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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OVERVIEW

Overview

This report contains three chapters. Chapter one includes the functioning of State Government companies and Statutory corporations in the State. Chapter two contains three Performance Audits on (i) Implementation of Feeder Separation Programme in Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (ii) Working of Madhya Pradesh State Electronics Development Corporation Limited and (iii) Working of Madhya Pradesh State Civil Supplies Corporation Limited. Chapter three consists of 15 audit paragraphs observed during the test check of records as part of compliance audit of State Government companies and Statutory corporations conducted during the year 2015-16. The financial impact of Audit Findings is of ₹ 831.56 crore.

1. Functioning of State Public Sector Undertakings

Audit of Government companies is governed by Section 143 (6) of the Companies Act, 2013. As on 31 March 2016, the State of Madhya Pradesh had 64 Government companies (including nine not working companies) and three Statutory corporations (all working). The Accounts of Government companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These Accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. Turnover of working Public Sector Undertakings (PSUs) as per latest finalised Accounts as on 30 September 2016 was ₹ 78,315.94 crore and they employed 63,459 employees as on 31 March 2016.

(Paragraphs 1.1, 1.2 and 1.3)

Investment in State PSUs

As on 31 March 2016, the Investment (Capital and Long term loans) in 67 PSUs (including three Statutory corporations) was ₹ 69,754.35 crore. It grew by 108.15 *per cent* from ₹ 33,511.25 crore in 2011-12, 30.24 *per cent* of total investment was towards Capital and 69.76 *per cent* was towards Long-term loans. 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)

Arrears in finalisation of Accounts

Thirty Two PSUs had arrears of 79 accounts as of September 2016. The PSUs need to set targets for the work relating to preparation of Accounts with special focus on clearance of arrears.

(Paragraph 1.10)

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)

Accounts Comments

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

(Paragraphs 1.21 and 1.22)

2. Performance Audits relating to Government Companies

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

Government of Madhya Pradesh (GoMP) launched Feeder Separation Programme (Programme) in April 2010 with the objective to provide 24 hours continuous power supply to households and minimum eight hours power supply to agriculture pumps in rural areas and to reduce the Transmission and Distribution losses (T&D losses) of the distribution system. The Legislative Assembly of Madhya Pradesh passed (14 May 2010) a resolution 'Sankalp-2013' for overall and integrated development of the State. Under Sankalp-2013, 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 works were divided into two phases. The phase-I works were scheduled to be completed by August 2012 and phase-II works were scheduled to be completed by May 2013.

The Performance Audit covered the implementation of Programme in Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (Company) covering the period from its sanction (2010-11) to execution up to 2015-16. A review of overall implementation of Programme including its planning, financial management, execution and monitoring and control revealed the following:

- The Company did not complete the major components of works within the scheduled completion period of contracts. The balance works to be executed were ranging between 56.90 *per cent* and 74.83 *per cent* up to May 2013 and between 10.99 *per cent* and 15.15 *per cent* up to June 2016 as against the quantum of work to be executed by the contractors. As a result the Company could not fulfil the commitment made by GoMP through 'Sankalp 2013' to supply 24 hours continuous power to rural households by the year 2013. The Company had also failed in reducing the T&D losses to the envisaged levels in four circles out of total 13 circles under the Programme.

(Paragraph 2.1.7)

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

(Paragraph 2.1.10)

- In Joint Physical Verification conducted against 108 feeders in 10 lots, the T&D losses at feeder level against 100 feeders (representing 92.59 *per cent*) 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. As a result the Company suffered excess T&D losses worth ₹ 9.38 crore during the year 2015-16.

(Paragraph 2.1.25)

- The Company had not prepared DPRs based on the field survey which resulted in wide variation in the bill of quantity of major items of works during execution. As a result 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 lakh.

(Paragraph 2.1.9)

- The Company did not ensure the availability of land before awarding the contracts under the Programme. As a result 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)

- The GoMP had sanctioned an amount of ₹ 239.47 crore in the form of equity for executing the phase-II works of the Programme. Out of which the Company had spent an amount of ₹ 173.63 crore towards payment of interest and principal amount of loan obtained for phase-I works of the programme which was not permitted by GoMP. Thus the programme funds were diverted for unintended purposes against the instructions of GoMP.

(Paragraph 2.1.17)

- The Company had adopted incorrect methodology for levying the interest on unadjusted amount of mobilisation and material advances resulting in short recovery of interest of ₹ 11.06 crore on mobilisation advance and ₹ 13.92 crore on material advance.

(Paragraph 2.1.15)

- As per the terms of contract, the contractors were to conduct asset mapping and consumer indexing and to provide the same in CYMDIST software compatible format. This was meant for enabling the Company to conduct the simulation and 'what if' analysis of load on the distribution network. However the Company issued closure certificate in 10 lots without getting the data in requisite format. This deprived the Company to ensure proper load management on the distribution network.

(Paragraph 2.1.20)

- The terms of the contract provided for conducting the functional guarantee test and to bring down the T&D losses up to the level of 12 *per cent* at feeder before the issue of Operational Acceptance (OA) certificate by the Company. The Company issued OA for 1,184 feeders out of which for 632 feeders representing 53.38 *per cent* OA was issued without demonstrating the losses by the contractors. Thus the Company had focused more on award of OA and closure of works ignoring the impetus to reduce the T&D losses as envisaged under the Programme.

(Paragraph 2.1.23)

- In eight out of 10 lots wherein Joint Physical Verification was conducted, against 701 material samples sent to NABL labs for quality testing, test reports against 340 samples (representing 48.50 *per cent*) were not received up to June 2016. Thus the material worth ₹ 90.08 crore procured during 2011-12 to 2015-16 against which the samples were drawn remain untested for their quality.

(Paragraph 2.1.33)

- The Company revoked the terminated contract without ensuring the financial status of the contractor from the bank sources and the contractor failed to complete the works subsequently. This led to deprivation of envisaged benefits worth ₹ 12.41 crore in terms of reduction of T&D losses. Further the Company delayed the termination of contracts in two lots despite persistent failure of the contractor in executing the Programme works and this deprived the envisaged benefits in terms of reduced T&D losses worth ₹ 29.65 crore.

(Paragraphs 2.1.26 and 2.1.27)

2.2 Working of Madhya Pradesh State Electronics Development Corporation Limited

Madhya 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.

Performance Audit of the Company was conducted to assess its working performance during 2011-12 to 2015-16 covering various aspects such as planning and implementation of Information Technology Policies, regulation of land allotment and incentives under IT policy, execution of various IT projects of Government of India (GoI) and GoMP. The financial management, contract management and monitoring and internal control were also reviewed. The following were the main audit findings:

- The Company allotted only 92.32 acres of land out of 250.25 acres of land earmarked for allotment at three IT parks *viz.* Bhopal, Indore and Jabalpur as of 31 March 2016. The poor allotment was mainly due to slow progress of development works. Thus the company failed to achieve the envisaged objectives under the IT policy.

(Paragraph 2.2.16)

- The Company had taken up State Wide Area Network (SWAN) project under National *e*-Governance Plan. As of March 2016 the Company provided horizontal connectivity at 5,159 locations in the State as against the 33,000 locations planned under the project. This has resulted in not achieving the objectives set under the project.

(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. However, as on 31 March 2016 only 3,499 CSCs were in operation. The main reasons for poor performance of CSCs were due to lack of availability of IT infrastructure and net connectivity.

(Paragraph 2.2.24)

- The Company allotted 10.13 hectares of land to an IT unit. The land was to be allotted at the rate of 25 *per cent* of prevalent Collector guidelines rate for ₹ 3.34 crore. However, the land was allotted to IT company by allowing additional rebate at the cost of ₹ 2.23 crore, this resulted in revenue loss of ₹ 1.11 crore to GoMP.

(Paragraph 2.2.15)

- In Joint Physical verification of 36 CSCs, only 15 CSCs were found to be in operation. CSCs at 11 locations were not found in existence, owners of four CSCs have closed their activities and six CSCs were found to be functioning in urban areas. Further in beneficiary survey conducted covering 24 beneficiary users at 10 CSCs, it was found that Government services were not provided to users. This has resulted in not achieving the envisaged objectives of providing Government services to rural areas though IT under the scheme.

(Paragraph 2.2.26)

- The Company charged ₹ 4.83 crore (2.77 *per cent* of project outlay) under SWAN project and ₹ 4.34 crore (35 *per cent* of revenue support) 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)

- 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)

- GoMP directed the Company (June 2011) to collect user charges under State Data Centre (SDC) project from the beneficiary users. However, the

Company had not levied and collected ₹ 1.23 crore (November 2013 to March 2016) from Public Sector Undertakings, Autonomous Bodies and Boards, which were utilising services of SDC.

(Paragraph 2.2.28)

- The Company constructed Software Technology Park (STP) at Gwalior. But the Company leased 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)

- The Company had not prepared any long term and strategic plan for driving its activities for attainment of objectives. In the absence of long term and strategic planning process, the business and development objective of the Company was lacking direction to guide the activities.

(Paragraph 2.2.8)

- The Internal audit system of the Company was deficient as the scope of work assigned to Chartered Accountants was not comprehensive as it did not critically analyse the internal audit requirements for ensuring its effectiveness. Further, the core operational activities of the Company were not covered in the internal audit reports and it contains routine nature of observations.

(Paragraph 2.2.47)

2.3 Working of Madhya Pradesh State Civil Supplies Corporation Limited

Madhya 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. The main objective of the Company was to undertake the business of procurement, storage, transportation, distribution and movement of food grains in the State. However, the Company was dealing in procurement and distribution of food grains only and the storage facility was arranged through Madhya Pradesh Warehousing and Logistics Corporation (MPWLC) which is the nodal agency of the State for storage. During the period 2011-12 to 2015-16 the Company distributed food grains under various schemes sponsored by GoI. The Company has its corporate office at Bhopal having eight regional offices and 48 district offices. During the years 2011-12 to 2015-16 the Company procured 343.55 LMT of wheat and 63.09 LMT of paddy.

The important audit findings are as under:

- During 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)

- In order to improve the financial condition of the Company, GoMP may infuse additional capital in a phased manner or provide interest-free loans or grants-in-aid or pay 50 *per cent* to 70 *per cent* of the procurement cost in advance to lower the borrowings and to enable it to sustain its activities.

(Paragraph 2.3.28)

- The targets fixation for procurement of wheat and paddy were not realistic as the Company did not revise its procurement target considering the revisions made by the Agriculture Department in the crop yield projections. Due to this the paddy procured in excess of the targets could not be milled as there was insufficient milling capacity during 2011-12 and 2012-13 in the State. This resulted in accumulation and damage of paddy stocks causing loss of ₹ 114.40 crore.

(Paragraphs 2.3.10, 2.3.11 and 2.3.14)

- Company failed to claim storage charges and interest loss suffered amounting to ₹ six crore from Food Corporation of India (FCI) against the maize stocks procured for central pool during 2011-12 which got damaged. 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)

- The Company procured excess gunny bags considering the unrealistic paddy procurement targets without assessing the actual requirement of gunny bags. This resulted in blocking up of borrowed funds with consequential interest loss of ₹ 176.01 crore during 2011-12 to 2015-16.

(Paragraph 2.3.18)

- 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

- The Company failed in finalising norms for permissible storage losses with MPWLC. This resulted in unrealised claims of storage shortages of ₹ 103 crore as of March 2016, pertaining to the period 2013 to 2016.

(Paragraph 2.3.25)

- There was shortage of staff in the Company at various levels of management. Further the Company could not deploy sufficient number of quality control staff to conduct the quality checks during procurement to match with the quantum of food grains procured during 2011-12 to 2015-16.

(Paragraphs 2.3.36 and 2.3.37)

3. Compliance Audit Observations

Compliance audit observations included in the Chapter highlight deficiencies in the management of Public Sector Undertakings involving significant financial implications. There was loss of ₹ 79.34 crore in 15 cases due to not complying with rules, directions, procedures, terms and conditions of contracts.

The gist of audit observations are as under:

- Madhya 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)

- Madhya 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)

- Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited extended undue favour to M/s Trident Limited by granting unjustified exemption of Electricity Duty amounting to ₹ 3.12 crore.

(Paragraph 3.2)

- Madhya Pradesh Tourism Development Corporation Limited did not execute the lease agreements against completed way side amenities due to change in terms and conditions causing revenue loss of ₹ 1.33 crore to the Company.

(Paragraph 3.1)

- Madhya 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)

- Due to ineffective implementation of Concession Agreement and Escrow Account Agreement by Madhya Pradesh Road Development Corporation Limited an amount of ₹ 4.56 crore remained unrecovered from the Concessionaire

(Paragraph 3.4)

- Madhya 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)

- Madhya 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)

- Irregularities in allotment of land valuing ₹ 3.88 crore by Industrial Infrastructure Development Corporation Limited resulted in loss of revenue of ₹ 61.59 lakh to the Company

(Paragraph 3.10)

CHAPTER - I

CHAPTER - I

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[1]	Total
Government Companies[2]	55	09	64
Statutory Corporations[3]	03	-	03
Total	**58**	**09**	**67**

(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

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1 Not working PSUs are those which have ceased to carry on their operation.

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

3 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[4]. 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

[4] 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

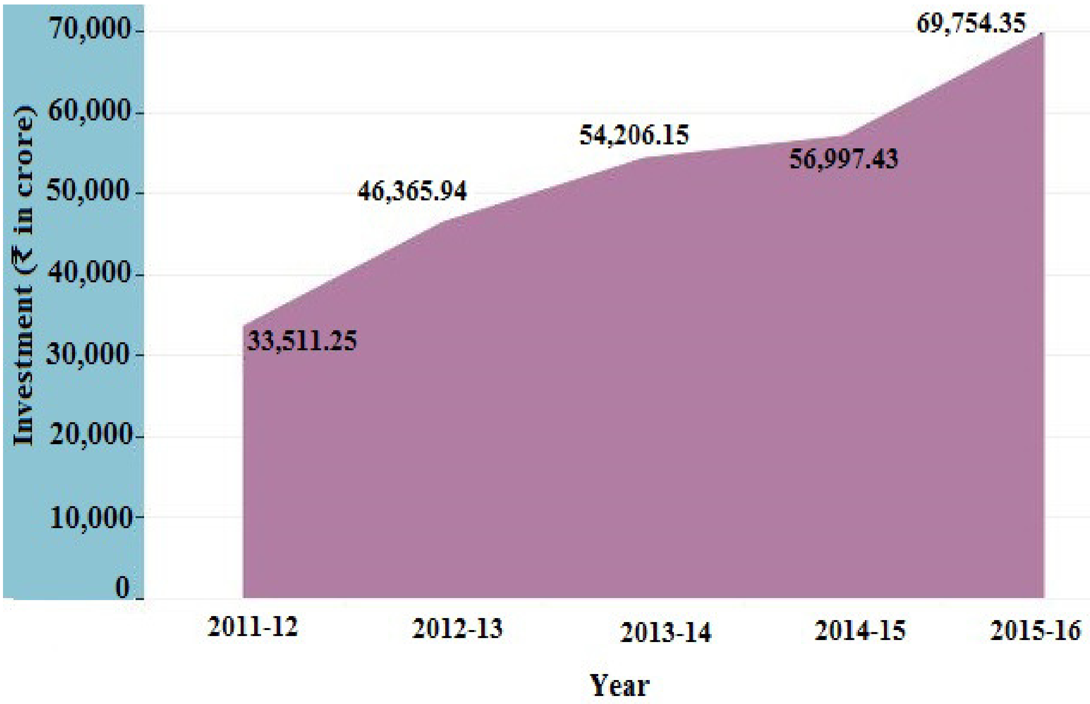
(₹ in crore)

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
Total	**20571.02**	**46762.82**	**67333.84**	**525.97**	**1894.54**	**2420.51**	**69754.35**

(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.**

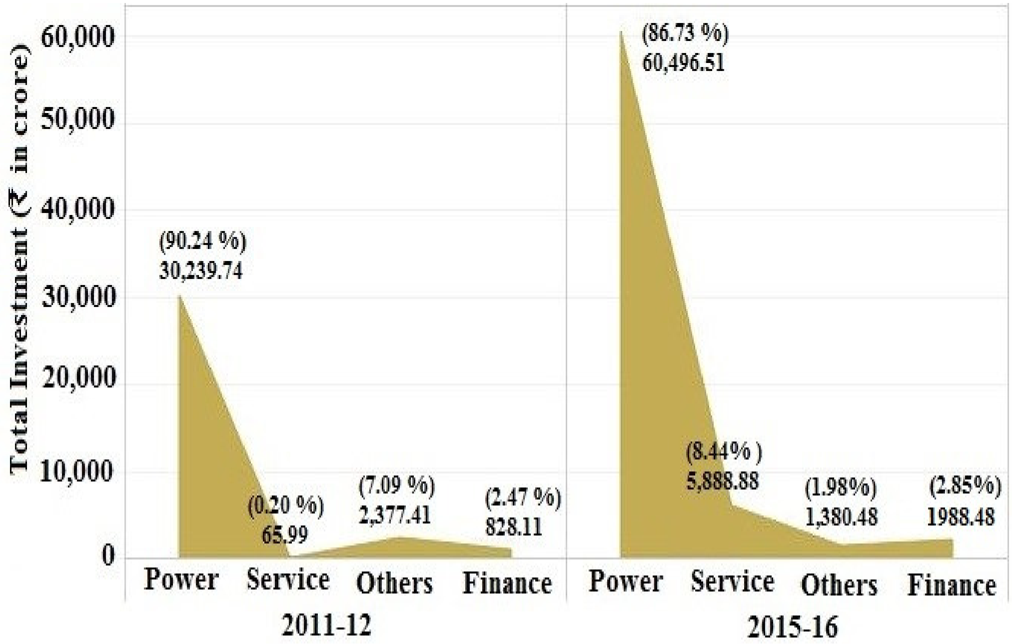
Table 1.3: Sector-wise investment in PSUs

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
Total	**67141.81**	**192.03**	**2420.51**	**69754.35**

(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 ₹ 60496.51crore 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

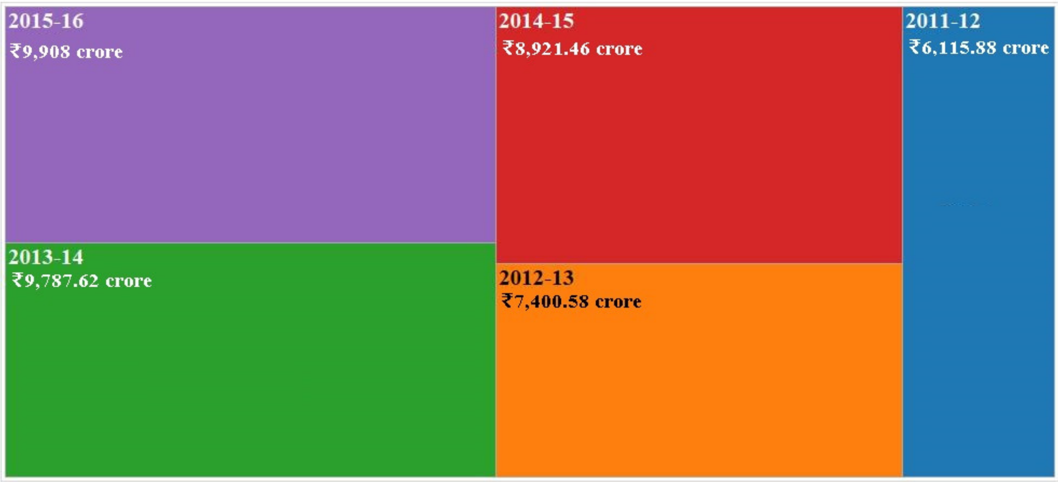
(₹ in crore)

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
4.	**Total Outgo (1+2+3)**	**-**	**9787.62**	**--**	**8921.46**	**--**	**9908.00**
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[5] 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

[5] 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)

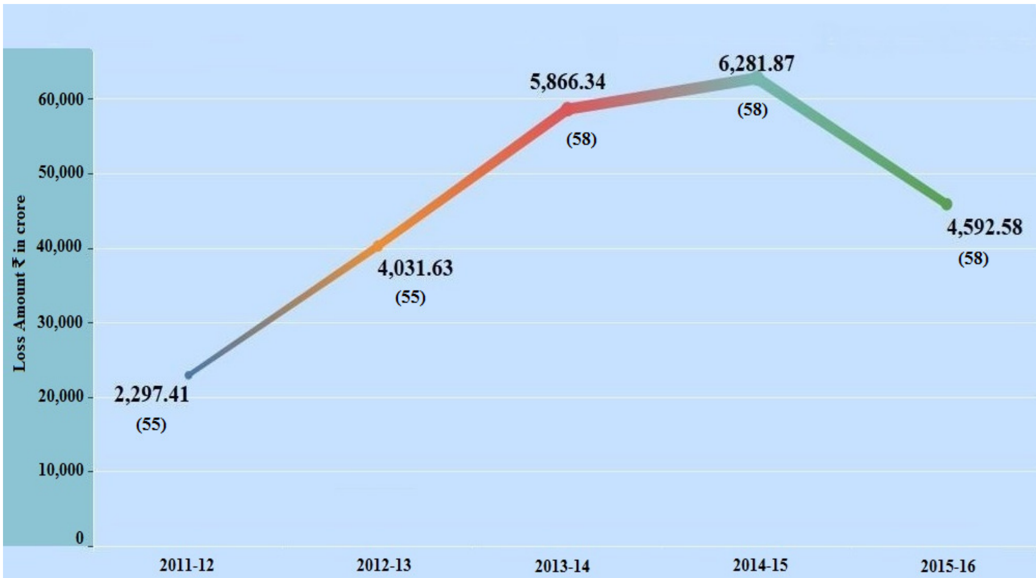
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover[6]	37949.25	58237.27	59860.12	61264.36	78315.94
State GDP	305158.00	361270.00	434730.00	508006.00	565053.43
Percentage of Turnover to State GDP	12.44	16.12	13.77	12.06	13.86

(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 auditedAccounts)
(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

6 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

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Return on Capital Employed (*Per cent*)[7]	--	--	--	--	--
Debt	21670.95	28932.24	34988.54	37178.92	46322.04
Turnover[ϒ]	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[8] 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**.

7 Overall return on capital employed is negative, hence nil figure is considered.
ϒ Turnover of working PSUs as *per* the latest finalised Accounts as of 30 September.
8 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	--	--	--	--	--
Total	**09**	**09**	**09**	**09**	**09**

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[9] 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[10]
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	2	--	2

Source: Information furnished by Registrar of Companies[11]

During the year 2015-16, no Company was wound up The Government may make a decision regarding winding up of two not working PSUs[12] 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

[9] MPSTC and MPSICL.

[10] 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.

[11] Adapted from Audit Report 2014-15, as no conclusive information was furnished by the Registrar of Companies during 2015-16.

[12] 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[13]	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

[13] 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.

Table1.15: 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
Total		**03**	**13**	**02**	**06**

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
Total	**13**	**41**	**08**	**17**

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
Total	**49**	**857**	**275**

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.**

CHAPTER - II

CHAPTER-II

2. Performance Audit relating to Government Companies

2.1 Performance Audit on the Implementation of Feeder Separation Programme in Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited

Executive Summary

The Government of Madhya Pradesh (GoMP) launched Feeder Separation Programme (Programme) in April 2010 with the objective to provide 24 hours continuous power supply to households and minimum eight hours power supply to agriculture pumps in rural areas and to reduce the Transmission and Distribution losses (T&D losses) of the distribution system. The Legislative Assembly of Madhya Pradesh passed (14 May 2010) a resolution 'Sankalp-2013' for overall and integrated development of the State. Under Sankalp-2013, 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 works were divided into two phases. The phase-I works were scheduled to be completed by August 2012 and phase-II works were scheduled to be completed by May 2013.

The Performance Audit covered the implementation of Programme in Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (Company) covering the period from its sanction (2010-11) to execution up to 2015-16. A review of overall implementation of Programme including its planning, financial management, execution and monitoring and control revealed the following:

- The Company did not complete the major components of works within the scheduled completion period of contracts. The balance works to be executed were ranging between 56.90 *per cent* and 74.83 *per cent* up to May 2013 and between 10.99 *per cent* and 15.15 *per cent* up to June 2016 as against the quantum of work to be executed by the contractors. As a result the Company could not fulfil the commitment made by GoMP through 'Sankalp 2013' to supply 24 hours continuous power to rural households by the year 2013. The Company had also failed in reducing the T&D losses to the envisaged levels in four circles out of total 13 circles under the Programme.

(Paragraph 2.1.7)

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

(Paragraph 2.1.10)

- In Joint Physical Verification conducted against 108 feeders in 10 lots, the T&D losses at feeder level against 100 feeders (representing 92.59 *per cent*) 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 (MPERC) under the Programme. As a result the Company suffered excess T&D losses worth ₹ 9.38 crore during the year 2015-16.

(Paragraph 2.1.25)

- The Company had not prepared DPRs based on the field survey which resulted in wide variation in the bill of quantity of major items of works during execution. As a result 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 lakh.

(Paragraph 2.1.9)

- The Company did not ensure the availability of land before awarding the contracts under the Programme. As a result 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)

- The GoMP had sanctioned an amount of ₹ 239.47 crore in the form of equity for executing the phase-II works of the Programme. Out of which the Company had spent an amount of ₹ 173.63 crore towards payment of interest and principal amount of loan obtained for phase-I works of the programme which was not permitted by GoMP. Thus the programme funds were diverted for unintended purposes against the instructions of GoMP.

(Paragraph 2.1.17)

- The Company had adopted incorrect methodology for levying the interest on unadjusted amount of mobilisation and material advances resulting in short recovery of interest of ₹ 11.06 crore on mobilisation advance and ₹ 13.92 crore on material advance.

(Paragraph 2.1.15)

- As per the terms of contract, the contractors were to conduct asset mapping and consumer indexing and to provide the same in CYMDIST software compatible format. This was meant for enabling the Company to conduct the simulation and 'what if' analysis of load on the distribution network. However the Company issued closure certificate in 10 lots without getting the data in requisite format. This deprived the Company to ensure proper load management on the distribution network.

(Paragraph 2.1.20)

- The terms of the contract provided for conducting the functional guarantee test and to bring down the T&D losses up to the level of 12 *per cent* at feeder before the issue of Operational Acceptance (OA) certificate by the Company. The Company issued OA for 1,184 feeders out of which for 632 feeders representing 53.38 *per cent* OA was issued without demonstrating the losses by the contractors. Thus the Company had focused more on award of OA and closure of works ignoring the impetus to reduce the T&D losses as envisaged under the Programme.

(Paragraph 2.1.23)

- In eight out of 10 lots wherein Joint Physical Verification was conducted, against 701 material samples sent to NABL labs for quality testing, test reports against 340 samples (representing 48.50 *per cent*) were not received up to June 2016. Thus the material worth ₹ 90.08 crore procured during 2011-12 to 2015-16 against which the samples were drawn remain untested for their quality.

(Paragraph 2.1.33)

- The Company revoked the terminated contract without ensuring the financial status of the contractor from the bank sources and the contractor failed to complete the works subsequently. This led to deprivation of envisaged benefits worth ₹ 12.41 crore in terms of reduction of T&D losses. Further the Company delayed the termination of contracts in two lots despite persistent failure of the contractor in executing the Programme works and this deprived the envisaged benefits in terms of reduced T&D losses worth ₹ 29.65 crore.

(Paragraphs 2.1.26 and 2.1.27)

Introduction

2.1.1 The Government of Madhya Pradesh (GoMP) launched Feeder Separation Programme (FSP) (hereinafter referred as Programme) to separate domestic load from agricultural load in rural areas. The Energy Department, GoMP, conveyed in principle sanction in April 2010. 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. It was decided (24 May 2010) by GoMP to implement the Programme in two phases. The main objectives of the Programme were (i) to provide continuous 24 hours power supply to households and minimum eight hours power supply to agriculture pumps in rural areas; and (ii) to reduce the aggregate Transmission and Distribution losses (T&D losses) up to a maximum of 12 *per cent* at feeder level and to reduce the circle wise T&D losses by eight *per cent* to 22 *per cent* in the circles covered under the Programme.

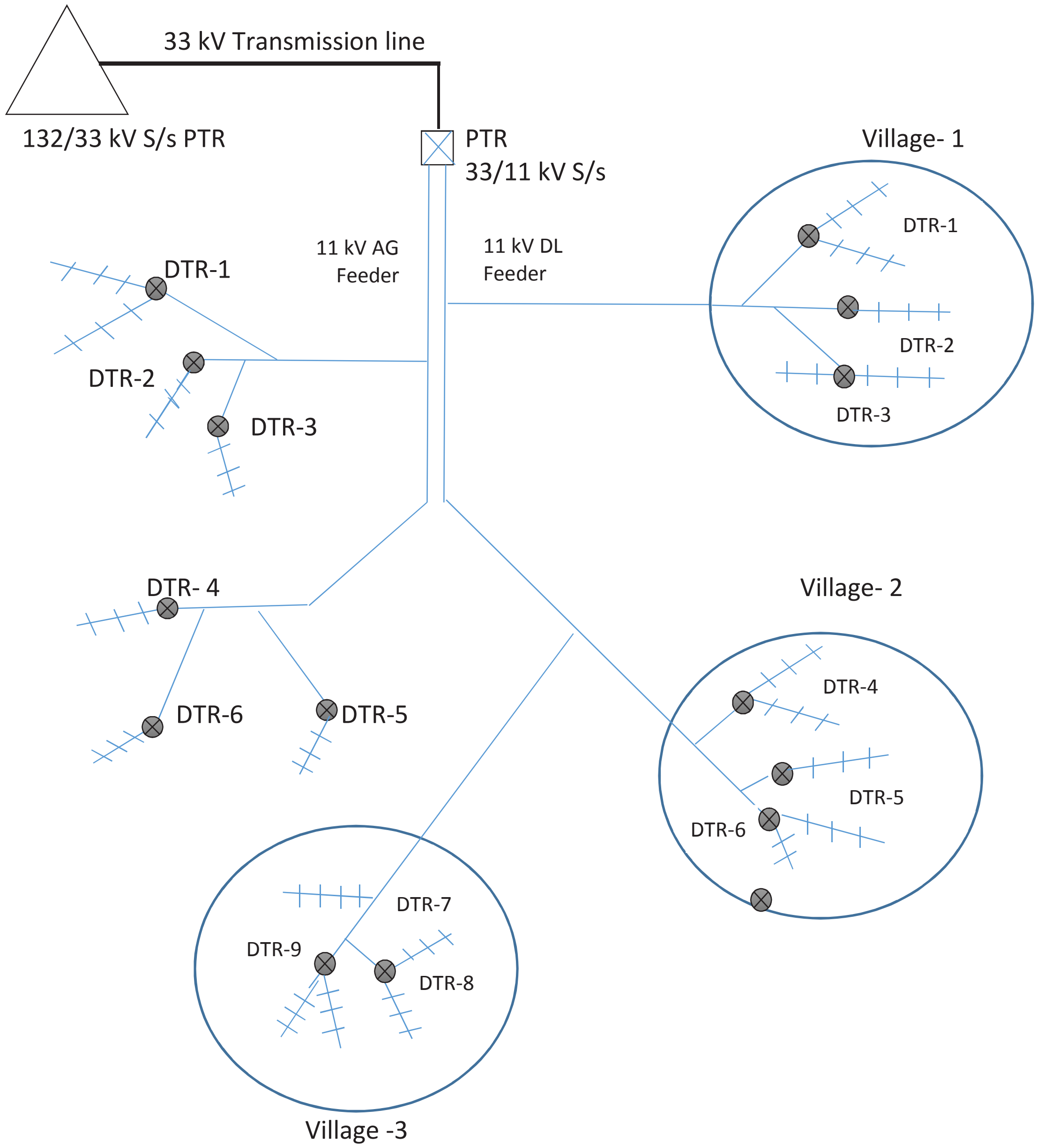
2.1.2 For achieving these objectives, the Programme *interalia* consisted of major works of (i) laying of separate 11kV domestic feeders (11kV lines) from 33/11 kV substations (ii) replacement of bare conductor by Aerial Bunched (AB) cable, installation of Distribution Transformers (DTRs) and their meterisation to ensure optimum loading, replacement of damaged service lines by Poly Vinyl Chloride (PVC) cables (iii) to provide connections to hundred *per cent* households and meterisation of unmetered consumers and (iv) consumer indexing and certification of distribution losses from DTRs to consumer premises.

The Programme was implemented in two phases by Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited, Indore (Company). Phase-I covering seven districts consisting of 11 lots spread across seven circles was to be implemented from June 2010 to May 2012 and phase-II covering seven districts consisting of 15 lots spread across six circles was to be implemented from January 2011 to December 2012. The details of districts covered and lots under phase-I and phase-II are given in ***Annexure 2.1.1***. Further one more lot (lot 27) for Pandhana division was subsequently included in the Programme during January 2012 under phase-I. The lot wise works completion status is detailed in ***Annexure-2.1.2.***

The phase-I Programme cost was funded through loan from Rural Electrification Corporation (REC) for ₹ 708.24 crore. Similarly, 80 *per cent* of phase-II Programme cost was funded through loan from Asian Development Bank (ADB) for ₹ 554.72 crore and balance 20 *per cent* of Programme cost ₹ 139.30 crore was contributed by GoMP, as counterpart funding in form of equity. The structure of the distribution network in the Company on completion of the Programme works would be depicted in chart 2.1.1.

Chart 2.1.1

Chart showing the distribution network and substation after feeder separation

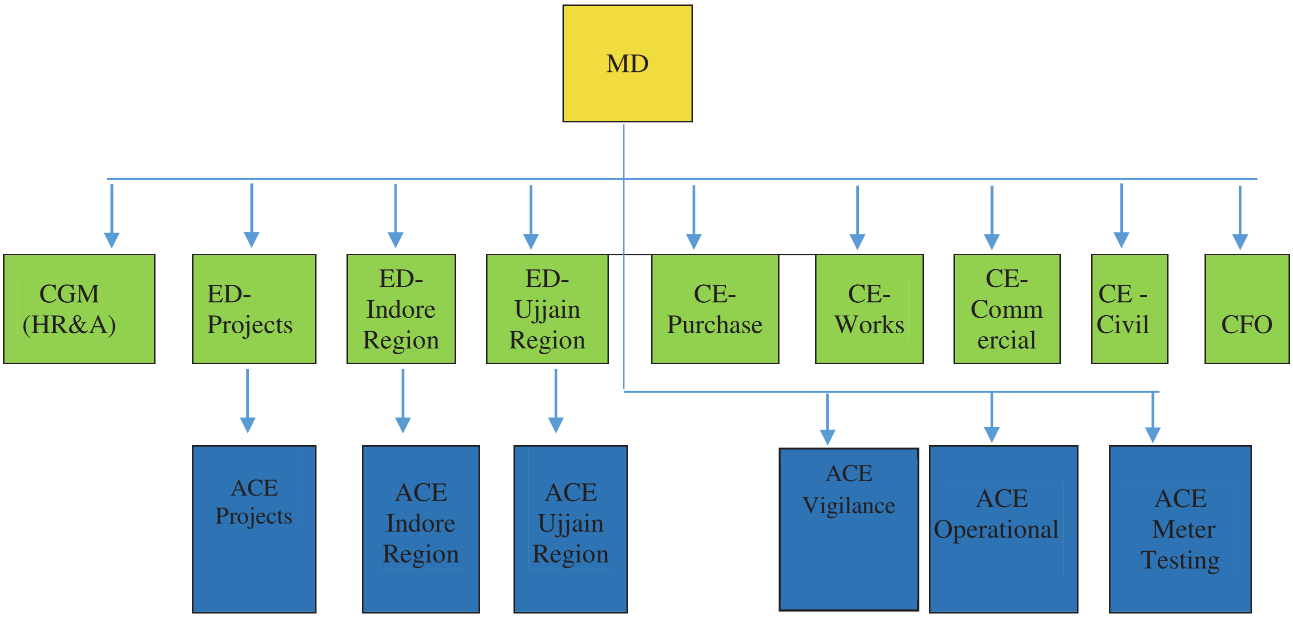



33/11kV Sub Station and Emanating 11 kV feeder

Organisational Structure of the Company

2.1.3 The management of the Company is vested in Board of Directors (BoD) and the Managing Director (MD) is the Chief Executive Officer. The MD is assisted by one Chief General Manager, three Executive Directors, four Chief Engineers and one Chief Finance Officer in carrying out day to day transactions of the Company. The project wing of the Company is headed by an Executive Director (Projects) who is responsible for execution of projects/schemes under implementation. ED (projects) is assisted by Superintendent Engineers (SEs) who are the project managers of the Programme works in the circles, and the nodal officers. The organisation structure of the Company is given in chart 2.1.2.

Chart 2.1.2 showing the organisation structure of the Company



Audit Objectives

2.1.4 The Performance Audit of the Programme was conducted with the objectives to assess whether:

- the appropriate planning for implementation of Programme was in place and was adequate to achieve the envisaged objectives;
- the funds requirement for the Programme was assessed realistically, sanctioned in time and utilised efficiently and economically;
- 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.

Audit Criteria

2.1.5 The audit criteria for the Performance Audit were drawn from the following sources.

- Sankalp-2013 passed by Legislative Assembly of Madhya Pradesh, Guidelines/targets laid down by GoMP, REC and ADB with regard to the implementation of Programme;
- The loan agreements executed with REC/ADB and on-lending agreement[1] with GoMP;
- The targets set out in DPRs/Tender documents and contract agreements and
- Correspondence with GoMP/funding agencies/contractors and periodical progress reports of the Programme.

Scope and Methodology

2.1.6 The Performance Audit covered the implementation of Programme in the Company from its sanction to execution up to 2015-16. The Entry Conference was held with Principal Secretary (Energy), GoMP on 17 February 2016 wherein the audit objectives and scope of audit were discussed. During the Performance Audit, audit reviewed the records at Department of Energy, GoMP, Company's corporate office at Indore and at randomly selected field office of 10 lots[2] (covering 37 *per cent* out of total 27 lots) under the Programme. Further Audit conducted joint physical verification of 14 newly constructed substations covering 50 *per cent* of total substations constructed. The Exit Conference was held on 03 September 2016 and the views of the Government /Company have been incorporated in the Report.

1 As required by ADB, the GoMP entered into on-lending agreement with the Company through which GoMP agreed to make the loan proceeds from ADB available to the Company.

2 Agar, Burhanpur, Ujjain, Tarana & Barngar, Jhabua, Shajapur, Dhar & Manawar, Khandwa I & II, Barwani & Sendhwa, Dewan & Sonktch and Khargaon I & II.

Audit Findings

Objectives set under the Programme were not achieved

2.1.7 In order to achieve the overall objectives set under the Programme as specified under paragraph number 2.1.1, the Programme consisted of various major elements of works to be executed as mentioned under paragraph number 2.1.2.

The Company did not achieve 100 *per cent* completion against major elements of work and thus the T&D losses remain higher than the target committed before MPERC.

Audit observed that during 2011-12 to 2016-17 (up to June 2016), the Company in order to separate domestic feeders from agriculture feeders constructed 1,547 feeders. However up to the end of scheduled completion period of contracts (May 2013), the Company had not achieved 100 *per cent* completion against major elements of these feeder works i.e. (i) against 35,771 km of 11 kV line to be laid 26,766 km 11 kV line (74.83 *per cent*) was not laid (ii) against 14,449 km of AB cable to be drawn 8,221 km AB cable (56.90 *per cent*) was not drawn (iii) against 19,815 DTRs to be installed for ensuring the optimum load management 11,491 DTRs (57.99 *per cent*) were not installed and (iv) against 100 *per cent* household meterisation of 7,05,058 consumers, household meterisation of 4,71,369 consumers (66.86 *per cent*) was not done. During the period between April 2013 and up to the end of June 2016 also the Company did not complete the entire work of above major items in uncompleted lots and the pending quantity of works was 5,372 km 11 kV line (15.02 *per cent*), 1,589 km AB cable (10.99 *per cent*), 2,846 nos. DTRs (14.36 *per cent*) and meterisation of 1,06,815 consumers (15.15 *per cent*) against the quantum of work determined after the survey conducted by the contractors.

Hence, in the absence of completion of above major parts of work, the progress intimated (March 2016) by the Company to GoMP that Programme works were 100 *per cent* complete by March 2016 was not correct and reliable.

Audit further observed that, due to not completing the works within the schedule completion period of contracts, the Company could not fulfil the commitment made by GoMP through 'Sankalp 2013-Feeder Separation' to supply 24 hours continuous power supply to rural households. Further the Company also failed in reducing the T&D losses to the envisaged levels in four circles[3] out of 13 circles under the Programme even after a delay of more than three years as of June 2016 since the scheduled completion period of contracts awarded. During 2015-16, the T&D losses in these four circles were ranging between 6.23 *per cent* and 16.04 *per cent* higher than the target committed under the Programme.

The Government stated (November 2016) that 100 *per cent* work was not completed by the end of 2013 due to problems like right of way, critical nature of work, regular theft of material, failure of contractors in executing the works. However it was supplying 24 hours power supply to rural households and 10 hours power supply to agricultural consumers from 2013-14 onwards and it had also achieved the targeted reduction of T&D losses in each circle.

The reply was not tenable as the Company completed only 35.86 *per cent* of project work in aggregate up to schedule completion period (May 2013) of the

[3] Shajapur, Khandwa, Bhuranpur and Jabua.

Programme. Further it failed to meet the commitment made by GoMP through Sankalp-2013 to supply 24 hours continuous power to the rural households by the year 2013 as evident from rural power supply status[4] of the Company. Also the Company failed in bringing down the T&D losses to the levels committed before MPERC under the Programme by the end of the year 2015-16.

Programme formulation and planning

2.1.8. Under the Programme the Company was required to submit the Detailed Project Reports (DPRs) to the funding agencies for approval. Accordingly the Programme works were divided into phase-I and phase-II consisting of 27 lots {(phase-I lot 1 to 11 and 27, phase-II lot 12 to 26 (including three lots 24, 25 and 26 for strengthening of 33/11 kV substations)} by GoMP and the Company submitted phase-I DPRs to REC and phase-II DPRs to ADB for approval.

Short comings in the preparation of Detailed Project Reports of the Programme

2.1.9 The Company submitted 23 DPRs (11 DPRs for phase-I and 12 DPRs for phase-II) to REC in June 2010 as per directions of GoMP (March 2010) and the same were approved by REC during June to July 2010. Meanwhile GoMP (22 July 2010) decided to obtain loan for phase-II of the Programme from ADB. The Company through GoMP submitted phase-II DPRs to ADB in October 2010 and the same were sanctioned by ADB in May 2011.

On reviewing the DPRs, audit observed the following shortcomings.

- The DPRs were prepared by collecting data from field offices without conducting the field survey to determine the actual quantum of works to be executed under the Programme. However, the Company made provision in the contracts for conducting field survey by the contractors to finalise the quantum of works to be executed. Accordingly, the contractors had finalised the Bill of Quantity (BoQ) after the survey. Due to this there was wide variation in BoQ of four major items (11kV line, LT AB cabling, 25 kVA[5] DTRs and service connections) as per DPRs and BoQ finalised after survey ranging from -43.93 *per cent* to 306.33 *per cent*. Further, in respect of 16 completed lots as on June 2016, the variation in BoQ of DPRs and actual quantities executed was ranging from -47.88 *per cent* to 253.40 *per cent*. Thus the scope of work indicated in DPRs was not realistic.

The Company did not conduct field survey before preparing the DPRs hence the quantities shown under DPRs were much higher leading to availing excess loan and payment of guarantee fees of ₹ 9.55 crore.

- As per DPRs the value of works was ₹ 1407.43 crore whereas the value of works finalised after survey was ₹ 1120.40 crore. Thus the cost of works as per DPRs was 20.40 *per cent* higher than the value of quantity of works finalised by the contractors after survey.
- The Company obtained sanction for ₹ 708.24 crore from REC for phase-I as per DPRs prepared by the Company. Due to subsequent revision of BoQ the

[4] It is an MIS system in electronic form which indicates the real time data relating to the continuous power supply made by the Company.

[5] kVA is the rate, expressed in quantities of 1,000 Volt Amps, at which energy is being transferred.

actual requirement of funds for phase-I came down to ₹ 469.44 crore. This resulted in excess sanction of REC loan by ₹ 238.80 crore. As per REC loan requirements, the Company provided GoMP guarantee against sanctioned amount of loan. Since excess loan was got sanctioned by the Company it had to incur avoidable expenditure towards payment of guarantee fees of ₹ 9.55 crore[6] (up to June 2016) to GoMP on excess loan sanctioned.

- Under ADB loan agreement (for 80 *per cent* of phase-II cost), the Company was required to pay commitment charges at 0.15 *per cent per annum* on the loan amount remaining undisbursed, 60 days after the commencement of loan agreement. The DPR cost of phase-II was ₹ 699.19 crore whereas it was revised to ₹ 650.56 crore after survey. Thus, the excess loan of ₹ 38.90 crore (80 *per cent* of excess DPR cost of ₹ 48.63 Crore) got sanctioned from ADB led to payment of avoidable commitment charges of ₹ 23.34 lakh[7] by the Company.

- The Company while getting the Programme approved from the MPERC, committed to reduce the T&D losses in different circles by eight *per cent* to 22 *per cent*. However the Company while determining this bench mark (base year 2008-09) considered the T&D losses for circle as whole. As the Programme was meant for rural areas, the Company should have ring fenced[8] the rural areas to ascertain their exclusive T&D losses levels before taking up the Programme works. This was essential as other schemes like RAPDRP were under implementation in urban areas of the circle for reduction of losses. In the absence of such bifurcation, the accurate reduction of T&D losses of rural areas was not ascertainable.

The Government stated (November 2016) that (i) due to time constraint the field survey was not conducted while preparing the DPRs (ii) the GoMP guarantee was reduced to ₹ 678.66 crore from ₹ 849.88 crore as per actual requirement and (iii) the Company was not liable for payment of commitment charges due to extension of loan drawl period up to February 2018.

The reply was not tenable as (i) the failure of the Company to conduct field survey led to excess sanction of loan (ii) the Company had not reduced the guarantee instead it actually provided guarantee for 120 *per cent* (₹ 849.88 crore) of total loan sanctioned of ₹ 708.24 crore and (iii) the Company was liable to pay the commitment charges on the unavailed loan amount, commencing 60 days after the date of loan agreement as per clause 2.03 of loan agreement.

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6 ₹ 238.80 * 1% * 4 years (July 2012 to June 2016) = ₹ 9.55 crore.

7 (@ 0.15 *per cent per annum* for four years on ₹ 38.90 crore *w.e.f* May 2012 (*i.e* 60 days from loan availing date 27 Feb. 2012).

8 Ring fencing means installation of energy meters at the boundary point of each village (rural area) from where energy was entering into a village and from where the energy was exiting from the village to ascertain the accurate consumption of the village and the T&D losses.

Avoidable burden due to incorporation of defective clause in the contract

2.1.10 The contracts for lot 24[9] and 26[10] were awarded at a contract price of ₹ 68.84 crore in August 2011 with scheduled completion period of 18 months. As per clause 42.2.6 of the General Conditions of Contract (GCC) of the bid document, in case of termination of contract due to default by the contractor and completion of leftover work by new contractor by incurring excess expenditure, the terminated contractor would be liable for payment of such excess expenditure incurred.

The Company under the Special Condition of Contract (SCC) of bid document modified clause 42.2.6 of GCC and limited the liability of terminated contractor for excess expenditure incurred to complete the left over works to the extent of 10 *per cent* of the original contract value. However, no proper justification for making such modification in the bid document subsequently was found in the records verified by audit in the Company and at Department of Energy, GoMP. By this modification, the Company made itself accountable for the excess cost to be incurred over and above 10 *per cent* of the contract value in completing left over works.

The Company limited the risk and cost liability of defaulting contractors to 10 *per cent* of the original contract value and thereby absorbed additional burden of ₹ 11.94 crore

Audit observed that, the works awarded in lot 26 and 24 were terminated on 25 July 2014 and on 18 April 2015 respectively due to contractor's failure. The left over works worth ₹ 21.63 crore were re-awarded under new lot 29 (November 2015) for ₹ 40.45 crore. Thus, the Company would incur an additional expenditure of ₹ 18.82 crore (₹ 40.45 crore – ₹ 21.63 crore) in completing the works. But due to modified clause in the bid documents the Company can recover only ₹ 6.88 crore (10 *per cent* of ₹ 68.84 crore) from the terminated contractor and would have to absorb itself additional burden of ₹ 11.94 crore (₹ 18.82 crore - ₹ 6.88 crore).

The Government stated (November 2016) that entire work awarded to new contractor (M/s Offshore) under lot no-29 had been completed with the total cost of ₹ 28.28 crore (by M/s Offshore ₹ 22.15 crore and departmentally ₹ 6.13 crore) and the liability on account of award of lot 29 against the terminated lots 24 and 26 was₹ 5.08 crore only. Further, the Company had not paid bills worth ₹ 6.10 crore to the previous contractor towards partly completed works. Hence, no financial liability was incurred by the Company.

The reply was not tenable since the Company had not produced documentary evidence to the effect that, full quantum of left over works as awarded under lot 29 were completed by incurring ₹ 28.28 crore only as against the award cost of ₹ 40.45 crore.

