

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2007 there were 73 Government companies (51 working and 22 non-working companies*) and four working Statutory corporations as against 72 Government companies (52 working companies and 20 non-working companies) and four working Statutory corporations as on 31 March 2006 under the control of the State Government. During the year 2006-07 one# new company came under the audit purview of the Comptroller and Auditor General of India (CAG). In addition, the State had formed the Maharashtra Electricity Regulatory Commission (MERC) whose audit is conducted by the CAG under Section 104(2) of the Electricity Act, 2003^s. 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 the Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per the 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 Road Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
2.	Maharashtra State Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Statutory audit by Chartered Accountants and supplementary audit by CAG
3.	Maharashtra State Warehousing Corporation	Section 31(8) of the Warehousing Corporations Act, 1962	Statutory audit by Chartered Accountants and supplementary audit by CAG
4.	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.

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

Mahaguj Collieries Limited.

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

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 The total investment^s in 55 working PSUs (51 Government companies and four Statutory corporations) at the end of March 2007 as against 56 working PSUs (52 Government companies and four Statutory corporations) at the end of March 2006 was as follows:

(Amount: Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans*	Total
2005-06	56	6,685.01	173.63	11,843.05	18,701.69
2006-07	55	10,223.23	148.54	14,190.92	24,562.69

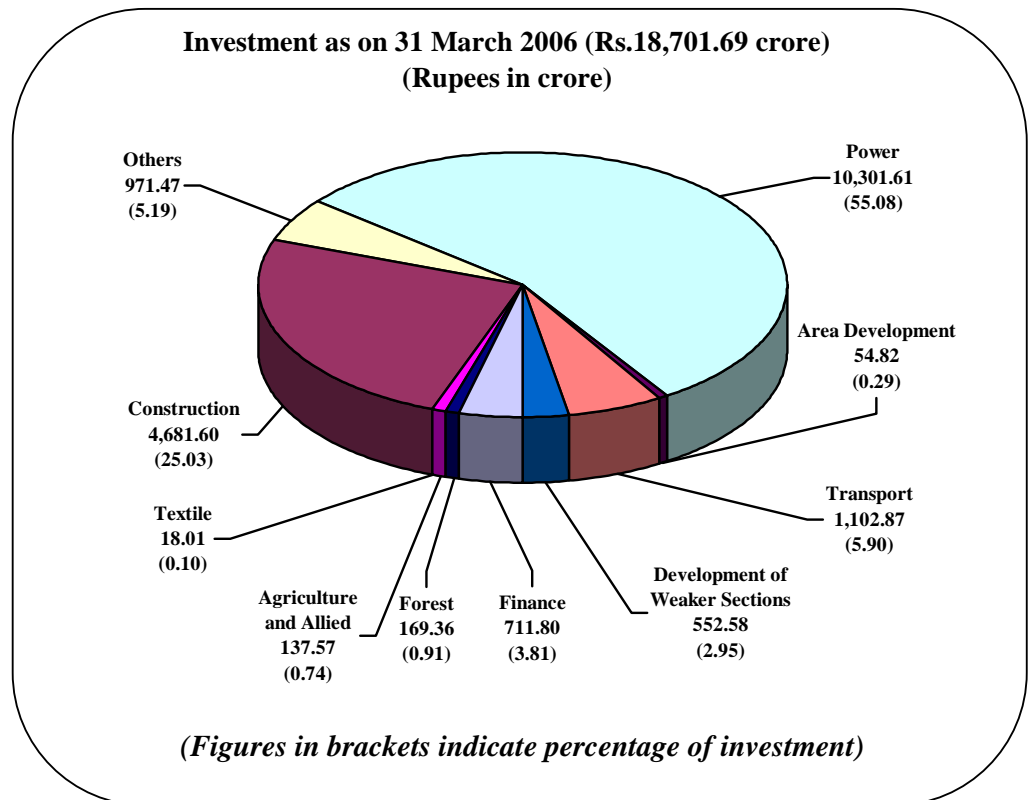
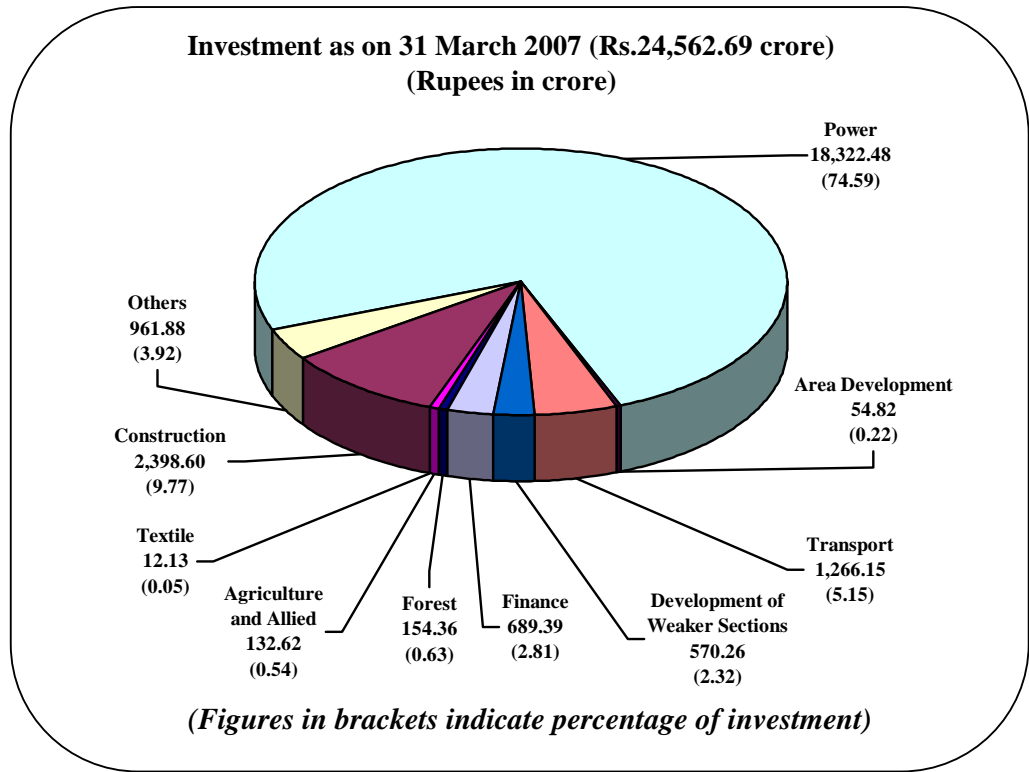
Sector wise investment in working Government companies and Statutory corporations

