

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 ₹ 49,058.92 crore in 2010-11 as per their latest finalised accounts as of September 2011. This turnover was equal to 4.76 *per cent* of State Gross Domestic Product (GDP) for 2010-11. Major activities of Maharashtra State PSUs are concentrated in power and infrastructure sectors. The State working PSUs earned an overall profit of ₹ 213.64 crore in the aggregate for 2010-11 as per their latest finalised accounts. They had employed 2.08 lakh employees as of 31 March 2011. 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 2011, there were 86 PSUs as *per* the details given below. Of these, none of the companies were listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs [¶]	Total
Government Companies [♦]	60	22	82
Statutory Corporations	4	--	4
Total	64	22	86

During the year 2010-11, eight[▷] companies were added. On the other hand seven companies were wound up during 2010-11, of which one company was non-working.

Audit Mandate

1.3 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 companies and corporations controlled by Government(s) is treated as if it

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

[♦]Includes 619-B companies at Sl.No. A-5,17,25 and 48 of **Annexure-1**.

[▷]A-26,31,40 to 42 and 54 to 56 of **Annexure-1**

were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

1.4 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.

1.5 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

1.6 As on 31 March 2011, the investment (capital and long-term loans) in 86 PSUs (including four 619-B companies) was ₹ 58,389.55 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	21,871.97	33,524.42	55,396.39*	1,849.88	417.64	2,267.52	57,663.91
Non-working PSUs	321.75	403.89	725.64	--*	--*	--*	725.64
Total	22,193.72	33,928.31	56,122.03	1,849.88	417.64	2,267.52	58,389.55

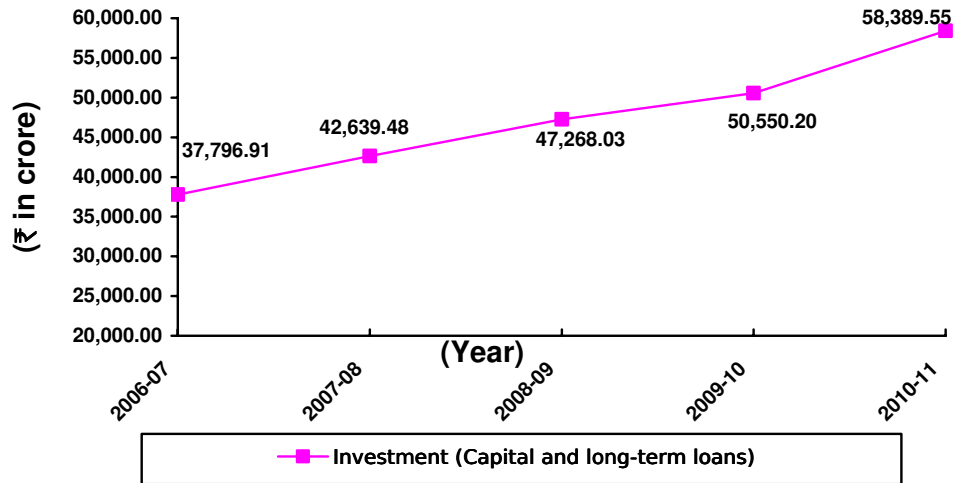
A summarised position of Government investment in State PSUs is detailed in **Annexure-1**.

1.7 As on 31 March 2011, of the total investment in State PSUs, 98.76 per cent was in working PSUs and the remaining 1.24 per cent in non-working PSUs. This total investment consisted of 41.18 per cent towards capital and 58.82 per cent in long-term loans. The investment has grown by 54.48 per cent from ₹ 37,796.91 crore in 2006-07 to ₹ 58,389.55 crore in 2010-11 as shown in the graph below. The total investment in PSUs has

