

CHAPTER - I

1. Functioning 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 keeping in view the welfare of people and also occupy an important place in the State economy. As on 31 March 2015, in Madhya Pradesh there were 67 PSUs as detailed in *Annexure – 1.1*. None of these PSUs was listed in any of the stock exchanges. During the year 2014-15, no PSU was incorporated and no PSU was closed down. The details of the State PSUs in Madhya Pradesh as on 31 March 2015 are given in **Table -1.1**.

Table 1.1: Total number of PSUs as on 31 March 2015

Type of PSUs	Working PSUs	Non-working PSUs ¹	Total
Government Companies ²	55	09	64
Statutory Corporations ³	03	-	03
Total	58	09	67

There were 58 working PSUs (including three Statutory corporations) as of 31 March 2015. These working PSUs registered a turnover of ₹ 61264.36 crore as per their latest finalised accounts as of September 2015. This turnover was equal to 12.06 *per cent* of State Gross Domestic Product (GDP) for 2014-15. The working PSUs incurred aggregate loss of ₹ 6281.87 crore as per their latest finalised accounts as of September 2015. They had employed 64823 employees as at the end of March 2015. State PSUs does not include the Madhya Pradesh Electricity Regulatory Commission (MPERC), an autonomous body, of which the Comptroller and Auditor General of India (CAG) is the sole auditor.

As on 31 March 2015, there were nine non-working PSUs existing from 5 to 25 years and having investment of ₹ 192.03 crore. This is a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

Accountability framework

1.2 The process of audit of Government companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, “Government Company” means any company in which not less than fifty one per cent of the paid-up share capital is held by the

¹ Non-working PSUs are those which have ceased to carry on their operation.

² Government Companies include other Companies referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013.

³ M.P. State Road Transport Corporation, M.P. Warehousing Logistics Corporation and M. P. Financial Corporation

Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary company of such a Government company.

Further, as per sub-Section 7 of Section 143 of the Act, the C&AG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

1.3 The financial statements of the Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 139 (5) or (7) of the Act which shall submit a copy of the Audit Report to the C&AG which, among other things, including financial statements of the Company under Section 143(5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Audit of Statutory Corporations is governed by their respective legislations⁴. Out of three Statutory Corporations, CAG is the sole auditor for Madhya Pradesh State Road Transport Corporation. In respect of Madhya Pradesh State Warehousing and Logistics Corporation and Madhya Pradesh Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies and Separate Audit Reports in case of Statutory corporations are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

⁴ MPRTC: Road Transport Corporation Act, 1950 ; MPWLC: Warehousing Corporation Act, 1962; MPFC: State Financial Corporation Act, 1951

Stake of Government of Madhya Pradesh

1.5 The State Government has huge financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2015, the investment (capital and long-term loans) in 67 State PSUs was ₹ 56997.43 crore as detailed in **Table 1.2**.

