



OVERVIEW

Overview

1. Overview of Government Companies and Statutory Corporations

Audit of Government Companies is governed by Section 619 of the Companies Act 1956. The accounts of Government Companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory Corporation is governed by their respective legislations. As on 31 March 2014, the State of Madhya Pradesh had 58 working PSUs (55 Companies and three Statutory corporations) and nine non-working PSUs (all Companies), which has employed 62420 employees.

(Paragraphs 1.1, 1.2, 1.4, 1.5 and 1.6)

Investments in PSUs

As on 31 March 2014, the investment (Capital and Long Term Loans) in 67 PSUs was ₹ 54206.15 crore. It grew by 210.67 per cent from ₹ 17447.93 crore in 2008-09. Power Sector accounted for 93.45 per cent of total investment in 2013-14. The State Government contributed ₹ 14613.51 crore towards Equity, Loans and Grants/Subsidies to State PSUs during 2013-14.

(Paragraphs 1.7, 1.8 1.9 and 1.10)

Performance of PSUs

During the year 2013-14, out of 58 working PSUs, 27 PSUs earned profit of ₹ 349.95 crore, six PSUs neither earned profit nor incurred losses and 20 PSUs incurred loss of ₹ 6216.29 crore as per their latest finalised accounts as on 30 September 2014. Five PSUs did not submit their first accounts. The major contributors to losses were Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 2113.02 crore) , Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (₹ 1887.15 crore), Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (₹ 1810.95 crore) and Madhya Pradesh Power Generating Company Limited (₹ 385.75 crore).

(Paragraph 1.16)

This Audit Report shows that the working PSUs in the State incurred controllable losses of ₹ 133.57 crore and infructuous investments of ₹ 51.66 crore.

(Paragraph 1.17)

Arrears in finalisation of accounts

Thirty two working PSUs had arrears of 84 accounts ranging from one to ten years as of September 2014. The arrears need to be cleared in compliance with the provision of the Companies Act, 1956. Out of the nine non-working PSUs, seven had gone into liquidation. Arrears in respect of the remaining two non working PSUs ranged from two to six years.

(Paragraphs 1.19, 1.20 and 1.21)

Comments on accounts

The quality of accounts of PSUs needs improvement. All 47 accounts of working PSUs finalised during October 2013 to September 2014 received qualified certificates from Statutory Auditors. There were 46 instances of non-compliances of Accounting Standards in 11 accounts during the year. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

(Paragraphs 1.28, 1.29 and 1.31)

2.1 Performance Audit on allotment and infrastructure development activities in Madhya Pradesh Audyogik Kendra Vikas Nigam Limited, Bhopal, Indore and Jabalpur

With the main objectives to promote, encourage and develop industries and industrialisation in the state, the Government of Madhya Pradesh (GoMP) had incorporated Audyogik Kendra Vikas Nigam Limited (AKVN), Bhopal, Indore and Jabalpur during November, 1987, November, 1981 and November, 1981 respectively as subsidiary companies of Madhya Pradesh State Industrial Development Corporation Limited/ Madhya Pradesh Trade and Investment Facilitation Corporation Limited. Since inception and up to 31 March 2014, the AKVNs acquired 19032.60 acres of land (Bhopal-6472.59 acres, Indore-10230.49 acres and Jabalpur-2329.52 acres) for development and allotment to industries. During 2009-14, these AKVNs incurred ₹ 242.33 crore for creation of infrastructure facilities and allotted land to an extent of 1750.31 acres to 876 allottees and realized ₹ 414.82 crore.

Audit findings on allotment and infrastructure development activities in three out of seven AKVNs i.e., Bhopal, Indore and Jabalpur are discussed below:

AKVN, Bhopal

- Due to non development of acquired land, the process of allotment slowed down in AKVN.

(Paragraph 2.1.7)

- AKVN did not prepare perspective/ corporate/ annual plans for acquiring, developing and allotment of land/ plots.

(Paragraph 2.1.8)

- AKVN handed over the possession of 18.50 acres of land valued ₹ 9.74 crore for developing Logistic Hub at Mandideep and also issued No Objection Certificate (NOC) in spite of Concessionaire not achieving financial closure and violating the terms of agreement.

(Paragraph 2.1.9)

- AKVN did not recover rebate along with interest of ₹ 1.22 crore from four allottees for failure to invest minimum fixed capital and establishment of mega projects in time.

(Paragraph 2.1.10)

- AKVN did not recover transfer fee and development charges of ₹ 4.56 crore from an allottee inspite of change in shareholding pattern/ constitution of the allottee unit.

(Paragraph 2.1.11)

- AKVN charged lesser rate than the rate prescribed as per Collector's guidelines for allotment of land to an allottee resulting in loss of revenue of ₹ 20.91 crore.

(Paragraph 2.1.15)

AKVN, Indore

- As against completion of civil works in respect of Crystal IT Park, Indore in December 2004 at an estimated expenditure of ₹ 55.57 crore, the work was completed in March, 2014 at a cost of ₹ 118.47 crore.

