

# **Chapter I**

## **Functioning of State Public Sector Undertakings**



## Chapter I

### Functioning 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 keeping in view the welfare of people and also occupy an important place in the State economy. As on 31 March 2015, there were 83 State Government Companies and four Statutory Corporations. None of these 83 Government Companies was listed on the stock exchange. During the year 2014-15, one PSU<sup>1</sup> was incorporated whereas one was closed down. Latur Power Company Limited, a joint venture between Maharashtra State Power Generation Company Limited and Bharat Heavy Electricals Limited opted for voluntary winding up. The details of the State PSUs in Maharashtra as on 31 March 2015 are given below.

**Table 1.1: Total number of PSUs as on 31 March 2015**

Type of PSUs	Working PSUs	Non-working PSUs <sup>2</sup>	Total
Government Companies <sup>3</sup>	61	22	<b>83</b>
Statutory Corporations	04	--	<b>04</b>
<b>Total</b>	<b>65</b>	<b>22</b>	<b>87</b>

The working PSUs registered a turnover of ₹ 85,639.39 crore as *per* their latest finalised accounts as of September 2015. This turnover was equal to 5.08 *per cent* of State Gross Domestic Product (GDP) for the year 2014-15. The working PSUs earned aggregate profit of ₹ 1,860.82 crore as per their latest finalised accounts as of September 2015. As on March 2015, the State PSUs had employed 2.18 lakh employees.

As on 31 March 2015, there were 22 non-working PSUs having investment of ₹ 938.92 crore. Some of these Companies are non-functional since the last 37 years. This is a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

#### Accountability framework

**1.2** The process of audit of Government Companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013 (Act). According to Section 2(45) of the Act, 2013, Government Company means any Company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a Company which is a subsidiary Company of such a Government Company.

<sup>1</sup> Aurangabad Industrial Township Limited

<sup>2</sup> Non-working PSUs are those which have ceased to carry on their operations

<sup>3</sup> Includes other Companies referred to in Section 139(5) and 139(7) of Companies Act, 2013

Further, as per sub-Section 7 of Section 143 of the Act, 2013 the Comptroller and Auditor General of India (CAG) may, in case of any Company covered under sub-Section (5) or sub-Section (7) of Section 139, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

### ***Statutory Audit***

**1.3** The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 139(5) or (7) of the Act, 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act, 2013. These financial statements are also subject to supplementary audit to be conducted by the CAG within sixty days from the date of receipt of the Audit Report under the provisions of Section 143(6) of the Act, 2013.

Audit of Statutory Corporations is governed by their respective legislations. Out of four Statutory Corporations, the CAG is 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 the CAG.

### ***Role of Government and Legislature***

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

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394 of the Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

## Stake of Government of Maharashtra

1.5 The Government of Maharashtra (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

1.6 As on 31 March 2015, the total investment (capital and long term loans) in 87 PSUs was ₹ 1,01,519.66 crore as per details given below.

