



सत्यमेव जयते

**Hand Book on Report of the  
Comptroller and Auditor General of India  
on  
Public Sector Undertakings  
for the year ended 31 March 2016  
Government of Madhya Pradesh  
(Report No. 1 of the year 2017)**



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## Preface



The Audit Report of Comptroller and Auditor General of India on Public Sector Undertakings for the year ended 31 March 2016, Government of Madhya Pradesh presents the results of audit of Government Companies and Statutory Corporations.

Reports in relations to the Accounts of a Government Company or Corporation are submitted to the Government by the CAG for laying before State Legislature under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971.

This handbook\* presents an overall scenario and describes the functioning of the State PSUs. The results of three Performance audits and compliance audit observations are also narrated.

The Complete Report (English and Hindi version) is available on our website [www.agmp.nic.in](http://www.agmp.nic.in)



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*\* While every effort has been made to ensuring conformity of the contents of this publication with the related Audit Report, in case of any discrepancy the facts and figures as stated in the Audit Report are to be treated as final.*



## Visibility of the Public Sector Undertakings (PSUs) in the economy



As on 31 March 2016, the State of Madhya Pradesh had 64 Government companies (including nine non-working companies) and three statutory corporations (all working). These PSUs employed 63,459 employees as on 31 March 2016. The PSUs registered a turnover of ₹ 78,315.94 crore as per their latest finalised accounts as on 30 September 2016.

(Paragraphs 1.1)

### State's Stake

As on 31 March 2016, the investment (capital and long-term loans) in 67 State PSUs was ₹ 69,754.35 crore. It grew by 108.15 per cent from ₹ 33,511.25 crore in 2011-12 to ₹ 69,754.35 crore in 2015-16. The thrust of PSUs investment was mainly in Power sector which increased from ₹ 30,239.74 crore in 2011-12 to ₹ 60,496.51 crore in 2015-16. The State Government contributed ₹ 9,908 crore towards Equity, Loans and Grants/Subsidies to State PSUs during 2015-16.

(Paragraphs 1.6, 1.7 and 1.8)





### Performance of PSUs

As per latest finalised Accounts, out of 58 working PSUs (including three Statutory corporations), 31 PSUs earned profit of ₹ 729.34 crore and 21 PSUs incurred loss of ₹ 5,321.92 crore. Five working PSUs prepared their Accounts on ‘no profit no loss’ basis and one working PSU did not finalise their first accounts. The losses were mainly incurred by Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (₹ 2,766.08 crore), Madhya Pradesh Pashchim Kshetra Vidyut Vitaran Company Limited (₹ 1,207.01 crore), Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (₹ 1,161.58 crore).

**(Paragraph 1.16)**

Thirty Two PSUs had arrears of 79 Accounts as of September 2016. These PSUs need to set targets for finalisation of accounts with a special focus on clearance of arrears.

**(Paragraph 1.10)**







## Quality of Accounts

Out of 56 Accounts finalised by working PSUs during October 2015 to September 2016, Statutory Auditors had given unqualified certificates for 32 Accounts and qualified certificates for 24 Accounts. The Reports of Statutory Auditors and the supplementary audit comments of CAG indicate that the quality of accounts needs to be improved.

**(Paragraph 1.21)**





# Implementation of Feeder Separation Programme in Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited

## About the Programme

The Government of Madhya Pradesh (GoMP) launched Feeder Separation Programme (FSP) to separate domestic load from agricultural load in rural areas. The Legislature Assembly of Madhya Pradesh passed (14 May 2010) “Sankalp-2013” for overall and integrated development of the State. Under “Sankalp”, GoMP envisaged to provide 24 hours continuous power supply to domestic consumers and eight hours power supply to agriculture pumps by the year 2013. The Programme was implemented in Western Region of the State in two phases by Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited, Indore (Company).

(Paragraphs 2.1.1 and 2.1.2)

## The Objectives

The Performance Audit was conducted with the objective of assessing the Programme was implemented in an efficient and effective manner and envisaged objectives of the Programme were achieved and effective quality control and monitoring mechanism was in place to ensure the qualitative execution of Programme works.

(Paragraph 2.1.4)





### Our findings

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#### Programme formulation and planning

As the Company did not complete the major components of works within the scheduled completion period of contracts, it could not fulfil the commitment made by Government through ‘Sankalp 2013’ to supply 24 hours continuous power to rural households by the year 2013.

(Paragraph 2.1.7)

The Company got sanctioned excess loan of ₹ 238.80 crore based on higher quantities projected in DPRs leading to payment of avoidable guarantee fees of ₹ 9.55 crore and commitment charges of ₹ 23.34 lakh.

(Paragraph 2.1.9)

As the Company had made modification in the Special Condition of Contract limiting the risk and cost liability of defaulted contractors to 10 *per cent* of the contract value, it would have to absorb additional cost of ₹ 11.94 crore for completing the left over works in the terminated contracts.

