

## CHAPTER - I

### 1. Overview of State Public Sector Undertakings

#### Introduction

**1.1** The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of a commercial nature while keeping in view the public welfare. The State working PSUs registered a turnover of ₹ 37949.25 crore for 2011-12 as per their latest finalised accounts as of September 2012. This turnover was equal to 12.03 *per cent* of the State Gross Domestic Product (GDP) for 2011-12. The major activities of Madhya Pradesh PSUs are concentrated in the power sector. The working PSUs of the State incurred an overall loss of ₹ 2297.41 crore in the aggregate for 2011-12 as per their latest finalised accounts as of September 2012. They had employed 57798<sup>1</sup> employees as of 31 March 2012.

**1.2** As on 31 March 2012, there were 64 PSUs (55 working and nine non working) as per the details given below. None of the companies was listed in any of the stock exchanges.

Type of PSUs	Working PSUs	Non-working PSUs <sup>2</sup>	Total
Government companies <sup>3</sup>	51	9	60
Statutory corporations	4 <sup>4</sup>	Nil	4
<b>Total</b>	<b>55</b>	<b>9</b>	<b>64</b>

**1.3** During the year 2011-12, four PSUs<sup>5</sup> were established and one PSU<sup>6</sup> was closed down.

#### Audit Mandate

**1.4** Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is

<sup>1</sup> As per the details provided by 42 working PSUs. The remaining 13 working PSUs did not furnish the details.

<sup>2</sup> Non-working PSUs are those which have ceased to carry on their operations.

<sup>3</sup> Includes 619-B Companies.

<sup>4</sup> Including Madhya Pradesh State Electricity Board which stands wound up without liquidation w.e.f 26 April 2012.

<sup>5</sup> Bansagar Thermal Power Company Limited, Narmada Basin Projects Company Limited, M.P. Sainik Coal Mining Private Limited, and Shri Singaji Power Projects Limited.

<sup>6</sup> Madhya Pradesh Leather Development Corporation Limited.

one in which not less than 51 per cent of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which not less than 51 per cent of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act, 1956.

**1.5** The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 of the Companies Act, 1956.

**1.6** Audit of Statutory corporations is governed by their respective legislations<sup>7</sup>. Out of four Statutory corporations, CAG is the sole auditor for Madhya Pradesh State Electricity Board (MPSEB) and Madhya Pradesh Road Transport Corporation (MPRTC). In respect of Madhya Pradesh Warehousing and Logistics Corporation (MPWLC) and Madhya Pradesh Financial Corporation (MPFC) the audit is conducted by Chartered Accountants and supplementary audit is done by CAG.

## Investment in State PSUs

**1.7** As on 31 March 2012, the investment (Capital and Long-term loans) in 64 PSUs (including 619-B Companies) was ₹ 33511.25 crore as per details given in the following table:

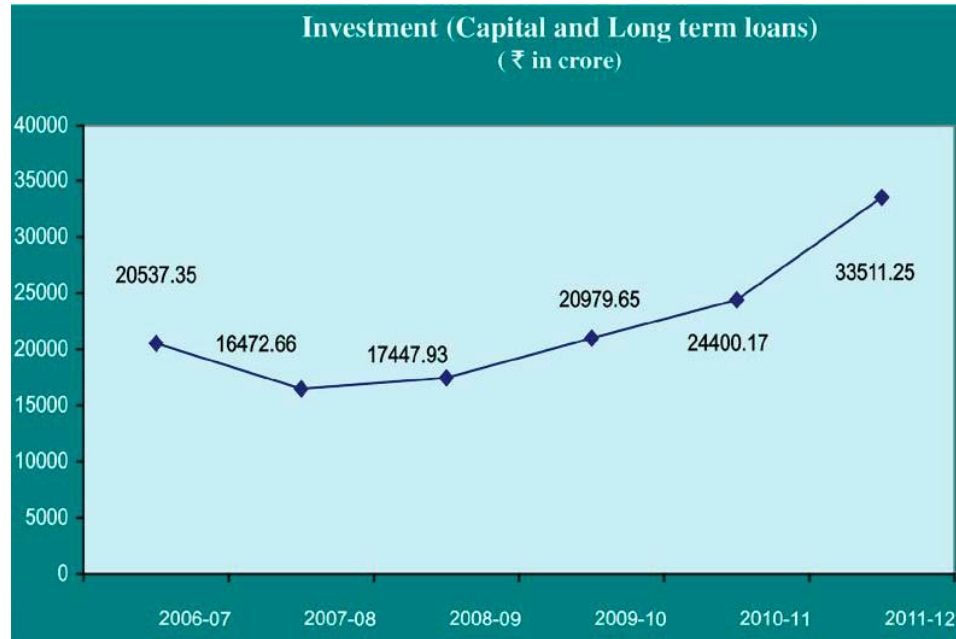
(₹ in crore)

Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	11197.09	20315.82	31512.91	585.62	1220.69	1806.31	33319.22
Non-working PSUs	57.59	134.44	192.03	--	--	--	192.03
<b>Total</b>	<b>11254.68</b>	<b>20450.26</b>	<b>31704.94</b>	<b>585.62</b>	<b>1220.69</b>	<b>1806.31</b>	<b>33511.25</b>

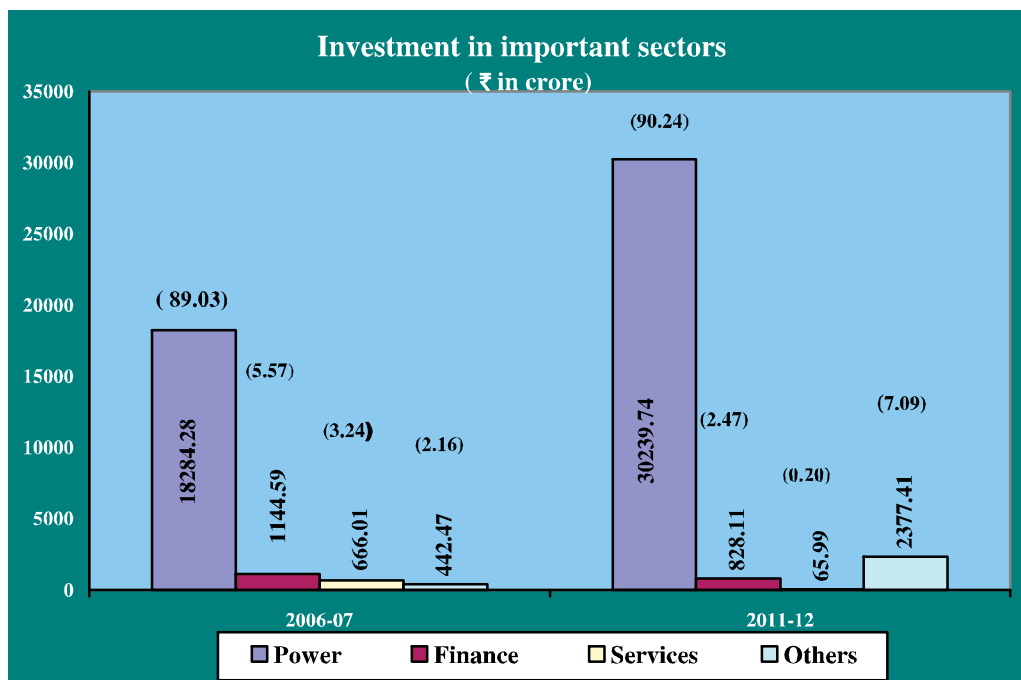
A summarised position of Government investment in State PSUs is detailed in *Annexure 1*.

<sup>7</sup> MPSEB: Electricity Act, 2003; MPRTC: Road Transport Corporations Act, 1950; MPWLC: Warehousing Corporations Act, 1962; MPFC: State Financial Corporations Act, 1951.

**1.8** As on 31 March 2012, of the total investment in State PSUs, 99.43 per cent was in working PSUs and the remaining 0.57 per cent in non-working PSUs. This total investment consisted of 35.33 per cent towards Capital and 64.67 per cent in Long-term loans. The investment has grown by 63.17 per cent from ₹ 20537.35 crore in 2006-07 to ₹ 33511.25 crore in 2011-12 as shown in the following graph.



**1.9** The investment in various important sectors and percentage thereof to total investment at the end of 31 March 2007 and 31 March 2012 are indicated in the following bar chart.



