

Chapter I

Overview of State Public Sector Undertakings

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1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Maharashtra, the State PSUs occupy an important place in the State economy. The State working PSUs registered a turnover of ₹ 62,315.03 crore in 2011-12 as per their latest finalised accounts as of September 2012. This turnover was equal to 4.99 *per cent* of State Gross Domestic Product (GDP) for 2011-12. Major activities of Maharashtra State PSUs are concentrated in power and infrastructure sectors. The State working PSUs earned an overall profit of ₹ 1,601.76 crore in the aggregate for 2011-12 as per their latest finalised accounts. They had employed 2.09 lakh employees as of 31 March 2012.

1.2 A sector-wise summary of the PSUs is given below:

Name of sector	Government companies ¹		Statutory corporations		Total	Investment ² (₹ in crore)
	Working	Non-working ³	Working	Non-working		
Power	10	0	0	-	10	67,839.69
Finance	16	1	1	-	18	2,797.13
Manufacturing	9	8	0	-	17	648.18
Infrastructure	11	5	1	-	17	4,471.26
Agriculture & allied	7	6	1	-	14	770.78
Services	4	0	1	-	5	1,800.42
Miscellaneous	4	2	0	-	6	18.66
Total	61	22	4	-	87	78,346.12

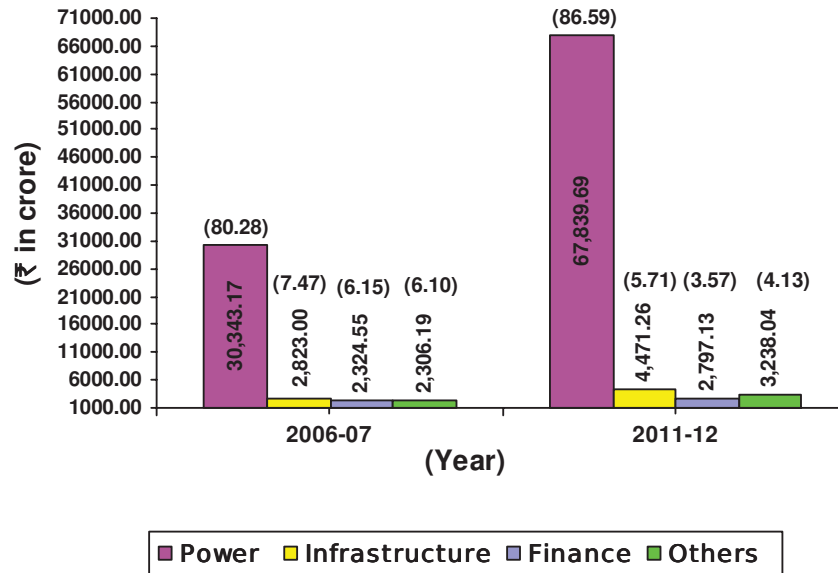
During the year 2011-12, two PSUs (Shamrao Pege Konkan Itar Magas Varg Arthik Vikas Mahamandal Limited and Latur Power Company Limited) were added while one company (Mahagenco Power Generation Consultancy Services Limited) was wound up.

1.3 The investment in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 are indicated below in the bar chart. The thrust of PSU investment was mainly in the Power sector and increased from 80.28 to 86.59 *per cent* during 2006-07 to 2011-12.

¹ Includes 619-B companies at Sl.No.A-5,17,26,32,37,41,47,49 and 57 of **Annexure-1**.

² This includes paid up capital and loans outstanding as on 31 March 2012.

³ Non-working PSUs are those which have ceased to carry on their operations.



(Figures in brackets show the percentage of total investment)

Accountability framework

1.4 The accounts of the Government companies/Statutory corporations for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by 30 September.

1.5 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 or more *per cent* of the paid up capital is held in any combination by Government(s), Government companies or corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act, 1956.

Statutory Audit

1.6 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.7 Audit of Statutory corporations is governed by their respective legislations:

- Out of four Statutory corporations, CAG is the sole auditor for Maharashtra State Road Transport Corporation and Maharashtra Industrial Development Corporation.

