

## **Part - II**

### **Chapter – III Functioning of State Public Sector Undertakings (other than Power Sector)**



## Part II

### Chapter III

#### Functioning of State Public Sector Undertakings (other than Power Sector)

##### Introduction

**3.1** There were 48 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than Power Sector. These State PSUs, incorporated during the period 1952-53 and 2016-17, included 44 Government Companies and four Statutory Corporations *i.e.* Punjab Scheduled Caste Land Development and Finance Corporation (PSCLDFC), PEPSU Road Transport Corporation (PRTC), Punjab State Warehousing Corporation (PSWC) and Punjab Financial Corporation (PFC). The Government Companies further included twenty<sup>1</sup> inactive companies and fourteen<sup>2</sup> subsidiary companies owned by other Government Companies. Besides these 48 State PSUs, there was one State PSU (Statutory Corporation) namely Punjab Backward Classes Land Development and Finance Corporation, audit of which was not under the purview of CAG.

The State Government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 48 State PSUs (other than Power Sector), the State Government invested funds in 33<sup>3</sup> State PSUs only.

##### *Contribution to Economy of the State*

**3.2** A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The table below provides the details of turnover of State PSUs (other than Power Sector) and GSDP of Punjab for a period of five years ending March 2018:

**Table 3.1: Details of turnover of State PSUs (other than Power Sector) vis-a-vis GSDP of Punjab**

| Particulars                              | (₹ in crore) |             |             |             |             |
|--|--------------|-------------|-------------|-------------|-------------|
|  | 2013-14      | 2014-15     | 2015-16     | 2016-17     | 2017-18     |
| Turnover                                 | 24,648.46    | 30,462.89   | 32,104.55   | 33,032.24   | 36,728.43   |
| GSDP of Punjab                           | 3,17,556.00  | 3,49,826.00 | 4,08,815.00 | 4,27,297.00 | 4,77,482.00 |
| Percentage of Turnover to GSDP of Punjab | 7.76         | 8.71        | 7.85        | 7.73        | 7.69        |

Source: Compiled based on turnover figures of working PSUs (other than power) and GSDP figures as intimated by Department of Planning, Government of Punjab.

The PSUs recorded continuous increase in their turnover over the previous years turnover as per their latest audited accounts available in respective years.

<sup>1</sup> Sl. No. 22 to 27, 31 to 44 of *Annexure 6*.

<sup>2</sup> Sl. No. 1, 9, 12, 23, 25, 29, 34 to 39, 43 and 44 of *Annexure 6*.

<sup>3</sup> Includes three subsidiaries (Sl. No. 1, 23 and 39 of *Annexure 6*) where State Government has infused investment in the shape of loans only.

The increase in turnover ranged between 2.89 per cent and 23.59 per cent during the period 2013-18, whereas increase in GSDP of the State ranged between 4.52 per cent and 16.86 per cent during the same period. The compounded annual growth of GSDP was 10.73 per cent during last five years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 10.73 per cent of the GSDP, the turnover recorded lower compounded annual growth of 10.49 per cent during last five years. This resulted in marginal decrease in share of turnover of these PSUs to the GSDP from 7.76 per cent in 2013-14 to 7.69 per cent in 2017-18.

### Investment in State PSUs (other than Power Sector)

**3.3** There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs have therefore been analysed under two major classifications viz. those in the social sector and those functioning in competitive environment. Besides, four<sup>4</sup> of these State PSUs incorporated to perform some specific activities on behalf of the State Government have been categorised under 'others'. Details of investment made in these 48 State PSUs in shape of equity and long term loans upto 31 March 2018 are detailed in *Annexure 6*.

**3.4** The sector-wise summary of investment in these State PSUs as on 31 March 2018 is given below:

**Table 3.2: Sector-wise investment in State PSUs (other than power sector)**

| Sector                          | Number of PSUs | Investment (₹ in crore) |                  |                  |
|---------------------------------|----------------|-------------------------|------------------|------------------|
|                                 |                | Equity                  | Long term loans  | Total            |
| Social Sector                   | 27             | 1,131.76                | 25,718.68        | 26,850.44        |
| PSUs in Competitive Environment | 17             | 149.92                  | 837.64           | 987.56           |
| Others                          | 4              | 0.09                    | 0.00             | 0.09             |
| <b>Total</b>                    | <b>48</b>      | <b>1,281.77</b>         | <b>26,556.32</b> | <b>27,838.09</b> |

Source: Compiled based on information received from PSUs.

As on 31 March 2018, the total investment (equity and long term loans) in these 48 PSUs was ₹ 27838.09 crore. The investment consisted of 4.60 per cent towards equity and 95.40 per cent in long-term loans. The long term loans advanced by the State government constituted 91.32 per cent (₹ 24251.03 crore) of the total long term loans and 8.68 per cent (₹ 2305.29 crore) were availed from other financial institutions.

The investment grew by 746.17 per cent from ₹ 3289.90 crore in 2013-14 to ₹ 27838.09 crore in 2017-18. The investment increased due to addition of ₹ 124.60 crore and ₹ 24423.59 crore towards equity and long term loans respectively during 2013-14 to 2017-18.

<sup>4</sup> Punjab Police Housing Corporation Limited, Amritsar Smart City Limited, Ludhiana Smart City Limited and Jalandhar Smart City Limited.

**Disinvestment, restructuring and privatisation of State PSUs (other than Power Sector)**

3.5 During the year 2017-18, no disinvestment, restructuring or privatization was done by the State Government in State PSUs.

**Budgetary Support to State PSUs (other than Power Sector)**

3.6 The Government of Punjab (GoP) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs (other than Power Sector) for the last three years ending March 2018 are as follows:

**Table 3.3: Details regarding budgetary support to State PSUs (other than Power Sector) during the years**

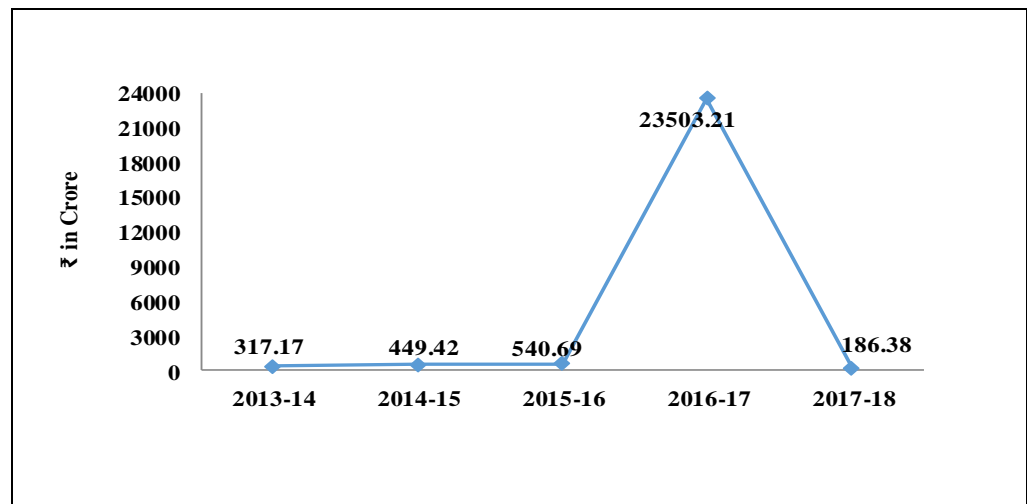
(₹ in crore)

