



CHAPTER - 1

Chapter-1

1. Functioning of State Public Sector Undertakings

Introduction

1.1 As on 31 March 2017, there were 72 State Public Sector Undertakings (PSUs) comprising State Government companies and Statutory corporations in Madhya Pradesh (*Annexure 1.1*) as depicted in table no. 1.1.

Type of PSUs	Working PSUs	Non-working PSUs ¹	Total
Government companies ²	52	17	69
Statutory corporations	02	01	03
Total	54	18	72

During the year 2016-17, 13³ PSUs were incorporated/entrusted for audit and three⁴ PSUs were closed down. Out of 54 working PSUs and 18 non-working PSUs, 46 working PSUs and 11 non-working PSUs had finalised their accounts for the years 2014-15 to 2016-17 as on 31 December 2017 (*Annexure 1.2*). As per the latest finalised accounts of these 57 PSUs, 29 PSUs earned profit of ₹ 397.74 crore, 19 PSUs incurred loss of ₹ 5,625.52 crore, and the remaining nine PSUs had no profit or loss⁵. These PSUs registered a turnover of ₹ 77,588.17 crore as per their latest finalised accounts as of 31 December 2017.

The 57 PSUs generated an average negative Return on Investment (RoI) of 0.88 *per cent* on the investment made by the State Government. As against this, the average cost of borrowings of the State Government was 6.72 *per cent* during 2014-15 to 2016-17. Thus, the approximate loss to the public exchequer as a result of the investment in the 57 PSUs that had finalised their accounts in the past three years amounted to ₹ 3,672.26 crore. The loss, if any, incurred by the remaining 15 PSUs that have not finalised their accounts could not be assessed.

As on 31 March 2017, the State PSUs had 62,034 employees (61,745 in 54 working PSUs and 289 in 18 non-working PSUs). The non-working PSUs have

¹ PSUs which have had no activities for last three years.

² Companies referred to in Sections 2(45), 139(5) and 139(7) of the Companies Act, 2013.

³ S. No. A9, A29 and A30 of *Annexure 1.1* entrusted to AG (E&RSA), Madhya Pradesh, Bhopal and A15, A16, A19, A20, A21, A22, A23, A24, A25 and A52 of *Annexure 1.1* entrusted to AG (G&SSA), Madhya Pradesh, Gwalior

⁴ MP State Industries Corporation Limited, MP Lift Irrigation Corporation Limited and MP State Dairy Development Corporation Limited.

⁵ Net expenses of S. No. A40 of *Annexure 1.1* are entirely distributed amongst its subsidiary companies on whose behalf it functions, Operational loss of S. No. A3, A4, A8 and A34 have been transferred to Government, expenses of S. No. A15 and A16 have been treated as pre-operative expenses pending commencement of business, net expenses of S. No. A29 and A30 have been transferred to their project fund account.

had no activity for last three years and had an investment of ₹ 990.44 crore (Equity: ₹ 311.66 crore and Loans: ₹ 678.78 crore) as on 31 March 2017.

Recommendations:

Since the continued existence of loss making and non-working PSUs causes a substantial drain on the public exchequer, the State Government may (i) review the functioning of all loss making PSUs (ii) examine the possibility of winding up non-working PSUs; and (iii) assess whether employees of non-working companies can be sent on reverse deputation to Government departments having vacancies, as has been done by the Government of Rajasthan.

Accountability framework

1.2 Section 139 and 143 of the Companies Act, 2013 (Act) applies to audit of Government companies. The Comptroller and Auditor General of India (CAG) appoints Chartered Accountants (CAs) as Statutory Auditors and conducts supplementary audit of these companies.

Audit of Statutory corporations is governed by their respective legislations as detailed below in table no. 1.2:

Table No. 1.2 Legislations governing audit of Statutory corporations			
Sl. No.	Name of corporation	Authority for audit by the CAG	Audit arrangement
1	Madhya Pradesh State Road Transport Corporation	Section 33 (2) of The Road Transport Corporations Act, 1950	Sole audit by CAG
2	Madhya Pradesh Warehousing and Logistics Corporation	Section 31 (8) of The Warehousing Corporations Act, 1962	Audit by CAs and supplementary audit by CAG
3	Madhya Pradesh Finance Corporation	Section 37 (6) of The State Financial Corporations Act, 1951	Audit by CAs and supplementary audit by CAG

The Reports of the CAG are submitted to the Government, who shall, in terms of the CAG’s (Duties, Powers and Conditions of Service) Act, 1971, cause them to be laid before the Legislature.

