

CHAPTER-I

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 a commercial nature while keeping in view the public welfare. The State working PSUs registered a turnover of ₹ 59860.12 crore as per their latest audited accounts as of September 2014. The major activities of Madhya Pradesh PSUs are concentrated in the power sector. The working PSUs of the State incurred an overall loss of ₹ 5866.34 crore in the aggregate as per their latest audited accounts as of September 2014. They had employed 62420¹ employees as of 31 March 2014.

1.2 As on 31 March 2014, there were 67 PSUs (58 working and nine non-working) as per the details given in table no. 1.1. None of the companies was listed in any of the stock exchanges.

Table No. 1.1

Type of PSUs	Working PSUs	Non-working PSUs ²	Total
Government companies	55	9	64
Statutory corporations	3	Nil	3
Total	58	9	67

1.3 During the year 2013-14, three PSUs namely MP Plastic Park Development Corporation Limited, Pithampur Jal Prabandhan Company Limited and MP Jal Nigam Maryadit, were established.

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 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 Comptroller and Auditor General of India (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 CAG as per the provisions of Section 619 (4) of the Companies Act, 1956.

¹ As per the details provided by 43 working PSUs. The remaining 15 working PSUs did not furnish the details.

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

1.6 Audit of Statutory corporations is governed by their respective legislations³. Out of three statutory corporations, CAG is the sole auditor for Madhya Pradesh Road Transport Corporation (MPRTC). In respect of Madhya Pradesh Warehousing and Logistics Corporation (MPWLC) and Madhya Pradesh Financial Corporation (MPFC) the audit is conducted by Chartered Accountants and supplementary audit is done by CAG.

Investment in State PSUs

1.7 As on 31 March 2014, the investment in 67 PSUs was ₹ 54206.15 crore as per details given in the table no. 1.2:

Table No. 1.2 (₹ in crore)

Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	18642.03	33353.89	51995.92	516.01	1500.21	2016.22	54012.14
Non-working PSUs	59.57	134.44	194.01	--	--	--	194.01
Total	18701.60	33488.33	52189.93	516.01	1500.21	2016.22	54206.15

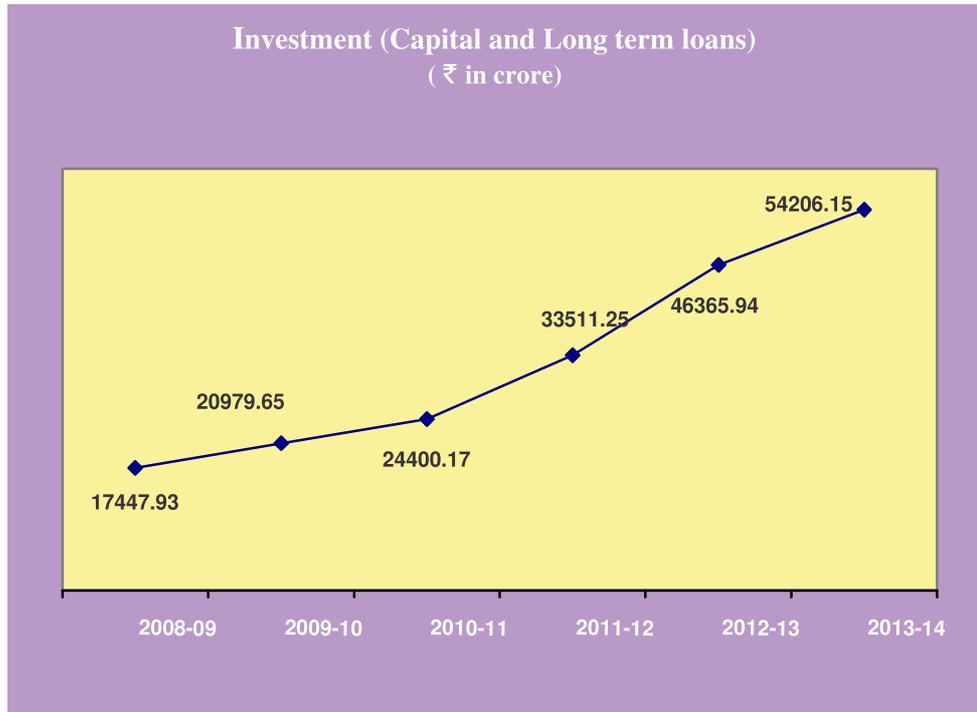
(Source: Information as furnished by the PSUs)

A summarized position of Government investment in State PSUs is detailed in **Annexure 1.1**.

