Chapter-2

Performance audit of Government Companies

2.1 Working of "Punjab State Transmission Corporation Limited"

Executive Summary

With a view to supply reliable and quality power to all by 2012, the Government of India prepared the National Electricity Policy (NEP) in February 2005 which stated that the Transmission System required adequate and timely investment besides efficient and coordinated action to develop a robust and integrated power system for the country. It also, inter-alia recognised the need for development of National and State Grid with the coordination of Central/ State Transmission Utilities.

Punjab State Electricity Board (Board) was a vertically integrated agency up to 15 April 2010 and was carrying out generation, transmission, Grid operations and distribution of power in the State. As part of the power sector reforms, the Board was unbundled on 16 April 2010 and two Companies, Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited were incorporated. Now transmission of electricity and Grid operations in the State are managed and controlled by the Punjab State Transmission Corporation Limited (Company). The performance audit was conducted to ascertain whether the guidelines of the National Electricity Policy/ Plan were adhered to and the transmission system was developed and commissioned in an economical, efficient and effective manner. The audit findings are discussed in subsequent paragraphs:

Planning and Development

The Company failed to achieve the planned additions/ augmentations/ upgradations of the transmission system in all the years during review period and the planned works spilled over from one year to another year. The year-wise actual achievement against the planned additions/ augmentations/ upgradations in respect of construction of SSs, transmission capacity and transmission lines during the review period ranged between 8.33 to 58.82 per cent, 15.84 to 79.39 per cent and 0.78 to 35.26 per cent, respectively.

Project management of transmission system

Due to deficiencies in planning and scheduling, the work of construction of substations and transmission lines got delayed. In case of 3 substations and 8 transmission lines, the delay in construction ranged between 34 and 72 months and 15 and 81 months, respectively and there was cost overrun of ₹ 1.73 crore and ₹ 7.34 crore respectively.

Due to non construction of the 220 KV lines in time, the Company could not utilise the available capacity of interconnecting transformers for evacuation of power from 400 KV substation of Power Grid Corporation of India Limited and paid the transmission charges of ₹ 30.64 crore for the unutilised capacity.

Performance of transmission system

The performance of the Company with regard to O&M of the system is discussed in the succeeding paragraphs:

(i) Transmission capacity

The Company failed to add adequate transmission capacity to cater to total connected load in the State. As of 31 March 2012, transmission capacity of the Company was 21,250 MVA against the connected load of 32,470 MVA.

(ii) Inadequate installation of shunt capacitors

As against the required capacity of 4,491 MVAR of shunt capacitors, the Company was able to add only 3,132 MVAR during the review period. Due to inadequate installation of shunt capacitors, the

Company had to pay penalty of reactive energy charges of ₹ 6.09 crore.

(iii) Inadequate capital maintenance of Power Transformers

Against the planned capital maintenance of 124 Power Transformers, the Company carried out the capital maintenance of only 27 Power Transformers.

Grid Management

Grid Management ensures moment-to-moment power balance in the interconnected power system to take care of reliability, security, economy and efficiency of the power system. It is carried out in accordance with the directions given in the Grid code issued by Central Electricity Authority. The Company violated the grid discipline a number of times during the review period, resulting in levying of penalty of ₹ 14 lakh by Central Electricity Regulatory Commission. Besides this, the Company paid ₹ 106.52 crore during 2009-12 on account of additional unscheduled interchange charges due to overdrawl of electricity when the frequency was below 49.2 Hz.

Energy Accounting and Audit

Energy accounting and audit is necessary to assess and reduce the transmission losses. The Company failed to provide Availability Based Tariff type energy meters at all the 621 interface boundary metering points. Besides this, there were 600 meter points where conventional energy meters (CEMs) were required for energy accounting. Against which only 200 CEMs were installed (March 2012).

Financial Position and Working Results

As a part of power sector reforms the erstwhile Board was unbundled on 16 April 2010. However, the financial reconstruction of the erstwhile Board had not been finalised so far (June 2012) and as a result, the Profit and Loss Account and Balance Sheet of the Company had not been prepared for the years 2010-11 and 2011-12.

Conclusion and recommendations

The Company failed to add transmission capacity to cater to the total connected load in the State and also failed to achieve the planned additions/ augmentations/ upgradations of the transmission system. The Company failed to provide for adequate preventive maintenance of the transmission system, capital maintenance of power transformers, accounting and audit of energy and to carry out the grid maintenance in accordance with specified instructions.

We have given six recommendations to improve the performance of the Company. Evolving of effective monitoring system, adding adequate transmission capacity, taking measures for adequate preventive maintenance of the transmission system and to provide adequate meters at the inter-state boundary metering points etc. are some of these recommendations.

Introduction

2.1.1 With a view to supply reliable and quality power to all by 2012, the Government of India (GoI) prepared the National Electricity Policy (NEP) in February 2005 which stated that the Transmission System required adequate and timely investment besides efficient and coordinated action to develop a robust and integrated power system for the country. It also, *inter alia* recognised the need for development of National and State Grid with the coordination of Central/ State Transmission Utilities. In the State of Punjab, the erstwhile Punjab State Electricity Board (Board) was a vertically integrated agency up to 15 April 2010 and was responsible for generation, transmission, Grid operations and distribution of electricity. As part of the power sector reforms, the State Government issued (16 April 2010) notification for unbundling of the Board. As a result, two companies viz. Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited were incorporated on 16 April 2010 under the Companies Act, 1956. The Punjab State Power Corporation Limited was assigned the activities of generation, purchase and distribution of power in the State and the activity of transmission of electricity and Grid operations are managed and controlled by the Punjab State Transmission Corporation Limited (Company)[1]. The Company is mandated to provide an efficient, adequate and properly coordinated Grid management and transmission of energy. The Company reports to the Department of Power, Government of Punjab.

