

CHAPTER I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2007, there were 40 Government companies (31 working and nine non-working companies¹) and four Statutory corporations (all working), as against 38 Government companies (29 working companies and nine non-working companies) and four Statutory corporations as on 31 March 2006, under the control of the State Government. During the year, two² new Government companies were set up in the Power Sector under the Companies Act, 1956. The accounts of Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the CAG under the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG under Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1.	Madhya Pradesh State Electricity Board (MPSEB)	Under Rule 14 of the Electricity Supply (Annual Accounts) Rules, 1985 read with Section 172 (a) and 185(2) (d) of the Electricity Act, 2003	Sole audit by the CAG
2.	Madhya Pradesh Road Transport Corporation (MPRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	
3.	Madhya Pradesh Financial Corporation (MPFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by the CAG.
4.	Madhya Pradesh Warehousing and Logistics Corporation (MPWLC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by the CAG.

In addition, the State Government had formed Madhya Pradesh Electricity Regulatory Commission (MPERC) and its audit is also entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003³.

¹ Non-working companies are those which are under process of liquidation, closure, merger etc.

² M.P. Power Trading Company Limited and Shahpura Thermal Power Company Limited.

³ Erstwhile Electricity Regulatory Commission Act, 1998 has been replaced by the Electricity Act, 2003.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 The total investment in the working PSUs at the end of March 2006 and March 2007 was as follows:

(Rupees in crore)

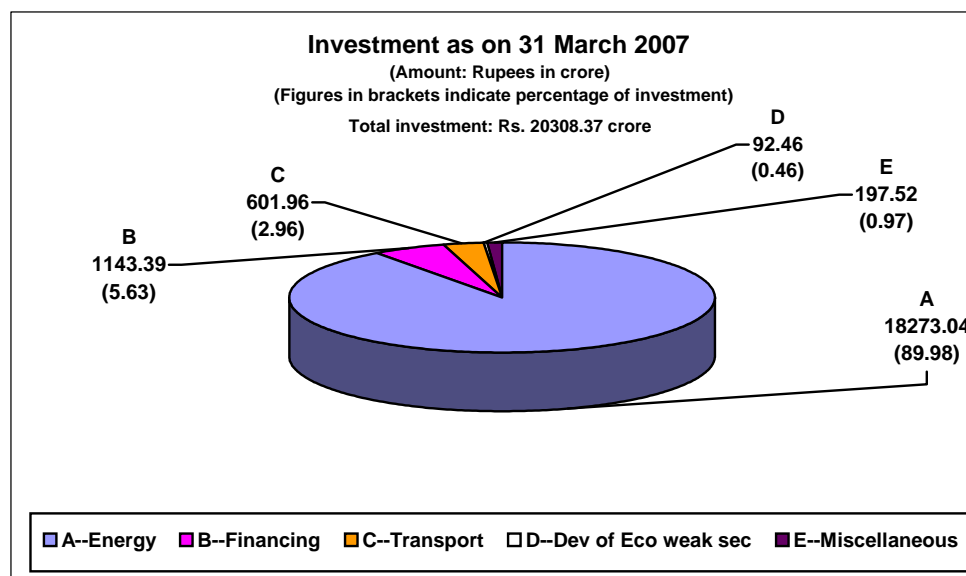
Year	Number of working PSUs	Investment in working PSUs			
		Equity capital	Share application money	Loans	Total
2005-06	33	4,488.55	136.14	14,171.65	18,796.34
2006-07	35	4,871.72	616.31	14,820.34	20,308.37 ⁴