Table 1.2: Total investment in PSUs

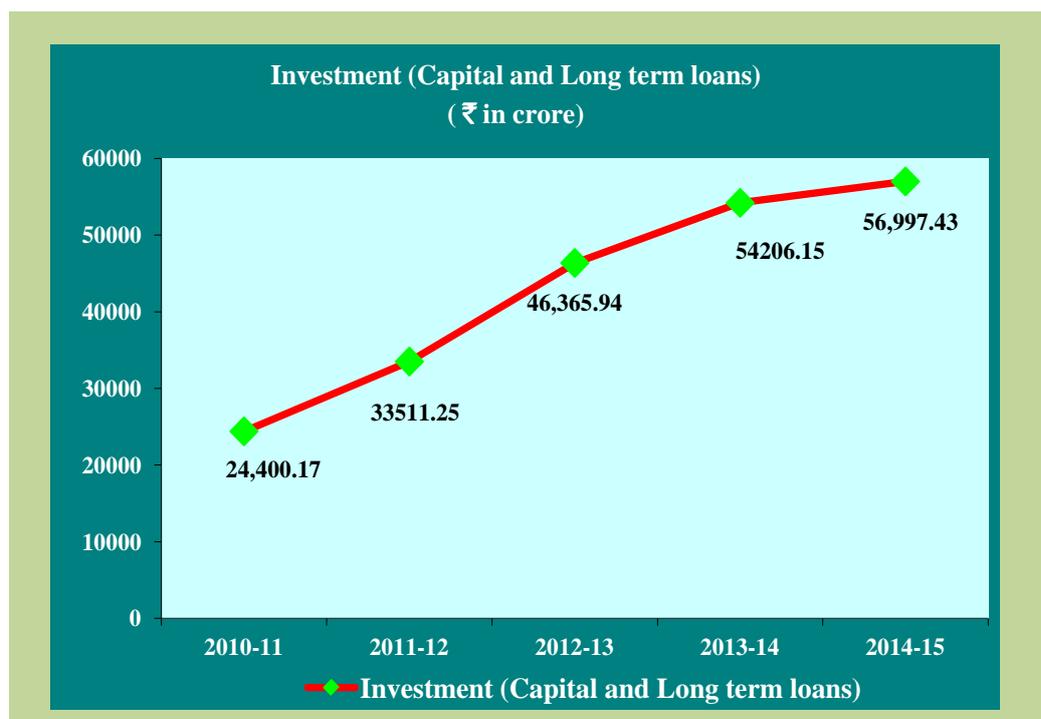
(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	19239.91	35270.25	54510.16	521.01	1774.23	2295.24	56805.40
Non-working PSUs	57.59	134.44	192.03	--	--	--	192.03
Total	19297.5	35404.69	54702.19	521.01	1774.23	2295.24	56997.43

(Source: Data compiled from the information furnished by the PSUs)

As on 31 March 2015 of the total investment in State PSUs, 99.66 per cent was in working PSUs and the remaining 0.34 per cent in non-working PSUs. This total investment consisted of 34.77 per cent towards capital and 65.23 per cent in long-term loans. The investment has grown by 133.59 per cent from ₹ 24400.17 crore in 2010-11 to ₹ 56997.43 crore in 2014-15 as shown in **Chart-1.1**.

Chart 1.1: Total investment in PSUs



(Source: Data compiled from the information furnished by the PSUs)

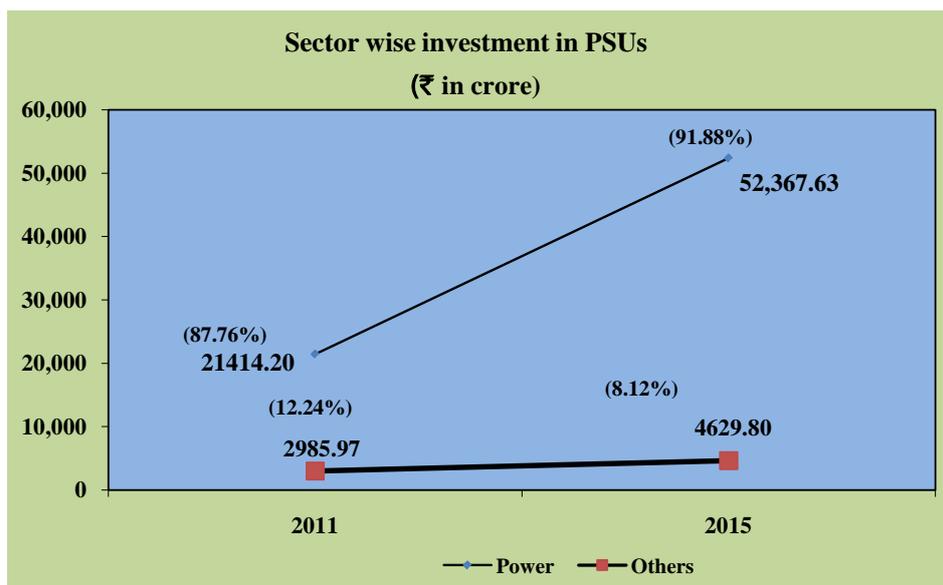
1.7 The sector wise summary of investments in the State PSUs as on 31 March 2015 is given **Table 1.3**.

