



# **CHAPTER - I**



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### 1. Functioning 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 commercial nature keeping in view the welfare of people and also occupy an important place in the State economy. As on 31 March 2016, in Madhya Pradesh there were 67 PSUs as detailed in *Annexure – 1.1*. No PSU was listed in any of the stock exchanges. During the year 2015-16, no PSU was incorporated and no PSU was closed down. The details of the State PSUs in Madhya Pradesh as on 31 March 2016 are given in **table -1.1**.

**Table 1.1: Total number of PSUs as on 31 March 2016**

Type of PSUs	Working PSUs	PSUs not working <sup>1</sup>	Total
Government Companies <sup>2</sup>	55	09	64
Statutory Corporations <sup>3</sup>	03	-	03
<b>Total</b>	<b>58</b>	<b>09</b>	<b>67</b>

(Source: Data compiled from the information furnished by the PSUs)

There were 58 working PSUs (including three Statutory corporations) as of 31 March 2016. These working PSUs registered a turnover of ₹ 78315.94 crore as per their latest finalised Accounts as of September 2016. This turnover was equal to 13.86 *per cent* of State Gross Domestic Product (GDP) for 2015-16. The working PSUs incurred aggregate loss of ₹ 4592.58 crore as per their latest finalised Accounts as of September 2016. They had employed 63459 employees as at the end of March 2016. State PSUs do not include the Madhya Pradesh Electricity Regulatory Commission (MPERC), an autonomous body, of which the Comptroller and Auditor General of India (CAG) is the sole auditor.

As on 31 March 2016, there were nine not working PSUs existing from six to 26 years and having investment of ₹ 192.03 crore. This is a critical area as the investments in not working PSUs do not contribute to the economic growth of the State.

#### Accountability framework

**1.2** The process of audit of Government companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, “Government Company” means

<sup>1</sup> Not working PSUs are those which have ceased to carry on their operation.

<sup>2</sup> Government Companies include other Companies referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013.

<sup>3</sup> M.P. State Road Transport Corporation, M.P. Warehousing and Logistics Corporation and M. P. Financial Corporation.

any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary company of such a Government company.

Further, as per sub-Section 7 of Section 143 of the Act, the C&AG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considers necessary, by an order, cause test audit to be conducted of the Accounts of such Company and the provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a company in respect of the financial years that commenced earlier than 01 April 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

### **Statutory Audit**

**1.3** The financial statements of the Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 139 (5) or (7) of the Act which shall submit a copy of the Audit Report to the C&AG which, among other things, including financial statements of the Company under Section 143(5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Audit of Statutory Corporations is governed by their respective legislations<sup>4</sup>. Out of three Statutory Corporations, CAG is the sole auditor for Madhya Pradesh State Road Transport Corporation. In respect of Madhya Pradesh State Warehousing and Logistics Corporation and Madhya Pradesh Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

### **Role of Government and Legislature**

**1.4** The State Government exercises control over the affairs of these PSUs through its Administrative Departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies and Separate Audit Reports in case of Statutory corporations are to be placed before the Legislature under Section 394 of the

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<sup>4</sup> MPSRTC: Road Transport Corporation Act, 1950; MPWLC: Warehousing Corporation Act, 1962; MPFC: State Financial Corporation Act, 1951.

Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

### Stake of Government of Madhya Pradesh

**1.5** The State Government has huge financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

### Investment in State PSUs

**1.6** As on 31 March 2016, the investment (capital and long-term loans) in 67 State PSUs was ₹ 69754.35 crore as detailed in **table 1.2**.