Source: Information furnished by companies/corporations

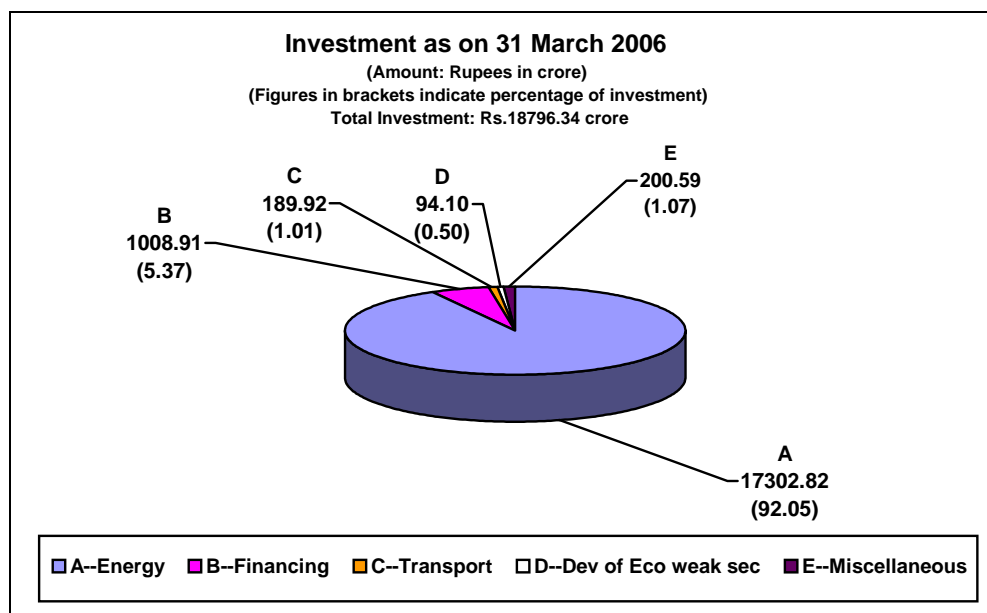
As on 31 March 2007, the total investment in working Government companies and Statutory corporations comprised 27.02 per cent of equity capital and 72.98 per cent of loans, compared to 24.60 and 75.40 per cent of equity capital and loans respectively as on 31 March 2006. An analysis of the investment in PSUs is given in the following paragraphs.

Sector-wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentages thereof at the end of 31 March 2007 and 31 March 2006 are indicated below in the pie charts:



⁴ State Government's investment in working PSUs was Rs.10634.85 crore (others Rs.9673.52 crore). The figure as per Finance Accounts is Rs.6105.92 crore. The difference is under reconciliation.



Working Government companies

1.3 Total investment in the working Government companies at the end of March 2006 and March 2007 was as follows.

(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity capital	Share application money	Loans	Total
2005-06	29	3,631.02	43.03	5,276.47	8,950.52
2006-07	31	3,825.18	526.06	5,492.94	9,844.18

Source: Information furnished by companies

The summarised position of Government investment in the working Government companies in the form of equity and loans is detailed in *Annexure-1*.

As on 31 March 2007, the total investment in the working Government companies comprised 44.20 *per cent* of equity capital and 55.80 *per cent* of loans as against 41.05 and 58.95 *per cent* respectively, as on 31 March 2006.

Due to increase in equity in power sector, the debt-equity ratio of the working Government companies decreased from 1.44:1 in 2005-06 to 1.26:1 in 2006-07.

Working Statutory corporations

1.4 The total investment in the four working Statutory corporations at the end of March 2006 and March 2007 was as follows:

(Rupees in crore)

Name of corporation	2005-06		2006-07	
	Capital	Loans	Capital	Loans
Madhya Pradesh State Electricity Board ⁵	718.63	8,351.93	718.63	8,351.93
Madhya Pradesh Road Transport Corporation	141.81	48.12	141.81	460.15
Madhya Pradesh Financial Corporation	82.14	492.37	268.29	510.48
Madhya Pradesh Warehousing and Logistics Corporation	8.06	2.77	8.06	4.83
Total	950.64	8,895.19	1,136.79	9,327.39

Source: Information furnished by the corporations

The summarised position of Government investment in the working Statutory corporations in the form of equity and loans is detailed in *Annexure-1*. As on 31 March 2007, the total investment in working Statutory corporations comprised 10.86 *per cent* of equity capital and 89.14 *per cent* of loans as against 9.66 and 90.34 *per cent* respectively as on 31 March 2006. The debt-equity ratio decreased from 9.36:1 in 2005-06 to 8.21:1 in 2006-07 due to considerable increase in equity capital in MPFC of 2006-07.