1.8 As on 31 March 2014, of the total investment in State PSUs, 99.64 per cent was in working PSUs and the remaining 0.36 per cent in non-working PSUs. This total investment consisted of 35.45 per cent towards Capital and 64.55 per cent in Long-term loans. The investment has grown by 210.67 per cent from ₹ 17447.93 crore in 2008-09 to ₹ 54206.15 crore in 2013-14 as shown in the chart no. 1.1.

³ MPRTC: Road Transport Corporations Act, 1950; MPWLC: Warehousing Corporations Act, 1962; MPFC: State Financial Corporations Act, 1951.

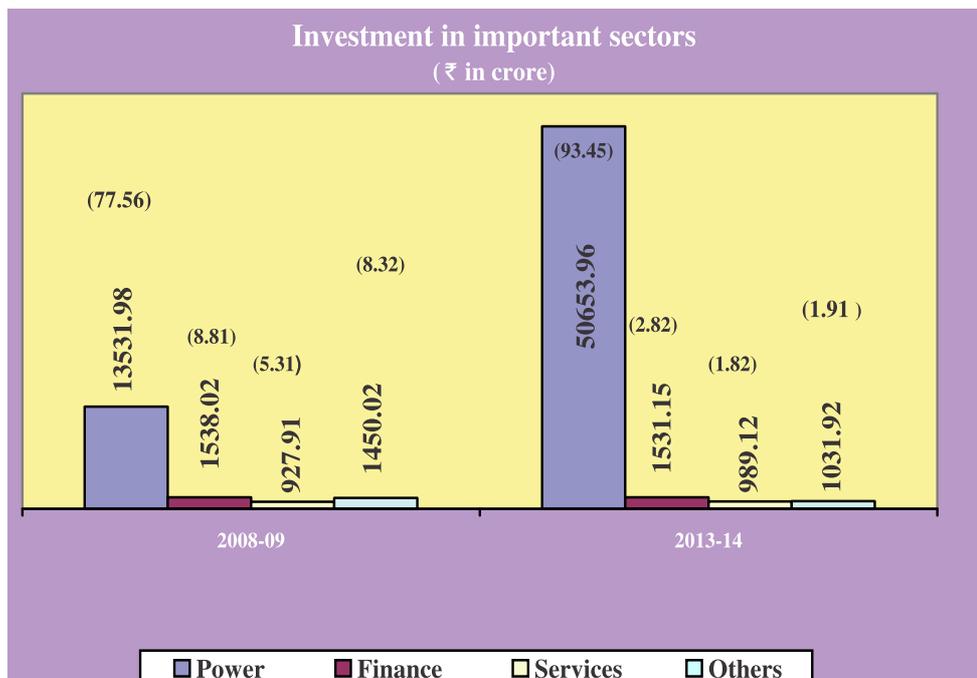
Chart No. 1.1



(Source: Information as furnished by the PSUs)

1.9 The investment in various important sectors and percentage thereof to total investment at the end of 31 March 2009 and 31 March 2014 are indicated in the chart no. 1.2.

Chart No. 1.2



(Figures in brackets show percentage of total investment)

The thrust of PSUs investment was mainly in the power sector which increased from ₹ 13531.98 crore in 2008-09 to ₹ 50653.96 crore during 2013-14. The Government investment increased in the power and service sector while it decreased in finance and other sectors during 2013-14 in comparison to 2008-09.

Budgetary outgo towards Equity, Grants/Subsidies, Guarantees and Loans

1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued and loans converted into equity in respect of State PSUs are given in *Annexure 1.2*. The summarised details are given in the table no. 1.3 for the three years ended 2013-14.

