

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 ₹ 24,431.81 crore in 2010-11 as *per* their latest finalised accounts as of 30 September 2011. This turnover was equal to 10.68 *per cent* of the State Gross Domestic Product (GDP) of ₹ 2,28,753.92 crore in 2010-11. 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 ₹1,498.07 crore in the aggregate in 2010-11. They had employed 0.71 lakh employees as on 31 March 2011.

1.2 As on 31 March 2011, there were 53 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 [♦]	27	22	49
Statutory corporations	4	-	4
Total	31	22	53

1.3 Two PSUs (Punjab Agri Export Corporation Limited and Punjab Municipal Infrastructure Development Company) became Government Companies during the year and Punjab State Electricity Board (PSEB) was unbundled (16 April 2010) into two new companies namely Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited. Three^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). A Government company includes a subsidiary of a

^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 Consumer Electronics (Punjab) Limited, Punjab Recorders Limited and Neem Chameli Tourist Complex Limited.

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, 1956.

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 four Statutory corporations, CAG is the sole auditor for the 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

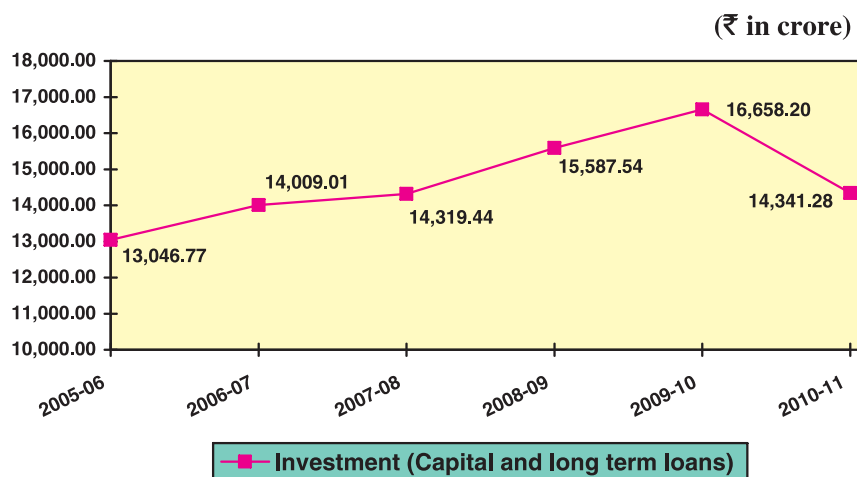
1.7 As on 31 March 2011, the investment (capital and long-term loans) in the 53 PSUs (including 619-B companies) was ₹14,341.28 crore as detailed below:

(Amount: ₹ in crore)

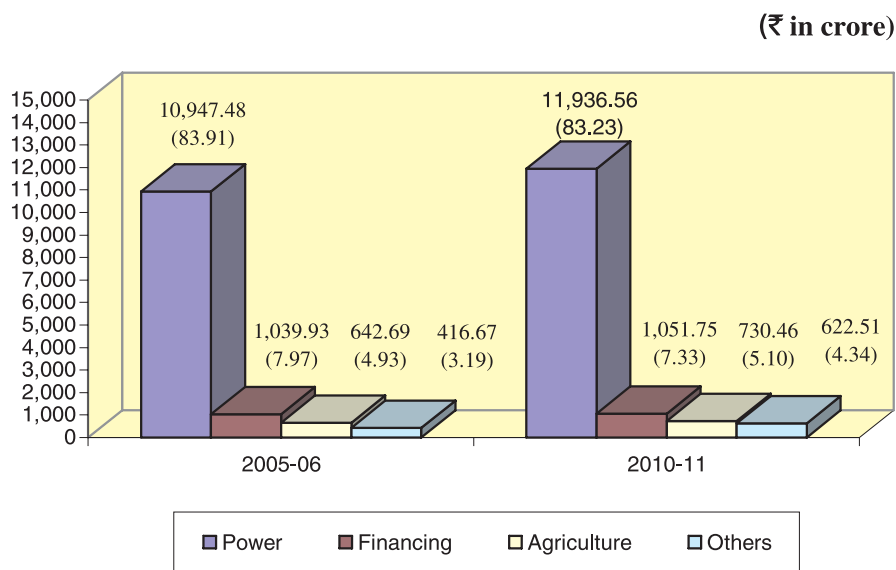
PSUs	Government companies			Statutory corporations			Grand total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working PSUs	3,634.69	10,006.46	13,641.15	221.72	416.81	638.53	14,279.68
Non-working PSUs	25.06	36.54	61.60	-	-	-	61.60
Total	3,659.75	10,043.00	13,702.75	221.72	416.81	638.53	14,341.28