2.1.2 The Management of the Company is vested with a Board of Directors comprising six members including Chairman cum Managing Director appointed by the State Government. The day-to-day operations are carried out by the Chairman cum Managing Director who is the Chief Executive of the Company with the assistance of five Directors at Head office and Chief Engineers and Superintending Engineers in the field.

During 2007-08, the Company transmitted 40,918 MUs of energy which increased to 44,823 MUs in 2011-12 (increase of 9.54 *per cent*). As on 31 March 2012, the Company had transmission network of 8,411 circuit kilometers (CKMs) and 152 substations (SSs) with installed capacity of 21,250 MVA, capable of annually transmitting 1,63,812[2] MUs at 220 KV and 132 KV network. The turnover of the Company was ₹ 551.99 crore[3] during 2011-12, which was equal to 0.22 *per cent* of State Gross Domestic Product. It employed 3,122 employees as on 31 March 2012.

A Performance Audit on 'Erection, augmentation and maintenance of transmission lines and substations' was included in the Report of the Comptroller and Auditor General of India (Commercial), Government of Punjab for the year ended 31 March 2006. COPU discussed the performance audit report in June 2010 and gave (March 2011) its recommendations in its

[1] The word Company also refers to the erstwhile Board for the period prior to formation of the Company.
[2] 21,250 MVA x 0.88 x 24 x 365/1000
[3] Provisional for the period 2011-12

95th Report. On the audit finding of deposit works being undertaken without approval of the estimates resulting in blockage of funds and loss of interest, the COPU recommended that the responsibility of the officials/officers who executed the deposit works without receiving the requisite deposit be fixed. On the audit finding of weaknesses in the protection systems which caused damages, the COPU recommended that to reduce the damage to the power transformers, a comprehensive preventive protection policy be devised. The Company has not taken any action on the recommendations of the COPU so far (October 2012).

Scope and Methodology of Audit

2.1.3 The present Performance Audit conducted during November 2011 to April 2012 covers performance of the Company during the period 2007-12. Audit examination involved scrutiny of records of different wings at the Head Office, State Load Despatch Centre (SLDC) – Patiala and 21 out of 60 Divisions. Each Division is headed by an Additional Superintending Engineer/ Executive Engineer, which were supervised by Superintending Engineers/ Deputy Chief Engineers working under Chief Engineers (Transmission System/ Protection & Maintenance/ State Load Dispatch Centre).

The Company constructed 29 SSs (capacity: 2,411 MVA) and 37 lines (length: 1,047 CKMs) as well as augmented existing transformation capacity by 3,901 MVA during 2007-12 which were examined in audit.

We selected for analysis works executed in 21 out of 60 divisions of the Company which were accounting units also. Out of 43 divisions (TLSC[4], Civil Works, CO&C[5] , Grid Construction and P&M[6]), 16 divisions were selected randomly by adopting Probability Proportion to Size without replacement method by taking cumulative total of capacity/expenditure. Out of 17 Protection Divisions, five divisions were selected by Simple Random Sampling without replacement method. They involved 13 SSs (capacity: 1,220 MVA), 13 lines (capacity: 236 CKMs) and augmentation of existing transformation capacity by 1,918 MVA.

The methodology adopted for assessing the achievement of audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at head office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management/ State Government for comments.

[4] Tower Line, Survey & Construction.
[5] Communication, Operation & Construction.
[6] Protection & Maintenance.

Audit Objectives

2.1.4 The objectives of the performance audit were to assess whether:

- ❖ the perspective Plan was prepared in accordance with the guidelines of the National Electricity Policy/ Plan and Punjab State Electricity Regulatory Commission (PSERC) and of impact of failure to plan, if any was assessed;
- ❖ the transmission system was developed, commissioned, operated and maintained in an economical, efficient and effective manner;
- ❖ the disaster Management System was set up to safeguard its operations against unforeseen disruptions;
- ❖ effective failure analysis system was set up;
- ❖ effective and efficient Financial Management system with emphasis on timely raising and collection of bills and filing of Aggregate Revenue Requirement (ARR) for tariff revision in time;
- ❖ efficient and effective system of Procurement of material and inventory control mechanism was in existence;
- ❖ efficient and effective energy conservation measures undertaken were in line with the National Electricity Plan (NEP) and Energy Audit System was established; and
- ❖ there is a monitoring system in place to - review existing/ ongoing projects, take corrective measures to overcome deficiencies identified, respond promptly and adequately to Audit/ Internal audit observations.