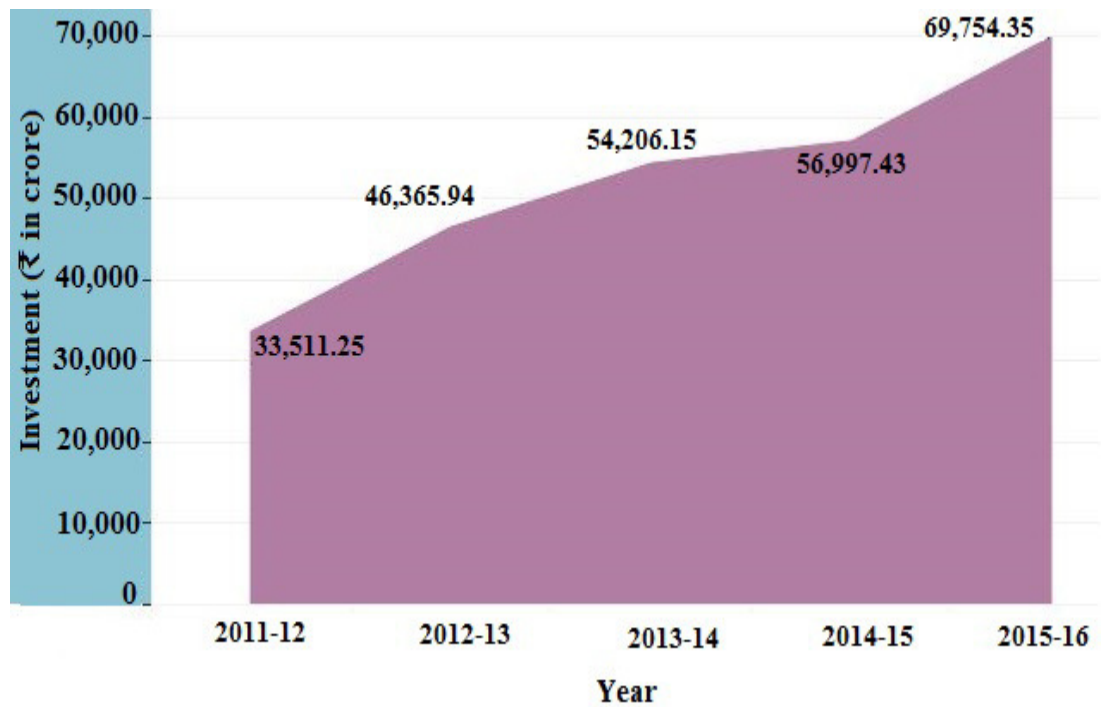
**Table 1.2: Total investment in PSUs**

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	20513.43	46628.38	67141.81	525.97	1894.54	2420.51	69562.32
Not working PSUs	57.59	134.44	192.03	--	--	--	192.03
<b>Total</b>	<b>20571.02</b>	<b>46762.82</b>	<b>67333.84</b>	<b>525.97</b>	<b>1894.54</b>	<b>2420.51</b>	<b>69754.35</b>

(Source: Data compiled from the information furnished by the PSUs)

As on 31 March 2016 of the total investment in State PSUs, 99.72 per cent was in working PSUs and the remaining 0.28 per cent in not working PSUs. This total investment consisted of 30.24 per cent towards capital and 69.76 per cent in long-term loans. The investment has grown by 108.15 per cent from ₹ 33511.25 crore in 2011-12 to ₹ 69754.35 crore in 2015-16 as shown in **Chart-1.1**.

**Chart 1.1: Total investment (Capital and Long term loans) in PSUs**



(Source: Data compiled from the information furnished by the PSUs)

