

CHAPTER I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2003, there were 29 Government companies (20 working companies and nine non-working companies¹) and five Statutory corporations (all working) as against 29 Government companies (23 working companies and six non-working companies) and five Statutory corporations (all working) as on 31 March 2002 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619(2) of 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 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)	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG.
2.	Madhya Pradesh State Road Transport Corporation (MPSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG.
3.	Madhya Pradesh Electricity Regulatory Commission (MPERC)	Section 43(2) of Madhya Pradesh Vidhyut Sudhar Adhiniyam 2001	Sole audit by CAG.
4.	Madhya Pradesh Financial Corporation (MPFC)	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and supplementary audit by CAG.
5.	Madhya Pradesh Warehousing and Logistics Corporation (MPWLC) (formerly known as Madhya Pradesh State Warehousing Corporation)	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 The total investment in 28 working PSUs (23 Government companies and five² Statutory corporations) at the end of March 2002 and 25 working

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

² Includes Madhya Pradesh Electricity Regulatory Commission in which there was no investment in form of equity capital and loan.

PSUs (20 Government companies and five Statutory corporations) at the end of March 2003 was as follows:

(Rupees in crore)

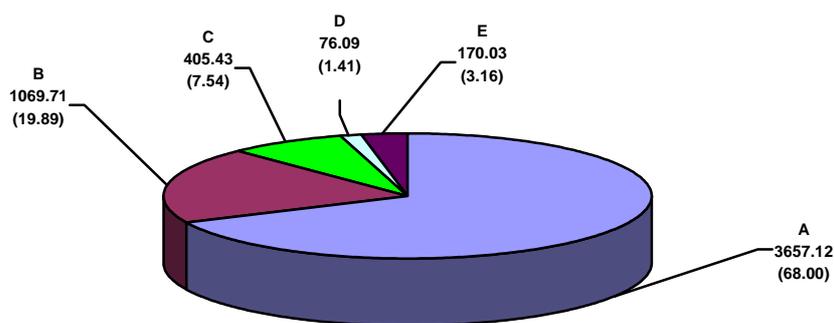
Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans	Total
2001-02	28	638.48	111.77	7,723.72	8,473.97
2002-03	25	530.31	113.78	4,734.29	5,378.38

Note: Investment in working PSUs decreased mainly due to bifurcation of MPEB and MPSWC and three working PSUs turned into non-working PSUs.

The analysis of investment in PSUs is given in the following paragraphs.

The investment (equity and long-term loans) in various sectors and percentages thereof at the end of 31 March 2003 and 31 March 2002 are indicated below in the pie charts:

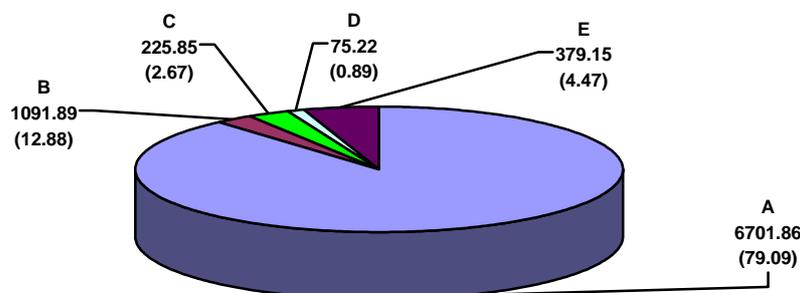
Sector-wise investment in working Government companies and Statutory Corporations as on 31 March 2003



(Amount: Rupees in crore)
(Figures in brackets indicate percentage of investment)



Sector-wise investment in working Government companies and Statutory Corporations as on 31 March 2002



Note: *Miscellaneous includes Agriculture, Industries, Electronics, Construction, Area Development, Mining, Handlooms & Handicrafts, Forest, Tourism and Public distribution

Working Government companies

1.3 Total investment in 23 and 20 working Government companies at the end of March 2002 and March 2003 was as follows.

(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			Total
		(Amount: Rupees in crore)	(Amount: Rupees in crore)	(Amount: Rupees in crore)	
	(Figures in brackets)	Equity	Loans		
2001-02	23	234.91	4.14	760.32	999.37
2002-03	20	190.31	6.15	577.57	774.03

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

As on 31 March 2003 the total investment in working Government companies comprised 25.38 per cent equity capital and 74.62 per cent loans as against 23.92 and 76.08 per cent respectively, as on 31 March 2002.

