

Chapter-I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2008, there were 40 Government companies (31 working and nine non-working companies¹) and four Statutory corporations (all working), as against the same number of Government companies and Statutory corporations as on 31 March 2007, under the control of the State Government. The accounts of Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors 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 given 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)	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	
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	

In addition, the State Government had formed (February 1999) Madhya Pradesh Electricity Regulatory Commission (MPERC) and its audit is also entrusted to the CAG under Section 104(2) of the Electricity Act, 2003².

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

² Erstwhile Electricity Regulatory Commission Act, 1998 had been replaced by the Electricity Act, 2003.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 The total investment in 35 working PSUs (31 Government companies and four Statutory corporations) at the end of March 2007 and March 2008 was as follows:

(Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity capital	Share application money	Loans	Total
2006-07	35	4,871.72	616.31	14,820.34	20,308.37
2007-08	35	5,717.58	1,525.11	8,993.50	16,236.19 ³

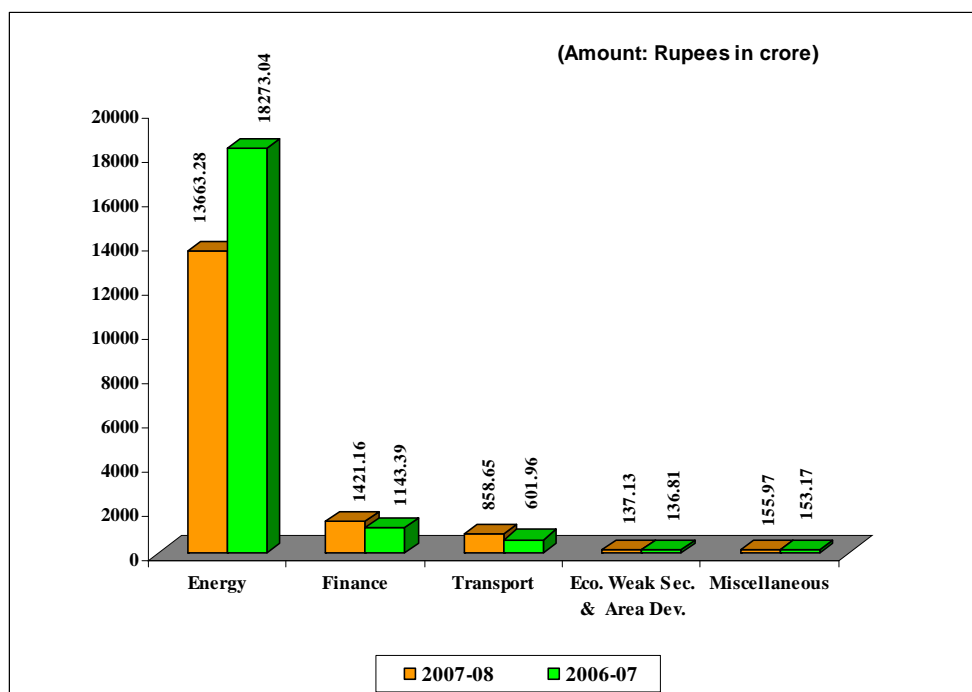
Source: Information furnished by companies/corporations

As on 31 March 2008, the total investment in working Government companies and Statutory corporations comprised 44.61 per cent of equity capital including share application money and 55.39 per cent of loans, compared to 27.02 per cent and 72.98 per cent of equity capital and loans respectively as on 31 March 2007. 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 2008 and 31 March 2007 are indicated below in the bar charts:

³ State Government's investment in working PSUs was Rs. 9,102.55 crore (others Rs. 7,133.64 crore). The figure as per Finance Accounts is Rs. 6283.99 crore. The difference is under reconciliation.



Working Government companies

1.3 Total investment in the working Government companies at the end of March 2007 and March 2008 was as follows.

(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity capital	Share application money	Loans	Total
2006-07	31	3,825.18	526.06	5,492.94	9,844.18
2007-08	31	4,845.06	1,434.86	7,811.03	14,090.95

Source: Information furnished by companies

The summarised position of Government investment in the working Government companies in the form of equity and loans is detailed in *Annexure-1*.

