

## Overview

### Functioning of State Public Sector Undertakings

Audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013. The financial statements of the Government Companies are audited by the Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG). These financial statements are also subject to supplementary audit conducted by the CAG.

As on 31 March 2018, there were 95 State Public Sector Undertakings (PSUs) in Maharashtra, including 10 Statutory Corporations and 85 Government Companies (including 21 inactive Government Companies) under the audit jurisdiction of the CAG. The working PSUs registered an annual turnover of ₹ 90,334.69 crore as per their latest finalised accounts as on 30 September 2018. This turnover was equal to 3.62 *per cent* of the State Gross Domestic Product (GDP) of Maharashtra. As on 31 March 2018, the investment (equity and long term loans) in 95 State PSUs was ₹ 3,57,317.05 crore. The power sector received 77.04 *per cent* of total investment (₹ 1,72,309.70 crore) made during the period from 2013-14 to 2017-18.

### 1. Functioning of State Power Sector Undertakings

The turnover of eight Power sector PSUs was ₹ 79,543.51 crore in 2017-18 as per their latest finalised accounts. This turnover was equal to 3.19 *per cent* of the State GDP. The power sector PSUs incurred an overall net loss of ₹ 3,328.13 crore as per their latest finalised accounts.

*(Paragraph 1.8)*

As on 31 March 2018, the investment (capital and long term loans) in eight Power sector PSUs was ₹ 2,18,749.40 crore. Out of this, Government of Maharashtra (GoM) has investment of ₹ 88,120.58 crore consisting of ₹ 88,086.99 crore towards equity and ₹ 33.59 crore towards long term loans. The GoM contributed ₹ 7,853.62 crore towards equity, loans and grants/subsidies during 2017-18.

*(Paragraphs 1.4 and 1.7)*

During the year 2017-18, out of eight working PSUs, one PSU earned profit of ₹ 814.51 crore, five PSUs incurred loss of ₹ 4,142.64 crore and two PSUs earned marginal profit/loss. The profit making PSU was Maharashtra State Electricity Transmission Company Limited (₹ 814.51 crore) whereas major losses were incurred by Maharashtra State Electricity Distribution Company Limited (₹ 3,176.49 crore) and Maharashtra State Power Generation Company Limited (₹ 929.71 crore). Four PSUs had arrears of four accounts as of September 2018.

*(Paragraphs 1.6 and 1.8)*

The balance of investment of the State Government in the share capital of the power sector PSUs increased to ₹ 88,086.99 crore in 2017-18 from ₹ 0.45 crore in 1999-2000. The present value of investments of the State Government upto 31 March 2018 worked out to ₹ 1,18,570.22 crore.

(Paragraph 1.11)

During the year, the Statutory Auditors had given qualified certificates for five accounts.

(Paragraph 1.20)

## **2. Compliance Audit Paragraphs relating to State Power Sector Undertakings**

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

**Maharashtra State Electricity Transmission Company Limited** executed Engineering, Procurement and Construction contracts to construct 52 sub-stations at a total cost of ₹ 1,835.69 crore. The Company in its agreements with the two parties, included a firm commitment clause for awarding 60 *per cent* of the cumulative works. Later, the Company did not revise the agreements for limiting the packages to the number of sub-stations approved by Maharashtra Electricity Regulatory Commission, inviting the risk of work loss compensation charges as per the agreement with the contractors.

The Company granted interest free mobilisation advance. However, the completion of the projects was delayed. In the absence of any clause for time based recovery of the advance, they could not adjust the advance in time, leading to loss of interest for the delay beyond the scheduled date of completion. The Company also did not strictly implement the price variation and liquidated damages clauses as per the terms of agreement, resulting in unwarranted benefit to the contractors.

Out of 24 sub-stations which were commissioned, 16 sub-stations were being utilised with load ranging from 10 to 40 *per cent* since their commissioning.

(Paragraph 2.1)

**Maharashtra State Electricity Distribution Company Limited** made excess payment of ₹ 1.94 crore for purchase of power from a bagasse based co-generation project due to incorrect application of energy tariff.

(Paragraph 2.2)

## **3. Functioning of State Public Sector Undertakings (other than Power Sector)**

The turnover of 87 State PSUs (other than Power Sector) was ₹ 10,791.18 crore in 2017-18 as per their latest finalised accounts. This turnover was equal to 0.43 *per cent* of the State GDP. The PSUs incurred an overall net loss of ₹ 294.63 crore as per their latest finalised accounts.

(Paragraphs 3.1, 3.2 and 3.12)

As on 31 March 2018, the investment (capital and long term loans) in 87 PSUs was ₹ 1,38,567.65 crore. Out of this, GoM has investment of

₹ 1,25,117.12 crore consisting of ₹ 1,23,938.82 crore towards equity and ₹ 1,178.30 crore towards long term loans. The GoM contributed ₹ 5,386.86 crore towards equity, loans and grants/subsidies during 2017-18.