1.7 The sector wise summary of investments in the State PSUs as on 31 March 2016 is given **table 1.3**.

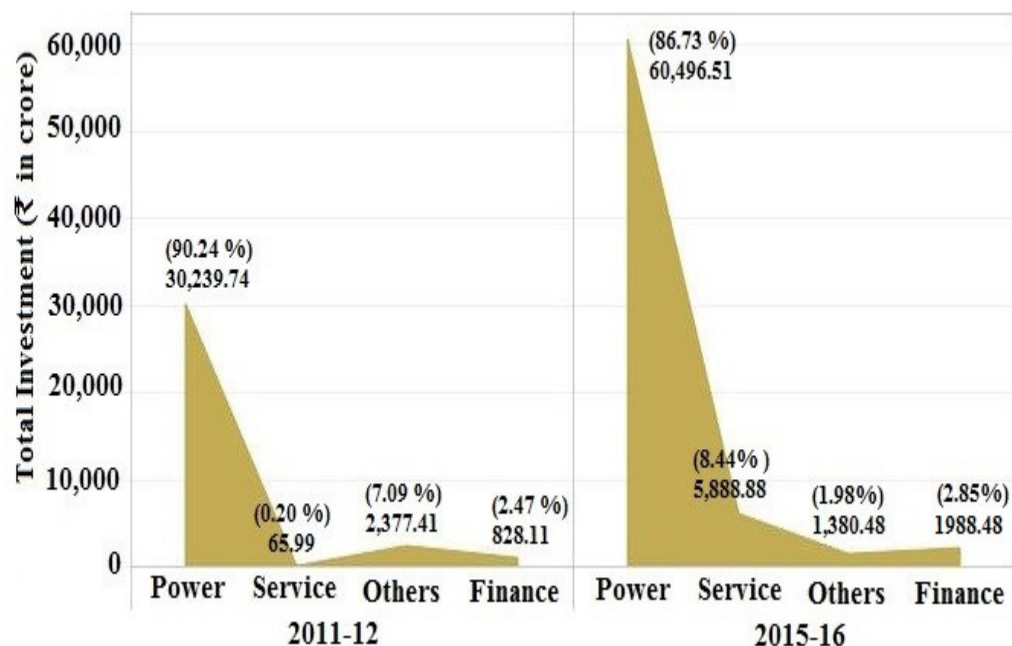
**Table 1.3: Sector-wise investment in PSUs**

Name of Sector	Government/ Other companies		Statutory corporations	Total Investment (₹ in crore)
	Working	Not Working	Working	
Power	60496.51	0	0	60496.51
Manufacturing	310.94	166.77	0	477.71
Finance	645.97	1.20	1341.31	1988.48
Service	5030.23	0	858.65	5888.88
Infrastructure	615.55	18.14	0	633.69
Agriculture & Allied	42.61	5.92	220.55	269.08
<b>Total</b>	<b>67141.81</b>	<b>192.03</b>	<b>2420.51</b>	<b>69754.35</b>

(Source: Data compiled from the information furnished by the PSUs)

The investment in four significant sectors and percentage thereof at the end of 31 March 2012 and 31 March 2016 are indicated below in the **Chart-1.2**. The thrust of PSUs investment was mainly in Power sector which increased from ₹ 30239.74 crore in 2011-12 to ₹ 60496.51 crore in 2015-16.

Chart 1.2: Sector wise investment in PSUs



During the past five years the investment in this sector is showing an increasing trend. It grew by 108.15 per cent during 2011-12 to 2015-16 mainly due to investment made by the Government in the form of equity/loans and loans obtained by Power sector PSUs from Power Finance Corporation / Rural Electrification Corporation Limited for their new projects and up-gradation works.

**1.8** The State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and interest waived in respect of State PSUs are given in **table 1.4** for three years ended 2015-16.

Table 1.4: Details regarding budgetary support to PSUs

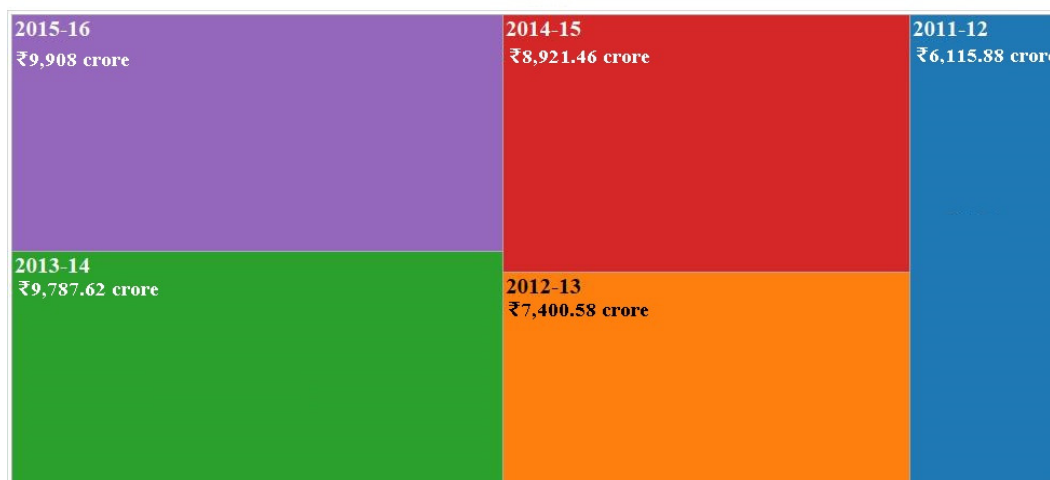
(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	06	1544.67	08	803.10	6	468.57
2.	Loans given from budget	06	3786.50	05	2060.14	5	1216.82
3.	Grants/Subsidy from budget	18	4456.45	15	6058.22	21	8222.61
<b>4.</b>	<b>Total Outgo (1+2+3)</b>	<b>-</b>	<b>9787.62</b>	<b>--</b>	<b>8921.46</b>	<b>--</b>	<b>9908.00</b>
5.	Waiver of loans and interest	--	--	01	1379.23	--	--
6.	Guarantees issued	08	6528.32	10	3311.27	11	1327.00
7.	Guarantee Commitment	09	7873.52	10	8958.90	8	1405.99

