

## Preface

This report contains results of the Performance Audit on construction of extra high tension (EHT) sub-stations and transmission lines by Madhya Pradesh Power Transmission Company Limited (MPPTCL), audit on fuel management in thermal power generating stations of Madhya Pradesh Power Generating Company Limited (MPPGCL) and 11 audit paragraphs based on the Compliance Audit of 15 PSUs.

The accounts of Government Companies are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 139 and 143 of the Companies Act, 2013. The accounts certified by the Statutory Auditors (Chartered Accountants), appointed by the CAG under the Companies Act, are subject to supplementary audit by the CAG, and the CAG gives his comments or supplements the reports of the Statutory Auditors.

The CAG conducts audit of the three Statutory corporations under Section 19 (2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. CAG is the sole Auditor for Madhya Pradesh State Road Transport Corporation as per the Road Transport Corporation Act, 1950. As per the State Financial Corporations Act, 1951, CAG has the right to conduct the audit of accounts of Madhya Pradesh Financial Corporation, in addition to the audit conducted by Chartered Accountants appointed by the Reserve Bank of India. As per the State Warehousing Corporations Act, 1962, the CAG conducts the supplementary audit of the accounts of the Madhya Pradesh Warehousing and Logistics Corporation, in addition to the audit conducted by Chartered Accountants appointed by the CAG.

Reports in relation to the accounts of a Government company or corporation are submitted to the Government by CAG for laying before State Legislature of Madhya Pradesh under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

This Report highlights the following:

1. Out of the 72 Public Sector Undertakings (PSUs) in Madhya Pradesh, 36 PSUs had arrears in accounts ranging from 1990-91 onwards. Apart from violating the Companies Act, delays/ non-preparation of accounts are fraught with risk of misrepresentation of facts, fraud and misappropriation.
2. The 57 PSUs that had finalised their accounts in the last three years had an average negative Return on Investment of 0.88 *per cent* against average borrowing cost of 6.72 *per cent* resulting in notional loss to the public exchequer of ₹ 3,672.26 crore in the past three years alone. The loss on account of the remaining 15 PSUs whose accounts have not been finalised could not be assessed.
3. In violation of the dividend policy of Government of Madhya Pradesh (GoMP), 25 profit earning PSUs did not declare dividend of ₹ 37.49 crore on their profit of ₹ 187.45 crore, in 2016-17.

4. 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 in 22 accounts of 15 companies.
5. The basis on which the State Government extended Budgetary support of ₹ 120.93 crore in 2016-17 to three working PSUs that have not finalised their accounts for the period 2014-15 to 2016-17 and ₹ 0.73 crore to one non-working PSU is not clear.
6. The State Government has not completed the apportionment of assets and liabilities between the successor states of Madhya Pradesh and Chhattisgarh of six PSUs with equity and loans amounting to ₹ 36.98 crore even 17 years after the reorganisation of the erstwhile state of Madhya Pradesh.
7. Discoms could not achieve the financial targets and operational performance targets under Ujwal Discom Assurance Yojna (UDAY).
8. Performance Audit on construction of extra high tension (EHT) sub-stations and transmission lines by Madhya Pradesh Power Transmission Company Limited covered 25 turnkey work contracts and 13 other work contracts valued at ₹ 2,458.51 crore. Monitoring and internal controls in the execution of these works were inadequate, and resulted in inordinate delays and shortcomings at all stages of planning and execution.
9. The audit on fuel management in all four thermal power generating stations of Madhya Pradesh Power Generating Company Limited during 2014-17 revealed that monitoring and internal controls in fuel related matters of the Company were inadequate, leading to deficiencies in planning, procurement and consumption of fuel.
10. Instances of non-recovery of independent engineers fees of ₹ 8.39 crore and non-levy of interest of ₹ 4.01 crore on delayed recovery from 12 concessionaires, procurement of costly power resulting in extra expenditure of ₹ 27.66 crore, avoidable payment of penal water charges of ₹ 6.70 crore, avoidable expenditure of ₹ 1.66 crore on water charges and loss of interest income of ₹ 9.79 crore due to lack of proactive financial management have been reported.

The Audit has been conducted in conformity with the Regulations on Audit and Accounts, 2007 and the Auditing Standards issued by the CAG of India.