Deviation from the decision of BoD for recovery of mobilisation advance

2.1.11 The Board of Directors (BoD) in 39th Meeting (13 July 2011) framed policy for levy of interest on mobilisation advance and for recovery of mobilisation advance in a time bound manner. As per this policy, a recovery schedule for mobilisation advance was required to be clearly indicated in the contract document. Further, simple interest at the rate of eight *per cent per annum* would be levied on the mobilisation advance from the date of its

[9] 33/11 kV substation strengthening works at Indore, Dhar, Jhabua and Khargone districts.
[10] 33/11 kV substation strengthening works at Dewas, Shajapur, Ratlam,Mandsaur and Neemuch districts.

payment to the contractor till its final recovery and the bank guarantee (BG) obtained as security against mobilisation advance would be 110 *per cent* of the advance paid to the contractor.

Audit observed that the Company invited two tenders (February 2012 and July 2015) subsequent to formulation of above policy (July 2011) and awarded the work for Pandhana Division under lot 27 (April 2012) and re-awarded the leftover work of lot-24 and 26 under lot 29 (November 2015). However, the Company had not incorporated these new clauses in the bid document.

The Company deviated from the BoD decision towards regulation of mobilisation advance and thereby suffered loss of ₹ 1.46 crore.

As a result, the Company could not recover interest of ₹ 21.49 lakh in lot 27 and would not be able to recover interest of ₹ 44.77 lakh in lot 29. Further, the Company did not recover the mobilisation advance of ₹ 80 lakh within the scheduled completion period (October 2014) under lot 27 and short obtained the security amounting to ₹ 57.98 lakh under lots 27 and 29.

The Government stated (November 2016) that the tender documents for phase-I and II of the Programme were approved by GoMP prior to the decision of BoD and the tender for lot 27 was finalised based on the terms and conditions earlier approved. In respect of lot-29, the Government stated that in case of re-award of leftover work of terminated lots, the terms of original contract were kept intact to avoid further litigation from the previous contractor. Hence the BoD decision regulating the mobilisation advance were not included in the tender awarded for lot 27 and 29.

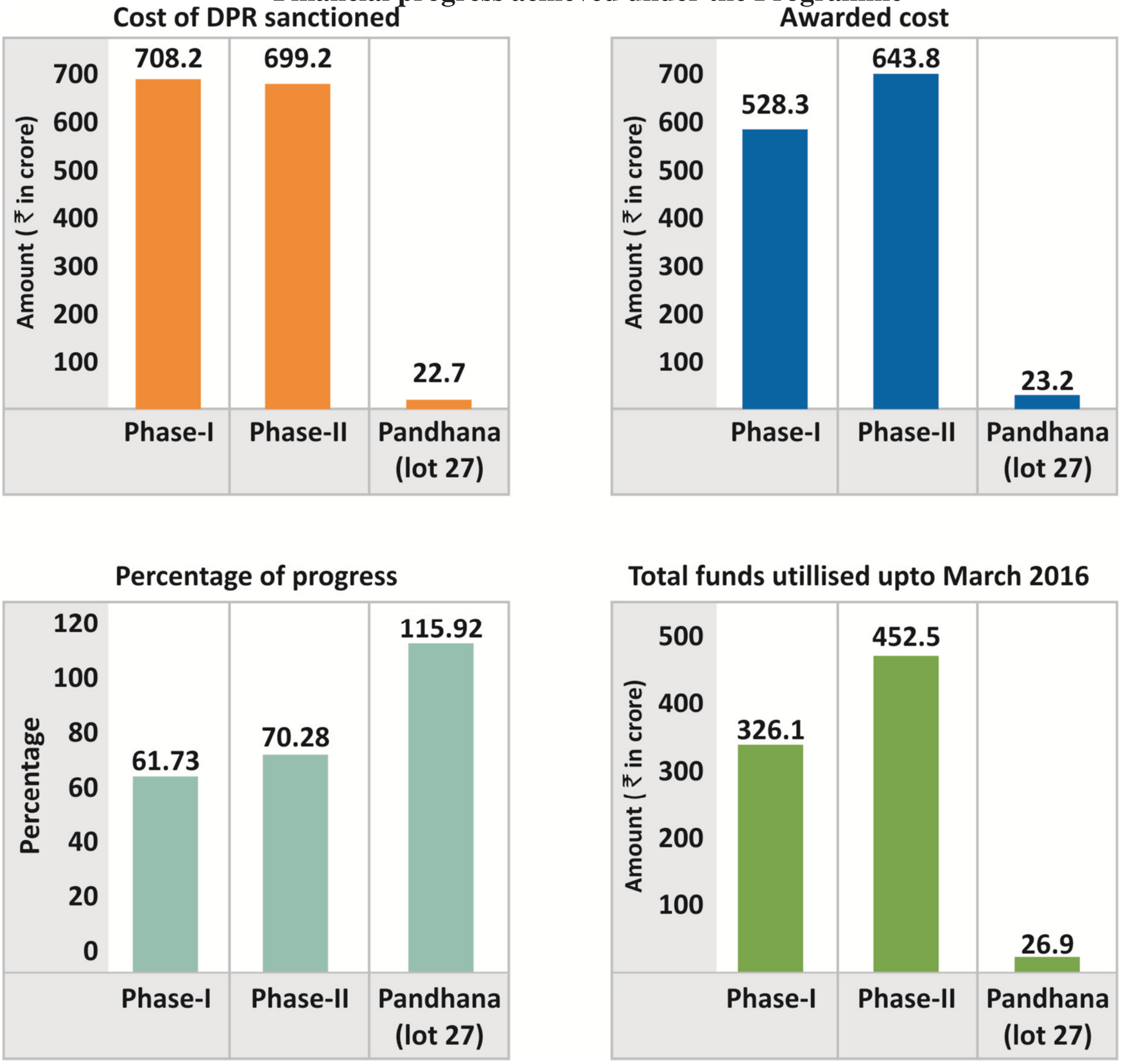
The reply was not tenable since lot 27 was not covered in the original sanction given by GoMP for the Programme in May 2010. Further the NIT for lot 27 and lot 29 was floated in February 2012 and July 2015 respectively *i.e* after the BoD decision in July 2011. Further, the Board in its resolution, clearly mentioned that the decision would be applicable for all tenders invited after the date of passing of the resolution *i.e* July 2011. Moreover, the Company did not put up the matter before the Board for obtaining the approval for the deviation from the Board decision.

Funds Management

2.1.12 The Detailed Project Reports (DPRs) under phase-I of the Programme covering 11 lots for ₹ 708.24 crore and under phase-II of the Programme covering 16 lots for ₹ 699.19 crore were sanctioned. The Company obtained interest bearing loan of ₹ 708.24 crore from REC repayable in 13 years including three years moratorium period. The phase-II of Programme was funded by obtaining interest bearing loan of ₹ 554.72 crore from ADB through GoMP which was repayable in 25 years including moratorium period of five years. Further GoMP sanctioned ₹ 239.47 crore (₹ 139.30 crore towards counterpart funding and ₹ 100.17 crore towards additional assistance) in the form of equity for implementing the Programme. Further, in respect of lot 27 which was sanctioned in January 2012, the funds were arranged through Additional Central Assistance in the form of grant ₹ 22.68 crore. The financial progress achieved under the Programme up to June 2016 is given in chart 2.1.3.

Chart no 2.1.3

Financial progress achieved under the Programme



The financial progress under phase-I and phase-II of the Programme was slow as the Company could spent ₹ 326.10 crore (61.73 *per cent*) against the awarded cost of ₹ 528.30 crore under phase-I and ₹ 452.50 crore (70.28 *per cent*) against awarded cost of ₹ 643.80 crore under phase-II of the Programme up to June 2016. The slow financial progress was mainly due to slow progress of Programme works due to the reasons discussed under the paragraph 2.1.19.

Avoidable payment of commitment charges due to delay in execution of works

2.1.13 As per condition 2.03 of ADB loan agreement, the borrower had to pay commitment charges of 0.15 *per cent per annum* on the un-availed loan amount, commencing 60 days after the date of loan agreement. As per Project Administrative Manual (PAM) forming part of ADB loan agreement, the Programme was to be completed by December 2014.

Audit observed that, due to delay in execution of Programme works, the Company could not avail the loan of ₹ 251.98 crore up to 31 December 2014. This had compelled the Company to bear ₹ 92.27 lakh (January 2015 to June 2016) towards commitment charges (excluding ₹ 8.75 lakh of commitment charges from January 2015 to June 2016 due to availing of loan in excess of requirement as discussed under para 2.1.9) as per the terms of loan agreement.

The Government stated (November 2016) that the commitment charges were practically levied only on less amount of loan drawl against the yearly target. The Company had achieved the yearly target from 2011 to 2016. Hence, the commitment charges were not payable by the Company.

The reply was not tenable since the Company was under obligation to pay commitment charges on the sanctioned amount of loan remaining undisbursed after 60 days from the date of loan agreement (clause 2.03 of loan agreement) irrespective of target achievement. Further, the Company also made provision against the commitment charges to be paid under clause 2.03 in the Annual Accounts.

Under recovery of labour welfare cess and extension of undue benefit to the contractors

2.1.14 The Building and Other Construction Workers Cess Act, 1996 provides for levy and collection of labour welfare cess at a rate of minimum one *per cent* on the cost of construction. Cost of construction for this purpose include the cost of all the items excluding the cost of land and any compensation paid under workmen compensation Act 1923. Further it was also decided by Hon'ble High Court of Madhya Pradesh in May 2012 that the cost of construction included both the cost of supply as well as the cost of erection.

The Company did not levy labour welfare cess on the supplies portion of the contracts and had extended undue benefit of ₹ 6.41 crore to the contractors.

Audit noticed from the statement of payments made under this Programme works that labour welfare cess was levied only on erection portion of the contracts and the supplies portion was not considered for levying the labour welfare cess though *vividly* defined in the Act. This resulted in short recovery of labour welfare cess to the extent of ₹ 6.41 crore (₹2.81 crore in phase-I and ₹ 3.60 crore in phase-II) as detailed in ***Annexure 2.1.3.*** By this, the contractors were extended undue benefit to that extent.

The Government while accepting the audit observation stated (November 2016) that out of ₹ 6.41 crore recoverable towards labour welfare cess, the Company had recovered ₹ 4.07 crore and the balance ₹ 2.34 crore would be recovered under intimation to audit.

Short recovery of interest on unadjusted mobilisation and material advance

2.1.15 As per Terms and Procedure of Payment under section-9 of the Bid Document, the mobilisation advance equivalent to 10 *per cent* on ex-works[11] value of contract was to be paid to the contractor within 28 days from the date of receipt of invoice from the contractor for payment of mobilisation advance. Further, material advance equivalent to 75 *per cent* of cost (inclusive of taxes) against distribution transformer, AAA conductor, AB cable, and LT energy meters was to be paid to the contractor within 28 days after receipt of material at site stores of the contractor.

[11] Ex-works value of contract means ex-factory cost and it is exclusive of all taxes and duties.

Clause 6.5 of Appendix-1 under section-9 of bid document specified that in case if some amount of advance paid remained unadjusted after scheduled completion date, then interest would be charged on such outstanding amount at cash credit rate of the Company as applicable from time to time.

Audit observed that the Company paid the mobilisation advance of ₹ 112.35 crore and material advance of ₹ 258.16 crore to 15 contractors (eight in phase-I and seven in phase-II). The Company was recovering the principal amount of mobilisation advance at the rate of 10 *per cent* and of material advance at the rate of one *per cent* to 75 *per cent* from the running bills of the contractors. Further, the Company, after scheduled completion period of contract, was recovering interest at the rate of 16.5 *per cent* on the amount of mobilisation and material advance being recovered from the running bills of the contractor instead of recovering the same on the unadjusted amount of mobilisation and material advance.

The Company adopted incorrect method for levy of interest on mobilisation and material advances given to the contractors and thereby short recovered interest of ₹ 24.98 crore.

The incorrect methodology adopted by the Company for levying the interest on mobilisation and material advances led to short recovery of interest to the extent of ₹ 11.06 crore and ₹ 13.92 crore respectively as detailed in ***Annexure 2.1.4***.

Audit further observed that the Company adopted the reimbursement method for claiming the loan disbursements from funding agencies based on the contractors bills passed for payment. Had the Company recovered the interest on mobilisation and material advances by applying correct method, it would have reduced the borrowing from funding agencies to the extent of ₹ 24.98 crore[12].

The Government accepted (November 2016) the short recovery of interest on mobilisation advance and stated that interest amount of ₹ 5.38 crore was recovered and the balance amount of ₹ 5.68 crore would be recovered in due course from the contractors. In respect of short levy of interest on material advance, it was replied that the advance was given to the contractors against the material supplied by them hence, it could not be treated as advance and no interest would be levied on such advance.

The reply was not tenable since contract clauses 15(a), 15.5.2 and 22.1.2 clearly stipulated that payment made to contractor for procuring materials would be an advance payment. Moreover the Company was deducting interest on material advance from running accounts bills of contractors.

Loss of interest due to not adjusting the excess mobilisation advance paid

2.1.16 As per the terms of contract, the Company had to release the mobilisation advance equivalent to 10 *per cent* of the contract value. Clause 3.3 and 3.4 of the contract specified that the contractor had to conduct field survey of the work to be executed and the final BoQ would be determined after the completion of survey within nine months period from effective date of contract.

Audit observed that, the original awarded cost in six lots has been reduced after the survey was conducted by the contractors. But the Company had

[12] ₹ 11.06 crore and ₹ 13.92 crore.

neither adjusted the mobilisation advance earlier paid as per the revised contract value after the survey nor levied interest on excess mobilisation advance remaining unadjusted with the contractor. As a result the Company suffered interest loss of ₹ 64.99 lakh.

The Government stated (November 2016) that there was no provision in the contract to reduce the mobilisation advance paid to the contractor as per revised BOQ of the contract.

The reply was not tenable since clause 23.1.2 of contract read with clause 2.4.8 of section 6 of bid document stipulated that advance payment should be limited to the quantities of work to be executed for construction of the facilities as submitted by the contractor and approved by the employer after the survey. Hence the mobilisation advance should have been adjusted by the Company as per the actual quantum of work as finalized by the contractor after survey.

Diversion of Programme funds for unintended purposes

2.1.17 GoMP sanctioned ₹ 239.47 crore to the Company in the form of equity (consisting of 20 *per cent* of phase-II cost *i.e* ₹ 139.30 crore as counterpart funding and additional assistance of ₹ 100.17 crore). On reviewing the actual utilisation of funds provided by GoMP for the phase-II of the Programme, audit observed the following unauthorized diversion of funds.

- GoMP refused the request of the Company to provide financial assistance of ₹ 54.67 crore and ₹ 66.23 crore for meeting the interest during construction (IDC) of the Programme and directed the Company to meet the IDC expenditure on its own (December 2010). However the Company paid IDC of ₹ 81.25 crore (up to the end of March 2016) to REC out of the financial assistance provided by GoMP for the phase-II of the Programme.

- The Company completed five lots (lot 3, 4, 9, 10 and 11) of phase-I during February to July 2014. The Company paid ₹ 34.04 crore to REC towards interest on loan availed from REC for these lots. This interest paid pertains to the period subsequent to the completion of the lots and up to March 2016. Since the interest liability after completion period was of revenue nature and GoMP refused to pay even IDC from financial assistance provided by it, therefore this interest cost should not have been met from the financial assistance given by GoMP for meeting the capital cost of the phase-II of the Programme.

The Company diverted the funds of ₹ 173.63 crore sanctioned by GoMP for phase-II of the Programme for unintended purposes

- The Company paid ₹ 58.34 crore (January 2015 and January 2016) towards repayment of principal amount to REC against the loan obtained for phase- I of the Programme. The repayment of principal amount should have been made out of surplus generated by the Company instead from the financial assistance given by GoMP for the phase- II of the Programme.

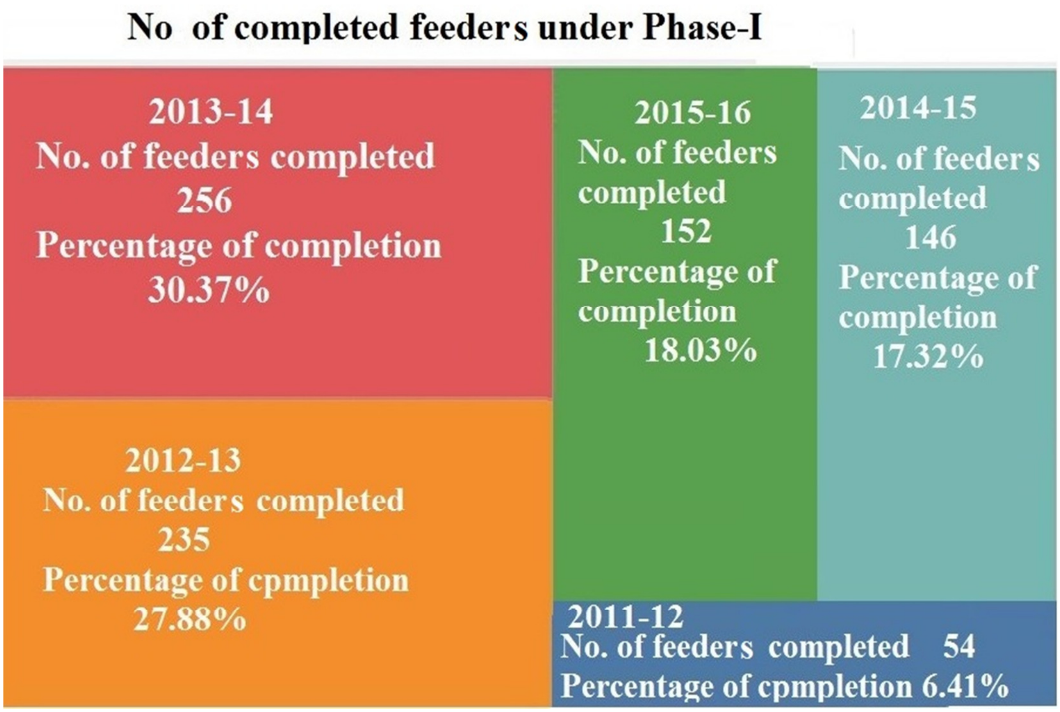
Thus the payment of above items from the financial assistance obtained from GoMP, resulted in the unauthorised diversion of funds to the extent of ₹ 173.63 crore.

The Government while accepting the audit observation stated (November 2016) that the recommendation of audit would be followed.

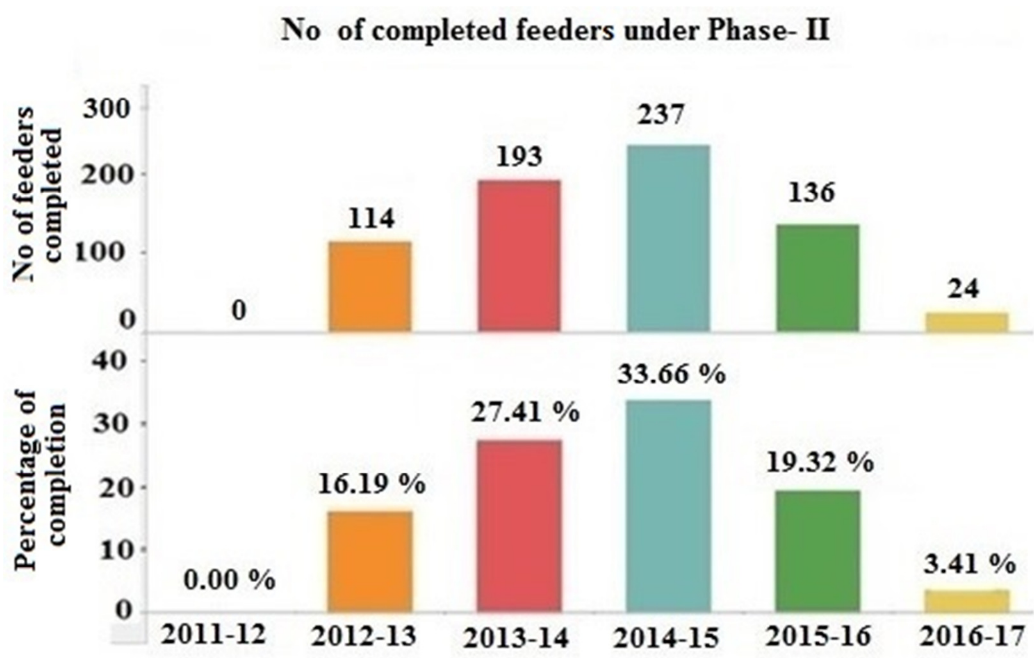
Implementation and Execution of Programme works

2.1.18 The contracts were awarded under phase-I covering 843 feeders consisting of 12 lots during November 2010 to April 2012 and under phase-II covering 704 feeders consisting of 15 lots (including three lots 24, 25, 26 meant for 33/11 kV substations strengthening) during July to August 2011. As per contracts the scheduled completion period for phase-I was July to August 2012[13] and for phase-II was March to May 2013. The Company by the end of June 2016 constructed all the 1,547 feeders under the Programme. But all the elements forming part of feeder works against the constructed feeders were completed only in 16 lots and the works in remaining 8 lots were remained incomplete by the end of June 2016. However the Company had submitted the closure reports to the BoD in respect of 11 lots only. The year wise number of feeders completed and percentage of completion under phase-I and phase-II of the Programme is given in chart 2.1.4.

Chart 2.1.4



[13] In respect of Pandhana division (lot 27) which was subsequently included under phase-I, the works were to be completed by December 2013.



Deprivation of envisaged benefits due to delay in completion of works

2.1.19 The Company awarded 27 turnkey contracts for execution of Programme works covered under phase-I and phase-II of the Programme. As per the terms of contracts, the works were to be completed within 18 months from the effective date of contracts. Accordingly the works under phase-I were to be completed during July 2012 to August 2012 (lot 27 works were scheduled to completed in December 2013) and under phase-II during March to May 2013. The facilities created under the Programme were to be tested for functional guarantee and handed over to the Company before the issue of Operational Acceptance certificate to the contractors. The details of turnkey contracts awarded under the Programme are detailed in ***Annexure 2.1.5.***

Audit observed the following shortcomings on review of the Programme works executed.

- Out of total 27 lots (12 lots in phase-I, 15 lots in phase-II), the works in none of the lots were completed within the scheduled time period of 18 months. The Programme works in 16 lots were completed by June 2016 with a delay ranging between ten months and 48 months in completing these works. The works in remaining 11 lots were incomplete and the delay was ranging between 31 months and 48 months beyond scheduled completion period.

- The Company granted extension of time (EoT) in 20 lots (nine lots in phase-I, 11 lots in phase-II) ranging from 213 days to 371 days which caused the deferment of envisaged benefits in terms of reduction in T&D losses to the Company as envisaged under the Programme.

The delay in completion of Programme works was mainly due to delay committed by the Company in according the vendor approval, solving the problem of Right of Way (RoW) and failure in providing the requisite shutdown. The major reasons attributable to the contractors were delay in conducting the survey, delay in procurement of material, frequent theft of material from the work sites and insufficient deployment of adequate

The Programme works were not completed within the scheduled completion period. Hence the envisaged objective of supplying 24 hours continuous power to rural households by the year 2013 was not achieved.

manpower required and financial constraints faced by the contractors. Thus, due to improper planning of works by the Company and the contractors, poor monitoring of works by the Company, the works could not be completed within scheduled time period and the Company was compelled to grant extension of time to the contractors leading to deprivation from realising the envisaged objective of supplying 24 hours continuous power to rural households and eight hours to agricultural pump sets by the year 2013.

The Government while accepting the audit observation stated (November 2016) that the works completion was delayed due to reasons like complex nature of work, problem of Right of Way (RoW), regular theft of material, insufficient procurement of material and insufficient deployment of manpower by the contractor etc. It was further stated that the separation of heavy loaded feeders was completed before March 2013 and 24 hours continuous power supply to domestic consumers and 10 hours continuous power supply to irrigation consumers was being provided from the year 2013-14.

The reply was not tenable as the Company had completed only 403 feeders against total 1547 feeders representing 26.05 *per cent* of feeders completion up to scheduled completion period (May 2013). Further the Company had not achieved the objective of providing 24 hours continuous power supply to the households in the rural areas by the year 2013 as envisaged under Sankalp-2013.

Indexed data in compatible softcopy format was not submitted by the contractors

2.1.20 As per the contracts awarded under the Programme (clauses 3.3.1(i), 3.3.2, 3.3.12 and 3.4.11), the contractors were under obligation to conduct the asset mapping and consumer indexing and to provide the same in softcopy and hardcopy form to the Company on completion of Programme works. The softcopy of the data submitted must be in shape file CYMDIST software compatible format. This clause in the contract was incorporated to enable the Company to conduct the simulation and 'what if' analysis of load on the distribution network to restrict the load on the DTRs up to 80 *per cent* of the capacity.

The Company was unable to protect the distribution network from irregular loads as it did not obtain the asset mapping and indexed data in CYMDIST compatible format from the contractors.

Audit observed from the review of closure reports issued to the contractors in 10 lots (five lots each under phase-I and phase-II) under the Programme that the contractors have not submitted the consumer indexing and asset mapping data in soft copy form as required under the contract. Despite the failure of the contractors in this regard, the project wing of the Company headed by Executive Director (Projects), had issued the closure certificates to the contractors in violation of contract terms. Due to not obtaining the data in the requisite format the Company was (i) unable to carry out the simulation of load analysis against the distribution network in the villages to ensure proper load management and to safeguard the installations from the irregular loads causing damage to the distribution network and (ii) to identify the consumers connected to a particular DTR to find out the unauthorised users of energy at DTR level causing higher T&D losses. However the Company deducted an amount of ₹ 38.35 lakh (₹ 7.67 lakh per lot) from the contractors in five lots (lot 3, 4, 9, 10 and 11) and in remaining five lots (lot 13, 15, 21, 22 and 23) no amount was deducted.

The Government while accepting the audit observation replied (November 2016) that the contractors in phase-I failed to comply with contract conditions and the Company had deducted the requisite amount from their bills (in five lots). In respect of another five lots under phase-II it was replied that, the contractors have performed the job hence no amount was recoverable from them.

The reply was not tenable since the levy of penalty would not serve the objective of protecting the distribution network in the absence of the important job not being executed by the contractors and the Company failed to insist on the contractors to get the job done. Further the issue of closure certificate to the contractors without obtaining the data in the requisite format was in violation of contract terms. Also the contention that the contractors had performed the job under phase-II was not correct as the Company did not provide the indexed data in softcopy format to audit against feeders completed under phase-II.

Service line cost not adjusted against the cost of works under the Programme

2.1.21 The Programme provided for serving New Service Connections (NSC) to all the households in rural areas. Accordingly, the Company provided in the contracts for the payment of cost of new service line to the contractors for an average length of 25 meters *per* NSC served at the rates quoted by them. As per MPERC guidelines, the Company was to recover the cost of service line provided under NSC from the respective consumers. The Company issued instructions (May 2012) to all the field offices for recovery of cost of new service line provided under each NSC as per MPREC guidelines.

Audit observed that the Company provided 2,18,667 numbers of NSCs under the Programme up to the end of June 2016 and paid ₹ 11.46 crore to the contractors towards cost of service lines against the NSCs served. The cost of service lines should have been recovered from the consumers and Programme cost should have been reduced to same extent. However, the Company had neither recovered nor adjusted the cost of service line from the consumers under NSCs against the Programme cost.

By not adjusting the service line cost against the NSCs served, the Programme cost was inflated which resulted in availing of excess loan of ₹ 3.21 crore from REC and ₹ 8.25 crore from ADB. It had also resulted in payment of avoidable interest of ₹ 45.03 lakh (₹ 33.62 lakh to REC and ₹ 11.41 lakh to ADB) up to June 2016.

The Government while accepting the audit observation stated (November 2016) that the cost of service line provided had not been recovered from the consumers so far and the cost of service line would be recovered from consumers as per MPERC guidelines.

Delay in completion of substations by not ensuring the timely availability of land

2.1.22 Clause 10.2 of the GCC of bid document and clause 7 of schedule 5 of the ADB loan agreement specified that the employer would be responsible for acquiring land with clear title and for providing physical possession of land to the contractors for timely execution of the Programme works.

The Company failed to provide land to the contractors in time leading to delay in completion of work at 12 substations.

Audit observed that under lot 24, 25 and 26 the Company proposed to construct 28 new 33/11 KV substations and awarded the contracts (August 2011). However, the Company started the process of acquiring land in case of 17 sub stations after award of contract and handed over the land with a delay ranging from one months to 26 months from the award of contract. Out of these 17 substations, due to delay in acquiring and handing over of land to the contractors, only five substations were completed within the scheduled completion period (May 2013). Further there was a delay of three months to 34 months in completion of nine substations up to June 2016 and balance three substations still remain incomplete up to June 2016. Thus, the failure on the part of the Company to make available the land in time, as per contract terms, led to delay in the completion of construction of substation works. The slow progress of substation works execution observed by audit in Joint Physical verification at Dhar and Dewas circles is shown in the photographs.

Photographs showing the slow progress of substation works

Substation at Dhar

Substation at Dewas

The Government stated (November 2016) that the Company had taken appropriate steps to acquire land but it was delayed due to procedural requirements.

The reply was not tenable since the bid conditions and ADB loan agreement terms specified that the borrower would ensure that land and all rights of way required for carrying out the Programme works were available to the contractors. However the Company failed to comply with these conditions.

Issue of Operational Acceptance certificate without demonstration of T&D losses

2.1.23 In order to ensure the quality functioning of facilities created under the Programme, the contract terms (clauses 25.2 and 25.3 read with appendix 8 of bid document) provided for conducting the functional guarantee test for three months period against the completed facilities to bring down the T&D losses up to the level of 12 *per cent* in aggregate at feeder level before the issue of Operational Acceptance (OA) certificate by the Company. Further liquidated damages (LD) was to be levied on the contractors if the losses were not reduced to this level.

Audit on reviewing the status of completed feeders, demonstration of functional guarantee and issue of OA certificate by the Company observed that:

- The Company completed the entire 1547 feeders and awarded OA against 1184 feeders up to June 2016. As against 1184 OA issued feeders, the contractors have not demonstrated losses against 632 feeders representing 53.38 *per cent* of total OA issued feeders.

The Company took over the completed feeders by levying mere 2.5 *per cent* penalty, without conducting the functional guarantee test.

- In case of 351 feeders out of 632 feeders, the closure certificate were also issued to the contractors without demonstrating the T&D losses. Thus these many feeders remain untested for their performance in terms of loss reduction.
- Against the remaining 552 feeders where the losses were demonstrated, the losses on 76 feeders alone were demonstrated before the award of OA and against balance 476 feeders the losses were demonstrated after issue of OA.

Thus, the Company by issuing OA without demonstration of T&D losses against the completed facilities had focused more on award of OA and closure of works ignoring the impetus to reduce the T&D losses as envisaged under the Programme.

The Government stated (November 2016) that the demonstration of losses on each DTR after completion of 100 *per cent* facilities was the responsibility of the contractors to avoid the penalty at the rate of 2.5 *per cent* to be levied on them in case of failure in demonstration of losses. It was further replied that as per clause 25.3 of GCC, if the functional guarantees were not met by the contractors due to reasons attributable to the contractors, the contractors would either make modifications to attain functional guarantee or pay liquidated damages. Hence, the OAs were issued to the completed facilities even without demonstration of losses by the contractors.

The reply was not tenable since the contractors were required to conduct the functional guarantee test as per clause 25.3.1(a) and clause 28.3 of section 7 of GCC of bid document before the award of OA against completed facilities. However the contactors did not carry out the functional guarantee test as required under above clauses. Hence, the T&D losses against the completed feeders could not be brought down to the target levels committed under the Programme.

Granting the extension of time (EoT) to the contractors on unwarranted grounds

2.1.24 Clause 40 of GCC (section 7) of bid document provided for the grant of EoT to the contractors considering the reasons for delay that were not attributable to the contractors.

Audit observed that the BoD of the Company granted EoT to the contractors based on the recommendation of Project wing and project monitoring consultants (PMCs).The recommendation for EoT was made considering the grounds mentioned by the contractors for the delay in executing the Programme works. The details of EoT granted by the Company are given in ***Annexure 2.1.6***. EoT in all the cases was granted with a provision to release the contractors from (i) payment of penalty for delay (ii) interest on unadjusted mobilisation and material advance and (iii) payment of supervision charges to PMC during the extended period of contract. However the contractors were allowed to claim price variation during this extended period of contract.

The Company extended EoT to the contractors considering the reasons for which they were solely responsible and thereby extended undue benefit of ₹ 6.83 crore

Audit further observed that the Company granted EoT for periods ranging from 30 to 121 days considering the reasons for which the contractors were solely responsible like protection of materials (clause 32), completion of survey work (appendix 4). In 17 lots, the range of delay considered for granting the EoT on account of (i) theft of material from contractor's site was ranging from 17 to 91 days and (ii) delay in conducting the field survey was ranging from 30 to 60 days by the Company against to the contract terms. Thus by granting EoT considering above grounds the Company absorbed avoidable expenditure of ₹ 5.44 crore by not levying interest on unadjusted mobilisation and material advances and ₹ 1.39 crore on account of payment of PMC charges during the extended period of contract.

The Government stated (November 2016) that the theft of 11 kV line had occurred after completion and after charging of lines. It was further replied that on account of survey only 30 days extension was given to contractors due to unavailability of CYMDIST software.

The reply was not tenable since the contractors were solely responsible for safeguarding the materials until it is finally handed over to the Company as per contract terms. Further, the contractors were fully aware about the GPS survey to be conducted under the contract. Hence the grant of EoT against these grounds was not justifiable.

Circle wise T&D losses were not reduced to the levels projected under the Programme

2.1.25 As per clause 14.1 (a) of Appendix-8 of the bid document, on commissioning of 11 kV feeder the contractor had to perform the functional guarantee test for a continuous period of three months and T&D losses were to be brought down to maximum 12 *per cent* in aggregate at feeder level. Further, as per clause 14.3, the contractor was liable to pay liquidated damages (LD) up to a maximum of 2.5 *per cent* of the cost of completed facility where the distribution loss of a DTR was in excess of 12 *per cent*.

Audit observed the following on reviewing the status of T&D losses against completed feeders:

- The contractors have constructed 1547 feeders and the Company has issued OA certificate against 1184 feeders up to June 2016. The Company had not issued the OA up to June 2016 in respect of balance 363 feeders and the delay was ranging between one month and 47 months since their completion.

- The Company commenced the practice of evaluating the T&D losses at feeder level from November 2015. However, it failed in evaluating the T&D losses at DTR level till date (June 2016). This failure of the Company to accurately evaluate the T&D losses at feeder (up to November 2015) and DTR level (till date) had defeated the objective of the Programme to reduce the T&D losses.

In 100 feeders out of 108 feeders under 10 physically verified lots, the T&D losses were above 12 *per cent* at feeder level in the Company.

- Audit conducted Joint Physical Verification in 10 lots along with the management. Out of 10 lots the T&D losses in seven lots[14] were demonstrated and in three lots[15] the T&D losses were not demonstrated against the completed feeders up to June 2016. Audit noticed that out of 108 feeders in above seven lots, 100 feeders (92.59 *per cent*) registered T&D losses above the prescribed limit of 12 *per cent* whereas in eight feeders (seven *per cent*) T&D losses were within the prescribed limit during November 2015 to January 2016.

- The circle wise T&D losses in the Company were not brought down to the levels committed before MPERC while getting the Programme cost approved. Against the projected range of reduction in T&D losses by 8 *per cent* to 22 *per cent*, the Company did not achieve loss reduction in four circles[16] and in nine[17] completed circles the loss reduction was shown as achieved. However the loss reduction in these circles could not be attributed to this Programme alone as other schemes were implemented simultaneously (RAPDRP, RGGVY, FSP) and the scheme/Programme wise T&D losses reduction was not quantified by the Company.

- Out of 247 feeders against which T&D losses data was made available, the T&D losses on four feeders were above 60 *per cent*, on 62 feeders between 40 *per cent* and 60 *per cent*, on 117 feeders between 20 *per cent* and 40 *per cent* and on the remaining feeders it was below 20 *per cent* as against envisaged level at 12 *per cent* in aggregate at feeder level after implementation of the Programme.

- The project wing of the Company headed by Executive Director (Projects) could not provide the T&D losses data against 305 completed feeders where the functional guarantee test was conducted and OA was issued. This was mainly due to incomplete consumer indexing and improper segregation of feeders between agriculture and domestic category by the Company.

Thus, the delay in completion of total number of feeders, acceptance of completed facilities without duly conducting the functional guarantee test as required under contracts, levy of mere 2.5 *per cent* penalty against poorly performing completed facilities, failure to segregate rural areas from urban areas for determining the achievable bench mark under the Programme,

[14] Lot nos. 8, 9, 12, 14, 15, 18 and 19.
[15] Lot nos.3, 5 and 6.
[16] Shajapur, Khnadwa, Buhranpur and Jhabua.
[17] Ujjain, Dewas, Mandsaur, Neemuch, Indore, Khargoen, Barwani, Ratlam and Dhar.

improper indexing of consumers and asset mapping by the contractors against completed facilities had led to not achieving envisaged target of T&D loss reduction under the Programme. The excess range of T&D losses in four circles was ranging between 6.23 *per cent* and 16.04 *per cent* above the T&D losses levels committed before MPERC under the Programme. This led to loss of revenue to the Company by ₹ 9.38 crore during 2015-16.

The Government stated (November 2016) that T&D losses had been reduced between 6.12 *per cent* and 27.21 *per cent* in different circles against the ambiguous targets anticipated by the Company but not committed before MPERC under the Programme. It was further replied that the T&D losses at feeder level considered by audit was not against domestic feeders.

The reply was not tenable since, the Company itself had committed before MPERC during January, 2011 about the circle wise target of reduction in T&D losses. Further the 247 feeders considered by audit for judging their performance in terms of T&D losses were of domestic only as furnished by the Commercial wing of the Company.

Revocation of contract termination without ensuring the financial viability of the contractor

2.1.26 The works under lot 20 were awarded to M/s.Schaltech Automation Pvt Ltd, in August, 2011 with effective commencement date on October 2011 and scheduled completion date on April 2013. The scope of work included completion of 97 feeders.

Audit observed that the progress of works achieved by the contractor was not encouraging as the *percentage* of various components of work (11 kV line, AB cable, DTR installation and meterisation) completed up to the scheduled completion period (April 2013) was ranging between 11.84 *per cent* and 27.52 *per cent* and just 16 feeders were completed by that date. This was mainly due to insufficient procurement of material, required manpower not being deployed and poor financial position of the contractor. Further, the contractor had not made any improvement despite repeated reminders issued by the Company.

The Company terminated the contract in November 2013 and encashed the BG of ₹ 7.42 crore. However, the contractor represented to the Company (December 2013) to reconsider the termination stating that State Bank of India (SBI), Hyderabad had agreed to provide him the undrawn credit limit of ₹ 10 crore and assured to complete the works by April, 2014. But the Company without obtaining an assurance from the bank about the financial viability of the contractor had revoked the termination in January 2014.

Audit further observed that the performance of the contractor was not encouraging even after revoking the termination. The progress achieved between revocation of termination and final termination was ranging between 6.15 *per cent* and 9.22 *per cent*. Further the contractor had failed persistently in procuring material and deploying the requisite manpower due to financial problems. The Company had finally terminated the contract in August 2015 after a lapse of 19 months from revocation of the termination and decided to execute the balance works departmentally. However as of June 2016 the work of cabling (160 KMs) and Meters (Nos. 8730) remained incomplete.

The Company irregularly revoked the termination of contract and thereby did not realise the envisaged benefit of ₹ 12.41 crore.

Thus, the revocation of termination without ensuring the financial viability of the contractor from the bank, resulted in delay in completion of work and deprived the Company from the envisaged benefits of ₹ 12.41 crore by way of reduced T&D losses during December 2013 to March 2016.

The Government while accepting the audit observation stated (November 2016) that the leftover works of the terminated contract was being executed departmentally and would be completed at the earliest.

Delay in termination of contract despite persistent poor performance of contractor

2.1.27 The works of strengthening 33/11 kV network in lot 24 and 26, were awarded to a contractor in August 2011. As per contract terms the works were to be completed in 18 months (May 2013) from effective date of contract (5 November 2011).

Audit observed that the progress of work was very slow since the beginning of the contracts due to not procuring the requisite material and not deploying the sufficient manpower by the contractor. Considering the slow progress of work, the Company issued (June 2013) termination notice for both the lots. However the Company did not immediately terminate the contracts and gave an opportunity to the contractor considering their assurance to complete the works by December 2013. The Contractor submitted (May 2014) that due to extreme financial constraints, he would not be able to complete the works and the Company terminated the contract of lot 26 and 24 in July 2014 and April 2015 respectively. By this time, contract works only up to 23.72 *per cent* (lot 24) and up to 25.04 *per cent* (lot 26) were completed. The Company re-awarded (November 2015) the leftover works of these two lots under lot 29 to a new contractor.

Since the contractor had stopped the work from the scheduled completion date (May 2013) itself and there was no progress in the works execution, the Company should have terminated both the contracts in December 2013, this being the time line committed by the contractor to complete the works.

The delay on the part of Company in terminating the contracts, resulted in works remaining incomplete in lot 24 and 26 up to June 2016 and the Company was deprived of the envisaged benefits in terms of reduced T&D losses worth ₹ 29.65 crore as detailed in ***Annexure 2.1.7*** during the period January 2014 to March 2016.

The Government stated (November 2016) that adequate steps were taken to complete the work in time and the contract termination was delayed considering the repeated assurance given by the contractor to complete the works. It was further replied that the loss worked out by audit was not realistic as major works relating to 33/11 kV line and installation of new 3.15 Megavolt Amperes (MVA) power transformers were de-scoped from the contract prior to termination. It was also stated that conversion of temporary to permanent substation would not result in any loss to the Company.

The reply was not tenable as the performance of the contractor was poor from the beginning and he failed in meeting the assurances given by him from time to time. Further the quantum of works provided in the re-awarded contract under lot 29 included the items of works that were stated to be de-scoped by the Company from the scope of work. Also the loss worked out by audit was based on the economics given by the Company in the DPRs submitted against these lots.

Missing of seized material from Company's stores

2.1.28 The contracts under the Programme in lot 24 and lot 26 were terminated in April 2015 (lot 24) and July 2014 (lot 26) on account of contractor's failure to timely complete the works. The Company on termination of contracts, seized (May 2015 and September 2014) the material worth ₹ 5.47 crore from the contractor's stores located at Dhar, Khargone, Dewas and Mandsaur. The seized materials were kept under the custody of Company's area stores.

Audit observed that the contract for execution of left over works of these lots was awarded (November 2015) under lot 29 for ₹ 40.45 crore. As per clause 3.4.1 of the contract, the material seized from previous contracts worth ₹ 5.47 crore would be made available to the contractor for use in execution of leftover works. The Company accordingly issued instructions (January 2016) to the Superintending Engineers of Dhar/Khargone/Dewas/Mandsaur circles to release the seized material to the contractor for executing the works under lot 29.

However, the contractor informed the Company (February 2016) that the seized material were not available at the area stores of Dhar/Khargone/Dewas/Mandsaur. But the Company had not initiated any action in this regard up to June 2016 and no accountability was fixed against the incharge of respective area stores in this regard.

The Government while accepting the audit observation (November 2016) stated that it had handed over the material worth ₹ 2.36 crore to the contractors and remaining seized material would be handed over to the new contractor under intimation to audit. However no documentary evidence to the effect that material worth ₹ 2.36 crore was handed over to the new contractor was produced to audit.

Quality control and monitoring

2.1.29 Monitoring and supervision are the key components of the quality assurance system. For supervising the Programme implementation and to ensure that works were executed in an economic, effective and efficient manner, the Company appointed Project Management Consultants (PMCs). Audit observed the following deficiencies in quality control and monitoring mechanism.

Independent third party evaluating agency (ITEA) was not appointed by GoMP

2.1.30 Audit observed that GoMP while conceptualising the Programme in the state did not make any provision to evaluate the accurate impact of the Programme in terms of improved power supply by a Third Party Independent Evaluating Agency (TPIEA). This practice was followed by GoI, Ministry of Power in case of centrally sponsored schemes like R-APDRP implemented in the state during 2009-10 to 2014-15.

Audit further observed that the Company was reporting the works as fully completed to GoMP despite the fact that many of the major components of works in uncompleted lots still remained incomplete ranging between 10.99 *per cent* and 15.15 *per cent* up to June 2016.

Thus due to the not adoption of an independent evaluating mechanism by GoMP under the Programme, it was wholly depending upon the reporting done by the Company with regard to the accomplishment of the Programme objectives.

The Government stated (November 2016) that the Company had reported the work of separation of 11 KV lines as fully completed to the Government up to March 2016. However, the cabling and metering feeder separation was reported as incomplete. It was also replied that the Government had appointed independent third party PMC for monitoring under the project.

The reply was not tenable since, in the progress reports submitted by the Company to GoMP only the completion achieved against separation of 11kV lines was reported without duly indicating the completion status of other major elements of Programme works. Further the PMC was not appointed by GoMP but it was appointed by the Company on its own citing the reason of manpower shortage to supervise the Programme works.

Unjustified closure of Project Management Consultant (PMC) contract

2.1.31 Considering the manpower shortage problem, GoMP allowed (May 2010) the Company to get the supervision of works carried out by the contractors through PMCs. Accordingly, the Company appointed one PMC each under phase-I in November 2010 and under phase-II in July 2011. The work of PMC *interalia* included (i) to scrutinise the BoQ finalised by the contractors on completion of field survey (ii) to conduct site supervision to check works execution quality (iii) to verify the bills/claims submitted by the contractors (iv) to ensure 100 *per cent* return of removed materials into area stores and (v) to ensure the receipt of National Accreditation Board for Testing and Calibration Laboratories (NABL) reports against the materials sent for testing etc. As per terms of turnkey contracts awarded under the Programme, if the completion of works was delayed due to the failure of contractors and the Company extends the PMC contract, the PMC charges for the extended period would be borne by the turnkey contractors.

The Company closed the PMC contract when the works in eight lots were incomplete and thereby extended undue benefit of ₹ 69.53 lakh to the contractors.

Audit observed that the Company closed the PMC contract in March 2016, when the works in eight lots were not fully completed. The closure of PMC contract pending the completion of Programme works was not in the interest of the Company as the contractors were liable for making PMC charges during delayed period of contracts. Thus, by terminating the PMC contracts before closure of the Programme works, the Company absolved the contractors from the payment of PMC charges and thereby extended undue benefit of ₹ 69.53 lakh to the contractors during April to June 2016.

The Government stated (November 2016) that out of eight incomplete lots, contracts in three lots were terminated and work was being executed departmentally so there was no need of PMC services.

The reply was not tenable since the Programme works in total eight lots were pending at the time of closure of PMC contract in March 2016. Further the contracts in two lots (lot 18 and 19) were terminated (April 2016) subsequent to the closure of PMC contract. Hence, there was no monitoring system in place to supervise the works in these eight lots in the absence of PMC contract. Also the Contractors were responsible to pay the PMC charges after March 2016. Further, 530 NABL test report were pending receipt and the removed materials were not fully returned to the area stores of the Company at the time of closure of PMC contract. Hence the Company should not have closed the PMC contracts.

Removed materials not returned into area stores as per contract terms

2.1.32 As per clause 3.4.7 of the erection contracts awarded under the Programme, all dismantled meters and other material were to be accounted jointly by the Project Manager, PMC representatives and the contractor. The dismantled material was to be returned by the contractor to the designated area stores of the Company. Before passing the bills, the project manager was required to ensure the return of removed materials into area stores.

Audit noticed in eight[18] out of ten physically verified lots that the contractors have not returned the removed material into Company stores. Out of 2,85,025 kg of removed material 1,03,254 kg was not returned to the stores of the Company. The *percentage* of unreturned material against the removed material was ranging between 4.13 *per cent* and 49.87 *per cent* in above eight lots. However the circle offices have passed the bills pending the return of removed/dismantled materials into area stores. Thus, by not adhering to contract conditions, the Company extended undue benefit to the contractors.

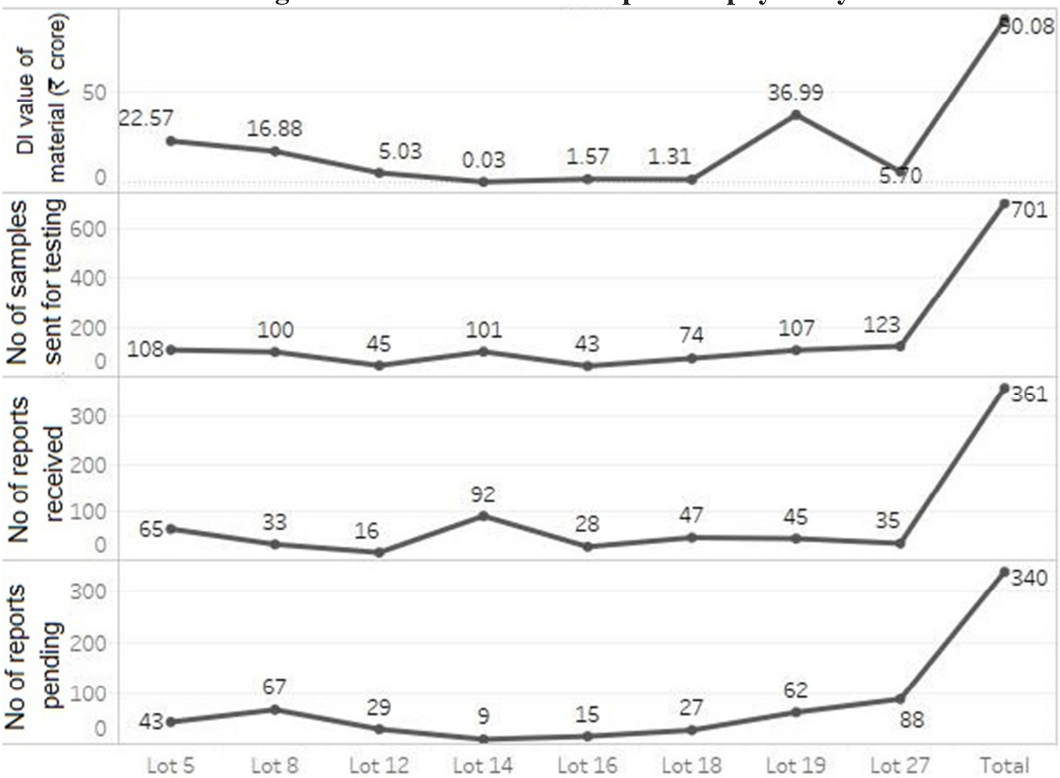
The Government while accepting the audit observation stated (November 2016) that the return of removed materials into area stores would be ensured before the closure of the contracts.

