on salaries increased from ₹ 7,533 crore in 2014-15 to ₹ 11,042 crore in 2018-19.

Subsidy Payment

Expenditure on subsidies increased by 26.78 per cent from ₹ 13,621 crore in 2017-18 to ₹ 17,269 crore in 2018-19. The major beneficiary Departments of subsidy during 2018-19 were: Energy and Petrochemicals (₹ 7,612.31 crore); Industries and Mines (₹ 3,897.97 crore); and Agriculture, Farmer's Welfare and Co-operation (₹ 1,904.82 crore).

Status of guarantees

Of the total outstanding guarantees of ₹ 4,699 crore, 30 per cent (₹ 1,409 crore) were in respect of *Sardar Sarovar Narmada Nigam Limited* and 14 per cent (₹ 650 crore) were in respect of *Gujarat Water Infrastructure Limited*. The outstanding guarantees (₹ 4,699 crore) accounted for 3.46 per cent of the total revenue receipts of the State Government (₹ 1,36,002 crore) and were well within the limit prescribed under the Gujarat Fiscal Responsibility Act, 2005.

Fiscal Liabilities

The outstanding fiscal liabilities of the State grew at compound annual growth rate of 9.03 per cent from ₹ 2,02,313 crore in 2014-15 to ₹ 2,85,844 crore in 2018-19. The fiscal liabilities (₹ 2,85,844 crore) stood at 210 per cent of the revenue receipts (₹ 1,36,002 crore) and more than thrice the State's own resources (₹ 93,520 crore) at the end of March 2019.

Loans and advances by State Government

The total outstanding loans and advances increased from ₹ 7,923 crore in 2017-18 to ₹ 9,503 crore in 2018-19. Of the total loans advanced during the year (₹ 1,731 crore), ₹ 924 crore was advanced for social services, ₹ 756 crore for economic services and ₹ 51 crore was advanced for Miscellaneous purposes. 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 (₹ 69 crore) and transport sector (₹ 113 crore).

Further, of the total loans advanced during the year (₹ 1,731 crore), loans amounting to ₹ 1,296 crore were disbursed by the Administrative Departments or Finance Department without setting terms and conditions for repayments of loans and rate of interest payable.

***Expenditure of
the State
Government***

2. Financial Management and Budgetary Control

During 2018-19, against total budget provisions of ₹ 2,00,575.97 crore, actual expenditure was ₹ 1,80,479.68 crore. Net savings of ₹ 20,096.29 crore were the result of savings of ₹ 22,490.53 crore in 87 grants and 23 appropriations under the revenue section and 56 grants and nine appropriations under the capital section, offset by an excess of ₹ 2,394.24 crore in four grants and one appropriation under the revenue section.

***Excess expenditure
over appropriation
not regularised***

Though mandatory under Article 205 of the Constitution of India, an excess expenditure (voted) of ₹ 7,064.84 crore for the years 2007-08 to 2018-19 was yet to be regularised by the State Legislature. The major defaulting Departments during last four years were : Agriculture, Farmer's Welfare and Co-operation; Education; Panchayats, Rural Housing and Rural Development; and Roads and Buildings.

***Unnecessary
Supplementary
Provisions***

During 2018-19, supplementary provisions (₹ 50 crore or more in each case) aggregating ₹ 1,172.52 crore were made in four cases under four different grants, which proved unnecessary. Expenditure incurred in these cases did not even reach the levels of the original provision.

***Review of Budget
Control Mechanism***

Test check of records of the Administrative Departments/Controlling Officers relating to Grant No. 39 (Medical & Public Health) under Health and Family Welfare Department and Grant No.77 (Tax Collection Charges) under Revenue Department for the period 2016-17 to 2018-19 revealed instances of deviation from budgetary provisions, unspent grants, slow utilisation of funds by implementing agencies, non-surrender of unspent balances and unauthorised parking of funds in Gujarat State Financial Services.

3. Financial Reporting

Delay in furnishing Utilisation Certificates

2,573 Utilisation Certificates (UCs) aggregating ₹ 4,233.95 crore were outstanding as on 31 March 2019 for grants released during the period 2001-02 to 2017-18. Of the total outstanding UCs of ₹ 4,233.95 crore, 71 *per cent* amounting to ₹ 2,995.88 crore pertained to Agriculture, Farmer's Welfare and Co-operation Department.

Non-submission/delay in submission of accounts

A total of 41 accounts (including accounts of earlier years) relating to 19 Bodies/Authorities were audited under Section 14 of the CAG's (DPC) Act, 1971 during the year 2018-19. Ten out of 19 ABs have furnished their current accounts for 2018-19. However, 911 Annual Accounts of 207 Autonomous Bodies / Authorities due up to 2018-19 were not received as on 31 July 2019 by the Offices of PAG (E&RSA)² and the PAG (G&SSA)³, Gujarat.

The accounts of 56 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 63 Autonomous Bodies which attract audit under Sections 19(2), 19(3) and 20(1) of the CAG's (DPC) Act, 1971, only 14 Bodies had rendered the accounts for the year 2018-19. The period of delay in non-submission of accounts by the remaining 49 Bodies ranged from two to 134 months (up to August 2019).

Personal deposit accounts

As on 31 March 2019, 17 Departments held 484 Personal Deposit (PD) Accounts⁴ in district treasuries with a closing balance of ₹ 581.01 crore, which was not transferred to the Consolidated Fund of the State (CFS) before the closure of the financial year.

2 Principal Accountant General (Economic and Revenue Sector Audit) Gujarat, Ahmedabad

3 Principal Accountant General (General and Social Sector Audit) Gujarat, Rajkot

4 Under Major Head - 8443-106 - Civil Deposits-Personal Deposits

Thirteen new PD Accounts were opened and 11 closed during 2018-19. Education Department held the highest number of PD Accounts (145), followed by General Administration Department (74) and Agriculture, Farmer's Welfare and Co-operation Department (53). During 2018-19, ₹ 1,610.57 crore was credited to PD Accounts from the CFS and an expenditure of ₹ 1,476.97 crore was incurred therefrom.

Further, 26 out of 484 PD Accounts with a total balance of ₹ 1.70 crore were inoperative for over three years as on 31 March 2019.

