

CHAPTER I

1. Overview of 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, while keeping in view the welfare of the people. In Punjab, the State PSUs occupy an important place in the State economy. The working PSUs registered a turnover of ₹ 22,399.29 crore in 2009-10 as *per* their latest finalised accounts as of 30 September 2010. This turnover was equal to 11.64 *per cent* of the State Gross Domestic Product (GDP) of ₹ 1,92,363.89 crore in 2009-10. Major activities of the Punjab State PSUs are concentrated in power, transport, procurement of foodgrains and finance sectors. The working State PSUs incurred a loss of ₹ 1,202.88 crore in the aggregate in 2009-10. They had employed 0.77 lakh[•] employees as on 31 March 2010.

1.2 As on 31 March 2010, there were 50 PSUs as *per* the details given below. Of these, only one Company i.e. Punjab Communications Limited was listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs ^ψ	Total
Government companies [♦]	26	19	45
Statutory corporations	5	-	5
Total	31	19	50

1.3 During the year, one PSU (Gidderbaha Power Limited) was established whereas one PSU (Nabha Power Limited) ceased to be a Government Company. Two^γ working companies became non working companies.

Audit mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s).

[•] As per the details provided by all 50 PSUs

^ψ Non-working PSUs are those which have ceased to carry on their operations

[♦] Includes three 619-B companies (deemed Government companies) namely Punjab Venture Capital Limited, Punjab Venture Investors Trust Limited and Gidderbaha Power Limited

^γ Electronic Systems Punjab Limited and Amritsar Hotel Limited

A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it was a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as *per* the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by their respective legislations. Out of the five Statutory corporations, CAG is the sole auditor for the Punjab State Electricity Board*, Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation. In respect of the Punjab State Warehousing Corporation and Punjab Financial Corporation, the audit is conducted by the Chartered Accountants and supplementary audit by CAG.

Investment in the State PSUs

1.7 As on 31 March 2010, the investment (capital and long-term loans) in the 50 PSUs (including 619-B companies) was ₹ 16,658.20 crore as detailed below:

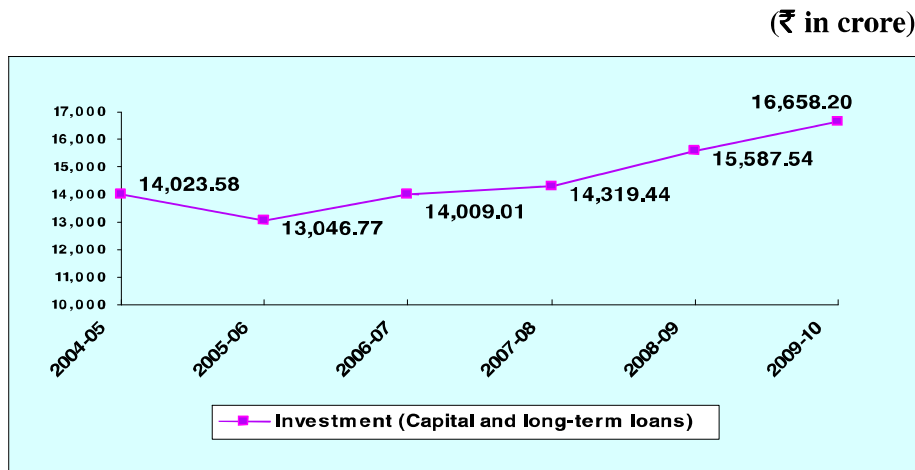
(Amount: ₹ in crore)

PSUs	Government companies			Statutory corporations			Grand total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working PSUs	655.90	865.51	1,521.41	3,163.35	11,913.57	15,076.92	16,598.33
Non-working PSUs	24.12	35.75	59.87	-	-	-	59.87
Total	680.02	901.26	1,581.28	3,163.35	11,913.57	15,076.92	16,658.20