*(Paragraphs 3.4, 3.5 and 3.10)*

Fifty seven working PSUs had arrears of 137 accounts as of September 2018. The extent of arrears was one to 19 years. There are 21 inactive companies of which one is under liquidation.

*(Paragraphs 3.7.1 and 3.7.2)*

During 2017-18, out of 66 working PSUs, 36 PSUs earned profit of ₹ 654.44 crore and 17 PSUs incurred losses of ₹ 863.24 crore. Ten working PSUs prepared their accounts on a 'no profit no loss' basis and three companies had not yet submitted their first financial statements. The major contributors to profit were Forest Development Corporation Limited (₹ 113.89 crore) and Vidarbha Irrigation Development Corporation (₹ 106.59 crore) whereas major losses were incurred by Maharashtra State Road Transport Corporation (₹ 522.78 crore) and Maharashtra State Road Development Corporation Limited (₹ 224.61 crore).

*(Paragraph 3.11)*

The balance of investment of the State Government in these PSUs increased to ₹ 1,24,400.17 crore in 2017-18 from ₹ 12,392.41 crore in 1999-2000. The present value of investments of the State Government upto 31 March 2018 worked out to ₹ 2,62,637.08 crore.

*(Paragraph 3.14)*

During the year, the Statutory Auditors had given qualified certificates for 28 accounts and adverse/disclaimer certificates (which mean that accounts do not reflect a true and fair view) for four accounts.

*(Paragraph 3.24)*

#### **4. Performance Audit of Government Company (other than Power Sector)**

Performance Audit on **Infrastructure Development by City and Industrial Development Corporation of Maharashtra Limited** was conducted. Highlights of the Audit findings are given below:

##### **4.1 City and Industrial Development Corporation of Maharashtra Limited**

###### **Executive Summary**

###### **Introduction**

City and Industrial Development Corporation of Maharashtra Limited (CIDCO) was incorporated in March 1970 under the Companies Act, 1956 as a wholly owned company of Government of Maharashtra (GoM) to undertake development works and provide social and physical infrastructure, mainly in

Navi Mumbai and adjoining areas. The major projects undertaken by CIDCO were Navi Mumbai Metro Rail (NMMR) project, Nerul-Uran Railway (NUR) project and Mass Housing Scheme (MHS) at Kharghar. Apart from these three major projects, various other contracts related to development of infrastructure projects were also awarded by CIDCO.

## **Planning**

### ***Strategic planning***

The infrastructure works carried out by CIDCO did not emerge out of a systematic and comprehensive plan. CIDCO did not prepare any long, medium or short-term plans for the infrastructure works with the result that the proposals for infrastructure works were sanctioned on a case to case basis.

### ***Inadequate planning for execution of individual projects***

#### ***Nerul-Uran Railway (NUR) project***

Due to delay in appointment of consultant and lack of synchronisation in various activities, the completion of Phase-I of the project was delayed from December 2015 to November 2018. The station works are yet to be completed and Phase-II is still in progress (November 2018). CIDCO had to terminate (May 2016) the work awarded for construction of a Rail Over Bridge (ROB) at Dronagiri to avoid the gas pipelines passing under the foundation after incurring expenditure of ₹ 67 lakh. Another work of ROB near proposed Uran station was held up due to Bharat Petroleum Corporation Limited (BPCL) not granting permission for the work of approach road as underground gas pipeline was passing below the approach road. Although, the work of ROB was completed (February 2019) at a cost of ₹ 38.20 crore, the ROB is yet (August 2019) to be opened for traffic.

#### ***Navi Mumbai Metro Rail (NMMR) project***

CIDCO decided (May 2010) to invite tender for viaduct work even before receipt and review of final Detailed Project Report (DPR) which was submitted (October 2011) by Delhi Metro Rail Corporation. As the specification of rolling stock was revised after submission of DPR, there was delay in commencing the viaduct work till finalisation of the specifications (December 2012). The approvals required such as permission from Railways for crossing over rail lines, shifting of utilities *etc.* in the alignment of the line was not timely assessed and planned accordingly. Although the project was scheduled to be completed by December 2013, major works like Rail System contracts and approach viaduct works were awarded only in the year 2014 and are yet to be completed (November 2018).

## **Award of works**

Following deficiencies were observed in award of works in respect of the three major projects and other infrastructure development works.

- Advertisements in respect of 16 tenders with estimated tender cost of ₹ 50 crore and above were not released in leading newspapers at the national level in violation of the laid down guidelines. Global tenders for projects like NMMR and Navi Mumbai International Airport (NMIA) projects were not published in any international publication.
- In six contracts with estimated cost of ₹ 890.42 crore, the contractors did not possess the minimum prescribed value of work experience, but were awarded the work.
- In seven contracts with estimated cost above ₹ 15 crore each, the bidders were technically evaluated by dispensing with the marking system for technical qualification of the bidders.
- In ten contracts with a total contract value of ₹ 429.89 crore, the existing contractors were awarded additional works valuing ₹ 69.38 crore at different work sites without inviting tenders in violation of the existing guidelines on tendering and lacked transparency.