***Misappropriations,
losses and
defalcations***

The State Government reported 164 cases of misappropriation, losses, defalcation, *etc.* involving Government money of ₹ 16.26 crore (up to March 2019) on which final action was pending.

Of the 164 cases, Narmada, Water Resources, Water Supply and Kalpsar Department had 23 cases and Revenue Department had 22 cases which were pending for more than 25 years.

First Information Reports (FIRs) were lodged in 118 of 164 cases. The remaining 46 cases⁵ pertained to six Departments. Departmental proceedings in all the 46 cases of misappropriation were under progress. The concerned Departments need to file FIRs in these cases at the earliest.

5 Forest and Environment - 20 cases; Health and Family Welfare - 01 case; Narmada, Water Resources, Water Supply and Kalpsar - 17 cases; Roads and Buildings - 06 cases; Revenue - 01 case; and Science and Technology - 01 case

Audit Report on General and Social Sector

The Audit Report (General and Social Sector) for the year ended 31 March 2019 contains five theme based compliance paragraphs on “Functioning of AYUSH in Gujarat”, “Mental Healthcare in Gujarat”, “Functioning of the Project Implementation Unit of Health and Family Welfare Department”, “Management of Municipal Solid Waste in Select Urban Local Bodies” and “Implementation of Financial Assistance Schemes for Destitute Widows for their Rehabilitation”, and a compliance paragraph on “Non-utilisation of 335 Disinfectant Generation Systems of ₹ 27.90 crore”. The highlights are given in the following paragraphs.

Highlights

- Mainstreaming of AYUSH by allocating AYUSH services at Primary Health Centres (PHCs), Community Health Centres (CHCs) and District Hospitals (DHs) was not done by the Health and Family Welfare Department (H&FWD).
- AYUSH hospitals were not available in eight out of 33 districts in the State.
- Out of 15 wellness centres established in test-checked hospitals, seven centres were non-functional.
- Facilities of Operation Theatres (OTs) were either not available or non-functional in 10 out of 15 test-checked Government Ayurved Hospitals (GAHs).
- Stock of 148 to 251 essential drugs were not available in 15 test-checked GAHs as of March 2019.
- Instruments/equipment in some test-checked hospitals were found lying idle or in non-usable condition.
- Shortage of key posts such as Resident Medical Officers, Nurses, Vaidya Panchkarma and Pharmacist were noticed in test-checked GAHs and Government Homoeopath Hospital (GHH).
- Full coverage of syllabus in AYUSH medical colleges was found doubtful.
- Shortage of teaching staff (Professors, Readers and Lecturers) were observed in four out of six test-checked Government Ayurved Colleges (GACs).
- Drugs manufactured in the two test-checked Government Ayurved Pharmacies were supplied without conducting quality tests.
- Not of Standard Quality (NSQ) drugs were not recalled in 27 out of 30 cases test-checked and the drugs were found as consumed.

- Non-conduct of prescribed tests by Food and Drugs Laboratory (FDL) were noticed in audit.
- State Mental health policy drafted in 2009 was not approved as of May 2020.
- Objectives of District Mental Health Programme (DMHP) for prevention of mental illness and promotion of mental healthcare services remained under-achieved.
- Acute shortage of mental health professionals were noticed.
- Schemes for development of manpower and training programme for early diagnosis and management of mental illness could not yield desired results.
- Indoor services were not available in two test-checked DMHP units.
- Government had not established rehabilitation centre for rehabilitation of mentally ill people.
- Functioning of occupational therapy unit was found appreciable in HMHs of Ahmedabad and Vadodara.
- Institutional arrangement of Project Implementation Unit (PIU) was not found robust.
- PIU wrongly incorporated a special condition “free of cost construction of buildings for district units of PIU” and “supply of electronic gadgets”.
- Norms prescribed for approvals of works were not scrupulously adhered to.
- Designs and estimates for works were not prepared with due diligence.
- Tender procedure lacked transparency and fairness.
- PIU incurred additional expenditure of ₹ 37.86 crore due to deficient design.
- Five buildings constructed at a cost of ₹ 196.94 crore were either not put to use or utilised partly.
- Quality Control (QC) was found deficient and financial management of PIU was not found robust.
- Significant delays in preparation and approval of detailed project reports were noticed.
- Segregation of waste at source or Material Recovery Facilities was not ensured.

- Solid waste was being transported in an environmentally unsound manner.
- Three sanitary landfills constructed at a cost of ₹ 5.01 crore have not been utilised since their commissioning in January 2013.
- Only 25 *percent* of waste collected had been treated by the Urban Local Bodies (ULBs) and the remaining 75 *per cent* was dumped at the dumpsites, without processing.
- Mamlatdars have taken the decision to sanction/reject applications for pension within four months in 75 *per cent* applications scrutinised by audit.
- Instances of wrong rejection of application, wrong fixation of date of commencement of pension and non-compliance of provisions for discontinuation of pension were noticed.
- Training was not provided to 43 *per cent* of estimated beneficiaries.
- Tool kits were distributed to some of the trained beneficiaries.

1. Functioning of AYUSH in Gujarat

Audit observed that the test-checked teaching Government Ayurved Hospitals (GAHs) and Government Homoeopath Hospital (GHH) had provided Out-Patient Department (OPD) and In-Patient Department (IPD) services to more number of patients annually as against the minimum number of patients prescribed in the Regulations of Central Council for Indian Medicine (CCIM) and Central Council for Homoeopathy (CCH). However, following deficiencies were noticed during the course of Audit -

National Health Mission (NHM) and National AYUSH Mission (NAM) envisaged for mainstreaming of AYUSH by allocating AYUSH services at Primary Health Centres (PHCs), Community Health Centres (CHCs) and District Hospitals (DHs) however, Health and Family Welfare Department (H&FWD) could appoint AYUSH doctors on contractual basis in only 911 PHCs out of 1,474 PHCs, and no appointment of AYUSH doctors were made in 363 CHCs and 24 DHs in the State. The Doctors appointed in these PHCs could not provide the AYUSH services due to lack of coordination between the Commissionerate of Health and Directorate of AYUSH in establishing a mechanism for supply of AYUSH medicines through the Pharmacies and adequate facility of equipment/instruments.

