

Chapter-I

1. General view of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2003, there were 66 Government companies (48 working companies and 18 non-working companies[©]) and five working Statutory corporations as against 61 Government companies (43 working companies and 18 non-working companies) and five working Statutory corporations as on 31 March 2002 under the control of the State Government. In addition, the State had formed Maharashtra Electricity Regulatory Commission whose audit is also being conducted by the Comptroller and Auditor General of India (CAG). During the year 2002-03, five Government companies* came under the audit purview of CAG. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the CAG as per provision of Section 619(2) of 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 corporation	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1.	Maharashtra State Electricity Board	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG
2.	Maharashtra State Road Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
3.	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 to CAG up to 2007.
4.	Maharashtra State Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by CAG
5.	Maharashtra State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by CAG

[©]Non-working companies/corporations are those which are under the process of liquidation/closure/merger etc.

* Sl. No.A-27,28,39,40 and 48 of *Annexure-2*.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 The total investment in 53 working PSUs (48 Government companies and five Statutory corporations) at the end of March 2003 as against 48 working PSUs (43 Government companies and five Statutory corporations) at the end of March 2002 was as follows:

(Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans •	Total
2001-02	48	4,598.45	133.30	15,931.52	20,663.27
2002-03	53	4,749.37	123.72	12,935.64	17,808.73

