

Chapter I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Maharashtra, the State PSUs occupy an important place in the State economy. The State working PSUs registered a turnover of ` 40,872.98 crore in 2009-10 as per their latest finalised accounts as of September 2010. This turnover was equal to 4.91 *per cent* of State Gross Domestic Product (GDP) for 2009-10. Major activities of Maharashtra State PSUs are concentrated in power and infrastructure sectors. The State working PSUs incurred an overall loss of ` 1,360 crore in the aggregate for 2009-10 as per their latest finalised accounts. They had employed 1.99 lakh employees as of 31 March 2010. The State PSUs do not include 49 prominent Departmental Undertakings (Dus), which carry out commercial operations but are a part of Government departments. Audit findings on these Dus are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2010, there were 85 PSUs as *per* the details given below. Of these, none of the companies were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs [¶]	Total
Government Companies [♦]	58	23	81
Statutory Corporations	4	--	4
Total	62	23	85

1.3 During the year 2006-10 five[‡] PSUs were established without issue of a Government Resolution from the Finance Department. One company *viz.* Textile Corporation of Marathwada Limited was privatised.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government

[¶]Non-working PSUs are those which have ceased to carry on their operations.

[♦] Includes 619-B companies at Sl.No. A-5,17,28 and 47 of **Annexure-1**.

[‡] Sl. No. A-44,45,46,53 and 58 of **Annexure-1**.

companies and corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of four Statutory corporations, CAG is the sole auditor for Maharashtra State Road Transport Corporation and Maharashtra Industrial Development Corporation. In respect of Maharashtra State Warehousing Corporation and Maharashtra State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Investment in State PSUs

1.7 As on 31 March 2010, the investment (capital and long-term loans) in 85 PSUs (including four 619-B companies) was ` 50,550.20 crore as per details given below:

(` in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	21,048.82	26,865.09	47,913.91*	1,474.72	440.14	1,914.86	49,828.77
Non-working PSUs	321.87	399.56	721.43	-- [†]	-- [†]	-- [†]	721.43
Total	21,370.69	27,264.65	48,635.34	1,474.72	440.14	1,914.86	50,550.20

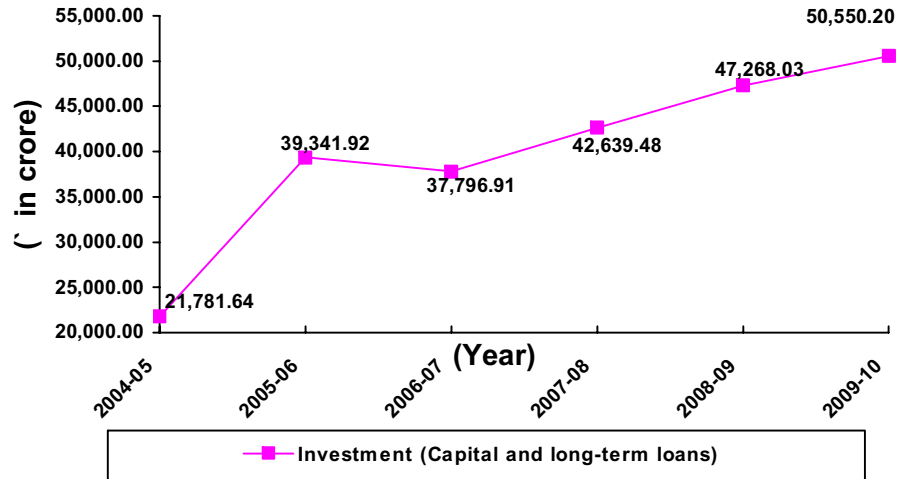
A summarised position of Government investment in State PSUs is detailed in **Annexure-1**.

