

Chapter-I

1. General view of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2004, there were 76 Government companies (55 working companies and 21 non-working companies[Ⓢ]) and five working Statutory corporations as against 66 Government companies (48 working companies and 18 non-working companies) and five working Statutory corporations as on 31 March 2003 under the control of the State Government. During the year 2003-04, ten* new companies came under the audit purview of Comptroller and Auditor General of India (CAG). In addition, the State had formed Maharashtra Electricity Regulatory Commission whose audit is also being conducted under Section 104(2) of the Electricity Act, 2003[‡] by the CAG. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the CAG as per provision of Section 619(2) of the 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 in respect 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	2	3	4
1.	Maharashtra State Electricity Board	Under Rule 14 of the Electricity (Supply) (Annual Accounts) Rules, 1985 read with section 185(2)(d) of the Electricity Act, 2003 [▣]	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 State Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by CAG

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

* Sl. No.A-26,27,28,29,30,31,32,33,54 and 55 of *Annexure-2*.

[‡]Erstwhile Electricity Regularity Commission Act, 1998 replaced by the Electricity Act, 2003.

[▣]The earlier provision of Section 69(2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003.

1	2	3	4
4.	Maharashtra State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by CAG
5.	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 up to 2006-07.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 The total investment* in 60 working PSUs (55 Government companies and five Statutory corporations) at the end of March 2004 as against 53 working PSUs (48 Government companies and five Statutory corporations) at the end of March 2003 was as follows:

(Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			Total
		Equity	Share application money	Loans*	
2002-03	53	4,749.37	123.72	12,935.64	17,808.73
2003-04	60	4,556.01*	461.72*	16,715.65	21,733.38

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

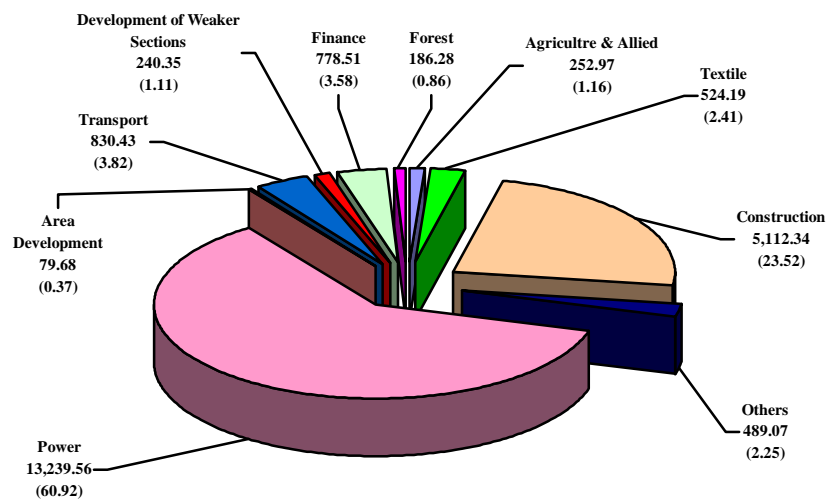
Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 31 March 2003 are shown below in the pie charts:

*Investment by way of equity and share application money by State Government is Rs.5,017.93 crore whereas as per finance accounts 2003-04 the amount is Rs.4,824.40 crore. The difference is under reconciliation.

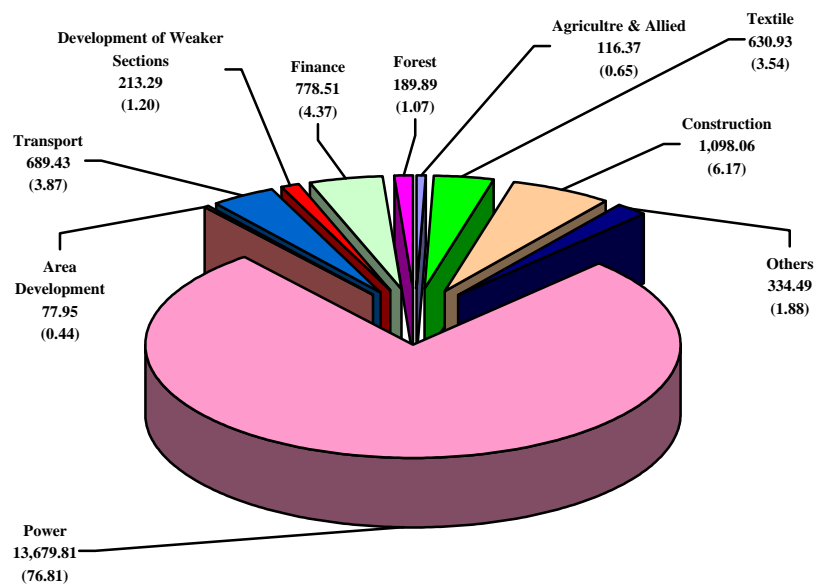
*Long-term loans mentioned in paras 1.2, 1.3, 1.4 and 1.16 are excluding interest accrued and due on such loans.