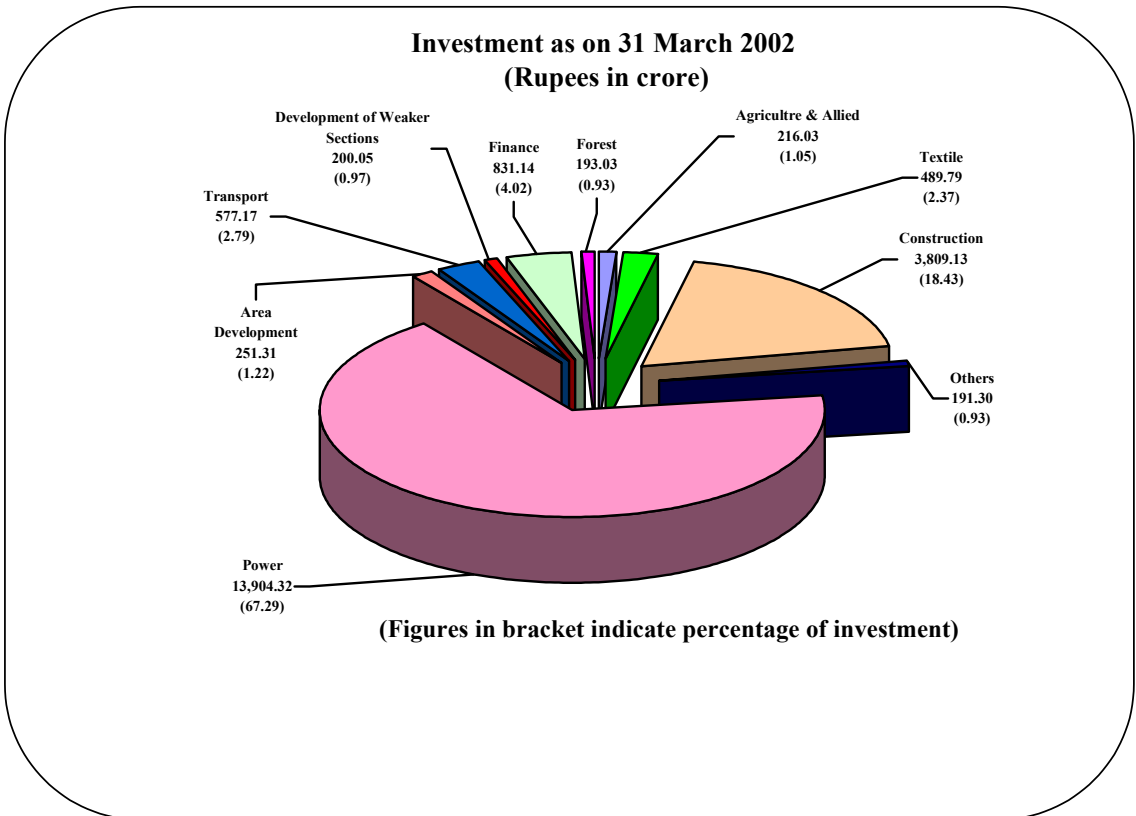
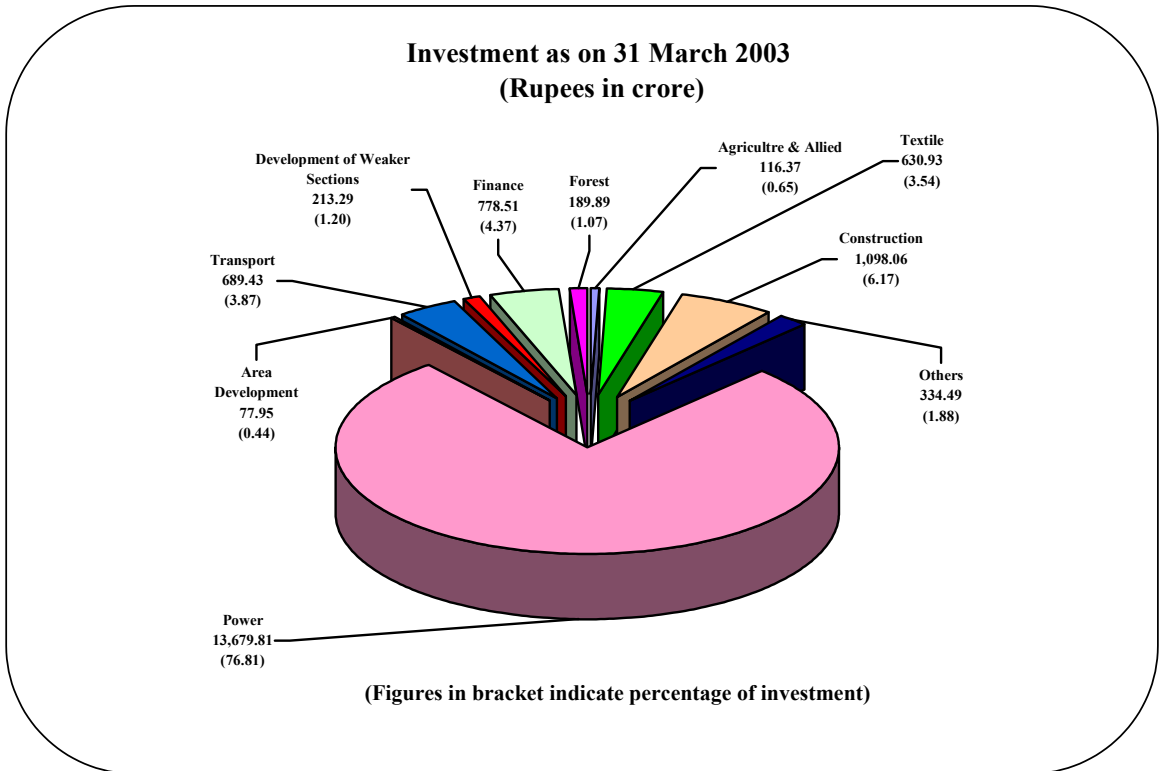
The analysis of investment in working PSUs is given in the following paragraphs.

During the year 2002-03, 14 working PSUs (11 Government companies and three Statutory corporations) repaid loans aggregating Rs.5,498.16 crore.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2003 and 31 March 2002 are shown below in the pie charts:

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

Sector wise investment in working Government companies and Statutory corporations



Working Government companies

1.3 The total investment in 48 working Government companies at the end of March 2003 as against 43 working Government companies at the end of March 2002 was as follows:

(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loans	Total
2001-02	43	647.04	133.30	4,418.36	5,198.70
2002-03	48 [†]	677.26	123.72	1,720.19	2,521.17

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

As on 31 March 2003, the total investment in working Government companies, comprised 31.77 per cent of equity capital and 68.23 per cent of loans as compared to 15.01 per cent of equity capital and 84.99 per cent of loans as on 31 March 2002.

