

## CHAPTER I

### Overview of Government companies and Statutory corporations

#### Introduction

**1.1** As on 31 March 2004, there were 34 Government companies (25 working companies and nine non-working companies<sup>1</sup>) and four Statutory corporations (all working) as against 29 Government companies (20 working companies and nine non-working companies) and four Statutory corporations (all working) as on 31 March 2003 under the control of the State Government. During the year, five<sup>2</sup> new Government companies in Power Sector came within the purview of Comptroller and Auditor General of India (CAG). The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the CAG under the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG under Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1.	Madhya Pradesh State Electricity Board (MPSEB)	Under Rule 14 of the Electricity Supply (Annual Accounts) Rules, 1985 read with Section 185(2) (d) of the Electricity Act, 2003	Sole audit by CAG.
2.	Madhya Pradesh Road Transport Corporation (MPRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by 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 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 CAG.

The State Government had formed Madhya Pradesh Electricity Regulatory Commission (MPERC) and audit is entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003<sup>3</sup>.

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

<sup>2</sup> *Madhya Pradesh Power Transmission Company Limited, Madhya Pradesh Generating Company Limited, Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited, Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited, and Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited.*

<sup>3</sup> *Erstwhile Electricity Regulatory Commission Act, 1998 replaced by the Electricity Act, 2003.*

## Working Public Sector Undertakings (PSUs)

### Investment in working PSUs

**1.2** The total investment in 24 working PSUs (20 Government companies and four Statutory corporations) at the end of March 2003 and 29 working PSUs (25 Government companies and four Statutory corporations) at the end of March 2004 was as follows:

(Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs <sup>4</sup>			
		Equity	Share application money	Loans	Total
2002-03	24	530.31	113.78	4,734.29	5,378.38
2003-04	29	530.74	90.34	4313.04	4934.12

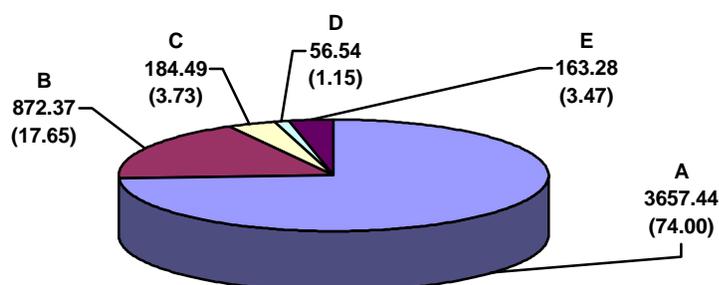
As on 31 March 2004, the total investment of working Government companies and Statutory corporations comprised 12.59 *per cent* of equity capital and 87.41 *per cent* of loans, compared to 11.98 and 88.02 *per cent* respectively as on 31 March 2003. The analysis of investment in PSUs is given in the 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 2004 and 31 March 2003 are indicated below in the pie charts:

#### Investment as on 31 March 2004

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



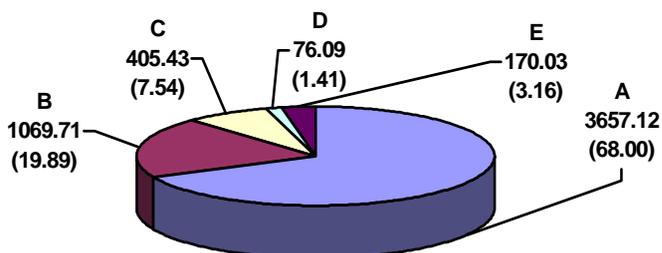
■ A--Energy	■ B--Financing	□ C--Transport
■ D--Dev of Eco weak sec	■ E--Miscellaneous*	

<sup>4</sup>

Investment in working PSUs decreased mainly due to bifurcation of Madhya Pradesh Road Transportation Corporation between Madhya Pradesh and Chhattisgarh states.