AYUSH hospitals were not available in eight out of 33 districts in the State. Projects already planned were either not taken up or projects completed were not put to use which included projects planned for establishment of GAHs in two districts without facility of AYUSH services. Out of 15 wellness centres established in test-checked hospitals, seven centres were non-functional. Only

average 3.97 *per cent* of budget provision of H&FWD was allocated for AYUSH during 2014-19. Government of Gujarat (GoG) could utilise only 56 *per cent* of Government of India (GoI) grant received under NAM. Facilities of Operation Theatres (OTs) were either not available or non-functional in 10 out of 15 test-checked GAHs. Instruments prescribed as per CCIM and CCH Regulations for OTs, laboratories and diagnostic units were either not available or found lying idle in the test-checked hospitals. Reducing trend in number of patients taking Thalassemia treatment were found in test-checked Thalassemia specialty clinics of test-checked hospitals due to absence of expert Vaidhya. Stock of 148 to 251 essential drugs were not available in 15 test-checked GAHs as of March 2019. Instruments/equipment in some test-checked hospitals were found lying idle or in non-usable condition. Shortage of key posts such as Resident Medical Officers, Nurses, Vaidhya Panchkarma and Pharmacist were noticed in test-checked GAHs and GHH. Out of 32 test-checked Ayurved and Homoeopathy dispensaries, five dispensaries were functioning without Medical Officer.

Full coverage of syllabus in AYUSH medical colleges was found doubtful, as actual teaching hours imparted for both theory and practical sessions were much less than the teaching hours prescribed under CCIM Regulations, 2016. Only 43 *per cent* students and 54 *per cent* students had prescribed 75 *per cent* attendance in theory and practical subjects respectively in test-checked Government Ayurved Colleges (GACs). Shortage of teaching staff (Professors, Readers and Lecturers) were observed in four out of six test-checked GACs. The above facts of not completing the prescribed hours of teaching, lack of required attendance of classes for students and shortage of teaching staff had adverse bearing on pass percentage of students in Bachelor of Ayurvedic Medicine and Surgery (BAMS) in the State as 45 *per cent* students had failed the examination. None of the test-checked colleges had the facility of teaching pharmacy and quality testing laboratory for providing practical training on preparation of medicines/drugs. Facility of in-house Central Research Laboratory (CRL) for Post Graduate (PG) course was not available in the two test-checked colleges which provided PG course.

Drugs manufactured in the two test-checked Government Ayurved Pharmacies were supplied without conducting quality tests. Co-operative Pharmacy at Odhav, Ahmedabad were manufacturing and supplying drugs without valid licence. None of the test-checked pharmacies were mentioning the expiry dates of medicines. Drug Inspectors of test-checked districts had failed to conduct the prescribed inspection of all manufacturing units of Ayurved and Homoeopathy medicines. Out of 1,520 AYUSH drug samples tested during 2014-19, 87 samples were found of 'Not of Standard Quality' (NSQ). NSQ drugs were not recalled in 27 out of 30 cases test-checked and the drugs were found as consumed. Instances of delay in testing of drug samples and non-conduct of prescribed tests by Food and Drugs Laboratory (FDL) were noticed in audit. Existing allopathic Drug Inspectors and analysts of the State were notified for

AYUSH by GoG in contravention of the provision of Drugs and Cosmetics (D&C) Rules which envisage for minimum Ayurveda, Siddha or Unani (ASU) qualification.

Even after lapse of more than six years, the Centre of Excellence (CoE) could not complete the five activities of research assigned to it. Research projects under NAM were not completed. Shortfall in inspection of AYUSH dispensaries by the District Ayurved Officers (DAOs) were noticed during 2014-19.

2. Mental Healthcare in Gujarat

As per National Mental Health Survey (2015-16), 7.40 *per cent* of total population above 13 years age in Gujarat are suffering from one or more mental disorders. The suicide incidence rate per lakh population was found on higher side in Gujarat (11.70) than at National level (10.60). Audit observed gaps in policies, plan and executive response as (i) State Mental Health policy drafted in 2009 was not approved as of May 2020, (ii) Action plan for specified activities was not prepared, (iii) Only 0.50 *per cent* of State health budget was allocated for mental health services and (iv) The Mental Healthcare Act, 2017, enacted by Gol, to provide mental healthcare and services and to protect, promote and fulfil the rights of person with mental illness was not implemented as of May 2020. Objectives of District Mental Health Programme (DMHP) for prevention of mental illness and promotion of mental healthcare services remained under-achieved due to deficiencies in planning, execution of awareness campaign and targeted intervention. Acute shortage of mental health professionals were noticed in all four Hospitals for Mental Health and DMHP units. Schemes for development of manpower and training programme for early diagnosis and management of mental illness could not yield desired results due to lack of efficient planning and execution. As a result, mental healthcare could not be integrated with primary healthcare at the level of PHCs and was partially integrated at the level of CHCs. Indoor services were not available in two test-checked DMHP units due to non-availability of Psychiatrist and separate wards. Protocol developed for social, psychological, clinical and psychiatric treatment was partially followed in HMMs except HMM, Ahmedabad. Government had not established rehabilitation centre for rehabilitation of mentally ill people. In absence of rehabilitation centre, 131 patients fit to be discharged for one to five years are languishing in Hospitals for mental health. Functioning of occupational therapy unit was found appreciable in HMMs of Ahmedabad and Vadodara but deficient in HMMs of Bhuj and Jamnagar. Establishment of Aadhaar helpline service for rescue and treatment of wandering patients and Dava and Dua concept to provide formal/institutional psychiatric treatment alongside traditional faith healing were found appreciable in Audit.