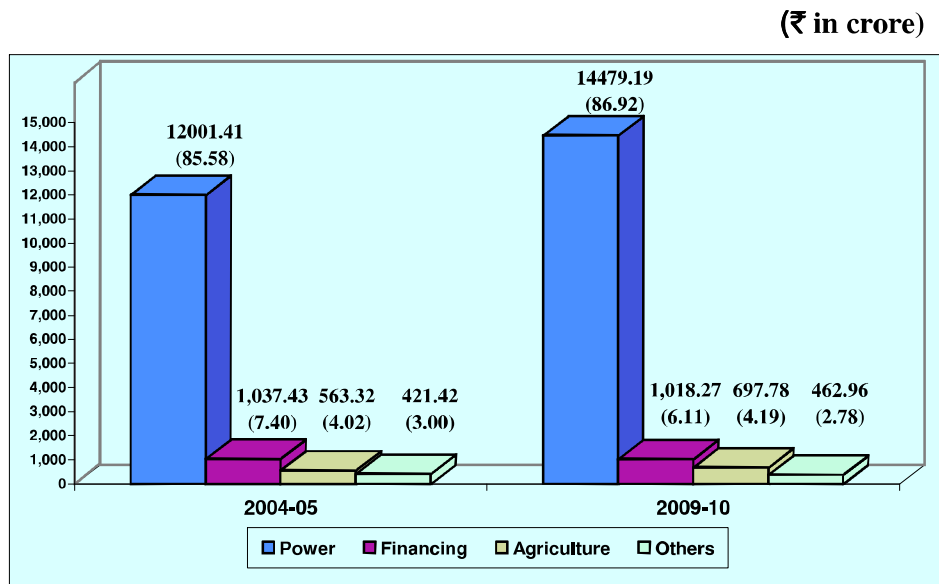
Details of Government investment in the State PSUs are given in *Annexure 1*.

1.8 As on 31 March 2010, of the total investment in the State PSUs, 99.64 *per cent* was in working PSUs and the remaining 0.36 *per cent* in non-working PSUs. The investment consisted of 23.07 *per cent* as capital and 76.93 *per cent* as long-term loans. The investment has grown by 18.79 *per cent* from ₹ 14,023.58 crore in 2004-05 to ₹ 16,658.20 crore in 2009-10 as shown in the graph below:

* From 16 April 2010, the Punjab State Electricity Board has been unbundled into two new companies namely the Punjab State Power Corporation Limited and the Punjab State Transmission Corporation Limited



1.9 The investment in important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart. The thrust of PSU investment in the State was mainly in power sector which had seen its percentage share rising from 85.58 per cent in 2004-05 to 86.92 per cent in 2009-10.



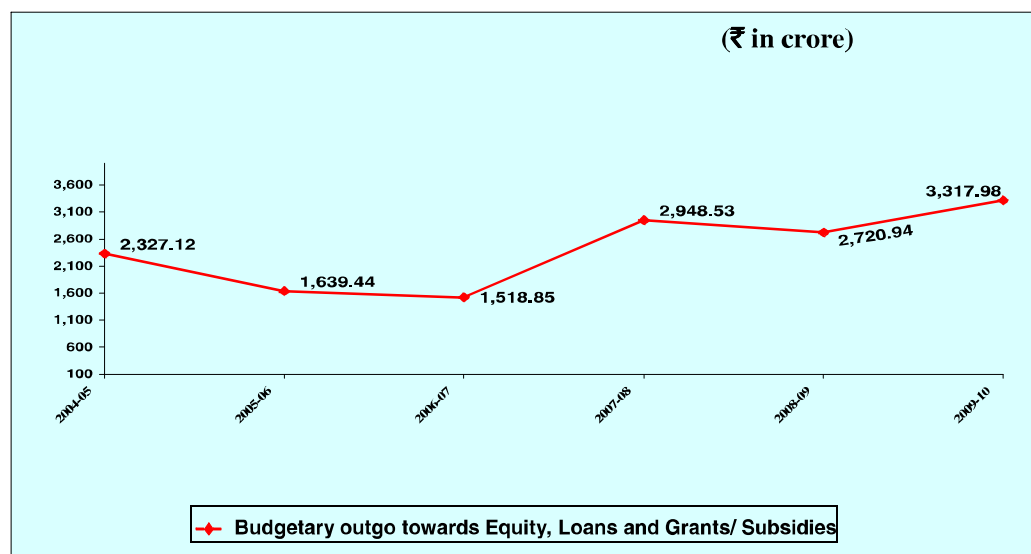
(Figures in brackets show the percentage of total investment)