(Source: Data compiled from the information furnished by the PSUs)

The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in **Chart 1.3**.

**Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies**



(Source: Data compiled from the information furnished by the PSUs)

The Budgetary outgo towards equity, Loans and Grants/Subsidies has increased from ₹ 8921.46 crore in 2014-15 to ₹ 9908 crore in 2015-16. The budgetary outgo of ₹ 9908 crore during 2015-16 included support of ₹ 7870.18 crore extended to three PSUs viz. ₹ 3268.72 crore to Madhya Pradesh Pashchim Kshetra Vidyut Vitaran Company Limited, ₹ 3007.37 crore to Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited and ₹ 1594.09 crore to Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited by way of Equity, Loan, Subsidy and Grants.

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee under Madhya Pradesh State Guarantee Rules 2009 subject to the limits prescribed by the Constitution of India, for which the guarantee fee is being charged. This fee varies from 0.50 per cent to one per cent as decided by the State Government depending upon the loanees. The guarantee commitment decreased from ₹ 7873.52 crore in 2013-14 to ₹ 1405.99 crore in 2015-16. Further, four PSUs paid guarantee fee to the tune of ₹ 82.57 crore during 2015-16. There were seven PSUs which did not pay guarantee fees/commission during the year and accumulated/outstanding guarantee fees/commission there against was ₹ 124.52 crore (as on 31 March 2016).

### Reconciliation with Finance Accounts

**1.9** The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2016 is stated in **table 1.5**.



**Table 1.5: Equity, loans, guarantees outstanding as per finance Accounts vis-a-vis records of PSUs**

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	8783.96	14298.75	5514.79
Loans	17883.38	30938.61	13055.23
Guarantees	6071.84	5907.42	164.42

(Source: Finance Accounts 2015-16 and the Information as furnished by the PSUs)

Audit observed that the differences occurred in respect of 40 PSUs and some of the differences were pending reconciliation for more than five years. The differences are mainly attributable to the Power sector PSUs. Though the differences between the amounts reflected in the Finance Accounts and as per the records of the PSUs were reported in the Audit Report of earlier years, no corrective action was taken by the State Government. The Government and PSUs should take concrete steps to reconcile the differences in a time-bound manner.

### Arrears in finalisation of Accounts

**1.10** The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e. by September end in accordance with the provisions of Section 96 (1), read with section 129 (2) of the Companies Act 2013 (Act). Failure to do so may attract penal provisions under Section 99 of the Act which provides that every officer of the Company who is in default shall be punishable with fine which may extend to one lakh rupees and in case of continuing default, with a further fine which may extend to five thousand rupees for every day during which such default continues. As such Management of the Government companies are liable for default whose accounts are in arrears. 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 1.6** provides the details of progress made by working PSUs in finalisation of Accounts as of 30 September 2016.

