

Overview

1. Overview of Government companies and Statutory corporations

- As on 31 March 2006, the State had 42 Public Sector Undertakings (PSUs) comprising 38 Government companies and four Statutory corporations. Out of 38 Government companies, 29 were working companies, while nine were non-working Government companies. All the four Statutory corporations were working corporations. In addition, there was one company under the purview of Section 619-B of the Companies Act, 1956.

(Paragraphs 1.1 and 1.33)

- The total investment in working PSUs increased from Rs.5637.59 crore as on 31 March 2005 to Rs.18796.34 crore as on 31 March 2006. The total investment in non-working PSUs increased from Rs.224.36 crore to Rs.225.47 crore during the same period.

(Paragraphs 1.2 and 1.16)

- The budgetary support in the form of capital, loans and grants /subsidy disbursed to the working PSUs increased from Rs.1449.99 crore in 2004-05 to Rs.4531.88 crore in 2005-06. The State Government guaranteed loans aggregating Rs.2513.89 crore during 2005-06. The total amount of outstanding loans guaranteed by the State Government increased from Rs.646.35 crore as on 31 March 2005 to Rs.7236.07 crore as on 31 March 2006.

(Paragraph 1.5)

- Three working Government companies and one Statutory corporation, had finalised their accounts for the year 2005-06. The accounts of 26 working Government companies and three Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2006. Madhya Pradesh Electricity Regulatory Commission and two new Company have not finalised their accounts since inception. One non-working Government company had finalised its accounts for the year 2005-06. Accounts of eight non-working companies were in arrears for periods ranging from one to 16 years as on 30 September 2006.

(Paragraphs 1.6 and 1.19)

- According to their latest finalised accounts, eight working PSUs (six Government companies and two Statutory corporations) incurred aggregate loss of Rs.56.57 crore. On the other hand, 17 working PSUs (15 Government companies and two Statutory corporations) earned aggregate profit of Rs.1,298.70 crore as per their latest finalised accounts. Six working Government companies declared dividend of Rs.11.17 crore during the year. Two loss incurring Statutory corporations had

accumulated losses of Rs1,008.31 crore, which exceeded their paid-up capital of Rs.223.95 crore by more than four times.

(Paragraphs 1.7, 1.8, 1.9 and 1.11)

- Even after completion of five or more years of their existence, the individual turnover of eight working Government companies remained less than rupees five crore in each of the preceding five years as per their latest finalised accounts.

(Paragraph 1.31)

2 Reviews relating to Government Companies

2.1 Financial assistance by Madhya Pradesh Pichhra Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam.

- Performance of the Company with regard to achievement of targets during the five years 2001-06 was abysmally low in respect of all the schemes implemented by the Company.

(Paragraphs 2.1.6)

- Delay in sending utilisation certificates to financing agencies resulted in avoidable interest payment of Rs.5.11 crore.

(Paragraph 2.1.16)

- Though the Company has been extending financial assistance for over 12 years for the economic upliftment of targeted population, no survey of beneficiaries has been conducted to formulate a base for covering all the beneficiaries in a phase manner.

(Paragraphs 2.1.10)

- Loans of Rs.6.04 crore and Government share of project cost (Rs.4.45 crore) meant for disbursement to beneficiaries were diverted for repayment of instalments due to NBCFDC and NMDFC resulting in denial of assistance to needy beneficiaries.

(Paragraphs 2.1.15)

- Improper maintenance of records coupled with absence of internal audit, facilitated misappropriation of cash in five districts. In spite of misappropriations, the Company has not taken any corrective/punitive action.

(Paragraph 2.1.25)

2.2 Promotion and development of plantation including commercial exploitation thereof by Madhya Pradesh Rajya Van Vikas Nigam Limited.

- Performance of the Company with regards to promotion, development and commercial exploitation was found to be deficient due to low production of standard size rootshoots in nurseries, replacement of casualties in excess of norms/ replacement by pre-sprouted polypot plants and re-plantation in areas of failed plantation which resulted in avoidable additional expenditure of Rs.12.51 crore. Despite fixation of progressively lower targets, the Company failed to achieve them.