As a part of the reforms process, the Madhya Pradesh State Electricity Board (MPSEB) was unbundled (September 2000) into six Government companies. Out of these, only five⁶ companies were registered in November 2001 and May 2002 and these continued to function under an agreement with MPSEB till 31 May 2005. Independent status was granted to these companies from 1 June 2005 with revenue sharing, based on laid down cash flow mechanism. Three agreements, viz. (i) power purchase agreement between MPSEB and MPPGCL, (ii) transmission service agreement between MPSEB and MPPTCL and three DISCOMs and (iii) bulk supply agreement between MPSEB and three DISCOMs were executed on 17 June 2005.

A new Government company Madhya Pradesh Power Trading Limited (MPPTL) was incorporated on 2 May 2006 for inter/intra state power trading. For the purpose of long term power purchase, Shahpura Thermal Power Company Limited, a shell company of MPPTL was incorporated on 5 February 2007.

⁵ Madhya Pradesh State Electricity Board has not furnished the figures for the year 2006-07.

⁶ Madhya Pradesh Power Generating Company Limited (MPPGCL), Madhya Pradesh Power Transmission Company Limited (MPPTCL), Madhya Pradesh Paschim Kshetra Vidyut Vitran Company Limited, Madhya Pradesh Madhya Kshetra Vidyut Vitran Company Limited, Madhya Pradesh Poorva Kshetra Vidyut Vitran Company Limited (DISCOMs).

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details of the budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government relating to working Government companies and working Statutory corporations are given in *Annexures 1* and *3*.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to the working Government companies and working Statutory corporations for three years up to 2006-07 are given below:

(Rupees in crore)

	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	2	10.30	1	1.50	7	2,857.29	2	404.00	6	794.61	1	189.00
Loans given from budget	1	4.28	2	375.44	3	91.16	3	651.31	4	102.76	1	94.03
Other grants/subsidy	10	213.14	2	845.33	9	32.43	1	495.69	11	292.80	1	1.00
Total outgo⁷	12	227.72	3	1,222.27	16	2,980.88	3	1,551.00	18	1190.17	2	284.03

Source: Information furnished by companies/corporations

During the year 2006-07, the Government had guaranteed loans aggregating Rs.483.83 crore obtained by six working Government companies (Rs.453.83 crore) and one working Statutory corporation (Rs.30 crore). At the end of the year, guarantees amounting to Rs.3044.29 crore in respect of seven working Government companies (Rs.2521.39 crore) and two working Statutory corporations (Rs.522.89 crore) were outstanding as against Rs.7236.07 crore in respect of nine working Government companies (Rs.3679.03 crore) and three Statutory corporations (Rs.3557.04 crore) at the end of the previous year. The guarantee commission payable to the Government by the Government companies and Statutory corporations at the end of March 2007 was Rs.2.35 crore and Rupees one crore respectively.

⁷ Number of companies/corporations shown are the actual number of companies/corporation which had received budgetary support in the form of equity, loans, grant and / subsidies from the State Government during the respective years.

Finalisation of accounts by the working PSUs

1.6 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 sections 166, 210, 230, 619 and 619 B of the Companies Act, 1956 read with section 19 of the Comptroller and Auditor General's (Duties, powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in the case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective statutes.

As can be seen from *Annexure-2*, out of 31 working Government companies and four Statutory corporations, only four companies and one corporation had finalised their accounts for the year 2006-07 by 30 September 2007. During the period October 2006 to September 2007, 21 working Government companies finalised 24 accounts for previous years. Similarly, two working Statutory corporations finalised two accounts for previous years during this period. Three⁸ companies have yet to finalise their first accounts.