Due to companies of electronics, textile, and industries sectors having turned non-working, the debt-equity ratio of working Government companies decreased from 3.18:1 in 2001-02 to 2.94:1 in 2002-03.

Working Statutory corporations

1.4 The total investment in four³ working Statutory corporations at the end of March 2003 and March 2002 was as follows:

(Rupees in crore)

Name of corporation	2001-02		2002-03	
	Capital	Loans	Capital	Loans
Madhya Pradesh State Electricity Board	169.62	3,912.96	169.62	3,486.81
Madhya Pradesh State Road Transport Corporation	182.37	43.48	182.37	223.07
Madhya Pradesh Financial Corporation	88.08	448.49	88.08	445.51
Madhya Pradesh Warehousing and Logistics Corporation	9.60	1.41	7.56	1.33
Total	449.67	4,406.34	447.63	4,156.72

The summarised position of Government investment in working Statutory corporations in the form of equity and loans is detailed in **Annexure 1**. As a part of reforms process, Madhya Pradesh State Electricity Board (MPSEB) was unbundled (September 2000) into six Government Companies. All these companies were registered in November 2001 and May 2002. However, there

³ In respect of Madhya Pradesh Electricity Regulatory Commission there was no investment in the form of equity capital and loan.

was 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 2003, the total investment in working Statutory corporations comprised 9.72 per cent equity capital and 90.28 per cent loans as against 9.26 and 90.74 per cent respectively as on 31 March 2002. Due to bifurcation of MPEB and Madhya Pradesh State Warehousing Corporation between Madhya Pradesh and Chhattisgarh, the debt-equity ratio decreased from 13.62:1 in 2001-02 to 9.29:1 in 2002-03.

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

1.5 The details about budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government 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 working Government companies and working Statutory corporations for the three years up to 2002-03 are given below:

(Rupees in crore)

	2000-01				2001-02				2002-03			
	Companies		Corporations		Companies		Corporations		Companies		Corporation	
	No	Amt.	No	Amt.	No	Amt.	No	Amt.	No	Amt.	No	Amt.
Equity capital outgo from budget	2	2.00	--	--	1	1.50	--	--	2	3.02	1	1.00
Loans given from budget	4	30.69	1	216.31	3	33.69	2	193.08	1	10.88	3	247.05
Other grants/subsidy	10	23.83	1	341.14	6	75.81	4	402.67	10	61.51	3	586.92
Total outgo	14⁴	56.52	1³	557.45	12³	111.00	4³	595.75	12³	75.41	4³	834.97

During the year 2002-03, Government had guaranteed loans aggregating Rs.201.45 crore obtained by three working Government companies (Rs.28.26 crore) and two working Statutory corporations (Rs.173.19 crore). At the end of the year, guarantees amounting to Rs.3,846.34 crore in respect of eight working Government companies (Rs.126.36 crore) and three working Statutory corporations (Rs.3,719.98 crore) were outstanding as against Rs.3,874.12 crore in respect of 10 working Government companies (Rs.141.89 crore) and three Statutory corporations (Rs.3,732.23 crore) at the end of

⁴ These are the actual numbers 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.

previous year. The guarantee commission payable to Government by Government companies and Statutory corporations at the end of March 2003 was Rs.2.10 crore and Rs. 0.76 crore, respectively.

Finalisation of accounts by working PSUs

1.6 The accounts of the Government companies for every financial year are required to be finalised within six months from the end of relevant financial year under sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, read with Section 19 of 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 financial year. Similarly, in case of Statutory corporations their accounts are required to be finalised, audited and presented to the Legislature according to the provisions of their respective Acts.

As could be noticed from *Annexure 2*, out of 20 working Government companies, only one company, and out of five working Statutory corporations, two corporations, had finalised their accounts for the year 2002-03 within the stipulated period. During the period October 2002 to September 2003, 15 working Government companies finalised 17 accounts for previous years. Three working Statutory corporations also finalised three accounts for previous years during this period. One Statutory corporation has not finalised its accounts since inception.

