

Chapter-I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Madhya Pradesh, the State PSUs occupy an important place in the state economy. The State working PSUs registered a turnover of Rs. 20,735.68 crore for 2008-09 as per their latest finalised accounts as of September 2009. This turnover was equal to 12.76 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Madhya Pradesh PSUs are concentrated in power sector. The State PSUs incurred a loss of Rs. 3,132.59 crore in the aggregate for 2008-09 as per their latest finalised accounts. They had employed 0.36 lakh¹ employees as of 31 March 2009. The State does not have any prominent Departmental Undertaking (DU), which carryout commercial operations.

1.2 As on 31 March 2009, there were 50 PSUs as per the details given below. Of these, none of the companies were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs ²	Total
Government ³ Companies	36	10	46
Statutory Corporations	4	Nil	4
Total	40	10	50

1.3 During the year 2008-09, two PSUs were established viz. M. P. Audyogik Kendra Vikas Nigam (Ujjain) Limited (MPAKVN(U)L) and Ujjain City Transport Services Limited.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which not less than 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is

¹ As per the details provided by 39 PSUs. Remaining 11 PSUs did not furnish the details.

² Non working PSUs are those which have ceased to carry on their operations.

³ Includes 619-B companies

treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act, 1956.

1.5 The accounts of the State 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 the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of four Statutory corporations, CAG is the sole auditor for Madhya Pradesh State Electricity Board (MPSEB) and Madhya Pradesh Road Transport Corporation (MPRTC). In respect of M.P. Warehousing and Logistics Corporation (MPWLC) and Madhya Pradesh Financial Corporation (MPFC), the audit is conducted by Chartered Accountants and Supplementary audit by CAG.

Investment in State PSUs

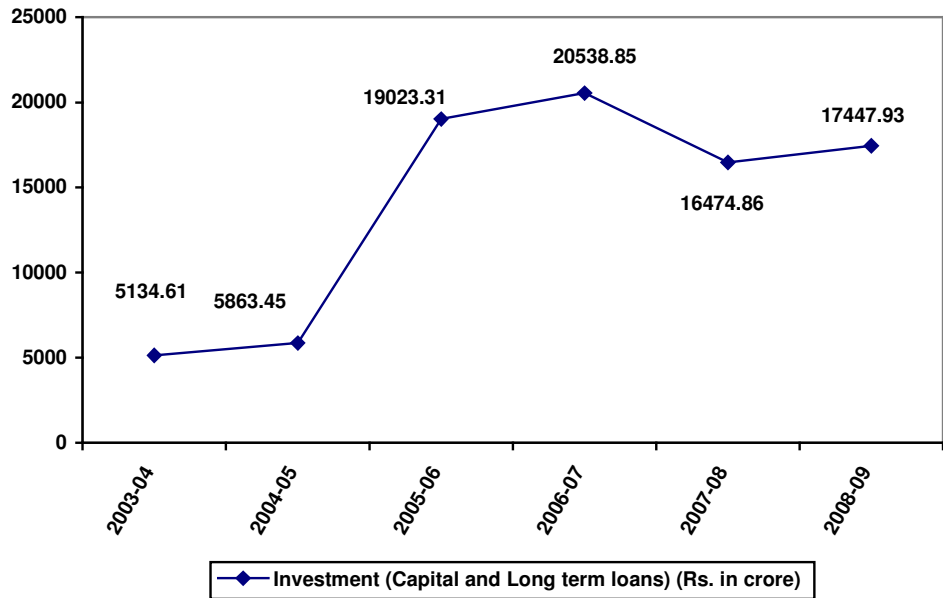
1.7 As on 31 March 2009, the investment (capital and long-term loans) in 50 PSUs (including 619-B companies) was Rs. 17,447.93 crore as per details given below:

(Amount: Rupees in crore)

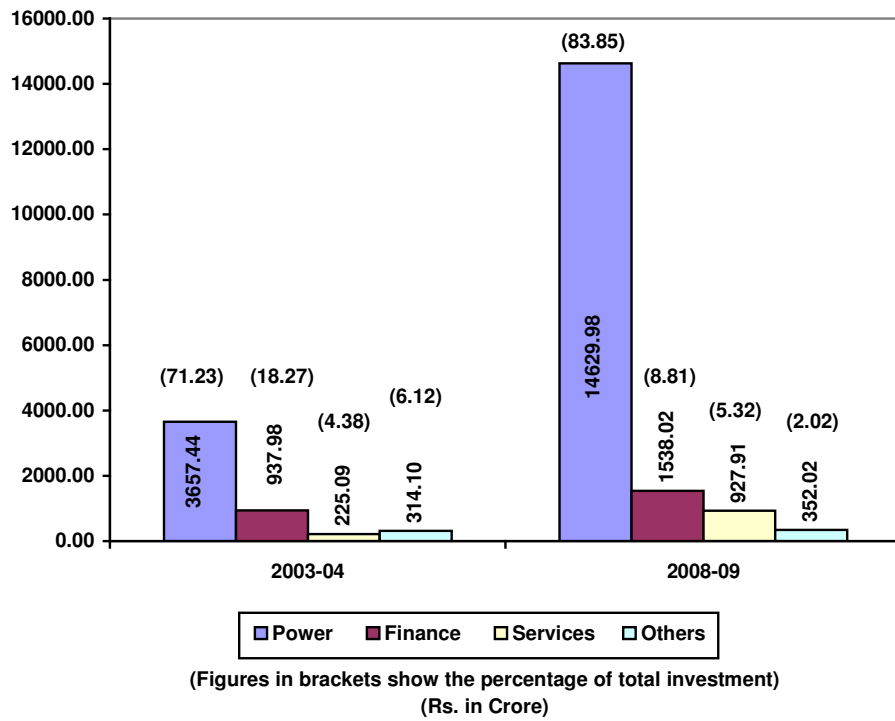
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	6,488.82	7,951.88	14,440.70	1,589.01	1,180.29	2,769.30	17,210.00
Non-working PSUs	61.10	176.83	237.93	--	--	--	237.93
Total	6,549.92	8,128.71	14,678.63	1,589.01	1,180.29	2,769.30	17,447.93

A Summarised position of Government investment in State PSUs is detailed in *Annexure 1*.

