

## Chapter I

### 1. Overview of Government Companies and Statutory Corporations

#### Introduction

**1.1** As on 31 March 2008 there were 76 Government companies (49 working and 27 non-working companies\*) and four working Statutory corporations as against 73 Government companies (51 working companies and 22 non-working companies) and four working Statutory corporations as on 31 March 2007 under the control of the State Government. During the year 2007-08 three# new companies came under the audit purview of the Comptroller and Auditor General of India (CAG). In addition, the State had formed (5 August 1999) the Maharashtra Electricity Regulatory Commission (MERC) whose audit is conducted by the CAG under Section 104(2) of the Electricity Act, 2003§. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors appointed by the CAG as per the Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per the provisions of Section 619 of the Companies Act, 1956. The audit arrangements in respect of Statutory corporations are as shown below:

Sl. No.	Name of the Statutory corporations	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1	2	3	4
1.	Maharashtra State Road Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
2.	Maharashtra State Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Statutory audit by Chartered Accountants and supplementary audit by CAG
3.	Maharashtra State Warehousing Corporation	Section 31(8) of the Warehousing Corporations Act, 1962	Statutory audit by Chartered Accountants and supplementary audit by CAG
4.	Maharashtra Industrial Development Corporation	Maharashtra Industrial Development Act, 1961 and Section 19(3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit entrusted by the State Government to CAG.

\* Non-working companies are those which are defunct and are under the process of liquidation/closure/merger.

# Dhopave Coastal Power Limited, Nagpur Flying Club (P) Limited and Maharashtra State Electric Power Trading Company (P) Limited.

§ The erstwhile Electricity Regulatory Commission Act, 1998 repealed by the Electricity Act, 2003.

**Working Public Sector Undertakings (PSUs)**

**Investment in working PSUs**

**1.2** The total investment<sup>s</sup> in 53 working PSUs (49 Government companies and four Statutory corporations) at the end of March 2008 as against 55 working PSUs (51 Government companies and four Statutory corporations) at the end of March 2007 was as follows:

(Amount: Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans*	Total
2006-07	55	10,223.23	148.54	14,190.92	<b>24,562.69</b>
2007-08	53	10,823.50	190.85	17,473.92	<b>28,488.27</b>

**Sector wise investment in working Government companies and Statutory corporations**

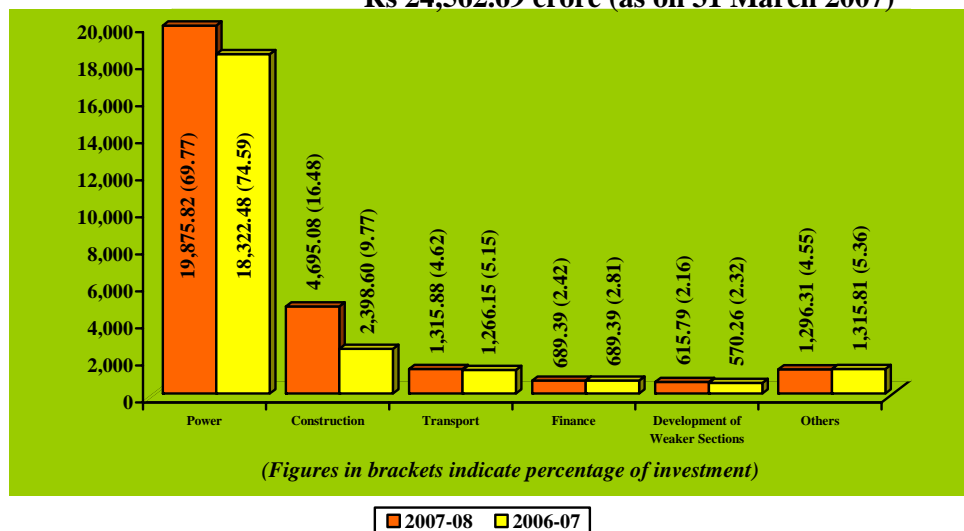
The investment (equity and long term loans) in various sectors and percentage thereof at the end of March 2008 and March 2007 are shown below in the bar charts:

**Sector wise investment in working PSUs as on 31 March 2008 and 31 March 2007**

(Amount - Rupees in crore)

**Total investment : Rs 28,488.27 crore (as on 31 March 2008)**

**Rs 24,562.69 crore (as on 31 March 2007)**



<sup>s</sup> Investment by way of equity, share application money and loans in working PSUs by State Government is Rs 2,780.06 crore as per the data furnished by the PSUs (**Annexure 1**) whereas as per the Finance Accounts 2007-08, the amount is Rs 5,763.37 crore. The difference is under reconciliation.