Table 1.3: Sector-wise investment in PSUs

Name of Sector	Government/ Other companies		Statutory corporations	Total	Total Investment (₹ in crore)
	Working	Non-Working	Working		
Power	11	00	0	11	52367.63
Manufacturing	14	03	0	17	530.06
Finance	11	02	01	14	1926.27
Service	14	00	01	15	1733.57
Infrastructure	03	02	0	05	208.96
Agriculture & Allied	02	02	01	05	230.94
Total	55	09	03	67	56997.43

(Source: Data compiled from the information furnished by the PSUs)

The investment in two significant sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 are indicated below in the **Chart-1.2**. The thrust of PSUs investment was mainly in Power sector which increased from ₹ 21414.20 crore in 2010-11 to ₹ 52367.63 crore in 2014-15.

Chart 1.2: Sector wise investment in PSUs

(Figures in brackets show percentage of total investment)

During the past five years the investment in this sector is showing an increasing trend. It grew by 144.55 per cent during 2010-11 to 2014-15 mainly due to investment made by the Government in the form of equity/loans and loans obtained by Power sector PSUs from Power Finance Corporation / Rural Electrification Corporation Limited for their new projects and up-gradation works.

1.8 The State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and interest waived in respect of State PSUs are given in **Table 1.4** for three years ended 2014-15.

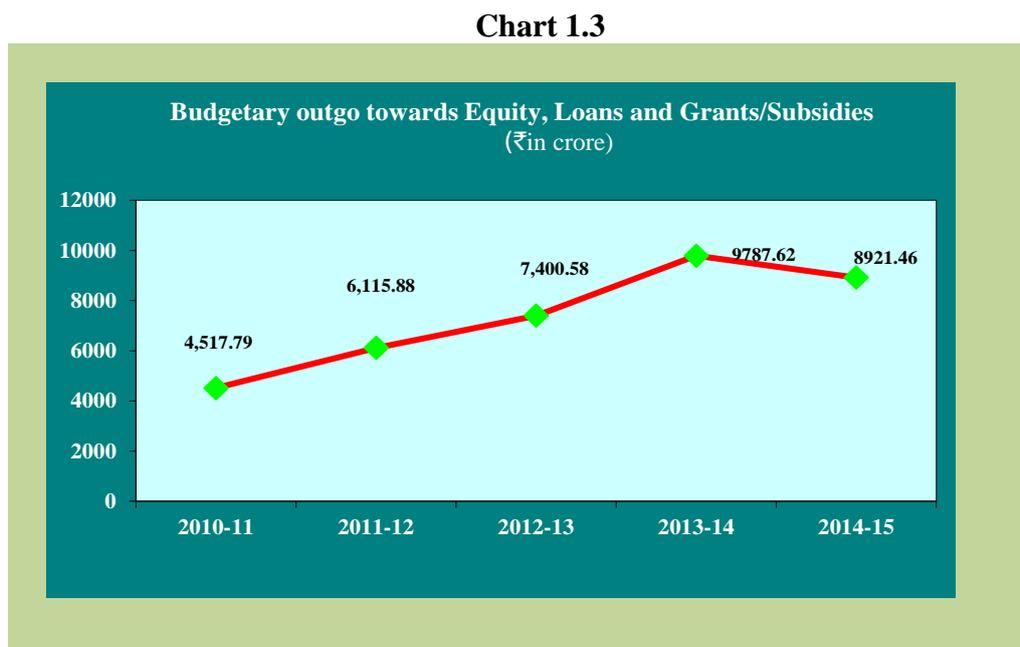
Table 1.4: Details regarding budgetary support to PSUs

Sl. No.	Particulars	(₹ in crore)					
		2012-13		2013-14		2014-15	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	09	1418.65	06	1544.67	08	803.10
2.	Loans given from budget	04	2148.50	06	3786.50	05	2060.14
3.	Grants/Subsidy from budget	15	3833.43	18	4456.45	15	6058.22
4.	Total Outgo (1+2+3)	-	7400.58	-	9787.62	--	8921.46
5.	Waiver of loans and interest	--	--	--	--	01	1379.23
6.	Guarantees issued	07	5303.11	08	6528.32	10	3311.27
7.	Guarantee Commitment	08	4815.88	09	7873.52	10	8958.90

(Source: Data compiled from the information furnished by the PSUs)

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in **Chart 1.3**.