3. Functioning of the Project Implementation Unit of Health and Family Welfare Department

State Government entrusted (February 2006) new construction works and Maintenance & Repair (M&R) works (May 2012) of Public Healthcare Facilities to Project Implementation Unit (PIU) without proper establishment. Government decision (October 2008) to convert PIU into Gujarat State Health Infrastructure Development Corporation (GSHIDC) to cope up with workload could not be implemented as of July 2020. Institutional arrangement of PIU was not found robust in terms of (i) framework of rules and procedures, (ii) quality control mechanism and (iii) accounting, auditing and funds management systems. PIU wrongly incorporated a special condition “free of cost construction of buildings for district units of PIU” and “supply of electronic gadgets”. This clause was neither consistent with basic principle of contracts nor implemented uniformly. Norms prescribed for approvals of works were not scrupulously adhered to, as 2,160 (33 *per cent*) out of 6,504 sanctioned works could not be undertaken due to non-allotment of clear sites. Designs and estimates for works were not prepared with due diligence. Tender procedure lacked transparency and fairness as provisions for invitation of tender, time for submission of bids, evaluation of pre-qualification bids, *etc.* were not adhered to. PIU incurred additional expenditure of ₹ 37.86 crore due to deficient design. Five buildings constructed at a cost of ₹ 196.94 crore were either not put to use or utilised partly. Quality Control (QC) was found deficient as 68 *per cent* of works were not inspected by QC teams. Financial management of PIU was not found robust due to deficient accounting system and not following Treasury Rules for management of funds.

4. Management of Municipal Solid Waste in Select Urban Local Bodies

Audit scrutiny of Management of Municipal Solid Waste in select Urban Local Bodies (ULBs) revealed significant delays in preparation and approval of detailed project reports, leading to utilisation of merely 22 *per cent* of the funds (March 2020) by the ULBs and consequent delay in implementation of Solid Waste Management (SWM) projects under Swachh Bharat Mission - Urban.

The systems adopted by the ULBs for estimating waste generation were neither uniform nor conformed to the procedures prescribed in the Central Public Health and Environmental Engineering Organisation (CPHEEO) Manual, 2016. Segregation of waste at source or Material Recovery Facilities was not ensured. Solid waste was being transported in an environmentally unsound manner. Facilities available with the ULBs for processing of bio-degradable waste were either not in working condition or these were being used sub-optimally.

Three sanitary landfills constructed at a cost of ₹ 5.01 crore have not been utilised since their commissioning in January 2013 due to non-availability of processing facilities at the landfill sites. Only 25 *per cent* of waste collected had been treated by the ULBs and the remaining 75 *per cent* was dumped at the dumpsites, without processing. Compliance to the provisions of SWM Rules, 2016 by the ULBs with regard to management of landfills/dumpsites was weak.

5. Implementation of Financial Assistance Schemes for Destitute Widows for their Rehabilitation

State Government continued its Financial Assistance Scheme for destitute widows for their rehabilitation (DWPS) as well as Indira Gandhi National Widow Pension Scheme (IGNWPS). As of March 2019, 1,53,914 beneficiaries were covered under the scheme. Under DWPS, expenditure of ₹ 801.87 crore was incurred to provide pension to eligible beneficiaries during 2015-19.

Offices of test-checked Mamlatdars have taken the decision to sanction/reject applications for pension within four months in 75 *per cent* applications scrutinised by audit. Implementation of scheme was not found free from limitations as instances of wrong rejection of application, wrong fixation of date of commencement of pension and non-compliance of provisions for discontinuation of pension due to death and re-marriage were noticed in the test-checked Mamlatdar Offices. Beneficiaries of age between 18 and 40 years was to be provided vocational training to make them self-reliant, however, training was not provided to 43 *per cent* of estimated beneficiaries and tool kits were distributed to some of the trained beneficiaries.

6. Non-utilisation of 335 Disinfectant Generation Systems of ₹ 27.90 crore

Procurement of 335 Disinfectant Generation Systems of ₹ 27.90 crore without following e-procurement procedure and non-ensuring of regular supply of the essential input solution and their maintenance resulted into non-utilisation and non-functioning of all 335 systems.

Audit Report on Economic Sector and Revenue Sector

The report on the Economic and Revenue Sector has two parts. Part I covering the Economic Sector contains three compliance audit paragraphs. Part II covering the Revenue Sector contains 25 paragraphs and one performance audit involving ₹ 393.12 crore.

I. Economic Sector

Compliance Audit

Chapter II of this Report contains Department wise audit findings containing three subject specific compliance audits on “Functioning of Junagadh Agricultural University” under Agriculture, Farmers Welfare and Co-operation Department, “Implementation of welfare programme for salt workers” under Industries and Mines Department and “Compensatory Afforestation” under Forests and Environment Department as narrated below:

Agriculture, Farmers Welfare and Co-operation Department

Functioning of Junagadh Agricultural University

Junagadh Agricultural University (JAU) came into existence on 01 May 2004 to provide support to agriculture and allied sectors in Education, Research and Extension Education. It has jurisdiction over 10 districts of Saurashtra region (Western Gujarat) covering about 32.74 *per cent* of the geographic area and 30.30 *per cent* of the cultivated area of the State.

JAU has eight Colleges, seven Krishi Vigyan Kendra (KVKs) and 31 Research Stations and records of these were examined at the University level. Further, three Colleges and three KVKs were visited for detailed audit.

JAU belatedly made application for accreditation to the National Agricultural Education Accreditation Board due to which two colleges did not receive grant from Indian Council of Agricultural Research for two years. In all the major 44 buildings of JAU, compliance to fire safety mechanisms and special provisions for disabled / *Divyang* persons as per National Building Code was negligible. During the period 2016-19, placement of students in JAU decreased from 100 *per cent* to 48.63 *per cent*.

JAU, since its inception (2004), released 67 crop varieties and made 354 recommendations for farmers. Among two major crops of Saurashtra, JAU has done commendable work in respect of Groundnut by releasing 12 varieties and making 82 recommendations for farmers. In respect of Cotton, though 39 recommendations have been made for farmers, only three varieties have been released. JAU developed 39 technologies during 2004-19, out of which, application for patent was filed for five technologies. No efforts were made to commercialize or disseminate these 39 technologies. Of the 67 crop varieties released by JAU only 20 were notified (August 2019) under The Protection of

Plant Varieties and Farmers' Rights (PPV&FR) Act, 2001 which resulted in loss of protection period under PPV&FR Act. JAU manufactures five insecticides. However, registration from Central Insecticides Board and Registration Committee was obtained for only one insecticide and licence from State Licensing Authorities to manufacture was not taken for any insecticide. Faculties of JAU published 2,122 research papers during 2014-19, however, most of these had poor citation and published in journals having inferior impact factor. Of the 237 faculties of JAU examined, it was found that only five were having i-10 and h-index of more than 10 which shows most of the faculties did not have satisfactory publication work.