The accounts of 19 working Government companies and three Statutory corporations were in arrears for periods ranging from one to five years as on 30 September 2003 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	--	1998-99 to 2002-03	5	A-14	--
2.	3	1	1999-2000 to 2002-03	4	A-5, 15, 18	B-5
3.	1	--	2000-2001 to 2002-03	3	A-12	--
4.	5	1	2001-02 to 2002-03	2	A-1, 9,10,17,19	B-1
5	9	1	2002-03	1	A-2,3,4,6,7,8, 11,13,20	B-4
	19	3				

It is the responsibility of Administrative Departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned Administrative Departments and officials of the

Government were apprised quarterly by Audit about arrears in finalisation of accounts, no effective measures have been taken by 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 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 20 working Government companies and four working Statutory corporations, 10 companies and three corporations had incurred aggregate losses of Rs.52.87 crore and Rs.1585.91 crore, respectively and 10 companies and one corporation earned an aggregate profit of Rs.23.77 crore and Rs.21.63 crore, respectively.

Working 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. One working Government Company which finalised its accounts for 2002-03 by September 2003, earned profit and declared dividend of Rs.1.01 crore. The total return to Government by way of dividend during 2002-03 worked out to 0.56 per cent against its total equity investment of Rs.179.60 crore in all working Government companies.

Similarly, out of 15 working Government companies which finalised their accounts for previous years by September 2003, six companies earned an aggregate profit of Rs.12.88 crore and only five companies earned profit for two or more successive years. Three companies declared dividend of Rs.2.31 crore (9.64 per cent) for the previous years during the year.

Loss-incurring working Government companies

1.9 Out of 10 loss-incurring working Government companies, three companies had accumulated losses aggregating Rs.231.31 crore which exceeded their aggregate paid-up capital of Rs.82.83 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further loans, conversion of loans into equity, subsidy, etc. According to available information, out of total financial support of Rs.75.41 crore provided by the State Government to 12 companies by way of equity, loans, grants and subsidies during 2002-03, Rs.5.88 crore

pertained to two companies whose accumulated losses had exceeded their paid-up capital.

Working Statutory corporations

Profit-earning Statutory corporations and dividend

1.10 None of the profit-earning Statutory corporations had finalised their accounts for 2002-03 during the year. Madhya Pradesh Warehousing and Logistics Corporation, earlier known as Madhya Pradesh State Warehousing Corporation, which finalised its accounts for previous year, earned profit of Rs.21.63 crore and declared dividend for Rs.1.92 crore for 2001-02 during the year.

Loss-incurring Statutory corporations

1.11 The remaining three loss-incurring Statutory corporations, (Madhya Pradesh State Electricity Board, Madhya Pradesh State Road Transport Corporation and Madhya Pradesh Financial Corporation) had accumulated losses aggregating Rs.2718.46 crore which was more than five times their aggregate paid-up capital of Rs.501.60 crore.

Despite their poor performance, the State Government provided financial support amounting to Rs.833.57 crore to all the three corporations during 2002-03 by way of loans, grants and subsidies.

Operational performance of 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 plant load factor has been on the decrease and came down from 69.47 per cent in 1999-2000 to 66.35 in 2000-01 and 62.90 in 2001-02.

Madhya Pradesh State Road Transport Corporation

1.12.2 Though the percentage utilisation of vehicles increased from 77 in 2000-01 to 82 *per cent* in 2002-03, the occupancy ratio decreased from 62 to 61 *per cent* during the same period.

Madhya Pradesh Financial Corporation

1.12.3 The Corporation has not taken adequate follow-up action for recovery of outstanding dues which had increased from Rs.540.47 crore in 2000-01 to Rs.551.40 crore in 2001-02 and to Rs.563.45 crore in 2002-03. Further, the percentage of default has also increased from 24.47 in 2001-02 to 25.27 in 2002-03.

