

Chapter I

Overview of State Public Sector Undertakings

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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 PSUs are established to carry out activities of commercial nature keeping in view the welfare of people. In Maharashtra, the PSUs occupy an important place in the State economy. The working PSUs registered a turnover of ₹ 67,382.90 crore in 2012-13 as per their latest finalised accounts by September 2013. This turnover was equal to 4.91 *per cent* of State Gross Domestic Product (GDP) of ₹ 13,72,644.34 crore for 2012-13. Major activities of PSUs are concentrated in power and infrastructure sectors. The working PSUs earned an overall profit of ₹ 1,796.38 crore in aggregate for 2012-13 as per their latest finalised accounts. They had employed 2.02 lakh employees as of 31 March 2013.

1.2 A sector-wise summary of the PSUs is given below:

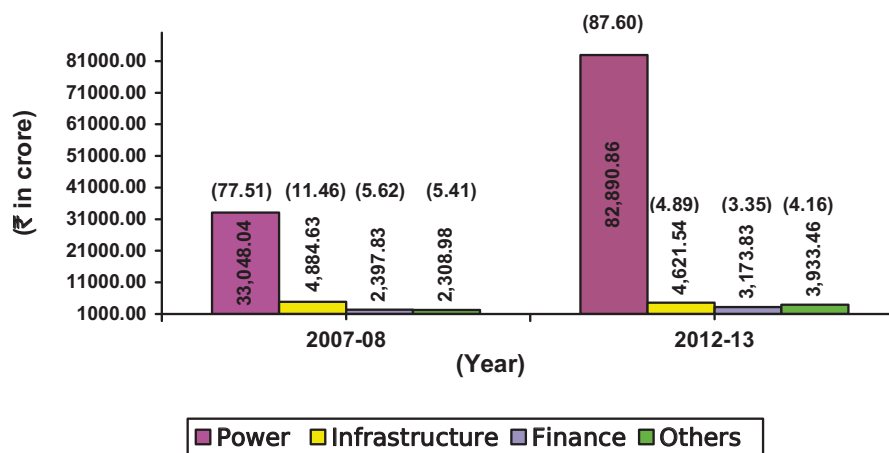
Name of Sector	Government companies ¹		Statutory corporations		Total	Investment ² (₹ in crore)
	Working	Non-working ³	Working	Non-working		
Power	10	0	0	-	10	82,890.86
Finance	16	1	1	-	18	3,173.83
Manufacturing	9	8	0	-	17	675.06
Infrastructure	11	5	1	-	17	4,621.54
Agriculture & Allied	7	6	1	-	14	776.80
Services	4	0	1	-	5	2,462.79
Miscellaneous	4	2	0	-	6	18.81
Total	61	22	4	-	87	94,619.69

1.3 The investment in various important sectors and percentage thereof at the end of 31 March 2008 and 31 March 2013 are indicated below in the bar chart. The thrust of PSU investment was mainly in the Power sector and increased from 77.51 to 87.60 *per cent* during 2007-08 to 2012-13.

¹ Includes 619-B companies at Sl.No.A-5,17,26,32,37,41,47,49 and 57 of **Annexure-1**.

² This includes paid up capital and loans outstanding as on 31 March 2013.

³ Non-working PSUs are those which have ceased to carry on their operations.



(Figures in brackets show the percentage of total investment)

Accountability framework

1.4 The accounts of the Government companies/Statutory corporations for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by 30 September.

1.5 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* or more of the paid up capital is held in any combination by Government(s), Government companies or 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, 1956.

Statutory Audit

1.6 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 the 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.

1.7 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.

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- In respect of Maharashtra State Warehousing Corporation and Maharashtra State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Role of Legislature and Government

1.8 The State Government exercises control over the affairs of these PSUs as a owner through its administrative departments. The Chief Executive and Directors on the Board are appointed by the Government.

1.9 The State legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Report together with the Statutory Auditors' Report and Comments of CAG, in respect of State Government companies and Separate Audit Report in case of Statutory corporations are to be placed before the Legislature within three months of its finalisation/as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (DPC) Act, 1971.