• Long term loans mentioned in Paragraphs 1.2, 1.3, 1.4 and 1.22 are excluding interest accrued and due on such loans.

**Working Government companies**

**1.3** The total investment in working Government companies at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Investment in working Government Companies			
		Equity	Share application money	Loans	Total
2006-07	51	9,079.31	148.53	13,348.00	<b>22,575.84</b>
2007-08	49	9,520.38	190.84	16,743.32	<b>26,454.54</b>

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Annexure 1**.

As on 31 March 2008, the total investment in working Government companies comprised of 36.71 per cent equity capital and 63.29 per cent loans as compared to 40.87 per cent equity capital and 59.13 per cent loans as on 31 March 2007.

**Working Statutory corporations**

**1.4** The total investment in the working Statutory corporations at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)

Name of corporation	2006-07		2007-08	
	Capital	Loans	Capital	Loans
Maharashtra State Road Transport Corporation	1,072.57	193.58	1,231.77	84.11
Maharashtra State Financial Corporation <sup>Δ</sup>	62.65	626.74	62.65	626.74
Maharashtra State Warehousing Corporation <sup>Δ</sup>	8.71	15.00	8.71	12.15
Maharashtra Industrial Development Corporation	--- <sup>#</sup>	7.60	--- <sup>#</sup>	7.60
<b>Total</b>	<b>1,143.93</b>	<b>842.92</b>	<b>1,303.13</b>	<b>730.60</b>

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is given in **Annexure 1**.

As on 31 March 2008, the total investment in working Statutory corporations comprised of 64.08 per cent equity capital and 35.92 per cent loans as compared to 57.58 and 42.42 per cent respectively as on 31 March 2007.

<sup>Δ</sup> Figures for 2007-08 are provisional and as provided by the Corporations.

<sup>#</sup> The Corporation did not have the equity share capital.

**Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity**

**1.5** The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies and working Statutory corporations are given in **Annexures 1 and 3**.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2007-08 are given below:

(Amount : Rupees in crore)

Particulars	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	10	71.90	1	138.57	7	429.89	1	148.76	8	168.55	1	159.20
Loans given from budget	2	1,260.98	--	--	1	94.30	--	--	1	86.58	--	--
Other grants/subsidy	13	771.71	--	--	8	2,420.75	--	--	11	3,207.57	1	159.20
<b>Total outgo</b>	<b>18<sup>A</sup></b>	<b>2,104.59</b>	<b>1<sup>A</sup></b>	<b>138.57</b>	<b>14<sup>A</sup></b>	<b>2,944.94</b>	<b>1<sup>A</sup></b>	<b>148.76</b>	<b>15<sup>A</sup></b>	<b>3,462.70</b>	<b>1<sup>A</sup></b>	<b>318.40</b>

During the year 2007-08, the Government had guaranteed loans aggregating Rs 106.72 crore, obtained by three<sup>@</sup> working Government companies. No guarantees were given to the Corporations during 2007-08. At the end of the year, guarantees amounting to Rs 8,774.53 crore against 10 working Government companies (Rs 8,766.93 crore) and one Statutory corporation (Rs 7.60 crore) were outstanding. The guarantee commission paid/payable (including that for previous years) to the Government by nine working Government companies (Rs 654.09 crore) and by one Statutory corporation (Rs 4.92 crore) during 2007-08 was Rs 659.01 crore. Seventeen companies and one Statutory corporation had not supplied the information relating to guarantee fee paid or payable to the State Government.

**Finalisation of accounts by working PSUs**

**1.6** The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with

<sup>A</sup> Actual number of Companies/Corporations which received budgetary support in the form of equity, loans, grants and subsidy from State Government.