Audit Criteria

2.1.5 The audit criteria adopted for assessing the achievement of the audit objectives were:

- ❖ Provisions of National Electricity Policy/ Plan and National Tariff Policy;
- ❖ Perspective Plan and Project Reports of the Company;
- ❖ Standard procedures for award of contracts with reference to principles of economy, efficiency, effectiveness, equity and ethics;
- ❖ Circulars, Manuals and MIS reports;
- ❖ Manual of Transmission Planning Criteria (MTPC);
- ❖ Code of Technical Interface (CTI)/Grid Code consisting of planning, operation, connection codes;

- Directions from State Government/ Ministry of Power (MoP);
- Norms/Guidelines issued by PSERC/Central Electricity Authority (CEA);
- Report of the Committee constituted by the Ministry of Power recommending the "Best Practices in Transmission"
- Report of the Task force constituted by the Ministry of Power to analyse critical elements in transmission project implementation; and
- Reports of Northern Regional Power Committee (NRPC)/ Northern Regional Load Despatch Centre (NRLDC).

Audit Methodology

2.1.6 Audit followed the following mix of methodologies:

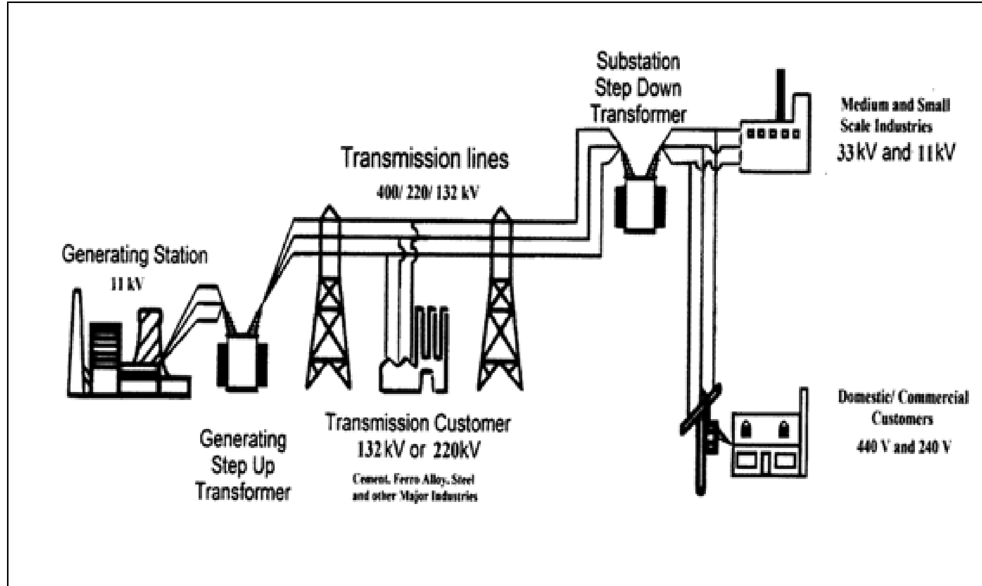
- Review of Agenda notes and minutes of Company/ Board/ NRPC/ NRLDC, annual reports, accounts and regional energy accounts (REA);
- Scrutiny of loan files, physical and financial progress reports;
- Analysis of data from annual budgets and physical as well as financial progress with completion reports;
- Scrutiny of Tariff fixed by Punjab State Electricity Regulatory Commission (PSERC);
- Scrutiny of records relating to project execution, procurement, receipt of funds and expenditure; and
- Interaction with the Management during entry and exit conference.

Brief description of transmission process

2.1.7 Transmission of electricity is defined as bulk transfer of power over long distances at high voltages, generally at 132 KV and above. Electric power generated at relatively low voltages in power plants is stepped up to high voltage power before it is transmitted to reduce the loss in transmission and to increase efficiency in the Grid. Substations (SSs) are facilities within the high voltage electric system used for stepping-up/ stepping down voltages from one level to another, connecting electric systems and switching equipment in and out of the system. The step up transmission SSs at the generating stations use transformers to increase the voltages for transmission over long distances.

Transmission lines carry high voltage electric power. The step down transmission SSs thereafter decreases voltages to sub transmission voltage levels for distribution to consumers. The distribution system includes lines, poles, transformers and other equipment needed to deliver electricity at specific voltages.

Electrical energy cannot be stored; hence generation must be matched to need. Therefore, every transmission system requires a sophisticated system of control called Grid management to ensure balancing of power generation closely with demand. A pictorial representation of the transmission process is given below:



Audit Findings

2.1.8 We explained the audit objectives to the Company during an 'Entry Conference' (January 2012). Subsequently, audit findings were reported to the Company and the State Government (July 2012) and discussed in an 'Exit Conference' held on 18 September 2012. The Exit Conference was attended by the Secretary (Power), Government of Punjab and Chairman-cum-Managing Director, Director (Finance and Commercial), Director (Technical), Chief Engineer (Transmission System), Chief Engineer (Protection & Maintenance), Chief Engineer (SLDC) and Company Secretary from the Company side. The Company replied to audit findings in September 2012. The views expressed by Government/Management have been considered while finalising this Performance Audit Report. The audit findings are discussed in subsequent paragraphs.

Planning and Development

National Electricity Policy/Plan

2.1.9 The Central Transmission Utility (CTU) and State Transmission Utilities (STUs) have the key responsibility of network planning and development based on the National Electricity Plan in coordination with all concerned agencies. At the end of 10th Plan (March 2007), the transmission system in the country at 765/HVDC/400/230/220 KV stood at 1.98 lakh circuit kilometers (CKMs) of transmission lines which was planned to increase to 2.93 lakh CKMs by end of 11th Plan i.e. March 2012. The National Electricity

Plan assessed the total inter-regional transmission capacity at the end of 2006-07 as 14,100 MW and further planned to add 23,600 MW in 11th plan bringing the total inter-regional capacity to 37,700 MW.