Failure to obtain NABL quality test reports against materials installed

2.1.33 As per clause 5 of the contract awarded under the Programme, the Company had to select the material procured by the contractor on random basis for getting it tested from any NABL accredited laboratory. However the contractors were permitted under the contract to use the material in works execution pending the receipt of NABL test reports. In case the material was found to be defective in testing, the entire material falling under the dispatch instruction (DI) against which such material was procured had to be replaced by the contractor at his own cost. The status of NABL reports received in test checked lots is given in chart 2.1.5

[18] Lot nos. 5,7,8,12,16,17,18 and 27.

Chart No.2.1.5
Chart showing the status of NABL test reports in physically verified lots



The Company did not obtain quality test reports against 340 samples hence the quality of materials worth ₹ 90.08 crore installed in the Programme works remained untested.

Audit observed that in eight out of ten lots wherein Joint Physical Verification was conducted that out of total 701 samples sent for NABL testing, 340 test reports representing 48.50 *per cent* were not received up to June 2016. The value of material received under the DIs against which these samples were drawn was ₹ 90.08 crore. Out of total pending 340 test reports, 89 reports pertain to 2011-12, 135 reports pertain to 2012-13, 102 reports pertain to 2013-14, seven reports pertain to 2014-15, and seven reports pertain to 2015-16. The project wing of the Company did not make any correspondence with the NABL labs to get the test reports. Thus the quality of material installed in the Programme works was not ascertained as required under the contract terms.

Further the Company framed the guidelines in 35th BoD meeting (January 2013) for issue of OA certificate which *interalia* required the Nodal Officer of the project and PMC to ensure that NABL test report were received before the issue of OA certificate.

Audit observed on physical verification (May 2016) of lot 27[19] that out of 123 random samples sealed for NABL testing during the year 2012-13 to 2015-16, only 50 random samples were sent for testing. Against them, NABL test reports of 35 samples alone were received up to June 2016. However the Company awarded OA against 28 feeders out of total 31 feeders of lot 27 up to June 2016 despite the fact that NABL test reports against 15 samples were yet to be received and 73 selected random samples were not sent for NABL testing.

[19] Pandhana.

Thus, by awarding the OA pending receipt of NABL test reports the project wing of the Company headed by Executive Director (Projects) had extended undue benefit to the contractors by absolving him from the liability of replacement of defective materials.

The Government in its reply (November 2016) accepted the audit observation (November 2016) regarding not receiving the test report against the samples sent to NABL labs and stated that the concerned contractors have been directed to obtain the NABL test reports from the labs at the earliest. However the reply was silent regarding the not sending the selected samples for testing to NABL laboratories as required under the contract terms.

Conclusions

Audit concluded that:

- **the Company did not complete the major components of works within the scheduled completion period of contracts. The balance works to be executed were ranging between 56.90 *per cent* and 74.83 *per cent* as of May 2013 and between 10.99 *per cent* and 15.15 *per cent* as of June 2016. As a result the T&D losses were not reduced as envisaged under the Programme. The excess T&D losses were ranging between 6.23 *per cent* and 16.04 *per cent* in four circles out of total 13 circles.**

- **the Company had not prepared DPRs based on the field survey and this resulted in wide variation in the bill of quantity (BoQ) of major items of works during execution. This also led to obtaining sanction for excess loan resulting in payment of excess guarantee fees to GoMP and commitment charges to Asian Development Bank.**

- **the contract management in the Programme was weak as it did not ensure timely completion of works, taking timely action against defaulting contractors and led to absorption of consequential losses by the Company.**

- **the Company did not exercise financial prudence in utilising the Programme funds. There were instances of diversion of Programme funds for unintended purposes, payment of excess mobilisation advance, short levy of interest on mobilisation and material advances.**

- **the Company did not get the performance guarantee test conducted against completed facilities as required under contract terms while taking over them. This led to not achieving the reduction in T&D losses as envisaged under the Programme.**

- **GoMP did not appoint a third party independent evaluating agency (TPIEA) under the Programme to assess the accurate impact of the Programme in terms of improved power supply and reduction of T&D losses.**

- **the Company did not obtain the complete NABL test reports in full against the random samples sent for testing. However it had issued the Operation Acceptance certificate and accepted the completed facilities in violation of contract terms.**

Recommendations

Audit Recommends that:

- **the Company may expedite the completion of balance major components of works in order to achieve the envisaged levels of reduction in T&D losses under the Programme.**

- **the Company may prepare estimates as per actual field survey before taking up the works under any scheme/Programme sanctioned by GoI/GoMP.**

- **the Company may improve the contract management to ensure timely completion of works and to safeguard its interest.**

- **the Company may adhere to the guidelines given by fund sanctioning authorities under a scheme/Programme while utilising the funds and may exercise financial prudence while regulating payments under the contracts.**

- **the Company may take over the completed facilities only after testing their performance on the lines specified under the contracts.**

- **as was done by GoI, Ministry of Power in respect of other centrally sponsored scheme (RAPDRP), GoMP may appoint a TPIEA to judge the actual impact of the Programme in the state.**

- **the Company may ensure the receipt of NABL test reports in time without fail before issuing the closure certificates to the contractors.**

2.2 Performance Audit on the working of Madhya Pradesh State Electronics Development Corporation Limited

Executive Summary

Madhya 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.

Performance Audit of the Company was conducted to assess its working performance during 2011-12 to 2015-16 covering various aspects such as 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. The financial management, contract management and monitoring and internal control were also reviewed. The following were the main audit findings:

- The Company allotted only 92.32 acres of land out of 250.25 acres of land earmarked for allotment at three IT parks *viz.* Bhopal, Indore and Jabalpur as on 31 March 2016. The poor allotment was mainly due to slow progress of development works. Thus the company failed to achieve the envisaged objectives under the IT policy.

(Paragraph 2.2.16)

- The Company had taken up State Wide Area Network (SWAN) project under National *e*-Governance Plan. As of March 2016 the Company provided horizontal connectivity at 5,159 locations in the State as against the 33,000 locations planned under the project. This has resulted in not achieving the objectives set under the project.

(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. However, as on 31 March 2016 only 3,499 CSCs were in operation. The main reasons for poor performance of CSCs were due to lack of availability of IT infrastructure and net connectivity.

(Paragraph 2.2.24)

- The Company allotted 10.13 hectares of land to an IT unit. The land was to be allotted at the rate of 25 *per cent* of prevalent Collector guidelines rate for ₹ 3.34 crore. However, the land was allotted to IT company by allowing additional rebate at the cost of ₹ 2.23 crore, this resulted in revenue loss of ₹ 1.11 crore to GoMP.

(Paragraph 2.2.15)

- In Joint Physical verification of 36 CSCs, only 15 CSCs were found to be in operation. CSCs at 11 locations were not found in existence, owners of four CSCs have closed their activities and six CSCs were found to be functioning in urban areas. Further in beneficiary survey conducted covering 24 beneficiary users at 10 CSCs, it was found that the Government services were not provided to users. This has resulted in not achieving the envisaged objectives of providing the Government services to rural areas though IT under the scheme.

(Paragraph 2.2.26)

- The Company charged ₹ 4.83 crore (2.77 *per cent* of project outlay) under SWAN project and ₹ 4.34 crore (35 *per cent* of revenue support) 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)

- 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)

- GoMP directed the Company (June 2011) 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 (November 2013 to March 2016) from Public Sector Undertakings, Autonomous Bodies and Boards, which were utilising services of SDC.

(Paragraph 2.2.28)

- The Company constructed Software Technology Park (STP) at Gwalior. But the Company leased 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)

- The Company had not prepared any long term and strategic plan for driving its activities for attainment of objectives. In the absence of long term and strategic planning process, the business and development objective of the Company was lacking direction to guide the activities.

(Paragraph 2.2.8)

- The Internal audit system of the Company was deficient as the scope of work assigned to Chartered Accountants was not comprehensive as it did not critically analyse the internal audit requirements for ensuring its effectiveness. Further, the core operational activities of the Company were not covered in the internal audit reports and it contained routine nature of observations.

(Paragraph 2.2.47)

Introduction

2.2.1 The Madhya Pradesh State Electronics Development Corporation Limited (Company) was incorporated in November 1983 as wholly owned Company under the administrative control of Department of Science and Technology (DoS&T) of Government of Madhya Pradesh (GoMP). The Company was appointed as nodal agency for implementation of Information Technology (IT) Policy, 1999 (amended in 2006, 2012 and 2014) with a vision to develop IT and Information Technology Enabled Services (ITES) in the

State. To accomplish this vision, Company formulated a mission to bring overall perceived improvement in delivery of the Government services through *e*-Governance. The objectives of the Company were to promote and develop IT industry and ITES including electronics industry in the State. The Company has its head office at Bhopal and calibration units at Indore and Bhopal respectively.

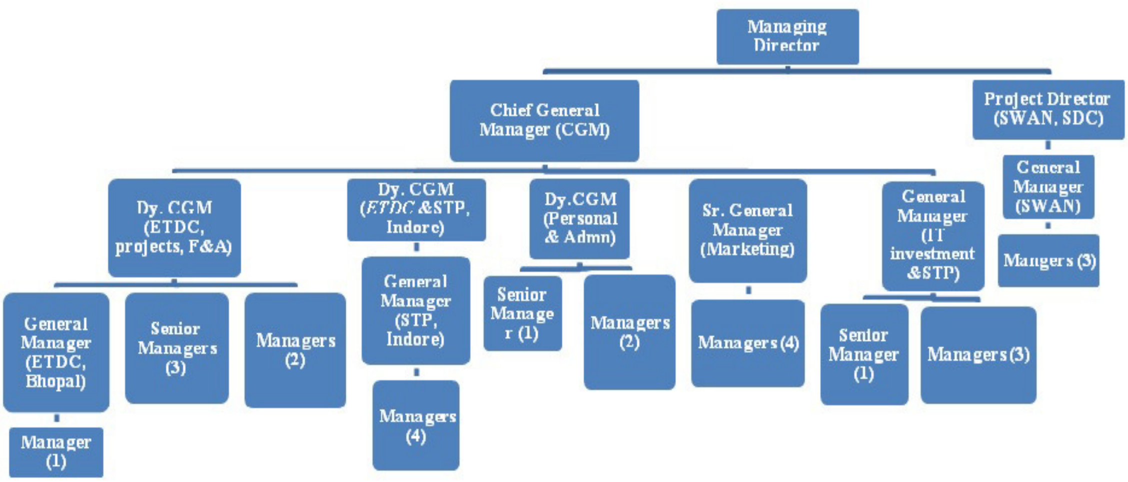
Presently, the Company has been entrusted to implement various IT schemes and projects *viz.* implementation of State Wide Area Network (SWAN), Common Service Centre (CSC), State Data Centre (SDC) and State Resident Data Hub (SRDH), development of IT Parks, Electronics Manufacturing Clusters (EMCs) etc. The Company is also involved in various other operational activities like supply of IT related products/services, calibration works, letting out space to IT units etc.The turnover and profit before tax of the Company increased from ₹ 10.60 crore and ₹ 1.43 crore in 2011-12 to ₹ 41.45 crore and ₹ 9.91 crore respectively in 2015-16[1].

Organisational Setup

2.2.2 In the State, the DoS&T is headed by Minister of Science and Technology who in turn is assisted by Secretary IT, for framing and monitoring the IT policies in the State. Similarly the management of the Company is vested in Board of Directors (BoD) consisting of seven directors, including Managing Director appointed by GoMP. The Company as a nodal agency is responsible for implementing the IT policies in the State as declared from time to time.

The Managing Director is the Chief Executive Officer, who is assisted in administering the projects by one Project Director, one Chief General Manager, three Deputy Chief General Managers, one Senior General Manager, four General Managers, six Senior Managers and 19 Managers. The Deputy Chief General Manager (Finance & Accounts) assists in the financial matters of the Company. The organisational structure of the Company is given in chart 2.2.1.

Chart 2.2.1
Chart showing the organisational structure of the Company



[1] Provisional figures for the year 2015-16

Audit Objectives

2.2.3 The Performance Audit was conducted to assess whether:

- Plans were prepared to promote and develop information technology industry and information technology enabled services in the State;
- The schemes/projects and operational activities of the Company were implemented as per plans framed and executed in an efficient and effective manner;
- Financial management of the Company was efficient; and
- Adequate and effective contract management system, monitoring system and internal control framework was in place to enable the Company to achieve its objectives.

Audit Criteria

2.2.4 The audit criteria adopted for the Performance Audit were derived from:

- The pronouncements made by GoMP in the budget speech, Information Technology Investment Policy as promulgated by GoMP in 1999, 2006, 2012 and 2014 and vision of the National *e*-Governance Plan (NeGP) for the implementation of SWAN, CSCs and SDC etc;
- National *e*-Governance policy, National policy of electronics 2012 and Guidelines of GoI and GoMP on implementation of various projects/schemes;
- The vision and mission of the Company, Articles of Association and Memorandum of Association of the Company, Board agenda notes and Minutes, Memorandum of Understandings(MoUs) entered with GoMP, Internal Audit Reports etc, and
- Detailed Project Reports (DPRs) of various schemes/projects, periodical performance appraisal reports, Annual budget, Annual Report of the Company.

Scope and methodology of Audit

2.2.5 The Performance Audit was conducted from April 2016 to July 2016 covering five years period from 2011-12 to 2015-16. During Performance Audit, records relating to compliance of IT Policies, implementation of various schemes/projects and other activities undertaken by the Company during this period were reviewed. The Head Office of the Company and Calibration Lab, Indore were selected for detailed scrutiny of records.

The Company established 360 Point of Presence (PoPs) under SWAN project and 9,232 CSCs under Common Service Centre (CSC) scheme in the State. Against this, Audit covered a sample of 180 PoPs (50 *per cent* PoPs) and 462 CSCs (Five *per cent* of CSCs) for conducting the beneficiaries' survey (user departments in case of PoPs and CSC operators in case of CSCs) through questionnaire. However, the response to the questionnaire issued to CSCs was very poor and audit has received only 27 responses. Audit also conducted beneficiary survey of users of CSCs at 10 CSCs covering 24 beneficiaries. Further, Audit conducted joint physical verification of 18 PoPs, three IT parks (60 *per cent* IT parks), one Electronic Manufacturing Cluster (EMC) (50 *per cent*) and 36 CSCs as detailed in ***Annexure 2.2.1***.

The audit objectives were discussed with Secretary, DoS&T, GoMP and Managing Director of the Company in entry conference held on 27 April 2016. Exit conference was held on 06 October 2016. The views expressed by the Government and the Company have been suitably incorporated in the Report.

Audit Findings

Objectives set under the Various Schemes/Projects were not achieved

2.2.6 The Company had taken up various IT schemes/project under the NeGP, National policy of electronics 2012 and Unique Identification Authority of India (UIDAI). The important schemes and projects taken under the above polices of Government of India (GoI) were SWAN, CSC, SDC, EMCs and SRDH. Further as part of IT policies promulgated in the state in 1999, 2006, 2012 and 2014, the Company had taken up the development of IT parks at various places in the state.
Audit observed that the Company had not achieved the envisaged objectives set under various schemes/projects undertaken by it as detailed below:

- Under SWAN project horizontal connectivity to all the identified locations of departments in the state was not provided. Against the proposed 33,000 locations, the Company provided connectivity to only 5,159 locations. This was mainly due to not putting in place a firm strategy for extending the horizontal connectivity in a time bound manner.

- Under CSC scheme against the total 9,232 CSCs established as of March 2016 only 3,499 CSCs were in operation. The poor operation of CSCs was due to poor IT infrastructure, internet connectively problem in rural areas and not getting the sufficient business to make the CSCs financially viable. Thus the envisaged objective of providing the Government services to citizens through IT in rural areas via CSCs was not achieved.

- Under SDC project the envisaged objective of hosting the data of all the State government department at one place was not achieved. As of March 2016 only 24 departments against the total 58 departments were hosted at SDC. This was mainly due to delay in execution of the project and due to not having a firm plan in the Company to host all the departments in a time bound manner.

- The Company allotted only 92.32 acres of land out of 250.25 acres of land earmarked for allotment at three IT parks viz. Bhopal, Indore and Jabalpur up to March 2016. This was due to slow progress of project execution and

- The Company leased out only 10,200 square feet space out of total constructed area of 90,000 square feet at Software Technology Park (STP), Gwalior. This was due to developing the STP Park at Gwalior without considering the IT business potential at this center.

Planning and Information Technology Policy

2.2.7 Proper planning system assists in identifying the activities to be undertaken to achieve the envisaged objectives. It increases the efficiency and reduces the risks involved in execution of schemes/projects and carrying out the activities of the Company. The review of records relating to planning revealed the following:

Long term and strategic plans were not prepared

2.2.8 The Company is engaged in implementing various IT schemes/projects sponsored by the GoI/GoMP. It is also engaged in sale/supply of IT related products, letting out of space at IT parks and other services. For developing these activities and to expand the IT related activities in the changing business environment, long term and strategic planning is essential.

The Company did not prepare any long term and strategic plans to develop IT sector in the State.

Audit observed that the Company had not prepared any long term and strategic plans to develop IT sector in the State, in line with the applicable IT Policy during the period under audit. In the absence of long term and strategic planning process, the business interests and development objective of the Company would suffer due to lack of direction to guide its activities. Further in the absence of the long term and strategic plans the annual MoUs signed by the Company with GoMP were became unrealistic as discussed in paragraph 2.2.11.

The Government while accepting the audit observation stated (November 2016) that long term strategic plans would be prepared.

Execution of Memorandum of Understanding (MoU) with GoMP

2.2.9 The Company enters into MoU with GoMP every year. The MoU includes the activities proposed to be undertaken for achieving the financial/commercial targets fixed there under. These MoUs get finalised keeping in view the IT policies pronounced by GoMP from time to time. Accordingly objectives were fixed in each year MoU. Under the MoUs the physical and financial targets against various projects such as Software Technology Park at Bhopal, Jabalpur and Gwalior, increase in calibration activities, implementation of SWAN, SDC and CSCs projects as per the N*e*GP were set.

In this regard, Audit observed the following.

Delay in entering into Memorandum of Understandings

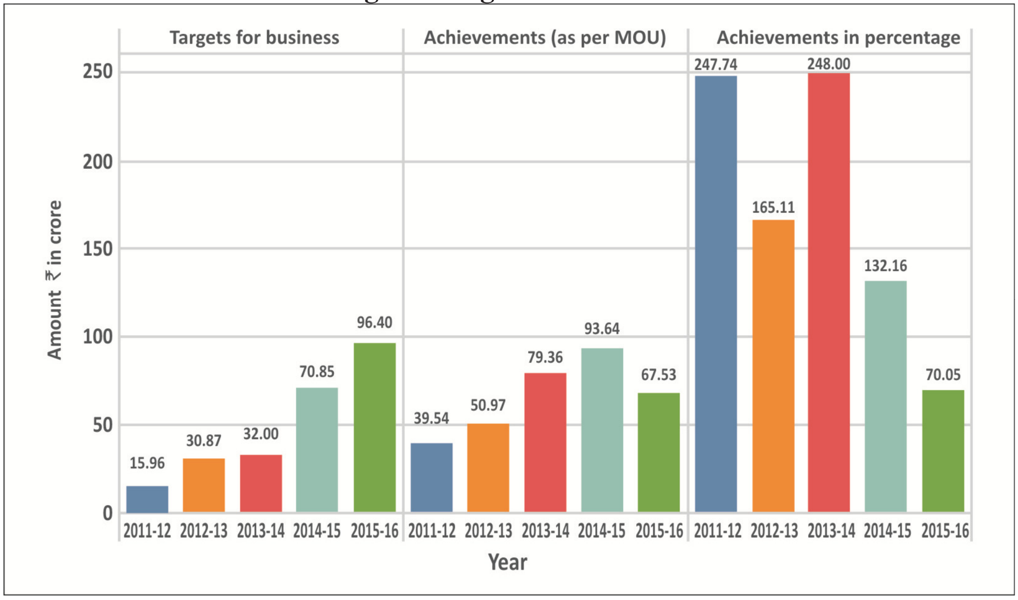
2.2.10 As per directions of Department of Public Sector Undertakings, GoMP, the MoUs have to be submitted to GoMP by the Public Sector Undertakings by 15 April and have to be signed by 30 June every financial year. Audit observed that the Company submitted MoUs for the years 2011-12, 2013-14, 2014-15 and 2015-16 to GoMP with a delay ranging from one month to four months and signed MoUs with GoMP with a delay ranging from one to five months. However, the MoUs for the year 2012-13 and 2014-15 were signed in time. The main reason for the delay in submission and finalisation of MoUs was the process involved between the Company and the Task Force committee nominated by GoMP which reviews the MoUs and only after their consent, GoMP approves the MoUs. Thus, the purpose of entering MoUs with GoMP to optimally drive the operations of the Company could not be fulfilled.

The Government while accepting the audit observation, stated (November 2016) that the Company would devise a better system of formulating, submission of MoUs to GoMP and also for their timely approval from GoMP.

Fixation of unrealistic targets and failure in achieving of physical targets set in MoUs

2.2.11 The financial targets set for the overall business of the Company in MoUs and their actual achievement made during 2011-12 to 2015-16 is given in chart 2.2.2.

Chart No. 2.2.2
Chart showing the Targets and achievements in MoU



The targets in MoUs were not fixed considering the growth potential for IT industry in the State.

Audit observed that the actual achievement ranged between 70.05 *per cent* and 247.74 *per cent* during above period. However, the Company did not consider the previous years' achievements while fixing the targets for next year. Although the achievement of previous year were much higher, the targets fixed for the subsequent years were not reflective of it and were fixed on the lower side. Further, the targets in MoUs were not fixed considering the growth potential for IT industry in the State taking into account the projects under implementation in the State. Thus, the fixation of financial targets under MoUs became a convention as they failed to direct the Company's activities in focused manner and did not facilitate a comprehensive review of achievements at the year end.

Audit further observed that (i) as planned in MoUs (2012-13 to 2015-16), the Company did not establish additional 1,00,000 sq feet space at Software Technology Park, Pardeshipura, Indore due to delay in construction as discussed in Para 2.2.33 and (ii) the Company failed to identify the interested parties for occupying space at IT Park, Gwalior for 90,000 sq. feet build-up area as targeted in MoUs (2011-12 to 2015-16) due to poor response from IT units as discussed in Para 2.2.32.

The Government stated (November 2016) that the targets were fixed based on the activities in hand and the likely increase in future period. It was further replied that the Company had invited Expression of Interest (EoI) to identify the interested parties for occupying space at IT Park Gwalior to improve the occupancy.

The reply was not tenable since, the achievement made in the previous years' were not considered while fixing the targets in the MoUs for subsequent years. Further, the efforts made by the Company for letting out of space in IT Park were not adequate as even after lapse of four years since its completion, the space was lying unoccupied (November 2016).

Human Resource Management

2.2.12 Management of Human Resources (HR) is important for achieving the objectives of an organisation. For ensuring the better management of human resources, a proper HR policy should be put in place. However, DoS&T, GoMP had not formulated any HR policy for the Company and the HR planning was done in the Company based on the Personnel Manual framed in the year 1991. The status of sanctioned *vis-à-vis* actual manpower of the Company in different cadres is given in table no. 2.2.1:

Table No. 2.2.1
Table showing the sanctioned and actual man power in the Company

Category of staff	Sanctioned in numbers	Actual in numbers		
		Regular	Contract	Total
Technical staff	57	27	30	**57**
Other than technical staff	42	32	10	**42**
Total	**99**	**59**	**40**	**99**

Source: Data furnished by the Company

The HR policy and planning related issues were not put up to the BoD of the Company and were not dealt with the Administrative Ministry.

Audit analysis revealed that the Company being the nodal agency of GoMP to promote and develop IT/ITES in the State had not revised the Personnel Manual since its formulation so as to adapt to the changing scenario of IT industry in the State. Further, the HR policy and planning related issues were not put up to the BoD of the Company and these were never dealt with the Administrative Department of the Company during 2011-12 to 2015-16.

The Management while accepting audit observation replied (November 2016) that the Company would frame a revised HR policy and planning framework as per the requirement which would reflect the current mandate/role of the Company in providing the services in Information Communication Technology sector.

Regulation of land allotment and incentives under IT policies

2.2.13 GoMP with an objective to attract the investment into IT Industry and to generate employment opportunities in the State, had promulgated an IT policy in 1999 and this was revised in 2006, 2012 and 2014. As a nodal agency, the Company scrutinises the proposals received from prospective IT units and issues eligibility certificate to IT units for availing the incentives available under IT policy. Further, GoMP approves the applications for the grant of incentives like rebate in cost of land, land use exemptions, reimbursement of skill gap training and assistance in marketing. Thereafter, the Company has to ensure that the beneficiary unit continue to operate at least for the next five years. Audit observed the following in this regard.

Failure in achieving the milestone by IT Companies

2.2.14 Under IT policy 2012 of GoMP, three parties *viz,* Tata Consultancy Services (M/s.TCS), M/s.Infosys limited and M/s.Impetus were allotted major part of land identified for allotting to IT units in the State during March to October 2012. As per the terms and conditions of lease deed, the allottees were required to complete their commitments in two phases covering 54 to 180 months which *interalia* provided for generation of employment opportunities and investment in IT sector as detailed in table no. 2.2.2.

Table No. 2.2.2
Table showing the current status of projects

SN.	Name of the firm	Scheduled date of commencing commercial operations	Phase I targets		Project Current status
			Investment ₹ in crore	Employment in numbers	
1	M/s TCS (100.00 acre)	April 2016	----	10000	Project under progress
2	M/s Infosys (130.08 acre)	October 2017	150 crore	3000	Project under progress
3	M/s Impetus (25.837 acre)	May 2016	70 crore	1275	Project under progress

Note: Figures in brackets indicates area allotted. ***Source: Data furnished by the Company***

From the above it is evident that in all the three cases, the IT infrastructure was not completed as committed under the allotment conditions. Further, no employment was generated by above IT units in the State up to October 2016. This was mainly due to the Company's failure in providing the necessary support to the allottees in getting the requisite approvals from the concerned authorities of GoMP. The Company has also not conducted regular meetings with these units for the monitoring of the progress of the projects. Further, the slow progress of these projects has also not been put up to BoD for the review and remedial steps to be taken. Further, the revised schedule commercial operation dates of these IT units were not fixed by the Company.

In exit conference (October 2016) the Government while accepting the audit observation stated that, effort were put in place to accelerate the work of setting up the units by IT companies as committed under land allotment conditions.

Allotment of land at lower rate in IT Park, Bhopal

2.2.15 The Company issued (October 2011) letter of intent (LoI) to Underhill Technologies Limited (UTL) for allotment of 10.13 hectares of land on lease basis for establishing IT unit. As per clause 8 (b) of IT policy, land should be allotted to IT industry units at the rate of 25 *per cent* of Collector guideline rate. The Company executed MoU (October 2012) with the party for setting up IT unit and advance possession of land was given on 23 February 2015. However the final lease deed was not executed with the party till date (October 2016) and the Company had not made any efforts in this regard.

Audit observed that the cost of the land allotted to UTL was ₹ 13.37 crore according to Collector guidelines rate for the year 2011-12. Therefore, the cost of land recoverable should have been ₹ 3.34 crore at the rate of 25 *per cent* of

The Company allotted land to IT unit at lower rates, resulting in loss of revenue of ₹ 1.11 crore.

prevalent Collector guidelines rate. However, the land was allotted to IT company at the cost of ₹ 2.23 crore, resulting in revenue loss of ₹ 1.11 crore to GoMP.

In exit conference (October 2016) Managing Director of the Company stated that the land allotment was made at the rates as fixed by State Government under IT Policy 2006

The reply was not tenable as the IT policy 2006 and 2012 provided for allotment of land to IT units at the rate of 25 *per cent* of Collector guidelines rates. Further in the Government records verified by audit, no basis for allotting the land at further concessional rate was found.

Slow progress in allotment of land in IT Parks at Indore, Bhopal and Jabalpur

2.2.16 The Company earmarked 250.25 acres of land for allotment to IT units at three IT parks. As per the allotment procedure framed (March 2013) by DoS&T the unit has to submit the application for allotment of land. The scrutiny of the application has to be done by the committee formed by DoS&T. On obtaining the committee's approval, the LoI will be issued by the Company to the parties. The land premium is payable by the parties within 30 days from the issue of LoI. The development charges were also payable within one year from the date of advance possession of land and annual lease rent was payable after finalising the lease deed. The details of land availability and actual allotments, number of allottees and *per cent* of land utilisation up to March 2016 is detailed in chart 2.2.3.

Chart -2.2.3

Chart showing status of Land available, Applications received and Land allotted

Audit on reviewing the land allotment done at three IT parks observed the following:

- The land allotment at IT parks was poor and it was ranging between 20 *per cent* and 50 *per cent*. The reason for poor allotment was the slow progress of development works at these parks. However, the Company had not evaluated the IT park wise reasons responsible for not being able to allot land to more number of IT units and the steps to be initiated to improve the allotments.

The Government while accepting the audit observation replied (November 2016) that the land allotment for IT parks was slow as the development works were not completed and efforts were underway to complete the same. It was further replied that the other pending 26 land allotment cases would also be cleared on completion of developmental activities.

The Company's failure to provide the required basic facilities at IT parks, the allottees could not set up their units.

- The Company accorded advance possession of land to 46 allottees (out of 52 allotments) during January 2014 to March 2016. However, the allottees failed to set up IT units due to lack of availability of basic infrastructure facilities like water, electricity, drainage and adequate security measures etc. Further, the Company executed (June 2015) the lease deed with one allottee and balance 45 allottees continued to hold the possession of land without entering into valid lease deed up to March 2016.

- As per DoS&T, GoMP order (September 2013), the development charges have to be deposited by the allottees within one year from date of advance possession of land. However, the Company did not collect the development charges of ₹ 18.44 crore from 27 allottees at three IT parks due to slow progress of infrastructure work and these IT units continued to hold the possession beyond 12 months period.

- In respect of other 27 cases where the Company issued LoIs to offer 57 acres of land during July 2013 to December 2015, no land allotment was finalised. This was due to the problems like encroachment of land, deep pits in the plots offered etc. Hence the parties did not remit the land premium of ₹ 8.01 crore up to July 2016.

The Government stated (November 2016) that the time extension was granted for depositing development charges up to December 2016 considering the plea of the allottees as the development of land was not complete.

The reply confirmed that the Company failed to complete the developmental activities in time leading to development charges remaining outstanding from allottees.

Irregularities in reimbursement of skill gap training cost under IT policy

2.2.17 As per IT Policy, 2012, the beneficiary IT companies were entitled for one time reimbursement up to 50 *per cent* of cost incurred in providing skill gap training to the engineers/IT/ITES professionals. The conditions specified were that the trainees must be domicile of MP State and incentive up to a maximum of ₹ 10,000 per employee would be reimbursed to IT companies in the State during the first two years of commencing the operations. For claiming the reimbursement, the IT companies along with the application should furnish the expenditure proposed to be incurred on skill gap training. Under this scheme, the Company received six applications and approved reimbursement of ₹ 44.60 lakh in four cases.

In this regard audit observed that (i) the Company did not obtain domicile certificates of trainees to ensure that the training was provided to beneficiaries

The Company committed irregularities in reimbursing the skill gap training cost.

who were domiciled in MP only, (ii) the reimbursement claim submitted twice by one IT unit[2] (on 13 March 2015 and on 17 March 2015) was honoured by the Company in violation of the provisions of the policy and reimbursed ₹ 28.63 lakh (June 2015) and ₹ three lakh (September 2015) and (iii) one IT firm[3] did not submit the expenditure proposed to be incurred on skill gap training for approval before incurring the expenditure but claimed the reimbursement from the Company and the same was reimbursed.

The Government stated (November 2016) that the reimbursement was given to two different units of the IT company hence there was no violation from the guidelines of the policy for availing the skill development incentive.

The reply was not tenable as the scheme guidelines pronounced in the IT policy allowed one time reimbursement of skill gap training expenditure to an IT company irrespective of number of units functioning therein. Further, the reply was silent in respect of submission of domicile certificates and proposed expenditure to be incurred.

Implementation of schemes and projects

2.2.18 The Company as nodal agency of GoMP to promote and develop IT and ITES in the State had undertaken various IT projects announced by GoI and GoMP. The details of funds received, interest earned thereon, expenditure incurred and closing balance during 2011-12 to 2015-16 under various projects is given in table no. 2.2.3.

Table No. 2.2.3

Statement showing the details of funds position during 2011-12 to 2015-16

(₹ in crore)

Year	Opening balance	Fund received during the year		Total fund received	Interest earned during the year	Total fund available	Expenditure incurred during the year	*Per cent* of Utilisation	Closing balance
		GoMP	GoI						
2011-12	120.39	27.08	1.00	28.08	9.81	158.28	42.15	26.63	116.13
2012-13	116.13	50.35	0.00	50.35	7.47	173.95	62.15	35.72	111.80
2013-14	111.80	74.71	5.00	79.71	12.94	204.45	74.36	36.37	130.09
2014-15	130.09	143.50	19.30	162.80	13.83	306.72	83.62	27.26	223.10
2015-16*	223.10	108.41	25.30	133.71	14.88	371.69	119.41	32.13	252.28
Total		**404.05**	**50.60**	**454.65**	**58.93**		**381.69**		

Source: Data furnished by the Company
**** Provisional Figures***

The utilisation of funds ranged between 26.63 *per cent* and 36.37 *per cent* during 2011-12 to 2015-16. The reasons of low utilisation of funds were slow progress of projects by Service provider/System integrator in SWAN and SDC projects, retention of un-utilised grants by the Company and accumulation of interest earned on un-utilised grants received from GoI/GoMP.

2 M/s.Rural Shores Business Services Private Limited Chand and Sausar unit, Chhindwara (M.P).

3 M/s. Rural Shores Business Services Private Limited.

Government of India sponsored projects and schemes

2.2.19 GoI, Union Cabinet approved National *e*-Governance programme (May 2006) with a vision to make all the Government services accessible to the common man in his locality, through common service delivery outlets and ensure efficiency, transparency and reliability of such services at affordable costs to realise the basic needs of the common man. Further, the Company had also taken up Electronics Manufacturing Clusters (EMCs) and State Resident Data Hub (SRDH) projects.

State Wide Area Network (SWAN) project

2.2.20 GoI sanctioned SWAN project to the State in March 2005 and the Company was appointed as implementing agency for executing the project in the State. The project envisaged for connectivity at each level of administration in the State. Under the project, the network connectivity including data, voice and video communication was planned between State headquarters, district headquarters and block level in vertical hierarchical structure with minimum bandwidth of 2 mbps and creation of one Point of Presence (PoP)[4] at each State, division, district and block headquarter.

The Company appointed (August 2008) M/s. Tulip Telecom Ltd. (TTL) as System Integrator (SI) for the implementation of the project for ₹ 99.88 crore. Further under the project the Company had received ₹ 214.37[5] crore and spent ₹ 153.04 crore till March 2016.

Audit on review of SWAN project observed the following.

Delay in execution of SWAN project

2.2.21 Under the project total 360 PoPs were to be established and the project was to be completed within five years period by March 2010. However, 360 PoPs became operational by February 2016 after a delay of six years due to below mentioned reasons.

The Company completed the SWAN project belatedly in February 2016. Though the target completion date was March 2010.

- GoI, initially sanctioned (March 2005) ₹ 58.50 crore for the project based on the proposal sent by DoS&T, GoMP. This initial proposal was deficient as it did not include the provision for operational expenditure, horizontal connectivity and site preparation for PoPs etc. Hence, the revised proposal for ₹ 271 crore (July 2006) was submitted to GoI through GoMP by the Company. Considering this, GoI accorded (October 2006) revised sanction for ₹ 174.21 crore. Thus, revision in scope of the project subsequent to sanction of the project by GoI delayed the initiation of project.

- It was specified in tender document that 90 *per cent* of PoP sites would be made ready and handed over to SI by the time of awarding the contract (August 2008). However, the Company could make available only 153, 168 and 19 sites in the years 2008, 2009 and 2010 respectively. This resulted in delayed implementation of the project. The delay in handing over of sites was

[4] An Internet point of presence is an access point to the Internet. It is a physical location that houses servers, routers, ATM switches and digital/analog call aggregators.

[5] This include funds received from GoI ₹ 165.70 crore during 2005-06 to 2015-16 and interest of ₹ 48.67 crore earned on these funds up to March 2016.

due to failure to complete the construction of PoP rooms at some locations and failure to provide exclusive space for PoPs in some other locations by the Company.

- Despite the fact that the total 340 number of PoP sites were handed over to SI in 2010, the SI could not complete the project up to May 2013 mainly due to problems relating to installation of hardware. Further, even after lapse of four years since the scheduled completion date (May 2009) not a single PoP was commissioned. The issues related to contract management with SI *i.e* not recovering of advance, failure to include risk and cost clause has been discussed in Para no 2.2.44 *ibid* in this report.

The Government while accepting the audit observation stated (November 2016) that the delay was mainly due to poor performance of SI, failure to install requisite infrastructure at PoPs. The fact remained that the Company failed to ensure the completion of requisite facilities to facilities the timely completion of the project.

Lack of planning regarding horizontal connectivity under SWAN

2.2.22 SWAN project envisaged to provide horizontal connectivity free of cost to all the Government departments located at State Headquarters, districts and block level from the nearest PoP. Further, DoS&T, GoMP directed the Company (April 2014) to provide horizontal connectivity to all departments/offices of the State.

The Company failed to provide horizontal connectivity to all the department in the State even after lapse of 10 years since the sanction of SWAN project.

Audit observed that up to the end of March 2016, under SWAN project the Company provided horizontal connectivity to 27 departments (detailed in ***Annexure 2.2.2)*** consisting 5,159 locations in the State against the total 58 departments consisting 33,000 locations. Further, the Company has not put in place any firm strategy for extending the horizontal connectivity to the balance departments in the State in a time bound and phased manner. Thus, even after lapse of 10 years since sanction of the SWAN, the envisaged objective of the project to connect all the departments under SWAN was not achieved.

Further, in respect of 31 locations identified for serving the horizontal connections as identified by MP Excise department, 11 locations pertained to private distilleries for which the Company incurred expenditure of ₹ 1.62 crore (March 2012) in providing the computerisation facilities. However as per rule 4 (42) of the Madhya Pradesh Distillery Rules, 1995 the licensee was required to provide the computerisation facility with leased line or wireless connectivity to excise department offices. But the Company had not recovered this amount from the private distilleries up to June, 2016.

The Government stated (November 2016) that majority of departments in the state were connected through horizontal connectivity from PoP campuses in 45 districts (5,159 locations). It was further replied that some departments had not availed the facility due to unavailability of backend computerisation facilities at their end. Further, it was also replied that the Company had been following with the excise department for the release of payment.

The reply was not tenable as the Company failed to provide horizontal connectivity to all the identified 33,000 locations in the state as initially planned. Further, the fact remained that the claim from private distilleries had not been recovered so far (November 2016).

Poor Infrastructure and not working equipment at PoPs

2.2.23 Under SWAN project, the Company was required to provide Router, Switch, Modems, UPS, DG set, AC etc. in PoPs situated at State/District/Block headquarters office. As part of Performance Audit, questionnaire to 180 PoPs (user departments) was issued to elicit their response with regard to the actual functioning.

Audit observed from the responses received from user Departments that at 153 locations the DG sets worth ₹ 4.20 crore were reported to be not working, resulting in lack of power backup since last two to three years. Further at 80 PoPs there were problems in video conferencing due to connectivity issues or low bandwidth.

Audit also conducted joint physical verification of 18 PoPs as detailed in ***Annexure-2.2.1*** and found that DG sets worth ₹ 49.32 lakh in all 18 PoPs were not in working condition. The PoP rooms at two locations[6] were maintained in a very bad condition with water seeping in through walls/roof causing damage to electrical equipment. Further, UPS worth ₹ 15.57 lakh at seven locations[7] were not in working condition. The following photographs show the out of order DG set and poor condition of PoP room at two physically verified PoPs.

Photograph showing out of order DG set and poor condition of PoP room

Faulty DG Set at PoP Sanwer, District-Indore

PoP Room at Udaipura, District-Raisen

The Government while accepting the audit observation (November 2016) stated that the corrective measures such as repairing the DG sets, purchasing the new batteries and maintenance of PoP rooms had been taken up.

[6] PoP at Block Headquarter Badi and Bareli, Dist-Raisen.

[7] PoP at Block Headquarter Badi, Sohagpur, Goharganj, Astha & Mhow and District Headquarter Hoshangabad, Sehore.

Implementation of the Common Service Centre (CSC) scheme

2.2.24 Under National *e*-Governance Plan (NeGP), GoI sanctioned (November 2006) the CSC scheme to the State with an objective to provide the Government services to citizens in rural areas through IT. The CSCs are the citizen-facing end of the NeGP which were created to act as the primary delivery channel to deliver the Government services to the citizens (G2C)[8]. Besides being the delivery points for delivery of services to the common citizen at his door step, the Government envisaged the CSCs to be a change instrument that would provide a structured platform for socially inclusive community participation for development.

GoMP, in budget speech for the year 2003-04 declared to implement *e*-Governance scheme using IT to deliver the G2C services to general public in an effective, efficient and economic way. It was also envisaged to generate large scale self-employment. Hence, CSC became one of the important e-Governance schemes for providing the Government services to rural areas using IT. For the implementation of this scheme, GoI released ₹ 18.30 crore during November 2006.

The number of CSCs planned in each district and number of CSCs operational as of March 2016 is given in the map of Madhya Pradesh given below:

[8] Means services delivered by government departments to citizens directly like, domicile/birth/death certificates etc.

Madhya Pradesh State map showing the district wise number of CSCs planned and in operation.

Under the scheme, the Company was nominated as State Designated Agency (SDA) to act as facilitator, which in turn appointed (January 2008) Service Centre Agencies (SCA) for implementing the project. The SCA further appointed Village Level Entrepreneur (VLE) to run the CSCs at village level. GoI further released (March 2009) ₹ 12.20 crore to GoMP for provision of internet connectivity through Bharat Sanshar Nigam Limited (BSNL) to all the CSCs before March 2010. The details of CSCs created in the state under CSC scheme are detailed in table 2.2.4:

Table No. 2.2.4
Table showing the CSCs planned, commissioned and connectivity status

Name of SCA[9]	Target as per Master Service Agreement	Net connectivity status CSC				
		Connectivity by BSNL	Data card	Connectivity by others	Total connected	CSCc not connected
AISECT	3173	436	388	2349	3173	-
CMS	2136	332	606	921	1859	277
Reliance	1765	416	348	937	1701	64
NICT	2158	245	216	557	1018	1140
Total	**9232**	**1429**	**1558**	**4764**	**7751**	**1481**

[9] The agreement of one of the SCA three-*i* terminated (November 2010) and work allotted to AISECT.

Audit on reviewing the records pertaining to CSC scheme observed the following.

- The scheme was to be completed by GoMP in four years period (November 2010) however it was completed in April 2012 with a delay of 16 months as SCA could not complete the creation of CSCs in time due to delay in selection of VLEs and internet connectivity problems.

- GoMP directed (January 2008) to open CSCs in the Gram panchayat office premises in order to enhance the credibility and sustainability of CSCs. It was further reiterated by GoI in July and August 2009 that establishment of CSCs at Gram panchayats would facilitate the delivery of various services under its flagship schemes[10] and it would ensure sustainability by offering opportunities of income to the VLEs. However, no CSC was established by the Company in the Gram panchayats up to October 2016. Hence the envisaged framework for delivery of above flagship schemes of GoI in rural areas through CSCs was not established by the Company.

As on 31 March 2016, only 3,499 CSCs were in operation against total 9,232 established in the State.

- Out of total 9,232 CSCs established 3,499 CSCs were only in operation as on 31 March 2016. This was mainly due to the lack of commitment of private VLEs to attract larger patronage to the CSCs by penetrating into GoI flagship schemes under implementation in rural areas.

- The fact of major chunk of CSCs not in operation was also substantiated by Third Party Auditor (TPA). As per TPA reports (December 2012 to April 2015) covering 33 districts (consisting 5,331 CSCs) 3,571 CSCs (67 *per cent*) were not in operation. The main reasons for this were lack of availability of G2C services, B2C services, B2B services and poor IT infrastructure and net connectivity. Thus the not functioning of major number of CSCs established under the scheme proved that the objective of CSC scheme to provide the G2C services in rural areas through IT as envisaged in budget speech 2003-04 was not achieved.

BSNL provided connectivity to 1,429 CSCc out of total planned 9,232 CSCs.

- GoI released (March 2009) ₹ 12.20 crore to provide the internet connectivity to 9,232 CSCs through BSNL. These funds were released (February 2010) to BSNL by the Managing Director of the Company without executing any formal agreement and without approval of BoD. BSNL provided connectivity to only 1,429 CSCs, connectivity at 6,322 CSCs was provided through other operators and the remaining 1,481 CSCs were not provided with connectivity up to March 2016. As BSNL provided connectivity to 1,429 CSCs only, the balance amount of ₹ 10.30 crore[11] should have been recovered by the Company. But the same was not recovered up to October 2016.

- The Company utilised ₹ 15.11 crore against the available funds of ₹ 29.27 crore (March 2016) for the scheme and ₹ 8.78 crore were surrendered to GoI and a balance of ₹ 5.38 crore was still lying with the Company unutilised (March 2016). The main reason for the underutilisation of funds was the lesser number of CSCs in operation and as per GoI guidelines the revenue support was to be given only to CSCs which were in operation. The

[10] National Rural Employment Guarantee Scheme; National Rural Health Mission; Integrated Child Development Scheme; Sarva Shiksha Abhiyan; Mid Day Meal scheme.

[11] ₹ 12.20 crore *{9,232-1,439/9,232)}= ₹ 10.30 crore.

unutilised funds were retained by the Company for making revenue support payment to SCAs in future and for administrative expenditure. However, the fact remained that even after expiry of SCA agreement the Company had not surrendered the unutilised funds.

The Government while accepting the audit observation stated (November 2016) that the revised CSC 2.0 launched by GoI would be implemented in the State. However the reply was silent about the fact of not successfully implementing the CSC scheme in the state as only 38 *per cent* CSCs were remained in operation.

Irregular revenue support to Service Centre Agency under CSC scheme

2.2.25 The Company appointed M/s.AISET as SCA to establish 2,916 CSCs under the scheme in three divisions[12] and Master Service Agreement (MSA) was entered in February 2008 with a provision to pay revenue support ₹ 12.34 crore.

As per clause 3.1 (f) of Master Service Agreement, the SCA would not be eligible for revenue support unless all the CSCs as per the prescribed milestones have been rolled out within the specified time frame and are certified as operational by the Company. As per the prescribed milestones the SCA shall become eligible for payment of 50 *per cent* of revenue support on rolling out the 50 *per cent* of total CSCs and for 100 *per cent* of revenue support on the completion of balance 50 *per cent* CSCs.

Subsequently, GoI specified (September 2009) that revenue support to SCAs may be released on the basis of self-certification by the SCA containing full details of CSCs, connectivity status and availability of infrastructure backed by deployment of online monitoring tool. It was further provided for physical verification of CSCs within 21 days of receipt of self-certification by SDA, wherever considered necessary and the same was reiterated by GoI in August 2012.

The Company released revenue support to SCA without ensuring the installation of online monitoring tool in CSCs.

Audit observed that the Company released revenue support of ₹ 8.08 crore for the period from October 2008 to July 2012. Out of this, an amount of ₹ 2.82 crore pertaining to the period from October 2008 to September 2010 had been released provisionally on the basis of self-certification of SCA. Subsequently the Company appointed TPA and the Company released further revenue support of ₹ 5.26 crore (October 2010 to July 2012) on the basis of self-certification and verification of CSCs on random basis. However, the Company had not ascertained whether the SCAs had installed the online monitoring tool to ensure the operational status of CSCs as instructed by GoI in September 2009.

Further, Audit observed that as per TPA report 74 *per cent* of CSCs (Audited between January 2015 and April 2015) in Chambal division and 58 *per cent* of CSCs in Rewa and Sagar divisions (Audited between December 2012 and August 2014) were not operational. However, the revenue support was released based on the claims lodged by SCA under self-certification that all

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[12] Chambal, Rewa and Sagar divisons.

the CSCs were operational and without confirming the installation of monitoring tool.

The Government stated (November 2016) that the TPA was appointed in August 2011 and the Company had carried out sample survey of the CSC's through its own employees. Further, the revenue support was not released after the period when the guidelines were changed.