As on 31 March 2008, the total investment in the working Government companies comprised 44.57 per cent of equity capital including share application money and 55.43 per cent of loans as against 44.20 per cent and 55.80 per cent respectively, as on 31 March 2007.

Due to increase in equity in power sector, the debt-equity ratio of the working Government companies decreased from 1.26:1 in 2006-07 to 1.24:1 in 2007-08.

Working Statutory corporations

1.4 The total investment in the four working Statutory corporations at the end of March 2007 and March 2008 was as follows:

(Rupees in crore)

Name of corporation	2006-07		2007-08	
	Capital	Loans	Capital	Loans
Madhya Pradesh State Electricity Board	718.63	8,351.93	479.61 ⁴	2.31 ⁴
Madhya Pradesh Road Transport Corporation	141.81	460.15	141.81	716.84
Madhya Pradesh Financial Corporation	268.29	510.48	333.29	460.09
Madhya Pradesh Warehousing and Logistics Corporation	8.06	4.83	8.06	3.23
Total	1,136.79	9,327.39	962.77	1,182.47

Source: Information furnished by the corporations

The summarised position of Government investment in the working Statutory corporations in the form of equity and loans is detailed in *Annexure-1*.

As on 31 March 2008, the total investment in working Statutory corporations comprised 44.88 per cent of equity capital and 55.12 per cent of loans as against 10.86 and 89.14 per cent respectively as on 31 March 2007. The debt-equity ratio decreased from 8.21:1 in 2006-07 to 1.23:1 in 2007-08 due to transfer of loan in MPSEB to new power sector companies as a part of the reform process.

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 three years up to 2007-08 are given below:

⁴ *The information supplied by the Board in October 2008 as on March 2006.*

(Rupees in crore)

	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	7	2,857.29	2	404.00	6	794.61	1	189.00	6	1476.19	1	65.00
Loans given from budget	3	91.16	3	651.31	4	102.76	1	94.03	5	509.79	1	128.92
Other grants/subsidy	9	32.43	1	495.69	11	292.80	1	1.00	13	1464.64	1	0.04
Total outgo ⁵	16	2,980.88	3	1,551.00	18	1,190.17	2	284.03	17	3,450.62	2	193.96

Source: Information furnished by companies/corporations

During the year 2007-08, the Government had guaranteed loans aggregating Rs. 153.43 crore obtained by seven working Government companies (Rs. 103.43 crore) and one working Statutory corporation (Rs. 50 crore). At the end of the year, guarantees amounting to Rs. 618.04 crore in respect of eight⁶ working Government companies (Rs. 397.39 crore) and two working Statutory corporations (Rs. 220.65 crore) were outstanding as against Rs. 3,044.29 crore in respect of seven working Government companies and two Statutory corporations 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 2008 was Rs. 3.58 crore and Rs. 1.07 crore respectively.

During 2007-08, the State Government had repaid a loan of Rs. 2.92 crore, which was guaranteed by it, on behalf of M.P. State Industrial Development Corporation Limited.

Finalisation of accounts by the working PSUs

1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under sections 166, 210, 230, 619 and 619 B of the Companies Act, 1956 read with section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in the case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective statutes.

However, as could be seen from **Annexure-2**, out of 31 working Government companies and four Statutory corporations, only seven companies and three corporations had finalised their accounts for the year 2007-08 within the stipulated period. During the period from October 2007 to September 2008, 22 working Government companies finalised 24 accounts for previous years.

⁵ Numbers of companies/corporations shown are the actual number of companies/corporation which had received budgetary support in the form of equity, loans, grant and subsidies from the State Government during the respective years.

⁶ M P Power Generating Company Limited did not furnish the guarantee amount outstanding at the end of 2007-08.

Similarly, during this period, three working Statutory corporations finalised three accounts for previous years.