**Table 1.6: Position relating to finalisation of Accounts of working PSUs**

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Number of Working PSUs/other companies	55	55	58	58	58
2.	Number of Accounts finalised during the year	50	49	47	59	56
3.	Number of Accounts in arrears	63	64	84	77	79
4.	Number of Working PSUs with arrears in Accounts	26	25	32	36	32
5.	Extent of arrears (numbers in years)	1-8	1-9	1-10	1-11	1-12

As shown in table 1.6 the number of Accounts in arrears of working PSUs has increased from 63 (2011-12) to 79 (2015-16). The arrear Accounts include 70 Accounts of Government companies for the period ranging from one to 12 years and nine Accounts of two Statutory Corporations i.e. Madhya Pradesh Warehousing and Logistics Corporation for one year and Madhya Pradesh State Transport Corporation for eight years.

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 stipulated period. The concerned Department/Ministry were informed of the regularly by the Deputy Accountant General. In addition, the matter had been taken up by the Accountant General with the Chief Secretary and Principal Secretary (Finance), Government of Madhya Pradesh through Demi Official letters for liquidating the arrears of Accounts. However, no improvement has been noticed.

**1.11** The State Government had invested ₹ 1874.13 crore in 10 PSUs {equity: ₹ 159.59 crore (four PSUs), loans: ₹ 1096.59 crore (three PSUs) and grants ₹ 617.95 crore (seven PSUs)} during the years for which Accounts have not been finalised as detailed in *Annexure-1.2*. In the absence of finalisation of Accounts and their subsequent audit, it could not be ascertained whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved. Thus, Government's investment in such PSUs remained outside the control of the State Legislature.

**1.12** In addition to above, as on 30 September 2016, there were arrears in finalisation of Accounts of PSUs that were not working. Out of nine not working PSUs seven<sup>5</sup> were in the process of liquidation. Arrears of Accounts in respect of remaining two not working PSUs ranged from four to seven years.

**Table 1.7: Position relating to arrears of Accounts in respect of not working PSUs**

Name of not-working companies	Period for which Accounts were in arrears	No. of years for which Accounts were in arrears
Madhya Pradesh State Textile Corporation Limited	2009-10	07
Madhya Pradesh State Industries Corporation Limited	2012-13	04

### Impact of Accounts not finalised

**1.13** As pointed out above (para No. 1.10 to 1.12), the delay in finalisation of Accounts may also result in risk of fraud and leakage of public money apart

<sup>5</sup> Madhya Pradesh Lift Irrigation Corporation Ltd, Madhya Pradesh Dairy Development Corporation Ltd, Madhya Pradesh Film Development Corporation Ltd, Madhya Pradesh Panchayati Raj Vitt Evam GraminVikas Nigam Ltd, Madhya Pradesh Rajya Setu Nirman Nigam Ltd, Optel Telecommunication Ltd and Madhya Pradesh Vidyut Yantra Ltd.

from violation of the provisions of the relevant Statues. In view of the above arrears of Accounts, the actual contribution of these PSUs to the State GDP for the year 2015-16 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

**It is, therefore, recommended that:**

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of Accounts wherever the staff is inadequate or lacks expertise.**

### Placement of Separate Audit Reports

**1.14** On completion of financial audit of the Corporation, Separate Audit Report (SAR) is issued to the Managing Director of the Corporation and State Government. As per respective legislation of the each Corporation, the Managing Director is responsible for forwarding the SAR to the State Government for placement in the legislature. The State Government causes the SAR to be placed in the State Legislature.

The position depicted in **table 1.8** shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2016) on the Accounts of Statutory Corporations in the Legislature.

**Table 1.8: Status of placement of SARs in Legislature**

Sl. No.	Name of statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1	Madhya Pradesh Warehousing and Logistics Corporation Limited	2014-15	2015-16	Accounts not finalised
2	Madhya Pradesh State Road Transport Corporation Limited	2007-08	2008-09	Accounts not finalised
3	Madhya Pradesh Financial Corporation Limited	2014-15	2015-16	Accounts not finalised

### Performance of PSUs as per their latest finalised Accounts

**1.15** The financial position and working results of working Government companies and Statutory corporations are detailed in *Annexure- 1.1*. A ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. **Table 1.9** provides the details of working PSUs turnover and State GDP for a period of five years ending 2015-16.