(Figures in brackets show percentage of total investment)

The thrust of PSUs investment was mainly in the power sector which increased from ₹ 18284.28 crore in 2006-07 to ₹ 30239.74 crore during 2011-12. The Government investment increased in the power and other sectors while it decreased in the finance and service sectors during 2011-12 in comparison to 2006-07.

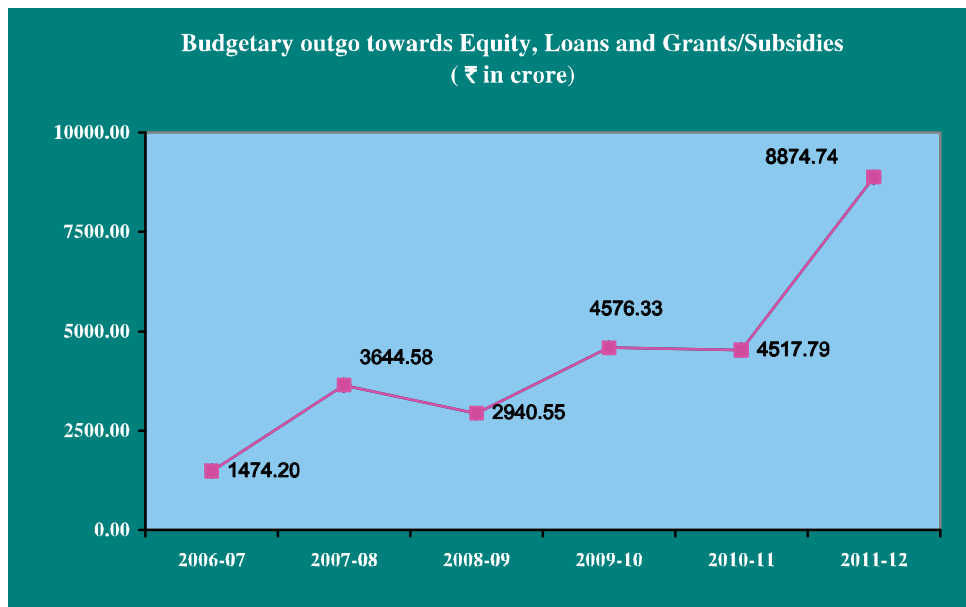
### Budgetary outgo towards Equity, Grants/Subsidies, Guarantees and Loans

**1.10** The details regarding budgetary outgo from the State Government towards equity, loans, grants/subsidies, guarantees issued and loans converted into equity in respect of State PSUs are given in *Annexure 3*. The summarised details are given below for the three years ended 2011-12.

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)
1.	Equity Capital outgo from budget	10	1047.85	10	1060.63	9	1147.38
2.	Loans given from budget	6	1649.19	6	989.25	6	1745.99
3.	Grants/Subsidy received	14	1879.29	14	2467.91	18	5981.37
4.	Total Outgo (1+2+3)		4576.33		4517.79		8874.74
5.	Loans converted into equity	3	336.54	--	--	--	--
6.	Guarantees issued	8	2438.30	6	748.63	8	2429.15
7.	Guarantee Commitment	11	1031.10	7	3247.37	7	3259.42

(Source: Information as furnished by the PSUs)

**1.11** The details regarding budgetary outgo towards equity, loans and grants/subsidies for the past six years are given in the following graph:



The budgetary outgo towards equity, loans and grants/subsidies has shown a mixed trend during the period from 2006-07 to 2011-12. The budgetary outgo to State PSUs during 2011-12 was ₹ 8874.74 crore in comparison to ₹ 1474.20 crore during 2006-07. Out of total budgetary outgo during 2011-12, ₹ 2893.37 crore were towards equity and loans to 10<sup>8</sup> PSUs and Grants/Subsidy of ₹ 5981.37 crore to 18 PSUs<sup>9</sup>.

**1.12** The PSUs are liable to pay guarantee commission (GC) at rates ranging from 0.5 *per cent* to one *per cent* per annum to the State Government on the maximum amount of guarantees sanctioned irrespective of the amount availed or outstanding. The guarantee commitment by the Government at the end of 2011-12 was ₹ 3259.42 crore against seven<sup>10</sup> PSUs against which the GC of ₹ 41.10 crore was payable as on 31 March 2012. Only two<sup>11</sup> PSUs had paid the GC to the extent of ₹ 0.79 crore.