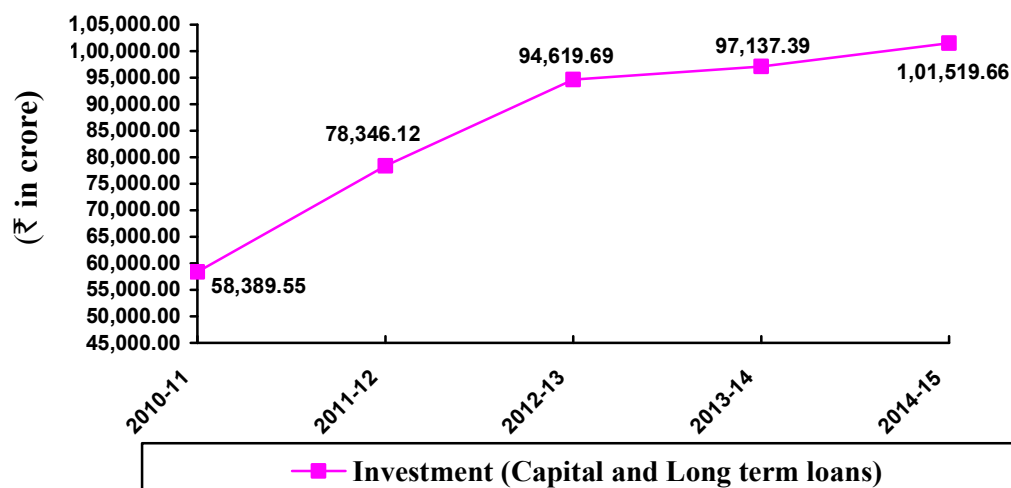
Table 1.2: Total investment in PSUs

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working	39,298.92	57,032.14	96,331.06	3,454.89	794.79	4,249.68	1,00,580.74
Non-working	318.55	620.37	938.92	-	-	-	938.92
<b>Total</b>	<b>39,617.47</b>	<b>57,652.51</b>	<b>97,269.98</b>	<b>3,454.89</b>	<b>794.79</b>	<b>4,249.68</b>	<b>1,01,519.66</b>

(₹ in crore)

As on 31 March 2015, of the total investment in State PSUs, 99.08 per cent was in working PSUs and the remaining 0.92 per cent was in non-working PSUs. This total investment consisted of 57.57 per cent towards capital and 42.43 per cent in long term loans. As per their latest finalised accounts, 39 PSUs earned an aggregate profit of ₹ 4,014.11 crore and only five PSUs declared a dividend of ₹ 12.94 crore. The investment grew by 73.87 per cent from ₹ 58,389.55 crore in 2010-11 to ₹ 1,01,519.66 crore in 2014-15 as shown in the graph below:

Chart 1.1: Total investment in PSUs



1.7 The sector-wise summary of investments in the State PSUs as on 31 March 2015 is given below:

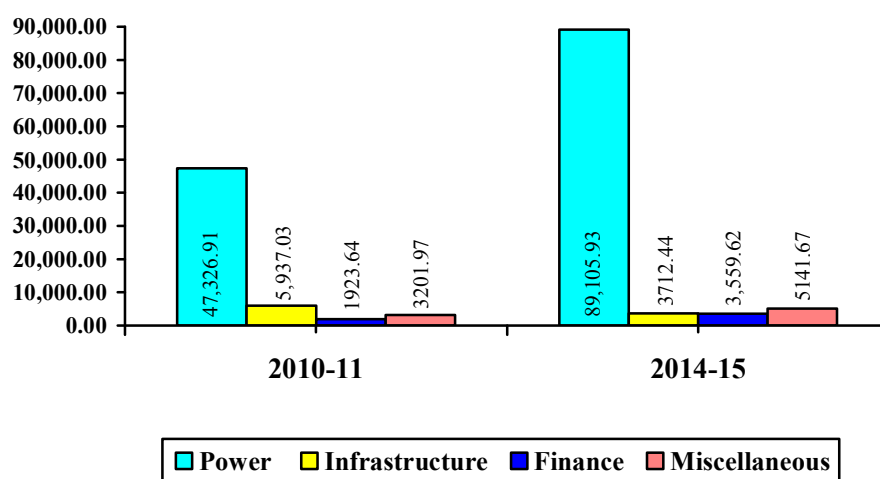
**Table 1.3: Sector-wise investment in PSUs**

Name of sector	Government Companies		Statutory Corporations	Total	Investment (₹ in crore)	Percentage to total investment
	Working	Non-Working	Working			
Power	9	0	0	9	89,105.93	87.77
Infrastructure	11	6	1	18	3,712.44	3.66
Service	4	0	1	5	3,605.43	3.55
Finance	17	0	1	18	3,559.62	3.50
Manufacturing	9	8	0	17	891.35	0.88
Agriculture & Allied	7	6	1	14	618.43	0.61
Miscellaneous	4	2	0	6	26.46	0.03
<b>Total</b>	<b>61</b>	<b>22</b>	<b>4</b>	<b>87</b>	<b>1,01,519.66</b>	<b>100.00</b>

The investment in various important sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 are indicated in the bar chart below.

**Chart 1.2: Sector wise investment in PSUs**

(Figures in ₹ crore)



The thrust of PSU investment was mainly in power sector which increased from 81.05 per cent to 87.77 per cent during 2010-11 to 2014-15. The power sector received investment of ₹ 41,779.02 crore (96.87 per cent) out of total investment of ₹ 43,130.11 crore made during the period 2010-11 to 2014-15.