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

1.8 As on 31 March 2011, of the total investment in the State PSUs, 99.57 *per cent* was in working PSUs and the remaining 0.43 *per cent* in non-working PSUs. The investment consisted of 27.07 *per cent* as capital and 72.93 *per cent* as long-term loans. The investment has grown by 9.92 *per cent* from ₹ 13,046.77 crore in 2005-06 to ₹ 14,341.28 crore in 2010-11 as shown in the graph below:



1.9 The investment in important sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart. The thrust of PSU investment in the State was mainly in power sector. However its percentage share has decreased from 83.91 per cent in 2005-06 to 83.23 per cent in 2010-11.



(Figures in brackets show the percentage of total investment)

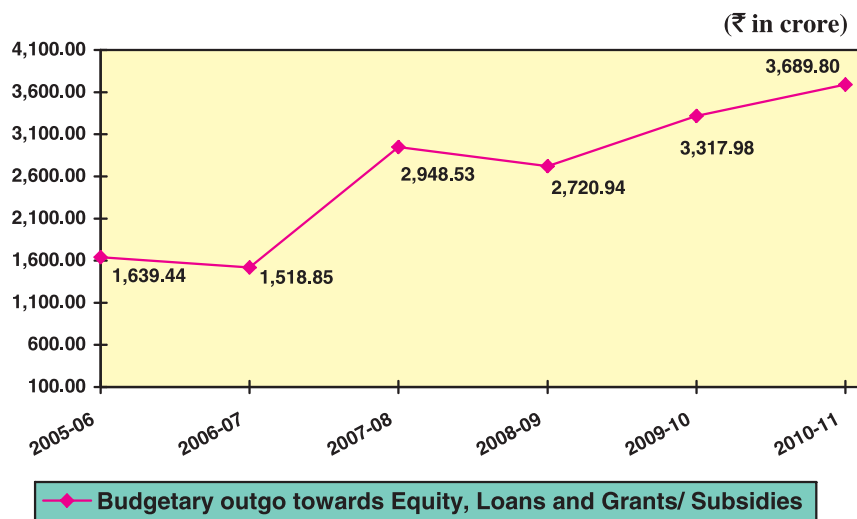
Budgetary outgo, grants/subsidies, guarantees and loans

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 2010-11:

(Amount: ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital	2	32.17	2	10.50	2	33.04
2.	Loans given to the PSUs	-	-	-	-	-	-
3.	Grants/Subsidy to the PSUs	4	2,688.77	3	3,307.48	3	3,656.76
4.	Total Outgo (1+2+3)	5*	2,720.94	4*	3,317.98	4*	3,689.80
5.	Guarantees issued	6	20,554.93	9	25,016.05	7	21,339.58
6.	Cumulative Guarantee Commitment	10	18,322.37	9	25,691.57	9	32,063.11

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 and increased to ₹ 2,948.53 crore in 2007-08 and to ₹ 3,689.80 crore in 2010-11 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 2009 was ₹18,322.37 crore (10 PSUs) which increased to ₹ 25,691.57 crore (9 PSUs) as on 31 March 2010 and to ₹ 32,063.11 crore (9 PSUs) as on 31 March 2011.

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 ₹ 53.30 crore (excluding ₹ 12.25 crore pertaining to previous year) out of ₹ 67.29 crore payable, leaving a balance of ₹ 13.99 crore. Besides, ₹ 26.67 crore of guarantee fee pertaining to the period from February 2001 to March 2010 was not paid as on 31 March 2011.