The reply was not tenable since the procedure adopted by the Company for releasing the revenue support was not in line with the directions issued by GoI in September 2009 and August 2012. Further, the Company released revenue support to SCAs by fully relying on the self-certification given by SCA and without ensuring the installation of online monitoring tool.

Joint physical verification and beneficiary survey of CSCs

2.2.26 Audit conducted joint physical verification of 36 CSCs along with Company officials as detailed in ***Annexure 2.2.1*** and observed that (i) at 11 locations the CSCs were not found in existence (ii) Four CSC owners have closed the CSCs and moved to other business due to insufficient business under the project (iii) at six locations the CSCs were found to be functioning in urban areas instead of rural areas and (iv) at 15 locations the CSCs were providing services of MP online, PAN card, electricity bill payment, adhar card and services of State Bank of India[13] etc. which establishes that the Company had not monitored the scheme implementation properly from the beginning resulting in not achieving the envisaged objective of the scheme.

Audit also conducted beneficiary survey of CSC service users at 10 CSCs covering 24 beneficiaries. It was found that all the 24 beneficiaries stated that the Government services like birth/death certificate facility was not provided at CSCs. Further 14 beneficiaries out of 24 beneficiaries stated that there exist net connectivity problems at CSCs.

Further Audit issued questionnaire to 27 CSC operators to elicit their response with regard to the functioning of CSCs. It was observed that (i) 23 CSC operators were not connected through BSNL but they were availing the services of other network service providers at their own cost and (ii) 27 CSC operators stated that the payment portal link for the Government services was not accessible.

The Government while accepting the audit observation stated (November 2016) that Government to Citizen (G2C) services envisaged under CSC scheme were being provided through MPONLINE portal. The fact remained that as envisaged the objective of providing G2C services in rural areas through CSCs was defeated due to failure of the Company in ensuring continuous operations of CSCs.

Construction of State Data Center at Bhopal

2.2.27 GoI sanctioned the State Data Center (SDC) project to the State in March 2008 to facilitate the hosting of state level data/applications of the Government departments. The Company was appointed as implementing

[13] All banking services of State bank of India

agency for this project. The cost of the project was ₹ 55.75 crore and it was to be commissioned within five years. The Company received ₹ 56.20 crore under the project and spent ₹ 45.48 crore till March 2016.

The construction of building and setting up of SDC were two components under the project. The Company as the implementing agency of the project awarded the work of building construction to Madhya Pradesh Road Development Corporation Limited (MPRDC). The construction of building was completed in December 2012 at a cost of ₹ 16.80 crore. M/s.HCL Info systems Limited was appointed (November 2011) as Data Centre Operator (DCO) for ₹ 17.71 crore. However, the Company could not synchronise the construction of building with the schedule of establishment of SDC.

Audit on reviewing this project observed the following:

- The Company took two years for preparing the Request for Proposal (RFP) of SDC as against the six weeks' time allowed by GoI. The DCO was appointed in November 2011 with a delay of six months due to delay at various stages in tendering process despite specific timelines set by GoI for completion of tendering process and signing of agreement with selected DCO. This led to delay in setting up the SDC and in commencing its operation.

- The SDC was to be integrated for data hosting with all the user departments within 24 weeks (May 2012) from signing of agreement with DCO. Thus, the Final Acceptance Test (FAT) of SDC should have been completed by May 2012. However, FAT certificate was issued in March 2013 with a delay of nine months. The main reason for the delay in completing the FAT was the delay in construction of SDC building.

The Company has not taken constructive steps to host all the departments of GoMP at SDC as directed by Government.

- *e*-Governance Infrastructure Management Committee (Committee) of State directed (June 2011) the Company to bring the application and data of all the departments of GoMP under SDC, so that individual departments may not establish their own Data Centre. However, the Company had not taken constructive steps to host maximum numbers of departments under SDC. As a result, only 24 departments out of 58 departments as detailed in ***Annexure 2.2.2*** were utilising the services at SDC up to the end of March 2016. This has defeated the objectives of the project.

The Government while accepting the audit observation replied (November 2016) that the Company consciously decided to go slow on the processing of RFP since the SDC building construction was not completed and efforts were made to host more number of departments under SDC.

The reply was not tenable as the Company being implementing agency was required to monitor and synchronise the activities of the project for ensuring timely completion. However, the Company failed to synchronise the construction of building with the schedule of establishment of SDC resulting in failure to achieve the envisaged objective of the project.

- Of the total space of 5,213.4 sq.mtr constructed at SDC, 1,412.65 sq.mtr (27 *per cent*) was utilised for SDC and SWAN projects, 2,622.95 sq.mtr.

(50 *per cent*) for Company Head office and MAP_IT[14] and balance area of 1,177.8 sq.mtr. (22.60 *per cent*) was lying vacant since December 2012.

The Government stated (November 2016) that the vacant space at ground floor would be used for expansion of SDC. However, the reply did not specify why the Government decided to deviate from guidelines of GoI that an ideal location for the data centre would be the first floor. It was also not clear as when the expansion would take place.

Service charges for hosting data in SDC not collected

2.2.28 In order to cover the operation and maintenance expenditure of SDC, service charges from the undertakings, boards, societies and autonomous bodies (ABs) were to be recovered. Infrastructure Management Committee of GoMP directed (June 2011) to collect charges from above users of SDC for providing services. Accordingly, the Company fixed charges for providing the services applicable from November 2013 after a delay of eight months since the commissioning of SDC *i.e* March 2013.

The Company has not collected service charges of ₹ 1.23 crore from various users of SDS services.

Audit observed that seven undertakings, four boards were utilising the services of SDC and the service charges receivable against them had accumulated to ₹ 1.23 crore (November 2013 to March 2016). However, even after fixing charges for the services, the Company failed to levy and recover these charges till date (November 2016) from above agencies.

In exit conference (October 2016) the Managing Director stated that the charges would be levied after getting the Government approval.

The reply was not tenable since the Government had already directed (June 2011) the Company to collect user charges from the data hosting users other than the Government Departments and the Company had already finalised the rates to be collected from the users in November 2013.

Electronic Manufacturing Cluster (EMC)

2.2.29 GoI under National Policy of Electronics 2012 to promote the electronics industry in the State, sanctioned (August 2014) Electronic Manufacturing Cluster (EMC) scheme for establishing one EMC each at Bhopal and Jabalpur. The Company was appointed as implementing agency and the scheduled completion period was December 2016. The scheme envisaged to provide basic development in electronic manufacturing industry, testing and calibration facilities, IT infrastructure and welfare facilities to IT units. The funding pattern of the scheme was detailed in table no. 2.2.5.

Table No. 2.2.5
Statement showing the funding pattern of the scheme *(₹in crore)*

Source / EMCs	Central Assistance	GoMP contribution	Contribution of cluster units[15]	Contribution of MPSEDC	Total
EMC, Jabalpur	17.76	6.45	10.08	3.72	38.01
EMC, Bhopal	20.86	8.11	12.10	5.09	46.16

Source: Data furnished by the Company

[14] Madhya Pradesh Agency for Promotion of Information Technology (MAP_IT) is a society working under department of Science and Technology GoMP.
[15] The units to whom land was allotted in EMC for establishing manufacturing unit.

The administrative approval for infrastructure development of EMCs, Bhopal (₹ 30.92 crore) and Jabalpur (₹ 28.51 crores) was accorded in July 2014. The Company received ₹ 30.50 crore during 2014-15 and 2015-16 and incurred expenditure of ₹ 12.36 crore (Bhopal) and ₹ 9.18 crore (Jabalpur) till March 2016. Audit on review of records observed the following:

The SPVs for the establishment of EMCs were formed after a delay of 11 months.

- As per scheme approval, Special Purpose Vehicles (SPVs) were to be formed to implement the scheme within six months of sanction by February 2015. However, the SPVs were formed in January 2016 with a delay of 11 months. As a result the second instalment of grant ₹ 6.26 crore (Bhopal) and ₹ 5.33 crore (Jabalpur), sought by the Company (August 2015) was not honoured by GoI (November 2015).

- The SPV guidelines provided that representatives of at least seven units of each EMC should be on the BoD of SPVs and the proposed EMC units must hold 51 *per cent* of the share capital of SPVs. However these conditions were not fulfilled by the SPVs in the State, all members under composition of EMCs were officials of Company only.

The Government while accepting the audit observation stated (August 2016) that the formation of SPV was delayed consciously since no private partners (EMC units) were available as members and the Company was developing EMC on its own in anticipation that EMC units would be established and their representative would be inducted as Directors in the SPV. The fact remained that the scheme guidelines were not adhered to in the formation of SPV.

- The scheme was to be implemented in two phases and first phase which included completion of development works like minimum infrastructure and manufacturing support facilities was to be completed within 15 months period by November 2015. However, work order for these works was issued in December 2014 and works were not completed up to March 2016.

- As against planned 41 units at Bhopal and 31 units at Jabalpur, only three units at Bhopal and eight units at Jabalpur were allotted land in EMC (June 2016). Against this, during joint physical verification, Audit found that only One EMC unit had commenced the operations at Bhopal by April 2016. Thus, due to delay in the development of infrastructure at these locations the broader objective of rapid industrialisation in the State could not be helped.

The Government in exit conference (October 2016), while accepting the audit observation stated that the allotment of land at EMC Jabalpur was good and efforts were underway to expedite the construction works at EMC Bhopal. The fact remained that the development works at these EMCs were not completed (November 2016).

Duplication of works included in the cost estimates

2.2.30 An area of 50 acres of land was earmarked at IT park Bhopal for establishing EMC at Bhopal. The agreement for carrying out the developmental works in IT park Bhopal was awarded (October 2012) to Madhya Pradesh Housing and Infrastructure Development Board (MPHIDB) and MPHIDB submitted the estimate for ₹ 80.00 crore in May 2013. This estimate included the developmental activities[16] to be carried out in the entire land area of 212.63 acres at IT Park Bhopal including the 50 acres area of land earmarked for EMC at Bhopal.

Audit observed that MPHIDB included these components of work worth ₹ 5.49 crore again in the estimates submitted for carrying out developmental works in the land area earmarked for EMC Bhopal. Since these activities were already included in the overall estimate submitted by MPHIDB for IT park Bhopal, the inclusion of the same in the estimate of EMC Bhopal resulted in duplication of works of ₹ 5.49 crore. Audit further observed that MPHIDB had deducted this element in respect of EMC Jabalpur while preparing the estimate for the development activities.

The Government while accepting the audit observation replied (November 2016), that there was duplication in respect of certain activities included in the development cost. It was also stated that no double payment would be made to MPHIDB against such activities.

Deficiencies in Development of State Resident Data Hub (SRDH)

2.2.31 The State Resident Data Hub (SRDH) project was sanctioned by Unique Identification Authority of India (UIDAI) in the State with the envisaged objective to maintain the confidential data of citizens of the State so that the same could be used by other departments for efficient service delivery. UIDAI sanctioned (October 2012) ₹ 10 crore for the project, out of which ₹ four crore were released in two instalments (December 2012 and December 2015). The project was to "go live"[17] by November 2015 but it was not completed so far (October 2016).

In this regard audit observations are as under:

- The Company appointed (December 2013) Consultant for project for a period of one year for ₹ 1.63 crore and further extended the services of consultant up to July 2016 and incurred further cost of ₹ one crore on the payment to consultant up to May 2016. Thus due to delay in completion of the project there was additional expenditure of ₹ one crore (Paid up to May 2016 ₹ 2.63 crore-1.63 fee for one year).

- The Company submitted (October 2014) revised DPR of ₹ 26.18 crore to UIDAI, containing the additional items of expenditure, however, the approval of UIDAI was yet to be obtained up to October 2016.

The Company procured oracle software for ₹ 3.58 crore without consent of UIDAI.

- UIDAI under this project in other states allowed the use of MySQL software; however, the Company procured Oracle software without the consent of UIDAI. The Company sought (January 2015) approval of UIDAL for the expenditure of ₹ 3.58 crore incurred against Oracle software, however, the same has not been received so far (November 2016).

The Government in exit conference (October 2016) while accepting the denial of UIDAI for procurement of Oracle software stated that the Company would approach GoMP for the sanction of additional funds required under the

[16] Drainage & Culverts, Footpaths & Pathways, water supply & sewage network, Horticulture and park development.
[17] Commencement of the project.

project. Further, the reply was silent on the other deficiencies pointed out in the implementation of SRDH project.

State Government projects and schemes

Construction of Software Technology Park (STP) at Gwalior

2.2.32 GoI sanctioned (February 2006) construction of Software Technology Park (STP) at Gwalior at a cost of ₹ 25 crore with the objective of development of IT sector. The Company executed agreement with MPHIDB (July 2009) for construction of STP. The construction of STP was completed (November 2012) at a cost of ₹ 21.97 crore. Audit on review of the project records observed the following:

- As per sanction order (February 2006), the total cost of STP was to be contributed by GoI ₹ 10 crore, GoMP ₹ 10 crore and Software Technology Park of India (STPI) a society of GoI ₹ 5 crore. The Company received ₹ 10 crore from GoI (October 2006) but the share of GoMP and STPI was not received up to May 2016. Further, Company earned interest of ₹ 2.65 crore on this fund. The project was completed with a total cost of ₹ 21.97 crore by spending ₹ 9.32 crore by the Company from its own funds. However, from the records it was found that no efforts were made by the Company to realise the share of GoMP and STPI up to October 2016.

- The Company did not invite offers for the construction of building for STP at Gwalior but assigned the work to MPHIDB. MPHIDB charged 10 *per cent* of project cost as supervision charges against this STP where as in other project executed by it during 2012, MPHIDB levied supervision charges at 6 *per cent*. Considering the lower supervision charges levied by other construction agencies (like MPRDC) in the past, the Company in 30th BoD meeting (October 2007) decided to get the supervision charges lowered to 6 *per cent* by MPHIDB which they did not agreed to. Since the Company did not invite any offers from the parties before awarding the construction work to MPHIDB, it lost the opportunity of getting the competitive rates of supervision charges. Thus, Company had incurred extra expenditure of ₹ 53.34 lakh on this account.

- The Company leased out only 10,200 *sq feet* space to two parties out of total constructed area of 90,000 *sq feet*. Thus, the envisaged objective of establishment of STP, Gwalior for the development of IT sector was not fulfilled. The DPR for this STP was prepared drawing comparison with IT Park, Indore. Since, Indore was an established IT and Industry hub of MP since long, therefore comparison of STP, Gwalior with IT Park, Indore was not appropriate. The project did not appear feasible from the planning stage itself as the DPR contained some weaknesses of the project like low local demand, location lacking unique selling propositions etc.

While accepting the audit observation, the Government stated (November 2016), that efforts were being made to lease out space at STP Gwalior and some fruitful results were expected to be realised in near future. The fact remained that the significant portion of the space available at STP Gwalior remained idle for last four years showing poor planning of the Company.

- To an expression of interest issued for leasing the space at STP Gwalior (December 2010), M/s E Matrix Private Limited expressed interest (January 2011) to occupy entire space of 90,000 sq feet @15.00 *per sq feet per month* at this STP. However, the party had to withdraw (June 2012) the offer due to delay in completion of facilities at this STP. This caused revenue loss of ₹ 4.79 crore[18] (December 2012 to March 2016).

The Government stated (November 2016) that the company turned out to be a fraudulent one and therefore did not turn up for finalising the agreement.

The reply was not tenable since the company kept its offer alive for 18 months period up to June 2012 and had withdrawn the offer due to shortage of facilities in the park required to run the business. This established the fact that the Company failed in making available the basic facilities at STP Gwalior.

Slow development of IT Parks at Indore, Bhopal and Jabalpur

2.2.33 The Company had taken up development of IT parks at Bhopal, Indore and Jabalpur at ₹ 74.15 crore, of which ₹ 27.07 crore was committed by GoI as one time assistance and balance ₹ 47.08 crore was committed by GoMP. As per DPRs prepared by the Company (February 2013, August 2012 and January 2013), these parks were to be set up in various stages. In first stage, standalone building and in the next stage additional floor space were to be constructed as per demand. Further, industrial land was also to be developed for IT units interested in independent plots. The work of development of IT parks was assigned to MPHIDB Bhopal in February 2013, Indore and Jabalpur in March 2013 and ₹ 83.37 crore was paid up to March 2016. Audit on review of records of these IT parks, observed the following:

- MPHIDB submitted the detailed estimate of ₹ 296.75 crore for the development of building and development of plots simultaneously instead of in phases as envisaged by the Company. Administrative approval for the revised cost was issued (between May 2013 and January 2016) to the executing agency for ₹ 259.25 crore without any planning for the arrangement of additional funds required.

The Company has not fixed time schedule for the completion of IT Parks (Bhopal, Indore and Jabalpur with MPHIDB.

- As per initial DPR the IT parks (Bhopal Indore and Jabalpur) were to be commissioned by March 2014, August 2014 and September 2014 respectively. However, the agreement signed with MPHIDB, did not contain time schedule for completion of IT parks and it was stated that projects would be completed as per mutually agreed completion schedule. It was noticed that the mutually agreed completion date was not frozen between the Company and MPHIDB till date (November 2016). Hence there was no commitment for MPHIDB to complete the project timely. Further, MPHIDB, in the sub-contracts awarded (March 2014) to the private contractors set the time schedule for completion of IT parks at Bhopal and Indore as March 2016. However, by this period the completion of various important components of work was ranging between 50 *per cent* and 90 *per cent* at Bhopal, 20 *per cent* at Indore. The photographs given below indicate the stage of construction work completion at IT Park Bhopal and Indore.

[18] 79,800 sq. ft. *₹15 per sq. ft. * 40 months= ₹ 4.79 crore.

Photograph showing the slow progress of construction work

IT Park Bhopal

IT Park Indore

- The available land at three IT parks was 384 acres. However the Company could not utilise 64.79 acres of land due to encroachments by local residents. This was also one of the major reasons for the slow progress of works at these parks.

- Similarly the Company decided (July 2012) to extend the existing Software Technology, Park at Pardeshipura, Indore with a cost of ₹ 15 crore. The cost of the project was revised (September 2013 and October 2014) to ₹ 46.48 crore due to increase in scope of work and the work was to be completed by September 2015. The Company released funds of ₹ 37.27 crore during July 2013 to March 2015 and the work was not completed up to November 2016. The delay in completion resulted in loss of rental which was to be received from letting out the space to IT companies.

Audit observed that the Company had not established monitoring mechanism to oversee the progress of the project. Thus failure on the part of Company to fix timelines for completion of the IT Parks and lack of monitoring over progress of work led to the delay in completion of IT parks. Further the Company had prepared the DPRs without considering the viability of the project taking into account the potential demand for IT industry in the State.

The Government stated (November 2016) that the works were delayed primarily due to change in plans and increase in the area of the buildings and the development activities of major works at IT parks was is likely to be completed by December 2016. It was further replied that the Company had finalised expression of interest (EoI) with seven IT companies for allotment of constructed space.

The reply was not acceptable as the Company's failure in fixing timelines for the works and lack of monitoring delayed the project.

Improper utilisation of funds sanctioned under Indian Institute of Information Technology (IIIT) project

2.2.34 In its endeavour to promote technical education, GoI announced (December 2010) to establish 20 new Indian Institutes of Information

Technology (IIIT) across the nation through Public Private Partnership (PPP) mode. As part of this, one such institute was proposed to be established at Bhopal at a cost of ₹ 128 crore.

DoS&T, GoMP selected (June 2013) Madhya Pradesh State Mining Corporation Limited, as the industry partner. However, the MoA on the part of members of governing council was not signed till November 2016 due to delay in completion of formalities by the stakeholders.

The Company received one time grant of ₹ 5.26 crore from GoMP during 2012-13 to 2015-16. As per rule 212 of General Financial Rules (GFR) 2012, the party which was in receipt of one time grant had to submit utilisation certificate in Form GFR 19-A. Audit observed that against the above funds received, the Company spent ₹ 48.03 lakh (up to March 2016) under the project. However, the Company submitted six Utilisation Certificates (UC) to GoMP for ₹ 5.16 crore.

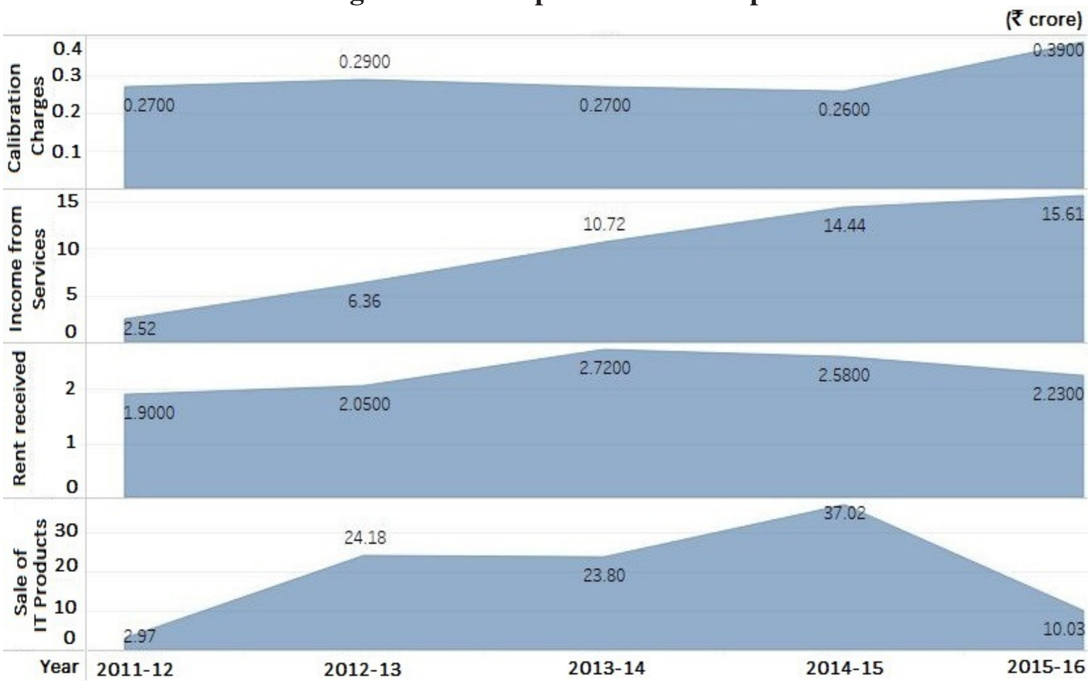
This resulted in violation of GFR 212 as the funds stated to be utilised and Utilisation Certificates submitted to that effect, were not actually utilised by the Company for the purpose for which it was sanctioned.

The Government reply (November 2016) was silent on this aspect.

Other Operational activities

2.2.35 The Company was engaged in operating activities like sale of IT products, operation of calibration labs (Indore and Bhopal), IT/ ITES services to various the Government departments and letting out space to IT units at STP/IT parks. The financial performance of operational activities during 2011-12 to 2015-16 is given in chart no 2.2.5

Chart no.2.2.4
Chart showing the financial performance of operational activities



Audit on review of operational activities of the Company observed the following:

Poor Performance of Calibration labs at Indore and Bhopal

2.2.36 The Company has two calibration labs (Indore and Bhopal) providing various test and calibration facilities to large number of public/private sector companies. The financial performance of these labs is detailed in ***Annexure 2.2.3.***

The labs were incurring heavy losses over the years and it was ranging between 63.46 *per cent* and 223.74 *per cent* (Bhopal) and between 91.07 *per cent* and 312.16 *per cent* (Indore) of their revenue during the period under audit. The loss suffered by Bhopal and Indore labs during 2011-12 to 2015-16 stood at ₹ 0.86 crore and ₹ 1.24 crore respectively. This was mainly due to heavy establishment expenditure, ineffective marketing, decrease in business due to intense competition from private labs, not carrying out the augmentation of equipment in both the labs as the equipment installed in these labs have become very old. Board of Directors (BoD) of the Company decided (March 2011) to take necessary steps to increase the business of these labs. However, no concrete steps were initiated by the Company in this regard.

The Government in exit conference (October 2016) while accepting the audit observation stated that the efforts would be made to improve the performance of these labs.

Idling of IT Training Centre building at Mhow

2.2.37 For providing the skilled manpower to IT industry, GoMP sanctioned (March 2010) an IT training centre building (at Mhow) to Company. The Company got constructed the building by Pithampur Auto Cluster Limited Indore (A GoMP undertaking) in December 2011 at a cost of ₹ 1.20 crore. The training centre at Mhow was conceptualised considering the growth of IT industry at nearby city Indore. The Company decided (August 2012) to run the center through private party and let out the building for a period of five years to M/s. *I*-Prime, Bangalore at ₹ 40,000 *per month* rent in January 2013 for training purpose.

Audit observed that the party closed the operations in June 2014 and handed over the centre back to the Company claiming that the location of the centre was not in a favourable location. Since then, the centre was lying vacant and was not generating any income to the Company as of November 2016. This showed lack of planning in developing a location at remote location without considering the potential for sustaining the business at this centre.

The Government while accepting the Audit observation replied (November 2016), that the proposal was under consideration for the alternate use of the building.

Financial Management

2.2.38 The Company's main source of income were from sale of IT products, providing Information Technology Enabled Services (ITES), rent received by letting space at STP/IT parks and interest from bank deposits. The Company has finalised its Accounts up to 2014-15 and provisional Accounts for 2015-16. The financial position and working results of the Company during 2011-12 to 2015-16 are given in the table no 2.2.6 as below.

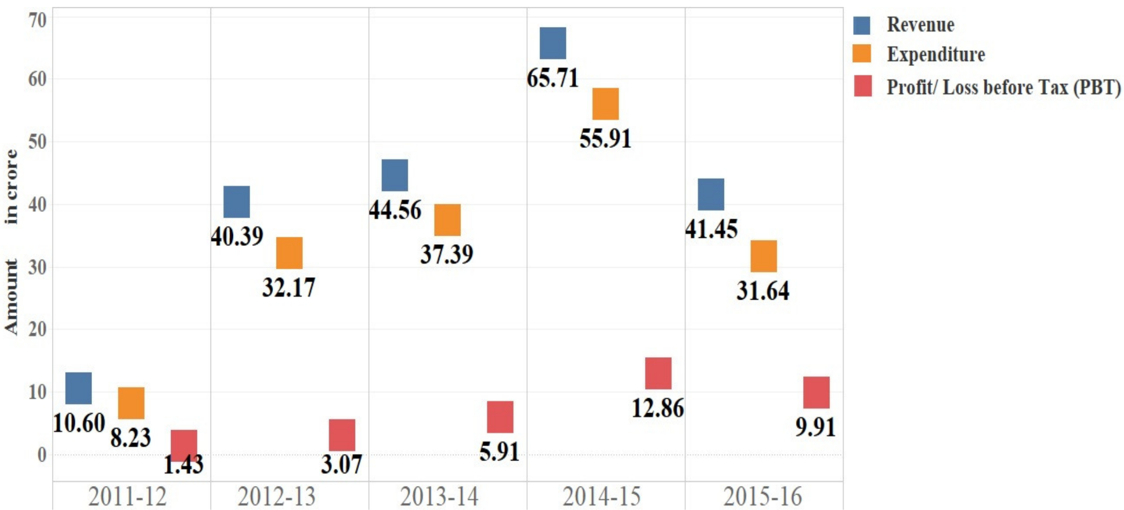
Table No. 2.2.6
Statement showing the Working results of the Company

(₹in crore)

Sl no.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16[19]
1	Revenue from Operations (ROP)	7.67	32.88	37.51	54.31	28.26
2	Interest Income	2.67	7.07	5.65	7.59	3.06
3	Misc. Income[20]	0.26	0.44	1.40	3.81	10.13
4	Total Revenue (1+2+3)	10.60	40.39	44.56	65.71	41.45
5	Total Expenditure	8.23	32.18	37.39	55.91	31.64
6	Exceptional, extraordinary and prior period items	(0.94)	(5.14)	(1.26)	3.06	0.10
7	Profit/ Loss before Tax (PBT) (4-5)	1.43	3.07	5.91	12.86	9.91
8	Profit/ Loss from operation excluding Interest and misc. Income	(0.56)	0.71	0.12	(1.60)	(3.38)
9	*Percentage* of PBT to Total revenue	13.49	7.60	13.26	19.57	23.91

Source: Data furnished by the Company

Chart 2.2.6
Chart showing the Revenue, Expenditure and Profit Before Tax of the Company



Audit on reviewing the financial performance observed the following:

- The Company's income increased from ₹ 10.60 crore to ₹ 41.45 crore and the Profit Before Tax increased from ₹ 1.43 crore to ₹ 9.91 crore during 2011-12 to 2015-16. The *percentage* of Profit Before Tax to total revenue was ranging between 7.60 *per cent and* 23.91 *per cent* during 2011-12 to 2015-16. The reasons of low *percentage* were increase in establishment and operation and maintenance expenditure and under utilisation of space at IT Park, Gwalior, idling of training center at Mhow and failure to complete projects in time.

[19] Provisional figures.
[20] Miscellaneous income includes dividend received, tender fees, processing fees and other Misc. income.

- Other income (*interest and miscellaneous income*) forms major part of Company's income ranging between ₹ 2.93 crore and ₹ 13.19 crore. Thus, Company should make effort to improve its operational income on sustainable basis.

The Government reply (November 2016) was silent on these issues.

Charging extra establishment charges under the projects

2.2.39 The Company was permitted to charge administrative expenditure under SWAN project and CSC scheme. As per the GoI instructions (November 2006 and April 2009) the permissible limit for charging the administrative expenditure was one *per cent* of overall project outlay under SWAN and four *per cent* of revenue support under CSC.

Audit observed that the Company charged ₹ 4.83 crore (2.77 *per cent* of project outlay) under SWAN project and ₹ 4.34 crore (35 *per cent* of revenue support) under CSC towards administrative expenditure up to 2014-15. However, as per the instructions of GoI, the administrative expenditure chargeable under the above projects was ₹ 1.74 crore and ₹ 49 lakh respectively. This resulted in the excess charging of administrative expenses by ₹ 3.09 crore under SWAN and by ₹ 3.85 crore under CSC.

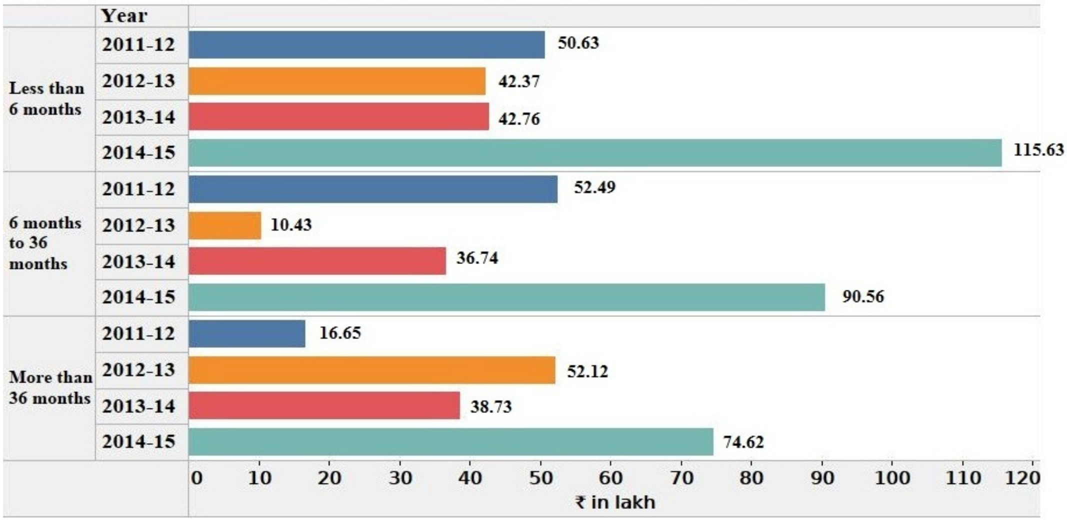
The Government stated (November 2016) that (i) GoI had initially allowed one *per cent* of the project cost as administrative expenses for SWAN project, which was increased to two *per cent* in October 2006 (ii) In case of CSC, the administrative expenses can be booked up to four *per cent* of the sanctioned cost of the project *i.e* ₹ 146.41 crore.

The reply was not tenable since (i) GoI issued orders (November 2006) limiting the administrative expenditure to one *per cent* of SWAN project cost (ii) in respect of CSC scheme total administrative expenditure should have been limited to four *per cent* of the revenue support actually claimed (₹ 12.34 crore) instead of considering the whole cost of the scheme ₹ 146.41 crore

Inefficient management of trade receivables

2.2.40 The Company supplies IT hardware and software to various departments of GoMP on credit basis. The amount outstanding against the IT supplies made to the departments was reflected as trade receivables in the Accounts of the Company. Audit reviewed the outstanding position of trade receivables for the years 2011-12 to 2014-15 and the position of the same is as detailed in chart 2.2.7.

Chart No.2.2.7
Chart showing the agewise analysis of trade receivables



The trade receivables had increased from ₹ 1.19 crore in 2011-12 to ₹ 2.81 crore in 2014-15, increased by 136 *per cent*.

Audit observed that the trade receivables had increased from ₹ 1.19 crore in 2011-12 to ₹ 2.81 crore in 2014-15, increasing by 136 *per cent*. The outstanding trade receivables beyond three years period were showing an increasing trend as they were increased from ₹ 16.65 lakh in 2011-12 to ₹ 74.62 lakh in 2014-15.

Audit found no evidence from the records to indicate that the Company was making constant efforts to realise the trade debtors, despite repeated comments in internal audit reports. Thus, poor realisation of receivables was adversely affecting the cash flow of the Company.

The Government while accepting the audit observation in exit conference (October 2016) stated that efforts were underway to improve the situation of realisation of trade receivables.

Maintenance fund not utilised by the District e-governance societies

2.2.41 In order to operate the PoPs established under SWAN, the project provided for extending support towards operation and maintenance expenditure of PoPs functioning under *e*-governance societies[21]. Further GoMP issued (May 2012) order directing the Company to pay ₹10,000 to each block for getting the Lok Seva Kendras connected to SWAN project.

Audit noticed that the Company paid ₹ 31.40 lakh (June 2012) for providing connectivity to the Lok Seva Kendras in 314 blocks. However, only four blocks submitted the details of utilisation for ₹ 2.10 lakh and no utilisation certificates were furnished for balance amount of ₹ 29.30 lakh up to October, 2016 even after lapse of more than four years.

The Government while accepting the audit observation (November 2016) stated that the Company was continuously following up the matter to collect the UCs from all the Lok Seva Kendras.

[21] *e*-Governance societies were formed at each District and Block head quarter and functioning to promote Information Technology in various departments of GoMP.

Contract Management

2.2.42 The Company awarded contracts under various schemes/projects sanctioned by GoI and GoMP for promoting the IT/ITES industry in the State. Audit reviewed the contract management system in place in the Company and observed the following:

Delay in finalising contract due to inconsistency of e-tender portal with terms of bid document

2.2.43 The Company received ₹ 4.89 crore (March 2014) as advance from PWD for providing the computer hardware. The Company invited *e*-tenders (April 2014) and placed supply order (September 2014) on M/s. Plexus Consultancy Services for ₹ 3.84 crore. Audit on review of records observed the following:

- The tender conditions specified that bidders should submit Earnest Money Deposit only through online but the *e*-tender portal had the option to accept the EMD through Bank Guarantee (BG) also. Accordingly one of the bidders' submitted EMD through BG in violation of tender terms. Thus, due to inconsistency between tender conditions and *e*-portal options, the tender was cancelled (July 2014) and this led to unwarranted delay of three months in the hardware procurement.

- As per work order, the supplier had to furnish Performance Bank Guarantee (PBG) equivalent to 10 *per cent* of work order value for a period of 40 months. However, the Supplier has not deposited PBG of ₹ 38.40 lakh up to March 2016.

- As per terms and conditions of tender document and supply order, the delivery period for hardware was 60 days from the date of order and the belated delivery attracted penalty @ 0.5 *per cent* of the value of un-delivered stores *per week* subject to a maximum of 5 *per cent* of work order value. However, the supplier delivered 516 desktops (March 2016) with a delay of 64 weeks but the Company had not levied/collected the penalty of ₹19.20 lakh[22].

The Government in reply (November 2016) accepted the inconsistency of *e*-tender portal options with the terms and conditions of tender called for. It was also replied that an amount equivalent to 20 *per cent* from the bills submitted by the party was withheld in a progressive way towards PBG and penalty. Further, the quantum of penalty was not finalised so far. However, the fact remained that the Company did not adhere to the tender terms towards method of collecting Performance Bank Guarantee and quantum of penalty to be levied.

The improper management of contract awarded for System Integrator under SWAN project

2.2.44 The Company appointed (August 2008) M/s. Tulip Telecom Ltd. (TTL) as System Integrator (SI) for supply, installation, Commissioning, operation and maintenance of SWAN project for a period of five years on 'Build, Own, Operate and Transfer (BOOT) basis. The project was to be completed within

[22] ₹ 3.84 crore * 5 *per cent*= ₹ 19.20 lakh.

nine months period *i.e* up to May 2009. The SI had to establish 360 Point of Presence (PoPs).

In this regard audit observed the following:

- As per contract terms, the payment was to be released on quarterly basis only after the project was fully commissioned and no other payment was allowed. However, considering the financial crunch faced by SI, the Company paid (March 2012) an advance of ₹ 10 crore with a condition to charge interest at the rate of 12 *per cent per annum* on the request of SI. But the Company failed to recover the advance amount and interest thereon amounting to ₹ 7.80 crore[23] after adjustment of encashed bank guarantee of ₹ seven crore from the SI up to October 2016.

- The contract entered with the SI did not provide for the risk and cost clause to safeguard the interest of the Company. The contract provided for Operation and Maintenance (O&M) of all 360 PoPs under SWAN project by the SI for a period of five years by engaging 115 persons for ₹ 11.01 crore. Subsequent to the termination of SI contract, the Company awarded alternative O&M contracts (September 2014 to February 2016) for five years period by engaging 400 employees for ₹ 49.72 crore. However, the extra expenditure incurred of ₹ 11.42 crore[24] could not be recovered from the party in the absence of risk and cost clause in the contract. Thus, the contract was defective to that extent.

- The SI contract was amended (November 2010) by enhancing the contract value to ₹ 99.88 crore from original value of ₹ 94.85 crore. Clause 7.2 of SI contract provided for increasing the PBG as per the amended value of contract. However, the Company had not obtained PBG for the increased value of the contract. Had the Company obtained PBG as per revised value of contract an additional amount of ₹ 34 lakh would have been recovered from the contractor, at the time of termination of the contract.

The Government stated (November 2016) that the Company took over the assets of SWAN network from SI amounting to ₹ 54.20 crore at the time of termination of contract which would be adjusted against pending payments of the contractor. Further, as regards to risk and cost clause it was replied that it would be included in the future tenders in the light of audit observation.

The reply was not acceptable since, the valuation of assets was not done by the Company in objective manner to ascertain their actual realisable value.

Monitoring Internal Control and Internal Audit

2.2.45 Internal control and Monitoring are essential parts of management activity. An efficient and effective system helps the management in achieving the objectives, compliance to procedures and financial discipline. Audit on review of internal control and monitoring mechanism prevailing in the Company observed the following:

[23] (₹ 10.00 crore) + (₹ 10.00 crore * 12% * 4 years = ₹ 4.80 crore) (-) ₹ 7.00 crore adjusted BG.

[24] ₹ 49.72 crore - ₹ 38.30 crore (₹ 11.01 crore*400/115) = ₹ 11.42 crore.

Board of Directors (BoD) did not review projects on regular basis

During 2011-12 to 2015-16 only 15 BoD meetings were held against the required 20 meetings.

2.2.46 As per Section 285 of the Companies Act, 1956 and Section 173 (1) of the Companies Act, 2013 (applicable from April 2014), at least four meetings of the BoD shall be held every year. Audit noticed that during 2011-12 to 2015-16 only 15 meetings were held against the required 20 meetings. Thus, failure in holding of requisite meetings at the apex level had an adverse impact on the execution of projects (SWAN, SDC, CSCs, IT Parks etc.) of the Company as they were not timely reviewed by BoD of the Company.

Further, it was also observed that important issues such as (i) not setting up of units by major companies like M/s TCS, M/s Infosys and M/s Impetus (ii) poor implementation of CSC scheme (iii) slow progress of work at IT parks Bhopal, Indore and Jabalpur and problems faced by allottees in setting up the IT units (iv) the delay in establishing IIIT, Bhopal and implementation of State Resident Data Hub and (v) the third party audit Reports of various projects (CSC, SWAN, SDC), were not being put up to BoD on regular basis for review.

The Government stated (November 2016) that efforts were being made to ensure compliance with the provisions regarding BoD meetings. The fact remained that the projects were delayed due to lack of monitoring. The reply was silent on the issue of important matters not put up to BoD.

Deficiencies in the prevalent audit system in the Company

The scope of work assigned to outsource Chartered Accountants for internal audit was not comprehensive

2.2.47 The Company did not have an independent internal audit wing and this activity was outsourced to practising Chartered Accountants. The audit of projects like SDC, SWAN project, CSC scheme was assigned to third party auditors (TPA). However no arrangement was made by the Company for audit of core activities relating to IT parks, State Resident Data Hub, Electronics Manufacturing Clusters and calibration labs at Indore and Bhopal.

Audit observed from the review of internal audit reports that the scope of work assigned to outsource Chartered Accountants was not comprehensive and the Company did not critically analyse the internal audit requirements for ensuring its effectiveness. Further, the core operational activities of the Company were not covered in the internal audit reports and they were containing routine nature of observations.

The Government in exit conference while accepting the audit observation (October 2016) stated that the core activities of the Company would also be covered under scope of internal audit in future.

Conclusion

Audit concluded that:

- **for achievement of envisaged objectives the Company had not prepared strategic and long term plan. The Memorandum of Understanding (MoUs) for the years 2011-12, 2013-15 and 2015-16 were finalised belatedly.**

- **under SWAN project the horizontal connectivity to all the departments was not provided defeating the objective of providing the connectivity at each level of administration in State.**
- **out of 9,232 Common Service Centres (CSCs) established under CSC scheme, only 3,499 CSCs were in operation as on 31 March 2016 (38 *per cent*). There were connectivity problems and unviability of business. In joint physical verification, out of 36 CSCs, 21 CSCs were not found to be operational. Thus, the objective to provide Government services to citizens in rural areas through IT was not achieved.**
- **against the total available area of 90,000 sq feet in STP Gwalior, the Company could let out only 10,200 sq feet space leaving the major area lying vacant due to deficient planning.**
- **the internal audit system available in the Company was deficient as it was not covering the core activities and other major projects under implementation.**

Recommendations

Audit Recommends that:

- **long term and strategic plan may be prepared and Company should ensure timely finalisation of MOUs to drive its activities.**
- **the Company may formulate suitable plans to provide horizontal connectivity to all the identified locations of the Government departments under SWAN project in a time bound manner.**
- **the Company may ensure sustainability of CSC and improved net connectivity to achieve the broader objectives envisaged under the National *e*-governance plan under which this scheme was conceptualised.**
- **the Company may take up IT Projects in the State by considering the future demand and potential of IT Industry to ensure their sustainability and also formulate a strategic plan to ensure utilisation of existing IT Parks**
- **the Company may strengthen its internal audit system by including all core activities and all the schemes/projects of the Company under scope of internal audit.**

2.3 Performance Audit on the working of Madhya Pradesh State Civil Supplies Corporation Limited

Executive summary

Madhya 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. The main objective of the Company was to undertake the business of procurement, storage, transportation, distribution and movement of food grains in the State. However, the Company was dealing in procurement and distribution of food grains only and the storage facility was arranged through Madhya Pradesh Warehousing and Logistics Corporation (MPWLC) which is the nodal agency of the State for storage. During the period 2011-12 to 2015-16 the Company distributed food grains under various schemes sponsored by GoI. The Company has its corporate office at Bhopal having eight regional offices and 48 district offices. During the years 2011-12 to 2015-16 the Company procured 343.55 LMT of wheat and 63.09 LMT of paddy.

The important audit findings are as under:

- During 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)

- In order to improve the financial condition of the Company, GoMP may infuse additional capital in a phased manner or provide interest-free loans or grants-in-aid or pay 50 *per cent* to 70 *per cent* of the procurement cost in advance to lower the borrowings and to enable it to sustain its activities.

(Paragraph 2.3.28)

- The targets fixation for procurement of wheat and paddy were not realistic as the Company did not revise its procurement target considering the revisions made by the Agriculture Department in the crop yield projections. Due to this the paddy procured in excess of the targets could not be milled as there was insufficient milling capacity during 2011-12 and 2012-13 in the State. This resulted in accumulation and damage of paddy stocks causing loss of ₹ 114.40 crore.

(Paragraphs 2.3.10, 2.3.11 and 2.3.14)

- Company failed to claim storage charges and interest loss suffered amounting to ₹ six crore from Food Corporation of India (FCI) against the maize stocks procured for central pool during 2011-12 which got damaged. 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)

- The Company procured excess gunny bags considering the unrealistic paddy procurement targets without assessing the actual requirement of gunny bags. This resulted in blocking up of borrowed funds with consequential interest loss of ₹ 176.01 crore during 2011-12 to 2015-16.

(Paragraph 2.3.18)

- 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

- The Company failed in finalising norms for permissible storage losses with MPWLC. This resulted in unrealised claims of storage shortages of ₹ 103 crore as of March 2016, pertaining to the period 2013 to 2016.

(Paragraph 2.3.25)

- There was shortage of staff in the Company at various levels of management. Further the Company could not deploy sufficient number of quality control staff to conduct the quality checks during procurement to match with the quantum of food grains procured during 2011-12 to 2015-16.

(Paragraphs 2.3.36 and 2.3.37)

Introduction

2.3.1. Madhya Pradesh State Civil Supplies Corporation Limited (Company) was incorporated in April 1974 under Companies Act, 1956 to act as nodal agency of the State Government to carry out central pool activities relating to procurement and distribution of food grains through Public Distribution System (PDS). The main objective of the Company was to undertake the business of procurement, storage, transportation and distribution of food grains in the State. However, the storage facility for food grains was arranged through Madhya Pradesh Warehousing and Logistics Corporation (MPWLC) which is the nodal agency of the State for storage activity. Further, food grains are also stored in godowns of Central Warehousing Corporation (CWC) and Food Corporation of India (FCI) under central pool.

The Company and Madhya Pradesh State Cooperative Marketing Federation[1] (MP Markfed) procure wheat and paddy from farmers in the districts through Co-operative Societies, allotted to them by Government of Madhya Pradesh (GoMP). The numbers of procurement centers and their locations are decided

[1] MP Markfed is a registered agency of Government for procurement of food grains in the State and the Company is nodal agency for procurement and distribution. Therefore, the procurement of food grains in the State was allocated between the Company and the MP Markfed every year.

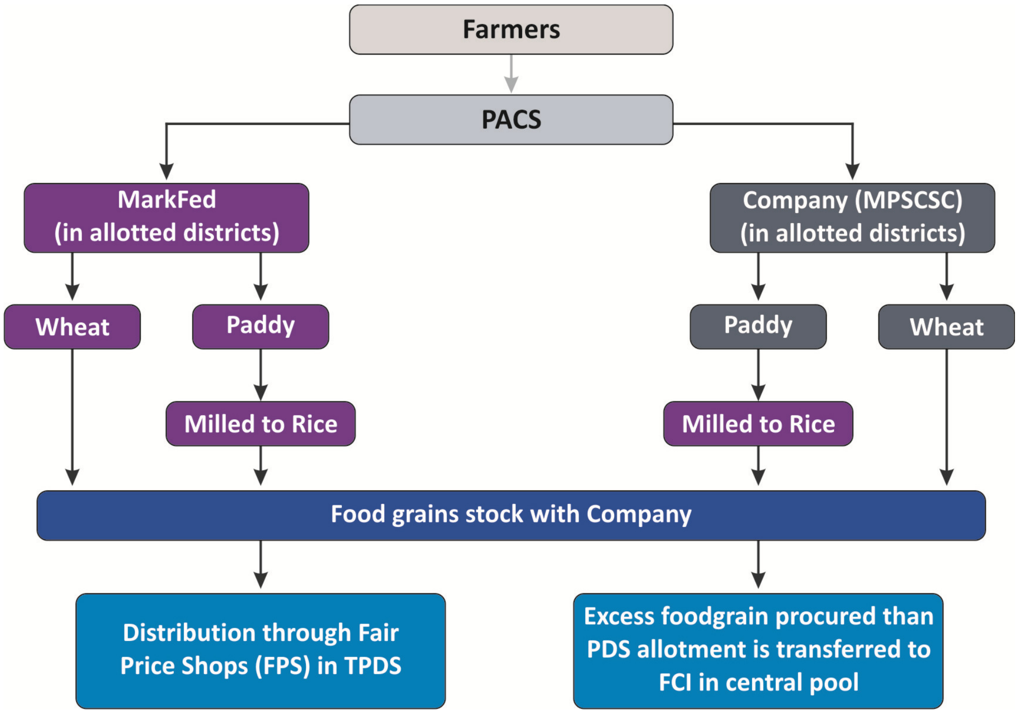
by the District Collectors considering the factors such as geographic location of the procurement center, staff availability of the Company and MP Markfed etc., In the year 2015-16, the Company was allotted 25 districts for procurement of wheat and 19 districts for procurement of paddy while MP Markfed was allotted 26 districts for procurement of wheat and 32 districts for procurement of paddy.

The food grains brought to the purchase centers confirming to Fair Average Quality (FAQ) [2] norms of Government of India (GoI) are purchased by paying the Minimum Support Price (MSP) as declared by GoI from time to time in order to cover maximum number of farmers under the MSP mechanism. In the cases where the farmers get better price than the MSP declared by GoI, they are free to sell their produce in the open market.