### Special support and returns during the year

1.8 The GoM provides financial support to PSUs in various forms through the Annual Budget. The summarized details of Budgetary outgo towards

equity, loans, grants/subsidies, loans written off and interest waived in respect of State PSUs for three years ending 2014-15 are given below:

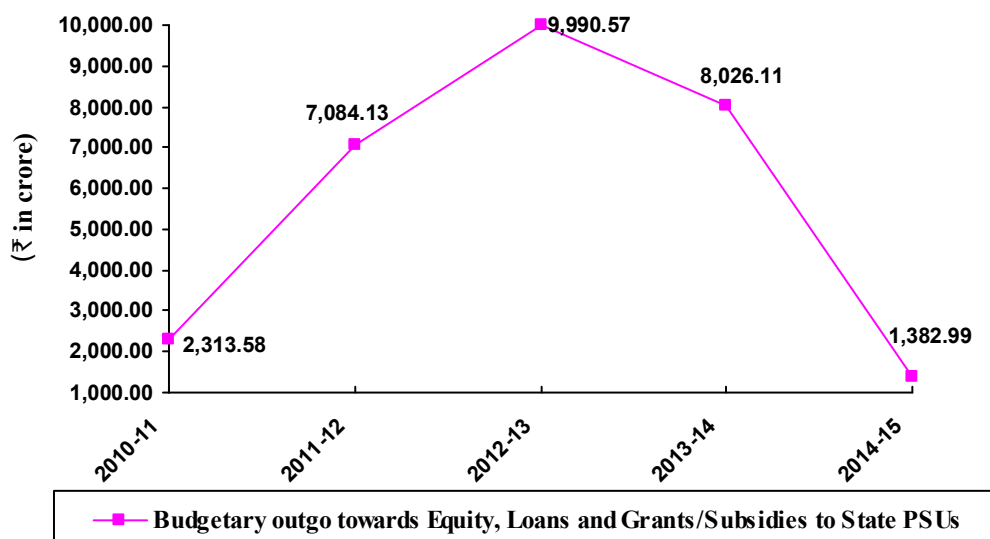
**Table 1.4: Details regarding budgetary support to PSUs**

Sl. No.	Particulars <sup>4</sup>	(₹ in crore)					
		2012-13		2013-14		2014-15	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo	12	1,813.56	10	1,994.72	9	624.47
2.	Loans given	4	2,100.99	--	--	1	10.00
3.	Grants/Subsidy received	17	6,076.02	18	6,031.39	17	748.52
<b>4.</b>	<b>Total Outgo (1+2+3)</b>	<b>20</b>	<b>9,990.57</b>	<b>20</b>	<b>8,026.11</b>	<b>18</b>	<b>1,382.99</b>
5.	Loan repayment written off	1	0.24	1	0.002	--	--
6.	Waiver of interest	2	0.51	1	0.22	1	0.36
7.	Guarantees issued	2	152	2	190.00	4	88.37
8.	Guarantee Commitment	7	1,283.47	9	2,679.16	11	2,540.30

(Source: Data compiled from information provided by PSUs)

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the five years ending 2014-15 are given in a graph below:

**Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies**



During the year 2014-15, the budgetary outgo in State PSUs reduced from ₹ 8,026.11 crore in the previous year to ₹ 1,382.99 crore. In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee for which the guarantee fee is being charged. This fee varies from 0.50 per cent to two per cent, as decided by the State Government, depending upon the loanees. The guarantee commitment of State Government decreased to ₹ 2,540.30 crore during 2014-15 from ₹ 2,679.16 crore in 2013-14. Further, six PSUs paid guarantee fees to the tune of ₹ 22.38 crore during 2014-15 whereas six PSUs did not pay guarantee fees/commission during the year and accumulated/outstanding guarantee fees/commission there against were ₹ 230.26 crore as on 31 March 2015.

