

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2005, there were 77 Government companies (56 working companies and 21 non-working companies*) and five working Statutory corporations as against 76 Government companies (55 working companies and 21 non-working companies) and five working Statutory corporations as on 31 March 2004 under the control of the State Government. During the year 2004-05, five# new companies came under the audit purview of the Comptroller and Auditor General of India (CAG), three companies were disinvested and one company became a deemed Government company under Section 619(B) of the companies Act, 1956. In addition the State had formed the Maharashtra Electricity Regulatory Commission (MERC) whose audit is conducted under Section 104(2) of the Electricity Act, 2003§ by the CAG. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors appointed by the CAG as per Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements in respect of Statutory corporations are as shown below:

Sl. No.	Name of the Statutory corporations	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1	2	3	4
1.	Maharashtra State Electricity Board	Under Rule 14 of the Electricity (Supply) (Annual Accounts) Rules, 1985 read with section 185(2)(d) of the Electricity Act, 2003®	Sole audit by CAG
2.	Maharashtra State	Section 33(2) of the Road Transport	Sole audit by

* Non-working companies are those which are defunct and under the process of liquidation/ closure/merger.

Sl. No.A-30,31,32,33 and 34 of **Annexure-2**.

§ The erstwhile Electricity Regulatory Commission Act, 1998 replaced by the Electricity Act, 2003.

@ The earlier provision of Section 69(2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003.

1	2	3	4
	Road Transport Corporation	Corporations Act, 1950	CAG
3.	Maharashtra State Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by CAG
4.	Maharashtra State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by CAG
5.	Maharashtra Industrial Development Corporation	Maharashtra Industrial Development Act, 1961 and Section 19(3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit entrusted by the State Government to CAG up to 2006-07.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 The total investment[§] in 61 working PSUs (56 Government companies and five Statutory corporations) at the end of March 2005 as against 60 working PSUs (55 Government companies and five Statutory corporations) at the end of March 2004 was as follows:

(Amount: Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans*	Total
2003-04	60	4,556.01	461.72	16,715.65	21,733.38
2004-05	61	5,038.83 [§]	9.39 [§]	14,858.56	19,906.78

An analysis of the investment in working PSUs is given in the succeeding paragraphs.