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



(Source: Data compiled from the information furnished by the PSUs)

The Budgetary outgo towards equity, Loans and Grants/Subsidies has decreased from ₹ 9787.62 crore in 2013-14 to ₹ 8921.46 crore in 2014-15. The budgetary outgo of ₹ 8921.46 crore during 2014-15 included support of ₹ 7743.16 crore extended to four PSUs viz. ₹ 2716.58 crore to Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited, ₹ 1487.21 crore to Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited, ₹ 1906.12 crore to Madhya Pradesh Pashchim Kshetra Vidyut Vitaran Company Limited and ₹ 1633.25 crore to Madhya Pradesh State Civil Supplies Corporation Limited by way of Equity, Loan, Subsidy and Grants.

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee under Madhya Pradesh State Guarantee Rules 2009 subject to the limits prescribed by the Constitution of India, for which the guarantee fee is being charged. This fee varies from 0.50 *per cent* to one *per cent* as decided by the State Government depending upon the loanees. The guarantee commitment increased from ₹ 4815.88 crore in 2012-13 to ₹ 8958.90 crore in 2014-15. Further, three PSUs paid guarantee fee to the tune of ₹ 4.36 crore during 2014-15. There were six PSUs which did not pay guarantee fees/commission during the year and accumulated/outstanding guarantee fees/commission there against was ₹ 170.45 crore (as on 31 March 2015).

Reconciliation with Finance Accounts

1.9 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 2015 is stated in **Table 1.5**.

Table 1.5: Equity, loans, guarantees outstanding as per finance accounts vis a vis records of PSUs

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	4511.22	16291.87	11780.65
Loans	15017.39	24692.41	9675.02
Guarantees	15676.62	8958.90	6717.72

(Source: Finance Accounts 2014-15 and the Information as furnished by the PSUs)

We observed that the differences occurred in respect of 38 PSUs and some of the differences were pending reconciliation for more than five years. Though the differences between the amount reflected in the Finance Accounts and as per the records of the PSUs were reported in the Audit Report of earlier years, no corrective action was taken by the State Government. The Government and PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e. by September end in accordance with the provisions of Section 96 (1) of the Companies Act 2013. Failure to do so may attract penal provisions under Section 99 of the 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 1.6** provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2015.

Table 1.6: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of Working PSUs/other companies	51	55	55	58	58
2.	Number of accounts finalised during the year	59	50	49	47	59
3.	Number of accounts in arrears	58	63	64	84	77
4.	Number of Working PSUs with arrears in accounts	26	26	25	32	36
5.	Extent of arrears (numbers in years)	1-7	1-8	1-9	1-10	1-11

It can be observed that the number of accounts in arrears of working PSUs has increased from 58 (2010-11) to 77 (2014-15). The arrear accounts include 69 accounts of Government Companies for the period ranging from one to 11 years and accounts of two Statutory Corporations i.e. Madhya Pradesh Ware Housing and Logistics Corporation for one year and Madhya Pradesh State Transport Corporation for seven years.

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 stipulated period. Though the concerned Department/Ministry were informed of the regularly (February 2015 and November 2015). However, no improvement has been noticed and the arrears have increased.

1.11 The State Government had invested ₹ 2630.52 crore in 13 PSUs {equity: ₹ 269.53 crore (five PSUs), loans: ₹ 1897.63 crore (five PSUs) and grants ₹ 463.36 crore (10 PSUs)} during the years for which accounts have not been finalised as detailed in *Annexure-1.2*. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of State Legislature.

1.12 In addition to above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working PSUs. Out of nine non-working PSUs seven⁵ were in the process of liquidation. Arrears of accounts in respect of remaining two non-working PSUs ranged from three to seven years.

Table 1.7: Position relating to arrears of accounts in respect of non-working PSUs

Name of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
Madhya Pradesh State Textile Corporation Limited	2008-09	07
Madhya Pradesh State Industries Corporation Limited	2012-13	03

Placement of Separate Audit Reports

1.13 The position depicted in **Table 1.8** shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2015) on the accounts of Statutory Corporations in the Legislature.

⁵ Madhya Pradesh Lift Irrigation Corporation Ltd, Madhya Pradesh 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.