**Investment as on 31 March 2004
(Rupees in crore)**



(Figures in brackets indicate percentage of investment)

**Investment as on 31 March 2003
(Rupees in crore)**



(Figures in brackets indicate percentage of investment)

Working Government companies

1.3 The total investment in working Government companies at the end of March 2003 and March 2004 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loans	Total
2002-03	48	677.26	123.72	1,720.19	2,521.17
2003-04	55	819.88	4.45	6,021.49	6,845.82

As on 31 March 2004, the total investment in working Government companies comprised 12.04 per cent of equity capital and 87.96 per cent of loans as compared to 31.77 per cent of equity capital and 68.23 per cent of loans as on 31 March 2003.

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

Working Statutory corporations

1.4 The total investment in five working Statutory corporations at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Name of corporation	2002-03		2003-04	
	Capital	Loans	Capital	Loans
Maharashtra State Electricity Board	3,464.62	10,215.19	3,464.62	9,774.94
Maharashtra State Road Transport Corporation	536.14	153.28	657.43	173.00
Maharashtra State Financial Corporation	62.64	715.88	62.64	715.88
Maharashtra State Warehousing Corporation	8.71	---	8.71	22.75
Maharashtra Industrial Development Corporation (MIDC)	--- [◇]	131.10	--- [◇]	7.60
Total	4,072.11	11,215.45	4,193.40	10,694.17

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

[◇] 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.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity⁸

1.5 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 2003-04 are given below:

(Amount : Rupees in crore)

Particulars	2001-2002				2002-2003				2003-2004			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	8	20.63	1	132.91	5	7.09	-	-	5	10.35	1	121.29
Loans given from budget	5	74.59	1	522.29	6	115.10	1	179.64	5	7.23	-	-
Other grants/subsidy	5	53.53	1	1,349.41	8	641.76	2	854.96	6	17.32	1	734.09
Total outgo		148.75		2,004.61		763.95		1,034.60		34.90		855.38

During the year 2003-04, the Government had guaranteed loans aggregating Rs.2,223.76 crore, obtained by seven working Government companies (Rs.1,064.99 crore) and one Statutory corporation (Rs.1,158.77 crore). The guarantees in respect of outstanding loans decreased from Rs.12,921.88 crore at the end of March 2003 obtained by 15 working companies (Rs.2,916.92 crore) and two Statutory corporations (Rs.10,004.96 crore) to Rs.9,412.72 crore⁹ at the end of March 2004 obtained by 11 working companies (Rs.4,184.01 crore) and two Statutory corporations (Rs.5,228.71 crore). There was no case of default in repayment of guaranteed loans during the year. The guarantee fee/commission paid/payable to Government by six working Government companies during 2003-04 was Rs.10.20 crore.

Finalisation of accounts by working PSUs

1.6 Out of 55 working Government companies and five Statutory corporations, only nine working companies and four working Statutory corporation had finalised their accounts for the year 2003-04 up to 30 September 2004. During the period from October 2003 to September 2004, 41 working companies finalised 43 accounts of previous years. Similarly, one working Statutory corporation finalised accounts for previous year during this period.

⁸ Information in respect of 14 companies and two corporations are not received (Sr. No.A-6, 10,13,14,32,34,40,42,43,45,48,49,51,55, B-1,3)

⁹ Figures as per Finance accounts is Rs.26,433.88 crore (23 companies and four corporations). The difference is under reconciliation.

The accounts of 46 working Government companies were in arrears for periods ranging from one to 14 years as on 30 September 2004, as detailed below. Besides, accounts of one working Statutory corporation (B-1) was also in arrears for one year, *i.e.* 2003-04.