(Paragraph 2.1.10)



### Fund management

Adoption of incorrect methodology for levying the interest on unadjusted amount of mobilisation and material advances resulted in short recovery of interest of ₹ 24.98 crore on mobilisation and material advance.

(Paragraph 2.1.15)

### Implementation and Execution of Programme works

As the Company did not ensure the availability of land before awarding the contracts, the work of nine substations was completed with a delay of three months to 34 months and the work of three substations remained incomplete up to June 2016.

(Paragraph 2.1.22)



Substation at Dhar



Substation at Dewas



The Transmission and Distribution (T&D) losses at feeder level against 100 feeders out of 108 feeders Jointly Physically verified in 10 lots were higher than the prescribed T&D losses limit of 12 *per cent* at feeder level under the Programme. Further the T&D losses in four circles out of total 13 circles were not brought down to the levels committed before Madhya Pradesh Electricity Regulatory Commission under the Programme. The Company also suffered excess T&D losses worth ₹ 9.38 crore during the year 2015-16.

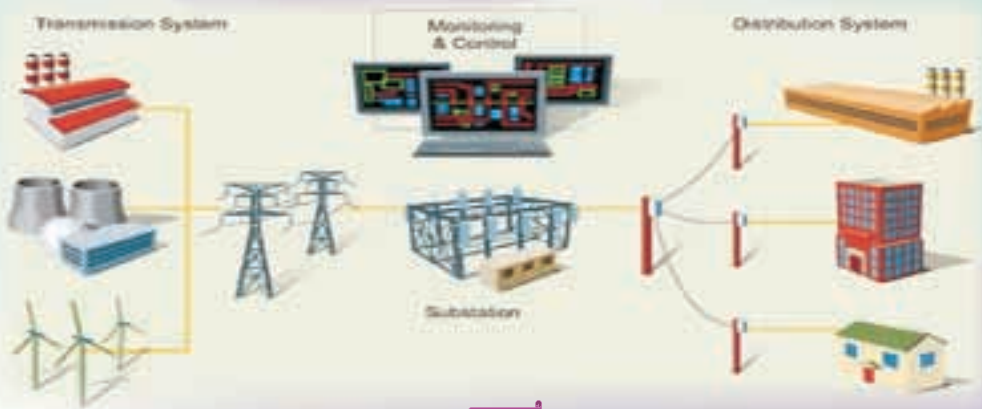
**(Paragraph 2.1.25)**

The Company revoked the terminated contract without ensuring the financial status of the contractor from the Bank sources. The contractor failed to complete the works and hence the contract was again terminated. This deprived the Company from the envisaged benefits of ₹ 12.41 crore by way of reduction of T&D losses.

**(Paragraph 2.1.26)**

Delay in termination of contracts despite persistent failure of the contractor in executing the works deprived the Company from envisaged benefits of reduced T&D losses worth ₹ 29.65 crore.

**(Paragraph 2.1.27)**





# Working of Madhya Pradesh State Electronics Development Corporation Limited

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## The Company

**M**adhya Pradesh State Electronics Development Corporation Limited (Company) was incorporated in November 1983 as a wholly owned Company of Government of Madhya Pradesh (GoMP). The objective of the Company is to promote and develop Information Technology (IT), IT Enabled Services and electronics industries in the State.

(Paragraph 2.2.1)

## The Objectives

**T**he performance Audit was conducted to assess performance of the Company during 2011-12 to 2015-16 in planning and implementation of Information Technology Policies, regulation of land allotment and incentives under IT policy, execution of various IT projects of the Government of India (GoI) and GoMP.

(Paragraph 2.2.3)

## Our findings

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### Regulation of land allotment and incentives under IT policies

**T**he Company allotted 10.13 hectares of land to an IT unit. Though the land was to be allotted at the rate of 25 per cent of prevalent Collector guidelines rate for ₹ 3.34 crore, the Company allowed additional rebate at the cost of ₹ 2.23 crore, causing revenue loss of ₹ 1.11 crore to GoMP.

(Paragraph 2.2.15)





### Implementation of Government of India sponsored projects and schemes

The Company had taken up State Wide Area Network (SWAN) project under National e-Governance Plan. As of March 2016, the Company could provide horizontal connectivity at 5,159 locations only as against the 33,000 locations planned under the project. Thus, even after lapse of 10 years since sanction, the envisaged objective of the project to connect all the departments under SWAN was not achieved.

(Paragraphs 2.2.20 to 2.2.22)

The Company established 9,232 Common Service Centers (CSCs) in rural areas of State under Common Service Center scheme. But no CSC was established in Gram Panchayat Offices as envisaged under the scheme. As on 31 March 2016 only 3,499 CSCs were in operation.

(Paragraph 2.2.24)

The Company released the revenue support of ₹ 8.08 crore on the basis of self-certification to Service Center Agency (SCA). However, the installation of online monitoring tool was not ensured before the release of revenue support to SCA as directed by GoI.