Stake of Government of Maharashtra

1.10 As owners, Government of Maharashtra (GoM) has huge financial stake in these PSUs. This stake is of mainly three types:

- Share capital and loans - In addition to the share capital contribution, GoM also provides financial assistance by way of loans to the PSUs from time to time.
- Special financial support - GoM provides budgetary support by way of grants and subsidies to PSUs as and when required.
- Guarantees - GoM also guarantees the repayment of loans with interest availed by PSUs from financial institutions.

Investment in State PSUs

1.11 As on 31 March 2013, the total investment (capital and long-term loans) in 87 PSUs (including nine 619-B companies) was ₹ 94,619.69 crore as per details given below:

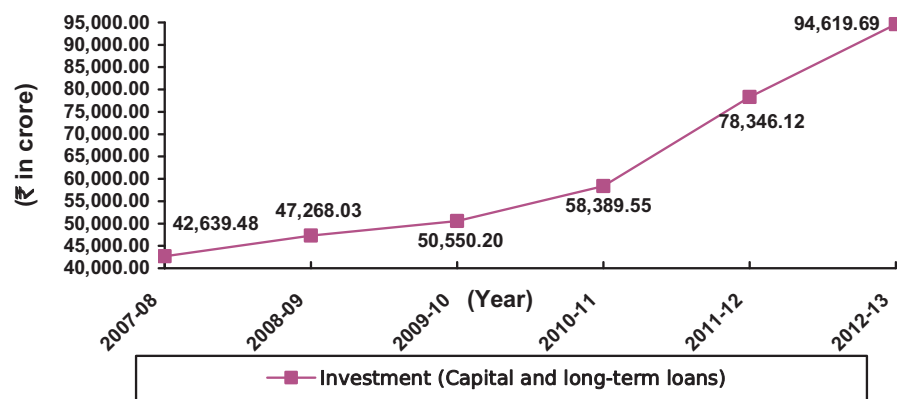
(Amount ₹ in crore)

Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	32,932.05	57,936.10	90,868.15	2,312.25	712.99	3,025.24	93,893.39
Non-working PSUs	321.75	404.55	726.30	--	--	--	726.30
Total	33,253.80	58,340.65	91,594.45	2,312.25	712.99	3,025.24	94,619.69

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

Audit Report No.2 of PSUs for the year ended 31 March 2013

1.12 As on 31 March 2013, of the total investment in PSUs, 99.23 per cent was in working PSUs and the remaining 0.77 per cent in non-working PSUs. This total investment consisted of 37.59 per cent towards capital and 62.41 per cent in long-term loans. The investment has grown by 121.91 per cent from ₹ 42,639.48 crore in 2007-08 to ₹ 94,619.69 crore in 2012-13 as shown in the graph below. The total investment in PSUs had increased by ₹ 16,273.57 crore during 2012-13 as compared to 2011-12 which was mainly due to increase in equity and loans to the Power Sector PSUs.



Special support to PSUs and returns during the year

1.13 Each year, GoM provides additional investment and support to PSUs in various forms through annual budget. During the year 2012-13, GoM extended budgetary support of ₹ 9,990.57 crore to 20 PSUs. 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 PSUs are given in **Annexure-3**.

The summarised details are given below for three years ended 2012-13.

(Amount ₹ in crore)

