

Chapter-I

1. General view of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 2002, there were 61 Government companies (43 working companies and 18 non-working companies[Ⓢ]) and five working Statutory corporations as against the same number of Government companies and Statutory corporations as on 31 March 2001 under the control of the State Government. In addition, the State had formed Maharashtra Electricity Regulatory Commission whose audit is also being conducted by the Comptroller and Auditor General of India (CAG). During the year, audit of two new companies viz. Maharashtra Co-operative Development Corporation Limited (incorporated on 28 August 2000) and Anna Saheb Patil Arthik Magas Vikas Mahamandal Limited (incorporated on 27 November 1998) was entrusted. Two non-working companies viz. Konkan Dairy Development Corporation Limited and Konkan Crystal Salt and Marine Chemicals Limited were closed during the year. However, two working companies in previous year became non-working companies during the year. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the CAG as per provision of Section 619(2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1.	Maharashtra State Electricity Board	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG
2.	Maharashtra State Road Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
3.	Maharashtra Industrial Development Corporation	Maharashtra Industrial Development Act, 1961 and Section 19 (3) of CAG's (DP&CS) Act, 1971	Sole audit entrusted to CAG up to 2007.
4.	Maharashtra State Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by CAG
5.	Maharashtra State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by CAG

[Ⓢ] Non-working companies/corporations are those which are under the process of liquidation/closure/merger etc.

1.2 Working Public Sector Undertakings (PSUs)

1.2.1 Investment in working PSUs

The total investment in 48 working PSUs (43 Government companies and five Statutory corporations) at the end of March 2001 and March 2002 was as follows :