JAU carries out extension education through seven KVKs in six districts. No KVK was established in Junagadh and Devbhumi Dwarka. Further, of the 67 crop varieties developed by JAU, varietal Front-Line Demonstrations (FLDs) was undertaken for only 22 varieties and no FLD was undertaken for 19 farm implements developed by JAU.

JAU did not adhere to Government of Gujarat (GoG) directions of parking of surplus funds with Gujarat State Financial Services Limited and parked ₹ 57.23 crore with Public Sector Banks.

Industries and Mines Department

Implementation of welfare programme for salt workers

Gujarat is the highest producer of salt producing around 81 *per cent* of the total salt production of the country. In Gujarat there are around 1.10 lakh salt workers who are either independent marginal salt producers or hired labourers for salt lease units lease holder. The salt workers with their families stay at the salt manufacturing sites in arid desert or coastal areas located in remote areas. The typical geographical conditions of the desert, direct contact with inhalable salt dust *etc.* and glare due to intense reflection of sun light by salt crystals cause various health disorders. Various study reports have highlighted the precarious conditions of salt workers and lack of basic infrastructure facilities like drinking water, food, housing, health and education.

The implementation of welfare programmes for salt workers was audited in all the seven districts where welfare works were taken up during the period 2014-19. No comprehensive facility survey was conducted to ascertain the facilities required and available to salt workers. There was a lack of holistic approach to take up welfare schemes for salt workers and piece-meal works are taken up on ad-hoc basis. Funds remained unutilized in three of the five years and maximum expenditure was incurred for education, health and roads. The fund aggregating to ₹ 34.69 crore remained un-utilized during 2014-19 but no expenditure was incurred on housing facilities.

Due to lack of planning and co-ordination among departments no water supply scheme was planned in Surendranagar. The Vira-Sanghad Water Supply

Scheme in Kachchh district and Vallabhipur Zone Water Supply Scheme and Bhavnagar-Ghogha Water Supply Scheme in Bhavnagar District failed to supply the envisaged water to salt workers. In Amreli district, there was no water supply scheme for salt workers. The health services to salt workers were affected due to bad roads in Bhavnagar. Similarly, the salt workers in Patan, Morbi, and Kachchh districts are also affected as roads in salt producing areas were not maintained properly. The salt workers make temporary huts/shelter during their stay in remote locations having harsh weather conditions and even after lapse of over five years since the decision of SLEC (January 2014), no housing scheme was launched for salt workers.

In the absence of Mobile Health Units (MHUs) coupled with vacant posts of medical staff, the services of MHU were provided once or twice in a month in various villages of salt workers in Morbi and Patan respectively. Also no medical camps were held in Bharuch and Amreli districts during 2014-19. The Industries and Mines Department, GoG has laid standard terms of salt leases in October 2010 but there is no condition in the lease that lease holders should provide proper houses and medical facilities to salt workers.

While most of the salt clusters in villages are covered under Integrated Child Development Services (ICDS), the clusters located in the desert areas in Patan, Amreli, Surendranagar and Kachchh Districts were left out of ICDS. In Patan, take home ration was provided weekly to the children of salt workers in the desert areas through special van, however, no such facility was provided in other three districts.

GoG launched (July 2018) an innovative pilot project of “School on Wheels” for children of salt workers staying with their parents in desert areas wherein 30 scrap buses of Gujarat State Road Transport Corporation were modified to have PVC flooring, writing desks, and a writing board to be used for teaching children.

As per various study reports, hygiene is a serious issue for salt workers as toilet facilities are normally not available for salt workers at salt pans. Due to lack of proposals the issue of sanitation was almost left uncovered for salt workers. Further, there was no coverage of salt workers under the Swachchh Bharat Mission launched by Government of India (GoI) in October 2014.

Forests and Environment Department Compensatory Afforestation

Compensatory Afforestation (CA) is an important condition stipulated by the Central Government while approving proposals for diversion of forest land for non-forest use. It is an additional plantation activity other than plantation activities normally carried out by the Forest Department.

The Ministry of Forests, Environment & Climate Change circulated (July 2009) guidelines on State Compensatory Afforestation Fund Management and Planning Authority (State CAMP A) establishing CAMPAs in the States and

putting in place a funding mechanism for enhancing forest and tree cover and conservation and management of wildlife. The State CAMPA would receive money collected from user agencies towards CA, additional / penal CA, Net Present Value (NPV) and other amounts recovered under the Forest (Conservation) Act, 1980 and lying with the *Ad-hoc* CAMPA and utilize it for undertaking CA and conservation and protection of forests and wildlife.

Audit examined the cases where final approval was accorded during the period from 2014-15 to 2018-19 and reviewed various activities proposed to be carried out from NPV funds in the Annual Plan of Operations (APOs) of the State CAMPA and utilization of funds released by the *Ad-hoc* CAMPA.

The Forest and Environment Department (F&ED) has not created any database on the backlog of CA. Though Non-Forest Land (NFL) of 1,470.19 ha. (32 cases) was transferred and mutated in favour of the Department during the period 2014-19, the Department notified NFL of 1366.07 ha. as Reserve Forest (RF) under Section 4 of Indian Forest Act (IFA), 1927 (August 2019) and 104.12 ha. remained to be notified. In all cases the NFL finally to be notified as RF under Section 20 of the IFA, 1927 was not notified by the Department.

The plantations under CA was not undertaken in nine cases involving 254.35 ha. There was short recovery of NPV of ₹ 3.04 crore and CA/PCA of ₹ 4.64 crore. At five CA sites (Mahisagar and Aravalli Division), the density of the degraded forest land selected for plantation was not in compliance of the instructions of the GoG. The Department was not ensuring the compliance of additional conditions by the user agencies. The Department did not take any action for undertaking the plantations even though it recovered ₹ 6.16 crore.