1.8 As on 31 March 2009, of the total investment in State PSUs, 98.64 per cent was in working PSUs and the remaining 1.36 per cent in non-working PSUs. This total investment consisted of 46.65 per cent towards capital and 53.35 per cent in long-term loans. The investment has grown by 239.81 per cent from Rs. 5,134.61 crore in 2003-04 to Rs. 17,447.93 core in 2008-09 as shown in the graph below:



1.9 The investment in various important sectors and percentage there of at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart :



The thrust of PSU investment was mainly in power sector during the five years which ranged between 71.23 per cent and 83.85 per cent during the five years ending 31 March 2009. The Government percentage investment has increased in power and service sector, however, the same has decreased in finance and others sector during the last five years ended 31 March 2009. The focus of the State Government was mainly in Power and Service sector.

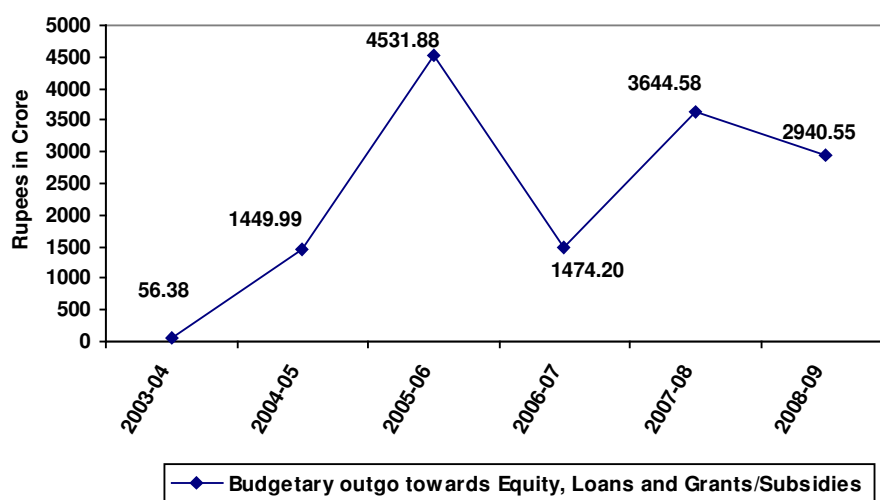
Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo from the State Government towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure 3**. The summarised details are given below for three years ended 2008-09.

(Amount: Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	7	983.61	7	1,541.19	10	679.73
2.	Loans given from budget	5	196.79	6	638.71	4	215.63
3.	Grants/Subsidy received	12	293.80	14	1,464.68	17	2,045.19
4.	Total Outgo (1+2+3)		1,474.20		3,644.58		2,940.55
5.	Loans converted into equity	--	--	--	--	1	2.00
6.	Loans written off	--	--	--	--	--	--
7.	Interest/Penal interest written off	--	--	--	--	--	--
8.	Total Waiver (6+7)	--	--	--	--	--	--
9.	Guarantees issued	7	483.83	8	153.43	5	310.85
10.	Guarantee Commitment	9	3,044.29	10	618.04	11	2,751.27

1.11 The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in a graph below:



The budgetary outgo towards equity, loans and grants/subsidies has increased sharply from Rs. 56.38 crore in 2003-04 to Rs. 2,940.55 crore in 2008-09 mainly due to release of grant/subsidy of Rs. 54.22 crore to Service sector and Rs. 1,130.70 crore to Power sector during 2008-09. The loan of Madhya Pradesh Adivasi Vitta Evam Vikas Nigam (MPAVVN) amounting to Rupees two crore was converted into equity by the State Government during 2008-09.

1.12 The PSUs are liable to pay guarantee commission (GC) at the rates ranging from 0.5 per cent to 1 per cent per annum to the State Government on the maximum of guarantee sanctioned irrespective of the amount availed or outstanding. The guarantee commitment by the Government at the end of 2008-09 was Rs. 2,751.27 crore against 11 PSUs. The guarantee commission of Rs. 5.55 crore was payable by 10 PSUs as on 31 March 2009 whereas the guarantee commission of Rs. 1.10 crore was paid by three PSUs.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below:

(Amount: Rupees in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	6,734.02	7,809.93	1,075.91
Loans	4,525.53	3,121.23	1,404.30
Guarantees	439.33	2,751.27	2,311.94

1.14 Audit observed that the difference occurred in respect of 35 PSUs and some of the differences were pending reconciliation since 2005. In order to reconcile the discrepancy in figures of investment on equity and loans made by State Government in Government companies/corporations, the letters were written to head of all concerned PSUs during February 2009 to April 2009 for reconciliation of figures. Matter was also taken up (March 2009) with Finance Secretary of Madhya Pradesh for reconciliation of differences. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

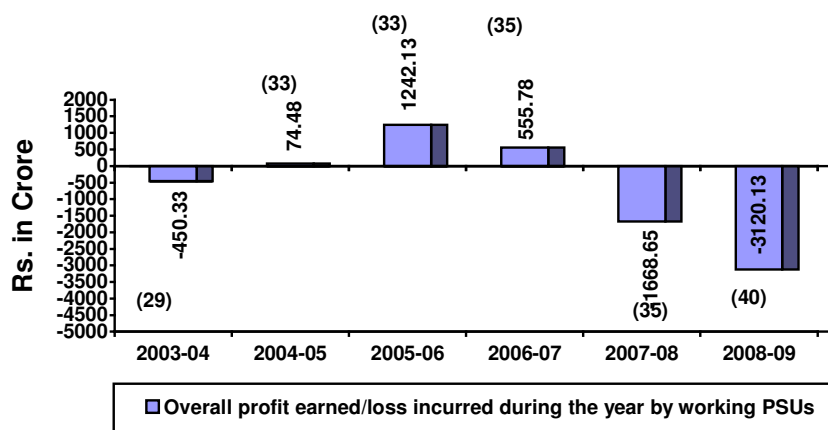
1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexure 2, 5 and 6** respectively. A ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. Table below provided the details of working PSUs turnover and State GDP for the period 2003-04 to 2008-09.

(Amount: Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover ⁴	5,599.96	6,327.41	7,375.32	14,257.18	12,800.73	20,735.68
State GDP	1,02,838.64	1,06,807.95	1,16,932.38	1,30,571.44	1,42,499.93	1,62,525.22
Percentage of Turnover to State GDP	5.45	5.92	6.31	10.92	8.98	12.76

The percentage of turnover to State GDP has consistently increased from 5.45 per cent in 2003-04 to 12.76 per cent in 2008-09. This was mainly due to steep rise in turnover by 270 per cent (Rs. 5,599.96 crore in 2003-04 to Rs. 20,735.68 crore in 2008-09) in comparison to modest rise of State GDP by 58.04 per cent (Rs. 1,02,838.64 crore to Rs. 1,62,525.22 crore) during the same period.

