Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2005, the State had 82 Public Sector Undertakings (PSUs) comprising of 77 Government companies and five Statutory corporations, as against 81 PSUs as on 31 March 2004. Out of 77 Government companies, 56 were working Government companies, while 21 were non-working Government companies. All the five Statutory corporations were working corporations.

(Paragraph 1.1)

The total investment in working PSUs was Rs.19,906.78 crore as on 31 March 2005 as against Rs.21,733.38 crore as on 31 March 2004. The total investment in non-working PSUs was Rs.651.81 crore and Rs.265.29 crore respectively during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans, and grants/subsidies disbursed to the working PSUs increased from Rs.890.28 crore in 2003-04 to Rs.6,430.36 crore in 2004-05. The State Government guaranteed loans aggregating Rs.3,723.87 crore to working PSUs during 2004-05. The total amount of outstanding loans guaranteed by the State Government to working PSUs as on 31 March 2005 was Rs.15,887.50 crore.

(Paragraph 1.5)

Five working Government companies and three Statutory corporations finalised their accounts for the year 2004-05. The accounts of 51 working Government companies and two working Statutory corporations were in arrears for periods ranging from one to 14 years as on 30 September 2005. The accounts of 13 non-working Government companies were in arrears for periods ranging from one to 19 years as on 30 September 2005. Three companies were under liquidation and one company had applied for simplified exit scheme.

(Paragraphs 1.6 and 1.19)

According to the latest finalised accounts, 16 working Government companies and two working Statutory corporations earned aggregate profit of Rs.43.93 crore and Rs.10.08 crore respectively. Against this, 38 working Government companies and three Statutory corporations incurred aggregate loss of Rs.448.24 crore and Rs.764.70 crore respectively as per their latest

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finalised accounts. Of the 33 loss incurring working Government companies, 12 companies had accumulated losses aggregating Rs.1,201.14 crore, which was more than nine times their aggregate paid-up capital of Rs.126.41 crore. Two out of the three loss incurring Statutory corporations had accumulated losses aggregating Rs.1,654.94 crore, which was about two times of their aggregate paid-up capital of Rs.847.88 crore.

(Paragraphs 1.7,1.9 and 1.11)

Even after completion of five years of their existence, the individual turnover of 15 working and 15 non-working Government companies was less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, four working companies and one non-working Government company had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. As such, the Government may either improve the performance of these 35 Government companies or consider their closure.

(Paragraph 1.33)

2. Review relating to Government company

A review relating to construction of the Mumbai-Pune Expressway by the **Maharashtra State Road Development Corporation Limited** was conducted and some of the main findings are as under:

The Government of Maharashtra entrusted (March 1997) the work of construction of the Mumbai-Pune Expressway to the Company on build, operate and transfer basis with concession period of 30 years. The construction of the Expressway was undertaken and executed without adequate planning and the required control mechanism. Contract management was deficient at all levels. No Detailed Project Report was prepared. Sensitivity Analysis, an exercise essential to ascertain project feasibility, was not carried out at the start of execution of project. The procedure adopted for award of construction works by restricting one package to one party deprived the Company of the benefit of the best price through competitive bids. There was lack of transparency in the award of consultancy contracts. There were several deficiencies in the toll collection cum maintenance contract which were highly detrimental to the financial interests of the Company.

The Company incurred extra expenditure of Rs.54.06 crore due to irregular award of construction works (Rs.42.76 crore) and irregular allotment of consultancy contracts (Rs.11.30 crore). Several deficiencies were found in the execution of work and in certification/measurement of work entrusted to private agencies.

The method adopted for award of toll collection contract up to the end of August 2004 was inappropriate as it deviated from normal procedure, and was prone to misdeclaration of toll collected. As against the expected revenue of

Rs.355 crore the actual remittances by the toll collections agent were Rs.107.01 crore (32 *per cent*) during 2000-03.