<sup>4</sup> Amount represents outgo from State Budget only

## Reconciliation with Finance Accounts

**1.9** 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 the differences. The position in this regard as on 31 March 2015 with respect to 50 PSUs is stated below:

**Table 1.5: Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of PSUs**

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	8,257.17	31,126.16	22,868.99
Loans	2,158.83	8,186.71	6,027.88
Guarantees	2,256.95	2,540.30	283.35

The matter is regularly taken up with the Chief Secretary/Additional Chief Secretary (Finance), the latest being in December 2015. The concerned PSUs at the instance of Finance Department are in the process of reconciling the said differences. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

## Arrears in finalisation of accounts

**1.10** The financial statements of the Companies for every financial year are required to be finalised within six months from the end of relevant financial year *i.e.* by September end in accordance with the provisions of Section 129(2) and placed before the Annual General Meeting of the Company in terms of Section 96(1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 129(7) and 99 of the Act, 2013. 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 working PSUs in finalisation of accounts as on 30 September 2015:

**Table 1.6: Position relating to finalisation of accounts of working PSUs**

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of Working PSUs	64	65	65	65	65
2.	Number of accounts finalised during the year	82	82	74	78	64
3.	Number of accounts in arrears	162	138	129	116	125 <sup>5</sup>
4.	Number of Working PSUs with arrears in accounts	53	53	52	51	54
5.	Extent of arrears (numbers in years)	1 to 14 years	1 to 12 years	1 to 7 years	1 to 8 years	1 to 16 years

<sup>5</sup> Includes 16 accounts of Kolhapur Chitranagari Mahamandal Limited which was classified as non-working Company till 2013-14; and excludes eight accounts of Maharashtra Industrial Gas Transmission Company Limited which was classified as working Company till 2013-14



It was observed that the number of accounts in arrears had decreased from 162 accounts in 2010-11 to 125 accounts in 2014-15. However, there was increase in arrears of accounts as compared to previous year 2013-14 due to inclusion of accounts of Kolhapur Chitranagari Mahamandal Limited. During the year 18 working PSUs did not finalise even a single account which led to increase in accumulation of arrear accounts. PSUs should ensure that atleast accounts of one year are finalised each year so as to liquidate the arrears.

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 stipulated period. The PSUs and their concerned Departments were informed regularly on quarterly basis. In addition, the Principal Accountant General took up the matter with the Departments and also held meetings for liquidating the arrears of accounts by drawing their attention to the provisions of the Companies Act, 2013.

**1.11** The GoM had invested ₹ 5,087.92 crore in 20 PSUs {Equity: ₹ 1256.85 crore (15 PSUs), Loans: ₹ 154.09 crore (1 PSU) and Grants ₹ 3,676.98 crore (15 PSUs)} during the years 2014-15 for which accounts had not been finalised as detailed in **Annexure 1**. In the absence of final accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs, remained outside the control of the State Legislature.

**1.12** In addition to above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working PSUs. Out of 22 non-working PSUs, two<sup>6</sup> were in the process of liquidation whose accounts were in arrears for 4 to 21 years. Of the remaining 20 non-working PSUs, 17 PSUs had arrears of 25 accounts.

**Table 1.7: Position relating to arrears of accounts in respect of non-working PSUs**

No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
15	2014-15	1
1	2013-14 to 2014-15	2
1	2007-08 to 2014-15	8

Three PSUs (including two under liquidation) did not finalise even one account during 2014-15. One<sup>7</sup> working company has been reclassified as non-working as the Board has taken decision to close the same and has not finalised a single account since its inception in January 2007.

<sup>6</sup>Irrigation Development Corporation of Maharashtra Limited and Sahyadri Glass Works Limited

<sup>7</sup> Maharashtra Industrial Gas Transmission Company Limited

### Placement of Separate Audit Reports

**1.13** All four working Statutory Corporations had forwarded their accounts of 2013-14 by 30 September 2015. The final accounts for the year 2014-15 were pending for all four working Statutory Corporations. The position depicted below show the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2015) on the accounts of Statutory Corporations in the Legislature.

**Table 1.8: Status of placement of SARs in Legislature**

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	Present Status
1.	Maharashtra State Warehousing Corporation	2012-13	2013-14	02 July 2015	SAR would be placed before the State Legislature after placing in Annual General Meeting (January 2016).
2.	Maharashtra Industrial Development Corporation	2011-12	2012-13 2013-14	20 January 2015 5 October 2015	Revised Accounts for 2012-13 have been adopted by the Board (March 2015). Printing of Accounts is in progress.
3.	Maharashtra State Road Transport Corporation	2012-13	2013-14	9 June 2015	Printing of accounts is in progress.
4.	Maharashtra State Financial Corporation	2012-13	2013-14	10 March 2015	SAR sent to GoM for placement.