(Paragraph 2.2.25)





## Performance Audits

**G**oMP directed the Company to collect user charges under State Data Centre (SDC) project from the beneficiary users. However, the Company had not levied and collected service charges of ₹ 1.23 crore from Undertakings, Autonomous Bodies and Boards, which were utilising services of SDC.

(Paragraph 2.2.28)

### Implementation of State Government projects and schemes

**T**he Company constructed Software Technology Park (STP) at Gwalior. But the Company could lease out only 10,200 square feet space out of total constructed area of 90,000 square feet. This was due to the failure of the Company to assess the business potential for IT industry at Gwalior before taking up the project.

(Paragraph 2.2.32)

### Financial Management

**T**he Company charged ₹ 4.83 crore under SWAN project and ₹ 4.34 crore under CSC scheme towards administrative expenditure up to 2014-15. As per GoI guidelines, the allowed administrative expenditure was ₹ 1.74 crore and ₹ 49 lakh respectively. This resulted in the excess charging of administrative expenses by ₹ 3.09 crore under SWAN project and by ₹ 3.85 crore under CSC scheme.

(Paragraph 2.2.39)







# Working of Madhya Pradesh State Civil Supplies Corporation Limited

## The Company

**M**adhya Pradesh State Civil Supplies Corporation Limited (Company) was incorporated (April 1974) under the Companies Act, 1956 to act as nodal agency of the State Government for procurement and distribution of food grains.

(Paragraph 2.3.1)

## The Objectives

**T**he Performance Audit was conducted to assess the performance of the Company in the field of procurement of food grains and gunny bags and transportation, storage and handling of food grains.

(Paragraph 2.3.3)

## Our Findings

### Financial Management

**D**uring the years 2011-12 to 2014-15 the turnover of the Company increased from ₹ 8,438.71 crore to ₹ 15,439.75 crore. Whereas the profitability of the Company which was ₹ 5.25 crore in 2011-12 turned into loss of ₹ 69.12 crore in 2014-15. The bad financial position of the Company was due to not realising the receivables ranging from ₹ 1,977.10 crore in 2011-12 to ₹ 4,848.28 crore in 2014-15 from FCI, GoMP and GoI. As a result the Company resorted to borrowings from banks to bridge the deficit leading to increase in financial cost from ₹ 701.60 crore to ₹ 1,722.18 crore during 2011-12 to 2014-15.

(Paragraph 2.3.29)





### Procurement of Foodgrains

The Company did not revise its procurement targets of wheat and paddy considering the revisions made by the Agriculture Department in the crop yield projections. Paddy procured in excess of the targets could not be milled as there was insufficient milling capacity. This resulted in accumulation and subsequent damage of paddy stocks causing loss of ₹ 114.40 crore.

**(Paragraphs 2.3.10, 2.3.11 and 2.3.14)**



## Performance Audits



The storage charges and interest loss ₹ six crore, incurred in connection with procurement of maize stock for central pool, was not claimed from Food Corporation of India (FCI). Further, the delay in disposal of the damaged stock resulted in avoidable payment of storage charges of ₹ 1.25 crore.

(Paragraphs 2.3.15 and 2.3.26)

### Procurement of Gunny Bags

The Company procured excess gunny bags without assessing the actual requirement of gunny bags. This resulted in blocking up of borrowed funds with consequential interest loss of ₹ 176.01 crore.

(Paragraph 2.3.18)





### Transportation of Food grains

The Company did not follow economy while entering into transportation contracts in spite of abnormal variation in lead rates in Bhopal and Ujjain Regions. This resulted in payment of transport charges at higher rates.

(Paragraph 2.3.21)

### Storage of food grains

Delay in finalising norms for permissible storage losses with Madhya Pradesh Warehousing and Logistics Corporation, resulted in accumulation of unrealised storage charges claims of ₹ 103.22 crore.

(Paragraph 2.3.25)







### **Gist of some important audit observations in respect of compliance audit observations are given below:**

**M**adhya Pradesh Power Generating Company Limited incurred an additional expenditure by awarding contract at higher rates by ₹ 26.13 crore due to not following the transparent bidding procedure.

**(Paragraph 3.14)**

**M**adhya Pradesh Power Generating Company Limited incurred extra expenditure of ₹ 16.53 crore in procuring imported coal due to modifications in the tender specifications.

**(Paragraph 3.15)**

**M**adhya Pradesh Road Development Corporation Limited committed irregularities in the execution of road project works and extended undue benefit to the contractor to the tune of ₹ 7.07 crore.

**(Paragraph 3.5)**



## Compliance Audit Observations

**M**adhya Pradesh Power Transmission Company Limited short recovered labour welfare cess by ₹ 5.93 crore and thereby extended undue benefit to the Contractors to the same extent.

(Paragraph 3.3)

**M**adhya Pradesh State Agro Industries Development Corporation Limited extended undue benefit of ₹ 5.68 crore to joint venture partners by not adjusting the realisable value of retained gunny bags, while finalising the production cost of Ready to Eat products.

(Paragraph 3.9)