### Reconciliation with Finance Accounts

**1.13** The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with those appearing in the Finance Accounts of the State. In case the figures do not agree, the Finance

<sup>8</sup> S.No. A-7, 8, 12, 15, 16, 17, 18, 19, 20 and B-2 of Annexure-3

<sup>9</sup> A-1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 13, 14, 16, 17, 18, 21, 22 and B-1 of Annexure-3

<sup>10</sup> S.No. A-7, 15, 16, 17, 18, 19 and B-2 of Annexure-3

<sup>11</sup> S.No. A-31 and A-35 of Annexure-2

Department and the concerned PSUs should carry out reconciliation. The position in this regard as at 31 March 2012 is stated in the following table:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	9038.64	11412.68	2374.04
Loans	1220.99	11579.39	10358.40
Guarantees	3900.24	2429.15	1471.09

(Source: Finance Accounts 2011-12 and the information as furnished by the PSUs)

**1.14** We observed that the difference occurred in respect of 39 PSUs. In order to reconcile the discrepancy in figures of investment on equity and loans made by State Government in Government companies/corporations, we had taken up (December 2012) the matter with the heads of all the concerned PSUs for reconciliation of figures. The Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

### Performance of PSUs

**1.15** The summarised financial results of Government companies and Statutory corporations, financial position of Statutory corporations and working results of Statutory corporations are detailed in *Annexure 2, 5 and 6* respectively. A ratio of working PSUs turnover to State GDP shows the extent of PSU's activities in the State economy. The following table indicates the details of working PSU's turnover and State GDP for the period 2006-07 to 2011-12:

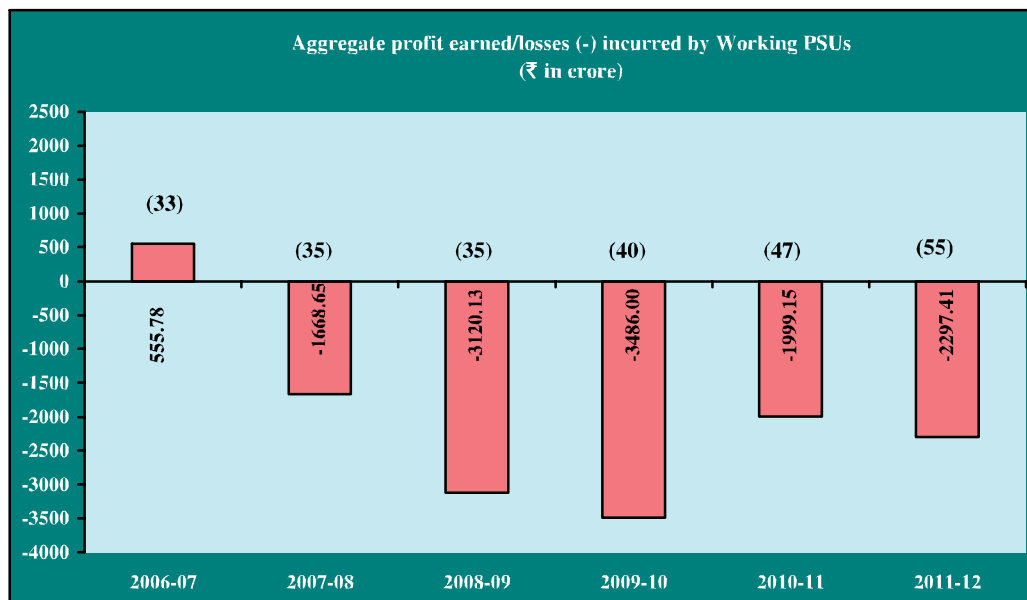
(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover <sup>12</sup>	14257.18	12800.73	20735.68	26067.37	31637.50	37949.25
State GDP	130571.44	142499.93	162525.22	194427.26	271680.69	315386.66
Percentage of Turnover to State GDP	10.92	8.98	12.76	13.41	11.65	12.03

It may be seen from the above that the percentage of turnover of State PSUs to State GDP has increased from 11.65 in 2010-11 to 12.03 in 2011-12.