1.8 As on 31 March 2010, of the total investment in State PSUs, 98.57 per cent was in working PSUs and the remaining 1.43 per cent in non-working PSUs. This total investment consisted of 45.19 per cent towards capital and 54.81 per cent in long-term loans. The investment has grown by 132.08 per cent from ` 21,781.64 crore in 2004-05 to ` 50,550.20 crore in 2009-10 as shown in the graph below. There was an increase of ` 17,560.28 crore in the investments during 2005-06 mainly because of increase in the investments by ` 16,603.45 crore in Power Sector companies by way of Equity (` 12,939.52 crore) and Loans (` 3,663.93 crore). The total investment in PSUs has increased by ` 3,282.17 crore during 2009-10 from

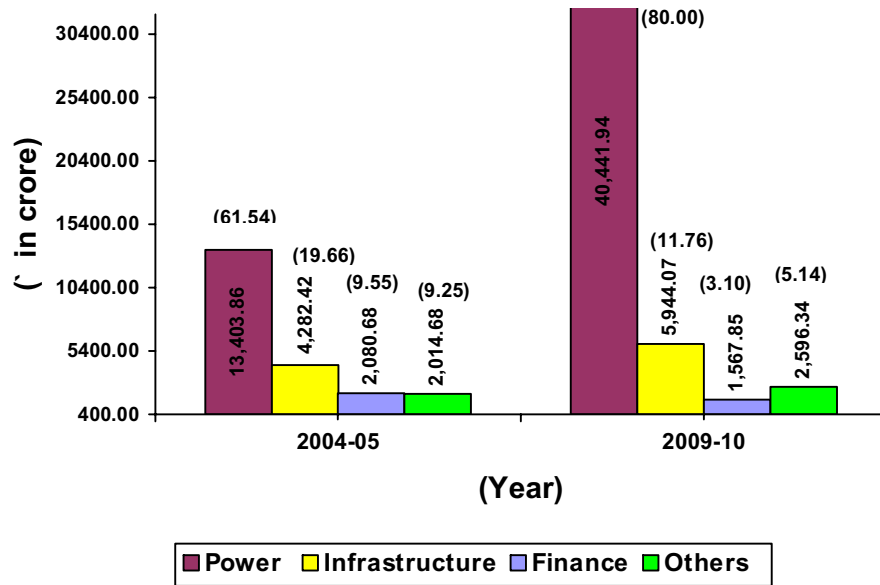
* Information in respect of five working PSUs viz. Sl. No. A-10,19,44,51 and 55 of **Annexure-1** is as per previous Audit report.

[†] No Non-working Statutory corporation.

2008-09 which was mainly due to increase in long term loans to the Power Sector PSUs.



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart. The thrust of PSU investment was mainly in the Power sector during the six years period which has seen its percentage share rising from 61.54 to 80 per cent.



(Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

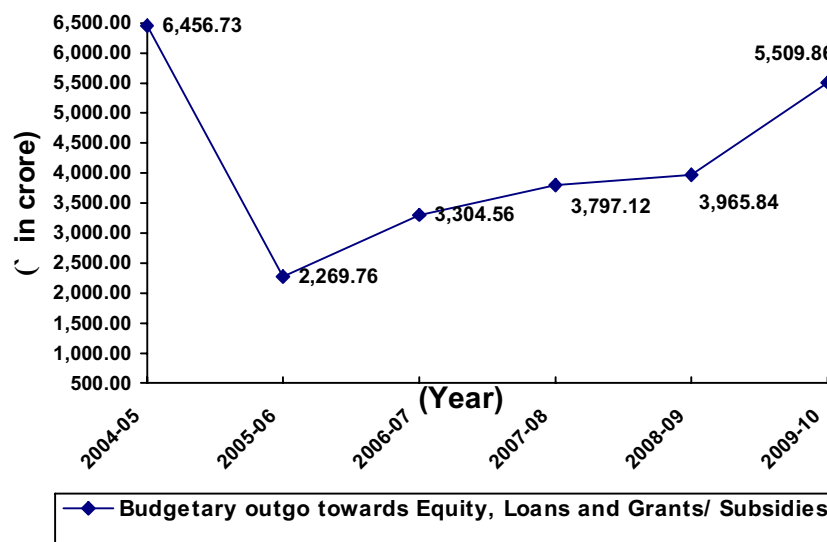
1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-3**.

The summarised details are given below for three years ended 2009-10.