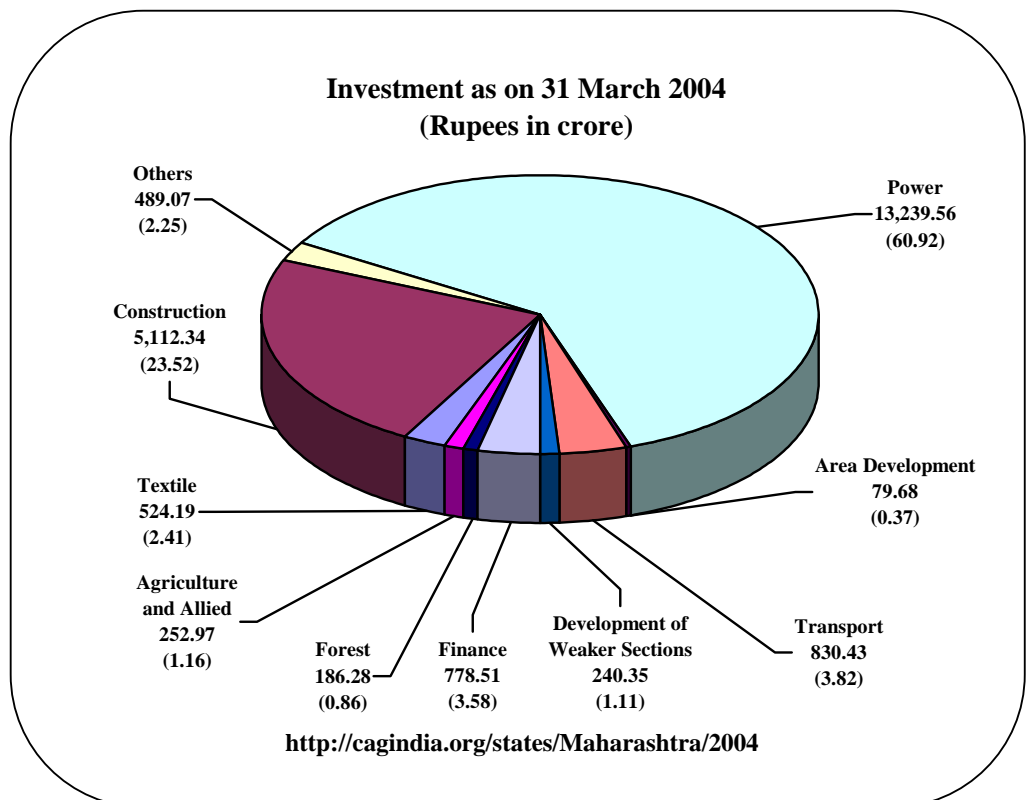
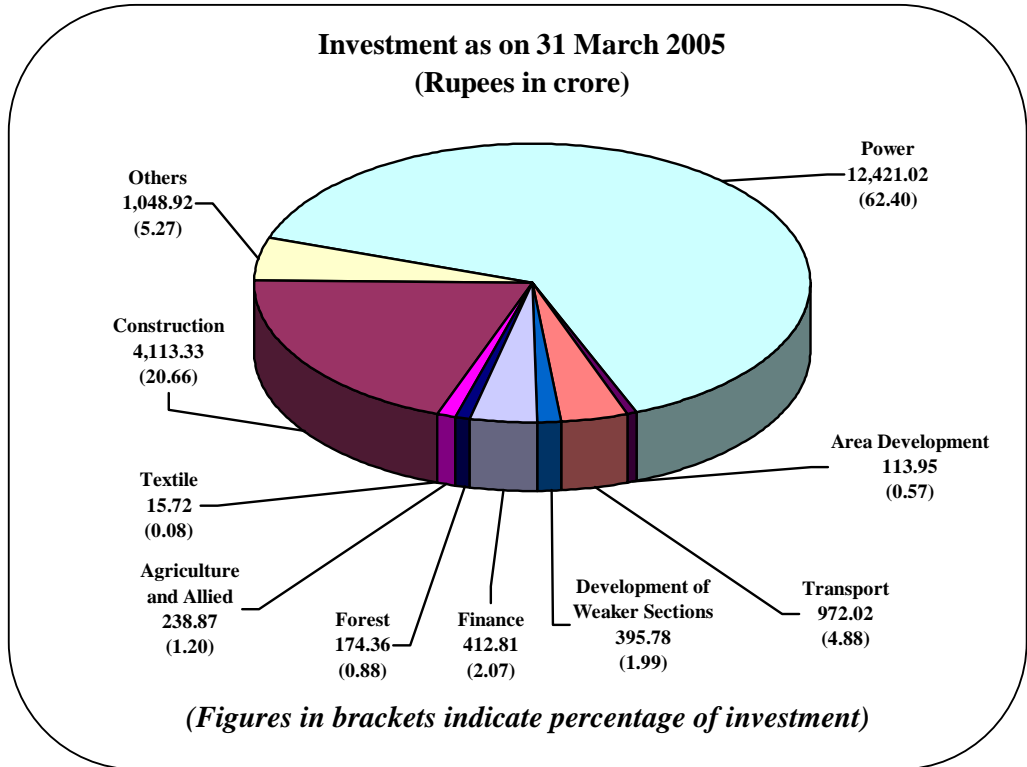
Sector wise investment in working Government companies and Statutory corporations

[§]Investment by way of equity and share application money by State Government is Rs.4,888.92 crore as per the data furnished by the PSUs (**Annexure-1**) whereas as per the Finance Accounts of the Government of Maharashtra for the year 2004-05, the amount is Rs.4,839.30 crore. The difference is under reconciliation.