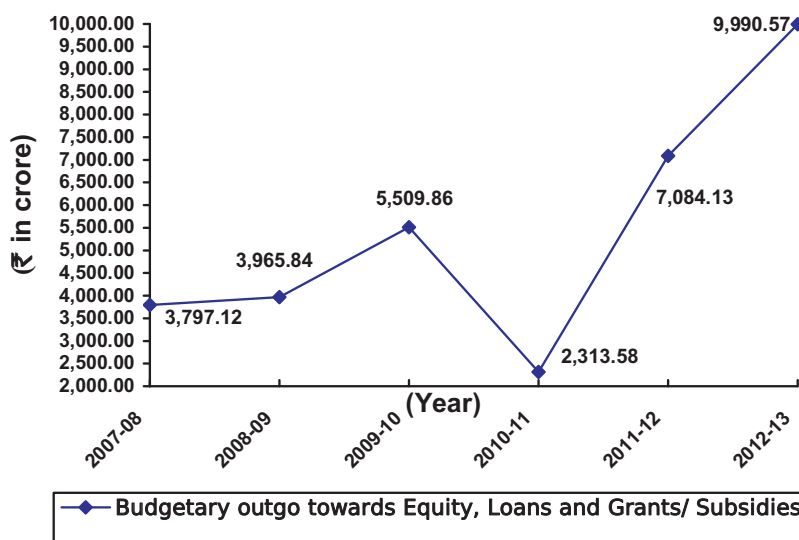
Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	13	1,202.27	13	2,132.89	12	1,813.56
2.	Loans given from budget	7	313.34	6	280.66	4	2,100.99
3.	Grants/Subsidy issued	15	797.97	18	4,670.58	17	6,076.02
4.	Total Outgo (1+2+3)	22⁴	2,313.58	24⁴	7,084.13	20⁴	9,990.57
5.	Loans written off	2	24.50	2	17.88	1	0.24
6.	Interest/Penal interest waived	1	2.76	2	0.38	1	0.27
7.	Total waiver (5+6)	2⁵	27.26	3⁵	18.26	2⁵	0.51

⁴ Actual number of PSUs which received budgetary support in the form of equity, loans, Grants/subsidy from State Government.

⁵ Actual number of PSUs in which loans were written off and penal interest waived by the State Government.

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



1.15 The budgetary outgo in the form of equity, loans, grants/subsidies, etc. increased from ₹ 7,084.13 crore in 2011-12 to ₹ 9,990.57 crore during 2012-13. Similarly, grants/subsidies increased from ₹ 4,670.58 crore in 2011-12 to ₹ 6,076.02 crore in 2012-13. During the year 2012-13, the State Government waived loans and interest/penal interest of ₹ 0.51 crore due from two⁶ PSUs as against waiver of ₹ 18.26 crore during the previous year.

Guarantees for loans and outstanding guarantee fee

1.16 Guarantee for loans availed by PSUs from State Government is the third form of support to PSUs. During the year, the GoM had guaranteed ₹ 152 crore and commitment stood at ₹ 1,283.47 crore at the end of the year (Annexure 3).

(₹ in crore)

Particulars	Government companies		Statutory corporations		Total
	Number	Amount	Number	Amount	
Guarantees received	2	152.00	-	-	152.00
Commitment as on 31 March 2013	7	1,283.47	-	-	1,283.47

1.17 The amount of Guarantee commitment as on 31 March 2012 was ₹ 4,139.36 crore (12 PSUs) which decreased to ₹ 1,283.47 crore (seven PSUs) as on 31 March 2013. During the year 2012-13, the State Government had guaranteed loans aggregating ₹ 152 crore obtained by two⁷ working Government companies. The Government charges fees for guarantees at

⁶ Western Maharashtra Development Corporation Limited and Maharashtra State Financial Corporation of Annexure-3.

⁷ Maharashtra Agro Industries Development Corporation Limited and Vasantnao Naik Vimukta Jatis & Nomadic Tribes Development Corporation Limited of Annexure-3.

Audit Report No.2 of PSUs for the year ended 31 March 2013

varying rates. Out of ₹ 380.83 crore payable towards guarantee fee during the year 2012-13, five PSUs paid guarantee fees of ₹ 33.88 crore leaving an unpaid balance of ₹ 346.95 crore from 10⁸ PSUs as on 31 March 2013.