**Table 1.9: Details of working PSUs turnover vis-a vis State GDP**  
(₹ in crore)

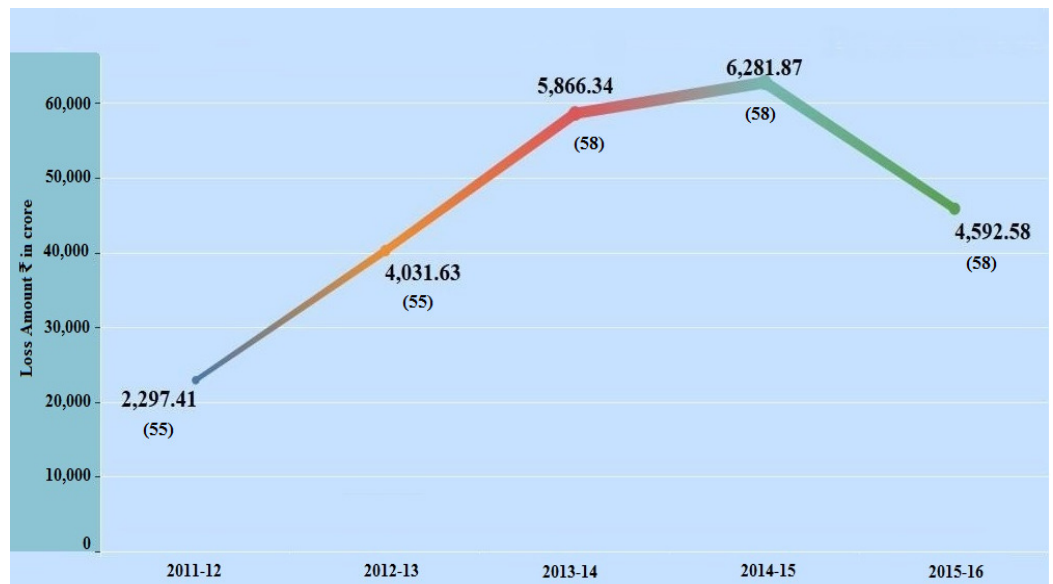
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover <sup>6</sup>	37949.25	58237.27	59860.12	61264.36	78315.94
State GDP	305158.00	361270.00	434730.00	508006.00	565053.43
Percentage of Turnover to State GDP	12.44	16.12	13.77	12.06	13.86

(Source: Data compiled from the information furnished by the PSUs)

The percentage of Turnover to State GDP increased from 12.44 per cent in 2011-12 to 16.12 per cent in 2012-13 and thereafter came down to 12.06 per cent in 2014-15 indicating declining contribution of PSUs to the State GDP during 2013-14 and 2014-15. However, this increased to 13.86 per cent in 2015-16

**1.16** Overall losses incurred by State working PSUs during 2011-12 to 2015-16 are given below in **Chart 1.4**.

**Chart 1.4: Overall Losses incurred during the year by working PSUs**



(Figures in brackets shows the number of PSUs in the respective year based on latest audited Accounts)

(Source: Data compiled from the information furnished by the PSUs)

The chart 1.4 shows that losses incurred by working PSUs was showing an increasing trend till 2014-15, losses continue to increase from ₹ 2297.41 crore in 2011-12 to ₹ 6281.87 crore in 2014-15 and reduced to ₹ 4592.58 crore in 2015-16. As per latest finalised Accounts as of 30 September 2016, out of 58 working PSUs, 31 PSUs earned profit of ₹ 729.34 crore and 21 PSUs incurred loss of ₹ 5321.92 crore. Five working PSUs prepared their Accounts on 'no profit no loss' basis and one working PSUs did not finalise their first Accounts. The major contributors to profit were Madhya Pradesh Power Transmission Company Limited (₹ 120.81 crore), Madhya Pradesh State Industries Development Corporation Limited (₹ 118.66 crore), Madhya

<sup>6</sup> Turnover of working PSUs as per the latest finalised Accounts as of 30 September.

Pradesh State Mining Corporation Limited (₹ 107.87 crore) Madhya Pradesh Rajya Van Vikas Nigam Limited (₹ 70.50 crore).