*Long term loans mentioned in paras 1.2, 1.3, 1.4 and 1.16 are excluding interest accrued and due on such loans.

The investment (equity and long term loans) in various sectors and percentage

thereof at the end of March 2005 and March 2004 are shown below in the pie charts:



(Figures in brackets indicate percentage of investment)

Working Government companies

1.3 The total investment in working Government companies at the end of March 2004 and March 2005 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loans	Total
2003-04	55	819.88	4.45	6,021.49	6,845.82
2004-05	56	717.62	9.39	5,334.85	6,061.86

As on 31 March 2005, the total investment in working Government companies comprised 11.99 *per cent* of equity capital and 88.01 *per cent* of loans as compared to 12.04 *per cent* of equity capital and 87.96 *per cent* of loans as on 31 March 2004.

The summarised statement of Government investment in working Government companies in the form of equity and loans is given in **Annexure-1**.

Working Statutory corporations

1.4 The total investment in five working Statutory corporations at the end of March 2004 and March 2005 was as follows:

(Amount: Rupees in crore)

Name of corporation	2003-04		2004-05	
	Capital	Loans	Capital	Loans
Maharashtra State Electricity Board	3,464.62	9,774.94	3,464.62	8,956.40
Maharashtra State Road Transport Corporation	657.43	173.00	785.24	186.78
Maharashtra State Financial Corporation	62.64	715.88	62.64	350.18
Maharashtra State Warehousing Corporation	8.71	22.75	8.71	22.75
Maharashtra Industrial Development Corporation	--- [#]	7.60	--- [#]	7.60
Total	4,193.40	10,694.17	4,321.21	9,523.71

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is given in **Annexure-1**.

[#]There is no investment of State Government by way of share capital in Maharashtra Industrial Development Corporation.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of working Government companies and working Statutory corporations are given in **Annexures-1** and **3***.

The budgetary outgo in the form of equity capital, loans and grants/subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2004-05 is given below:

(Amount : Rupees in crore)

Particulars	2002-03				2003-04				2004-05 [#]			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	5	7.09	-	-	5	10.35	1	121.29	7	70.77	1	127.80
Loans given from budget	6	115.10	1	179.64	5	7.23	-	-	3	13.38	1	179.64
Other grants/subsidy	8	641.76	2	854.96	6	17.32	1	734.09	13	248.37	1	5,790.40
Total outgo		763.95		1,034.60		34.90		855.38		332.52		6,097.84

During the year 2004-05, the Government had guaranteed loans aggregating Rs.3,723.87 crore, obtained by five working Government companies (Rs.2,194.95 crore) and one Statutory corporation (Rs.1,528.92 crore). The guarantees in respect of outstanding loans increased from Rs.9,412.72 crore at the end of March 2004 obtained by 11 working companies (Rs.4,184.01 crore) and two Statutory corporations (Rs.5,228.71 crore) to Rs.15,887.50 crore[■] at the end of March 2005 obtained by 11 working companies (Rs.5,503.42 crore) and two Statutory corporations (Rs.10,384.08 crore). There was no case of default in repayment of guaranteed loans during the year. The guarantee fee/commission paid/payable to Government by ten working Government companies during 2004-05 was Rs.365.41 crore.

Finalisation of accounts by working PSUs

1.6 Out of 56 working Government companies and five Statutory corporations, five working Government companies and three working

*Information in respect of six companies was not received (Sl. No.A-10,11,12,21,22 and 49 of **Annexure-1**)

[#]Compiled on the basis of information received up to 30 September 2005.

[■]Figure as per the Finance Accounts of the Government of Maharashtra is Rs.17,930.62 crore (20 companies and five corporations). The difference is under reconciliation.

Statutory corporations finalised their accounts for the year 2004-05 up to 30 September 2005. During the period from October 2004 to September 2005, 38 working companies finalised 41 accounts of previous years.