The accounts of 27 working Government companies and three Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2007 as detailed below:

Sl. No.	Number of working companies/ corporations		Period for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	1	--	2000-01 to 2006-07	7	A-18	--
2.	1	--	2001-02 to 2006-07	6	A-19	--
3.	1	--	2003-04 to 2006-07	4	A-7	--
4.	3	--	2004-05 to 2006-07	3	A-11, 17, 21,	--
5	6	1	2005-06 to 2006-07	2	A-1,4, 6, 13, 16, 22,	B-1
6	15	2	2006-07	1	A-2, 3, 5, 8, 9, 10, 12, 23, 24, 26, 27, 28, 29,30,31	B-2, 4
	27	3				

Source: Annual accounts of companies/corporations

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments were informed every quarter by Audit of the arrears in finalisation of accounts, no remedial measures had been taken, as a result of which the net worth of these PSUs could not be assessed in audit.

⁸ M.P. Road Development Corporation Limited, Shahpura Thermal Power Company Limited and M.P. Power Trading Company Limited.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in *Annexure-2*. Besides, the financial position and working results of the individual working Statutory corporations for the latest three years for which accounts have been finalised are given in *Annexures-4* and *5* respectively.

According to the latest finalised accounts of 28 working Government companies and four working Statutory corporations, 10 companies and two corporations had incurred aggregate loss of Rs.753.58 crore and Rs.101.28 crore respectively and 17 companies and two corporations earned aggregate profit of Rs.151.52 crore and Rs.1,259.11 crore respectively.

Working Government companies

Profit earning working Government companies and dividend

1.8 All the four⁹ working Government companies, which finalised their accounts for 2006-07 by 30 September 2007, earned an aggregate profit of Rs. 99.86 crore and only two¹⁰ companies declared dividend aggregating Rs.6.41 crore. The dividend as a percentage of share capital in the four companies worked out to 0.61 *per cent*. The total return in 2006-07 by way of dividend of Rs.6.41 crore worked out to 0.16 *per cent* on the total equity investment of Rs.4122.68 crore by the State Government in all the Government companies.

Similarly, out of 21 working Government companies, which finalised their accounts for previous years, 13 companies earned an aggregate profit of Rs.51.66 crore and only 10 companies earned profit for two or more successive years. Three¹¹ companies declared dividend of Rs.2.98 crore for the previous years.

The State Government had formulated (July 1998) a dividend policy for payment of minimum dividend of 12 *per cent* on equity, which was subsequently revised (July 2005) to 20 *per cent* on profit after tax. Out of five companies who declared dividend for 2005-06 and 2006-07, three¹² companies did not follow the above directives of the State Government.

⁹ These include two companies, which finalised their previous year's accounts also.

¹⁰ M.P. State Civil Supplies Corporation Limited and MPAKVN (Jabalpur) Limited.

¹¹ The Provident Investment Company Limited, M.P. Rajya Van Vikas Nigam Limited and M.P. Laghu Udyog Nigam Limited.

¹² M.P. State Civil Supplies Corporation Limited, M.P. Rajya Van Vikas Nigam Limited and M.P. Laghu Udyog Nigam Limited.

Loss incurring working Government companies

1.9 Of the 10 loss incurring working Government companies, two companies had accumulated losses aggregating to Rs.645.61 crore, which exceeded their aggregate paid up capital of Rs.84.39 crore. Despite poor performance, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further loans, subsidy, grants, etc. According to the available information, financial support of Rs.17.65 crore was provided by the State Government to these two loss incurring companies by way of loan and subsidies during 2006-07.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Out of two profit earning Statutory corporations viz. Madhya Pradesh Warehousing and Logistics Corporation (MPWLC) and MPSEB, MPWLC had finalized its account for 2006-07 and earned profit of Rs.15.22 crore and declared dividend of Rs.0.30 crore. MPSEB did not finalise any accounts during the period from October 2006 to September 2007.

Loss incurring Statutory corporations

1.11 The two loss incurring Statutory corporations viz. Madhya Pradesh Road Transport Corporation and Madhya Pradesh Financial Corporation had accumulated losses aggregating Rs.1109.59 crore which was more than their aggregate paid up capital of Rs.412.95 crore.

Despite their poor performance, the State Government provided financial support to these corporations amounting to Rs.283.04 crore during 2006-07 by way of equity, loan and subsidy.

