

CHAPTER-I

Overview of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 2002, there were 29 Government companies (23 working companies and six non-working companies^{*}) and four Statutory corporations (all working) as against 30 Government companies (24 working companies and six non-working companies) and four Statutory corporations (all working) as on 31 March 2001 under the control of the State Government. One working Government company viz Audyogik Kendra Vikas Nigam (Raipur) Limited has been transferred to the newly formed Chhattisgarh State. In addition, the State had formed Madhya Pradesh Electricity Regulatory Commission whose audit is also being conducted by the Comptroller and Auditor General of India (CAG). The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG), as per provisions of Section 619(2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of 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)	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG.
2.	Madhya Pradesh State Road Transport Corporation (MPSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG.
3	Madhya Pradesh Electricity Regulatory Commission	Section 43(2) of Madhya Pradesh Vidhyut Sudhar Adhiniyam 2001	Sole audit by CAG.
4	Madhya Pradesh Financial Corporation (MPFC)	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and supplementary audit by CAG.
5	Madhya Pradesh State Warehousing Corporation (MPSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG.

* Non-working companies are those which are under the process of liquidation/closure/merger, etc

1.2 Working Public Sector Undertakings (PSUs)

1.2.1 Investment in working PSUs

The total investment in 28 working PSUs (24 Government companies and four Statutory corporations) at the end of 2001 and 27 working PSUs (23 Government companies and four Statutory corporations) at the end of March 2002 was as follows:

(Rupees in crore)

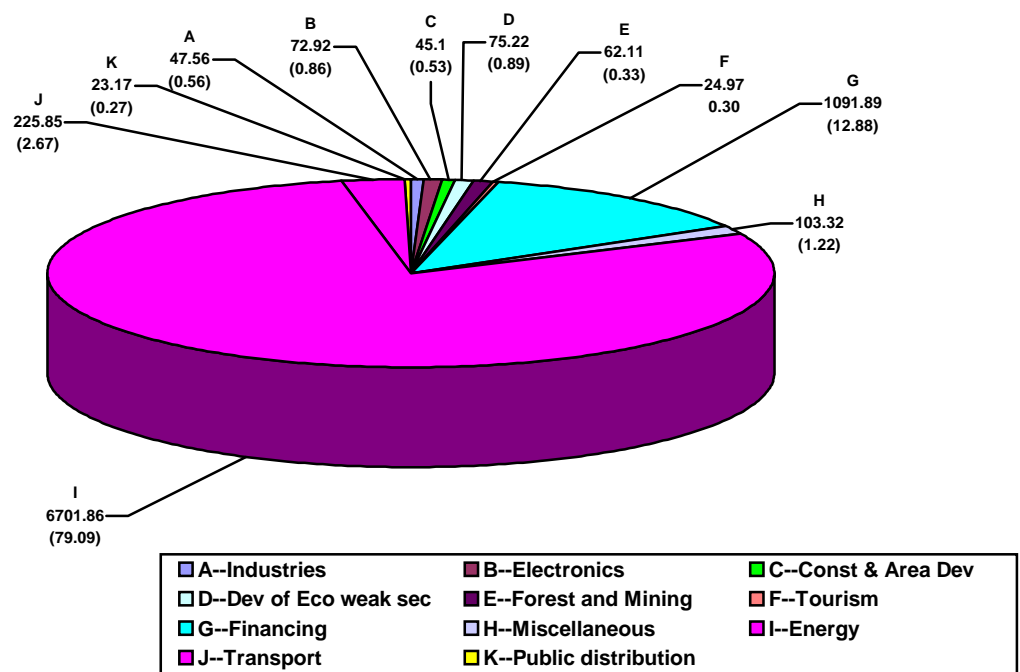
Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans	Total
2000-01	28	645.13	111.77	7885.64	8642.54
2001-02	27	638.48	111.77	7723.72	8473.97

An analysis of investment in PSUs is given in the following paragraphs.