<sup>@</sup> Maharashtra State Handlooms Corporation Limited, Shivshahi Punarvasan Prakalp Limited and Shabri Adivasi Vitta Va Vikas Mahamandal Limited.

Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. These are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective statutes.

As could be noticed from **Annexure 2**, out of 49 working Government companies and four Statutory corporations, two<sup>#</sup> working Government companies and two<sup>§</sup> Statutory corporations had finalised their accounts for the year 2007-08 within the stipulated period. During the period from October 2007 to September 2008, 25 working companies finalised 36 accounts of previous years. Similarly, during this period, one Statutory corporation finalised one account for previous year.

The accounts of 47 working Government companies and two Statutory corporations were in arrears for periods ranging from one to 13 years as on 30 September 2008, as detailed below:

Sl. No.	Number of working		Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Sl. No. of Annexure 2	
	Government Companies	Statutory corporation			Government Companies	Statutory corporation
1	1	--	1995-96 to 2007-08	13	A-33	--
2	4	--	1996-97 to 2007-08	12	A-25,26,27 and 46	--
3	1	--	1998-99 to 2007-08	10	A-23	--
4	1	--	1999-00 to 2007-08	9	A-3	--
5	1	--	2002-03 to 2007-08	6	A-29	--
6	3	--	2003-04 to 2007-08	5	A-5,7 and 30	--
7	5	--	2004-05 to 2007-08	4	A-4,9,16,34 and 49	--
8	3	--	2005-06 to 2007-08	3	A-6,28 and 32	--
9	11	--	2006-07 to 2007-08	2	A-13,15,17, 18,19, 20, 21, 22, 31, 37 and 47	--
10	17	2	2007-08	1	A-2,8,10,11, 12,14,35,36, 38,39,40,41, 42,43,44,45 and 48	B-2 and 3
<b>Total</b>	<b>47</b>	<b>2</b>				

<sup>#</sup>Maharashtra Agro Industries Development Corporation Limited and Western Maharashtra Development Corporation Limited.

<sup>§</sup>Maharashtra State Road Transport Corporation and Maharashtra Industrial Development Corporation.

The State Government had invested Rs 4,135.90 crore (Equity: Rs 347.96 crore; loans: Rs 317.23 crore and grants/subsidy: Rs 3,470.71 crore) in 18 working PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of finalisation of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, 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 Companies Act, 1956.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments of the Government were apprised quarterly by the Accountant General regarding arrears in finalisation of accounts, adequate measures had not been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

#### ***Financial position and working results of working PSUs***

**1.7** The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure 2**. Besides, statements showing the financial position and working results of individual working Statutory corporations for the latest three years are given in **Annexures 5** and **6** respectively.

According to the latest finalised accounts, out of 49 working Government companies and four working Statutory corporations, 21 companies and one corporation had incurred losses for the respective years aggregating Rs 1,379.90 crore and Rs 9.75 crore respectively; whereas 23 companies and three corporations (Maharashtra State Road Transport Corporation, Maharashtra State Warehousing Corporation and Maharashtra Industrial Development Corporation) earned an aggregate profit of Rs 512.59 crore and Rs 210.68 crore respectively. Three companies (Dhopave Coastal Power Limited, Nagpur Flying Club (P) Limited and Maharashtra State Electric Power Trading Company (P) Limited) had not submitted their first accounts, one company (Maharashtra State Police Housing and Welfare Corporation Limited) had capitalised excess of expenditure over income and one company (Krupanidhi Limited) had recovered excess of expenditure over income from its shareholders.&

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& Maharashtra Small Scale Industries Development Corporation Limited and others.

### **Working Government companies**

#### **Profit earning working Government companies**

**1.8** Two<sup>#</sup> companies which finalised their accounts for 2007-08 by September 2008 earned an aggregate profit of Rs 7.67 crore but did not declare any dividend. The State Government had not formulated any policy for payment of minimum dividend by the PSUs.

Similarly, out of 42<sup>^</sup> working Government companies which finalised their accounts for previous years by September 2008, 21 companies earned an aggregate profit of Rs 504.92 crore and only 11<sup>♦</sup> Companies earned profit for two or more successive years.

