

CHAPTER I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2005, there were 38 Government companies (29 working companies and nine non-working companies¹) and four Statutory corporations (all working) as against 34 Government companies (25 working companies and nine non-working companies) and four Statutory corporations (all working) as on 31 March 2004 under the control of the State Government. During the year, one² new Government company in the Construction Sector and three³ subsidiary companies of Madhya Pradesh Audyogik Kendra Vikas Nigam Limited, Indore came within the audit purview of the Comptroller and Auditor General of India (CAG). The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by the CAG under the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG under Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1.	Madhya Pradesh State Electricity Board (MPSEB)	Under Rule 14 of the Electricity Supply (Annual Accounts) Rules, 1985 read with Section 185(2) (d) of the Electricity Act, 2003	Sole audit by the CAG.
2.	Madhya Pradesh Road Transport Corporation (MPRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by the CAG.
3.	Madhya Pradesh Financial Corporation (MPFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by the CAG.
4.	Madhya Pradesh Warehousing and Logistics Corporation (MPWLC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by the CAG.

The State Government had formed the Madhya Pradesh Electricity Regulatory Commission (MPERC) and its audit is entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003.

¹ *Non-working companies are those which are under the process of liquidation, closure merger, etc.*

² *Madhya Pradesh Road Development Corporation Ltd.*

³ *Pithampur Auto cluster pvt. Ltd., Crystal IT Park Indore Ltd., SEZ Indore Ltd.*

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 The total investment in 29 working PSUs (25 Government companies and four Statutory corporations) at the end of March 2004 and 33 working PSUs (29 Government companies and four Statutory corporations) at the end of March 2005 was as follows:

(Amount : Rupees in crore)

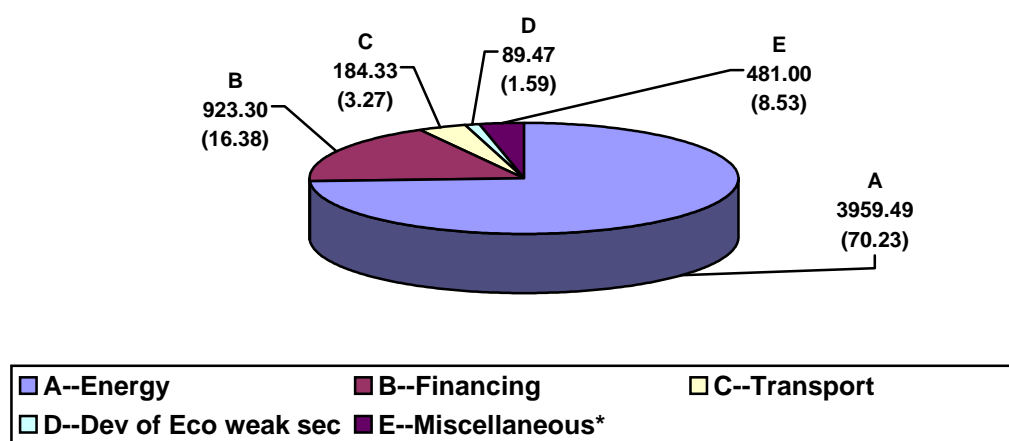
Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans	Total
2003-04	29	530.74	90.34	4313.04	4934.12
2004-05	33	538.35	109.56	4989.68	5637.59 ⁴

As on 31 March 2005, the total investment of working Government companies and Statutory corporations comprised 11.56 *per cent* of equity capital and 88.44 *per cent* of loans, compared to 12.59 and 87.41 *per cent* of equity and loans respectively as on 31 March 2004. An analysis of the investment in PSUs is given in the following paragraphs.

