

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 ₹ 31,637.50 crore in 2010-11 as per their latest finalised accounts as of September 2011. This turnover was equal to 11.65 *per cent* of State Gross Domestic Product (GDP) for 2010-11. Major activities of Madhya Pradesh PSUs are concentrated in power sector. The State working PSUs incurred an overall loss of ₹ 1999.15 crore in the aggregate for 2010-11 as per their latest finalised accounts as of September 2011. They had employed 0.47 lakh¹ employees as of 31 March 2011.

1.2 As on 31 March 2011, there were 61 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	47	10	57
Statutory Corporations	4 ⁴	Nil	4
Total	51	10	61

1.3 During the year 2010-11, four PSUs viz. MP Vikramaditya Knowledge City (U) Limited, MP Jay Pee Minerals Limited, MP Jay Pee Coal Fields Limited and Dada Dhuni Wale Khandwa Power Limited were established and came within the audit purview of CAG.

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*

¹ As per the details provided by 45 working PSUs. remaining 6 working 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.

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 subjected 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 2011, the Investment (Capital and Long-Term Loans) in 61 PSUs (including 619-B Companies) was ₹ 24,400.17 crore as per details given below:

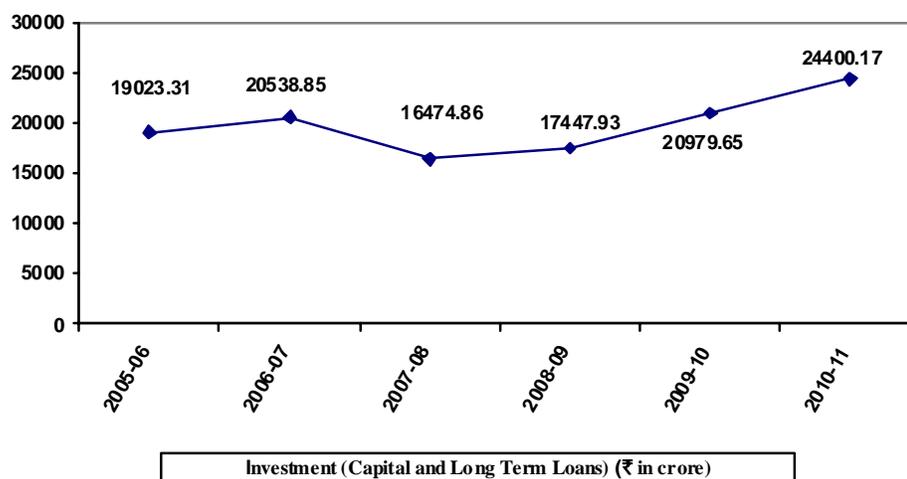
(Amount: ₹ in crore)

Type of PSUs	Government Companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	10159.33	12178.18	22337.51	580.62	1245.32	1825.94	24163.45
Non-working PSUs	61.10	175.62	236.72	0	0	0	236.72
Total	10220.43	12353.80	22574.23	580.62	1245.32	1825.94	24400.17