The accounts of 24 working Government companies and one Statutory corporation were in arrears for periods ranging from one to seven years as on 30 September 2008 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.	1	--	2001-02 to 2007-08	7	A-18	--
2.	1	--	2002-03 to 2007-08	6	A-19	--
3.	1	--	2004-05 to 2007-08	4	A-7	--
4.	4	1	2005-06 to 2007-08	3	A-6, 13, 17, 21,	B-1
5	6	--	2006-07 to 2007-08	2	A-1, 2, 11, 16, 22, 31	--
6	11	--	2007-08	1	A-3, 4, 5, 8, 10, 12, 14, 15, 23, 24, 30	--
	24	1				

Source: Annual accounts of companies/corporations

The State Government had invested Rs. 1,214.18 crore (Equity: Rs. 27.52 crore; loans: Rs. 74.35 crore; subsidy: Rs. 952.35 crore and grant: Rs. 159.96 crore) in 15 working PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of finalisation of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments of the Government were apprised quarterly by the Principal Accountant General regarding arrears in finalisation of accounts, adequate measures had not been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

1.7 The summarised financial results of 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-5** and **6** respectively.

According to the latest finalised accounts of 31 working Government companies and four working Statutory corporations, 12 companies and one corporation had incurred aggregate loss of Rs. 1,852.05 crore and Rs. 13.62 crore respectively and 17 companies and three corporations earned aggregate

profit of Rs. 95.71 crore and Rs. 101.31 crore respectively. One company⁷ had not commenced its activities and hence not prepared Profit and Loss Account. One more company had not yet finalised its first accounts (Sl. No. 31 of *Annexure 2*).

Working Government companies

Profit earning working Government companies and dividend

1.8 Out of seven⁸ working Government companies, which finalised their accounts for 2007-08 by 30 September 2008, three (Sl. No. A-9, 20 & 28 of *Annexure-2*) companies, earned an aggregate profit of Rs. 53.59 crore and only two⁹ companies declared dividend aggregating Rs. 7.51 crore. The dividend as a percentage of share capital in the above two profit making companies worked out to 70.38 *per cent* in these companies. The remaining one company did not declare any dividend. The total return by way of above dividend of Rs. 7.51 crore worked out to 0.12 *per cent* on the total equity investment of Rs. 6,232.36 crore by the State Government in all the Government companies as per their latest finalised accounts. The State Government had formulated (July 1998) a dividend policy for payment of minimum dividend of 12 *per cent* on equity, subsequently revised (July 2005) to 20 *per cent* on profit after tax. However, these guidelines were not complied with by one company (viz. Pithampur Auto Cluster Limited, Indore).

Similarly, out of 23 working Government companies, which finalised their accounts for previous years by September 2008, 14 companies earned an aggregate profit of Rs. 42.11 crore. Of these, 11 companies earned profit for two or more successive years. Out of these 14 companies, three¹⁰ companies declared dividend of Rs. 2.41 crore.

Loss incurring working Government companies

1.9 Of the 12 loss incurring working Government companies, five companies (Sl. No. A-1, 23, 26, 27 and 29 of *Annexure-2*) had accumulated losses aggregating to Rs. 4,179.93 crore, which exceeded their aggregate paid up capital of Rs. 1,930.68 crore. Despite poor performance, the State Government continued to provide financial support to these companies in the form of contribution towards equity, loans, subsidy, grants, etc. According to the available information, financial support so provided by the State Government by way of equity, loans, grants and subsidies, etc. during 2007-08 to these five companies amounted to Rs. 956.92 crore.

⁷ Crystal IT Park Indore Limited.

⁸ These include five companies, which finalised their previous year's accounts also.

⁹ M P State Civil Supplies Corporation Limited and M P State Mining Corporation Limited.

¹⁰ Pithampur Auto Cluster Limited Indore, M P Rajya Van Vikas Nigam Limited and M P Laghu Udyog Nigam Limited.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Out of three working Statutory corporations which finalised their accounts for 2007-08 by September 2008, two corporations earned an aggregate profit of Rs. 7.32 crore and only one corporation (Sl.No.B-4 of *Annexure-2*) declared dividend of Rs. 0.30 crore. The dividend as a percentage of share capital of the above profit making corporation worked out to 3.72 *per cent*. The other profit making corporation did not declare any dividend.

Similarly, the only Statutory corporation which finalised its accounts for previous years (Sl. No. B-1¹¹ of *Annexure-2*), earned a profit of Rs. 93.99 crore but did not declare any dividend.

