Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2007, the State had 77 Public Sector Undertakings (PSUs) comprising of 73 Government companies and four Statutory corporations, as against 76 PSUs as on 31 March 2006. Out of 73 Government companies, 51 were working, while 22 were non-working Government companies. All the four Statutory corporations were working Corporations.

(Paragraph 1.1)

The total investment in working PSUs was Rs.24,562.69 crore as on 31 March 2007 as against Rs.18,701.69 crore as on 31 March 2006. The total investment in non-working PSUs was Rs.794.24 crore and Rs.768.85 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.2,243.16 crore in 2005-06 to Rs.3,093.70 crore in 2006-07. The State Government guaranteed loans aggregating Rs.3.50 crore to working PSUs during 2006-07. The total amount of outstanding loans guaranteed by the State Government to working PSUs as on 31 March 2007 was Rs.6,358.33 crore.

(Paragraph 1.5)

Four working Government companies and three Statutory corporations finalised their accounts for the year 2006-07. The accounts of 47 working Government companies and one working Statutory corporation were in arrears for periods ranging from one to fifteen years as on 30 September 2007. The accounts of 15 non-working Government companies were in arrears for periods ranging from one to 21 years as on 30 September 2007. Three Companies were under liquidation.

(Paragraphs 1.6 and 1.19)

According to the latest finalised accounts, 23 working Government companies and three working Statutory corporations earned profit aggregating Rs.466.45 crore and Rs.32.96 crore respectively. Against this, 24 working Government companies and one Statutory corporation incurred loss aggregating Rs.672.37 crore and Rs.9.75 crore respectively as per their latest finalised accounts. Of the 24 loss incurring working Government companies, five companies had accumulated losses aggregating Rs.1,602.72 crore, which exceeded their aggregate paid-up capital of Rs.21.20 crore. One loss incurring Statutory corporation had accumulated losses aggregating Rs.622.37 crore, which exceeded its paid-up capital of Rs.9.75 crore.

(Paragraphs 1.7,1.9 and 1.11)

2. Performance Audits relating to Government companies

Performance Audits relating to **Bandra-Worli Sea Link Project** executed by **Maharashtra State Road Development Corporation Limited, "Accelerated Power Development Reforms Programme" in Maharashtra State Electricity Distribution Company Limited** and **Operational performance of Haffkine Bio-Pharmaceutical Corporation Limited** were conducted and some of the main findings are as under:

Bandra-Worli Sea Link Project executed by Maharashtra State Road Development Corporation Limited

The cost of the Bandra-Worli Sea Link Project originally (July 1999) estimated at Rs.665.81 crore was revised (August 2004) to Rs.1,306.25 crore. Though Packages-I, II and III *i.e.* flyover at Worli, Mahim Intersection, Solid approach road up to the start of toll plaza and a public promenade were completed (February 2003), the crucial Package-IV *i.e.* the main cable stayed bridge across the sea was delayed. The increase in project cost was mainly due to payments of escalation (Rs.213 crore) to Contractors on account of inordinate delay in completion (61 months), introduction of new technical changes in the bridge at the behest of the new Consultant (Rs.70 crore), provision for additional claims made by the Contractor for delay in award of work *etc*. (Rs.125 crore) and increase in interest liability due to delayed completion (Rs.230 crore).

Against a commitment of Rs.580 crore by way of grants, the State Government had provided only Rs.100 crore till June 2007. This forced the Company to borrow funds resulting in additional annual financial burden of Rs.37.05 crore on the project.

The selection process of Consultant (Sverdrup) for the design and project management work was defective, as the Company did not verify the technical parameters as projected by the Consultant. The Consultant though selected based on their high ranking, were paid Rs.19.87 crore as per contractual terms despite their poor performance. The new Consultant (Dar) was selected subsequently despite a poor ranking at the initial evaluation stage.

The Company changed the design of the Worli bridge to "Cable stay" from "Arch bridge" to align with the bridge at Bandra, a decision, which could have been taken at the initial stages itself. This not only increased the cost by Rs.70 crore but also delayed completion of the works of Package-IV. Further, the Consultant was wrongly paid Rs.2.50 crore on account of deleted work.