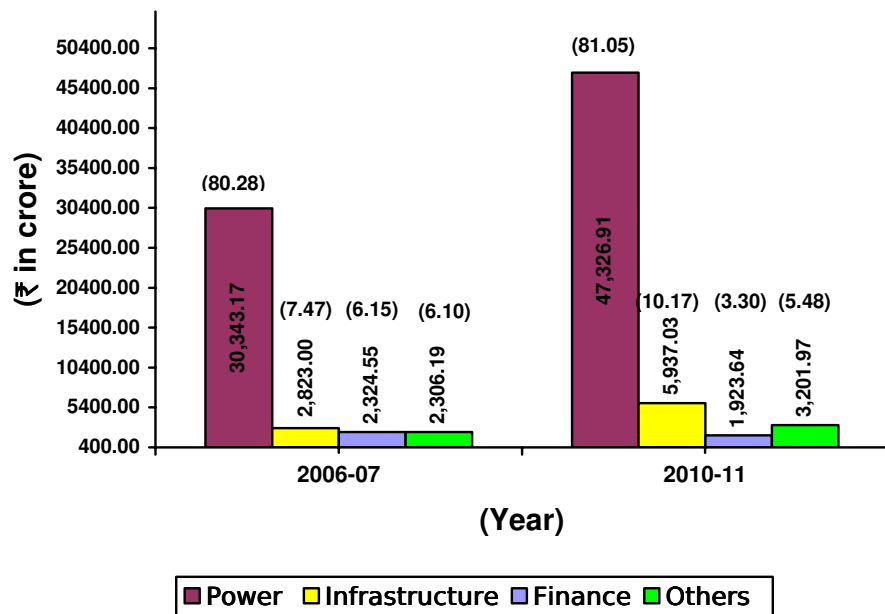
* Information in respect of thirteen working PSUs viz. Sl. No.A-5,8,10,12,17,30,34, 47,48,49,50,51 and 57 of **Annexure-1** is as per previous Audit Report.

* No Non-working Statutory Corporation.

increased by ₹ 7,839.35 crore during 2010-11 as compared to 2009-10 which was mainly due to increase in long term loans to the Power Sector PSUs.



1.8 The investment in various important sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart. The thrust of PSU investment was mainly in the Power sector during the five year period which has seen its percentage share rising from 80.28 to 81.05 per cent.



(Figures in brackets show the percentage of sector to total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

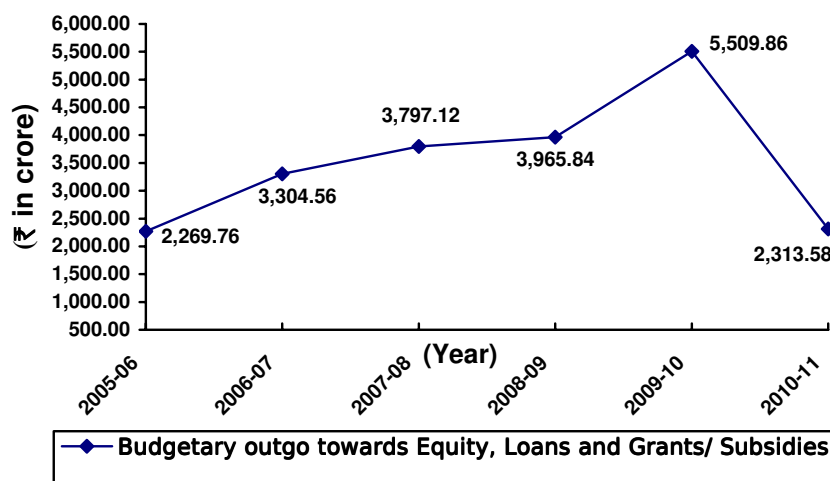
1.9 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-3**.

The summarised details are given below for three years ended 2010-11.

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	9	862.42	11	1,415.52	13	1,202.27
2.	Loans given from budget	4	113.78	4	65.40	7	313.34
3.	Grants/Subsidy by State Government	17	2,989.64	17	4,028.94	15	797.97
4.	Total Outgo (1+2+3)	22 [∇]	3,965.84	25 [∇]	5,509.86	22 [∇]	2,313.58
5.	Loans written off	--≈	--≈	1	7.72	2	24.50
6.	Interest/Penal interest waived	--≈	--≈	1	1.95	1	2.76
7.	Total waiver (5+6)	--≈	--≈	1	9.67	2 ^ψ	27.26
8.	Guarantees issued	3	557.50	3	870.00	2	287.54
9.	Guarantee Commitment	14	4,042.99	16	5,798.56	12	1,994.91

1.10 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 2009-10 was at an all time high of ₹ 5,509.86 crore which has decreased to ₹ 2,313.58 crore in 2010-11. During the year 2010-11, grant/subsidy from the State Government reduced from ₹ 4,028.94 crore in 2009-10 to ₹ 797.97 crore in 2010-11.

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

≈ Indicates nil amount.