(Amount ` in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	9	327.75	9	862.42	11	1,415.52
2.	Loans given from budget	2	86.59	4	113.78	4	65.40
3.	Grants/Subsidy received	13	3,382.78	17	2,989.64	17	4,028.94
4.	Total Outgo (1+2+3)	18 [∇]	3,797.12	22 [∇]	3,965.84	25 [∇]	5,509.86
5.	Loans written off	-- [≈]	-- [≈]	-- [≈]	-- [≈]	1	7.72
6.	Interest/Penal interest waived	-- [≈]	-- [≈]	-- [≈]	-- [≈]	1	1.95
7.	Total waiver (5+6)	-- [≈]	-- [≈]	-- [≈]	-- [≈]	1 ^ψ	9.67
8.	Guarantees issued	3	106.72	3	557.50	3	870.00
9.	Guarantee Commitment	11	8,774.53	14	4,042.99	16	5,798.56

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



The budgetary outgo in the form of equity, loans, grants/subsidies, etc. during 2004-05 was at an all time high of ` 6,456.73 crore during the six years ended 2009-10. After decline in the budgetary outgo to ` 2,269.76 crore in 2005-06, it increased gradually and stood at ` 5,509.86 crore in 2009-10. During the

[∇]Actual number of PSUs which received budgetary support in the form of equity, loans, Grants/subsidy from State Government.

[≈]This indicates 'nil'.

^ψActual number of PSUs in which loans were written off and penal interest waived by the State Government.

year 2009-10, the State Government waived loans and interest/penal interest of ` 9.67 crore due from one PSU as against no waiver during the previous year.

1.12 The amount of Guarantee commitment as on 31 March 2009 was at ` 4,042.99 crore (14 PSUs) which increased significantly to ` 5,798.56 crore (16 PSUs) during 2009-10. During the year 2009-10, the State Government had guaranteed loans aggregating ` 870 crore obtained by three working Government companies. The Government charges fees for guarantees given at the rate of two *per cent* per annum. During the year 2009-10, 10 PSUs paid guarantee fees of ` 518.43 crore out of ` 838.08 crore payable leaving an unpaid balance of ` 319.65 crore from nine[≡] PSUs as on 31 March 2010.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below.

(` in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	6,843.24	14,187.41	7,344.17
Loans	6,146.79	4,358.93	1,787.86
Guarantees	19,584.19	5,798.56	13,785.63

1.14 Audit observed that the differences occurred in respect of 49 PSUs and some of the differences were pending reconciliation for more than three years. The matter was brought to the notice of the Chief Secretary/Principal Secretary (Finance) repeatedly through demi-official correspondence, in August, September, October and November 2010. The matter was also discussed with the Principal Secretary (Finance) on 2 November 2010. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexures-2, 5 and 6** respectively. A *ratio* of PSU turnover to State GDP shows the extent of PSU

[≡] Sl.No. A-2,4,11,15,16,20,30,50 and B-2 of **Annexure-2**.

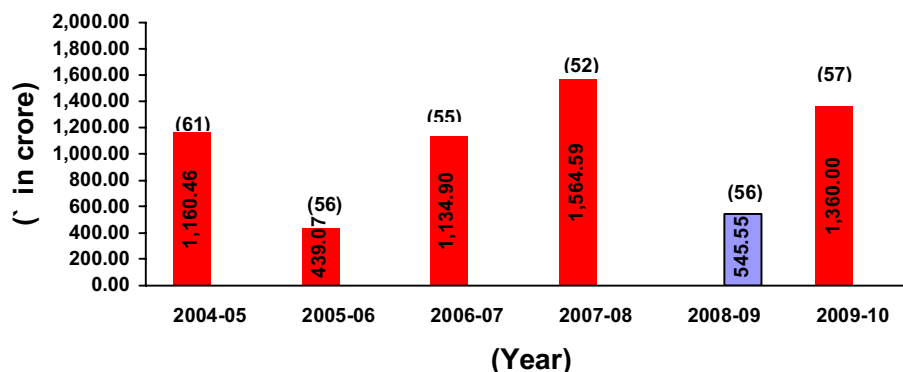
activities in the State economy. Table below provides the details of working PSUs' turnover and State GDP for the period 2004-05 to 2009-10.