| Particulars <sup>5</sup>       | 2015-16        |           | 2016-17        |          | 2017-18        |          |
|--------------------------------|----------------|-----------|----------------|----------|----------------|----------|
|                                | Number of PSUs | Amount    | Number of PSUs | Amount   | Number of PSUs | Amount   |
| Equity Capital outgo (i)       | 2              | 32.24     | 2              | 10.83    | -              | -        |
| Loans given (ii)               |                |           |                |          |                |          |
| a) Interest free               | -              | -         | -              | -        | -              | -        |
| b) Interest bearing            | -              | -         | 4              | 22974.19 | -              | -        |
| Grants/ Subsidy provided (iii) | 5              | 508.45    | 3              | 518.19   | 4              | 186.38   |
| Total Outgo (i+ii+iii)         |                | 540.69    |                | 23503.21 |                | 186.38   |
| Loan repayment written off     | -              | -         | 2              | 6.47     | -              | -        |
| Loans converted into equity    | -              | -         | -              | -        | -              | -        |
| Guarantees issued              | 2              | 34.40     | -              | -        | 2              | 141.12   |
| Guarantee Commitment           | 10             | 29,250.45 | 7              | 1,633.69 | 9              | 1,721.84 |

Source: Compiled based on information received from PSUs.

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2018 are given in a graph below:

**Chart 3.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies**



<sup>5</sup> Amount represents outgo from State budget only.

The annual budgetary assistance to these PSUs ranged between ₹ 317.17 crore and ₹ 23503.21 crore during the period 2013-14 to 2017-18. The budgetary assistance of ₹ 186.38 crore given during the year 2017-18 was in the form of grants/ subsidy. The State Government did not infuse any equity or provide new loans to these PSUs during 2017-18. The subsidy/grants given by the State Government was primarily for lining of water courses and sinking and installation of tubewells, waiver of loans and Administrative expenses.

In order to enable PSUs to obtain financial assistance from banks and financial institutions, the State Government gives guarantee under Punjab Fiscal Responsibility and Budget Management Act, 2003 subject to the limits prescribed by the Constitution of India, for which a guarantee fee is charged. The State Government charged guarantee fee at the rate of two *per cent* from the PSUs. Outstanding guarantee commitments decreased from ₹ 31984.48 crore in 2013-14 to ₹ 1721.84 crore in 2017-18. Punjab State Industrial Development Corporation defaulted in payment of guarantee commission of ₹ 26.63 crore which was to be paid by it, since 1997.

### Reconciliation with Finance Accounts of Government of Punjab

**3.7** 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 Government of Punjab. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is stated below:

**Table 3.4: Equity, loans, guarantees outstanding as per Finance Accounts of Government of Punjab vis-à-vis records of State PSUs**

(₹ in crore)

| Outstanding in respect of | Amount as per Finance Accounts | Amount as per records of State PSUs | Difference |
|---------------------------|--------------------------------|-------------------------------------|------------|
| Equity                    | 831.43                         | 1,157.19                            | 325.76     |
| Loans                     | 25,401.85                      | 24,251.03                           | 1,150.82   |
| Guarantees                | 1,771.66                       | 1,721.84                            | 49.82      |

Source: Compiled based on information received from PSUs and Finance Accounts.

Audit observed that out of 48 State PSUs, such differences occurred in respect of 31 PSUs as shown in *Annexure 7*. The differences between the figures are persisting since last many years. The issue of reconciliation of differences has been taken up by the Principal Accountant General (Audit) Punjab with the PSUs and the Departments from time to time. Major difference in balances was observed in Punjab Water Resources Limited and Management Development Corporation and the State Foodgrains Procuring Agencies. The State Government and the respective PSUs should reconcile the differences in a time-bound manner.

### Submission of accounts by State PSUs (other than Power Sector)

**3.8** Of the total 48 State PSUs, 28 PSUs- 24 Companies and 4 Statutory Corporations are active while 20 are inactive as of 31 March 2018. The status of timelines followed by the State PSUs in preparation of their accounts are as detailed below:

***Timeliness in preparation of accounts by the working State PSUs***

**3.8.1** Accounts for the year 2017-18 were required to be submitted by all the working PSUs by 30 September 2018. However, out of 24 working Government Companies, 5 Companies submitted their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018 whereas accounts of 19 Government Companies were in arrears. Of the four Statutory Corporations, the CAG is the sole auditor in two Statutory Corporations (PSCLDFC and PRTC). For the remaining two Statutory Corporations, accounts for the year 2017-18 were awaited as on 30 September 2018.

Details of arrears in submission of accounts of working PSUs as on 30 September 2018 are given below:

**Table 3.5: Position relating to submission of accounts by the working State PSUs**

| Sl. No. | Particulars  | 2013-14           | 2014-15           | 2015-16           | 2016-17           | 2017-18            |
|---------|--|-------------------|-------------------|-------------------|-------------------|--------------------|
| 1.      | Number of PSUs (other than Power Sector)                             | 25                | 26                | 26                | 25                | 28                 |
| 2.      | Number of accounts submitted during current year                     | 19                | 31                | 23                | 23                | 28                 |
| 3.      | Number of working PSUs which finalised accounts for the current year | 2                 | 6                 | 5                 | 4                 | 5                  |
| 4.      | Number of previous year accounts finalised during current year       | 17                | 25                | 18                | 19                | 23                 |
| 5.      | Number of working PSUs with arrears in accounts                      | 23                | 20                | 21                | 21                | 23                 |
| 6.      | Number of accounts in arrears  | 39                | 34                | 37                | 38                | 44 <sup>6</sup>    |
| 7.      | Extent of arrears  | One to four years | One to four years | One to five years | One to four years | One to eight years |

Source: Compiled based on accounts of PSUs received during the period October 2017 to September 2018.

Of these 28 working State PSUs, 22 PSUs had finalised 28 annual accounts during the period 1 October 2017 to 30 September 2018 which included five annual accounts for the year 2017-18 and 23 annual accounts for previous years. Further, 44 annual accounts were in arrears which pertain to 23 PSUs. 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 the stipulated period. The concerned Departments were informed quarterly by the Principal Accountant General (Audit) Punjab regarding arrear in finalisation of accounts.