- In respect of Maharashtra State Warehousing Corporation and Maharashtra State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Role of Legislature and Government

1.8 State Government exercises control over the affairs of these PSUs as the owner through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

1.9 The State legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Report together with the Statutory Auditors' Report and Comments of CAG, in respect of State Government companies and Separate Audit Report in case of Statutory corporations are to be placed before the legislature within three months of its finalisation/as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19 A of the CAG's (DPC) Act, 1971.

Stake of Government of Maharashtra

1.10 As owners, GoM has huge financial stake in these PSUs. This stake is of mainly three types:

- Share capital and loans - In addition to the share capital contribution, GoM also provides financial assistance by way of loans to the PSUs from time to time.
- Special financial support - GoM provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- Guarantees - GoM also guarantees the repayment of loans with interest availed by the PSUs from financial institutions.

Investment in State PSUs

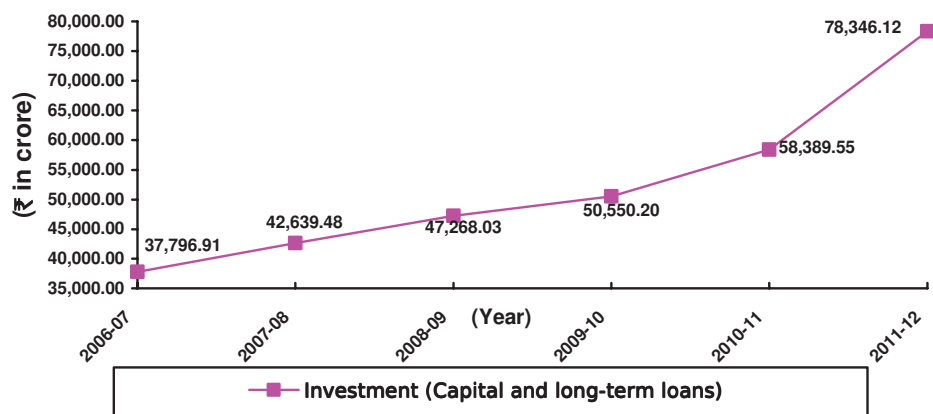
1.11 As on 31 March 2012, the total investment (capital and long-term loans) in 87 PSUs (including nine 619-B companies) was ₹ 78,346.12 crore as per details given below:

(Amount ₹in crore)

Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	28,758.49	46,583.88	75,342.37	1,849.88	426.21	2,276.09	77,618.46
Non-working PSUs	321.75	405.91	727.66	--	--	--	727.66
Total	29,080.24	46,989.79	76,070.03	1,849.88	426.21	2,276.09	78,346.12

A summarised position of Government investment in State PSUs is detailed in **Annexure-1**.

1.12 As on 31 March 2012, of the total investment in State PSUs, 99.07 per cent was in working PSUs and the remaining 0.93 per cent in non-working PSUs. This total investment consisted of 39.48 per cent towards capital and 60.52 per cent in long-term loans. The investment has grown by 107.28 per cent from ₹ 37,796.91 crore in 2006-07 to ₹ 78,346.12 crore in 2011-12 as shown in the graph below. The total investment in PSUs has increased by ₹ 19,956.57 crore during 2011-12 as compared to 2010-11 which was mainly due to increase in equity and loans to the Power Sector PSUs.



Special support to PSUs and returns during the year

1.13 Each year, the GoM provides additional investment and support to PSUs in various forms through annual budget. During the year 2011-12, the GoM extended budgetary support of ₹ 7,084.13 crore to 24 PSUs. The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-3**.

The summarised details are given below for three years ended 2011-12.

