

## Overview

### 1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective Legislations. The working results of 87 State PSUs comprising of 83 State Government companies and four Statutory corporations are discussed in this report. 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 indicating the important role played by the State PSUs in the economy. Though, the working PSUs earned an overall profit of ₹ 1,973.15 crore in 2013-14 they had accumulated losses of ₹ 8,665.45 crore as on 31 March 2014.

*(Paragraphs 1.1, 1.4 and 1.5)*

As on 31 March 2014, the investment (Capital and long term loans) in 87 PSUs was ₹ 97,137.39 crore. It grew by 105.50 per cent from ₹ 47,268.03 crore in 2008-09 mainly because of increase in investment in power sector. The Government contributed ₹ 8,026.11 crore towards equity, loans and grants/subsidies during 2013-14.

*(Paragraphs 1.3, 1.8 and 1.9)*

Fifty one working PSUs had arrears of 116 accounts as of September 2014. The extent of arrears was one to eight years. There are 22 non-working companies of which two are under liquidation.

*(Paragraphs 1.12 and 1.13)*

During the year 2013-14, out of 65 working PSUs, 40 PSUs earned profit of ₹ 3,335.98 crore and 18 PSUs incurred loss of ₹ 1,362.83 crore. Four PSUs prepared their accounts on no profit no loss basis and three PSUs were under construction and had not prepared 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). Heavy 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).

*(Paragraph 1.17)*

During the year, the Statutory auditors had given unqualified certificates for 28 accounts, qualified certificates for 40 accounts and adverse certificates (which means that accounts do not reflect a true and fair view) for six accounts. Of the four accounts forwarded by the Statutory corporations during October 2013 to September 2014, two accounts received qualified certificates, one got unqualified certificate and one is under process.

*(Paragraphs 1.22 and 1.23)*

## **2. Performance Audit of Government company**

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

**Maharashtra State Road Development Corporation Limited (Company)** was incorporated in August 1996 under the Companies Act, 1956. The main objective of Government of Maharashtra (GoM) to form the Company was to implement road infrastructure projects through Public Private Participation (PPP) and arrange funds for the projects. The GoM assigned total 26 projects to the Company upto 2005-06 and no projects were assigned thereafter. The Company had taken up 18 projects funded through borrowings and grants and remaining eight projects were awarded on Build, Operate and Transfer (BOT) basis. The project cost was to be recovered through toll collection. Performance Audit covered the working of the Company for five years from 2009-10 to 2013-14.

*(Paragraph 2.1)*

The Company incurred losses during the period of five years under review mainly due to non commencement of toll collections, collection of toll below the estimated revenue and closure of few toll stations before recovery of entire project cost. However, losses of ₹ 148.06 crore incurred during 2009-10 decreased to ₹ 8.86 crore during 2013-14 (as per provisional accounts). The long term borrowings also reduced from ₹ 3,063.53 crore in 2010-11 to ₹ 1,627.36 crore in 2013-14. The net worth of the Company remained negative throughout the four years.

*(Paragraphs 2.8.1 and 2.8.2)*

The Company completed the Nagpur-Aurangabad-Sinnar-Ghoti-Mumbai Road improvement project (NASGM) at a cost of ₹ 765.94 crore. The actual toll recovery for NASGM was far less than estimated toll collection of ₹ 193 crore per annum. The GoM decided (June 2014) to close all eight toll stations across NASGM road and proposal for reimbursement of ₹ 1,795 crore (including interest and other cost) submitted by the Company was pending with GoM.

The Company also executed eight Integrated Road Development Programme (IRDP) projects at a total cost of ₹ 1,272.46 crore which was met through borrowings and Capital Contributions from GoM and Local Bodies. The collection of toll for IRDP projects at Amravati, Pune and

**Nanded completed during 2010-13 was not started due to non-issue of no objection certificate by the Pune Municipal Corporation and public demand not to levy toll.**

*(Paragraphs 2.10.2, 2.10.4 and 2.12.6)*

**The Company had no mechanism in place for periodical inspection of road conditions for preparation of annual plan and plan for special repairs. The Company had to close four toll stations on NASGM and IRDP, Aurangabad for one to 563 days during 2010-11 to 2013-14 due to public agitation against bad roads.**