Table 1.8: Status of placement of SARs in Legislature

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/Present Status
1	Madhya Pradesh Warehousing and Logistics Corporation Limited	2013-14	2014-15	Accounts not finalised
2	Madhya Pradesh State Road Transport Corporation Limited	2007-08	2008-09	Accounts not finalised
3	Madhya Pradesh Financial Corporation Limited	2013-14	2014-15	02 November 2014

Impact of non-finalisation of accounts

1.14 As pointed out above (para 1.10 to 1.12), the 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 relevant Statutes. In view of the above arrears of accounts, the actual contribution of these PSUs to the State GDP for the year 2014-15 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, 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.

Performance of PSUs as per their latest finalised accounts

1.15 The financial position and working results of working Government companies and Statutory Corporations are detailed in *Annexure- 1.1*. A ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. **Table 1.9** provides the details of working PSUs turnover and State GDP for a period of five years ending 2014-15.

Table 1.9: Details of working PSUs turnover vis-a vis State GDP (₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover ⁶	31637.50	37949.25	58237.27	59860.12	61264.36
State GDP	263396.00	305158.00	361270.00	434730.00	508006.00
Percentage of Turnover to State GDP	12.01	12.44	16.12	13.77	12.06

(Source: Data compiled from the information furnished by the PSUs)

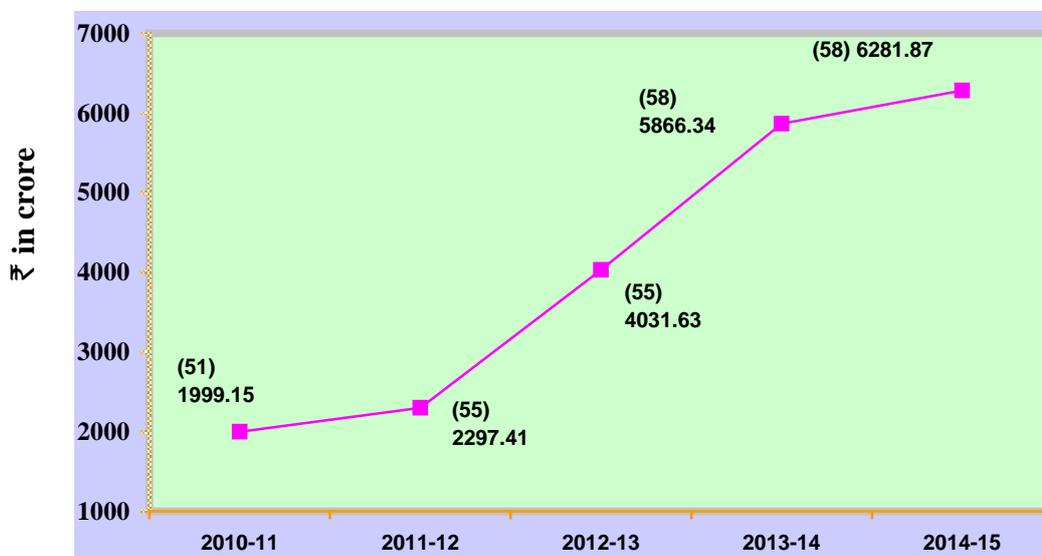
The percentage of Turnover to State GDP increased from 12.01 per cent in 2010-11 to 16.12 per cent in 2012-13 and thereafter came down to 12.06 per cent

⁶ Turnover as per the latest finalised accounts as of 30 September.

in 2014-15 indicating declining contribution of PSUs to the State GDP during 2013-14 and 2014-15.

1.16 Overall losses incurred by State working PSUs during 2010-11 to 2014-15 are given below in *Chart 1.4*.

Chart 1.4: Loss of working PSUs



(Figures in brackets shows the number of PSUs in the respective year based on latest audited accounts)

(Source: Data compiled from the information furnished by the PSUs)

During the year 2014-15, out of 58 working PSUs, 29 PSUs earned profit of ₹ 566.51 crore and 21 PSUs incurred loss of ₹ 6848.38 crore. Six working PSUs prepared their accounts on 'no profit no loss' basis and two working PSUs did not finalise their first accounts. The major contributors to profit were Madhya Pradesh Power Transmission Company Limited (₹ 120.81 crore), Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Limited (₹ 86.75 crore), Madhya Pradesh Rajya Van Vikas Nigam Limited (₹ 80.50 crore) Madhya Pradesh State Mining Corporation Limited (₹ 66.12 crore).