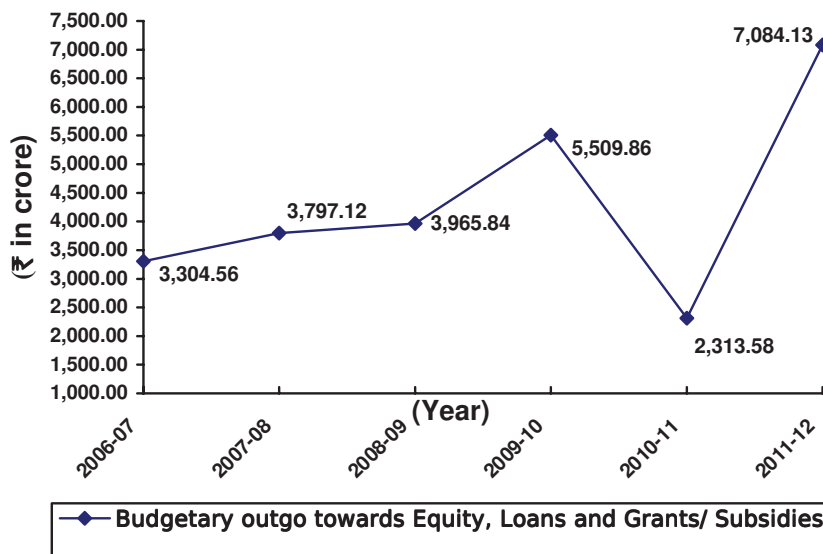
(Amount ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	11	1,415.52	13	1,202.27	13	2,132.89
2.	Loans given from budget	4	65.40	7	313.34	6	280.66
3.	Grants/Subsidy issued	17	4,028.94	15	797.97	18	4,670.58
4.	Total Outgo (1+2+3)	25⁴	5,509.86	22⁴	2,313.58	24⁴	7,084.13
5.	Loans written off	1	7.72	2	24.50	2	17.88
6.	Interest/Penal interest waived	1	1.95	1	2.76	2	0.38
7.	Total waiver (5+6)	1⁵	9.67	2⁵	27.26	3⁵	18.26

⁴ Actual number of PSUs which received budgetary support in the form of equity, loans, Grants/subsidy from State Government.

⁵ Actual number of PSUs in which loans were written off and penal interest waived by the State Government.

1.14 The details regarding budgetary outgo towards equity, loans and grants/subsidies for past six years are given in a graph below.



1.15 The budgetary outgo in the form of equity, loans, grants/subsidies, etc. increased from ₹ 2,313.58 crore in 2010-11 to ₹ 7,084.13 crore during 2011-12. Similarly, grants/subsidies increased from ₹ 797.97 crore in 2010-11 to ₹ 4,670.58 crore in 2011-12. During the year 2011-12, the State Government waived loans and interest/penal interest of ₹ 18.26 crore due from three⁶ PSUs as against waiver of ₹ 27.26 crore during the previous year.

Guarantees for loans and outstanding guarantee commission

1.16 Guarantee for loans availed by PSUs is the third form of support to PSUs. During the year, the GoM had guaranteed ₹ 345 crore and commitment stood at ₹ 4,139.36 crore at the end of the year (**Annexure 3**).

(₹ in crore)

Particulars	Government companies		Statutory corporations		Total
	Number	Amount	Number	Amount	
Guarantees received	2	345.00	-	-	345.00
Commitment as on 31 March 2012	12	4,139.36	-	-	4,139.36

1.17 The amount of Guarantee commitment as on 31 March 2011 was at ₹ 1,994.91 crore (12 PSUs) which increased to ₹ 4,139.36 crore (12 PSUs) during 2011-12. During the year 2011-12, the State Government had guaranteed loans aggregating ₹ 345 crore obtained by two⁷ working Government companies. The Government charges fees for guarantees at varying rates. Out of ₹ 218.40 crore payable towards guarantee fee during the

⁶ Sl.No. A-7,11 and 17 of **Annexure-3**.

⁷ Sl.No. A- 2 and 13 of **Annexure-3**.

year 2011-12, seven PSUs paid guarantee fees of ₹ 102.27 crore leaving an unpaid balance of ₹ 116.13 crore from seven⁸ PSUs as on 31 March 2012.

Failure to ensure proper accountability of the Government stake in PSUs

1.18 As stated above GoM has huge financial stake in the PSUs. We, however, found that the PSUs/Government did not ensure proper accountability of this investment. The lapses were mainly in two areas:

- To provide an accurate figure for investment as reconciliation with the figures of Finance Accounts for A&E office is pending; and
- To prepare annual account and get them audited.