### Impact of non-finalisation of accounts

**1.14** As pointed in paragraph 1.10 to 1.12, the 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 relevant statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2014-15 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

**It is, therefore, recommended that:**

- **The Government may expedite clearance of arrears and set the targets for individual companies.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever there is lack of expertise.**

### Performance of PSUs as per their latest finalised accounts

**1.15** The financial position and working results of working Government Companies and Statutory Corporations are detailed in **Annexure 2**. A ratio of PSU turnover to State GDP shows the extent of activities of PSU in the State

economy. Table below provides the details of turnover of working PSU and State GDP for a period of five years ending March 2015.

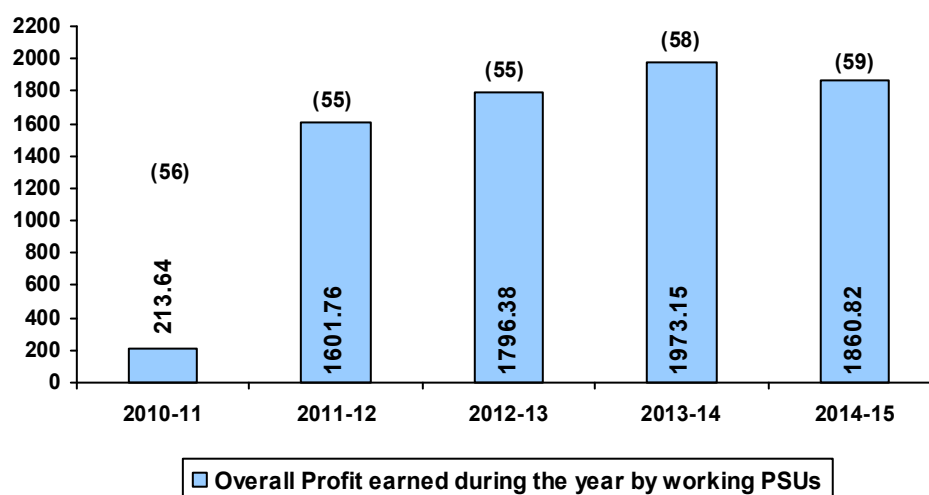
**Table 1.9: Details of working PSUs turnover *vis-a-vis* State GDP**

(₹ in crore)					
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover <sup>8</sup>	49,058.92	62,315.03	67,382.90	77,462.56	85,639.39
State GDP	10,29,621	12,48,453	13,72,644	14,76,233	16,86,695 <sup>9</sup>
Percentage of Turnover to State GDP	4.76	4.99	4.91	5.25	5.08

The turnover of PSUs has recorded continuous increase over previous years. The increase in turnover ranged between 8.13 to 27 per cent during the period 2010-15, whereas increase in GDP ranged between 7.55 to 21.25 per cent during the same period.

**1.16** Overall profit earned by State working PSUs during 2010-11 to 2014-15 is given below in a bar chart.

**Chart 1.4: Profit/Loss of working PSUs (₹ in crore)**



(Figures in brackets show the number of working PSUs in respective years)

During the year 2014-15, out of 65 working PSUs, 39 PSUs earned profit of ₹ 4,014.11 crore and 20 PSUs incurred loss of ₹ 2,153.29 crore. Three working PSUs prepared their accounts on a 'no profit no loss' basis and three Companies had not yet started commercial operations and therefore not prepared Statement of Profit and Loss. The major contributors to profit were Maharashtra State Electricity Transmission Company Limited (₹ 2,599.88 crore) and Maharashtra State Power Generation Company Limited (₹ 1,008.96 crore), whereas heavy losses were incurred by Maharashtra State Electricity Distribution Company Limited (₹ 1,166.64 crore), Maharashtra State Road Transport Corporation (₹ 572.65 crore) and M.S.E.B. Holding Company Limited (₹ 155.23 crore).