The accounts of 51 working Government companies were in arrears for periods ranging from one to 14 years as on 30 September 2005, as detailed below. Besides, accounts of two working Statutory corporations (Sl. No.B-1 and B-3) were also in arrears for one year.

Sl. No.	Number of working Government companies	Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Sl. No. of Annexure-2
1	1	1991-92 to 2004-05	14	A-39
2	2	1992-93 to 2004-05	13	A-40 and 52
3	1	1994-95 to 2004-05	11	A-41
4	1	1995-96 to 2004-05	10	A-8
5	1	1996-97 to 2004-05	9	A- 4
6	2	1998-99 to 2004-05	7	A-35 and 51
7	1	1999-2000 to 2004-05	6	A-12
8	4	2000-01 to 2004-05	5	A-6,13,36 and 43
9	4	2001-02 to 2004-05	4	A-20,42,44 and 47
10	2	2002-03 to 2004-05	3	A-5 and 9
11	6	2003-04 to 2004-05	2	A-11,25,27,45,46 and 53
12	26	2004-05	1	A-1,2,3,7,10,14,15,17,18,19, 23,24,26,28,29,30,31,32,33, 34,37, 48,49,50,55 and 56
Total	51			

The administrative departments need to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were apprised regarding arrears in finalisation of accounts, effective measures had not been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2**. Besides, statements showing the financial position and working results of individual working Statutory corporations for the latest three years for which accounts were finalised are given in **Annexures-4** and **5**, respectively.

According to the latest finalised accounts of 56 working Government companies and five working Statutory corporations, 33 companies and three

corporations had incurred losses for the respective years aggregating Rs.448.24 crore and Rs.764.70 crore respectively; 16 companies and two corporations earned an aggregate profit of Rs.43.93 crore and Rs.10.08 crore respectively. Four companies (Sl.No. A-31 to 34 of **Annexure-2**) had not submitted their first accounts; one company (Sl.No. A-17 of **Annexure-2**) had capitalised excess of expenditure over income and one company (Sl.No.A-50 of **Annexure-2**) had recovered excess of expenditure over income from its shareholders. In case of one company (Sl.No. A-54 of **Annexure-2**), the expenditure was met from grant received from the State Government.

Working Government companies

Profit earning working Government companies and dividend

1.8 Five working Government companies finalised their accounts for 2004-05 up to 30 September 2005. Of these, one company (A-16 of **Annexure-2**) earned profit of Rs.0.54 crore but did not declare any dividend. Ten profit earning working Government companies, which finalised their accounts for previous years during October 2004 to September 2005, showed profit aggregating Rs.5.38 crore. Out of these, four companies were earning profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the 33 loss incurring working Government companies, 12* companies had accumulated losses aggregating Rs.1,201.14 crore, which was more than nine times their aggregate paid-up capital of Rs.126.41 crore .

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, loans, conversion of loans into equity, subsidy *etc.* According to available information, the total financial support so provided by the State Government to 13# companies was Rs.237.48 crore by way of loans (Rs.13.38 crore) and grants (Rs.224.10 crore) during 2004-05.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Three Statutory corporations finalised their accounts for 2004-05 by September 2005. As per the latest finalised accounts, two Statutory corporations (Sl. No. B-4, 5 of **Annexure-2**) earned profit aggregating Rs.10.08 crore and only one Statutory corporation (Sl. No. B-4 of **Annexure-2**) had declared dividend of Rs.17.42 lakh which was two *per cent* of its paid-up capital of Rs.8.71 crore in the previous year.

Loss incurring Statutory corporations

*Sl.No.A-3,4,6,11,12,13,14,18,29,36,37 and 38 of **Annexure-2**.

#Sl.No.A-5,11,15,18,37,39,40,41,42,46,47,52 and 54 of **Annexure-1**.