#### **Loss incurring working Government companies**

**1.9** Of the 21 loss incurring working Government companies, five<sup>§</sup> working Government companies had accumulated losses aggregating Rs 2,042.18 crore, which exceeded their aggregate paid-up capital of Rs 35.91 crore.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support in the form of equity, loans, grants and subsidy, *etc.* According to available information, the total financial support so provided by the State Government by way of grants during 2007-08 to one company (Maharashtra State Road Development Corporation Limited), out of these five companies amounted to Rs 8.70 crore.

### **Working Statutory corporations**

#### **Profit earning Statutory corporations**

**1.10** Two<sup>@</sup> working Statutory corporations which finalised their accounts for 2007-08 by September 2008 earned an aggregate profit of Rs 190.33 crore but did not declare any dividend. The State Government had not formulated any policy for payment of minimum dividend by the PSUs.

Similarly, out of two Statutory corporations which finalised their accounts for previous years by September 2008, one corporation (Maharashtra State

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<sup>#</sup> Serial No. A-1 and A-24 of **Annexure-2**.

<sup>^</sup>Excluding three companies (Sl. No.A-42, 43 and 44 of **Annexure 2**) which had not submitted their first accounts; one company (Sl. No.A-13 of **Annexure 2**) which had capitalised excess of expenditure over income; and one company (Sl. No.A-45 of **Annexure 2**) which had recovered excess of expenditure over income from its shareholders.

<sup>♦</sup> Sl. No. A-11, 12, 16, 28, 30, 34, 35, 36, 38, 39 and 47 of **Annexure 2**.

<sup>§</sup> Maharashtra Fisheries Development Corporation Limited, Maharashtra State Farming Corporation Limited, Maharashtra State Road Development Corporation Limited, Maharashtra State Powerlooms Corporation Limited and Maharashtra State Handlooms Corporation Limited.

<sup>@</sup> Sl. No.B-1 and B-4 of **Annexure 2**.

Warehousing Corporation) earned a profit of Rs 20.35 crore and declared a dividend of Rs 1.74 crore.

### ***Loss incurring Statutory corporation***

**1.11** The only loss incurring working Statutory corporation (Maharashtra State Financial Corporation) which finalised its accounts for previous year by September 2008, had an accumulated loss of Rs 622.37 crore, which exceeded its paid up capital of Rs 62.64 crore.

### ***Operational performance of working Statutory corporations***

**1.12** The operational performance of the working Statutory corporations is given in **Annexure 7**.

The disbursements in respect of Maharashtra State Financial Corporation, had decreased from Rs 1.12 crore in 2005-06 to Nil in 2006-07 and the overdue amount increased from Rs 1,285.13 crore in 2005-06 to Rs 1,312.99 crore in 2006-07.

### ***Return on capital employed***

**1.13** As per the latest finalised accounts (up to September 2008), the capital employed<sup>§</sup> worked out to Rs 28,666.18 crore in 43<sup>\*</sup> working companies and total return<sup>#</sup> thereon was Rs 1,285.83 crore (4.49 *per cent*) as compared to a total return of Rs 793.34 crore (3.29 *per cent*) in the previous year (accounts finalised up to September 2007). Similarly, the capital employed and total return thereon in the case of working Statutory corporations as per their latest finalised accounts (up to September 2008) worked out to Rs 1,326.42 crore and Rs 315.04 crore (23.75 *per cent*) respectively as against the total return of Rs 130.24 crore (12.21 *per cent*) in the previous year (accounts finalised up to September 2007). The details of capital employed and total return on capital employed in the case of working Government companies and Statutory corporations are given in **Annexure 2**.

## **Power Sector Reforms**

**1.14** The erstwhile Maharashtra State Electricity Board was restructured and four new State Government Companies were formed with effect from

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<sup>§</sup>Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

<sup>\*</sup>This does not include three companies (Sl. No. A-42, 43 and A-44 of **Annexure 2**) whose first accounts are awaited, one company (Sl. No.A-13 of **Annexure 2**) which had capitalised its excess of expenditure over income, one company (Sl. No.A-45 of **Annexure 2**) which had recovered its excess of expenditure over income from its shareholders and one company (Sl. No. A-48 of **Annexure 2**) whose part expenditure (financial and Administrative Expenses) was recouped from Government grant.

