

Overview

1. Functioning of Government companies and Statutory corporations

Audit of Government companies is governed by Sections 139 and 143 of the Companies Act, 2013. The accounts of Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective Legislations. The working results of 87 State Public Sector Undertakings (PSUs) comprising of 83 State Government companies and four Statutory corporations are discussed in this report. The turnover of 65 working PSUs was ₹ 85,639.39 crore in 2014-15 as per their latest finalised accounts. This turnover was equal to 5.08 *per cent* of the State Gross Domestic Product indicating the important role played by the State PSUs in the economy. Though, the working PSUs earned an overall profit of ₹ 1,860.82 crore in 2014-15 they had accumulated losses of ₹ 7,648.55 crore as on 31 March 2015.

(Paragraphs 1.1, 1.2, 1.3, 1.15 and 1.16)

As on 31 March 2015, the investment (Capital and long term loans) in 87 PSUs was ₹ 1,01,519.66 crore. It grew by 73.87 *per cent* from ₹ 58,389.55 crore in 2010-11 mainly because of increase in investment in power sector. The Government contributed ₹ 1,382.99 crore towards equity, loans and grants/subsidies during 2014-15.

(Paragraphs 1.6 and 1.8)

Fifty four working PSUs had arrears of 125 accounts as of September 2015. The extent of arrears was one to sixteen years. There are 22 non-working companies of which two are under liquidation.

(Paragraphs 1.10 and 1.12)

During the year 2014-15, out of 65 working PSUs, 39 PSUs earned profit of ₹ 4,014.11 crore and 20 PSUs incurred loss of ₹ 2,153.29 crore. Three PSUs prepared their accounts on no profit no loss basis and three PSUs were under construction and had not prepared profit and loss account. The major contributors to profit were Maharashtra State Electricity Transmission Company Limited (₹ 2,599.88 crore) and Maharashtra State Power Generation Company Limited (₹ 1,008.96 crore). Heavy losses were incurred by Maharashtra State Electricity Distribution Company Limited (₹ 1,166.64 crore), Maharashtra State Road Development Corporation Limited (₹ 572.65 crore) and MSEB Holding Company Limited (₹ 155.23 crore).

(Paragraph 1.16)

During the year, the Statutory auditors had given unqualified certificates for 27 accounts, qualified certificates for 30 accounts and adverse certificates (which mean that accounts do not reflect a true and fair view) for three accounts.

(Paragraph 1.20)

2. Performance Audit of Government Companies

Performance Audit of **Restructured Accelerated Power Development and Reform Programme as implemented by the Maharashtra State Electricity Distribution Company Limited and Renewable Energy Sector in Maharashtra** was conducted. Highlights of the Audit findings are given below:

2.1 Restructured Accelerated Power Development and Reform Programme (RAPDRP) as implemented by the Maharashtra State Electricity Distribution Company Limited (MSEDCL)

Introduction

The Government of India introduced (2008) R-APDRP with the aim of restoring the commercial viability of the distribution sector by substantially reducing the Aggregate Technical and Commercial (AT&C) losses, adoption of Information Technology (IT) in energy accounting/auditing and consumer services; augmentation and strengthening of the distribution network and establishment of Supervisory Control & Data Acquisition System (SCADA)/ Distribution Management System in large towns. The programme has been taken up in two parts, Part A and Part B, apart from SCADA.

(Paragraphs 2.1.1, 2.1.2 and 2.1.3)

Part A Projects

Part A projects include the projects for establishment of Base Line Data, IT applications for Energy Accounting/Auditing and IT Based Consumer Service centres. Under Part A, the project was declared as “Go-Live” (October 2014) in all 128 towns.

It was observed that due to high percentage of non-working modems installed on feeders and Distribution Transformer Centres (DTCs), the Company could not generate complete Reports regarding energy input on the Feeders and DTCs in the Data Centre.