Sl. No.	Number of working Government companies	Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Sl. No. of Annexure-2
1	2	1990-91 to 2003-04	14	A-38,39
2	1	1992-93 to 2003-04	12	A-51
3	1	1993-94 to 2003-04	11	A-40
4	2	1995-96 to 2003-04	9	A-4, 9
5	2	1997-98 to 2003-04	7	A- 34,50
6	1	1998-99 to 2003-04	6	A-43
7	4	1999-2000 to 2003-04	5	A-14,23,35,42
8	3	2000-01 to 2003-04	4	A-7,16,46
9	2	2001-02 to 2003-04	3	A-5,41
10	5	2002-03 to 2003-04	2	A-6,10,11,44,52
11	23	2003-04	1	A-1,2,3,13,17,20,21, 22, 26, 27, 28,29, 30,31,32,33,36,45, 47,48, 53,54,55
Total	46			

Reasons for delay in finalisation of accounts of working companies in general and of 18 working companies, where accounts were in arrears for three years or more in particular, have been discussed in detail in paragraph 4.11 of Chapter-IV.

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

According to the latest finalised accounts of 55 working Government companies and five working Statutory corporations, 41 companies and three corporations had incurred losses for the respective years aggregating Rs.622.81 crore and Rs.525.93 crore; nine companies and two corporations earned an aggregate profit of Rs.43.25 crore and Rs.1.61 crore respectively. Two companies (Sl.No.A-43,55 of **Annexure-2**) had not submitted their first accounts, one company (Sl.No.A-20 of **Annexure-2**) had capitalised excess of expenditure over income and one company (Sl.No.A-49 of **Annexure-2**) had recovered excess of expenditure over income from its shareholders. In respect

of one company (Sl. No.53 of *Annexure-2*), expenditure was met by recoupment of grant from Government.

Working Government companies

Profit earning working Government companies and dividend

1.8 Three profit earning working Government companies, which finalised their accounts for 2003-04 up to 30 September 2004 earned profit aggregating Rs.37.77 crore. None of these companies declared dividend during the year. The State Government had not formulated a dividend policy for payment of minimum dividend.

Five profit earning working Government companies, which finalised their accounts for previous years during October 2003 to September 2004, showed profit aggregating Rs.5.30 crore. Out of above eight companies, six companies were earning profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the 41 loss incurring working Government companies, 12[⊙] companies had accumulated losses aggregating Rs.1,473.60 crore which exceeded their aggregate paid-up capital of Rs.290.87 crore by more than four times.

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 three[⊕] companies was Rs.61.36 crore by way of loans (Rs.5.76 crore) and conversion of loans into equity (Rs.55.60 crore) during 2003-04.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Four[^] Statutory corporations finalised their accounts for 2003-04 by September 2004. Of these, two Statutory corporations (B-4, 5 of *Annexure-2*) earned profit aggregating Rs.1.60 crore and only one Statutory corporation (Sl.No. B-4 of *Annexure-2*) had declared dividend of Rs.14.71 lakh which was 1.72 *per cent* of its paid-up capital of Rs.8.71 crore.

Loss incurring Statutory corporations

1.11 Of the three loss incurring Statutory corporations, two Statutory corporations (Sl. No. B-2 and B-3 of *Annexure-2*) had accumulated losses

[⊙] Sl.No.A-4,6,7,10,13,14,15,16,17,19,21 and 37 of *Annexure-2*.

[⊕] Sl.No.A-10,13 and 17 of *Annexure-2*.

[^] Sl.No.B-2,3,4 and 5 of *Annexure-2*.

aggregating Rs.1,525.48 crore, which exceeded their aggregate paid-up capital of Rs.720.07 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these corporations 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 during 2003-04 by the State Government to the corporations in the form of equity was Rs.121.29 crore.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in ***Annexure-6***.

In Maharashtra State Electricity Board, transmission and distribution losses had increased from 34.79 *per cent* in 2000-2001 to 38.59 *per cent* in 2002-03. In Maharashtra State Financial Corporation, the disbursements had decreased from Rs.30.35 crore in 2001-02 to Rs.1.57 crore in 2003-04 and the overdue amount had increased from Rs.1,014.72 crore in 2001-02 to Rs.1,116.08 crore in 2003-04.