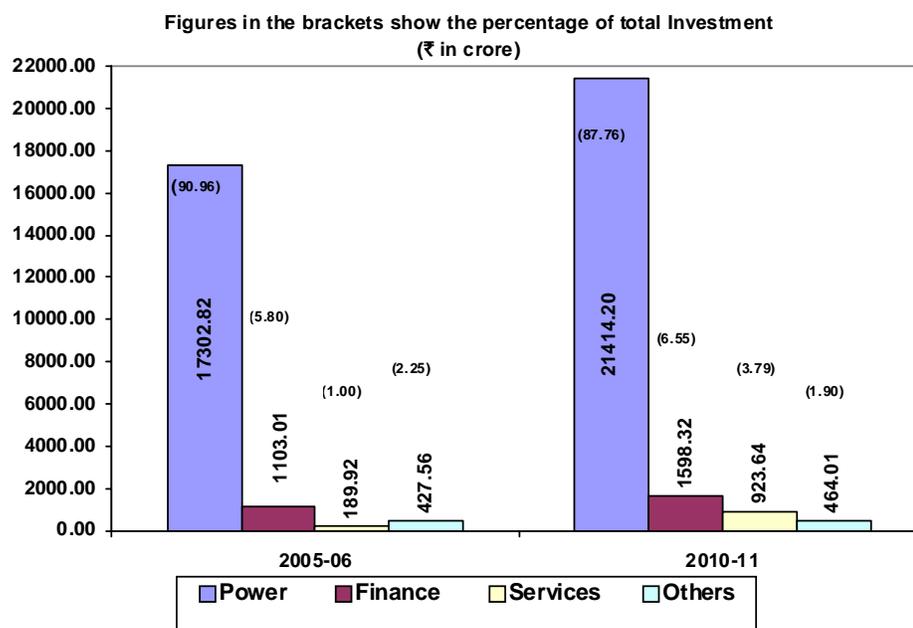
(Source: Information as furnished by the PSUs)

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

1.8 As on 31 March 2011, of the total Investment in State PSUs, 99 per cent was in working PSUs and the remaining one per cent in non-working PSUs. This total Investment consisted of 44.27 per cent towards Capital and 55.73 per cent in Long-Term Loans. The Investment has grown by 28.26 per cent from ₹ 19,023.31 crore in 2005-06 to ₹ 24,400.17 crore in 2010-11 as shown in the graph on next page:



1.9 The Investment in various important sectors and percentage there of at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart



The thrust of PSUs Investment was mainly in power sector which increased from ₹ 17,302.82 crore in 2005-06 to ₹ 21,414.20 crore during 2010-11. The Government investment has increased in all four sectors viz. power, finance service and other during 2010-11 in comparison to 2005-06.

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

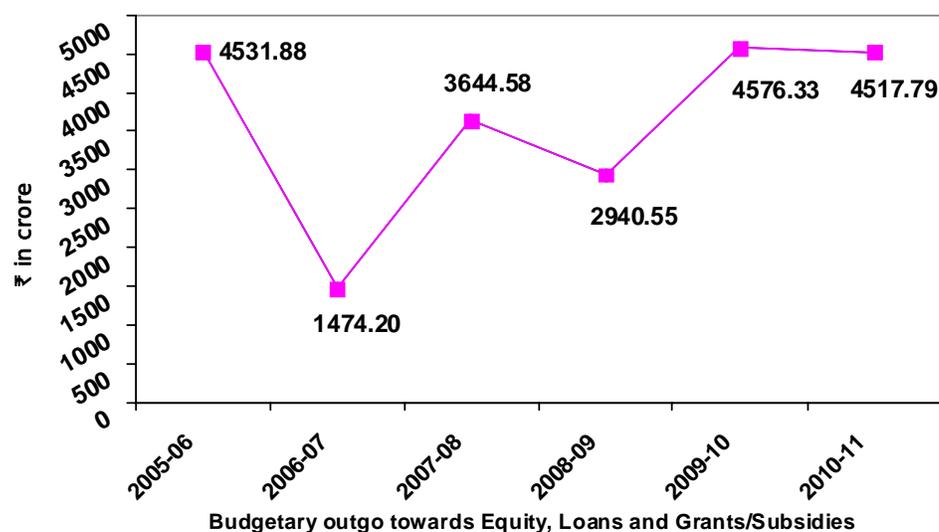
summarised details are given below for three years ended 2010-11.

(Amount: ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	10	679.73	10	1047.85	10	1060.63
2.	Loans outgo from budget	4	215.63	6	1649.19	6	989.25
3.	Grants/Subsidy outgo	17	2045.19	14	1879.29	14	2467.91
4.	Total Outgo (1+2+3)		2940.55		4576.33		4517.79
5.	Loans converted into equity	1	2.00	3	336.54	--	---
6.	Guarantees issued	5	310.85	8	2438.30	6	748.63
7.	Guarantee Commitment	11	2751.27	11	1031.10	7	3247.37

(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 a graph below:



The budgetary outgo towards Equity, Loans and Grants/Subsidies has shown a mixed trend during last six years period from 2005-06 to 2010-11. The budgetary outgo to State PSUs during 2010-11 was ₹ 4,517.79 crore in comparison to ₹ 4,531.88 crore during 2005-06. Out of total budgetary outgo, ₹ 2,049.88 crore towards Equity/Loan to 10 PSUs and Grants/Subsidy ₹ 2,467.91 crore to 14 PSUs during 2010-11.