The investment (equity and long term loans) in various sectors and percentages thereof at the end of March 2002 and March 2001 are indicated in the following pie charts:

Sector-wise investment in working Government companies and Statutory corporations as on 31 March 2002

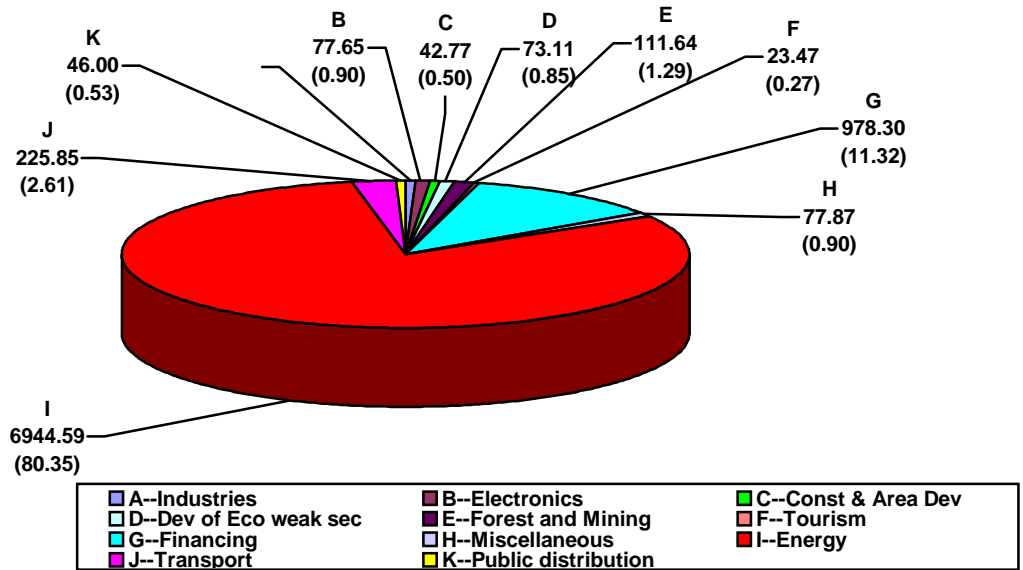
(Figures within bracket indicate percentages of investment)
(Rupees in crore)



Sector-wise investment in working Government companies and Statutory corporations as on 31 March 2001

(Figures within bracket indicate percentages of investment

(Rupees in crore)



Note: *Miscellaneous includes Agriculture, Textile, Handlooms & Handicrafts

1.2.1.1 Working Government companies

Total investment in 24 working Government companies at the end of March 2001 and 23 working Government companies at the end of March 2002 was as follows:

(Rupees in crore)

Year	Number of working Government companies	Investment in working PSUs			
		Equity	Share application money	Loans	Total
2000-01	24	241.55	4.14	734.54	980.23
2001-02	23	234.91	4.14	760.32	999.37

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

As on 31 March 2002 the total investment in working Government companies comprised 23.92 per cent in equity capital and 76.08 per cent in loans as compared to 25.06 per cent and 74.94 per cent respectively as on 31 March 2001.

Due to increase in long term loans to finance, textile, construction and industries sectors, the debt-equity ratio of working Government companies increased from 2.99:1 in 2000-01 to 3.18:1 in 2001-02.

1.2.1.2 Working Statutory corporations

The total investment in four working Statutory corporations at the end of March 2002 and March 2001 was as follows:

(Rupees in crore)

Name of corporation	2000-01		2001-02	
	Capital	Loans	Capital	Loans
Madhya Pradesh State Electricity Board	231.15	6470.02	231.15*	6470.02*
Madhya Pradesh State Road Transport Corporation	182.37	43.48	182.37	43.48
Madhya Pradesh Financial Corporation	88.08	374.14	88.08	448.49
Madhya Pradesh State Warehousing Corporation	9.60	20.73	9.60	1.41
Total	511.20	6908.37	511.20	6963.40

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

The debt-equity ratio decreased from 13.99:1 in 2000-01 to 13.62:1 in 2001-02.

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

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government in respect of 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 working Government companies and working Statutory corporations for the three years up to 2001-02 are given below:

* *As MPSEB has not furnished any figures for the year 2001-2002, previous year's figures have been adopted for the current year also.*

(Amount : Rupees in crore)

	1999-2000				2000-01				2001-02			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No	Amt.	No	Amt.	No	Amt.	No	Amt.	No	Amt.	No	Amt.
Equity capital outgo from budget	4	3.11	1	1.80	2	2.00	--	--	1	1.50	--	--
Loans given from budget	4	16.82	1	218.31	4	30.69	1	216.31	3	33.69	2	193.08
Other grants/subsidy	5	18.68	1	0.78	10	23.83	1	341.14	6	75.81	4	402.67
Total outgo	* 10	38.61	2*	220.89	14*	56.52	1*	557.45	12*	111.00	4*	595.75

During the year 2001-02, the Government guaranteed loans aggregating Rs.1703.81 crore obtained by two working Government companies (Rs.36.00 crore) and one working Statutory corporation (Rs.1667.81 crore). At the end of the year, guarantees amounting to Rs.3874.12 crore in respect of 10 working Government companies (Rs.141.89 crore) and three working Statutory corporations (Rs.3732.23 crore) were outstanding as against Rs.5629.14 crore in respect of eight Government companies (Rs.159.21 crore) and three Statutory corporations (Rs.5469.93 crore) at the end of previous year. The guarantee commission payable to Government by Government companies and Statutory corporations at the end of March 2002 was Rs.1.59 crore and Rs. 0.71 crore, respectively.