(Paragraph 2.1.15 and 2.1.17)

Part B Projects

Part B includes regular strengthening and augmentation projects of the distribution network in order to reduce and sustain AT&C losses below 15 per cent.

The progress of work in 40 out of 120 towns (33.30 per cent) was below 75 per cent indicating poor implementation of the Scheme in these towns. Delay in land acquisition for substations, re-tendering of works and non-co-ordination with related agencies caused delay in overall implementation of the Part B works. The issues relating to land acquisition for Part B works were not monitored adequately by the Company. The Company did not levy Liquidated Damages of ₹ 3.83 crore from contractors.

(Paragraphs 2.1.19 and 2.1.26)

Supervisory Control & Data Acquisition System (SCADA)

There were co-ordination issues with external agencies which resulted in delay in implementation of SCADA works.

(Paragraph 2.1.33)

Aggregate Technical & Commercial (AT&C) losses

The AT&C losses of the Company had come down from 24.60 *per cent* in 2008-09 to 18.71 *per cent* during 2014-15.

AT&C losses in only 47 out of 128 towns were below 15 *per cent*. However, in 24 towns losses had increased over the base line figures. It was seen that implementation was poor in the Marathwada region of the State covering 27 towns, where the AT&C losses were very high (more than 45 *per cent*) in 17 towns.

(Paragraph 2.1.36)

2.2 Renewable Energy (RE) Sector in Maharashtra

Promotion of Renewable Energy (RE) is one of the major objectives of National Action Plan on Climate Change (NAPCC) and Electricity Act, 2003. Under the GoM's policy of 2008, target for power generation from non-conventional energy sources was fixed for commissioning of 2,000 MW capacity of wind power projects, 400 MW of Biomass and 100 MW of Small Hydro Power (SHP) Projects as against which the achievements were 4,442 MW of wind power, 1,615 MW of Biomass, 329 MW of solar and 284 MW from SHP Projects.

(Paragraph 2.2.1)

During the year 2007-08, the total energy generated in the State was 99,600.68 Million Units (MUs) which increased to 1,42,724.18 MUs during 2014-15. During 2007-08, the contribution of RE to the total energy generated in the State was 2,555.04 MUs (2.57 *per cent*) and the same has increased to 11,836 MUs (8.62 *per cent*) during 2014-15.

(Paragraph 2.2.1)

The GoM had not declared any policy for development of solar energy till June 2015. In the absence of a policy, nominal target of 275 MW was fixed based on the achievement of solar power projects commissioned in the previous years. As against the target of 275 MW fixed by Maharashtra Energy Development Agency (MEDA), the achievement was 329.25 MW upto March 2015. Due to non-framing of policy by GoM, the solar sector had long been ignored and the capacity addition in this sector was insignificant despite a potential of 64,320 MW assessed by Ministry of New and Renewable Energy (MNRE), Government of India.

(Paragraph 2.2.8)

50 wind energy projects were commissioned between April 2014 and March 2015. Though, these wind energy generators had generated 68.42 MUs (April to May 2015) and energy generated was fed into the MSEDCL grid, the MSEDCL did not execute Energy Purchase Agreements with these 50 generators (January 2016) mainly due to high tariff.

(Paragraph 2.2.11.3)

MSEDCL paid higher tariff rate in respect of 100.41 crore units of wind energy purchased during April 2010 to March 2015 though the required certificates were neither produced by the generators nor demanded by MSEDCL. This has resulted in excess payment of ₹ 85.06 crore.

(Paragraph 2.2.15.3)

Due to shortfall of 2,004 MUs in purchase of solar and non-solar energy from RE operators which worked out to 7.14 *per cent* of the target, the MSEDCL may be required to deposit ₹ 260.33 crore in the Renewable Purchase Obligation Regulatory Fund, as per directives of Maharashtra Electricity Regulatory Commission.