The wheat quantities procured by MP Markfed are handed over to the Company immediately, whereas in case of paddy the resultant rice after custom milling of paddy procured is handed over to the Company. Likewise, the wheat procured by the Company is stored in the godowns while in case of paddy the resultant custom milled rice is stored in the godowns for distribution under various welfare schemes as per allocations made by GoI. Under the Decentralised Procurement (DCP) system in vogue in the State, the excess quantities of wheat and rice procured over and above the allocation made by GoI under Targeted Public Distribution System (TPDS) would be surrendered to FCI for the central pool operations. The claims in respect of food grains distributed under various welfare schemes in the State, are raised on GoI and claims in respect of food grains quantity surrendered to central pool are raised on FCI. In case any of the claims are rejected by GoI, the same would be claimed from the State Government. The Flow chart showing the activities involved in the procurement and distribution of food grains is given in **chart 2.3.1**

[2] These specifications provide the upper limit (in terms of percentage) of various quality parameters beyond which the paddy/rice/wheat cannot to be procured/accepted by procuring agencies/Company

Chart -2.3.1
Chart showing the flow of activities in procurement and distribution of food grains



Organisational setup

2.3.2 The Company functions under the administrative control of Department of Food, Civil Supplies and Consumer Protection (DoFCS&CP), GoMP. DoFCS&CP is headed by Minister for Food and Civil Supplies who is assisted by Principal Secretary (FCS&CP) for framing various policies and for issuing the guidelines relating to procurement and distribution of food grains in the State.

The management of the Company is vested in the Board of Directors (BoD) consisting of eight directors including Chairman, Managing Director (MD) and Executive Director (ED).The MD is the chief executive of the Company who is assisted by an ED (Finance), four General Managers (procurement, distribution, transport and administration) and Deputy General Managers at the head office. For execution of the activities at the field level there were eight Regional Offices (ROs) headed by Regional Managers and 48 District Offices (DOs) headed by District Managers.

Audit objectives

2.3.3 The Performance Audit was carried out to assess whether:

- Procurement of food grains and gunny bags was carried out as per directives of GoI/ GoMP and was economical, efficient and of required quality;
- Transportation, storage and handling of food grains were efficient, effective and transparent;

- Effective financial management existed in managing the activities and safeguarding Company's financial interest; and
- Effective internal control and monitoring mechanism were in existence.

Audit criteria

2.3.4 Audit criteria were benchmarked and derived from the following sources:

- Food Safety and Standards Act, 2006;
- Yearly Procurement Orders issued from time to time by GoMP including instructions and guidelines for targeted procurement and distribution/ implementation of food subsidy schemes, Memorandum of Understanding (MoU) etc.;
- Agenda and Minutes of Board of Directors (BoD) meetings, internal orders/ circulars and records maintained at Corporate/ Regional/ District Manager office(s);
- Financial claims with regard to subsidy, economic cost and other costs/ losses from GoI/ GoMP/ FCI and other agencies involved; and
- Contracts and agreements with Rice Millers and Transport Contractors.

Scope and methodology of audit

2.3.5 The present Performance Audit was conducted during March to July 2016 to assess the performance of the Company for the period April 2011 to March 2016 covering Head Office (HO), two[3] out of eight Regional Offices and 13[4] out of 48 District Offices selected on the random sampling basis. The food grains stored in eight[5] godowns in the selected units were verified during joint physical verification.

Entry Conference was held on 24 February 2016 with the Government/Company wherein audit objectives were discussed. The audit findings were reported to the Company and the Government in August 2016 and the replies of the Government and Company were received in November 2016. Exit conference was held on 8 November 2016 and the views and replies of the Company and the Government have been suitably incorporated in the Report.

Previous Audit coverage

2.3.6 The Performance Audit report on the working of the Company was last reviewed and included in the Audit Report (Commercial) of the Comptroller and Auditor General of India on Government of Madhya Pradesh for the year ended 31 March 2010 and was discussed by the Committee on Public Undertakings (COPU) in September 2012. The recommendations of COPU were awaited (October 2016).

[3] Satna and Ujjain.
[4] Bhopal, Dewas, Dhar, Gwalior, Harda, Hoshangabad, Katni, Mandla, Sagar, Satna, Seoni Sheopur and Ujjain.
[5] Dewas, Bhopal, Katni, Satna, Sagar, Gwalior, Sheopur and Ujjain.

A Performance Audit on Public Distribution System of the Company was also conducted and incorporated in Audit Report No. 3 of 2015 of the Comptroller and Auditor General of India on General & Social Sectors, Government of Madhya Pradesh, which was yet to be discussed (October 2016) in the Public Accounts Committee (PAC).

Physical and Financial Status

2.3.7 During the years 2011-12 to 2015-16 the Company procured 343.55 LMT of wheat and 63.09 LMT of paddy under DCP mechanism. Further the Company arranged through MPWLC and CWC the storage space ranging between 36.53 LMT and 73.22 LMT during this period. During 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.

Audit Findings

Delay in executing the Memorandum of Understanding (MoU)

2.3.8 As per the directions of the Department of Public Undertakings, every Public Sector Undertaking in the State is required to enter into Memorandum of Understanding (MoU) with the State Government before commencement of the relevant financial year detailing the activities proposed to be undertaken in the ensuing year. The MoUs mainly include physical and financial targets and evaluation of the achievement made against previous year targets.

Audit observed that the Company delayed the submission of MOUs during the period 2011-12 to 2015-16 ranging between four and eight months. It was mainly due to delay in compilation of requisite physical and financial data. The Company committed delay in submission of MoUs for the years 2011-12, 2012-13, 2013-14 and 2015-16 and the MoUs were signed belatedly in the months of November 2011, February 2013, November 2013 and November 2015 respectively after completion of major part of the relevant financial year. MoU for the year 2014-15 though submitted by the Company in April 2014, was not finalised by GoMP up to October 2016. Thus, the purpose of entering MoU with the GoMP to optimally drive the operations of the Company was defeated.

The Government in the exit conference (November 2016) assured that they would take measures for the early submission and finalisation of the MoUs in future.

Procurement of Food grains

2.3.9. GoMP appointed (February 2009) the Company as nodal agency to undertake procurement and distribution of wheat, paddy and coarse grains through Targeted Public Distribution System (TPDS). TPDS was meant for making available essential commodities to the weaker sections at Central Issue Price (CIP) and ensures supply of food grains to the remotest corner of the State. As per DCP mechanism in vogue in the State, the Company on behalf of State Government undertakes the procurement and storage of wheat and paddy on behalf of GoI and distributes them under TPDS and other welfare schemes.

GoI reimburses the entire expenditure incurred by the State Governments on the procurement operations as per GoI approved cost.

Under DCP mechanism GoI prescribes the quality norms of food grains to be procured. Further GoMP (Agriculture Department) fixes the estimated quantities of food grains to be procured depending on the crop production in the State and ensure that the farmers are not compelled to sell their produce below the MSP fixed by GoI. The food grains are procured at procurement centers managed by Primary Agricultural Co-operative societies (PACS).

The cost of procurement is transferred online to the PACS who in turn make payments to the farmers. At the end of the procurement season[6] the final payment is made to PACS through District Central Co-operative Banks (DCCBs). The Company was responsible for ensuring the FAQ of food grains as per the guidelines notified by GoI every year. The photograph below shows procurement operations at procurement centers:

Procurement center at Gwalior district **Procurement center at Mandla district**

Incorrect fixation of procurement targets in respect of wheat and paddy

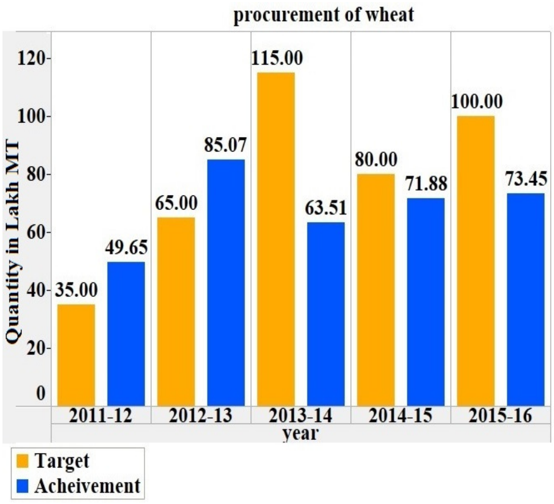
2.3.10 The targets fixed by GoMP for procurements of food grains (wheat, paddy & coarse grains) and quantity procured during Kharif Marketing Season (KMS) and Rabi Marketing Season (RMS) 2011-12 to KMS and RMS 2015-16 along with short fall/excess against the target was shown in ***Annexure -2.3.1.***

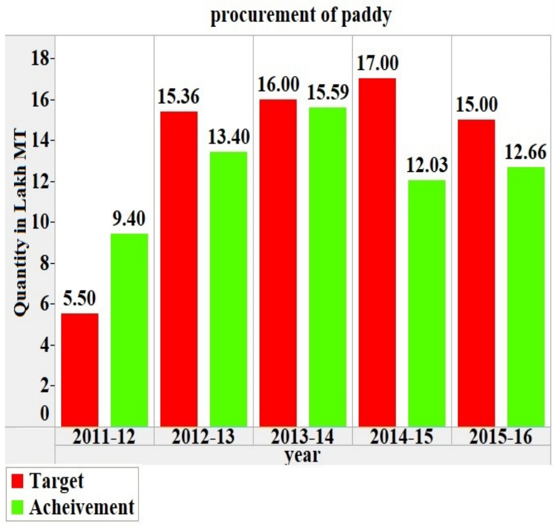
The actual procurement of wheat and paddy vis a vis the targets is depicted in the chart 2.3.2.

[6] The procurement period includes two procurement seasons in a year viz. RMS from March to June (wheat) and KMS from October to February (paddy and coarse grains).

Chart 2.3.2

Chart showing the targets and achievement in procurement of wheat and paddy





From the above chart it is evident that the targets fixed were not realistic as there were wide variations in the targets fixed and actual procurement made over the years. In respect of wheat the targets were on lower side in 2011-12 and 2012-13 and they were abnormally high during 2013-14 to 2015-16. This resulted in higher procurement of wheat by 41.86 *per cent* and 30.87 *per cent* above the targets in 2011-12 and 2012-13 while there was a shortfall in achievement of procurement targets ranging between 10.15 *per cent* and 44.77 *per cent* in 2013-14 and 2014-15. Similarly the paddy procurement was higher by 70.91 *per cent* above the target in 2011-12, while there was shortfall in paddy procurement ranging between 2.56 *per cent* and 29.17 *per cent* in 2012-13 to 2015-16.

It was further observed that Agriculture Department of the State revises the crop yield figures from time to time during KMS and RMS in a year considering the climatical conditions affecting the crop yield. However, the Company did not carry out the revision in procurement targets considering the changes projected in crop yield by the Agriculture Department and continued with the initial crop yield figures. Thus, the Company failed to revise the targets on realistic basis duly considering the changes taken place in the State having impact on the crop yield.

Hence meticulous planning was essential on the part of the Company and the Government since it had ramifications on arranging the storage space, transportation facilities and procurement of gunny bags as discussed in paragraph number, 2.3.14, 2.3.18 and 2.3.11.

The Government stated (November 2016) that estimates of procurement was made based on sowing area and the procurement data of previous years. Further, production of crop depends on climatic conditions and procurement fluctuates with the prevailing market rates.

The reply was not tenable as assessment of expected crop should have been reviewed between the period of sowing and harvesting so as to fix realistic targets for procurement of wheat and paddy.

Mismatch between paddy procured and milling capacity

2.3.11 As per the MoU entered between the State Government and GoI, the Company procures paddy at MSP. The procured paddy was milled by millers and the resultant rice would be transferred to the Company at its designated godowns. The Company stores stocks under proper scientific storage and distribute them under PDS and other welfare schemes as per allocation made by GoI. The cost of conversion of paddy into rice through custom milling operation would be paid by GoI at the rate of ₹ 15 per quintal. Rice available in excess of the allocation would be handed over to the FCI for central pool.

Audit observed that the State had very limited milling capacity and storage facility during 2011-12 and 2012-13. The State had milling capacity of 1.24 LMT (262 millers) per month in 2011-12 which increased to 6.33 LMT (441 millers) per month in 2015-16. In addition to the MSP declared by GoI, the State Government declared bonus of ₹ 50, ₹ 100 and ₹ 150 per quintal during the years 2011-12, 2012-13 and 2013-14 respectively. Due to this the procurement of paddy by the Company (excluding procurement by MP Markfed) increased from 5.08 LMT in 2011-12 to 9.19 LMT in 2013-14. The details of paddy procured and custom milled during last five years are given in table 2.3.1.

Table 2.3.1

Table showing the details of procurement and milling of paddy

(Quantity in LMT)

Year	Opening balance	Procure ment	Total	Issued to millers	Shortage /sale	Balance for milling	Percentage of unmilled paddy
2011-12	1.91	5.08	6.99	2.78	0.07	4.14	59.23
2012-13	4.14	6.79	10.94	3.93	0.12	6.89	63.01
2013-14	6.89	9.19	16.09	4.28	0.24	11.57	71.91
2014-15	11.50.	6.58	18.15	9.52	1.69	6.93	38.21
2015-16	6.93	6.18	13.18	8.87	0.43	3.82	29.12
Total		**33.82**		**29.38**			

Source: Data provided by the Company

Sufficient milling capacity was not ensured in tune with the procurement of paddy resulting in delayed milling of paddy during 2011-12 to 2015-16.

From the table it is evident that the Company procured 33.82 LMT of paddy during 2011-12 to 2015-16 but milled only 29.38 LMT. It was mainly due to insufficient milling capacity in the State. The percentage of unmilled paddy to total procured paddy ranged between 59.23 *per cent* in 2011-12 and 29.12 *per cent* in 2015-16. Though the percentage of unmilled paddy reduced during the audit period due to considerable increase in the milling capacity in the state, the Company was unable to get the total procured paddy milled in any of these years. This led to accumulation of unmilled paddy stocks causing damage of paddy due to improper storage and resultant loss to the Company as discussed in paragraph 2.3.14.

The Government stated (November 2016) that in view of limited milling capacity in the State the Company declared milling incentive of

₹ 25 per quintal in addition to the milling charges of ₹ 15 per quintal paid by GoI and stated that 100 *percent* milling was achieved in 2013-14 to 2015-16.

The reply was not tenable as there was unmilled paddy ranged from 11.57 LMT to 3.82 LMT during 2011-12 to 2015-16. This shows that 100 *per cent* milling was not achieved despite paying additional milling incentive by GoMP.

Extension of undue benefit to the millers

2.3.12 As per Clause 3 of the milling agreement signed with millers for KMS 2012-13, the miller should deliver 50 *per cent* CMR to FCI and 50 *per cent* CMR to the Company. If the miller fails to do so, penalty at the rate of ₹ 18,100 per lot[7] shall be recoverable from the miller.

Audit observed that FCI rejected CMR deliveries from 147 millers in 11 districts[8] due to their offering below FAQ norms CMR under central pool operation. Therefore, the millers became reluctant to deposit CMR with FCI for central pool. Considering the increasing stocks accumulation, GoMP directed the Company to accept the stocks offered by millers for central pool. Accordingly the Company accepted the stocks as offered by the millers. However, while accepting the stocks the Company had not conducted any quality checks to ensure that the CMR was confirming with FAQ norms. Hence the CMR which was rejected by FCI due to inferior quality was issued under PDS by the Company.

Further the Company due to not complying with the milling agreement terms (clause 3) had withheld ₹ 5.82 crore from available deposits against 102 millers, but could not recover ₹ 1.16 crore from 45 millers in five districts[9] against whom no deposit was collected by the Company under CMR milling agreement.

The Government stated (November 2016) that the millers were reluctant to offer CMR to FCI, therefore the company had withheld ₹ 5.82 crore from security deposits that were available against the millers and against those millers who did not submit the security deposit , their transport bills were withheld.

The reply was not tenable as the Company had extended undue benefit to the millers by accepting poor quality rice without conducting the requisite quality checks which was rejected by FCI. The penal amount was also not recovered against 45 millers from whom the requisite security deposit was not collected by the Company under milling agreement.

[7] One lot =27 MT.

[8] Katni, Seoni, Narsinghpur, Dindori, Mandla, Satna, Shadol, Rewa, Sidhi, Singrauli and Umaria.

[9] Dindori, Mandla, Satna , Sidhi and Singroli.

Millers did not lift the agreed quantity of paddy for milling

2.3.13 As per clause 6 of the milling agreement, in case of failure to mill the agreed quantity of paddy within the agreement period the miller shall pay penalty of ₹ one *per quintal per day*.

In one of the test checked districts (Mandla) audit observed that the millers milled lesser quantity of the paddy than the agreed quantity. The quantity of paddy short milled was 1,77,960 MT during 2011-12 to 2015-16 (ranging between 1.33 *per cent* to 25.34 *per cent* of the agreed quantity). But, the district office failed to impose penalty as per the agreement amounting to ₹ 1.14 crore from the millers.

The Government stated (November 2016) that the milling was completed with delay. It was further stated that FCI was not accepting the CMR from the millers hence the milling was delayed. The lesser number of millers was also stated to be one of the factors for this situation and imposition of penalty on the millers would have further detracted the millers.

The reply was not tenable as the Company did not adhere to the agreement clause. Further, there was considerable increase in milling capacity from 1.24 LMT (262 millers) per month in 2011-12 to 6.33 LMT (441 millers) per month in 2015-16 due to declaring milling incentive of ₹ 25 in addition to regular milling charges in the last five years and hence applying the penalty clause on the erring millers would not have hampered the milling.

Loss on Sale of damaged Paddy

2.3.14 During KMS 2012-13, GoMP declared bonus of ₹ 100 per quintal on paddy over and above MSP of ₹ 1,250 per quintal. Due to declaration of bonus and low rate prevailing in the open market farmers offered entire paddy to the Company for procurement. Hence, the paddy procured by the Company was increased by 42.55 *per cent* over the previous years. The Company was aware that there would be increase in the procurement of paddy due to declaring of bonus but did not ensure enough storage arrangement. The State had a storage capacity of 54.74 LMT during 2012-13, whereas the procurement of wheat and paddy for the year was 98.47 LMT. Therefore, due to lack of enough storage the procured paddy was stored in open CAP[10].

Failure in ensuring proper storage resulted in damage of paddy and loss of ₹ 114.40 crore.

Audit observed that 2.25 LMT of paddy which was stored in open CAP got damaged/deteriorated. As the damaged food grains could not be milled and distributed under PDS, GoI directed (September 2013) the Company to dispose the damaged stock in the open market. Accordingly, Company called for tenders (January/April 2014) and sold 1.66 LMT (1.60 LMT in 2014-15 and 0.06 LMT during 2015-16) in the open market below the procurement cost
(₹ 1783.48 &₹ 1802.20 per quintal) thereby suffering a loss of ₹ 114.40 crore on account of damaged paddy. The Company claimed (June 2014) the loss amount of ₹ 107.05 crore from GoMP which was reimbursed (March/October 2015) while the remaining amount of ₹ 7.35 crore loss was yet to be claimed. Thus, lack of planning and preparedness to arrange proper storage,

[10] Covered Area and Plinth (CAP) is an open platform made of sand or cement & Bricks used to store food grains.

the Company caused loss to the State Government exchequer to the tune of ₹ 107.05 crore.

The Government and the Company stated (November 2016) that storage was the responsibility of the MPWLC. It was further stated by the Company that the loss incurred on sale of damaged stock was reimbursed by State Government.

The reply was not tenable as the Company failed to ensure sufficient storage space in consultation with the MPWLC at the time of procurement which led to damage of paddy. As regard to reimbursement of the loss incurred on damaged stock, the Company was yet to claim (November 2016) the balance amount of ₹ 7.35 crore from GoMP.

Loss suffered by the Company on sale of Maize

2.3.15 The Company procured 14,241.50 MT of Maize valuing ₹ 13.91 crore under DCP mechanism in Chhindwara district during November/December 2011 for central pool. FCI directed Gujarat State Civil Supplies Corporation (GSCSC) to lift the maize from the Company. But GSCSC failed to lift 11,274.8 MT of maize up to March 2014 and this maize stocks remained with the Company. Maize got shelf life of six months only and therefore it got damaged/deteriorated. Further 827.3 MT of maize was lost in storage and the cost of the same was claimed from MPWLC.

Subsequently, GoI directed (March 2014) the Company to dispose off the damaged maize stocks in the open market. Accordingly, Company called for tender (August, 2014), and sold 10447.5 MT of Maize at ₹ 9.54 crore (at an average realisation of ₹ 9130 per MT) against its economic cost of ₹ 11930 per MT. Thus resulting in loss of ₹ 2800 per MT amounting to ₹ 2.93 crore against the total quantity of Maize disposed off. The Company belatedly (November 2015) claimed the loss of ₹ 2.93 crore from FCI.

Interest loss and storage charges paid ₹ six crore was not claimed from FCI against Maize procured for central pool which was subsequently damaged.

Audit observed that the Company procured the Maize stocks for the central pool availing cash credit from bank bearing interest and this amount was blocked from December 2011 to August 2014 (till the sale of maize) and incurred interest loss on these funds. Further, the Company also incurred storage charges on the damaged maize stocks until its disposal. But the Company claimed only difference cost of the maize without claiming the storage charges (₹ 2.15 crore) and interest loss[11] (₹ 3.85 crore) suffered amounting to ₹ six crore (June 2016)

The Government stated (November 2016) that constant correspondence was done with FCI for lifting of the maize but FCI could not lift the stock which eventually got damaged. A claim was lodged for ₹ 2.93 crore against the loss suffered by the Company on sale of the damaged maize.

The reply was not tenable as the claim of ₹ 2.93 crore was still not acknowledged by FCI. Further, the Company failed to claim the storage charges of ₹ 2.15 crore and interest loss suffered by the Company on the borrowed funds amounting to ₹ 3.85 crore.

[11] At the rate of 10% cash credit interest during 2010-11.

Deficiencies in the implementation of e-procurement system

2.3.16 The State Government introduced *e*-procurement system from KMS and RMS 2012-13 onwards to strengthen the procurement operations in the State. This system was meant for developing the unified database of farmers in the State, to facilitate the farmers to sell their produce at MSP and the identification of genuine farmers.

In this regard at the test checked district offices of the Company, Audit observed the following shortcomings under *e*-procurement system:-

- In Dewas, the name of a single farmer was found to be registered for eight times and the mobile number of one farmer was used in the registration of seventy other farmers. Hence there was no uniqueness of the data maintained by the Company to ensure the misutilisation of the *e*- procurement system that results in irregularities in the procurement operation.

- In Satna, complaints regarding not receiving payment against food grains sold by the farmers at procurement centers Amarpatan and Satna had been reported. During enquiry conducted by administration it had been revealed that procuring societies, without making timely payment to farmers, made false entry of payment in the *e*-procurement portal. Hence the *e*-procurement portal should be upgraded to avoid such manipulations by the agencies involved in the procurement.

- In Ujjain the software failed to detect two online transport Challans generated against a single transaction of transporting the wheat. Hence the possibility of making double payments was not ruled out in the *e*-procurement system software.

Thus *e*-procurement system needs to be refined to arrest the instances of above mentioned irregularities found in the e-procurement software and should develop sufficient and strong internal checks in the software to ensure data uniqueness and to avoid the duplication of the database to ensure fair procurement process.

The Government (November 2016) assured that the identified defects in the software will be rectified.

Procurement of Gunny Bags

2.3.17 The Company at the commencement of each procurement season (Rabi Marketing Season (RMS) and Kharif Marketing Season (KMS)) assess the requirement of Gunny bags (Jute/Polypropylene (PP)) for packing and securing food grains. Accordingly it purchases the gunny bags from Director General of Supplies & Disposal (DGS&D), Kolkata by paying full amount in advance at the time of placing indent before commencement of procurement season. As per the prescribed procedure the Company has to pay 100 *per cent* advance to DGS&D 30 days prior to the actual supply time. However, during the period under audit paid the advance amount four to five months before the proposed supply time.

Excess procurement of gunny bags and blocking up of borrowed funds

2.3.18 Based on the procurement targets set for each RMS and KMS, the Company plans for the procurement of required gunny bags (one bag for 50 kg wheat and one bag for 40 kg paddy). The Company procures 20 *per cent* extra gunny bags for contingencies. Audit worked out the requirement of gunny bags based on the food grain procurement projections and actual utilisation of gunny bags based on the actual food grains procurement. The details of gunny bags requirement projected, their actual procurement and actual utilization are given in the table 2.3.2:

Table 2.3.2
Table showing the procurement and utilisation of gunny bags

Year	Projected gunny bags requirement in bales[12]	Actual no. of gunny bales procured[13]	Excess procurement	Actual utilization of gunny bales[14]	closing stock of Gunny bales (cumulative)	Value of closing stock (₹ in crore)	Interest loss @10% (₹ in crore)
2011-12	194000	228173	34173	245560	6586	13.17	1.32
2012-13	385728	484143	98415	407280	83449	166.90	16.69
2013-14	628800	629000	200	331990	380459	760.92	76.09
2014-15	465600	160170	0	347720	192909	385.81	38.53
2015-16	552000	379462	0	355700	216671	433.34	43.33
Total	**2226128**	**1880948**	**132788**	**1688250**			**176.01**

Source: data provided by the Company

As seen from the table 2.3.2 the Company procured 1,32,788 bales in excess of the requirement during the years 2011-12 to 2013-14 however their utilisation was very poor leading to accumulation of 3,80,459 bales during 2013-14 and blocking of funds amounting to ₹ 760.92 crore. Though, the Company in the subsequent years (2014-15 and 2015-16) realising the excess available stock procured less quantity of gunny bags the closing stock of gunny bags however remained high. This was mainly due to poor planning, lack of inventory management and failure of the Company to revise the procurement targets on realistic basis (as discussed in para 2.3.10) and accordingly plan for procurement of gunny bags in line with the revisions made by Agriculture Department in the crop yield from time to time during the season. This led to blocking up of funds with consequential interest loss of ₹ 176.01 crore during 2011-12 to 2015-16.

Procurement of gunny bags in excess of requirement resulted in blocking of funds and consequential interest loss of ₹ 176.01 crore.

Audit also observed that during 2011-12 to 2015-16 the Company had not reconciled the gunny bags and hence 42.80 lakh gunny bags worth ₹ 17.55 crore available with the Company or supplied to Procuring Societies and MP Markfed, were got damaged and became unusable (July 2016). Had the Company considered the available stock of gunny bags while assessing the

12 One bale = 500 gunny bags.
13 The stock on 31.3.2011 was 23973 bales.
14 Considering 50kg of wheat and 40kg paddy in one bag.

quantities to be purchased and had utilised gunny bags on FIFO method this damage of gunny bags could have been avoided.

The Government stated (November 2016) that estimate for the procurement of gunny bags was made on the basis of estimated procurement of food grains which in turn depends upon climatic conditions and the price of food grains in the open market. It was further stated that the gunny bags were damaged due to insufficient storage facility at procuring societies and also due to moisture in the gunny bags.

The reply was not tenable as the target for procurement of wheat and paddy is set at the time of sowing in October and June of the respective years. Therefore, the targets should have been periodically reviewed to assess the realistic requirement of gunny bags so as to avoid blocking up of borrowed funds. Further the Company failed to consider the available quantities of gunny bags with it while placing order for the purchase of new gunnies leading to accumulation of excessive stocks of gunny bags.

Delay in claiming refund of unutilised funds from DGS&D

2.3.19 The Company paid an advance of ₹ 1,498.53 crore to DGS&D for procurement of 8.21 lakh gunny bales during January 2011 to November 2013. Out of this amount the Company could not utilise ₹ 40.14 crore.

Audit observed that the Company failed to claim refund of unutilised advance at the end of respective procurement seasons and had raised the claim belatedly (August 2015) for ₹ 40.14 crore. DGS&D after retaining 5 *per cent* amount as security refunded (August 2015) ₹ 38.68 crore.

Audit also observed that for the period December 2014 to March 2016 the Company had not yet reconciled the unutilized funds for lodging the refund claims with DGS&D, hence, audit could not quantify the claim. Thus, due to the delay in reconciliation and persuasion with DGS&D for refund of the unutilised funds the Company incurred avoidable interest[15] of ₹ 16.10 crore.

The Government stated (November 2016) that DGS&D supplies gunnies to the Company as per its requirement, only after making the 100 *per cent* advance amount. After completion of the procurement season DGS&D would provide copy of the bill and accordingly the Company would claim the refund of unutilized amounts. It was stated that DGS&D delayed submission of the final bills which resulted in blockage of fund.

The reply was not tenable as the Company should keep track of the unutilised funds and claim for refund/adjustment in subsequent orders as the Company was uitilising interest bearing funds.

[15] Interest rate of cash credit of SBI during 2011-12 at the rate of 10% p.a.

Transportation of food grains

2.3.20 The Company procured food grains at 1708 procurement centers spread across the State and had transported to various godowns of MPWLC and CWC for storage. Further the resultant excess CMR obtained from the millers was transported to FCI godowns for central pool operations. The Company also transported food grains to 22,000 fair price shops (FPS) spread across the State for distribution under TPDS.

For transporting the food grains, the Company engaged private transporters who were selected through online tendering process. The Company constituted a tendering committee for this purpose consisting of Executive Director (Finance), GM (Transport) and GM (Procurement and Distribution). For this purpose, the State was divided into regions and subdivided into small pockets known as sectors. Sector wise transportation tenders were called for Long Route Transport (LRT) *i.e* LRT (Procurement), LRT (general), LRT (distribution) etc, the various categories of transportation are shown in ***Annexure-2.3.2***. A test check of transportation contracts conducted at the Corporate Office of the Company and at selected District offices revealed the following short comings:

Abnormal variation in lead rates finalised

2.3.21 The transportation contracts awarded by the Company consists of different rate slabs for different distances (leads) to be covered under the contract and the contract would be awarded to parties who quote the lowest rate (L1).

Economy was not followed in finalising the lead rates for various transport agreements during 2011-12 to 2015-16 resulting in higher payments in Bhopal Region.

Audit conducted test check of records at two regions namely Bhopal and Ujjain and observed that in these regions there was abnormal variation in the lead rates ranging between ₹ 89 and ₹ 333 at Bhopal Region[16] and between ₹ 35 and ₹ 155 at Ujjain Region[17] among various types of transport contracts entered during 2010-11 to 2014-15 as shown in ***Annexure-2.3.3.*** The lead rates for one to 25 km (LRT procurement) in four out of five sectors in Bhopal Region had increased from 16 *per cent* to 71 *per cent* during 2010-11 to 2014-15 while in Bhopal sector the rates have increased by 100 *per cent*. However the Company had not analysed the reasons for steep increase in the rates in Bhopal region to bring economy in the rates.

A further comparison of LRT (PDS) and Handling and Long Route Transport (HLRT) (Food) rates for local leads also revealed that though the activity performed was different, but the condition of the road and effort in transporting commodities up to a range of 8 Kms remained the same, however, the rates varied abnormally and ranged between 48 to 84 *per cent*, 38 to 54 *per cent* and 14 to 34 *per cent* in Dewas, Neemuch and Ujjain sectors. The reasons for such wide variation were not analysed and efforts were not made to bring down the rates to an economic level.

The Government stated (November 2016) that the geographical location, procured quantity of food grains, labour availability, socio-economic status of

[16] Bhopal, Biora, Raisen, Vidisha, Sheore and Rajgarh.
[17] Dewas, Mandsor, Ratlam, Shajapur, Neemach and Ujjain.

the areas and availability of trucks in different sectors varies. Hence the rates for transportation of food grains received in different sectors could not be compared.

The reply was not tenable as the area and geographical location remained the same in the sectors even though categories differ and in reply to audit questionnaire issued, the General Manager (Transport) stated that the rate prevailing in nearby sectors were compared while finalising the rates in a particular sector.

Awarding of transportation contract at a higher rates

2.3.22 As per clause no. 7.9 of the Transport tender document (LRT General), the contract period could be extended for a period up to two years from the date of expiry of the contract on the same rates and conditions, and the contractor was bound to accept.

Audit observed that in one of the test checked districts (Gwalior) the contract for LRT (General) was awarded to a private firm[18] for the year 2013-14 at ₹ 185.50 per MT for local lead. On expiry of the contract period, the Company invited fresh tenders for LRT contract for 2014-15. In response to the tender, only the existing contractor applied and quoted ₹ 222 per MT for local lead. As only single bid was received and that too from the existing transport contractor, the Company should have resorted to clause 7.9. However, the Company finalised the contract for 2014-15 with the existing transport contractor at higher rates. The impact of the higher rates could not be ascertained by audit as the information pertaining to the quantity of food grains transported by this contractor during the tender period was not made available by the Company.

The Government stated (November 2016) that the Company did not get bids for 2014-15 up to 9th call and finally in 10th call, the single bid received from the existing transport contractor was accepted by the Company.

The reply was not tenable since the Company failed to invoke clause 7.9 of the previous contract to carry out the transportation operation at the same rates up to a maximum period of two years up to October 2015 and thereby incurred avoidable expenditure.

Irregular and unauthorised movement of food grains

2.3.23 The Company issues movement order to the transport contractor (LRT General) for moving food grains among the districts to cater the needs of deficit districts and for managing storage of food grains. In this regard audit noticed the following shortcomings:

- In one test checked district (Seoni) in eight instances excess quantity (13509.47 MT) was transported against the ordered quantity (12000 MT) mentioned in movement orders.

- In one instance, a transporter lifted wheat from Seoni district and transported to Jabalpur district without issue of movement order. Although, Jabalpur district was having sufficient stocks and intimated to Seoni district

[18] M/s Raghuveer Singh.

not to despatch the wheat stock to it. However Jabalpur district office on receipt of wheat accepted the stock and paid transport charges to the transporter which was avoidable.

- Similarly, in Sheopur District also, Company directed the transporter to deliver 2,458.05 MT of wheat at FCI godown but the transporter had delivered the stock at CWC godown. However the Company had not taken any penal action against the contractor but paid the transportation charges to the contractor.

- Further there was criss-cross movement of wheat and rice stocks between two places on the same day in Seoni, Neemach and Ujjain districts involving additional expenditure on transportation which was avoidable.

The above instances reflected that the Company had no proper monitoring and control over the movement of food grains undertaken by the transporters. Further the district offices of the Company had not taken penal action against the erring transport contractors for violation of the directions issued to them and their payments were released despite the irregularities committed by them in moving the food grains.

The Government while accepting the audit observation stated (November 2016) that clarification in this regard was sought from respective District Managers of the Company. Further, in case of criss-cross transportation of food grains the Company stated that there was no financial loss to the Company.

The reply was not tenable as the Company failed to properly monitor the movement of food grains and in taking appropriate action against the erring private transportation contractors who have deviated from the directions issued by the Company relating to the movement of food grains.

Storage of food grains

2.3.24 The food grains procured under DCP were stored in warehouses either owned by MPWLC or Central Warehousing Corporation (CWC) and storage charges were paid to these Corporations at the rates determined by GoI from time to time. The storage godowns include the covered godowns, Covered Area Plinths (CAPs)[19] and the SILO[20]. During 2011-12 to 2015-16 the Company had hired storage space of 73.22 LMT available at 2586 godowns and 50000 MT space at SILOs in the State.

The short comings noticed in the storage of food grains during 2011-12 to 2015-16 are as below:

[19] A cemented or sand made platform used to store bags of food grains. The stored food grains is covered with High Density Polythene to protect from being damaged.

[20] A big steel bowl like structure for storing food grains.

Norms for Shortage of food grains in Godowns not finalised

2.3.25 There were no norms fixed by the State Government and the Company for maximum permissible shortages of food grains during storage in warehouses of MPWLC even after 40 years into this business.

Delay in finalising the shortage norms resulted in accumulation of unrealised shortage charges of ₹ 103.22 crore from MPWLC.

Audit noticed during review of outstanding shortage claims for food grains that the shortages of ₹ 103.22 crore in food grains claimed by the Company were not fully acknowledged by the MPWLC as of March 2016 towards storage losses for sugar, salt, maize gunnies etc. The Company and MPWLC mutually finalised the norms and issued (December 2013) instructions for settlement of shortages claims for the period April 2004 to March 2013. However, no norms were finalised for the period from 2013-14 to 2015-16.

The Government stated (November 2016) that earlier there were no norms for maximum permissible storage loss and hence the Company claimed the shortages loss but the same were not acknowledged by MPWLC. However, during May 2015 both the Companies finalised norms and accordingly the claim for the losses would be settled. Further, GoMP was also apprised about this for necessary instructions.

The reply was not tenable as the Company failed in timely finalisation of shortage norms resulting in accumulation of huge dues. Further, the Company did not take any steps to realise the dues for the period from 2013 even after the norms were settled during May 2015.

Delay in disposal of damaged stock

2.3.26 As per the procedure for disposal of the damaged stock of food grains the Company would intimate the disposal committee formed by GoI consisting of representatives from FCI, State Government and MPWLC. The disposal committee shall inspect the quantum of damage and fix upset price for disposal. Therefore, it was the duty of the Company to intimate the committee regarding the damage caused and pursue for early disposal of any damaged stock on priority basis so as to save storage charges and to prevent deterioration of good stock kept in same premises.

Audit observed that in 21 District Offices[21] stock of 5060.53 MT of wheat, rice and maize pertaining to procurement years 2010-11 to 2015-16 valuing ₹ 6.69 crore which was unfit for issue in PDS was kept in godown pending disposal. The age wise analysis of the damaged food grains is given in the table 2.3.3.

[21] Chhindwada, Katni, Seoni, Narsingpur, Jabalpur, Sehore, Satna, Rewa, Umaria,Shahdol,Anuppur,Teekamgarh, Rajgarh, Bhopal,Raisen,Harda, Dewas, Khardone, Jhabua,Balaghat and Ashoknagar district offices.

Table 2.3.3
Table showing the age wise details of damaged food grains

(Quantity in MT)

Year	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Wheat	134.88	1497.39	522.05	581.12	1822.01	4557.45
Rice	365.25	45.37	0.00	0.00	0.00	410.62
Maize	0.00	81.36	0.00	11.10	0.00	92.46
Total	**500.13**	**1624.12**	**522.05**	**592.22**	**1822.01**	**5060.53**

Source: data provided by the Company

It is evident from the above table that damaged food grains remained undisposed off for the last five years and this shows that the Company was not seriously perusing with the committee for their early disposal. The delay in disposal not only resulted in blocking up of funds but also resulted in avoidable payment of storage charges amounting to ₹ 1.25 crore (March 2016).

The Government stated (November 2016) that MPWLC was responsible for not keeping the food grains under scientific storage. During the mentioned period the storage capacity available was not matching with the actual procurement of food grains hence during the off season rains, the lower layer of food grains stored in the open caps got damaged. Now the food grains were being disposed off and only 1,506 MT of damaged wheat and maize remained to be disposed.

The reply was not tenable as the Company was slow in disposing the damaged stock and incurred huge amount on storage charges and stock was still pending for disposal. Delay in disposal of damaged stock would further diminish the value of stocks and may also damage the good stock stored in the premises. Further, no document in support of the remaining quantity of 1,506 MT was enclosed with the reply.

Financial Management

2.3.27 In order to arrange the funds for procurement operations GoMP obtained Cash Credit (CC) facility from RBI (through SBI) as primary borrower and extended the power of attorney to the Company to operate the CC. Further the differential cost between the Central Issue Price (CIP) and the economic cost of food grains distributed under various schemes were reimbursed to the Company by GoI in the form of subsidy. The additional costs incurred by the Company towards certain elements that were not covered in the cost sheet issued by GoI were claimed from GoMP as subsidy.

Financial position and working results of the Company

2.3.28 The Company finalised (January 2016) the Annual Accounts up to the year 2014-15 and the Accounts for the year 2015-16 were yet to be finalised (November 2016). The financial position and working results of the Company for the period 2011-12 to 2014-15 are given in ***Annexure- 2.3.4***. As seen from the financial position, the Company had a share capital of ₹ 8.47 crore, reserves of ₹ 67.52 crore and borrowings of ₹ 11,403.15 crore as on 31 March 2015. The share capital was only 0.66 *per cent* of the total borrowings of the

Company. This shows that the Company was depending entirely on borrowed funds for running the procurement operations. The borrowings of the Company increased from ₹ 4,563.51 crore in 2011-12 to ₹ 11,403.15 crore in 2014-15. This was mainly due to increase in procurement from ₹ 9,764.81 crore (2011-12) to ₹ 15,329.76 crore (2014-15) as shown in chart 2.3.3 and the poor realisation of claims lodged by the Company with GoI, GoMP and FCI. The actual realisation of claims which was 77.51 *per cent* in 2012-13 has reduced to 64.86 *per cent* 2014-15.

It was also observed that, the Company committed delay of three to 74 days during 2011-12 to 2015-16 in lodging the claims and this caused delay in receipt of subsidy from GoI and other claims from FCI and GoMP. Consequently, there were delays in settlement of claims by FCI which ranging between 15 days and 20 days, whereas GoI settled the claims with a delay ranging between 20 days and 115 days. Similarly, GoMP also delayed the settlement of claims ranging between 56 days and 168 days as discussed in paragraphs 2.3.30 to 2.3.32.

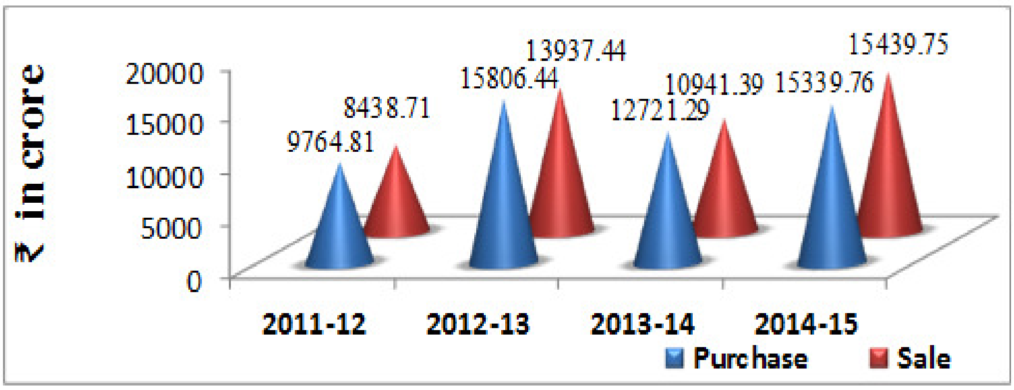
A comparative analysis of State Civil Supplies Corporations of five states[22] , revealed that Kerala Government had infused (2013-14) additional share capital into its Civil Supplies Corporation Limited thereby increasing the share capital from ₹ 8.56 crore (2010-11) to ₹ 142.02 crore (2013-14) to improve their financial position.

On similar lines, in order to improve the financial condition of the Company, GoMP may consider the following alternatives:

- to infuse additional capital in a phased manner
- to retire the high cost debts by grant of interest-free loans or grants-in-aid
- to pay the amounts in advance as requested by the Company to meet 50 *per cent* to 70 *per cent* of the procurement cost, so as to bring down the borrowings, to enable it to sustain its activities.

2.3.29 The working results of the Company revealed that, the purchases and sales have increased considerably during the review period. The details of purchase and sale of food grains during the period 2011-12 to 2014-15 was shown in the chart 2.3.3.

Chart-2.3.3
Chart showing the purchase and sale of food grains

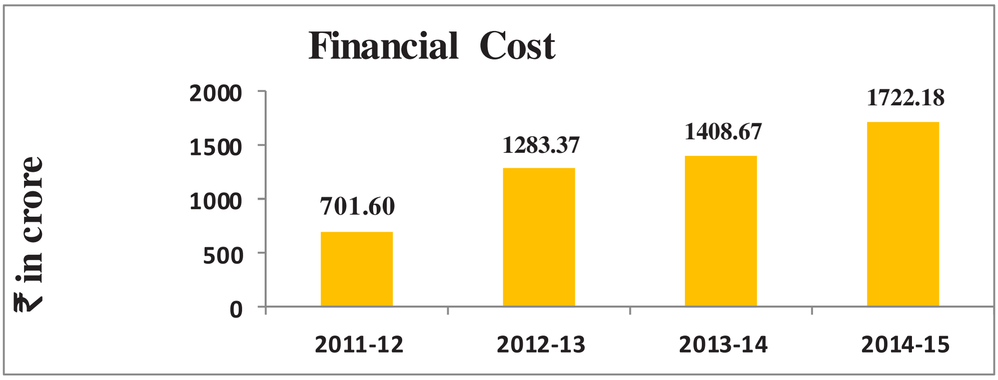


22 Gujarat, West Bengal, Kerala, Chhattisgarh and Bihar

It is evident from the above that purchase of food grains increased by 57.09 *per cent* from ₹ 9,764.81 crore (2011-12) to ₹ 15,339.75 crore (2014-15) and the sale of food grains increased significantly by 82.96 *per cent* from ₹ 8,438.71 crore (2011-12) to ₹ 15,439.75 crore (2014-15). Despite considerable growth in sale of food grains, the profitability of the Company which was ₹ 5.25 crore (2011-12) had turned into loss of ₹ 69.12 crore (2014-15). The main reason for the abnormal increase in losses of the Company in 2014-15 was the accounting of prior period adjustment expenditure of ₹ 69.79 crore relating to the differential cost of gunny bags procured from DGS&D, differential sugar subsidy, adjustment of carry over charges by FCI pertaining to the period from 2005-06 to 2013-14. Further, the Company failed to claim the reimbursement of these expenditures from GoMP, As a result of increased losses, the Reserves of the Company which were ₹ 145.80 crore in 2012-13, had come down to ₹ 67.52 crore in 2014-15.

The effect of lodging delayed claims by the company and its consequential delay in receipt of funds form GoI, FCI and GoMP which led to borrowings resulting in increase of financial cost of the Company during 2011-12 to 2014-15 is shown in chart 2.3.4

Chart-2.3.4
Chart showing the financial cost of the Company



It is evident from the above chart that the financial cost had increased from ₹ 701.60 crore (2011-12) to ₹ 1722.18 crore (2014-15). However, GoMP assured the Company for reimbursement of interest cost and the Company was accounting the interest cost as receivable from GoMP which were yet (November 2016) to be reimbursed.

The Government while accepting the audit observation stated that in order to meet the funds requirement, the Company had resorted to borrowings from banks leading to increase in the finance cost. It further stated that the Company had sent a proposal (November 2015) to GoMP to increase its share capital by ₹ 30 crore and also requested (June 2016) the State Planning Commission, GoMP, to provide a corpus fund of ₹ 10,000 crore. However, there was no progress in this regard from GoMP (November 2016).

The findings relating to the delay in finalising and lodging the claims with GoI and GoMP leading to delay in their realisation are discussed in succeeding paragraphs.

Delay in submission of claims for advance subsidy, provisional subsidy to GoI

2.3.30 As per the MoUs entered between GoI and GoMP, initially the economic cost of wheat and rice is fixed by GoI on provisional basis, subject to final adjustment on the submission of audited accounts by the Company to GoI.

The Company submits quarterly subsidy claims in the first month of the quarter to claim advance subsidy to the extent of 90 *per cent* of the admissible claim. This advance will be based on the anticipated level of distribution of food grains in that quarter. Further this advance would be released only on the production of the utilisation certificates for the amount drawn in the previous quarter. GoI releases provisional subsidy to the States, allowing 100 *per cent* of the fixed costs[23] and 95 *per cent* of the variable costs[24]. Finally the five *per cent* of variable cost is released after finalisation of the economic cost on the basis of audited accounts of the Company. In this connection, following deficiencies were observed:

The Company during the period 2011-12 to 2015-16 has delayed the submission of the advance and provisional subsidy claims. This was mainly due to delay in collection and compilation of distribution data from the district offices spread across the State. The delay committed in submission of claims by the Company is depicted in table 2.3.4:

Table-2.3.4
Table showing the delay committed in submission of advance and provisional claims

Food grains	Years	Delay in claiming Advance Subsidy (in days)	Delay in claiming Provisional Subsidy (in days)
Wheat	2011-12 to 2015-16	1 to 16	3 to 31
Rice	2011-12 to 2015-16	2 to 19	3 to 32

Source: Delay worked out from the claims registers of the Company

The Company delayed submission of subsidy claims resulting in accumulation of unrealised dues of ₹ 2,023.37 crore by March 2016.

It may be seen from above table that there was delay in submission of claims by the Company and due to this GoI did not release the entire subsidy claimed. Hence as of March 2016 an amount of ₹ 2023.37 crore remained to be received from GoI (₹ 1,648.54 on wheat and ₹ 374.83 on rice). Further the Company also did not claim the balance five *per cent* subsidy from GoI pertaining to the years 2011-12 to 2015-16 as the Audited Accounts of the Company relating to the procurement operations were not finalised till date (October 2016). Since the Company was depending on borrowed funds for carrying out the operations, the delayed submission of subsidy claims resulted in borrowing funds from financial institutions and incurring avoidable interest expenditure of ₹ 157.12 crore.

The Government stated (November 2016) that the main reason for the delay in submission of advance subsidy claims was GoI's insistence to submit the provisional subsidy claim of the previous quarter along with stock lifting

23 MSP, Bonus, taxes including VAT.
24 Storage and Interest Charges.

certificate from FCI for the previous quarter. Further, in future the claim for advance subsidy and provisional subsidy will be made separately.