These lapses have wide ranging implications including adverse impact on legislative financial control.

Reconciliation with Finance Accounts

1.19 The Finance Accounts of GoM prepared by the PAG (A&E) and certified by CAG depicts the Government stake in PSUs in respect of equity, loans and guarantees. The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2012 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	4,654.16	16,979.87	12,325.71 ⁹
Loans	1,804.73	4,386.90	2,582.17
Guarantees	2,356.56	4,139.36	1,782.80

1.20 Audit observed that the differences occurred in respect of 49 PSUs and some of the differences were pending reconciliation for more than three years. The matter was brought to the notice of the Chief Secretary/Principal Secretary (Finance) in September 2011 and again in October 2012. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

⁸ Sl.No. A-2,4,15,16,20,29 and 52 of **Annexure-1**.

⁹ Includes Share application money pending allotment amounting to ₹ 12,310.78 crore which has arisen due to unbundling of erstwhile Maharashtra State Electricity Board in June 2005.

Arrears in finalisation of accounts

1.21 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

The table below provides the details of progress made by the working PSUs in finalisation of accounts as of 30 September 2012.

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12 ¹⁰
1.	Number of working PSUs	57	61	62	64	65
2.	Number of accounts finalised during the year	42	57	71	82	82
3.	Number of accounts in arrears	175	185	178	162	138
4.	Average arrears per PSU (3/1)	3.07	3.03	2.87	2.53	2.12
5.	Number of Working PSUs with arrears in accounts	52	55	56	53	53
6.	Extent of arrears	1 to 13 years	1 to 13 years.	1 to 13 years.	1 to 14 years.	1 to 12 years
7.	Number of PSUs having arrears above five years	8	9	8	6	7

1.22 The average arrears per PSU had decreased from 3.07 in 2007-08 to 2.12 in 2011-12. The performance of finalisation of accounts during the year 2011-12 has improved compared to the previous year. During 2011-12, 14¹¹ working PSUs did not finalise even a single account which contributed to the accumulation of arrears in accounts. The companies whose accounts were in arrears for more than five years marginally increased from six to seven¹². This indicated that no effective action had been taken to liquidate the arrears of accounts of the companies whose accounts were in arrears for more than five years. The PSUs should ensure that at least one year's account are finalised each year so as to restrict further accumulation of arrears. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and ensure that the accounts are up to date.

1.23 In addition to above, there were also arrears in finalisation of accounts by non-working PSUs. Of the 22 non-working PSUs, two PSUs are under liquidation (**Annexure-2** of C-3 and 18 having arrears of one and 18 years respectively) and 14 PSUs had arrears of accounts for one to 14 years of which

¹⁰ Exclude position in respect of companies wound up during 2011-12.

¹¹ Sl. No. A-6,8,10,12,17,19,22,27,33,34,43,48,53 and 54 of **Annexure-2**.

¹² Sl. No. A-9,10,18,20,23,25 and 54 of **Annexure-2**.

three¹³ PSUs did not finalise even one account during the year as detailed below:

No. of Non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears	Reference to Sl. No. of Annexure-2
1	1998-99 to 2011-12	14	C-7
1	2005-06 to 2011-12	7	C-10
12	2010-11 to 2011-12	1	C-1,2,5,8,9,11,12,13,14,15,17 and 21

1.24 The State Government had invested ₹ 3,293.82 crore (Equity: ₹ 1,771.06 crore, Loans: ₹ 252.47 crore, Grants: ₹ 1,270.29 crore) in 20 PSUs during the years for which accounts have not been finalised as detailed in **Annexure-4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

Arrears in respect of Statutory corporations

1.25 Of the four Statutory corporations none finalised their accounts for the year 2011-12.

1.26 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Maharashtra State Warehousing Corporation	2009-10	2010-11	2 February 2012	Likely to be placed in ensuing session
2.	Maharashtra Industrial Development Corporation	2009-10	2010-11	5 October 2012	Likely to be placed in ensuing session

The Government should ensure placement of SARs in the legislature to have good legislative control over Statutory corporations. It will also ensure financial accountability by the Statutory corporations.

