

## Overview

### 1. Overview of Government companies and Statutory corporations

*Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective Legislations. As on 31 March 2012, the State of Maharashtra had 65 working Public Sector Undertakings (PSUs) (61 companies and four Statutory corporations) and 22 non-working PSUs (all Companies), which employed 2.09 lakh employees. The working PSUs registered a turnover of ₹ 62,315.03 crore in 2011-12 as per their latest finalised accounts. This turnover was equal to 4.99 per cent of the State GDP indicating the important role played by the State PSUs in the economy. The working PSUs earned an overall profit of ₹ 1,601.76 crore in 2011-12 and had accumulated losses of ₹ 10,286.38 crore as on 31 March 2012.*

#### Stake of Government

*As on 31 March 2012, the investment (Capital and long term loans) in 87 PSUs was ₹ 78,346.12 crore. It grew by 107.28 per cent from ₹ 37,796.91 crore in 2006-07 mainly because of increase in investment in power sector. Power Sector accounted for 86.59 per cent of the total investment in 2011-12. The Government contributed ₹ 7,084.13 crore towards equity, loans and grants/subsidies during 2011-12.*

#### Performance of PSUs

*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. Four PSUs prepared their accounts on no profit no loss basis and six PSUs were under construction and had not prepared profit and loss account. The major contributors to profit were Maharashtra State Electricity Transmission Company Limited (₹ 882.58 crore) and Maharashtra State Power Generation Company Limited (₹ 800.02 crore). Heavy losses were incurred by MSEB Holding Company Limited (₹ 248.23 crore) and Maharashtra State Road Development Corporation Limited (₹ 129.51 crore).*

#### Quality of accounts

*The quality of accounts of PSUs needs improvement. During the year, out of 82 accounts of working companies finalised during October 2011 to September 2012, 50 accounts received qualified certificates and 21 accounts received unqualified certificates, adverse certificate for eight accounts and disclaimer for three accounts from Statutory auditors. Of the four accounts finalised during October 2011 to September 2012 by the Statutory corporations, all four accounts received qualified certificates. The Reports of the Statutory auditors on internal control of the companies indicated several weak areas.*

#### Arrears in accounts and winding up

*Fifty three working PSUs had arrears of 138 accounts as of September 2012. The extent of arrears was one to 14 years. There were 22 non-working companies including two under liquidation.*

## 2. Performance Audit relating to Government companies

Performance Audit relating to ‘Functioning of **City and Industrial Development Corporation of Maharashtra Limited**’ and Power Transmission Utilities relating to ‘Functioning of **Maharashtra State Electricity Transmission Company Limited**’ were conducted. Executive Summary of the main Audit findings is given below:

### Performance Audit relating to functioning of **City and Industrial Development Corporation of Maharashtra Limited**

#### Introduction

*City and Industrial Development Corporation of Maharashtra Limited (Company) was incorporated in March 1970 by the Government of Maharashtra (GoM) as a wholly owned Government Company. The Company was assigned planning and development of Navi Mumbai Project (NMP) and New Town Projects (NTPs). Presently, the Company has six nodes in NMP and seven NTPs.*

#### Operational Performance

##### Planning

*The Detailed Project Reports for development of the nodes were not updated periodically. There was no system of preparation of Corporate Plan (CP)/ Annual Plan (AP) to ensure timely implementation of the projects. Land records showing details of land area acquired, developed, saleable, sold and balance available of NMP were not updated.*

##### Infrastructure development

*The Company has not formulated any Contract Management Manual to be followed at various levels of authority. Instances of lapses in the tender processing/execution such as awarding of work on single tender basis, non-transparent processing of tenders and non-levy of Compensation For Delay in completion of works were noticed.*

##### Allotment of plots

*The allotment letters did not contain any due date of payment of Delayed Payment*

*Charges (DPC) and Miscellaneous Charges (MC), in the absence of which, the Company was deprived of revenue of ₹ 9.43 crore due to delayed collection of DPC/MC. Five plots which were situated on the side of the service road along with road having width of 32 metres were allotted without levying additional premium of ₹1.04 crore.*

*The Company had not levied Additional Lease Premium of ₹ 16.22 crore in two cases without examining its merit, even though there was a delay of more than 12 years in construction of buildings. In four cases, the Company granted permission for transfer of plots before execution of Lease Agreement in violation of the Land Regulations. Payment of stamp duty to the Government was avoided in this process. The Company allotted plots to 20 Co-operative Housing Society formed by CIDCO employees at lower rate, incurring a loss of ₹18.40 crore.*