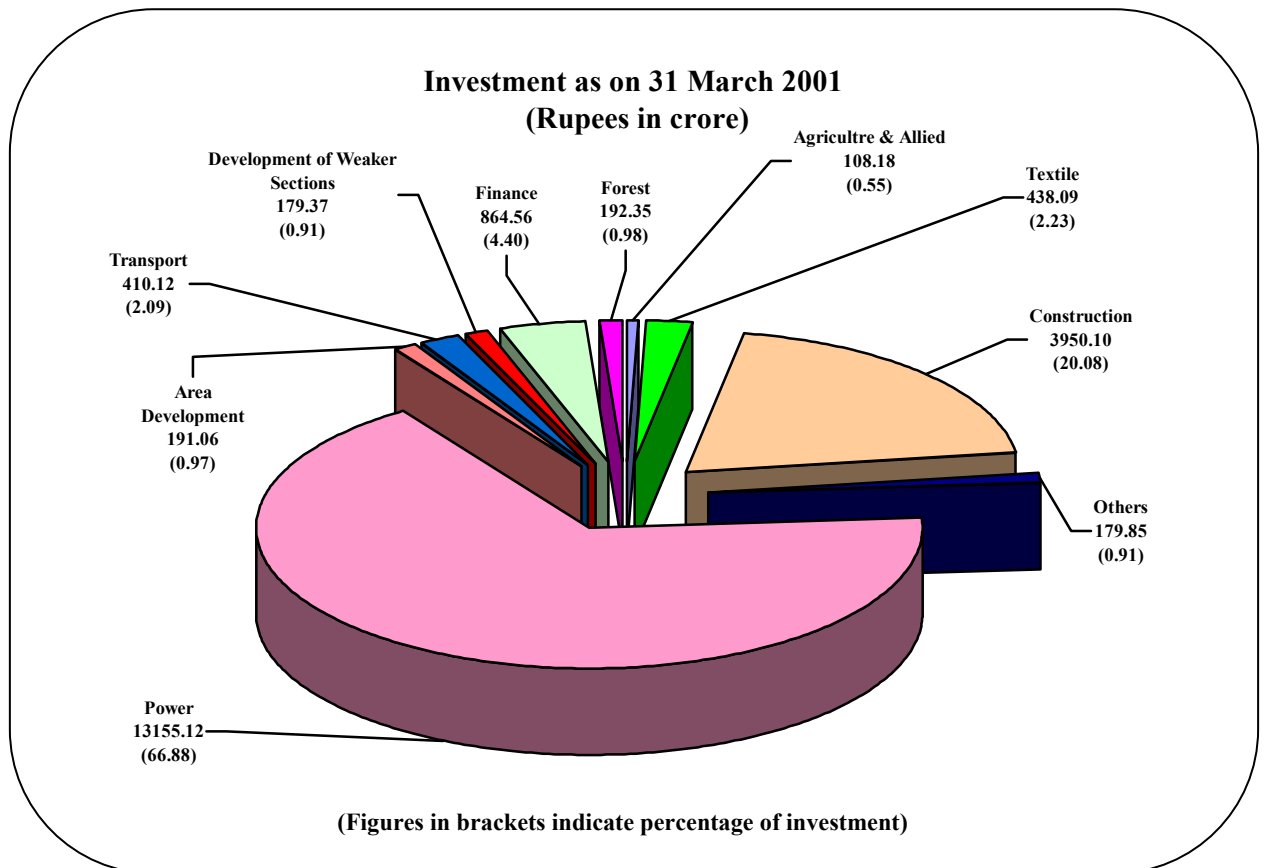
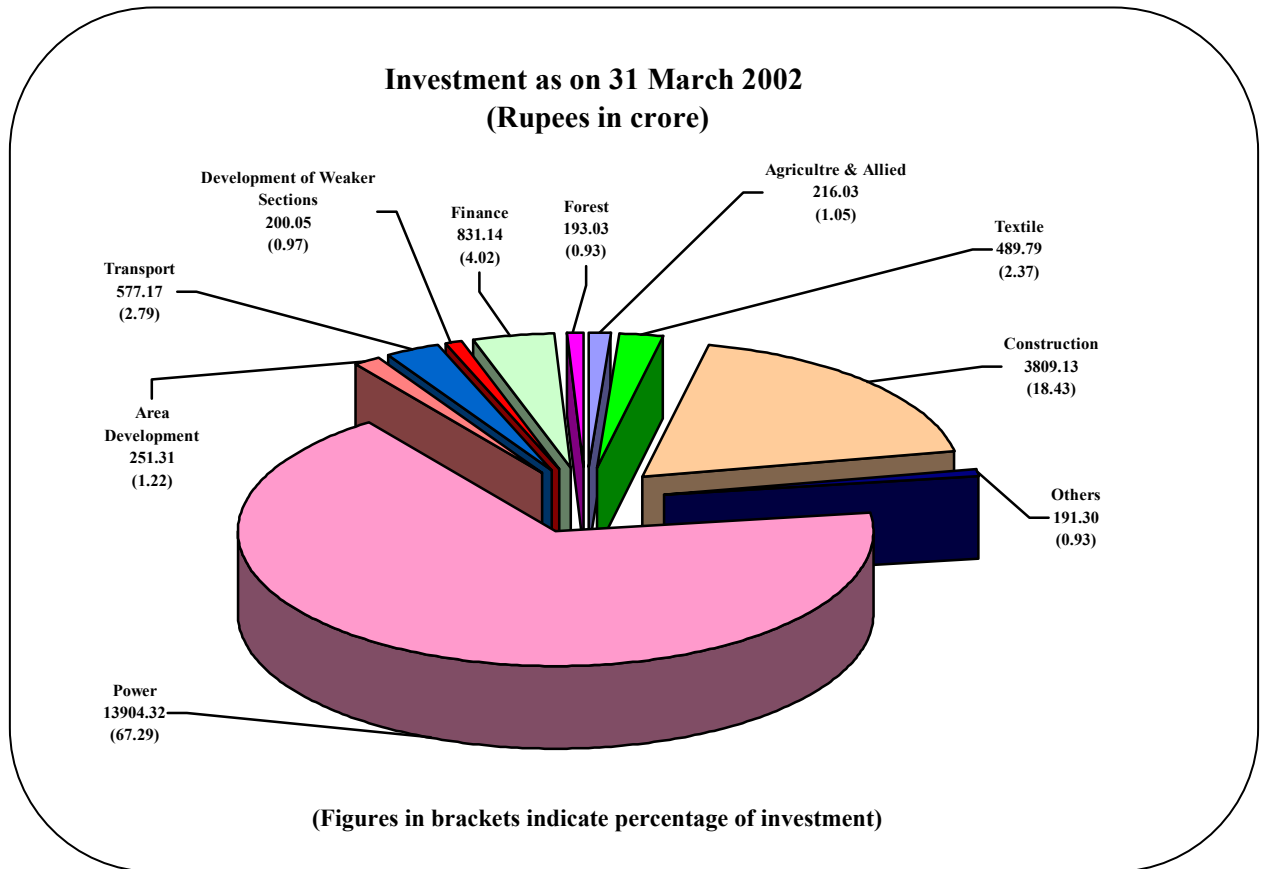
(Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loan	Total
2000-01	48	4,438.88	152.22	15,077.70	19,668.80
2001-02	48	4,598.45	133.30	15,931.52	20,663.27

