

# **Chapter I**

## **Overview of State Public Sector Undertakings**

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### Overview of State Public Sector Undertakings

#### Introduction

**1.1** The State Public Sector Undertakings (PSUs) consist of Government of Maharashtra (GoM) companies and Statutory corporations. The PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. The working results of 87 State PSUs comprising of 83 State Government companies (including 22 Non-working companies) and four Statutory corporations are discussed here. The turnover of 65 working PSUs was ₹ 77,462.56 crore in 2013-14 as per their latest finalised accounts. This turnover was equal to 5.25 *per cent* of the State Gross Domestic Product (GDP) of ₹ 14,76,233 crore for 2013-14. Major activities of PSUs are concentrated in power and infrastructure sectors. The working PSUs earned an overall aggregate profit of ₹ 1,973.15 crore for 2013-14 as per their latest finalised accounts as of September 2014. They had employed 2.05 lakh employees as of 31 March 2014. Maharashtra State Financial Corporation, a Statutory corporation, stopped its financing activities and concentrated on recovery of outstanding dues, for which time extension was granted by GoM upto March 2014.

**1.2** Sector-wise summary of PSUs is given below:

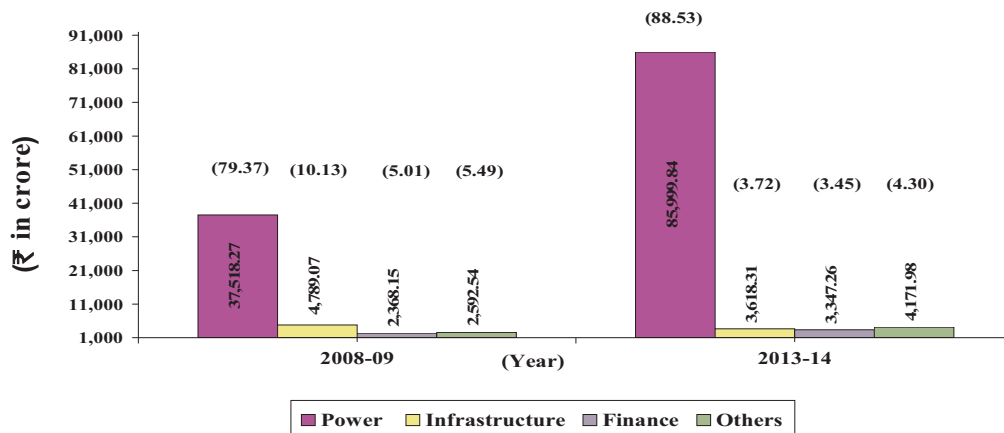
Name of Sector	No. of Government companies <sup>1</sup>		No. of Statutory corporations		Total	Investment <sup>2</sup> (₹ in crore)
	Working	Non-working <sup>3</sup>	Working	Non-working		
Power	10	0	0	-	10	85,999.84
Finance	16	1	1	-	18	3,347.26
Manufacturing	9	8	0	-	17	675.92
Infrastructure	11	5	1	-	17	3,618.31
Agriculture & Allied	7	6	1	-	14	689.26
Services	4	0	1	-	5	2,780.90
Miscellaneous	4	2	0	-	6	25.90
<b>Total</b>	<b>61</b>	<b>22</b>	<b>4</b>	<b>-</b>	<b>87</b>	<b>97,137.39</b>

**1.3** The investment in various important sectors and percentage thereof at the end of 31 March 2009 and 31 March 2014 are indicated below in the bar chart. The thrust of PSU investment was mainly in the Power sector and increased from 79.37 to 88.53 *per cent* during 2008-09 to 2013-14.

<sup>1</sup> Includes nine 619-B Companies

<sup>2</sup> This includes paid up capital and loans availed from Government and financial institutions

<sup>3</sup> 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 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.

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 is a Government company (deemed Government company) as per Section 619-B of the Companies Act, 1956.

#### Statutory Audit

**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 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.

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.

### Role of Legislature and Government

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

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 (Duties, Powers and Conditions of Service) Act, 1971.