Working Statutory corporations

1.4 The total investment in five working Statutory corporations at the end of March 2002 and March 2003 were as follows:

(Rupees in crore)

Name of corporation	2001-02		2002-2003	
	Capital	Loans	Capital	Loans
Maharashtra State Electricity Board	3,464.62	10,439.70	3,464.62	10,215.19
Maharashtra State Road Transport Corporation	415.27	161.90	536.14 [*]	153.28
Maharashtra Industrial Development Corporation	--- [‡]	143.23	--- [‡]	131.10
Maharashtra State Financial Corporation	62.81	768.33	62.64 [°]	715.88
Maharashtra State Warehousing Corporation	8.71	---	8.71	--- [°]
Total	3,951.41	11,513.16	4,072.11	11,215.45

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

[†] Information in respect of one company (Sl. No.A48 of *Annexure-1*) is awaited.

^{*} Includes share application money of Rs.341.17 crore.

[‡] There is no investment of State Government by way of share capital or loan in MIDC. However, the land is acquired by the State Government and handed over to MIDC for development activities.

[°] Reduced due to refund of capital of Rs.0.17 crore to equity shareholders.

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 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, loans and grants/subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2002-03 are given below:

(Amount : Rupees in crore)

Particulars	2000-2001				2001-2002				2002-2003			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	7	18.60	1	82.19	8	20.63	1	132.91	5	7.09	-	-
Loans given from budget	5	36.13	1	117.40	5	74.59	1	522.29	6	115.10	1	179.64
Other grants/ subsidy	4	27.07	-	-	5	53.53	1	1,349.41	8	641.76	2	854.96
Total outgo		81.80		199.59		148.75		2,004.61		763.95		1,034.60

During the year 2002-03, the Government had guaranteed loans aggregating Rs.2,105.34 crore, obtained by eight working Government companies (Rs.135.62 crore) and two working Statutory corporations (Rs.1,969.72 crore). The guarantees in respect of outstanding loans decreased from Rs.18,199.46 crore at the end of March 2002 obtained by 12 working companies (Rs.4,197.83 crore) and three Statutory corporations (Rs.14,001.63 crore) to Rs.12,921.88 crore at the end of March 2003 obtained by 15 working companies (Rs.2,916.92 crore) and two Statutory corporations (Rs.10,004.96 crore). There was no case of default in repayment of guaranteed loans during the year. The guarantee fee/commission paid/payable to Government by 10 working Government companies during 2002-03 was Rs.225.31 crore.

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 Sections 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 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 Acts.

However, as could be seen from *Annexure-2*, out of 48 working Government companies, only eight working companies and out of five working Statutory corporations, four working Statutory corporations had finalised their accounts

for the year 2002-03 within the stipulated period. During the period from October 2002 to September 2003, 21 working Government companies finalised 21 accounts for previous years. Similarly, one working Statutory corporation finalised one account for the previous year during this period.

The accounts of 40 working Government companies were in arrears for periods ranging from one to 14 years as on 30 September 2003, as detailed below. Besides, accounts of one working Statutory corporation (Sl.No.B-1 of *Annexure-2*) were also in arrear for one year, *i.e.* 2002-03.

Sl. No.	Number of working Government companies	Period for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl. No. of <i>Annexure-2</i>
1	2	3	4	5
1	1	1989-90 to 2002-03	14	A-34
2	1	1990-91 to 2002-03	13	A-33
3	1	1991-92 to 2002-03	12	A-46
4	1	1993-94 to 2002-03	10	A-35
5	2	1995-96 to 2002-03	8	A-4, 9
6	1	1996-97 to 2002-03	7	A-29
7	1	1997-98 to 2002-03	6	A- 45
8	5	1998-99 to 2002-03	5	A-16,26,30,37,38
9	3	1999-2000 to 2002-03	4	A-7,18,41
10	2	2000-01 to 2002-03	3	A-5,10
11	5	2001-02 to 2002-03	2	A-20,24,36,39,47
12	17	2002-03	1	A-1,2,3,6,8,11,12, 13, 21, 23,25, 27, 28,31, 42,43,48
Total	40			

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 Audit apprised the administrative departments concerned 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 financial position and working results of individual working Statutory corporation for the latest three years for which accounts are finalised are given in *Annexures-4* and *5*, respectively.