Loss incurring Statutory corporations

1.11 The only loss incurring Statutory corporation viz. Madhya Pradesh Road Transport Corporation had accumulated loss aggregating Rs. 1,024.52 crore which exceeded its paid up capital of Rs. 141.81 crore.

Despite poor performance, the State Government provided financial support to this corporation in the form of loans amounting to Rs. 128.92 crore during 2007-08.

Operational performance of the working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in *Annexure-7*. Analysis of the operational performance of these corporations revealed the following:

Madhya Pradesh Road Transport Corporation

- The average number of vehicles on road decreased from 925 in 2004-05 to 19 in 2006-07¹² and number of operating depots went down from 42 to 32 during the same period.
- Gross kilometers operated reduced from 1,264.61 lakh kms in 2004-05 to 57.68 lakh kms in 2006-07.

Madhya Pradesh Financial Corporation

- Applications sanctioned for loan reduced from 558 in 2005-06 to 306 in 2007-08 though there was a marginal increase in the loan amount

¹¹ *The Corporation (MPSEB) has prepared its accounts for 2005-06 in two phases (viz. April 2005 to May 2005 and June 2005 to March 2006) but accounts for the period from June 2005 to March 2006 have not been submitted for audit.*

¹² *Figures for 2007-08 not available.*

sanctioned during 2007-08 (Rs. 168.45 crore) as against 2005-06 (Rs. 167.72 crore).

Madhya Pradesh Warehousing and Logistics Corporation

- Average capacity utilisation reduced from 9.05 lakh tonnes in 2005-06 to 8.91 lakh tonnes in 2007-08.

Return on capital employed

1.13 As per the latest finalised accounts (up to September 2008) of 31 working companies, the capital employed¹³ worked out to Rs. 1,811.86 crore and total return¹⁴ thereon amounted to Rs.(-)701.44 crore as compared to total return of Rs.(-)245.59 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. 10,497.52 crore and Rs.256.91 crore (2.45 *per cent*) respectively, against the total return of Rs. 1,531.80 crore in the previous year (11.97 *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*.

Reforms in power sector

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

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 joint commitment for implementation of reforms programme in power sector with identified milestones. Commitments as per MOU and status thereon has been reviewed by the audit during 2007-08 and the audit findings thereon have been incorporated in Chapter 3 of this Report.

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 five¹⁵ companies were registered in November 2001 and

¹³ 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).

¹⁴ 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.

¹⁵ 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 and Madhya Pradesh Poorva Kshetra Vidyut Vitran Company Limited (DISCOMs).

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, (ii) transmission service agreement between MPSEB and MPPTCL and three DISCOMs and (iii) bulk supply agreement between MPSEB and three DISCOMs were executed on 17 June 2005.

A new Government company Madhya Pradesh Power Trading Company Limited (MPPTCL) was incorporated on 2 May 2006 for inter/intra state power trading. For the purpose of long term power purchase, Shahpura Thermal Power Company Limited., a shell company of MPPTCL was incorporated on 5 February 2007.

Madhya Pradesh Electricity Regulatory Commission

1.15 Madhya Pradesh Electricity Regulatory Commission (Commission) was formed in August 1998 under Section 17 of Electricity Regulatory Commission Act, 1998¹⁶ 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 finalised its accounts up to 2006-07 (September 2008).

Non-working PSUs

Investment in non-working PSUs

1.16 The total investment in nine non-working Government companies at the end of March 2007 and 2008 was as follows:

(Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2006-07	9	59.44	0.16	169.38	228.98
2007-08	9	59.45	0.16	176.86	236.47 ¹⁷

Source: Information furnished by companies

The classification of non-working PSUs was as follows:

¹⁶ Since replaced by the Electricity Act, 2003.

¹⁷ State Government investment in non-working PSUs was Rs. 172.05 crore (others Rs. 64.42 crore). The figure as per Finance Accounts is Rs. 45.24 crore. The difference is under reconciliation.

(Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment in non-working PSUs	
			Equity ¹⁸	Long term loans
(i)	Under liquidation	5 ¹⁹	12.12	--
(ii)	Under closure	4 ²⁰	47.49	176.86
Total		9	59.61	176.86

Source: Information furnished by the companies

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 24 years. Substantial investment of Rs. 236.47 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation.