### Stake of Government of Maharashtra

**1.7** As an owner, 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 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 provides guarantees for the repayment of loans and interest thereon availed by PSUs from financial institutions.

### Investment in State PSUs

**1.8** As on 31 March 2014, the total investment (capital and long-term loans<sup>4</sup>) in 87 PSUs was ₹ 97,137.39 crore as per details given below:

(₹ in crore)

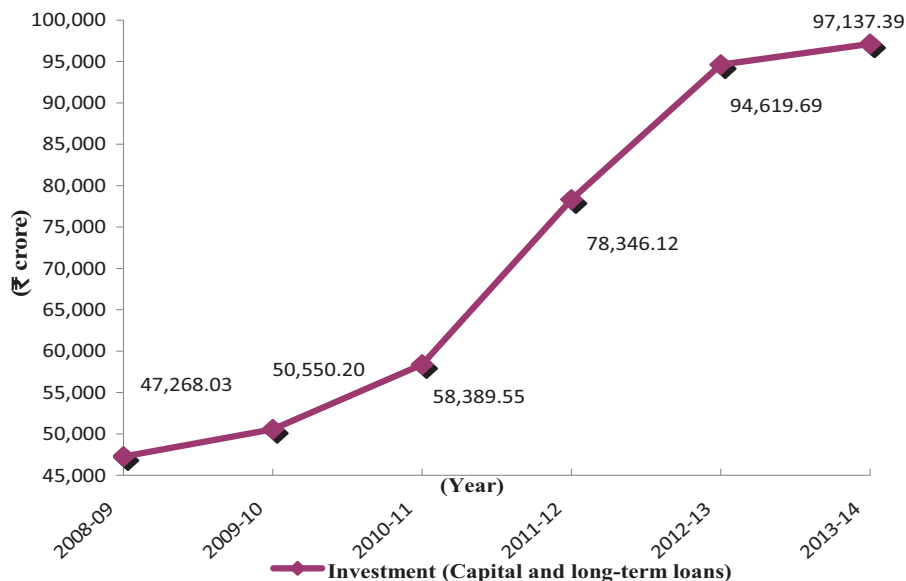
Type of PSUs	Working PSUs				Non-working PSUs				Grand Total
	No.	Capital	Long Term Loans	Total	No.	Capital	Long Term Loans	Total	
Government companies	61	35,340.30	57,721.88	93,062.18	22	321.73	405.25	726.98	93,789.16
Statutory corporations	4	2,563.60	784.63	3,348.23	--	--	--	--	3,348.23
<b>Total</b>	<b>65</b>	<b>37,903.90</b>	<b>58,506.51</b>	<b>96,410.41</b>	<b>22</b>	<b>321.73</b>	<b>405.25</b>	<b>726.98</b>	<b>97,137.39</b>

As on 31 March 2014, of the total investment in PSUs, 99.25 per cent was in working PSUs and the remaining 0.75 per cent in non-working PSUs. This total investment consisted of 39.35 per cent towards capital and 60.65 per cent towards long-term loans. The investment has grown by

<sup>4</sup> This represents loans from the Government and financial institutions

*Audit Report No.2 of PSUs for the year ended 31 March 2014*

105.50 per cent from ₹ 47,268.03 crore in 2008-09 to ₹ 97,137.39 crore in 2013-14 as shown in the graph below. The total investment in PSUs had increased by ₹ 2,517.70 crore during 2013-14 as compared to 2012-13 which was mainly due to increase in equity and loans to the Power Sector PSUs.