The Company did not firm up the designs for works relating to Package-II resulting in abandoning of the work costing Rs.1.56 crore and consequential wasteful expenditure of (wrongly paid compensation) Rs.97 lakh for idle men and machinery against contractual provisions.

For execution of Package-III, the Contractor was paid irregular bonus of Rs.3.25 crore.

The Company did not levy liquidated damages amounting to Rs.12.80 crore on the Contractor as per conditions of the contract despite wrongful stoppage of work for 18 months and non-achievement of milestones due to poor progress of work.

(Chapter 2.1)

Performance review on "Accelerated Power Development Reforms Programme" in Maharashtra State Electricity Distribution Company Limited

Accelerated Power Development Reforms Programme was launched (May 2002) to upgrade Sub-Transmission and Distribution networks with the objectives of reducing Transmission and Distribution losses (T&D)/ Aggregate Technical and Commercial (AT&C) losses to 10 *per cent* and 15 *per cent* respectively. Thirty one projects to be implemented by the Company were sanctioned by Government of India (GOI) during 2002-06. Against Rs.325.69 crore received under APDRP, Rs.361.69 crore were raised by the Company and expenditure of Rs.710.53 crore was incurred till March 2007.

Against the prescribed time limit of one week the State Government delayed release of Government of India (GOI) funds to the Company. Besides funds amounting to Rs.110.79 crore were not released in cash by the Government but irregularly adjusted against old dues in contravention of the APDRP guidelines.

In 20 projects taken up for execution, though the works relating to erection of sub stations/HT/LT lines *etc*. were completed to the extent of 91 *per cent*, the metering work was completed to the extent of 50 *per cent*, resulting in non achievement of the intended benefits of the programme of reduction in T&D losses and AT&C losses. In Nagpur Rural and Urban projects of APDRP delay in finalisation of the specifications for meter boxes resulted in execution delays and incomplete metering work.

Monitoring of the programme implementation by the State Level Committee was non existent and monitoring of the programme by the State Government/ Company was inadequate.

(Chapter 2.2)

Performance review on Operational performance of Haffkine Bio-Pharmaceutical Corporation Limited

The Company engaged in manufacture of vaccines, pharmaceutical products and various sera was mainly dependent on vaccine business which was vulnerable due to stiff competition and requirement of Oral Polio Vaccine (OPV) was depleting. The production received set back during 2003-06 due to non availability of United Nations accreditation for the plant and the loss of business was of Rs.89.14 crore during the period. As a result, profit of Rs.35.17 lakh in 2002-03 turned into loss of Rs.3.94 crore in 2005-06.

The actual production of vaccines during the period 2002-07 ranged between 304.21 and 483.08 million lakh units (ML) against the installed capacity of 767.28 lakh ML per annum. The average capacity utilistion was only 44.64 *per cent*.

The manufacture of Neural Tissue Anti Rabbies Vaccine was stopped from 31 December 2004 due to ban imposed by the GOI. The Company could not obtain the technology for manufacture of Tissue Culture Anti Rabies Vaccine from Pasteur Institute of India, Coonor which affected the turnover of the Company and had deprived the general public from getting the vaccine at economical prices.

The Company prepares its production plans of pharma products on the basis of anticipated orders from the State Government hospitals State Government gave purchase preference of 75 *per cent* in pharma products requirement. Despite this, there was under utilisation of installed capacity. Moreover, non compliance with Schedule ‘M’ requirements resulted in suspension of manufacturing licence of the Company for pharma products.

(Paragraph 2.3)

3. Performance Audits relating to Statutory corporations

Performance Audits relating to **Fleet utilisation of Maharashtra State Road Transport Corporation,** and **Performance Audit on Implementation of projects under Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme** and **Information Technology review on ‘Geographical information system enabled land management system’** relating to **Maharashtra Industrial Development Corporation** were conducted and some of the main findings are as follows:

Fleet utilisation of Maharashtra State Road Transport Corporation

Fleet owned by the Corporation decreased from 16,468 (March 2003) to 15,111 (March 2007). The Corporation continuously incurred operational losses due to increased operational cost and marginal increase in revenue. The operational losses were mainly attributable to poor load factor coupled with uneconomic services, cancellation of scheduled trips *etc*.