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

1.11 The amount of Guarantee commitment as on 31 March 2010 was at ₹ 5,798.56 crore (16 PSUs) which decreased significantly to ₹ 1,994.91 crore (12 PSUs) during 2010-11. During the year 2010-11, the State Government had guaranteed loans aggregating ₹ 287.54 crore obtained by two[₹] working Government companies. The Government charges fees for guarantees given at varying rates. Out of ₹ 225.78 crore payable towards guarantee fee during the year 2010-11, eight PSUs paid guarantee fees of ₹ 173.02 crore leaving an unpaid balance of ₹ 52.76 crore from eleven[₹] PSUs as on 31 March 2011.

Reconciliation with Finance Accounts

1.12 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 2011 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	7,773.27	15,391.51	7,618.24
Loans	6,105.59	4,560.98	1,544.61
Guarantees	4,872.77	1,994.91	2,877.86

1.13 Audit observed that the differences occurred in respect of 46 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) in November 2010 and again in September 2011. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

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

[₹] Maharashtra Agro Industries Development Corporation Limited and Lokshahir Annabhau Sathé Development Corporation Limited.

[₹] SI.No.A-2,4,9,15,16,19,20,30,58,59 and B-2 of **Annexure-2**.

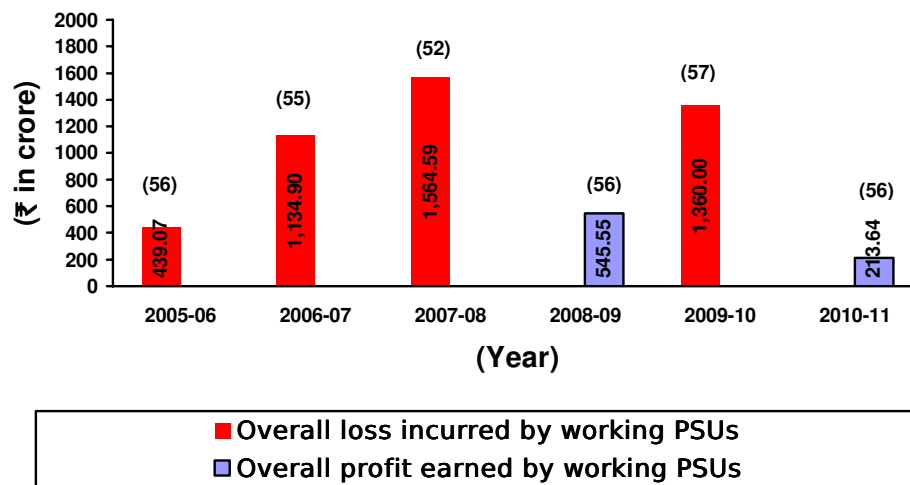
the State economy. Table below provides the details of working PSUs' turnover and State GDP for the period 2005-06 to 2010-11.

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover [∞]	19,468.21	26,397.23	34,684.97	35,495.23	40,872.98	49,058.92
State GDP	4,32,413.00	5,09,356.00	5,90,995.00	6,97,683.00	8,31,971.24	10,29,621.00 [♦]
Percentage of Turnover to State GDP	4.50	5.18	5.87	5.09	4.91	4.76

The percentage of turnover to State GDP increased from 4.50 in 2005-06 to 5.87 in 2007-08 and again declined to 4.76 in 2010-11 as the turnover of PSUs did not increase in proportion to the corresponding increase in the State GDP during 2008-09 to 2010-11.

1.15 Profits/(losses) earned/(incurred) by the State working PSUs during 2005-06 to 2010-11 are given below in a bar chart.



(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 ₹ 439.07 crore incurred during 2005-06, the working PSUs made an overall profit of ₹ 213.64 crore in 2010-11. During the year 2010-11, out of 64 working PSUs, 37 PSUs earned profit of ₹ 1,722.87 crore and 18 PSUs incurred loss of ₹ 1,509.23 crore. Four working PSUs[∇] prepared their accounts on 'no profit no loss basis'. The other five^{**} PSUs were under construction and had not prepared profit and loss account. The major contributors to profit were Maharashtra State Power Generation Company Limited (₹ 800.02 crore) and Maharashtra State Electricity Transmission

[∞] Turnover as per the latest finalised accounts as of 30 September 2011.

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

[∇] Sl.No.A 12,17,27 and 57 of Annexure-2.

^{**} Sl. No.A- 26,31,41 42 and 44 of Annexure-2.

Company Limited (₹ 520.19 crore). Heavy losses were incurred by Maharashtra State Electricity Distribution Company Limited (₹ 782.77 crore), Maharashtra State Road Development Corporation Limited (₹ 422.55 crore) and MSEB Holding Company Limited (₹ 248.23 crore).