**Investment as on 31 March 2003**

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



■ A--Energy	■ B--Financing	□ C--Transport
■ D--Dev of Eco weak sec	■ E--Miscellaneous*	

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

**Working Government companies**

**1.3** Total investment in working Government companies at the end of March 2003 and March 2004 was as follows.

(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loans	Total
2002-03	20	190.31	6.15	577.57	774.03
2003-04	25	221.65	6.15	419.37	647.17

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

As on 31 March 2004, the total investment in working Government companies comprised 35.20 per cent equity capital and 64.80 per cent loans as against 25.38 and 74.62 per cent respectively, as on 31 March 2003. The decrease in loans was due to repayment of loans and their conversion into equity in respect of one Company.

Due to decrease in long term loans, the debt-equity ratio of working Government companies decreased from 2.94:1 in 2002-03 to 1.84:1 in 2003-04.

## **Working Statutory corporations**

**1.4** The total investment in four working Statutory corporations at the end of March 2004 and March 2003 was as follows:

*(Rupees in crore)*

Name of corporation	2002-03		2003-04	
	Capital	Loans	Capital	Loans
Madhya Pradesh State Electricity Board <sup>5</sup>	169.62	3,486.81	169.62	3,486.81
Madhya Pradesh Road Transport Corporation	182.37	223.07	141.81	42.68
Madhya Pradesh Financial Corporation	88.08	445.51	73.79	364.18
Madhya Pradesh Warehousing and Logistics Corporation	7.56	1.33	8.06	--
<b>Total</b>	<b>447.63</b>	<b>4,156.72</b>	<b>393.28</b>	<b>3,893.67</b>

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. Out of these, only five companies were registered in November 2001 and May 2002. However, there 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 2004, the total investment in working Statutory corporations comprised 9.17 *per cent* equity capital and 90.83 *per cent* loans as against 9.72 and 90.28 *per cent* respectively as on 31 March 2003. The debt-equity ratio increased from 9.29:1 in 2002-03 to 9.90:1 in 2003-04.

### **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 2003-04 are given below:

<sup>5</sup> As MPSEB did not furnish any figures for the year 2003-04, previous year's figures have been adopted for the current year also.

(Rupees in crore)

	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporation	
	No	Amt.	No	Amt.	No	Amt.	No	Amt.	No	Amt.	No	Amt.
Equity capital outgo from budget	1	1.50	--	--	2	3.02	1	1.00	1	0.90	1	1.34
Loans given from budget	3	33.69	2	193.08	1	10.88	3	247.05	1	7.24	--	--
Other grants/subsidy	6	75.81	4	402.67	10	61.51	3	586.92	11	46.90	--	--
<b>Total outgo</b>	<b>12<sup>6</sup></b>	<b>111.00</b>	<b>4<sup>6</sup></b>	<b>595.75</b>	<b>12<sup>6</sup></b>	<b>75.41</b>	<b>4<sup>6</sup></b>	<b>834.97</b>	<b>11<sup>6</sup></b>	<b>55.04</b>	<b>1<sup>6</sup></b>	<b>1.34</b>

During the year 2003-04, Government had guaranteed loans aggregating Rs.530.05 crore obtained by two working Government companies (Rs.15.73 crore) and two working Statutory corporations (Rs.514.32 crore). At the end of the year, guarantees amounting to Rs.5,020.14 crore in respect of five working Government companies (Rs.74.47 crore) and three working Statutory corporations (Rs.4,945.67 crore) were outstanding as against Rs.3,846.34 crore in respect of eight working Government companies (Rs.126.36 crore) and three Statutory corporations (Rs.3,719.98 crore) at the end of previous year. The guarantee commission payable to the Government by Government companies and Statutory corporations at the end of March 2004 was Rs.52 lakh and Rs.78 lakh respectively. The Government also converted long-term loans of Rs.29.50 crore of Madhya Pradesh Rajya Van Vikas Nigam Limited into equity during the year.

### Finalisation of accounts by working PSUs

**1.6** As could be noticed from *Annexure-2*, out of 25 working Government companies, only four companies, and none of the Statutory corporations, had finalised their accounts for the year 2003-04 upto 30 September 2004. During the period October 2003 to September 2004, 21 working Government companies finalised 26 accounts for previous years. Similarly, three working Statutory corporations finalised four accounts for previous years during this period. Madhya Pradesh Electricity Regulatory Commission has not finalised its accounts since inception.