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 2011 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	3,755.07	181.72
Loans	1,690.55	326.51	1,364.04
Guarantees	32,804.34	32,063.11	741.23

1.14 Some of the differences were pending reconciliation since 1976-77. 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 2005-06 to 2010-11:

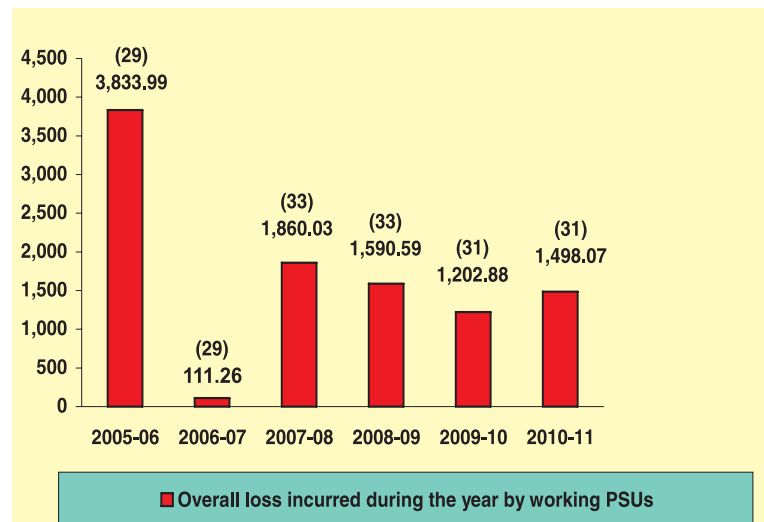
(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover ^β	14,762.15	17,245.64	17,552.66	19,138.60	22,399.29	24,431.81
State GDP [⊗]	1,08,215.08	1,26,790.75	1,52,771.55	1,75,063.76	1,99,458.70	2,28,753.92
Percentage of turnover to the State GDP	13.64	13.60	11.49	10.93	11.23	10.68

The percentage of turnover to the State GDP declined from 13.64 in 2005-06 to 10.68 in 2010-11 as the turnover of PSUs did not increase in proportion of the corresponding increase in GDP.

1.16 Loss incurred by the State working PSUs during 2005-06 to 2010-11 are given below in the bar chart.

(₹ in crore)



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

During 2005-11, the State working PSUs incurred losses every year. The losses however decreased from ₹ 3,833.99 crore in 2005-06 to ₹ 1,498.07 crore in 2010-11. In 2005-06, the State working PSUs incurred heavy losses aggregating to ₹ 3,833.99 crore mainly due to writing off excess Rural Electrification subsidy (₹ 3,242.00 crore) by erstwhile PSEB, which was booked in earlier years. During the year 2010-11, out of 31 working PSUs, 14 PSUs earned profit of ₹ 58.30 crore and 11 PSUs incurred loss of ₹ 1,556.37 crore as per their latest finalised accounts. Three^ε working PSUs

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

[⊗] Figures for 2005-06 to 2007-08 are as per revised estimates, for 2008-09 are as per provisional estimates, for 2009-10 are as per quick estimate and 2010-11 are as per advance estimates.

^ε Punjab Police Hosing Corporation Ltd., Punjab Municipal Infrastructure Development Company and Punjab Police Security Corporation Limited.

prepared their accounts on 'no profit no loss' basis; two[⊗] working PSUs have not started commercial activities and one[£] working PSU has not prepared its first account. The major contributors to profit were three PSUs viz. Punjab Small Industries and Export Corporation Limited (₹ 15.94 crore), Punjab Genco Limited (₹ 13.35 crore) and Punjab State Container and Warehousing Corporation Limited (₹ 11.40 crore). The heavy losses were incurred by three PSUs viz. erstwhile Punjab State Electricity Board (₹ 1,301.52 crore), Punjab State Grains Procurement Corporation Limited (₹ 137.21 crore) and Punjab State Warehousing Corporation (₹ 84.58 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 ₹ 2,267.60 crore and infructuous investment of ₹ 6.98 crore, which were controllable with better management. The year wise details from the Audit Reports are given below:

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net loss	1,590.59	1,202.88	1498.07	4,291.54
Controllable losses/ avoidable expenditure as per CAG's Audit Report	465.70	1,917.47	2,267.60	4,650.77
Infructuous Investment	-	1.27	6.98	8.25

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.