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

^s Investment by way of equity, share application money and loans in working PSUs by State Government is Rs.3,723.92 crore as per the data furnished by the PSUs (**Annexure-1**) whereas as per the Finance Accounts 2006-07, the amount is Rs.2,120.66 crore. The difference is under reconciliation.

* Long term loans mentioned in Paragraphs 1.2, 1.3, 1.4 and 1.22 are excluding interest accrued and due on such loans.

thereof at the end of March 2007 and March 2006 are shown below in the pie charts:



Working Government companies

1.3 The total investment in working Government companies at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Investment in working Government Companies			
		Equity	Share application money	Loans	Total
2005-06	52	5,689.85	173.62	10,984.52	16,847.99
2006-07	51	9,079.31	148.53	13,348.00	22,575.84

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

As on 31 March 2007, the total investment in working Government companies comprised 40.87 per cent of equity capital and 59.13 per cent of loans as compared to 34.80 per cent of equity capital and 65.20 per cent of loans as on 31 March 2006. The major increase in share capital and loans was due to formation of four Power Sector companies as a result of unbundling of erstwhile Maharashtra State Electricity Board on 6 June 2005.

Working Statutory corporations

1.4 The total investment in the working Statutory corporations at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Name of corporation	2005-06		2006-07	
	Capital	Loans	Capital	Loans
Maharashtra State Road Transport Corporation	923.81	179.06	1,072.57	193.58
Maharashtra State Financial Corporation	62.64	662.49	62.65	626.74
Maharashtra State Warehousing Corporation	8.71	18.19	8.71*	15.00*
Maharashtra Industrial Development Corporation	---#	7.60	---#	7.60
Total	995.16	867.34	1,143.93	842.92

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

As on 31 March 2007, the total investment in working Statutory corporations comprised 57.58 per cent of equity capital and 42.42 per cent of loans as compared to 53.43 per cent and 46.57 per cent respectively as on 31 March 2006.

* Figures for 2006-07 are provisional.

The Corporation did not have the equity share capital.

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 to working Government companies and working Statutory corporations are given in **Annexures-1** and **3**.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2006-07 are given below:

(Amount : Rupees in crore)

Particulars	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	7	70.77	1	127.80	10	71.90	1	138.57	7	429.89	1	148.76
Loans given from budget	3	13.38	1	179.64	2	1,260.98	--	--	1	94.30	--	--
Other grants/subsidy	13	248.37	1	5,790.40	13	771.71	--	--	8	2,420.75	--	--
Total outgo		332.52		6,097.84		2,104.59		138.57		2,944.94		148.76

During the year 2006-07, the Government had guaranteed loans aggregating Rs.3.50 crore, obtained by one[@] working Government company. No guarantees were given to the Corporations during 2006-07. At the end of the year, guarantees amounting to Rs.6,358.33 crore against 10 working Government companies (Rs.6,350.73 crore) and one Statutory corporation (Rs.7.60 crore) were outstanding. The guarantee commission paid/payable to the Government by seven working Government companies (Rs.557.04 crore) and by one Statutory corporation (Rs.4.92 crore) during 2006-07 was Rs.561.96 crore. Nineteen Companies and one Statutory Corporation had not supplied the information relating to guarantee fee paid or payable to the State Government.

Finalisation of accounts by working PSUs

1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the

[@] Maharashtra State Handlooms Corporation Limited.

Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective statutes.

As could be noticed from **Annexure-2**, out of 51 working Government companies and four Statutory corporations, only four[#] working Government companies and three[§] Statutory corporations have finalised their accounts for the year 2006-07 within the stipulated period. During the period from October 2006 to September 2007, 36 working companies finalised 41 accounts of previous years. Similarly, during this period, one Statutory corporation finalised one account for previous year.

The accounts of 47 working Government companies and one Statutory corporation were in arrears for periods ranging from one to 15 years as on 30 September 2007, as detailed below.

Sl. No.	Number of working		Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Sl. No. of Annexure-2	
	Government Companies	Statutory corporation			Government Companies	Statutory corporation
1	1	--	1992-93 to 2006-07	15	A-29	--
2	1	--	1994-95 to 2006-07	13	A- 48	--
3	1	--	1995-96 to 2006-07	12	A-37	--
4	2	--	1996-97 to 2006-07	11	A-30 and 31	--
5	2	--	1998-99 to 2006-07	9	A-26 and 47	--
6	1	--	1999-00 to 2006-07	8	A-4	--
7	1	--	2001-02 to 2006-07	6	A-6	--
8	7	--	2002-03 to 2006-07	5	A-10, 17, 27, 32, 33, 34 and 38	--
9	1	--	2003-04 to 2006-07	4	A-8	--
10	3	--	2004-05 to 2006-07	3	A-5,22 and 51	--
11	5	--	2005-06 to 2006-07	2	A-7,16,36,41 and 49	--
12	22	1	2006-07	1	A-1,2,3,9,11, 12,13,14,15, 20, 21,23,24, 25,35,39,40, 42, 43, 44,45 and 50	B-3
Total	47	1				

[#]Maharashtra Urban Infrastructure Development Company Limited, Maharashtra Urban Infrastructure Fund Trustee Company Limited, Western Maharashtra Development Corporation Limited and Krupanidhi Limited.