The accounts of 21 working Government companies and four Statutory corporations were in arrears for periods ranging from one to six years as on 30 September 2004 as detailed below :

<sup>6</sup> 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.

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 2003-04	6	A-14	--
2.	1	--	2000-01 to 2003-04	4	A-15	--
3.	3	--	2001-02 to 2003-04	3	A-1,5,12	--
4.	5		2002-03 to 2003-04	2	A-8,9,10,17,18	--
5	11	4	2003-04	1	A-2,3,4,6,7, 11, 13, 16,19, 20, 25	B-1,2,3,4
	<b>21</b>	<b>4</b>				

Reasons for delay in finalisation of accounts of working companies in general and of five companies, where accounts were in arrears for three or more years in particular, have been discussed in details in paragraph 4.6 of Chapter IV.

### **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 25 working Government companies and four working Statutory corporations, nine companies and three corporations had incurred aggregate losses of Rs.283.01 crore and Rs.198.53 crore, respectively and 11 companies and one corporation earned an aggregate profit of Rs.21.75 crore and Rs.9.46 crore, respectively. The five new Government companies formed during the year had not commenced their business activities and hence not prepared any profit and loss account for the year.

#### **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. However, none of the working Government companies which finalised their accounts for 2003-04 by September 2004 declared dividend.

Similarly, out of 17 working Government companies, which finalised their accounts for previous years by September 2004, nine companies earned an aggregate profit of Rs.11.36 crore and only six companies earned profit for two or more successive years. Three companies declared dividend of Rs.1.14 crore

(8.24 *per cent*) for the previous years during the year. The total return to the State Government by way of dividend during 2003-04 worked out to 0.54 *per cent* against its total equity investment of Rs.210.25 crore in all working Government companies.

#### ***Loss incurring working Government companies***

**1.9** Out of nine loss incurring working Government companies, four companies had accumulated losses aggregating Rs.596.50 crore which exceeded their aggregate paid up capital of Rs.83.64 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.55.04 crore provided by the State Government to 11 companies by way of equity, loans, grants and subsidies during 2003-04, Rs.13.04 crore pertained to three 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 2003-04. Madhya Pradesh Warehousing and Logistics Corporation which finalised its accounts for previous year, earned profit of Rs.9.46 crore and declared dividend for Rs.1.36 crore for 2002-03.

##### ***Loss incurring Statutory corporations***

**1.11** The remaining three loss incurring Statutory corporations, (Madhya Pradesh State Electricity Board, Madhya Pradesh Road Transport Corporation and Madhya Pradesh Financial Corporation) had accumulated losses aggregating Rs.3,146.99 crore which was more than seven times of their aggregate paid up capital of Rs.399.51 crore.

Despite their poor performance, the State Government provided financial support amounting to Rs.1.34 crore to Madhya Pradesh Financial Corporation during 2003-04 by way of equity.

##### ***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** Transmission and distribution (T&D) losses had increased from 42.62 *per cent* in 2001-02 to 43.59 *per cent* in 2002-03.

**1.12.2** Percentage of expenditure on staff to total revenue expenditure increased from 12.47 in 2001-02 to 14.50 in 2002-03.

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

**1.12.3** Average number of vehicles on road decreased from 1,876 in 2001-02 to 1,093 in 2003-04 and employee vehicle ratio increased from 6:1 to 10:1 during the same period.

### **Madhya Pradesh Financial Corporation**

**1.12.4** Percentage of default to total loans increased from 24.47 in 2001-02 to 27.79 in 2003-04. Loans disbursed decreased from Rs.66.05 crore in 2001-02 to Rs.41.83 crore in 2003-04.

## **Return on capital employed**

**1.13** As per their latest finalised accounts (up to September 2004), the capital employed<sup>7</sup> worked out to Rs.972.62 crore in 25 working companies and total return<sup>8</sup> thereon amounted to Rs.(-)213.84 crore as compared to total return of Rs.54.48 crore (6.20 *per cent*) in the previous year (accounts finalised up to September 2003). Similarly, the capital employed and total return thereon, in case of working Statutory corporations as per their latest finalised accounts (up to September 2004), worked out to Rs.6,269.95 crore and Rs.299.91 crore (4.78 *per cent*) respectively, against the total return of Rs.(-)548.19 crore in previous year (accounts finalised up to September 2003). 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. Status of implementation of reforms programme vis-à-vis respective commitments made in the MOU is as follows:

<sup>7</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>8</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.

