

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 ₹ 26,067.37 crore for 2009-10 as per their latest finalised accounts as of September 2010. This turnover was equal to 13.41 *per cent* of State Gross Domestic Product (GDP) for 2009-10. Major activities of Madhya Pradesh PSUs are concentrated in power sector. The State working PSUs incurred an overall loss of ₹ 3,486.00 crore in the aggregate for 2009-10 as per their latest finalised accounts as of September 2010. They had employed 0.47 lakh¹ employees as of 31 March 2010. The State does not have any Departmental Undertaking (DU), which carryout major commercial operations.

1.2 As on 31 March 2010, there were 57 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 Companies ³	43	10	53
Statutory Corporations	4 ⁴	Nil	4
Total	47	10	57

1.3 During the year 2009-10, seven PSUs were established viz. MP Monnet Mining Company Limited, MP Jaypee Coal Limited, MP AMRL (Semaria) Coal Company Limited, MP AMRL (Bicharpur) Coal Company Limited, MP AMRL (Marki Bakra) Coal Company Limited, MP AMRL (Morga) Coal Company Limited and Katni 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

¹ As per the details provided by 38 PSUs. Remaining 19 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.

⁴ Including Madhya Pradesh State Electricity Board which was un-bundled (July 2002) into five power sector companies and thereafter, activities of the Board had been confined to debt servicing and management of cash flow activities for power sector companies.

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 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 the Comptroller and Auditor General of India (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 and Madhya Pradesh Road Transport Corporation. In respect of Madhya Pradesh Warehousing and Logistics Corporation and Madhya Pradesh Financial Corporation, the audit is conducted by Chartered Accountants and Supplementary audit by CAG.

Investment in State PSUs

1.7 As on 31 March 2010, the investment (capital and long-term loans) in 57 PSUs (including 619-B companies) was ₹ 20,979.65 crore as per details given below.

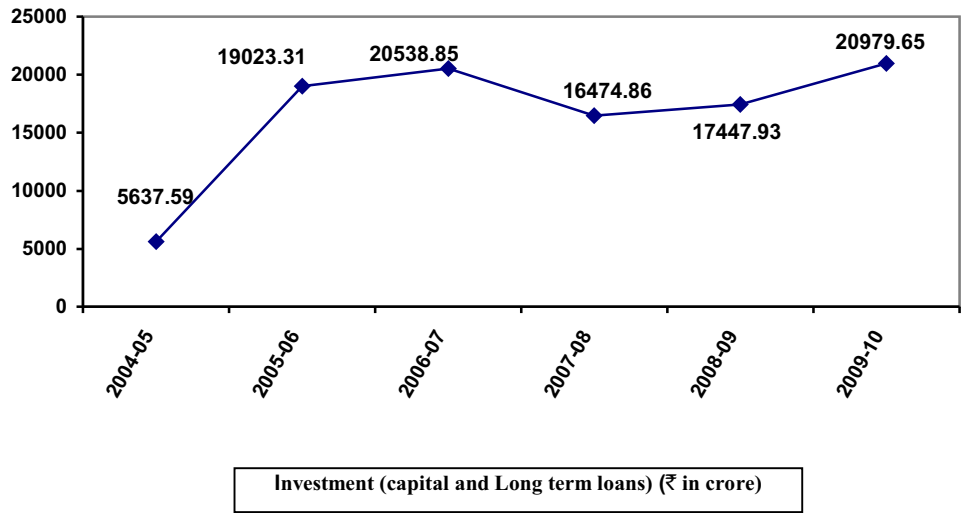
(Amount: ₹ in crore)

Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	9130.78	8814.97	17945.75	1627.69	1169.49	2797.18	20742.93
Non-working PSUs	61.10	175.62	236.72	--	--	--	236.72
Total	9191.88	8990.59	18182.47	1627.69	1169.49	2797.18	20979.65

(Source: Information as furnished by the PSUs)