Return on capital employed

1.13 As per their latest finalised accounts (up to September 2003), the capital employed⁵ worked out to Rs.878.84 crore in 20 working companies and total return⁶ thereon amounted to Rs.54.48 crore which worked out to 6.20 *per cent* as compared to total return of Rs.41.23 crore (4.35 *per cent*) in the previous year (accounts finalised up to September 2002). Similarly, the capital employed and total return thereon, in case of working Statutory corporations as per their latest finalised accounts (up to September 2003), worked out to Rs.8574.35 crore and Rs.(-)548.19 crore respectively, against the total return of Rs.(-)517.94 crore in previous year (accounts finalised up to September 2002). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in *Annexure 2*.

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. Later on, in the conference of Chief Ministers/Power Ministers, too, held in March 2001, a consensus was reached to depoliticise power sector reforms and to speed up their implementation. Status of implementation of 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 1 March 2003)
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
2	100 per cent metering of all 11 KV distribution feeders	December 2003	Completed
3	100 per cent metering of all consumers	December 2004	Out of 63.96 lakh, 45.85 lakh (71.7 per cent) consumers covered till March 2003
4	Securitisation of outstanding dues of Central Power sector undertakings	NA	Securitized
5	Reorganisation of Board	NA	Gazette notification issued in February 2001
6	Rural electrification programme	By 2007, starting from 2003	50400 out of 51806 villages electrified
7	Energy audit	June 2001	33KV-89.05 per cent 11 KV-88 per cent

⁵ 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).

⁶ 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.

8	Implementation of tariff orders issued by State Electricity Regulatory Commission during the year	Submission of tariff position by 31 December each year	Since implemented
9	Installation of energy meters on grid/generating stations	NA	Completed
10	Replacement of electromagnetic meters with electronic meters	NA	19.58 lakh single phase and 3.52 lakh three phase electronic meters have been replaced/installed by March 2003
11	Supply of additional power	NA	Government of India allocated 50 MW power from unallocated quota of NTPC's thermal stations at its disposal, to MPSEB.
12	Hydro-electric power development	NA	MoU signed between GOMP and National Hydro Electric Power Corporation. National Hydro Electric Development Corporation-an independent joint venture utility has already started

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 (Act) with the object 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 accounts of the Commission has been entrusted to CAG under Section 43(2) of the Madhya Pradesh Vidhyut Sudhar Adhiniyam, 2001. The Commission had not finalised its first accounts so far (September 2003).

Non-working PSUs

Investment in non-working PSUs

1.16 The total investment in six and nine non-working Government companies at the end of March 2002 and 2003 respectively was as follows:

(Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2001-02	6	13.74	0.19	--	13.93
2002-03	9	59.68	0.20	147.13	207.01

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 ⁷	Long term loans
(i)	Under liquidation	4	7.39	--
(ii)	Under closure	4	47.49	147.13
(iii)	Others	1	5.00	--
Total		9	59.88	147.13

Of the above non-working PSUs, eight Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956, for one to 20 years and substantial investment of Rs.202.01 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 regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to non-working PSUs are given in *Annexures 1* and *3*.

The State Government provided budgetary support of Rs.9.39 crore as loans to Madhya Pradesh State Textile Corporation and M.P State Industries Corporation for implementation of their voluntary retirement schemes (VRS) during 2002-03.

1.18 Total establishment expenditure on non-working PSUs

The year-wise details of total establishment expenditure of non-working PSUs (Government companies) and the sources of financing it during last three years up to 2002-03 are given below:

(Rupees in lakh)

Year	Number of Government companies	Total establishment expenditure	Disposal of investments/assets	Financed by		
				Government by way of grants		Others ⁸
				Loans	Grants	
2000-01	6	72.88	--	--	60.00	12.88
2001-02	6	36.26	--	--	10.00	26.26
2002-03	9	2,332.48	77.81	2,651.64	--	59.01
Total	--	2,441.62	77.81	2,651.64	70.00	98.15

The State Government has spent Rs.24.42 crore during 2000-03 towards establishment expenses of nine companies under liquidation. Expeditious

⁷ Equity includes share application money of Rs. 0.20 crore in respect of two companies.