The heavy losses were incurred by Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 2113.02 crore), Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (₹ 1887.15 crore), Madhya Pradesh Pashchim Kshetra Vidyut Vitaran Company Limited (₹ 1810.95 crore), Madhya Pradesh Power Generating Company Limited (₹ 896.82 crore).

1.17 Some other key parameters of PSUs are given in **Table - 1.10**.

Table 1.10: Key Parameters of State PSUs

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital Employed (Per cent)	--	--	--	--	--
Debt	13599.12	21670.95	28932.24	34988.54	37178.92
Turnover ^Y	31637.50	37949.25	58237.27	59860.12	61264.36
Debt/ Turnover Ratio	0.43:1	0.57:1	0.50:1	0.58:1	0.61:1
Interest Payments	2082.37	1601.69	2715.97	3382.32	4064.62
Accumulated Profits/ (losses)	(-)2034.28	(-)2332.51	(-)4066.23	(-) 28254.01	(-) 29597.25

(Source: Data compiled from the information furnished by the PSUs)

The Accumulated losses has showed increasing pattern as it increased from ₹ 2034.28 crore in 2010-11 to ₹ 29597.25 crore in 2014-15. The major contributor PSUs were Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 8673.05 crore), Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (₹ 8824.44 crore), Madhya Pradesh Pashchim Kshetra Vidyut Vitaran Company Limited (₹ 7733.55 crore), Madhya Pradesh Power Generating Company Limited (₹ 3047.01 crore). This indicated deteriorating operational performance of the PSUs. The Debt turnover ratio increased from 0.43: 1 in 2010-11 to 0.61:1 in 2014-15 showing that turnover has not increased in the proportion in which debt has increased during this period.

1.18 The State Government had formulated July 2005 a dividend policy under which all PSUs are required to pay a minimum return of 20 per cent on profit after tax. As per their latest finalised accounts, 29 PSUs earned an aggregate profit of ₹ 566.51 crore and out of these only eight PSUs⁷ declared a dividend of ₹ 34.28 crore. Thus, 21 PSUs did not declare dividend despite earning profit in violation of the Dividend Policy of GoMP.

Winding up of non-working PSUs

1.19 There were nine non-working PSUs as on 31 March 2015. Of these, seven PSUs have commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given in **Table 1.11**.

Table 1.11: Non working PSUs

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
No. of non-working companies	10	09	09	09	09
No. of non-working corporations	--	--	--	--	--
Total	10	09	09	09	09

Since the non-working PSUs are not contributing to the State economy and meeting the intended objectives, therefore, these PSUs may be considered either to

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

⁷ MP SAIDCL, MP RVVN, PICL, MPPHCL, MP RDC, Sant Ravidas MP Hasthashilp Evam Hath Kargha Vikas Nigam Ltd, MPSMCL, MPLUN,

be closed down or revived. During 2014-15, two non-working PSUs⁸ incurred an expenditure of ₹.0.08 crore towards administrative and establishment expenditure. This expenditure was financed by the GoMP (₹ 1.19 crore).

1.20 During 2014-15, no PSU has concluded the process of winding up. The stages⁹ of closure in respect of non-working PSUs are given in **Table 1.12**.

Table 1.12: Closure of Non working PSUs

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	9	--	9
2.	Of (1) above, the No. under			
(a)	liquidation by Court (liquidator appointed)	--	--	--
(b)	Voluntary winding up (liquidator appointed)	7	--	7 ¹⁰
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	2	--	2

During the year 2014-15, the process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may make a decision regarding winding up of two non-working PSUs¹¹ where no decision about their continuation or otherwise has been taken after they became non-working.

Accounts Comments

1.21 Forty four working companies forwarded their 58 audited accounts to PAG/AG during the year 2014-15. Of these, 31 accounts of 30 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 in **Table 1.13**.