Sector-wise investment in working Government companies and Statutory Corporations

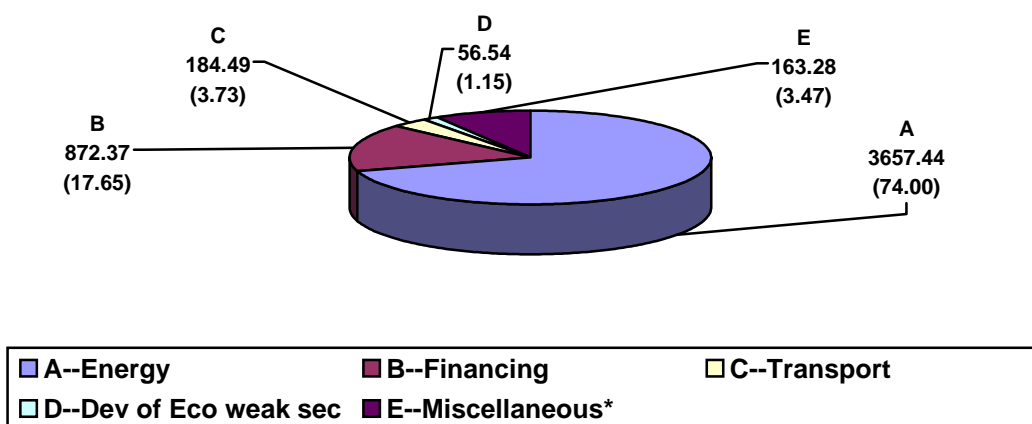
The investment (equity and long-term loans) in various sectors and percentages thereof at the end of 31 March 2005 and 31 March 2004 are indicated below in the pie charts:

Investment as on 31 March 2005
(Amount: Rupees in crore)
(Figures in brackets indicate percentage of investment)



⁴ State Government's investment in working PSUs was Rs.1528.33 crore (others Rs.4109.26 crore). The figures as per Finance Accounts is Rs. 3493.72 crore. The difference is under reconciliation.

Investment as on 31 March 2004
(Amount: Rupees in crore)
(Figures in brackets indicate percentage of investment)



(*Miscellaneous includes Agriculture, Industries, Electronics, Construction, Area Development, Mining, Handlooms & Handicrafts, Forest, Tourism and Public distribution.)

Working Government companies

1.3 Total investment in the working Government companies at the end of March 2004 and March 2005 was as follows.

(Amount : Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loans	Total
2003-04	25	221.65	6.15	419.37	647.17
2004-05	29	236.69	16.44	744.65	997.78

The summarised position of Government investment in the working Government companies in the form of equity and loans is detailed in **Annexure I**.

As on 31 March 2005, the total investment in the working Government companies comprised 25.37 per cent equity capital and 74.63 per cent loans as against 35.20 and 64.80 per cent respectively, as on 31 March 2004.

Due to increase in long term loans, the debt-equity ratio of the working Government companies increased from 1.84:1 in 2003-04 to 2.94:1 in 2004-05.

Working Statutory corporations

1.4 The total investment in the four working Statutory corporations at the end of March 2005 and March 2004 was as follows:

(Amount : Rupees in crore)

Name of corporation	2003-04		2004-05	
	Capital	Loans	Capital	Loans
Madhya Pradesh State Electricity Board ⁵	169.62	3486.81	169.62	3788.86
Madhya Pradesh Road Transport Corporation	141.81	42.68	141.81	42.52
Madhya Pradesh Financial Corporation	73.79	364.18	75.30	413.61
Madhya Pradesh Warehousing and Logistics Corporation	8.06	--	8.06	0.04
Total	393.28	3893.67	394.79	4245.02

The summarised position of Government investment in the working Statutory corporations in the form of equity and loans is detailed in **Annexure I**. As a part of the reforms process, the Madhya Pradesh State Electricity Board (MPSEB) was unbundled (September 2000) into six Government companies. Out of these, only five companies were registered in November 2001 and May 2002. There was, however, no change in the organisational structure of MPSEB, pending finalisation of transfer of assets, liabilities and personnel. There was no change in the responsibility centres also, as the companies function as agents of MPSEB.