(` in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover [∞]	19,520.04	19,468.21	26,397.23	34,684.97	35,495.23	40,872.98
State GDP	3,71,878.00	4,32,413.00	5,09,356.00	5,90,995.00	6,97,683.00	8,31,971.24*
Percentage of Turnover to State GDP	5.25	4.50	5.18	5.87	5.09	4.91

The percentage of turnover to State GDP increased from 5.25 in 2004-05 to 5.87 in 2007-08 and again declined to 4.91 in 2009-10 as the turnover of PSUs did not increase in proportion to the corresponding increase in GDP.

1.16 Profit/(losses) earned/(incurred) by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart.



■ Overall loss incurred during the year by working PSUs
 ■ Overall profit earned during the year by working PSUs

(Figures in brackets show the number of working PSUs excluding PSUs working on no profit no loss basis and/or that have not started commercial activities in respective years)

As against loss of ` 1,160.46 crore incurred during 2004-05, the working PSUs incurred an overall loss of ` 1,360 crore in 2009-10. During the year 2009-10, out of 62 working PSUs, 36 PSUs earned profit of ` 741.56 crore and 21 PSUs incurred loss of ` 2,101.56 crore. Four working PSUs[∇] prepared their accounts on 'no profit no loss basis' and one PSU^{**} was under construction and had not prepared profit and loss account. The major contributors to profit were Maharashtra State Electricity Transmission Company Limited (` 368.03 crore), Maharashtra State Road Transport Corporation (` 117.98 crore) and Maharashtra State Power Generation Company Limited (` 72.75 crore). Heavy losses were incurred by Maharashtra

[∞] Turnover as per the latest finalised accounts as of 30 September 2010.

[♦] Advance estimates as furnished by Directorate of Economics and Statistics, Government of Maharashtra.

[∇] Sl.No.A 12,17,29 and 55 Annexure-2

^{**} Sl. No.A-45 of Annexure-2.

State Electricity Distribution Company Limited (` 1,351.45 crore), Maharashtra State Road Development Corporation Limited (` 421.58 crore) and MSEB Holding Company Limited (` 297.99 crore).

1.17 The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of the latest Audit Reports of CAG shows that the State working PSUs incurred losses to the tune of ` 2,259.25 crore and infructuous investment of ` 68.05 crore, which were controllable with better management. Year wise details from Audit Reports are stated below.

(` in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Profit (loss)	(1,564.59)	545.55	(1,360.00)	(2,379.04)
Controllable losses as per CAG's Audit Report	699.99	1,479.75	79.51	2,259.25
Infructuous Investment	14.69	16.30	37.06	68.05

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

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

(` in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (Per cent)	2.55	1.93	--*	0.89	7.52	2.61*
Debt	16,421.43	20,812.25	18,827.73	27,035.20	25,834.25	27,704.79
Turnover ^Y	19,520.04	19,468.21	26,397.23	34,684.91	35,495.23	40,872.98
Debt/ Turnover Ratio	0.84:1	1.07:1	0.71:1	0.78:1	0.73:1	0.68:1
Interest Payments	1,737.91	626.74	1,182.61	2,355.14	2,197.56	2,509.77
Accumulated Profits (losses)	(4,577.82)	(3,907.81)	(4,739.23)	(6,639.08)	(7,006.90)	(8,539.13)

* Return on capital employed was negative during the year.

*Return on capital for the year has been computed by considering profit before tax after prior period adjustment.

^YTurnover of working PSUs as per the latest finalised accounts as of 30 September 2010.

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

1.20 The percentage of consolidated return on all PSUs varied from 2.55 in 2004-05 to 7.52 in 2008-09 and 2.61 during 2009-10. The accumulated losses of the PSUs have increased by 86.53 per cent from ` 4,577.82 crore in 2004-05 to ` 8,539.13 crore in 2009-10 thus indicating deteriorating financial position of the PSUs.

The debt turnover *ratio*, which was at 0.84:1 during 2004-05 has improved and stood at 0.68:1 during 2009-10.