1.3 The concerned administrative departments under the Government of Madhya Pradesh exercise control over the affairs of these PSUs, whose Chief Executives and Directors to the Board are appointed by the State Government.

Stake of Government of Madhya Pradesh

1.4 The State Government's stake in PSUs falls under three broad categories, viz., share capital and loans, special budgetary support by way of grants and subsidies to consumers and guaranteeing of loans availed by PSUs from financial institutions.

Investment in State PSUs

1.5 As on 31 March 2017, the investment (Share Capital and Long-Term Loans) in 72 State PSUs by State government, Central government and others was ₹ 81,529.50 crore as per details given in table no. 1.3 (Further details are given in *Annexure 1.1*).

Table No. 1.3: Total investment in PSUs as on 31 March 2017								
(₹ in crore)								
Type of PSUs	Status of accounts finalised	Equity			Long term loans			Grand Total
		State Government	Others ⁶	Total	State Government	Others ⁷	Total	
Working PSUs	2014-15 to 2016-17 ⁸	15,144.22	10,806.95	25,951.17	36,204.17	18,005.11	54,209.28	80,160.45
	Prior to 2014-15	117.34	10.68	128.02	218.23	32.36	250.59	378.61
	Sub total	15,261.56	10,817.63	26,079.19	36,422.40	18,037.47	54,459.87	80,539.06
Non-working PSUs	2014-15 to 2016-17	12.00	119.32	131.32	0.00	0.64	0.64	131.96
	Prior to 2014-15	123.02	57.32	180.34	677.18	0.96	678.14	858.48
	Sub total	135.02	176.64	311.66	677.18	1.60	678.78	990.44
Total		15,396.58	10,994.27	26,390.85	37,099.58	18,039.07	55,138.65	81,529.50

(Source: As per annual accounts of the PSUs / information furnished by the PSUs)

1.6 The sector wise summary of investment in the State PSUs as on 31 March 2017 is given in table no. 1.4.

Table No. 1.4: Sector-wise investment in PSUs							
Name of Sector	Working PSUs		Non-working PSUs		Total	Total Investment (₹ in crore)	Total Investment in last five years (₹ in crore)
	With three years' accounts	Without three years' accounts	With three years' accounts	Without three years' accounts			
Power	10	0	1	0	11	75,366.71	45,126.97
Manufacturing	7	0	9	3	19	430.14	-25.91
Finance	12	3	0	2	17	1,910.91	223.34
Service	9	0	1	1	11	2,509.73	1,585.09
Infrastructure	10	0	0	1	11	997.76	859.31
Agriculture & Allied	3	0	0	0	03	314.25	248.40
Total	51	3	11	7	72	81,529.50	48,017.20

(Source: As per audited accounts/information furnished by the PSUs)

The thrust of the State government investment in PSUs was in six Power sector companies⁹. Out of the State Government investment of ₹ 48,961.13 crore

⁶ Includes share capital of Central Government and investment of ₹ 6,043.19 crore by 10 holding companies in their 35 subsidiary companies.

⁷ Includes loans from Central Government and Financial Institutions

⁸ Accounts finalised atleast upto 2014-15.

⁹ Madhya Pradesh Power Management Company Limited, Madhya Pradesh Power Generating Company Limited, Madhya Pradesh Power Transmission Company Limited, Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited, Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited, Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited.

(₹ 14,553.77 crore in equity and ₹ 34,407.36 crore in loans) in the power sector, ₹ 27,618.74 crore (₹ 3,965.40 crore in equity and ₹ 23,653.34 crore in loans) was invested between 2012-17.

1.7 Differences between the figures of State Government equity and loans depicted in the Finance Accounts and in the records of PSUs are given in table no. 1.5.

Table No. 1.5: Equity and Loans outstanding as on 31 March 2017			
(₹ in crore)			
Investment	As per Finance Accounts	As per records of PSUs ¹⁰	Difference
Equity	17,231.86	14,668.29	2,563.57
Loans	22,723.87	33,349.22	10,625.35

(Source: Information furnished by the PSUs and Finance Accounts, GoMP 2016-17)

Differences between the figures relating to guarantees given by the State Government in the Finance Accounts and in the records of PSUs are given in table no. 1.6.