[§]Maharashtra State Road Transport Corporation, Maharashtra State Financial Corporation, and Maharashtra Industrial Development Corporation.

It is the responsibility of the administrative departments 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 quarterly by the Accountant General regarding arrears in finalisation of accounts, no effective measures had 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 are given in **Annexures-4** and **5** respectively.

According to the latest finalised accounts, out of 51 working Government companies and four working Statutory corporations, 24 companies and one corporation had incurred losses for the respective years aggregating Rs.672.37 crore and Rs.9.75 crore respectively; whereas 23 companies and three corporations (Maharashtra State Road Transport Corporation, Maharashtra State Warehousing Corporation and Maharashtra Industrial Development Corporation) earned an aggregate profit of Rs.466.45 crore and Rs.32.96 crore respectively. Two companies (Maharashtra State Electricity Board Holding Company Limited and Mahaguj Collieries Limited) had not submitted their first accounts, one company (Maharashtra State Police Housing and Welfare Corporation Limited) had capitalised excess of expenditure over income and one company (Krupanidhi Limited) had recovered excess of expenditure over income from its shareholders.

Working Government companies

Profit earning working Government companies

1.8 Out of four[&] working Government companies which finalised their accounts for 2006-07 by September 2007, one company (Western Maharashtra Development Corporation Limited) earned profit of Rs.2.18 crore but did not declare any dividend. One company (Krupanidhi Limited) had recovered excess of expenditure over income from its shareholders.

Similarly, out of 45[@] working Government companies which finalised their accounts for previous years by September 2007, 22 Companies earned an aggregate profit of Rs.464.27 crore and only 13[♦] Companies earned profit for two or more successive years. One company (Maharashtra State Police

[&] Maharashtra Urban Infrastructure Development Company Limited, Maharashtra Urban Infrastructure Fund Trustee Company Limited, Western Maharashtra Development Corporation Limited and Krupanidhi Limited.

[@] Excluding two companies (Maharashtra State Electricity Board Holding Company Limited and Mahaguj Collieries Limited) which have not finalised their first accounts.

[♦] Sl. No. A-11,12,13,16,28,30,33,34,35,38,39,40 and 49 of **Annexure-2**.

Housing and Welfare Corporation Limited) had capitalised excess of expenditure over income.

Loss incurring working Government companies

1.9 Of the 24 loss incurring working Government companies, five* working Government companies had accumulated losses aggregating Rs.1,602.72 crore, which exceeded their aggregate paid-up capital of Rs.21.20 crore. The State Government had not provided any financial support to these five companies during 2006-07.

Working Statutory corporations

Profit earning Statutory corporations

1.10 Out of three working Statutory corporations which finalised their accounts for 2006-07 by September 2007, two corporations (Maharashtra State Road Transport Corporation and Maharashtra Industrial Development Corporation) earned an aggregate profit of Rs.15.42 crore but did not declare any dividend.

Similarly, one working Statutory corporation (Maharashtra State Warehousing Corporation) which finalised its accounts for previous year by September 2007, earned a profit of Rs.17.54 crore and it earned profit for more than two successive years.

Loss incurring Statutory corporation

1.11 The only loss incurring working Statutory corporation (Maharashtra State Financial Corporation) had the accumulated loss of Rs.622.37 crore, which exceeded its paid up capital of Rs.9.75 crore. The State Government had not provided any financial support to this corporation during 2006-07.

Operational performance of working Statutory corporations

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

The disbursements in respect of Maharashtra State Financial Corporation, had decreased from Rs.1.12 crore in 2005-06 to Nil in 2006-07 and the overdue amount increased from Rs.1,285.03 crore in 2005-06 to Rs.1,312.99 crore in 2006-07.

*MAFCO Limited, Maharashtra Fisheries Development Corporation Limited, Maharashtra State Farming Corporation Limited, Maharashtra State Road Development Corporation Limited and Development Corporation of Vidarbha Limited.