**1.16** The aggregate profit earned/ losses incurred by State working PSUs during the period 2006-07 to 2011-12 are given in the following bar chart:

<sup>12</sup> Turnover of working PSUs as per the latest finalised accounts as of 30 September 2012



(Figures in bracket show the number of working PSUs in respective years)

From the above it can be seen that working PSUs earned overall profit during the year 2006-07 and started incurring huge losses thereafter till 2011-12. As against the overall profits of ₹ 555.78 crore earned during 2006-07, State working PSUs incurred losses of ₹ 2297.41 crore during 2011-12. During the year 2011-12, out of 55 working PSUs, 32 PSUs earned total profit of ₹ 190.08 crore and 18 PSUs incurred loss of ₹ 2487.49 crore as per their latest finalised accounts as on 30 September 2012. Five<sup>13</sup> companies did not furnish their first accounts. The major contributors to profit were Madhya Pradesh State Mining Corporation Limited (₹ 32.97 crore), Madhya Pradesh Warehousing & Logistics Corporation (₹ 26.96 crore), Madhya Pradesh Road Development Corporation Limited (₹ 26.16 crore), Madhya Pradesh Laghu Udyog Nigam Limited (₹ 22.62 crore) and Madhya Pradesh Rajya Van Vikas Nigam Limited (₹ 20.31 crore). The major contributors to losses were Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (₹ 1166.83 crore), Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (₹ 624.14 crore), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 610.44 crore) and Madhya Pradesh Power Generating Company Limited (₹ 50.83 crore).

**1.17** The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, operations and monitoring. A review of the latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 27.35 crore and infructuous Investment of ₹ 180.29 crore which were controllable with better management. Year wise details for controllable losses and infructuous investment is indicated in the following table :

<sup>13</sup> Companies at serial No. A-15 ,39, 46 ,48, 49 of Annexure-2

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net Profit (loss)	(3486.00)	(1999.15)	(2297.41)	(7782.56)
Controllable losses as per CAG's Audit Report	351.71	800.85	27.35	1179.91
Infructuous Investment	38.66	--	180.29	218.95

**1.18** The above controllable losses pointed out by the Audit Reports of the CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

**1.19** Some other key parameters pertaining to State PSUs are given below.

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Return on capital employed (per cent)	5.51	Nil	Nil	Nil	Nil	Nil <sup>14</sup>
Debt	14989.72	9170.36	9309.00	10160.08	13599.12	21670.95
Turnover <sup>15</sup>	14257.18	12800.73	20735.68	26067.37	31637.50	37949.25
Debt/Turnover Ratio	1.05:1	0.72:1	0.45:1	0.39:1	0.43:1	0.57:1
Interest Payments	734.80	1228.69	545.89	1117.00	2082.37	1601.69
Accumulated Profit (loss)	(3400.63)	(6274.55)	(6755.18)	(11492.22)	(13923.97)	(15348.27)

(Above figures pertain to all PSUs except for turnover which is for working PSUs)

**1.20** The above parameters clearly exhibit a mixed trend in the financial position of the PSUs. Return on capital employed was 5.51 per cent in 2006-07; thereafter due to overall losses incurred by PSUs it turned negative. However, debt-turnover ratio improved from 1.05:1 in 2006-07 to 0.57:1 in 2011-12 which was mainly due to increase in the turnover from ₹14257.18 crore (2006-07) to ₹37949.25 crore (2011-12).

**1.21** The State Government had formulated (July 2005) a dividend policy for payment of minimum dividend of 20 per cent on profit after tax. As per their latest finalised accounts as on 30 September 2012, 32 PSUs earned a total

<sup>14</sup> Nil figure represent negative returns

<sup>15</sup> Turnover of working PSUs as per the latest finalised accounts as of 30 September 2012



profit of ₹ 190.08 crore but only three<sup>16</sup> PSUs declared a dividend of ₹ 3.97 crore and the remaining 29 profit making PSUs did not declare any dividend.

### Arrears in finalisation of accounts

**1.22** 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 Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2012.