The analysis of investment in working PSUs is given in the following paragraphs.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2002 and 31 March 2001 are indicated below in the pie charts:

Sector wise investment in working Government companies and Statutory corporations



1.2.1.1 Working Government companies

The total investment in 43 working Government companies at the end of March 2001 and March 2002 was as follows:

(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loan	Total
2000-01	43	621.80	150.77	4,373.54	5,146.11
2001-02	43	647.04	133.30	4,418.36	5,198.70

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 2002, the total investment of working Government companies, comprised 15.01 *per cent* of equity capital and 84.99 *per cent* of loans which were also same as on 31 March 2001.

1.2.1.2 Working Statutory corporations

The total investment in five working Statutory corporations at the end of March 2002 and March 2001 was as follows:

(Rupees in crore)

Name of corporation	2000-01		2001-02	
	Capital	Loan	Capital	Loan
Maharashtra State Electricity Board	3,464.62	9,690.50	3,464.62	10,439.70
Maharashtra State Road Transport Corporation	282.36	127.76	415.27	161.90
Maharashtra Industrial Development Corporation	--- ^o	84.18	--- ^o	143.23
Maharashtra State Financial Corporation	62.85 [#]	801.71	62.81 ^o	768.33
Maharashtra State Warehousing Corporation	8.71	---	8.71	---
Total	3,818.54	10,704.15	3,951.41	11,513.16

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

^o There is no investment of State Government by way of share capital or loan in MIDC. However, the land is acquired by the State Government and handed over to MIDC for development activities.

[#] Includes share application money of Rs.1.45 crore.

^o Reduced due to refund of capital of Rs.3.84 lakh to equity shareholders.

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

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by 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, loans and grants/subsidies from the State Government to working Government companies and working Statutory corporations for the three years up to 2001-02 are given below:

(Amount Rupees in crore)

Particulars	1999-2000				2000-01				2001-02			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	15	29.77	1	0.45	7	18.60	1	82.19	8	20.63	1	132.91
Loans given from budget	8	70.97	1	347.23	5	36.13	1	117.40	5	74.59	1	522.29
Other grants/ subsidy	9	23.55	1	0.17	4	27.07	-	-	5	53.53	1	1,349.41
Total outgo		124.29		347.85		81.80		199.59		148.75		2,004.61

During the year 2001-02, the Government had guaranteed the loans, aggregating Rs.1,847.55 crore, obtained by seven working Government companies (Rs.901.34 crore) and two working Statutory corporations (Rs.946.21 crore). At the end of the year guarantees amounting to Rs.18,199.46 crore obtained by 12 working Government companies (Rs.4,197.83 crore) and three working Statutory corporations (Rs.14,001.63 crore) were outstanding as against the outstanding guarantee of Rs.20,568.79 crore obtained by 10 working companies (Rs.3,266.64 crore) and three Statutory corporations (Rs.17,302.15 crore) as on 31 March 2001. There was no case of default in repayment of guaranteed loans during the year. The guarantee fee/commission paid/payable to Government by seven working Government companies and by one Statutory corporation during 2001-02 was Rs.96.19 crore.

1.2.3 Finalisation of accounts by working PSUs

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 Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They 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 Acts.

However, as could be noticed from Annexure-2, out of 43 working Government companies, only nine working companies and out of five working

Statutory corporations, four working corporations had finalised their accounts for the year 2001-02 within stipulated period. During the period from October 2001 to September 2002, 24 working Government companies finalised 26 accounts for previous years. Similarly, one working Statutory corporation finalised one account for the previous year during this period.