##### Sale of apartments and shops

*The allottees of 17 apartments in the Seawoods NRI Housing Complex, Nerul, have not paid the balance amount of 6.24 lakh USD since December 1995. The Company has also not recovered the balance premium of ₹ 1.05 crore since 2001 from the allottees of 20 shops at Nerul Railway Station. The Company constructed 252 apartments in October 2007 and allotted (March 2008) only 220 apartments. The balance 32 nos apartments and 23 apartments surrendered /cancelled valued at ₹60.75 crore were not allotted. There was delay in allotment of 1,344 tenements under the Mass Housing Scheme at Ulwe by more than 15-19 months which resulted in loss of interest of ₹14.13 crore.*

### Financial Management

*The Company has not finalised its accounts from 2009-10 onwards. There was no regular system of submission of information to Board of Director (BoD) on investments in Fixed Deposits. In 243 cases (₹ 9,097.29 crore), investments for more than one year were made by delegate without BoD's approval. The Company works as an agent of GoM for NMP. The amount due to the GoM was ₹ 2,920.43 crore in 2011-12 and the same was not remitted to the Government.*

*The annual accounts of the Company and project accounts have been finalised and audited only upto 2008-09.*

*The outstanding Service Charges (SC) and Water Charges (WC) of Non-Navi Mumbai Municipal Corporation (Non-NMMC) nodes increased from ₹ 83.22 crore and ₹ 16.23 crore (March 2008) to ₹ 141.50 crore and ₹ 33.20 crore (March 2012) respectively and the recovery towards SC was between 6.84 and 10.80 per cent only against demand. Similarly, the outstanding SC and WC of NMMC nodes increased from ₹ 26.24 crore (March 2008) to ₹ 30.51 crore (March 2012) and the recovery was between 0.84 and 2.63 per cent against demand.*

### Monitoring system

*MIS in the Company was inadequate and ineffective although System Application &*

*Products had been introduced in December 2004. The Internal Audit of the Company was carried through Chartered Accountant firms for the period up to 2005-06 only.*

### Conclusion and Recommendations

*The Company did not prepare comprehensive CP/AP. Annual Budget estimates were prepared only in financial terms and physical progress was not linked thereto. Details of land acquired, developed area, balance saleable etc. were not updated. In some cases works were awarded on single tender basis which lacked transparency. There was no system in place for timely recovery of DPCs and MCs along with the instalment dues. Compliance with Land Pricing Policy (LPP) and Land Regulations (LRs) relating to fixation of price, allotment/transfer of plots etc. was not ensured. The audit has made nine recommendations which include framing a comprehensive CP/AP in order to fix target and achievement in financial as well as physical terms including finalisation of annual accounts of the Company and project accounts and audit thereof in time, updating of Land records, formulating a Contract Management Manual, formulating proper system to recover DPCs and MCs along with the instalment dues and ensure compliance of provisions of the LPP/LRs in allotment of land. Government should ensure that the amounts due to them are received in time.*

## Performance Audit relating to the functioning of Maharashtra State Electricity Transmission Company Limited

### Introduction

*With a view to supply reliable and quality power to all by 2012, the Government of India (GoI) prepared the National Electricity Policy (NEP) in February 2005 which stated that the Transmission System required adequate and timely investment besides efficient and coordinated action to develop a robust and integrated power system for the country.*

*During 2007-08 energy transmitted by the Company was 89,189.88 MUs which increased to 1,12,638.67 MUs in 2011-12, i.e. an increase of 26.29 per cent during a span of five years. As on 31 March 2012,*

*the Company had transmission network of 39,765 Circuit kilometers (Ckm) and 557 sub-stations (SSs) with installed capacity of 91,444 MVA.*

### Planning and Development

*Against the targeted construction of 101 Extra High Tension (EHT) SSs and laying of 6,858 Ckm of EHT lines, the Company constructed 71 EHT SSs and 4,138 Ckm EHT lines during the five year period (2007-12) (achievement of 70 and 60 per cent respectively). The transmission capacity added was 33,731 MVA as against 39,362 MVA during the five year period ending 2007-12.*

### Project management

The Company did not allot the packages to different contractors which culminated in abnormal delays in execution of the projects. Delays were noticed in 28 cases with time overrun ranging from two to 50 months leading to cost overrun of ₹93.73 crore in 16 projects. The Company incurred an expenditure of ₹111.42 crore on incomplete interlink line projects.

### Mismatch between Generation capacity and Transmission facilities

The Company had created its transmission network in excess of availability of generation. There was no requirement of creating additional capacity during 2008-09 to 2011-12.

### Operation and Maintenance

The Company is adopting predictive/proactive maintenance practices with modern state of art testing and measuring equipments so that functionality and health of various EHV equipment and transmission lines could be monitored. As a result, the transformer failure rate decreased from 2.68 per cent (35 Nos.) to 1.20 per cent (17 Nos.) during review period.