1.12 The PSUs are liable to pay Guarantee Commission (GC) at the rates ranging from 0.5 per cent to one 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 2010-11 was ₹ 3,247.37 crore against seven PSUs. The Guarantee Commission of ₹ 872.65 crore was payable by seven PSUs as on 31 March 2011 against which only five PSUs had paid the Guarantee Commission to the extent of ₹ 32.55 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 those appearing in the Finance Accounts of the State. In case the figures do not agree, the Finance Department and the PSUs concerned should carry out reconciliation. The position in this regard as at 31 March 2011 is given below.

(Amount: ₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	6323.86	10389.41	4065.55
Loans	1617.34	5554.43	3937.10
Guarantees	3604.00	3247.37	356.63

(Source: Finance accounts 2010-11 and the information as furnished by the PSUs)

1.14 We observed that the difference occurred in respect of 37 PSUs. In order to reconcile the discrepancy in figures of Investment on Equity and Loans by the State Government in Government Companies/Corporations, the issue of reconciliation was brought to the notice of head of all PSUs concerned in November 2011. The Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

Performance of PSUs

1.15 The summarized financial results of Government Companies and Statutory Corporations, financial position of Statutory Corporations and working results of 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 indicates the details of working PSUs turnover and State GDP for the period 2005-06 to 2010-11:

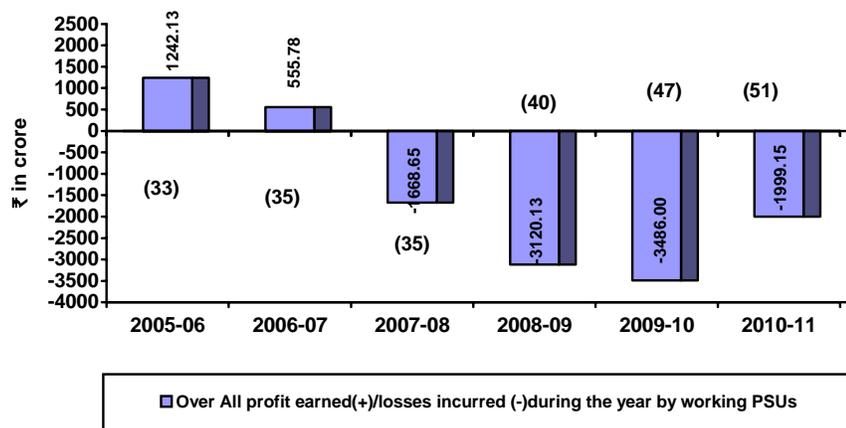
(Amount: ₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover ⁵	7375.32	14257.18	12800.73	20735.68	26067.37	31637.50
State GDP	116932.38	130571.44	142499.93	162525.22	194427.26	271680.69
Percentage of Turnover to State GDP	6.31	10.92	8.98	12.76	13.41	11.65

It may be seen from the above that the percentage of Turnover of State PSUs to State GDP has decreased from 13.41 in 2009-10 to 11.65 in 2010-11.

⁵ Turnover of working PSUs as per the latest finalised accounts as of 30 September 2011.