1.11 Of the three loss incurring Statutory corporations, two Statutory corporations (Sl. No. B-2 and B-3 of **Annexure-2**) had accumulated losses aggregating Rs.1,654.94 crore, which was about two times of their aggregate paid-up capital of Rs.847.88 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these corporations in the form of contribution towards equity, loans, conversion of loans into equity, subsidy *etc.* According to available information, the total financial support during 2004-05 by the State Government to one corporation (Sl. No. B-2 of **Annexure-1**) in the form of equity was Rs.127.80 crore.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure-6**.

In Maharashtra State Electricity Board, the transmission and distribution losses decreased from 39.55 *per cent* in 2001-02 to 38.20 *per cent* in 2003-04. In Maharashtra State Financial Corporation, the disbursements had decreased from Rs.30.35 crore in 2001-02 to Rs.1.57 crore in 2003-04 and the overdue amount increased from Rs.1,014.72 crore in 2001-02 to Rs.1,116.08 crore in 2003-04.

Return on capital employed

1.13 As per the latest finalised accounts (up to September 2005), the capital employed[§] worked out to Rs.6,033.02 crore in 49^{*} working companies and total return[#] thereon was negative (Rs.38.45 crore) as compared to total return of Rs.(-)116.99 crore on capital employed of Rs.5,674.46 crore in the previous year (accounts finalised up to September 2004). Similarly, the capital employed and total return thereon in the case of working Statutory corporations as per their latest finalised accounts (up to September 2005) worked out to Rs.15,844.83 crore and Rs.589.41 crore (3.72 *per cent*), respectively as against the total return of Rs.765.13 crore (4.61 *per cent*) and capital employed of Rs.16,590.54 crore in the previous year (accounts finalised up to September 2004). The details of capital employed and total return on capital employed in the case of working Government companies and Statutory corporations are given in **Annexure-2**.

[§]Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

^{*}This does not include four companies (Sl. No.A-31 to 34 of **Annexure-2**) whose first accounts are awaited, one company (Sl. No.A-17 of **Annexure-2**) which had capitalised its excess of expenditure over income, one company (Sl. No. A-54 of **Annexure-2**) whose expenditure is recouped from Government grant, and one company (Sl.No.50 of **Annexure-2**) which had recovered its excess of expenditure over income from its shareholders.

[#]For calculating total return on capital employed, interest on borrowed fund is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

Power Sector Reforms

Status of implementation of Memorandum of Understanding between the State Government and the Central Government

1.14 In pursuance of the discussions in the Chief Minister's conference on power sector reforms, held in March 2001, a Memorandum of Understanding (MOU) was signed on 16 March 2001 between the Government of Maharashtra and the Government of India as a joint commitment for implementation of a reform programme in the power sector with identified milestones. The MOU was valid for five years and subject to review annually. Status of implementation of the reform programme against each commitment made in the MOU is detailed below:

Sl. No.	Commitments as per MOU	Targeted completion schedule	Status (as on 31 March 2005)
Commitments made by the State Government			
1	Reduction in transmission and distribution losses	18 <i>per cent</i> by March 2003	35.28 <i>per cent</i>
2	100 <i>per cent</i> electrification of all villages	No target fixed	100 <i>per cent</i> electrified
3	100 <i>per cent</i> metering of all distribution feeders	December 2001	Achieved
4	100 <i>per cent</i> metering of all consumers	December 2005	100 <i>per cent</i>
5	Securitize outstanding dues of Central Public Sector Undertakings	---	Securitisation of NTPC dues has been done
6	State Electricity Regulatory Commission (SERC) <ul style="list-style-type: none"> • Establishment of SERC • Implementation of tariff orders issued by SERC during the year 	---	SERC was established on 5 August 1999 Latest tariff orders issued on 10 March 2004 and implemented

Maharashtra Electricity Regulatory Commission

1.15 Maharashtra Electricity Regulatory Commission (Commission) was formed on 5 August 1999 under Section 17 of the Electricity Regulatory Commissions Act, 1998* with the objective of determining electricity tariff, advising on matters relating to electricity generation, transmission, distribution *etc.*, in the State. The Commission is a body corporate and comprises three