1.16 Profit (losses) earned/incurred by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.



(Figures in bracket show the number of working PSUs in respective years)

From the above it can be seen that working PSUs earned overall profit during 2004-07. Thereafter there was continuous overall losses of Rs. 1,668.65 crore in 2007-08 and Rs. 3,120.13 crore in 2008-09. During the year 2008-09, out of 40 working PSUs, 26 PSUs earned profit of Rs. 113.70 crore and 10 PSUs incurred loss of Rs. 3,233.83 crore, for remaining four companies their first accounts has not been received. The major contributors to profit were Madhya Pradesh State Industrial Development Corporation Limited (Rs. 36.35 crore), Madhya Pradesh State Mining Corporation Limited (Rs. 12.14 crore), Madhya Pradesh Laghu Udyog Nigam Limited (Rs. 14.50 crore), Madhya Pradesh State Civil Supplies Corporation Limited (Rs. 10.46 crore) and Madhya Pradesh Rajya Van Vikas Nigam Limited (Rs. 7.92 crore). The major contributory to losses were Madhya Pradesh Poorva Kshetra Vidyut Vitaran Company Limited (Rs. 1,706.92 crore), Madhya Pradesh Paschim Kshetra

⁴ Turnover as per the latest finalised accounts as of 30 September.

Vidyut Vitaran Company Limited (Rs. 674.44 crore), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (Rs. 494.22 crore) and Madhya Pradesh Power Generating Company Limited (Rs. 335.66 crore).

1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs. 365.76 crore and infructuous investment of Rs. 22.41 crore which were controllable with better management. Year wise details for Controllable losses and Infructuous Investment from Audit Reports are stated below:

(Amount: Rupees in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net Profit /loss (-)	542.87	(-) 1,677.80	(-) 3,132.59	(-) 4,267.52
Controllable losses as per CAG's Audit Report	292.06	52.95	20.75	365.76
Infructuous Investment	16.53	1.71	4.17	22.41

1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below.

(Amount: Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on capital employed (per cent)	0.47	18.20	12.81	5.51	--	--
Debt	4,452.15	5,154.16	14,337.67	14,989.72	9,170.36	9,309.00
Turnover	5,599.96	6,327.41	7,375.32	14,257.18	12,800.73	20,735.68
Debt/Turnover Ratio	0.80:1	0.81:1	1.94:1	1.05:1	0.72:1	0.45:1
Interest Payments	544.38	472.77	391.20	734.80	1,228.69	545.89
Accumulated Profit /loss)	(3,873.53)	(4,062.48)	(2,618.22)	(3,400.63)	(6,274.55)	(6,755.18)

(Above figures pertain to all PSUs except for turnover which is for working PSUs)

1.20 The above parameters clearly exhibit an uneven trend in financial position of PSUs. Return on capital employed has increased from a mere 0.47 per cent in 2003-04 to 18.20 per cent in 2004-05, thereafter it continuously decreased and became negative. Debt Turnover ratio has deteriorated from 0.80:1 in 2003-04 to 1.94:1 in 2005-06 as debt increased from Rs. 4,452.15 crore (2003-04) to Rs. 14,337.67 crore (2005-06), thereafter it shows declining trend from 1.05:1 (2006-07) to 0.45:1 (2008-09) due to decrease in debt from Rs. 14,989.72 crore (2006-07) to Rs. 9,309.00 crore (2008-09) during the same period.

1.21 The State Government had formulated (July 1998) a dividend policy for payment of minimum dividend of 12 *per cent* on equity subsequently revised (July 2005) to 20 *per cent* on profit after tax. The same policy was again communicated to concerned Secretaries and CMDs of all PSUs. As per their latest finalised accounts, 25 PSUs earned an aggregate profit of Rs. 113.70 crore and eight PSUs declared a dividend of Rs. 11.33 crore. Observation revealed that above mentioned policy was not strictly adhered to by the PSUs.

Performance of major PSUs

1.22 The investment in working PSUs and their turnover together aggregated to Rs. 37,945.68 crore during 2008-09. Out of 40 working PSUs, the following eight PSUs accounted for individual investment plus turnover of more than five *per cent* of aggregate investment plus turnover. These eight PSUs together accounted for 90.83 *per cent* of aggregate investment plus turnover.

(Amount: Rupees in crore)

Name of PSUs	Investment	Turnover	Total	Percentage to aggregate Investment plus Turnover
Madhya Pradesh Power Transmission Company Limited	3,078.94	818.85	3,897.79	10.27
Madhya Pradesh Poorva Kshetra Vidyut Vitaran Company Limited	1,459.14	2,424.94	3,884.08	10.24
Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited	1,445.89	2,548.60	3,994.49	10.53
Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited	1,439.77	2,174.75	3,614.52	9.53
Madhya Pradesh Power Generating Company Limited	6,087.50	2,563.30	8,650.80	22.80
Madhya Pradesh Power Trading Company Limited	20.00	5,662.05	5,682.05	14.97
Madhya Pradesh State Civil Supplies Corporation Limited	8.47	2,755.56	2,764.03	7.28
Madhya Pradesh State Electricity Board	1,098.00	882.12	1,980.12	5.22
Total	14,637.71	19,830.17	34,467.88	90.83

Some of the major audit findings of past five years for the above PSUs are stated in the succeeding paragraphs.

Madhya Pradesh Power Transmission Company Limited

1.23 The Company had no arrears of accounts as on September 2009. The Company earned profit of Rs. 42.33 crore in 2006-07 which turned into loss of Rs. 4.67 crore in 2008-09. Similarly, the return on capital employed also turned negative during above period.

Deficiencies in planning

- Improper planning in procurement of 160 MVA power transformer resulted in idling of asset valuing Rs. 2.76 crore and consequential interest loss of Rs. 68.08 lakh. **(Paragraph 4.12) Audit Report 2006-07**

Madhya Pradesh Poorva Kshetra Vidyut Vitaran Company Limited

1.24 The Company had no arrears of accounts as on September 2009. The Company incurred loss of Rs. 304.42 crore in 2006-07 which increased to Rs. 1,706.92 crore in 2008-09. Similarly, the return on capital employed remained negative during above period.