Return on capital employed

1.13 As per the latest finalised accounts (up to September 2004), the capital employed[⊗] worked out to Rs.5,674.46 crore in 49^{*} working companies and total return[♣] thereon was negative (Rs.(-) 116.99 crore) as compared to total return of Rs.198.79 crore (3.73 *per cent*) on capital employed of Rs.5,336.15 crore in the previous year (accounts finalised up to September 2003). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per their latest finalised accounts (up to September 2004) worked out to Rs.16,590.54 crore and Rs.765.13 crore (4.61 *per cent*), respectively as against the total return of Rs.622.55 crore (3.70 *per cent*) and capital employed of Rs.16,843.12 crore in the previous year (accounts finalised up to September 2003). 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***.

⊗ 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 two companies (Sl. No.A-43 and 55 of ***Annexure-2***) whose first accounts are awaited, one company (Sl. No.A-20 of ***Annexure-2***) who had capitalised its excess of expenditure over income, one company whose expenditure is recouped from Government grant (Sl. No.A-53 of ***Annexure-2***), one company (Sl.No.49 of ***Annexure-2***) who had recovered its excess of expenditure over income from its shareholders and two companies whose previous years' figures were not available for computation of capital employed (Sl. No.A-42 and 53 of ***Annexure-2***).

♣ 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.

Reforms in Power Sector

Status of implementation of Memorandum of Understanding between the State Government and the Central Government

1.14 In pursuance to discussions in 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 Government of Maharashtra and the Government of India as a joint commitment for implementation of reform programme in power sector with identified milestones. The MOU was valid for five years and subject to review annually. Status of implementation of reform programme against each commitment made in the MOU is detailed below:

Sl. No.	Commitments as per MOU	Targeted completion schedule	Status (as on 31 March 2004)
Commitments made by the State Government			
1	Reduction in transmission and distribution losses	18 per cent by March 2003.	38.20 per cent
2	100 per cent electrification of all villages	No target fixed.	100 per cent electrified.
3	100 per cent metering of all distribution feeders	December 2001.	Achieved.
4	100 per cent metering of all consumers	December 2005.	86.08 per cent metered consumers.
5	Securitize outstanding dues of Central Public Sector Undertakings.	---	Securitisation of NTPC dues has been done.
6	State Electricity Regulatory Commission (SERC) i) Establishment of SERC ii) Implementation of tariff orders issued by SERC during the year.	---	SERC was established on 5 August 1999. Latest tariff orders issued on 10 March 2004 and implemented

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 object of determining electricity tariff, advising on 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 104 of the Electricity Act, 2003. The Commission had finalised its

* Since replaced by the Electricity Act, 2003.

accounts up to 2003-04 (30 September 2004) and had excess of income over expenditure of Rs.15.66 crore during the year.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working PSUs

1.16 The total investment in 21[«] non-working PSUs (all Government companies) at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2002-03	18	48.36	0.20	164.64	213.20
2003-04	21 [«]	70.55	0.20	194.54	265.29 [‡]

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

(Amount: Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment in companies	
			Equity	Long-term loans
(i)	Under liquidation	3	20.50	9.25
(ii)	Under closure	11	46.98	67.22
(iii)	Others [§]	7	3.27	118.07
Total		21[«]	70.75	194.54

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

Of the above 21 non-working PSUs, two non-working companies opted for simplified exit scheme under Section 560(3) of the Companies Act, 1956. However, their names are yet to be struck off from the records of Registrar of Companies. Twelve Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for three to 26 years and substantial investment of Rs.143.95 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

[«]Holding company sold the shares of companies at Sl. No. C-15,16 of *Annexure-1* on 29 March 2004 and 19 November 2003 respectively. The investments in these companies are shown as nil.

[‡] Figures as per finance accounts is Rs.2.75 crore in respect of equity. Difference is under reconciliation.

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

Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity[§]

1.17 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**.

At the end of the year, guarantee for loans amounting to Rs.78.17 lakh obtained by one* non-working company was outstanding as against Rs.83.86 lakh as on 31 March 2003.