Table No. 1.6: Guarantees outstanding as on 31 March 2017			
(₹ in crore)			
Guarantees Outstanding	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
	11,462.86	3,709.32	7,753.54

(Source: Information furnished by the PSUs and Finance Accounts, GoMP 2016-17)

Recommendation:

The Finance Department, the administrative departments and the PSUs may take immediate steps to reconcile the differences in figures, in a time bound manner, with the Accountant General (A&E).

1.8 The position of Government stake in PSUs is given below in table no. 1.7.

Table No. 1.7: Position of Government stake in PSUs		
(₹ in crore)		
Particulars	No. of PSUs	Amount
Nominal ¹¹ Government stake in non-working PSUs	1 ¹²	0.16
Non-working PSUs where there is no expenditure at all	6 ¹³	0.00
Equity, loan and grant/subsidy received during 2015-16 and 2016-17 by non-working PSUs	1 ¹⁴	3.15
Outstanding GoMP loans and guarantees to PSUs which have not paid interest on loans for last five years	9 ¹⁵	34,642.78 ¹⁶

(Source: Information furnished by the PSUs and Finance Accounts 2016-17)

¹⁰ As per latest finalised accounts of PSUs as of September 2017 as at the time of finalisation of Finance Accounts, Madhya Pradesh for the year 2016-17.

¹¹ Equity and Loan less than ₹ one crore.

¹² Madhya Pradesh Panchayati Raj Vitta evam Gramin Vikas Nigam Limited

¹³ S. No. C1 to C4, C6 and D1 of Annexure 1.1

¹⁴ Madhya Pradesh State Textile Corporation Limited

¹⁵ Sl. No. A11, A14, A35 to A38, C4, C5 and D1 of Annexure 1.1.

¹⁶ This includes guarantees of ₹ 263.88 crore given by GoMP to Sl. No. A35 to A38 of Annexure 1.1.

Recommendation:

Since the chances of repayment of the loans by the ten PSUs who have not even paid interest on loans, are remote, if not non-existent, the State Government should consider converting past loans to equity or writing them off and future payments, if any, should be by way of grants in aid, pending review of whether at least some of these PSUs should not be wound up.

Arrears in finalisation of Accounts

1.9 The Companies Act 2013 stipulates that the annual financial statements of companies are to be finalised within six months from the end of the relevant financial year i.e., by September end. Failure to do so may attract penal provisions, under which every officer of the concerned defaulting company shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

The accounts of Statutory corporations are required to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

As of 31 December 2017, the accounts of 29 working companies were in arrears for periods up to 13 years, as depicted in *Annexure 1.3*. Delays in finalisation of accounts often results in unavailability or loss of crucial records over a period of time, which is fraught with possibilities of misrepresentation of facts, frauds and misappropriation.

Out of 54 working PSUs, only 25 PSUs¹⁷ finalised their accounts for 2016-17 and the remaining 29 PSUs have arrears of 54 accounts¹⁸. Out of 29 PSUs, accounts of 21 PSUs were in arrears for one year, six PSUs for two to five years, and two PSUs above five years, as depicted in *Annexure 1.3*.

Details of the directors of the 29 working companies, whose accounts are in arrears, who also simultaneously held various posts in different departments and are liable under the above penal provisions of the Companies Act are given in *Annexures 1.4 (a) and (b)*.

1.10 In addition to the above, as on 31 December 2017, out of 18 non-working PSUs, accounts of seven PSUs were in arrears. Out of these seven non-working PSUs, four PSUs¹⁹ were in the process of liquidation for 17 to 27 years²⁰, and whose 52 accounts were in arrears for seven to 27 years. Details of arrears in accounts of the remaining three non-working PSUs are given in table no. 1.8.

¹⁷ Sl. No. A2, A3, A4, A5, A7, A8, A9, A18, A24, A26, A27, A29, A30, A32, A33, A34, A35, A39, A43, A48, A49, A50, A52, B1, and B2 of *Annexure 1.1*.

¹⁸ At the rate of one account per year.