Operational performance of the working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in *Annexure-6*. Analysis of the operational performance of these corporations revealed the following:

Madhya Pradesh Road Transport Corporation

- The average number of vehicles on road decreased from 1269 in 2003-04 to 238 in 2005-06 and occupancy ratio also decreased from 60 per cent to 10.76 per cent during the same period
- Gross kilometers operated reduced from 1389.96 lakh kms in 2003-04 to 328.24 lakh kms in 2005-06.

Return on capital employed

1.13 As per the latest finalised accounts of 31 working companies, the capital employed¹³ worked out to Rs.10,385.31 crore and total return¹⁴ thereon amounted to Rs.(-)245.59 crore as compared to total return of Rs.80.74 crore (7.16 per cent) in the previous year. Similarly, the capital employed and total return thereon, in case of the working Statutory corporations as per their latest finalised accounts worked out to Rs.12,791.87 crore and Rs.(+) 1,531.80 crore (11.97 per cent) respectively, against the total return of Rs.1,555.71 crore in the previous year (13.55 per cent). The details of capital employed and the total return on capital employed in case of the working Government companies and Statutory corporations are given in *Annexure-2*

Reforms in power sector

Status of implementation of MOU between the State Government and the Government of India

1.14 A Memorandum of Understanding (MOU) was signed (May 2000) between the Government of Madhya Pradesh (GOMP) and Government of India (GOI) as a measure of joint commitment towards power sector reforms in a time-bound programme. Following commitments made in the MOU were yet to be completed (March 2007):

Sl. No.	Commitments as per MOU	Targeted completion schedule	Status (as on 31 March 2007)
1	2	3	4
	Commitments made by the State Government		
1	Reduction in transmission and distribution losses	Not given	T&D losses were 43.48 per cent as on 31 March 2005.
2	100 per cent metering of all consumers	December 2004	46.49 lakh single phase meters, 6.91 lakh 3 phase meters and 7,529 HT meters have been provided.
3	Rural electrification programme	By 2007, starting from 2003	50,474 out of 51,806 villages electrified (97.43 per cent)
4	Energy audit	June 2001, Revised target by September 2002	132 KV-100 per cent 33 KV-92.46 per cent 11 KV-92.50 per cent
5	Replacement of electromagnetic meters with electronic meters	NA	26.62 lakh single phase and 4.60 lakh three phase electronic meters have been replaced/installed by March 2004. Thereafter no replacement was done.

Source: Information furnished by the Board

¹³ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital, except in finance companies and corporations where it represents the mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

¹⁴ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the Profit and Loss Account.

Madhya Pradesh Electricity Regulatory Commission

1.15 Madhya Pradesh Electricity Regulatory Commission (Commission) was formed in August 1998 under Section 17 of Electricity Regulatory Commissions Act, 1998¹⁵ with the objective of determining electricity tariff, advising in matters relating to electricity generation, transmission, distribution, etc. in the State. It started functioning from February 1999. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. The audit of the accounts of the Commission has been entrusted to the CAG under Section 104 (2) of the Electricity Act, 2003. The Commission finalised its accounts upto 2005-06 (September 2007).

Non-working PSUs

Investment in the non-working PSUs

1.16 The total investment in the nine non-working Government companies at the end of March 2006 and 2007 was as follows:

(Rupees in crore)

Year	Number of non-working PSUs	Investment in non-working PSUs			
		Equity	Share application money	Loans	Total
2005-06	9	58.42	1.03	166.02	225.47
2006-07	9	59.44	0.16	169.38	228.98 ¹⁶

Source: Information furnished by companies

The classification of non-working PSUs was as follows:

(Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment in non-working PSUs	
			Equity ¹⁷	Long term loans
(i)	Under liquidation	5 ¹⁸	12.12	--
(ii)	Under closure	4 ¹⁹	47.48	169.38
Total		9	59.60	169.38

Source: Information furnished by the companies

¹⁵ Since repealed by the Electricity Act, 2003

¹⁶ State Government investment in non-working PSUs was Rs.173.84 crore (others Rs.55.15 crore). The figure as per Finance Accounts is Rs. 45.02 crore. The difference is under reconciliation.

¹⁷ Equity includes share application money of Rs.1.03 crore in respect of one company.