Total establishment expenditure of non-working PSUs

1.18 The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2003-04 are given below:

(Amount: Rupees in lakh)

Year	Number of PSUs	Total establishment expenditure	Financed by		
			Disposal of investment/assets	Government by way of loans	Others*
Government companies					
2001-02	10 [#]	98.26	2.21	37.10	58.95
2002-03	10	2,111.51	-	--	2,111.51
2003-04	6	2,035.66	-	1,969.00	66.66

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

Finalisation of accounts by non-working PSUs

1.19 Out of 21 non-working Government companies, five companies (Sl. No. C-6,7,14,17 and 18 of **Annexure-2**) finalised their accounts for the year 2003-04. The accounts of 13 non-working companies were in arrears for periods ranging from one to 18 years as on 30 September 2004. Three* companies were under liquidation as seen from **Annexure-2**.

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 21 non-working Government companies against their paid-up capital of Rs.101.80 crore was Rs.(-) 293.14 crore. These companies suffered cash loss of Rs.339.73 crore and their accumulated loss worked out to Rs.394.93 crore.

[§] Information in respect of 6 companies are not received (Sr. No.C-3,7,13,19,20 and 21)

* Sl.No.C-1 of **Annexure-3**.

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

* Financed by holding company.

* Sl. No.3, 10 and 21 of **Annexure-2**.

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

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

1.21 Separate Audit Report (SAR) on the accounts of Maharashtra State Financial Corporation for the year 2001-02 was issued on 13 September 2003 and awaiting placement before State Legislature by the Government (September 2004). SARs on the accounts of Maharashtra State Warehousing Corporation and Maharashtra State Electricity Board for the year 2002-03 were placed before State Legislature by the Government in December 2003 and June 2004 respectively. SARs in respect of remaining two Statutory corporations up to 2001-02 have already been placed before State Legislature.

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

1.22 During the year, Maharashtra State Textile Corporation Limited disinvested two subsidiary companies namely Devgiri Textile Mills Limited and Kalameshwar Textile Mills Limited.

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

1.23 During the period from October 2003 to September 2004, the audit of 63 accounts of 50 Government companies (42 working and eight non-working) and five working Statutory corporations was taken up for review. As a result of the observations made by CAG, one working company (A-45) and three Statutory corporations (B-1, 2 and 5 of *Annexure-2*) revised their accounts for 2002-03. The net impact of the important audit observations as a result of review of the remaining PSUs was as follows:

Sl. No.	Details	Number of accounts			<i>(Amount: Rupees in lakh)</i>		
		Government companies		Statutory working corporations	Government companies		Statutory working corporations
		Working	Non-working		Working	Non-working	
1	Decrease in profit	4	-	1	404.11	-	20.78
2	Increase in profit	2	1	1	3.54	168.24	10.79
3	Increase in loss	4	2	2	81.74	181.49	39,197.00
4	Decrease in loss	3	-	2	19.03	-	24,049.30
5	Non-disclosure of material facts	6	1	2	695.15	4.65	2,008.20
6	Errors of classification	10	-	4	1,759.47	-	27,883.14

Some of the major errors and omissions noticed during October 2003 to September 2004 in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

Errors and omissions noticed in case of Government companies

Maharashtra Petrochemicals Corporation Limited (2002-03)

1.24 As against the diminution of Rs.2.55 crore in the value of investment, the Company provided for Rs.2.01 crore resulting in under provision for diminution in the value of investment by Rs.53.60 lakh and overstatement of profit for the year by Rs.53.60 lakh.

Maharashtra State Police Housing and Welfare Corporation Limited (2002-03)

1.25 The cost of welfare complex at Worli has been misclassified under user department assets, resulting in understatement of gross fixed assets by Rs.1.81 crore, accumulated depreciation by Rs.16.63 lakh and overstatement of completed work by Rs.1.64 crore.

Forest Development Corporation of Maharashtra Limited (2002-03)

1.26 The accounts receivable and profit had been overstated by Rs.3.15 crore due to inclusion of Rs.5.63 crore towards compensation for loss of forest crop of the Company on the land acquired by Sardar Sarovar Project, as against the compensation of Rs.2.48 crore worked out by the State Forest Research Institute of Madhya Pradesh.

Errors and omissions noticed in case of Statutory corporations

Maharashtra State Electricity Board (Board) (2002-03)

1.27 The Board commissioned 60,491 works amounting to Rs.1,004.71 crore during 2002-03. However, work completion reports (WCRs) in respect of 4,060 works valuing Rs.42.17 crore were not prepared. In addition, WCRs were not completed in respect of 9,956 works amounting to Rs.74.80 crore, which were commissioned prior to 2002-03 but remained to be capitalised. This resulted in understatement of fixed assets and overstatement of capital expenditure in progress by Rs.116.97 crore and consequential non provision of depreciation (amount unascertained).