*Since replaced by the Electricity Act, 2003.

members including a Chairman, who are appointed by the State Government. The audit of accounts of the Commission is conducted by the CAG under Section 104(2) of the Electricity Act, 2003. The Commission had finalised its accounts up to 2003-04 (31 July 2005) and had an excess of income* over expenditure of Rs.15.66 lakh during the year.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

1.16 The total investment in 21 non-working PSUs (all Government companies) at the end of March 2004 and March 2005 was as follows:

(Amount: Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2003-04	21	70.55	0.20	194.54	265.29
2004-05	21	292.05 [@]	0.20 [@]	359.56	651.81

The classification of the non-working PSUs was as under:

(Amount: Rupees in crore)

Status of non-working PSUs	Number of companies	Investment in companies	
		Equity	Long-term loans
Under liquidation	3	20.50	9.25
Under closure	12	264.94	333.13
Others ^{\$}	6	6.81	17.18
Total	21	292.25	359.56

(Note: There is no non-working Statutory corporation)

Of the above 21 non-working PSUs, two non-working companies (Sl. No. C-11 and 15 of **Annexure-1**) opted for simplified exit scheme under Section 560(3) of the Companies Act, 1956. Their names are yet to be struck off from the register of the Registrar of Companies. Thirteen Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for one to 19 years and substantial investment of Rs.621.85 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

*The income includes grants of Rs.2.66 crore received from Government of Maharashtra.

[@]Investment by way of equity and share application money by State Government is Rs.262.55 crore as per the data furnished by the PSUs (**Annexure-1**) whereas as per the Finance Accounts of Government of Maharashtra for the year 2004-05, the amount is Rs.244.54 crore. The difference is under reconciliation.

^{\$}Activities have been stopped, accounts are yet to be finalised, and action has not been initiated for their closure.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.17 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of non-working PSUs[#] are given in **Annexures-1** and **3**.

At the end of the year, loan of Rs.113.27 crore in respect of one non-working company (C-1 of **Annexure-3**) was converted into equity.

Total establishment expenditure of non-working PSUs

1.18 The year-wise details of total establishment expenditure of non-working companies (There is no non-working Statutory corporation in the State) and the sources of financing them during the last three years up to 2004-05 are given below:

(Amount: Rupees in lakh)

Year	Number of PSUs [†]	Total establishment expenditure	Financed by		
			Disposal of investment/assets	Government by way of loans	Others [@]
2002-03	10	2,111.51	--	--	2,111.51
2003-04	6	2,035.66	--	1,969.00	66.66
2004-05	12	667.57	457.20	--	210.37

Finalisation of accounts by non-working PSUs

1.19 Four non-working Government companies (Sl.No.C-6,16,17 and 18 of **Annexure-2**), had finalised their accounts for the year 2004-05. The accounts of 13 non-working companies were in arrears for periods ranging from one to 19 years as on 30 September 2005. Three[@] companies were under liquidation and one company (Sl.No.C-10 of **Annexure-2**) had applied for simplified exit scheme and no further account was due from the company.

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure-2**.

The net worth* of 21 non-working Government companies against their paid-up capital of Rs.292.25 crore was Rs.(-) 496.06 crore. These companies

[#]Information in respect of two companies was not received (Sl. No. C-20 and 21 of **Annexure-1**)

[†]There was no establishment expenditure in respect of remaining non-working companies.

[@]Financed by holding company.

[©]Sl. No.C-3, 12 and 21 of **Annexure-2**.

*Net worth represents paid-up capital plus free reserves less accumulated loss.

suffered cash loss of Rs.19.65 crore and their accumulated loss worked out to Rs.903.88 crore.