### Transmission losses

The transmission losses remained within the permissible limits prescribed by MERC except during 2008-09 when it was marginally higher.

### Infrastructure for load monitoring

The Company did not evaluate its requirement before placing the order of RTU resulting in abnormal delays.

### Disaster Management

As a part of Disaster Management programme mock drill for starting up generating stations during black start operations was not carried out by the Company. The Company had not taken

concerted efforts with Home Department, GoM to declare its EHV SSs as "Prohibited Area". Further, in close vicinity of its Load Despatch Centre, Kalwa, high rise buildings were permitted by town planning authorities exposing high risk to the strategic installation of the Company.

### Financial management

The Debt Equity Ratio increased from 0.92:1 to 2.72:1 during 2007-12 due to increase in borrowings from ₹ 2,486.91 crore (2007-08) to ₹ 6,765.91 crore (2011-12). The percentage of Return on Capital Employed increased from 5.78 per cent in 2007-08 to 10.08 per cent in 2011-12.

### Conclusions and Recommendations

Plans for capacity additions/augmentation were not prepared by the Company keeping in view the anticipated availability of power/peak demand and existing transmission capacity resulting in excess transmission capacity over the years. Even though year wise plan was prepared for addition of SSs and lines, there were delays in commercial commissioning of SSs and lines due to delay in completion of associated lines, delays in land acquisition and RoW problems. The Company had not provided BBPP at all SSs. Due to predictive and proactive measures transmission losses remained within MERC norms except for 2008-09. Installation of ABT meters, communication network and Remote Terminal Unit's was delayed as a result the intended benefits were not derived. Audit has made six recommendations which include preparing plans for capacity additions/augmentation keeping in view the peak demand and existing transmission capacity; ensuring completion and commercial commissioning of SSs as per schedule by proper planning of the activities relating to land acquisition, construction of associated transmission lines, civil works/electrical works; ensuring installation of BBPP at all SSs for safety of the equipments; and pursue timely installation of ABT meters, communication network and RTUs for monitoring efficiency of transmission system.

### 3. Transaction Audit Observations

Transaction audit observations included in this Report highlight deficiencies in the management of Public Sector Undertakings involving significant financial implications. The irregularities pointed out are broadly of the following nature:

*Loss of ₹ 16.74 crore in Six cases due to non-compliance with rules, directives, procedures, terms and conditions of contract.*

*(Paragraphs 3.5, 3.8, 3.12, 3.14, 3.20 and 3.21)*

*Loss of ₹ 35.12 crore in 12 cases due to non-compliance with the rules coupled with non-safeguarding of financial interests of the organisations.*

*(Paragraphs 3.2,3.3,3.4,3.6,3.7,3.9,3.11,3.13,3.15,3.17,3.18 and 3.19)*

*Loss of ₹ 10 crore in two cases due to defective/deficient planning.*

*(Paragraphs 3.1 and 3.10)*

*Loss of ₹ 137.07 crore in one case due to inadequate/deficient monitoring.*

*(Paragraph 3.16)*

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

**Maharashtra Agro Industries Development Corporation Limited** constructed a Flower Auction House at a cost of ₹ 8.46 crore in 2007 which remained idle till date.

*(Paragraph 3.1)*

**Maharashtra State Power Generation Company Limited** made avoidable payment of interest of ₹ 5.97 crore due to non-deduction of Tax at source.

*(Paragraph 3.9)*

**Maharashtra Film, Stage and Cultural Development Corporation Limited** lost opportunity to earn revenue of ₹ 1.54 crore due to its failure to finalise lease agreement for renting out vacant premises.

*(Paragraph 3.10)*

**Maharashtra State Road Development Corporation Limited** suffered revenue loss of ₹ 7.01 crore due to delay in finalisation of tender. Also it failed to recover labour welfare cess of ₹ 5.45 crore thereby depriving the labour force of the State of the intended benefits.

*(Paragraphs 3.12 and 3.14)*

Improper fund management by **Maharashtra Vikrikar Rokhe Pradhikaran Limited** resulted in a loss of interest of ₹ 2 crore due to investments with related party at very low rates when compared to market rates.

*(Paragraph 3.15)*

Loss of interest of ₹ 137.07 crore to **Maharashtra Industrial Development Corporation** due to investments of surplus funds with banks without proper commercial evaluation. The Corporation suffered revenue loss of ₹ 5.74 crore and ₹ 2.99 crore due to undue favour to the Parties (United Engineers and V.V. Lande) and irregular allotment of plot at lower rate. Delay in revision of development charges by the Corporation resulted in short recovery of ₹ 6.35 crore.

*(Paragraphs 3.16, 3.17, 3.18 and 3.19)*