### Special support and returns during the year

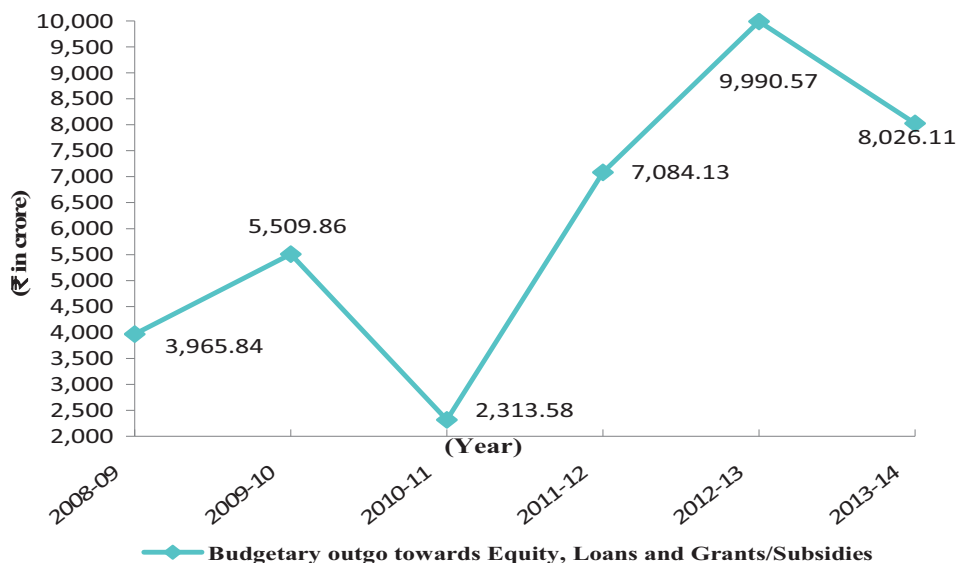
**1.9** The GoM provides financial support to PSUs in various forms through annual budget. During the year 2013-14, GoM extended budgetary support of ₹ 8,026.11 crore to 20 PSUs. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived are given below for three years ended 2013-14.

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	13	2,132.89	12	1,813.56	10	1,994.72
2.	Loans given from budget	6	280.66	4	2,100.99	--	--
3.	Grants/Subsidy paid	18	4,670.58	17	6,076.02	18	6,031.39
4.	<b>Total Outgo<sup>5</sup> (1+2+3)</b>	<b>24</b>	<b>7,084.13</b>	<b>20</b>	<b>9,990.57</b>	<b>20</b>	<b>8,026.11</b>
5.	Loans written off	2	17.88	1	0.24	1	0.002
6.	Interest/Penal interest waived	2	0.38	1	0.27	1	0.22
7.	<b>Total waiver (5+6)</b>	<b>3</b>	<b>18.26</b>	<b>2</b>	<b>0.51</b>	<b>1</b>	<b>0.222</b>

<sup>5</sup> Actual number of PSUs which received budgetary support in the form of equity, loans, Grants/ subsidy from State Government as reported by respective PSUs

*Chapter-I-Overview of Government companies and Statutory corporations*

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. decreased from ₹ 9,990.57 crore in 2012-13 to ₹ 8,026.11 crore in 2013-14. Similarly, grants/subsidies decreased from ₹ 6,076.02 crore in 2012-13 to ₹ 6,031.39 crore in 2013-14. During the year 2013-14, the State Government waived loans/interest/penal interest of ₹ 0.22 crore due from one<sup>6</sup> PSU as against waiver of ₹ 0.51 crore during the previous year.

**Guarantees for loans and outstanding guarantee fee**

**1.10** Guarantee for loans availed by PSUs from State Government is the third form of support to PSUs. During the year, the GoM had provided guarantee for loan of ₹ 190 crore and total commitment as on 31 March 2014 stood at ₹ 2,679.16 crore as summarised below:

Particulars	Government companies		Statutory corporations		Total
	Number	Amount	Number	Amount	
Guarantees received	2	190.00	-	-	<b>190.00</b>
Commitment outstanding as on 31 March 2014	9	2,679.16	-	-	<b>2,679.16</b>

The amount of Guarantee commitments by the State Government as on 31 March 2013 increased from ₹ 1283.47 crore (7 PSUs) to ₹ 2,679.16 crore (nine PSUs) as on 31 March 2014. During the year 2013-14, the State Government had guaranteed loans of ₹ 190 crore availed by two<sup>7</sup> working Government companies. The Government charges fees for guarantees at

<sup>6</sup> Western Maharashtra Development Corporation Limited

<sup>7</sup> Maharashtra Agro Industries Development Corporation Limited and Maharashtra State Handicapped Finance and Development Corporation Limited

varying rates. Out of ₹ 252.86 crore payable by seven PSUs towards guarantee fee during the year 2013-14, they paid ₹ 35.76 crore leaving an unpaid balance of ₹ 217.10 crore from seven PSUs as on 31 March 2014.