1.2.3 Finalisation of accounts by working PSUs

The accounts of the Government companies for every financial year are required to be finalised within six months from the end of relevant financial year under sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, read with section 19 of 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 financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from *Annexure 2*, out of 23 working Government companies, only two companies, and out of four working Statutory corporations, none of the corporations had finalised their accounts for the year 2001-02 within the stipulated period. During the period from October 2001 to September 2002, 16 working Government companies finalised 23 accounts for previous years. Similarly, during this period, 3 working Statutory corporations finalised 3 accounts for previous years.

* These are the actual numbers of companies/corporations which had received budgetary support in the form of equity, loans, grants and/or subsidies from the State Government during the respective years.

The accounts of 21 working Government companies and four Statutory corporations were in arrears for periods ranging from one year to five years as on 30 September 2002 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	--	1997-98 to 2001-02	5	A-17	--
2.	1	--	1998-99 to 2001-02	4	A-8,	--
3.	4	--	1999-2000 to 2001-02	3	A-2,18, 21 &22	--
4.	6	--	2000-01 to 2001-02	2	A-1, 7,10,13,15 & 20	
5	9	4	2001-02	1	A-3,4, 9, 11, 12, 14, 16, 19 & 23	B-1,2, 3 & 4
	21	4				

It is the responsibility of administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by A.G. regarding arrears in finalisation of accounts, no effective measures have been taken by Government and as a result, the networth of these PSUs could not be assessed in audit.

1.2.4 Financial position and working results of working PSUs

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

According to the latest finalised accounts of 23 working Government companies and four working Statutory corporations, 11 companies and two corporations had incurred aggregate losses of Rs.41.94 crore and Rs.1538.70 crore, respectively and 12 companies and two corporations earned an aggregate profit of Rs.10.79 crore and Rs.16.89 crore, respectively.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working companies and dividend

The State Government had formulated (July 1998) a dividend policy for payment of minimum dividend of 12 *per cent* of equity. Neither of two working Government companies which finalised their accounts for 2001-02 by September

2002, earned profit. Thus, State Government did not receive any dividend for the year ending March 2002 against a total equity investment of Rs.239.05 crore in all working Government companies.

Similarly, out of 16 working Government companies which finalised their accounts for previous years by September 2002, eight companies earned an aggregate profit of Rs.8.98 crore and only five companies earned profit for two or more successive years. Three companies declared dividend of Rs.0.67 crore for the previous year during the year.

1.2.4.1.2 Loss incurring working Government companies

Out of 11 loss incurring working Government companies, six companies had accumulated losses aggregating Rs.126.16 crore which exceeded their aggregate paid-up capital of Rs.48.33 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further loans, conversion of loans into equity, subsidy, etc. According to available information, out of total financial support of Rs.111.00 crore provided by the State Government to 12 companies by way of equity, loans, grants and subsidies during 2001-02, Rs.39.02 crore pertained to four companies whose accumulated losses had exceeded their paid-up capital.

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Profit earning Statutory corporations and dividend

None of the four Statutory corporations had finalised their accounts for 2001-02 during the year. In case of Madhya Pradesh Financial Corporation (MPFC), the payment of dividend was guaranteed by State Government under section 4 of the State Financial Corporations Act 1951. Consequent upon amendment to the SFC Act 1951 in September 2000 declaration of dividend became unguaranteed. As on 31 March 2002, the dividend payable (cumulative) worked out to Rs.47.29 crore. Due to cumulative loss, the Corporation did not declare any dividend up to previous year 2000-01. As on 31 March 2001, it had accumulated loss of Rs.134.03 crore which exceeded its paid-up capital of Rs.88.08 crore.

Similarly, out of two profit earning statutory corporations which finalised their accounts for previous years by September 2002, Madhya Pradesh State Warehousing Corporation (MPSWC) earned profit of Rs.14.86 crore and also earned profit for two or more successive years. It has declared dividend of Rs.1.64 crore for 2000-01 during the year.