Sl. No	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1	Number of working PSUs	35	40	47	51	55
2.	Number of accounts finalised during the year	37	25	49	59	50
3.	Number of accounts in arrears	54	69	66	58	63
4.	Average arrears per PSU (3/1)	1.54	1.73	1.40	1.14	1.15
5.	Number of working PSUs with arrears in accounts	25	29	33	26	26
6.	Extent of arrears	1 to 7 years	1 to 8 years	1 to 8 years	1 to 7 years	1 to 8 years

**1.23** From the above table, it would be seen that with the increase in number of working PSUs, arrear of accounts increased gradually up to the year 2008-09. During 2011-12, the arrear position had worsened and a total of only 50 accounts were finalised compared to 59 during 2010-11. The number of accounts in arrears also increased to 63 in 2011-12 as against 58 during 2010-11.

**1.24** In addition to the above, there were arrears in finalisation of accounts by non-working PSUs. Out of nine non-working PSUs, seven<sup>17</sup> had gone into liquidation. Arrears of accounts in respect of the remaining two<sup>18</sup> non-working PSUs ranged from four to five years.

**1.25** The State Government had invested ₹ 1391.66 crore (Equity: ₹ 126.10 crore, Loans: ₹ 82.25 crore, Subsidy: ₹ 995.41 crore and Grants: ₹ 187.90 crore) in 11 PSUs during the years for which accounts have not been finalised as detailed in *Annexure 4*. In the absence of accounts and their

<sup>16</sup> Madhya Pradesh State Agro Industries Development Corporation Limited; Madhya Pradesh State Civil Supplies Corporation Limited and Madhya Pradesh Warehousing and Logistics Corporation.

<sup>17</sup> Madhya Pradesh Lift Irrigation Corporation Ltd; Madhya Pradesh State Dairy Development Corporation Ltd; Madhya Pradesh Film Development Corporation Ltd; Madhya Pradesh Panchayati Raj Vitt Evam Gramin Vikas Nigam Ltd; Madhya Pradesh Rajya Setu Nirman Nigam Ltd; Optel Telecommunication Ltd and Madhya Pradesh Vidyut Yantra Ltd.

<sup>18</sup> Madhya Pradesh State Industries Corporation Ltd and Madhya Pradesh State Textile Corporation Ltd.

subsequent audit, it cannot 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.

**1.26** The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the administrative departments concerned were informed of the arrears in finalisation of accounts on a quarterly basis by Audit and the matter was taken up (May 2012) with the Chief Secretary/ Principal Secretary Finance, no remedial measures were taken. As a result, net worth of these PSUs could not be assessed in audit.

**1.27** In view of the above state of arrears, it is recommended that the Government should monitor and ensure timely finalisation of accounts with special focus on liquidation of arrears and thereby comply with the provisions of the Companies Act, 1956.

### Winding up of non-working PSUs

**1.28** There were nine non-working PSUs as on 31 March 2012. Of these, seven PSUs have commenced the process of winding up.

**1.29** During the year 2011-12, no companies/corporations have concluded the process of winding up. The stages<sup>19</sup> of closure in respect of non-working PSUs are given below:

Sl. No.	Particulars	Companies
1.	Total No. of non-working PSUs	9
2.	Of (1) above, the No. under	
(a)	voluntary winding up (liquidator appointed)	7 <sup>20</sup>
(b)	closure, i.e. closing orders/ instruction issued but liquidation process not yet started.	2 <sup>21</sup>

**1.30** The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may suitably review the necessity of continuation of non working PSUs in view of their non functioning.

<sup>19</sup> Adopted from Audit Report 2010-11, as no conclusive information was furnished by the companies

<sup>20</sup> Madhya Pradesh Lift Irrigation Corporation Ltd; Madhya Pradesh State Dairy Development Corporation Ltd; Madhya Pradesh Film Development Corporation Ltd; Madhya Pradesh Panchayati Raj Vitt Evam Gramin Vikas Nigam Ltd; Madhya Pradesh Rajya Setu Nirman Nigam Ltd; Optel Telecommunication Ltd; Madhya Pradesh Vidyut Yantra Ltd.

<sup>21</sup> Madhya Pradesh State Industries Corporation Ltd; Madhya Pradesh State Textile Corporation Ltd.