1.16 Profit earned/ losses incurred by State working PSUs during 2005-06 and 2010-11 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 the years from 2005-06 to 2006-07 and started incurring losses thereafter till 2010-11. As against the overall profits of ₹ 1242.13 crore earned during 2005-06, State working PSUs incurred losses of ₹ 1999.15 crore during 2010-11. During the year 2010-11, out of 51 working PSUs, 25 PSUs earned profit of ₹ 176.21 crore, while two⁶ PSUs were in the situation of no profit and no loss and 14 PSUs incurred loss of ₹ 2175.36 crore as per their latest finalised accounts as on 30 September 2011. Five⁷ PSUs did not furnish their first accounts and four⁸ PSUs had not commenced their commercial operations, while one⁹ PSU capitalised the expenditure in balance sheet. The major contributors to profit were Madhya Pradesh State Mining Corporation Limited (₹ 32.97 crore), Madhya Pradesh Rajya Van Vikas Nigam Limited (₹ 28.17 crore) Madhya Pradesh Warehousing & Logistics Corporation (₹ 26.96 crore) and Madhya Pradesh Laghu Udyog Nigam Limited (₹ 20.17 crore). The major contributors to losses were Madhya Pradesh Poorva Kshetra Vidyut Vitaran Company Limited (₹ 973.79 crore), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 586.46 crore), Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (₹ 392.75 crore) and Madhya Pradesh Power Generating Company Limited (₹ 197.37 crore).

1.17 The losses of PSUs are mainly attributable to deficiencies in Financial Management, Planning, implementation of projects, operations and monitoring. A review of latest Audit Reports of CAG shows that the State

⁶ Companies at serial No. A-21 and A-22 of Annexure-2.

⁷ Companies at serial No. A-27,42,44,45 and 47 of Annexure-2.

⁸ Companies at serial No. A-17, A-24 and A-25 of Annexure-2.

⁹ Company at serial No. A-35 of Annexure-2.

PSUs incurred losses to the tune of ₹ 1,173.31 crore which could have been controlled with better management. Year-wise details for controllable losses and infructuous investments are indicated below:

(Amount: ₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net Profit (loss)	(3120.13)	(3486.00)	(1999.15)	(8605.30)
Controllable losses as per CAG's Audit Report	20.75	351.71	800.85	1173.31
Infructuous Investment	4.17	38.66	---	42.83

1.18 The above controllable 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 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	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on capital employed (per cent)	12.81	5.51	Nil ¹⁰	Nil ¹⁰	Nil ¹⁰	Nil ¹⁰
Debt	14337.67	14989.72	9170.36	9309.00	10160.08	13599.12
Turnover ¹¹	7375.32	14257.18	12800.73	20735.68	26067.37	31637.50
Debt/Turnover Ratio	1.94:1	1.05:1	0.72:1	0.45:1	0.39:1	0.43:1
Interest Payments	391.20	734.80	1228.69	545.89	1117.00	2082.37
Accumulated Profit (loss)	(2618.22)	(3400.63)	(6274.55)	(6755.18)	(11492.22)	(13923.97)

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

1.20 The above parameters clearly exhibit a mixed trend in financial position of PSUs. Return on Capital Employed showed decreasing trend, it was 12.81 per cent in 2005-06 and decreased to 5.51 per cent in 2006-07, thereafter it turned negative. However, Debt Turnover Ratio has improved from 1.94: 1 in 2005-06 to 0.43:1 in 2010-11 which was mainly due to increase in Turnover from ₹ 7,375.32 crore (2005-06) to ₹ 31,637.50 crore (2010-11).

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 revised policy was communicated to Secretaries concerned and CMDs of all PSUs. As per their latest finalised accounts as on 30 September 2011, 25 PSUs earned an aggregate profit of ₹ 176.21 crore while only six PSUs declared a dividend of ₹ 6.13 crore and the remaining 19 profit making PSUs did not declare any dividend.

¹⁰ Nil figures represent negative returns.

¹¹ Turnover of working PSUs as per the latest finalised accounts as of 30 September 2011.