There were delays in submission of APOs to *Ad-hoc* CAMPA which resulted in delayed release of the funds impacting the activities to be undertaken in the respective APOs. The non-compliances deprived the State CAMPA from the receipt of their entitled amount of ₹ 30.78 crore. Despite availability of funds of ₹ 94.86 crore with the State CAMPA, the Department did not undertake the CA to the extent of ₹ 45.71 crore as envisaged in the APOs. There were seven instances of not undertaking tree transplantation though identified by the divisions/user agencies.

II REVENUE SECTOR

Part-II of this Report contains 25 paragraphs and one Performance Audit involving ₹ 393.12 crore. Some of the major findings are as mentioned below:

Trends of Revenue Receipts

The total revenue receipts of the Government of Gujarat (GoG) in 2018-19 were ₹ 1,36,001.54 crore as against ₹ 1,23,291.27 crore during 2017-18. The revenue raised by the State from tax receipts during 2018-19 was ₹ 80,102.74 crore and from non-tax receipts was

₹ 13,416.99 crore. The revenue raised by the State Government was 68.76 *per cent* of the total revenue receipts. The main sources of tax revenue during 2018-19 were Gujarat Goods and Service Tax (GGST) / Value Added Tax (VAT)/ Central Sales Tax (CST) (₹ 57,302.96 crore), Stamp Duty and Registration Fees (₹ 7,780.77 crore) and Taxes and Duties on Electricity (₹ 7,347.79 crore). The main receipt under non-tax revenue came from non-ferrous mining and metallurgical industries (₹ 4,863.00 crore). In the financial year 2018-19, 14 *per cent* of the revenue received by the GoG came from Grants-in-aid from Government of India as compared to 13 *per cent* in the previous year 2017-18. Share of divisible Union taxes and Grants-in-aid from the Government of India were ₹ 23,489.33 crore and ₹ 18,992.48 crore respectively.

2. Performance Audit

“Grant of Government land and monitoring of its proper utilisation”

Department did not have a database of the lands granted/leased which was a key aspect of land management. In the absence of consolidated data of various categories of Government land allotted for various purposes and available for disposal, department is not in a position to take informed decisions regarding allotment of Government land and/ or monitoring the land already allotted.

Average comparable sale value was incorrectly worked out resulting in undervaluation of Government land and short levy of occupancy/premium price of ₹ 69.14 crore in four cases of allotment/regularization of encroachment of lands measuring 34,79,964 sq. m. in three districts.

In 26 cases of allotment of *Gauchar* land for industrial purpose, 30 *per cent* of *Jantri* value aggregating ₹ 10.40 crore for *Gauchar* Development Fund was either not recovered or short recovered.

Irregular permission for conversion of new tenure Government land to old tenure land for the purpose of sale resulted in undue financial benefit of ₹ 67.30 crore in one case.

In two cases, premium of ₹ 14.80 crore was not/short realised from Companies which had changed their constitution without prior permission of office of the District Collector/Government.

There was non-levy of penalty of ₹ 1.35 crore in two cases under Section 63 AC and Section 63 AD of the Gujarat Tenancy and Agricultural Lands (Amendment) Act, 2015. Further, in another one case, lack of monitoring mechanism to identify breach of condition under Section 63 AA of the Gujarat Tenancy and Agricultural Lands (Amendment) Act, 2015 had resulted in leakage of revenue of ₹ 8.26 crore.

3. Paragraphs

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

Goods and Service Tax (GST) / Value Added Tax (VAT) / Sales Tax

Audit of "Registration under GST"

Out of 51,474 assessments finalised in the units selected for audit, 15,699 assessments (30.50 *per cent*) were test-checked during the year 2018-19 and irregularities in 405 cases (2.58 *per cent*) were noticed. A few are mentioned as follows :

Discrepancies were noticed in the applications for registration in 678 cases out of 1,130 cases test-checked in audit which constituted 60 *per cent*.

Short levy of VAT of ₹ 11.28 crore was noticed in 48 assessments of 30 dealers in 17 offices due to misclassification of commodities/application of incorrect rate of tax.

Excess tax credit of ₹ 13.37 crore was allowed in the assessment records of 31 offices in 105 assessments of 91 dealers due to non/short reduction of Input Tax Credit.

Short levy of VAT of ₹ 1.33 crore in 10 assessments of eight dealers in six offices due to incorrect determination of turnover.

Stamp Duty and Registration Fees

In two Sub Registrar offices, non-levy of premium price of ₹ 10.20 crore was noticed in three documents.

Stamp duty and registration fees of ₹ 4.37 crore was short recovered in 10 offices due to incorrect determination of market value in 38 documents.

In three Sub registrar offices blockage of stamp duty aggregating to ₹ 2.35 crore was noticed in 10 registered documents due to not referring documents containing

**Audit of "IT
Audit of
Vahan and
Sarathi"**

several distinct matter to Dy. Collector (SDVO) for recovery of deficit stamp duty.

Other Tax and Non-Tax Receipts

Transport Department

Deficiencies in the implementation of Vahan 4.0 and Sarathi 4.0 depriving the benefit to the department and public at large.

Deficiencies in backlog module of Vahan 4.0 such as inadequate restrictions and lack of validation controls had resulted in data manipulation in 20 cases of vehicle registration and depriving Government of its revenue of ₹ 56.26 lakh.

Assignment of various supervisory roles to the non-supervisory staff coupled with absence of monitoring had indicated a potential risk to the integrity of data.

Absence of proper mapping of penalty provisions of the MV Act resulted in short levy of penalty of ₹ 13.98 lakh in e-Challan module. Further, incomplete and incorrect data was entered in the e-Challan module which indicated lack of validation controls in the module and potential revenue loss.

Data analysis revealed that in 70,131 cases the date of tax receipt was after a delay of seven days from the date of insurance/date of sale invoice but penalty of ₹ 6.91 crore and interest of ₹ 2.63 crore aggregating to ₹ 9.54 crore was not levied in these cases.

Deficiency in analytics portal depriving the facilitation of dissemination of correct information to the stake holders.

In five Regional Transport Offices, operator of 1,395 transport and non-transport vehicles had neither paid tax nor had filed non-use declarations thus resulted in non-realisation of motor vehicle tax of ₹ 6.12 crore.

