

## CHAPTER I

### Overview of Government companies and Statutory corporations

#### Introduction

**1.1** As on 31 March 2006, there were 38 Government companies (29 working and nine non-working companies<sup>1</sup>) and four Statutory corporations (all working), the same as on 31 March 2005, under the control of the State Government. In addition, the State Government had formed Madhya Pradesh Electricity Regulatory Commission (MPERC) and its audit is also entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003<sup>2</sup>. 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 Comptroller and Auditor General of India (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 172 (a) and 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.

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

<sup>2</sup> *Erstwhile Electricity Regulatory Commission Act, 1998 replaced by Electricity Act 2003.*

## Working Public Sector Undertakings (PSUs)

### Investment in working PSUs

**1.2** The total investment in 33 working PSUs (29 Government companies and four Statutory corporations) at the end of March 2005 and March 2006 was as follows:

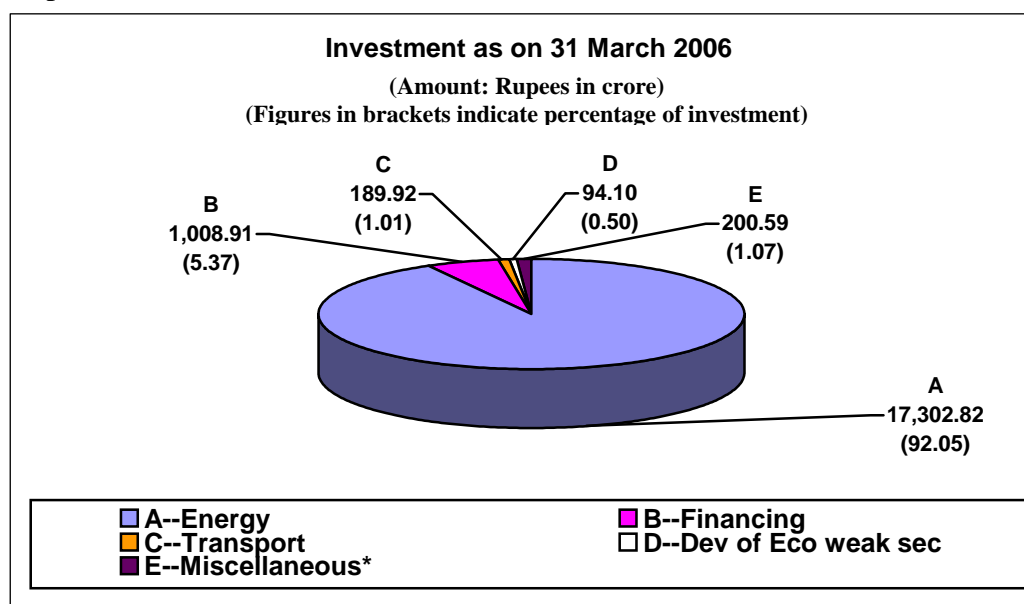
*(Amount : Rupees in crore)*

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans	Total
2004-05	33	538.35	109.56	4,989.68	5,637.59
2005-06	33	4,488.55	136.14	14,171.65	18,796.34 <sup>3</sup>