¹⁸ M.P. Lift Irrigation Corporation Limited, M.P. State Dairy Development Corporation Limited, M.P. Film Development Corporation Limited, M.P. Rajya Setu Nirman Nigam Limited and M.P. Panchayati Raj Vitta Evam Vikas Nigam Limited.

¹⁹ M.P. Leather Development Corporation Limited, M.P.State Industries Corporation Limited, Optel Telecommunication Limited and M.P.State Textile Corporation Limited.

All the above nine non-working Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956, for periods ranging from one to 23 years. Substantial investment of Rs.228.98 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.17 During the year no budgetary support in the form of equity, loan, grants or subsidy was provided by the State Government to these PSUs. The State Government did not waive off any loan or convert any loan into equity during the year in respect of non-working companies.

1.18 Total establishment expenditure on non-working PSUs

The year-wise details of the total establishment expenditure of the non-working PSUs (Government companies) and the sources of financing it during the last three years up to 2006-07 are given below:

(Rupees in lakh)

Year	Number of Government companies	Total establishment expenditure	Disposal of investments/ assets	Financed by		
				Government by way of		Others ²⁰
				Loans	Grants	
2004-05	9	97.55	85.85	--	--	11.70
2005-06	9	124.07	--	---	40.00	84.07
2006-07	9	2.80	--	--	--	2.80
Total	--	224.42	85.55		40.00	98.57

Source: Information furnished by companies

During 2004-07, Rs.2.24 crore had been spent towards establishment expenses by nine non-working companies. Expeditious action is necessary for winding up of these companies to avoid further unproductive expenditure.

Finalisation of accounts by non-working PSUs

1.19 None of the non-working Government companies finalised its accounts for 2006-07. The accounts of all the nine non-working Government companies were in arrears for periods ranging from one to 17 years as on 30 September 2007, as can be seen from *Annexure-2*.

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in *Annexure-2*.

²⁰ The other sources of finance are interest received from banks and proceeds from sale of stock.

The equity investment in the nine non-working Government companies aggregated Rs.59.60²¹ crore. These companies had been incurring losses with aggregate cash loss of Rs.9.10 crore and negative net worth of Rs.129.64 crore. The accumulated loss of Rs.239.74 crore of these companies as per their latest finalised accounts exceeded their paid up capital by more than four times.

Status of placement of Separate Audit Reports of Statutory corporations in Legislature

1.21 The Separate Audit Reports on the accounts of the Madhya Pradesh State Electricity Board (2004-05), Madhya Pradesh Road Transport Corporation (2004-05), Madhya Pradesh Financial Corporation (2005-06) and Madhya Pradesh Warehousing and Logistics Corporation (2005-06) issued to the State Government during October 2006 to September 2007 have since been placed before the State Legislature.

Disinvestments, privatisation and restructuring of the PSUs

1.22 The State Government did not undertake any disinvestment, privatisation or restructuring of any of its PSUs during 2006-07.

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

1.23 During October 2006 to September 2007, the accounts of 26 Government companies (23 working and three non-working) and four Statutory corporations were selected for audit. The net impact of the important audit observations as a result of audit is as follows:

Sl. No.	Details	Number of accounts			(Amount: Rupees in lakh)		
		Government companies		Statutory corporations	Government companies		Statutory corporations
		Working	Non-working	Working	Working	Non-working	Working
1	Decrease in profit	4	--	--	401.00	--	--
2	Increase in profit	--	--	--	--	--	--
3	Increase in loss	4	2	1	1,643.00	750.00	92,424.00
4	Decrease in loss	1	--	--	100.00	--	--
5	Non disclosure of material facts	4	--	2	1,531.00	--	3,917.00
6	Errors of classification	5	1	1	1,012.60	12.00	3,945.00

²¹ Includes equity of Rs.1.04 crore of Madhya Pradesh Film Development Corporation.