Industries and Mines Department

There was non-realisation of dead rent of ₹ 1.98 crore from 120 lease holder in six district Geologist offices.

In 31 cases of mining leases, stamp duty was calculated on the estimated first year production as stated by the lease holders in their application instead of the estimated first year production figure mentioned in the approved mining plan which resulted in short realisation of stamp duty of ₹ 1.84 crore.

Audit Report on Public Sector Undertakings

This Report deals with the results of audit of 83 Government Companies and four Statutory Corporations for the year ended 31 March 2019. The Report gives an overview of Government Companies and Statutory Corporations in the State and contains one performance audit on Mining activities of Gujarat Mineral Development Corporation Limited and two Compliance audit paragraphs.

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 2019, there were 87 SPSUs (83 Companies and four Statutory Corporations) including 16 inactive SPSUs. Of the 87 SPSUs, four SPSUs were listed on the stock exchange(s). The active SPSUs registered a turnover of ₹ 1,48,487.47 crore as per their latest finalised financial statements as on 30 September 2019. The turnover was 9.88 *per cent* of State's Gross Domestic Product (GSDP) for 2018-19. The active SPSUs earned aggregate profit of ₹ 1,002.59 crore as per their latest finalised financial statements.

Accountability framework

The process of 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 2019, the investment in 87 SPSUs was ₹ 2,49,724.88 crore. The thrust of SPSUs investment was mainly in the Power and Infrastructure sector as the percentage share of investment in Infrastructure sector to total investment was 35.84 in 2018-19 as compared to 32.43 in 2014-15. The percentage share of investment in Power sector increased from 42.09 in 2014-15 to 42.78 in 2018-19.

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 87 SPSUs, 10 SPSUs are engaged in electricity related business and remaining 77 SPSUs are engaged in other activities as on 31 March 2019. The 10 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 ₹ 1,09,824.46 crore as on 2017-18. The increase in GSDP of Gujarat ranged between 11.63 and 14.21 *per cent* during the period 2014-15 to 2018-19. During last five years against the Compounded Annual Growth Rate (CAGR) of 13.20 *per cent* of GSDP, the CAGR for turnover of Power sector SPSUs was 10.04 *per cent* during last five years.

Investment and budgetary support in Power sector SPSUs

As on 31 March 2019, the investment in 10 SPSUs was ₹ 1,06,844.09 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 ₹ 6,144.63 crore and ₹ 10,223.10 crore during the period from 2014-15 to 2018-19 no funds were infused in the remaining seven SPSUs. During 2018-19 total budgetary assistance of ₹ 10,223.10 crore received included ₹ 2,813.37 crore and ₹ 7,409.73 crore in the form of equity and grants/ subsidy respectively.

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

Of the 10 Power sector SPSUs, as per their latest finalised financial statements, all the 10 SPSUs earned profit of ₹ 1,084.95 crore. The financial statement of Gujarat Energy Transmission Corporation Limited, Gujarat Power Corporation Limited and the consolidated financial statement of Gujarat Urja Vikas Nigam Limited were in arrear for one year (2018-19).

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 0.46 *per cent* and 0.87 *per cent* during the period from 2014-15 to 2018-19. Further, investment by GoG in the three SPSUs increased from ₹ 1,645.94 crore in 2004-05 to ₹ 75,021.86 crore in 2018-19. The Rate of Real Return based on Present Value (PV) of above investment being ₹ 1,23,757.93 crore as at 31 March 2019 to total earnings of three SPSUs during 2018-19 was 0.37 *per cent*. An analysis of investment and accumulated profit/ losses disclosed that the net worth of Power sector SPSUs as on 31 March 2019 was ₹ 26,333.27 crore.

Return on equity and capital employed

The Return on equity in respect of the three SPSUs as on 31 March 2019 was 1.72 *per cent*. During last five years ended March 2019, the Net Income and Shareholders' fund was positive. The Return on capital employed of Power sector SPSUs was consistent and ranged between 4.61 and 7.12 *per cent* during the period from 2014-15 to 2018-19.

Comments on financial statements

Ten SPSUs forwarded their 10 financial statements during the period from October 2018 to September 2019. Statutory Auditors had given unqualified opinion for eight financial statements and qualified opinion for two financial statements. The compliance of SPSUs with the Accounting Standards / INDAS remained deficient, as there were six instances of non-compliance in five financial statements.

Compliance Audit Observations relating to Power Sector Undertakings

Compliance audit observations relating to Power Sector Undertakings in this Report highlights deficiencies in the management of PSUs.

Gist of Audit Observations

Gujarat State Electricity Corporation Limited (the Company) is responsible for generation of power. The Company has four coal based Thermal Power Stations (TPSs). The two Coal Supply Agreements (CSAs) for Ukai Coal based TPS were not simultaneously monitored. Delayed commissioning of coal handling plant and insufficient space for stacking the coal resulted in avoidable payment of demurrage charges. The Company violated the MoEF guidelines by utilising the amount recovered from sale of fly ash for other than specified purpose. The Monthly Inventory Control Register did not report the value of inventory issued to indenting departments but not consumed. The fast, slow and non-moving items report does not provide information of critical and non-critical items. Even after more than ten years no action for reconciliation of 195 items was taken and scrap remained unsold for more than five years.

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

Introduction

The State has 87 SPSUs as on 31 March 2019 of which 10 SPSUs are engaged in electricity related business and remaining 77 SPSUs are engaged in other activities. These 77 SPSUs include 73 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 77 SPSUs, GoG invested funds in 61 SPSUs and no funds were infused in remaining 16 SPSUs that were joint venture/ subsidiary of SGCs. The turnover of these SPSUs was ₹ 38,663.01 crore as on 2018-19.

Investment and budgetary support in SPSUs

As on 31 March 2019, the investment in 77 SPSUs was ₹ 1,42,880.79 crore. GoG provides financial support to SPSUs in various forms through the annual budget. The budgetary assistance received by these SPSUs ranged between ₹ 8,150.79 crore and ₹ 9,953.84 crore during the period from 2014-15 to 2018-19. The budgetary assistance of ₹ 8,327.24 crore provided during

2018-19 included loans, grants/ subsidy and equity of ₹ 1,109.70 crore, ₹ 3,204.77 crore and ₹ 4,012.77 crore respectively.