¹⁹ In addition to these four PSUs, under liquidation, having arrear in accounts, one more PSU, Dada Dhuniwale Khandwa Power Limited has gone into liquidation in November 2017. However, the company has prepared its accounts till 2016-17

²⁰ Madhya Pradesh Film Development Corporation Limited w.e.f. 15 December 1994, Madhya Pradesh Panchayati Raj Vitta Evam Gramin Vikas Nigam Limited w.e.f. 28 June 1990, Madhya Pradesh Vidyut Yantra Limited w.e.f. April 2005 and Optel Telecommunication Limited w.e.f. June 2000

Table No. 1.8: Arrears of Accounts in respect of non-working PSUs				
Year	Number of non-working PSUs	Number of Accounts in arrears	Years for which Accounts were in arrears	Number of years for which Accounts were in arrears
2014-15	03	38	1990-91 to 2014-15	6 to 25
2015-16	03	41	1990-91 to 2015-16	7 to 26
2016-17	03	42	1990-91 to 2016-17	6 to 27

1.11 The State Government had extended Budgetary support of ₹ 13,977.68 crore in 17 working PSUs {Equity: ₹ 94.63 crore (six PSUs), Loans: ₹ 1,224.74 crore (seven PSUs), Capital Grants: ₹ 4,727.75 crore (11 PSUs) others (subsidy and revenue grants): ₹ 7,100.83 crore (seven PSUs) and Guarantees: ₹ 829.73 crore (four PSUs)} during the period for which accounts were in arrears as detailed in *Annexure 1.5*. Out of this, Budgetary support of ₹ 266.77 crore was extended to three working PSUs whose accounts were in arrears for more than three years, of which ₹ 120.93 crore was extended to these PSUs during 2016-17.

Further, the State Government had also extended Budgetary support (grant) of ₹ 4.34 crore to one²¹ non-working company, during the period for which its accounts were in arrears as detailed in *Annexure 1.5*. Out of this, Budgetary support of ₹ 0.73 crore was extended as grants during 2016-17.

The decision of the State Government to extend budgetary support to the above PSUs whose accounts were in arrears, was financially imprudent, since the State government had no basis to assess the financial soundness of these PSUs. This is evident from the fact that, nine PSUs that received State Government loans did not even repay the interest thereon during last five years.

Recommendations:

- 1. The Finance Department and the concerned administrative departments should ensure that the State PSUs take immediate action to make their accounts current, so that the directors of these PSUs do not continue to fall foul of the Companies Act and the relevant Acts governing State Statutory corporations.**
- 2. The Finance Department and the concerned administrative departments should ensure that budgetary support is not extended to such PSUs whose accounts are not current.**

Performance of PSUs as per their latest finalised accounts

1.12 The key financial ratios used to assess the performance of the 46 working PSUs²² that finalised their accounts for the period 2014-15 to 2016-17 (*Annexure 1.6*) are given in table no. 1.9.

²¹ Grants extended to Madhya Pradesh State Textile Corporation Ltd. to meet administrative expenses

²² Financial ratios cannot be calculated for non-working PSUs or those PSUs whose accounts are in arrears.

Table No. 1.9: Key Parameters of Working PSUs					
Particulars	Key parameters (in percentage)	2014-15	2015-16	2016-17	Average
Profit making PSUs	ROCE ²³	12.34	29.01	10.58	17.31
	ROI ²⁴	12.34	29.01	10.58	17.31
	ROE ²⁵	7.95	9.44	4.24	7.21
Loss making PSUs	ROCE	-5.14	-11.97	-258.74	-91.95
	ROI	-5.14	-11.97	-258.74	-91.95
	ROE	-242.96	-224.26	-68.61	-178.61
Aggregate PSUs	ROCE	-0.06	2.11	9.31	3.79
	ROI	-0.06	2.11	9.31	3.79
	ROE	-43.46	-41.03	4.18	-26.77
Cost of borrowing		6.88	6.86	6.42	6.72
<i>(Source: Information as per finalised accounts of PSUs)</i>					

1.13 The major contributors to profit were Madhya Pradesh State Mining Corporation Limited (₹ 91.81 crore), Madhya Pradesh Warehousing and Logistics Corporation (₹ 35.41 crore), Madhya Pradesh Rajya Van Vikas Nigam Limited (₹ 63.05 crore), Madhya Pradesh State Agro Industries Development Corporation Limited (₹ 39.12 crore), Madhya Pradesh Road Development Corporation Limited (₹ 53.44 crore). The RoI of these companies ranged between 11.76 per cent and 60.08 per cent during 2014-17. The PSUs which incurred heavy losses were Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 2,766.08 crore), Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (₹ 1,616.91 crore) and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (₹ 1,207.01 crore) as per their latest finalised Accounts.