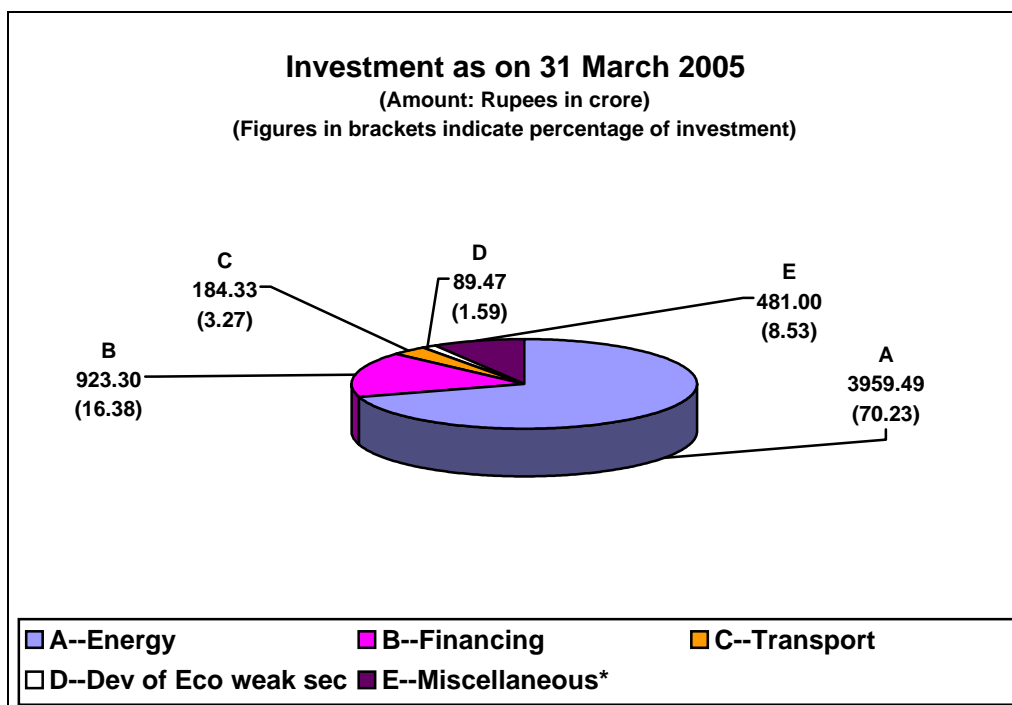
As on 31 March 2006, the total investment in working Government companies and Statutory corporations comprised 24.60 *per cent* of equity capital and 75.40 *per cent* of loans, compared to 11.56 and 88.44 *per cent* of equity capital and loans respectively as on 31 March 2005. The total investment by way of equity and loans made during the year was Rs.13,158.75 crore mainly due to the reform process wherein MPSEB was unbundled into five Government companies. 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 2006 and 31 March 2005 are indicated below in the pie charts:



<sup>3</sup> State Government's investment in working PSUs was Rs.9,333.89 crore (others Rs.9,462.45 crore). The figure as per Finance Accounts is Rs.5,446.61 crore. The difference is under reconciliation.



(\*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 2005 and March 2006 was as follows.

(Amount : Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loans	Total
2004-05	29	236.69	16.44	744.65	997.78
2005-06	29	3,631.02	43.03	5,276.47	8,950.52

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 2006, the total investment in the working Government companies comprised 41.05 per cent equity capital and 58.95 per cent loans as against 25.37 and 74.63 per cent respectively, as on 31 March 2005.

Due to increase of State Government contribution in equity capital the debt-equity ratio of the working Government companies decreased from 2.94:1 in 2004-05 to 1.44:1 in 2005-06.

### Working Statutory corporations

1.4 The total investment in the four working Statutory corporations at the end of March 2005 and March 2006 was as follows:

(Amount : Rupees in crore)

Name of corporation	2004-05		2005-06	
	Capital	Loans	Capital	Loans
Madhya Pradesh State Electricity Board	169.62	3,788.86	718.63	8,351.93
Madhya Pradesh Road Transport Corporation	141.81	42.52	141.81	48.12
Madhya Pradesh Financial Corporation	75.30	413.61	82.14	492.37
Madhya Pradesh Warehousing and Logistics Corporation	8.06	0.04	8.06	2.77
<b>Total</b>	<b>394.79</b>	<b>4,245.03</b>	<b>950.64</b>	<b>8,895.19</b>

The summarised position of Government investment in the working Statutory corporations in the form of equity and loans is detailed in *Annexure 1*. 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<sup>4</sup> companies were registered in November 2001 and May 2002 and these continued to function under an agreement with MPSEB till 31 May 2005. Independent status was granted to these companies from 1 June 2005 with revenue sharing, based on laid down cash flow mechanism. Three agreements, viz. (i) power purchase agreement between MPSEB and MPPGCL<sup>4</sup>, (ii) transmission service agreement between MPSEB and MPPTCL<sup>4</sup> and three DISCOMs<sup>4</sup> and (iii) bulk supply agreement between MPSEB and 3 DISCOMs were executed on 17 June 2005. Meanwhile, the Government of Madhya Pradesh authorised MPSEB to continue to function as a trading licensee till 9 June 2006. Necessary steps for incorporation of a company by MPSEB for inter/ intra State power trading were being taken (March 2006).