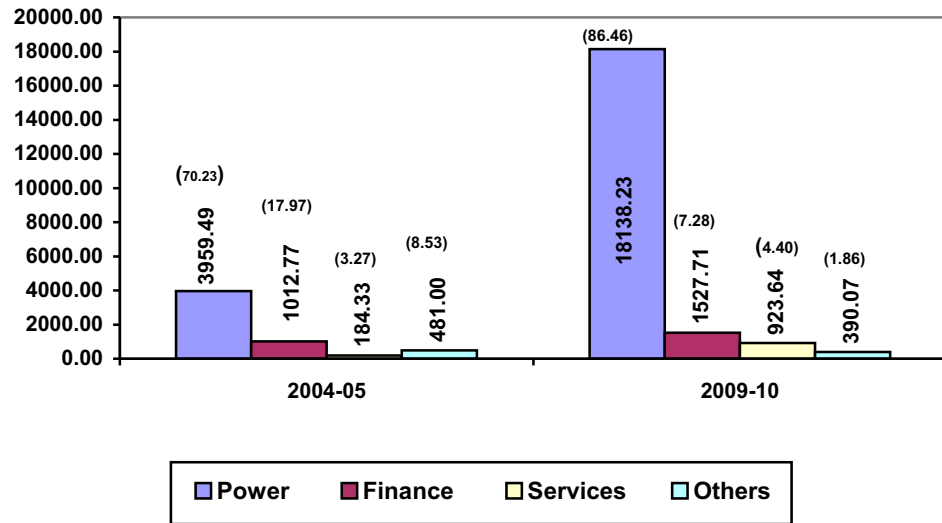
A summarised position of Government investment in State PSUs is detailed in **Annexure 1**.

1.8 As on 31 March 2010, of the total investment in State PSUs, 98.87 per cent was in working PSUs and the remaining 1.13 per cent in non-working PSUs. This total investment consisted of 51.57 per cent towards capital and 48.43 per cent in long-term loans. The investment has grown by 272.14 per cent from ₹ 5,637.59 crore in 2004-05 to ₹ 20,979.65 crore in 2009-10 as shown in the graph below :



1.9 The investment in various important sectors and percentage there of at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart :

Figures in the brackets show the percentage of total investment (₹ in crore)



The thrust of PSUs investment was mainly in power sector which increased from 70.23 per cent in 2004-05 to 86.46 per cent during 2009-10. The Government investment has increased in power and service sector, while it decreased in finance and others sectors during the last six years ended 31 March 2010.

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 and loans converted into equity in

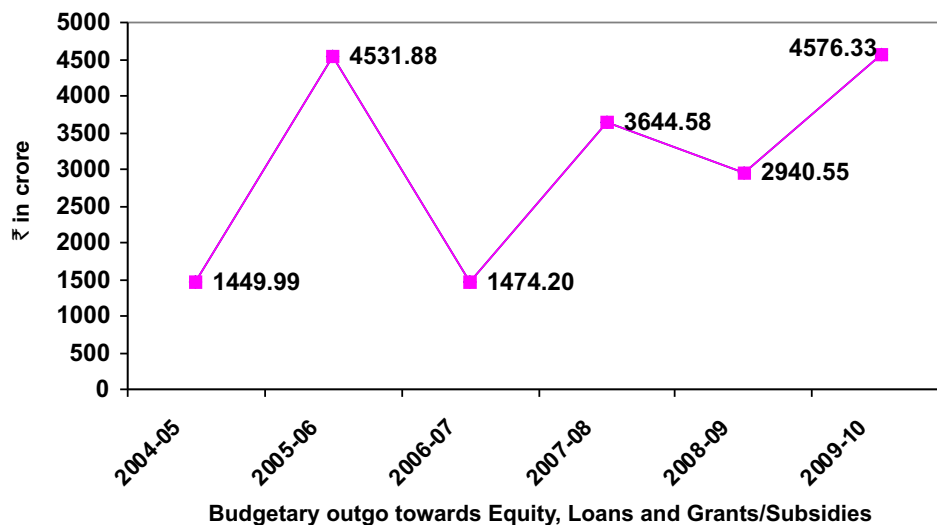
respect of State PSUs are given in **Annexure 3**. The summarised details are given below for three years ended 2009-10.