1.14 The State Government had formulated (July 2005) a dividend policy for PSUs under which all PSUs are required to pay a minimum dividend of 20 per cent of profit after tax. Though as per their latest finalised²⁶ accounts, 29 PSUs with Government equity of ₹ 7,853.40 crore²⁷ earned aggregate profit of ₹ 397.74 crore, only four PSUs proposed dividend of ₹ 43.38 crore²⁸. Thus, in violation of the dividend policy of GoMP, 25 profit earning PSUs did not declare dividend of ₹ 37.49 crore on their profit of ₹ 187.45 crore, in 2016-17.

²³ Return on Capital Employed = (Net profit/loss before dividend, interest and tax)/ Capital Employed, where Capital Employed = Investment – Deferred Revenue Expenditure (DRE). As there was no DRE of the PSUs during 2014-17, the ROCE and ROI were the same.

²⁴ Return on Investment (RoI) = (Net profit before dividend, interest and tax)/ Investment.

²⁵ Return on Equity (RoE) = (Net profit after tax – preference dividend)/Shareholder's Fund

²⁶ Latest accounts finalised during last three years i.e., 2014-15 to 2016-17

²⁷ Shareholders' funds as per latest finalised accounts.

²⁸ Madhya Pradesh State Agro Industries Development Corporation Limited (₹ 7.91 crore), Madhya Pradesh Rajya Van Vikas Nigam Limited (₹ 12.58 crore), Madhya Pradesh State Mining Corporation Limited (₹ 18.38 crore), Madhya Pradesh Laghu Udyog Nigam Limited (₹ 4.51 crore)

Recommendation:

The State Government should direct the profit making PSUs to remit the arrear dividend (amounting to ₹ 474.46 crore) from the date of adoption of dividend policy (July 2005) to Government account.

1.15 The Companies Act, 2013 stipulates that the Board of Directors of every company should meet atleast four times in a year. It was observed, however, that out of 52 working companies, 26 companies conducted less than four meetings during 2014-17, as given in table no. 1.10.

Table No. 1.10: Shortfall in number of meetings conducted by PSUs			
Year	Shortfall in no. of meetings held	No. of Companies	Name of the Company at Sl. no. in Annexure 1.1
2014-15	3	01	A2
	2	08	A10, A14, A18, A31, A47, A12, A52, A17
	1	06	A3, A6, A7, A28, A51, A13
2015-16	3	06	A14, A46, A51, A25, A19, A24
	2	04	A28, A12, A15, A16
	1	02	A18, A49,
2016-17	3	03	A9, A25, A19
	2	02	A51, A22
	1	04	A31, A46, A20, A13

Winding up of non-working PSUs

1.16 There were 18 non-working PSUs (17 companies and one statutory corporation) as on 31 March 2017. The status of these non-working companies is as follows. (i) Five PSUs have commenced liquidation process in the last one to 27 years. Voluntary liquidation has been initiated and liquidator has been appointed (March 2018) in respect of Dada Dhuniwale Khandwa Power Limited. The cases of remaining four PSUs²⁹ are pending with the official liquidator, High Court of Jabalpur. (ii) The State Government had proposed (February 2005) to initiate liquidation of Madhya Pradesh Road Transport Corporation (MPSRTC). However, the Government of India (GoI) rejected (November 2009) the proposal and advised for restructuring/ revival of the corporation but further action by former is still pending and MPSRTC continues to be a non-working statutory corporation. (iii) Orders have been issued (January 2018) in the case of Crystal IT Park Limited and SEZ Indore limited for amalgamation with their holding company {M. P. Audyogik Kendra Vikas Nigam (Indore) Limited}. The State Government has not yet decided on closure/ revival of the remaining 10 companies³⁰ having net worth³¹ of ₹ 14.69 crore.