(Paragraph 2.2.15.5)

Out of ₹ 2,315 crore of the proceeds collected by GoM by way of tax on sale of electricity required to be transferred to MEDA between 2007-08 and 2014-15, only ₹ 112.79 crore was transferred to them and the balance ₹ 2,202.21 crore was neither transferred to MEDA nor utilised for promotion of the RE Sector. This resulted in diversion of the fund in violation of the statutory provisions.

(Paragraph 2.2.15.7)

3. Performance Audit of Statutory Corporations

Performance Audit of Procurement of Buses and Working of Workshops of Maharashtra State Road Transport Corporation and Working of Maharashtra State Warehousing Corporation was conducted. Highlights of the Audit findings are given below:

3.1 Procurement of Buses and Working of Workshops of Maharashtra State Road Transport Corporation

Introduction

The Maharashtra State Road Transport Corporation (Corporation) incorporated on 1 July 1961 by Government of Maharashtra (GoM) under Section 3 of the State Road Transport Corporations Act, 1950 (Act), is mandated to provide an efficient, adequate, economical and properly coordinated public road transport in the State. The Corporation has a monopoly in stage carriage in mofussil (rural) areas while it also operates city services in seven urban/semi urban locations of the State. During the period 2010-11 to 2014-15, the Corporation carried 69.93 lakh passengers per day; the total number of passengers carried decreased from 253.68 crore in 2010-11 to 245.60 crore in 2014-15. The Corporation had three Central Workshops entrusted with bus body building on new chassis while Repairs and Maintenance (R&M) of buses was carried out at 32 Divisional Workshops and 250 Depot Workshops. During the period from 2010-11 to 2014-15, the Corporation incurred total expenditure of ₹ 1,899.75 crore on purchase of 651 ready built buses, in-house bus body building of 8,207 buses and 1,852 buses built from private agencies. As on 31 March 2015, the Corporation owned an operational fleet of 18,008 buses consisting of 15,891 Ordinary buses, 953 Semi Luxury buses, 536 City buses, 592 Midi Buses, 36 Air

Conditioned (AC) buses. Further, 73 AC buses were taken on hire for select routes.

(Paragraph 3.1.1)

Planning

The GoM had not formulated a Passenger Transport Policy to develop an integrated and holistic perspective delineating the specific role of the Corporation in a fast changing transport scenario. The Corporation could not achieve planned operations during the period 2010-11 to 2014-15 and had cancelled total 17.24 crore planned kilometres mainly due to shortage of crew besides other avoidable reasons like shortage of buses, defective buses, delay of buses from line/depot *etc.* Annual Production/Procurement plan was not worked individually for each type of bus service category *i.e.* Ordinary, Semi-Luxury, AC, Midi, City *etc.* Further, defective Annual Plans were formulated without considering operational restrictions on buses procured under Manav Vikas Scheme (MVS).

(Paragraphs 3.1.7, 3.1.9, 3.1.10 and 3.1.11)

Procurement of chassis/buses

During the period 2013-14, there was avoidable delay in finalisation of tenders for procurement of chassis which adversely impacted the Annual Production / Scrapping Plans of Ordinary Buses leading to increased cancellation of planned operations and plying of overaged buses. There was no system to monitor the economy and efficiency of overaged buses. Further, the Corporation did not ensure procurement of adequate/required buses for operating profitable AC and Semi Luxury services which had adversely impacted the operational performance leading to reduction in schedules/operated kilometres and profitability. Quality assurance of 1,955 buses built from private agencies was not ensured since the contracts did not provide for random check of materials utilised.