Status of placement of Separate Audit Reports of Statutory Corporations in Legislative Assembly

1.21 The following table gives the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG before the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Year up to which SAR placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1	Maharashtra State Electricity Board	2003-04	--	--	--
2	Maharashtra State Road Transport Corporation	2002-03	2003-04	16 March 2005	Sent to State Government for placement in Legislature.
3	Maharashtra State Financial Corporation	2000-01	2001-02 2002-03 2003-04	13 September 2003 25 January 2005 --	Sent to State Government for placement in Legislature. SAR under finalisation.
4	Maharashtra State Warehousing Corporation	2002-03	2003-04	26 February 2005	Sent to State Government for placement in Legislature.
5	Maharashtra Industrial Development Corporation	2001-02	2002-03 2003-04	23 April 2005 --	Sent to State Government for placement in Legislature. SAR under finalisation.

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

1.22 Maharashtra State Textile Corporation Limited disinvested three subsidiary companies namely Kalameshwar Textile Mills Limited (17 November 2003), Devgiri Textile Mills Limited (29 March 2004) and Pulgaon Cotton Mills Limited (14 March 2005).

Results of audit of accounts of PSUs by Comptroller and Auditor General of India

1.23 During the period from October 2004 to September 2005, 42 accounts of 35 Government companies (30 working and five non-working) were selected for review. The net impact of the important audit observations made

by the CAG, was as follows:

Sl. No.	Details	Number of accounts			<i>(Amount: Rupees in lakh)</i>		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working		Working	Non-working	
1	Decrease in profit	1	1	1	108.22	2.82	14.78
2	Increase in profit	2	1	--	15.97	0.23	--
3	Increase in loss	2	-	2	53.18	--	19,781.00
4	Decrease in loss	1	-	2	17.71	--	5,891.00
5	Non-disclosure of material facts	5	-	1	416.19	--	4,230.00
6	Errors of classification	9	2	4	4,991.18	179.74	71,589.00

Some of the major errors and omissions noticed during October 2004-September 2005 in the course of review of annual accounts are mentioned below:

Errors and omissions noticed in case of Government companies

Maharashtra State Road Development Corporation Limited (2003-04)

1.24 The interest liability towards loan relating to construction of Thane Creek Bridge-II was shown as Rs.23.10 crore instead of Rs.12.58 crore resulting in overstatement of interest liability and accumulated loss by Rs.10.52 crore.

Maharashtra Film, Stage and Cultural Development Corporation Limited (2001-02)

1.25 As against the doubtful debts of Rs.1.16 crore, the Company had made provision for doubtful debts of Rs.10.28 lakh only, resulting in overstatement of 'Sundry debtors' as well as 'Profit' by Rs.1.06 crore.

Krupanidhi Limited (2003-04)

1.26 As against liability of Rs.46.55 lakh towards rent, the Company paid Rs.0.92 lakh only and did not provide for Rs.45.63 lakh. This resulted in understatement of current liabilities and provisions as well as deficit for the year by Rs.45.63 lakh.

Maharashtra State Police Housing and Welfare Corporation Limited (2003-04)

1.27 Current assets, loans and advances included Rs.52.19 crore receivable from the Government on account of accumulated depreciation on assets already transferred to the user department. Non transfer of depreciation alongwith assets resulted in overstatement of current assets, loans and

advances by Rs.52.19 crore. This also resulted in overstatement of grant by the same amount.

Errors and omissions noticed in case of Statutory corporations

Maharashtra State Electricity Board (2003-04)

1.28 Lease rent of hydro power stations did not include lease rent of Rs.122.40 crore payable to Government for the year 2003-04 in respect of Koyna Stage IV hydro power station, which was commissioned in May 2000. Lease rent aggregating Rs.367.20 crore for the period May 2000 to March 2003 was also not provided. This had resulted in understatement of deficit for the year by Rs.122.40 crore and accumulated deficit was understated by Rs.489.60 crore with corresponding understatement of liabilities by Rs.489.60 crore.

1.29 The capital expenditure in progress includes Rs.6.12 crore (cost of material Rs.1.81 and overhead charges Rs.4.31 crore) pertaining to seven schemes which were abandoned and hence the cost of these schemes should have been removed from capital expenditure in progress. This had resulted in overstatement of capital expenditure in progress by Rs.6.12 crore.