The GoP had provided ₹ 15042.62 crore (Loan: ₹ 14809.24 crore, Grants/Subsidy: ₹ 233.38 crore) to six of the 23 working State PSUs accounts of which had not been finalised by 30 September 2018 as prescribed under the Companies Act 2013 whereas no investment was made in remaining 17 PSUs during the period for which accounts are in arrears. PSU wise details of investment made by State Government during the years for which accounts are in arrears are shown in **Annexure 8**. However, 11 accounts of ten of these

<sup>6</sup> It includes Mohali Biotechnology Park which was incorporated on 25 January 2011 which has not furnished its first account.

working State PSUs were finalized and submitted for audit during the period from October 2018 to December 2018 whereas 33 accounts pertaining to 18 working State PSUs were awaited till December 2018.

In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoP investment in these PSUs, therefore, remained outside the control of State Legislature.

***Timeliness in preparation of accounts by inactive State PSUs***

**3.8.2** There were arrears in finalisation of accounts by 19 out of total 20 inactive PSUs details of which are as given below:

**Table 3.6: Position relating to arrears of accounts in respect of inactive PSUs**

| <b>Sl. No.</b> | <b>Name of inactive companies</b>                                 | <b>Period for which accounts were in arrears</b> |
|----------------|---|--|
| 1.             | Punjab Land Development and Reclamation Corporation Limited       | 1995-96 to 2017-18                               |
| 2.             | Punjab Micro Nutrients Limited                                    | 1992-93 to 2017-18                               |
| 3.             | Punjab Poultry Development Corporation Limited                    | 2014-15 to 2017-18                               |
| 4.             | Punjab Agro Power Corporation Limited                             | 2016-17 to 2017-18                               |
| 5.             | Amritsar Hotel Limited  | 2015-16 to 2017-18                               |
| 6.             | Neem Chameli Tourist Complex Limited                              | 2016-17 to 2017-18                               |
| 7.             | Punjab Venture Capital Limited                                    | 2017-18  |
| 8.             | Punjab Venture Investors Trust Limited                            | 2017-18  |
| 9.             | Punjab Film and News Corporation Limited                          | 2006-07 to 2017-18                               |
| 10.            | Electronic Systems Punjab Limited                                 | 2014-15 to 2017-18                               |
| 11.            | Punjab Bio-Medical Equipments Limited                             | 1997-98 to 2017-18                               |
| 12.            | Punjab Digital Industrial System Limited                          | 2007-08 to 2017-18                               |
| 13.            | Punjab Electro Optics Systems Limited                             | 1997-98 to 2017-18                               |
| 14.            | Punjab Footwears Limited  | 1991-92 to 2017-18                               |
| 15.            | Punjab Power Packs Limited  | 1998-99 to 2017-18                               |
| 16.            | Punjab State Handloom and Textile Development Corporation Limited | 2017-18  |
| 17.            | Punjab State Hosiery and Knitwear Development Corporation Limited | 2006-07 to 2017-18                               |
| 18.            | Punjab State Leather Development Corporation Limited              | 2006-07 to 2017-18                               |
| 19.            | Punjab Tanneries Limited  | 1997-98 to 2017-18                               |

Source: Compiled based on accounts of PSUs received.

Out of 20 inactive PSUs, six<sup>7</sup> were in the process of liquidation whose accounts were in arrears for four to 26 years. Out of remaining 14 inactive PSUs, 13 had arrears of accounts ranging from one year to 27 years. However, two accounts of two of these inactive State PSUs were finalized and submitted for audit during the period from October 2018 to December 2018.

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<sup>7</sup> Companies at Sl. No. 23, 34, 35, 36, 37 and 39 of *Annexure 9*.



**Placement of Separate Audit Reports of Statutory Corporations in State Legislature**

**3.9** Out of four working Statutory Corporations, no Corporation had forwarded their accounts of 2017-18 by 30 September 2018.

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. Status of annual accounts of Statutory Corporations and placement of their SARs in legislature is detailed below:

**Table 3.7: Status of placement of SAR of the Statutory Corporations**

| Sl. No. | Name of 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       | Punjab Financial Corporation                                     | 2015-16                                     | 2016-17                                       | SAR under finalization                             |
| 2       | Punjab Scheduled Castes Land Development and Finance Corporation | 2013-14                                     | 2014-15<br>2015-16<br>2016-17                 | 07-09-2017<br>27-04-2018<br>SAR under finalisation |
| 3       | PEPSU Road Transport Corporation                                 | 2013-14                                     | 2014-15<br>2015-16                            | SARs under finalisation                            |
| 4       | Punjab State Warehousing Corporation                             | 2014-15                                     | 2015-16<br>2016-17                            | 10-01-2018<br>SAR under finalisation               |

Source: Information provided by PSUs.

**Impact of non-finalisation of accounts of State PSUs**

**3.10** As pointed in paragraph 3.8, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs to State GDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to liquidate the arrears in accounts.

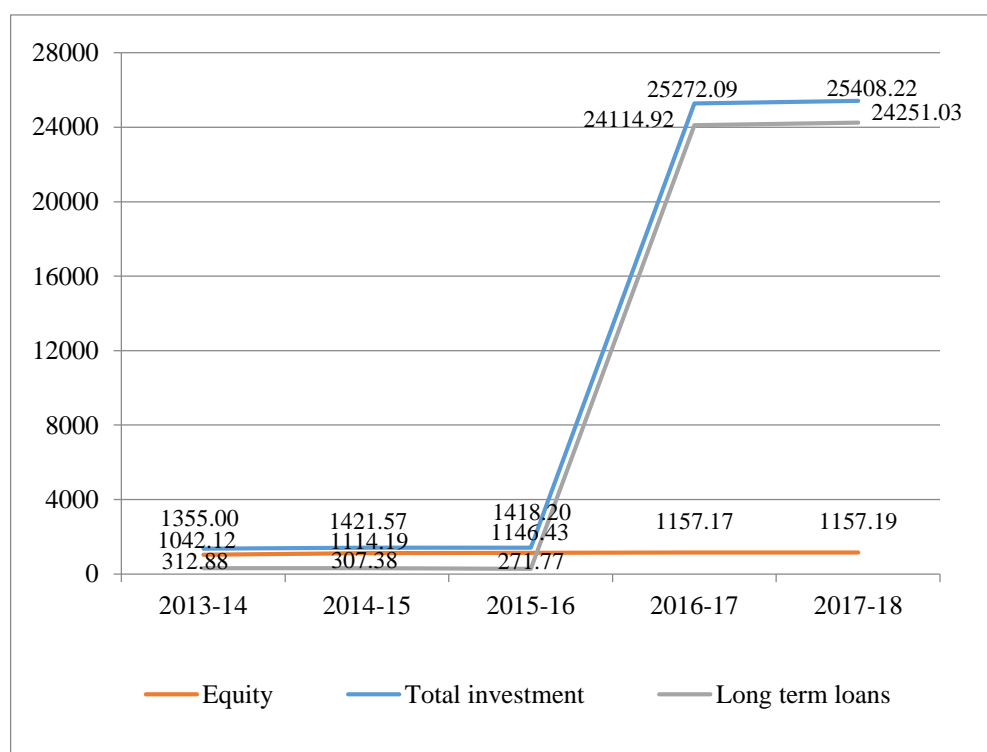
**Performance of State PSUs**

**3.11** The financial position and working results of the 48 State PSUs are detailed in *Annexure 9* as per their latest finalised accounts as of 30 September 2018.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The total investment of State Government and others in the PSUs other than power sector was ₹ 27838.09 crore consisting of equity of ₹ 1281.77 crore and long term loans of ₹ 26556.32 crore (as detailed in *Annexure 6*). Out of this, Government of Punjab has investment of ₹ 25408.22 crore in the 33 PSUs consisting of equity of ₹ 1157.19 crore and long term loans of ₹ 24251.03 crore.