As on 31 March 2005, the total investment in working Statutory corporations comprised 8.51 per cent equity capital and 91.49 per cent loans as against 8.57 and 91.43 per cent respectively as on 31 March 2004. The debt-equity ratio increased from 9.90:1 in 2003-04 to 10.75:1 in 2004-05.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details of the budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to the working Government companies and working Statutory corporations are given in **Annexures I** and **3**.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to the working Government companies and working Statutory corporations for the three years up to 2004-05 are given below:

⁵ As MPSEB did not furnish figures for the year 2004-05, previous year's figures have been adopted for the current year also.

(Amount : Rupees in crore)

	2002-03				2003-04				2004-05			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No	Amt.	No	Amt.	No	Amt.	No	Amt.	No	Amt.	No	Amt.
Equity capital outgo from budget	2	3.02	1	1.00	1	0.90	1	1.34	2	10.30	1	1.50
Loans given from budget	1	10.88	3	247.05	1	7.24	--	--	1	4.28	2	375.44
Other grants/subsidy	10	61.51	3	586.92	11	46.90	--	--	10	213.14	2	845.33
Total outgo	12⁶	75.41	4⁶	834.97	11⁶	55.04	1⁶	1.34	12⁶	227.72	3⁶	1222.27

During the year 2004-05, Government had guaranteed loans aggregating Rs.63.92 crore obtained by the three working Government companies (Rs.48.92 crore) and one working Statutory corporation (Rs.15.00 crore). At the end of the year, guarantees amounting to Rs.646.35 crore in respect of the five working Government companies (Rs.66.79 crore) and two working Statutory corporations (Rs.579.56 crore) were outstanding as against Rs.5020.14 crore in respect of the five working Government companies (Rs.74.47 crore) and three Statutory corporations (Rs.4945.67 crore) at the end of the previous year. The guarantee commission payable to Government by the Government companies and Statutory corporations at the end of March 2005 was Rs.2.20 crore and Rs.87 lakh respectively.

Finalisation of accounts by the working PSUs

1.6 As could be noticed from *Annexure-2*, out of the 29 working Government companies and four Statutory corporations, only four companies and two corporations had finalised their accounts for the year 2004-05 upto 30 September 2005. During the period October 2004 to September 2005, 21 working Government companies finalised 26 accounts for previous years. Similarly, four working Statutory corporations finalised four accounts for previous years during this period. The Madhya Pradesh Electricity Regulatory Commission and one⁷ new company have not finalised their accounts since inception and accounts of three⁸ companies have not yet become due.

⁶ These are the actual number of companies/corporations which had received budgetary support in the form of equity, loans, grant and /or subsidies from the State Government during the respective years.

⁷ Sl. No. A17 of Annexure 2.

⁸ Sl.No. A4, A6 and A11 of Annexure 2.

The accounts of the 22 working Government companies and two Statutory corporations were in arrears for periods ranging from one to six years as on 30 September 2005 as detailed below :

Sl. No	Number of working companies/ corporations		Period for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	1	--	1999-2000 to 2004-05	6	A-18	--
2.	2	--	2001-02 to 2004-05	4	A-7,19	--
3.	1	--	2002-03 to 2004-05	3	A-1	--
4.	6		2003-04 to 2004-05	2	A-12,13,15,16,17, 21	--
5	12	2	2004-05	1	A-2,3,5,8,9,10, 14, 22,23,24,27, 29	B-1,2
	22	2				

Financial position and working results of the working PSUs

1.7 The summarised financial results of the working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure 2**. Besides, the financial position and working results of the individual working Statutory corporations for the latest three years for which accounts are finalised are given in **Annexures 4** and **5** respectively.

According to the latest finalised accounts of 29 working Government companies and four working Statutory corporations, seven companies and two corporations had incurred aggregate losses of Rs.64.31 crore and Rs.53.99 crore respectively and 13 companies and two corporations earned aggregate profit of Rs.36.35 crore and Rs.156.43 crore, respectively. The five⁹ Government companies had not commenced their business activities and four¹⁰ new Government companies had not prepared any profit and loss account for the year.