Deficiencies in implementation

- Extension of delivery period with price variation clause on the request of the supplier resulted in undue benefit of Rs. 29.91 lakh during 2007-08. **(Paragraph 4.8) Audit Report 2007-08**

Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited

1.25 The Company had arrears of accounts for one year (2008-09) as of September 2009. The Company incurred loss of Rs. 200.04 crore in 2005-06 which increased to Rs. 674.44 crore in 2007-08. Similarly, the return on capital employed remained negative during above period.

Deficiencies in planning

- The Company suffered revenue loss of Rs. 268.68 crore during July 2005 to August 2006 mainly on account of unrealistic assessment of consumption of agricultural consumers. **(Paragraphs 2.2.9 and 2.2.10) Audit Report 2006-07**

Deficiencies in monitoring

- Non recovery of mobilisation advance in time resulted in undue benefit to the contractor and loss of interest of Rs. 44.10 lakh to the Company. **(Paragraph 4.13) Audit Report 2006-07**

Non-achievement of objectives

- Improper accountal of demand of Anti Power Theft Squads resulted in poor follow up and non-realisation of arrears of Rs. 33.97 crore in respect of theft cases. **(Paragraph 2.2.20) Audit Report 2006-07**

Deficiencies in financial management

- There was short billing of Rs. 4.58 crore in Ujjain region as demand raised during July 2005 to March 2006 was less than the subsidised rate and wrong categorisation of a consumer resulted in loss of revenue of Rs. 2.34 crore. **(Paragraphs 2.2.11 and 2.2.12) Audit Report 2006-07**
- Delay in issue of bills to franchisees and failure to collect outstanding amount from the franchisees resulted in blockage of funds of Rs. 3.53 crore and loss of surcharge of Rs. 62 lakh during November 2006 to November 2007. **(Paragraph 4.5) Audit Report 2007-08**

Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited

1.26 The Company had arrears of accounts for one year (2008-09) as of September 2009. The Company incurred loss of Rs. 304.25 crore in 2005-06 which increased to Rs. 494.22 crore in 2007-08. Similarly, the return on capital employed remained negative during above period.

Deficiencies in monitoring

- Failure to bill the short drawal of power, in violation of the orders of Madhya Pradesh Electricity Regulatory Commission (MPERC), resulted in loss of revenue of Rs. 1.15 crore during 2002-03 to 2006-07. **(Paragraph 4.6) Audit Report 2007-08**

Non-achievement of objectives

- Decision to keep the partly completed projects in abeyance resulted in blocking of funds of Rs. 76.85 lakh with consequential loss of interest of Rs. 25.83 lakh. **(Paragraph 4.14) Audit Report 2006-07**

Madhya Pradesh Power Generating Company Limited

1.27 The Company had no arrears of accounts as on September 2009. The Company incurred loss of Rs. 35.54 crore in 2006-07 which increased to Rs. 335.66 crore in 2008-09, however, the Company earned profit of Rs. 5.17 crore during 2007-08. Similarly, the percentage return on capital employed declined from 3.06 *per cent* (2006-07) to 1.68 *per cent* (2007-08) and turned negative in 2008-09.

Deficiencies in planning

- There was shortfall in generation of 3,801.16 MUs valued at Rs. 1,140.35 crore mainly due to planning deficiency in maintenance activities and delay in taking up Renovation and Modernisation works. **(Paragraph 2.3.7) Audit Report 2006-07**

Deficiencies in implementation

- The auxiliary consumption in power station was in excess of norms prescribed by Central Electricity Agency (CEA) which resulted in excess consumption of 150.34 MUs valued at Rs. 45.10 crore **(Paragraph 2.3.9) Audit Report 2006-07**
- The Amarkantak Thermal Power Station (ATPS) consumed oil in excess of prescribed norm resulting in extra expenditure of Rs. 44.55 crore. Cost of treatment of demineralised water consumed in excess of the target fixed was Rs. 2.23 crore. **(Paragraphs 2.3.15 & 2.3.16) Audit Report 2006-07**
- Excess time taken in overhauling/capital overhauling over and above the norms prescribed by Kukde Committee appointed by Government of India resulted in loss of generation of 160.56 MUs valued at Rs. 48.17 crore. **(Paragraph 2.3.18) Audit Report 2006-07**

Deficiencies in monitoring

- Failure to take timely action to transfer Damua-Sarni road to Public Works Department resulted in infructuous expenditure of Rs. 1.32 crore on its maintenance. **(Paragraph 4.15) Audit Report 2006-07**

Non-achievement of objectives

- Low thermal efficiency resulted in excess consumption of 18.27 lakh MT of coal valuing Rs. 196.92 crore. Excess station heat over designed parameters resulted in excess consumption of 5.54 lakh MT of coal valuing Rs. 59.74 crore. **(Paragraphs 2.3.10 & 2.3.11) Audit Report 2006-07**
- Delay in the Renovation and Modernisation work of ATPS PH-II due to frequent changes in the scope of work deprived the Company of anticipated generation of 350 MUs annually. **(Paragraphs 2.3.25) Audit Report 2006-07**
- The hours lost due to planned and forced outages in excess of norm prescribed by CEA led to loss of generation of 1,305.08 MUs valued at Rs. 391.52 crore. **(Paragraph 2.3.17) Audit Report 2006-07**

Deficiencies in financial management

- Failure of the Company to include the additional quantity as per the revised indent in the original order resulted in extra expenditure of Rs. 47.83 lakh on purchase of admiralty brass condensed tubes. **(Paragraph 4.17) Audit Report 2006-07**

Madhya Pradesh Power Trading Company Limited

1.28 The Company had arrears of accounts for two years as of September 2009. The Company was incorporated in May 2006. The Company incurred profit of Rs. 0.04 crore in 2006-07. Similarly, the percentage return on capital employed was 0.20 *per cent* during 2006-07.

Deficiencies in monitoring

- Undue benefit of Rs. 57.04 lakh was extended to a power supplier during 2005-06 due to non deduction of penalty as per letter of intent. **(Paragraph 4.7) Audit Report 2007-08**

Madhya Pradesh State Civil Supplies Corporation Limited

1.29 The Company had no arrears of accounts as on September 2009. The profit of the Company was Rs. 21.53 crore in 2005-06 which rose to Rs. 57.12 crore in 2006-07 and then declined to Rs. 10.46 crore in 2008-09. Similarly, the percentage return on capital employed was 34.81 *per cent* in 2005-06 which declined to 1.64 *per cent* (2008-09) after rising to 50.10 *per cent* in 2006-07.