Sl. No.	Commitments as per MOU	Targeted completion schedule	Status (as on 31 March 2004)
1	2	3	4
	<b>Commitments made by 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.
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	Securitisations 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	50,474 out of 51,806 villages electrified
7	Energy audit	June 2001	33 KV-89.05 per cent 11 KV-88 per cent
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	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 100 MW power from unallocated quota of NTPC's thermal stations at its disposal, to MPSEB.
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 from January 2004.

### ***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 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 104 (2) of the Electricity Act, 2003. The Commission had not finalised its first accounts so far (September 2004).

### **Non-working PSUs**

#### ***Investment in non-working PSUs***

**1.16** The total investment in nine non-working Government companies at the end of March 2003 and 2004 was as follows:

(Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2002-03	9	59.68	0.20	147.13	207.01
2003-04	9	59.69	0.19	139.11	198.99

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 <sup>9</sup>	Long term loans
(i)	Under liquidation	5	12.39	--
(ii)	Under closure	4	47.49	139.11
<b>Total</b>		<b>9</b>	<b>59.88</b>	<b>139.11</b>

Of the above nine non-working PSUs, all Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956, for one to 21 years and substantial investment of Rs.198.99 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*.

***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 2003-04 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 <sup>10</sup>
				Loans	Grants	
2001-02	6	36.26	--	--	10.00	26.26
2002-03	9	2,332.48	77.81	2,195.66	--	59.01
2003-04	9	178.93	2.27	168.38	--	8.28
<b>Total</b>	<b>--</b>	<b>2547.67</b>	<b>80.08</b>	<b>2364.04</b>	<b>10.00</b>	<b>93.55</b>

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

<sup>9</sup> Equity includes share application money of Rs.0.19 crore in respect of two companies.

<sup>10</sup> The other sources of finance are interest received from banks and diversion of grants and proceeds from sale of stock.

The State Government has spent Rs.25.48 crore during 2001-04 towards establishment expenses of nine companies under liquidation. Expeditious action is necessary for winding up of these companies to avoid similar further unproductive expenditure.

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

**1.19** One non-working Government company has finalised its accounts for 2003-04 and the accounts of eight non-working companies were in arrears for periods ranging from one to 14 years as on 30 September 2004, 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 investment in nine non-working Government companies as equity aggregated Rs.59.05<sup>11</sup> crore. These companies had been incurring losses leading to a cash loss of Rs.56.37 crore and negative net worth of Rs.134.17 crore. The accumulated loss of Rs.237.63 crore of these companies exceeded their paid up capital by more than four times as per their latest finalised account.

**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 Road Transport Corporation (2001-02), 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 2003-04.

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

**1.23** During October 2003 to September 2004, the accounts of 27 Government companies (21 working and six non-working) and three Statutory corporations

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<sup>11</sup> Includes equity of Rs.1.04 crore of Madhya Pradesh Film Development Corporation.

were selected for review in Audit. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Sl. No.	Details	Number of accounts			(Rupees in lakh)		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working	Working	Working	Non-working	Working
1	Decrease in profit	2	--	--	71.73	--	--
2	Increase in profit	2	--	--	152.46	--	--
3	Increase in loss	2	--	2	95.30	--	60,041.01
4	Decrease in loss	2	--	1	23.22	--	2,015.55
5	Non disclosure of material facts	7	2	2	546.11	3,569.59	16,852.15
6	Errors of classification	6	1	2	546.11	11.75	25,906.52

***Errors and omissions noticed in case of Government companies***

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

Sl. No.	Name of the Company	Year of accounts	Errors/omissions	Rupees in crore
1.	Madhya Pradesh State Tourism Development Corporation Limited	2001-02	Understatement of assets and depreciation due to non-inclusion of building which was completed and commissioned in April 1992.	0.99
2.	Madhya Pradesh Rajya Van Vikas Nigam Limited	2002-03	Understatement of profit due to charging of prior period expenditure in current year accounts.	23.46
3.	Madhya Pradesh State Textile Corporation Limited	2002-03	Non-disclosure/provision of outstanding dues against which proceedings were going on in Debt Recovery Tribunal.	93.97