Working of Government companies

Profit earning working Government companies and dividend

1.8 The State Government had formulated (July 1998) a dividend policy for the payment of minimum dividend of 12 per cent of equity. The Madhya Pradesh

⁹ Sl. No. A25, 26, 27, 28 and 29 of Annexure 2.

¹⁰ Sl. No. A4, 6, 11 and 17 of Annexure 2.

State Civil Supplies Corporation Limited has finalised its accounts for 2004-05 by September 2005 and declared dividend of Rs.1.01 crore (8.42 per cent).

Similarly, out of the 21 working Government companies, which finalised their accounts for previous years by September 2005, 12 companies earned an aggregate profit of Rs.16.66 crore and only eight companies earned profit for the two or more successive years. Three companies declared dividend of Rs.72 lakh (13.03 *per cent*) for the previous years, during the year. The total return to the State Government by way of dividend during 2004-05, worked out to 0.78 *per cent* against its total equity investment of Rs.220.55 crore in all the working Government companies.

Loss incurring working Government companies

1.9 Out of the seven loss incurring working Government companies, two companies had accumulated losses aggregating Rs.650.77 crore which exceeded their aggregate paid up capital of Rs.82.15 crore.

Despite poor performance and complete erosion of the paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further loans, subsidy, grants etc. According to the available information, out of the total financial support of Rs.227.72 crore provided by the State Government to 12 companies by way of equity, loans, grants and subsidies during 2004-05, Rs.6.41 crore pertained to Madhya Pradesh Hastashilp Evam Hathkargha Vikas Nigam Limited whose accumulated losses had exceeded its paid-up capital.

Working of Statutory corporations

Profit earning Statutory corporations and dividend

1.10 One of the profit earning Statutory corporations viz. Madhya Pradesh Warehousing and Logistics Corporation had finalised its accounts for 2004-05 and declared dividend for Rs.27 lakh for 2003-04 and Rs.30 lakh for 2004-05. The Madhya Pradesh State Electricity Board which finalised its accounts for 2003-04, earned profit of Rs.151.05 crore .

Loss incurring Statutory corporations

1.11 The remaining two loss incurring Statutory corporations viz. Madhya Pradesh Road Transport Corporation and Madhya Pradesh Financial Corporation had accumulated losses aggregating Rs.957.83 crore which was more than four times of their aggregate paid up capital of Rs.219.95 crore.

Despite their poor performance, the State Government provided financial support to these two corporations amounting to Rs.5.51 crore during 2004-05 by way of equity, loan and subsidy.

Operational performance of the working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in ***Annexure 6***. On analysis of operational performance, the following points have emerged:

Madhya Pradesh State Electricity Board

1.12.1 The transmission and distribution (T&D) losses had increased from 42.62 *per cent* in 2001-02 to 43.86 *per cent* in 2003-04 and the load factor reduced from 73.14 percent in 2002-03 to 70.21 percent in 2003-04.

1.12.2 The percentage of expenditure on staff to total revenue expenditure increased from 12.47 in 2001-02 to 14.81 in 2003-04.

Madhya Pradesh Road Transport Corporation

1.12.3 The average number of vehicles on road decreased from 1,876 in 2001-02 to 1269 in 2003-04 and employee vehicle ratio increased from 6:1 to 8:1 and passengers kilometers operated reduced from 607.48 crore km to 391.94 crore km during the same period.

Madhya Pradesh Financial Corporation

1.12.4 The percentage of default to total loans increased from 25.27 in 2002-03 to 27.48 in 2004-05.

Return on capital employed

1.13 As per their latest finalised accounts (up to September 2005), the capital employed¹¹ worked out to Rs.1059.68 crore in the 29 working companies and total return¹² thereon amounted to Rs.15.61 crore (1.47 percent) as compared to total return of Rs.(-)213.84 crore in the previous year (accounts finalised up to September 2004). Similarly, the capital employed and total return thereon, in case of the working Statutory corporations as per their latest finalised accounts (up to September 2005), worked out to Rs.1795.32 crore and Rs.533.75 crore (29.73 per cent) respectively, against the total return of Rs.299.91 crore in the previous year (4.78 percent) (accounts finalised up to September 2004). The details of capital employed and the total return on capital employed in case of the working Government companies and Statutory corporations are given in ***Annexure 2***.