1.21 The State Government formulated (June 2010) dividend policy under which all profit earning State PSUs are required to declare dividend. However, minimum return rate was not fixed by the State Government. As per their latest finalised accounts, 36 working PSUs earned an aggregate profit of ` 741.56 crore however, only two PSU *viz.* Maharashtra State Warehousing Corporation and Maharashtra Film, Stage and Cultural Development Corporation Limited declared a dividend of lump sum of ` one crore and ` 10.04 lakh (at the rate of 2.17 *per cent*) respectively.

Arrears in finalisation of accounts

1.22 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

The table below provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of working PSUs	60	59	57	61	62
2.	Number of accounts finalised during the year	37	51	42	57	71 ^π
3.	Number of accounts in arrears	183	177	175	185	178
4.	Average arrears per PSU (3/1)	3.05	3.00	3.07	3.03	2.87
5.	Number of Working PSUs with arrears in accounts	53	50	52	55	56
6.	Extent of arrears	1 to 15 years	1 to 15 years	1 to 13 years	1 to 13 years.	1 to 13 years.

1.23 The average arrears per PSU had decreased from 3.05 in 2005-06 to 2.87 in 2009-10. The performance of finalisation of accounts during the year 2009-10 has considerably improved compared to the previous

^πThe above includes two accounts (2007-08 and 2008-09) of the Company at Sl. No.53 (of **Annexure-2**) incorporated in September 2007 which was included in the chapter this year.

year. During 2009-10, ten* working PSUs did not finalise even a single account which contributed to the accumulation of arrears in accounts. The PSUs should ensure that at least one year's account are finalised each year so as to restrict further accumulation of arrears. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and ensure that the accounts are up to date. The overall position of clearance of arrears of accounts of Government PSUs did not show significant improvement. The age-wise analysis of arrears for last five years is as under.

Position of arrears as on	Number of working Government PSUs whose accounts were in arrears	Number of years for which accounts were in arrears					
		1	2	3	4	5	Above five years
30 September 2006	53	28	6	1	1	7	10
30 September 2007	50	25	5	3	1	7	9
30 September 2008	52	22	11	3	5	3	8
30 September 2009	55	24	9	6	4	3	9
30 September 2010	56	26	7	4	7	4	8

From the above table, it can be seen that the Companies whose accounts were in arrears for more than five years marginally decreased from 10 Companies in 2006 to eight in 2010. This indicated that no effective action had been taken to liquidate the arrears of accounts of the Companies whose accounts were in arrears for more than five years.

The reasons for delay as stated by some of these Companies were:

- Absence of qualified professionals in the Accounts Department.
- Shortage of manpower.
- Manual system of maintaining accounts.
- Delay in availability of accounting information due to lack of co-ordination between different departments of the company

1.24 In addition to above, there were also arrears in finalisation of accounts by non-working PSUs. Out of 23 non-working PSUs, three♦ had gone into liquidation process. Of the remaining 20 non-working PSUs, five PSUs finalised their accounts and 15 PSUs had arrears of accounts for one to 12 years.

1.25 The State Government had invested ` 6206.23 crore (Equity: ` 1778.56 crore, Loans: ` 52.08 crore, Grants: ` 4,375.59 crore) in 27 PSUs during the years for which accounts have not been finalised as detailed in

* Sl. No. A-8,10,13,15,19,26,34,35,44 and 54 of **Annexure-2**.

♦Sahyadri Glass Works Limited, The Overseas Employment and Export Promotion Corporation of Maharashtra Limited and Irrigation Development Corporation of Maharashtra Limited.

Annexure-4. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.26 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was repeatedly taken up at the level of Chief Secretary and Principal Secretary (Finance), the latest requests being made in August, September, October and November 2010. In the latest meeting held on 2 November 2010 with Principal Secretary (Finance), the steps to liquidate arrears of accounts *etc.*, was discussed. A High Powered Committee meeting was convened in July 2010, where Accountant General appraised the Chief Secretary and concerned Secretaries of Administrative Department of Government of Maharashtra about the pendency of accounts and to expedite the backlog of arrears in accounts in a time bound manner.