¹³ Sl. No. C-7,10 and 12 of **Annexure-2**.

Failure of the administrative department

1.27 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period.

1.28 As the position of arrears in finalisation of accounts was alarming, CAG took up the matter (September 2011) with the Ministry of Corporate Affairs (MCA) and suggested to devise special arrangements along with actionable issues to ensure enforcement of accountability. The MCA in turn devised (November 2011) a scheme which allowed the PSUs with arrears in accounts to finalise the latest two years accounts and clear the backlog within five years.

1.29 The AG also addressed (February 2012) the Administrative Departments and the Managements of the PSUs whose accounts were in arrears for more than three years. The persisting huge arrears of accounts revealed that the PSUs did not avail this concession to make their accounts up to date.

Impact of non-finalisation of accounts

Non-finalisation of accounts by 30 September is a violation of the provisions of the Companies Act, 1956.

1.30 In the absence of accounts and their subsequent audit, there is no assurance that the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature.

1.31 Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956. In view of the above state of arrears, the actual contribution of PSUs to the State Gross Domestic Product (GDP) for the year 2011-12 could not be ascertained. Further, the result of operation of these PSUs for the year 2011-12 and their contribution to State exchequer was also not reported to the State Legislature.

1.32 Hence it is recommended that the Government should monitor and ensure timely finalisation of accounts with special focus on liquidation of arrears and comply with the provisions of the Companies Act, 1956.

Performance of PSUs

Performance based on finalised accounts

1.33 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexures-2, 5 and 6**

Audit Report No.02 of PSUs for the year ended 31 March 2012

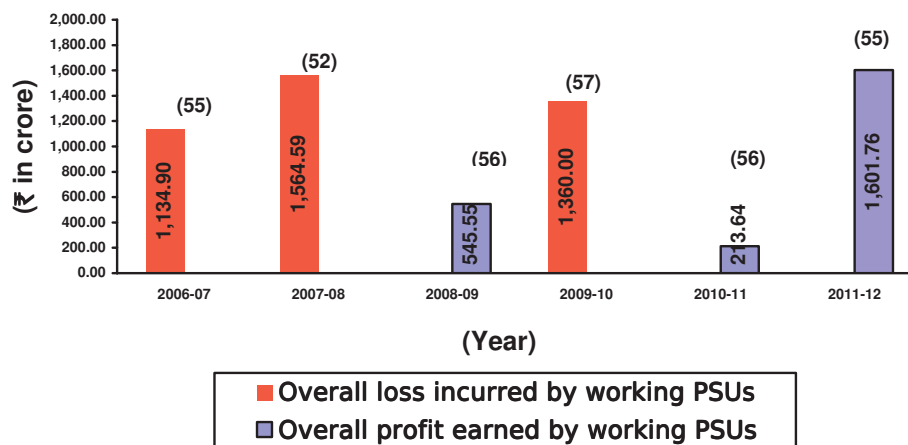
respectively. A *ratio* of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs' turnover and State GDP for the period 2006-07 to 2011-12.

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover ¹⁴	26,397.23	34,684.97	35,495.23	40,872.98	49,058.92	62,315.03
State GDP	5,09,356.00	5,90,995.00	6,97,683.00	8,31,971.24	10,29,621.00	12,48,453 ¹⁵
Percentage of Turnover to State GDP	5.18	5.87	5.09	4.91	4.76	4.99

The percentage of turnover to State GDP increased from 5.18 in 2006-07 to 5.87 in 2007-08 and declined to 4.99 in 2011-12 as the turnover of PSUs did not increase in proportion to the corresponding increase in the State GDP during 2008-09 to 2011-12.

1.34 Profits/(losses) earned/(incurred) by the State working PSUs during 2006-07 to 2011-12 are given below in a bar chart.