Failure to ensure proper accountability of the Government stake in PSUs

1.18 As stated above State Government has huge financial stake in the PSUs. We, however, found that the PSUs/Government did not ensure proper accountability of this investment. The lapses were mainly in two areas:

- Inability to provide an accurate figure for investment as reconciliation with the figures of Finance Accounts prepared by the Office of Principal Accountant General (Accounts & Entitlements) (PAG A&E) is pending; and
- Non-preparation of annual accounts and audit of the same.

These lapses led to accounts remaining outside the purview of legislative financial control.

Reconciliation with Finance Accounts

1.19 The Finance Accounts of GoM prepared by the PAG (A&E) and certified by CAG depicts the Government stake in PSUs in respect of equity, loans and guarantees. The figures in respect of equity, loans and guarantees outstanding as per records of 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 on 31 March 2013 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	9,119.90	20,369.13	11,249.23
Loans	1,660.65	7,998.39	6,337.74
Guarantees	2,989.65	1,283.47	1,706.18

1.20 Audit observed that the differences occurred in respect of 50 PSUs and some of the differences were pending reconciliation for more than three years. The matter was brought to the notice of Chief Secretary/Principal Secretary (Finance) in October 2013. The State Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

⁸ Sl.No.A-2,4,12,13,15,16,20,21 and 52 and B-1 of Annexure-1.

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 the working PSUs in finalisation of accounts as of 30 September 2013.

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of working PSUs	61	62	64	65	65
2.	Number of accounts finalised during the year	57	71	82	82	74
3.	Number of accounts in arrears	185	178	162	138	129
4.	Average arrears per PSU (3/1)	3.03	2.87	2.53	2.12	1.98
5.	Number of Working PSUs with arrears in accounts	55	56	53	53	52
6.	Extent of arrears	1 to 13 years.	1 to 13 years.	1 to 14 years.	1 to 12 years.	1 to 7 years.
7.	Number of PSUs having arrears above five years	9	8	6	7	7

1.22 The average arrears per PSU had decreased from 3.03 in 2008-09 to 1.98 in 2012-13. The performance of finalisation of accounts during the year 2012-13 has improved as compared to the previous year. The average number of accounts in arrears per PSU decreased from 2.12 to 1.98 as compared to previous year. However, during 2012-13, 17⁹ working PSUs did not finalise any account which contributed to the accumulation of arrears in accounts. The number of companies whose accounts were in arrears for more than five years in 2012-13 has not changed compared to the previous year. 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. Of the 22 non-working PSUs, two¹⁰ PSUs were under liquidation whose accounts were in arrears for two and 19 years respectively. Six¹¹ non-working PSUs had finalised accounts till 2012-13 and balance

⁹ Sl. No.A-7,10,14,15,19,27,33,37,40,42,43,45,49,51,52,58 and 60 of **Annexure-2**.

¹⁰ Sl. No.C-3 and 18 of **Annexure-2**.

¹¹ Sl. No.C-6, 15, 16, 19, 20 and 22 of **Annexure-2**.

Audit Report No.2 of PSUs for the year ended 31 March 2013

14 PSUs had arrears of accounts for one to 15 years of which two¹² PSUs did not finalise any account during the year as detailed below:

No. of Non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears	Reference to Sl. No. of Annexure-2
1	1998-99 to 2012-13	15	C-7
13	2012-13	1	C-1,2,4,5,8,9,10,11,12,13,14,17 and 21

1.24 The State Government had invested ₹ 8,893.87 crore (Equity: ₹ 2,053.70 crore, Loans: ₹ 343.66 crore and Grants: ₹ 6,496.51 crore) in 18 PSUs (17 working companies and one working Statutory corporation) during the year for which accounts were not 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 remained 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 relevant acts.

Arrears in respect of Statutory corporations

1.25 Of the four Statutory corporations, none had finalised their accounts for the year 2012-13.

1.26 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 State Legislature.