1.10 The details regarding budgetary outgo from the State Government towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of the State PSUs are given in **Annexure 3**. The summarised position is given below for three years ended 2009-10:

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital	2	30.04	2	32.17	2	10.50
2.	Loans given to the PSUs	-	-	-	-	-	-
3.	Grants/Subsidy to the PSUs	5	2,918.49	4	2,688.77	3	3,307.48
4.	Total Outgo (1+2+3)	6*	2,948.53	5*	2,720.94	4*	3,317.98
5.	Guarantees issued	5	12,718.28	6	20,554.93	9	25,016.05
6.	Cumulative Guarantee Commitment	11	9,894.99	10	18,322.37	9	25,691.57

1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past six years are given in a graph below:



The budgetary outgo which stood at ₹ 1,518.85 crore in 2006-07 was lowest during the six years increased to ₹ 2,948.53 crore in 2007-08 and to ₹ 3,317.98 crore in 2009-10 mainly due to significant increase in grant / subsidy given to power sector in these years.

* Actual number of PSUs which received budgetary support

1.12 The amount of guarantee commitment as on 31 March 2008 was ₹ 9,894.99 crore (11 PSUs) which increased to ₹ 18,322.37 crore (10 PSUs) as on 31 March 2009 and to ₹ 25,691.57 crore (9 PSUs) as on 31 March 2010.

The State Government charged guarantee fee at the rate of $\frac{1}{8}$ per cent in case of PSUs engaged as procuring agencies and 0.5 to 2 per cent from the other PSUs. During the year, the PSUs paid guarantee fee of ₹ 22.91 crore out of ₹ 37.50 crore payable, leaving a balance of ₹ 14.59 crore. Besides, ₹ 24.33 crore of guarantee fee pertaining to the period from February 2001 to March 2009 was not paid as on 31 March 2010.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per the 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 the differences. The position in this regard as on 31 March 2010 is given below:

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts (Provisional)	Amount as per records of PSUs	Difference
Equity	3,573.35	3,746.90	173.55
Loans	2,197.09	1,463.92	733.17
Guarantees	26,211.46	25,691.57	519.89

1.14 Some of the differences were pending reconciliation since 1966-67. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of the PSUs

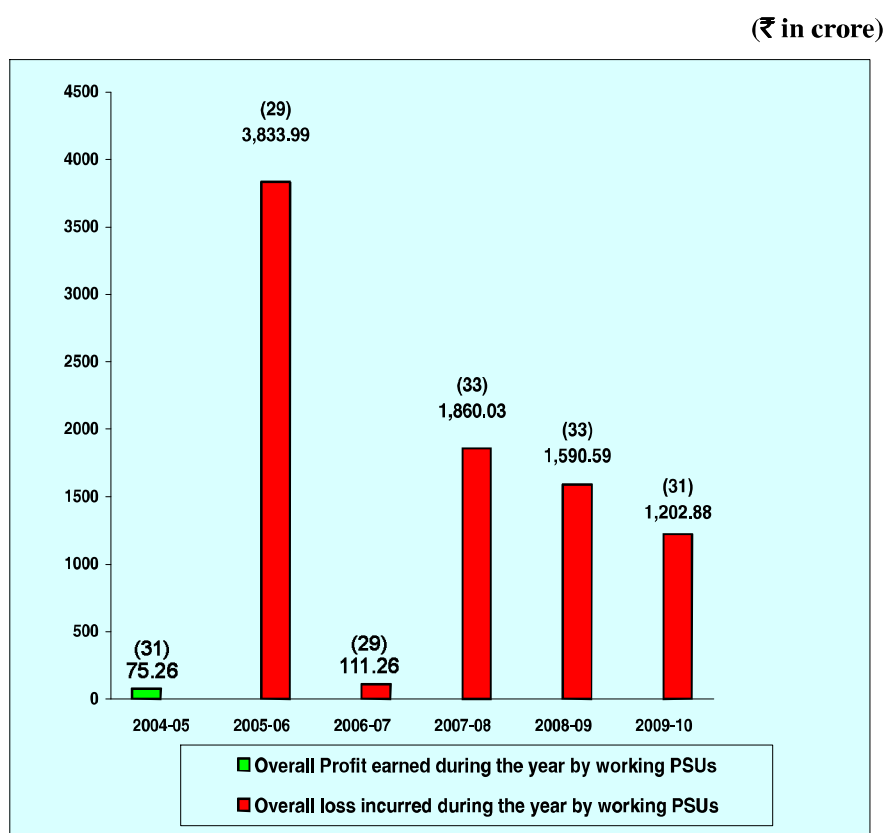
1.15 The financial results of PSUs, financial position and the working results of the working Statutory corporations are detailed in *Annexures 2, 5 and 6* respectively. A ratio of PSU turnover to the State GDP shows the extent of PSU activities in the State economy.