(Figures in brackets show the number of working PSUs excluding PSUs working on no profit no loss basis and/or that have not started commercial activities in respective years)

As against overall loss of ₹ 1,134.90 crore incurred during 2006-07, the working PSUs made an overall profit of ₹ 1,601.76 crore in 2011-12. During the year 2011-12, out of 65 working PSUs, 38 PSUs earned profit of ₹ 2,043.34 crore and 17 PSUs incurred loss of ₹ 441.58 crore. Four¹⁶ working PSUs prepared their accounts on 'no profit no loss basis'. The other six¹⁷ PSUs were under construction and had not prepared profit and loss account. The major contributors to profit were Maharashtra State Power Generation Company Limited (₹ 800.02 crore) and Maharashtra State Electricity Transmission Company Limited (₹ 882.58 crore). Heavy losses were incurred

¹⁴ Turnover as per the latest finalised accounts as of September 2012.

¹⁵ Advance estimates as furnished by Directorate of Economics and Statistics, Government of Maharashtra.

¹⁶ Sl.No.A-12,17,28 and 58 of **Annexure-2**.

¹⁷ Sl. No. A-22,27,37,42,43 and 45 of **Annexure-2**.

Chapter-I-Overview of Government companies and Statutory corporations

by MSEB Holding Company Limited (₹ 248.23 crore) and Maharashtra State Road Development Corporation Limited (₹ 129.51 crore).

1.35 The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of the latest Audit Reports of CAG shows that the State working PSUs incurred losses to the tune of ₹ 1,114.04 crore and infructuous investment of ₹ 48.43 crore, which were controllable with better management. Year wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net Profit (loss)	(1,360.00)	213.64	1,601.76	455.40
Controllable losses as per CAG's Audit Report	79.51	600.93	433.60	1,114.04
Infructuous Investment	37.06	0.00	11.37	48.43

1.36 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses may vary if other transactions are considered. The above table shows that with better management, the losses can be minimised (or eliminated or the profits can be enhanced substantially). The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.37 Some other key parameters pertaining to State PSUs are given below.

(Amount ₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Return on Capital Employed (<i>Per cent</i>)	-- ¹⁸	0.89	7.52	2.61	4.83	7.23 ¹⁹
Debt	18,827.73	27,035.20	25,834.25	27,704.79	34,345.95	47,416.00
Turnover ²⁰	26,397.23	34,684.91	35,495.23	40,872.98	49,058.92	62,315.03
Debt/Turnover Ratio	0.71:1	0.78:1	0.73:1	0.68:1	0.70:1	0.76:1
Interest Payments	1,182.61	2,355.14	2,197.56	2,509.77	2,580.15	3,403.22
Accumulated Profits (losses)	(4,739.23)	(6,639.08)	(7,006.90)	(8,539.13)	(9,614.61)	(11,552.02)

1.38 The percentage of consolidated return on capital employed of all PSUs increased from 'negative' in 2006-07 to 7.23 in 2011-12. The accumulated losses of the PSUs have increased by 143.75 *per cent* from ₹ 4,739.23 crore in 2006-07 to ₹ 11,552.02 crore in 2011-12 thus indicating deteriorating financial

¹⁸ Return on capital employed was negative during the year.

¹⁹ Return on capital for the year has been computed by considering profit before tax after prior period adjustment.

²⁰ Turnover of non-working PSUs is NIL.

position of the PSUs. The debt turnover *ratio* deteriorated from 0.71:1 during 2006-07 to 0.76:1 during 2011-12.

1.39 The State Government formulated (June 2010) dividend policy under which all profit earning State PSUs are required to declare dividend after complying with necessary provisions of the applicable Acts. However, dividend rate was fixed (February 2012) at five *per cent* by the State Government. As per their latest finalised accounts, 38 working PSUs earned an aggregate profit of ₹ 2,043.34 crore however, only five²¹ PSUs which earned profit of ₹ 143.95 crore declared a dividend of ₹ 3.57 crore (at an average rate of 2.48 *per cent*).

Winding up of non-working PSUs

1.40 There were 22 non-working PSUs (all companies) as on 31 March 2012. This includes two²² PSUs where liquidation process has started and official liquidator has been appointed by the Court. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
No. of non-working companies	27	24	23	22	22

Five²³ non-working PSUs whose accounts were finalised for the year 2011-12, incurred expenditure of ₹ 0.60 crore towards salary and establishment. This expenditure was financed through disposal of investments, interest from fixed deposit and miscellaneous income of these PSUs.