(Paragraphs 3.1.12, 3.1.13, 3.1.14, 3.1.15, 3.1.16 and 3.1.19)

Working of Workshops

Production plan for bus body building at three Central Workshops was formulated on the basis of available manpower without considering cost of production. Despite being the most cost efficient workshop, production of Ordinary buses was lowest at Nagpur in comparison to other two Central Workshops and in particular Aurangabad, which was the costliest. The Central Workshops were functioning with very old machineries in the absence of long term plan for augmentation/modernisation as well as gross under utilisation of budgetary allocations. The Corporation had fixed Standard Man Hours (SMH) for production related activities at Central Workshops in an arbitrary manner without any scientific study and hence reasonability of existing SMH as well as production incentives paid could not be ensured. There were various instances of chassis lying idle at workshops and delays in production/dispatch of buses due to lack of effective monitoring system. Incorrect system for payment of production incentives on incomplete buses and prematurely failed engines were noticed at Central Workshops. Reconditioning of buses was carried out by Central Workshops in lieu of production of new buses due to non availability of chassis, without adhering to prescribed maintenance

manual leading to unwarranted excess expenditure of ₹ 42.80 crore, when the Corporation was already reeling under financial constraints.

(Paragraphs 3.1.20, 3.1.23, 3.1.25, 3.1.27, 3.1.30, 3.1.31, 3.1.33 and 3.1.37)

Other topics of interest

The Corporation could not receive grants/reimbursement of expenditure to the extent of ₹ 66.43 crore under Central/State Schemes due to improper submission of proposals, non-compliance with mandatory conditions and failure to follow up with the State Government. Further, the Corporation did not submit proposal for availing benefit of grants for procurement of city buses under a Central scheme.

(Paragraphs 3.1.40 and 3.1.42)

Monitoring and Internal Control

The Corporation had not maintained Service category wise details of cancellations of planned operations, cost per kilometre and profitability in respect of each type of operation.

(Paragraph 3.1.44)

Recommendations

Audit has made six recommendations which included formulation of Integrated Passenger Transport Policy for the State, preparation of Annual Plans considering requirements of each bus service category and operational restrictions on MVS buses, streamlining of tendering process to avoid delays in awarding contracts, formulation of long term plans for augmentation/modernisation of workshops and production plan at Central Workshops considering their cost effectiveness, scientific fixation of standard man-hours/time limits for production activities along with implementation of production stage wise monitoring system and ensuring proper/timely actions for availing benefits of grants under Central/State Government schemes.

3.2 Working of Maharashtra State Warehousing Corporation

Introduction

Maharashtra State Warehousing Corporation (Corporation) was established in September 1960 under the Agricultural Produce (Development and Warehousing) Corporations Act, 1956 which was subsequently replaced by the Warehousing Corporation Act, 1962. The objective of the Corporation was to acquire, build and operate Warehouses in the State for storage of agricultural produce/agriculture related items, operation of Bonded Warehouses and Container Freight Station for exporters/importers.

(Paragraph 3.2.1)

Capacity augmentation

During the five year period 2010-11 to 2014-15, against the planned capacity addition of 11,41,670 MT, the Corporation constructed 3,79,940 MT of additional godown capacity, an increase of 33.28 *per cent* only. The shortfall in achievement was due to paucity of funds and absence of timely assistance from the State Government in form of financial guarantees. Despite having sufficient vacant land, the Corporation purchased private land at 15 locations

which remained partially unutilised. The Corporation purchased land at a cost of ₹ 1.07 crore which was in excess of requirements. The Corporation made excess payment of ₹ 21.20 lakh for purchase of private land at Ratnagiri. Further, the Corporation purchased encroached land at Chandrapur which resulted in reduction of constructed godown capacity. The Corporation suffered loss of revenue of ₹ 13.49 crore due to loss of guarantee period on account of delayed construction of godowns for the FCI at 15 locations. The Corporation also suffered a loss of revenue of ₹ 2.07 crore due to construction of godowns not conforming to the specifications of FCI. An important cold storage facility at Gultekdi, Pune could not commence since August 2013 as the Corporation did not execute a lease agreement despite having the required land in its possession since December 1994.