(Paragraphs 2.2.10, 2.2.13, 2.2.14, 2.2.16 and 2.2.18)

- Higher rate of failure of Bamboo plantation and low yield (24 per cent) in various divisions during April 2001 to March 2005 resulted in loss of potential revenue of Rs.20.71 crore.

(Paragraphs 2.2.20 and 2.2.27)

- Postponement of thinning in 7,349 hectares due to substandard teak plantation resulted in loss of potential revenue of Rs.15.13 crore with consequential loss of interest of Rs.4.43 crore. Failure of teak plantation in type C area of Kundam division, Jabalpur resulted in loss of revenue of Rs.2.26 crore.

(Paragraphs 2.2.25 and 2.2.26)

- Absence of effective internal controls facilitated defalcation of sale proceeds to the extent of Rs.3.69 crore out of which Rs.2.41 crore could not be recovered.

(Paragraph 2.2.31)

- No system was in place to monitor the substantial variations in actual cost of plantation compared to the estimated cost. Inter-division comparison of actual cost was also not made to ascertain reasons for abnormal variance either to take cost control measures or ensure preparation of realistic estimates.

(Paragraph 2.2.19)

3. Reviews relating of Statutory Corporations

3.1 Financial assistance to Industrial units by Madhya Pradesh Financial Corporation.

- As of 31 March 2005, the Corporation had outstanding loans aggregating Rs.395.40 crore against 2033 units, out of which 891 units were in

operation, 40 units were under implementation and 382 units were closed due to lack of working capital, market demand, technological obsolescence, internal disputes, financial mismanagement.

(Paragraph 3.1.1)

- Even though the Corporation had extended financial assistance of Rs.1,882.11 crore to 8,720 applicants since its inception in 1955, no assessment of success of industries financed had been conducted (March 2006) to assess the extent of achievement of objective of promotion of industries in the State, for planning future course of action.

(Paragraph 3.1.13)

- The system of appraisal of projects was deficient. Rules framed by the Corporation for sanction of loans were deviated in respect of sanctions aggregating Rs.22.11 crore in 24 cases. Loan assistance was extended to unviable projects, ineligible applicants, promoters of doubtful creditworthiness, without adequate security and for discharging loans outstanding with other financial institutions.

(Paragraphs 3.1.15 to 3.1.24)

- Follow-up of recovery of loan was poor. Despite persistent default, action was not initiated for takeover. Targets for recovery were low and ranged between 38 *per cent* (2000-01) and 46 *per cent* (2003-04) of the total amount recoverable. Separate targets were not fixed for recovery of old dues, even though their recovery was only up to 18 *per cent*. To bridge the gap between funds available and funds required, the Corporation resorted to borrowings through bonds.

(Paragraphs 3.1.25 and 3.1.7)

- One time settlements were extended to wilful defaulters and even in cases where adequate collateral securities were available. Though the Corporation sacrificed Rs.71.34 crore on one time settlement of dues of Rs.157.10 crore for Rs.85.76 crore during the period 2001-05, it could recover only Rs.41 crore (47 *per cent*) upto March 2005 defeating the very objective of one time settlements.

(Paragraphs 3.1.30 to 3.1.32)

3.2 Procurement of material and implementation of transmission and distribution schemes under ADB funded project by Madhya Pradesh State Electricity Board

- Improper planning in procurement of conductors resulted in excess procurement of material and locking up of funds of Rs.3.91 crore for two years and consequential loss of interest of Rs.82.11 lakh.

(Paragraph 3.2.9)

- The Board granted extension of delivery periods to defaulting suppliers without imposing liquidated damages valuing Rs.93 lakh.

(Paragraphs 3.2.10 and 3.2.11)

- Due to delay in commissioning of various 220/132 KV lines/sub-stations the Board could not derive the envisaged benefits in reduction of sub-transmission losses.