The year wise investment of GoP in the PSUs during the period 2013-14 to 2017-18 is as follows:

**Chart 3.2: Total investment of GoP in PSUs**



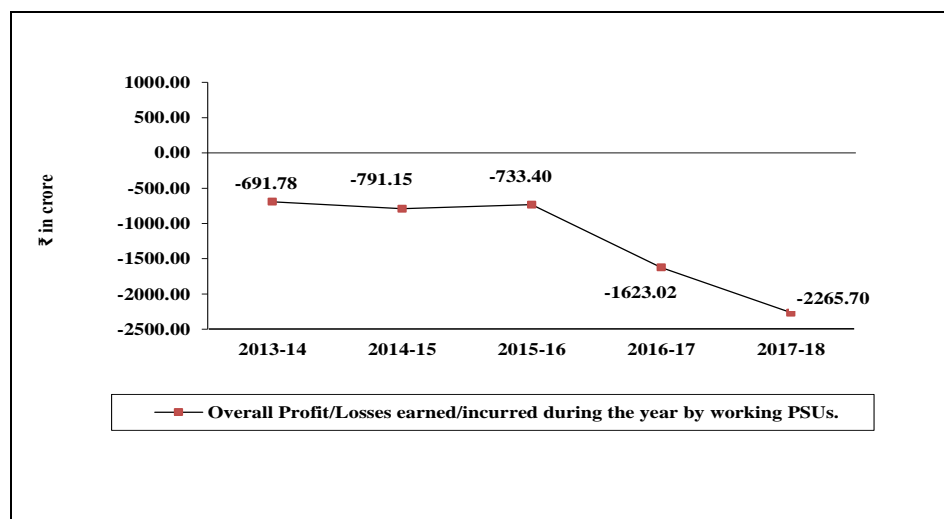
The profitability of a company is traditionally assessed through Return on Investment and Return on Capital Employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of Equity and Long Term Loans and is expressed as a percentage of net profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing Company's earnings before interest and taxes by Capital Employed.

### ***Return on Investment***

**3.12** The Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses<sup>8</sup> earned/incurred by the 28 working State PSUs during 2013-14 to 2017-18 is depicted below in a chart:

<sup>8</sup> Figures are as per the latest finalised accounts of the respective years.

Chart 3.3: Profit/Losses earned/incurred by working PSUs during the years



The loss of ₹ 691.78 crore incurred by the working PSUs in 2013-14 increased to ₹ 2265.70 crore in 2017-18 due to substantial increase in losses of Punjab State Civil Supplies Corporation Limited and Punjab State Grains Procurement Corporation Limited. According to latest finalised accounts of these 28 working State PSUs, 9<sup>9</sup> PSUs earned profit of ₹ 52.89 crore and 12<sup>10</sup> PSUs incurred losses of ₹ 2318.59 crore as detailed in *Annexure 9*. Out of the remaining seven PSUs, three are functioning on 'No Profit No Loss' basis and in respect of four PSUs first account were awaited.

The top profit making companies were Punjab Small Industries and Export Corporation Limited (₹ 22.14 crore), Punjab State Container and Warehousing Corporation Limited (₹ 13.85 crore) while Punjab State Civil Supplies Corporation Limited (₹ 995.78 crore) and Punjab State Grains Procurement Corporation Limited (₹ 733.91 crore) incurred heavy losses.

Of the 28 working PSUs (other than Power Sector) as on 31 March 2018, position of working PSUs (other than Power Sector) which earned/ incurred profit/loss during 2013-14 to 2017-18 is given below:

**Table 3.8: Details of working Public Sector Undertakings which earned/ incurred profit/loss during 2013-14 to 2017-18**

| Financial year | Total number of PSUs (other than Power Sector) | Number of PSUs which earned profits during the year | Number of PSUs which incurred loss during the year | Number of PSUs    |                    |   |
|----------------|--|---|--|-------------------|--------------------|---|
|                |  |   |  | No profit no loss | Under construction | 1 <sup>st</sup> A/cs yet to be received |
| 2013-14        | 25   | 9   | 12   | 3                 | 1                  | -                                       |
| 2014-15        | 26   | 8   | 13   | 3                 | 1                  | 1                                       |
| 2015-16        | 26   | 8   | 14   | 3                 | 1                  | -                                       |
| 2016-17        | 25   | 8   | 13   | 3                 | -                  | 1                                       |
| 2017-18        | 28   | 9   | 12   | 3                 | -                  | 4                                       |

<sup>9</sup> Sl. no. 2, 4, 6, 7, 11, 13, 15, 28, 30 of *Annexure 9*.

<sup>10</sup> Sl. no. 1, 3, 5, 8, 9, 10, 14, 16, 19, 20, 21 and 29 of *Annexure 9*.

(a) **Return on Investment on the basis of historical cost of investment**

**3.13** Out of 28 working Public Sector Undertakings of the State, the State Government infused funds in the form of equity, long term loans and grants/subsidies in 23 PSUs only. The Government has invested ₹ 25375.78 crore in these 23 PSUs including equity of ₹ 1140.14 crore and long term loans of ₹ 24235.64 crore. Out of the released long term loans of ₹ 24235.64 crore, ₹ 30.00 crore was interest free loan.

The funds made available in the forms of the grants/subsidy have not been reckoned as investment since they do not qualify to be considered as investment. Out of the total long term loans, only interest free loans have been considered as investment. However, in cases where interest free loans have been repaid by the PSUs, the value of investment based on historic cost and present value (PV) was calculated on the reduced balances of interest free loans over the period as detailed in Table 3.9.