As on 31 March 2006, the total investment in working Statutory corporations comprised 9.66 per cent equity capital and 90.34 per cent loans as against 8.51 and 91.49 per cent respectively as on 31 March 2005. The debt-equity ratio decreased from 10.75:1 in 2004-05 to 9.36:1 in 2005-06 due to considerable increase in equity capital in MPSEB in 2005-06.

<sup>4</sup> Madhya Pradesh Power Generating Company Limited (MPPGCL), Madhya Pradesh Power Transmission Company Limited (MPPTCL), Madhya Pradesh Paschim Kshetra Vidyut Vitran Company Limited, Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited, Madhya Pradesh Poorva Kshetra Vidyut Vitran Company Limited (DISCOMs)

### 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 relating to working Government companies and working Statutory corporations are given in *Annexures 1* 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 2005-06 are given below:

(Amount : Rupees in crore)

	2003-04				2004-05				2005-06			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	1	0.90	1	1.34	2	10.30	1	1.50	7	2,857.29	2	404.00
Loans given from budget	1	7.24	--	--	1	4.28	2	375.44	3	91.16	3	651.31
Other grants/subsidy	11	46.90	--	--	10	213.14	2	845.33	9	32.43	1	495.69
<b>Total outgo</b>	<b>11<sup>5</sup></b>	<b>55.04</b>	<b>1<sup>5</sup></b>	<b>1.34</b>	<b>12<sup>5</sup></b>	<b>227.72</b>	<b>3<sup>5</sup></b>	<b>1,222.27</b>	<b>16<sup>5</sup></b>	<b>2,980.88</b>	<b>3<sup>5</sup></b>	<b>1,551.00</b>

During the year 2005-06, the Government had guaranteed loans aggregating Rs.2,513.89 crore obtained by six working Government companies (Rs.1662.89 crore) and one working Statutory corporation (Rs.851.00 crore). At the end of the year, guarantees amounting to Rs.7,236.07 crore in respect of nine working Government companies (Rs.3,679.03 crore) and three working Statutory corporations (Rs.3,557.04 crore) were outstanding as against Rs.646.35 crore in respect of the five working Government companies (Rs.66.79 crore) and two Statutory corporations (Rs.579.56 crore) at the end of the previous year. The guarantee commission payable to the Government by the Government companies and Statutory corporations at the end of March 2006 was Rs.2.79 crore and Rs.94 lakh respectively.

### Finalisation of accounts by the working PSUs

**1.6** As can be seen from *Annexure-2*, out of the 29 working Government companies and four Statutory corporations, only three companies and one corporation had finalised their accounts for the year 2005-06 by 30 September 2006. During the period October 2005 to September 2006, 18 working

<sup>5</sup> These are the actual numbers of companies/corporations, which had received budgetary support in the form of equity, loans, grants and /or subsidies from the State Government during the respective years.

Government companies finalised 20 accounts for previous years. Similarly, two working Statutory corporations finalised two accounts for previous years during this period. Madhya Pradesh Electricity Regulatory Commission and two<sup>6</sup> new companies have not finalised their accounts since their inception.

The accounts of the 26 working Government companies and three Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2006 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 2005-06	7	A-18	--
2.	1	--	2001-02 to 2005-06	5	A-19	--
3.	1	--	2002-03 to 2005-06	4	A-7	--
4.	1	--	2003-04 to 2005-06	3	A-13	--
5	8	--	2004-05 to 2005-06	2	A-1, 10, 11, 12, 16, 17, 21, 22	--
6	14	3	2005-06	1	A- 2, 3, 4, 5, 6, 8, 14, 23, 24, 25, 26, 27, 28, 29	B-1, 2, 4
	<b>26</b>	<b>3</b>				

### 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 have been 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, six companies and two corporations had incurred aggregate loss of Rs.6.09 crore and Rs.50.48 crore respectively and 15 companies and two corporations earned aggregate profit of Rs.49.44 crore and Rs.1,249.26 crore, respectively. The eight<sup>7</sup> new Government companies had not prepared any profit and loss account for the year.

<sup>6</sup> Sl. No. A 4 and 11 of Annexure 2.