The accounts of 34 working Government companies and one Statutory corporation were in arrears for periods ranging from one year to 14 years as on 30 September 2002, as detailed below:

Sl. No.	Number of working companies/corporations		Period for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl. No. of Annexure-2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1	2	3	4	5	6	7
1	1	-	1988-89 to 2001-02	14	A-32	-
2	1	-	1990-91 to 2001-02	12	A-31	-
3	1	-	1991-92 to 2001-02	11	A-42	-
4	1	-	1992-93 to 2001-02	10	A-33	-
5	1	-	1994-95 to 2001-02	8	A-9	-
6	1	-	1995-96 to 2001-02	7	A-4	-
7	1	-	1996-97 to 2001-02	6	A-27	-
8	1	-	1997-98 to 2001-02	5	A-41	-
9	8	-	1998-99 to 2001-02	4	A-7,16,18,26,28,35,36,37	-
10	2	-	1999-00 to 2001-02	3	A-5,10	-
11.	16	1	2001-02	1	A-1, 3, 6, 8, 11, 12, 13, 20, 23,24, 25, 29, 34, 38, 39, 43	B-3
Total	34	1				

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Accountant General regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

1.2.4 Financial position and working results of working PSUs

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 financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in Annexure-4 and 5, respectively.

According to the latest finalised accounts of 38 working Government companies and five working Statutory corporations, 26 companies and three corporations had incurred losses for the respective years aggregating Rs.218.30 crore and Rs.632.32 crore, respectively. 12 companies and two corporations earned an aggregate profit of Rs.41.30 crore and Rs.9.44 crore, respectively. Three companies (Sl.No.A-26, 35 and 36) had not submitted their first accounts and two companies (Sl.No.A-23 and 40) had capitalised excess of expenditure over income.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working companies and dividend

Out of nine working companies that finalised their accounts for 2001-02 by September 2002, three companies earned an aggregate profit of Rs.18.71 crore and had not declared any dividend.

Nine profit earning working companies, which finalised their accounts for previous years during October 2001 to September 2002, earned an aggregate profit of Rs.22.59 crore. Of these, five companies were earning profit for two or more successive years. Of these companies, only one company (Sl.No.A-38) declared dividend of Rs.39.93 lakh during the year. The State Government has not formulated a dividend policy for payment of minimum dividend.

1.2.4.1.2 Loss incurring working Government companies

Of the 26 loss incurring working Government companies, 13 companies had accumulated losses aggregating Rs.668.49 crore, which exceeded their aggregate paid-up capital of Rs.329.96 crore.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. According to available information, the total financial support so provided by the State Government to four companies was Rs.73.24 crore by way of equity (Rs.0.96 crore) and loans (Rs.72.28 crore) during 2001-02.

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Profit earning Statutory corporations and dividend

Out of five working Statutory corporations, four Statutory corporations finalised their accounts for 2001-02 by September 2002. Of this two Statutory corporations (B-4,5) earned aggregate profit of Rs.9.44 crore and only one Statutory corporation (B-4) had declared dividend Rs.1.74 crore which was 20 *per cent* of its share capital.

1.2.4.2.2 Loss incurring Statutory corporations

Of the three loss incurring Statutory corporations, two Statutory corporations (Sl. No. B-2 and B-3 of Annexure-2) had accumulated losses aggregating Rs.775.18 crore, which exceeded its aggregate paid-up capital of Rs.478.12 crore by more than 1.6 times.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to a Statutory corporation (Maharashtra State Road Transport Corporation) in the form of contribution towards equity, further grants of loans, conversion of loans into equity, subsidy *etc.* According to available information, the total financial support during 2001-02 by the State Government to the Statutory corporation in the form of equity was Rs.132.91 crore.

1.2.4.2.3 Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations is given in Annexure-6. In MSEB, the percentage of transmission and distribution loss to total power available for sale had increased from 30.56 *per cent* in 1999-2000 to 39.55 *per cent* in 2001-02. In MSFC, the disbursements had come down from Rs.66.44 crore in 1998-99 to Rs.50.49 crore in 2000-01 and the overdue amount had risen steeply from Rs.610.96 crore in 1998-99 to Rs.882.64 crore in 2000-01.

1.2.5 Return on capital employed

As per the latest finalised accounts (up to September 2002), the capital employed[⊗] worked out to Rs.5,068.24 crore in 38* working companies and total return[♣] thereon amounted to Rs.264.76 crore, as compared to return of Rs.281.67 crore in the previous year (accounts finalised up to September 2001). Similarly, the capital employed and total return thereon in

[⊗] 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).

* This does not include 3 companies (A-26, 35 and 36) whose first accounts are awaited and two companies (A-23, 40) who had capitalised its excess of expenditure over income.