(Paragraph 2.1.19)

- AKVN incorrectly allowed rebate of ₹ 2.92 crore on additional land premium collected from 21 allottees of prime location plots in deviation of rebate policy for allowing rebate on lease premium for establishing mega projects.

(Paragraph 2.1.21)

- AKVN did not recover rebate along with interest of ₹ 10.39 crore from 11 allottees for failure to invest minimum fixed capital and establishment of mega projects in time.

(Paragraph 2.1.22)

- Delayed implementation of Allotment Rules/ decision for levying development charges resulted in loss ₹ 6.92 crore.

(Paragraph 2.1.26)

AKVN, Jabalpur

- AKVN incurred ₹ 5.23 crore without preparing feasibility report/ cost benefit analysis in development of Special Economic Zone (SEZ) at Hargarh despite knowing its adverse sustainability and without identifying Private Promoters/ Co-developer.

(Paragraph 2.1.30)

- AKVN incurred loss of revenue of ₹ 45.48 lakh due to non-levy of additional premium on 15 allottees and short collection of development charges from eight transferees.

(Paragraphs 2.1.33 and 2.1.34)

2.2 Performance Audit on Implementation of Restructured Accelerated Power Development and Reforms Programme in three Power Distribution companies of Madhya Pradesh

The Restructured Accelerated Power Development and Reforms Programme (RAPDRP) was implemented in three power distribution companies of

Madhya Pradesh state with an objective to reduce the Aggregate Technical and Commercial (AT&C) losses to 15 per cent level. The performance audit was conducted during May to July 2014 covering the scheme implementation period from 2009-10 up to 2013-14. Discom wise audit findings pertaining to implementation of the scheme are discussed below:

Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (Eastern Discom)

Discom did not complete Part A project of the scheme within three years stipulated period, this made GoI to extend the scheme period by absorbing an additional burden of ₹ 49.61 crore by converting interest of extended period into grant.

(Paragraph 2.2.8)

Human intervention in energy accounting and auditing was not eliminated as envisaged, due to poor implementation of Part A project by Information Technology Implementing Agency.

(Paragraphs 2.2.10, 2.2.11 and 2.2.14)

Discom did not get the performance of completed feeders worth ₹ 77 crore tested and Operational Acceptance (OA) certificate was not issued. This was due to non generation of reliable AT&C losses at feeder/town level by Part A application.

(Paragraph 2.2.15)

Discom awarded Supervisory Control And Data Acquisition (SCADA) project to a previously defaulter Turnkey Contractor. This resulted in its poor execution and non achieving the envisaged objective of centrally controlling the Distribution Management System at Jabalpur town.

(Paragraph 2.2.18)

Discom awarded Part B turnkey contracts belatedly resulting in its non completion within prescribed time schedule and prolonged the benefits to be derived under the scheme.

(Paragraph 2.2.21)

Discom did not exercise financial prudence in utilising the funds received under the scheme. This resulted in the extension of undue benefit of ₹ 11.89 crore to TKCs towards excess payment of mobilisation advance, not charging of interest on unadjusted mobilisation advance, excess payment of Price Variation amount.

(Paragraph 2.2.22)

Discom deviated from the procurement policy and awarded the contract of same town to a defaulter TKC at higher rate and extended an undue benefit of ₹ 6.08 crore.

(Paragraph 2.2.23)

**Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited
(Central Discom)**

Discom did not complete Part A project of the scheme within three years stipulated period, this made GoI to extend the scheme period by absorbing an additional burden of ₹ 24.10 crore by converting interest of extended period into grant.

(Paragraph 2.2.26)

Discom did not get the performance of completed feeders worth ₹ 14.29 crore tested and Operational Acceptance (OA) certificate was not issued due to non generation of reliable AT&C losses at feeder and town level by Part A application.

(Paragraph 2.2.31)

The envisaged objective of SCADA project was not achieved at Bhopal and Gwalior towns due to the poor execution of project by TKCs.

(Paragraph 2.2.33)

Discom did not exercise financial prudence in utilising the funds received under the scheme. This resulted in the extension of undue benefit of ₹ 16.16 crore to TKCs.

(Paragraph 2.2.37)

Discom did not recover the risk and cost amount of ₹ 10.55 crore from defaulter TKCs towards left over works executed.

(Paragraph 2.2.38)

Discom executed works worth ₹ 48.10 crore departmentally before obtaining the approval of DPRs from Power Finance Corporation (PFC) and the amount was yet to be claimed from PFC.

(Paragraph 2.2.39)

**Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited
(Western Discom)**

Discom did not complete Part A project of the scheme within three years stipulated period, this made GoI to extend the scheme period by absorbing an additional burden of ₹ 9.94 crore by converting interest of extended period into grant.

(Paragraph 2.2.44)

Discom did not get the performance of completed feeders worth ₹ 55.36 crore tested and Operational Acceptance (OA) certificate was not issued due to non generation of reliable AT&C losses at feeder and town level by Part A application.