The sector-wise return on investment on the basis of historical cost of investment for the period 2013-14 to 2017-18 is as given below:

**Table 3.9: Return on State Government Funds on the basis of historical cost of investment**

(₹ in crore)

| Year wise Sector-wise break-up | Total Earnings for the year | Funds invested by the GoP in form of Equity and Interest Free loans on historical cost | Return on State Government investment on historical cost basis (in per cent) |
|--------------------------------|-----------------------------|--|--|
| <b>2013-14</b>                 |                             |  |  |
| Social Sector                  | (-) 658.27                  | 947.41   | (-) 69.48  |
| Competitive Sector             | (-) 26.58                   | 107.52   | (-) 24.72  |
| Others                         | -                           | 0.05   | -  |
| <b>Total</b>                   | <b>(-) 684.85</b>           | <b>1054.98</b>   | <b>(-) 64.92</b>   |
| <b>2014-15</b>                 |                             |  |  |
| Social Sector                  | (-) 764.90                  | 1019.48  | (-) 75.03  |
| Competitive Sector             | (-) 12.08                   | 107.52   | (-) 11.24  |
| Others                         | -                           | 0.05   | -  |
| <b>Total</b>                   | <b>(-) 776.98</b>           | <b>1127.05</b>   | <b>(-) 68.94</b>   |
| <b>2015-16</b>                 |                             |  |  |
| Social Sector                  | (-) 615.58                  | 1051.72  | (-) 58.53  |
| Competitive Sector             | (-) 7.29                    | 107.52   | (-) 6.78   |
| Others                         | -                           | -0.05  | -  |
| <b>Total</b>                   | <b>(-) 622.87</b>           | <b>1159.29</b>   | <b>(-) 53.73</b>   |
| <b>2016-17</b>                 |                             |  |  |
| Social Sector                  | (-) 1482.76                 | 1062.55  | (-) 139.55   |
| Competitive Sector             | (-) 13.31                   | 107.52   | (-) 12.38  |
| Others                         | -                           | 0.05   | -  |
| <b>Total</b>                   | <b>(-) 1496.07</b>          | <b>1170.12</b>   | <b>(-) 127.86</b>  |
| <b>2017-18</b>                 |                             |  |  |
| Social Sector                  | (-) 1907.03                 | 1062.55  | (-) 179.48   |
| Competitive Sector             | 9.56                        | 107.52   | 8.89   |
| Others                         | -                           | 0.07   | -  |
| <b>Total</b>                   | <b>(-) 1897.47</b>          | <b>1170.14</b>   | <b>(-) 162.16</b>  |

The return on State Government investment is worked out by dividing the total earnings<sup>11</sup> of these PSUs by the cost of the State Government investments. The return earned on State Government investment ranged between (-) 53.73 per cent and (-) 162.16 per cent during the period 2013-14 to 2017-18. The overall negative return on State Government investment increased due to heavy losses incurred by Companies under Social Sector i.e. Punjab State Civil Supplies Corporation Limited (₹ 995.78 crore), Punjab State Grains Procurement Corporation Limited (₹ 733.91 crore) and Punjab Agro Foodgrains Corporation Limited (₹ 362.63 crore) due to cumulating of interest on the outstanding CCL repayments on account of non-reimbursement of actual incidentals incurred by these PSUs for procurement of foodgrains on behalf of GoI, misappropriation of paddy, damage of wheat stocks, inefficiencies in milling operations, non-recovery of costs from millers, delayed /non raising of claims on FCI/millers.

**(b) Return on Investment on the basis of Present Value of Investment**

**3.14** An analysis of the earnings vis-a-vis investments in respect of those 22 State PSUs where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. Therefore, in addition to the calculation of return on funds invested by GoP in 22 PSUs on historical cost basis, the return on investment has also been calculated after considering the Present Value (PV) of money. PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity and interest free loan since inception of these companies till 31 March 2018. During the period from 2013-14 to 2017-18, these 22 PSUs had a negative return on investment.

For the years 2013-14 to 2017-18 when these 22 PSUs incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the PSUs is commented upon in Para 3.16.

**3.15** PSU wise position of State Government investment in these 22 State PSUs in the form of equity and interest free loans on historical cost basis for the period from 2010-11 to 2017-18 is indicated in *Annexure 10*. Further, consolidated position of Net Present Value (NPV) of the State Government investment relating to these PSUs for the same period is indicated in the table below:

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<sup>11</sup> This includes net profit/losses for the concerned year relating to those State PSUs where the investments have been made by the State Government.

**Table 3.10: Year wise details of investment by the State Government and present value (PV) of Government investment for the period from 2010-11 to 2017-18**

(₹ in crore)

| Financial year | Present value of total investment at the beginning of the year | Equity infused by the state government during the year | Interest free loans given by the state government during the year | Total investment during the year | Average rate of interest on government borrowings (in per cent) | Total investment at the end of the year | Present value of total investment at the end of the year | Minimum expected return to recover cost of funds for the year <sup>12</sup> | Total Earning for the year <sup>13</sup> |
|----------------|--|--|---|----------------------------------|---|---|--|---|--|
| i              | ii   | iii  | iv  | v= iii+iv                        | vi  | vii=ii+v                                | viii={vii*(1+vi)/100}                                    | ix={(vii*vi)/100}   | x  |
| Upto 2010-11   | -  | 789.79   | -   | 789.79                           | 7.73  | 789.79                                  | 850.84   | -   | -  |
| 2011-12        | 850.84   | 196.93   | -   | 196.93                           | 7.96  | 1047.77                                 | 1131.17  | 83.40   | -220.29                                  |
| 2012-13        | 1131.17  | 15.91  | 30.00   | 45.91                            | 7.79  | 1177.08                                 | 1268.77  | 91.69   | -375.98                                  |
| 2013-14        | 1268.77  | 22.35  | -   | 22.35                            | 8.04  | 1291.12                                 | 1394.93  | 103.81  | - 684.85                                 |
| 2014-15        | 1394.93  | 72.07  | -   | 72.07                            | 8.35  | 1467.00                                 | 1589.49  | 122.49  | -776.98                                  |
| 2015-16        | 1589.49  | 32.24  | -   | 32.24                            | 8.09  | 1621.73                                 | 1752.93  | 131.20  | - 622.87                                 |
| 2016-17        | 1752.93  | 10.85  | -   | 10.85                            | 7.48  | 1763.78                                 | 1895.71  | 131.93  | -1496.07                                 |
| 2017-18        | 1895.71  | -  | -   | -                                | 8.12  | 1895.71                                 | 2049.64  | 153.93  | -1897.47                                 |
| <b>Total</b>   |  | <b>1140.14</b>   | <b>30.00</b>  | <b>1170.14</b>                   |   |   |  |   |  |

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 1170.14 crore in 2017-2018 from ₹ 789.79 crore in 2010-11 as the State Government made further investments in shape of equity (₹ 350.35 crore) and interest free loans (₹ 30.00 crore) during the period 2010-11 to 2017-2018. The PV of funds infused by the State Government upto 31 March 2018 amounted to ₹ 2049.64 crore. During 2011-12 to 2017-18, total earning for the year remained below the minimum expected return to recover cost of funds infused in these PSUs as three of these PSUs incurred substantial losses during this period.

### **Erosion of Net worth**

**3.16** Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The capital investment and accumulated losses of these 28 working PSUs as per their latest finalised accounts were ₹ 1706.26 crore and ₹ 7974.46 crore respectively resulting in negative net worth of ₹ 6268.20 crore. Analysis of investment and accumulated losses disclosed that net worth eroded fully in 10<sup>14</sup> out of these 28 PSUs. Of these 10 PSUs, the maximum net worth erosion

<sup>12</sup> Present value of total investment at the end of the year – Total investment at the end of the year.