1.41 The stages of closure in respect of non-working PSUs (all companies) are given below.

(Amount ₹ in crore)

Sl. No.	Particulars	Companies	Investment	Accumulated profit / loss (-)
1.	Total No. of non-working PSUs	22	727.66	1,265.64
2.	Under Liquidation	2	20.38	29.15
3.	Closure, <i>i.e.</i> closing orders/instructions issued but liquidation process not yet started	10 ²⁴	569.73	1,186.63
4.	Decision not yet taken	10	137.55	49.86

The Government may take decision on the 10 non-working PSUs early.

²¹ Sl. No. A-1,5,11,36 and 38 of **Annexure-2**.

²² Sl.No.C-3 and 18 of **Annexure-2**.

²³ Sl. No. C-3,7,10,14 and 15 of **Annexure-2**.

²⁴ Sl. No. C-1,2,4,12,13,14,15,16,18 and 19 of **Annexure-2**.

Accounts Comments and Internal Audit

1.42 Forty seven working companies forwarded their audited 82 accounts to Accountant General during the year 2011-12. Of these, 29 accounts were selected for supplementary audit and 53 accounts were issued Non Review Certificates. The Audit Reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below.

(Amount: ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	20	98.98	15	103.77	16	245.87
2.	Increase in loss	10	59.59	9	129.44	13	65.36
3.	Non-disclosure of material facts	17	454.59	5	46.41	3	512.97
4.	Errors of classification	4	7.08	14	101.75	9	46.70
	Total		620.24		381.37		870.90

As seen from the above table the comments of Statutory Auditors and CAG on decrease in profit showed an increasing trend.

1.43 During the year, the Statutory Auditors had given unqualified certificates for 21 accounts and qualified certificates for 50 accounts, adverse certificates (which means that accounts do not reflect a true and fair view) for eight accounts and disclaimers (meaning the auditors are unable to form an opinion on accounts) for three accounts.

1.44 Some of the important supplementary comments in respect of accounts of companies are stated below.

Maharashtra Airport Development Company Limited (2011-12)

Grant of revenue nature of ₹ 8.75 crore received from Government of Maharashtra was booked to capital reserve instead of in Profit and Loss Accounts. This resulted in understatement of profit and overstatement of capital reserve by ₹ 8.75 crore.

Maharashtra State Electricity Distribution Company Limited (2010-11)

- The Company did not make provision of ₹ 21.19 crore towards interest on loans during moratorium period. This resulted in understatement of loss and current liabilities by ₹ 21.19 crore.

Audit Report No.02 of PSUs for the year ended 31 March 2012

- Two Operations and Maintenance circles of the Company did not account for revenue from sale of power amounting to ₹ 16.68 crore. This resulted in overstatement of loss and understatement of debtors to that extent.

Maharashtra State Electricity Transmission Company Limited (2010-11)

- The Company did not account for income of ₹ 3.30 crore from STU charges. This resulted in understatement of profit and debtors by ₹ 3.30 crore.

Maharashtra State Farming Corporation Limited (2007-08)

- Sundry debtors of the Company include ₹ 3.42 crore which are outstanding for more than three years but no legal action has been taken and hence they are doubtful of recovery. Non provision for doubtful debts resulted in overstatement of sundry debtors as well as understatement of loss to that extent.

1.45 Similarly, four working Statutory corporations forwarded their accounts to the Accountant General during the year 2011-12. Of these, two accounts of two Statutory corporations were audited solely by CAG. The remaining two accounts were selected for supplementary audit. The details of aggregate money value of comments of Statutory Auditors and CAG are given below.

(Amount: ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	4	264.54	4	378.00	2	25.23
2.	Increase in loss	--	--	--	--	1	0.06
3.	Non-disclosure of material facts	3	158.48	1	57.37	--	--
4.	Errors of classification	1	0.13	--	--	1	0.46
	Total		423.15		435.37		25.75

1.46 During the year, out of four accounts of four Statutory corporations, all four accounts received qualified certificates.