The Corporation’s overaged fleet (more than ten years old) was five *per cent* of its vehicles strength. As against ASRTU norms of 60 *per cent* vehicles of transport undertaking with less than four years of life, the Corporation had 40 *per cent* vehicles which were less than four years old.

The Corporation incurred loss of Rs.1,331.26 crore due to operation of uneconomical routes (at the behest of State Government), Mini buses, Janata services, Irizer buses, city services, forced cancellation of kilometres, increase in dead kilometres and excess consumption of diesel.

The Corporation incurred loss of Rs.27.01 crore due to avoidable delays in repairs and maintenance of vehicles. Further, it also incurred unfruitful expenditure of Rs.0.19 crore due to premature failure of reconditioned engines.

(Chapter 3.1)

Implementation of projects under Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme

The Corporation implemented the Scheme for Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) for developing infrastructure for export promotion. Out of 36 projects approved under the Scheme, 22 projects were completed, of which only six were completed in time, seven projects were deferred/abandoned/ transferred and seven projects were in progress including one for which tender was yet to be finalised. The Corporation due to lack of planning could not utilise the funds within the same year as per the guidelines. The project reports prepared by the consultant were deficient and the export data/information included therein were not based on proper and authentic study.

The project reports prepared by the MITCON Consultants were deficient and the export data/information included therein were not based on proper and authentic study. The Corporation incurred huge expenditure of Rs.28.68 crore for upgradation of the five airstrips at Nanded, Latur, Solapur, Kolhapur and Karad. As there were no cargo exports the expenditure incurred on upgradation of these air strips proved infructuous and thus defeating the objectives of the ASIDE Scheme.

The infrastructure created from Scheme funds for the two wine parks at Nashik and Sangli at a cost of Rs.4.47 crore was underutilised and there was negligible export from one unit only. The Corporation did not have data on exports from the Floriculture park at Talegaon district Pune, despite huge investment of Rs.50.45 crore on infrastructure created under ASIDE.

In construction of a Rail Over Bridge at Taloja in Raigad district the contract was awarded by the Corporation before finalising the drawings and designs resulting in wasteful expenditure of Rs.16.48 lakh and extra expenditure of Rs.55.28 lakh due to extra items.

The project of Bio-Technology Park developed at a total cost of Rs.13.15 crore in Additional Jalna Industrial Area during February 2003 to March 2006, remained unutilised as no production activity started in the area. There was also extra expenditure of Rs.1.11 crore due to delay in finalisation of offers.

(Chapter 3.2)

Information technology review on 'Geographical information system enabled land management system' of Maharashtra Industrial Development Corporation

The objective of the Land Management System (LMS) was to bring about the improvement in efficiency and effectiveness in transactions relating to land. Geographical Information System (GIS) was developed to make available information regarding plots, roads, pipelines, drainage, streetlights *etc.* There were inherent weaknesses in the system, most of the land management related functions were being done manually and the use of the legacy FoxPro system continued and system was kept idle.

Frequent change in user requirements and system specification resulted in non completion of LMS even after eight years.

Lack of physical and logical access controls made the system vulnerable to data manipulation and the Corporation had yet to formulate a well documented Disaster Recovery and Business Continuity Plan.

(Chapter 3.3)

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 revenue of Rs.37.04 crore in five cases due to irregularities in toll collection contracts, non leasing of duct, delay in submission of claim of fuel cost adjustment and non development of plot for tourism.

(Paragraphs 4.5,4.8,4.11,4.12 and 4.18)

- Extra/wasteful/avoidable unfruitful expenditure of Rs.16.96 crore in six cases due to delay in finalisation of tender, delay in award of work, avoidable expenditure on electrical charges, escalation payment due to failure to levy toll, purchase of fire extinguishers.