Deficiencies in planning

- Incorrect estimation of Income Tax liability resulted in payment of interest of Rs. 2.18 crore during 2001-02 to 2005-06. **(Paragraph 4.2) Audit Report 2007-08**
- Avoidable expenditure Rs. 44.64 lakh was incurred on procurement of gunny bags due to improper assessment of their requirement. **(Paragraph 4.11) Audit Report 2006-07**

Deficiencies in implementation

- Mismatch between actual despatch of stocks and the rake movement plan resulted in avoidable expenditure of Rs. 24.32 lakh towards storage charges on unutilised reserved storage space. **(Paragraph 4.5) Audit Report 2005-06**
- Procurement of non fair average quality wheat resulted in loss of Rs. 1.37 crore. **(Paragraph 4.2) Audit Report 2004-05**

Deficiencies in monitoring

- Non-compliance with the specified despatch schedule of wheat by the district offices resulted in loss of Rs. 30.27 lakh on local transportation and storage, locking up of Rs. 6.64 crore and consequent loss of interest of Rs. 30.19 lakh. **(Paragraph 4.2) Audit Report 2005-06**

Non-achievement of objectives

- Transportation of 7,022 MTs of wheat by longer route resulted in avoidable expenditure of Rs. 10.53 lakh. **(Paragraph 4.6) Audit Report 2005-06**

Deficiencies in financial management.

- Intermediary storage of stock resulted in avoidable expenditure of Rs. 1.01 crore on local transportation and storage and Rs. 1.06 crore towards interest on the cost of wheat locked up. **(Paragraph 4.1) Audit Report 2005-06**
- Payment of the cost of wheat to Food Corporation of India by Demand Drafts instead of by Cheques resulted in avoidable expenditure of Rs. 48.56 lakh on bank commission. **(Paragraph 4.3) Audit Report 2005-06**
- Contrary to its own instructions, the head office of the Company finalised rake movement plan that involved movement over longer distances. This resulted in avoidable expenditure of Rs. 25.20 lakh towards freight on transportation. **(Paragraph 4.4) Audit Report 2005-06**
- Payment for element of work not done by transport contractors resulted in extra expenditure of Rs. 7.49 crore. **(Paragraph 4.1) Audit Report 2004-05**

Madhya Pradesh State Electricity Board (MPSEB)

1.30 The Board had arrears of accounts for two years as of September 2009. The Board incurred profit of Rs. 93.99 crore in 2005-06, which declined to Rs. 0.53 crore in 2006-07. Similarly, the percentage return on capital employed was 1.92 *per cent* during 2005-06 which declined to 0.64 *per cent* in 2006-07.

Deficiencies in planning

- Advance procurement of transmission/sub-transmission materials worth Rs. 67.45 crore and distribution material worth Rs. 27.22 crore resulted in blockage of funds aggregating to Rs. 94.67 crore. **(Paragraphs 3.2.14 and 3.2.17) Audit Report 2005-06**
- Improper planning in procurement of conductors resulted in excess procurement of the material and locking up of funds of Rs. 3.91 crore for two years and consequential loss of interest of Rs. 82.11 lakh. **(Paragraph 3.2.9) Audit Report 2005-06**

- The Board did not have a uniform policy of checking the consumer's service connections and the percentage of checking varied between 4.06 and 46.95 in different regions. **(Paragraph 3.3.6) Audit Report 2005-06**
- Deficient planning and bid evaluation coupled with delays in bid evaluation, commissioning of transformers, construction of sub-stations, resulted in avoidable excess expenditure of Rs. 70.40 crore on the procurement of transformers. Besides, the delays in completion of various schemes resulted in unquantifiable losses in revenue. **(Paragraphs 3.6.4,3.6.5,3.6.7,3.6.8 and 3.6.9) Audit Report 2004-05**

Deficiencies in implementation

- Injudicious decision of the Board to place order for supply and erection of Fire Protection System on the same contractor resulted in blockage of funds to the extent of Rs. 3.36 crore and consequent loss of interest of Rs. 1.28 crore (up to March 2006) to the Board. **(Paragraph 4.12) Audit Report 2005-06**
- Non adherence to the tariff order resulted in under billing of electricity charges and consequent revenue loss of Rs. 1.10 crore. **(Paragraph 4.13) Audit Report 2005-06**
- Due to delay in commissioning of various 220/132 KV lines/sub-stations, the Board could not derive the envisaged benefits in reduction of sub transmission losses. **(Paragraph 3.2.13) Audit Report 2005-06**
- During the five years ended March 2005, as against 10,413 cases of theft of Board's property involving Rs. 25.15 crore, the Board filed FIR in respect of 4,328 cases only representing 41.56 *per cent* of the total theft cases. **(Paragraphs 3.3.14 and 3.3.15) Audit Report 2005-06**
- Non-repair of nine 40 MVA failed transformers resulted in avoidable expenditure of Rs. 10.62 crore on purchase of new transformers. **(Paragraph 3.6.16(a)) Audit Report 2004-05**
- The Board incurred an extra expenditure of Rs. 24.04 crore on procurement of coal due to payment at higher rates than that notified by the Government of India. **(Paragraph 3.4.4) Audit Report 2003-04**
- During 1999-2004 ATPS and Satpura Thermal Power Station (STPS) consumed 39,740.66 Kiloliters of oil in excess of prescribed norm resulting in extra expenditure of Rs. 59.62 crore. **(Paragraph 3.8.1) Audit Report 2003-04**

Deficiencies in monitoring

- Failure to scrutinise freight bills and delay in raising refund claims resulted in payment of excess transportation charges of Rs. 2.86 crore. **(Paragraph 4.11) Audit Report 2005-06**
- Extra expenditure of Rs. 12.60 lakh due to delay in making advance payment as required. **(Paragraph 4.19) Audit Report 2005-06**
- Failure of the Board in initiating action for repair of 14,170 failed within guarantee period transformers resulted in idle inventory of Rs. 48.41 crore. **(Paragraph 3.6.25) Audit Report 2004-05**
- Board's failure in taking timely action for repair of 13,104 failed beyond guarantee period transformers resulted in idle inventory of Rs. 31.74 crore. **(Paragraph 3.6.26) Audit Report 2004-05**
- The thermal power stations incurred expenditure of Rs. 1.24 crore during 2000-05 outside the action plan to bring down the level of environmental pollution to the norms prescribed, however, the benefits actually accrued were not reviewed. **(Paragraph 4.17.3) Audit Report 2004-05**
- The Board did not pursue cases of missing/diverted wagons of coal valued at Rs. 50.46 crore with railways. **(Paragraph 3.7.3) Audit Report 2003-04**
- Failure to timely disconnect power supply led to accumulation of arrears and loss of Rs. 1.44 crore. **(Paragraph 4.7) Audit Report 2003-04**
- Failure to get defective transformers repaired led to a loss of Rs. 1.49 crore. **(Paragraph 4.9) Audit Report 2003-04**