According to the latest finalised accounts of 48 working Government companies and five working Statutory corporations, 28 companies and three corporations had incurred losses for the respective years aggregating Rs.296.72 crore and Rs.676.56 crore, respectively, 12 companies and two corporations earned an aggregate profit of Rs.36.42 crore and Rs.9.80 crore, respectively. Six companies (Sl.No.A-26,27,28,37,38,48 of *Annexure-2*) had not submitted their first accounts and two companies (Sl.No.A-23 and 44 of *Annexure-2*) had capitalised excess of expenditure over income.

Working Government companies

Profit earning working Government companies and dividend

1.8 Seven profit earning working Government companies, which finalised their accounts for previous years during October 2002 to September 2003, earned an aggregate profit of Rs.16.72 crore. Of these, five companies were earning profit for two or more successive years but only one company (Sl.No.A-42 of *Annexure-2*) declared dividend of Rs.42.90 lakh during the year. The State Government had not formulated a dividend policy for payment of minimum dividend.

Loss incurring working Government companies

1.9 Seven working companies that finalised their accounts for 2002-03 by September 2003, incurred losses aggregating Rs.188.41 crore.

Of the 28 loss incurring working Government companies, 15 companies had accumulated losses aggregating Rs.885.37 crore, which exceeded their aggregate paid-up capital of Rs.332.02 crore by more than two times.

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, further grant of loans, conversion of loans into equity, subsidy *etc.* According to available information, the total financial support so provided by the State Government to four companies was Rs.114.07 crore by way of equity (Rs.30.73 lakh) and loans (Rs.113.76 crore) during 2002-03.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Out of five working Statutory corporations, four Statutory corporations finalised their accounts for 2002-03 by September 2003. Of this, two Statutory corporations (B-4, 5 of *Annexure-2*) earned aggregate profit of Rs.9.80 crore and only one Statutory corporation (B-4) had declared dividend of Rs.87.11 lakh[▲] which was 10 *per cent* of its share capital.

[▲] Provisional.

Loss incurring Statutory corporations

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.1,232.49 crore, which exceeded aggregate paid-up capital of Rs.598.78 crore by more than two times.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to Maharashtra State Road Transport Corporation in the form of contribution towards equity, further grants of loans, conversion of loans into equity, subsidy *etc.* According to available information, the total financial support during 2002-03 by the State Government to the Corporation in the form of grant was Rs.120.87 crore.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in ***Annexure-6***. In MSEB, the percentage of transmission and distribution loss to total power available for sale had increased from 30.56 *per cent* in 1999-2000 to 36.8 *per cent* in 2002-03. In MSFC, the disbursements had come down from Rs.46.66 crore in 1999-2000 to Rs.30.35 crore in 2001-02 and the overdue amount had risen from Rs.739.56 crore in 1999-2000 to Rs.1,014.72 crore in 2001-02.

Return on capital employed

1.13 As per the latest finalised accounts (up to September 2003), the capital employed^③ worked out to Rs.5,336.15 crore in 40^{*} working companies and total return[♠] thereon amounted to Rs.198.79 crore which was 3.73 *per cent* as compared to total return of Rs.264.76 crore (5.22 *per cent*) in the previous year (accounts finalised up to September 2002). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2003) worked out to Rs.16,843.12 crore and Rs.622.55 crore (3.70 *per cent*), respectively as against the total return of Rs.688.50 crore (4.11 *per cent*) in previous year. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in ***Annexure-2***.

^③ 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 six companies (A-26,27,28,37,38 and 48) whose first accounts are awaited and two companies (A-23, 44) who had capitalised its excess of expenditure over income.

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

Reforms in Power Sector**Status of implementation of Memorandum of Understanding between the State Government and the Central Government**

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

Status of implementation of 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 2003)
Commitments made by the State Government			
1	Reduction in transmission and distribution losses	18 per cent by March 2003.	36.8 per cent
2	100 per cent electrification of all villages	No target fixed.	100 per cent electrified.
3	100 per cent metering of all distribution feeders	December 2001.	Out of 7,128 feeders, 6,493 feeders provided with meters.
4	100 per cent metering of all consumers	September 2002.	Powerlooms and public water works 100 per cent completed. 18.03 lakh agricultural consumers are yet to be metered.
5	Securitize outstanding dues of Central Public Sector Undertakings.	---	Securitisation of NTPC dues has been done.
6	State Electricity Regulatory Commission (SERC) i) Establishment of SERC ii) Implementation of tariff orders issued by SERC during the year.	--- During the year no tariff order was issued by MERC.	SERC was established on 5 August 1999. ---