***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	2000-01 (1 April 2000 to 14 April 2001)	(i) Inclusion of demands against permanently disconnected consumers whose agreement period had expired.  (ii) Non-accounting of differences in rate of water charges (Korba-East-West).  (iii) Inclusion of delayed payment charges on electricity duty relating to Hindustan Copper Limited, not payable to Government.	7.50  37.33  6.49
2.	Madhya Pradesh Road Transport Corporation	2002-03 (up to 31-12-2002)	(i) Recognition of claim for passes as income, which has not been accepted by the Government.  (ii) Non-provision of penal interest claimed by LIC resulting in overstatement of prior period income.	8.94  4.29

### 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 2001-02 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	1999-2000	2000-01	2001-02 <sup>12</sup>
1.	Net surplus/ (-) deficit as per books of accounts	(-) 1,371.29	(-) 1,473.81	(-) 1,160.50
2.	Subsidy from State Government	313.12	279.46	542.96
3.	Net surplus/ (-) deficit before subsidy from State Government (1-2)	(-) 1,684.41	(-) 1,753.27	(-) 1,703.46
4.	Net increase/decrease in net surplus/ (-) deficit on account of audit comments on the annual accounts of MPSEB	(-) 71.49	(-) 554.13	Comments under finalisation
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from State Government (3-4)	(-) 1,755.90	(-) 2,307.40	--
6.	<b>Total return on capital employed</b>	<b>(-) 402.09</b>	<b>(-) 520.49</b>	

### *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 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 balances<sup>13</sup> continued to be included in the closing stock resulting in excess valuation of stock.

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

- Physical verification of assets (other than the fleet) has not been conducted since 1975-76.

<sup>12</sup> Board has revised its accounts as per preliminary comments of audit and it had the impact of increasing the loss by Rs.356.55 crore.

<sup>13</sup> Unorthodox balances represent credit balance in stock account instead of debit balance.

- Asset register has not been maintained giving details of assets i.e. date of acquisition, location, status, etc.
- 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 66.14 lakh have been outstanding against other State Road Transport Corporations for more than 10 years.
- Confirmation of balance has not been obtained from debtors and age-wise, party-wise break-up was not available.

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

**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 25 working Government companies between October 2003 and September 2004. In pursuance of directions so issued, reports of Statutory auditors involving 26 accounts of 17 Government companies were received (September 2004).

Major recommendations/comments made by Statutory auditors on possible improvements in the internal audit/internal control systems of State Government companies are indicated below:

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	10	2,3,5,6,9,10,11,15, 18,19
2	No adequate control over shortages and claim for loss of stores	1	16
3	Property and asset registers are not maintained	3	5,10,15
4	Maximum, minimum and re-ordering levels and economic order quantity of stock have not been prescribed	1	10
5	No adequate control over the timely recovery of outstanding dues.	6	5,6,9,10,15,19
6	Monthly bank reconciliation has not been done	2	15,16
7	Non-compliance with the Accounting Standards	4	4,9,10,15
8	Non-computerisation of accounts	4	2,9,10,11
9	Defects in delegation of powers	3	2,9,19

### Recommendations for closure of PSUs

**1.31** Even after completion of five or more years of their existence, the turnover of seven Government companies (working)<sup>14</sup> have been less than rupees five crore in each of the preceding five years of their latest finalised accounts. In view of poor turnover, the Government may either take steps to improve the performance of these Government companies or consider their closure.

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

**1.32** The position of discussion of Audit Reports (Commercial) by the COPU, reviews/paragraphs pending for discussion in the COPU at the end of September 2004 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	03	--
2000-01	02	15	02	15
2001-02	03	23	03	23
2002-03	03	20	03	20

### 619-B companies

**1.33** 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.

<sup>14</sup> Madhya Pradesh Police Housing Corporation Limited, AKVN (Bhopal), (Jabalpur), (Rewa), Industrial Infrastructure Development Corporation (Gwalior) Limited, The Provident Investment Company Limited and Madhya Pradesh Urja Vikas Nigam Limited.