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

1.17 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of non-working Government companies are given in **Annexure-1 and 3**. During the year State Government provided budgetary support by way of grant to one company viz. MP Leather Development Corporation amounting to Rs. 18.93 lakh. The State Government did not waive off any loan or convert any loan into equity during the year in respect of non-working companies.

1.18 Total establishment expenditure on 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 2007-08 are given below:

(Rupees in lakh)

Year	Number of Government companies	Total establishment expenditure	Disposal of investments/ assets	Financed by		
				Government by way of		Others ²¹
				Loans	Grants	
2005-06	9	124.07	--	---	40.00	84.07
2006-07	9	2.80 ²²	--	--	--	2.80
2007-08	9	152.20	14.50	--	18.93	118.77
Total	--	279.07	14.50		58.93	205.64

Source: Information furnished by companies

¹⁸ Equity includes share application money of Rs. 1.03 crore in respect of one company.

¹⁹ M P Lift Irrigation Corporation Limited, M P State Dairy Development Corporation Limited, M P Film Development Corporation Limited, M P Rajya Setu Nirman Nigam Limited and M P Panchayati Raj Vitta Evam Vikas Nigam Limited.

²⁰ M P Leather Development Corporation Limited, M P State Industries Corporation Limited, Optel Telecommunication Limited and M P State Textile Corporation Limited.

²¹ The other sources of finance are interest received from banks, proceeds from sale of stock and financial support from holding company.

²² Relates to one Company only.

During 2005-08, Rs. 2.79 crore had been spent towards establishment expenses by 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 Five out of nine non-working Government companies were under liquidation and remaining four companies were defunct. The accounts of three out of four defunct companies were in arrears for periods ranging from two to 13 years as on 30 September 2008 as could be seen from ***Annexure-2***.

Financial position and working results of non-working PSUs

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

The equity investment in nine non-working Government companies as per their finalised accounts aggregated Rs. 58.78²³ crore. These companies had been incurring losses with aggregate cash loss of Rs. 11.57 crore and negative net worth of Rs. 138.41 crore. The accumulated loss of Rs. 242.08 crore of these companies as per their latest finalised accounts exceeded their paid up capital by more than four 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 (2004-05), Madhya Pradesh Road Transport Corporation (2005-06), Madhya Pradesh Financial Corporation (2006-07) and Madhya Pradesh Warehousing and Logistics Corporation (2006-07) issued to the State Government during October 2007 to September 2008 have since been placed before the State 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 2007-08.

²³ *Figure of equity investment is as per the latest finalised accounts of the non-working companies and does not include additions in subsequent years.*

Results of Audit of accounts of PSUs

1.23 Some of the important comments made by the Statuary Auditors appointed by the Comptroller and Auditor General of India (CAG) under Section 619 of the Companies Act, 1956 in their audit reports on the accounts of the companies finalised during the period from October 2007 to September 2008 are given below:

Madhya Pradesh Power Generating Company Limited (2007-08)

- Fuel shortages of Rs. 32.78 crore and excess of Rs. 0.23 crore pertaining to earlier years were not written off/ adjusted.
- Sale of power of Rs. 29.59 crore was not accounted for.

Madhya Pradesh State Civil Supplies Corporation Limited (2007-08)

- Without having adequate documents, Rs. 1.76 crore payable on price differential (wheat) and Rs. 83.20 crore payable to State Government (margin) accounted for in the profit and loss account.

Madhya Pradesh Paschim Kshetra Vidyut Vittran Company, Indore (2006-07)

- Capital works valued at Rs. 615.36 crore, which were completed and transferred from the erstwhile Electricity Board, were not capitalized.
- Excess physical inventory of Rs. 46.19 crore was not accounted.