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 (Act) with the object 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 members including a Chairman, who are appointed by the State Government. The audit of accounts of the Commission has been entrusted to CAG under Section 34 of the Act, *ibid*. The Commission had finalised its accounts up to 2001-02 (30 September 2003). Financial results of MERC are given in **Annexure-10**[□]. During the year no tariff orders were issued by MERC.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

1.16 The total investment in 18 non-working PSUs (all Government companies) at the end of March 2002 and March 2003 was as follows:

(Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2001-02	18	48.36	0.20	142.84	191.40
2002-03	18	48.36	0.20	164.64	213.20

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

(Amount: Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment in companies	
			Equity [⊗]	Long-term loans
(i)	Under liquidation	3	20.50	9.25
(ii)	Under closure	9	24.22	29.47
(iii)	Others [‡]	6	3.84	125.92
Total		18	48.56	164.64

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

[□]The Corpus Fund and net profit of commission for the year 2001-2002 was Rs.1.36 crore and Rs.25.92 lakh, respectively.

[⊗]Equity includes share application money of Rs.20 lakh in respect of one company (C-1).

[‡]Activities have been stopped and accounts are yet to be finalised and action has not been initiated for their closure.

Of the above non-working PSUs, 12 Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for three to 25 years and substantial investment of Rs.83.44 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

Budgetary outgo, grant/subsidy, 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 to non-working PSUs are given in *Annexures-1* and *3*.

The State Government had given budgetary support of Rs.21.48 crore by way of loan to one* non-working company during 2002-03. At the end of the year, guarantees for loans amounting to Rs.83.86 lakh obtained by two non-working companies were outstanding as against the outstanding guarantee for loan of Rs.78.17 lakh obtained by one non-working company as on 31 March 2002.

Total establishment expenditure of non-working PSUs

1.18 The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2002-03 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*
Government companies					
2000-01	11#	373.98	0.04	253.38	120.56
2001-02	10#	98.26	2.21	37.10	58.95
2002-03	10	2,111.51	-	--	2,111.51

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

Finalisation of accounts by non-working PSUs

1.19 Out of 18 non-working Government companies, two companies (Sl. No. C-14 and C-15 of *Annexure-2*) finalised their accounts for the year 2002-03. The accounts of remaining 16 non-working companies were in arrears for periods ranging from one to 17 years as on 30 September 2003, as could be seen from *Annexure-2*.

* Sl. No. C-14 of Annexure-2.

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

* Financed by holding 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 summarised details of paid-up capital, net worth, cash loss and accumulated loss of non-working Government companies, as per their latest finalised accounts, are given below:

(Amount : Rupees in crore)

Particulars	Paid-up capital	Net worth [†]	Cash loss	Accumulated loss
Non-working Government companies	48.56	(-) 181.99	23.07	230.55

Status of placement of Separate Audit Reports of Statutory corporations in Legislature

1.21 Separate Audit Report on the accounts of Maharashtra State Financial Corporation for the year 2001-02 was issued on 13 September 2003 and awaiting placement before State Legislature by the Government (September 2003). Separate Audit Reports in respect of remaining four Statutory corporations upto 2001-02 have already been placed before State Legislature.

Disinvestment, Privatisation and Restructuring of Public Sector Undertaking

1.22 The State Government did not undertake disinvestment, privatisation and restructuring of any of its PSUs during 2002-03.

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

1.23 During the period from October 2002 to September 2003, the audit of 41 accounts of 40 Government companies (working 29 and non-working 11) and five working Statutory corporations was taken up for review. As a result of the observations made by CAG, three Statutory corporations (B-1, 2 and 5 of *Annexure-2*) revised their accounts for 2001-02. In addition, the net

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

impact of the important audit observations as a result of review of the remaining PSUs was as follows:

Sl. No.	Details	Number of accounts			<i>(Amount: Rupees in lakh)</i>		
		Government companies		Statutory working corporations	Government companies		Statutory working corporations
		Working	Non-working		Working	Non-working	
(i)	Decrease in profit	1	-	-	62.06	-	-
(ii)	Increase in profit	1	-	-	22.05	-	-
(iii)	Increase in loss	2	1	3	368.40	0.50	1,770.06
(iv)	Decrease in loss	-	1	2	-	16.72	24,005.53
(v)	Non-disclosure of material facts	2	-	2	139.17	-	90,344.00
(vi)	Errors of classification	3	-	2	435.91	-	64,157.24

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

Errors and omissions noticed in case of Government companies

Mahatma Phule Backward Class Development Corporation Limited (1988-89)

1.24 The Company exhibited Rs.25.50 lakh as share capital though shares were not allotted and revenue receipt of matching assistance of Rs.26.54 lakh was also exhibited as capital resulting in overstatement of capital by Rs.52.04 lakh.