Similarly, the Company's transmission network at the beginning of 2007-08 consisted of 123 Extra High Tension[7] (EHT) SSs with a transmission capacity of 14,938 MVA and 7,364 CKMs of EHT transmission lines. The transmission network as on 31 March 2012 consisted of 152 EHT SSs with a transformation capacity of 21,250 MVA and 8,411 CKMs of EHT transmission lines.

The Company is responsible for planning and development of the intra-state transmission system. Assessment of demand is an important pre-requisite for planning capacity addition. The Company had not prepared and submitted the State Electricity Plan to PSERC. It had also not developed a perspective transmission plan for 15 years for the State. However, after unbundling of the erstwhile Board, the Company started submitting (November 2011) annual investment plans having the details of works to be taken up for transmission works on the basis of requirements keeping in view the load positions without giving the details of load forecasting. Audit observed that the investment made was not adequate and timely with reference to the load forecasting and there was inadequate augmentation of capacity. The instances and impact of the above is discussed in detail under 'Project management of Transmission System'.

Transmission network and its growth

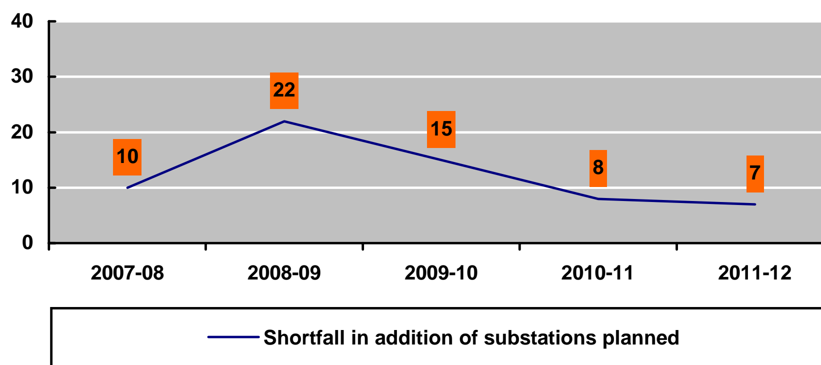
2.1.10 The particulars of voltage-wise capacity additions planned, actual additions, shortfall in capacity, etc., during the review period are given in ***Annexure-7***. The transmission capacity of the Company at EHT level during 2007-08 to 2011-12 is given below:

[7] It consist of 220 KV and 132 KV.

Sl. No	Description	2007-08	2008-09	2009-10	2010-11	2011-12	Total
A. Number of substations (Numbers)							
1	At the beginning of the year	123	124	126	134	142	-
2	Additions planned for the year[8]	11	24	23	16	17	-
3	Added during the year	1	2	8	8	10	29
4	Total substations at the end of the year (1+3)	124	126	134	142	152	-
5	Shortfall in additions (2-3)	10	22	15	8	7	-
6	Achievement in per cent (3/2*100)	9.09	8.33	34.78	50.00	58.82	-
B. Transmission capacity (MVA)							
1	Capacity at the beginning of the year	14,938	15,220	16,100	16,915	19,145	-
2	Additions/ augmentation planned for the year[8]	1,780	2,888	2,343	2,809	2,949	-
3	Capacity added during the year	282	880	815	2,230	2,105	6,312
4	Capacity at the end of the year (1+3)	15,220	16,100	16,915	19,145	21,250	-
5	Shortfall in additions/ augmentation	1498	2008	1528	579	844	-
6	Achievement in *per cent* (3/2*100)	15.84	30.47	34.78	79.39	71.38	-
C. Transmission lines (CKMs)							
1	At the beginning of the year	7,364	7,367	7,524	7,665	8,039	-
2	Additions planned for the year[8]	386	673	524	1,201	1,055	-
3	Added during the year	3	157	141	374	372	1,047
4	Total lines at the end of the year (1+3)	7,367	7,524	7,665	8,039	8,411	-
5	Shortfall in additions (2-3)	383	516	383	827	683	-
6	Achievement in per cent (3/2*100)	0.78	23.33	26.91	31.14	35.26	-

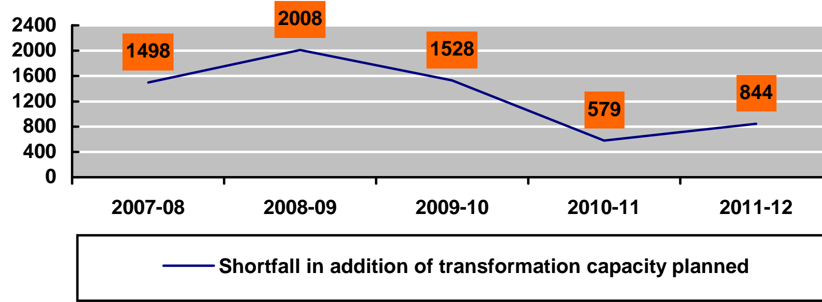
Source: Electricity Statistics of Punjab ending March 2012 and planning lists of erstwhile Board/Punjab State Transmission Corporation Limited.