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 State Warehousing Corporation	2008-09	2009-10	29-09-2011	SARs have not been placed in the Legislature.
			2010-11	28-09-2012	
			2011-12	26-09-2013	
2.	Maharashtra State Financial Corporation	2011-12	No pendency		
3.	Maharashtra Industrial Development Corporation	2009-10	2010-11	05-10-2012	Likely to be placed in Winter session in December 2013.
			2011-12	30-08-2013	
4.	Maharashtra State Road Transport Corporation	2011-12	No pendency		

¹² MAFCO Limited and Kolhapur Chitranagri Mahamandal Limited of **Annexure-2**.

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The State Government should ensure timely placement of SARs so that legislative control and financial accountability of the Statutory corporations are complied with.

Failure of the administrative departments

1.27 The administrative departments have the responsibility to oversee the activities of these PSUs and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period.

1.28 As the position of arrears in finalisation of accounts was alarming, CAG took up the matter (September 2011) with the Ministry of Corporate Affairs (MCA) and suggested to devise special arrangements along with actionable issues to ensure enforcement of accountability. The MCA in turn devised (November 2011) a scheme which allowed the PSUs with arrears in accounts to finalise the latest two years accounts and clear the backlog within five years.

1.29 The Pr.AG had a meeting (July 2013) with the Principal Secretary (Finance), GoM in connection with the arrears in accounts of PSUs. The persisting huge arrears of accounts revealed that PSUs did not avail this concession to make their accounts up to date.

Impact of non-finalisation of accounts

1.30 Section 210 of the Companies Act, 1956 read with Section 166 of the Act provides for finalisation of annual accounts by 30 September. Similarly, Statutory corporations created under respective Acts are also required to finalise their annual accounts by 30 September. Non-finalisation of accounts by 30 September is a violation of the provisions of the relevant Acts.

1.31 Further, as pointed out in **Paragraph 1.24**, 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 relevant acts. In view of the above state of arrears, the actual contribution of PSUs to the State Gross Domestic Product (GDP) for the year 2012-13 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

1.32 Hence it is recommended that the Government should monitor and ensure timely finalisation of accounts with special focus on liquidation of arrears and comply with the provisions of the relevant acts.

Performance of PSUs

Performance based on finalised accounts

1.33 The financial results of PSUs are given in **Annexure-2**. Similarly, financial position and working results of Statutory corporations are detailed in **Annexures-5 and 6** respectively. A *ratio* of PSU turnover to State GDP

Audit Report No.2 of PSUs for the year ended 31 March 2013

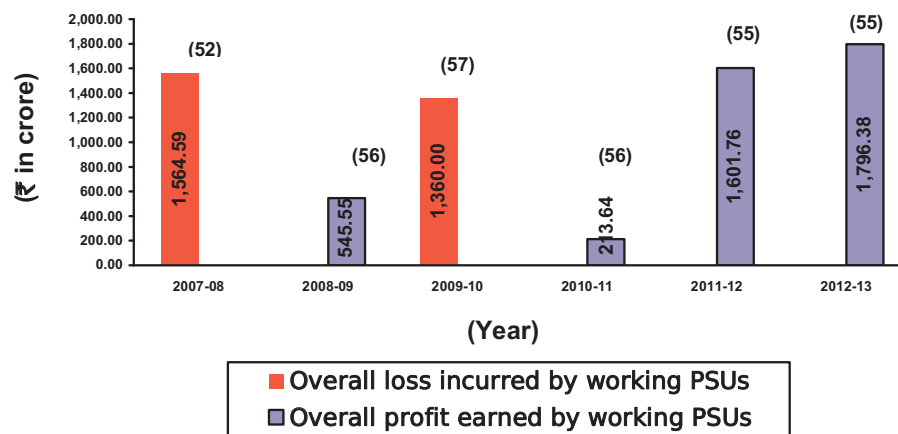
shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs' turnover and State GDP for the period 2007-08 to 2012-13.

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Turnover	34,684.97	35,495.23	40,872.98	49,058.92	62,315.03	67,382.90 ¹³
State GDP	5,90,995.00	6,97,683.00	8,31,971.24	10,29,621.00	12,48,453	13,72,644.34 ¹⁴
Percentage of Turnover to State GDP	5.87	5.09	4.91	4.76	4.99	4.91

The percentage of turnover to State GDP decreased from 5.87 in 2007-08 to 4.91 in 2012-13 as the turnover of PSUs did not increase in proportion to the corresponding increase in the State GDP during 2008-09 to 2012-13.