Marathwada Development Corporation Limited (2001-02)

1.25 Non provision for doubtful debts of Rs.2.25 crore had resulted in overstatement of receivables and understatement of loss to that extent.

1.26 An amount of Rs.1.29 crore being interest receivable from subsidiaries was included in receivables. As the possibility of its receipt was remote due to the continuous losses suffered by these subsidiaries, non provision of doubtful debts for interest receivable has resulted in overstatement of receivables and understatement of loss by Rs.1.29 crore.

Maharashtra Tourism Development Corporation Limited (1998-99)

1.27 The loans and advances included excess spent amount of Rs.62.06 lakh towards Central Government schemes (Rs.43.37 lakh) and State Government scheme (Rs.18.69 lakh) which is not reimbursable from the Government. This had resulted in overstatement of loans and advances as well as profit by Rs.62.06 lakh

Maharashtra State Handlooms Corporation Limited (2000-01)

1.28 Non provision of penal interest on the outstanding State Government loan of Rs.24.83 crore resulted in understatement of liabilities and loss by Rs.68.52 lakh.

Maharashtra State Road Development Corporation Limited (2000-01)

1.29 As per the accounting policy adopted by the Company, only “borrowing” cost relating to project assets substantially completed and put to use was to be treated as deferred revenue expenditure. However, the Company had overcharged borrowing cost by charging interest on own funds also in addition to borrowed funds. This had resulted in overstatement of deferred revenue expenditure and loss for the year to the extent of Rs.4.91 crore.

Forest Development Corporation of Maharashtra Limited (2001-02)

1.30 The Company had not written off the unrealisable cost of Rs.16.45 crore on failed plantations resulting in overstatement of current assets and profit by Rs.16.45 crore.

Errors and omissions noticed in case of Statutory corporations

Maharashtra State Electricity Board (2001-02)

1.31 Board commissioned 58,386 works amounting to Rs.1,147.82 crore during 2001-02. However, out of above, works completion reports (WCR) in respect of 10,193 works amounting to Rs.242.46 crore were not prepared. In addition to above WCR in respect of 20,696 works amounting to Rs.388.19 crore pertaining to previous years remained to be finalised. This resulted in understatement of fixed assets to the extent of Rs.630.65 crore and consequential over capitalisation of interest on work in progress and non provision of depreciation (amount unascertained)

1.32 The Board switched over to actuarial basis of provision for gratuity in 1997-98. However, excess provision for gratuity as on 31 March 2002 amounting to Rs.235.71 crore had not been adjusted. This resulted in overstatement of provision and deficit to that extent.

Maharashtra State Road Transport Corporation (2001-02)

1.33 Sundry debtors includes Rs.4.38 crore (principal Rs.3.09 crore and interest Rs.1.29 crore) being the licence fee receivable from commercial shops and establishments which is outstanding for more than three years (1969-1998). Provision for Rs.4.38 crore (upto 1997-98) should have been made for doubtful debts after review. Non provision has resulted in overstatement of sundry debtors and understatement of loss to that extent.

Audit assessment of the working results of State Electricity Board

1.34 Based on the audit assessment of the working results of the Board for three years up to 2001-02 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 as given below:

(Rupees in crore)

Sl. No.	Particulars	1999-2000	2000-2001	2001-2002
1	Net surplus/(-) deficit as per books of accounts	403.11	(-) 2,467.66	(-) 539.46
2	Subsidy from the State Government	2,084.19	(-) 373.85	Nil
3	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-) 1,681.08	(-) 2,841.51	(-) 539.46
4	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts of the SEB	(-) 111.32	(-) 237.45	(-) 234.30
5	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-) 1,792.40	(-) 3,078.96	(-) 773.76

Persistent irregularities and system deficiencies in financial matters of PSUs

1.35 The following persistent irregularities and system deficiencies in financial matters of PSUs had been repeatedly pointed out during the course of audit of their accounts but no corrective action had been taken by those PSUs so far.