<sup>#</sup>For calculating total return on capital employed, interest on borrowed fund is added to net profit/subtracted from the loss as disclosed in the profit and loss account.



6 June 2005. Accelerated Power Development Reforms Programme, a Government of India Scheme, was implemented in the State from 2002-03 onwards for upgradation of the distribution network with the objective of reducing Transmission and Distribution (T&D) losses and Aggregate Technical & Commercial (AT&C) losses to 10 and 15 *per cent* respectively.

The T&D losses of the Maharashtra State Electricity Distribution Company Limited decreased from 34.85 *per cent* in 2006-07 to 29.11 *per cent* in 2007-08.

### ***Maharashtra Electricity Regulatory Commission***

**1.15** Maharashtra Electricity Regulatory Commission (Commission) was formed on 5 August 1999 under Section 17 of the Electricity Regulatory Commissions Act, 1998\* with the objective of determining electricity tariff, advising on matters relating to electricity generation, transmission, distribution *etc.*, in the State. Its orders under section 62 of Electricity Act, 2003 are appealable before the Central Appellate Tribunal. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. The audit of accounts of the Commission is conducted by the CAG under Section 104(2) of the Electricity Act, 2003. The Commission had finalised its accounts up to 2005-06 (as on 30 September 2008) and had an excess of income<sup>§</sup> over expenditure amounting to Rs 8.17 crore during the year.

### **Non-working Public Sector Undertakings (PSUs)**

#### ***Investment in Non-working PSUs***

**1.16** The total investment in 22 non-working PSUs and 27 non-working PSUs (all Government companies) at the end of March 2007 and March 2008 respectively was as follows:

(Amount: Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2006-07	22	321.33	0.20	472.71	<b>794.24</b>
2007-08	27	336.87	0.50	453.98	<b>791.35<sup>≈</sup></b>

\*Since repealed by the Electricity Act, 2003.

§The income includes grants of Rs 0.83 crore received from State Government.

≈ Investment by way of equity, share application money and loans in non-working PSUs by State Government is Rs 693.74 crore as per the data furnished by the PSUs (**Annexure 1**) whereas as per the Finance Account 2007-08, the amount is Rs 391.80 crore. The difference is under reconciliation.

The classification of the non-working PSUs is as under:

(Amount: Rupees in crore)

Status of non-working PSUs	Number of companies	Investment in companies	
		Equity	Long-term loans
Under liquidation	3 <sup>Δ</sup>	20.50	0.58
Under closure	10	264.20	296.79
Others <sup>♦</sup>	14	52.67	156.61
<b>Total</b>	<b>27</b>	<b>337.37</b>	<b>453.98</b>

(Note: There is no non-working Statutory corporation)

Of the above 27 non-working PSUs, 13 Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for one to 22 years. Substantial investment of Rs 582.07 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

***Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity***

**1.17** There was no budgetary outgo in the form of equity and loans by the State Government in respect of non-working PSUs<sup>#</sup> during 2007-08.

***Total establishment expenditure of non-working PSUs***

**1.18** The year-wise details of establishment expenditure incurred by non-working companies (there is no non-working Statutory corporation in the State) and the sources of financing them during the last three years up to 2007-08 are given below:

(Amount: Rupees in lakh)

Year	Number of PSUs <sup>†</sup>	Total establishment expenditure	Financed by		
			Disposal of investment/assets	Government by way of loans	Others <sup>@</sup>
2005-06	10	413.97	63.18	22.01	328.78
2006-07	14	464.29	5.98	5.00	453.31
2007-08	9	817.65	1.04	198.94	617.67

<sup>Δ</sup> Sl. No.C-3, 11 and 26 of **Annexure 1**.

<sup>♦</sup> Activities have been stopped, accounts are yet to be finalised and action has not been initiated for their closure.