1.34 Profits/(losses) earned/(incurred) by the working PSUs during 2007-08 to 2012-13 are given below in a bar chart.



(Figures in bracket 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 overall loss of ₹ 1,564.59 crore incurred during 2007-08, the working PSUs made an overall profit of ₹ 1,796.38 crore in 2012-13. During the year 2012-13, out of 55 working PSUs, 43 PSUs earned profit of ₹ 2,268.27 crore and 12 PSUs incurred loss of ₹ 471.89 crore. Out of remaining PSUs, four¹⁵ working PSUs prepared their accounts on 'no profit no loss basis'. The other six¹⁶ PSUs were under construction, hence did not prepare profit and loss account. The major contributors to profit were Maharashtra State Power Generation Company Limited (₹ 927.76 crore) and Maharashtra State Electricity Transmission Company Limited (₹ 882.58 crore). Losses were incurred by Maharashtra State Road

¹³ Turnover as per the latest finalised accounts as of September 2013.

¹⁴ Advance estimates as furnished by Directorate of Economics and Statistics, Government of Maharashtra.

¹⁵ Sl. No.A-12,17,28 and 58 of Annexure-2.

¹⁶ Sl. No.A-27,37,42,43,45 and 55 of Annexure-2.

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Development Corporation Limited (₹ 257.49 crore) and MSEB Holding Company Limited (₹ 192.83 crore).

1.35 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 ₹ 1,904.54 crore and infructuous investment of ₹ 11.37 crore, which were controllable with better management. Year wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	Total
Net Profit (loss)	213.64	1,601.76	1,796.38	3,611.78
Controllable losses as per CAG's Audit Report	600.93	433.60	870.01	1,904.54
Infructuous Investment	0.00	11.37	0.00	11.37

1.36 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses may increase if other transactions are considered. 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.

1.37 Some other key parameters pertaining to PSUs are given below.

(Amount ₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Return on Capital Employed (<i>Per cent</i>)	0.89	7.52	2.61	4.83	7.23	6.62 ¹⁷
Debt	27,035.20	25,834.25	27,704.79	34,345.95	47,416.00	59,053.64
Turnover	34,684.91	35,495.23	40,872.98	49,058.92	62,315.03	67,383.89
Debt/Turnover Ratio	0.78:1	0.73:1	0.68:1	0.70:1	0.76:1	0.88:1
Interest Payments	2,355.14	2,197.56	2,509.77	2,580.15	3,403.22	4,062.00
Accumulated Profit/ (Losses)	(6,639.08)	(7,006.90)	(8,539.13)	(9,614.61)	(11,552.02)	(11,219.48)

1.38 The percentage of consolidated return on capital employed of PSUs increased from 0.89 in 2007-08 to 6.62 in 2012-13. However, the accumulated losses of PSUs increased by 68.99 *per cent* from ₹ 6,639.08 crore in 2007-08 to ₹ 11,219.48 crore in 2012-13 thus indicating deteriorating financial position of the PSUs. The debt turnover *ratio* deteriorated from 0.78:1 during 2007-08 to 0.88:1 during 2012-13.

¹⁷ Return on capital for the year has been computed by considering profit before tax and after prior period adjustment.

Audit Report No.2 of PSUs for the year ended 31 March 2013

1.39 The State Government formulated (June 2010) dividend policy under which all profit earning PSUs were required to declare dividend after complying with necessary provisions of the applicable Acts. The dividend rate was fixed (February 2012) at five *per cent* by the State Government. As per latest finalised accounts, 43 working PSUs earned an aggregate profit of ₹ 2,268.27 crore but only seven¹⁸ PSUs which earned profit of ₹ 217.09 crore declared a dividend of ₹ 14.95 crore (at an average rate of 6.89 *per cent*).