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

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (in percentage)	-	8.00	-	0.96	4.62	4.69
Debt	9,388.99	10,249.92	10,523.48	11,756.98	12,814.83	10,459.81
Turnover [▲]	14,762.15	17,245.64	17,552.66	19,138.60	22,399.29	24,431.81
Debt/ Turnover Ratio	0.64:1	0.59:1	0.60:1	0.61:1	0.57:1	0.43:1
Interest Payments	1,289.35	1,390.92	1,457.79	1,805.75	2,479.60	2,925.97
Accumulated losses [*]	5,836.77	5,976.19	7,664.13	9,239.41	10,636.06	12,192.08

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

⊗ Punjab Agro Power Corporation Limited and Gidderbaha Power Corporation Limited.

£ Punjab Agri Export Corporation Limited.

▲ Turnover of State PSUs as per the latest finalised accounts as of 30 September.

* This represents the losses of all the working and non working PSUs.

1.20 The percentage of consolidated return on capital employed of all PSUs decreased from 8.00 in 2006-07 to 0.96 in 2008-09. It, however, increased to 4.62 in 2009-10 and further increased to 4.69 in 2010-11. It was negative in the years 2005-06 and 2007-08. The accumulated losses increased from ₹ 5,836.77 crore in 2005-06 to ₹ 12,192.08 crore in 2010-11.

The position of long term debts which was 64 *per cent* of the turnover in 2005-06, showed improvement in 2006-07 when it declined to 59 *per cent* of the turnover. The ratio of the debts to the turnover increased gradually after 2006-07 and reached 61 *per cent* in 2008-09. It showed improvement after 2008-09, when it declined to 57 *per cent* of the turnover in 2009-10 and to 43 *per cent* of the turnover in 2010-11.

1.21 The State Government had formulated (April 1999) a 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, 14 PSUs earned an aggregate profit of ₹ 58.30 crore of which four PSUs declared a dividend of ₹ 3.30 crore at the rate ranging from four *per cent* to 48 *per cent*. The remaining 10 PSUs did not declare dividend despite earning profits of ₹ 28.24 crore.

Arrears in finalisation of accounts

1.22 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 2011:

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of Working PSUs	29	33	33	31	31
2.	Number of accounts finalised during the year	24	25	38	33	28*
3.	Number of accounts in arrears	53	62*	57	49 ^x	39 ^y
4.	Average arrears <i>per</i> PSU (3/1)	1.83	1.88	1.73	1.58	1.26
5.	Number of Working PSUs with arrears in accounts	24	29	25	23	24
6.	Extent of arrears (years)	1 to 4	1 to 5	1 to 5	1 to 6	1 to 4

* It represents 25 accounts of working companies and three accounts of statutory corporations.

* 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.

^y Excluding 13 accounts of three companies which became non-working during the year.

1.23 The average number of accounts in arrears *per* working PSU decreased from 1.83 in 2006-07 to 1.26 in 2010-11. 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.

1.24 In addition to the above, there were also arrears in finalisation of the accounts by the non-working PSUs. Out of 22 non-working PSUs, eight* had gone into liquidation process. All the remaining 14 non-working PSUs had arrears of accounts, for one to 20 years.

1.25 The State Government had invested ₹ 3,708.05 crore (Equity: ₹ 35.54 crore, grants/subsidy: ₹ 3,672.51 crore) in six 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.

1.26 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 finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit.

1.27 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

1.28 There were 22 non-working PSUs (all companies) as on 31 March 2011. Of these, eight* PSUs were under liquidation/winding up process. The numbers of non-working companies at the end of each year during the past five years are given below.

* Companies at Sl. No. C-2, 7, 8, 9, 10, 12, 13 and 22 of *Annexure 2*.