1.27 In view of above state of arrears, it is recommended that:

- **The State Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The State Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**
- **Responsibility of Managing Directors/Chief Executives and Chief Finance Officers of the companies in default should be fixed.**
- **The State Government should take up the matter with the Registrar of Companies for invoking penal provisions of the Act in appropriate cases to act as a deterrent.**
- **The State Government should pursue for suitable modification/relaxation in the simplified exit scheme for closed/defunct companies as well as extension of benefits of the scheme to non-working PSUs.**

Winding up of non-working PSUs

1.28 There were 23 non-working PSUs (all Companies) as on 31 March 2010. Of these, three PSUs have commenced liquidation process. The numbers of non-working Companies at the end of each year during past five years are given below.

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
No. of non-working Companies	20	22	27	24	23

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. Five non-working PSUs whose accounts were finalised for the year 2009-10, incurred expenditure of ` 3.26 crore towards salary and establishment. This expenditure was financed through interest from fixed deposit and miscellaneous income of these PSUs.

1.29 The stages of closure in respect of non-working PSUs (all Companies) are given below.

Sl. No.	Particulars	Companies
1.	Total No. of non-working PSUs	23
2.	Of (1) above, the No. under liquidation	3*
3.	Closure, <i>i.e.</i> closing orders/instructions issued but liquidation process not yet started	10
4.	Decision not yet taken	10

1.30 During the year 2009-10, none of the Companies were finally wound up, though the liquidation process was on for periods ranging from 17 to 24 years. The Government may make a decision regarding winding up of 10 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working Companies.

Accounts Comments and Internal Audit

1.31 Forty five working companies forwarded their audited 67 accounts to Accountant General during the year 2009-10. Of these, 48 accounts were selected for supplementary audit and 19 accounts were issued Non Review Certificates. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of

* The nature of winding up not known. Information has been sought from Finance and Administrative Departments (Sl.No. C-3,18, and 22 of **Annexure-1**).

accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount: ` in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	11	234.05	6	87.32	20	98.98
2.	Increase in loss	4	21.53	8	52.49	10	59.59
3.	Non-disclosure of material facts	4	19.97	8	683.55	17	454.59
4.	Errors of classification	-- [≈]	-- [≈]	3	44.00	4	7.08
	Total		275.55		867.36		620.24

As seen from the above table the comments of Statutory Auditors and CAG on decrease in profit and increase in loss were on the increasing trend.

1.32 During the year, the statutory auditors had given unqualified certificates for nine accounts and qualified certificates for 49 accounts, adverse certificates (which means that accounts do not reflect a true and fair position) for three accounts and disclaimers (meaning the auditors are unable to form an opinion on accounts) for six accounts. The compliance of companies with the Accounting Standards remained poor as there were 68 instances of non-compliance in 28 accounts during the year.

1.33 Some of the important comments in respect of accounts of companies are stated below.

Maharashtra State Electricity Distribution Company Limited (2008-09)

- Revenue from sale of power was overstated by ` 7.75 crore due to non-accountal of power factor incentives and other credit payable to High Tension (HT) consumers correspondingly resulting in understatement of loss by ` 7.75 crore.
- Non provision of credit for power generated by HT consumers, resulted in understatement of loss and overstatement of receivable by ` 11.42 crore.
- Non-provision of ` 1.59 crore towards rates and taxes, repairs and maintenance, legal charges, water charges and other administrative charges resulted in understatement of loss and current liabilities to the same extent.

[≈] This indicates 'Nil' accounts and amount.

- Understatement of depreciation due to applying rates lower than that prescribed in schedule XIV of Companies Act, 1956 resulted in corresponding understatement of loss by ` 2.49 crore.
- Short provision of ` 1.72 crore towards discount to consumers for timely payment of bills and interest on consumers security deposits resulting in understatement of loss as well as liabilities by ` 1.72 crore.

Maharashtra State Power Generation Company Limited (2008-09)

- Revenue for sale of power was overstated by ` 32.24 crore due to accountal of disputed revenue billed on Maharashtra State Electricity Distribution Company Limited which resulted in overstatement of debtors and profit by ` 32.24 crore.
- Non provision of ` 8.21 crore towards freight charges payable to the South Central Railway, resulted in understatement of Current liabilities and overstatement of profit by ` 8.21 crore.
- Wrong capitalisation of expenses of revenue nature resulted in overstatement of fixed asset and profit by ` 3.42 crore.