Winding up of non-working PSUs

1.40 There were 22 non-working PSUs (all companies) as on 31 March 2013. This includes two¹⁹ PSUs where the liquidation process has started and official liquidator has been appointed by the Court. The numbers of non-working companies at the end of each year during past five years were as under:

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
No. of non-working companies	24	23	22	22	22

Six²⁰ non-working PSUs whose accounts were finalised for the year 2012-13, incurred expenditure of ₹ 0.37 crore towards salary and establishment. This expenditure was financed through disposal of investments, interest from fixed deposit and miscellaneous income of these PSUs.

1.41 The stages of closure in respect of non-working PSUs (all companies) as on 31 March 2013 are given below.

(Amount ₹ in crore)

Sl. No.	Particulars	Companies	Investment	Accumulated profit/(loss)
1.	Total No. of non-working PSUs	22	726.30	(1,339.43)
2.	Under Liquidation	2	20.38	(29.15)
3.	Closure orders/instructions issued but liquidation process not yet started	10 ²¹	569.73	(1,260.08)
4.	Decision not yet taken	10	136.19	(50.20)

The State Government may take early suitable decision on the 10 non-working PSUs.

¹⁸ Sl. No.A-1,2,5,11,38,39 and B-1 of **Annexure-2**.

¹⁹ Sl.No.C-3 and 18 of **Annexure-2**.

²⁰ Sl. No.C-6,15,16,19,20 and 22 of **Annexure-2**.

²¹ Sl. No.C-1,2,5,13,14,15,16,17,20 and 21 of **Annexure-2**.

Accounts Comments and Internal Audit

1.42 Forty four working companies forwarded their 70 audited annual accounts to Principal Accountant General (PAG) during the year 2012-13. Of these, 35 accounts were selected for supplementary audit and Non Review Certificates were issued for 35 accounts. The Audit Reports of Statutory Auditors appointed by CAG and the supplementary audit by 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	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	15	103.77	16	245.87	18	81.21
2.	Increase in loss	9	129.44	13	65.36	4	23.06
3.	Non-disclosure of material facts	5	46.41	3	512.97	2	7.58
4.	Errors of classification	14	101.75	9	46.70	10	79.81
	Total		381.37		870.90		191.66

Though the value of comments of CAG and Statutory Auditors decreased from ₹ 870.90 crore in 2011-12 to ₹ 191.66 crore in 2012-13 the PSUs need to improve the quality of their accounts.

1.43 During the year, the Statutory Auditors had given unqualified certificates for 13 accounts and qualified certificates for 49 accounts, adverse certificates (which means that accounts do not reflect a true and fair view) for seven accounts and disclaimers (meaning the auditors are unable to form an opinion on accounts) for one account.

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

Maharashtra State Electricity Distribution Company Limited (2011-12)

- Transmission charges were overstated by ₹ 15.77 crore due to not adjusting excess billed amount of connection charges (₹ 6.99 crore) and short term/medium term open access credit (₹ 8.78 crore). This has resulted in over statement of Loss and Current Liabilities for the year by ₹ 15.77 crore.
- Revenue from sale of power to Industrial high voltage consumers was overstated by ₹ 2.68 crore due to excess accounting of unbilled revenue by Ganeshkhind Urban Circle, Pune. This has resulted in understatement of Loss and overstatement of Current Assets by ₹ 2.68 crore.

Audit Report No.2 of PSUs for the year ended 31 March 2013

- Capital works in progress did not include ₹ 4.45 crore towards unpaid bills of various contractors under Rajiv Gandhi Grameen Vidyutikaran Yojana Scheme (₹ 2.53 crore) and other Schemes (₹ 1.92 crore). This has resulted in understatement of Capital Works in Progress and provision by ₹ 4.45 crore.