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
No. of non-working companies	19	17	17	19	22

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2010-11, 14 non-working PSUs incurred an expenditure of ₹ 0.57 crore towards salary/establishment expenditure etc. This expenditure was financed through other resources viz. borrowings from common pool fund of PSUs under liquidation, interest on investments, etc.

1.29 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	22
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*

1.30 During the year 2010-11, 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 2 to 28 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 seven 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

1.31 Twenty working companies forwarded their 25 accounts to Audit during the year 2010-11. Of these, 21 accounts of 18 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:

* Companies at Sl. No. C- 1, 4, 11, 14, 15, 16 & 17 of *Annexure-2*.
 • A cell established for disinvestment of State Government equity in State PSUs/Subsidiaries and for restructuring/privatisation, etc. of these PSUs.

(Amount: ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in Profit	3	116.63	1	227.60	4	11.98
2.	Increase in Loss	6	23.84	3	21.76	5	36.73
3.	Decrease in Loss	-	-	3	51.56	1	0.23
4.	Non disclosure of material facts	2	1.59	2	289.96	6	147.94
5.	Errors of classification	2	432.53	1	15.62	1	0.71
	Total		574.59		606.50		197.59

1.32 During the year, the statutory auditors had given unqualified certificates for 13 accounts, qualified certificates for nine accounts, adverse certificates (which mean that accounts do not reflect a true and fair position) for two accounts and disclaimer certificate (which mean that the auditor is unable to give any opinion about true and fair view) for one account. The compliance of companies with the Accounting Standards remained poor as there were 28 instances where Accounting Standards were not complied with in 10 accounts during the year 2010-11*.

1.33 Some of the important comments in respect of the accounts of companies finalised during the year 2010-11 are stated below:

Amritsar Hotel Limited (2006-07)

The Company wrongly booked a liability of ₹ 3.25 crore payable to PTDC as ₹ 6.92 crore which resulted in overstatement of current liabilities and provision and understatement of Reserves and Surplus by ₹ 3.67 crore.

Punjab Tourism Development Corporation Limited (2007-08)

- Non provision of doubtful recovery from debtors and loans and advances resulted in overstatement of sundry debtors by ₹ 10.86 lakh and loans & advances by ₹ 1.49 crore and profit by ₹ 1.60 crore.
- Current Liabilities & Provisions included ₹ 99.91 lakh outstanding for more than 20 years shown as payable on account of staff salary, refund of excess amount received and other payable for which the Company had no details of staff as well as parties to whom the amount was payable. Non writing back of these liabilities resulted in overstatement of liabilities and understatement of other income and Reserve & Surplus by ₹ 99.91 lakh.

* October 2010 to September 2011.

Punjab Agro Foodgrains Corporation Limited (2008-09)

The Company booked ₹ 13.41 crore as recoverable from FCI (on account of transportation claims of paddy) against ₹ 8.43 crore actually incurred on transportation of paddy. This has resulted in overstatement of claims recoverable and profit by ₹ 4.98 crore.

Punjab State Grain Procurement Corporation Limited (2008-09)

Closing Stock of Grain included closing stock of wheat (58.94 lakh quintals) valuing ₹ 768.27 crore relating to crop year 2008-09, which was worked out at the rate of ₹ 1,303.37 per quintal instead of ₹ 1,285.22 per quintal due to incorrect calculation of element of carry over charges, resulting in overstatement of inventory (closing stock of grains of wheat) and understatement of loss for the year by ₹ 10.70 crore.

Punjab Small Industries and Export Corporation Limited (2008-09)

Non provision of gratuity payable resulted in understatement of liability on account of gratuity and overstatement of accumulated profit by ₹ 6.11 crore.

Punjab State Civil Supplies Corporation Limited (2009-10)

Accountal of recovery of bonus of ₹ 40.61 crore from FCI under the head Miscellaneous income instead of sale resulted in understatement of sale for the year and overstatement of other income by ₹ 40.61 crore.