<sup>13</sup> Total Earning for the year depicts total of net earnings (profit/loss) for the concerned year relating to those 22 PSUs where funds were infused by State Government. In case where annual accounts of any PSU was pending during any year then net earnings (profit/loss) for that year has been taken as per latest audited accounts of the concerned PSU.

<sup>14</sup> Sl. No. 1, 3, 5, 9, 10, 14, 19, 21, 28 and 30 of *Annexure 9*.

was in Punjab State Grains Procurement Corporation Limited (₹ 3045.06 crore), Punjab Civil Supplies Corporation Limited (₹ 1529.06 crore) on account of non-reimbursement of actual incidentals incurred by these PSUs for procurement of foodgrains on behalf of GoI, misappropriation of paddy, damage of wheat stocks, inefficiencies in milling operations, non-recovery of costs from millers, delayed /non raising of claims on FCI/millers due to the reasons mentioned in para 3.13 *supra*.

Further the following table indicates total paid up capital, total accumulated profit/ loss, and total net worth of the 23 companies where the State Government has made direct investment:

**Table 3.11: Net worth of 23 working PSUs during 2013-14 to 2017-18**

(₹ in crore)

| Year    | Paid Capital and free reserves at end of the year | Accumulated Profit (+) Loss (-) at end of the year | Deferred revenue Expenditure | Net Worth   |
|---------|---|--|------------------------------|-------------|
| 2013-14 | 1390.98   | (-) 4023.74  | -                            | (-) 2632.76 |
| 2014-15 | 1434.11   | (-) 4980.67  | -                            | (-) 3546.56 |
| 2015-16 | 1493.52   | (-) 5354.52  | -                            | (-) 3861.00 |
| 2016-17 | 1607.49   | (-) 6581.72  | -                            | (-) 4974.23 |
| 2017-18 | 1680.15   | (-) 7947.89  | -                            | (-) 6267.74 |

As can be seen, the net worth of these companies decreased during 2013-18. It decreased from ₹ (-) 2632.76 crore in 2013-14 to ₹ (-) 6267.74 crore in 2017-18. Out of 23 PSUs, 11<sup>15</sup> PSUs showed positive net worth and net worth of 9 PSUs was in negative during 2017-18.

### Dividend Payout

**3.17** The State Government had directed (July 2011) all its PSUs to pay a minimum return of five *per cent* on the funds invested by the State Government.

Dividend Payout relating to 22 working PSUs where equity was infused by GoP during the period is shown in table below:

**Table 3.12: Dividend payout of 22 working PSUs during 2013-14 to 2017-18**

(₹ in crore)

| Year    | Total PSUs where equity infused by GoP |                       | PSUs which earned profit during the year |                       | PSUs which declared/paid dividend during the year |                                | Dividend Payout Ratio (in <i>per cent</i> ) |
|---------|--|-----------------------|--|-----------------------|---|--------------------------------|---|
|         | Number of PSUs                         | Equity infused by GoP | Number of PSUs                           | Equity infused by GoP | Number of PSUs                                    | Dividend declared/paid by PSUs |   |
| 1       | 2                                      | 3                     | 4  | 5                     | 6   | 7                              | 8=7/5*100                                   |
| 2013-14 | 19                                     | 1024.98               | 9  | 175.47                | 3   | 1.76                           | 1.00  |
| 2014-15 | 19                                     | 1097.05               | 8  | 188.04                | 3   | 2.08                           | 1.11  |
| 2015-16 | 19                                     | 1129.29               | 8  | 229.77                | 3   | 2.13                           | 0.93  |
| 2016-17 | 19                                     | 1140.12               | 8  | 229.77                | 3   | 2.12                           | 0.92  |
| 2017-18 | 22                                     | 1140.14               | 9  | 307.98                | 4   | 4.17                           | 1.35  |

<sup>15</sup> The net worth of three PSUs (at Sl. No. 46, 47 and 48 of *Annexure 9*) has not been calculated as first accounts of these PSUs are yet to be received.

During the period 2013-14 to 2017-18, the number of PSUs which earned profits ranged between 8 and 9 PSUs. During this period, number of PSUs which declared/paid dividend to GoP ranged between three and four PSUs.

The Dividend Payout Ratio during 2013-14 to 2017-18 ranged between 0.92 per cent and 1.35 per cent only.

As per their latest finalised accounts, four<sup>16</sup> working PSUs declared a dividend of ₹ 4.17 crore which worked out to 1.35 per cent of equity capital of these PSUs. Of these 9 profit earning PSUs, 5 PSUs did not declare dividend due to accumulated losses or marginal profits, two<sup>17</sup> PSUs declared dividend higher than the prescribed limit and two<sup>18</sup> PSUs declared dividend as per the dividend policy.

### Return on Capital Employed

**3.18** Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed<sup>19</sup>. The details of total ROCE of all the State PSUs together during the period from 2013-14 to 2017-18 are given in table below:

**Table 3.13: Return on Capital Employed of working PSUs**

| Year    | EBIT<br>(₹ in crore) | Capital Employed<br>(₹ in crore) | ROCE<br>(in per cent) |
|---------|----------------------|----------------------------------|-----------------------|
| 2013-14 | 2525.46              | 15690.34                         | 16.10                 |
| 2014-15 | 2931.67              | 10108.26                         | 29.00                 |
| 2015-16 | 3554.32              | 10346.10                         | 34.35                 |
| 2016-17 | (-) 1532.50          | (-) 2435.72                      | -                     |
| 2017-18 | (-) 1411.18          | 4544.90                          | (-) 31.05             |

The ROCE ranged between (-) 31.05 per cent and 34.35 per cent during the period 2013-14 to 2017-18. The ROCE was not measurable for the year 2016-17 as both the capital employed and the EBIT were negative.

The capital employed for these PSUs substantially decreased during the year 2016-17 over that of 2015-16. This was on account of Punjab State Civil Supplies Corporation Limited (PUNSUP) treating the cash credit liabilities (₹ 11288.88 crore) in its accounts for the year 2015-16 as short term borrowings which were hitherto being treated as long term borrowings. This was done in compliance of Company's statutory auditors comments on the issue in their report on the accounts for the year 2014-15. Due to this the capital employed by PUNSUP decreased from ₹ 11246.04 crore in 2015-16 to ₹ (-) 1529.06 crore in 2016-17 affecting the overall CE of PSUs in 2016-17. The other three State foodgrain procurement agencies (SPAs) namely Punjab Agro Foodgrains Corporation Limited, Punjab State Grains Procurement

<sup>16</sup> PSUs at Sl. No.4, 6, 7 and 15 of *Annexure 9*.

<sup>17</sup> PSUs at Sl. No.4 and 6 of *Annexure 9*.