⁸ The other sources of finance are interest received from banks and diversion of grants and proceeds of sale of stock.

action is necessary for winding up of these companies to avoid similar further unproductive expenditure.

Finalisation of accounts by non-working PSUs

1.19 One non-working Government company has finalised its accounts for 2002-03 and the accounts of eight non-working companies were in arrears for periods ranging from one to 13 years as on 30 September 2003, as could be noticed 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 summarised details of paid-up capital, net worth, cash loss/cash profit and accumulated loss/accumulated profit of non-working PSUs as per their latest

finalised accounts are given below:

(Rupees in crore)

Particulars	Paid-up capital	Net worth ⁹	Cash loss ¹⁰	Accumulated loss
Non working companies	59.06	(-) 76.55	44.91	179.09

Note:- Paid-up capital includes equity of Rs.1.04 crore of Madhya Pradesh Film Development Corporation.

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

1.21 Separate Audit Reports on the accounts of Madhya Pradesh State Electricity Board (1999-2000), Madhya Pradesh State Road Transport Corporation (2000-01), Madhya Pradesh Financial Corporation (2001-02) and Madhya Pradesh State Warehousing Corporation now renamed as Madhya Pradesh Warehousing and Logistics Corporation (2001-02) have already been placed before the Legislature.

Disinvestment, privatisation and restructuring of public sector undertakings

1.22 The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2002-03.

⁹ Net worth represents paid- up capital plus free reserves less accumulated loss.

¹⁰ Cash loss represents loss for the year plus depreciation for the year.

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

1.23 During October 2002 to September 2003, the accounts of 20 Government companies (15 working and five 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 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	3	1	--	126.05	0.54	--
2	Increase in loss	2	1	2	43.71	46.41	30,851.07
3	Decrease in loss	--	--	1	--	--	7.72
4	Non disclosure of material facts	4	3	1	1,266.66	275.17	90.81
5	Errors of classification	4	2	1	1,547.32	47.35	18,777.94

Instances of errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

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 Pichhra Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam Limited	1997-98	Non-provision of penal interest resulted in understatement of deficit and current liabilities and provisions.	0.37
2.	Madhya Pradesh Audyogik Kendra Vikas Nigam (Indore) Limited	2000-01	Non-accounting of grant-in-aid received from Government of India for setting up a Food Processing Industrial Park at Jaggakhedi and developing Export Promotion Industrial Park at Pithampur resulted in understatement of reserve and surplus, cash and bank balance and work-in-progress accounts.	7.62
3.	Madhya Pradesh State Civil Supplies Corporation Limited	2001-02	Overstatement of profit due to non-provision for bad and doubtful debts for long outstanding balance.	0.51
4.	Madhya Pradesh Adivasi Vitta Evam Vikas Nigam Limited	1998-99	Understatement of current liabilities due to non-provision of balance amount demanded by the construction agency of Administrative Block building.	1.76

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 Company	Year of accounts	Errors/omissions	Rupees in crore
1.	Madhya Pradesh Financial Corporation	2001-02	Understatement of loss and overstatement of fixed assets (leasehold land) due to non-amortisation of lease value of land	1.77
2.	Madhya Pradesh State Road Transport Corporation	2000-01	Understatement of loss due to unspent balance received from finance companies (under lease finance agreements) for body building was treated as other miscellaneous income	1.32

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 2000-01 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:

(Rupees in crore)

Sl. No.	Particulars	1998-99	1999-2000	2000-01
1.	Net surplus/ (-) deficit as per books of accounts	116.93	(-)1371.29	(-)1473.81
2.	Subsidy from State Government	1723.65	313.12	279.46
3.	Net surplus/ (-) deficit before subsidy from State Government (1-2)	(-)1606.72	(-)1684.41	(-)1753.27
4.	Net increase/decrease in net surplus/ (-) deficit on account of audit comments on the annual accounts of MPSEB	(-)6.18	(-)71.49	Comments under finalisation
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from State Government (3-4)	(-)1612.90	(-)1755.90	--
6.	Total return on capital employed	767.63	(-) 402.09	(-) 520.49

Persistent irregularities and system deficiencies in financial matters of PSUs

1.27 The following persistent irregularities and system deficiencies in the financial matters of PSUs had been repeatedly pointed out during the course of audit of the 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.
- The defective material, unserviceable items and unorthodox balances¹¹ continued to be included in the closing stock resulting in excess valuation of stock.
- Bank reconciliation statements for March 1999 in respect of nine accounting units¹² test-checked in audit, exhibit differences involving amounts aggregating Rs.95.62 crore pertaining to the period 1997-99.