(Paragraph 2.2.49)

The envisaged objective of SCADA project was not achieved at Indore and Ujjain towns due to the poor execution of project by TKCs.

(Paragraph 2.2.51)

Discom did not exercise financial prudence in utilising the funds received under the scheme. This resulted in the extension of undue benefit of ₹ 6.54 crore to TKCs.

(Paragraph 2.2.54)

Discom procured excess Distribution Transformers than required under the scheme and incurred an avoidable expenditure of ₹ 8.93 crore.

(Paragraph 2.2.55)

Discom revised Detailed Project Reports beyond the limit prescribed by steering committee and incurred an additional expenditure of ₹ 20.33 crore. This amount was yet to be claimed from PFC.

(Paragraph 2.2.56)

2.3 Performance Audit on Adherence to the Environmental Norms in Satpura Thermal Power Station, Sarni of Madhya Pradesh Power Generating Company Limited

The performance audit on adherence to Environment Norms in Satpura Thermal Power Station (STPS), Sarni of Madhya Pradesh Power Generating Company was undertaken during April 2014 to June 2014 covering period 2011-12 to 2013-14. The performance review was conducted to examine the existence and adequacy of the mechanism to control air and water pollution put in place by the Company as per statutory requirement. Audit findings pertaining to performance audit were as below:

- The STPS did not meet the targets of Station Heat Rate (SHR) fixed by Madhya Pradesh Electricity Regulatory Commission (MPERC) during the period from 2011-12 to 2013-14. The actual SHR was more than the target fixed by MPERC for each unit. Since the actual SHR was more than the prescribed norms, the consumption of coal and oil was also in excess as against the norms fixed by the Company which has effect on air and water pollution due to generation of 10.33 lakh MT of excess ash and releasing of greenhouse gases.

(Paragraph 2.3.6)

- Suspended Particulate Matter (SPM) levels were in excess of the norm of 150 mg/Nm³ as required under the Environment (Protection) Rules, 1986. The STPS did not take up the up-gradation of Electro Static Precipitators and also failed to implement the ammonia flue gas conditioning system on regular basis to control the SPM levels.

(Paragraphs 2.3.8 and 2.3.9)

- The STPS which produced on an average 20 lakh MT of ash per year did not install the dry fly ash collection system which was planned to be installed between March 2012 and March 2015.

(Paragraph 2.3.11)

- The Total Suspended Solids (TSS) in effluents from water was noticed at higher side ranging from 106 to 125 mg in Ash Pond, 108 to 1707 mg in Pata Nala as against norm of 100 mg per liter. As against target of

treatment/recycling 100 *per cent* ash pond effluent, the STPS recycled 19, 24 and 23 *per cent* of total effluent.

(Paragraphs 2.3.12 and 2.3.13)

- STPS did not dispose-off used oil and resin (hazardous waste) within the time limit of 90 days stipulated in the Act and same had accumulated for years together rendering threats to environment.

(Paragraph 2.3.15)

Transaction Audit Observations

Transaction audit observation included in the Report highlight deficiencies in the Management of Public Sector Undertakings involving serious financial implications.

The gist of the important audit observations are given below:

- Non-filing of annual Income tax Return within due dates and shortfall in remittance of the advance tax resulted in avoidable payment of interest of ₹ 26.77 lakh by *Madhya Pradesh Audyogik Kendra Vikas Nigam (Ujjain) Limited*.

(Paragraph 3.1)

- *Special Economic Zone Limited (Indore)* did not pay interest on security deposits to consumers during the years 2009-10 to 2012-13 which has resulted in avoidable expenditure of ₹ 47.17 lakh on account of penal interest.

(Paragraph 3.2)

- Keeping in view of slow progress of Apparel Park, Ministry of Textile GoI decided to discontinue the scheme with effect from September 2011. Thus inordinate delay and lack of effective monitoring by *Special Economic Zone Limited (Indore)* resulted in unfruitful expenditure of ₹ 32.48 crore.

(Paragraph 3.3)

- Lack of proper fund management system for assessing the receipt of short term and long term funds and its requirement resulted in loss of interest of ₹ 35.28 lakh to the *Madhya Pradesh Urja Vikas Nigam Limited*.

(Paragraph 3.4)

- Non-observance of Board's decision on the operation and maintenance charges resulted in failure to collect the same from the four allottees amounting to ₹ 2.84 crore leading to loss of revenue to *Crystal IT Park Indore*.

(Paragraph 3.5)

- Procurement of materials without requirement resulted in unfruitful expenditure of ₹ 5.02 crore to *Madhya Pradesh Power Generating Company Limited*.

(Paragraph 3.6)

- Wrong application of the tariff rate resulted in loss of revenue of ₹ 20.94 lakh to *Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited*.

(Paragraph 3.7)

- Due to non-enforcing of the prescribed minimum contract demand as per Tariff Schedule 2011-12 in respect of consumers whose contract demand was at variance with the one specified in Tariff Schedule, there was Short billing by *Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited* of ₹ 6.61 crore.

(Paragraph 3.8)