(Paragraphs 3.2.9, 3.2.11, 3.2.13 to 3.2.15, 3.2.17, 3.2.18 and 3.2.20)

Operation of godowns and utilisation

During the five year period 2010-11 to 2014-15, the Corporation could utilise its warehouse (including hired and PPP) capacity in the range of 72 to 79 per cent. The utilisation of its own godowns decreased from 78 to 75 per cent from 2011-12 to 2014-15. The utilisation of godowns by farmers ranged between 5.84 to 6.13 per cent only of the total warehousing capacity. The Corporation did not review the categorisation of its warehouses periodically and revise the warehousing rates. The Corporation extended unintended benefit of ₹ 1.84 crore to private parties by way of reduction in scheduled rates of storage charges, beyond the permissible limits. Non-incorporation of clause for collection of supervision charges in tenders for Handling and Transportation operations resulted in loss of revenue of ₹ 4.01 crore. Further, due to non-enforcing its discretionary powers for extending the contract of terminal operator for the Container Freight Station at Dronagiri (JNPT Mumbai), the Corporation incurred extra expenditure of ₹ 6.30 crore.

(Paragraphs 3.2.21, 3.2.22, 3.2.30, 3.2.33 and 3.2.35)

Efficiency in Management of warehouses

Due to non-utilisation of dunnages in the FCI godowns, the FCI withheld ₹ 6.05 crore of charges due to the Corporation. Even before commissioning of grain cleaning / grading machines, the Corporation made payment of Annual Maintenance Contract (AMC) charges for three years at a cost of ₹ 52.76 lakh.

(Paragraphs 3.2.39 and 3.2.40)

Recommendations

The State Government may assess the requirement of warehousing facility in the State comprehensively, so as to demarcate the role for Government and private agencies and also for perishable commodities separately. The State Government may also assess creation of cold storage and other modern storage facilities in the changing environment. The Corporation may acquire land only after feasibility study is carried out and proper plans for utilisation of acquired land are in place. The Corporation may ensure efficiency in tendering procedures and for timely construction of godowns and adhere to the norms prescribed by FCI for their schemes. Categorisation of warehouse

centres may be reviewed periodically. Billing of storage charges as per the prescribed tariff/agreement and their timely recovery be ensured. The Corporation may enter into MOU with FCI with enabling provisions for recovery of Handling and Transportation charges and Rail Transit Losses. The Corporation may ensure that physical verification of stocks is carried out periodically by Regional Managers/independent verifiers.

4. Compliance Audit Paragraphs

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

In Management of Distribution losses by the **Maharashtra State Electricity Distribution Company Limited**, the Company's monitoring of the losses was inadequate in absence of targets at feeder and Distribution Transformer Centres for Energy Audit. High Incidence of unmetered connections/faulty meters of agriculture consumers resulted in under billing and consequential increase in the distribution losses.

(Paragraph 4.1)

Mumbai Metro Rail Corporation Limited appointed an Independent Engineer without resolving environmental issues related to the Metro line-II Corridor Project which resulted in infructuous expenditure of ₹ 4.71 crore.

(Paragraph 4.5)

Absence of adequate internal controls in handling investments of the **Mahatma Phule Backward Class Development Corporation Limited, Maharashtra Tourism Development Corporation Limited and Sant Rohidas Leather Industries and Charmakar Development Corporation Limited** resulted in loss to the Companies' funds of ₹ 194.82 crore in fixed deposits in Banks due to fraudulent transactions.

(Paragraph 4.6)

The recovery of fuel cess on petrol and diesel continued even after recovery of the cost of project by the **Maharashtra State Road Development Corporation Limited** resulting in excess financial burden on the toll paying public.

(Paragraph 4.7)

The proposal to implement Water Transport System in Mumbai could not be implemented even after 16 years due to indecision of the Government besides infructuous expenditure of ₹ 20.95 crore on appointment of consultants was incurred since the project was withdrawn from the **Maharashtra State Road Development Corporation Limited**.

(Paragraph 4.8)

Delay in communicating the Board decision for revision in land rates in **Maharashtra Industrial Development Corporation** resulted in loss of revenue of ₹ 21.98 crore.

(Paragraph 4.11)