The following table provides the details of working PSUs turnover and the State GDP for the period 2004-05 to 2009-10:

₹ in crore)						
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover ^β	14,647.17	14,762.15	17,245.64	17,552.66	19,138.60	22,399.29
State GDP [⊗]	97,452	1,09,735	1,23,397	1,37,486	1,58,972	1,92,363.89
Percentage of turnover to the State GDP	15.03	13.45	13.98	12.77	12.04	11.64

The percentage of turnover to the State GDP declined from 15.03 in 2004-05 to 11.64 in 2009-10 as the turnover of PSUs did not increase in proportion of the corresponding increase in GDP.

1.16 Profit earned/loss incurred by the State working PSUs during 2004-05 to 2009-10 are given below in the bar chart.



(Figures in bracket represent the number of working PSUs in the respective years)

During 2004-10, the State working PSUs incurred losses every year, except the year 2004-05. The losses however decreased from ₹ 3,833.99 crore in 2005-06 to ₹ 1,202.88 crore in 2009-10. In 2005-06, the State working PSUs incurred heavy

^β Turnover as per the latest finalised accounts as of 30 September of subsequent year

[⊗] For 2004-05 figure is as per revised estimates, 2005-06 and 2008-09 figures are provisional estimates. 2006-07 figure is quick estimate and 2007-08 and 2009-10 are advance estimates.

losses aggregating to ₹ 3,833.99 crore mainly due to writing off excess Rural Electrification subsidy (₹ 3,242.00 crore) by PSEB, which was booked in earlier years. During the year 2009-10, out of 31 working PSUs, 15 PSUs earned profit of ₹ 80.17 crore and 11 PSUs incurred loss of ₹ 1,283.05 crore. Three⁶ working PSUs prepared their accounts on 'no profit no loss' basis; two working PSUs have not started commercial activities. The major contributors to profit were five PSUs viz. Punjab Tourism Development Corporation Limited (₹ 27.50 crores), Punjab State Container and Warehousing Corporation Limited (₹ 12.66 crore), Punjab Genco Limited (₹ 11.30 crore), Punjab Small Industries and Export Corporation Limited (₹ 8.59 crore) and Punjab Scheduled Castes Land Development and Finance Corporation (₹ 8.24 crore). The heavy losses were incurred by four PSUs viz. Punjab State Electricity Board (₹ 1,041.10 crore), Punjab State Grains Procurement Corporation Limited (₹ 85.96 crore), Punjab State Warehousing Corporation (₹ 84.58 crore) and Punjab State Industrial Development Corporation Limited (₹ 48.59 crore).

1.17 The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. The latest Audit Reports of CAG contained audit comments on losses to the tune of ₹ 2,567.57 crore and infructuous investment of ₹ 5.15 crore, which were controllable with better management. The year wise details from the Audit Reports are given below:

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net loss	1,860.03	1,590.59	1,202.88	4,653.50
Controllable losses/ avoidable expenditure as per CAG's Audit Report	184.40	465.70	1,917.47	2,567.57
Infructuous Investment	3.88	-	1.27	5.15

1.18 The above losses pointed out in the Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

⁶ inclusive of Punjab Police Security Corporation Limited, which received grant from State Government to meet its expenses.