Maharashtra State Road Transport Corporation

1.36 Third party risk does not include Rs.3.25 crore being liability on account of compensation payable to S.T. passengers in respect of 201 cases of death and 899 cases of permanent partial disability up to 31 March 2002 which should have been provided in compliance of Section 140(2) of Motor Vehicles Act, 1988. This has resulted in understatement of liability and loss to that extent.

- Dues from Government and local authorities includes Rs.2.06 crore being amount receivable on account of Agro-Advantage 1998. Out of this the Government decided (November 1998) to reimburse rupees one crore and there was no assurance/response from the State Government in respect of remaining amount of Rs.1.06 crore. Thus, a provision for the same should have been made in the accounts. Non provision has resulted in understatement of loss by Rs.1.06 crore.

Internal audit/internal control

1.37 The statutory auditors (Chartered accountants) under the directions issued by Comptroller and Auditor General of India under section 619(3)(a) of the Companies Act, 1956 have suggested major recommendations/comments on possible improvements in the internal audit/internal control system in respect of State Government companies as detailed in *Annexure-11*. As seen from the *Annexure*, the major comments were in the nature of need for increase in scope and coverage of audit, and internal audit not being commensurate with the size of the organisation.

Recommendations for closure of PSUs

1.38 Even after completion of five years of their existence, the annual turnover of 32* Government companies (working: 16, non-working: 16) has been less than rupees five crore in each of the preceding five years of their latest finalised accounts. Similarly, three[☉] Government companies (two working and one non-working) had been incurring losses for five consecutive years (as per latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above 35 Government companies or consider their closure. In addition, four[☐] 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. However, the process of liquidation of these companies could not be initiated on account of stay order issued by the Aurangabad Bench of Mumbai High Court and action was being taken to vacate the stay order. The Government further stated that a decision had been taken to close down some of the mills of Maharashtra State Textile Corporation Limited. Further developments were awaited (September 2003).

Response to Inspection Reports, Draft paras and Reviews

1.39 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and departments concerned of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2003 pertaining to 52 PSUs disclosed that 2,607 paragraphs relating to 576 Inspection Reports remained outstanding at the end of September 2003.

* *Annexure-2* Sl.No. A-4,5,6,9,12,16,22,23,29,30,31,33,34,35,44,45 and C-1 to 13,16,17,18.

☉ *Annexure-2* Sl.No. A-13,20, and C-15.

☐ *Annexure-2* Sl.No. A-33,34,35 and 36.

The department-wise break-up of Inspection Reports and Audit observations outstanding as on 30 September 2003 is given in *Annexure-7*.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 16 draft paragraphs and four draft reviews forwarded to the various departments during January-September 2003, as detailed in *Annexure-8*, have not been replied to so far (September 2003).

It is recommended that the Government should ensure that:

- procedure exists for action against officials who failed to send replies to inspection reports/draft paragraphs/reviews as per the prescribed time schedule,
- action to recover loss/outstanding advances/overpayment is taken in a time bound schedule, and
- the system of responding to the audit observations is revamped.

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

1.40 The position of discussion of Audit Reports (Commercial) by the COPU, reviews and paragraphs pending for discussion in the COPU at the end of March 2003 is shown below:

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		No. of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1998-1999	4	11	3*	3*
1999-2000	4	18	4*	18
2000-2001	4	21	4	21
2001-2002	4	20	4	20 [^]
Total	16	70	15	62

* Briefing of five reviews and three paragraphs to the COPU completed, discussions held in 2003-04.

[^] The Audit Report, (Commercial) 2001-02 was presented to Legislature on 21 July 2003.

During the year 2002-03, COPU made five recommendations for which Action Taken Notes on three companies and one corporation were awaited from concerned PSUs/State Government (September 2003). The Audit Report (Commercial) for the year 2001-02 was placed before the State Legislature on 21 July 2003.

619-B companies

1.41 There were three working companies coming under Section 619-B of the Companies Act, 1956. *Annexure-9* indicates 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 available accounts.