

Overview

1. Functioning of Government companies and Statutory corporations

Audit of Government companies is governed by Sections 139 and 143 of the Companies Act, 2013. The accounts of Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective Legislations. The working results of 87 State Public Sector Undertakings (PSUs) comprising of 83 State Government companies and four Statutory corporations are discussed in this report. The turnover of 65 working PSUs was ₹ 91,397.69 crore in 2015-16 as per their latest finalised accounts. This turnover was equal to 4.64 *per cent* of the State Gross Domestic Product indicating the important role played by the State PSUs in the economy. The working PSUs incurred an overall loss of ₹ 6,734.61 crore in 2015-16 and they had accumulated losses of ₹ 18,027.42 crore as on 31 March 2016.

(Paragraphs 1.1, 1.2, 1.3, 1.15 and 1.16)

As on 31 March 2016, the investment (Capital and long term loans) in 87 PSUs was ₹ 1,75,321.42 crore. It grew by 123.78 *per cent* from ₹ 78,346.12 crore in 2011-12 mainly because of increase in investment in power sector. The Government contributed ₹ 4,157.01 crore towards equity, loans and grants/subsidies during 2015-16.

(Paragraphs 1.6 and 1.8)

Fifty seven working PSUs had arrears of 129 accounts as of September 2016. The extent of arrears was one to 17 years. There are 22 non-working companies of which two are under liquidation.

(Paragraphs 1.10 and 1.12)

During the year 2015-16, out of 65 working PSUs, 36 PSUs earned profit of ₹ 3,097.88 crore and 22 PSUs incurred loss of ₹ 9,832.49 crore. Three PSUs prepared their accounts on no profit no loss basis and four PSUs were under preparation and had not prepared profit and loss account. The major contributor to profit was Maharashtra State Electricity Transmission Company Limited (₹ 2,599.88 crore). Heavy losses were incurred by Maharashtra State Power Generation Company Limited (₹ 8,742.04 crore), Maharashtra State Electricity Distribution Company Limited (₹ 462.15 crore) and Maharashtra State Road Transport Corporation (₹ 391.01 crore).

(Paragraph 1.16)

During the year, the Statutory auditors had given unqualified certificates for 19 accounts, qualified certificates for 33 accounts and adverse certificates (which mean that accounts do not reflect a true and fair view) for one account.

(Paragraph 1.20)

2. Performance Audit of Government Company

Performance Audit of **Maharashtra Tourism Development Corporation Limited** was conducted. Highlights of the Audit findings are given below:

2.1 Maharashtra Tourism Development Corporation Limited

Executive Summary

Maharashtra Tourism Development Corporation Limited (Company) was incorporated under the Companies Act, 1956 in January 1975 as a wholly owned Government Company to promote and develop tourism in the State of Maharashtra and to carry out commercial activities related to tourism. The Company receives financial assistance from the Government of India (GoI) and Government of Maharashtra (GoM) for implementing various schemes. As on 31st March 2016, the Company was operating 20 resorts, three restaurants, one scuba diving centre and one shopping centre. The Company had also leased out 91 units/properties (76 resorts and 15 restaurants).

The Company handed over possession of properties on lease for which they had no proper title. As a result, they could not enter into lease agreements and suffered loss. The Company had not framed any criteria for fixation of base price for leasing the properties. As a result, lease rent received by the Company was not commensurate with the investment and revenue of the property. The Company leased out/operated the properties after considerable delay. Consequently, the facilities could not be offered to tourist in addition to the revenue loss of ₹ 3.53 crore. The Company incurred development expenditure without obtaining any commitment from the lessee for increase in lease rent. The Company may fix responsibility on officials for inaction/delay in operation/leasing of properties.

As against the all India average of above 60 *per cent* during 2011-12 to 2015-16, the occupancy of the Company's resorts ranged between 42 and 50 *per cent*. There was declining trend in the occupancy of resorts from 50 *per cent* in the year 2011-12 to 43 *per cent* in 2015-16. No rational basis was adopted in fixing/revising the tariff including periodicity. The factors like tariff charged by similar operators in the vicinity, occupancy of the facility, infrastructure available and operational costs were not being considered while fixing the tariff.

The unutilised grants increased from ₹ 21.45 crore in 2011-12 to ₹ 219.05 crore at the end of 2015-16. The Company did not surrender the unutilised balance grants lying for more than six months as required under the GoI guidelines. The Company did not seek the approval of GoI/GoM for retaining unutilised grants. Instances of diversion of funds were also noticed. Utilisation Certificates submitted were in violation of terms and conditions of grants. The assets created at a cost of ₹ 12.16 crore remained idle and the chances of deterioration of these assets cannot be ruled out.