1.16 The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. The latest Audit Reports of CAG show that the State working PSUs incurred losses to the tune of ₹ 2,160.19 crore and infructuous investment of ₹ 53.36 crore, which were controllable with better management. Year wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net Profit (loss)	545.55	(1,360.00)	213.64	(600.81)
Controllable losses as per CAG's Audit Report	1,479.75	79.51	600.93	2,160.19
Infructuous Investment	16.30	37.06	0.00	53.36

1.17 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.

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

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (Per cent)	1.93	--*	0.89	7.52	2.61	4.83*
Debt	20,812.25	18,827.73	27,035.20	25,834.25	27,704.79	34,345.95
Turnover ^r	19,468.21	26,397.23	34,684.91	35,495.23	40,872.98	49,058.92
Debt/ Turnover Ratio	1.07:1	0.71:1	0.78:1	0.73:1	0.68:1	0.70:1
Interest Payments	626.74	1,182.61	2,355.14	2,197.56	2,509.77	2,580.15
Accumulated Profits (losses)	(3,907.81)	(4,739.23)	(6,639.08)	(7,006.90)	(8,539.13)	(9,614.61)

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

* 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.

^r Turnover of working PSUs as per the latest finalised accounts as of 30 September 2011.

1.19 The percentage of consolidated return on capital employed of PSUs increased from 1.93 in 2005-06 to 4.83 in 2010-11. The accumulated losses of the PSUs have increased by 146.04 *per cent* from ₹ 3,907.81 crore in 2005-06 to ₹ 9,614.61 crore in 2010-11 thus indicating deteriorating financial position of the PSUs. The debt turnover *ratio* improved from 1.07:1 during 2005-06 to 0.70:1 during 2010-11.

1.20 The State Government formulated (June 2010) dividend policy under which all profit earning State PSUs are required to declare dividend after complying with necessary provisions of the applicable Acts. However, dividend rate was not fixed by the State Government. As per their latest finalised accounts, 37 working PSUs earned an aggregate profit of ₹ 1,722.87 crore of which only five[→] PSUs which earned profit of ₹ 153.77 crore declared a dividend of ₹ 4.84 crore (at an average rate of 3.15 *per cent*).

Arrears in finalisation of accounts

1.21 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 2011.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of working PSUs	59	57	61	62	64
2.	Number of accounts finalised during the year	51	42	57	71	82
3.	Number of accounts in arrears	177	175	185	178	162 ^π
4.	Average arrears per PSU (3/1)	3.00	3.07	3.03	2.87	2.53
5.	Number of Working PSUs with arrears in accounts	50	52	55	56	53
6.	Extent of arrears	1 to 15 years	1 to 13 years	1 to 13 years.	1 to 13 years.	1 to 14 years.
7.	Number of PSUs having arrears above five years	9	8	9	8	6

1.22 The average arrears per PSU had decreased from 3.00 in 2006-07 to 2.53 in 2010-11. The performance of finalisation of accounts during the year 2010-11 has improved compared to the previous year. During

[→]Sl.No.A-1,2,5,14 and B-1 of **Annexure-2**,

^πIncludes 10 accounts in arrears in respect of newly added companies but excludes eight accounts of the companies which have been wound up during the year.

2010-11, however, seven[♦] working PSUs did not finalise even a single account which contributed to the accumulation of arrears in accounts. The Companies whose accounts were in arrears for more than five years decreased from eight to six as compared to previous year (2009-10). 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 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.

1.23 In addition to above, there were also arrears in finalisation of accounts by non-working PSUs. Out of 22 non-working PSUs, two[♦] had gone into liquidation process. Of the remaining 20 non-working PSUs, six PSUs had finalised their annual accounts up to 2010-11. Thirteen PSUs though had finalised 23 annual accounts during 2010-11 (up to 30 September 2011) still had arrears for one to six years. One PSU (Kolhapur Chitranagri Mahamandal Limited) though had arrears in annual accounts for 13 years did not finalise any account after 2005-06.

1.24 The State Government had invested ₹ 1,531.33 crore (Equity: ₹ 1,114.66 crore, Loans: ₹ 66.46 crore and Grants: ₹ 350.21 crore) in 14 working PSUs during the years for which accounts have not been finalised as detailed in **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.

1.25 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 steps 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 in May and August 2011.

1.26 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.**

[♦] Sl. No.A-10,12,13,20,43,47 and 49 of **Annexure-2**.

[♦]Sahyadri Glass Works Limited and Irrigation Development Corporation of Maharashtra Limited.