1.19 Some other key parameters pertaining to the State PSUs are given below:

Particulars	(₹ in crore)					
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (in percentage)	9.39	-	8.00	-	0.96	4.62
Debt	10,556.84	9,388.99	10,249.92	10,523.48	11,756.98	12,814.83
Turnover [^]	14,647.17	14,762.15	17,245.64	17,552.66	19,138.60	22,399.29
Debt/ Turnover Ratio	0.72:1	0.64:1	0.59:1	0.60:1	0.61:1	0.57:1
Interest Payments	1,533.61	1,289.35	1,390.92	1,457.79	1,805.75	2,479.60
Accumulated losses	1,953.28	5,836.77	5,976.19	7,664.13	9,239.41	10,636.06

(Above figures pertain to all PSUs except for turnover which is for working PSUs)

1.20 The percentage of consolidated return on capital employed of all PSUs decreased from 9.39 in 2004-05 to 8.00 in 2006-07 and further decreased to 0.96 in 2008-09. It, however, increased to 4.62 in 2009-10 and was negative in the years 2005-06 and 2007-08. The accumulated losses increased by more than five times from ₹ 1,953.28 crore in 2004-05 to ₹ 10,636.06 crore in 2009-10.

The position of long term debts, which was 72 *per cent* of the turnover in 2004-05, showed improvement till 2006-07 when it declined to 59 *per cent* of the turnover. The ratio of the debts to the turnover again increased gradually after 2006-07 and reached 61 *per cent* in 2008-09 which again decreased to 57 *per cent* in 2009-10.

1.21 The State Government had formulated (March 1999) a dividend policy under which all PSUs are required to pay a minimum return of four *per cent* on the funds invested by the State Government. As per their latest finalised accounts, 15 PSUs earned an aggregate profit of ₹ 80.17 crore of which three PSUs declared a dividend of ₹ 2.29 crore at the rate ranging from six *per cent* to 48 *per cent*. The remaining 12 PSUs did not declare dividend despite earning profits of ₹ 62.63 crore.

Performance of major PSUs

1.22 The investment in working PSUs and their turnover together aggregated to ₹ 38,997.62 crore during 2009-10. Out of 31 working PSUs, each of the following PSUs accounted for investment *plus* turnover of more than five *per cent* of the aggregate investment *plus* turnover. These PSUs together accounted for 88.02 *per cent* of the aggregate investment *plus* turnover.

[^] Turnover of working PSUs as per the latest finalised accounts as of 30 September of subsequent year

(₹ in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to aggregated investment plus turnover of all PSUs
(1)	(2)	(3)	(4)	(5)
Punjab State Electricity Board	14,447.43	9,010.34	23,457.77	60.15
Punjab State Civil Supplies Corporation Limited	3.73	5,840.18	5,843.91	14.98
Punjab State Grains Procurement Corporation Limited	1.05	3,023.86	3,024.91	7.76
Punjab State Warehousing Corporation Limited	41.54	1,959.23	2,000.77	5.13
Total	14,493.75	19,833.61	34,327.36	88.02

Punjab State Electricity Board which had more than 60 per cent of aggregated investment and turnover of all PSUs suffered a loss of ₹ 1,041.10 crore during the year 2008-09 and had accumulated losses of ₹ 8,411.23 crore as on 31 March 2009.

Arrears in finalisation of accounts

1.23 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in the case of Statutory corporations, their accounts are to be finalised, audited and presented to the Legislature as *per* the provisions of their respective Acts. The table below provides the details of progress made by the working PSUs in finalisation of accounts by 30 September 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of Working PSUs	29	29	33	33	31
2.	Number of accounts finalised during the year	27	24	25	38	33
3.	Number of accounts in arrears	48	53	62*	57	49 ^x
4.	Average arrears <i>per</i> PSU (3/1)	1.66	1.83	1.88	1.73	1.58
5.	Number of Working PSUs with arrears in accounts	23	24	29	25	23
6.	Extent of arrears (years)	1 to 4	1 to 4	1 to 5	1 to 5	1 to 6

* includes one account of a Company which became working from non-working.