<sup>18</sup> PSUs at Sl. No.7 and 15 of *Annexure 9*

<sup>19</sup> Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.



Corporation Limited and Punjab State Warehousing Corporation were treating their cash credit liabilities as short term borrowings in their accounts.

The SPAs had unsettled cash credit liabilities of ₹ 31,000 crore against banks as on December 2016. To settle this liability, Government of Punjab entered (December 2016) into an agreement with State Bank of India for its one-time settlement. A loan of ₹ 30,584 crore was raised by State Government during 2016-17 against which ₹ 29,920 crore was given as long term loans to five SPAs (including Punjab State Cooperative Supply and Marketing Federation Limited – Markfed). This loan is to be repaid by the year 2036 including interest.

In line with the terms of loan, two SPAs, namely Punjab Agro Foodgrains Corporation Limited (PAFC) and Punjab State Warehousing Corporation (PSWC) while finalizing their accounts for the year 2016-17 treated this loan extended by Government as their long term borrowings. As a result capital employed of these two PSUs increased to ₹ 8052.14 crore in 2017-18 from ₹ (-) 136.31 crore in 2016-17. This contributed to raising the total capital employed of non power sector state PSUs to ₹ 4544.90 crore at the end of 2017-18 in comparison to ₹ (-) 2435.72 crore in 2016-17.

### *Analysis of long term loans of the PSUs*

**3.19** Analysis of the Long Term Loans of the PSUs which had leverage during 2013-14 to 2017-18 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

#### *Interest coverage ratio*

**3.20** Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio during the period from 2013-14 to 2017-18 are given in table below:

**Table 3.14: Interest coverage ratio relating to State PSUs**

| Year    | Interest<br>(₹ in<br>crore) | Earnings<br>before<br>interest<br>and<br>tax (EBIT)<br>(₹ in<br>crore) | Number of<br>PSUs having<br>liability of loans<br>from Government<br>and Banks and<br>other financial<br>institutions | Number of<br>PSUs<br>having<br>interest<br>coverage<br>ratio more<br>than 1 | Number of<br>PSUs<br>having<br>interest<br>coverage<br>ratio<br>less than 1 |
|---------|-----------------------------|--|---|---|---|
| 2013-14 | 3272.76                     | 2525.46  | 28  | 7   | 21  |
| 2014-15 | 3792.07                     | 2931.67  | 26  | 6   | 20  |
| 2015-16 | 4356.30                     | 3554.32  | 25  | 5   | 20  |
| 2016-17 | 3589.63                     | (-) 1532.50  | 25  | 4   | 21  |
| 2017-18 | 3919.08                     | (-) 1411.18  | 25  | 4   | 21  |

Of the 25 State PSUs having liability of loans from Government as well as banks and other financial institutions during 2017-18, 4 PSUs had interest coverage ratio of more than one whereas remaining 21 PSUs had interest coverage ratio below one which indicates that these 21 PSUs could not generate sufficient revenue to meet their expenses on interest during the period.

### Debt Turnover Ratio

**3.21** During the last five years, the turnover of the working PSUs recorded compounded annual growth of 10.49 *per cent* and compounded annual growth of debt was 88.57 *per cent* due to which the debt turnover ratio deteriorated from 0.09 in 2013-14 to 0.72 in 2017-18 as given in table below:

**Table 3.15: Debt Turnover Ratio relating to the 28 working State PSUs**

| (₹ in crore)   |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|
| Particulars  | 2013-14  | 2014-15  | 2015-16  | 2016-17  | 2017-18  |
| Debt from Government and others (Banks and Financial Institutions) | 2097.58  | 1908.62  | 1471.81  | 25222.28 | 26522.68 |
| Turnover   | 24648.46 | 30462.89 | 32104.55 | 33032.24 | 36728.43 |
| Debt-Turnover Ratio  | 0.09:1   | 0.06:1   | 0.05:1   | 0.76:1   | 0.72:1   |

Source : Compiled based on *Annexure 6* and *Annexure 9*.

The debt-turnover ratio ranged between 0.05 and 0.76 during this period. The overall accumulated losses increased substantially during the year 2017-18 in comparison to that for the year 2016-17 which was mainly due to increase in accumulated losses of Punjab State Grains Procurement Corporation.

### Winding up of inactive State PSUs

**3.22** 20 of the 48 State PSUs were inactive companies having a total investment of ₹ 57.77 crore as detailed in *Annexure 6* as on 31 March 2018. The number of inactive PSUs at the end of each year during last five years ended 31 March 2018 are given below:

**Table 3.16: Inactive State PSUs**

| Particulars               | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---------------------------|---------|---------|---------|---------|---------|
| No. of inactive companies | 23      | 23      | 22      | 21      | 20      |

Source: Compiled from the information included in Audit Report (PSU), GoP of respective years and in *Annexure 6*.

The stages of closure in respect of inactive PSUs are given in table below:

**Table 3.17: Closure of inactive PSUs**

| Sl. No. | Particulars  | Companies |
|---------|--|-----------|
| 1.      | Total number of inactive PSUs  | 20        |
| 2.      | Of (1) above, the number under   |           |
| (a)     | Liquidation by Court (liquidator appointed)  | -         |
| (b)     | Voluntary winding up (liquidator appointed)  | 6         |
| (c)     | Closure i.e. closing orders/instructions issued but liquidation process not yet started. | 6         |

The companies which have taken the route of voluntary winding up under the

Companies Act are under liquidation for a period ranging from three to 24 years. During the year 2017-18, one Company i.e. Consumer Electronics (Punjab) Limited Company was wound up. The Government (Directorate of Disinvestment)<sup>20</sup> may expedite decisions regarding winding up of the inactive PSUs which have become defunct.

### Comments on Accounts of State PSUs

**3.23** Eighteen working companies forwarded 22 audited accounts to the Principal Accountant General during the period from 1 October 2017 to 30 September 2018. Of these, 20 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are as follows:

**Table 3.18: Impact of audit comments on Working Companies**

(Amount: ₹ in crore)

| Sl. No. | Particulars                      | 2015-16            |          | 2016-17            |         | 2017-18            |         |
|---------|----------------------------------|--------------------|----------|--------------------|---------|--------------------|---------|
|         |                                  | Number of accounts | Amount   | Number of accounts | Amount  | Number of accounts | Amount  |
| 1.      | Decrease in profit               | 2                  | 1748.11  | 3                  | 12.29   | 3                  | 21.34   |
| 2.      | Increase in profit               | 2                  | 1.36     | -                  | -       | 2                  | 22.54   |
| 3.      | Increase in loss                 | 3                  | 1598.26  | 7                  | 2869.79 | 4                  | 5898.30 |
| 4.      | Decrease in loss                 | 1                  | 0.05     | -                  | -       | 1                  | 1.36    |
| 5.      | Non-disclosure of material facts | 5                  | 27.05    | 4                  | 241.31  | 4                  | 375.50  |
| 6.      | Errors of classification         | 5                  | 11207.25 | 9                  | 474.29  | 11                 | 1424.36 |

Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government Companies.