♣ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

case of working Statutory corporations as per the latest finalised accounts (up to September 2002) worked out to Rs.16,766.39 crore and Rs.688.50 crore, respectively against the total return of Rs.(-)1,608.27 crore in previous year. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in Annexure-2.

1.2.6 Reforms in Power Sector

(A) Status of implementation of MOUs between the State Government and the Central Government

In pursuance of Chief Minister's conference on Power Sector Reforms, held in March 2001, a Memorandum of Understanding (MOU) was signed on 16 March 2001 between the Ministry of Power, Government of India (GOI) and the Department of Industry, Energy and Labour, Government of Maharashtra (State Government) as a joint commitment for implementation of reform programme in power sector with identified milestones. Status of implementation of reform programme is discussed in Chapter-3A.2.

(B) Maharashtra Electricity Regulatory Commission

Maharashtra Electricity Regulatory Commission (Commission) was formed on 5 August 1999 under Section 17 of the Electricity Regulatory Commissions Act, 1998 (Act) with the object of determining electricity tariff, advising in matters relating to electricity generation, transmission, distribution *etc.*, in the State. 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 has been entrusted to CAG under Section 34 of the Act, *ibid.* The Commission had not finalised its first accounts so far (30 September 2002).

1.3 Non-working Public Sector Undertakings (PSUs)

1.3.1 Investment in non-working PSUs

The total investment in 18 non-working PSUs (all Government companies) at the end of March 2001 and March 2002 was as follows :

(Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loan	Total
2000-01	18	24.68	0.20	106.08	130.96
2001-02	18	48.36	0.20	142.84	191.40

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

(Amount: Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Number of corporations	Investment in companies	
				Equity [⊗]	Long term loans
(i)	Under liquidation	3	--	20.50	9.25
(ii)	Under closure	9	--	24.09	27.63
(iii)	Others [‡]	6	--	3.97	105.96
Total		18	--	48.56	142.84

Of the above non-working PSUs, twelve Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for 3 to 24 years and substantial investment of Rs.81.47 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

1.3.2 Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity

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

The State Government had paid budgetary support of Rs.10.10 crore by way of loan to one non-working company during 2001-02. At the end of the year, guarantee amounting to Rs.0.78 crore obtained by one non-working company was outstanding as against the outstanding guarantees of Rs.1.34 crore obtained by two non-working companies as on 31 March 2001.

1.3.3 Total establishment expenditure of non-working PSUs

The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2001-02 are given below:

(Amount: Rupees in lakh)

Year	Number of PSUs	Total establishment expenditure	Financed by				
			Disposal of investment /assets	Loans from private parties	Government by way of		Others [*]
					Loans	Grants	
Government companies							
1999-00	10 [#]	75.14	5.62	-	-	-	280.21
2000-01	11 [#]	373.98	0.04	-	965.00	-	494.37
2001-02	10 [#]	98.26	2.21	-	1,010.00	-	58.95

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

[⊗] Equity includes share application money of Rs.0.20 crore in respect of one company (C-1).

[‡] Activities have been stopped and accounts are yet to be finalised and action has not been initiated for their closure.

^{*} Financed by holding company.

[#] There was no establishment expenditure in respect of remaining non-working companies.

1.3.4 Finalisation of accounts by non-working PSUs

The accounts of 18 non-working companies were in arrears for periods ranging from one year to 16 years as on 30 September 2002, as could be noticed from Annexure-2.

1.3.5 Financial position and working results of non-working PSUs

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

The summarised details of paid-up capital, net worth, cash loss/cash profits and accumulated loss/accumulated profit of non-working PSUs, as per their latest finalised accounts, are given below:

(Amount : Rupees in crore)

Particulars	Paid-up capital	Net worth [†]	Cash loss (-)/ cash profit (+) [⊙]	Accumulated loss (-)/ accumulated profit (+)
Non-working companies	48.56	(-) 158.52	(-) 21.79	(-) 207.08

1.4 Status of placement of Separate Audit Reports of Statutory corporations in Legislature

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG in the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Years up to which SARs placed in Legislature	Years for which SARs not placed to Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement to the Legislature
1.	Maharashtra State Financial Corporation	1998-99	1999-2000	12.10.2001	Information awaited.
2.	Maharashtra State Warehousing Corporation	1998-99	1999-2000	14.06.2001	Information awaited.
3.	Maharashtra Industrial Development Corporation	1999-2000	2000-01	16.10.2002	Information awaited

[†] Net worth represents paid-up capital *plus* free reserves *less* accumulated loss.