Line Graph: Trend of year wise shortfall in addition of substations (in numbers)

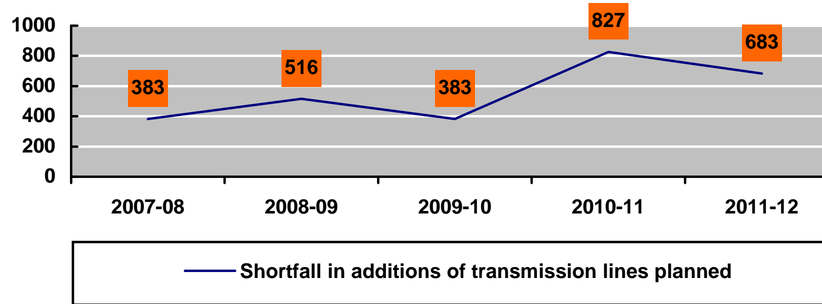


[8] Additions planned for the year also include the spill over works of previous years.

Line Graph: Trend of year wise shortfall in addition of transformation capacity at substations (in MVA)



Line Graph: Trend of year wise shortfall in addition of transmission lines (in CKMs)



The above table revealed that year-wise actual achievement against the planned additions/augmentations/upgradations in respect of construction of SSs, transmission capacity and transmission lines during the review period ranged between 8.33 to 58.82 *per cent*, 15.84 to 79.39 *per cent* and 0.78 to 35.26 *per cent* respectively. Thus, the Company failed to achieve the planned additions/ augmentations/ upgradations of the transmission system in all the years and the planned works spilled over from one year to another year.

The actual addition of transformation capacity of 1,162 MVA and transmission lines of 160 CKMs was very poor during 2007-09 and ranged between 15.84 to 30.47 *per cent* and 0.78 to 23.33 *per cent* respectively of the planned additions. Management attributed this shortfall to funds constraints in its submissions to the Board. We observed that the plea of the Company regarding funds constraints was not supported by facts. The Company had actually failed to utilise the funds allocated during 2007-09. The Company could utilise only ₹ 254.91 crore out of ₹ 757.63 crore which represented 33.65 *per cent* of the funds allocated for transmission works during 2007-09. The achievement of planned targets in 2010-12 ranged between 26.91 to 35.26 *per cent.*

Project management of transmission system

2.1.11 A transmission project involves various activities from concept to commissioning. Major activities in a transmission project are (i) Project formulation, appraisal and approval phase and (ii) Project Execution Phase. For reduction in project implementation period, the Ministry of Power, Government of India constituted a Task Force on transmission projects (February 2005) with a view to:

- ❖ analyse the critical elements in transmission project implementation,
- ❖ implementation from the best practices of CTU and STUs, and
- ❖ suggest a model transmission project schedule for 24 months' duration.

The task force suggested and recommended (July 2005) the following remedial actions to accelerate the completion of Transmission systems.

- ❖ Undertake various preparatory activities such as surveys, design & testing, processing for forest & other statutory clearances, tendering activities etc. in advance/parallel to project appraisal and go ahead with construction activities once Transmission Line Project sanction/approval is received;
- ❖ Break-down the transmission projects into clearly defined packages so that the packages can be procured & implemented requiring least coordination & interfacing and at same time it attracts competition facilitating cost effective procurement; and
- ❖ Standardise designs of tower fabrication so that 6-12 months can be saved in project execution.

We observed that in spite of the above recommendations of the Task Force, the Company failed to define the projects into finer details at early stages for planning and scheduling of projects. As a result, the projects got delayed as detailed below:

Capacity in KV	Total No. constructed		No. test checked in Audit		Delay in construction (Numbers)		Time overrun (range in months)		Cost overrun (₹ in crore)	
	SSs	**Lines**	**SSs**	**Lines**	**SSs**	**Lines**	**SSs**	**Lines**	**SSs**	**Lines**
220	23	24	12	8	3	8	34-72	15-81	1.73	7.34
132	6	13	1	5	-	-	-	-	-	-
Total	**29**	**37**	**13**	**13**	**3**	**8**	**34-72**	**15-81**	**1.73**	**7.34**

Particulars of SSs and lines and delays, time overrun and cost overrun thereagainst are given in the ***Annexure-8***.

A few cases of time overrun and cost overrun noticed in audit are discussed in succeeding paragraphs:

Delay in completion of Phaggan Majra – Nabha transmission line

2.1.11.1 For evacuation of power from 400 KV substation of Power Grid Corporation of India Limited (PGCIL) at Phaggan Majra and to reduce the transmission loss, the Company planned (May 2006) erection of 32.604 KMs Single Circuit (SC) 220 KV Transmission Line on Double Circuit (DC) Towers from above substation to 220 KV substation, Focal Point, Nabha. The loan for the same was got sanctioned (October 2006) from Rural Electrification Corporation (REC). To complete this work, two estimates were sanctioned (March/April 2007) amounting to ₹ 7.67 crore. The target for completion of this line was April 2008 but the Company awarded the work for laying of foundations, erection and stringing of this line at a total cost of ₹ 1.32 crore as late as in March 2008 with the condition to complete the work within six months. However, the work of this line was completed in March 2011 at a total cost of ₹ 13.94 crore with the delay of 30 months (October 2008 to March 2011).