Return on capital employed

1.13 As per the latest finalised accounts (up to September 2007), the capital employed^{\$} worked out to Rs.24,097.69 crore in 46^{*} working companies and total return[#] thereon was Rs.793.34 crore (3.29 *per cent*) as compared to a total return of Rs.47.04 crore (0.73 *per cent*) in the previous year (accounts finalised up to September 2006). Similarly, the capital employed and total return thereon in the case of working Statutory corporations as per their latest finalised accounts (up to September 2007) worked out to Rs.1,066.99 crore and Rs.130.24 crore (12.21 *per cent*) respectively as against the total return of Rs.62.39 crore (11.40 *per cent*) in the previous year (accounts finalised up to September 2006). 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**.

Power Sector Reforms

1.14 The erstwhile Maharashtra State Electricity Board was restructured and four new State Government Companies were formed with effect from 6 June 2005. Accelerated Power Development Reforms Programme a Government of India Scheme, was implemented in the State from 2002-03 onwards for upgradation of the distribution network with the objective of reducing Transmission and Distribution (T&D) losses and aggregate Technical & Commercial (AT&C) losses to 10 and 15 *per cent* respectively.

The T&D losses of the Maharashtra State Electricity Distribution Company Limited decreased from 38.20 *per cent* in 2003-04 to 33.80 *per cent* in 2006-07 while AT&C losses decreased from 44.18 *per cent* in 2003-04 to 37.78 *per cent* 2006-07.

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

^{\$} 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 two companies (Sl. No. A-41 and A-45 of **Annexure-2**) whose first accounts are awaited, one company (Sl. No. A-14 of **Annexure-2**) which had capitalised its excess of expenditure over income, one company (Sl. No. A-50 of **Annexure-2**) whose part expenditure (financial and Administrative Expenses) was recouped from Government grant, and one company (Sl. No. A-46 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.

^{*} Since replaced by the Electricity Act, 2003.

etc., in the State. Their orders under section 62 of Electricity Act, 2003 are appealable before the Central Appellate Tribunal. The Commission is a body corporate and comprises three 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 2004-05 (as on 30 September 2007) and had an excess of income^s over expenditure of Rs.1.02 crore during the year.

Non-working Public Sector Undertakings (PSUs)

Investment in Non-working PSUs

1.16 The total investment in 22 non-working PSUs (all Government Companies) at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2005-06	20	310.97	0.20	457.68	768.85
2006-07	22	321.33	0.20	472.71	794.24[@]

The increase in investment was due to two working companies (Godavari Garments Limited and Chitali Distillery Limited) becoming non working companies during the year.

The classification of the non-working PSUs is 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	0.58
Under closure	10	264.20	322.14
Others [♦]	9	36.83	149.99
Total	22	321.53	472.71

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

Of the above 22 non-working PSUs, thirteen Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for one to 21 years. Substantial investment of Rs.607.42 crore is involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

^s The income includes grants of Rs.2.66 crore received from State Government.

[@] Investment by way of equity, share application money and loans in non-working PSUs by State Government is Rs.694.41 crore as per the data furnished by the PSUs (**Annexure-1**) whereas as per the Finance Accounts for the year 2006-07, the amount is Rs.420.43 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 in the form of equity and loans by the State Government in respect of non-working PSUs[#] are given in **Annexures-1**. The State Government had not provided any financial support to non working companies by way of grant/subsidy, guarantees, waiver of dues and conversion of loans into equity during 2006-07.

Total establishment expenditure of non-working PSUs

1.18 The year-wise details of establishment expenditure incurred by 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 2006-07 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 [@]
2004-05	12	667.57	457.20	--	210.37
2005-06	10	413.97	63.18	22.01	328.78
2006-07	14	464.29	5.98	5.00	453.31

Finalisation of accounts by non-working PSUs

1.19 Out of, 22 non-working Government companies, four Companies finalised their accounts for the year 2006-07. The accounts of 15 non-working companies were in arrears for periods ranging from one to 21 years as on 30 September 2007. Three[@] companies are under liquidation.