²⁹ Madhya Pradesh Film Development Corporation Limited w.e.f. 15 December 1994, Madhya Pradesh Panchayati Raj Vitta Evam Gramin Vikas Nigam Limited w.e.f. 28 June 1990, Madhya Pradesh Vidyut Yantra Limited w.e.f. April 2005 and Optel Telecommunication Limited w.e.f. June 2000

³⁰ C3, C5 and C8 to C15 of Annexure 1.1

³¹ Paid up capital + reserves and surplus – accumulated losses.

Recommendation:

As 10 years had already gone by since GoI suggested restructuring of MPSRTC, which has not been taken up so far, GoMP may review expeditiously whether it would be possible to restructure the Corporation as suggested by GoI. The State Government should evaluate the viability of 10³² non-working PSUs for deciding their liquidation.

Accounts comments

1.17 Thirty seven³³ working Companies forwarded their 48 audited accounts to the Accountant General during the year 2016-17³⁴. Of these, 41 Accounts for the period 2014-15 to 2016-17 of 31 Companies were selected for supplementary audit. The Audit Reports of Statutory auditors appointed by CAG and the supplementary audit of CAG indicated 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 no. 1.11.

Table No. 1.11: Impact of audit comments on working Companies							
(₹ in crore)							
Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in profit	03	8.39	13	190.33	15	10,516.98
2.	Increase in loss	02	52.16	05	9,850.28	04	161.11
3.	Material facts not disclosed	02	697.28	08	123.79	04	9.85
4.	Errors of classification ³⁵	02	2,548.36	14	843.87	08	172.82

During the year, the Statutory Auditors had given qualified certificates for 25 accounts finalised by 18 working companies. Compliance to the Accounting Standards by the companies remained poor as there were 65 instances of non-compliance to Accounting Standards in 22 accounts of 15³⁶ companies.

Recommendation:

The Finance Department and the concerned administrative departments should immediately review the working of the 18 companies where the Statutory auditors have given qualified comments.

³² 18 non-working PSUs (minus) five PSUs where liquidation has commenced (minus) one PSU where GoI has advised for revival (minus) two PSUs under amalgamation.

³³ Sl. No. A2, A3, A4, A5, A6, A7, A8, A9, A10, A11, A13, A15, A16, A17, A18, A 23, A24, A25, A27, A28, A29, A30, A32, A34, A35, A36, A39, A44, A45, A46, A47, A48, A49, A50, A52, B1 and B2 of Annexure 1.1.

³⁴ During the period from October 2016 to December 2017.

³⁵ Many cases of error of classification were reported during 2014-16 due to introduction of new format of Balance Sheet and Profit and Loss Account along with changes in criteria for classification of heads.

³⁶ Sl. No. A2, A3, A4, A7, A10, A26, A27, A32, A33, A34, A39, A40, A41, A42 and B2 of Annexure 1.1

Response of the Government to Audit

Performance Audits and Paragraphs

1.18 One performance audit report and 12 audit paragraphs have been issued (May 2017 to August 2017) to the managements of the companies and Principal Secretaries/ Secretaries of the respective departments with requests to furnish replies within four weeks. Replies of managements were received. However, replies to three audit paragraphs were still awaited (December 2017) from the departments.

Follow up action on Audit Reports

Replies outstanding

1.19 The Reports of the Comptroller and Auditor General of India (CAG) represent 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 (May 2016) instructions to all Administrative departments to submit replies/ explanatory notes to paragraphs/ reviews included in the Audit Reports of the CAG within a period of three months of their presentation to the Legislature, without waiting for any questionnaires from Committee on Public Undertaking (CoPU). The position of explanatory notes not received is given in table no. 1.12.

Year of the Audit Report (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
2015-16	24 March 2017	03	15	01	01
Total		03	15	01	01

Recommendation:

The concerned administrative departments³⁷ should comply with the directives (May 2016) of the Finance Department and furnish timely response to audit observations.

Discussion of Audit Reports by CoPU

1.20 The status, as on 31 March 2018, of Performance Audits and Paragraphs that appeared in Audit Reports (PSUs) and discussed by CoPU is given in table no. 1.13.

³⁷ Food, Civil Supplies and Consumer Protection department and Horticulture and Food Processing department.