Maharashtra State Electricity Transmission Company Limited (2008-09)

- Non provision for arrears of gratuity payable to employees/retired employees resulted in understatement of provisions and overstatement of profit by ` 6.85 crore.
- Short provision of ` 1.04 crore towards rent payable to MSEB Holding Company Limited resulted in overstatement of profit and understatement of current liabilities by ` 1.04 crore.

Maharashtra Agro Industries Development Corporation Limited (2008-09)

- Non provision of ` 3.86 crore towards diminution in the value of investment in Alliance Agro India Limited in accordance with AS-13 resulted in overstatement of profit to the same extent.

Maharashtra Film, Stage and Cultural Development Corporation Limited (2007-08)

- Short provision of interest payable to Mumbai Metropolitan Region Development Authority by ` 1.50 crore resulted in overstatement of profit to the same extent.
- Non provision of ` 1.70 crore towards doubtful debts resulted in overstatement of debtors and profit to the same extent.

Mahatma Phule Backward Class Development Corporation Limited (2000-01)

- Non provision of ` 2.97 crore towards fees/penalty payable to the Registrar of Companies for increase in the authorized share capital resulted in overstatement of profit and understatement of current liabilities by ` 2.97 crore.

Maharashtra State Mining Corporation Limited (2008-09)

- Interest received/receivable on Fixed Deposits made out of capital Grant-in-aid received from Government of Maharashtra was accounted for as its income which resulted in overstatement of profit by ` 1.79 crore.

Forest Development Corporation of Maharashtra Limited (2008-09)

- Profit was overstated by ` 5.63 crore due to non provision of long pending claims correspondingly resulting in overstatement of current asset to the same extent.

1.34 Similarly, four working Statutory corporations forwarded their four accounts to the Accountant General during the year 2009-10. Of these, two accounts of two Statutory Corporations were audited by CAG. The remaining two accounts were selected for supplementary audit. The audit reports of statutory auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below.

(Amount: ` in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	6.08	3	22.35	4	264.54
2.	Increase in loss	1	171.35	1	217.35	-- [≈]	-- [≈]
3.	Non-disclosure of material facts	2	88.70	3	1,141.89	3	158.48
4.	Errors of classification	-- [≈]	0.08	-- [≈]	-- [≈]	1	0.13
	Total		266.21		1,381.59		423.15

As seen from the above table, the net impact per account on the working results of PSUs as a result of the audit observations has increased from ` 59.93 crore (2008-09) to ` 66.14 crore (2009-10).

1.35 During the year, out of four accounts of four Statutory corporations, three accounts of three corporations received qualified certificates and balance

[≈] This indicates 'Nil' accounts and money value.

one^π account received adverse certificate. The compliance of one statutory corporation with the Accounting Standards remained poor as there were nine instances of non-compliance in one year.

1.36 Some of the important comments in respect of accounts of Statutory corporations are stated below.

Maharashtra State Road Transport Corporation (2008-09)

- Non provision of doubtful recovery of license fee recoverable from licencees of Commercial Establishments which were outstanding from the year 1980-81 resulted in overstatement of Sundry Debtors and profit by ` 2.37 crore.
- Profit was overstated by ` 1.06 crore due to inclusion of receivables from Government of Maharashtra towards expenditure of ` 1.06 crore incurred by the Corporation on providing buses for Agro Advantage 1998. The receivable had not acknowledged by the Government.

Maharashtra Industrial Development Corporation (2008-09)

- Profit was overstated by ` 1.27 crore due to inclusion of Service and Fire Charges levied on Khatau Makanji Spinning and Weaving Company Limited which was notified for closure from 26 February 2007 by Board for Industrial and Financial Reconstruction.

Maharashtra State Warehousing Corporation (2008-09)

- Profit was overstated by ` 0.98 crore due to non provision for debts receivable from Food Corporation of India, Rastriya Chemicals and Fertilisers Limited and Indian Farmers Fertiliser Co-operative Limited, which were outstanding from the year 1977-78.