¹¹ *Unorthodox balances represent credit balance in stock account instead of debit balance.*

1.29 Madhya Pradesh State Road Transport Corporation

- Physical verification of assets (other than the fleet) has not been conducted since 1975-76.
- Asset register has not been maintained giving details of assets i.e. date of acquisition, location, status, etc.
- The works-in-progress should have been shown under fixed assets instead of current assets. 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 has not been shown in the accounts, as required under the provisions of Income Tax Act.
- Year-wise and party-wise details of advances and deposits have not been worked out.
- Rupees 69.23 lakh have been outstanding against other State Road Transport Corporations for more than ten years.

Internal audit/internal control

1.30 The Statutory auditors (Chartered Accountants) are required to give a detailed report on various aspects including the internal control and internal audit system in companies audited, in accordance with 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 needed improvement. Directions/sub-directions under the Act, *ibid*, were issued to Statutory auditors in respect of 20 working Government companies between October 2002 and September 2003. In pursuance of directions so issued, reports of Statutory auditors involving 14 accounts of 12 Government companies were received (September 2003).

An illustrative resume of nature of major recommendations/comments made by Statutory auditors on possible improvements in the internal audit/internal control systems of State Government companies is indicated below:

¹² (Birsingpur, Bilaspur, Morena, Dewas, Sirmaur, Bhopal, Jabalpur (CAU), H.O. & Siddhi)

Sl. No.	Nature of recommendations/comments made by 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	9	1,2,5,8,11,12,14,17,18
2	No adequate control over shortages and claim for loss of stores	1	16
3	Property and asset registers are not maintained	4	1,6,14,17
4	Maximum, minimum and re-ordering levels and economic order quantity of stock has not been prescribed	5	3,5,8,15,17
5	Segment/project-wise accounts are not prepared	4	8,15,16,17
6	Monthly bank reconciliation has not been done	3	1,8,17

Recommendations for closure of PSUs

1.31 Even after completion of five years of their existence, the turnover of nine Government companies (working)¹³ have been less than rupees five crore in each of the preceding five years of their latest finalised accounts. In view of poor turnover and continuous losses, the Government may either take steps to improve the performance of these nine Government companies or consider their closure.

Response to Inspection Reports, draft paragraphs and reviews

1.32 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. In respect of Inspection Reports issued up to March 2003 pertaining to 31 PSUs, 6749 paragraphs relating to 2543 Inspection Reports remained outstanding at the end of September 2003. Of these, 2455 Inspection Reports containing 6485 paragraphs had not been replied to for more than one year. Department-wise break-up of Inspection Reports and Audit observations outstanding as on 30 September 2003 is given in *Annexure 7*.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, out of 20 draft paragraphs and three draft reviews forwarded to the various departments

¹³ *Madhya Pradesh State Electronics Development Corporation Limited, Madhya Pradesh Police Housing Corporation Limited, AKVN (Bhopal), (Indore), (Jabalpur), (Rewa), (Gwalior), The Provident Investment Company Limited and Madhya Pradesh Urja Vikas Nigam Limited.*

during April to July 2003, 17 draft paragraphs as detailed in *Annexure 8*, had not been replied to so far (September 2003).

It is recommended that the Government should ensure that (a) procedure exists for action against officials who fail to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover losses/outstanding advances/overpayments is taken in a time bound schedule, and

(c) the system of responding to the audit observations is revamped.

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

1.33 The position of discussion of Audit Reports (Commercial) by the COPU, reviews/paragraphs pending discussion in the COPU at the end of September 2003 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
1999-2000	04	20	04	--
2000-01	02	15	02	15
2001-02	03	23	03	23

619-B companies

1.34 There was one company, namely, 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 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.