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	7	1541.19	10	679.73	10	1047.85
2.	Loans given from budget	6	638.71	4	215.63	6	1649.19
3.	Grants/Subsidy received	14	1464.68	17	2045.19	14	1879.29
4.	Total Outgo (1+2+3)		3644.58		2940.55		4576.33
5.	Loans converted into equity	--	--	1	2.00	3	336.54
6.	Guarantees issued	8	153.43	5	310.85	8	2438.30
7.	Guarantee Commitment	10	618.04	11	2751.27	11	1031.10

(Source: Information as furnished by the PSUs)

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



The budgetary outgo towards equity, loans and grants/subsidies has shown a mixed trend during six years period from 2004-05 to 2009-10. The budgetary outgo to State PSUs during 2009-10 was ₹ 4,576.33 crore in comparison to ₹ 1,449.99 crore during 2004-05 mainly due to release of budgetary outgo of ₹ 4,385.75 crore towards equity/loan (₹ 2,654.95 crore) and grants/subsidy (₹ 1,730.80 crore) to six power sector companies during 2009-10.

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 amount of guarantees sanctioned irrespective of the amount availed or outstanding. The guarantee commitment by the Government at the end of 2009-10 was ₹ 1,031.10 crore against 11 PSUs. The guarantee commission of ₹ 5.41 crore was payable by six PSUs as on 31 March 2010 against which only four PSUs had paid the guarantee commission to the extent of ₹ 1.47 crore.

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 2010 is stated below :

(Amount: ₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	6022.26	10819.57	4797.31
Loans	2027.18	10160.08	8132.90
Guarantees	89.00	1031.10	942.10

(Source: Finance accounts 2009-10 and the information as furnished by the PSUs)

1.14 We observed that the difference occurred in respect of 46 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, letters were written to head of all concerned PSUs in September 2010 for reconciliation of figures. 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 working State 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 2004-05 to 2009-10:

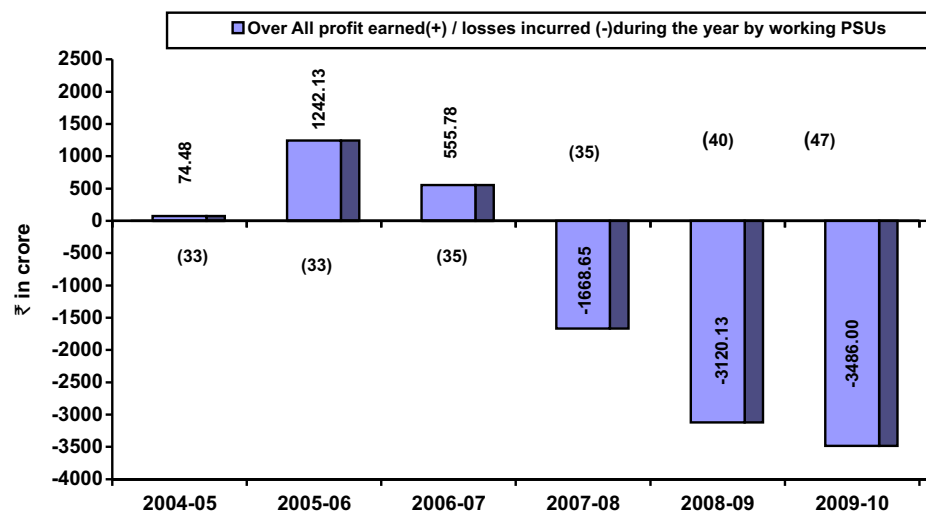
(Amount: ₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover ⁵	6327.41	7375.32	14257.18	12800.73	20735.68	26067.37
State GDP	106807.95	116932.38	130571.44	142499.93	162525.22	194427.26
Percentage of Turnover to State GDP	5.92	6.31	10.92	8.98	12.76	13.41