City and Industrial Development Corporation of Maharashtra Limited (2008-09)

- Sale proceeds were understated by ₹ 4.71 crore due to non-accountal of receipt from sale of plots even though the full payment was received from three parties. This has resulted in understatement of excess of receipts over expenditure in respect of Navi Mumbai Project (NMP) Account and amount payable to the State Government by ₹ 4.71 crore.

1.45 Similarly, four working Statutory corporations forwarded their annual accounts to the PAG during the year 2012-13. Of these, the accounts of two Statutory corporations were audited solely by CAG. The accounts of the remaining two were selected for supplementary audit. The details of aggregate money value of comments of Statutory Auditors and CAG are given below.

(Amount: ₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	4	378.00	2	25.23	3	10.02
2.	Increase in loss	--	--	1	0.06	1	0.88
3.	Non-disclosure of material facts	1	57.37	--	--	1	223.72
4.	Errors of classification	--	--	1	0.46	1	23.23
	Total		435.37		25.75		257.85

1.46 During the year all four Statutory corporations received qualified certificates for their accounts.

1.47 Some of the important comments in respect of accounts of Statutory corporations are given below.

Maharashtra Industrial Development Corporation (2011-12)

- No Provision was made in the accounts for doubtful recovery of water charges of ₹ 6.93 crore. This resulted in overstatement of amount recoverable and surplus by ₹ 6.93 crore.

1.48 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit system in the companies audited in accordance with the directions issued to them by CAG under Section 619(3) (a) of the Companies Act, 1956 and to

Chapter-I-Overview of Government companies and Statutory corporations

identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors for possible improvement in the internal audit/internal control system in respect of 43 companies²² for the year 2011-12 and 37 companies²³ for the year 2012-13 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	8	A-1,2,3,16,25,36,53 and 59
2.	Absence of internal audit system commensurate with the nature and size of business of the company	18	A-2,3,6,9,11,20,23,25,30, 31,44,50,54,56,61 C-8,10 and 17
3.	Non maintenance of cost record	6	A-3,16,25,36,59 and 61
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	14	A-4,6,9,11,16,20,23,25, 34,36 and 54 C-6,9 and 15
5.	Non-formation of Audit committee	17	A-1,4,6,8,9,12,13,20,22, 25,31,36,50,53,54 and 61 C-15
6.	Delegation of powers and duties and responsibilities not adequately defined	9	A-4,9,11,12,13,23,25 and 59 C-9
7.	System of accounts and financial control	14	A-4,6,9,11,20,23,25,32, 34,36,54 and 59 C-9 and 10
8.	System of monitoring timely recovery of outstanding dues.	21	A-1,2,5,8,9,11,20,23,25, 26,32,34,36 and 59 C-6,8,9,15,17,19 and 20
9.	Existence of investment policy	5	A-3,9,16,53 and 59

Recoveries at the instance of audit

1.49 During the course of audit conducted during 2012-13, recoveries of ₹ 73.45 crore were pointed out to the Management of various PSUs. An amount of ₹ 1.54 crore was recovered during the year 2012-13.

²²Sl.No.A-2,5,7,9,11,13,14,15,16,18,20,21,23,24,25,26,29,32,35,36,38,40,42,44,46,47,49,51, 52,55,56,59 and 60 C: 2,3,4,5,7,8,12,13,16 and 17 in **Annexure-2**.

²³Sl.No.A-1,2,3,4,5,6,8,9,11,12,13,16,20,22,23,25,26,30,31,32,34,36,44,50,53, 54, 56, 59 and 61 C-6,8,9,10,15,17,19 and 20 in **Annexure-2**.

Reforms in Power Sector

1.50 The State Government had formed Maharashtra Electricity Regulatory Commission (Commission) in August 1999 under the Electricity Regulatory Commission Act, 1998²⁴ 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. The audit of accounts of the Commission is done solely by CAG under Section 104(2) of the Electricity Act, 2003. The Commission had finalised its accounts up to the year 2008-09. During 2012-13, Commission issued 25 orders on Annual Revenue Requirements and 145 on other matters.

²⁴ Replaced by Electricity Act, 2003.