- **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

1.27 There were 22 non-working PSUs (all Companies) as on 31 March 2011. Of these, two 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	2006-07	2007-08	2008-09	2009-10	2010-11
No. of non-working Companies	22	27	24	23	22

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. Six* non-working PSUs whose accounts were finalised for the year 2010-11, incurred expenditure of ₹ 0.44 crore towards salary and establishment. This expenditure was financed through disposal of investments, interest from fixed deposit and miscellaneous income of these PSUs.

1.28 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	22
2.	Of (1) above, the No. under liquidation	2*
3.	Closure, <i>i.e.</i> closing orders/instructions issued but liquidation process not yet started	10
4.	Decision not yet taken	10

* Sl. No.C – 6,12,16,19,20 and 22 of **Annexure-2**.

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

1.29 The Government may take 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

1.30 Forty three working companies forwarded their audited 82 accounts to Accountant General during the year 2010-11. Of these, 62 accounts were selected for supplementary audit and 20 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 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	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	6	87.32	20	98.98	15	103.77
2.	Increase in loss	8	52.49	10	59.59	9	129.44
3.	Non-disclosure of material facts	8	683.55	17	454.59	5	46.41
4.	Errors of classification	3	44.00	4	7.08	14	101.75
	Total		867.36		620.24		381.37

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

1.31 During the year, the statutory auditors had given unqualified certificates for nine accounts and qualified certificates for 67 accounts, adverse certificates (which means that accounts do not reflect a true and fair position) for four accounts and disclaimers (meaning the auditors are unable to form an opinion on accounts) for two accounts.

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

Maharashtra State Electricity Distribution Company Limited (2009-10)

- The Company's share of deficit in MSE Board Trust (Employee CPF Trust) was not provided for. This resulted in understatement of Employees Cost, Loss and Provision to the extent of ₹ 39.14 crore.

- Energy charges payable to parties for power were not provided for resulting in understatement of loss and Current Liabilities by ₹ 35.18 crore.
- Incorrect accounting of revenue resulted in overstatement of sundry debtors and understatement of loss by ₹ 7.25 crore.
- Loss and Provisions were understated by ₹ 3.79 crore due to incorrect accounting of interest on consumers' Security Deposits.

Maharashtra State Power Generation Company Limited (2009-10)

- Profit was overstated and provision understated by ₹ 15.32 crore due to non-provision for various expenses.
- Excess provision for CPF subscription overstated employee cost and understated profit by ₹ 11.24 crore.
- Provision for water charges amounting to ₹ 9.92 crore was not made. This resulted in overstatement of profit and understatement of provision to the same extent.

Maharashtra State Electricity Transmission Company Limited (2009-10)

- 'Other Miscellaneous Receipts' were overstated and Current Liabilities understated by ₹ 3.09 crore due to accounting of deposit received from parties as revenue receipt.
- Profit for the year was understated and secured loan overstated by ₹ 2.30 crore as repayment of loans was treated as interest on loan.
- Profit and Fixed Assets were understated by ₹ 1.46 crore due to charging of capital expenditure to Profit and Loss account.

Maharashtra State Mining Corporation Limited (2009-10)

- Profit was overstated and Liability understated by ₹ 2.91 crore due to accounting of interest income which did not pertain to the Company.

Maharashtra Power Development Corporation Limited (2009-10)

- 'Other Income' and Advance were understated by ₹ 1.30 crore due to incorrect accounting of re-imburement of Legal and Administration expenses of earlier year received from Dabhol Power Company Limited.

Maharashtra State Farming Corporation Limited (2007-08)

- Provision of Reserve for doubtful debts were not made resulting in overstatement of Sundry Debtors and understatement of Loss by ₹ 3.42 crore.

Shivshahi Punarvasan Prakaalp Limited (2007-08)

- Profit was overstated and Current Liabilities understated by ₹ 2.15 crore as cost of land and interest thereon was not included in the cost of sale of flats.

1.33 Similarly, four working Statutory corporations forwarded their accounts to the Accountant General during the year 2010-11. Of these, two accounts of two Statutory Corporations were audited solely 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	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	22.35	4	264.54	4	378.00
2.	Increase in loss	1	217.35	-- [¶]	-- [¶]	-- [¶]	-- [¶]
3.	Non-disclosure of material facts	3	1,141.89	3	158.48	-- [¶]	57.37
4.	Errors of classification	-- [¶]	-- [¶]	1	0.13	-- [¶]	-- [¶]
	Total		1,381.59		423.15		435.37

1.34 During the year, out of four accounts of four Statutory corporations, all the four accounts had qualified certificates. The compliance of the Accounting Standards by Maharashtra State Warehousing Corporation remained poor as there were seven instances of non-compliance in one year.