The reply was not tenable since there was no binding clause in the MoUs signed between GoI and GoMP regarding the submission of advance subsidy claim and provisional subsidy claim together. Hence the Company should have lodged the advanced subsidy claims without any delay every year as it was raising major portion of funds through interest bearing sources.

Delay in submission of final subsidy bills despite finalisation of economic cost by GoI

2.3.31 The final subsidy claims would be submitted to GoI by the Company based on the final economic cost finalised by GoI not later than four months after the accounts of the relevant marketing season are audited by the Statutory auditors. GoI finalised the economic cost of wheat procured under FAQ and Under Relaxed Specification (URS) for 2008-09 and 2009-10 in 2014-15 and for the year 2010-11 in 2015-16 and directed the Company to submit final subsidy claims for the respective years within 30 days from the date of finalisation of economic cost. However the Company delayed the submission of final subsidy claims. The year wise delay committed is given in table 2.3.5.

Table-2.3.5

Table showing the details of delay committed in claiming the final subsidy

Year for which final Subsidy claim relate to	Date of submission of audited DCP accounts	Delay in finalisation of DCP accounts (in months)	Date of finalisation of final economic cost by GoI	Actual date of submission of final subsidy claim	Claim amount (₹ in crore)	Delay in submission of claims (in months)
1	**2**	**3**	**4**	**5**	**6**	**7 (5-4)**
2008-09	15.7.2011	17	22.4.2014	31.3.2015	10.15[25]	10
2009-10	3.9.2012	19	22.8.2014	14.11.2014	247.93	1.5
2010-11	17.2.2014	23	4.3.2016	7.6.2016	97.88	02

Source: Data furnished by the Company

- It is evident from the above that the Company committed a delay in finalising the DCP accounts over the years. The delay in finalising of Accounts was ranging between 17 and 23 months after excluding the four months period allowed by GoI to submit the audited DCP accounts after the completion of respective marketing season.

- The Company also committed delay in submission of claim for final subsidy after the finalisation of final economic cost by GoI for the years 2008-09 to 2010-11. The delay committed ranged between one and half months and 10 months. Thus, due to the delay in submission of final subsidy claims an amount of ₹ 355.96 crore was blocked during 2008-09 and 2015-16.

The Government stated (November 2016) that the claim for final subsidy had to be lodged with GoI within four months from the completion of statutory

[25] The actual claim was of ₹ 184.3 7 crore but ₹ 174.22 crore were already claimed in January 2014 and revised claim for additional amount of ₹ 10.15 crore was made in March 2015.

audit of the year in which the entire procured quantity of food grains were liquidated. Hence there was no delay on the part of the Company in lodging the final subsidy claim with GoI.

The reply was not tenable since the MoU entered between GoI and GoMP clearly stipulated that final claim of subsidy should be lodged with GoI within four months period from the completion of audited accounts of relevant marketing season instead of on completion of food grains stock.

Lack of persuasion resulting in accumulation of dues from FCI

2.3.32 As per MOU signed between GoI and GoMP, excess procurement of food grains made over and above the GOI allotment was to be surrendered to FCI for central pool operations. After surrender of the food grains the Company is raising part wise bills in four part (i) cost bill (ii) Incidental bill (iii) Purchase tax bill and finally (iv) Carry over charges.

Audit observed that the total amount receivable from FCI for the period 2011-12 to 2015-16 was ₹ 33,765.51 crore against the wheat surrendered for central pool. Against this the Company had claimed only ₹ 33,366.70 crore. The details of wheat surrendered and claims raised on FCI including carryover charges and purchase tax for the period 2011-12 to 2015-16 are given in the ***Annexure-2.3.5***. Further, out of the total amount claimed, FCI deducted ₹ 359.93 crore towards storage charges, interest, loss due to not attaining the desired moisture gain, poor stitching and poor stencil, etc. One of the reasons for outstanding amount is that processing and reconciliation of wheat quantity taken over in different districts was time consuming, repetitive and was causing delay in timely settlement of bills.

Similarly, there were outstanding dues against carryover charges and purchase tax amounting to ₹ 632.97 crore as of March 2016. Against this, claim of ₹ 37.11 crore pertaining to the years 2011-12 to 2013-14 were not being paid by FCI up to October 2016. Thus an amount of total ₹ 901.64 crore remain unrealised for over five years period.

Audit observed that The Company delayed submission of claims to FCI against the surrendered food grains in five test checked district offices[26] during 2011-12 to 2015-16. The delay ranged between three to 74 days resultant in interest loss of ₹ 68.37 lakhs..

The Government stated (November 2016) that regular efforts at various levels were made consistently to realise the pending claims from FCI. It was also stated that the delay in submission of bills occurred due to shortage of staff and the engagement of staff in procurement operations and stated that as of October 2016 only ₹ 511.42 crore was pending from FCI.

The reply was not tenable as the outstanding dues accumulated over the years due to delay in submission of claims and FCI had declined certain claims due to poor stitching, stenciling and moisture loss indicating the failure of the Company to perform these activities to the satisfaction of FCI leading to not realizing these amounts from FCI over the years.

[26] Mandla, Sheopur, Gwalior, Seoni and Satna.

Claims receivable from Government of Madhya Pradesh

2.3.33 In case GoI rejects or disallows claims of the Company, it raises claim against such disallowed cost elements from GoMP. The status of claims made and received during 2011-12 to 2015-16 from GoMP and the balance outstanding to the end of March 2016 were detailed in table 2.3.6

Table-2.3.6
Table showing the details of pending claims against GoMP

(₹ in crore)

Financial year	Claims due during the year (cumulative)	Claims received during the year	Balance at the end of the year
2011-12	1,044.08	1,044.08	0
2012-13	1,820.78	1,327.18	493.6
2013-14	1,722.35	1,686.44	35.91
2014-15	2,290.76	2,213.77	76.99
2015-16	1,510.06	926.47	583.59
Total	**8,388.03**	**7,197.94**	**1,190.09**

Source: Data furnished by the Company

The above table reveals that during 2011-12 to 2015-16 against the claims of ₹ 8,388.03 crore made by the Company, GoMP released ₹ 7,197.94 crore and an amount of ₹ 1,190.09 crore remained unrealised at the end of March 2016. The situation of not realizing the pending claims from GoMP had compelled the Company to borrow funds from banks to meet its financial requirements. Had the Company persuaded the matter with the State Government vigorously for settlement of claims, the Company could have been avoided blockage of fund to the extent of ₹ 1,190.09 crore.

The Government stated (November 2016) that due to short provision in budget against the claimed amounts the Company's fund had remained blocked.

The reply was not tenable since the Company should have pursued the matter of realising the pending claims with GoMP to avoid the borrowing of funds to the extent of dues on GoMP.

Pending recovery in Dwar Praday Yojna and MDM Schemes

2.3.34 GoMP in order to arrest the leakage of food grains that was taking place during transportation from the storage depots to the FSPs through lead societies and link societies for distribution under TPDS, had introduced (October 2014) the Dwar Praday Yojna (DPY). Under DPY the Company directly supplies the food grains to the FPS. As per the guidelines of DPY issued by the Company (December 2014 and August 2015), the FPS located in rural areas were entitled to receive food grain stock on one month credit basis. In this regard audit observed that the District Offices of the Company were issuing food grain stocks on credit basis for a period exceeding one month and in some cases the credit period was extended up to 16 months without receiving payment for the previous months.

Similarly, under Mid-Day Meal (MDM) Scheme Company issued instruction (December 2014) to issue food grains under the scheme only after receiving the advance payment towards transport margins and commission for service from the District Offices of the Concerned Department (State Coordinator, MDM Scheme). But the District Offices of the Company failed to implement these instructions and were issuing the food grains without ensuring the receipt of these elements in advance.

Thus as of September 2016 an amount of ₹ 72.39 crore (₹ 59.30 crore under DPY and ₹ 13.09 crore under MDM Scheme) remain outstanding.

The Government while accepting the audit observation stated (November 2016) that efforts are being made to recover the dues. It was further stated that in case of pending dues under MDM Scheme the State Coordinator MDM refused to pay in advance the amounts stating that the MDM guideline does not contain any provision for advance payment.

Failure to claim food grains cost under Antyodaya Anna Yojna scheme

2.3.35 The Company distributed food grains under Antyodaya Anna Yojna (AAY) scheme during January 2013 to January 2014. As per the scheme guidelines, the Company was to claim the subsidy against the food grains distributed under the scheme from GoMP.

Audit observed that, the Company failed to claim an amount of ₹ 1.25 crore[27] towards food grains distributed during January 2013 to May 2013, while the cost of the subsequent distribution of the food grains during June 2013 to January 2014 was claimed.

The Government/Company stated (November 2016) that the cost sheet for food grains distributed under the scheme during January 2013 to May 2013 was not finalised initially and now finalised in September 2016. The claims would be raised soon on receipt of distribution data from the district offices.

The reply was not tenable as the Company could have raised claims on the provisional cost basis and from the reply, it was understood that the Company did not collect the data from the districts till date for raising the claim thus blocking ₹ 1.25 crore for three years since May 2013.

Human Resource Management

2.3.36 Management of Human Resources (HR) is important for achieving the objectives of an organisation. For ensuring the better management of human resources, a proper HR policy should be put in place. There is no manual in the Company to guide the HR related issues from time to time. However the Company had revised the staffing pattern in December 2013. The sanctioned strength and actual men-in-position in the Company, as of July 2016, is shown in table 2.3.7.

[27] Calculated at rate approved for June 2013

Table 2.3.7
Table showing the sanctioned strength and men in position in the Company

Category	Sanctioned strength	Actual strength	Excess/short
Managerial staff	275	201	-74
Assistant/Accountants	639	605	-34
Lower level employees	319	309	-10
Total	**1233**	**1115**	**118**

Source: data provided by the company

It is evident from the above table that, against sanctioned strength of 1233 the available men in position were 1115 as of July 2016. Though the shortage was of 118 employees, major shortage of 74 employees was in the managerial category who were responsible for decision making and monitoring of the procurement and distribution activities. Due to shortage of District Managers more than one districts were supervised by one DM. Further, 34 assistants and accountants who look after the finalisation of procurement accounts and balance sheet at the district level were found in shortage.

Detailed analysis of the man power revealed that against 53 sanctioned post of Manager (Finance) in district offices only 39 were posted. Further in one district (Betul) two managers (finance) were posted against sanctioned position of one post. Due to under staffing there was delay in finalisation of procurement accounts for submission to GoI by the Company.

GoI allows up to 2.5 *per cent* of MSP towards employee cost to the Company. In the last five years the Company could utilise the employee cost ranging between 25.12 *per cent* and 36.30 *per cent* against the allowable employee cost. Therefore, the Company could have increased its manpower as per the requirement without additional financial burden on the Company as expenditure would be reimbursed by GoI.

The Government stated (November 2016) that due to excess volume of work load at headquarters more senior assistants had been posted at headquarters. Further, one Manager (Finance), who was to retire shortly, hence one additional person was posted in Betul District.

The reply was not tenable as the Company failed to take timely action to employ required number of staff in tandem with the increased volume of work, despite there existing a financial cushion from GoI to meet the cost of employee equaling to 2.5 *per cent* of MSP. This failure of the Company led to compromising on the quality aspect of the food grains during procurement and delay in submission of procurement accounts resulting in accumulation of pending claims.

Technical staff not deployed for ensuring proper quality of food grains

Inspite of huge procurement the Company failed in recruiting required number of quality control staff.

2.3.37 The quality control staff play vital role during procurement and storage of food grains by the Company. Sufficient number of quality control staff must be deployed at each of the District Offices of the Company to ensure that the procured food grains confirms to FAQ norms issued by GoI and they are scientifically maintained during the storage period.

Audit observed that there were no sanctioned posts for quality control staff in the Company. However the Company was deploying the category of employees (like finance, administration) at the procurement centers after giving some training. The Company sent a proposal (July 2012) to the GoMP for sanction of 24 posts of quality control staff. GoMP rejected this proposal and directed the Company to arrange quality control staff through outsourcing. But the Company failed to engage the outsourcing staff up to March 2015 and subsequently engaged only three retired FCI employees for performing the quality control job at Head Office of the Company.

There was significant increase in the procurement centers operated by the Company during 2011-12 to 2015-16 from 1101 to 1708. However the deployment of staff trained in quality control ranged between 180 and 905 during this period.

Further a test check of records at Ujjain, Bhopal, Harda and Hoshangabad district offices revealed that the Company had not conducted any quality assurance check against the food grains procured to ensure their confirmation with the Fair Average Quality (FAQ) norms declared by GoI. Further proper records in this regard were not maintained by the respective DMs/ RMs in charge of these offices.

The Government while accepting the audit observation stated (November 2016) that there was shortage of technical staff to undertake the quality checks during the procurement operations, however, technical staff on contract basis was engaged. The fact remained that the Company employed only three persons and they were not sufficient to carry out the activities of quality checks to the tune of huge procurement of the food grains undertaken by the Company.

Internal Audit and Internal Control System

2.3.38 Internal control and monitoring are essential parts of the management activity. An efficient and effective system helps the management in achieving its' laid down objectives, compliance to procedures and financial discipline.

The Company had an internal audit wing, under supervision of the Executive Director (Finance) assisted by Assistant General Manager and Manager (Finance) who oversees the internal audit. The Internal Audit of the headquarters, District and Regional offices of the Company were outsourced and was conducted by the Chartered Accountants. Audit observed that there was no independence of Internal Audit as it reported to the finance wing instead of Board of Directors of the Company. Further, the internal audit reports were not put up to the Board for review and action.

The Government while accepting the audit observation stated (November 2016) that available staff for internal audit was not sufficient and hence the internal audit was outsourced. The Government in the exit conference stated that in future steps would be taken for placing the Internal Audit Reports in the Board and also for creation of Internal Audit wing independent of the Accounts wing.

Inspections of field offices

2.3.39 As part of internal control and monitoring of the field offices/godowns the Company planned for quality and quantity checks by RMs and headquarters staff. For the year 2011-12, 2012-13 and 2013-14 as against the planned inspection of 142, 143 and 107, the inspections conducted were only 81, 72 and 32 respectively. This shows the inspections planned and conducted had came down in the last three years. Audit, further, observed that for the years 2014-15 and 2015-16 no inspections were planned.

The Government accepted the observation and stated (November 2016) that due to staff shortage and continuous engagement of Head Office staff, the planned inspections as per the roaster could not be conducted.

Delay in implementation of computerisation of accounting and claim procedure

2.3.40 The Company proposed (August 2014) for development of a Financial Accounting Software (FAS) to facilitate reconciliation and consolidation of Head Office and District Office basic Accounting record, and preparation of claims to be submitted to GoI and GoMP on real time basis. The Company appointed (25 November 2014) National Informatics Center Services Inc. (NICSI) as developer and paid (November 2014) advance amount of ₹ 18.44 lakh but the completion date for the software was not fixed in the agreement.

Audit observed that till June 2016 the software was not developed and the integration of the Accounting records of field units with the Head Office could not be done. As such real time financial position of Head Office and District Offices could not be ascertained and there was a lot of delay in finalisation of the Accounts and submission of claims to the GoI and GoMP resulting in blocking up of huge funds as discussed in paragraph 2.3.30 and 2.3.33

The Government/Company stated (November 2016) that the completion time of the Accounting software was not fixed and hence it could not be completed till date.

Conclusion

Audit concluded that:

- **the procurement targets fixed by GoMP were not revised considering the changes taken place during the procurement season. This led to accumulation of food grains stocks, excess procurement of gunny bags. There were instances of damage to food grains also causing loss to the Company;**
- **the Company delayed the reconciliation of advance payments made to DGS&D and Primary Agriculture Cooperative Societies. This resulted in blocking of funds and loss of interest;**
- **the share capital of the Company was less than one *per cent* of the total borrowings. No other financial incentives were provided to the Company to facilitate its operations. Therefore, the Company was depending on borrowed funds at commercial rates resulting in huge financial cost;**

- **there were delays in submission of claims by the Company with GoI, GoMP and FCI. The GoI, GoMP and FCI also delayed the settlement of claims resulting in blocking of fund, and**
- **quality control mechanism in the Company was not adequate and was not effective. This resulted in failure to ensure Fair Average Quality norms while procuring the food grains.**

Recommendations

Audit recommends that:

- **procurement targets may be revised considering the climatic and other changes taking place during procurement season so that, damage of food grains and extra expenditure on gunny bags may be avoided;**
- **timely reconciliation of the advances paid to DGS&D, Primary Agriculture cooperative Societies may be made to avoid blocking of funds and consequential loss of interest;**
- **GoMP may consider various options for alleviating the financial distress of the Company;**
- **the claims to GoI, GoMP and FCI may be prepared and submitted timely, and**
- **the Quality control wing in the Company may be strengthened for facilitating procurement of food grains as per Fair Average Quality norms prescribed by GoI.**

CHAPTER - III

CHAPTER-III

3. Compliance Audit Observations

The Chapter includes 15 paragraphs based on test check of transactions of the State Government Companies.

Government Companies

Madhya Pradesh State Tourism Development Corporation Limited

3.1 Loss of revenue

The Company did not execute the lease agreements against completed way side amenities due to change in terms and conditions causing revenue loss of ₹ 1.33 crore

The Company acts as nodal agency of Department of Tourism (DoT), Government of Madhya Pradesh (GoMP) for developing the tourism infrastructure in the State. The State has been receiving financial assistance from Government of India, Ministry of Tourism for creation of tourism infrastructure including Budget Hotel/Accommodation, Way Side Amenities (WSA)[1] etc.

For promoting WSAs, the Company followed the model of developing the WSA by itself and then leasing it out to the private entrepreneurs to operate. The selection of parties for operation, maintenance and management of WSA for a period of 10 years was to be done through transparent and competitive bidding process by the Company. The successful parties after signing the management agreement shall pay annual license fee to the Company in one instalment each year till the end of the license period.

Audit observed (February 2016) that, the Company proposed to develop 70 WSAs against this, 13 WSAs were developed during August 2013 to May 2015 by investing ₹ 7.12 crore as detailed in ***Annexure 3.1.*** The Company floated the Request for Proposal (RFP) in January 2015 (for seven WSAs) and in March 2015 (for six WSAs) for selecting the parties to operate these WSAs. The financial bids for these WSAs were opened in March 2015 and May 2015 respectively. However, the management agreement against these 13 WSAs was not entered into with the successful bidders up to the end of June 2016.

Audit further observed that the main reason for not entering the management agreement by the lessees was the changes made in terms and conditions by the Company subsequent to selection of the successful bidders. The Company decided (September 2015) that the successful bidder would not be handed over the entire area of WSAs land, instead a part of it would be taken back and returned to the District collector. However the Committee formed for fixing the upset price for the completed WSA's in November, 2015 decided that no part of the land would be taken back from the successful bidders as it was not

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1 Facilities such as vehicle parking, restaurant, toilets, changing room, rest room, first aid availability etc.

in the best interest of the Company. During this intervening period from the completion of WSAs and up to July 2016, no lease agreement was executed by the Company though these WSAs were completed between January 2013 and May 2015. This led to idling of 13 completed WSAs by investing ₹ 7.12 crore for a period ranging from 10 months to 38 months since their completion. Also the Company lost the opportunity of generating lease rent of ₹ 1.33 crore[2] against these 13 WSAs. Further the Company invested ₹ 16.99 crore against the balance 57 WSAs which were either completed or at various stages of completion up to June 2016.

The Management stated (August 2016) that, all the WSAs were not completed due to not receiving of the funds from Ministry of Tourism, GoI hence the bids invited for selection of parties to operate the WSAs were canceled. It was further stated that, the online tendering process for the selection of parties to operate the WSA's was commenced in July, 2016 and the lease agreements would be entered on the completion of the selection process.

The reply was not tenable since, the Company itself recorded in its correspondence that, 13 WSAs were completed between January 2013 and May 2015 and against them the bids were invited (January 2015) for the selection of parties to operate the WSAs. However the lease agreements were not finalised due to change in terms and conditions pertaining to handing over the quantum of land. Hence the failure on the part of Company to take appropriate decision in a timely manner caused the revenue loss against already completed WSAs.

The matter was reported to the Government in May 2016; the reply is still awaited (November 2016).

Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited

3.2 Unjustified exemption of Electricity Duty

The Company extended undue favour to M/s Trident Limited, Budhni by granting unjustified exemption of Electricity Duty amounting to ₹ 3.12 crore

Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (Company) entered into High Tension (HT) power supply agreement (December 2008) with M/s Trident Limited, Budhni, who is engaged in the activity of textile and spinning industry with a contract demand of 5000 kVA. The consumer enhanced the contract demand (load) in a phased manner from 5000 kVA to 39000 kVA (December 2015) and to 41000 kVA (March 2016).

The Company levies Electricity Duty (ED) at the rate of nine *per cent of* tariff per unit per month under *Madhya Pradesh Vidhyut Shulk Vidheyak, 2012 (Vidheyak)*. Section 5 of this *Vidheyak* empowers State Government to grant exemption to industrial consumers from payment of ED. Further, the Energy Department, GOMP, in order to encourage new HT consumers to connect with grid of Power Distribution Companies, issued (04 March 2014) a Gazette

2 As per rates quoted by the prospective bidders for lease rent (Annexure enclosed).

Notification granting exemption to HT consumers from payment of ED. This exemption was available to new HT consumers who take new connection from Power Distribution Companies of the State within five years from the date of issue of this notification. This exemption was not available to HT consumers already connected with the Power Distribution Companies of the State.

Audit observed (April 2016), that contrary to the provision of above Gazette Notification, the Commerce, Industries and Employment Department, GoMP had issued (04 October, 2014) specific order exempting M/s Trident Limited from payment of ED. The exemption was granted on the grounds that the HT consumer would invest around ₹ 1,400 crore in the composite Textile plant which would generate large scale local and women employment and that the cotton farmers would get fair price for their produce. However, M/s. Trident Limited was already availing supply from the Company with a contract demand of 26000 kVA (from September 2014 onwards) prior to this Notification (04 October 2014) and subsequently enhanced the load to 41000 kVA (March 2016). As per the specific order issued, the Energy Department GoMP (21 October 2014) directed the Company to exempt M/S Trident Limited from payment of ED. Accordingly, the Company exempted the consumer from payment of ED (w.e.f. 11 August 2015) which aggregated to ₹ 3.12 crore up to February 2016.

Thus, granting ED exemption to an existing HT consumer by treating the enhancement of load as new connection was not in line with Gazette Notification issued by the Energy Department (March 2014). Further, under section 5(iii) of the *Vidheyak*, GoMP can grant exemption to such person or class of persons and for such purposes as may be specified through issuing a gazette notification. However, no such notification was issued by Commerce, Industries and Employment Department, GoMP while granting exemption to M/s Trident Limited.

The Government while accepting the audit observation stated (September 2016) that the load enhancement in the existing connection of M/s.Trident Limited was treated as a new connection for granting the exemption from payment of ED looking at the employment opportunities to local residents, huge investment, local farmers getting appropriate value for cotton produced by them and the focus given to textile sector in the state. It was also stated that the formal Gazette notification as required was not issued while granting the exemption to M/s.Trident Limited. The fact remains that the Department had extended undue benefit to a single party by deviating with the procedure laid down under the act for granting exemption from payment of ED.

Madhya Pradesh Power Transmission Company Limited

3.3 Short recovery of labour welfare cess

The Company short recovered labour welfare cess by ₹ 5.93 crore and thereby extended undue benefit to the Contractors to the same extent

The Building and Other Construction Workers' Welfare Cess Act, 1996 (Act) provides for levy and collection of a cess on cost of construction incurred by an organisation. As per section 3 (1) of the Act, labour cess should be levied at minimum one *per cent* on the cost of construction incurred by the employer.

As per Rule 3 of Building and Other Construction Rules 1998 (Rules), the cost of construction shall include all expenditure incurred by the employer in connection with building and other construction excluding cost of land and compensation under Workmen Compensation Act, 1923.

Further Rule 8 provides that failure to pay any amount of cess to *Madhya Pradesh Bhavan Evam Anya Nirman Karmkar Mandal* (Board) within specified time, would entail payment of interest on unpaid amount at the rate of two *per cent*, for the delay of every month or part thereof. Rule 9 provides for levy of penalty of an amount not exceeding the amount of cess in case, the cess is not paid within 30 days from the end of every year during which the construction was going on.

Madhya Pradesh Power Transmission Company Ltd (Company) awarded (September 2012 to February 2016) 42 works on turnkey basis (including supply and erection) for construction of various transmission lines and substation. As per the provisions of above Act and Rules, the Company was required to recover the labour welfare cess of ₹ 8.16 crore (at one *per cent* on supply portion ₹ 536 crore and erection portion ₹ 279.88 crore) from the contractors' bills.

Audit observed (June 2016) that, the Company had recovered labour welfare cess of ₹ 2.23 crore on erection portion alone and no cess was recovered against the supply portion of the contracts awarded. This resulted in under recovery of labour welfare cess of ₹ 5.36 crore on supply portion and there was also a balance amount of ₹ 0.57 crore cess remain to be recovered from the contractors on erection portion.

The failure to recover labour welfare cess as per the provisions of Act and Rules resulted in short recovery and extension of undue benefit to the contractors to the extent of ₹ 5.93 crore. Further, the Company would become liable to pay interest at two *per cent* on the short recovered labour cess (Rule 8 of Rules 1998).

The Company stated (October 2016) that labour cess was not leviable on the transmission activities as they fall under the purview of Factories Act. It was further stated that in November 2015, GoMP brought an amendment to Labour Welfare Cess Act, 1996 to the effect that the cost of plant and machinery are exempted from the cost of construction for the purpose of levy of labour welfare cess. Hence cess was not deducted from the contractors' bills pertaining to supplies portion.

The reply was not tenable since (i) as per the provisions of the Act *i.e.* The building and other construction workers (Regulation of employment and conditions of service) Act 1996, the transmission activities were covered for the purpose of levy of labour welfare cess and the company does not carry out any manufacturing activity but trades in the power (ii) the Company did not possess the registration certificate under the Factories Act 1948. However, the Company was paying labour cess on the erection portion of the contracts. Further, Rules also specified that, cost of construction include entire cost, except cost of land and compensation paid to workers under Workmen

Compensation Act 1923. Hence, labour being the item listed in the concurrent list of Constitution, if an amendment is brought by State Governments in contrast to the provisions of union act, then union act prevails. Therefore, levy of labour welfare cess must be done as per the provisions of Act and Rules.

The matter was reported to the Government in August 2016; the reply is still awaited (November 2016).

Madhya Pradesh Road Development Corporation Limited

3.4 Loss of Revenue due to ineffective Implementation of Agreements

Ineffective implementation of Concession Agreement and Escrow Account Agreement by the Company led to non-recovery of ₹ 4.56 crore from the Concessionaire

MP Rajya Setu Nigam Ltd (MPRSNN) and M/s. Tapi Prestressed Products Ltd entered (March 2003) into Concession Agreement (CA) for development, construction, strengthening and widening of Jabalpur-Narsinghpur-Piparia Road on Build, Operate and Transfer (BOT) basis. A Special Purpose Vehicle *viz.* JNP Road Infrastructure Project Pvt Ltd was formed for this purpose. Subsequently, Madhya Pradesh Road Development Corporation Limited (Company) was designated as successor/assignee of MPRSNN (July 2004).

As per clause 18.11 of the CA, the concessionaire has to operate and maintain the Project highway failing which he was liable for damages at the rate of ₹ 5000 *per day* in accordance with clause 18.12. As per clause 25 of the CA, an Escrow Account Agreement (EAA) was executed (October 2003) among JNP Road Infrastructure Project Pvt Ltd, Union Bank of India and the Company.

As per clause 4.1 of the EAA all monies received in respect of the project were required to be deposited into the Toll Escrow Account by the Concessionaire. As per clause-19.4 of the CA, the concessionaire was required to furnish monthly fee statement within seven days of completion of each calendar month during the toll period. As per clause 4.2.1 item 2 (e) of EAA any payments and damages due and payable by the concessionaire can also be withdrawn from the Escrow Account. Further as per clause 4.2.2 item 2 (c), any payments and damages due from the concessionaire upon (i) issue of termination notice; (ii) termination of CA or (iii) the expiry of concession period, can be withdrawn from the Escrow Account in the manner as specified under clause-25.5 of the CA.

Audit observed (May 2016) that the road project was not maintained by the concessionaire as per the terms of CA during October 2007 to April 2016 despite various notices issued by MPRDC. Since, the concessionaire failed to honor the terms of the agreement, the concession agreement was terminated (April 2016) by the Company.

Audit further observed that, in spite of provision for recovery of damages levied from time to time, the Company did not invoke clause 4.2.1 item 2 (e) to recover the damages promptly from the Toll Escrow Account/concessionaire, as a result the dues/damages recoverable had accumulated to ₹ 5.38 crore (20 April 2016). The company recovered

(26 May 2015) ₹ 1.37 crore by invoking Bank Guarantee (₹ 0.75 crore) and FDRs of Maintenance Fund (₹ 0.62 crore) from the concessionaire towards damages leaving the balance amount ₹ 4.01 crore outstanding. The concessionaire was allowed to operate the project for 11 months without collecting fresh Operation and Maintenance (O&M) security deposit up to the termination of CA (30 April 2016). The concessionaire had also not deposited one *per cent* toll and project monitoring fee of ₹ 0.55 crore up to April 2016 as per terms of CA and the company did not invoke clause 4.2.1 item 2 (i) of EAA. As a result the amount of ₹ 4.56 crore remained unrecovered from the concessionaire up to June 2016.

Further, there was a short deposit of ₹ 2.92 crore toll by the concessionaire into Escrow account during the year 2014-15. From the statement of account (01 July 2015 to 11 May 2016) it was noticed that, the balance in Escrow Account was ₹ 51,510 as on 04 August 2015 and there was negative balance of ₹ 0.16 crore on 11 May 2016. Thus, though the Company was issuing notices to Concessionaire for his failure to maintain the roads and for not paying the due amounts to the Company, the concessionaire was withdrawing funds from Escrow account towards maintenance works. The Company failed to properly monitor the Escrow Account as to whether proper collection in escrow account was being made by the Concessionaire or not. The management also failed to monitor and control the excess withdrawal by the Concessionaire from Escrow Account by coordinating with the Escrow Agent from time to time.

The Government stated (September 2016) that, the Company had taken all necessary action for recovery of the outstanding dues and various correspondences were made with Escrow Bank regarding compliance of Escrow Agreement and it is the duty of the Concessionaire and Escrow bank to comply with provisions of Concession and Escrow Agreement.

The reply was not tenable since (i) the Company had not initiated timely action against the concessionaire as per the terms of CA and EAA and the party was allowed to operate the project without obtaining the requisite security for 11 months period leading to accumulation of arrears (ii) the Company neither checked as to whether Escrow Agent was following its instructions nor the Company adjusted the funds available in Escrow account in its favour in timely manner as per terms of EAA and (iii) the show cause notice and other correspondence was made by the Company only after audit observed the issue.

3.5 Extension of undue benefit to the contractor

The Company committed irregularities in the execution of road project works and extended undue benefit to the contractor to the tune of ₹ 7.07 crore

The Madhya Pradesh Road Development Corporation (Company) awarded (26 May 2010) the contract for construction of State Highway-09 (Shahdol-Singhpur-Turla-Pandaria road) having total length of 119.10 km to M/s Atlanta ARSS JV. This contract was terminated on 20 May 2013 due to failure of the contractor to fulfill the obligations. The company re-awarded

(August 2013) the balance work of road widening and re-construction to M/s. Dilip Buildcon Ltd for ₹ 109.95 crore at 30.12 *per cent* above the Madhya Pradesh Public Works Department (MP PWD) schedule of rates (SOR) applicable for the year 2009. The works were to be completed within 18 months (*i.e.* 06 February 2015) including rainy season. The contractor had completed the work on 10 March 2015 and the payment of ₹ 139.77 crore was made to the party (June 2015).

On reviewing the execution of the road project works by the Company, Audit observed the following shortcomings:

A) Higher rate for excavation of hard rock was fixed leading to excess payment of ₹ 5.11 crore to the contractor.

Clause 12.3 (b) of general conditions of contract (GCC) specified that if an item of work was instructed for execution under clause 13 (Variation and Adjustments) of the contract, for which no rate / price was specified in the contract, in respect of each such item of work the new rate or price shall be derived from any relevant rates or price in the contract. If no rates or price are relevant for the derivation of new rate or price, it shall be derived from the reasonable cost for executing such item of work together with profit taking into account any other relevant matter.

Audit observed (June 2016) that an item of work *i.e* 'excavation for roadway in hard rock (blasting prohibited)' was not included in the schedule or bill of quantity (BOQ) in the contract awarded to the party. But during execution of road work, the contractor had excavated 3,04,061 cum of hard rock (prohibited blasting) as per the instructions of the Company.

The committee[3] formed to fix the rates for this additional item of work recommended (13 July 2015) for payment of ₹ 512 per cum of hard rock excavated by the contractor. This rate was recommended by the committee duly considering (i) Rate proposed by the contractor of ₹ 512 per cum (ii) Rate analysis carried out by the Company as per standard data book of Ministry of Road Transport and Highways (MoRT&H) ₹ 542 per cum and (iii) Evaluated rates of the item as per MP PWD SOR 2009 ₹ 729 per cum[4]. The Company made payment for this additional item of work pending approval from GoMP.

Audit further observed that MP PWD, for determination of SOR rates adopted the standard data book of MoRT&H. As per SOR 2013 of MP PWD the rate for excavation of roadway in hard rock (blasting prohibited) worked out to ₹ 344 per cum. But the Company had erroneously determined the rate for this additional item of work at ₹ 542 per cum by considering the SOR 2009 of MP PWD despite the fact that SOR 2013 of MP PWD came into effect from February 2013 itself. By doing so, the Company made excess payment of ₹ 5.11 crore[5] to the contractor for the hard rock excavated.

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[3] Consisting of Divisional Manager, Technical advisor, Chief Engineer, Chief Accounts Officer and Deputy General Manager (Member Secretary) was formed by the Company.

[4] (Rate as per MP PWD 2009 SOR ₹ 503 per cum + escalation at the rate of 45 *per cent* during April 2009 to May 2014 is ₹ 226)= ₹ 729 per cum.

[5] Higher rate fixed ₹ 168 per cum (₹ 512 – ₹ 344) * 3,04,061 cum of hard rock excavated = ₹ 5.11 crore.

The Government stated (September 2016) that, the work of excavation for roadway in hard rock (blasting prohibited) was not included in the BOQ, however rate of additional item has been evaluated as per the standard data book of MoRT&H considering the prevailing market rates.

The reply was not tenable since the Company failed to consider the applicable SOR 2013 of MP PWD (became effective from February 2013), while fixing the rate for excavating roadway in hard rock (additional item of work) before the committee had recommended the rate for this item of work in July 2013.

B) Undue benefit of ₹ 1.52 crore was extended to the contractor by not recovering value for full quantity of hard rock excavated.

The Company adopted the SoR of MP PWD while awarding the contract for this road project. SOR of MP PWD under general note 23 specified that, the rubble that became available from excavation of hard rock, shall be used for conversion into coarse aggregates or for other constructions and it shall be issued to the contractor at ₹ 100 per cubic meter of rock excavated. Further as per BOQ item No. 2.06 and 8 (ii) 5 of the contract, the contractor had to arrange the approved soil/selected soil on his own cost for construction of embankment and approaches to bridge. For this item of work the contract provided the rates at the rate ₹ 71 per cum and ₹ 222 per cum respectively inclusive of material.

Audit noticed (May 2016) from the contractor bills that, the Contractor had excavated 3,04,061 cum of hard rock. Against the total excavated quantity of 3,04,061 cum hard rock, the Company issued 1,52,030.5 cum (representing 50 *per cent*) hard rock only to the contractor at the rate of ₹100 per cum. The balance quantity of hard rock 1,52,030.50 cum excavated under this contract work was utilised by the contractor in construction of embankment and approaches to bridges, but recovery of applicable charges from the contractor's bills was not made by the Company. This caused loss to the Government to the extent of ₹ 1.52 crore[6].

The Government stated (September 2016) that the balance 50 *per cent* (152030.50 cum) quantity of excavated hard rock was not found suitable for making aggregate and the same was used by the contractor for construction of embankment and approaches to bridge for which only watering and compaction charges were paid as per item 2.06 and 8 (ii) 5 of BOQ of the contract.

The reply was not tenable as there was no evidence in the records of the Company to show that 50 *per cent* of hard rock excavated was not suitable for making aggregate. Besides hard rock of size more than 0.5 cum and above could be grinded to any utilizable size for coarse aggregate or for other construction that is why there was no usability clause in SOR. Further, the approved material/selected soil was to be used by the contractor for construction of embankment and approaches to bridge at his own rather than using the hard rock. Since the Company in reply confirmed that, rubble obtained was used by the contractor for construction of embankment and approaches to bridge the applicable charges of ₹ 100 per cum should have

[6] 1,52,030.050 cum * ₹ 100 per cum = ₹ 1,52,03,050 say ₹ 1.52 crore.

been recovered from the contractor. By not doing so, the Company caused loss ₹ 1.52 crore to the Government.

C) Excess payment of ₹ 44.05 lakh was made to the contractor due to his failure to use the fly ash in road embankment construction work.

The Government of India (GoI), Ministry of Environment and Forest (MoEF) vide notifications dated 14 September 1999 and 03 November 2009 under section 3(2) and section 5 of the Environment (Protection) Act, 1986 issued direction for restricting the excavation of top soil for promoting the utilisation of fly ash in construction activity within a radius of 100 kilometers from coal based thermal power stations. It was further directed that, no person or organization should, within a radius of 100 kilometers from a thermal power station, undertake the construction or approve design for construction of roads or flyover embankments with top soil. Accordingly requisite guidelines/specifications were issued by Indian Road Congress (IRC) for utilisation of fly ash in road project works. Also as per the instructions of the Delhi, High Court, fly ash was to be used in the road embankments within a distance of 100 Kms from the Thermal Power House.

Audit observed (June 2016) that a thermal power station, Sanjay Gandhi Thermal power Project, Umaria was situated within a radius of 100 km from Shahdol-Singhpur-Turla-Pandaria road Project and accordingly the provision of use of fly ash and selected[7] soil for construction of embankment was made in the DPR and Schedule of quantity. The contractor quoted the rate of ₹ four per cum for 50 kms to 75 kms and ₹ six per cum for 75 kms to 100 kms for construction of embankment with fly ash as against the estimated rate of ₹ 276 per cum from 50 kms to 100 kms. But at the time of construction of embankment, the contractor constructed the full embankment with selected soil of 31,130 cum obtained from excavation from borrow pits[8] at the rate of ₹ 147 per cum amounting to ₹ 45.76 lakh and fly ash was not utilised by the contractor for construction of embankment. Had the contractor used fly ash in embankment construction, the cost would have been ₹ 1.71 lakh[9]. The failure to utilise fly ash led to violation of GoI instructions for using fly ash in road construction work and the specifications of IRC SP: 58-2001. This also resulted in excess payment of ₹ 44.05 lakh to the contractor (₹ 45.76 lakh - ₹ 1.71 lakh).

The Government stated (September 2016) that, as per IRC SP 58-2001 the fly ash embankment requires earth cover of one to three metre thickness on both sides over fly ash embankment. So it was not possible to provide fly ash embankment in widening and low embankment projects.

The reply was not tenable since the Company had itself made a provision in the DPR for usage of fly ash for embankment construction. The utilisation of alternative material compelled the Company to incur additional expenditure of ₹ 44.05 lakh and this was not recovered from the Contractor. Further the

7 Means the soil having specified CBR value and utilised for construction of subgrade as per IRC specification.

8 Borrow pits means bits brought to working location from other locations.

9 8,030 cum * ₹ 4 per cum + 23,100 cum * ₹ 6 per cum = ₹ 1,70,720.

failure to use fly ash resulted in violation of MoEF directions for using fly ash in road construction works issued from time to time.

Thus by (i) deviating from the applicable SoR 2013 while fixing the rate for excavating road way in hard rock, (ii) not recovering the value for full quantity of hard rock excavated and (iii) not insisting upon the contractor to utilise the fly ash in the road work, the Company had incurred additional expenditure of ₹ 7.07 crore and extended undue benefit to the contractor to the same extent.

3.6 Excess payment of price adjustment

The Company made excess payment of price adjustment of ₹ 2.63 crore to the contractors in respect of bitumen due to adoption of incorrect price index

Madhya Pradesh Road Development Corporation Limited (Company) awarded contracts for four road projects[10] during 2011 to 2013. Sub clause 13.9 of the agreements deals with the mechanism to be followed for deriving the price adjustment in case of Bitumen. The above clause specified that, price adjustment shall be calculated by applying the difference between the basic and current price of Bitumen which was delivered to the site for use in the works.

As per agreements, the base index price was taken as the price that was prevailing on 28 days prior to the last date of submission of bids. Further while deriving the adjusted price in respect of bitumen/bitumen emulsion the current price as prevailing on the previous month end prior to the month to which a particular interim payment certificate is related was considered. The agreement specified the current price of bitumen as (i) in respect of ADB projects it is the ex-refinery price of nearest refinery inclusive of all applicable taxes, but excluding excise duties and (ii) in respect of other projects it means the ex-refinery price inclusive of all applicable taxes at the nearest refinery prevailing on the relevant date applicable for adjustment to the contract.

Audit observed (June 2016) that the nearest refineries were Koyali refinery for Pachor-Chhapikheda-Jirapur-Machalpur-Soyat and Agar-Barod-Alot-Jaora road projects; and Mathura refinery for Shahdol–Singhpur and Damoh-Hatta-Gaisabadroad projects. Audit further observed that, the Company adopted the bitumen index on the basis of rate list provided by Indian Oil Corporation (IOC), Bhopal Division for deriving the Bitumen price adjustment payable to the contractors. The practise adopted by the Company was not in line with provisions of the agreement as the *ex*-refinery price should have been adopted for deriving the price adjustment amount payable to the contractors. Thus the adoption of incorrect index price in deviation to agreement terms, led to the payment of price adjustment amount of ₹ 23.69 crore as against the actual amount of ₹ 21.06 crore that should have been paid as detailed in

[10] Three contracts (Pachor-Chhapikheda-Jirapur-Machalpur-Soyat, Damoh-Hatta-Gaisabad, Agar-Barod-Alot-Jaora) were awarded under ADB project and one contract (Shahdol – Singhpur) was awarded under general contract.

Annexure 3.2. This resulted in excess payment of ₹ 2.63 crore on account of price escalation of bitumen to the contractors.

The Company stated (October 2016) that, the contract did not specify that, the *ex*-refinery price as made available on IOC website could be taken into consideration for arriving at the price adjustment of Bitumen. It was further stated that, the basic selling price of assessable value was arrived at after adding the state specific cost as certified by IOC in its correspondence.

The reply was not tenable since, the rate adopted by the Company for arriving at the price adjustment was not in line with the terms and conditions of the agreement. Further the base price of Bitumen as shown in the purchase bills as collected by the Company from the contractors were also matching with rates declared by IOC on its official website. Hence, adoption of rates as declared by IOC Bhopal division office led to excess payment of price variation to the contractors.

The matter was reported to the Government in August 2016; the reply is still awaited (November 2016).

3.7 Extra expenditure due to excessive thickness adopted

The Company deviated from the specifications in the designing of road pavement and incurred extra expenditure of ₹ 1.77 crore

Madhya Pradesh Road Development Corporation Limited (Company) awarded (July 2011) the work of re-construction of Agar-Barod-Alot-Jawraroad (SH-41) to M/s Montecarlo Construction Limited (Contractor) for ₹ 133.08 crore. The works were to be completed within 24 months (June 2013) including rainy season. The works were completed (September 2013) and the pre-final bill of ₹ 156.20 crore was paid to the contractor (September 2013).

The pavement of the road was to be designed as per the Indian Road Congress (IRC) specifications mentioned in IRC 37-2001, which provides that thickness of the pavement should be designed based on (i) the projected number of commercial vehicles plying during the designed life of the road and (ii) the California Bearing Ratio (CBR)[11] of the sub grade[12] on which the road formation was aligned. The sub grade should be well compacted to utilise its full strength and to achieve economy in overall thickness of pavement required. Further top 500 mm portion of the road way shall be considered as sub grade. As per Ministry of Road Transport and Highways (MoRTH) specifications (IRC 37-2001), Granular Sub Base (GSB)[13] of only 200 mm thickness was required to be laid if the traffic intensity was up to10 million

[11] California Bearing Ratio is a penetration test for evaluation of the mechanical strength of natural ground, subgrades and base courses beneath new carriageway construction.

[12] Sub grade means the embankment at the formation level which includes sub-grade constructed and compacted with externally borrowed soil.

[13] The material to be used for the work shall be natural sand, moorum, gravel, crushed stone or combination thereof depending upon the grading required.

standard axle *(msa)*[14] and the CBR value of the sub-grade at formation level[15] exceeds seven *per cent*.

Audit observed (June 2016) that, as per detail project report (DPR) the CBR of existing sub grade was varying from 2.5 *per cent* to 15.90 *per cent*. The CBR value of borrow areas[16] was varying from 11.80 *per cent* to 15.58 *per cent*. As per IRC 37-2001 specification if the top 500 mm of the embankment was constructed with material having CBR more than 10 *per cent*, then the pavement should have with thickness suitable to subgrade CBR of 10 *per cent* and above. However, the Company reckoned the CBR value for the construction of road pavement at six *per cent* based on the CBR value of the existing ground soil instead of considering the CBR value of proposed soil to be used in the road pavement construction which was 11.80 *per cent.* Further as per IRC 37-2001 specification, for CBR value of 11.80 *per cent* (CBR above 10 *per cent*) the required thickness of granular sub base (GSB) should be 200 mm.

Further the SOR of MP PWD adopted by the Company for the construction of road emabnkment contained soil having CBR of more than 5 *per cent* and up to CBR value of 12 *per cent* to be obtained from excavation of borrow pits. Since in the instant case, the Company proposed to use borrow soil having minimum CBR of 11.80 *per cent* accordingly the crust should have designed to suit the specification given under IRC 37 for this CBR value of soil.

But the Company while computing the pavement considered the CBR at six *per cent* and executed the GSB of the pavement with an inflated thickness of 260 mm instead of the required thickness of 200 mm. This resulted in excess execution of GSB by 29840.25 cum of GSB causing extra expenditure of ₹ 1.77 crore[17].

The Company stated (October 2016) that the road design should be based on weakest CBR value of soil proposed to be used for sub garde construction or encounter extensivley at sub grade lavel over a given section of the road. Hence the pavement was designed based on CBR of 6 *per cent* and accordingly the crust with 260 mm GSB had been considered.

The reply was not tenable since, the DPRs were prepared after detailed survey and field inpsection and in the DPR the borrowed soil was proposed to be used and the CBR value of this soil was ranging between 11.80 *per cent* and 15.58 per cent. Hence the Company should have considered the CBR value of soil used in this road project as 11.80 *per cent* instead of 6 *per cent*. By not doing so, the Company incurred extra expenditure of ₹ 1.77 crore.

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[14] The design traffic is considered in terms of the cumulative number of standard axles to be carried during the design life of the road.

[15] The formation level is the final level of the soil surface after completion of earth work and compaction.

[16] In construction and civil engineering, a borrow area is an area where material (usually soil, gravel or sand) has been dug for use at another location.

[17] (A) As per BOQ, the executed quantity of GSB was 129307.75cum @ ₹ 592.50 per cum = ₹7,66,14,824 (B) The value of excess quantity of GSB executed by considering 260 cum instead of 200 cum as per IRC 37 specification *i.e* (129307.75 X 200/260) = 99467.50 cum * ₹ 592.5 per cum = ₹ 5,89,34,494 Total extra cost incurred by the Company is (A – B) = 29,840.25 cum valued ₹ 1,76,80,348 say ₹ 1.77 crore.

The matter was reported to the Government in August 2016; the reply is still awaited (November 2016).

3.8 Avoidable payment of interest on income tax

The Company committed default in remittance of advance income tax resulting in avoidable payment of penal interest of ₹ 35.58 lakh

As per Section 208 of the Income Tax Act, 1961 (Act), advance tax is payable during a financial year, in every case, where the amount of such tax payable by the assessee during the year is rupees ten thousand or more. Section 234B of the Act stipulates that where in any financial year, an assessee who is liable to pay advance tax under Section 208 failed to pay such tax or where the advance tax paid by such assessee is less than 90 *per cent* of the assessed tax, the assessee shall be liable to pay simple interest at the rate of one *per cent* for every month from the first day of April on the amount by which the advance tax paid fell short of the assessed tax.

Further, Section 234C of the Act provides that if an assessee fails to pay advance tax or the advance tax paid is less than 15 *per cent*, 45 *per cent*, 75 *per cent* and 100 *per cent* of the tax due till 15 June, 15 September, 15 December and 15 March respectively, the assessee shall be liable to pay simple interest at the rate of one *per cent* per month on the amount of the shortfall.

Audit observed (February 2016) that, Madhya Pradesh Road Development Corporation Limited (Company), had not paid the advance tax at the stipulated percentages on the due dates. Thus the Company paid ₹ 35.58 lakh towards penal interest[18] for Assessment Year (AY) 2015-16, which could have been avoided had the Company correctly assessed and paid the quarterly instalments of advance tax on the prescribed due dates.

The Government stated (June 2016) that (i) the income of the Corporation has been booked at the year end on accrual basis as per provisions of Companies Act, 2013 (ii) it had filed the income tax return subsequently electronically through website of IT Department which automatically calculates the tax and interest liability without human intervention and (iii) The surplus funds of the Company were deposited in the banks as FDRs and they earned interest of ₹ 35.58 lakh equivalent to the penal interest paid by the Company.