### Reconciliation with Finance Accounts

**1.11** The Finance Accounts of GoM prepared by the PAG (A&E), Maharashtra, Mumbai and certified by CAG depicts the Government stake in PSUs in the form 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 2014 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	6,904.19	21,318.64	14,414.45
Loans	1,946.20	7,851.25	5,905.05
Guarantees	2,813.29	2,679.16	134.13

Audit observed that the differences occurred in respect of 48 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 November 2014. The State Government and the PSUs may take concrete steps to reconcile the differences in a time-bound manner.

### Arrears in finalisation of accounts

**1.12** The accounts of 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 2014.

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Number of working PSUs	62	64	65	65	65
2.	Number of accounts finalised during the year	71	82	82	74	78
3.	Number of accounts in arrears	178	162	138	129	116
4.	Number of Working PSUs with arrears in accounts	56	53	53	52	51
5.	Extent of arrears	1 to 13 years.	1 to 14 years.	1 to 12 years.	1 to 7 years.	1 to 8 years
6.	Number of PSUs having arrears above five years	8	6	7	7	4

*Chapter-I-Overview of Government companies and Statutory corporations*

The performance in finalisation of accounts has improved during the year 2013-14 as compared to the previous year. However, during 2013-14, 14 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 2013-14 has decreased compared to the previous year. This indicated that some effective action had been taken to liquidate the arrears of accounts of the companies. The PSUs should ensure that at least arrear accounts for one year in addition to current year's accounts are finalised during each year so as to liquidate the arrears.

The GoM had invested ₹ 1,292.90 crore (Equity: ₹ 585.51 crore, Loans: ₹ 179.02 crore and Grants: ₹ 528.37 crore) in 12 working companies during years for which accounts were not finalised as detailed in **Annexure-1**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of the State Legislature.

**1.13** In addition to above, there were arrears in finalisation of accounts by non-working PSUs. Of the 22 non-working PSUs, two<sup>8</sup> PSUs were under liquidation whose accounts were in arrears for three and 20 years respectively. Three<sup>9</sup> non-working PSUs had finalised accounts till 2013-14 and balance 17 PSUs had arrears of accounts for one to 15 years of which five<sup>10</sup> 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
1	1999-00 to 2013-14	15
1	2012-13 to 2013-14	2
15	2013-14	1

**1.14** Of the four Statutory corporations, none had finalised their accounts for the year 2013-14.

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<sup>8</sup> Irrigation Development Corporation of Maharashtra Limited and Sahyadri Glass Works Limited

<sup>9</sup> The Maharashtra Land Development Corporation Limited, Maharashtra State Textile Corporation Limited and The Pratap Spinning, Weaving and Manufacturing Company Limited

<sup>10</sup> Vidarbha Quality Seeds Limited, Maharashtra Rural Development Corporation Limited, Maharashtra Electronics Corporation Limited, The Gondwana Paints and Minerals Limited and Vidarbha Tanneries Limited



*Audit Report No.2 of PSUs for the year ended 31 March 2014*

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
1.	Maharashtra Industrial Development Corporation	2010-11	2011-12	30-08-2013
2.	Maharashtra State Financial Corporation	2012-13	No pendency	
3.	Maharashtra State Road Transport Corporation	2012-13		
4.	Maharashtra State Warehousing Corporation	2012-13		

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

**1.15** 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.

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, in consultation with the Institute of Chartered Accountants of India, 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.

The Principal Accountant General had a meeting (April 2014) with the Additional Chief Secretary (Finance), GoM in connection with the arrears in accounts of PSUs. The persisting huge arrears of accounts revealed that PSUs did not fully avail this concession to make their accounts up to date.

**Impact of non-finalisation of accounts**

**1.16** As pointed out in **Paragraph 1.12**, 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 of accounts, the actual contribution of PSUs to the State GDP for the year 2013-14 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

Hence it is recommended that the Government may ensure timely finalisation of accounts with special focus on liquidation of arrears.