The percentage of turnover to State GDP has consistently increased during 2004-05 to 2009-10 (except during 2007-08) from 5.92 per cent in 2004-05 to 13.41 per cent in 2009-10. This was mainly due to steep rise in turnover by 312 per cent (₹ 6,327.41 crore in 2004-05 to ₹ 26,067.37 crore in 2009-10) in comparison to modest rise of State GDP by 82.03 per cent (₹ 1,06,807.95 crore to ₹ 1,94,427.26 crore) during the same period

⁵ Turnover of working PSUs as per the latest finalised accounts as of 30 September.

1.16 Profit (losses) earned/incurred by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart :



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

From the above it can be seen that working PSUs earned overall profit during the years from 2004-05 to 2006-07 and started incurring huge losses thereafter till 2009-10. As against the overall profits of ₹ 74.48 crore earned during 2004-05, State working PSUs incurred highest losses of ₹ 3,486.00 crore during 2009-10 in previous six years. During the year 2009-10, out of 47 working PSUs, 27 PSUs earned profit of ₹ 147.82 crore and 11 PSUs incurred loss of ₹ 3,633.82 crore as per their latest finalised accounts as on 30 September 2010. Six⁶ companies did not furnish their first accounts and two⁷ companies had not started their commercial operation, while one⁸ company capitalised the expenditure in balance sheet. The major contributors to profit were Madhya Pradesh Road Development Corporation Limited (₹ 30.98 crore), Madhya Pradesh State Mining Corporation Limited (₹ 25.35 crore), Madhya Pradesh Laghu Udyog Nigam Limited (₹ 20.37 crore) and Madhya Pradesh Rajya Van Vikas Nigam Limited (₹ 14.08 crore). The major contributors to losses were Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (₹ 1,290.65 crore), Madhya Pradesh Poorva Kshetra Vidyut Vitaran Company Limited (₹ 1,130.65 crore), Madhya Pradesh Power Generating Company Limited (₹ 635.77 crore) and Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 549.80 crore).

1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 425.41 crore and infructuous investment of ₹ 44.54 crore which were controllable with better management. Year wise details for Controllable losses and Infructuous Investment from Audit Reports are stated below:

⁶ Companies at serial No. A-20,25,39,41,42 and 43 of Annexure-2
⁷ Companies at serial No. A-17 and A-24 of Annexure-2
⁸ Company at serial No. A-32 of Annexure-2

(Amount : ₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Profit (loss)	(1668.65)	(3120.13)	(3486.00)	(8274.78)
Controllable losses as per CAG's Audit Report	52.95	20.75	351.71	425.41
Infructuous Investment	1.71	4.17	38.66	44.54

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: ₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on capital employed (per cent)	18.20	12.81	5.51	Nil ⁹	Nil ⁹	Nil ⁹
Debt	5154.16	14337.67	14989.72	9170.36	9309.00	10160.08
Turnover ¹⁰	6327.41	7375.32	14257.18	12800.73	20735.68	26067.37
Debt/Turnover Ratio	0.81:1	1.94:1	1.05:1	0.72:1	0.45:1	0.39:1
Interest Payments	472.77	391.20	734.80	1228.69	545.89	1117.00
Accumulated Profit (loss)	(4062.48)	(2618.22)	(3400.63)	(6274.55)	(6755.18)	(11492.22)

(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 showed decreasing trend, it was 18.20 *per cent* in 2004-05 and decreased to 5.51 *per cent* in 2006-07, thereafter it turned negative. Debt Turnover ratio has deteriorated from 0.81:1 in 2004-05 to 1.94:1 in 2005-06 but showed improving trend thereafter and was recorded at 0.39:1 during 2009-10 mainly due to decrease in the debts from ₹ 14,989.72 crore (2006-07) to ₹ 10,160.08 crore (2009-10) with corresponding appreciation in turnover figures after 2007-08.

