

## Overview

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

As on 31 March 2006, the State had 76 Public Sector Undertakings (PSUs) comprising of 72 Government companies and four Statutory corporations, as against 82 PSUs as on 31 March 2005. Out of 72 Government companies, 52 were working, while 20 were non-working Government companies. All the four Statutory corporations were working Corporations.

*(Paragraph 1.1)*

The total investment in working PSUs was Rs.18,701.69 crore as on 31 March 2006 as against Rs.19,906.78 crore as on 31 March 2005. The total investment in non-working PSUs was Rs.768.85 crore and Rs.651.81 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 decreased from Rs.6,430.36 crore in 2004-05 to Rs.2,243.16 crore in 2005-06. The State Government guaranteed loans aggregating Rs.3,395.24 crore to working PSUs during 2005-06. The total amount of outstanding loans guaranteed by the State Government to working PSUs as on 31 March 2006 was Rs.9,534.63 crore.

*(Paragraph 1.5)*

Four working Government companies and two Statutory corporations finalised their accounts for the year 2005-06. The accounts of 48 working Government Companies and two working Statutory Corporations were in arrears for periods ranging from one to fifteen years as on 30 September 2006. The accounts of 13 non-working Government companies were in arrears for periods ranging from one to 20 years as on 30 September 2006. Three Companies were under liquidation.

*(Paragraphs 1.6 and 1.19)*

According to the latest finalised accounts, 20 working Government companies and two working Statutory corporations earned profit aggregating Rs.47.75 crore and Rs.10.07 crore respectively. Against this, 25 working Government companies and two Statutory corporations incurred loss aggregating Rs.380.29 crore and Rs.66.49 crore respectively as per their latest finalised accounts. Of the 25 loss incurring working Government companies, eight companies had accumulated losses aggregating Rs.1,265.94 crore, which was more than 39 times of their aggregate paid-up capital of Rs.32.41 crore.

The two loss incurring Statutory corporations had accumulated losses aggregating Rs.1,736.34 crore, which was more than their aggregate paid-up capital of Rs.986.48 crore.

*(Paragraphs 1.7,1.9 and 1.11)*

Even after completion of five years of their existence, the individual annual turnover of 16 working and 19 non-working Government companies was less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, two 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 38 Government companies or consider their closure.

*(Paragraph 1.30)*

## **2. Performance reviews relating to Government companies**

Performance reviews relating to **Prevention/Detection of Distribution Losses in Maharashtra State Electricity Distribution Company Limited and Performance of implementation of financial assistance and training schemes for upliftment of Scheduled Castes, Scheduled Tribes and Other Backward Classes by five Companies** were conducted and some of the main findings are as under:

### **Prevention/Detection of Distribution Losses**

The transmission and distribution losses of the Company were 32.58 *per cent* at the end of March 2006 despite a commitment in the Memorandum of Understanding with Government of India to bring these down to 18 *per cent* by March 2003. The performance of the Company with respect to prevention/detection of distribution losses was found to be deficient as preventive measures like periodical inspection and testing of consumers' installations, recalibration of meters, checking of the premises of permanently disconnected consumers and paid pending cases, repairs/replacement of faulty meters *etc.* were not effectively implemented. Non linkage of consumers attached to distribution transformers defeated the objective of installation of meters on distribution transformers for detection/prevention of energy losses. There was no systematic follow up on complaints for theft of electricity. Penalty charges and compounding charges though levied were not recovered, there by diluting the deterrent effect of these penal provisions. There were wide variations between the initial and final assessment of penalty. Deficiencies were noticed in the rules for assessment of penalty. Defective procedures adopted during investigations resulted in the Company losing court cases and in cases decided in favour of the Company there was lack of follow up action.

Rules for computation of penalty framed by the company regarding theft of electricity did not have adequate deterrent effect and were also not in the

financial interests of the Company. It was noticed that the rules relating to working hours, load factor and time ceiling considered for penalty led to levy of lower penalty.

There were wide variations in the initial assessment of penalty and final assessment by the appellate authority due to application of rules relating to computation of period of theft differently resulting in avoidable delay in the final assessment of the penalty and its recovery.

In seven circles, Audit noticed short recovery of compounding charges in 358 cases amounting to Rs.24.06 lakh during 2004-06 due to incorrect computations. Despite compounding charges not having been paid by 6,748 consumers FIRs were not filed against them.

(Chapter 2.1)

### **Performance of implementation of financial assistance and training schemes for upliftment of Scheduled Castes, Scheduled Tribes and Other Backward Classes**

There were five Companies set up with the objective of raising the economic status of scheduled castes, scheduled tribes and other backward classes. The Companies implemented the training schemes through private institutes in violation of the State Government's directives. Implementation was deficient as there was no system to ensure that candidates selected for training actually attended the training programmes. The adequacy of the training imparted was not evaluated and monitoring of training was not done. The utility of the training schemes in securing gainful employment was not known in the absence of feedback from the trainees. Even after incurring substantial expenditure on training of scavengers, the main objective of the NSLR scheme to rehabilitate them in dignified jobs was not achieved. While implementing the financial assistance schemes for targeted groups, assistance was given to beneficiaries who did not fulfill the eligibility criteria. There were several deficiencies/irregularities in disbursement of financial assistance. The subsidy was disbursed without ensuring equivalent disbursement of bank loan. The recovery was dismal and post disbursement monitoring was poor.