(Paragraphs 4.1,4.2,4.3,4.6,4.10 and 4.20)

- Irregular expenditure of Rs.2.55 crore in three cases on account of, irregular expenditure on vehicles, compensation paid under VRS and expenditure on renovation of office.

(Paragraphs 4.24, 4.26 and 4.27)

- Expenditure of Rs.0.61 crore in two cases on creation and winding of subsidiaries and vehicle counting machines at toll centre proved unfruitful/wasteful.

(Paragraphs 4.16 and 4.17)

- Violation of contractual obligations and undue favour to the contractors resulted in loss of Rs.38.51 crore in seven cases.

(Paragraphs 4.4,4.14,4.19,4.21,4.22,4.23 and 4.28)

- Loss due to short recovery of electricity charges, execution of financially unviable project, non recovery of toll dues and excess payment of fuel charges resulted in loss of Rs.16.89 crore in four cases.

(Paragraphs 4.9,4.13,4.15 and 4.25)

- Due to inadequate internal controls on financial assistance schemes resulted in non recovery of dues of Rs.4.19 crore in one case.

(Paragraph 4.7)

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

The **City and Industrial Development Corporation of Maharashtra Limited** incurred extra expenditure of Rs.2.55 crore due to avoidable delay in award of works. The Company also extended undue benefit of Rs.1.63 crore to Bharati Vidyapeeth an educational institution, by changing price structure for allotment of plots for higher education.

(Paragraphs 4.3 and 4.4)

The **Maharashtra State Electricity Distribution Company Limited** failed to submit fixed transit losses in its claim for fuel adjustment cost within stipulated period resulting in loss of revenue of Rs.10.57 crore. The Company wrongly categorised the ‘Centre One Mall’ at Navi Mumbai as industrial consumer instead of a commercial consumer which resulted in short recovery of electrical charges of Rs.93.38 lakh from the consumer.

(Paragraphs 4.8 and 4.9)

The **Maharashtra State Road Development Corporation Limited** suffered loss of Rs.5.93 crore in toll collection contract due to fixation of lower reserve price and unnecessary burden of toll was passed on to the general public for 15 years. The Company did not make efforts for leasing out telecom ducts resulting in loss of revenue for four years amounting to Rs.14.68 crore. The Company also incurred idle expenditure of Rs.31.42 lakh on vehicle counting machine at Lahuki Nalla on Aurangabad-Jalna Road.

(Paragraphs 4.11, 4.12 and 4.17)

Failure on the part of the **Maharashtra Tourism Development Corporation Limited** to fulfil its obligation regarding removal of encroachments from the land at Mithbav, Sindhudurg district of Konkan coast resulted in non recovery of lease rent from East India Hotels Limited, New Delhi and thus loss of revenue of Rs.5.05 crore. Similarly, the Company allowed Indigo Hotels Private Limited, Pune to enjoy the benefits of property at Mahabaleshwar without recovering lease rent to the tune of Rs.96.24 lakh.

(Paragraphs 4.18 and 4.19)

The **Maharashtra Small Scale Industries Development Corporation Limited** incurred extra expenditure of Rs.1.80 crore on purchase of fire extinguishers for schools in the State due to failure to check the reasonability of rates.

(Paragraph 4.20)

The **Shivshahi Punarvasan Prakalp Limited** made excess payment of Rs.3.13 crore to a project management consultant in violation of the terms of Agreement.

(Paragraph 4.22)

The **Maharashtra State Road Transport Corporation** paid excess fuel charges of Rs.2.07 crore due to non verification of bills raised by Indian Oil Corporation Limited.

(Paragraph 4.25)

The **Maharashtra Industrial Development Corporation** incurred expenditure of Rs.1.52 crore on renovation of Ministers'/Secretary's offices/residence in violation of Government directives. The Corporation suffered loss of Rs.1.19 crore in allotment of plots at Latur and extended undue benefits to Vilasrao Deshmukh Foundation, Mumbai (Trust).

(Paragraphs 4.27 and 4.28)