## Accounts Comments and Internal Audit

**1.31** During the year, 38 working companies forwarded their 48 audited accounts. Of these, 27 accounts of 21 companies were selected for supplementary audit. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG is stated in the following table:

Sl. No	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)
1.	Decrease in profit	12	362.48	11	208.26	8	463.78
2.	Increase in loss	2	6.26	3	64.36	4	40.45
3.	Non-disclosure of material facts	13	222.89	4	59.25	2	107.32
4.	Errors of classification	5	17.77	4	94.14	5	176.33

The above table shows the aggregate money value of comments of the Statutory Auditors and the CAG has significant effect on profitability of PSUs, and on errors of classification.

**1.32** During the year, the Statutory Auditors had given qualified certificates for all the 48 accounts of working companies. Additionally, CAG issued comments on six accounts during the supplementary audit. The compliance with the Accounting Standards remained poor as there were 68 instances of non-compliance with Accounting Standards (AS) issued by the Institute of Chartered Accountants of India in 16 accounts during the year.

**1.33** Some of the important comments in respect of accounts of Companies are stated below:

### **Industrial Infrastructure Development Corporation (Gwalior) Limited, Gwalior (2011-12)**

- Long term loans and Advances, Other Non Current Assets and Profit were overstated by ₹ 4.10 crore, ₹ 8.52 crore and ₹ 12.62 crore respectively due to excess accountal of deposits made and interest thereon with Madhya Pradesh State Industrial Development Corporation Limited.
- Current Liabilities were understated and Profit was overstated by ₹ 48 lakh due to non inclusion of additional contribution payable to Life Insurance Corporation of India.

**M.P Audyogik Kendra Vikas Nigam (Indore) Limited (2010-2011)**

- The Accrued Liability of ₹ 33.61 lakh towards maintenance, security charges, advertisement, etc. pertaining to 2010-11 has not been provided for by the Company resulting in understatement of Current Liabilities and Expenses and overstatement of Profit by ₹ 33.61 lakh.

**M.P Audyogik Kendra Vikas Nigam (Indore) Limited (2009- 2010)**

- Accountal of amount of receivables in respect of Deposit Works executed by the Company as negative balances resulted in understatement of Current Assets and Current Liabilities by ₹ 8.93 crore.

**SEZ Indore Limited (2009-10)**

- Accountal of electrical equipment installed as administrative expenses resulted in understatement of Fixed Assets by ₹ 32.48 lakh, Depreciation by ₹2.47 lakh and Profit by ₹ 30.01 lakh.

**1.34** Similarly, two working Statutory corporations forwarded their two accounts during the period 2011-12. Of these, one account of MPSEB pertained to sole audit by CAG. Another account of Madhya Pradesh Financial Corporation was selected for supplementary audit. The reports of Statutory Auditors and the sole/supplementary audit of CAG for three years from 2009-10 to 2011-12 indicated that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of CAG are given below:

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)
1.	Decrease in profit	1	2.24	--	--	--	--
2.	Increase in loss	1	3.01	--	--	--	--
3.	Non-disclosure of material facts	1	65.00	--	--	1	8.80
4.	Errors of classification	1	18.32	1	38.39	1	0.37

The above table shows that during 2011-12 aggregate money value of audit comments relating to “Non disclosure of material facts” was ₹ 8.80 crore and the “Errors of classification” was ₹ 0.37 crore in 2011-12, as compared to ₹ 38.39 crore during 2010-11 in the said category.

**1.35** Some of the important comments in respect of accounts of the following Statutory corporation solely audited by CAG are as follows:

### **Madhya Pradesh State Electricity Board (2011-12)**

- The advances to suppliers/contractors (capital) were outstanding since 2008-09 and not reconciled/adjusted against supplies made/works executed and transferred to successor companies.
- Cash and Bank balance were very old and represents the transfer of funds from one bank account to another of the same accounting unit, the details of which were neither available in the books nor its reconciliation was carried out.
- Cash in transit of ₹ 6.47 crore represents very old balances for which details were not available with the Board and were also pending reconciliation.
- The advances for operation and maintenance supplies/ works of ₹ 16.52 crore were not reconciled/adjusted against supplies made/works executed and transferred to successor companies.
- The Employees contribution towards Gratuity/ Provident Fund/Contributory Provident Fund of ₹ 4.69 crore was utilised by the Board to finance its Working Capital and not remitted back to the Madhya Pradesh Electricity Board Employees Provident Fund Trust as on 31 March 2012. Non provision of interest on ₹ 4.69 crore for the period 2006-08 to 2011-12 resulted in understatement of Revenue Account and Staff Related Liabilities by ₹ 2.26 crore.
- Contingent Liability of ₹ 8.80 crore towards claim for property tax raised by the Municipal Corporation of Jabalpur which is subjudice, was not disclosed in the accounts.