Errors and omissions noticed in case of Government companies

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

Sl. No.	Name of the Company	Year of accounts	Errors/omissions	Rupees in lakh
1.	Madhya Pradesh Rajya Van Vikas Nigam Limited	2005-06	Cash and bank balances had been inflated for cheques received from sundry debtors in 2002-03 which had been shown as deposited with the bank, but the same had not been deposited.	24.87
2.	Madhya Pradesh Adivasi Vitta Evam Vikas Nigam Limited	2000-01	Understatement of term loan due to showing less amount in the books of account than what was confirmed by the Company to the lender-National Scheduled Cast and Scheduled Tribes Finance and Development Corporation.	293.00
			Overstatement of bank balances due to double accounting of demand draft received from bankers.	17.82
			Overstatement of loss due to short accountal of interest on fixed deposits.	44.02

Errors and omissions noticed in case of Statutory corporations

1.25 Some of the significant errors and omissions noticed during audit of accounts for 2004-05 of Madhya Pradesh Road Transport Corporation are given below:

	Rs.in crore
• Understatement of loss due to non provision of administrative charges payable to the commissioner EPF, Bhopal	0.26
• Understatement of loss due to non-provision of interest liabilities due to non remittance of EPF contribution	20.89
• Overstatement of cash in hand, due to accountal of cash more than the actually held.	4.61
• Bank balance does not include the minus balance of inoperative bank account	0.49

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

1.26 The Statutory Auditors (Chartered Accountants) are required to give a detailed report on the various aspects including the internal control and internal audit system in the companies audited by them in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which need improvement. directions/sub-directions under the Act, *ibid*, were issued to the Statutory Auditors in respect of 35 Government companies between October 2006 and September 2007. In pursuance of the directions so

issued, reports of the Statutory Auditors involving 15 accounts of 15 Government companies were received (September 2007).

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

Sl. No.	Nature of the recommendations/comments made by the Statutory auditors	No. of companies to which recommendations/comments pertain	Reference to serial numbers of Annexure-2
1	Non-computerisation of accounts	7	A- 2,7,8,9,12, 24, C-7
2	Non compliance to Statutory Auditors Reports and CAG's comments	1	A-1
3.	Non recovery of outstanding dues	5	A- 8,13,20,24, C-7
4.	Non adherence to Accounting Standards	5	A- 8,12,9,13,24
5.	Bank reconciliation not done	6	A-7,8,10,12,13 C-7
6.	Non maintenance of proper records for financial assistance	5	A-7,8,12,13 C-7
7.	Non maintenance of store registers	4	A-7,10,12,13
8.	Non functioning/proper functioning of Internal Audit/Internal control	6	A-7,9,10,12,24, C-7

Source: Report of Statutory Auditors under Section 619 (3) of Companies Act, 1956

Recommendations for closure of the PSUs

1.27 Even after completion of five or more years of their existence, the turnover of nine²² Government companies (working) has been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. In view of the poor turnover, the Government may either take steps to improve the performance of these Government companies or consider their closure.

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

1.28 The following table indicates the details regarding number of reviews/paragraphs discussed by the COPU by the end of September 2007.

Audit Report for the year	Number of reviews and paragraphs featured in the Audit Report		Number of reviews/paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2002-03	3	20	3	19
2003-04	2	17	1	13
2004-05	3	22	Nil	1
2005-06	5	20	Nil	Nil

²² *Madhya Pradesh Police Housing Corporation Limited, MPAKVN (Bhopal), MPAKVN (Jabalpur), MPAKVN (Rewa), Industrial Infrastructure Development Corporation (Gwalior) Limited MP Pichhara Varg Tatha Alpasankhayak vitta Evam Vikas Nigam Limited, M.P. Adivasi Vitta Evam Vikas Nigam Limited, The Provident Investment Company Limited and Madhya Pradesh Urja Vikas Nigam Limited.*

619-B companies

1.29 There was one company, viz. Madhya Pradesh Vidyut Yantra Limited, coming within the purview of Section 619-B of the Companies Act, 1956, which is a non-working company. According to its latest available accounts for 1989-90, the Company with a total paid-up capital of Rs.1.50 crore, contributed by the State Government companies (Rs.1.26 crore) and Central Government and its companies (Rs.24 lakh) had suffered loss of Rs.63 lakh. Its accumulated loss up to the year 1989-90 was Rs.3.78 crore.