Non-achievement of objectives

- The stated objectives of restructuring the power sector in the State could not be achieved due to high incidence of Transmission and Distribution losses, slow meterisation of consumers and cross subsidisation. Restructuring did not have perceptible improvement on these aspects. **(Paragraph 3.10) Audit Report 2007-08**
- Transmission and Distribution losses of the Board ranged between 45.57 and 42.62 *per cent* during the five years ended March 2005, as against the acceptable level of 15.5 *per cent*, resulting in loss of potential revenue to the tune of Rs. 9,397.47 crore. **(Paragraph 3.3.6) Audit Report 2005-06**

- Out of the total demand of Rs. 390.12 crore on account of value of theft of electricity detected, recovery of Rs. 93.82 crore representing 24.05 *per cent* were pending realisation. **(Paragraph 3.3.8) Audit Report 2005-06**
- The Board lost Rs. 10,619.31 crore of potential revenue due to T&D losses and failed to achieve modest target of reduction of T&D losses progressively to 28 *per cent* by 2004-05 as prescribed by the regulatory commission. **(Paragraph 3.6.2) Audit Report 2004-05**
- Due to low thermal efficiency there was an excess consumption of heat aggregation 2.74 million Kilo calories resulting in excess consumption of coal valued at Rs. 491.54 crore. **(Paragraph 3.5) Audit Report 2003-04**
- Non commissioning of fire protection system rendered the expenditure of Rs. 36.11 lakh unproductive. **(Paragraph 4.8) Audit Report 2003-04**

Deficiencies in financial management.

- Failure to implement “no profit no loss” based tariff till the turn around was achieved by the Discoms, resulted in avoidable payment of income tax amounting to Rs. 19.06 crore by the companies (Transco and Genco). **(Paragraph 3.7.4) Audit Report 2007-08**
- Lack of financial autonomy to the successor entities and continuation of cash flow mechanism by residual Board, left a little scope and freedom for the successor entities to improve their performance. **(Paragraphs 3.9 & 3.14) Audit Report 2007-08**
- The staff related liabilities amounting to Rs. 4,494 crore and leave encashment liability amounting to Rs. 263 crore still remained unfunded. **(Paragraph 3.13.2) Audit Report 2007-08**
- Not invoking of the risk and cost purchase clause against the defaulting supplier resulted in extra payment of Rs. 70.06 lakh. **(Paragraph 4.14) Audit Report 2005-06**
- Acceptance of Fixed Deposit Receipts (FDR) not discharged by the contractor in favour of the Board resulted in non-recovery of dues amounting to Rs. 38.67 lakh from the contractor. **(Paragraph 4.15) Audit Report 2005-06**
- Non availing of concessional rate of commercial tax resulted in avoidable expenditure of Rs. 15.81 lakh. **(Paragraph 4.16) Audit Report 2005-06.**

- Blocking of funds amounting to Rs. 1.20 crore and consequential loss of interest of Rs. 17.16 lakh. **(Paragraph 4.17) Audit Report 2005-06**
- Non enforcement on the ordered supplies of 11 KV Vacuum Circuit Breakers resulting in extra expenditure of Rs. 16.18 lakh. **(Paragraph 4.18) Audit Report 2005-06**
- The Board had to incur extra expenditure of Rs. 2.81 crore due to placement of orders for identical items of material at different rates under different packages of the same tender. **(Paragraph 3.2.15) Audit Report 2005-06**
- The Board granted extension of delivery periods to defaulting suppliers without imposing liquidated damages of Rs. 93 lakh. **(Paragraphs 3.2.10 and 3.2.11) Audit Report 2005-06**
- As against the theft of Board's property involving Rs. 25.15 crore, the Board could recover stolen property worth Rs. 8.63 lakh only representing 0.34 *per cent* of the total value of theft. **(Paragraph 3.3.17) Audit Report 2005-06**
- Insistence of the Board on negotiation the rates, ignoring the reasonability of the offers and the market trend resulted in avoidable expenditure of Rs. 4.34 crore. **(Paragraph 4.8) Audit Report 2004-05**
- Wheeling of the power generated by private wind energy generators through the transmission and distribution lines of the Board with a provision of mere four *per cent* compensation for line loss resulted in loss of Rs. 2.47 crore. **(Paragraph 4.9) Audit Report 2004-05**
- Extra payment of Rs. 1.66 crore to the contractor due to irregular revision of rates. **(Paragraph 4.10) Audit Report 2004-05**

Conclusion

1.31 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

1.32 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to

the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Number of working PSUs	33	33	35	38	40
2.	Number of accounts finalised during the year	36	26	31	37	25
3.	Number of accounts in arrears	43	52	57	55	63
4.	Average arrears per PSU (3/1)	1.30	1.58	1.63	1.45	1.58
5.	Number of working PSUs with arrears in accounts	24	29	30	25	29
6.	Extent of arrears	1 to 6 years	1 to 7 years	1 to 7 years	1 to 7 years	1 to 8 years

1.33 From the above table it would be seen that with the increase in number of working PSUs, arrear of accounts has also increased gradually during last five years as companies had not finalised at least one account in a year during 2005-06 to 2008-09. Concrete steps to clear the arrear of accounts were not taken. Further in case of four working Companies viz. M.P. Audyogik Kendra Vikas Nigam (Ujjain) Limited (MPAKVN(U)L), Indore City Transport Services Limited (ICTSL), Bhopal City Link Limited (BCLL) and Ujjain City Transport Services Limited (UCTSL), the first year accounts were not finalised. The main reason for delay in finalisation of accounts was lack of trained staff, lack of interest of administrative department etc.