1.21 The State Government had formulated (July 1998) a dividend policy for payment of minimum dividend of 12 *per cent* on the equity contribution, which was 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 as on 30 September 2010, 27 PSUs earned an aggregate profit of ₹ 147.82 crore while only seven PSUs declared a dividend of ₹ 13.64 crore. Remaining 20 profit making PSUs did not declare any dividend.

⁹ Nil figures represent negative returns.

¹⁰ Turnover of working PSUs as per the latest finalised accounts as of 30 September

Arrears in finalisation of accounts

1.22 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 1956, 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 2010.

Sl. No	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	Number of working PSUs	33	35	35	40	47
2.	Number of accounts finalised during the year	26	31	37	25	49
3.	Number of accounts in arrears	48	52	54	69	67
4.	Average arrears per PSU (3/1)	1.45	1.49	1.54	1.73	1.43
5.	Number of working PSU s with arrears in accounts	29	30	25	29	33
6.	Extent of arrears	1 to 7 years	1 to 7 years	1 to 7 years	1 to 8 years	1 to 8 years

1.23 From the above table it would be seen that with the increase in number of working PSUs, arrear of accounts had also increased gradually during last four years up to 2008-09 as the PSUs failed to finalise even one account per year per PSU at an average. During 2009-10, the position was slightly improved and total 49 accounts were finalised at the average of 1.04 accounts per PSU resulting in number of accounts in arrears marginally decreasing to 67 in 2009-10 as against 69 during 2008-09. The accumulation in arrears of accounts was mainly due to inadequacy of trained staff and absence of concerted efforts by the PSUs and administrative departments concerned.

1.24 In addition to above, there were arrears in finalisation of accounts by non-working PSUs. Out of 10 non-working PSUs, seven¹¹ had gone into liquidation process. All the remaining three non-working PSUs, had arrears of accounts for 3 to 14 years.

1.25 The State Government had invested ₹ 1,642.12 crore (Equity: ₹ 234.82 crore, loans: ₹ 396.37 crore, grants: ₹ 929.67 crore and subsidy: ₹ 81.26 crore) in 14 PSUs during the years for which accounts have not been finalised as detailed in *Annexure 4*. Delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.26 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. Although we had informed the Chief Secretary, Government of Madhya Pradesh on half yearly basis, of the arrears in

¹¹ Serial No. C-1,2,3,4,6,8 and 10 of Annexure-2.

finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed. We had also suggested (July 2010) the Administrative Departments concerned to outsource the work for preparation of accounts in a time bound manner under monitoring of Finance Department.

1.27 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

1.28 There were 10 non-working PSUs (all companies including one 619-B company) as on 31 March 2010. Of these, seven 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 2009-10 four non-working PSUs incurred an expenditure of ₹ 2.55 crore toward salary, establishment expenditure etc. This expenditure was financed by the State Government (₹ 2.34 crore) and through sale of assets (₹ 0.21 crore) of these PSUs.

1.29 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)	7 ¹²
(b)	closure, i.e. closing orders/ instruction issued but liquidation process not yet started.	3 ¹³

1.30 During the year 2009-10, 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 consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.31 Thirty six working companies forwarded their audited 45 accounts for the period 2009-10 to Principal Accountant General. Of these, 33 accounts of 33 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 :

¹² Serial No. C-1,2,3,4,6,8 and 10 of Annexure-2.

¹³ Serial No. C-5,7 and 9 of Annexure-2.

(Amount: ₹ in crore)

Sl. No	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	7	54.57	9	280.66	12	362.48
2.	Increase in loss	10	257.58	6	91.17	2	6.26
3.	Non-disclosure of material facts	8	1271.86	11	1353.38	13	222.89
4.	Errors of classification	6	47.13	8	293.92	5	17.77

The above table shows that aggregate money value of comments of Statutory Auditors and CAG has gradually increased as decrease in profit was commented upon in 2007-08 for a amount involving ₹ 54.57 crore which increased to ₹ 362.48 crore in 2009-10.