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 required to be 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 2011

Sl. No	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Number of working PSUs	35	35	40	47	51
2.	Number of accounts finalised during the year	31	37	25	49	59
3.	Number of accounts in arrears	52	54	69	66 ¹²	58
4.	Average arrears per PSU (3/1)	1.49	1.54	1.73	1.43	1.14
5.	Number of working PSUs with arrears in accounts	30	25	29	33	26
6.	Extent of arrears	1 to 7 years	1 to 7 years	1 to 8 years	1 to 8 years	1 to 7 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 three years up to 2008-09. During 2010-11, the position was improved and a total number of 59 accounts were finalised. The number of accounts in arrears decreased to 58 in 2010-11 as against 66 in 2009-10. 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, seven¹³ had gone into liquidation process. All the remaining three non-working PSUs had arrears of accounts for three to 15 years.

1.25 The State Government had invested ₹ 1,922.38 crore (Equity: ₹ 297.70 crore, Loans: ₹ 192.26 crore, Subsidy: ₹ 1,349.91 crore and Grants: ₹ 82.51 crore) in 12 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 cannot 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 remain outside the scrutiny of the State Legislature. Further, delay in finalization 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.

¹² Number of accounts in arrears of the year 2009-10 re-caste from 67 to 66.

¹³ Serial No. C-1,2,3,4,6,8 and 10 of Annexure-2.

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. Though the administrative departments concerned were informed of the arrears in finalization of accounts on quarterly basis by Audit and the matter was taken up with the Chief Secretary/ Finance Secretary, no remedial measures were taken. As a result, the net worth of these PSUs could not be assessed in audit.

1.27 In view of above state of arrears, it is recommended that the Government monitor and ensure timely finalisation of Accounts with special focus of liquidation of arrears and thereby comply with the provisions of the Companies Act, 1956.

Winding up of non-working PSUs

1.28 There were 10 non-working PSUs (9 Companies and one 619-B Company) as on 31 March 2011. Of these, seven PSUs have commenced the process of winding up. The three non-working PSUs are required to be liquidated as their continued existence is not serving the purpose for which they were incorporated.

1.29 During the year 2010-11, no Companies/Corporations have concluded the process of winding up. The stages of winding up of non-working PSUs are given below:

Sl. No.	Particulars	Companies
1.	Total number of non-working PSUs	10
2.	Of (1) above, the number under	
(a)	Voluntary winding up (liquidator appointed)	7 ¹⁴
(b)	Closure, i.e. closing orders/ instruction issued but liquidation process not yet started.	3 ¹⁵

1.30. The process of voluntary winding up under the Companies Act is much faster and needs to be pursued vigorously. The Government may suitably review the necessity of their continuation in view of their non-functioning.

Accounts Comments and Internal Audit

1.31 During the year, forty working Companies forwarded their 55 audited accounts to the Principal Accountant General. Of these, 33 accounts of 30 Companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit by CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value and the effect of the

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

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

comments of Statutory Auditors and of CAG on the financial position and working results are given below:

(Amount: ₹ in crore)

Sl. No.	Effect	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	9	280.66	12	362.48	11	208.26
2.	Increase in loss	6	91.17	2	6.26	3	64.36
3.	Non-disclosure of material facts	11	1353.38	13	222.89	4	59.25
4.	Errors of classification	8	293.92	5	17.77	4	94.14

The above table indicates that comments on Non-disclosure of material facts have decreased significantly.

1.32 During the year, the Statutory Auditors had given qualified certificates on all the accounts of working Companies. CAG had also issued comments on nine accounts after the supplementary audit. The compliance of the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India, remained poor. During the year, such non-compliance was noticed in 68 instances in respect of 15 accounts.

1.33 Some of the important comments on the accounts of Companies are given below:

Madhya Pradesh State Civil Supplies Corporation Limited (2010-11)

➤ **Contingent Liabilities**

As per Madhya Pradesh VAT Act, the expenses upto the first storage point have to be included in the price of wheat for computation of Purchase Tax. However, the Company paid Purchase Tax at ₹ 1,100 per quintal instead of ₹ 1,282.72 per quintal. The liability on account of balance Purchase of ₹ 15.46 crore is pending before the Hon'ble High Court. However, the Contingent Liability of the same has not been disclosed.