<sup>8</sup> Turnover is as per the latest finalised accounts as of 30 September 2015

<sup>9</sup> Figures furnished by Ministry of Statistics and Programme implementation as on 1 August 2015

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

**Table 1.10: Key Parameters of the State PSUs**

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital Employed (Per cent)	4.83	7.23	6.62	10.42	9.19 <sup>10</sup>
Debt	34,345.95	47,416.00	59,053.64	58,911.16	54,477.66
Turnover <sup>11</sup>	49,058.92	62,315.03	67,383.89	77,462.73	85,639.39
Debt/Turnover Ratio	0.70:1	0.76:1	0.88:1	0.76:1	0.64:1
Interest Payments	2,580.15	3,403.22	4,062.00	7,014.15	6,064.04
Accumulated Profit / (Loss)	(9,614.61)	(11,552.02)	(11,219.48)	(10,036.05)	(9,071.83)

1.18 The State Government had formulated (October 2003) a dividend policy under which all profit making PSUs are required to pay a minimum return of five *per cent* on the paid up share capital contributed by the State Government. As per their latest finalised accounts, 39 PSUs earned an aggregate profit of ₹ 4,014.11 crore and only five PSUs declared a dividend of ₹ 12.94 crore.

### Winding up of non-working PSUs

1.19 There were 22 non-working PSUs (all Companies) as on 31 March 2015 having a total investment of ₹ 938.92 crore towards capital (₹ 318.55 crore) and long term loans (₹ 620.37 crore). Of these, two PSUs (Irrigation Development Corporation of Maharashtra Limited and Sahyadri Glass Works Limited) have commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

**Table 1.11: Non-working PSUs**

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
No. of non-working companies	22	22	22	22	22
No. of non-working corporations	-	-	-	-	-
<b>Total</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>

Since the non-working PSUs are not contributing to the State economy and meeting the intended objectives, these PSUs may either be considered to be closed down or revived. During 2014-15, 12 non-working PSUs incurred an expenditure of ₹ 63.22 crore towards establishment expenses which was borne by State Government, interest and other income of the PSUs.

<sup>10</sup> Return on capital for the year has been computed by considering profit before tax and after prior period adjustment.

<sup>11</sup> Turnover of working PSUs as *per* the latest finalised accounts as of 30 September

The stages of closure in respect of non-working PSUs are given below.

**Table 1.12: Closure of Non working PSUs**

Sl. No.	Particulars	Companies	Total
1.	Total No. of non-working PSUs	22	22
2.	Of (1) above, the No. under		
(a)	liquidation by Court (liquidator appointed)	2	2
(b)	Voluntary winding up (liquidator appointed)	0	0
(c)	Closure, <i>i.e.</i> closing orders/instructions issued but liquidation process not yet started.	20	20

During the year 2014-15, no non-working company was finally wound up. The Companies which had taken the route of winding up by Court order were under liquidation for a period ranging from four years (Irrigation Development Corporation of Maharashtra Limited) to 21 years (Sahyadri Glass Works Limited). The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may make a decision regarding winding up of 20 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working.

#### Accounts Comments

**1.20** During the year 2014-15, 42 working Companies forwarded their 60 audited accounts to the Principal Accountant General (PAG). Of these, 42 accounts of 29 companies were selected for supplementary audit. 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.

**Table 1.13: Impact of audit comments on working Companies**

(Amount ₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	18	81.21	9	61.51	9	33.46
2.	Increase in loss	4	23.06	9	431.30	11	3,884.84
3.	Non-disclosure of material facts	2	7.58	0	0	7	56.15
4.	Errors of classification	10	79.81	6	313.62	8	57.19

During the year 2014-15, the Statutory Auditors had given unqualified certificates for 27 accounts, qualified certificates for 30 accounts and adverse certificates (which means that accounts do not reflect a true and fair position) for three accounts. The compliance of companies with the Accounting Standards remained poor as there were 87 instances of Non-Compliance in 23 accounts during the year.

**1.21** Similarly, four working Statutory Corporations forwarded their four accounts to PAG during the year 2014-15. Of these, two accounts of two Statutory Corporations pertained to sole audit by the CAG which was completed. Of the remaining two accounts, both accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and the sole/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.