¹¹ *Capital employed represents net fixed assets (including capital works-in-progress) plus working capital, except in finance companies and corporations where it represents the mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).*

¹² *For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the Profit and Loss Account.*

Reforms in power sector

Status of implementation of MOU between State Government and the Central Government

1.14 A Memorandum of Understanding (MOU) was signed (May 2000) between the Government of Madhya Pradesh (GOMP) and Government of India (GOI) as a measure of joint commitment to undertake power sector reforms in a time-bound manner. Status of implementation of the reforms programme vis-à-vis respective commitments made in the MOU is as follows:

Sl. No.	Commitments as per MOU	Targeted completion schedule	Status (as on 31 March 2005)
1	2	3	4
	Commitments made by State Government		
1	Reduction in transmission and distribution losses	Not given	Software development work for energy audit of 33 KV and 11 KV network was undertaken. Scheme for loss reduction programme was forwarded to ADB, PFC, NABARD for financial assistance. The Govt. of India has appointed NTPC as Advisors-cum-consultants.
2	100 per cent metering of all 11 KV distribution feeders	December 2003	Completed
3	100 per cent metering of all consumers	December 2004	PFC sanctioned scheme for Rs.211.00 crore on 22.03.2002 for providing meters and metering equipments. The amount has been drawn by MPSEB 17 lakh single phase meters 3.41 lakh 3 phase meters and 7529 HT meters have been provided.
4	Securitisation of outstanding dues of Central power sector undertakings	NA	Securitized
5	Reorganisation of Board	NA	Five Companies have been incorporated.
6	Rural electrification programme	By 2007, starting from 2003	50,474 out of 51,806 villages electrified
7	Energy audit	June 2001, Revised target by September 2002	132 KV-100 per cent 33 KV-92.46 per cent 11 KV-92.58 per cent
8	Implementation of tariff orders issued by State Electricity Regulatory Commission during the year	Submission of tariff petition by 31 December each year	Board has filed the tariff petition for the FY 2004-05 as per the directives of Hon'ble MPERC in the month of August 2004. MPERC has issued order on 10.12.2004.
9	Installation of energy meters on grid/generating stations	NA	Completed
10	Replacement of electromagnetic meters with electronic meters	NA	26.62 lakh single phase and 4.60 lakh three phase electronic meters have been replaced/installed by March 2004
11	Supply of additional power	NA	Government of India allocated 350 MW power out of which 50 MW power already allocated through Northern Region.
12	Hydro-electric power development	NA	MoU was signed between GOMP and National Hydro Electric Power Corporation. National Hydro Electric Development Corporation—an independent joint venture utility—has already started functioning and it does not report any progress to MPSEB.

Madhya Pradesh Electricity Regulatory Commission

1.15 The Madhya Pradesh Electricity Regulatory Commission (Commission) was formed in August 1998 under Section 17 of Electricity Regulatory Commissions Act, 1998 with the objective of determining electricity tariff, advising in matters relating to electricity generation, transmission, distribution, etc. in the State. It started functioning from February 1999. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. The audit of the accounts of the Commission has been entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003. The Commission had not finalised its first accounts so far (September 2005).

Non-working PSUs

Investment in the non-working PSUs

1.16 The total investment in the nine non-working Government companies at the end of March 2004 and 2005 was as follows:

(Amount : Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2003-04	9	59.69	0.19	139.11	198.99
2004-05	9	59.69	0.19	164.48	224.36 ¹³

The classification of the non-working PSUs was as follows:

(Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment in non-working PSUs	
			Equity ¹⁴	Long term loans
(i)	Under liquidation	5	12.39	--
(ii)	Under closure	4	47.49	164.48
Total		9	59.88	164.48

Of the above nine non-working PSUs, all the Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956, for periods ranging from one to 22 years. Substantial investment of Rs.224.36 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

¹³ State Government investment in non-working PSUs was Rs.153.12 crore (others Rs.71.24 crore). The figure as per Finance Accounts is Rs.38.04 crore. The difference is under reconciliation.