[⊙] Cash loss/profit represents loss/profit for the year *plus* depreciation for the year.

1.5 Disinvestment, Privatisation and Restructuring of Public Sector Undertaking

The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2001-02.

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

During the period from October 2001 to September 2002, the audit of 40 accounts of 35 Government companies (working 29 and non-working six) and five working Statutory corporations were selected for review. As a result of the observations made by CAG, two companies (Sl.No.A-18 and 24 of Annexure-2) revised its accounts for 1997-98 and 1999-2000, respectively. Similarly, three Statutory corporations (B-1, 2 and 5 of Annexure-2) also revised their accounts for 2000-01. In addition, the net impact of the important audit observations as a result of review of the remaining PSUs were as follows:

Sl. No.	Details	Number of accounts				(Amount: Rupees in lakh)			
		Government Companies		Statutory Corporations		Government Companies		Statutory Corporations	
		Working	Non-working	Working	Non-working	Working	Non-working	Working	Non-working
(i)	Decrease in profit	2	--	3	--	1,87.97	--	95.65	--
(ii)	Increase in profit	2	--	--	--	3.11	--	--	--
(iii)	Increase in loss	8	1	2	--	710.76	3.48	23,861.12	--
(iv)	Decrease in loss	2	--	--	--	2.69	--	--	--
(v)	Non-disclosure of material facts	9	--	3	--	339.63	--	15,820.28	--
(vi)	Errors of classification	10	1	2	--	1,821.12	1.94	82,164.78	--

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

1.6.1 Errors and omissions noticed in case of Government companies

(1) Maharashtra State Farming Corporation Limited (1996-1997)

The loss for the year was understated by Rs.0.87 crore due to short provision for gratuity.

(2) Maharashtra State Handlooms Corporation Limited (1999-2000)

Due to non-provision of leave encashment, the loss was understated by Rs.46.18 lakh.

(3) Maharashtra Film, Stage and Cultural Development Corporation Limited (2000-01)

Due to short provision for doubtful debts (Rs.1.06 crore), the sundry debtors and profit for the year were overstated by Rs.1.06 crore.

(4) Maharashtra Electronics Corporation Limited (2000-01)

During the year, the Company transferred Rs.40.00 lakh to profit and loss account from Grant-in-aid being the special capital incentive granted by Government of Maharashtra. This has resulted in understatement of capital reserve and loss for the year by Rs.40.00 lakh.

1.6.2 Errors and omissions noticed in case of Statutory corporations

(1) Maharashtra State Electricity Board (2000-01)

(i) Revenue from sale of power included sale of 679.2 MUs valued Rs.198.33 crore received from Koyna Hydro Power Station–Stage IV which had not been handed over to the Board till March 2001. This has resulted in overstatement of revenue and understatement of deficit, current liabilities each by Rs.198.33 crore.

(ii) The liabilities on account of grade difference of coal did not include Rs.16.47 crore being the value of coal supplied to Nasik Thermal Power Station as per Umpire Award by the coal suppliers which was yet to be finalised. The fact was not brought out by way of note to the accounts.

(2) Maharashtra State Road Transport Corporation (2000-01)

(i) Due to non-maintenance of year-wise account of kutcha buildings, MSRTC charged excess depreciation of Rs.1.26 crore for the year even though these assets were fully depreciated before March 2000. This has resulted in overstatement of depreciation fund and accumulated losses by Rs.2.72 crore including overstatement of loss for the year by Rs.1.26 crore.

(ii) Receivables from private parties included Rs.2.48 crore being the license fees receivable from commercial shops and establishments which was outstanding for more than 30 years (since 1969 to 1970). Non provision of these doubtful debts resulted in overstatement of sundry debtors and understatement of loss each by Rs.2.48 crore.

(3) Maharashtra State Warehousing Corporation (2000-01)

As per the Government directives of 1969, cleaning and handling losses beyond the permissible limits were to be borne by the Corporation. The Corporation has not provided for the liabilities for storage and cleaning charges of Rs.0.77 crore, which resulted in understatement of liability and overstatement of profit by Rs.0.77 crore.