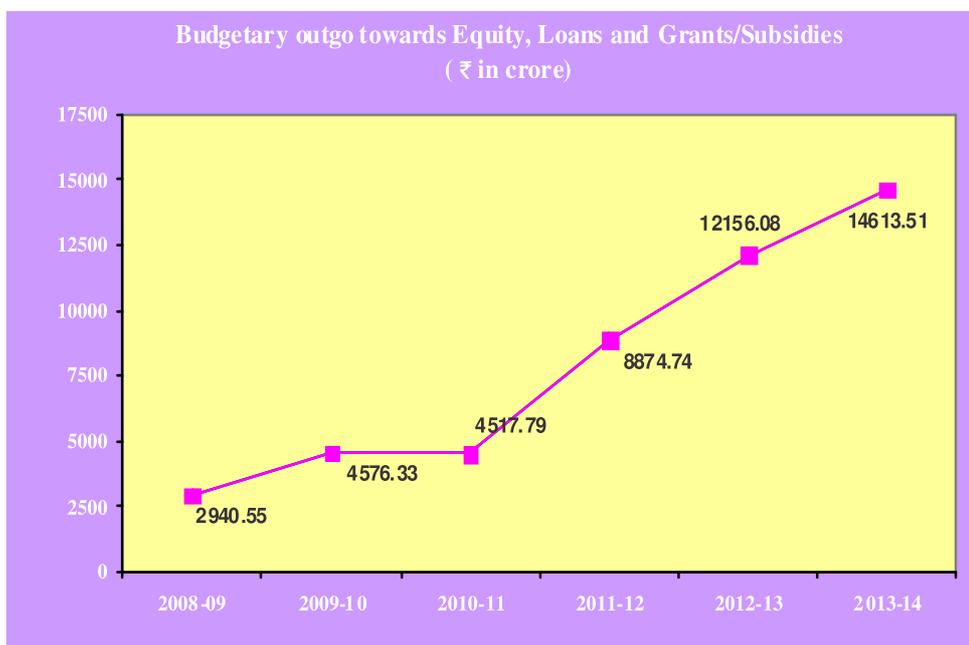
Table no. 1.3

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)
1.	Equity Capital outgo from budget	9	1147.38	9	1418.65	6	1544.67
2.	Loans given from budget	6	1745.99	4	2148.50	6	3786.50
3.	Grants/Subsidy received	18	5981.37	18	8588.93	22	9282.34
4.	Total Outgo (1+2+3)		8874.74		12156.08		14613.51
5.	Loans converted into equity	--	--	--	--	--	--
6.	Guarantees issued	8	2429.15	7	5303.11	8	6528.32
7.	Guarantee Commitment	7	3259.42	8	4815.88	9	7873.52

(Source: Information as furnished by the PSUs)

1.11 The details regarding budgetary outgo towards equity, loans and grants/subsidies for the past six years are given in the chart no. 1.3

Chart No. 1.3



(Source: Information as furnished by the PSUs)

The budgetary outgo towards equity, loans and grants/subsidies has increased from ₹ 12156.08 crore in 2012-13 to ₹ 14613.51 crore in 2013-14 due to increase in equity in 6 PSUs⁴, increase in loans in 6 PSUs⁵ and increase in grants/subsidies in 22 PSUs⁶.

1.12 The PSUs are liable to pay guarantee commission (GC) at 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 State Government at the end of 2013-14 was ₹ 7873.52 crore in respect of nine⁷ PSUs against which the GC of ₹ 68.21 crore was payable as on 31 March 2014. Only four⁸ PSUs had paid the GC to the extent of ₹ 6.05 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 concerned PSUs should carry out reconciliation. The position in this regard as at 31 March 2014 is stated in the table no. 1.4:

⁴ S. No. A-8, 9, 19, 20, 26 & B-2 of Annexure-1.2

⁵ S. No. A-10, 15, 16, 17, 18 & B-1 of Annexure-1.2

⁶ S. No. A-1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12,13, 14, 16,17,18, 21, 22, 23,24 and 26 of Annexure-1.2