<sup>#</sup> Information in respect of three companies was not received (Irrigation Development Corporation of Maharashtra Limited, Sahyadri Glass Works Limited and The Overseas Employment and Export Promotion Corporation of Maharashtra Limited).

<sup>†</sup> There was no establishment expenditure in respect of remaining non-working companies.

<sup>@</sup> Financed by holding company.

**Finalisation of accounts by non-working PSUs**

**1.19** Out of 27 non-working Government companies, three<sup>Σ</sup> companies finalised their accounts for the year 2007-08. The accounts of 21 non-working companies were in arrears for periods ranging from one to 22 years as on 30 September 2008. Three<sup>©</sup> companies were under liquidation.

**Financial position and working results of non-working PSUs**

**1.20** The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure 2**.

The net worth\* of 27 non-working Government companies against their paid-up capital of Rs 337.07 crore was Rs (-) 698.99 crore. These companies suffered cash loss of Rs 55.72 crore and their accumulated loss worked out to Rs 1,160.21 crore.

**Status of placement of Separate Audit Reports of Statutory Corporations in Legislative Assembly**

**1.21** The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory Corporations issued by the Comptroller and Auditor General of India, in the State Legislature by the Government.

Sl. No.	Name of Statutory Corporation	Year up to which SAR placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1	Maharashtra State Road Transport Corporation	2006-07	---	---	---
2	Maharashtra State Warehousing Corporation	2006-07	---	---	---
3	Maharashtra State Financial Corporation	2005-06	2006-07	7 April 2008	Being presented to State Legislature.
4	Maharashtra Industrial Development Corporation	2006-07	---	---	---

<sup>Σ</sup>Textile Corporation of Marathwada Limited, The Pratap Spinning, Weaving and Manufacturing Company Limited and Maharashtra State Textile Corporation Limited.

<sup>©</sup> Irrigation Development Corporation of Maharashtra Limited, Sahyadri Glass Works Limited and The Overseas Employment and Export Promotion Corporation of Maharashtra Limited.

\*Net worth represents paid-up capital *plus* free reserves less accumulated loss.

**Results of audit of accounts of PSUs by Comptroller and Auditor General of India**

**1.22** During the period from October 2007 to September 2008, 72 accounts of 49 Government companies and corporations (27 working companies, 19 non-working companies and three Statutory corporations) were selected for audit. The net impact of the important audit observations issued as a result, of audit of their accounts was as follows:

Sl. No.	Details	Number of accounts			(Amount: Rupees in crore)		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working		Working	Non-working	
1	Decrease in profit	5	--	2	71.84	--	5.73
2	Increase in profit	6	--	1	197.35	--	5.38
3	Increase in loss	2	--	1	18.70	--	12.62
4	Decrease in loss	1	--	--	38.61	--	--
5	Non-disclosure of material facts	3	--	2	19.06	--	88.70

Some of the major errors and omissions noticed in the course of audit of annual accounts of some of the above companies and corporations are mentioned below:

***Important comments of Statutory Auditors in case of working Government companies***

***Western Maharashtra Development Corporation Limited, Pune (2006-07)***

**1.23** The profit was overstated by Rs 14.62 crore due to non provision of doubtful loans granted under Educated Unemployed Scheme.

***Maharashtra Agro Industries Development Corporation Limited, Mumbai (2006-07)***

**1.24** The profit has been overstated by Rs 4.20 crore due to short provision towards gratuity liability as per actuarial valuation.

***Maharashtra Tourism Development Corporation Limited, Mumbai (2002-03)***

**1.25** The Company had not provided for Rs 1.71 crore towards old doubtful loans and advances and Rs 3.75 crore towards estimated interest on State Government loan.

***Shivshahi Punarvasan Prakalp Limited, Mumbai (2003-04)***

**1.26** The Company had written back excess provision made in respect of estimated losses of the projects of Rs 28.07 crore. Writing back of excess provision towards loss has resulted in overstatement of profit.

***Maharashtra State Electricity Transmission Company Limited, Mumbai (2006-07)***

**1.27** The Company had not provided for depreciation on fixed assets acquired during the year. Due to this, the depreciation charged for the year is understated by an estimated amount of Rs 9.11 crore and surplus and value of fixed assets overstated by Rs 9.11 crore.