^x excluding six accounts of two companies which became non-working during the year.

1.24 The average number of accounts in arrears *per* working PSU decreased from 1.66 in 2005-06 to 1.58 in 2009-10. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and make the accounts up-to-date. The PSUs should also ensure that at least one year's accounts are finalised each year so as to restrict further accumulation of arrears.

1.25 In addition to the above, there were also arrears in finalisation of the accounts by the non-working PSUs. Out of 19 non-working PSUs, eight* had gone into liquidation process. All the remaining 11 non-working PSUs had arrears of accounts, for one to 19 years.

1.26 The State Government had invested ₹ 3,410.01 crore (Equity: ₹ 42.67 crore, grants/subsidy: ₹ 3,367.34 crore) in five PSUs during the years for which accounts were not finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remained outside the scrutiny of the State Legislature. Further, delay in finalisation of the accounts may result in risk of fraud and leakage of public money, apart from violation of the provisions of the Companies Act, 1956.

1.27 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 prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalization of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit.

1.28 In view of the above mentioned state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set targets for individual companies which would be monitored by the cell.**
- **The Government PSUs may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

1.29 There were 19 non-working PSUs (all companies) as on 31 March 2010. Of these, eight* PSUs were under liquidation/winding up process. The numbers of

* Companies at Sl. No. C-2, 7, 8, 9, 10, 12, 13 and 19 of **Annexure 2**

non-working companies at the end of each year during the past five years are given below.

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
No. of non-working companies	30	19	17	17	19

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2009-10, nine non-working PSUs incurred an expenditure of ₹ 0.64 crore towards salary/establishment expenditure etc. This expenditure was financed through sale of assets (₹ 0.13 crore) of these PSUs and other resources* (₹ 0.51 crore).

1.30 The stages of closure in respect of the non-working PSUs are as follows:

Sl. No.	Particulars	Number
1.	Total No. of non-working PSUs	19
2.	Of (1) above, the number under	
(a)	liquidation by Court (liquidator appointed)	3
(b)	Voluntary winding up (liquidator appointed)	5
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	7

1.31 During the year 2009-10, no company was finally wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 1 to 27 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. **The Government may make a decision regarding winding up of the remaining four non-working PSUs where no decision about their continuation or otherwise has been taken after they became defunct. The Government (Directorate of Disinvestment)* may expedite closing down of the non-working companies.**

Accounts comments and internal audit

1.32 Twenty one working companies forwarded their 27 accounts to Audit during the year 2009-10. Of these, 22 accounts of 17 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG 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 the statutory auditors and CAG are given below.

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- * Includes borrowings from common pool fund of PSUs under liquidation, interest on investments, etc
 - A cell established for disinvestment of State Government equity in State PSUs/Subsidiaries and for restructuring/privatization, etc. of these PSUs

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	4	190.51	3	116.63	1	227.60
2.	Increase in loss	6	14.91	6	23.84	3	21.76
3.	Decrease in loss	-	-	-	-	3	51.56
4.	Non-disclosure of material facts	-	-	2	1.59	2	289.96
5.	Errors of classification			2	432.53	1	15.62
	Total		205.42		574.59		606.50

The aggregate money value of total comments increased from ₹ 205.42 crore (10 accounts) in 2007-08 to ₹ 606.50 crore in (7 accounts) in 2009-10.

1.33 During the year, the statutory auditors had given unqualified certificates for 13 accounts, qualified certificates for ten accounts and adverse certificates (which mean that accounts do not reflect a true and fair position) for four accounts. The compliance of companies with the Accounting Standards (AS) remained poor as there were 50 instances where Accounting Standards were not complied with in 15 accounts during the year 2009-10*.