⁷ S. No. A-8, 15, 16, 17, 18, 19, 20, 23, and B-2 of Annexure-1.2

⁸ S. No. A-15, A-19, A-20 and B-2 of Annexure-1.3

Table no. 1.4

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	4160.69	13283.39	9122.70
Loans	30686.33	20859.27	9827.06
Guarantees	8115.21	7873.52	241.69

(Source: Finance Accounts 2013-14 and the information as furnished by the PSUs)

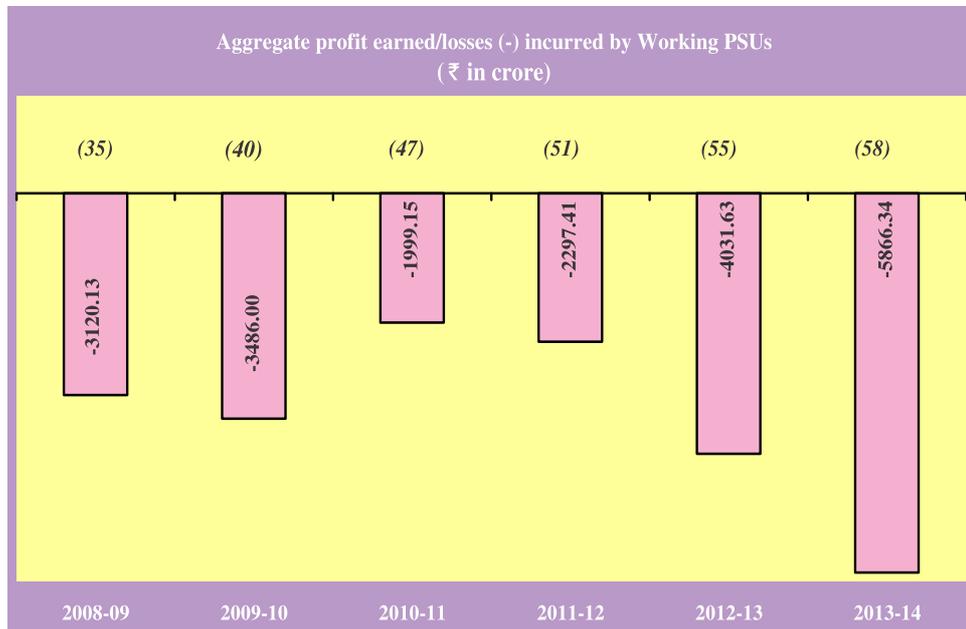
1.14 We observed that the difference occurred in respect of 27 PSUs. In order to reconcile the discrepancy in figures of investment on equity and loans made by State Government in Government companies/corporations, we had taken up the matter (November 2014) with the heads of all the concerned PSUs for 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 of Statutory corporations and working results of Statutory corporations are detailed in *Annexure 1.3, 1.4 and 1.5* respectively.

1.16 The aggregate profit earned/ losses incurred by State working PSUs during the period 2008-09 to 2013-14 as per latest audited accounts are given in the chart no. 1.4:

Chart No. 1.4



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

State working PSUs incurred losses of ₹ 5866.34 crore as per latest audited accounts, Out of 58 working PSUs, 27 PSUs earned total profit of ₹ 349.95 crore while six⁹ PSUs neither earned profit nor incurred losses and 20 PSUs

⁹ A-19, 23, 31, 38, 41 and 51 of Annexure-1.1

incurred loss of ₹ 6216.29 crore. Five¹⁰ PSUs did not furnish their first accounts. The major contributors to profit were Madhya Pradesh State Mining Corporation Limited (₹ 62.42 crore), Madhya Pradesh Rajya Van Vikas Nigam Limited (₹ 51.41 crore), Madhya Pradesh State Agro Industries Development Corporation Limited (₹ 46.27 crore), Madhya Pradesh Warehousing & Logistics Corporation (₹ 46.16 crore) and Madhya Pradesh Laghu Udyog Nigam (₹ 23.96 crore), The major contributors to losses were Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 2113.02 crore) , Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (₹ 1887.15 crore), Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (₹ 1810.95 crore) and Madhya Pradesh Power Generating Company Limited (₹ 385.75 crore).