**Performance of PSUs**

**Performance based on finalised accounts**

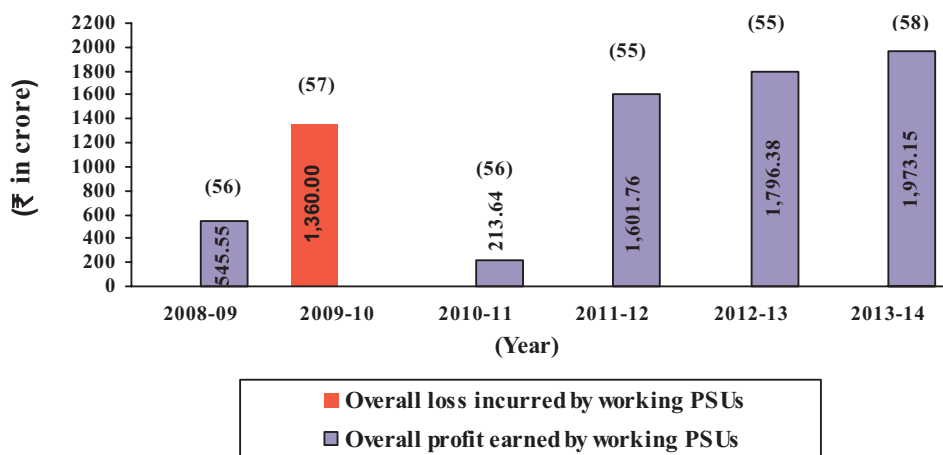
1.17 The table below provides the details of working PSUs' turnover and State GDP for the period 2008-09 to 2013-14.

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Turnover	35,495.23	40,872.98	49,058.92	62,315.03	67,382.90	77,462.56 <sup>11</sup>
State GDP	6,97,683.00	8,31,971.24	10,29,621.00	12,48,453	13,72,644.34	14,76,233 <sup>12</sup>
Percentage of Turnover to State GDP	5.09	4.91	4.76	4.99	4.91	5.25

The percentage of turnover to State GDP increased from 5.09 in 2008-09 to 5.25 in 2013-14.

The overall profits/ (losses) earned/ incurred by the working PSUs during 2008-09 to 2013-14 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)

During the year 2013-14, out of 58 working PSUs, 40 PSUs earned profit of ₹ 3,335.98 crore and 18 PSUs incurred loss of ₹ 1,362.83 crore. Thus, overall profit earned by PSUs during 2013-14 was ₹ 1973.15 crore as against profit of ₹ 545.55 crore earned during 2008-09. Out of remaining seven PSUs, four<sup>13</sup> working PSUs prepared their accounts on 'no profit no loss basis' and three<sup>14</sup>

<sup>11</sup> Turnover is as per the latest finalised accounts as of September 2014

<sup>12</sup> Figures furnished by Ministry of Statistics and Programme Implementation as on 1 August 2014

<sup>13</sup> Maharashtra Patbandhare Vittiya Company Limited, Maharashtra Vikrikar Rokhe Pradhikaran Limited, Maharashtra State Police Housing and Welfare Corporation Limited and Krupanidhi Limited

<sup>14</sup> Maharashtra Industrial Gas Transmission Company Limited, MSMC Adkoli Natural Resources Limited and MSMC Warora Collieries Limited

*Audit Report No.2 of PSUs for the year ended 31 March 2014*

PSUs were under construction, hence did not prepare profit and loss account. The major contributors to profit were Maharashtra State Electricity Transmission Company Limited (₹ 2,521.89 crore) and Maharashtra State Power Generation Company Limited (₹ 319.97 crore). Losses were incurred by Maharashtra State Electricity Distribution Company Limited (₹ 576.10 crore), Maharashtra State Road Development Corporation Limited (₹ 173.16 crore) and MSEB Holding Company Limited (₹ 142.56 crore).