1.2.4.2.2 Loss incurring Statutory corporations

Out of two loss incurring Statutory corporations, both (Madhya Pradesh State Electricity Board and Madhya Pradesh State Road Transport Corporation) had accumulated losses aggregating Rs.2254.55 crore which exceeded their paid-up capital of Rs.413.52 crore.

Despite their poor performance, the State Government provided financial support amounting to Rs.592.22 crore to both the corporation during 2001-02 by way of loans, grants and subsidies.

1.2.4.2.3 Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations is given in **Annexure 6**. On analysis of operational performance, the following points have emerged.

1 Madhya Pradesh State Electricity Board

The transmission and distribution (T & D) losses had increased from 19.36 *per cent* in 1998-99 to 31.62 *per cent* in 1999-2000. Though availability of power for sale increased from 33058.623 MKWH in 1998-99 to 34434.407 MKWH in 1999-2000, the power actually sold during the period decreased from 26658.609 MKWH to 23546.856 MKWH.

2 Madhya Pradesh State Road Transport Corporation

Though the percentage utilisation of vehicles increased from 76 *per cent* in 1998-99 to 77 *per cent* in 2000-01, the occupancy ratio decreased from 68 *per cent* to 62 *per cent* during the same period.

3 Madhya Pradesh Financial Corporation

Though the total loans applied for increased from Rs.111.93 crore in 1999-2000 to Rs.166.49 crore in 2001-02, the loans disbursed during the same period decreased from Rs.71.95 crore to Rs.66.05 crore.

1.2.5 Return on capital employed

As per the latest finalised accounts (up to September 2002), the capital employed* worked out to Rs.948.16 crore in 23 working companies and total return⁺ thereon amounted to Rs.41.23 crore which worked out to 4.35 *per cent* as compared to total return of Rs.49.09 crore (6.13 *per cent*) in the previous year (accounts finalised up to September 2001). Similarly, the capital employed and total return thereon, in case of working Statutory corporations as per their latest finalised accounts (up to September 2002), worked out to Rs.5861.73 crore and Rs.(-)517.94 crore respectively, against the total return of Rs.(-)408.25 crore in previous year (accounts finalised up to September 2001). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure 2**.

* *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).*

+ *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.*

1.2.6 Reforms in power sector

(A) Status of implementation of MoU between State Government and the Central Government

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 to undertake power sector reforms in a time-bound manner. Later on, in the conference of Chief Ministers/Power Ministers, too, held in March 2001, a consensus was reached to depoliticise power sector reforms and to speed up their implementation. Status of implementation of reform programme is discussed in *Chapter 3B*.

(B) Madhya Pradesh Electricity Regulatory Commission

Madhya Pradesh Electricity Regulatory Commission (Commission) was formed in August 1998 under Section 17 of Electricity Regulatory Commissions Act, 1998, (Act) with the object of determining electricity tariff, advising in matters relating to electricity generation, transmission, distribution *etc.*, in the State. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. The audit of accounts of the Commission has been entrusted to CAG under Section 43(2) of the MP Vidhyut Sudhar Adhinyam, 2001. The Commission had not finalised its first accounts so far (September 2002).

1.3 Non-working Public Sector Undertakings (PSUs)

1.3.1 Investment in non-working PSUs

The total investment in six non-working PSUs (all Government companies) at the end of March 2001 and March 2002 respectively was as follows :

(Rupees in crore)

Year	Number of non-working PSUs	Investment in non - working PSUs			
		Equity	Share application money	Loans	Total
2000-01	6	13.74	0.19	0.04	13.97
2001-02	6	13.74	0.19	---	13.93

The classification of the non-working PSUs was as under :

(Amount : Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment in non-working PSUs	
			Equity*	Long term loans
(i)	Under liquidation	4	7.39	--
(ii)	Under closure	1	1.54	--
(iii)	Under merger	--	--	--
(iv)	Others	1	5.00	--
	Total	6	13.93	

Of the above non-working PSUs, five Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for seven to 19 years and substantial investment of Rs.8.93 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

1.3.2 Budgetary outgo, grant/subsidy, guarantees waiver of dues and conversion of loans into equity

The details regarding budgetary outgo, grants/subsidy, guarantees issued, waiver of dues and conversion of loan into equity by the State Government to non-working PSUs are given in *Annexures 1* and *3*.

The State Government had provided budgetary support of Rs.10.00 lakh as grants to Madhya Pradesh Leather Development Corporation during 2001-02.