<sup>7</sup> Sl. No. A 4, 6, 11, 25, 26, 27, 28 and 29 of Annexure 2.

## Working of Government companies

### *Profit earning working Government companies and dividend*

**1.8** The State Government had formulated (July 1998) a dividend policy for payment of minimum dividend of 12 *per cent* of equity, which was subsequently revised (July 2005) to 20 *per cent* on profit after tax. Two companies viz. Madhya Pradesh State Civil Supplies Corporation Limited (MPSCSC) and Madhya Pradesh Mining Corporation Limited had finalised their accounts for 2005-06 by September 2006 and declared dividend of Rs.5.81 crore (54.41 *per cent*).

Similarly, out of the 18 working Government companies, which finalised their accounts for previous years, 10 companies earned an aggregate profit of Rs.15.55 crore and only six companies earned profit for two or more successive years. Four companies declared dividend of Rs.5.36 crore (9.51 *per cent*) for the previous years, during the year. The total return to the State Government by way of dividend during 2005-06, worked out to 0.31 *per cent* on its total equity investment of Rs.3,637.54 crore in all the working Government companies. Two<sup>8</sup> companies had accumulated losses aggregating Rs.635.73 crore, which exceeded their aggregate paid up capital of Rs.82.15 crore, by more than seven times.

The dividend declared for the years 2001-02 to 2004-05 amounting to Rs. 7.25 crore by MPSCSC was not paid to the Government because of a conditional resolution made in the respective AGMs and exemption available to Government companies under section 205A of the Companies Act.

### *Loss incurring working Government companies*

**1.9** Despite poor performance, 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, financial support of Rs.18.07 crore was provided by the State Government to four loss incurring companies by way of equity, grants and subsidies during 2005-06.

## Working of Statutory corporations

### *Profit earning Statutory corporations and dividend*

**1.10** The two profit earning Statutory corporations viz. Madhya Pradesh Warehousing and Logistics Corporation and MPSEB are yet to finalise their accounts for 2005-06. MPSEB, which finalised its accounts during the year 2005-06 for 2004-05, earned profit of Rs.1243.88 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

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<sup>8</sup> Sl. No. A7 and 23 of Annexure 2.

had accumulated losses aggregating Rs.1,008.31 crore which was more than four times of their aggregate paid up capital of Rs.223.95 crore.

Despite their poor performance, the State Government provided financial support to these two corporations amounting to Rs.76.26 crore during 2005-06 by way of equity and loan.

### ***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 the operational performance, the following points emerge:

#### **Madhya Pradesh State Electricity Board**

**1.12.1** The transmission and distribution (T&D) losses remained almost constant i.e. 43.59 *per cent* in 2002-03, 43.86 *per cent* in 2003-04 and 43.48 in 2004-05

**1.12.2** The load factor reduced from 73.14 *per cent* in 2002-03 to 72.09 *per cent* in 2004-05 and no village/ town had been electrified during 2004-05.

**1.12.3** The percentage of expenditure on staff to total revenue expenditure increased from 14.50 in 2002-03 to 16.82 in 2004-05.

#### **Madhya Pradesh Road Transport Corporation**

**1.12.4** The average number of vehicles on road decreased from 1,417 in 2002-03 to 925 in 2004-05 and employee vehicle ratio increased from 8:1 to 11:1 during the same period.

**1.12.5** Passenger kilometers operated reduced from 553.54 crore km in 2002-03 to 391.94 crore km in 2003-04.

### **Return on capital employed**

**1.13** As per their latest finalised accounts, the capital employed<sup>9</sup> worked out to Rs.1,127.64 crore in the 29 working companies and total return<sup>10</sup> thereon amounted to Rs.80.74 crore (7.16 *per cent*) as compared to total return of Rs.15.61 crore in the previous year. Similarly, the capital employed and total return thereon, in case of the working Statutory corporations as per their latest finalised accounts worked out to Rs.11,480.16 crore and Rs.1,555.71 crore (13.55 *per cent*) respectively, against the total return of Rs.533.75 crore in the previous year (29.73 *per cent*). 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*.