Delay in sanctioning of estimate, award and completion of work resulted in time overrun of over three years and cost overrun of ₹ 6.27 crore.

We observed that the Company did not file the case for forest clearance before the start of work. It was filed in June 2009 i.e. after lapse of more than two years since the sanctioning of the estimate of the work. The forest clearance was received in March 2011 and the line was energised in June 2011. Thus, delay in sanctioning of estimate (six months), award of work (six months), completion of work (30 months) resulted in time overrun of over three years and cost overrun of ₹ 6.27 crore.

Delay in upgradation of substation, Pakhowal

2.1.11.2 To keep the voltage regulation within the permissible limits, reduce line losses and to maintain uninterrupted power supply in the area being fed from 220 KV substations at Malerkotla and Lalton Kalan, the Company planned (February 2001) for upgradation of 66 KV substation, Pakhowal to 220 KV.

REC approved (February 2003) the scheme and sanctioned loan of ₹ 8.08 crore. The scheme envisaged saving in energy losses of 2.60 MUs per annum besides additional sale of 25.19 MUs per annum. The works were scheduled to be completed by March 2005 at a total cost of ₹ 7.40 crore (including cost of LILO[9]).

However, audit observed that work of upgradation was carried out at a very slow pace till March 2010. It was being included in the list of planned works from year to year as spillover work of previous year without giving any reasons for non execution of work during the previous year. Finally, the substation including LILO was completed at a cost of ₹ 8.69 crore and put on load in February 2011.

Thus, there was time overrun of 71 months in upgradation and commissioning of 220 KV substation, Pakhowal and cost overrun of ₹ 1.29 crore. Further, the

[9] Loop in loop out.

Delay in upgradation and commissioning of substation resulted in non-realisation of envisaged energy savings of 15.18 MUs valuing ₹ 4.12 crore.

envisaged energy savings of 15.18 MUs units valuing ₹ 4.12 crore for the delayed period could not be realised.

Delay in completion of transmission line

2.1.11.3 The Company planned (May 2006) the work of stringing of 2nd circuit of 220 KV transmission line (28.120 KMs) from 220 KV substation, Mohali-I to 220 KV substation, Dera Bassi and construction of two 220 KV Line Bays at these substations for providing reliability and also accommodating new loads of 220 KV substation, Mohali-II.

REC sanctioned (October 2006) a loan of ₹ 3.29 crore for this work. The estimate of the work was approved in November 2006 and it was to be completed in four months i.e. by March 2007. Major portion of the line was completed by January 2008. However, this line could be energised in May 2009 after the delay of more than two years, though 81 *per cent* of the loan was received by September 2007. We observed delay in filing (July 2008) of application for getting clearance from Railway Authorities which resulted in delay of 20 months from the sanction of the estimate and non completion of bay at Dera Bassi.

Thus, due to delay in completion of work the purpose of accommodating additional load of SS, Mohali-II, could not be achieved for more than two years.

Blockade of funds due to poor planning

2.1.11.4 First circuit of 220 KV Ganguwal – Mohali line was commissioned (1993) on cost sharing basis of 2:1 between Union Territory (UT), Chandigarh and the Company. On the same basis the work of laying of 2nd circuit was planned (2003-04) with an estimate of ₹ 6.44 crore (May 2004). The UT Administration deposited (October/December 2004) ₹ 5.13 crore (₹4.29 crore for 2nd circuit and ₹ 0.84 crore for two bays). The work was allotted (February 2005) to a contractor with stipulation to complete the work within six months (upto August 2005). The major work of laying and stringing of 2nd circuit was completed by June 2006 at a cost of ₹ 5.57 crore when the contractor left the work incomplete due to non supply of armour rod and vibration dampers required for clipping the line.

For synchronisation of the said 2nd circuit with the Ganguwal Grid, the Company after a lapse of more than two years since the sanction of the estimate of the circuit, planned (September 2006) rearrangement of a section of the line (1.6 KMs length) and six Bays at Ganguwal end. The work of rearrangement alongwith left over work by the first contractor was allotted (September 2006) to another contractor who also left the work demanding higher rates due to arduous nature of work. The Company had so far incurred ₹ 6.63 crore on laying of 2nd circuit of 220 KV Ganguwal – Mohali line and other associated works upto December 2011. These works were still incomplete (May 2012) even after lapse of six years.

Non provision of re-arrangement of bays at Ganguwal end at the planning stage resulted in blockade of funds of ₹ 6.63 crore.

Thus, poor planning and non provision of re-arrangement of bays at Ganguwal end at earlier stage, resulted in blockade of funds of ₹ 6.63 crore besides the envisaged benefits from the second circuit of 220 KV Ganguwal – Mohali line could not be achieved.

Deficient Planning

2.1.11.5 Keeping in view the overloading position of 132 KV grid substation, Tarn Taran and non availability of surplus land at that substation, it was decided (2001-02) to construct 220 KV substation in village Rasiana by acquiring new land, for which an offer was received (July 2002) from a land owner.

The erstwhile Board without considering the other alternatives available to it, acquired (September 2007) land measuring 51 Kanal and 12 Marlas in Rasiana village, deposited (October 2007) ₹ 44.31 lakh in the treasury for the same and also took possession of the land.

Instead of constructing 220 KV substation on the land acquired in the Rasiana village, the Company planned (April 2009) to upgrade the existing nearby 66 KV substation at Sheikh Chak on land area of about 6-7 acre. The substation was upgraded and put on load in July 2010.