1.3.3 Total establishment expenditure on non-working PSUs

The year-wise details of total establishment expenditure of non-working PSUs (Government companies) and the sources of financing it during last three years up to 2001-02 are given below:

(Amount : Rupees in lakh)

Year	Number of Government companies	Total establishment expenditure	Financed by	
			Government by way of Grants	Others [@]
1999-2000	5	0.50	--	0.50
2000-2001	6	72.88	60.00	12.88
2001-2002	6	36.26	10.00	26.26
Total	--	109.64	70.00	39.64

* Equity includes share application money of Rs. 0.19 crore in respect of one company

@ The other sources of finance are interest received from banks and diversion of grants.

The State Government has so far spent Rs.1.10 crore towards establishment expenses of six companies under liquidation. Expeditious action is necessary for winding up of these companies to avoid further unproductive expenditure in these companies

1.3.4 Finalisation of accounts by non-working PSUs

The accounts of four non-working companies were in arrears for periods ranging from three to 12 years as on 30 September 2002, as could be noticed from *Annexure 2*.

1.3.5 Financial position and working results of non-working PSUs

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

The summarised details of paid-up capital, net worth, cash loss/cash profit and accumulated loss/accumulated profit of non-working PSUs as per their latest finalised accounts are given below:

(Amount : Rupees in crore)

Particulars	Paid-up capital	Net worth [©]	Cash loss (-) / Cash profit(+) ^π	Accumulated loss (-)/ Accumulated profit(+)
Non working companies	13.11	(+)5.44	(-)1.11	(-)7.88

(Note: Equity capital includes the equity of Rs.1.04 crore of Madhya Pradesh Film Development Corporation.)

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

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the Comptroller and Auditor General of India in the Legislature by the Government:

Name of Statutory corporations	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
		Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
MPSEB	1999-2000	2000-01	Audit under progress	--
MPSRTC	1998-99	1999-2000	15-4-2002	Under printing
MPFC	2000-01	2001-02	Accounts awaited	--
MPSWC	1999-2000	2000-01	1-7-2002	--

[©] Net worth represents paid- up capital plus free reserves less accumulated loss

^π Cash loss/profit represents loss/profit for the year plus depreciation for the year

1.5 Disinvestment, privatisation and restructuring of public sector undertakings

The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2001-02.

1.6 Results of audit of accounts of PSUs by Comptroller and Auditor General of India

During the period from October 2001 to September 2002, the audit of accounts of 23 Government companies (18 working and five non-working) and three Statutory corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Sl. No.	Details	Number of accounts				(Amount : Rupees in lakh)			
		Government companies		Statutory corporations		Government companies		Statutory corporation	
		Working	Non-working	Working	Non-working	Working	Non working	Working	Non working
(i)	Decrease in profit	5		--		3038.25		--	
(ii)	Increase in profit	1		--		4.95		--	
(iii)	Increase in loss	4		2		81.64		44094.21	
(iv)	Decrease in loss	--		1		--		6484.12	
(v)	Non disclosure of material facts	4		2		7819.70		29251.07	
(vi)	Errors of classification	5	1	2		689.98	8.67	1669.09	

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

1.6.1 Errors and omissions noticed in case of Government companies

Madhya Pradesh State Agro Industries Development Corporation Limited (1999-2000)

Non-provision for doubtful debts prior to 1990-91 has resulted in overstatement of current assets, loans and advances and profit for the year by Rs.66.90 lakh.

Madhya Pradesh State Tourism Development Corporation (1999-2000)

The Profit and Loss Account did not include expenditure towards publicity (Rs.5.65 lakh), Panchmari festival (Rs.1.63 lakh), operating expenses - transport vehicle hire charges (Rs.2.26 lakh) and administrative expenses towards property tax (Rs. 4.58 lakh). Non-provision of the said expenditure resulted in understatement of provision and loss by Rs.14.12 lakh.

1.6.2 Errors and omissions noticed in case of Statutory corporations

Madhya Pradesh Financial Corporation (2000-01)

Non-amortisation of lease value of land has resulted in overstatement of profit by Rs.21.57 lakh (previous year: Rs.19.11 lakh and current year: Rs.2.46 lakh) and overstatement of fixed assets (leasehold land) to that extent.