(Paragraph 3.2.13)

- Advance procurement of transmission/sub-transmission materials worth Rs.67.45 crore and distribution material worth Rs.27.22 crore resulted in blockage of funds totaling to Rs.94.67 crore.

(Paragraphs 3.2.14 and 3.2.17)

- The Board had to incur extra expenditure of Rs.2.81 crore due to placement of orders for identical items of material at different rates under different packages of the same tender.

(Paragraph 3.2.15)

3.3 Handling of theft of energy and materials in Madhya Pradesh State Electricity Board

- Transmission and Distribution loss of the Board ranged between 45.57 and 42.62 *per cent* during the five years ended March 2005, as against the acceptable level of 15.5 *per cent*, resulting in loss of potential revenue to the tune of Rs.9,397.47 crore.

- The Board did not have a uniform policy of checking the consumer's service connections and the percentage of checking varied between 4.06 and 46.95 in different regions.

(Paragraph 3.3.6)

- Out of the total demand of Rs.390.12 crore on account of value of theft of electricity detected, Rs.93.82 crore representing 24.05 *per cent* were pending realisation.

(Paragraph 3.3.8)

- During the five years ended March 2005, as against 10,413 cases of theft of Board's property involving Rs.25.15 crore, the Board filed FIRs in respect of 4,328 cases only representing 41.56 *per cent* of the total theft cases.

(Paragraph 3.3.14 & 3.3.15)

- As against the theft of Board's property involving Rs.25.15 crore, the Board could recover stolen property worth Rs. 8.63 lakh only representing 0.34 per cent of the total value of theft.

(Paragraph 3.3.17)

4. Transaction Audit observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which had serious financial implications. The irregularities pointed out are broadly of the following nature:

- Financial imprudence due to payment through Demand Drafts instead of Cheques and unjustified rejection of lowest tender led to extra expenditure of Rs. 82.80 lakh.

(Paragraphs 4.3 and 4.10)

- Non availing of concessional rate of Commercial Tax and delay in release of advance and final payment by the Board resulted in avoidable expenditure to the tune of Rs.15.81 lakh and extra expenditure of Rs.28.78 lakh respectively.

(Paragraphs 4.16, 4.18 and 4.19)

- Improper rake movement plans led to extra expenditure of Rs. 25.20 lakh on freight and Rs. 24.32 lakh on storage charges on unutilised storage space.

(Paragraphs 4.4 and 4.5)

Some important observations are below:

GOVERNMENT COMPANIES

Madhya Pradesh Civil Supplies Corporation Limited .

- Non-compliance of specified despatch schedule by district offices and intermediary storage of wheat resulted in avoidable expenditure of Rs.1.01 crore on local transportation and storage and Rs. 1.06 crore towards interest on the cost of wheat locked up.

(Paragraph 4.1)

Madhya Pradesh State Industrial Development Corporation Limited

- Placement of inter-corporate loan without obtaining security coupled with various deficiencies in sanction and pre/post disbursement procedures resulted in locking up of Rs.14.50 crore besides non-realisation of interest of Rs.20.28 crore.

(Paragraph 4.7)

- Failure to take timely legal action for takeover of assets and to initiate Revenue Recovery proceedings resulted in non-recovery of both principal and interest of Rs.12.39 crore.

(Paragraph 4.8)

STATUTORY CORPORATION

Madhya Pradesh State Electricity Board.

- Non-commissioning of fire protection system and consequent blockage of funds of Rs.3.36 crore resulted in loss of interest of Rs.1.28 crore.

(Paragraph 4.12)

- Failure to scrutinise freight bills and delay in raising refund claims resulted in excess expenditure of Rs.2.86 crore on transportation charges.

(Paragraph 4.11)

- Non-adherence to the tariff order resulted in under billing of electricity charges and consequent revenue loss of Rs.1.10 crore.

(Paragraph 4.13)

- Non invoking 'risk-and-cost-purchase' clause and acceptance of improper security deposit resulted in extra expenditure of Rs.70.06 lakh and non-recovery of dues of Rs.38.67 lakh.

(Paragraphs 4.14 and 4.15)