The heavy losses were incurred by Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 2766.08 crore), Madhya Pradesh Pashchim Kshetra Vidyut Vitaran Company Limited (₹ 1207.01 crore), Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (₹ 1161.58 crore).

**1.17** Some other key parameters of PSUs are given in **table - 1.10**.

**Table 1.10: Key Parameters of State PSUs**

Particulars	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Return on Capital Employed ( <i>Per cent</i> ) <sup>7</sup>	--	--	--	--	--
Debt	21670.95	28932.24	34988.54	37178.92	46322.04
Turnover <sup>r</sup>	37949.25	58237.27	59860.12	61264.36	78315.94
Debt/ Turnover Ratio	0.57:1	0.50:1	0.58:1	0.61:1	0.59:1
Interest Payments	1601.69	2715.97	3382.32	4064.62	4616.10
Accumulated Profits/ (losses)	(-)15348.27	(-)21743.28	(-) 28254.01	(-) 29597.25	(-) 31609.10

(Source: Data compiled from the information furnished by the PSUs)

The Accumulated losses has showed increasing pattern as it increased from ₹ 15348.27 crore in 2011-12 to ₹ 31609.10 crore in 2015-16. The major contributor PSUs were Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 13998.21 crore), Madhya Pradesh Pashchim Kshetra Vidyut Vitaran Company Limited (₹ 10001.41 crore), Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (₹ 9986.02 crore). This indicated deteriorating operational performance of the PSUs. The Debt turnover ratio increased from 0.57: 1 in 2011-12 to 0.59:1 in 2015-16 showing that turnover has not increased in the proportion in which debt has increased during this period.

**1.18** The State Government had formulated July 2005 a dividend policy under which all PSUs are required to pay a minimum return of 20 *per cent* on profit after tax. As per their latest finalised Accounts, 31 PSUs earned an aggregate profit of ₹ 729.34 crore and out of these only two PSUs<sup>8</sup> declared a dividend of ₹ 12.10 crore. Thus, 29 PSUs did not declare dividend despite earning profit in violation of the Dividend Policy of GoMP.

### Winding up of not working PSUs

**1.19** There were nine not working PSUs as on 31 March 2016. Of these, seven PSUs have commenced liquidation process. The numbers of not working companies at the end of each year during past five years are given in **table 1.11**.

<sup>7</sup> Overall return on capital employed is negative, hence nil figure is considered.

<sup>r</sup> Turnover of working PSUs as *per* the latest finalised Accounts as of 30 September.

<sup>8</sup> MPRDC and MPSMCL.

**Table 1.11: Not working PSUs**

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
No. of not working companies	09	09	09	09	09
No. of not working corporations	--	--	--	--	--
<b>Total</b>	<b>09</b>	<b>09</b>	<b>09</b>	<b>09</b>	<b>09</b>

Since the not working PSUs are not contributing to the State economy and meeting the intended objectives, therefore, these PSUs may be considered either to be closed down or revived. During 2015-16, two not working PSUs<sup>9</sup> incurred an expenditure of ₹ six lakhs towards administrative and establishment expenditure. This expenditure was financed by the GoMP (₹ 2.43 crore).

**1.20** During 2015-16, no PSU has concluded the process of winding up. The stages of closure in respect of not working PSUs are given in **table 1.12**.

**Table 1.12: Closure of not working PSUs**

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of not working PSUs	9	--	9
2.	Of (1) above, the No. under			
(a)	liquidation by Court (liquidator appointed)	--	--	--
(b)	Voluntary winding up (liquidator appointed)	7	--	7 <sup>10</sup>
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	2	--	2

*Source: Information furnished by Registrar of Companies<sup>11</sup>*

During the year 2015-16, no Company was wound up. The Government may make a decision regarding winding up of two not working PSUs<sup>12</sup> where no decision about their continuation or otherwise has been taken after they became not working.

The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously.

### Accounts Comments

**1.21** Forty six working companies forwarded their 56 audited Accounts to Accountant General during the year 2015-16. Of these, 31 Accounts of 24 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG

<sup>9</sup> MPSTC and MPSICL.