1.32 During the year, the Statutory Auditors had given qualified certificates for all the accounts of working companies. Additionally, CAG issued comments on 13 accounts during the supplementary audit. The compliance with the Accounting Standards remained poor as there were 30 instances of non-compliance with Accounting Standards (AS) issued by the Institute of Chartered Accountants of India in 11 accounts during the year.

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

Madhya Pradesh Road Development Corporation Limited (2008-09)

➤ **Miscellaneous & Other income (Schedule-8) ₹ 6.89 crore**

The above includes ₹ 3.64 crore relating to the contracts entered into by the predecessor company M.P. Rajya Setu Nirman Nigam (MPRSNN). As the assets and liabilities of MPRSNN have not yet been incorporated in the accounts, booking of these items under the above head has resulted in overstatement of 'profit before tax and understatement of current liabilities' by ₹ 3.64 crore each.

Madhya Pradesh State Electronics Development Corporation Limited (2007-08)

➤ **Investment (Schedule No. 6) ₹ 13.77 crore**

The above includes an investment of ₹ 13.60 crore shown at book value in respect of joint venture with Fujitsu Optel Limited. Further the Company disclosed in significant Accounting Policies, Schedule No. 13 (A) (4) that all investment are valued at cost or market/fair value whichever is less.

The Company surrendered 85,00,000 equity shares in favour of Fujitsu Optel Limited. (April 2009) and got the consideration at the rate of ₹ 8 per share (face value ₹ 10 per share) amounting to ₹ 6.80 crore by suffering a loss of ₹ 1.70 crore.

As the material event existed before approval of accounts by the Board the loss should have been recognised, by making suitable provision in the diminution in the value of shares.

Non provision of confirmed loss already known to the Company has resulted in overstatement of investment and understatement of loss by ₹ 1.70 crore.

Madhya Pradesh State Industrial Development Corporation Limited (2008-09)

➤ **Statutory Auditors Report**

The Auditors had qualified their report for non provision of unpaid interest of ₹ 257.01 crore on borrowing and its corresponding impact on the accumulated losses. This interest liability includes ₹ 44.23 crore, which pertains to the current year and, hence, would turn the current years reported profit (before tax) of ₹ 8.73 crore into loss of ₹ 35.50 crore, which the Auditors have failed to mention. As a result of this, basic and diluted Earning per share of ₹ 100.22 disclosed by the Company under Notes on Accounts (Note 17) would turn negative to (-) ₹ 445.17 and also auditors observation under Para 10 of annexure to their Report regarding generation of profit by the Company during current year would prove to be incorrect.

The above mentioned issues are material and warrant to form a negative opinion on true and fairness of Company's accounts. Despite this, Statutory Auditors have opined that the accounts give a true and fair view of Company's state of affairs and profitability, which is not appropriate and is not based on the facts.

Madhya Pradesh State Mining Corporation Limited (2008-09)

- The Fixed Deposit Receipts for ₹ 17.93 crore were set aside as lien to Central Bank of India for obtaining bank guarantee in favour of Ministry of Coal, Government of India. This fact, being material in nature, should have been disclosed in the Notes on account.

Crystal IT Park (Indore) Limited (2007-08)

- The Holding Company M.P. Audyogik Kendra Vikas Nigam (Indore) Limited has incurred expenditure of ₹ 34.92 crore up to March 2008 for the development of Crystal IT park. The expenditure was not quantified by the company in the Notes –B Para 1 and 2 and also not disclosed in the Note 8(B)- Transaction with related parties.