1.28 The actuarial value of gratuity liability as on 31 March 2003 was Rs.910.15 crore. The Board, however, made provision of Rs.1,145.86 crore. The excess provision of Rs.235.71 crore for gratuity was to be written back. Non adjustment has resulted in overstatement of provision and deficit to that extent.

Maharashtra State Road Transport Corporation (MSRTC) (2002-03)

1.29 Sale of scrapped vehicles does not include Rs.2.94 crore being scrapped vehicles sold in auction before March 2003 but not lifted, resulting in overstatement of loss and asset account by Rs.2.94 crore.

1.30 Due to non maintenance of year wise account of Kutcha building, MSRTC charged excess depreciation of Rs.4.08 crore till 2000-01 even though these assets were fully depreciated before March 2002. The excess depreciation of Rs.4.08 crore provided on these old assets up to March 2002 has not been written back resulting in overstatement of depreciation fund and prior period expenditure by Rs.4.08 crore.

Audit assessment of the working results of State Electricity Board

1.31 Based on the audit assessment of the working results of the Board for three years up to 2002-03 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the Board and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit of the Board would be follows:

(Rupees in crore)

Sl. No.	Particulars	2000-01	2001-02	2002-03
1	Net surplus/(-) deficit as per books of accounts	(-) 2,467.66	(-) 539.46	(-) 254.69
2	Subsidy from the State Government	(-) 373.85	Nil	Nil
3	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-) 2,841.51	(-) 539.46	(-) 254.69
4	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts	(-) 237.45	(-) 234.30	147.40
5	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3 + 4)	(-) 3,078.96	(-) 773.76	(-) 402.09

Recoveries at the instance of audit

1.32 Test check of records of Government companies and Statutory corporations conducted during April 2003 to March 2004 disclosed violation of terms of agreement/short recovery of liquidated damages/wrong fixation of tariff/short levy of tariff aggregating Rs.19.88 crore in 29 cases. The companies/corporations accepted the observations in all 29 cases which had been pointed out by Audit and recovered the full amount at the instance of audit.

Internal audit/internal control

1.33 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 by the Comptroller and Auditor General of India to them 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 Statutory Auditors on possible improvement in the internal

audit/internal control system in respect of State Government companies is indicated below:

Sl. No.	Nature of observations made by Statutory Auditors	Number of companies in which observations were noticed	Reference to serial number of companies as per Annexure-2
1	Internal audit required to be strengthened having due regard to its size and nature of its business	4	A-2,5,7,21
2	Absence of internal audit system	1	A-35
3	Inadequate internal audit system	1	A-51
4	Internal audit needs to be conducted at frequent intervals	1	A-8

Recommendations for closure of PSUs

1.34 Even after completion of five years of their existence, the annual turnover of 20* Government companies (working: 16, non-working: four) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Similarly, two^o working Government companies had been incurring losses for five consecutive years (as per their latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above 22 Government companies or consider their closure. In addition, four[□] working Government companies engaged in similar activities having poor turnover could be considered for merger.

The State Government took a decision to wind up 14 companies 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. Action was being taken to get the stay order vacated by the State Government.

*Annexure-2 Sl.No.A-4,5,6,9,12,14,19,20,34,35,36,38,39,40,49,50 and C-2,4,5 and 9.

^oAnnexure-2 Sl.No.A-13 and 20.

[□]Annexure-2 Sl.No. A-38,39,40 and 41.

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

1.35 The status of Audit Reports (Commercial) and their reviews and paragraphs pending for discussion by the COPU as on 30 September 2004 was as under:

Period of Audit Report	No. of reviews and paragraphs			
	Appeared in the Audit Report		Pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
2000-01	4	21	1	14
2001-02	4	20	4	20
2002-03	4	24	4	24
Total	12	65	9	58

The Audit Report (Commercial) for the year 2002-03 was placed before the State Legislature on 8 June 2004.

619-B companies

1.36 There were three working companies coming under Section 619-B of the Companies Act, 1956. *Annexure-7* 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 available accounts.