Even if revenue realisation was to drastically drop to only 60 *per cent* of the projected toll revenue the reserve price for toll collection cum maintenance contract works out to Rs.2,236 crore. A low reserve price of Rs.900 crore was, however, fixed and the same was communicated to the bidders in violation of normal practice.

(Chapter 2)

3. Reviews relating to Statutory corporation

Reviews relating to Fuel Management and implementation of Information Technology in the low tension billing system of **Maharashtra State Electricity Board** were conducted and some of the main findings are as follows:

Fuel Management

The Board has appointed liaisoning agents to liaison with coalfields and railways. The payments are linked to quality of coal received with reference to that allocated by the Standing Linkage Committee, minimising idle freight due to underloading of wagons and monitoring quality of coal. The actual supply of coal depends on the production at the coalfields and availability of wagons. The liaisoning agent does not have any official role in all the three tasks specified in the liaisoning contract. The sampling agents deployed for testing the quality of coal did not follow the prescribed sampling methodology.

The extra expenditure of Rs.276.25 crore incurred on consumption of oil in excess of norm during 2000-05 was not investigated to ascertain whether proper measurements were being taken and whether the quality was being checked when oil was received from oil companies. Similarly recorded consumption of gas in excess of norm worked out to Rs.101.16 crore.

Benefit of Rs.18.40 crore was passed on to the washery operators due to non recovery towards short supply of washed coal with reference to the norm for yield.

The Board failed to recover Rs.23.92 crore from the coal companies towards stones and shales and Rs.23.93 crore towards excessive moisture.

(Chapter 3.1)

Implementation of information technology in the low tension billing system

The Board did not have effective management controls such as separation of duties and change management controls for low tension billing system. There were several deficiencies in input controls and processing controls in the system. Lack of effective controls resulted in erroneous bills being generated and non recovery of dues thus failing to safeguard the Board's assets.

Effective control over meter reading, the vital input for computation of energy bills, was lacking as the system did not monitor compliance to the Board's rules for test check of meter reading.

The billing system was not effective in achieving the objectives of timely issue of bills, collection of shortfall in security deposits and recovery of dues from consumers.

(Chapter 3.2)

4. Transaction audit observations

Audit observations included in the Report highlight deficiencies in the management of PSUs which resulted in serious financial irregularities. The irregularities pointed out are broadly of the following nature:

- Loss of Rs.122.74 crore in six cases due to sale of plots below the market rate, anomaly in the scheme for high tension consumers and blockage of funds *etc*.

(Paragraphs 4.1,4.3,4.7,4.12,4.13 and 4.18)

- Extra/infructuous expenditure amounting to Rs.16.55 crore in eight cases due to production of fodder, leasing of slaughter house and delay in handing over land *etc.*

(Paragraphs 4.4–4.6, 4.8–4.11 and 4.15)

- Non recovery of dues amounting to Rs.6.59 crore in three cases due to violation of laid down procedures/contractual obligations.

(Paragraphs 4.2,4.14 and 4.16)

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

There was loss of revenue of Rs.49.24 crore to **City and Industrial Development Corporation of Maharashtra Limited** due to sale of plots below the market rates, allotment at concessional rates to ineligible parties and short recovery of land premium.

(Paragraph 4.1)

Maharashtra State Police Housing and Welfare Corporation Limited suffered loss of interest of Rs.31.14 crore due to delay in handing over the quarters.

(Paragraph 4.7)

Maharashtra State Road Development Corporation Limited received avoidable claims of Rs.4.81 crore towards idle men/machinery due to delay in handing over land.

(Paragraph 4.9)

Due to the anomaly in the scheme for high tension consumers, **Maharashtra State Electricity Board** suffered revenue loss of Rs.31.07 crore during 2004.

(Paragraph 4.13)

Maharashtra Industrial Development Corporation suffered revenue loss of Rs.6.49 crore due to irregular disposal of a plot of land.

(Paragraph 4.18)