<sup>9</sup> *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).*

<sup>10</sup> *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 the State Government and 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 towards power sector reforms in a time-bound manner. The 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 2006)
1	2	3	4
	<b>Commitments made by the State Government</b>		
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. 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 crore on 22 March 2002 for providing meters and metering equipments. The amount has been drawn by MPSEB and 46.49 lakh single phase meters, 6.91 lakh 3 phase meters and 7,529 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 and are conducting their business independently from June 2005.
6	Rural electrification programme	By 2007, starting from 2003	50,474 out of 51,806 villages electrified (97.43 per cent)
7	Energy audit	June 2001, Revised target by September 2002	132 KV-100 percent 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	All the five companies have submitted their ARR and MPERC has issued tariff order for financial year 2006-07.
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** 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 2006).

## 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 2005 and 2006 was as follows:

(Amount : Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2004-05	9	59.69	0.19	164.48	224.36
2005-06	9	58.42	1.03	166.02	225.47 <sup>11</sup>

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

(Amount: Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment in non-working PSUs	
			Equity <sup>12</sup>	Long term loans
(i)	Under liquidation	5	11.96	--
(ii)	Under closure	4	47.49	166.02
<b>Total</b>		<b>9</b>	<b>59.45</b>	<b>166.02</b>

All the above nine non-working Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956, for periods ranging from one to 23 years. Substantial investment of Rs.225.47 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

### 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 relating to non-working PSUs are given in *Annexures 1* and *3*.

<sup>11</sup> State Government investment in non-working PSUs was Rs.154.63 crore (others Rs.70.84 crore). The figure as per Finance Accounts is Rs. 45.02 crore. The difference is under reconciliation.

<sup>12</sup> Equity includes share application money of Rs.1.03 crore in respect of one company.

**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 2005-06 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 <sup>13</sup>
				Loans	Grants	
2003-04	9	178.93	2.27	168.38	--	8.28
2004-05	9	97.55	85.85	--	--	11.70
2005-06	9	124.07	--	---	40.00	84.07
<b>Total</b>	<b>--</b>	<b>400.55</b>	<b>88.12</b>	<b>168.38</b>	<b>40.00</b>	<b>104.05</b>

The State Government spent Rs.4.01 crore during 2003-06 towards establishment expenses of nine non-working companies. Expeditious action is necessary for winding up of these companies to avoid further unproductive expenditure.

**Finalisation of accounts by non-working PSUs**

**1.19** One non-working Government company finalised its accounts for 2005-06. The accounts of the remaining eight non-working Government companies were in arrears for periods ranging from one to 16 years as on 30 September 2006, as can be seen 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 equity investment in the nine non-working Government companies aggregated Rs.59.05<sup>14</sup> crore. These companies had been incurring losses leading to a cash loss of Rs.9.93 crore and negative net worth of Rs.131.80 crore. The accumulated loss of Rs.234.72 crore of these companies as per their latest finalised account, exceeded their paid up capital by more than three times,.

**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 (2003-04), Madhya Pradesh Road Transport Corporation (2003-04), Madhya Pradesh Financial Corporation (2004-05) and Madhya

<sup>13</sup> The other sources of finance are interest received from banks and proceeds from sale of stock

<sup>14</sup> Includes equity of Rs.1.04 crore of Madhya Pradesh Film Development Corporation.

Pradesh Warehousing and Logistics Corporation (2004-05) have been placed before the Legislature.

### Disinvestments, privatisation and restructuring of the PSUs

1.22 The State Government did not undertake any disinvestment, privatisation or restructuring of any of its PSUs during 2005-06.

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

1.23 During October 2005 to September 2006, the accounts of 23 Government companies (19 working and four non-working) and three Statutory corporations were selected for review in audit. The net impact of the important audit observations as a result of review of the PSUs is as follows:

Sl. No.	Details	Number of accounts			(Amount: Rupees in lakh)		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working	Working	Working	Non-working	Working
1	Decrease in profit	3	--	3	477.27	--	71,405.37
2	Increase in profit	--	--	1	--	--	6,116.00
3	Increase in loss	3	1	2	428.43	61.86	1,02,426.50
4	Decrease in loss	1	--	1	92.76	--	25.17
5	Non disclosure of material facts	3	--	3	372.33	--	44,728.52
6	Errors of classification	4	--	2	6,652.37	--	1,14,160.20