1.34 Similarly, three working Statutory Corporations forwarded their three accounts to Audit during the year 2010-11*. Of these, two accounts of two statutory corporations pertained to sole audit by CAG. The audit reports of statutory auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs improvement. 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	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in loss	3	63.21	4	163.71	2	22.06
2.	Decrease in profits	-	-	1	0.52	-	-
3.	Non disclosure of material facts	2	170.05	4	482.48	1	0.66
4.	Errors of classification	1	299.09	-	-	-	-
	Total		532.35		646.71		22.72

* October 2010 to September 2011.

1.35 During the year, all the three accounts received qualified certificates. Some of the important comments in respect of accounts of Statutory Corporations are stated below:

Punjab Scheduled Castes Land Development and Finance Corporation (2008-09)

Non writing off/ creation of provision for doubtful loans and advances resulted in overstatement of current assets, loans and advances and understatement of loss for the year by ₹ 0.47 crore.

Punjab Financial Corporation (2009-10)^s

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 ₹ 3.41 crore.

Punjab State Electricity Board (2009-10)

- Inclusion of idle transmission lines (₹ 0.23 crore) and disputed claims not relating to the work (₹ 3.70 crore) in net fixed assets resulted in understatement of Assets not in use to the extent of ₹ 0.23 crore and deficit to the extent of ₹ 3.70 crore.
- Non-capitalisation of the expenditure incurred during the first three months of the trial stage period of the unit-IV of Guru Hargobind Thermal Plant (GHTP), Lehra Mohabbat resulted in understatement of net fixed assets and overstatement of deficit by ₹ 5.20 crore.
- Employees' cost was understated by ₹ 6.58 crore due to wrong adjustment of payment of bonus under Bonus Payable. This resulted in understatement of deficit to the same extent.
- Other Debits had been understated by ₹ 7.45 crore on account of loss on the manufacture of PCC poles which was required to be charged to revenue account, resulting in understatement of deficit as well as overstatement of current assets to the same extent.
- Other Debits had been understated by ₹ 5.04 crore due to wrong adjustment of expenses under the head "Liabilities for expenses", resulting in understatement of the deficit and understatement of other current liabilities to the same extent.

1.36 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

^s The accounts were received last year but audited in current year.

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 six companies^u for the year 2009-10 and eleven[^] companies for the year 2010-11 are given in the following table.

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.	6	A-6, A-8, A-13, A-14, A-17 and A-26
2.	Absence of internal audit system commensurate with the nature and size of business of the company.	6	A-2, A-6, A-8, A-10, A-14 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.	5	A-1, A-6, A-8, A-14 and A-17
4.	Non existence of system of proper documentation of software programme / no approved IT plan.	8	A-1, A-5, A-6, A-8, A-10, A-14, A-17 and A-22
5.	Non computerisation of operations	5	A-5, A-6, A-8, A-14 and A-22
6.	Audit committee did not exist	4	A-6, A-8, A-14 and A-22
7.	No clear cut credit policy existed	5	A-2, A-6, A-8, A-13 and A-14

Recoveries at the instance of Audit

1.37 During the course of audit in 2010-11, recoveries of ₹ 15.94 crore were pointed out to the Management of 9 PSUs out of which recoveries of ₹ 8.46 crore were admitted by PSUs. Against this, an amount of ₹ 2.39 crore was recovered during the year 2010-11.

Status of placement of Separate Audit Reports

1.38 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.

^u Companies at Sl. No. A- 1, 6, 8, 10, 14 and 22 in *Annexure 2*.

[^] Companies at Sl. No. A- 1, 2, 5, 6, 8, 10, 13, 14, 17, 22 and 26 in *Annexure 2*.

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 Financial Corporation	2008-09	2009-10	17 May 2010	Administrative department has forwarded the same to Punjab Legislature on 3 June 2011.
2.	Punjab Scheduled Castes Land Development & Finance Corporation	2007-08	2008-09	18 March 2011	Accounts under print.
3	Punjab State Electricity Board	2008-09	2009-10	28 December 2010	SAR was sent by PSEB to Principal Secretary (Power), Government of Punjab on 13 April 2011 for placing it before the State Legislature.

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

1.39 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.