Table No. 1.13: Performance Audits/ Paragraphs appeared in Audit Reports vis a vis discussed (as on 31 March 2018)				
Period of Audit Report	Number of PAs/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2009-10	02	09	02	08
2012-13	05	11	05	10
2013-14	03	08	03	08
2014-15	03	13	03	13
2015-16	03	15	0	0
Total	16	56	13	39

Compliance to Reports of CoPU

1.21 Action Taken Notes (ATN) to 287 paragraphs appearing in 51 Reports of the CoPU³⁸ presented to the State Legislature between September 1976 and March 2017 had not been received (March 2018) as indicated in table no. 1.14. These COPU Reports pertain to CAG Audit Reports for period from 1973-74 to 2011-12. COPU Reports on the Audit Reports for the year 2012-13 onwards are not presented so far (March 2018).

Table No. 1.14: Compliance to CoPU Reports			
Year of the Audit Report	Total no. of COPU Reports	Total no. of recommendations in COPU Reports	No. of recommendations where ATNs not received
From 1973-74 to 2003-04	18	653	129
2004-05	06	91	34
2005-06	07	89	50
2006-07	03	38	17
2007-08	01	23	14
2008-09	01	26	26
2009-10	02	02	02
2010-11	09	12	11
2011-12	04	04	04
Total	51	938	287

(Source: Information furnished by the Committee on Public Undertakings)

Recommendation:

The State Government should ensure prompt compliance in furnishing of ATNs on the reports of COPU.

Restructuring of PSUs consequent to reorganisation of the State

1.22 Consequent to the reorganisation of the erstwhile Madhya Pradesh State into the states of Madhya Pradesh and Chhattisgarh w.e.f. 1 November 2000,

³⁸ Pertaining to the departments of Energy, Finance, Forest, Commerce, Industries & Employment, Mineral resources, Transport, Civil Supplies and Consumer Protection, Backward Classes Development, Scheduled Cast and Tribes Development, Urban Development, Tourism, Home (Police), Food Processing and Horticulture, GoMP, that appeared in the Reports of the CAG for the years 1973 to 2012

the assets and liabilities of 19 PSUs³⁹ (out of the then existing 28 PSUs⁴⁰) were to be divided amongst the successor states. However, the division have been completed only in respect of 13 PSUs⁴¹ as of December 2017.

Recommendation:

Since almost two decades have passed after the reorganisation of the State, the State Government is required to work closely with the Government of Chhattisgarh for the expeditious division of assets and liabilities of the six PSUs, where the Government investment as on 01 November 2000 was ₹ 36.98 crore.

Reforms in Power Sector under Ujwal Discom Assurance Yojna (UDAY)

1.23 With an objective to improve the operational and financial efficiency of the State DISCOMs, Ministry of Power, Government of India (GoI) launched (November 2015) Ujwal Discom Assurance Yojna (UDAY), a scheme for the financial turnaround of power distribution companies.

Memorandum of Understanding (MoU) was signed (August 2016) between Ministry of Power, GoI, Government of Madhya Pradesh and MP Power Management Company Limited (MPPMCL) for and on behalf of its subsidiaries, the three State DISCOMs viz., Madhya Pradesh Paschim Kshetra Vidyut Vitran Company Limited (MPPaKVVCL), Madhya Pradesh Poorv Kshetra Vidyut Vitran Company Limited (MPPoKVVCL) and Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited (MPMKVVCL) for implementation of the scheme with identified financial and operational targets.

The progress achieved so far in respect of important financial and operational targets fixed as per MoU as on 31 December 2017 is given in *Annexure 1.7*.

MPPoKVVCL and MPMKVVCL could not achieve any of the financial targets. Though MPPaKVVCL achieved financial targets in respect elimination of ACS-ARR gap and billing efficiency, it failed to achieve targets of reduction in AT&C losses (2017-18) and collection efficiency. In so far as achievement of operational targets is concerned, the target for electricity access to un-connected households, rural feeder metering and rural feeder audit was nearly achieved by all the three DISCOMs. However, the performance of DISCOMs was not satisfactory in respect of distribution transformer metering, smart metering and distribution of LED lights. Further, MPPoKVVCL and MPMKVVCL could not achieve targets in respect of feeder segregation.