The reply was not tenable since, the Company failed in assessing the liability of advance income tax as per the governing provisions of Income Tax Act, 1961 and its timely remittance to the Government revenue. Further, violation of statutory requirement was no argument for earning interest on FDRs and in any case FDR interest rate (nine *per cent*) was always lower than the penal interest (12 *per cent*) levied by the IT department.

[18] Interest u/s 234B - ₹ 17.70 lakh plus interest u/s 234C - ₹ 17.88 lakh due to delayed remittance/ deferment of advance tax payment.

Madhya Pradesh State Agro Industries Development Corporation Limited

3.9 Extension of undue benefit

The Company 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 RTE products

Madhya Pradesh Agro Industries Development Corporation Limited (Company) was supplying the ready to eat (RTE) products to Women and Child Department (WCD), GoI under the Integrated Child Development Services (ICDS) project. The RTE products are being supplied by the Company at predetermined sale price as fixed by WCD from time to time.

The sale price of RTE products is fixed based on the cost data provided by the Company which *interalia* comprises expenditure towards raw material, specified *percentage* of loss of raw materials during process, direct costs, overheads including transportation costs and profit margin. As the Company does not possess sufficient production capacity to meet the demand, joint ventures (JVs) were formed with the private parties. As part of this arrangement, the major raw material (wheat and rice) are being supplied by GoI, MP Civil Supplies Corporation Limited to the Company (including JVs) at subsidised rates. The Company and the JVs together were allotted 2,19,367 MT of wheat and 1,22,410 MT of rice during the years 2010-11 to 2015-16 for manufacturing RTE products. Out of this 1,78,920 MT of wheat and 1,22,410 MT of rice was lifted in 36,06,117 and 25,27,984 number of gunny bags by the Company and JVs. These gunny bags were retained by the Company and JVs.

Audit observed (July 2015) that the approved tender rates of the Company for the disposal of retained gunny bags of wheat and that of rice were ranging from ₹ 11.05 to ₹ 14.31 *per bag* and from ₹ 8.00 to ₹ 13.51 *per bag* respectively during 2010-11 to 2015-16. Thus the realisable value of gunny bags in which wheat and rice was supplied was ₹ 4.75 crore and ₹ 1.50 crore respectively (as detailed in ***Annexure 3.3***) during the period 2010-11 to 2015-16.

Audit further observed (July 2015) from the scrutiny of cost data submitted by the Company to WCD for fixation of RTE products sale price during 2010-11 to 2015-16 that while ascertaining cost of production of RTE products, the Company had not adjusted the realisable value of gunny bags in which the raw material (wheat and rice) was supplied. This resulted in inflating the cost of production of RTE products by ₹ 6.25 crore (as detailed in ***Annexure 3.3***).

Thus, by not adjusting the realisable value of retained gunny bags of wheat and rice while finalising the production cost of RTE products, the Company and the JVs have made an excess claim of ₹ 6.25 crore from WCD. Out of this, an amount of ₹ 5.68 crore (90.88 *per cent*) was passed on to the private parties of JV companies and balance ₹ 0.57 crore (9.12 *per cent*) was retained by the Company.

The Management in its reply (August 2016) confirmed that the realisable value of retained gunny bags was not adjusted while fixing the cost of production of RTE products. It was also stated that the cost of major ingredients of RTE products had increased enormously over the years since 2009, hence the non-adjustment of realisable value of retained gunny bags did not adversely affect the financial interest of the Company.

The reply was not tenable since, the contention of increase in the cost of major ingredients of RTE products, nullifying the impact of not adjusting the realisable value of retained gunny bags was not justifiable, as the GoI/MP CSC were supplying the major ingredients wheat and rice at government notified rates in the respective cost sheets and they were not directly linked to market rates. Further, not adjusting of realisable value of retained gunny bags led to extension of undue benefit of ₹ 5.68 crore to private JV partners.

The matter was reported to the Government in August 2016; the reply is still awaited (November 2016).

Industrial Infrastructure Development Corporation (IIDC) Limited

3.10 Irregularities in allotment of land

The Company committed irregularities in allotment of land valuing ₹ 3.88 crore resulting in consequential loss of revenue of ₹ 61.59 lakh

As per clause 5 (iv) of Madhya Pradesh Industries (Shed, Plot and Land allotment) Rules 1974, prior permission of State Government (GoMP) is required before allotting land to establish an industry which has a different purpose, from the purpose for which the land in an industrial development area/park was reserved. However, IIDC, Gwalior (Company) without obtaining the prior permission from GoMP, issued Letter of Intent (LoI) for allotting land measuring 5,576.21 SQM (0.5576 Ha) (27 February 2006) and 900 SQM (0.09 Ha) (14 July 2006) to M/s.Emporer Granites, a large scale firm for manufacturing high security registration plates. Advance possession of land was given to the firm on 06 March 2006 without issuing the letter of allotment (LoA).

Subsequently the Company's Board referred the issue to GoMP (23 June 2007) seeking approval for the land allotted at stone park Gwalior as the firm's business activity was different from that of Stone Park. However GoMP, Department of Commerce, Industry & Employment did not give approval but sought clarification from the Company (31 January 2008) as to why the land was not allotted in other nearby industrial estates not reserved for any specific purpose. The Company stated that the party applied for land at Gwalior area however land was also available at other unreserved locations *(Malanpur/Banmore)*.

The firm did not secure the contract for high security registration plates from Transport Department and sought permission for establishing an industry of stone related activity in Stone Park (March 2013). The firm requested (19 June 2014) to register the lease deed in the name of M/s Emperor Associates instead of M/s Emperor Granites. Accordingly, the Chairman of the

Company decided (22 June 2013) that as the party was establishing stone related business activity, GoMP approval was not required and instructed the Company to allot land to the new firm and to collect lease rentals from the date of giving advance possession of land (06 March 2006). The Chairman also directed (22 February 2014) that, lease rentals at old rates should be collected without levying any interest on dues. Accordingly, the LoA for 6,475.15 SQM land was executed with M/s. Emperor Associates on 25 November 2014.

In this regard the following are the audit observations.

- The Company committed irregularity by giving advance possession of land to the first firm which was not permitted under prevailing land allotment rules. This led to the idling of land worth ₹ 3.88 crore[19] during 2006 to 2015 without putting to any beneficial use. Further the decision of the Chairman to collect the lease rentals and other charges from the firm while entering into lease deed in 2014 as per old rates was not in the interest of the Company.

- The Company raised demand for the an additional amount of ₹ 19.76 lakh considering the rates applicable to small scale firm despite the fact that, the firm was a large scale one up to June, 2014 till the second firm name came into consideration. Instead the Company should have at least adopted the new rates as applicable to small scale firm *w.e.f.* April, 2013. By not doing so, the Company suffered revenue loss of ₹ 25.36 lakh as detailed in ***Annexure 3.4***.

- As per the demand notice sent by the Company (August 2013), it was to receive ₹ 1,10,980 *per annum* towards lease rent and maintenance fees from 2006-07 to 2014-15. However the Company received them in November, 2014 without levying any interest as required under clause (i) and (iv) of annexure F of MP State Industrial Land Allotment Rules 2008. Hence the Company suffered interest loss of ₹ 12.12 lakh as detailed in ***Annexure 3.4***.

- Since the lease deed was finalised with the second firm based on the LoI signed with the first firm, it should have been treated as a case of transfer and accordingly the applicable transfer charges should have been collected as per land allotment rules 2008 and circular issued by GoMP in April 2011. In the instant case, the Company had not collected the development fees from the first firm and while entering into LoA with the second firm, the development fees of ₹ 6.97 lakh was only collected as against ₹ 31.08 lakh[20] that should have been collected. This led to short collection of development fees by ₹ 24.11 lakh.

The Management stated (June 2016) that (i) the firm requested for land in Gwalior area and expecting approval from GoMP land at Stone Park was allotted to the firm (ii) the interest on the due amounts was not levied as per Company's Head Quarters instructions and (iii) allotment to second firm was not treated as transfer as only LoI was entered with the firm and no LoA was signed with them hence there was no loss to the Company.

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[19] Land value as per 2015 rates i.e. ₹ 6000 per sq.mtr in stone park area as per the information obtained from Collector of Stamps, Gwalior district, M.P.

[20] Transfer fees include 20 *per cent* of prevailing lease premium amount and 100 *per cent* prevailing development fees. i.e (6475.15 sq mtr * ₹ 400 * 20%) = ₹ 5,18,012 (A) + (6475.15 sq mtr *₹ 400) = ₹ 25,90,060 (B); Grand Total (A+B) = ₹ 31,08,072.

The reply was not tenable as (i) the giving of advance possession of land was in violation of rules that led to idling of land for eight years (ii) the Company did not collect the lease rentals and other charges at prevailing rates when the lease deed was actually executed with the second firm which caused revenue loss to the Company and (iii) development charges from second firm at applicable rates was also not collected.

The matter was reported to the Government in May 2016; the reply is still awaited (November 2016).

Madhya Pradesh State Mining Corporation Limited

3.11 Avoidable idling of mines and payment of dead rent

The Company kept the flagstone mines idle for more than three years period and incurred infructuous expenditure on dead rent of ₹ 57.30 lakh

Madhya Pradesh State Mining Corporation Limited (Company) operates quarries, sells and disposes off the minerals namely granite, dolerite, marble, flag-stone, sand etc. from the mines leased to it by the Government of Madhya Pradesh (GoMP) by further entering into the agreement with different Contractors for the excavation and removal of the said minerals.

The Company entered into quarry lease deed (07 September 2010) with GoMP for mining of flagstone from Budhone-Rajapur mines. As per the provisions of lease deed the Company was required to pay GoMP, an annual dead rent or royalty whichever is higher at the applicable rates as specified in schedule IV of the Madhya Pradesh Minor Mineral Rules, 1996.

As per Schedule IV of the lease deed, the dead rent rate for the first year of the quarry lease was Nil, for the second and third year ₹ 25,000 per hectare per year and after that ₹ 30,000 per hectare per year. In September 2014, GoMP revised dead rent payable to ₹ 30,000 per hectare per year for the second and third year and to ₹ 40,000 per hectare per year for the fourth year and onwards of the lease deed.

Audit observed (December 2015) that GoMP allotted the Flagstones mine at Budhone Rajapur (February 2011) to the Company for a period of 10 years. In turn, the Company entered into an agreement (May 2011) with M/s Bundela Red Granite (Contractor) for excavation of flag-stones from these mines for a period of 10 years for excavation of 1,98,395 *cubic meter* flagstone at the rate of ₹ 1,055 per *cubic meter*.

As per the terms of the agreement, the Contractor was required to excavate and remove the agreed minimum quantity of flag stone during the period of contract as per the agreed work plan. Even if the contractor did not excavate and remove the agreed minimum quantity of flag stone, he shall be liable to pay the Company, a minimum monthly instalment in advance as per the agreed work plan. However, it was observed that ever since the starting of work from 09 March 2011 up to 18 July 2013, the Contractor defaulted in remitting the instalments based on the agreed quantity of agreed work plan. Instead the contractor remitted the payments based on the actual quantity of flagstone sold. The reasons quoted by the Contractor for not remitting the payments as per agreed work plan were the irregular mining undertaken in these mines prior to the execution of agreement leading to operational difficulties in excavation.

As the contractor defaulted in remitting the monthly instalments, the Company stopped the contractor's work from July 2013. Subsequently, reminders were issued/correspondence was made with the contractor from July 2013 to January 2014, for reviving the excavation work to which no interest was expressed by the contractor. A show cause notice was issued to the contractor (January 2014) and the contract was terminated in November 2014 after giving due opportunity to the contractor for being heard in person (September 2014).

However the Company had not finalised the new tenders against Budhone-Rajapur mines up to the end of October, 2016 and these mines continue to be idle resulting in loss of revenue by not earning the royalty. Further, the Company paid dead rent of ₹ 57.30 lakh for the years 2014 and 2015 to GoMP against this idle mines.

The Management stated (August 2016) that the Company had terminated the mining contracts citing the reason of not adhering to the terms and conditions of the agreement. It was further stated that fresh tenders would be invited after ascertaining the practical and reasonable quantity of flagstones that can be excavated from the mines and after its approval from the Board of Directors.

The reply was not tenable since the undue delay committed by the Company in taking decision to retender the mines had led to their idling for more than three years period and infructuous payment of dead rent of ₹ 57.30 lakh.

The matter was reported to the Government in June 2016; the reply is still awaited (November 2016).

Madhya Pradesh Power Generating Company Limited

3.12 Loss of Interest

The Company procured bus reactor for ₹ 6.27 crore but it was not installed due to delay in completion of requisite bay works causing loss of interest of ₹ 1.97 crore

Madhya Pradesh Power Generating Company Limited (Company) placed an order (19 June, 2010) on M/s Bharat Heavy Electrical Limited (BHEL), for design, manufacturing, testing & supply of 400 kV, 63 MVAR (mega volt amps reactive)[21] bus reactor[22] for Satpura Thermal Power Station (STPS). Accordingly, the bus reactor and its spares were supplied from March to June 2012 and payment of ₹ 6.27 crore (including equipment cost ₹ 4.56 crore, price variation ₹ 1.57 crore, other elements ₹ 13.29 lakh) was made to BHEL

[21] This is another measurement of power, like Watt, but it measures the component of power that is reactive, which means the component of power that is flowing in the wires to make magnetic fields, but doesn't actually get turned into work

[22] Bus reactor is an equipment meant for stabilising the voltage fluctuations caused due to load change, humidity, weather, generator excitation and temperature. Bus bay is the intermediary system that connects the bus with switchyard meant for evacuating the power generated in a thermal power plant.

during October 2012 to December 2012. As per clause 17 of the supply order, ordered equipment/material shall be guaranteed for satisfactory performance for a period of 12 months from the date of the commissioning or 18 months from the date of supply, whichever is earlier.

Audit observed (September 2015) that despite receipt of bus reactor in March 2012 and its spares up to June 2012, the same could not be put to use immediately since the bay required for the installation of bus bar was not made ready by that time. The Company placed the order for construction of Bay no 17 belatedly in December 2014 with a scheduled completion period of six months (June 2015). However the construction work of bay was completed and the bus bar system was shifted to the plinth in September 2015 and it was commissioned on 29 December, 2015.

Since Company was owing huge amount of interest bearing loans to financial institutions and GoMP, it was highly injudicious to keep the bus reactor idle for 42 months due to not constructing the requisite bay. This resulted in blocking of funds of ₹ 6.27 crore with consequential loss of interest ₹ 1.97[23] crore (at the rate of 10.5 *per cent* being the minimum rate of interest at which the Company borrowed funds).

The Government stated (November 2016) that the main reason for the delay in installation of bur reactor was (i) due to re-orientation of 400 kV Sarni Astha feeder 1 & 2 of Satpura Extension (10 & 11) by the MP Power Transmission Company Ltd, the new location for installation of Bus Reactor was proposed at Bay 17 instead of Bay 7 of the old 400 kV switch yard and (ii) the poor response to the tenders invited by the Company for the installation of bus reactor.

The reply was not tenable since, MP Transmission Company had confirmed the change in bay number from 7 to 17 in August 2011 itself (six months before the bus reactor was procured in March 2012). However the Company had taken 18 months (February 2013) in instructing STPS to take up the bay works at new bay number 17 through O&M division. Further the contract for this work was awarded in December 2014 after a delay of 22 months after instructions to take up works through O&M division were issued. The delay was committed by the Company at various stages in tendering process, awarding of contract and approval of drawings etc. Further, STPS was operating without installing the bus reactor and its absence was viewed seriously by MPERC.

3.13 Idling of funds in railway freight account.

Improper management of funds led to idling of funds in dedicated railway freight account over and above requirement causing interest loss of ₹ 1.07 crore

The Madhya Pradesh Power Generating Company Ltd (Company) entered into Fuel Supply Agreement (FSA) (24.01.2013) with Southern East Coal field

[23] {(₹ 41552043) X 10.5 % X 38/12 months)} = ₹ 1,38,16,054 (A) + {(₹ 18693560) X 10.5 % X 36/12 months} = ₹ 58,88,471 (B) = Total ₹ 1,97,04,525. The period considered was from payment date {from October 2012 (38 months) and December 2012 (36 months)} to its final installation in December 2015.

Limited (SECL) for supply of 49,93,900 MT coal *per annum* to Shri Singaji Thermal Power Plant (SSTPP), Khandwa. As per FSA the maximum number of rakes required works out to six rakes *per day*[24]. The Company also entered into tripartite agreement (01 January 2014) with South East Central Railway (SECR) and State Bank of India, to pay the transportation freight to Railways at the originating station through Freight Operation Information System (FOIS)[25] for ensuring the immediate payment of freight. For this purpose, a dedicated bank account was opened by the Company and SSTPP had to recoup into the dedicated freight account on every bank working day, the amount equivalent to the freight paid by the banker on the immediate previous working day/days in case of bank holidays.

The agreement also provided that, modifications shall be made with mutual consent of the parties after three months from the date of the agreement and changes shall be suitably incorporated in the agreement. As per default payment mechanism of tripartite agreement, the Company opened an irrevocable bank guarantee (BG) in favour of Railways for an amount of ₹ four crore (revised to ₹ 1.40 crore *w.e.f.* 11.01.2015).

Audit observed from the analysis of bank statements for the period during January 2014 to March 2016 that, the actual utilisation of funds was much below the funds maintained in the account. A further analysis of the bank statements revealed that, the number of rakes for which Railway Receipt (RR) were raised was much below the rakes that were to be received as per the quantity agreed under the FSA as detailed below.

Sl. No	The range of amount used for raising RRs in a day (₹)	No of rakes for which RR was issued.	No of days on which this quantum of transaction had taken place
1.	34,75,532 to 9818778	01	284
2.	1,01,02,486 to 1,49,74,221	02	178
3.	1,51,41,906 to 1,98,77,787	03	77
4.	2,01,58,157 to 2,45,77,456	04	29
5.	2,60,81,402 to 2,82,02,517	05	11
6.	3,73,62,293	06	4
7.	4,24,57,132	07	2
Total no of days			**585**

It is evident that, SSTPP maintained surplus funds for longer period above its requirement on the plea that as per Head Office instructions (25.05.2015), the funds requirement had to be intimated twice a week (on Monday and Thursday). But the actual funds utilization as per RR requirement was not monitored periodically by the Company leading to idling of funds in the freight account despite the fact that BG was also reduced to ₹ 1.40 crore from 11 January 2015 onwards. Thus the improper monitoring of funds resulted in idling of funds in the freight account with consequential loss of interest of ₹ 1,07,05,797[26] as detailed in ***Annexure 3.5.***

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[24] (Annual quantity 49,93,900 MT/12) = 416158 Mt per month/2500 MT per rake = 166.46 rakes in a month/30 days = 5.54 rakes per day. Say 6 rakes *per day*.

[25] FOIS is an electronic system that connects consignee Bank's server to the Center for Railway Information System (CRIS) of Railways.

[26] Considering 12 *per cent* rate of interest being the rate at which the Company obtain its loans from various organisations.

The Government stated (July, 2016) that as per FSA, six rakes were to be received per day. Considering this and as per the Company head quarter's instructions to communicate funds requirement twice in a week (Monday & Thursday), maximum freight required for next three days period was ₹ 11.70 crore. However, the Company maintained funds between ₹ six to ₹ seven crore in the freight account. Further this arrangement was required to avoid payment of penalty in case the RR's were to be issued by Railways on freight to pay basis.

The reply was not tenable as the Company had received less than six rakes on 579 days out of 585 days between January 2014 and March 2016. Further, the Company maintained sufficient BG amount with the Railways to take care of the additional requirement of funds in case there was shortage in the availability of funds in dedicated freight account. However, during January 2014 to March 2016 there was not even a single instance when BG was utilised by the bank and also there was no penalty imposed by Railways. This establishes the fact that surplus funds were maintained in the account.

3.14 Award of contract at higher rate

The Company awarded contract for construction of residential quarters at higher rates by ₹ 26.13 crore due to not following the transparent bidding procedure

Madhya Pradesh Power Generating Company Limited (Company) awarded a contract (20 September 2010) for ₹ 116.83 crore for the construction of 679 staff quarters at Shri Singaji Thermal Power Plant (SSTPP), Khandwa. This contract was terminated (13 July 2012) as the party failed to complete the work. Following this, the Company invited (13 July 2012) bids under International Competitive Bidding (ICB 07)[27] with opening date of bids on 23 August 2012 (42 days) for completing the left over works of the staff quarters at SSTPP.

As per time line prescribed for ICB by GoI and other international agencies, a minimum period of *six weeks* is required to be given to the bidders since the publication of Notice Inviting Tender (NIT) to enable the bidders to prepare bids comprehensively and to offer the most competitive quotes.

Audit observed (September 2014) that the Company received three bids under ICB 07 and the lowest bid received was for ₹ 158 crore. Since it was 92 *per cent* above the left over works value (₹ 82.26 crore), this ICB was cancelled. Subsequently, the Company issued another NIT under ICB 08 on 08 October 2012 with opening date of bids on 30 October 2012 thus giving 23 days time to the bidders to submit the bids. The lowest bid received was ₹ 140.03 crore from M/s Kalyan Toll Infrastructure Limited, Indore. As this quote was 70 *per cent* higher than the left over works value (₹ 82.26 crore) ICB 08 was also cancelled by the Company. Considering this the Company in 65th Board meeting (27 December 2012) resolved that another NIT under ICB 10 would be invited by giving just 15 days time to the bidders to respond.

[27] ICB 07, 08 and 10 were the tenders invited under International Competitive Bidding procedure for completing the left over work of staff quarters at SSTPP, Khandwa.

Accordingly the NIT was issued on 28 December 2012 with last date for sale of application on 15 January 2013 and for submission of bids and opening of bids on 16 January 2013. However, this NIT was published in the World wide edition of Financial Times newspaper on 07 January 2013 thus actually giving *nine days* time to the prospective bidders to respond to this bid.

Subsequent to publication of NIT in Financial Times, three more parties who had not participated in the previous tenders (ICB 07 and 08) requested for extension of time to enable them to submit the most competitive quotes, as the estimation work involved a detailed study against each item of the work. The time extension sought by these three parties was ranging between 20 days and 42 days which was within the time limit prescribed for ICB by GoI. But the Company did not accept the request of these parties as a result these three parties could not submit the bids.

Hence, the Company received only one bid against ICB 10, and the same was opened on 16 January 2013. The contract was awarded (14 February 2013) to this single party (M/s Kalyan Toll Infrastructure Limited, Indore) for ₹ 134.54 crore which was 63.55 *per cent* higher than the left over works value of ₹ 82.26 crore. The price quoted by this party under ICB 10 (₹ 134.54 crore) was 3.92 *per cent* lower than the price quoted by them (₹ 140.03 crore) under ICB 08 which was also the L1 price under ICB 08.

Audit further observed that the Company escalated (08 February 2013) the left over works value to ₹ 115 crore (revised value of left over works ₹ 108.41 crore + cost of financing at 18 *per cent* for six months period ₹ 0.98 crore + inflation cost at 8 *per cent* during contract period ₹ 5.42 crore) and thereby justified the price quoted by the party stating that the price quoted was above by 16.99 *per cent* over the value of left over works. Following this, contract was awarded to this party on 14 February 2013 for ₹ 134.54 crore and works were completed on 13 May 2014.

In this connection the following are the audit observations:

- The Company under ICB 8 and 10 had deviated from set guidelines for ICB tenders by GoI and other international agencies. It had given just 23 days and 15 days time to the bidders to respond as against the minimum required period of six weeks.
- Had the Company given the requisite time of six weeks to the bidders to respond, it could have got more competitive bids as there were other interested parties available to participate in the tender. This was evident from the lower quotes received under ICB 08 and ICB10. However, the Company did not give the six weeks time to the interested parties.
- The earlier value of left over works ₹ 82.26 crore (benchmark price) considered to justify the rejection of lowest quotes received in previous two tenders (ICB 07 and 08) was relaxed (₹ 108.41 crore) during the third tender (ICB 10) and contract was eventually awarded at the rate 24.10 *per cent* higher than the revised benchmark price *i.e.* at ₹ 134.54 crore even though it was a resultant single tender situation.

- The Company had unduly justified the higher price (₹ 134.54 crore) quoted by the party who had already participated in the earlier ICB 08 and had knowledge about the lowest quote (₹ 140.03 crore) received by the Company under ICB 08.
- This resulted in awarding the contract not in a transparent manner and compelled the Company to incur additional expenditure of ₹ 26.13[28] crore.

The Government stated (November 2016) that all the possible efforts were made to give wide publicity to the NITs issued under ICB 08 and 10. However considering the fast approaching synchronisation schedule of unit I and II, the required publicity period of six weeks was not given under these two ICBs. It was further stated that, the contract was awarded at the risk and cost of the previous contractor and all the extra cost incurred in completion of works was recoverable from him. It was also replied that the minimum required number of quarters required were completed by the Company by awarding separate contracts to carry out the leftover finishing works.

The reply was not tenable since, the requisite time of six weeks for wide publicity of ICB 10 was not given as per the guidelines issued by GoI and other international agencies for ICB tenders. Further the actual synchronisation of unit I was achieved on 30 September 2013 (nine months after the NIT for ICB 10 was issued on 28 December 2012) and of unit II was achieved on 11October 2014 (five months after the completion of left over works on 13 May 2014) by the Company. It was also confirmed by the Company that minimum number of quarters required were already completed. Hence, the grant of requisite six weeks time for publicity would not have affected the synchronisation of the units. Further the Company's stand that additional cost was incurred at the risk and cost of the previous contractor was not acceptable. The Company had not followed the transparent bidding procedure as required under ICB tenders despite the fact that it was receiving the lower quotes in the consecutive ICB tenders (ICB 07 to ICB 10).

3.15 Avoidable expenditure

The Company incurred extra expenditure of ₹ 16.53 crore in procuring the imported coal due to modifications in the tender specifications.

Madhya Pradesh Power Generating Company Limited (Company) placed supply order (November 2012) on Adani Enterprises Limited, Ahmedabad (AEL) for supply of 8 lakh metric ton (LMT) of imported coal for ₹ 540.24 crore. As per the terms of the supply order the indented quantity was scheduled to be delivered within six to eight months period from December 2012 to July 2013 against which the actual delivery of coal was completed in May 2015. As per Tender Specification (TS) no 44/12 and clause 3 of the Supply Order, the Company reserves right to extend the contracted quantity within the contract period up to 25 *per cent* on mutual agreement with supplier on the ordered rates, terms and conditions.

[28] The value of contract awarded under ICB 10 (₹ 134.54 crore) – The reassessed value of left over works as determined by the company (₹ 108.41 crore).

Audit observed (May 2016) that, the company communicated (March 2015) its intention to place an extension order for supply of up to 25 *per cent* of the original ordered quantity (*i.e.* 8 LMT) 20 months after the completion of contract period in July 2013. However the supplier declined (March 2015) to honour the intention of the Company to place order for additional quantities on the grounds that the completion of order was delayed by the Company due to delayed delivery schedules given by them. It was also stated by the contractor that the order was based on fixed price basis and there had been changes in other aspects affecting the supply such as changes in taxes, duties and railway freight etc.

This was mainly because of failure to incorporate a binding clause in the tender document binding the Contractor to supply the additional quantity of imported coal as and when the order for additional quantity is placed by the Company. The Company while issuing the latest tender (TS 44/12), had amended the clause to the effect that, "*it would be at the discretion of order issuing authority to regulate/ reschedule the deliveries as per requirement and also reserves the right to extend the contracted quantity within the contract period up to 25 per cent on mutual agreement with the supplier on the ordered rate, terms and conditions as per the requirement of respective Power House"*.

Whereas the Company in the previous instance had a clause in the tender specifications (TS 41/11) (supply order dated September 2011) to the effect that "*the Company at its discretion could reschedule the deliveries as per requirement and also reserves the right to extend/reschedule the contracted quantity up to 25 percent as well as contract period on the ordered rate, terms and conditions as per the requirement, which the supplier shall be bound to accept"*. As per this clause the Company placed order for supply of additional quantity of 2 LMT of imported coal under TS 41/11 during September 2013 after a delay of 14 months from the scheduled completion period (June 2012) and the Contractor had honoured this order and effected the supplies to the Company at the terms and rates agreed in the original supply order dated September 2011.

Thus the modification in the tender specifications in the latest tender (TS 44/12) gave scope to the contractor to deny the order placed by the Company for additional quantities subsequent to the completion of contract period. This compelled the company to incur extra expenditure of ₹ 16.53 crore (on 2 LMT of coal procured at higher cost subsequently under a separate tender TS 54/15) apart from passing undue benefit to the supplier to that extent. Further the amendment in the tender specifications was made without obtaining the approval from the BoD of the Company.

The Government stated (November 2016) that coal delivery schedules in the previous contract was revised time and again to match the actual requirement of coal at the power houses. Hence it was felt imprudent to keep the order extension clause open and binding on the supplier for longer period as the suppliers would quote inflated rates to match the risk of unforeseen factors. Considering this, the clause was modified as "on mutual agreement" basis to prevent the bidders from quoting inflated rates on account of uncertainty factors of longer periods.

The reply was not tenable since, keeping in view the previous trend of delayed receipt of imported coal, the Company should have retained the binding clause in the contract which was in its favour. Further the clause was exercisable at the discretion of the Company. Hence by removing such favourable clause in tender (TS 44/12), the Company had lost the benefit of placing the orders for additional quantities at its discretion at economical rates.

(DEEPAK KAPOOR)
Accountant General
(Economic and Revenue Sector Audit)
Madhya Pradesh

Bhopal
The 09 February 2017

Countersigned

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

New Delhi
The 10 February 2017

ANNEXURES

Annexure-1.1

Summarised financial position and working results of Government Companies and Statutory Corporations as per their latest finalised financial statements/accounts

(Referred to in paragraph 1.1 & 1.15)

(Figures in columns (5) to (12) are ₹ in crore)

Sl. no.	Sector/Name of the company	Period of Accounts	year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year	Accumulated Profit(+) /loss (-)	Turnover	Net profit (+)/ Loss (-)	Net impact of Audit comments[2]	Capital Employed[3]	Return on capital employed[4]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A.	**Working Government Companies**												
AGRICULTURE & ALLIED													
1	Madhya Pradesh State Agro Industries Development Corporation Limited	2014-15	2016-17	3.29	--	108.39	1181.05	48.45	--	121.06	48.63	40.17	423
2	Madhya Pradesh Rajya Van Vikas Nigam Limited	2014-15	2015-16	39.32	--	201.12	102.71	70.50	--	271.28	70.50	25.99	701
Sector wise total				**42.61**	**--**	**309.51**	**1283.76**	**118.95**	**--**	**392.34**	**119.13**	**30.36**	**1124**
FINANCE													
3	M.P. Audyogik Kendra Vikas Nigam (Bhopal) Limited	2014-15	2015-16	2.85	--	26.04	26.77	13.41	--	28.89	13.41	46.42	249
4	M.P. Audyogik Kendra Vikas Nigam(Indore) Limited	2015-16	2016-17	3.40	83.01	115.55	222.43	(-) 2.99	(-) 163.92	369.32	(-) 1.76	(-) 0.48	219
5	M.P. Audyogik Kendra Vikas Nigam (Jabalpur) Limited	2015-16	2016-17	3.08	--	7.99	2.75	1.12	(-) 0.20	11.07	1.12	10.12	62
6	M.P. Audyogik Kendra Vikas Nigam (Rewa) Limited	2014-15	2015-16	1.80	3.15	5.61	1.87	0.91	--	9.93	1.05	10.57	77
7	M.P. Audyogik Kendra Vikas Nigam (Ujjain) Limited	2015-16	2016-17	10.00	21.23	1.82	2.10	(-) 4.23	1.87	33.05	(-) 4.23	(-) 12.80	33
8	Industrial Infrastructure Development Corporation (Gwalior) M.P. Limited	2015-16	2016-17	1.75	--	4.88	7.48	1.08	--	6.63	1.18	17.80	154

Sl. no.	Sector/Name of the company	Period of Accounts	year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year	Accumulated Profit(+) /loss (-)	Turnover	Net profit (+)/ Loss (-)	Net impact of Audit comments[2]	Capital Employed[3]	Return on capital employed[4]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
9	M.P. Audyogik Kendra Vikas Nigam (Sagar) Limited	2014-15	2015-16	4.65	--	0.14	1.00	(-) 0.18	--	4.79	(-) 0.18	--	27
10	Madhya Pradesh Pichhara Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam Limited	2008-09	2014-15	7.55	44.88	0.16	2.41	0.06	--	52.59	0.06	0.11	15
11	Madhya Pradesh Adivasi Vitta Evam Vikas Nigam Limited	2003-04	2011-12	18.36	11.06	2.51	4.38	1.94	(-) 0.36	20.07	3.27	16.29	--
12	The Provident Investment Company Limited	2012-13	2014-15	0.50	--	--	3.27	0.84	--	27.19	0.85	3.13	18
13	Madhya Pradesh State Industrial Development Corporation Limited	2013-14	2016-17	81.09	319.66	(-) 464.70	124.99	118.66	(-) 0.52	7.80	118.66	1521.28	61
Sector wise Total				**135.03**	**482.99**	**-300.00**	**399.45**	**130.62**	**(-) 163.13**	**571.33**	**133.43**	**23.35**	**915**
INFRASTRUCTURE													
14	Madhya Pradesh Police Housing Corporation Limited	2013-14	2014-15	4.58	161.24	35.90	17.63	9.10	--	201.60	9.10	4.51	312
15	Madhya Pradesh Road Development Corporation Limited	2014-15	2015-16	20.00	--	135.31	104.99	60.04	(-) 7.76	166.99	60.04	35.95	192
16	Narmada Basin Projects Company Limited	2013-14	2014-15	5.00	--	0.29	--	--	--	4.71	--	--	--
Sector wise Total				**29.58**	**161.24**	**171.5**	**122.62**	**69.14**	**(-) 7.76**	**373.30**	**69.14**	**18.52**	**504**
MANUFACTURING													
17	Pithampur Auto Cluster Limited	2015-16	2016-17	12.12	--	(-) 7.36	11.70	3.36	--	63.08	3.36	5.33	28
18	Madhya Pradesh State Electronics Development Corporation Limited	2014-15	2015-16	21.91	17.12	5.01	65.71	12.86	--	55.18	12.86	23.31	60

Sl. no.	Sector/Name of the company	Period of Accounts	year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year	Accumulated Profit(+) /loss (-)	Turnover	Net profit (+)/ Loss (-)	Net impact of Audit comments[2]	Capital Employed[3]	Return on capital employed[4]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
19	Crystal I.T. Park Indore Limited,	2015-16	2016-17	0.05	--	(-) 0.08	--	--	--	(-) 0.03	--	--	--
20	SantRavidas Madhya Pradesh HasthaShilpEvam Hath KarghaVikas Nigam Limited	2014-15	2016-17	1.26	0.38	2.62	51.05	0.08	(-) 0.70	22.27	0.08	0.36	--
21	Madhya Pradesh State Mining Corporation Limited	2014-15	2015-16	2.20	--	194.86	710.68	107.87	--	260.09	107.90	41.49	340
22	MP AMRL (Semaria) Coal Company Limited	2015-16	2016-17	1.00	--	(-) 0.67	--	(-) 0.01	--	0.33	(-) 0.01	--	--
23	MP AMRL (Morga) Coal Company Limited	2015-16	2016-17	1.00	--	(-) 0.34	--	(-) 0.01	--	0.66	(-) 0.01	--	--
24	MP AMRL (Bicharpur) Coal Company Limited	2015-16	2016-17	1.00	--	(-) 6.20	--	(-) 0.17	--	(-) 5.20	(-) 0.17	--	--
25	MP AMRL (MarkiBarka) Coal Company Limited	2015-16	2016-17	1.00	--	(-) 1.29	--	(-) 0.01	--	(-) 0.29	(-) 0.01	--	--
26	MP Jaypee Coal Limited	2015-16	2016-17	10.00	--	(-) 6.09	--	(-) 0.02	--	3.91	(-) 0.02	--	--
27	MP Monnet Mining Company Limited	2015-16	2016-17	2.00	--	(-) 0.37	--	(-) 0.01	--	1.63	(-) 0.01	--	164
28	MP Jay Pee Minerals Limited	2014-15	2015-16	61.22	135	(-) 90.02	207.61	(-) 88.67	(-) 2.58	106.20	(-) 88.67	--	--
29	MP Jay Pee Coal fields Limited	2015-16	2016-17	10.00	--	(-) 9.65	0.03	0.02	--	0.35	0.02	5.71	--
30	M.P. Sainik Coal Mining Pvt. Ltd	2015-16	2016-17	33.30	0.64	(-) 0.75	--	(-) 0.02	--	33.19	(-) 0.02	--	--
Sector wise Total		--	--	**158.06**	**153.14**	**79.67**	**1046.78**	**35.27**	**(-) 3.28**	**541.37**	**35.30**	**6.52**	**592**
POWER													
31	Madhya Pradesh UrjaVikas Nigam Limited	2014-15	2015-16	0.69	2.01	1.29	20.36	--	(-) 0.74	3.99	--	--	202

Sl. no.	Sector/Name of the company	Period of Accounts	year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year	Accumulated Profit(+) /loss (-)	Turnover	Net profit (+)/ Loss (-)	Net impact of Audit comments[2]	Capital Employed[3]	Return on capital employed[4]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
32	Madhya Pradesh Power Transmission Company Limited	2014-15	2015-16	2553.14	2031.73	(-) 236.17	2346.36	120.81	(-) 9788.60	4348.70	256.70	5.90	4760
33	Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited	2014-15	2015-16	1790.21	11322.88	(-) 9986.02	7099.00	(-) 1161.58	(-) 57.91	4530.64	(-) 910.92	--	12503
34	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited	2015-16	2016-17	2065.38	1920.61	(-) 10001.41	9730.02	(-) 1207.01	--	(-) 4228.72	(-) 941.36	--	19676
35	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited	2015-16	2016-17	1944.89	12189.40	(-) 13998.21	6186.86	(-) 2766.08	--	136.08	(-) 2327	--	11474
36	Madhya Pradesh Power Generating Company Limited	2015-16	2016-17	5325.55	10297.89	3120.37	8126.64	26.16	(-) 10.03	12607.35	1642.70	8.81	5750
37	Shahpura Thermal Power Company Limited	2015-16	2016-17	0.05	3.72	0.02	0.01	0.01	--	3.79	0.01	0.26	--
38	Madhya Pradesh Power Management Company Limited[i]	2015-16	2016-17	5942.69	21.13	--	23570.01	--	--	5963.82	72.64	1.22	696
39	Dada Dhuni Wale Khandwa Power Limited.	2015-16	2016-17	45.00	--	(-) 5.51	--	(-) 6.27	(-) 3.3	39.49	(-) 6.27	--	7
40	Bansagar Thermal Power Company Limited	2015-16	2016-17	0.05	4.25	(-) 2.95	0.62	(-) 0.13	--	1.35	0.62	45.93	15
41	Shri Singaji Power Project Limited	2015-16	2016-17	0.05	--	(-)0.01	--	--	--	0.04	--	--	3
Sector wise Total		--		**19667.70**	**37793.62**	**(-) 31108.60**	**57079.88**	**(-) 4994.09**	**(-) 9860.58**	**23406.53**	**(-) 2212.88**	**--**	**55086**
SERVICE													
42	M.P. Trade and Investment Facilitation Corporation	2014-15	2015-16	0.80	916.98	12.73	5.62	2.72	--	930.5	2.72	0.29	34

Sl. no.	Sector/Name of the company	Period of Accounts	year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year	Accumulated Profit(+) /loss (-)	Turnover	Net profit (+)/ Loss (-)	Net impact of Audit comments[2]	Capital Employed[3]	Return on capital employed[4]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Limited												
43	Madhya Pradesh LaghuUdyog Nigam Limited	2013-14	2014-15	2.83	--	93.60	300.95	36.72	3.26	107.69	36.72	34.10	342
44	SEZ Indore Limited	2015-16	2016-17	26.97	--	14.99	--	(-) 0.05	--	41.96	(-) 0.05	--	1
45	Madhya Pradesh State Civil Supplies Corporation Limited	2014-15	2015-16	8.47	4754.86	67.52	17301.01	(-) 69.13	(-) 10.04	4830.85	1653.06	34.22	917
46	Madhya Pradesh State Tourism Development Corporation Limited	2013-14	2016-17	24.97	--	1.05	149.15	4.58	--	552.18	4.65	0.84	2059
47	Atal Indore City Transport Services Limited	2014-15	2015-16	0.25	0.80	1.70	19.06	(-) 1.72	--	17.93	(-) 1.72	--	--
48	Jabalpur City Transport Services Limited	2015-16	2016-17	0.25	--	1.40	0.70	0.47	--	1.65	0.47	28.48	7
49	Bhopal City Link Limited	2009-10	2014-15	0.30	--	0.89	0.41	0.03	(-) 0.08	1.19	0.03	2.52	14
50	Ujjain City Transport Services Limited	First A/c not received											
51	Katni City Transport Services Limited	2010-11	2011-12	0.15	--	(-) 0.01	0	(-) 0.01	--	0.15	(-) 0.01	--	--
52	Madhya Pradesh VikramUdyogpuri (Ujjain) Limited	2014-15	2015-16	112.86	--	1.58	3.57	3.28	--	114.44	3.28	2.87	1
53	Madhya Pradesh Plastic Park Development Cor. Ltd.	2014-15	2015-16	0.05	21.00	0.13	0.36	0.17	--	29.79	0.17	0.57	5
54	Pithampur Jal Prabandhan Company Ltd	2015-16	2016-17	35.00	--	4.00	3.14	2.84	--	39.00	2.91	7.46	--
55	Madhya Pradesh Jal Nigam Maryadit	2014-15	2015-16	40.00	--	(-) 0.20	8.37	1.62	--	39.80	1.62	4.07	62
Sector wise Total		--	--	**252.90**	**5693.64**	**199.58**	**17792.34**	**(-) 18.48**	**(-) 5.86**	**6707.13**	**1703.85**	**25.40**	**3442**

Sl. no.	Sector/Name of the company	Period of Accounts	year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year	Accumulated Profit(+) /loss (-)	Turnover	Net profit (+)/ Loss (-)	Net impact of Audit comments[2]	Capital Employed[3]	Return on capital employed[4]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Total A (All Sector wise working Government Companies)		--	--	**20285.88**	**44284.63**	**(-) 30648.34**	**77724.83**	**(-) 4658.59**	**(-) 10040.61**	**31992.00**	**(-) 152.03**	--	**61663**
B. Working Statutory Corporation													
AGRICULTURE & ALLIED													
1	Madhya Pradesh Warehousing and Logistics Corporation	2014-15	2015-16	8.06	220.92	256.31	246.31	60.25	--	505.15	63.38	12.54	1321
Sector wise Total		--	--	**8.06**	**220.92**	**256.31**	**246.31**	**60.25**	--	**505.15**	**63.38**	**12.54**	**1321**
FINANCE													
2	Madhya Pradesh Financial Corporation	2015-16	2016-17	376.10	965.21	7.09	134.75	19.38	(-) 1.54	1179.06	109.80	9.31	175
Sector wise Total		--	--	**376.10**	**965.21**	**7.09**	**134.75**	**19.38**	**(-) 1.54**	**1179.06**	**109.80**	**9.31**	**175**
SERVICE													
3	Madhya Pradesh State Road Transport Corporation	2007-08	2008-09	141.81	716.84	(-) 1024.52	210.05	(-) 13.62	--	(-) 144.80	(-) 3.52	--	300
Sector wise Total		--	--	**141.81**	**716.84**	**(-) 1024.52**	**210.05**	**(-) 13.62**	--	**(-) 144.80**	**(-) 3.52**	--	**300**
Total B (All Sector wise working Statutory Corporations)		--	--	**525.97**	**1902.97**	**(-) 761.12**	**591.11**	**66.01**	**(-) 1.54**	**1539.41**	**169.66**	**11.02**	**1796**
Grand Total (A+B)		--	--	**20811.85**	**46187.6**	**(-)31409.46**	**78315.94**	**(-) 4592.58**	**(-) 10042.15**	**33531.41**	**17.63**	**0.05**	**63459**
C. Non working Government Companies													
AGRICULTURE & ALLIED													
1	Madhya Pradesh Lift Irrigation Corporation Limited	2003-10	2010-11	5.92	--	(-) **6.33**	Under liquidation	0.04	--	(-) 0.36	0.04	--	Under liquidation
2	Madhya Pradesh State Dairy Development Corporation Limited	2001-02	2002-03	--	--	--	Under liquidation	--	--	--	--	--	Under liquidation
Sector wise Total				**5.92**	--	**(-) 6.33**	--	**0.04**	--	(-) 0.36	**0.04**	--	--
FINANCE													
3	Madhya Pradesh Film Development Corporation Limited	2009-10	2010-11	1.04	--	--	Under liquidation	--	--	1.02	--	--	Under liquidation

Sl. no.	Sector/Name of the company	Period of Accounts	year in which accounts finalised	Paid-up capital[1]	Loans outstanding at the end of year	Accumulated Profit(+) /loss (-)	Turnover	Net profit (+)/ Loss (-)	Net impact of Audit comments[2]	Capital Employed[3]	Return on capital employed[4]	Percentage of return on capital employed	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
4	Madhya Pradesh Panchayati Raj VittaEvamGraminVikas Nigam Limited	2005-06	2006-07	0.16	--	0.02	Under liquidation	0.03	--	0.16	0.03	18.75	Under liquidation
Sector wise Total		--	**--**	**1.20**	--	**0.02**	--	**0.03**	--	**1.18**	**0.03**	**18.75**	--
INFRASTRUCTURE													
5	Madhya Pradesh State Industries Corporation Limited	2011-12	2014-15	13.14	--	(-) 59.63	0.06	(-) 8.69	--	--	(-) 8.69	--	Under liquidation
6	Madhya Pradesh Rajya SetuNirman Nigam Limited	1989-90	1993-94	5.00	--	(-) 2.15	Under liquidation	(-) 1.13	--	2.87	(-) 1.13	--	Under liquidation
Sector wise Total		--	**--**	**18.14**	--	**(-) 61.78**	**0.06**	**(-) 9.82**	--	**2.87**	**(-) 9.82**	--	--
MANUFACTURING													
7	Optel Telecommunication Limited	2009-10	2010-11	23.97	46.6	(-) 131.76	Under liquidation	(-) 29.21	--	(-) 24.48	(-) 27.07	--	Under liquidation
8	Madhya Pradesh State Textile Corporation Limited	2008-09	2016-17	6.86	87.84	0.17	0.03	(-) 3.99	--	94.87	(-) 0.17	--	03
9	Madhya Pradesh Vidyut Yantra Limited	---	---	1.50	--	0.04	Under liquidation	--	--	1.50	--	--	--
Sector wise Total		--	**--**	**32.33**	**134.44**	**(-) 131.55**	**0.03**	**(-) 33.20**	--	**71.89**	**(-) 27.24**	--	**03**
Total C (All sector wise non working Government Companies)		**--**	**--**	**57.59**	**134.44**	**(-) 199.64**	**0.09**	**(-) 42.95**	**--**	**75.58**	**(-) 36.99**	**--**	**03**
Grand Total (A+B+C)		--	**--**	**20869.44**	**46322.04**	**(-) 31609.10**	**78316.03**	**(-) 4635.53**	**(-) 10042.15**	**33606.99**	**(-) 19.36**	**--**	**63462**

[1] Paid up capital includes share application money.

[2] Impact of accounts comments include the impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in net profit /decrease in loss and (-) decrease in profit/ increase in loss.

[3] Capital Employed includes Share Holders Fund plus Long Term Borrowing {Except Statutory Corporations where Capital employed represents net fixed assets (including capital work in progress) plus working capitals}.