<sup>10</sup> Madhya Pradesh Lift Irrigation Corporation Ltd, Madhya Pradesh 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>11</sup> Adapted from Audit Report 2014-15, as no conclusive information was furnished by the Registrar of Companies during 2015-16.

<sup>12</sup> Madhya Pradesh State Industries Corporation Limited and Madhya Pradesh State Textile Corporation Limited.

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 are given in **table 1.13**.

**Table 1.13: Impact of audit comments on working Companies**

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in profit	02	15.87	03	8.39	13	190.33
2.	Increase in loss	03	181.06	02	52.16	05	9850.28
3.	Material facts not disclosed	06	110.63	02	697.28	08	123.79
4.	Errors of classification	10	234.26	02	2548.36	14	843.87

During the year, the Statutory Auditors had given unqualified certificates for 32 Accounts and qualified certificates for 24 Accounts. The compliance of companies with the Accounting Standards remained poor as there were 81 instances in 16 PSU Accounts where compliance of accounting standards were not made.

**1.22** Similarly, Madhya Pradesh Financial Corporation forwarded its Accounts for the year 2015-16 to Accountant General. The Statutory Auditors have given qualified certificate on the Accounts and the Accounts of the Corporation was selected for supplementary audit. The Audit Report of Statutory Auditors 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 on the Accounts of the Statutory Corporation are given in **table 1.14**.

**Table 1.14: Impact of audit comments on Statutory Corporations**

(Amount ₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in profit	02	8.80	01	13.30	1 <sup>13</sup>	1.54
4.	Errors of classification	02	23.60	--	--	1	17.23

### Response of the Government to Audit

#### Performance Audits and Paragraphs

**1.23** For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2016, three performance audits and 17 audit paragraphs involving six Departments, were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to

<sup>13</sup> MPFC.

furnish replies within six weeks. However, replies in respect of seven compliance audit paragraphs were awaited from the State Government (November 2016).

### Follow up action on Audit Reports

#### Replies Outstanding

**1.24** The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Madhya Pradesh issued in May 2016 instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the COPU.

**Table 1.15: Explanatory notes not received (as on 30 September 2016)**

Year of the Audit Report (Commercial/ PSU)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2014-15	17.03.2016	03	13	02	06
<b>Total</b>		<b>03</b>	<b>13</b>	<b>02</b>	<b>06</b>

From the above in **Table 1.15**, it could be seen that out of 13 paragraphs and three performance audits, explanatory notes to six paragraphs and two performance audits in respect of two departments, which were commented upon, were awaited (September 2016).

#### Discussion of Audit Reports by COPU

**1.25** The status as on 30 September 2016 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as under in **table 1.16**.

**Table 1.16: Reviews/Paras appeared in Audit Reports vis a vis discussed as on 30 September 2016**

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2009-10	02	09	02	08
2012-13	05	11	04	05
2013-14	03	08	02	04
2014-15	03	13	00	00
<b>Total</b>	<b>13</b>	<b>41</b>	<b>08</b>	<b>17</b>



**Compliance to Reports of Committee on Public Undertakings (COPU)**

**1.26** Action Taken Notes (ATNs) to 275 paragraphs pertaining to 49 Reports of the COPU presented to the State Legislature between September 1976 and March 2016 had not been received (September 2016) as indicated in **table 1.17**.

**Table1.17: Compliance to COPU Reports**

Year of the COPU Report	Total Number of COPU Reports	Total No. of Recommendations in COPU Reports	No. of Recommendations where ATNs not received
From 1973-74 to 2003-04	28	653	167
2004-05	04	54	18
2005-06	05	45	25
2006-07	02	30	16
2007-08	03	28	16
2008-09	01	39	26
2009-10	01	03	02
2010-11	05	05	05
<b>Total</b>	<b>49</b>	<b>857</b>	<b>275</b>

These Reports of COPU contained recommendations in respect of paragraphs pertaining to 11 departments, which appeared in the Reports of the CAG of India for the years 1973-74 to 2010-11

**It is recommended that the Government may ensure:**

- **sending of replies to IRs/explanatory Notes/ draft paragraphs/ performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule;**
- **recovery of loss/ outstanding advances/ overpayments within the prescribed period and**
- **revamping of the system of responding to audit observations.**