***Maharashtra State Power Generation Company Limited, Mumbai (2006-07)***

**1.28** The profit was overstated by Rs 9.50 crore due to non accountal of cost of Rotor obtained on replacement basis from National Thermal Power Corporation at Chandrapur Thermal Power Station (TPS).

***Important comments arising from Supplementary audit in case of working Government companies***

***Maharashtra State Power Generation Company Limited (2006-07)***

**1.29** The Company decided to write off Rs 7.26 crore being the cost of residential quarters in November 2006. However, the same was not accounted for. This has resulted in overstatement of fixed assets and profit by Rs 7.26 crore.

**1.30** The Company had provided for Rs 101.13 crore towards arrears of pay revision as against Rs 31.19 crore resulting in understatement of profit and overstatement of current liabilities by Rs 69.94 crore.

***Maharashtra State Electricity Distribution Company Limited (2006-07)***

**1.31** The Company had not recognised the unbilled revenue (revenue for energy supplied and bills not issued) to the extent of Rs 36.95 crore. This has resulted in understatement of revenue and overstatement of loss by Rs 36.95 crore.

***Important comments of Statutory Auditors in case of Statutory corporations***

***Maharashtra State Financial Corporation, Mumbai (2006-07)***

**1.32** In respect of the borrowing made by the Financial Corporation, no provision has been made for the interest payable for an amount of Rs 41.31 crore.

***Important comments arising from Supplementary audit in case of Statutory corporations***

***Maharashtra State Financial Corporation (2006-2007)***

**1.33** The Corporation has not provided for Rs 4.53 crore being guarantee fee, Rs 0.31 crore being interest on loan and Rs 1.25 crore towards interest on subvention loan payable to the Government of Maharashtra resulting in understatement of loss for the year to the extent of Rs 6.09 crore.

**1.34** In respect of 51 cases of doubtful loans for more than three years (DA-3) during the year 2006-07 there is short provisioning for Non Performing Assets by Rs 6.54 crore which has resulted in understatement of loss and overstatement of loans and advances by Rs 6.54 crore.

**Internal audit/internal control**

**1.35** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including the internal control/internal audit system in the Government companies audited in accordance with the directions issued to them by the Comptroller and Auditor General of India under Section 619(3)(a) of the Companies Act, 1956 and to identify the areas which needed improvement. An illustrative resume of major recommendations/comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of State Government companies is indicated below:

Nature of recommendations/ comments made by the Statutory Auditors	Number of Companies where recommendations/ comments were made	Reference to serial number of Annexure 2
Inadequate financial control	1	A-47
No regular/satisfactory reconciliation of accounts	3	A-34, 46 and C-7
Inadequate internal audit system	20	A-2, 5, 8, 9, 10, 15, 26, 28, 34, 46, 47, 49 and C-4, 6, 7, 9, 10, 14, 16 and 23
Non formulation of investment policy	15	A-2, 5, 10, 15, 24, 26, 46, 49 and C-4, 7, 8, 9, 10, 14 and 23
Non/improper maintenance of fixed assets registers	11	A-10, 24, 26, 28, 34, 35, 46 and C-6, 9, 10 and 23
Maximum-minimum levels of stocks were not prescribed	6	A-2, 15, 34, 35, 47 and C-7

**Position of discussion of Audit Reports (Commercial) by the  
Committee on Public Undertakings (COPU)**

**1.36** During October 2007 to September 2008, the COPU held 14 meetings and discussed four paragraphs and three reviews pertaining to the Audit Reports (Commercial) for the years 2003-04 to 2004-05. The discussion of Audit Reports up to 2004-2005 has been completed by COPU. The Audit Report for 2005-06, containing three reviews and 17 paragraphs, has been taken up for discussion by COPU as of December 2008. The Audit Report (Commercial) for the year 2006-07, containing six reviews and 28 paragraphs was placed in the State Legislature on 30 December 2008.

**619 B Companies**

**1.37** There were four companies (all working) falling under the purview of Section 619-B of the Companies Act, 1956. **Annexure 8** gives the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest finalised accounts.