### 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 Rajya Van Vikas Nigam	2004-05	Cash & bank balances included cash embezzled and provided as doubtful debts resulting in overstatement of cash and bank balance and understatement of loan and advances.	1.67
2.	Madhya Pradesh State Civil Supplies Corporation Limited	2005-06	Adjustment of downward revision of rate of Custom Milled Rice of the previous years from the current year sales violated the accounting policy and resulted in understatement of sales and profit for the year and prior period items (net) to that extent.	3.89
3.	Madhya Pradesh State Agro Industries Development Corporation Limited	2002-03	Cash not deposited in bank resulting in overstatement of cash & bank balance and understatement of loss.	0.03
		2003-04	Non-provision of debts outstanding since 1981-82 whose chance of recovery is remote resulted in overstatement of sundry debtors and understatement of loss.	1.58

**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 State Electricity Board	2004-05	1. Non-provision of unpaid coal bill of WCL & SECL during the year 2004-05	59.81
			2. Non-provision of interest on security deposit of consumer	11.98
			3. Non-provision of guarantee charges payable on State Government Guarantees	11.19
			4. Non-provision of unrealisable amount from disconnected consumers	87.22
			5. Cash and bank balance doesn't include amount deposited but not credited by bank for more than three years	1.46
2	Madhya Pradesh Road Transport Corporation	2003-04	1. Non-provision of interest payable to State Bank of India (Rs. 9.18 crore) State Bank of Bikaner & Jaipur (Rs. 8.05 crore) resulted in understatement of loss.	17.23
			2. Non-provision of interest liability due to non-remittance of EPF contribution resulted in understatement of loss.	4.43
			3. Recognition of claim for passes issued to freedom fighters, which has not been accepted by the Government	8.47

**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 2004-05 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	2002-03	2003-04	2004-05 <sup>15</sup>
1.	Net surplus/ (-) deficit as per books of accounts	(-)154.38	(+)151.03	(+)1,243.88
2.	Subsidy from State Government	668.00	818.39	794.30
3.	Net surplus/ (-) deficit before subsidy from State Government (1-2)	(-)822.38	(-)667.36	(+)449.58
4.	Net increase/decrease in net surplus/ (-) deficit on account of audit comments on the annual accounts of MPSEB	(-)465.27	(-)476.14	(-)290.28
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from State Government (3-4)	(-)1,287.65	(-)1,143.50	(+)159.30
6.	<b>Total return on capital employed</b>	<b>279.30</b>	<b>543.27</b>	<b>1,556.02</b>

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*At the instance of Audit the Board had revised the initially adopted accounts to the extent of Rs. 114.07 crore.*

***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 has been taken by these PSUs so far.

**Statutory corporations**

**1.28 Madhya Pradesh State Electricity Board**

- The Board has not maintained the 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 verified in audit. The assets had also not been physically verified.
- There were un-reconciled differences between the balances appearing in the trial balance and in schedules / subsidiary books in most of the field accounting units.
- Assets and liabilities of eight Gramin Vidyut Corporation Societies taken over by the Board on 20 February 2002 have not been depicted in the accounts.
- A number of accounting heads showed 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 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.
- Interest on Employees Provident Fund has not been provided.

- The Corporation acquired land measuring 18,488 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 system 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 2005 and September 2006. In pursuance of the directions so issued, reports of the Statutory Auditors involving four accounts of four Government companies were received (September 2006).

Major recommendations/comments 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.	No Audit committee has been formed in violation of section 292 A of the Companies Act	3	2, 8, 16
2	Non-computerisation of accounts	2	2, 8

**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)<sup>16</sup> has been less than rupees five crore in each of the preceding five years of their latest finalised accounts. 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.

<sup>16</sup> *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.*

**Position of discussion of 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 discussed in the COPU, at the end of September 2006, is shown below:

Audit Report for the year	Number of reviews and paragraphs featured in the Audit Report		Number of reviews/paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2002-03	3	20	Nil	12
2003-04	2	17	Nil	2
2004-05	3	22	Nil	Nil

**619-B companies**

**1.33** There was one company, viz. Madhya Pradesh Vidyt 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 that year. Its accumulated loss up to the year 1989-90 was Rs.3.78 crore.