**Table 1.14: Impact of audit comments on Statutory Corporations**

*(Amount ₹ in crore)*

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	10.02	1	0.01	-	-
2.	Increase in loss	1	0.88	-	-	1	11.55
3.	Non-disclosure of material facts	1	223.72	1	1.96	-	-
4.	Errors of classification	1	23.23	1	0.22	1	94.83

During the year, out of four accounts, two accounts received unqualified certificates and two accounts received qualified certificates.

### **Response of the Government to Audit**

#### ***Performance Audit and Paragraphs***

**1.22** For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015, four Performance Audits and 16 audit paragraphs, including one Follow up audit paragraph were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies on two Performance Audits and 14 compliance audit paragraphs were awaited from the State Government (January 2016).

### **Follow up action on Audit Reports**

#### ***Replies outstanding***

**1.23** The Report of the Comptroller and Auditor General of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that we elicit appropriate and timely response from the executive. The Finance Department, Government of Maharashtra issued (January 2001) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audit included in the Audit Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

**Table No.1.15: Explanatory notes not received as on 31 December 2015**

Year of the Audit Report (Commercial/ PSU)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2005-06	17 April 2007	3	19	00	02
2006-07	30 December 2008	6	28	00	00
2007-08	23 December 2009	3	21	00	00
2008-09	23 April 2010	2	21	00	02
2009-10	21 April 2011	2	21	00	02
2010-11	17 April 2012	2	19	00	06
2011-12	18 April 2013	2	21	01	03
2012-13	14 June 2014	3	15	03	10
2013-14	10 April 2015	2	06	01	01
<b>Total</b>		<b>25</b>	<b>171</b>	<b>5</b>	<b>26</b>

From the above, it could be seen that out of 196 performance audits/paragraphs, explanatory notes to 31 performance audits/paragraphs in respect of 17 Departments, which were commented upon, were not received (January 2016).

#### *Discussion of Audit Reports by COPU*

**1.24** The status of discussion of Performance Audits and Paragraphs that appeared in Audit Reports (PSUs) by the COPU as on 31 December 2015 was as under:

**Table No.1.16: Performance Audit/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 31 December 2015**

Period of Audit Report	Number of Performance Audit/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2005-06	3	19	03	12
2008-09	2	21	00	15
2009-10	2	21	00	12
2010-11	2	19	00	02
2011-12	2	21	00	05
2012-13	3	15	00	02
2013-14	2	06	00	00
<b>Total</b>	<b>16</b>	<b>122</b>	<b>3</b>	<b>48</b>

**Compliance to Reports of COPU**

**1.25** Action Taken Notes (ATN) to 164 Paragraphs pertaining to 24 Reports of the COPU presented to the State Legislature between 1996-97 and December 2015 had not been received (January 2016) as indicated below:

**Table No.1.17: Compliance to COPU Reports**

Year of the COPU Report	Total number of COPU Report	Total number of recommendations in COPU Report	Number of recommendations where ATNs not received
1996-97	1	19	06
1996-97/ 1997-98	1	13	13
2005-06	1	05	05
2007-08	2	16	16
2008-09	1	08	07
2010-11	7	47	32
2012-13	3	45	34
2013-14	2	20	20
2015-16	6	31	31
<b>Total</b>	<b>24</b>	<b>204</b>	<b>164</b>

These Reports of COPU contained recommendations in respect of paragraphs pertaining to 14 departments, which appeared in the Reports of the CAG of India for the years 1992-93 to 2012-13.

It is recommended that the Government may ensure: (a) sending of replies to Inspection Reports/explanatory Notes/draft paragraphs/performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/outstanding advances/overpayments and other actions required to be taken on system/internal control issues as well as fixing of accountability on officials concerned within the prescribed period; and (c) revamping of the system of responding in time to audit observations.

**Coverage of this Report**

**1.26** This Report contains 12 compliance audit paragraphs and four Performance Audits *i.e.* on 11 Companies/Corporations involving financial effect of ₹ 503.85 crore.

**Disinvestment, Restructuring and Privatisation of PSUs and reforms in power sector**

**1.27** No disinvestment or privatisation of PSUs had taken place during 2014-15.