¹⁴ Equity includes share application money of Rs.0.19 crore in respect of two companies.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.17 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to the non-working PSUs are given in *Annexures 1* and *3*.

1.18 Total establishment expenditure on the non-working PSUs

The year-wise details of the total establishment expenditure of the non-working PSUs (Government companies) and the sources of financing it during the last three years up to 2004-05 are given below:

(Amount : Rupees in lakh)

Year	Number of Government companies	Total establishment expenditure	Disposal of investments/assets	Financed by		
				Government by way of		Others ¹⁵
				Loans	Grants	
2002-03	9	2,332.48	77.81	2,195.66	--	59.01
2003-04	9	178.93	2.27	168.38	--	8.28
2004-05	9	97.55	85.85	--	--	11.70
Total	--	2608.96	165.93	2364.04	--	78.99

Note: The abnormal increase in the establishment expenditure during 2002-03 was due to implementation of voluntary retirement scheme. The excess expenditure thereof was met by way of loans from the State Government.

The State Government has spent Rs.26.09 crore during 2002-05 towards establishment expenses of nine non-working companies. Expeditious action is necessary for winding up of these companies to avoid similar further unproductive expenditure.

Finalisation of accounts by non-working PSUs

1.19 No non-working Government company has finalised its accounts for 2004-05. The accounts of the nine non-working companies were in arrears for periods ranging from one to 15 years as on 30 September 2005, as could be noticed from *Annexure 2*.

Financial position and working results of the non-working PSUs

1.20 The summarised financial results of the non-working Government companies as per their latest finalised accounts are given in *Annexure 2*.

The investment in the nine non-working Government companies as equity aggregated Rs.59.05¹⁶ crore. These companies had been incurring losses leading to a cash loss of Rs.12.03 crore and negative net worth of Rs.124.88 crore. The

¹⁵ The other sources of finance are interest received from banks and proceeds from sale of stock and assets.

¹⁶ Includes equity of Rs.1.04 crore of Madhya Pradesh Film Development Corporation.

accumulated loss of Rs.227.44 crore of these companies exceeded their paid up capital by more than three times, as per their latest finalised account.

Status of placement of Separate Audit Reports of Statutory corporations in Legislature

1.21 The Separate Audit Reports on the accounts of the Madhya Pradesh State Electricity Board (2001-02), Madhya Pradesh Road Transport Corporation (2002-03), Madhya Pradesh Financial Corporation (2003-04) and Madhya Pradesh Warehousing and Logistics Corporation (2002-03) have been placed before the Legislature.

Disinvestments, privatisation and restructuring of the public sector undertakings

1.22 The State Government did not undertake the exercise of disinvestment, privatisation or restructuring of any of its PSUs during 2004-05.

Results of Audit of accounts of PSUs by the Comptroller and Auditor General of India

1.23 During October 2004 to September 2005, the accounts of 27 Government companies (22 working and five non-working) and four Statutory corporations were selected for review in audit. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Sl. No.	Details	Number of accounts			(Rupees in lakh)		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working	Working	Working	Non-working	Working
1	Decrease in profit	2	--	1	534.85	--	116.37
2	Increase in profit	1	--	--	90.08	--	--
3	Increase in loss	5	3	3	54.49	517.46	149041.95
4	Decrease in loss	2	--	1	30.72	--	4.26
5	Non disclosure of material facts	4	4	1	290.79	2567.71	4688.42
6	Errors of classification	4	-	-	120.87	--	--