1.34 Some of the important comments in respect of the accounts of companies are stated below:

Punjab State Grains Procurement Corporation limited (2005-06)

Non inclusion of value of closing stock of 29,301.62 quintal of stock of rice in closing stock as on 31 March 2006 and undervaluation of 27,041.365 quintals of closing stock of raw rice, resulted in understatement of closing stock and overstatement of loss by ₹ 3.41 crore.

Punjab Small Industries and Export Corporation Limited (2007-08)

Inclusion of interest income of ₹ 1.13 crore in the liabilities resulted in overstatement of current liabilities and understatement of general reserves by ₹ 1.13 crore.

Punjab Water Resources Management and Development Corporation Limited (2007-08)

Non provision of ₹ 10.59 crore in respect of recovery proceedings filed by State Bank of India in Debt Recovery Tribunal, Jaipur for recovery of principal, interest

* October 2009 to September 2010.

and other charges, resulted in understatement of losses and liabilities to that extent.

Punjab Agro Foodgrains Corporation Limited (2007-08)

The Company booked the claims in respect of interest and custody & maintenance charges on wheat procured in the years 2004-05 to 2007-08 for over and above the period provided in the provisional rates. This resulted in overstatement of current assets and reserves & surplus by ₹ 84.93 crore. Profit for the year was also overstated by ₹ 47.07 crore.

Punjab State Seeds Corporation Limited (2007-08)

Non provision of interest on loans availed from Punjab Rural Development Fund resulted in understatement of unsecured loans as well as accumulated losses by ₹ 3.89 crore.

1.35 Similarly, five working Statutory corporations forwarded their six accounts to Audit during the year 2009-10*. Of these, three accounts of three statutory corporations pertained to sole audit by CAG which was completed. The remaining three accounts were selected for supplementary audit. The audit reports of statutory auditors and the sole/ 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 are given in the following table:

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in loss	1	7.48	3	63.21	4	163.71
2.	Decrease in profits	-	-	-	-	1	0.52
3.	Non-disclosure of material facts	1	72.63	2	170.05	4	482.48
4.	Errors of classification	1	302.90	1	299.09	-	-
	Total		383.01		532.35		646.71

The aggregate money value of total comments increased from ₹ 383.01 crore in 2007-08 to ₹ 646.71 crore in 2009-10.

1.36 During the year, all the six accounts received qualified certificates. Some of the important comments in respect of accounts of Statutory corporations are stated below:

* October 2009 to September 2010.

Punjab State Electricity Board (2008-09)

- Interest and finance charges were understated by ₹ 70.61 crore due to short provision of interest on security deposit to consumers. This resulted in understatement of deficit to the same extent.
- Other debits were understated by ₹ 16.65 crore on account of loss on the manufacture of PCC Poles (difference between Board's cost at its workshops and market price), resulting in understatement of deficit as well as overstatement of current assets to the same extent.
- Depreciation and related debits (Net) were understated by ₹ 8.62 crore due to short provision of depreciation. Consequently deficit was also understated to the same extent.

Punjab Financial Corporation (2008-09)

The Corporation had accounted for the amount of interest income on sale proceeds of jointly financed unit taken over as its own income instead of crediting it to the trust account, resulting in understatement of accumulated loss and the trust account by ₹ 3.00 crore (including ₹ one crore for the year 2008-09).

PEPSU Road Transport Corporation (2008-09)

Non provision of liability of ₹ 36.49 crore on account of revision of pay scales based on Punjab Government's salary structure resulted in understatement of current liabilities as well as losses to that extent.

1.37 The statutory auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the statutory auditors on possible improvement in the internal audit/ internal control system in respect of seven companies^u for the year 2008-09 and eight[^] companies for the year 2009-10 are given in the following table.