1.34 In addition to above, there were also the arrears in finalisation of accounts by non- working PSUs. Out of 10 non-working PSUs, five had gone into liquidation process. Of the remaining five non-working PSUs, all had arrears of accounts for two to 19 years.

1.35 The State Government had invested Rs. 2,442.78 crore (Equity: Rs. 490.04 crore, loans: Rs. 23.61 crore, grants: Rs. 128.54 crore and subsidy: Rs. 1,800.59 crore) in 17 PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. In the absence 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 remained 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.

1.36 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the Chief Secretary, Government of Madhya Pradesh was informed half yearly by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in

audit. It was suggested (July 2009) to outsource the work for preparation of accounts in a time bound manner under monitoring of Finance Department .

1.37 In view of above state of arrears it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies, which would be monitored, by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

1.38 There were 10 non-working PSUs (all companies including one 619-B company) as on 31 March 2009. Of these, five PSUs have commenced liquidation process. The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2008-09 four non-working PSUs incurred an expenditure of Rs. 0.42 crore toward salary, establishment expenditure etc. This expenditure was financed by the State Government (Rs. 0.30 crore) and through sale of assets (Rs. 0.12 crore) of these PSUs.

1.39 The stages of closure in respect of non-working PSUs are given below:

Sl. No.	Particulars	Companies
1.	Total No. of non-working PSUs	10
2.	Of (1) above, the No. under	
(a)	Voluntary winding up (liquidator appointed)	5
(b)	Closure, i.e. closing orders/ instruction issued but liquidation process not yet started.	5

1.40 During the year 2008-09, no companies/corporations were finally wound up. The process of voluntary winding up the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may make a decision regarding winding up of five non-working PSUs (including one 619-B company) where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.41 Twenty three working companies forwarded their audited 25 accounts to PAG for the period 2008-09. Of these, 17 accounts of 17 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The

details of aggregate money value of comments of statutory auditors and CAG are given below:

(Amount: Rupees in crore)

Sl. No	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	6	10.96	7	54.57	9	280.66
2.	Increase in loss	7	5.80	10	257.58	6	91.17
3.	Non-disclosure of material facts	1	0.27	8	1,271.86	11	1,353.38
4.	Errors of classification	1	0.34	6	47.13	8	293.92

The above table shows that aggregate money value of comments of Statutory Auditors and CAG has gradually increased during last three years. Non-disclosure of material facts was commented upon in 2006-07 for a amount involving Rs. 0.27 crore which increased to Rs. 1,353.38 crore in 2008-09, showing the inadequate disclosure by the companies.

1.42 During the year, the Statutory Auditors had given qualified certificates for all the accounts of working companies. Additionally, CAG gave comments on 16 accounts during the supplementary audit. The compliance with the Accounting Standards remained poor as there were 32 instances of non-compliance with Accounting Standards (AS) issued by the Institute of Chartered Accountants of India in 11 accounts during the year.

1.43 Some of the important comments in respect of accounts of companies are stated below:

Madhya Pradesh Power Generating Company Limited (2008-09)

• **Inventories (Schedule No.-7)- Rs. 396.20 crore**

This includes 21,200 MTs of carpet coal valuing Rs. 3.49 crore identified by the Company as on March 2009 at SGTPS, Sarni which was physically not available. Thus provision for it should have been made in the accounts. This has resulted in overstatement of inventories by Rs. 3.49 crore and understatement of provisions to the same extent.

Madhya Pradesh Power Transmission Company Limited (2008-09)

- Current Liabilities and Current Assets are understated by Rs. 11,90,72,090.48 (Previous year Rs. 55,29,037.65) as following negative balances (Cr.) appear in Schedule 10 of Other Current Assets & Schedule 11 (Loans and Advances). These should be shown in Current Liabilities (Schedule 12):
 - Amount recoverable from employees/Ex. Employees - Rs. 1,94,980.80
 - Other Claims (Insurance) – Rs. 1,81,644.00

- Other miscellaneous receivables from DISCOMs – Rs. 11,11,67,396.31
- Loans and Advances to staff (interest bearing) –Rs. 75,28,069.37

Madhya Pradesh State Civil Supplies Corporation Limited (2008-09)

- The amount recoverable from Chattisgarh Civil Supplies Corporation Limited as on 31 March 2009 was Rs. 4,49,34,993 the outstanding are due for over seven years hence we are unable to form an opinion regarding the extent of provision to be made for Bad and Doubtful Debts as on 31 March 2009.

The Madhya Pradesh State Agro Industries Development Corporation Limited (2006-07)

- Stores and Spares includes implements valuing Rs. 21.26 lakh which were found missing during physical verification of different branches. This has resulted in overstatement of Inventories and understatement of loss by Rs. 21.26 lakh.

Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (2007-08)

- Out of Capital work in progress transferred to Fixed Assets during the year amounting to Rs. 33,248.66 lakh many assets were already in use, only entries were passed later. No depreciation charged in respect of the period they were in use.

Madhya Pradesh Poorva Kshetra Vidyut Vitaran Company Limited (2008-09)

- Purchase of power & wheeling charges did not include Rs. 41.46 crore towards additional cost of power purchase and Power Grid Corporation of India Limited charges for the year 2008-09 (September 2008 to March 2009) as per Retail Supply Tariff Order 2008-09. This had resulted in understatement of power purchase cost and understatement of loss by Rs. 41.46 crore.

Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (2007-08)

- Provision for power purchase and related expenses was understated by Rs. 28.18 crore being liability on account of trued up amount of transmission charges for 2006-07 as per Tariff Order (March 2008). This had resulted in understatement of loss to that extent.

M.P. Audyogik Kendra Vikas Nigam (Indore) Limited (2005-06)

- Capital work in progress of Software Technology Park (STP) did not include Rs. 0.68 crore being the balance amount payable to Nagarjuna

Construction Co. Limited as on 31 March 2006 in respect of construction of STP. Non accountal of contractual liability had resulted in understatement of Capital work in progress by Rs. 0.68 crore and liabilities to that extent.