1.37 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued to them by the CAG under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the

^π Maharashtra State Financial Corporation.

internal audit/internal control system in respect of 20 Companies[£] for the year 2008-09 and 28 Companies[¤] for the year 2009-10 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Annexure-2
1.	Non-fixation of minimum/maximum limits of store and spares	11	A : 3,5,6,11,16,39,43, 48,49,50 and 54
2.	Absence of internal audit system commensurate with the nature and size of business of the Company	23	A : 3,4,5,6,7,8,9,11,12, 16,21,22,29,30,41,43, 48,49,50,54,55,57 and 58
3.	Non maintenance of cost record	4	A : 5,6,16 and 54
4.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	15	A : 6,7,9,16,18,29,30, 37,39,41,48,49,52, 54 and 55
5.	Non-formation of Audit committee	6	A : 11,18,21,41,54 and,55
6.	Delegation of powers and duties and responsibilities not adequately defined	9	A : 3,7,11,21,22,23,39, 47 and 57
7.	System of accounts and financial control	14	A : 5,6,8,9,11,16,18,21, 22,23,30,49,54 and 55
8.	System of monitoring timely recovery of outstanding dues.	15	A :5,7,9,10,11,18,21, 22,29,30,39,43,54,56 and 57
9.	Existence of investment policy	21	A : 3,4,5,6,7,9,10,11, 16,20,21,22,,30,37,47, 48,49,50,55,56 and 57

Recoveries at the instance of audit

1.38 During the course of propriety audit in 2009-10, recoveries of ` 32.71 crore were pointed out to the Management of various PSUs, of which, recoveries of ` 11.61 crore were admitted by PSUs. An amount of ` 4.67 crore was recovered during the year 2009-10.

[£] Sl. No. 1,3,4,5,6,9,10,11,16,23,28,30,41,48,49,50,52,54,55 and 58 in **Annexure-2**.

[¤] Sl. No. 3,4,5,6,7,8,9,11,12,16,18,20,21,22,23,29,30,37,39,41,43,47,48,49,50,52,56 and 57 in **Annexure-2**.

Status of placement of Separate Audit Reports

1.39 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Maharashtra Industrial Development Corporation	2007-08	2008-09	27 July 2010	Awaited
2.	Maharashtra State Warehousing Corporation	2007-08	2008-09	29 January 2010	Delay in placement of SAR is at Government level.
3.	Maharashtra State Financial Corporation	2007-08	2008-09	12 February 2010	Delay in placement of SAR is at Government level.

Delay in placement of SARs weakens the legislative control over Statutory Corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature.

Reforms in Power Sector

1.40 The State has formed Maharashtra Electricity Regulatory Commission (MERC) in August 1999 under the Electricity Regulatory Commission Act, 1998* with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2009-10, MERC issued seven orders on annual revenue requirements and 91 on others.

1.41 Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in the power sector

* Replaced by Electricity Act, 2003.

with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Milestone	Achievement as at March 2010
Generation		
1.	Government of Maharashtra will take action to improve availability of Thermal Generating plants from 80 to 85 <i>per cent</i> by 2005	Government of Maharashtra achieved the milestone during 2009-10
Transmission and Distribution		
1.	Reduction in transmission and distribution losses to 18 <i>per cent</i> .	Distribution loss was 20.60 ^A <i>per cent</i> and Transmission loss was 4.59 <i>per cent</i> .
2.	100 <i>per cent</i> electrification of all villages	3,814 villages remained to be electrified.
3.	100 <i>per cent</i> metering of all distribution feeders	100 <i>per cent</i> metering of distribution feeders completed.
4.	100 <i>per cent</i> metering of all consumers	All Consumers are metered except 14.08 lakh Agriculture Consumers.
5.	Securitize outstanding dues of Central Public Sector Undertakings	Since done
6.	Implementation of tariff orders issued by SERC during the year.	Implemented the latest tariff orders issued by MERC in August 2009.

^AAs the activities of transmission and distribution of electricity are undertaken by two separate Companies, the percentage of losses there against is depicted separately.