^u Sl. No. A- 1, 6, 7, 8, 9, 13 and 25 in *Annexure 2*

[^] Sl. No. A- 1, 6, 7, 8, 9, 13, 22 and 25 in *Annexure 2*

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies in respect of which recommendations were made	Reference to serial number of the companies as per Annexure 2
1.	Non-fixation of minimum/ maximum limits of store and spares	3	A-6, A-7 and A-13
2.	Absence of internal audit system commensurate with the nature and size of business of the company	4	A-6, A-7, A-13 and A-22
3.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	4	A-6, A-8, A-13 and A-25
4.	Non existence of system of proper documentation of software programme / no approved IT plan	7	A-1, A-7, A-8, A-9, A-13, A-22 and A-25
5.	Non computerisation of operations	6	A-1, A-6, A-7, A-8, A-13 and A-22
6.	Audit committee did not exist	4	A-6, A-13, A-22 and A-25
7.	No clear cut credit policy exist	5	A-6, A-7, A-8, A-9 and A-13

Recoveries at the instance of Audit

1.38 During the course of audit in 2009-10, recoveries of ₹ 75.40 crore were pointed out to the Management of 14 PSUs out of which recoveries of ₹ 22.82 crore were admitted by PSUs. Against this, an amount of ₹ 0.62 crore was recovered during the year 2009-10.

Status of placement of Separate Audit Reports

1.39 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

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	Reasons for delay in placement in Legislature
1	Punjab Scheduled Castes Land Development & Finance Corporation	2006-07	2007-08	22 February 2010	Accounts under print
2	Punjab State Electricity Board	2007-08	2008-09	29 January 2010	Reply awaited from Government.
3	Punjab State Warehousing Corporation	2006-07	2007-08	20 July 2010	Accounts under print
4	PEPSU Road Transport Corporation	2007-08	2008-09	3 June 2010	Accounts under print

Delay in placement of SARs weakens the legislative control over the Statutory corporations and dilutes the latter's financial accountability. The Government needs to ensure prompt placement of SARs in the legislature.

Disinvestment, privatisation and restructuring of PSUs

1.40 The State Government established (July 2002) the Directorate of Disinvestment under the Department of Finance, with the function relating to disinvestment of State Government equity held in Public sector undertakings and their subsidiaries/promoted companies and restructuring/privatization etc. of the PSUs. However, no Government Company* was disinvested/privatised by the Directorate during the year.

Reforms in power sector

1.41 The Punjab State Electricity Regulatory Commission (PSERC) was formed in March 1999 under Section 17 of the Electricity Regulatory Commissions Act, 1998* with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2009-10, the PSERC issued 25 orders (one on annual revenue requirements and 24 on others).

* Nabha Power Limited was privatized by Punjab State Electricity Board on its own.

• Since replaced by the Electricity Act, 2003

1.42 A Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Milestone	Achievement as of March 2010
1.	Reduction in transmission and distribution losses to 18 <i>per cent</i> by March 2003.	20.12 <i>per cent</i> during 2009-10.
2.	100 <i>per cent</i> metering of all 11 KV distribution feeders by September 2001.	Electronic meters on all the 6,455 11 KV feeders stand installed up to 31 March 2010.
3.	100 <i>per cent</i> metering of all consumers by 30 June 2002.	All consumers (except Agriculture Power consumers) were metered. Out of 11.05 lakh agricultural consumers, 10.06 lakh consumers were unmetered.
4.	Securitize outstanding dues of Central Public Sector Undertakings.	Securitized since August 2003.
5.	Establishment of State Electricity Regulatory Commission	Constituted in March 1999.
6.	Implementation of tariff orders issued by SERC during 2002-08 for distribution tariff to be implemented from 1 August 2002.	Eighth tariff order for 2009-10 was implemented by PSEB on 9 September 2009, applicable with effect from 1 April 2009.
7.	Installation of energy meters on grid/generating stations by 30 September 2001.	Installed by March 2005.
8.	Replacement of electro mechanical meters with electronic meters by March 2006.	40.40 lakh electronics meters have been installed against 58.13 lakh metered consumers.
9.	Monitoring of MOU on quarterly basis.	Since the expiry of MOU on 31 March 2008, no steering committee meetings were held.

It is evident that PSEB could not achieve the target of reduction of T & D losses to 18 *per cent*, 10.06 lakh Agriculture Power consumers were still unmetered and 17.73 lakh electromechanical meters were still to be replaced with electronic meters.