³⁹ Sl. No. A1, A2, A11, A12, A13, A14, A17, A28, A31, A32, A34, A45, A46, A47, C1, and C5 of *Annexure 1.1* (remaining three companies are no more in existence)

⁴⁰ Sl. No. A1, A2, A3, A4, A5, A6, A8, A11, A12, A13, A14, A17, A28, A31, A32, A34, A45, A46, A47, C1, C4 and C5 of *Annexure 1.1* (remaining six companies are no more in existence)

⁴¹ Sl. No. A1, A2, A14, A28, A31, A32, A34, A45, A47, and C5 of *Annexure 1.1* (remaining three companies are no more in existence)

Deficiencies in utilisation of Grant-in-Aid funds by Madhya Pradesh Trade and Investment Facilitation Corporation Limited

1.24 Madhya Pradesh Export Corporation Limited was formed (February 1977) as a State Government Company under the administrative control of Department of Commerce, Industries and Employment, GoMP. The Company was renamed (December 2004) as Madhya Pradesh Trade and Investment Facilitation Corporation Limited (Company). As per Memorandum of Association (MoA) of the Company, the objectives of the Company are to (i) organise and undertake international trade in the goods and services specified by GoMP or BoD of the Company (ii) undertake promotion of exports (iii) undertake import and internal sales (iv) facilitate trade and investment into and out of Madhya Pradesh and to provide effective pre and post investment services by establishing co-ordination between different agencies (v) implement such special arrangements for industrial facilitation as GoMP or BoD may specify and (vi) facilitate the management of industrial units as per the directions of the State Government.

Scrutiny of the records of the Company for the period 2015-16 to 2017-18, revealed the following:

- The Company had organised 15 foreign tours of delegations comprising of GoMP delegates, Company officials etc., to various countries as detailed in *Annexure I.8*. The expenditure of ₹ 8.97 crore⁴² on above foreign tours was met from the funds released to the Company as Grants-in-Aid under the head “5531-Destination M.P. Investment Drive” by Directorate of Industries (DoI), GoMP.

Audit observed that organising foreign tours of GoMP delegates was not specifically included in the objectives of the Company mentioned in its MoA. Further, the expenditure on foreign tours of GoMP delegates was not routed through the State budget or depicted in the State government accounts. Instead the same was paid by the Company from the above grant, and thus budgetary scrutiny of expenditure incurred on above foreign tours was avoided.

- In respect of three foreign tours of delegations to Japan and Korea; China; and USA conducted between July 2015 and October 2017, the Company spent ₹ 21 lakh⁴³ in excess of the sanctioned amount without obtaining approval of the competent authority.
- Out of the Grants-in-Aid received under the Destination M.P. Investment Drive, unspent balance of ₹ 7.08 crore was available with the Company as at the end of March 2016. However, as per the utilisation certificate submitted to GoMP, there was no unspent balance. Reasons for the difference were not identified by the Company.
- As per the generally accepted principles of accounting, all the expenses debited in ‘Statement of Profit and Loss’ must be supported by authentic

⁴² This does not include expenditure reimbursed to Confederation of Indian Industry (CII), in cases where details as well vouchers for expenditure were not available with the Company.

⁴³ Against sanction of ₹ 3.29 crore, the actual expenditure incurred was ₹ 3.50 crore.

bills/ documents. During the year 2015-16, the Company paid ₹ 5.34 crore to Confederation of Indian Industry (CII), Mumbai for conducting Global Investors Summit (GIS). However, documentary evidence (supporting bills, vouchers etc.) for this expenditure was not available with the Company. Similarly, during the period 2016-18, the Company received ₹ 34.21 crore from DoI, GoMP and an expenditure of ₹ 31.00 crore was incurred there against. However expenditure of ₹ 27.54 crore⁴⁴ was incurred without obtaining supporting bills and vouchers. As a result, genuineness of the expenditure/ transactions could not be vouchsafed.

Though the above audit observations were communicated to Government in May 2018, their response is awaited (June 2018).

⁴⁴ ₹ 23.93 crore being the claims of CII relating to GIS 2016; ₹ 2.42 crore disbursed to CII for meeting foreign tour expenditure of delegations for international events during June 2016 to December 2016; ₹ 59.61 lakh (August 2016) paid to Consulate General of India, New York for meeting foreign tour expenditure of delegations; ₹ 55.73 lakh paid on behalf of GoMP to Madhya Pradesh Laghu Udyog Nigam Limited (MPLUN) for meeting travel expenditure of delegates.