Audit observed that the Board failed in considering upgradation of the existing 66 KV substation at Sheikh Chak at an earlier stage which was having sufficient land of 6-7 acre and was also very near to Rasiana.

Thus, due to poor planning by not considering upgradation of 66 KV substation at Sheikh Chak having sufficient land, followed by purchase of land at Rasiana village and later on upgradation of the existing 66 KV substation at Sheikh Chak not only resulted in erection/upgradation of 220 KV substation after a delay of six years (from July 2004 to July 2010 by giving a margin of two years for erection/upgradation of the substation) but also resulted in locking up of funds of ₹ 44.31 lakh.

Lack of coordination among the agencies executing work

2.1.11.6 Civil Works divisions, Grid Construction divisions and TLSC divisions of the Company executes functions of civil construction, providing and installing transformers and erecting power lines respectively. For timely completion of work coordination among all these executing agencies is required.

The Company planned (April 2007) upgradation of substation, Doraha from 132 KV to 220 KV and construction of 18 KMs 220 KV single circuit line (from PGCIL 400 KV substation at Ludhiana to 220 KV substation, Doraha) during 2007-08 with the purpose to feed five 66 KV substations and upcoming load. Finance for the work arranged (January 2008) from REC.

The work relating to construction of civil works at 220 KV substation, Doraha was allotted (February 2009) to Mahesh Kohli, Government Contractor for ₹ 51.65 lakh to be completed in six months (upto August 2009).

The contractor carried out 70 *per cent* of the civil works and left (January 2011) the remaining work as 100 MVA transformer was not arranged by the Grid Construction Division within the stipulated period and the balance civil works were to be carried out after the receipt of the transformer. Resultantly, the contract was foreclosed and after inviting (March 2011) fresh tenders, the remaining civil works were allotted (July 2011) to Satyan Kumar Singla for ₹ 59.80 lakh against the actual cost of ₹ 15.35 lakh as per previous work order.

We observed that the Company did not arrange power transformer to match with the civil works. The Power Transformer (PTR) was received as late as in June 2011 which resulted in termination of the contract and also avoidable additional expenditure of ₹ 44.45 lakh due to allotting the balance work at higher cost. Subsequently, the substation was energised in June 2012.

Mismatch between construction of two substations/ related lines

2.1.11.7 The Company awarded (October 2005) supply cum works contract to U.B. Engineering Limited for construction of 66 KV substation Manwal, Pathankot and 66 KV substation, Kacheri Chowk, Amritsar. As per contract, the works were to be completed within 10 months. U.B. Engineering Limited completed these substations during March 2007 (Manwal) and July 2007 (Kacheri Chowk, Amritsar).

However, two lines (T-off of 66 KV from 132 KV Sarna to Bairasul line and 66 KV line from Ranjit Avenue to Kacheri Chowk) concerned with these two substations at Manwal, Pathankot and Kacheri Chowk, Amritsar were completed in June 2007 and March 2009, respectively after a delay of 3 months and 20 months from the date of completion of substations.

Deficient planning resulted in blockade of funds of ₹ 6.10 crore for 14/20 months.

We observed that works of concerned lines were planned during May 2006 after a delay of 15 months from the date of opening of tender (February 2005) for the works of the substations. Audit further observed that though the substation, Manwal and its related Sarna – Bairasul transmission line were completed in March 2007 and June 2007, respectively even then the Company took eleven months to commission it without assigning any reason. Thus, due to deficient planning for execution of works of the related transmission lines, funds amounting to ₹ 6.10 crore remained blocked for 14/20 months causing avoidable expenditure of ₹ 89 lakh on interest during the idle period.

Management stated (September 2012) that 66 KV line from Ranjit Avenue to Kacheri Chowk was delayed due to change in scope by Municipal Corporation, Amritsar. The audit contention stays that the blocking of capital caused avoidable expenditure due to non synchronisation of execution of plans of construction of substations and lines – the substations were constructed earlier and the lines were constructed with delay.

Damage of towers due to weak foundations

2.1.11.8 The Board was following design of under-reamed pile foundations for construction of various types of 220 KV/132KV DC towers since 1986. During 1998-2003, 68 towers of 220 KV transmission lines of under-reamed pile foundations collapsed. In view of this, the design of foundations was got checked from a private consultant who opined (September 2000) that pile foundations were safe and failure thereof was due to shortcomings in construction of pile foundations. Various committees appointed by the Board from time to time also pointed out that the towers had collapsed due to shortcomings in construction and lack of quality control. A few such cases noticed in audit are discussed in the succeeding paragraphs:

(i) In order to avoid collapsing of towers in future, 220 KV Malerkotla-Dhuri line along with other six lines on towers constructed with under-reamed pile foundations were got checked during 2002-04 from the Central Building Research Institute (CBRI), Roorkee. The reports of CBRI showed that 82.70 *per cent* of the pile foundations of the 220 KV Malerkotla-Dhuri line did not meet the design requirements and needed to be strengthened.

Audit noticed that due to poor work of foundations and non strengthening thereof later on, three towers of this line fell down (April 2007) due to storm, which were re-erected at a cost of ₹ 19.41 lakh. Despite this, the other weak pile foundations of the towers of this line were not yet (May 2012) strengthened and the threat of collapse of towers of this line still persists.