[4] Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

Annexure -1.2
Statement showing investments made by State Government in PSUs whose accounts are in arrears

(Referred to in paragraph 1.11)

(Figures in columns 4 & 6 to 8 are ₹ in crore)

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid up capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	**Working Government Companies**						
1	Madhya Pradesh Rajya Van Vikas Nigam Limited	2014-15	39.32	2015-16	--	--	10.1
2	Madhya Pradesh Pichhara Varg Tatha Alpsankhyak Vitta EvamVikas Nigam Limited	2008-09	7.55	upto 2014-15	3.1	--	1.95
				2015-16	0.6	--	0.6
3	Madhya Pradesh Adivasi Vitta Evam Vikas Nigam Limited	2003-04	18.36	upto 2014-15	6.33	--	18.30
				2015-16	--	--	--
4	Madhya Pradesh State Industrial Development Corporation Limited	2013-14	81.09	2014-15	--	22.16	--
				2015-16	--	--	--
5	Madhya Pradesh Police Housing Corporation Limited	2013-14	4.58	2014-15	--	27.50	--
				2015-16	--	65.00	--
6	Madhya Pradesh Power Transmission Company Limited	2014-15	2553.14	2015-16	134.56	--	--
7	Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited	2014-15	1790.21	2015-16	--	981.93	77.06
8	M.P. Trade and Investment Facilitation Corporation Limited	2014-15	0.80	2015-16	--	--	3.50
9	Madhya Pradesh State Tourism Development Corporation Limited	2013-14	24.97	2014-15	--	--	47.70
				2015-16	--	--	51.74
10	Madhya Pradesh Jal Nigam Maryadit	2014-15	55.00	2015-16	15.00	--	407.00
	Total A (Working Government Companies)				**159.59**	**1096.59**	**617.95**
B	**Working Statutory corporations**						
	Total B (Working Statutory Corporations)		**--**	**--**	**--**	**--**	**--**
	Grand Total (A + B)				**159.59**	**1096.59**	**617.95**
Grand Total of all Equity, Loans and Grants							**₹ 1874.13**

Annexure-2.1.1
Statement showing name of districts and divisions covered under Phase-I and Phase-II of Programme

(Referred to in paragraph-2.1.2)

Phase-I			
Lot No.	**Name of circle**	**Name of district**	**Name of division**
1	Indore	Indore	Indore& Depalpur
2			Mhow & Pithampur
3	Dhar	Dhar	Dhar & Manawar
4			Rajgarh
5	Barwani	Barwani	Barwani & Sendhwa
6	Khargoen	Khargone	Khargone I & II
7			Barwaha & Mandleshwar
8	Khandwa	Khandwa	Khandwa I & II
9	Buhranpur	Burhanpur	Burhanpur
10	Ratlam	Ratlam	Ratlam
11			Jaora & Alote
27	Khandwa	Khandawa	Pandhana

Phase-II			
Lot No.	**Name of circle**	**Name of district**	**Name of division**
12	Jhabua	Jhabua	Jhabua
13		Alirajpur	Alirajpur
14	Ujjain	Ujjain	Ujjain, Tarana & Barnagar
15			Nagda & Mahidpur
16	Dewas	Dewas	Dewas & Sonkatch
17			Bagli & Kannod
18	Shajapur	Shajapur	Agar
19			Shajapur
20			Shujalpur
21	Mandsaur	Mandsaur	Garoth & Malhargarh
22			Mandsaur & Sitamau
23	Neemuch	Neemuch	Neemuch
24	NA	Indore, Dhar, Jhabua, Alirajpur & Khargone	NA
25	NA	Khandwa, Barwani, Burhanpur & Ujjain	NA
26	NA	Dewas, Shajapur, Ratlam, Mandsaur & Neemuch	NA

Annexure-2.1.2

Statement showing physical and financial progress of FSP (Phase-I & II) as on 30/06/2016

(Referred to in paragraph-2.1.2)

Phase-I

Lot No.	Name of district	Name of division	Provision as per survey				Physical progress				Financial Progress (₹in Crore)
			11 KV line (KMs)	DTR (nos.)	Cable (KMS)	Meter (nos)	11 KV line (KMs)	DTR (nos.)	Cable (KMS)	Meter (nos)	
1	Indore	Indore& Depalpur	314.8	578	596.3	19910	314.8 (100)	578 (100)	514.57 (86.29)	18610 (93.47)	21.73
2	Indore	Mhow & Pithampur	493.7	504	685.51	22425	493.7 (100)	454 (90.08)	484.51 (70.68)	21225 (94.65)	17.52
3	Dhar	Dhar & Manawar	692.8	672	693.84	25470	692.8 (100)	672 (100)	693.84 (100)	25470 (100)	43.19
4	Dhar	Rajgarh	740	545	726	9613	740 (100)	545 (100)	726 (100)	9613 (100)	36.36
5	Barwani	Barwani & Sendhwa	601.25	574	542.75	16779	601.25 (100)	565 (98.43)	352.47 (64.94)	14686 (87.53)	23.78
6	Khargone	Khargone I & II	469.9	234	683.18	26344	469.9 (100)	234 (100)	682.98 (99.97)	26344 (100)	22.50
7	Khargone	Barwaha & Mandleshwar	746.16	375	936.05	17668	751.39 (100)	375 (100)	507.2 (54.19)	15868 (89.81)	28.23
8	Khandwa	Khandwa I & II	881.3	591	873.67	43815	881.3 (100)	591 (100)	543.68 (62.23)	43019 (98.18)	40.28
9	Burhanpur	Burhanpur	450	557	581.02	25606	450 (100)	557 (100)	581.02 (100)	25606 (100)	31.77
10	Ratlam	Ratlam	439.19	569	452.74	17788	439.19 (100)	569 (100)	452.74 (100)	17788 (100)	22.08
11	Ratlam	Jaora & Alote	795.8	840	739	26000	795.8 (100)	840 (100)	739 (100)	26000 (100)	39.66
			6624.9	6039	7510.06	251418	6630.13	5980	6278.01	244229	327.1
27	Khandawa	Pandhana	353.86	299	309	22500	362.67 (100)	272 (100)	249.66 (80.80)	13188 (58.61)	26.87

Phase-II

Lot No.	Name of district	Name of division	Provision as per survey				Physical progress (%)				Financial Progress (₹ in Crore)
			11 KV line (KMs)	DTR (nos.)	Cable (KMS)	Meter (nos)	11 KV line (KMs)	DTR (nos.)	Cable (KMS)	Meter (nos)	
12	Jhabua	Jhabua	487.08	438	320.05	18631	487.08 (100)	438 (100)	320.05 (100)	18631 (100)	21.54
13	Alirajpur	Alirajpur	300.36	347	192.12	9956	300.36 (100)	347 (100)	192.12 (100)	9956 (100)	18.45
14	Ujjain	Ujjain, Tarana & Barnagar	681.27	1142	424.29	26569	681.27 (100)	1143 (100)	424.29 (100)	26569 (100)	38.02
15	Ujjain	Nagda & Mahidpur	705.44	854	496.55	36639	705.44 (100)	854 (100)	496.55 (100)	36639 (100)	41.31
16	Dewas	Dewas & Sonkatch	561.41	1325	454.86	29650	560.45 (100)	1302 (98.26)	437.47 (96.18)	29863 (100)	39.76
17	Dewas	Bagli & Kannod	769.48	950	485.65	27973	782.73 (100)	967 (100)	520.2 (100)	29034 (100)	39.08
18	Agar	Agar	745.14	941	519.76	38373	745.14 (100)	904 (96.07)	345.91 (66.55)	32573 (84.89)	33.29
19	Shajapur	Shajapur	489.39	746	482.91	27305	464.91 (95)	625 (83.78)	282.61 (58.52)	22105 (80.96)	13.36
20	Shajapur	Shujalpur	379	490	549	40074	335.15 (88.43)	483 (98.57)	231.96 (42.25)	17133 (42.75)	9.53
21	Mandaaur	Garoth & Malhargarh	1101.1	1273	759.07	51418	1101.1 (100)	1273 (100)	759.07 (100)	51418 (100)	53.93
22	Mandsaur	Mandsaur & Sitamau	1130.3	1350	768.1	45552	1130.3 (100)	1350 (100)	768.1 (100)	45552 (100)	53.57
23	Neemuch	Neemuch	1141.6	1252	935.82	48616	1141.6 (100)	1252 (100)	935.82 (100)	48616 (100)	54.89
Total			**8491.57**	**11108**	**6388.18**	**400756**	**8435.53**	**10938**	**5714.15**	**368089**	**416.73**
33/11 KV Sub-Stations Strengthening Works											
Lot No.			**Date of completion/Termination of contract***								
Lot 24			18-04-2015*								3.28
Lot 25			28-04-2014								28.46
Lot 26			25-07-2014*								3.68
			Total								**35.42**
			Grand total of all lots (financial progress)								**798.96**

Annexure-2.1.3

Statement showing short recovery of labour welfare cess on supply portion as on May 2016

(Referred to in paragraph-2.1.14)

	LOT No.	Contract price (In ₹ crore)	Gross bill passed against supply portion of contract (₹)	Labour Welfare Cess on supply portion (@ 1% of col. 3 in ₹)
	1	2	3	4
Phase-I	1	48.20	194200605	1942006.05
	2	35.85	126342899	1263428.99
	3	47.26	377319210	3773192.1
	4	37.92	315329496	3153294.96
	5	43.64	121129768	1211297.68
	6	55.27	184007475	1840074.75
	7	57.74	182573695	1825736.95
	8	55.42	303588716	3035887.16
	9	34.22	283060267	2830602.67
	10	39.06	171715107	1717151.07
	11	48.11	342622240	3426222.4
	27	23.19	208550730	2085507.3
	Total		**2810440208**	**28104402.08**
Phase-II	12	38.84	170491070	1704910.7
	13	27.00	150167125	1501671.25
	14	59.77	326268081	3262680.81
	15	47.39	382369616	3823696.16
	16	45.36	322081847	3220818.47
	17	46.25	333266746	3332667.46
	18	59.82	276037250	2760372.5
	19	42.39	137594250	1375942.5
	21	71.56	402582180	4025821.8
	22	75.71	396742950	3967429.5
	23	74.81	406490090	4064900.9
	24	32.33	29593967	295939.67
	25	32.25	227731100	2277311
	26	36.51	36415084	364150.84
	Total		**3597831356**	**35978313.56**
Grand total (phase I +II)			**6408271564**	**64082715.64**

Annexure-2.1.4

Statement showing short recovery of interest on mobilisation and material advance against contracts awarded under the programme as on April 2016

(Referred to in paragraph-2.1.15)

(Amount in ₹)

Lot	Short recovery of interest on material advance					Short recovery of interest on mobilisation advance					
	Unrecovered material advance	Interest on material advance recovered	Interest on material advance to be recovered as per contract condition	Refunded	Short recovery Interest on material advance	Unrecovered mob. Advance	Interest on mobilisation advance recovered	Interest on mobilisation advance to be recovered as per contract condition	Refunded	Short recovery Interest on mobilisation advance	Total
1	0	0	0	0	0	0	4395908	5129621	0	733713	**733713**
2	7388418	4853704	6788496	2057619	3992411	21160944	2214349	11038574	1119059	9943284	**13935695**
3	0	5572212	9563425	0	3991213	0	0	0	0	0	**3991213**
4	0	0	0	0	0	0	0	0	0	0	**0**
5	43658173	9767583	41189858	0	31422275	41498846	4036319	31380346	0	27344027	**58766302**
6	2675638	10523130	20076050	0	9552920	29645827	6464030	24061358	0	17597328	**27150248**
7	49338837	8971784	21521703	0	12549919	36592253	3634393	14418023	0	10783630	**23333549**
8	26586491	8278560	18458026	3371549	13551015	37452796	3841204	19761159	1336382	17256337	**30807352**
9	0	3283415	8032074	0	4748659	0	914115	2024341	0	1110226	**5858885**
10	0	0	0	0	0	0	8934152	10170727	0	1236575	**1236575**
11	0	0	0	0	0	0	0	0	0	0	**0**
12	22701192	2781131	9380087	2152457	8751413	0	2986074	3411654	866341	1291921	**10043334**
13	0	3961115	4797045	0	835930	0	221530	3700196	0	3478666	**4314596**
14	0				0	3261539				0	0

15	0	8209076	7904342	1559467	1254733	0	2605852	2333455	549450	277053	1531786
16	0				0	0				0	0
17	15468203	12053918	19041277	1621276	8608635	2877996	4082708	4619650	535850	1072792	9681427
18	22443205	6548171	11784853	2848222	8084904	0	3006591	2386154	1081312	460875	8545779
19	28861344	6717042	12541791		5824749	0			0	0	5824749
20	13303186	2759974	5277342		2517368	29708710	87350	6043425	0	5956075	8473443
21	0	0	0	0	0	0	177541	256888	0	79347	79347
22	0	0	0	0	0	0	0	0	0	0	0
23	0	0	0	0	0	0	0	0	0	0	0
24	46635652	122785	15525673		15402888	20871556	48758	6882679	0	6833921	22236809
25	0	738104	1085495		347391	0	535436	718263	0	182827	530218
26	34876123	693326	8272097		7578771	23742646	162861	5095132	0	4932271	12511042
27	11652960	6115933	6361706	32777	278550	0	382779	451618	12862	81701	360251
	325589422				**139293744**	**246813113**				**110652569**	**249946313**

Annexure-2.1.5
Statement showing the details of delay in completion of turnkey contracts under the programme
(Referred to in paragraph-2.1.19)

Phase-I								
Lot No.	**Name of contractor**	**Date of Award**	**Effective date of award**	**Date of schedule completion**	**Date up to which EOT granted**	**Date of actual completion up to June 2016**	**Delay in completion of lot**	**WIP (Delay as on June 2016)**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8 (7-5)**	**9**
1	M/s Hythro Power Ltd.	30-11-2010	31-01-2011	31-07-2012	30-06-2013	WIP	0	48
2	M/s CCPL-AMRCL	01-12-2010	29-01-2011	29-07-2012	03-08-2013	WIP	0	48
3	M/s shyam Indus Power Solution Ltd.	19-11-2010	05-02-2011	05-08-2012	29-04-2013	12-05-2014	22	0
4	M/s Anand Electrical	18-11-2010	05-02-2011	05-08-2012	29-11-2013	20-03-2014	20	0
5	M/s Vishwnath Gayatri(JV)	04-12-2010	31-01-2011	31-07-2012		WIP	0	48
6	M/s CCPL-AMRCL	30-11-2010	29-01-2011	29-07-2012		30-06-2016	48	0
7	M/s Aster Tele. Services,Hyderabad	30-11-2010	29-01-2011	29-07-2012	02-05-2013	WIP	0	48
8	M/s Aster Tele. Services,Hyderabad	30-11-2010	29-01-2011	29-07-2012	30-05-2013	WIP	0	48
9	M/s Vindhya Telelink Ltd.	30-11-2010	31-01-2011	31-07-2012	16-03-2013	09-02-2014	19	0
10	M/s Vishwnath Gayatri(JV)	30-11-2010	31-01-2011	31-07-2012	14-10-2013	31-07-2014	24	0
11	M/s Ubitech Ltd.	18-11-2010	21-01-2011	21-07-2012	15-06-2013	28-05-2014	23	0
27	M/s Ubitech Ltd.	13-04-2012	15-06-2012	15-12-2013	23-10-2014	WIP	0	31

Phase-II								
12	M/s Vishwa Infra & Services Ltd.	01-08-2011	26-09-2011	26-03-2013	13-03-2014	30-06-2016	40	0
13	M/s NCC Ltd.	01-08-2011	26-09-2011	26-03-2013	0	16-01-2014	10	0
14	M/s Vishwnath projects Ltd.	26-07-2011	04-10-2011	04-04-2013	31-03-2014	30-06-2016	39	0
15	M/s NCC Ltd.	30-07-2011	26-09-2011	26-03-2013	26-12-2013	25-01-2015	22	0
16	M/s Vishwnath projects Ltd.	01-08-2011	11-10-2011	11-04-2013	01-12-2013	30-06-2016	39	0
17	M/s NCC Ltd.	01-08-2011	26-09-2011	26-03-2013	27-01-2014	30-06-2016	40	0
18	M/s Vishwa Infra & Services Ltd.	01-08-2011	26-09-2011	26-03-2013	22-03-2014	WIP	0	40
19	M/s Vishwa Infra & Services Ltd.	01-08-2011	26-09-2011	26-03-2013	24-02-2014	WIP	0	40
20	**M/s Schaltech Automation Ltd.**	**01-08-2011**	**11-10-2011**	**11-04-2013**		**27-08-2015**	**29**	**0**
21	Megha Engg & Infra Ltd	01-08-2011	04-10-2011	04-04-2013	07-07-2014	25-11-2014	20	0
22	Megha Engg & Infra Ltd	01-08-2011	04-10-2011	04-04-2013	03-07-2014	14-10-2014	19	0
23	Megha Engg & Infra Ltd	01-08-2011	04-10-2011	04-04-2013	06-11-2013	17-12-2014	21	0
24	**M/s Saisudhir Infrastructure Pvt. Ltd.**	**01-08-2011**	**05-11-2011**	**04-05-2013**		**18-04-2015**	**24**	**0**
25	M/s Godrej & Boyce Mfg. Co. Ltd.	01-08-2011	04-10-2011	03-04-2013	29-12-2013	28-04-2014	13	0
26	**M/s Saisudhir Infrastructure Pvt. Ltd.**	**01-08-2011**	**05-11-2011**	**04-05-2013**		**25-07-2014**	**15**	**0**

Note: Lot No. 20, 24 and 26 are terminated, termination dates are mentioned in place of actual completion date

Annexure-2.1.6

Statement showing undue extension to contractors

(Referred to in paragraph-2.1.24)

(Amount in ₹)

1st Extension								
Lot No.	Days of extension		Justification of extension		Period of extension	Undue extension period	Int on material advance	Int. on mob. Advance
	Extension on theft of material	Extension on conducting in survey	Theft of material	conducting in survey				
1	2	3	4	5	6	7	8	9
1	48	30	Theft of conductor, pole and cable	survey delayed	31/07/12 to 30/06/13 (330 days)	14/04/13 to 30/06/13 (78 days)	2097703	831314
2	91	30	Theft of conductor, pole and insulator	Survey software was new	29/07/12 to 03/08/13 (371 days)	05/04/13 to 03/08/13 (121 days)	1387627	1659041
3	30	30	Theft of conductor, pole and insulator	Survey software was new	04/08/12 to 29/04/13 (265 days)	01/03/13 to 29/04/13 (60 days)	2642078	819349
4	30	30	Theft of conductor, pole and insulator	Survey software was new	04/08/12 to 14/04/13 (250 days)	14/02/13 to 14/04/13 (60 days)	0	0
7	17	30	Theft of conductor	Survey software was new	29/07/12 to 02/05/13 (277 days)	18/03/13 to 02/05/13 (47 days)	1808254	1027542
8	65	30	Theft of conductor	Survey software was new	29/07/12 to 30/05/13 (305 days)	25/02/13 to 30/05/13 (95 days)	3482185	2411528

9	0	30	0	Survey software was new	31/07/12 to 16/03/13 (227 days)	15/02/13 to 16/03/13 (30 days)	924248	251770
10	35	30	Theft of conductor	Survey software was new	31/07/12 to 10/05/13 (280 days)	06/03/13 to 10/05/13 (65 days)	2167517	1107520
11	0	30	0	Survey software was new	11/07/12 to 15/06/13 (324 days)	17/05/13 to 15/06/13 (30 days)	531525	310797
12	40	60	Theft of conductor	Survey software was new	25/03/13 to 13/03/14 (346 days)	03/12/13 to 13/03/14 (100 days)	1361190	1530045
14	60	30	Theft of conductor	Setting up of PMC office delayed the survey work	04/04/13 to 25/12/13 (261 days)	28/09/13 to 25/12/13 (90 days)	3455403	1386848
15	60	30	Theft of conductor	Survey software was new.	26/03/13 to 26/12/13 (270 days)	28/09/13 to 26/12/13 (90 days)	2537658	1059266
16	50	0	Theft of conductor	0	10/04/13 to 01/12/13 (231 days)	13/10/13 to 01/12/13 (50 days)	538268	386012
18	60	30	Theft of conductor	Survey software was new	25/03/13 to 22/03/14 (358 days)	13/12/13 to 22/03/14 (90 days)	2369546	1078740
19	30	30	Theft of conductor	Survey software was new	25/03/13 to 24/03/14 (363 days)	15/12/13 to 24/03/14 (90 days)	2184389	1364268
21	45	30	Theft of conductor and other HT & LT material	Survey software was new	03/04/13 to 03/12/13 (248 days)	20/09/13 to 03/12/13 (75 days)	2772148	868272

22	45	30	Theft of conductor and other HT & LT material	Survey software was new	03/04/13 to 03/02/14 (309 days)	21/11/13 to 03/02/14 (75 days)	2610068	934157
23	0	30	0	Setting up of PMC office delayed the survey work	03/04/13 to 03/11/13 (213 days)	05/10/13 to 03/11/13 (30 days)	1289762	534246
2nd Extension								
14	22	0	Theft of conductor	0	25/12/13 to 25/04/14 (120 days)	03/04/14 to 25/04/14 (22 days)	656534	276454
15	21	0	Theft of conductor	0	26/12/13 to 27/06/14 (181 days)	07/06/14 to 27/06/14 (21 days)	638408	272310
21	30	0	Theft of conductor	0	04/12/13 to 03/07/14 (211 days)	04/06/14 to 03/07/14 (30 days)	547943	151878
22	10	0	Theft of conductor	0	04/02/14 to 03/07/14 (150 days)	24/06/14 to 03/07/14 (10 days)	130539	50006
Total							**36132993**	**18311363**
Grand Total								**54444356**

Annexure-2.1.7

Statement showing the value of envisaged benefit in the form of T&D loss was not availed due to delay in termination of contract under FSP

(Referred to in paragraph-2.1.27)

Calculation of loss due to non-completion of left over works in Lot 24 and 26					
Sl. No.	**Particulars of works**	**Unit**	**Quantity**	**Average Annual Energy Saving per Km (LU)***	**Expected Annual Energy Saving (LU)**
			Lot 24 & 26		
1	**2**	**3**	**4**	**5**	**6**
1	**33 KV Line**				(4X5)
A	For evacuation of power from New EHV SS	Km	148	2.29	338.92
2	**33/11 KV SS**				
A	Conv. Temp to Permanent 3.15 mva s/s with interconnecting Lines	No	15	8.48	127.2
B	New 3.15 MVA ss with interconnecting Lines	No	7	8.48	59.36
4	**Capacity Addition**				0
A	Aug. of Power X'mer 1.6 to 3.15 MVA	No.	2	0.09	0.18
B	Aug. of Power X'mer 3.15 to 5.0 MVA	No.	40	0.1	0.4
C	Addl. 3.15 /5.0 MVA Power X'mer	No.	11	0.1	1.1
	Total Expected Saving in Annual Energy Loss	LU			527.16
	Average Power Purchase Cost	₹/Kwh			2.5
	Total Expected Annual Saving	**₹ in crore**			**13.18 (527.16X2.5)**

Loss from January to March 2016(27 months)=27X₹ 13.18/12=₹ 29.65 crore

Annexure-2.2.1
IT Parks/POPs/CSCs visited during Joint Physical Verification

(Referred to in paragraph-2.2.5, 2.2.23 & 2.2.26)

Sl. No.	EMC/I T Park	POP	CSC
1	IT Park Bhopal	Indore (DHQ)	ChhotaBangadda (Indore)
2	IT Park Indore-Simhasa	Vidisha (DHQ)	BadaBangadda (Indore)
3	IT Park Indore- Pardesipura	Dewas (DHQ)	Ranwagasa (Indore)
4	EMC, Bhopal	Sehore (DHQ)	Navdapanth (Indore)
5		Ujjain (DHQ)	Rau (Indore)
6		Hoshangabad (DHQ)	GawliPalasia (Indore)
7		Sanchi (BHQ)	Jamli (Indore)
8		Mhow (BHQ)	Panwasa (Ujjain)
9		Ghatia (BHQ)	Undasa (Ujjain)
10		Sonkachh (BHQ)	Jaithal (Ujjain)
11		Ashta (BHQ)	Gram Piplai (Ujjain)
12		Obedullaganj (BHQ)	Pan Bihar (Ujjain)
13		Badi (BHQ)	Nazarpur (Ujjain)
14		Bareli (BHQ)	Surasa (Ujjain)
15		Gauharganj (BHQ)	Manglya (Sanwer)
16		Udaipura (BHQ)	Dakachya (Indore)
17		Sohagpur (BHQ)	Kshipra (Indore)
18		Sanwer (BHQ)	Ashta (Sehore)
19			Simrai (Raisen)
20			Obedullaganj (Raisen)
21			Harsili (Raisen)
22			Tamot (Raisen)
23			Badi (Raisen)
24			Gauharganj (Raisen)
25			Gadaghat (Hoshangabad)
26			Karanpura (Hoshangabad)
27			Khaparkhera (Hoshangabad)
28			Chhind (Raisen)
29			Chhater (Raisen)
30			Chikli (Raisen)
31			Rehli (Raisen)
32			Bamhori (Raisen)
33			Nayakheda (Raisen)
34			Rajwada (Raisen)
35			Sandia (Hoshangabad)
36			Udaipura (Raisen)

Annexure-2.2.2
Details of departments for which horizontal connectivity provided under SWAN project and details of data/application hosted under SDC project

(Referred to in paragraph-2.2.22 & 2.2.27)

Sl. No.	Departments for which horizontal connectivity provided under SWAN	Departments of which Data/application hosted at SDC under SDC project
1	Revenue Department	Women & Child Development Department
2	Transport department	Fisheries Department
3	Excise department	Science and Technology Department
4	Commercial Tax department	Panchayat and Rural development Department
5	Forest department	Law & Legislative Affairs department
6	Panchayat and Rural development Department	Higher Education department
7	Food, Civil Supplies and Consumer Protection Department	Commerce & Industry Department
8	Law & Legislative Affairs department	Tourism Department
9	Fisheries Department	Public Health & Family Welfare department
10	Urban Administration & Development Department	Public Relations Department
11	Horticulture Department	General Administration Department
12	Science and Technology Department	Food, Civil Supplies and Consumer Protection Department
13	Jail department	New and Renewable Energy Department
14	Women & Child Development Department	Revenue Department
15	School Education Department	Public Works Department
16	Commerce & Industry Department	Public Health Engineering Department
17	Public Health & Family Welfare department	Home Department
18	Medical Education Department	Rural Industry Department
19	Public Works Department	Narmada Valley Development Department
20	Civil Aviation Department	Forest department
21	Water Resources Department	Commercial Tax department
22	Scheduled Caste Welfare Department	Urban Administration & Development Department
23	Higher Education department	Finance Department
24	General Administration Department	Water Resources Department
25	Mining Department	
26	Scheduled Tribes Welfare Department	
27	Public Relations Department	

Annexure-2.2.3
Performance of Calibration labs at Indore and Bhopal during the period 2011-12 to 2015-16

(Referred to in paragraph-2.2.36)

Bhopal lab: **(in ₹)**

Year	Income target	Income	Expenditure			Loss	Percentage of loss
			Operating	Establishment	Total		
2011-12	10,00,000	10,12,712	4,52,866	13,94,452	18,47,318	8,34,606	82.41
2012-13	12,00,000	12,13,195	4,63,729	15,19,420	19,83,149	7,69,954	**63.46**
2013-14	12,00,000	12,19,291	5,46,644	27,76,164	33,22,808	21,03,517	172.52
2014-15	12,50,000	12,35,203	5,10,724	30,02,552	35,13,276	22,78,073	184.43
2015-16	12,50,000	11,62,367	5,48,337	32,14,677	37,63,014	26,00,647	**223.74**
						85,86,797	

Indore lab: **(in ₹)**

Year	Income target	Income	Expenditure			Loss	Percentage of loss
			Operating	Establishment	Total		
2011-12	18,00,000	16,90,706	5,84,973	26,45,435	32,30,408	15,39,702	**91.07**
2012-13	30,00,000	17,51,788	9,66,043	31,49,865	41,15,908	23,64,120	134.95
2013-14	30,00,000	16,20,751	5,01,433	36,51,563	41,52,996	25,32,245	156.24
2014-15	24,00,000	15,38,225	7,90,897	38,76,691	46,67,588	31,29,363	203.44
2015-16	20,00,000	9,23,450	4,38,477	33,67,589	38,06,066	28,82,616	**312.16**
						124,48,046	

Annexure-2.3.1

Target for procurement of foodgrain and actual procurement against it during the years from 2011-12 to 2015-16

(Referred to in paragraph-2.3.10)

(Quantity: In lakh MT)

Commodity	Year	Targeted Quantity for procurement in the State	Actual quantity procured[1]	Shortfall(-)/ Excess(+) of foodgrain procured with respect to target set for procurement	
				Quantity	*Percentage*
Wheat	2011-12	35.00	49.64	14.64	41.83
	2012-13	65.00	85.07	20.07	30.87
	2013-14	115.00	63.51	(51.49)	(44.77)
	2014-15	80.00	71.88	(8.12)	(10.15)
	2015-16	100.00	73.45	(26.55)	(26.55)
Paddy	2011-12	5.50	9.4	3.90	70.91
	2012-13	15.36	13.4	(1.96)	(12.76)
	2013-14	16.00	15.59	(0.41)	(2.56)
	2014-15	17.00	12.04	(4.96)	(29.17)
	2015-16	15.00	12.66	(2.34)	(15.60)
Coarse grains (Maize, Jowar, millet etc.)	2011-12	0.15	0.168	0.02	12.00
	2012-13	2.08	0.079	(2.00)	(96.20)
	2013-14	0.30	0.869	0.57	189.67
	2014-15	1.00	3.06	2.06	206.00
	2015-16	4.00	2.79	(1.21)	(30.25)

[1] *Includes procurement made by the company and MP Markfed*

Sugar	2011-12	1.54	1.46	(0.08)	(5.19)
	2012-13	1.56	1.62	0.06	3.84
	2013-14	1.51	1.53	0.02	1.32
	2014-15	1.41	1.41	0.00	0.00
	2015-16	1.37	1.23	0.14	10.22
Salt	2011-12	0.31	0.22	(0.09)	(29.03)
	2012-13	0.33	0.31	(0.02)	(6.06)
	2013-14	0.83	0.84	0.01	1.20
	2014-15	1.28	1.27	(0.01)	(0.78)
	2015-16	1.02	1.35	0.33	32.35

Annexure-2.3.2

Types of agreements done with the transport contractors

(Referred to in paragraph-2.3.20)

Sr. No.	Type of transport contract	Description of activities covered in the contract
1	Long Route Transportation Procurement- (LRT-Procurement)\-Paddy	Transportation of Paddy from Procurement Centre to storage centre
2	Long Route Transportation Procurement- (LRT-Procurement)\-Wheat	Transportation of Wheat from Procurement Centre to storage centre
3	Long Route Transportation -General- (LRT- General)	Transportation of food grains from one godown to another godown
4	Long Route Transportation -Public Distribution System- (LRT-PDS)-Rice	Transportation of Rice within or outside the sector to facilitate distribution under schemes
5	Long Route Transportation -Public Distribution System- (LRT-PDS)-Wheat	Transportation of Wheat within or outside the sector to facilitate distribution under schemes
6	Handling Long Route Transportation-PDS (HLRT-PDS)-Wheat	Transportation of wheat from godown to railways rake points and vice-versa
7	Handling Long Route Transportation-PDS (HLRT-PDS)-Rice	Transportation of Rice from godown to railways rake points and vice-versa
8	Handling Long Route Transportation (Gunny bags) HLRT (Gunny bags)	Transportation of gunny bags from godown to railways rake points and vice-versa
9	Long route transportation –Dwar Praday Yojna- (LRT-DPY)	Transportation of foodgrain from storage centre to Fair Price Shop in Dwar Praday Yojna commence from April 2014

Annexure-2.3.3

Statement showing comparison of transportation rates of LRT (procurement & PDS) and HLRT contracts for local leads upto 25 Kms

(Referred to in paragraph-2.3.21)

(Rate in ₹Per tonne)

Sr. No.	Ujjain Region						Bhopal Region					
	Name of the sector	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**Name of the sector**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
	LRT Procurement –Local Lead 1 -25 Kms											
1	Dewas	170	206	214	231	240	Bhopal	260	323	406	466	521
2	Mandsour	149	160	179	190	210	Biora	192	196	---	205	191
3	Ratlam	189	207	239	265	249	Raisen	210	309	290	333	359
4	Shajapur	154	188	175	164	---	Sehore	162	240	229	197	189
5	Neemach	149	148	169	168	200	Rajgarh	---	---	198	190	188
6	Ujjain	204	247	278	257	220	------					
Difference between Minimum and Maximum		**55**	**99**	**109**	**101**	**49**	Difference between Minimum and Maximum	**98**	**127**	**208**	**276**	**333**
% of difference between minimum to maximum lead		**37**	**67**	**64**	**62**	**25**	% of difference between minimum to maximum lead	**60**	**65**	**105**	**145**	**177**
	LRT –PDS Local Lead (1-25)											
1	Dewas	142	172	150	198	206	Bhopal	200	274	320	378	348
2	Mandsour	131	152	170	181	---	Biora	170	178	---	---	---
3	Ratlam	138	227	269	306	337	Raisen	109	140	199	199	182
4	Shajapur	155	165	173	190	---	Vidisha	101	---	215	184	179

5	Neemach	149	149	188	---	220	Sehore	---	175	210	---	198
6	Ujjain	166	201	247	243	239	Rajgarh	---	---	195	195	180
Difference between Minimum and Maximum		**35**	**78**	**99**	**125**	**131**	Difference between Minimum and Maximum	**99**	**134**	**125**	**194**	**169**
% of difference between minimum to maximum lead		**27**	**52**	**58**	**69**	**64**	% of difference between minimum to maximum lead	**98**	**96**	**64**	**105**	**94**
	HLRT Food Local Lead (1- 25 Kms)											
1	Dewas	238	297	330	365	---	Bhopal	230	299	391	469	539
2	Ratlam	138	174	183	210	221	Bioara	210	---	297	279	297
3	Shajapur	190	200	198	232	249	Raisen	137	260	268	280	255
4	Neemach	198	229	278	325	304	Sehore	229	237	306	333	270
5	Ujjain	190	269	311	315	319	Vidisha	275	326	375	325	351
Difference between Minimum and Maximum		**100**	**123**	**147**	**155**	**98**	Difference between Minimum and Maximum	**93**	**89**	**123**	**190**	**284**
% of difference between minimum to maximum lead		**72**	**71**	**80**	**74**	**44**	% of difference between minimum to maximum lead	**68**	**38**	**46**	**68**	**111**

Annexure-2.3.4

Statement showing the financial position and the working results of the Company

(Referred to in paragraph-2.3.28)

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15
Liabilities				
(a) Paid-up Capital	8.47	8.47	8.47	8.47
(b) Reserves & Surplus	144.18	145.80	135.98	67.52
Long term Borrowings				
(c) Secured Loans (long term borrowings)	1215.75	772.37	3071.47	4071.48
(d) Unsecured Loans (long term borrowings)	1332.55	737.81	872.05	683.39
(e) Other long term liabilities	470.25	460.33	332.30	298.73
(f) Long Term provisions	11.91	480.31	342.31	300.15
Current Liabilities				
(g) Current Liabilities (Short term borrowings)	2015.27	6637.94	6311.52	6648.28
(h) other current Liabilities	61.97	331.13	64.04	74.21
(i)Short term provision	1089.34	886.36	1075.64	1250.07
Total Current Liabilities	3166.58	7855.47	7451.20	7972.56
Total Liabilities	**6349.69**	**10460.52**	**12213.78**	**13402.30**
Assets				
Net Fixed assets	5.62	6.13	5.62	5.14
Capital Work in Progress	1.53	0.00	0.00	0.94
Deferred Tax Assets	1.93	2.61	3.11	3.90
Current Assets, Loans & Advances				
(i) Cash & Bank Balances	31.07	28.40	2.47	2.40
(ii) Inventories	2901.70	3946.77	5600.93	5453.85
(iii) Sundries Debtors	33.80	1559.43	1123.24	1423.16
(iv) Loans & Advances*	3374.04	4917.18	5478.41	6512.91
Total Current Assets	6340.61	10451.78	12205.05	13392.32
Total Assets	**6349.69**	**10460.52**	**12213.78**	**13402.30**

(₹ in crore)

Income				
Revenue from Operations				
Sales (including Price differential/ subsidy/DCP)	8403.01	13785.5	10698.69	13806.5
Subsidy recd./loss reim./ pri diff from GoMP/FCI	35.70	151.94	242.70	1633.25
Total	**8438.71**	**13937.44**	**10941.39**	**15439.75**
Other Income (including sugar equalisation fund and scheme commission)	1207.77	2039.06	1601.09	1861.26
Total Income	**9646.48**	**15976.5**	**12542.48**	**17301.01**
Expenditure				
Cost of Purchase and other related expenses	9764.81	15806.44	12721.29	15329.76
Changes in inventories	-871.49	-1045.06	-1654.16	147.07
Employees benefit expenses	39.33	49.91	58.13	60.95
Financial Cost	701.60	1283.37	1408.67	1722.18
Depreciation	0.70	1.05	0.69	0.61
Other Expenditure	8.60	6.52	7.31	39.77
Total expenditure	**9643.55**	**16102.23**	**12541.93**	**17300.34**
Profit before exceptional and extraordinary items and tax	2.93	2.94	0.55	0.66
Exceptional & Extraordinary items	2.32	0.49	-2.20	- 69.79
Profit/Loss before tax	5.25	3.43	-1.66	-69.12
Corporate Tax paid for the year	1.93	2.38	0.00	0.00
Profit to sales [†]	0.03	0.02	0.01	0.00
Working capital[‡]	3174.03	2596.31	4753.85	5419.76
Net worth [§]	152.65	154.27	144.45	75.99
Net worth to paid up capital[**]	18.02	18.21	17.05	8.97
Capital employed [††]	3181.18	2602.48	4759.47	5425.84
Total return on capital employed[‡‡]	704.53	1286.31	1409.22	1722.84
Percentage return on capital employed[§§]	22.15	49.43	29.60	31.75

[†] Profit to sale = $\frac{\text{Profit before exceptional and extraordinary item and tax}}{\text{Sales}}$

[‡] Working Capital = Current Assets – Current Liabilities

[§] Net Worth = Paid up capital + reserve & Surplus

[**] Net worth to Paid up Capital = net worth /paid up capital

[††] Capital employed = Paid up capital + reserve & surplus + long term Borrowings – Deferred assets

[‡‡] Total return on capital employed = Profit before exceptional and extra ordinary items and tax + financial cost

[§§] Percentage return on capital employed= $\frac{\text{Total return on capital employed}}{\text{Capital employed}}$ X 100

Annexure-2.3.5

Dues recoverable from FCI against surrendered wheat

(Referred to in paragraph-2.3.32)

(₹ in crore)

Procurement Season	Quantity surrendered to FCI (lakh MT)	Amount Receivable	Amount claimed	Amount yet to be claimed	Amount received	Amount deducted by FCI	Balance receivable from FCI against claimed amount	Balance to be handed over to FCI (lakh MT)
RMS 2011	32.85	4510.14	4509.27	0.87	4442.40	66.80	0.07	3.27
RMS 2012	57.06	8534.73	8518.99	15.74	8377.41	115.63	25.95	1.20
RMS 2013	34.05	5400.63	5322.14	78.48	5260.54	51.84	9.76	2.42
RMS 2014	45.02	7429.65	7371.48	58.17	7266.63	57.27	47.58	7.74
RMS 2015	46.23	7890.36	7644.86	245.50	7391.15	68.39	185.31	49.87
Total	**215.21**	**33765.51**	**33366.74**	**398.77**	**32738.13**	**359.93**	**268.67**	**64.50**

Dues recoverable from FCI against carry over charges and purchase tax

(₹ in crore)

Procurement Season	Total Carry over charges receivable			Received	Balance Recoverable	Purchase tax paid and receivable	Purchase tax received	Purchase tax outstanding
	Interest Charges	Storage Charges	Total Carry over charges					
RMS 2011	141.07	51.87	192.94	191.26	1.68	159.53	158.82	0.71
RMS 2012	401.74	88.63	490.37	475.93	14.44	344.99	340.47	4.52
RMS 2013	307.80	87.14	394.94	373.95	20.99	225.27	225.09	0.18
RMS 2014	419.91	105.89	525.80	345.02	180.78	259.21	251.75	7.46
RMS 2015	287.48	175.16	462.64	102.82	359.82	297.31	254.92	42.39
Total	**1558**	**508.69**	**2066.7**	**1488.98**	**577.71**	**1286.31**	**1231.05**	**55.26**

Annexure-3.1

Statement showing Idling of Assets due to not finalising of tenders for newly created Way Side Amenities

(*Referred to in paragraph-3.1*)

(A) List of WSAs against which the tenders were called for during March 2015

Sl. No.	Name of WSA	Bidder Name	Description	Sanctioned Amount (₹ in lakh)	Expenditure (Cost of Completion) (₹ in lakh)	Date of Completion	Dt of opening of price bids and not finalised tender	Period of Idling Assets as on July 16 (in months)	Highest bid price per annum (in ₹)	Loss of revenue on a/c of lease rent (in ₹)
1	Badwani Distt. Badwani	Shree Ratan Emporium Dhar	Restaurant, Kitchen, Wash Area, Parking, Toilet Blocks, Store room, Manager office, Shops	48.19	33.38	30.04.14	05.03.15	23	370000	709167
2	Mota Distt. Burhanpur	Shree Ratan Emporium Dhar	Restaurant, Kitchen, Wash Area, Parking, Toilet Blocks, Store room, Manager office	49.12	41.14	20.03.14	05.03.15	22	406000	744333
3	Gairatganj Distt. Raisen	Trishul Construction	Kitchen ,store, wash area, counter, incharge room, family restaurant, drinking water area corridor, General Toilet Blocks	48.78	41.40	08.08.13	05.03.15	31	410000	1059167
4	Badi Distt. Raisen	Trishul Construction	Kitchen ,store, wash area, counter, in charge room, family restaurant, drinking water area corridor, General Toilet Blocks	49.06	37.52	10.05.13	05.03.15	34	465000	1317500
5	Mungwani Distt. Narsinghpur	Ratan Emporium Dhar	Seating Lodge, Manager Cabin, Kitchen, Store, General Toilet, Parking, Wash Area, Dining Area	65.00	64.43	23.06.14	05.03.15	22	370000	678333
6	Nagod Distt. Satna	Ratan Emporium Dhar	Toilet Block (Ladies & Gents), Seating Lodge, Manager Office, Kitchen & Store Wash area, Reception/Service Counter	69.00	65.79	15.05.15	05.03.15	10	1108000	923333
7	Churhut Distt. Sidhi	Shree Ratan Emporium Dhar	Restaurant Hall, Kitchen, Store,Wash and Serving Area, Ladies & Gents Toilet, Manager's Office, Token/ Ticket counter	49.20	48.63	23.02.15	05.03.15	13	460000	498333
Total value of assets WSA's developed					**332.29**	**The amount of revenue lost by idling the completed WSAs (A)**				**5930167**

(B) List of WSAs against which the tenders were called for during May 2015 and during January 2016

Sl. No.	Name of WSA	Bidder Name	Description	Sanctioned Amount (₹ in lakh)	Expenditure (Cost of Completion) (₹ in lakh)	Date of Completion	Dt of price bid opening & finalisation of tender	Period of Idling Asset as on July16 (in months)	Offset lease rent per annum (in ₹)	Loss of revenue on a/c of lease rent (in ₹)
1	Jogi tikariya Distt. Dindori	Anish Trivedi, Balaghat	Restaurant, Outdoor Dining, Souvenier Shop, General Toilet, Kitchen, Manager office, Passage, Utility Courtyard	48.03	47.75	18.03.14	15.05.15 /08.01.16	24	400000	800000
2	Sarangpur Distt. Rajgarh	Dattatraya Uphar Grah, Bhusawal	Kitchen, Store, Wash area, Manager Cabin, restaurant, Open Dining area, Toilet Block	81.00	78.22	02.11.14	15.05.15 /08.01.16	17	450000	637500
3	Manpicholi Distt. Rajgarh	Dattatraya Uphar Grah, Bhusawal	Kitchen ,store, wash area, counter,Manager Room, 04 Rooms ,restaurant, drinking water area corridor, General Toilet Blocks	93.54	92.00	25.01.13	15.05.15 /08.01.16	38	600000	1900000
4	Chegaon Makhan Distt. Khandwa	Dattatraya Uphar Grah, Bhusawal	Restaurant, Toilet, Kitchen, Parking, Store, Wash Area	49.12	49.12	10.02.14	15.05.15 /08.01.16	25	600000	1250000
5	Hanumana Distt. Rewa	Ratan Emporium Dhar	Kitchen ,store, wash area, counter,Manager Room, restaurant, drinking water area corridor, General Toilet Blocks	69.00	64.13	31.01.15	15.05.15 /08.01.16	14	500000	583333
6	Salakhedi Distt. Ratlam	Ratan Emporium Dhar	Kitchen ,store, wash area, counter,Manager Room, restaurant, drinking water area corridor, General Toilet Blocks, 06 Rooms,	49.12	49.12	24.06.13	15.05.15 /08.01.16	33	800000	2200000
Total					**380.34**	**The amount of revenue lost by idling the completed WSAs (B)**				**7370833**
										5930167
Grand total of revenue lost due to idling of completed WSAs in the Company (A+B)										**13301000**

Note: Reasonable time for tendering and award of contract has been considered as 120 days

Annexxure-3.2

Control Sheet of excess PV amount paid against Bitumen in the road projects

(Referred to in paragraph-3.6)

Sl. No	Name of road	Nearest Refinery	PV amount actually paid (₹)	PV amount payable (₹)	Excess paid (₹)
1	Pachor- Chhapikheda-Jirapur- Machalpur-Soyat	Koyali	80266044	68815058	11450985
2	Agar-Barod-A lot-Jaora	Koyali	63851077	59063767	4787309
3	Damoh-Hatta-Gaisabad	Mathura	72481833	65066583	7415250
4	Shahdol-Singhpur	Koyali	20304550	17667910	2636640
Total			**236903504**	**210613318**	**26290184**

Annexure–3.3

Statement showing the details of wheat and rice allotted in MTs, lifted in jute gunny bags, the realisable value of retained gunny bags not considered while finalising the production cost of RTE products in MP State Agro Industries Development Corporation Limited during 2010-11 to 2015-16

(Referred to in paragraph-3.9)

Year	No. of Gunny bags in which supplies were made		% of Badi (Wheat)	% of Badi (Rice)	Rate of gunny bags (wheat)	Rate of gunny bags (Rice)	Sale consideration of Wheat			Sale consideration of Rice		
	Wheat	Rice					Total	Badi Portion	JV Portion	Total	Badi Portion	JV Portion
2010-11	447440	269798	5.64	0.17	11.05	N.A.	4944212	278853.56	4665358.44	N.A.	N.A.	N.A.
2011-12	489420	313506	9.32	0.41	13.57	N.A.	6641429	618981.22	6022448.18	N.A.	N.A.	N.A.
2012-13	778142	458329	10.96	0.67	14.31	N.A.	11135212	1220419.24	9914792.78	N.A.	N.A.	N.A.
2013-14	358677	479054	13.41	0.61	12.55	8	4501396	603637.25	3897759.10	3832432	23377.84	3809054.16
2014-15	656383	488549	15.73	0.75	12.91	8.51	8473905	1332945.18	7140959.35	4157552	31181.64	4126370.35
2015-16	876055	518748	12.85	0.72	13.51	13.51	11835503	1520862.14	10314640.91	7008285	50459.66	6957825.82
Total	**3606117**	**2527984**					**47531657**	**5575698.59**	**41955958.76**	**14998269**	**105019.13**	**14893250.34**
							Total Badi	**5680717.72**	9.08			
							Total JV	**56849209.10**	90.92			
								62529926.82	100			

Annexure-3.4

Statement showing the loss of revenue to the Company due to incorrect application of the rates to the land allotted at IIDC Gwalior

(Referred to in paragraph-3.10)

Sl. No.	Description	Charged as per LOI dated 27.02.06 & 14.07.06 (₹)	To be charged as the prevailing rates as approved by BoD dated 22.02.2013 (₹)	Difference amount (₹)
1	Land premium (6475.15 SQM @ Rs.400 per SQM)	2090521	2590060	499539
2	Addl Land Premium (@15%)	313578	388509	74931
3	Annual Lease rentals (@3%)	72123	89357	17234
4	Security Deposit (3 times)	216369	268071	51702
5	Annual maintenance charges(@(₹)6/SQM)	38857	38851	-6
6	Development charges @ ₹ 400 per SQM	696840	2590060	1893220
Total (A)		**34,28,288**	**59,64,908**	**25,36,620**

Statement showing the loss of interest on due amounts not received by the Company in time

Sl. No.	Year	Lease rent, Maint. (₹)	Cummulative amount (₹)	Interest @10% (₹)	Premium, Addl premium, dev charges (₹)	Interest @10% (₹) from 2006 to 2014 (Nov)
1	2006-07	9248	9248	77	963790	835284
2	2007-08	110980	120228	12023	Nil	
3	2008-09	110980	231208	23121	Nil	
4	2009-10	110980	342188	34219	Nil	
5	2010-11	110980	453168	45317	Nil	
6	2011-12	110980	564148	56415	Nil	
7	2012-13	110980	675128	67513	Nil	
8	2013-14	110980	786108	78610	Nil	
9	2014-15 (up November 2014)	110980	897088	59805	Nil	
			Total	**377100**		**835284**
Total interest loss (B)						**12,12,384**
Grand Total (A+B)						**37,49,004**

Annexure-3.5

Statement showing loss of interest due to idling of funds in dedicated railway freight account (Current Account No 33504078211, SBI, Sivariya Branch)

(Referred to in paragraph-3.13)

Months	Total Number of days on which excess balance was maintained	Amount of Interest losses due to excess balance maintained (@ 12% p.a.) (in ₹)
Jan-14	5	26317.64
Feb-14	28	308949.12
Mar-14	31	452528.35
Apr-14	29	495329.46
May-14	31	582036.90
June-14	30	517441.72
July-14	31	519713.69
Aug-14	31	488508.04
Sep-14	30	456042.97
Oct-14	32	481997.86
Nov-14	29	246609.59
Dec-14	31	455108.86
Jan-15	33	423163.70
Feb-15	26	368986.75
Mar-15	31	257147.20
Apr-15	30	211459.06
May-15	32	351691.18
June-15	29	463061.71
July-15	31	379880.37
Aug-15	31	514218.21
Sep-15	30	495293.95
Oct-15	31	454218.89
Nov-15	30	439616.95
Dec-15	31	482504.13
Jan-16	31	436303.81
Feb-16	29	288122.38
Mar-16	30	109544.06
Total		**10705796.55**

Note 1: **Interest loss on excess balance maintained in the account above ₹ 2 crore was calculated for the period during January 2014 to October 2014 as during most of this period maximum of 3 rakes were only booked.**

Note 2: **Interest loss on excess balance maintained in the account above ₹ 3 crore was calculated for the period during November 2014 to March 2016 as during most of this period maximum of 4 to 5 rakes were only booked**

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