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 22 non-working Government companies against their paid-up capital of Rs.321.38 crore was Rs.(-) 505.84 crore. These companies

[#] Information in respect of three companies was not received (Irrigation Development Corporation of Maharashtra Limited, Sahyadri Glass Works Limited and The Overseas Employment and Export Promotion Corporation of Maharashtra Limited).

⁺ There was no establishment expenditure in respect of remaining non-working companies.

[@] Financed by holding company.

^o Irrigation Development Corporation of Maharashtra Limited, Sahyadri Glass Works Limited and The Overseas Employment and Export Promotion Corporation of Maharashtra Limited.

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

suffered cash loss of Rs.20.67 crore and their accumulated loss worked out to Rs.1,090.46 crore.

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

1.21 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory Corporations as issued by the Comptroller and Auditor General of India in the State 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 Road Transport Corporation	2004-05	2005-06	18 April 2007	Being presented in Winter Session 2007
2	Maharashtra State Warehousing Corporation	2004-05	2005-06	7 June 2007	Under submission to the Legislature by the Government.
3	Maharashtra Industrial Development Corporation	2004-05	2005-06	19 July 2007	Being presented in Winter Session 2007

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

1.22 During the period from October 2006 to September 2007, 56 accounts of 40 Government companies (24 working and 16 non-working) were selected for audit. The net impact of the important audit observations issued as a result of audit of their accounts was as follows:

Sl. No.	Details	Number of accounts			<i>(Amount: Rupees in crore)</i>		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working		Working	Non-working	
1	Decrease in profit	1	--	2	0.14	--	1.23
2	Increase in profit	1	--	--	0.05	--	--
3	Increase in loss	2	1	--	0.69	0.09	--
4	Decrease in loss	1	--	1	0.05	--	0.61
5	Non-disclosure of material facts	4	1	--	62.28	0.46	--

Some of the major errors and omissions noticed in the course of audit of annual accounts of some of the above companies and corporations are mentioned below:

Errors and omissions noticed in case of Government Companies and Statutory Corporations

Maharashtra State Electricity Distribution Company Limited (2005-06)

1.23 The accounts of erstwhile Maharashtra State Electricity Board for the period from 01 April to 2005 June 2005 were closed on 29 July 2006 consequent up on its unbundling into four Power Sector Companies with effect from 6 June 2005. Maharashtra State Electricity Distribution Company Limited selectively re-opened the accounts of the erstwhile Board (for the period 1 April to 5 June 2005) and accounted income of Rs.569.51 crore in respect of Fuel Cost Adjustment Charges (FCA) pertaining to the period from February to May 2005 but billed subsequently. However, revenue expenditure of Rs.16.01 crore pertaining to the period up to 5 June 2005, was not provided for resulting in overstatement of surplus of erstwhile Board to that extent.

1.24 The Company withdrew Rs.320.72 crore being the difference between the rates approved by MERC and notional rates charged by it to the consumer. However, the company has not adjusted this amount by reducing the purchase cost, resulting in overstatement of 'Purchase of Power' and 'deficit' by Rs.320.72 crore each.

1.25 Receivables against supply of power included Rs.70.20 crore being fictitious arrears pertaining to old periods but not withdrawn due to non-availability of records. Similarly, receivables were overstated by Rs.71.50 crore due to double accounting of receivable from Sister Company MSPGC, resulting in overstatement of receivables by Rs.141.70 crore and corresponding understatement of deficit (Rs.70.20 crore) and current liabilities (Rs.71.50 crore).

Maharashtra State Power Generation Company Limited (2005-06)

1.26 On review of technical statements regarding generation and sale of Power by the company it was seen that there was advance billing of 66.4482 million units pertaining to 1 April 2006, which related to next year accounts (2006-07). This has resulted in overstatement of revenue from sale of power by Rs.10.09 crore.

1.27 The revenue includes sale of power of Rs.8.12 crore to the consumers in power station colonies. As the sale of power was on behalf of MSEDCL (sister concern of the company) the revenue should have been shown as payable to MSEDCL. Thus, the revenue from sale of energy was overstated by Rs.8.12 crore.