*(Paragraphs 2.11.1)*

**The Company introduced Revenue Sharing Clause (RSC) in short term toll collection contracts awarded from September 2011. The RSC provided that after the contractor collects the amount offered under the contract, any excess revenue shall be remitted to the Company after deducting five *per cent* towards profit and five *per cent* towards administrative charges. However, the Company did not include any mechanism in the agreements for assessment of such excess revenue.**

*(Paragraph 2.12.2)*

**There were delays in awarding 12 toll contracts which ranged from one to 20 months and the loss of revenue worked out to ₹ 13.24 crore considering the rates received against subsequent tenders.**

*(Paragraphs 2.12.4)*

**Contractors were to pay weekly/monthly/ yearly or whole upfront payment of toll to the Company. However, there was no monitoring system in place to check the arrears and an amount of ₹ 15.10 crore was recoverable from 27 contractors even after adjusting security deposits.**

*(Paragraph 2.12.7)*

### **3. Information Technology Audit of Statutory Corporation**

Highlights of Information Technology Audit of computerisation of e-ticketing system in Maharashtra State Road Transport Corporation are given below:

**Maharashtra State Road Transport Corporation (Corporation) incorporated in July 1961 under Section 3 of the State Road Transport Corporations Act, 1950, is mandated to provide an efficient, adequate, economical and properly coordinated road transport system within the State of Maharashtra.**

*(Paragraphs 3.1)*

**There was deficient systems design resulting in non-capturing of data for grant of concessions. The deficient input control and validation checks resulted in low assurance regarding completeness and reliability of data as observed from the tables containing details of freedom fighters, Arjuna awardees etc.**

*(Paragraphs 3.9.1, 3.9.2, 3.10.4 and 3.10.5)*

**The system could not be used for an effective Management Information System, data integration and data mining as envisaged in the scope of the contract due to non-capturing of details of buses available with depots, manual pass collection data, digitised routes and bus stops, digitisation of data of pass holders etc.**

*(Paragraphs 3.8.8 and 3.11)*

**Inadequate accounting arrangements and control mechanism for monetary transactions resulted in retention of amount by Authorised Booking Agents in excess of permissible limits.**

*(Paragraphs 3.8.7)*

#### **4. Compliance Audit Paragraphs**

Compliance Audit Paragraphs included in this Report highlight irregularities involving significant financial implications of the following nature:

*Loss of ₹ 5.10 crore in three cases due to non-safeguarding of financial interests of the organisations.*

*(Paragraphs 4.1, 4.4 and 4.5)*

*Loss of ₹ 3.15 crore in two cases due to non-compliance with rules, directives, procedures, terms and conditions of contract.*

*(Paragraphs 4.2 and 4.6)*

*Loss of ₹ 19.39 crore in one case due to defective/deficient planning.*

*(Paragraph 4.3)*

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

**Maharashtra Small Scale Industries Development Corporation Limited** could not recover license fee of ₹ 64.80 lakh for its godowns leased to two parties due to failure in taking possession of godowns immediately after arrears of license fee exceeded the amount of Security Deposit.

*(Paragraph 4.1)*

**Maharashtra State Power Generation Company Limited** had seven coal based Thermal Power Stations (TPS) with a total generation capacity of 7,980 Mega Watt (MW) of 29 units as of 31 March 2014. The capital overhaul of a generating unit is taken up once in five years while annual overhaul is to be carried out annually. Audit covered scrutiny of repair and maintenance activities at five TPS (23 units with installed capacity of 6,730 MW) during 2010-11 to 2013-14. It was observed that there was significant shortfall of 39 units in taking up annual/capital overhauls as compared to 75 units planned by the Company. Further, there was avoidable delay of 139 days in completion of overhauls during January 2011 to September 2014 leading to loss of generation of 513.11 Million Units (MUs). The preventive maintenance was not as per original equipment manufacturer manual resulting in loss of generation of 1,177.29 MUs while delay in replacement/repair of equipments led to loss of generation of 1,722.27 MUs.

*(Paragraph 4.3)*

**Maharashtra State Electricity Distribution Company Limited** incurred extra expenditure of ₹ 3.94 crore on procurement of meters due to lack of condition in tender for enforcing the suppliers to supply meters at lower rate quoted by them against subsequent tender. In another case, the Company in violation of tender condition paid price variation of ₹ 2.77 crore for belated supply of distribution transformers and granted undue favour to supplier.

*(Paragraphs 4.4 and 4.6)*