1.17 A review of the latest three years Audit Reports of CAG shows that the State PSUs incurred controllable losses to the tune of ₹ 619.14 crore and infructuous Investment of ₹ 294.92 crore which were controllable with better management as indicated in the table no. 1.5 :

Table no. 1.5 (₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
Net Profit (loss)	(2297.41)	(4031.63)	(5866.34)	(12195.38)
Controllable losses as per CAG's Audit Report	27.35	458.22	133.57	619.14
Infructuous Investment	180.29	62.97	51.66	294.92

1.18 The State Government had formulated (July 2005) a dividend policy for payment of minimum dividend of 20 *per cent* on profit after tax. As per their latest audited accounts as on 30 September 2014, 27 PSUs earned a total profit of ₹ 349.95 crore but only six¹¹ PSUs declared a dividend of ₹ 8.55 crore and the remaining 21 profit making PSUs did not declare any dividend.

Arrears in finalisation of accounts

1.19 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 no. 1.6 provides the details of working PSUs and the status of finalisation of accounts by September 2014.

¹⁰ A-9,16, 50, 53,54 of Annexure-1.1

¹¹ A-15, 20, 27, 43, 45 and B-1 of Annexure 1.1

Table no. 1.6

Sl. No	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1	Number of working PSUs	47	51	55	55	58
2.	Number of accounts finalised during the year	49	59	50	49	47*
3.	Number of accounts in arrears	66	58	63	64	84
4.	Average arrears per PSU (3/1)	1.40	1.14	1.15	1.16	1.44
5.	Number of working PSUs with arrears in accounts	33	26	26	25	32
6.	Extent of arrears	1 to 8 years	1 to 7 years	1 to 8 years	1 to 9 years	1 to 10 years

(Source: Information as furnished by the PSUs)

1.20 The number of accounts in arrear decreased upto the year 2010-11 thereafter it had increased gradually upto the year 2013-14. During the year 2013-14, 47 accounts were finalised in respect of 58 working PSU's and arrear stood at 84.

1.21 In addition to the above, there were arrears in finalisation of accounts by non-working PSUs. Out of nine non-working PSUs, seven¹² had gone into liquidation. Arrears of accounts in respect of the remaining two¹³ non-working PSUs ranged from two to six years.

1.22 The State Government had invested ₹ 1342.14 crore (Equity: ₹ 38.93 crore, Loan: 99.10, Subsidy: ₹ 1040.96 crore and Grants: ₹ 163.15 crore) in 16 PSUs during the years for which accounts have not been finalised as detailed in *Annexure 1.6*. 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 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.

1.23 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 finalisation of accounts on a quarterly basis by Audit and the matter was taken up in November 2014 with the Chief Secretary/ Principal Secretary Finance, no remedial measures were taken.

* Includes 43 accounts of working PSU's and 04 accounts of two statutory corporations (MP Warehousing & logistic corp. & MP Financial corporation)

¹² Madhya Pradesh Lift Irrigation Corporation Ltd; Madhya Pradesh State Dairy Development Corporation Ltd; Madhya Pradesh Film Development Corporation Ltd; Madhya Pradesh Panchayati Raj Vitt Evam Gramin Vikas Nigam Ltd; Madhya Pradesh Rajya Setu Nirman Nigam Ltd; Optel Telecommunication Ltd and Madhya Pradesh Vidyut Yantra Ltd.

¹³ Madhya Pradesh State Industries Corporation Ltd and Madhya Pradesh State Textile Corporation Ltd.

1.24 In view of the above state of arrears, it is recommended that the Government should monitor and ensure timely finalisation of accounts in compliance with the provisions of the Companies Act, 1956.

Winding up of non-working PSUs

1.25 There were nine non-working PSUs as on 31 March 2014. Of these, seven PSUs have commenced the process of winding up.