The Company awarded the work to an advertisement agency who was earlier disqualified due to lack of experience in online digital marketing which was the basic requirement for the work. This vitiated the process of open tender and resulted in irregular award of work. The Company funded the shortfall in sponsorship of ₹ 53.20 lakh for organising the Elephanta Festival which was irregular as it was in violation of the terms and conditions of contract with event management agency. The Company did not establish a mechanism to assess the impact of participation in various international and domestic events by way of collecting and analysing relevant data such as number of visitors who actually attended the events and business generated by participating hoteliers and travel agents.

The Company had not finalised their accounts from the year 2013-14 onwards. They had not prepared either the accounts manual or functional manuals for their operations. The asset register was not updated by the Company since 2013-14. Physical verification of Company's properties and assets were not carried out.

3. Compliance Audit Paragraphs

Gist of some of the important audit observations is given below:

City and Industrial Development Corporation of Maharashtra Limited appointed IT Consultant without properly defining scope of work and time line resulting in time overrun and cost escalation. CIDCO executed the construction of Exhibition Centre without proper conceptualisation and planning which resulted in frequent changes in the scope of the project. CIDCO appointed a consultant on nomination basis and deficiencies in their performance also contributed to the time and cost overrun.

(Paragraphs 3.1 and 3.2)

The GoM and Central Agencies continued releasing funds to **Mahatma Phule Backward Class Development Corporation Limited, Vasantrao Naik Vimukta Jatis and Nomadic Tribes Development Corporation Limited and Sahitya Ratna Lokshahir Annabhau Sathe Development Corporation Limited (SRLABSDCL)** without any due diligence regarding the requirement of fund which resulted in huge unspent balances and irregular diversion of funds. The companies did not ensure authenticity and completeness of documents/records of the beneficiaries and as a result loans were disbursed to ineligible applicants. Post disbursement monitoring and impact analysis studies were not conducted. Internal controls were weak/non-existent which resulted in irregularities in implementation of schemes. The Board of Directors did not exercise prudence in dealing with the proposals before them to match with the objective of SRLABSDCL. GoM also did not oversee the activities of SRLABSDCL and funds which were meant for financial assistance to Matang community were misused. Records relating to 11,128 beneficiaries were not in possession of SRLABSDCL.

(Paragraph 3.3)

Maharashtra Airport Development Company Limited even after 14 years of its existence could not develop/expand any airport due to absence of a comprehensive long term plan. Decisions were being taken on *ad hoc* basis without any firm development model for airports. There were avoidable delays in acquiring the land for the projects. Acquisition of land in excess of requirement and idling of land were also noticed.

(Paragraph 3.4)

Incorrect categorisation and application of tariff, delay in generation /issue of bills and payment of ineligible prompt payment discount resulted in loss of revenue to **Maharashtra State Electricity Distribution Company Limited**. The Company incurred an avoidable extra expenditure of ₹ 3.65 crore in short term purchase of power.

(Paragraphs 3.6 and 3.7)

Maharashtra State Power Generation Company Limited was yet to formulate and document a formal IT policy. Provisions had not been made to protect the Intellectual Property Rights with respect to customisation of the module. The implementation of Fuel Management Process Module (FMPM) at all the TPS was not uniform as the users were unaware of complete functionalities and reports in FMPM. Absence of audit trails in master tables, non-capturing of information, absence of validation controls, *etc.* resulted in incorrect and invalid report generation. The Company continued use of legacy software for generating various reports evidencing lack of full transition to FMPM.

(Paragraph 3.9)

Maharashtra State Road Development Corporation Limited did not verify the traffic data provided by the contractor and recover its share of ₹ 54.59 crore in excess toll revenue. The Company by changing original plans for merger of flyovers incurred wasteful expenditure of ₹ 1.65 crore on the Kapurbawadi flyover project.

(Paragraphs 3.10 and 3.11)

Maharashtra Industrial Development Corporation neither repossessed the plot nor recovered extension charges of ₹ 2.12 crore for non completion of construction within the stipulated time limit.

(Paragraph 3.13)

Delay in awarding contracts for advertisements rights resulted in loss of ₹ 1.46 crore to **Maharashtra State Road Transport Corporation**.

(Paragraph 3.14)