1.24 During October 2007 to September 2008, the accounts of 26 Government companies (23 working and three non-working) and four Statutory corporations were selected for audit. The net impact of the important audit observations as a result of audit is as follows:

Sl. No.	Details	Number of accounts			(Amount: Rupees in crore)		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working	Working	Working	Non-working	Working
1	Decrease in profit	5	--	1	3.58	--	2.06
2	Increase in profit	1	--	1	0.07	-	0.15
3	Increase in loss	5	1	1	51.19	1.94	893.16
4	Decrease in loss	2	--	1	0.34	--	0.23
5	Non disclosure of material facts	9	--	1	31.37	--	867.00
6	Errors of classification	3	--	2	7.48	--	87.16

1.25 *Important comments arising from supplementary audit in case of working Government companies*

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

Sl. No.	Name of the Company	Year of accounts	Errors/omissions	Rupees in lakh
1.	Madhya Pradesh Poorva Kshetra Vidyut Vitaran Company Limited	2006-07	Statutory charges collected by the company neither remitted to Government nor provided for in the accounts.	21.78
2.	Madhya Pradesh Power Generating Company Limited	2006-07	Over capitalization of interest resulted in understatement of loss.	0.32
3.	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited	2006-07	Non-provision of liability towards leave encashment of retiring employees resulted in understatement of provision and loss.	835.08
4.	Madhya Pradesh State Industrial Development Corporation Limited	2005-06	Interest paid on unsecured loan deducted from principal resulted in under statement of interest and unsecured loan.	10.00
5.	Madhya Pradesh Agro Industries development Corporation limited	2005-06	Misappropriation of cash by DGM, Mechanized Agro Farm, Babai had not been disclosed.	0.69

1.26 Important comments raised by the Statuary Auditors in case of Statutory Corporation

Madhya Pradesh Warehousing and Logistics Corporation (2007-08)

- Provisions made towards interest payable on shareholders fund of Rs. 0.52 crore were not permitted under Warehousing Corporation Act, 1962.
- Against the matching contribution of share capital of Rs. one crore, CWC contributed only Rs. 0.50 crore.

1.27 Important comments arising from Sole/Supplementary audit in case of Statutory corporations

Madhya Pradesh Financial Corporation (2007-08)

Rs. in crore

- Provision of group gratuity demanded by LIC was not made. 1.43
- The subsidy receivable from GOI through the State Government pertaining to periods prior to 1999-2000 had very remote chances of receipt in absence of any details. 0.63
- Excess provision of interest on Government loan. 0.16

Madhya Pradesh Road Transport Corporation (2005-06)

- Expenditure incurred on repairs/replacement of items in various workshop of revenue nature charged to WIP. 1.80
- Statutory dues recovered from the salary were not deposited/ remitted to the respective department. 1.59
- Cash book was not maintained by Gwalior unit for one year. --

Internal audit/ internal control

1.28 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on the various aspects including the internal control and internal audit system in the companies audited by them 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 35 Government companies between October 2007 and September 2008. In pursuance of the directions so issued, reports of the Statutory Auditors of 11 Government companies were received (September 2008).

Major recommendations/comments on possible improvements in the internal audit/ internal control systems of the State Government companies as suggested by the Statutory Auditors 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.	Accounting manuals not prepared	2	A-21,24,
2.	Computerisation of accounts not done	4	A- 11,21,24,25,
3.	Non recovery/adjustment of outstanding dues	3	A-21,23,27,
4.	Accounting Standards were not adhered to	2	A-25,27,
5.	Bank reconciliation was not done	2	A-21,23,
6.	Non maintenance of store /fixed assets registers	5	A-8,17,21,23,26
7.	Ineffective Internal Audit/Internal control	7	A-8,17,21,22,23,24,25
8.	Non-preparation of cost account	4	A-8,17,21,22

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

1.29 The following table indicates the details regarding number of reviews/ paragraphs discussed by the COPU by the end of September 2008.

Audit Report for the year	Number of reviews and paragraphs featured in the Audit Report		Number of reviews/paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2004-05	03	22	02	08
2005-06	05	20	01	08
2006-07	05	19	Nil	Nil
Total	13	61	03	16

During the year 2007-08, the COPU conducted 21 meetings and discussed four reviews and 39 draft paragraphs contained in Audit Report (Commercial) for the years 2002-03 to 2004-05.

619-B companies

1.30 There were four companies falling within the purview of Section 619-B of the Companies Act, 1956 of which three companies were working. ***Annexures-8*** gives the details of paid up capital and summarized working results of these companies based on their latest finalised accounts.