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

Maharashtra Industrial Development Corporation (2009-10)

- Surplus was overstated by ₹ 25.40 crore due to not providing for doubtful advances and not accounting for shortages in stock found on physical verification.

Maharashtra State Road Transport Corporation (2009-10)

- Profit was overstated by ₹ 8.58 crore due to non provision for differential leave encashment payable to ex-employees consequent to revision of pay scales from September 2009, on the other hand profit for the year was understated by ₹ 1.98 crore and accumulated loss overstated by ₹ 17.00 crore due to making of provision for a contingent liability.

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

Maharashtra State Warehousing Corporation (2009-10)

- Profit for the year was overstated by ₹ 1.18 crore due to short provision for bad and doubtful debts.

1.36 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 internal audit/internal control system in respect of 27 Companies[‡] for the year 2009-10 and 32 Companies[‡] for the year 2010-11 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	14	A : 2,3,5,6,11,14,16,24,35,39,50, 51,52 and 58
2.	Absence of internal audit system commensurate with the nature and size of business of the Company	26	A : 3,4,5,6,7,8,11,12,14, 16,21,24, 27,28,30,33,36,37,39, 50,51,52,58 and 59 C- 12 and 20
3.	Non maintenance of cost record	4	A : 5,6,14 and 16
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	18	A :6,7,9,14,16,18,22,24,27,28,33, 35,37,44, 46,50 and 52 C-12
5.	Non-formation of Audit committee	15	A : 7,11,14,15,18,20,21,24,35,37, 51,59 and 60 C-12 and 15
6.	Delegation of powers and duties and responsibilities not adequately defined	9	A : 3,11,21,22,24,35,48 and 59 C-20
7.	System of accounts and financial control	13	A : 3,6,8,11,14,16,18,21,24, 28,52 and 58 C-12
8.	System of monitoring timely recovery of outstanding dues.	22	A : 6,7,9,11,14,18,21,22,24,27,28, 33,35,39, 58 and 59 C-6,11,12,13,15 and 23
9.	Existence of investment policy	24	A : 2,3,4,5,6,9,11,14,15,16,20,21, 22,28,33, 48,50,51,52,58 and 59 C-11,12 and 13

[‡]Sl. No.A-3,4,5,6,7,8,9,11,12,16,18,20,21,22,27,28,33,35,37,39,46,48,50,51,52,58 and 59 in **Annexure-2**.

[‡]Sl.No.A-2,4,6,7,9,14,15,16,18,20,21,22,24,27,28,30,33,36,44,48,51,52,58,59 and 60 and C-6,11,12,13,15,20 and 23 in **Annexure-2**.

Recoveries at the instance of audit

1.37 During the course of propriety audit in 2010-11, recoveries of ₹ 307.73 crore were pointed out to the Management of various PSUs. An amount of ₹ 16.25 crore was recovered during the year 2011-12.

Status of placement of Separate Audit Reports

1.38 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	2008-09	2009-10	5 July 2011	Likely to be placed in winter session
2.	Maharashtra State Warehousing Corporation	2008-09	2009-10	1 February 2011	Likely to be placed in winter session
3.	Maharashtra State Financial Corporation	2008-09	2009-10	6 May 2011	Likely to be placed in winter session
4.	Maharashtra State Road Transport Corporation	2008-09	2009-10	13 March 2011	Likely to be placed in winter session

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

1.39 The State had 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 2010-11, MERC issued eight orders on annual revenue requirements and 138 on others.

* Replaced by Electricity Act, 2003.

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

Sl. No.	Milestone	Achievement as at March 2011
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	In the years 2008-09 and 2009-10 the milestone was achieved, however in the year 2010-11 availability of Thermal Generating plants was 81.64 <i>per cent</i>
Transmission and Distribution		
1.	Reduction in transmission and distribution losses to 18 <i>per cent</i> .	Distribution loss was 17.28 <i>per cent</i> and Transmission loss was 4.31 <i>per cent</i> .
2.	100 <i>per cent</i> electrification of all villages	100 <i>per cent</i> villages electrified.
3.	100 <i>per cent</i> metering of all distribution feeders	96 <i>per cent</i> metering of all distribution feeders completed.
4.	100 <i>per cent</i> metering of all consumers	All consumers are metered except 15.36 lakh Agricultural 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 September 2010.