**1.18** The losses of working PSUs were 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 showed that the State working PSUs incurred losses to the tune of ₹ 1,459.64 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	2011-12	2012-13	2013-14	Total
Net Profit (loss)	1,601.76	1,796.38	1,973.15	<b>5,371.29</b>
Controllable losses as per CAG's Audit Report	433.60	870.01	156.03	<b>1,459.64</b>
Infructuous Investment	11.37	0.00	0.00	<b>11.37</b>

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). 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 of PSUs are given below.

*(₹ in crore)*

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Capital Employed ( <i>Per cent</i> )	7.52	2.61	4.83	7.23	6.62	10.42 <sup>15</sup>
Debt	25,834.25	27,704.79	34,345.95	47,416.00	59,053.64	58,911.16 <sup>16</sup>
Turnover	35,495.23	40,872.98	49,058.92	62,315.03	67,383.89	77,462.73 <sup>17</sup>
Debt/Turnover Ratio	0.73:1	0.68:1	0.70:1	0.76:1	0.88:1	0.76:1
Interest Payments	2,197.56	2,509.77	2,580.15	3,403.22	4,062.00	7,014.15
Accumulated Profit/ (Losses)	(7,006.90)	(8,539.13)	(9,614.61)	(11,552.02)	(11,219.48)	(10,036.05)

The percentage of return on capital employed by PSUs increased from 7.52 in 2008-09 to 10.42 in 2013-14. However, the accumulated losses of PSUs

<sup>15</sup> Return on capital for the year has been computed by considering profit before tax and after prior period adjustment

<sup>16</sup> Figures as of March 2014 were furnished by respective PSUs

<sup>17</sup> Turnover was as per accounts finalised by September 2014 including finalisation of accounts of earlier years

increased by 43.23 per cent from ₹ 7,006.90 crore in 2008-09 to ₹ 10,036.05 crore in 2013-14 thus indicating deteriorating financial position of PSUs. The debt turnover ratio deteriorated from 0.73:1 during 2008-09 to 0.76:1 during 2013-14.

**1.20** The GoM 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, 40 working PSUs earned an overall profit of ₹ 3,335.98 crore but only six PSUs which earned profit of ₹ 210.99 crore declared a dividend of ₹ 4.62 crore (at an average rate of 2.19 per cent).

### Winding up of non-working PSUs

**1.21** There were 22 non-working PSUs (all companies) as on 31 March 2014. This included two PSUs where the liquidation process was started and official liquidator was appointed by the Court. The numbers of non-working companies at the end of each year during past five years were as under:

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
No. of non-working companies	23	22	22	22	22

Three non-working PSUs whose accounts were finalised for the year 2013-14, incurred expenditure of ₹ 1.62 crore towards salary and establishment. This expenditure was financed through interest from fixed deposit and miscellaneous income of these PSUs.

The stages of closure in respect of non-working PSUs (all companies) as on 31 March 2014 are given below.

(Amount ₹ in crore)				
Sl. No.	Particulars	Number of Companies	Investment	Accumulated profit/(loss)
1.	Total No. of non-working PSUs	22	726.98	(1,370.60)
2.	Under Liquidation	2	20.38	(29.15)
3.	Closure orders/instructions issued but liquidation process not yet started	10	570.43	(1,291.03)
4.	Decision not yet taken	9	132.80	(48.81)
5.	Under orders of State Government for revival	1 <sup>18</sup>	3.37	(1.61)

The GoM may take early suitable decision on the nine non-working PSUs and action in case of the two PSUs under liquidation.

<sup>18</sup> Kolhapur Chitranagri Mahamandal Limited

**Accounts Comments and Internal Audit**

**1.22** Forty seven working companies forwarded their 74 audited annual accounts to Principal Accountant General (PAG) during the year 2013-14. Of these, 35 accounts were selected for supplementary audit and Non Review Certificates were issued for 39 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	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	16	245.87	18	81.21	9	61.51
2.	Increase in loss	13	65.36	4	23.06	9	431.30
3.	Non-disclosure of material facts	3	512.97	2	7.58	--	--
4.	Errors of classification	9	46.70	10	79.81	6	313.62
	<b>Total</b>		<b>870.90</b>		<b>191.66</b>		<b>806.43</b>

The value of comments of CAG and Statutory Auditors increased from ₹ 191.66 crore in 2012-13 to ₹ 806.43 crore in 2013-14 indicating that the PSUs need to improve the quality of their accounts.