⁸ MPSTC and MPSICL

⁹ Adapted from Audit Report 2013-14, as no conclusive information was furnished by the Companies

¹⁰ Madhya Pradesh Lift Irrigation Corporation Ltd, Madhya Pradesh 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

¹¹ Madhya Pradesh State Industries Corporation Limited and Madhya Pradesh State Textile Corporation Limited

Table 1.13: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	03	8.39	02	15.87	10	121.16
2.	Increase in loss	02	52.16	03	181.06	02	11.10
3.	Non-disclosure of material facts	02	697.28	06	110.63	08	40.94
4.	Errors of classification	02	2548.36	10	234.26	04	194.30

(Source: Data compiled from the information furnished by the Government Companies)

During the year, the Statutory Auditors had given unqualified certificates for 44 accounts and qualified certificates for 14 accounts. In addition to above, CAG gave disclaimer comments on one accounts (Madhya Pradesh Laghu Udyog Nigam Limited) during the supplementary audit. The compliance of companies with the Accounting Standards remained poor as there were 46 instances of non-compliance in eight accounts during the year.

1.22 Similarly, Madhya Pradesh Financial Corporation forwarded its accounts for the year 2014-15 to PAG/AG during the year 2015-16. The Statutory Auditors have given qualified certificate on the accounts and the accounts of the Corporation was selected for supplementary audit. The Audit Report of Statutory Auditors 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 on the accounts of the Statutory Corporation are given in **Table 1.14**.

Table 1.14: Impact of audit comments on Statutory Corporations

(Amount ₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	--	--	02	8.80	01 ¹²	13.30
4.	Errors of classification	--	--	02	23.60	--	--

(Source: Data compiled from the information furnished by the Statutory Corporations)

Response of the Government to Audit

Performance Audits and Paragraphs

1.23 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015, three performance audits and one long paragraph and 12 audit paragraphs involving four Departments, were issued to the Additional Chief

¹² MPFC

Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of one Performance Audit and nine compliance audit paragraphs were awaited from the State Government (October 2015).

Follow up action on Audit Reports

Replies Outstanding

1.24 The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Madhya Pradesh issued in August 2015 instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the COPU.

Table 1.15: Explanatory notes not received (as on 30 September 2015)

Year of the Audit Report (Commercial/ PSU)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	Pas	Paragraphs
2012-13	22.07.2014	05	11	00	03
2013-14	22.07.2015	03	08	03	08
Total		08	19	03	11

From the above in **Table 1.15**, it could be seen that out of 19 paragraphs and eight performance audits, explanatory notes to 11 paragraphs and three performance audits in respect of three departments, which were commented upon, were awaited (September 2015).

Discussion of Audit Reports by COPU

1.25 The status as on 30 September 2015 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as under in **Table 1.16**.

Table 1.16: Reviews/Paras appeared in Audit Reports vis a vis discussed as on 30 September 2015

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	Pas	Paragraphs	Pas	Paragraphs
2009-10	02	09	02	08
2011-12	02	07	01	07
2012-13	05	11	00	00
2013-14	03	08	00	00
Total	12	35	03	15

Compliance to Reports of Committee on Public Undertakings (COPU)

1.26 Action Taken Notes (ATNs) to 411 paragraphs pertaining to 66 Reports of the COPU presented to the State Legislature between September 1976 and March 2015 had not been received (December 2015) as indicated in **Table 1.17** :

Table 1.17: Compliance to COPU Reports

Year of the COPU Report	Total Number of COPU Reports	Total No. of Recommendations in COPU Reports	No. of Recommendations where ATNs not received
From 1973-74 to 2003-04	37	653	286
2004-05	08	54	28
2005-06	06	45	29
2006-07	03	30	17
2007-08	07	28	19
2008-09	04	39	30
2009-10	01	03	02
Total	66	852	411

These Reports of COPU contained recommendations in respect of paragraphs pertaining to 11 departments, which appeared in the Reports of the CAG of India for the years 1973-74 to 2009-10

It is recommended that the Government may ensure: (a) sending of replies to IRs/explanatory Notes/ draft paragraphs/ performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

Coverage of this Report

1.27 This Report contains three Performance Audits, one long paragraph and 12 paragraphs involving financial effect of ₹ 4099.14 crore.