1.26 During the year 2013-14, no companies/corporations have concluded the process of winding up. The stages¹⁴ of closure in respect of non-working PSUs are given in table no. 1.7:

Table No. 1.7

Sl. No.	Particulars	Companies
1.	Total No. of non-working PSUs	9
2.	Of (1) above, the number of PSUs as under:	
(a)	voluntary winding up (liquidator appointed)	7 ¹⁵
(b)	Closure, i.e. closing orders/ instruction issued but liquidation process not yet started.	2 ¹⁶

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

Comments on Accounts

1.28 During the period October 2013 to September 2014, 39 working companies forwarded their 43 audited accounts. Of these, 28 accounts of 24 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 is stated in the table no. 1.8:

¹⁴ Adopted from Audit Report 2012-13, as no conclusive information was furnished by the Companies

¹⁵ Madhya Pradesh Lift Irrigation Corporation Ltd; Madhya Pradesh State Dairy Development Corporation Ltd; Madhya Pradesh Film Development Corporation Ltd; Madhya Pradesh Panchayati Raj Vitt Evam Gramin Vikas Nigam Ltd; Madhya Pradesh Rajya Setu Nirman Nigam Ltd; Optel Telecommunication Ltd; Madhya Pradesh Vidyut Yantra Ltd.

¹⁶ Madhya Pradesh State Industries Corporation Ltd and Madhya Pradesh State Textile Corporation Ltd.

Table no. 1.8

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)
1.	Decrease in profit	8	463.78	3	8.39	2	15.87
2.	Increase in loss	4	40.45	2	52.16	3	181.06
3.	Non-disclosure of material facts	2	107.32	2	697.28	6	110.63
4.	Errors of classification	5	176.33	2	2548.36	10	234.26

(Source: Statutory Auditors Reports & CAG comments)

The above table shows the aggregate money value of comments of the Statutory Auditors and the CAG, which has significant effect on profitability of PSUs.

1.29 During the year, the Statutory Auditors had given qualified certificates for all the accounts of working companies. Additionally, CAG issued comments on sixteen accounts during the supplementary audit. The compliance with the Accounting Standards remained poor as there were 46 instances of non-compliance with Accounting Standards (AS) issued by the Institute of Chartered Accountants of India in 11 accounts during the year.

1.30 Some of the important comments of CAG in respect of accounts of Companies are stated below:

Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (2013-14)

- Loss for the year was understated by ₹ 11.68 crore due to non-accounting of depreciation on the assets capitalised during the year 2013-14 but commissioned in earlier years.
- Other income and Capital work-in-Progress were understated by ₹ 16.23 crore and Other Liabilities and loss overstated to the same extent due to inclusion of interest earned on fixed deposits on unutilised scheme funds, penal interest on mobilization advance and material advances relating to schemes.
- Power Purchase cost understated due to non inclusion of supplementary energy bills raised during the financial year 2014-15 for ₹ 44.98 crore pertaining to the period prior to financial year 2014-15. Which resulted in understatement of loss for the year by ₹ 44.98 crore.

Madhya Pradesh Power Management Company Limited (2013-14)

- Non creation of provision towards doubtful debts in respect of Shri Maheshwar Hydrel Power Corporation Limited resulted in understatement of amounts receivables from Discoms and provision towards doubtful debts by ₹ 12.76 crore.

Madhya Pradesh Power Transmission Company Limited (2013-14)

- Current Liabilities understated by ₹ 8.94 crore being liability against price variance on material supplied during the year 2013-14 which was paid during the year 2014-15. This had resulted in understatement of Current Liabilities by ₹ 8.94 crore and understatement of Capital Work in Progress to the same extent.
- Non-provision for the Dearness Allowance, increment on pensions under Terminal Benefit Cost has resulted in understatement of Terminal benefit cost and understatement of Losses for the year by ₹ 9.59 crore as well as understatement of Current Liabilities to the same extent.
- The Company included finance charges of ₹ 2.66 crore relating to capital works. Which resulted in overstatement of Finance charges and losses for the year by ₹ 2.66 crore as well as understatement of Capital Work-in-progress to the same extent.

Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (2013-14)

- Other Income includes ₹ 19.02 crore being ₹ 7.77 crore as interest on fixed deposit earned on unutilised funds and ₹ 11.25 crore recovered on encashment of Bank Guarantee and levy of liquidated damages during execution of RAPDRP scheme which resulted in over statement of other income and Capital work-in-progress by ₹ 19.02 crore as well as understatement of Other Current Liabilities and loss to that extent.
- Non provision for interest cost of ₹ 6.55 crore on Government subsidy towards the interest payable to the Ministry of Power, Government of India, for the interest earned on the unutilised portion of the subsidy received for RGGVY Scheme resulted in understatement of finance cost and current liabilities by ₹ 6.55 crore. Consequently, Loss for the year was also understated by ₹ 6.55 crore.
- The Company in violation of AS-16 booked interest on loans relating to Capital works as revenue expenditure which resulted in understatement of expenses capitalized and overstatement of interest charged to statement of profit and loss and understatement of Capital work-in-progress by ₹ 35.86 crore. Consequently loss for the year was overstated by ₹ 35.86 crore.
- Non Capitalisation of assets in the year of commission i.e. prior to 2013-14 resulted in understatement of Depreciation & amortization expenses and prior period expenses by ₹ 6.47 crore each and overstatement of tangible assets by ₹ 12.94 crore. Consequently, Loss for the period was understated by ₹ 12.94 crore.
- The Write Off & Provision for Bad & Doubtful Debts and loss for the year were understated by ₹ 11.91 crore due to :
 - (i) Non provision of ₹ 4.45 crore towards the Long Term and Short Term Loans given to Rural Electrification co-operative societies. (RE Society).
 - (ii) Decline in the carrying amounts by ₹ 4.61 crore of long term investments in RE Society which were not quoted and under liquidation.

(iii) Dues of ₹ 2.85 crore recoverable from Water Resource Department for which the company had taken decision in its 59th Board meeting to write off the delayed/non-payment surcharge for the period prior to 31 March 2012.

Madhya Pradesh Pashchim Kshetra Vidyut Vitaran Company Limited (2013-14)

- The other income was overstated by ₹ 25.23 crore due to account for interest earned on surplus scheme funds and encashment of Bank Guarantee of contractors due to non-execution of works by them as its own income. This had resulted in understatement of loss for the year and overstatement of Capital work-in-progress by ₹ 25.23 crore.

Sant Ravidas Madhya Pradesh Hastashilp Evam Hathkargha Vikas Nigam Limited (2012-13)

- Provision for gratuity was understated by ₹ 54 lakh due to short provision for amount payable to Life Insurance Corporation of India. This had resulted in understatement of Provision for Current Liabilities with consequential overstatement of profit by ₹ 54 lakh.

Madhya Pradesh State Electronics Development Limited (2012-13)

- Non-Capitalisation of fixed assets commissioned in October 2012 had resulted in overstatement of Capital Works-in-Progress and understatement of Fixed Assets to the extent of ₹ 12.41 crore and non-provision of depreciation on fixed assets.

Madhya Pradesh Rajya Van Vikas Nigam Limited (2012-13)

- Non provision for Income Tax demands for the assessment year 2008-09 to 2011-12 of ₹ 74.89 crore despite Board's decision had resulted in understatement of Income tax provision and over statement of amount receivable from Forest Department by ₹ 74.89 crore.

- Non provision of ₹ 4.50 crore being the amount of 6th Pay Commission arrears of 3rd installment payable in July 2013 had resulted in understatement of short term provisions by ₹ 4.50 crore, Net expenses of Forest Department by ₹ 3.98 crore and regeneration expenditure by ₹ 38.80 lakh. Consequently Profit was over stated by ₹ 12.93 lakh.