➤ **Balance Sheet**

As per State Government Gazette Notification dated 28 February 2009, the arrears of Sixth pay commission for the period 1 January 2006 to 31 August 2008 was payable to its employees in five installments. As two installments were already disbursed as on 31 March 2011, the liability on balance three installments amounting to ₹ 5.70 crore should have been disclosed in the Notes on accounts.

Madhya Pradesh Rajya Van Vikas Nigam Limited (2009-10)

➤ **Current Liabilities & Provision (Schedule J) ₹ 162.17 Crore**

This does not include provision of ₹ 8.58 crore against the liability for the period from 1 July 2009 to 31 March, 2010 towards Group Gratuity, which became payable consequent upon switching over by the Company from previous system of Group Gratuity on 'Pure Endowment' basis to 'Cash Accumulation' basis. The new scheme was made effective with effect from July 2009 as per the decision of the Board of Directors in its meeting held on 28 June 2010 and the Company did not make the provision for the liability despite the demand from Life Insurance Corporation of India. This has resulted in understatement of Current Liabilities and Provisions and overstatement of Profit for the current year by ₹ 8.58 crore each.

M.P. Audyogik Kendra Vikas Nigam (Bhopal) Limited (2009-10)

➤ **Expenditure (Schedule- 8)-Gratuity Expenses: ₹ 32.64 lakh**

As per the Accounting Standard-15, the liability of Retirement Benefits (Gratuity) of the employees is to be provided as per Actuarial Valuation. Company has taken a LIC policy for Gratuity. As per the Actuarial Valuation given by LIC in March 2010, the amount payable was ₹ 170.98 lakh out of which Company has paid ₹32.64 lakh only. This has resulted in overstatement of Profit by ₹ 138.34 lakh (₹170.98 lakh-₹32.64 lakh) and understatement of Current Liabilities to the same extent.

SEZ (Indore) Limited (2007-08)

➤ **Income earned during the year (Schedule-9)
Lease Rent: - ₹ 1.99 crore**

This includes lease rent amounting ₹ 72.50 lakh and Development Fund amounting to ₹ 91.90 lakh (totaling ₹ 1.64 crore) pertaining to the period 2008-09 received during the current year and accounted as current year Income.

The treatment of Income received in advance as current year Income resulted in overstatement of Profit for the year by ₹1.64 crore and understatement of Current Assets to that extent.

Madhya Pradesh Adivasi Vitta Avam Vikas Nigam Limited (2003-04)

➤ **Balance Sheet – Share Capital-Issued, Subscribed and Paid up Capital- ₹ 15.59 crore**

This includes ₹ 1.59 crore received from State Government towards Share Capital in 2003-04. As shares were allotted on 6 August, 2004, the amount

should have been shown as Share Application money instead of Issued, Subscribed and Paid-up Capital.

Dada Dhuni Wale Khandwa Power Limited (2010-11)

➤ **Capital Work in Progress- ₹ 22.92 lakh (Schedule-3)**

The above work does not include ₹ 35.54 crore towards estimated compensation and service charge for acquisition of 1000 acres of land for setting up 2x 800 MW thermal Power Project at Khandwa, the demand for which was raised by the sub-divisional magistrate and land acquisition officer on 23 February 2011 and payment for which was made on 9 June, 2011. This has resulted in under statement of CWIP under Land Acquisition and under statement of provision for Capital Liabilities by ₹ 35.54 crore.

Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited (2009-10)

➤ **Depreciation- ₹ 97.80 crore (Schedule-6)**

The Company charged Depreciation on the Fixed Assets for the year 2009-10 on straight-line method at the rates provided by the Central Government vide circular date 29-03-1994 contrary to the decision taken (26-03-2010) by the Board of Directors of the Company in their 39th meeting for charging the Depreciation as per the rates prescribed under the Companies Act, 1956. This has resulted in understatement of Depreciation and Loss by ₹ 16.25 crore and overstatement of Assets to that extent.