During the year 2017-18, the Statutory Auditors had issued qualified certificates on 12 accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 15 instances of non-compliance to the Accounting Standards in 8 accounts.

**3.24** The State has four Statutory Corporation *i.e.* Punjab Scheduled Caste Land Development and Finance Corporation (PSCLDFC), PEPSU Road Transport Corporation (PRTC), Punjab State Warehousing Corporation (PSWC) and Punjab Financial Corporation (PFC). The C&AG is sole auditor in respect of Punjab Scheduled Caste Land Development and Finance Corporation (PSCLDFC), PEPSU Road Transport Corporation (PRTC). Four working statutory corporations<sup>21</sup> forwarded their six accounts to the Principal Accountant General during the period from October 2017 to 30 September 2018. The accounts of PSCLDFC and PRTC pertained to sole audit while supplementary audit was conducted in respect of the remaining two accounts

<sup>20</sup> A cell established for disinvestment of State Government equity in State PSUs/ subsidiaries and for restructuring/privatisation etc. of these PSUs.

<sup>21</sup> PEPSU Road Transport Corporation (PRTC) (two accounts), Punjab Financial Corporation (PFC) (one account) and Punjab Scheduled Castes Land Development and Finance Corporation (PSCLDFC) (two accounts) & Punjab State Warehousing Corporation (PSWC) (One Account).

(PFC & PSWC). The Audit Reports of statutory auditors and the sole/supplementary audit of CAG indicated the need to improve the quality of maintenance of the accounts. The details of money value of comments of CAG on accounts audited during the last three years are given in table 3.19 below:

**Table 3.19: Impact of audit comments on Statutory Corporations**

(Amount: ₹ in crore)

| Sl. No. | Particulars                      | 2015-16         |        | 2016-17         |        | 2017-18         |        |
|---------|----------------------------------|-----------------|--------|-----------------|--------|-----------------|--------|
|         |                                  | No. of Accounts | Amount | No. of Accounts | Amount | No. of Accounts | Amount |
| 1.      | Decrease in Profit               | -               | -      | -               | -      | -               | -      |
| 2.      | Increase in profit               | -               | -      | 2               | 5.01   | -               | -      |
| 3.      | Increase in loss                 | 2               | 1.07   | 1               | 1.86   | 1               | 0.65   |
| 4.      | Non-disclosure of material facts | -               | -      | 8               | 18.55  | -               | -      |
| 5.      | Errors of classification         | -               | -      | 6               | 22.01  | -               | -      |

Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Statutory Corporations.

During the year accounts of PFC and PSWC received a qualified opinion.

### Performance Audit and Compliance Audits Paragraphs

**3.25** For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, 7 compliance audit paragraphs and one Performance Audit were issued to the Principal Secretaries/ Secretaries of the respective Administrative Departments with request to furnish replies. Reply on the one compliance audit paragraph has been received from the State Government and taken into account while finalising the paragraph. The total financial impact of these compliance audit paragraphs and Performance Audit is ₹ 998.27 crore.

### Follow up action on Audit Reports

#### *Replies outstanding*

**3.26** The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The State Finance Department, Government of Punjab issued (August 1992) instructions to all administrative departments to submit replies/explanatory notes to paragraphs/Performance Audits included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature without waiting for any questionnaires from the COPU. However, explanatory notes were not received in 83 per cent of the performance audits and over 71 per cent of the audit paragraphs as on 30 September 2018 as depicted in table below:

**Table 3.20: Position of explanatory notes on Audit Reports related to PSUs (as on 30 September 2018)**

| Year of the Audit Report (PSU) | Date of the Placement of Audit Report in the State Legislature | Total performance audits (PAs) and paragraphs related to Non Power sector in the Audit Report |            | Number of PAs/ Paragraphs for which explanatory notes were not received |            |
|--------------------------------|--|---|------------|---|------------|
|                                |  | PAs   | Paragraphs | PAs   | Paragraphs |
| 2012-13                        | July 2014  | 2   | 6          | 2   | 1          |
| 2013-14                        | March 2015   | 1   | 10         | 1   | 5          |
| 2014-15                        | March 2016   | 1   | 12         | Nil   | 9          |
| 2015-16                        | March 2017   | 1   | 10         | 1   | 9          |
| 2016-17                        | March 2018   | 1   | 11         | 1   | 11         |
| <b>Total</b>                   |  | <b>6</b>  | <b>49</b>  | <b>5</b>  | <b>35</b>  |

**Discussion of Audit Reports by COPU**

**3.27** The status of discussion of Performance Audits and paragraphs related to PSUs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) as on 30 September 2018 was as under:

**Table No. 3.21: Performance Audits /Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2018**

| Period of Audit Report | Number of PAs/ Paragraphs |            |                 |            |
|------------------------|---------------------------|------------|-----------------|------------|
|                        | Appeared in Audit Report  |            | Paras discussed |            |
|                        | PAs                       | Paragraphs | PAs             | Paragraphs |
| 2012-13                | 2                         | 6          | Nil             | 1          |
| 2013-14                | 1                         | 10         | Nil             | Nil        |
| 2014-15                | 1                         | 12         | Nil             | Nil        |
| 2015-16                | 1                         | 10         | Nil             | 2          |
| 2016-17                | 1                         | 11         | Nil             | Nil        |
| <b>Total</b>           | <b>6</b>                  | <b>49</b>  | <b>Nil</b>      | <b>3</b>   |

Source: Compiled based on the discussions of COPU on the Audit Reports.

The discussion on Audit Reports (PSUs) upto 2011-12<sup>22</sup> has been completed.

**Compliance to Reports of COPU**

**3.28** Action Taken Notes (ATNs) on one report of the COPU presented to the State Legislature in March 2016 had not been received (30 September 2018) relating to the State PSUs (other than Power Sector) as indicated in the following table:

**Table 3.22: Compliance to COPU Reports**

| Year of the COPU Report | Total number of Reports of COPU | Total number of recommendation in COPU Reports | Number of recommendations where ATNs not received |
|-------------------------|---------------------------------|--|---|
| 2015-16                 | 1                               | 8  | 2 <sup>23</sup>                                   |

Source: Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoP.

<sup>22</sup> Audit reports upto 2011-12 had been transferred to concerned Administrative Secretaries vide COPU decision dated 19 September 2017.

<sup>23</sup> Six recommendations pertaining to Audit Report 2008-09, 2010-11 and 2011-12 which were transferred to concerned Administrative Secretaries vide COPU decision dated 19 September 2017.

The above mentioned Report of COPU contained recommendations in respect of paragraphs pertaining to Punjab Agro Foodgrains Corporation Limited, Punjab State Warehousing Corporation, Punjab State Grains and Procurement Corporation Limited and Punjab State Civil Supplies Corporation Limited which appeared in the Reports of the CAG of India for the year 2008-09, 2010-11, 2011-12 and 2012-13.