**1.36** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of 11 Companies for the year 2011-12 are given in the following table :

Sl. No.	Nature of comments made by Statutory Auditors	Number of Companies where recommendations were made	Reference to serial number of the companies as per Annexure-2
1.	Absence of internal audit system commensurate with the nature and size of business of the Company	5	A-1, A-6, A-30, A-43, and A-45
2.	Non maintenance of cost record	1	A-43
3.	Non maintenance of proper records showing full particulars including quantitative details, location, identification number, date of acquisitions, depreciated value of fixed assets.	10	A-1, A-3, A-4, A-6, A-9, A-19, A-30, A-32, A-33, and A-43

### Recoveries at the instance of audit

**1.37** During the course of audit in 2011-12, recoveries of ₹ 65.30 crore were pointed out to the Management of various PSUs of which a sum of ₹ 49.83 crore was admitted by 17<sup>22</sup> PSUs. However, only ₹ 1.43 crore was recovered from three<sup>23</sup> PSUs during the year 2011-12.

### Status of placement of Separate Audit Reports

**1.38** The following table shows the status of placement of Separate Audit Reports (SARs) issued by CAG on the accounts of Statutory corporations in the State Legislature.

Sl. No.	Name of Statutory corporation	Year for which SARs placed in Legislature		
		Year of SAR	Date of issue to the Government	Date of placement in Legislature
1.	Madhya Pradesh Warehousing and Logistics Corporation	2010-11	29 September 2011	1 March 2012
2.	Madhya Pradesh Financial Corporation	2010-11	30 September 2011	23 February 2012
3.	Madhya Pradesh State Electricity Board	2011-12	9 November 2012	12 December 2012

The Madhya Pradesh Road Transport Corporation (MPRTC) had not placed the SARs in the State Legislature for the years 2006-07 and 2007-08 which

<sup>22</sup> The Provident Investment Company Ltd, M.P. AKVN (Bhopal) Ltd; M.P. Urja Vikas Nigam Ltd, M.P. AKVN (Indore) Ltd, M.P. State Industrial Development Corporation Ltd, MP AKVN (Jabalpur) Ltd, Jabalpur City Transport Ltd, Ujjain City Transport Ltd, MP AKVN (Rewa) Ltd, M.P. State Tourism Development Corporation Ltd, M.P. Adivasi Vitt Evam Vikas Nigam Ltd, M.P. State Civil Supplies Corporation Ltd, M.P. Road Development Corporation Ltd, M.P. Police Housing Corporation Ltd, M.P. State Electronics Development Corporation Ltd, M.P. Power Transmission Co. Ltd, M.P. Power Generating Co Ltd.

<sup>23</sup> M.P. State Electronics Development Corporation Ltd, M.P. Power Transmission Co. Ltd, M.P. Power Generating Co Ltd.

were issued on 13 April 2009. No reasons for non placement were furnished by the MPRTC.

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of the SARs in the legislature(s).

### **Disinvestment, Privatisation and Restructuring of PSUs**

**1.39** The State Government did not undertake disinvestment and privatisation of the PSUs during 2011-12. However, the MP Power Trading Company Limited has been renamed as MP Power Management Company Limited with effect from 10 April 2012 and it has been made the holding company of the three<sup>24</sup> Power Distribution Companies of Madhya Pradesh. The Madhya Pradesh State Electricity Board stood wound up without liquidation with effect from 26 April 2012. The name of Madhya Pradesh Leather Development Corporation Limited was struck off from the Register of Companies and the said Company was dissolved with effect from 25 May 2011.

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<sup>24</sup> MP Poorv Kshetra Vidyut Vitaran. Co. Ltd Jabalpur, MP Paschim Kshetra Vidyut Vitaran Co. Ltd Indore, MP Madhya Kshetra Vidyut Vitaran.Co. Ltd Bhopal.