Under the 50 per cent subsidy scheme, 50 per cent of the project cost was to be disbursed by Mahatma Phule Backward Class Development Corporation Limited (MPBCDCL) as subsidy and balance 50 per cent by banks by way of loans to the beneficiaries. MPBCDCL had disbursed Rs.59.12 crore subsidy during 2001-05 under the scheme to the banks, against financial assistance disbursed by banks of only Rs.10.89 crore. Thus, the subsidy of Rs.48.23 crore shown as disbursed was lying with the banks and had not been used for fulfilling the scheme objectives.

Under the National Scheme for Liberation and Rehabilitation of Scavengers, Mahatma Phule Backward Class Development Corporation Limited spent Rs.4.62 crore towards training of 9,709 scavengers and instead of rehabilitating them in dignified jobs, engaged them on road sweeping and solid waste management work for which no training was required, resulting in

non achievement of the scheme objectives. The Company had submitted incorrect utilisation certificates to the Government of India.

*(Chapter 2.2)*

### **3. Performance review relating to Statutory corporation**

Performance review relating to **Performance Audit of Warehousing operations and augmentation of warehousing capacity by Maharashtra State Warehousing Corporation** was conducted and some of the main findings are as follows:

The capacity utilisation of warehousing centres was below the breakeven point of 75 *per cent* and there were deficiencies in the computation of capacity utilisation. Over 25 *per cent* of the centres incurred losses during the period 2001-05. The Corporation hired additional storage capacities at places where its owned capacity utilisation was sub-optimal. Despite availability of funds, the Corporation failed to construct the targeted storage capacity of 56,000 metric tonne planned for 2001-06. Rebates to farmers and others were allowed without verifying their eligibility and in a non transparent manner. There were substantial arrears of revenue on account of storage charges and huge dues were held up in bonded warehouses.

In the seven bonded warehouses in Navi Mumbai, Pune and Nagpur regions there were 186 cases in which bonds had expired and the goods were lying in warehouses since 1982-83. The Corporation had not been able to recover its legitimate dues of Rs.18.29 crore on account of storage charges due to faulty rules in this regard.

No criteria were laid down for deciding the category of locations while revising the rentals.

*(Chapter 3)*

### **4. Transaction audit observations**

Audit observations included in this Chapter highlight deficiencies in the management of PSUs, involving serious financial irregularities. The irregularities pointed out are broadly of the following nature:

- Loss of Rs.88.05 crore in six cases due to sale of plots below the market rate, short recovery of land lease premium, delay in repairing a revenue earning studio, defective revenue sharing arrangement, delay in finalisation of toll collection contracts and delay in disposal of machinery.

*(Paragraphs 4.1,4.6,4.7,4.8,4.10 and 4.12)*

- Extra/infructuous expenditure amounting to Rs.98.97 crore in four cases in purchase of wind energy, procurement of transformers, utilisation of defective meters and delayed construction.

*(Paragraphs 4.2 to 4.4 and 4.17)*

- Violation of contractual obligations and undue favour to contractors resulting in loss of Rs.11.33 crore in four cases.

*(Paragraphs 4.5,4.9,4.11 and 4.15)*

- Assets created valuing Rs.17.94 crore remained idle resulting in loss of interest of Rs.7.13 crore in two cases.

*(Paragraphs 4.13 and 4.14)*

- Motor Vehicle Tax remitted to the State Government was in excess of that collected from the passengers by Rs.283.63 crore.

*(Paragraphs 4.16)*

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

There was loss of revenue of Rs.71.65 crore to **City and Industrial Development Corporation of Maharashtra Limited** due to sale of plots below the market rates, allotment at concessional rate to ineligible parties and short recovery of land premium.

*(Paragraph 4.1)*

Extra payment of Rs.61.22 crore was made to private parties in procurement of wind energy by **Maharashtra State Electricity Distribution Company Limited**.

*(Paragraph 4.2)*

Delay in repairing the studio damaged in a fire and defective revenue sharing agreement resulted in loss of revenue of Rs.6.15 crore to **Maharashtra Film, Stage and Cultural Development Corporation Limited**.

*(Paragraph 4.7 and 4.8)*

**Maharashtra State Road Development Corporation Limited** made inadmissible payment of Rs.7.49 crore to a contractor in violation of the contractual provisions.

*(Paragraph 4.9)*

**Maharashtra State Road Transport Corporation** remitted Motor vehicle tax of Rs.283.63 crore to the State Government in excess of that collected from passengers.

*(Paragraph 4.16)*