1.6.2.1 Audit assessment of the working results of State Electricity Board

Based on the audit assessment of the working results of the MSEB for three years up to 2000-01 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the MSEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit of the MSEB would be as given below:

(Rupees
in crore)

Sl. No.	Particulars	1999-2000	2000-01	2001-02 (Provisional)
1	Net surplus/(-) deficit as per books of accounts	403.11	(-) 2,467.66	(-) 539.46
2	Subsidy from the State Government	2,084.19	(-) 373.85	Nil
3	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-) 1,681.08	(-) 2,841.51	(-) 539.46
4	Net increase/decrease in net surplus/ (-) deficit on account of audit comments on the annual accounts of the SEB	(-) 111.32	(-) 237.45	‡
5	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-) 1,792.40	(-) 3,078.96	(-) 539.46

1.6.3 Persistent irregularities and system deficiencies in financial matters of PSUs

The following persistent irregularities and system deficiencies in financial matters of PSUs had been repeatedly pointed out during the course of audit of their accounts but no corrective action had been taken by those PSUs so far.

(1) Maharashtra State Electricity Board

Board commissioned 52,018 works amounting to Rs.2,145.95 crore during 2000-01. However, out of these works, completion certificates in respect of 13,319 works amounting to Rs.333.18 crore were not prepared. In addition to this, 12,157 earlier works amounting to Rs.474.57 crore remained to be finalised. This had resulted in understatement of fixed assets and overstatement of capital work-in-progress by Rs.807.75 crore and consequent over capitalisation of interest and under charging of depreciation (not quantified). This was a persistent failure on the part of the Board which required speedy action for clearance of work completion certificates.

(2) Maharashtra State Road Transport Corporation

The Corporation had been consistently adopting the policy of not providing for liabilities on account of compensation to passengers for death/disabilities, though payable under section 140(2) of Motor Vehicle Act, 1988. The extent of liability on this account worked out to Rs.2.71 crore as on 31 March 2001.

‡ Separate Audit Report under finalisation.

1.7 Recommendations for closure of PSUs

Even after completion of five years of their existence, the annual turnover of 28* Government companies (working - 12, non-working - 16) has been less than Rs.5 crore in each of the preceding five years of their latest finalised accounts. Similarly, four^o Government companies (two working and two non-working) had been incurring losses for five consecutive years (as per latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above 32 Government companies or consider their closure. In addition, six[□] working Government companies engaged in similar activities having poor turnover could be considered for merger.

On being pointed out by the Audit, the Government stated (June 2001) that a decision to wind up 14 companies was taken in 1992. However, the process of liquidation of these companies could not be initiated on account of stay order issued by the Aurangabad Bench of Mumbai High Court and action was being taken to vacate the stay order. The Government further stated that a decision had been taken to close down some of the mills of Maharashtra State Textile Corporation Limited. Further developments were awaited (September 2002).

1.8 Response to Inspection Reports, Draft paras and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2002 pertaining to 49 PSUs disclosed that 2,161 paragraphs relating to 527 Inspection Reports remained outstanding at the end of September 2002. Of these, 14 Inspection Reports containing 113 paragraphs had not been replied for more than one year. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2002 is given in Annexure-7.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 13 draft paragraphs and three draft reviews forwarded to the various departments during January to September 2002, as detailed in Annexure-8, have not been replied to so far.

* Annexure-2 Sl.No. A-4,5,6,9,10,12,16,22,27,28,29,41 and C-1 to 13,16,17,18.

^o Annexure-2 Sl.No. A-7,20, and C-14, 15.

[□] Annexure-2 Sl.No. A-31,32,33,34,35 and 36

It is recommended that the Government should ensure: (a) procedure exists for action against officials who fail to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment is taken in a time bound schedule, and (c) the system of responding to the audit observations is revamped.

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

The position of discussion of Audit Reports (Commercial) by the COPU, reviews and paragraphs pending for discussion in the COPU at the end of March 2002 is shown below:

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		No. of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1998-99	4	11	3	5
1999-2000	4	18	4	18
2000-01	4	21	4	21
Total	12	50	11	44

During the year 2001-02, COPU made 21 recommendations for which Action Taken Notes were awaited from concerned PSUs/State Government (September 2002). The Audit Report (Commercial) for the year 2000-01 was placed before the State Legislature on 26 April 2002.

1.10 619-B Companies

There were two working companies coming under Section 619-B of the Companies Act, 1956. Annexure-9 indicates 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 available accounts.