1.28 The actual expenditure on employees cost (Rs.18.94 crore) and Administrative and General expenditure (Rs.7.28 crore) was Rs.26.22 crore only. However, the Company had capitalised Rs.33.45 crore towards

employees cost and Administrative and General expenses of Head office, resulting in understatement of expenditure and overstatement of surplus by Rs.7.23 crore.

Maharashtra State Road Development Corporation Limited (2005-06)

1.29 Amount of Rs.402.93 crore to be written-off (Deducted item)-Advance to Ideal Road Builders represents advance payable by the Company to the contractor towards construction of NH-4 which should have been exhibited under capital work in-progress. The company instead adjusted this amount against the toll income of Rs.1,321 crore receivable from the same contractor, resulting in understatement of capital work-in-progress by Rs.402.93 crore and understatement of liabilities – ‘Advance Receipts’ by the same amount.

Maharashtra Tourism Development Corporation Limited (2001-02)

1.30 As per Accounting Standard (AS)-12, Government grants are recognised in the accounts only if there is reasonable assurance that the enterprise will comply with the conditions attached to them and where such benefits have been earned by the company and it is reasonably certain that the ultimate collection will be made. Contrary to these provisions, the Government grants are being accounted for on accrual basis and the grants receivables included capital grants receivable of Rs.16.64 crore pertaining to dropped projects and projects not started, resulting in overstatement of current Assets with corresponding overstatement of Grant-in-Aid (Capital Grants)-Current Liabilities by Rs.16.64 crore each.

Maharashtra State Mining Corporation Limited (2005-06)

1.31 The Company did not provide for legally payable Gram Panchayat Tax of Rs.13.16 lakh on pohara mines which resulted in understatement of expenditure and overstatement of profit to that extent.

Maharashtra State Warehousing Corporation (2005-06)

1.32 Provision for Income tax was overstated by Rs.67 lakh due to non-withdrawal of excess provision towards Income tax for the financial year 2002-03 in respect of which tax assessment was completed during the year.

Internal audit/internal control

1.33 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 Comptroller and Auditor General of India under Section 619(3)(a) of the Companies Act, 1956 and to identify the areas which needed 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	7	A-3,9,17, 30,34,42 and C-9
No regular/satisfactory reconciliation of accounts	1	A-48
Inadequate internal audit system	14	A-1,3,4,9,11,14, 30,32,34,38,40,42,48 and C-9
Non-preparation of investment policy	11	A-1,2,3,4,11,28,30,35, C-1,4,9
Non/improper maintenance of fixed assets registers	10	A-3,4,11,14,30,38,39, 42, 48 and C-9
Maximum-minimum limits of stocks were not prescribed	7	A-3,11,38,39,40 and 42 C-21

Recommendations for closure of PSUs

1.34 Even after completion of five years of their existence, the individual annual turnover of 41* Government companies (working: 22 and non-working: 19) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Similarly, three@ Government companies (working : two and 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 44 Government companies or consider their closure.

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

1.35 During October 2006 to September 2007, the COPU held 32 meetings and discussed 45 paragraphs and eight reviews pertaining to the Audit Reports (Commercial) for the years 2001-02 to 2004-05. The year-wise position of

* Sl. No. A-4, 5, 9, 13, 14, 18, 19, 20, 26, 27, 29, 30, 31, 32, 33, 34, 35, 36, 37, 46, 47 and 51, C-1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 18, 19, 20 and 21 of Annexure-2.

@ Sl. No. A-3, 6 and C-17 of Annexure-2.

reviews/paragraphs appearing in the Audit Reports (Commercial) and discussed by COPU as on 30 September 2007 was as under:

Period of Audit Report	No. of reviews and paragraphs			
	Appeared in the Audit Report		Discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2001-02	4	20	4	20
2002-03	4	24	4	24
2003-04	4	25	2	24
2004-05	3	19	1	10
2005-06	3	17	--	--
Total	18	105	11	78

619-B Companies

1.36 There were four companies (all working) falling under the purview of 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.