1.34 Similarly, two working Statutory corporations forwarded their four accounts to PAG during the period 2009-10 of these, three accounts of one Statutory corporation (Madhya Pradesh State Electricity Board) pertained to sole audit by CAG, which was completed. The remaining one account of Madhya Pradesh Financial Corporation was though selected for supplementary audit, finalisation of the audit report was pending. The reports of Statutory auditors and the sole/supplementary audit of CAG for three years from 2007-08 to 2009-10 indicated that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of CAG are given below:

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	2.06	1	113.83	1	2.24
2.	Increase in loss	1	893.16	1	1009.86	1	3.01
3.	Non-disclosure of material facts	1	867.01	--	--	1	65.00
4.	Errors of classification	2	87.16	1	8.78	1	18.32

The above table shows that during 2009-10 aggregate money value of audit comments relating to “Non disclosure of material facts” was ₹ 65 crore in 2009-10, as compared to 'nil comment' during 2008-09 in the said category. Comments relating to “Errors of classification” have also increased to ₹ 18.32 crore in 2009-10 from ₹ 8.78 crore in 2008-09.

1.35 All three accounts of one corporation solely audited by CAG during 2009-10 received qualified certificates.

1.36 Some of the important comments in respect of accounts of the Statutory corporation solely audited by CAG are stated below:

Madhya Pradesh State Electricity Board (2008-09)

➤ **Loans and Advances (Schedule 26D)**

The above includes ₹ 18.32 crore (Account code 26.1 to 26.7) towards advance to O&M suppliers/works which are more than 10 years old and have not been reconciled/adjusted against supplies made/works executed hence the value of assets transferred to new companies formed as a result of unbundling of the Board was understated to that extent.

➤ **Cash Accounts (Account code 24.1) - ₹ 7.78 crore**

The above balance is old and represents the cash transfers between Bank in same units (B&CM, Jabalpur), the details of which are neither available in the books of accounts nor reconciliation of it was carried out.

1.37 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 37 Companies for the year 2009-10 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	1	A-1
2.	Absence of internal audit system commensurate with the nature and size of business of the Company	13	A-1,4,9,12,14, 17,18,28,29,30, 33,34,38
3.	Non maintenance of cost record	5	A-10,26,28,31, 33
4.	Non maintenance of proper records showing full particulars including quantitative details, date situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	22	A-1,2,3,4,5, 9,10,11,12, 13,14,18,19,26, 28,29,30,31,33, 35,37,38

Recoveries at the instance of audit

1.38 During the course of propriety audit in 2009-10, recoveries of ₹ 206.33 crore were pointed out to the Management of various PSUs and admitted by PSUs. However, an amount of only ₹ 0.23 lakh was recovered during the year 2009-10.

Status of placement of Separate Audit Reports

1.39 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.	Madhya Pradesh Warehousing and Logistics Corporation	2008-09	2009-10	22-10-2010	Information awaited
2.	Madhya Pradesh Financial Corporation	2007-08	2008-09	17-02-2010	-do--
3.	Madhya Pradesh State Electricity Board	2006-07	2007-08 & 2008-09	27-07-2010 & 16-09-2010	Delay in printing
4.	Madhya Pradesh Road Transport Corporation	2005-06	2006-07 & 2007-08	13-04- 2009	-do-

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

1.40 The State Government did not undertake Disinvestments, Privatisation and Restructuring of any of the PSUs during 2009-10.

Reforms in Power Sector

1.41 The State has Madhya Pradesh Electricity Regulatory Commission (MPERC) formed (August 1998) under the Electricity Regulatory Commission Act, 1998 (since repealed 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 2009-10, MPERC issued three orders on annual revenue requirements and one on others.

1.42 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 and 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	47402 out of 51806 villages electrified as per new definition (91.05 per cent) as on 31 March 2010
3	Energy Audit 100 per cent	132 KV-100 per cent, 33 KV – 94.17 per cent 11KV -114.62 per cent (as on 31 March 2010)
4	Reduction in T&D losses to 26.33 per cent up to March 2009	T&D losses were 32.41 per cent as on 31 March 2010
5	100 per cent metering of all consumers	67.20 per cent metering for single phase meter, 59.40 per cent metering for three phase meters and 98.05 per cent metering for HT meters (March 2010).