Errors and omissions noticed in case of Government companies

1.24 Some of the major errors and omissions noticed during audit in case of Government companies are tabulated below:

Sl. No.	Name of the Company	Year of accounts	Errors/omissions	Rupees in crore
1.	Madhya Pradesh State Civil Supplies Corporation Limited	2002-03	No provision had been made for the claim recoverable from the Food Corporation of India on account of excess transportation, which was rejected.	1.94
2.	Madhya Pradesh State Textile Corporation Limited	2003-04	The Company has cash credit in excess of its paid up capital, which was not approved by shareholders in the AGM in violation of Section 293 (1) (d) of the Companies Act 1956.	85.92
3.	Madhya Pradesh State Tourism Development Corporation Limited	2002-03	The capital work-in-progress included abandoned projects for last three years, which resulted in over statement of profit.	1.31
4.	Madhya Pradesh Audyogik Kendra Vikas Nigam (Bhopal) Limited	2002-03	Interest receivable on the Corporate Deposit Account, which was not allowed by Madhya Pradesh State Industrial Development Corporation Limited (Holding Company), resulted in overstatement of income and understatement of loss.	0.12

Errors and omissions noticed in case of Statutory corporations

1.25 Some of the significant errors and omissions noticed during audit in case of Statutory corporations are tabulated below:

Sl. No.	Name of the Corporation	Year of accounts	Errors/omissions	Rupees in crore
1.	Madhya Pradesh warehousing and logistics corporation	2004-05	Non-provision of Income Tax on interest on share holders funds resulted in understatement of liability and overstatement of profit.	0.96
2.	Madhya Pradesh State Electricity Board	2002-03	<ol style="list-style-type: none"> 1. Non inclusion of the Board's share of power in Rihand Hydro Electric Project in U.P. 2. Non accountal of disputed claim of western coal field limited (WCL) including interest. 3. Non provision of liability claimed by WCL on accounts of price increase 	<p>15.23</p> <p>188.45</p> <p>68.29</p>

Audit assessment of the working results of Madhya Pradesh State Electricity Board (MPSEB)

1.26 Based on the audit assessment of the working results of MPSEB for three years up to 2003-04 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the MPSEB and not taking into account the subsidy/subventions receivable from State Government, the net surplus/deficit and the percentage of return on capital employed of the MPSEB will be as given below:

(Amount : Rupees in crore)

Sl. No.	Particulars	2001-02 ¹⁷	2002-03	2003-04
1.	Net surplus/ (-) deficit as per books of accounts	(-) 1,160.50	(-)166.92	(+)151.05
2.	Subsidy from State Government	542.96	668.00	818.39
3.	Net surplus/ (-) deficit before subsidy from State Government (1-2)	(-) 1,703.46	(-)834.92	(-)667.34
4.	Net increase/decrease in net surplus/ (-) deficit on account of audit comments on the annual accounts of MPSEB	(-)573.11	(-)465.27	Comments under finalisation
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from State Government (3-4)	(-)2276.57	(-)1300.19	--
6.	Total return on capital employed	(-)23.17	266.77	

Persistent irregularities and system deficiencies in the financial matters of the PSUs

1.27 The following persistent irregularities and system deficiencies in the financial matters of the PSUs had been repeatedly pointed out during the course of audit of their accounts but no corrective action had been taken by these PSUs so far.

Statutory corporations

1.28 Madhya Pradesh State Electricity Board

- The Board has not maintained prescribed register of assets (except for Board's hospital) indicating details of fixed assets viz., location, quantities, value, dates of acquisition/commissioning, depreciation, etc. As a result, the value shown in the accounts could not be vouchsafed in audit. The assets had also not been physically verified.
- Other material includes material suspense account with Rs.51.00 lakh (Dr.) and Rs.22.72 lakh (Cr.), the age wise details of which are not available.
- A number of accounting heads were showing adverse balances in the units test checked by Audit.

1.29 Madhya Pradesh Road Transport Corporation

- Physical verification of the assets (other than the fleet) has not been conducted since 1975-76.
- Asset register giving details of assets i.e. date of acquisition, location, status, etc. has not been maintained.
- Details of works-in-progress i.e. opening balance, additions during the year, amount transferred to fixed assets and closing balance of each asset

¹⁷ Board has revised its accounts as per preliminary comments of audit and it had the impact of increasing the loss by Rs.356.55 crore.

at the end of each year as required under the provisions of Income Tax Act has not been shown in the accounts.