1.44 Similarly, four working statutory corporations forwarded their six accounts to PAG during the period 2008-09 of these, three accounts of two statutory corporations (Madhya Pradesh State Electricity Board and Madhya Pradesh Road Transport Corporation Limited) pertained to sole audit by CAG which were in progress. Remaining three accounts were selected for supplementary audit of which two were completed and issuance of audit certificate for Madhya Pradesh Financial Corporation was in progress. The reports of statutory auditors and the sole/supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below:

(Amount: Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	--	--	1	2.06	1	113.83
2.	Increase in loss	1	924.24	1	893.16	1	1,009.86
3.	Non-disclosure of material facts	2	39.36	1	867.01	--	--
4.	Errors of classification	1	39.45	2	87.16	1	8.78

The above table shows that aggregate money value of comments of statutory auditors and CAG resulting in “increase in loss” has increased from Rs. 924.24 crore in 2006-07 to Rs. 1,009.86 crore during 2008-09. Comments resulting in “Decrease in profit” has also increased to Rs. 113.83 crore in 2008-09 from nil in 2006-07.

1.45 During the year, Statutory Auditors had given qualified certificates for two accounts of M.P. Warehousing & Logistics Corporation (2007-08 and 2008-09).

1.46 Some of the important comments in respect of accounts of Statutory corporations are stated below:

Madhya Pradesh Road Transport Corporation (2006-07)

- Loans did not include Rs. 4.25 crore (Rs. 52.49 lakh for the year & Rs. 3.73 crore up to 2005-06) being the amount of penal interest on loan of Rs. 17.50 crore from the State Government, which had resulted in understatement of interest on loan as well as loss by Rs. 4.25 crore.
- Motor Vehicle Tax did not include Rs. 885.56 crore being the liability towards Motor Vehicle Tax, penalty, interest and composition fees for

the period from August 1978 to March 2002, which had resulted in understatement of Sundry creditors- Motor Vehicle Tax and cumulative loss by the same amount.

- Understatement of Interest and Debt charges by Rs. 2.60 crore due to non-reckoning of interest charges payable on MACT claims which were decided during 2006-07 (2,161 no. of cases).

Madhya Pradesh State Electricity Board

(Year 2005-06 i.e. 1 April 2005 to 31 May 2005)

- Fixed Assets were understated by Rs. 8.78 crore due to:
 - Non-capitalization of capital works in progress in Ratlam, Khandwa, Hoshangabad, Mandasour, Khargone and Morena Rs. 8.70 crore.
 - Land worth Rs. 0.04 crore owned under full title (A.H.10.101) incorrectly booked under capital work in progress (Sirmour) (A.H.14.101).
 - Non inclusion of expenses of Rs. 0.04 crore incurred on renovation of L.T lines (Sehore).

This also resulted in overstatement of capital work in progress by Rs. 8.78 crore.

- Capital expenditure in progress and liabilities was understated by Rs. 0.72 crore due to non-inclusion of the amount payable to contractors (Jabalpur, Sarni, Rewa).
- Coal Stock and Surplus overstated by Rs. 3.36 crore due to inclusion of stone/shale and other foreign material (Birsinghpur) for which value is nil.
- Revenue subsidies and Grants was overstated by Rs. 9.42 crore due to inclusion of subsidies relating to period prior to April 2005 (Ujjain) This has resulted in overstatement of Revenue Subsidies and understatement of prior period income.

1.47 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of 24 Companies for the year 2008-09 are given below:

Sl. No.	Nature of comments made by Statutory Auditors	Number of Companies where recommendations were made	Reference to serial number of the companies as per Annexure-2
1.	Non fixation of minimum/maximum limits of store and spares	8	A-1,2,3,13,26,27,29,30
2.	Absence of internal Audit system commensurate with the nature and size of business of the Company	7	A-1,2,13,14,15,23,24,
3.	Non maintenance of cost record	5	A-1,2,13,25,26
4.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	4	A-1,3,24,30

Recoveries at the instance of audit

1.48 During the course of propriety audit in 2008-09, recoveries of Rs. 179.61 crore were pointed out to the Management of various PSUs, of which, recoveries of Rs. 174.74 crore were admitted by PSUs. An amount of Rs. 1.48 crore was recovered during the year 2008-09.

Status of placement of Separate Audit Reports

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

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	M.P. Warehousing and Logistics Corporation	2007-08	2008-09	8 October 2009	
2.	Madhya Pradesh Financial Corporation	2007-08	2008-09	SAR under finalisation	
3.	Madhya Pradesh State Electricity Board	2005-06 (up to May 2005)	2005-06 (June 2005 to March 2006)	SAR under finalisation	
4.	Madhya Pradesh Road Transport Corporation	2005-06	2006-07	13 April 2009	Due to non printing

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature(s).

Disinvestments, Privatisation and Restructuring of PSUs

1.50 The State Government did not undertake Disinvestments, Privatisation and Restructuring of any of its PSUs during 2008-09.

Reforms in Power Sector

1.51 The State has Madhya Pradesh Electricity Regulatory Commission (MPERC) formed (August 1998) under the Electricity Regulatory Commission Act, 1998 (since replaced by the Electricity Act,2003) with the objective of rationalisation of electricity tariff, advising in matter relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2008-09, MPERC issued no order on annual revenue requirements and two on others.

1.52 A Memorandum of understanding (MoU) was signed in May 2000 between the Union Ministry of Power and the State Government as a joint Commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Milestone	Achievement
1	Re-organisation of Madhya Pradesh Electricity Board	The Board was unbundled into five Government companies viz. one Generation, one Transmission three Distribution in July 2002. For bulk power trading function Madhya Pradesh Power Trading Company Limited was constituted in June 2006.
2	100 per cent electrification of villages under the Rural Electrification Programme	50,474 out of 51,806 villages electrified (97.43 per cent) as on 31 March 2007.
3	Energy Audit	132 Kv-100 per cent, 33 KV - 92.46 per cent 11KV-92.50 per cent (as on 31 March 2007).
4	Reduction in T&D losses	T&D losses were 43.57 per cent as on 31 March 2006.
5	100 per cent metering of all consumers	46.49 lakh single phase meters, 6.91 lakh three phase meters and 7,529 HT meters have been provided till 31 March 2007

In the absence of updated data from the State Government the actual progress made so far in the above matters couldn't be ascertained.

Discussion of Audit Reports by COPU

1.53 The status as on 30 September 2009 of reviews and paragraphs that appeared in Audit Reports (Commercial) and discussed by the Committee on Public Undertakings (COPU) is as under.

Period of Audit Report	Number of reviews/paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2004-05	3	22	2	13
2005-06	5	20	1	9
2006-07	5	19	Nil	Nil
2007-08	2	8	Nil	Nil
Total	15	69	03	22

1.54 The matter relating to clearance of backlog of reviews/ paragraphs was also discussed with Chairperson of COPU in August 2009.