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

During 2018-19, as per their latest finalised financial statements, out of 61 active SPSUs, 44 SPSUs earned profit of ₹ 2,487.28 crore and 15 SPSUs incurred loss of ₹ 2,569.64 crore. Of the total 61 active SPSUs, 39 SPSUs had 67 financial statements in arrears, which ranged between one and four years.

Return on investment

Out of 77 SPSUs, GoG infused funds in the form of equity, loans and grant/subsidy in 61 SPSUs including three SPSUs listed on stock exchanges that reported positive Return on Investment. The Return on investment from 61 SPSUs on historical cost basis ranged between (-) 18.91 *per cent* and 0.72 *per cent* during the period from 2014-15 to 2018-19. Further, investment by GoG in these 60 SPSUs increased from ₹ 14,625.84 crore in 2004-05 to ₹ 1,05,960.02 crore in 2018-19. The Present Value (PV) of investment of GoG up to 31 March 2019 was ₹ 1,95,062.26 crore. An analysis of investment and accumulated profit/ losses disclosed that the net worth of 77 SPSUs as on 31 March 2019 was ₹ 65,322.85 crore.

Return on equity and capital employed

During last five years ended March 2019, the Return on Equity was 0.90 *per cent* in 2014-15 on the net income reported during financial year 2014-15. Since net loss was reported in 57 SPSUs during the four FYs ended 2018-19, therefore Return on Equity was Nil. The Return on capital employed ranged between 3.03 and 5.16 *per cent* during the period from 2014-15 to 2018-19.

Comments on financial statements

Forty-seven active SPSUs forwarded 63 audited financial statements for supplementary audit during the period from October 2018 to September 2019, Statutory Auditors had given unqualified opinion for 45 financial statements and qualified opinion for 21 financial statements. The compliance of SPSUs with the Accounting Standards/ IND AS remained deficient, as there were 35 instances of non-compliance in 19 financial statements.

Of the four active Statutory Corporations, three Corporations forwarded financial statements for audit during the period from October 2018 to September 2019. Statutory Auditor expressed qualified opinion on financial statements of Gujarat State Financial Corporation.

Performance Audit relating to Public Sector Undertakings (Excluding State Public Sector Undertakings of Power sector)

Performance Audit on ‘Mining Activities of Gujarat Mineral Development Corporation Limited’ was conducted. Highlights of the performance audit are given below :

Gujarat Mineral Development Corporation Limited (the Company) was incorporated in May 1963 as a Private Limited Company to undertake mining of minerals in the State of Gujarat. It was converted into a wholly owned Government Company in July 1971.

The mining of minerals and power generation operations of the Company contributed 77 and 23 *per cent* respectively of its operational revenue during last five years. The mining activities mainly relate to Lignite, Bauxite and Fluorspar.

The Company had 24 mining leases as on 31 March 2019 out of which nine were non-operational. Of these, in five leases, the Company had neither submitted application for extension nor undertook mining operations.

Important goals of the sole business plan of the Company were not achieved. Audit observed that neither the mechanism for monitoring the achievement of business plan was in place nor business plan was prepared for subsequent periods.

Audit observed instances of non-achievement of the targets of production set in the Mine Plan (MP) which indicated need for revision of MP on more realistic basis as the mining during the remaining period will not be completed as per the approved MP.

In two cases, there was short deposit of ₹ 59.53 crore in escrow accounts for Mine Closure of Lignite projects.

Audit observed that the Company was yet to frame any policy regarding retention or sale of the acquired private freehold land after mineral reserves are exhausted.

In one case, the Company acquired land of ₹ 13.70 crore before completing the preliminary assessment of viability of a project. The project was subsequently closed and the land remained unutilised. Besides overpayment of ₹ 4.81 crore was noticed in eight land compensation cases.

The standard terms for rate fixation in turnkey Lignite mining agreements were not finalised even after more than 10 years. Audit also observed deficiencies in the system for tendering and awarding of turnkey Lignite mining agreements that had resulted in avoidable loss of ₹ 17.75 crore.

Deviation from terms of turnkey mining agreements resulted in extra expenditure of ₹ 23.38 crore in one case, undue benefit of ₹ 23.30 crore in one case and additional payment of ₹ 1.48 crore in one case.

Deficient monitoring of turnkey mining agreements system resulted in avoidable loss of ₹ 104.64 crore in 10 cases, undue benefit to contractor of ₹ 21.02 crore in two cases and arbitration claim of ₹ 107.01 crore in one case.

The Company separately collected Mine Closure Fund through invoices for Lignite sale and avoided royalty payment of ₹ 33.11 crore on it.

Audit noticed violations of the conditions of Environmental Clearances related to Corporate Social Responsibility (CSR) expenditure in two cases which had resulted in incurring ₹ 52.47 crore less for CSR expenditure.

Compliance Audit observations relating to Statutory Corporations

Compliance audit observations relating to Statutory Corporation in this Report highlight deficiencies in the management of the Corporation.

Gist of Audit observations

Gujarat State Road Transport Corporation (the Corporation) was incorporated on 1 May 1960 under the Road Transport Corporations Act, 1950. The Corporation is mandated to provide an efficient, adequate, economical, and properly co-ordinated road transport in the State. The Inventory Management System (INMANS) is implemented in Central Stores and 16 Division Stores of the Corporation. Of the 84 reports of INMANS related to the store management three selected Divisions did not generate 17 to 24 reports. Only the parameter of six month for non-moving stock and the Minimum Stock level of one and half months was fixed. Short/excess stock levels were observed due to non-monitoring of stock levels at regular intervals that resulted in delayed fabrication of buses, docking of buses, decline in production of re-treaded tyres. Deficient maintenance of records was observed for store management. Absence of periodic system for identification of scrap items led to large quantity of unsold scrap. Mandatory physical verification of both movable and immovable assets, responses to concurrent stock verification reports, non-conducting inspection by Peripatetic Audit Parties and delayed submission of purchase indents were observed.