➤ **Purchase of Electricity Energy – ₹ 2763.19 crore (Schedule-17)**

This does not include an amount of ₹ 41.90 crore towards True Up Charges payable in respect of 2006-07 to Madhya Pradesh Power Trading Company Limited as per Annual Revenue Requirement (ARR) and Retail Tariff Determination of Madhya Pradesh Electricity Regulatory Commission for the year 2009-10.

Madhya Pradesh Road Development Corporation Limited (2009-10)

➤ **Earning Per Share (Basic)- ₹ 4.36**

As per clause 10, 11 and 12 of Accounting Standard-20 on “Earning Per Share” basic earning per share should be calculated by dividing the Net Profit or Loss for the period attributable to Equity Shareholders by the weighted average number of equity shares outstanding during the period. As per the Profit and Loss for the year ended 31 March 2010 profit attribute to equity shareholders worked out to ₹ 12,06,29,707/- and the weighted average number of shares 1,54,53,424. Thus basic earning works out to ₹ 7.81 per share, which is understated by ₹ 3.45 per share.

1.34 Similarly, three working Statutory corporations forwarded their four accounts to PAG during the period 2010-11 of these, one account of one Statutory corporation (Madhya Pradesh State Electricity Board) pertained to sole audit by CAG, which was under process. The remaining three accounts (one of Madhya Pradesh Financial Corporation and two of Madhya Pradesh Warehousing & Logistics Corporation) were selected for Supplementary audit. The reports of Statutory auditors and the Sole/Supplementary audit of CAG for three years from 2008-09 to 2010-11 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	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	113.83	1	2.24	----	----
2.	Increase in loss	1	1009.86	1	3.01	---	---
3.	Non-disclosure of material facts	--	--	1	65.00	----	----
4.	Errors of classification	1	8.78	1	18.32	1	38.39

The above table shows that during 2010-11 aggregate money value of audit comments relating to “Errors of classification” was ₹ 38.39 crore in 2010-11, as compared to ₹ 18.32 crore during 2009-10 in the said category.

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

Madhya Pradesh Financial Corporation, Indore (2010-11)

➤ **Balance Sheet-Other Liabilities and provisions: ₹ 42.60 crore**

In accordance with the terms of SFC Act, 1951, the Corporation had provided an amount of ₹ 38.89 crore towards Dividend in the books of accounts for the years 1990-91 to 1999-2000 but the same has not been disbursed so far. As per section 205C of the Companies Act, 1956, In case of Unpaid Dividend held by the Corporation for seven years from the date of declaration, the amount has to be credited to the Investors Education and Protection Fund. The Corporation has not done this.

This has resulted in overstatement of Other Liabilities (Dividend Payable) by ₹ 38.89 crore and understatement of Reserve and Surplus to that extent.

1.36 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 28 Companies for the year 2010-11 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	2	A-3, 34
2.	Absence of internal audit system commensurate with the nature and size of business of the Company	21	A-1,2,6,9,12,14, 16, 19, 20, 21, 22, 23,24, 29, 31,32,33, 40,42, B-2, C-5
3.	Non maintenance of cost record	3	A-26,31,33
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	17	A1,2,3,6,8,9,10,1 4,16,19,29,31,32, 39,41,42, C-5

Recoveries at the instance of audit

1.37 During the course of propriety audit in 2010-11, recoveries of ₹ 193.11 crore were pointed out to the Management of various PSUs which was also admitted by them. However, an amount of only ₹ 9.77 crore was recovered during the year 2010-11.

Status of placement of Separate Audit Reports

1.38 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	2009-10	2010-11	29.09.2011	Under process
2.	Madhya Pradesh Financial Corporation	2009-10	2010-11	30.09.11	No reply furnished.
3.	Madhya Pradesh State Electricity Board	2009-10	2010-11	Under process	-----
4.	Madhya Pradesh Road Transport Corporation	2005-06	2006-07 & 2007-08	13-04- 2009	No information furnished

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

1.39 The State Government did not undertake Disinvestments, Privatisation and Restructuring of any of the PSUs during 2010-11.