Audit assessment of the working results of Maharashtra State Electricity Board

1.30 Based on the audit assessment of the working results of Maharashtra State Electricity Board for three years up to 2003-04 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the Board and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit of the Board would be follows:

(Amount: Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04
1	Net surplus/(-) deficit as per books of accounts	(-) 539.46	(-) 254.69	(-) 548.98
2	Subsidy from the State Government	Nil	Nil	Nil
3	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-) 539.46	(-) 254.69	(-) 548.98
4	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts	(-) 234.30	147.40	493.03
5	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3 + 4)	(-) 773.76	(-) 402.09	(-) 1,042.01

Recoveries at the instance of Audit

1.31 Test check of records of Government companies and Statutory corporations conducted during April 2004 to March 2005 disclosed violation of terms of agreement/under billing etc. aggregating Rs.5.06 crore in 13 cases.

The companies/corporations accepted the observations in all 13 cases pointed out by Audit and recovered the full amount.

Internal audit/internal control

1.32 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including the internal control/internal audit system in the Government companies audited in accordance with the directions issued to them by the CAG under Section 619(3)(a) of the Companies Act, 1956 and to identify the areas which need improvement. An illustrative resume of major recommendations/comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of State Government companies is indicated below:

Nature of recommendations/comments made by the Statutory Auditors	Number of companies where recommendations/comments were made	Reference to serial number of Annexure-2
Inadequate financial control	1	A-41
No regular/satisfactory reconciliation of accounts	4	A-41, 51, C-5 and 19
No internal control system exists	1	A-3
Inadequate internal audit system	11	A-2, 3, 5, 17, 18, 29, 41, 51, 56, C-5 and 9
Audit committee does not exist	12	A-2, 3, 5, 15, 17, 28, 30, 41, 46, 56, C-5, 9 and 19
Non-preparation of investment policy	8	A-2, 5, 18, 30, 46, 56, C-5 and 9
Non/improper maintenance of fixed assets register	5	A-3, 5, 18, 41 and 51
Maximum minimum limits of stocks were not prescribed	3	A-2, 5 and 50
Norms for losses/shortages were not fixed	1	A-15
Non-accountal of missing/obsolete and other devalued stocks	3	A-3, 5 and 50

Recommendations for closure of PSUs

1.33 Even after completion of five years of their existence, the individual annual turnover of 30* Government companies (working: 15, non-working: 15) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Similarly, five@ Government companies (working : four, non working : one) had been incurring losses for five consecutive years (as per their latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve the performance of these 35 Government companies or consider their closure. In addition, 14# working Government companies engaged in similar activities having poor turnover could be considered for merger.

The State Government took a decision to wind up 14 companies in 1992. It was stated that the process of liquidation of these companies could not be initiated on account of stay by the Aurangabad bench of the Mumbai High Court and that action was being taken to get the stay vacated by the State Government.

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.34 The status of Audit Reports (Commercial) and their reviews and paragraphs pending for discussion by the COPU as on 31 July 2005 was as under:

Period of Audit Report	No. of reviews and paragraphs			
	Appeared in the Audit Report		Pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
2001-02	4	20	4	20
2002-03	4	24	4	24
2003-04	4	27	4	27
Total	12	71	12	71

The Audit Report (Commercial) for the year 2003-04 was placed before the State Legislature on 21 July 2005.

619-B companies

*Sl. No.A-4,5,8,10,12,16,17,36,37,38,40,41,42,51,52 and C-1,2,3,4,5,6,7,9,11,12,13,14,19,20 and 21 of **Annexure-2**.

@Sl.No.A-3,6,11,14 and C-18 of **Annexure-2**.

#Sl.No.A-21,22,23,24,25,27,28,29,30,43,44,45,46 and 47 of **Annexure-2**.

1.35 There were four working companies coming under Section 619-B of the Companies Act, 1956. **Annexure-7** gives the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest finalised accounts.