Comments on Accounts of Statutory Corporations

1.31 During the year 2013-14 two Statutory Corporations i.e. Madhya Pradesh Warehousing and Logistic Corporation and Madhya Pradesh Financial Corporation forwarded four accounts. The details of aggregate money value of comments of Statutory Auditors and CAG is stated in the *table no. 1.9*:

Table no. 1.9

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)
1.	Decrease in profit	--	--	--	--	2	8.80
2.	Increase in loss	--	--	--	--	--	--
3.	Non-disclosure of material facts	--	--	--	--	--	--
4.	Errors of classification	--	--	--	--	2	23.60

(Source: Statutory Auditors Reports & CAG comments)

1.32 Important comments of CAG in respect of accounts of Madhya Pradesh Financial Corporation are stated below:

Madhya Pradesh Finance Corporation

2012-13

- The Corporation in variance to SIDBI proforma on financial statements included ₹ 3.48 crore (₹ 87.65 lakh processing fee and ₹ 2.60 crore Upfront fees) as Income from operation instead of Other Income which resulted in overstatement of Income from operations and understatement of other income by ₹ 3.48 crore.

2013-14

- Non-disclosure of Non Performing Assets (NPA) as per agreement between the corporation and the State government resulted in understatement of Liabilities & Provisions and other Assets by ₹ 18.90 crore.
- During 2011-12, the corporation made provision for NPA amounting ₹ 3.01 crore and adjusted from Re-structuring Reserve accounts, whereas in 2012-13 and 2013-14, the Corporation adopted different practice and debited NPA provision amount of ₹ 2.03 crore and ₹ 4.74 crore to the Profit & Loss account instead of adjusting it to Re-structuring Reserve account. This had resulted in understatement of Profit for the year by ₹ 6.77 crore with corresponding overstatement of Restructuring Reserve account by similar amount.

Comments on Internal Control

1.33 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 15 Companies during the year 2013-14 are given in the *table no. 1.10* :

Table no. 1.10

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.	Absence of Internal Audit system commensurate with the nature of business and size of the Company	12	A-4, A-6, A-22, A-23, A-24, A-25, A-27, A-29, A-33, A-35, A-47 and B-2
2.	Non maintenance of cost record	3	A-32, A-33 and 36
3.	Non maintenance of proper records showing full particulars including quantitative details, location, identification number, date of acquisitions, depreciated value of fixed assets.	3	A-4, A-34, and A-36

(Source: Statutory Auditors Reports)

Recoveries at the instance of audit

1.34 During the course of audit in 2013-14, recoveries of ₹ 27.94 crore were pointed out to the Management of various PSUs of which a sum of ₹ 26.09 crore was admitted by 9¹⁷ PSUs. However, three¹⁸ PSUs made recovery of ₹ 4.12 crore only during the year 2013-14 in respect of this year and earlier years.

Status of placement of Separate Audit Reports

1.35 The table no. 1.11 shows the status of placement of Separate Audit Reports (SARs) issued by CAG on the accounts of Statutory corporations in the State Legislature.

Table no. 1.11

Sl. No.	Name of Statutory corporation	Year for which SARs placed in Legislature		
		Year of SAR	Date of issue to the Government	Date of placement in Legislature
1.	Madhya Pradesh Warehousing and Logistics Corporation	2012-13	30 January 2014	15 July 2014
2.	Madhya Pradesh Financial Corporation	2012-13	19 May 2014	4 July 2014

1.36 The Madhya Pradesh Road Transport Corporation (MPRTC) had not placed the SARs in the State Legislature for the years 2006-07 and 2007-08 which were issued on 13 April 2009. No reasons for non placement were furnished by the MPRTC. Delay in placement of SARs weakens the legislative control over Statutory corporation and dilutes the latter's financial accountability. The Government should ensure prompt placement of the SARs in the legislature(s).

¹⁷ A-4, 6, 7, 8, 34, 35, 36, 42, 44 of Annexure 1.1

¹⁸ A-7, 8 and 33 of Annexure 1.1

Disinvestment, Privatisation and Restructuring of PSUs

1.37 The State Government did not undertake disinvestment and privatisation of the PSUs during 2013-14. However, the Indore City Transport Services Limited has been renamed as Atal Indore City Transport Services Limited and Madhya Pradesh Audyogik Kendra Vikas Nigam (Bhopal) Limited renamed as Madhya Pradesh Audyogik Kendra Vikas Nigam (Bhopal).