1.6.2.1 Audit assessment of the working results of Madhya Pradesh State Electricity Board

Based on the audit assessment of the working results of MPSEB for three years up to 2000-01 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the MPSEB and not taking into account the subsidy/subventions receivable from State Government, the net surplus/deficit and the percentage of return on capital employed of the MPSEB will be as given below:

(Rupees in crore)

Sl. No.	Particulars	1998-99	1999-2000	2000-201
1.	Net surplus/ (-) deficit as per books of accounts	116.93	(-)1371.29	(-)1473.81
2.	Subsidy from State Government	1723.65	313.12	279.46
3.	Net surplus/ (-) deficit before subsidy from State Government (1-2)	(-)1606.72	(-)1684.41	(-)1753.27
4.	Net increase/decrease in net surplus/ (-) deficit on account of audit comments on the annual accounts of MPSEB	(-)6.18	(-)71.49	Audit under progress
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from State Government (3-4)	(-)1612.90	(-)1755.90	--
6.	Total return on capital employed*	767.63	(-) 402.09	(-) 520.49

1.6.3 Persistent irregularities and system deficiencies in financial matters of PSUs

Madhya Pradesh State Electricity Board

(i) The Board has not maintained prescribed register of assets (except for Board's hospital) indicating details of fixed assets viz., location, quantities, value, dates of commissioning, depreciation charges etc. As a result, the value shown in the accounts could not be vouchsafed in audit. The assets had also not been physically verified.

(ii) The defective material, unserviceable items and unorthodox balances^{\$} continued to be included in the closing stock resulting in excess valuation of stock.

(iii) Bank reconciliation statements for March 1999 in respect of nine accounting units* test-checked in audit, exhibit differences involving amounts aggregating Rs.95.62 crore pertaining to the period from 1997-98 and onwards.

^{\$} Unorthodox balances represent credit balance in stock account instead of debit balance.

* (Birsingpur, Bilaspur, Morena, Dewas, Sirmaur, Bhopal, Jabalpur (CAU), H.O. & Siddhi)

Madhya Pradesh State Road Transport Corporation

- (i) Physical verification of assets (other than the fleet) has not been conducted since 1975-76
- (ii) Asset register has not been maintained giving details of assets i.e. date of acquisition, location, status, etc.
- (iii) The work-in-progress should have been shown under fixed assets instead of current assets. Details of work-in-progress i.e. opening balance, addition during the year, amount transferred to fixed assets and closing balance of each assets at the end of each year has not been shown in the accounts, as required under the provisions of Income Tax Act.
- (iv) Year-wise, party-wise details of advances and deposits have not been worked out.

1.7 Recommendations for closure of PSUs

Even after completion of five years of their existence, the turnover of nine Government companies (working)* have been less than Rs.5 crore in each of the preceding five years of their latest finalised accounts. Further two Government companies (working)** had been incurring losses for five consecutive years leading to negative net worth. In view of poor turnover and continuous losses, the Government may either take steps to improve the performance of these 11 Government companies or consider their closure.

1.8 Response to Inspection Reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. In respect of Inspection Reports issued up to March 2002 pertaining to 32 PSUs, 5207 paragraphs relating to 1880 Inspection Reports remained outstanding at the end of September 2002. Of these, 1714 Inspection Reports containing 4682 paragraphs had not been replied to for more than one year. Department-wise break-up of Inspection Reports and Audit observations outstanding as on 30 September 2002 is given in **Annexure 7**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned

* *Madhya Pradesh State Electronics Development Corporation Limited, Madhya Pradesh Police Housing Corporation Limited, AKVN (Bhopal), (Indore), (Jabalpur), (Rewa), (Gwalior). The Provident Investment Company Limited and Madhya Pradesh Urja Vikas Nigam Limited*

** *Madhya Pradesh State Industries Corporation Limited & M.P. State Textile Corporation Ltd.*

demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, out of 15 draft paragraphs and four draft reviews forwarded to the various departments during May 2001 to July 2002, 14 draft paragraphs and three draft reviews as detailed in *Annexure 8*, had not been replied to so far.

It is recommended that the Government should ensure that: (a) procedure exists for saction against officials who fail to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment is taken in a time bound schedule and (c) the system of responding to the audit observations, is revamped.

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

The position of discussion of Audit Reports (Commercial) by the COPU, reviews/paragraphs pending discussion in the COPU at the end of September 2002 is shown below :

Audit Report for the year	No. of reviews and paragraphs featured in the Audit Report		No. of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1999-2000	04	20	04	16
2000-2001	02	15	2	15

1.10 619-B companies

There was one company namely Madhya Pradesh Vidyut Yantra Limited coming under Section 619-B of the Companies Act, 1956, which is a non working company.

Annexure 9 indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of this company based on its latest available accounts.