- Year-wise and party-wise details of the advances and deposits have not been worked out.
- Rupees 47.95 lakh are outstanding against other State Road Transport Corporations for more than 10 years.
- Confirmation of balances has not been obtained from the debtors and age-wise, party-wise break-up was not available.
- Non-provision of interest on Employees Provident Fund.
- The Corporation acquired land of 18488 sq. meters alongwith building/residential quarters for Agar Depot in Ujjain Division from the Western Railway in the year 1991-92; the fact of non-payment of consideration has not been disclosed.

Reports of the Statutory Auditors for improvement in internal audit/internal control on the directions of the Comptroller and Auditor General of India

1.30 The Statutory Auditors (Chartered Accountants) are required to give a detailed report on the various aspects including the Internal Control and Internal Audit System in the companies audited, in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which need improvement. Directions/sub-directions under the Act, *ibid*, were issued to the Statutory auditors in respect of 29 working Government companies between October 2004 and September 2005. In pursuance of the directions so issued, reports of the Statutory Auditors involving 14 accounts of 12 Government companies were received (September 2005).

Major recommendations/comments made by the Statutory Auditors on possible improvements in the Internal Audit/Internal Control Systems of the State Government companies are indicated below:

Sl. No.	Nature of the recommendations/comments made by the Statutory auditors	No. of companies to which recommendations/comments pertain	Reference to serial numbers of Annexure 2
1.	Internal Audit System was not commensurate with the size and activities of the company	4	1,5,10,14
2	No adequate control over shortages and claim for loss of stores	1	5
3	Property and asset registers are not maintained	4	1,8,11,12
4	Maximum, minimum and re-ordering levels and economic order quantity of stock have not been prescribed	3	1,11,12
5	No adequate control over the timely recovery of outstanding dues.	3	11,12,20

6	Monthly bank reconciliation has not been done	2	1,23
7	Non-compliance with the Accounting Standards	5	1,5,8,11,20
8	Non-computerisation of accounts	4	5,8,11,12
9	Segment/project wise accounts are not prepared.	3	1,11,22

Recommendations for closure of the PSUs

1.31 Even after completion of five or more years of their existence, the turnover of eight Government companies (working)¹⁸ have been less than rupees five crore in each of the preceding five years of their latest finalised accounts. Further, one¹⁹ Government company had been incurring losses for five consecutive years leading to negative net worth. In view of the poor turnover and continuous losses, the Government may either take steps to improve the performance of these Government companies or consider their closure.

Position of discussion of the Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.32 The position of discussion of the Audit Reports (Commercial) by the COPU, reviews/paragraphs pending for discussion in the COPU, at the end of September 2005, is shown below :

Audit Report for the year	Number of reviews and paragraphs featured in the Audit Report		Number of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
2000-01	02	15	01	04
2001-02	03	23	02	03
2002-03	03	20	03	12
2003-04	02	17	02	17

619-B companies

1.33 There was one company, viz. Madhya Pradesh Vidyut Yantra Limited, coming under Section 619-B of the Companies Act, 1956, which is a non-working company. According to its latest available accounts for 1989-90, the company with a total paid-up capital of Rs.1.50 crore, contributed by the State Government companies (Rs.1.26 crore) and Central Government and its companies (Rs.24 lakh) had suffered loss of Rs.63 lakh during the year. Its accumulated loss up to the year 1989-90 was Rs.3.78 crore.

¹⁸ Madhya Pradesh Police Housing Corporation Limited, AKVN (Bhopal), (Jabalpur), (Rewa), Industrial Infrastructure Development Corporation (Gwalior) Limited, M.P. Adivasi Vitta Evam Vikas Nigam Limited. The Provident Investment Company Limited and Madhya Pradesh Urja Vikas Nigam Limited.

¹⁹ M.P. State Industrial Development Corporation Limited.