1.47 Some of the important comments in respect of accounts of Statutory corporations are stated below.

Maharashtra Industrial Development Corporation (2010-11)

- Advances include ₹ 19.25 crore being the excess expenditure in respect of deposit works executed by the Corporation. There were no transactions with the parties during the last three years but no provision has been made for this amount. This has resulted in overstatement of current assets and surplus by ₹ 19.25 crore.

Maharashtra State Warehousing Corporation (2010-11)

- The Corporation adjusted 'provision for income tax' and 'Advance Tax paid' without completion of Assessment by Income Tax Department. This resulted in overstatement of profit by ₹ 87.63 lakh.
- The Corporation has not complied with three Accounting Standards (AS) (AS 15, AS 19 and AS 29) in preparation of its annual accounts.

Maharashtra State Road Transport Corporation (2010-11)

- Advances of ₹ 1.53 crore given to suppliers during 1998-2008 are doubtful of recovery. Non-provision for doubtful advances resulted in overstatement of Profit and Current Assets to that extent.

Maharashtra State Financial Corporation (2010-11)

- The Corporation has not complied with AS 4 and AS 15.

1.48 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the 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 areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 32 companies²⁵ for the year

²⁵ Sl.No.A-2,4,6,7,9,14,15,16,18,20,21,23,25,28,29,31,34,37,45,49,52,53,59,60 and 61 C:5,10, 11,12,14,18 and 20 in **Annexure-2**.

Audit Report No.02 of PSUs for the year ended 31 March 2012

2010-11 and 43 companies²⁶ for the year 2011-12 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Annexure-2
1.	Non-fixation of minimum/maximum limits of store and spares	11	A:2,6,14,16,25,35,36,40,52,53 and 59
2.	Absence of internal audit system commensurate with the nature and size of business of the company	26	A:4,6,7,9,11,14,15,16,21,23,25,29,31,34,35,37,40,42,44,56,59 and 61 C:4,8,12 and 20
3.	Non maintenance of cost record	5	A:6,14,16,20 and 25
4.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	23	A:6,7,9,14,15,16,18,23,24,25,28,29,34,36,38,45,51,55 and 60 C:4,6,9 and 12
5.	Non-formation of Audit committee	15	A:7,11,13,14,15,18,20,25,38,52,60 and 61 C:8,12 and 15
6.	Delegation of powers and duties and responsibilities not adequately defined	16	A:13,15,21,23,25,32,38,46,47,49 and 60 C:2,5,14,17 and 20
7.	System of accounts and financial control	16	A:9,11,14,15,21,23,24,25,32,38,44 and 59 C:2,9,12 and 17
8.	System of monitoring timely recovery of outstanding dues.	31	A:6,7,9,11,14,15,21,23,24,25,29,32,34,35,36,40,59 and 60 C:2,5,6,8,9,11,12,13,14,15,17,19 and 22
9.	Existence of investment policy	26	A:2,4,5,6,7,9,14,15,16,20,21,23,25,26,29,32,34,40,49,52 and 59, C:6,11,12,13 and 19

Recoveries at the instance of audit

1.49 During the course of propriety audit in 2011-12, recoveries of ₹ 293.99 crore were pointed out to the Management of various PSUs. An amount of ₹ 24.56 crore was recovered during the year 2011-12.

²⁶Sl. No.A-2,5,7,9,11,13,14,15,16,18,20,21,23,24,25,26,29,32,35,36,38,40,42,44,46,47,49,51,52,55,56,59and 60 C: 2,3,4,5,7,8,12,13,16 and 17 in **Annexure-2**.

Reforms in Power Sector

1.50 The State has formed Maharashtra Electricity Regulatory Commission (Commission) in August 1999 under the Electricity Regulatory Commission Act, 1998²⁷ with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. The audit of accounts is done solely by CAG under Section 104(2) of the Electricity Act, 2003. The Commission had finalised its accounts upto the year 2008-09. During 2011-12, Commission issued ten orders on annual revenue requirements and 150 on others.

²⁷ Replaced by Electricity Act, 2003.