During the year, the Statutory Auditors had given unqualified certificate for 28 accounts, qualified certificate for 40 accounts and adverse certificate (which means that accounts do not reflect a true and fair view) for six accounts.

**1.23** Similarly, four working Statutory corporations forwarded their annual accounts to the PAG during the year 2013-14. 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	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	25.23	3	10.02	1	0.01
2.	Increase in loss	1	0.06	1	0.88	--	--
3.	Non-disclosure of material facts	--	--	1	223.72	1	1.96
4.	Errors of classification	1	0.46	1	23.23	1	0.22
	<b>Total</b>		<b>25.75</b>		<b>257.85</b>		<b>2.19</b>

*Chapter-I-Overview of Government companies and Statutory corporations*

During the year two Statutory corporations viz. Maharashtra State Warehousing Corporation and Maharashtra State Financial Corporation received qualified certificates for their accounts. Maharashtra State Road Transport Corporation got unqualified certificate and certification of accounts (2012-13) of Maharashtra Industrial Development Corporation is in progress.

**1.24** 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 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 37 companies whose accounts were received in 2012-13 and 29 companies whose accounts were received in 2013-14 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made
1.	Non-fixation of minimum/maximum limits of store and spares	14
2.	Absence of internal audit system commensurate with the nature and size of business of the company	25
3.	Non maintenance of cost record	11
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	20
5.	Non-formation of Audit committee	19
6.	Delegation of powers and duties and responsibilities not adequately defined	14
7.	System of accounts and financial control	24
8.	System of monitoring timely recovery of outstanding dues.	29
9.	Existence of investment policy	19

**Recoveries at the instance of audit**

**1.25** During the course of audit conducted during 2013-14, recoveries of ₹ 207.20 crore were pointed out to the Management of various PSUs. An amount of ₹ 40.45 crore was recovered during the year 2013-14.

**Follow-up action on Audit Reports**

**1.26** Action Taken Notes (ATNs) to 144 recommendations contained in 18 Reports of the COPU presented to the State Legislature between April 1996

*Audit Report No.2 of PSUs for the year ended 31 March 2014*

and December 2014 had not been received up to December 2014 as indicated below:

<b>Year of COPU Report</b>	<b>Total no. of Reports involved</b>	<b>No. of recommendations where ATNs not received</b>
1996-97	1	6
1997-98	1	13
2005-06	1	5
2007-08	2	16
2008-09	1	7
2010-11	7	34
2012-13	3	43
2013-14	2	20
<b>Total</b>	<b>18</b>	<b>144</b>

***Explanatory Notes (EN) outstanding***

**1.27** Audit Reports of the CAG represent culmination of the process of scrutiny, starting with initial inspection of accounts and records maintained in the various offices and departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department of the GoM issues instructions every year to all administrative departments to submit explanatory notes to paragraphs and performance audits included in the Audit Reports within a period of three months of their presentation to the Legislature, in the prescribed format, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Details of Audit Report wise paragraphs/performance audits for which replies were awaited as on December 2014 were as under:

<b>Audit Report</b>	<b>Date of placement of Audit Report in the State Legislature</b>	<b>Number of</b>			<b>EN awaited</b>		
		<b>Performance audits</b>	<b>Paragraphs</b>	<b>Total</b>	<b>Performance audits</b>	<b>Paragraphs</b>	<b>Total</b>
2008-09	23 April 2010	2	21	23	1	2	3
2009-10	21 April 2011	2	21	23	1	2	3
2010-11	17 April 2012	2	20	22	--	14	14
2011-12	18 April 2013	2	21	23	1	13	14
2012-13	14 June 2014	3	15	18	3	15	18
<b>Total</b>		<b>11</b>	<b>98</b>	<b>109</b>	<b>6</b>	<b>46</b>	<b>52</b>

From the above it could be seen that out of 109 paragraphs/performance audits, EN to 52 paragraphs/performance audits pertaining to the Audit Report for the year 2008-09 to 2012-13 were awaited (December 2014).