### **Execution of works**

#### ***Internal control and monitoring***

CIDCO had not implemented Information Technology (IT) based monitoring system for engineering works and projects, which would have enabled the Management to receive all the project related information in real time to enable timely and appropriate action on critical issues. Various instances of delay in execution of works due to lack of internal control and monitoring were noticed. The coastal road constructed at a cost of ₹ 50.94 crore in June 2012 could not be utilised for more than six years as the construction of precast arch bridges on holding ponds was completed only in January 2019. The work of construction of road of 3.38 km length at Dronagiri including asphaltting, storm water drain, sewer lines and water supply line was short closed (December 2015) as the remaining area was covered under mangroves and encroachments.

#### ***Payments and Recoveries***

In one contract valuing ₹ 1,328 crore pertaining to NMMR project, excess mobilisation advance amounting to ₹ 25.33 crore was paid in violation of the contract conditions. In three contracts valuing ₹ 2,033.72 crore pertaining to land developments works for NMIA project, CIDCO paid ₹ 22.08 crore as price variation on material component, although these works were carried out by cutting the hill and filling the same with rock obtained from the said hill.

In 22 contracts with a contract value of ₹ 4,759.94 crore, CIDCO had not recovered compensation for delay amounting to ₹ 185.97 crore even though the delay in completion of work or not achieving the milestones were attributable to the contractors. CIDCO did not recover liquidated damages from the consultants for NMMR and NUR projects, although delay in issuance of drawings was attributable to the consultants.

*CIDCO should address these issues urgently so that their project management and procedures are streamlined to achieve their objective of infrastructure development more economically, efficiently and effectively.*

## **5. Compliance Audit Paragraphs relating to State Public Sector Undertakings (other than Power Sector)**

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

**Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited** could provide financial assistance of ₹ 39.13 crore to only 6,812 beneficiaries during April 2013 to March 2018. It is evident that the schemes have not been able to benefit the targeted population substantially. The schemes have not been reviewed for last 17 years to revitalise them. The Company neither received any funds from GoM nor from NBCFDC during the three years from 2015-16 to 2017-18. The Company had not formulated any standard operating time/turnaround time fixing the maximum number of days to be allowed at each stage from the receipt of application till the disbursement of loan. The percentage of recovery was ranging between 14.99 to 13.36 *per cent* only during the period April 2013 to March 2018.

*(Paragraph 5.1)*

**Maharashtra Agro Industries Development Corporation Limited** incurred avoidable extra expenditure of ₹ 3.25 crore due to its decision to adopt flawed tender evaluation criteria, which resulted in award of work at higher rates.

*(Paragraph 5.2)*

**Haffkine Bio-Pharmaceuticals Corporation Limited** did not assess its advance tax and total tax liability correctly resulting in avoidable payment of interest of ₹ 89.11 lakh on shortfall in advance tax on one hand and excess payment of ₹ 30.21 crore of total tax for two years.

*(Paragraph 5.4)*

**Mahatma Phule Backward Class Development Corporation Limited** paid avoidable additional fee of ₹ 1.22 crore due to its delay in filing of notice with the Registrar of Companies for increase in authorised share capital.

*(Paragraph 5.5)*

**Sant Rohidas Leather Industries and Charmakar Development Corporation Limited** incurred avoidable payment of income tax of ₹ 13.12 crore due to non-availing of exemption from payment of income tax.

*(Paragraph 5.6)*

**Maharashtra Film, Stage and Cultural Development Corporation Limited** granted undue favour to a party in tender evaluation and consequently incurred avoidable extra expenditure of ₹ 2.33 crore as the work got awarded to the highest bidder.

*(Paragraph 5.7)*

**City and Industrial Development Corporation of Maharashtra Limited** did not recover additional lease premium of ₹ 18.81 crore on the additional compensation paid for land acquisition.

*(Paragraph 5.8)*

Water Billing System (WBS) of the **Maharashtra Industrial Development Corporation** supports approximately an annual revenue of ₹ 800 crore. There were deficiencies in billing with regard to coding of master tables, application of rates and insufficient linkages between different systems. These were mainly due to lack of adequate input controls and validation checks. Manual data entry was allowed in various fields in the WBS resulting in low assurance regarding completeness and reliability of data. Also, the 'meter status' did not correctly represent the actual status of meter. Separate billing of consumers outside the WBS was observed. The system design was deficient as the Land Management System (LMS) was not inter-linked with the WBS although service charges were charged through the WBS based on land allotment details maintained in LMS.

*(Paragraph 5.11)*

**Maharashtra Industrial Development Corporation** granted undue favour to a private party in allotment of plot on 'as is where is basis' at a total cost of ₹ 17.94 crore by allotting additional plot. The Corporation also did not recover interest of ₹ 84.41 lakh for delayed payment by the party.

Allotment of land at pre-revised rates prior to surrender by earlier party resulted in loss of revenue of ₹ 1.55 crore to the Corporation

*(Paragraphs 5.12 and 5.13)*