The Management accepted (September 2012) the audit observation that the line did not meet the design requirement and stated (September 2012) that the work of strengthening of existing pile foundations was an extensive and sensitive work and would be taken up in a phased manner.

(ii) Similarly, 18 towers of 220 KV Sultanpur - Patti DC line energised during July 1991 and December 1992 and consisting of towers of pile type foundation got damaged / fallen (May 2010) due to heavy wind storm. Prior to this, three towers of this line were also got damaged (during 2006) due to storm. Investigation report regarding quality of work of erection of these towers revealed that proper protection as per standard specification i.e. bulb at the bottom of towers were not provided, which was the main cause of collapse of these towers. The work for reconstruction of fallen towers was completed in April 2011 after incurring expenditure of ₹ 1.01 crore.

Poor quality of construction and not following the requisite specifications caused extra expenditure of ₹ 1.01 crore.

Thus, due to poor quality of construction and not following the requisite specifications, these towers got damaged and caused extra expenditure of ₹ 1.01 crore along with inconvenience to the consumers.

Management replied (September 2012) that pile type foundations had been dispensed with as it was prone to certain defects as no checks were available to ascertain the proper formation of pile and bulb. Reply is not acceptable because foundation got damaged as proper protection of towers was not provided.

Mismatch between Generation Capacity and Transmission facilities

2.1.12 National Electricity Policy envisaged augmenting transmission capacity taking into account the planning of new generation capacities, to avoid mismatch between generation capacity and transmission facilities.

We observed that the Company failed to complete the transmission network to match with the generation plans in the following cases. There were frequent changes in plans.

Sl. No.	Project	Generating company's plan	Company's plan	Target	Actual	Result of mismatch
1.	Stage-II of Guru Hargobind Thermal Plant, Lehra Mohabbat.	Commissioning of Units III and IV by December 2006 and March 2007, which were belatedly commissioned on 16 October 2008 and 25 January 2010.	(1) 220 KV GHTP – Pakhowal DC line.	March 2007	Not constructed due to change (June 2006) in plan due to load flow study conducted afterwards.	₹ 10 lakh was spent on the survey work (upto May 2006) of this line.
			(2) GNDTP, Bathinda – Muktsar SC line. (3) GHTP – Kangar SC line. (4) GHTP – Himmatpura SC line.	December 2006 March 2007 March 2009	December 2008 Abandoned in May 2008. June 2010	The Company was compelled to evacuate the power through the existing 220 KV network which remained overloaded.

The Board took up the construction of two additional Units viz. Units-III and IV under Stage-II of Guru Hargobind Thermal Plant (GHTP) with installed capacity of 250 MW. Prior to this, it had two Units of 210 MW capacity each at GHTP, Lehra Mohabbat and four Units of 110 MW capacity each at Guru Nanak Dev Thermal Plant (GNDTP), Bathinda whose transmission system was adjoining to each other.

➢ ***220 KV GNDTP, Bathinda – Muktsar SC line***

This line was originally planned for 2001-02 for evacuation of power from GHTP Stage-I (commissioned during 1997/98), keeping in view the inadequacy of power evacuating lines and to avoid tripping of thermal units at GNDTP, Bathinda and GHTP, Lehra Mohabbat. However, the route plan was finalised during March 2005 after a delay of three years without assigning any reasons. It was decided (June 2006) that work on GNDTP – Muktsar SC line be expedited so as to

ensure its commissioning matching with the commissioning of GHTP Stage-II Unit-I. The work was completed in December 2008.

- ***220 KV GHTP - Kangar SC line***

This line alongwith a 220 KV substation at Kangar was planned (May 2006). However, after two years, it was decided (May 2008) to construct the 220 KV GHTP – Himmatpura SC line instead of the above line due to non availability of corridor to the substation and forest problem. 220 KV GHTP – Himmatpura line was commissioned in June 2010.

The Management reply (September 2012) did not shed any light on the observation.

Unfruitful payment of transmission charges

2.1.13 For evacuating interstate power, the Company had to pay transmission charges to Power Grid Corporation of India Limited (PGCIL) for using their transmission lines, transformers, bays etc. PGCIL was to construct 400 KV substations at Lalton Kalan, Ludhiana where three 400/220 KV interconnecting transformers (ICTs) of 315 MVA each were to be commissioned. The Company had to construct the three outgoing transmission lines matching with the commissioning of ICTs of PGCIL for optimum utilisation of power. Planning wing of the Company requested (July 2004) its Transmission wing to plan 220 KV link lines, from 400 KV substation to be set up by PGCIL. The Company planned (May 2006) to construct two DC 220 KV lines from 400 KV PGCIL substation to 220 KV substation, Lalton Kalan to provide reliable power to Ludhiana city. However, the scope of work was changed in April 2007 and three LILO's[10] were planned for existing three 220 KV DC lines viz. Lalton Kalan – Sahnewal, Lalton Kalan – Jagraon and Lalton Kalan – Dhandhari at 400 KV PGCIL substation.

The LILOs were required to match with the commissioning of 400 KV Lalton Kalan, substation of PGCIL which was expected to be commissioned by November 2007 but actually commissioned in June & July 2008 (two ICTs) and third ICT was commissioned in April 2010. The works of construction of LILO lines for Lalton Kalan – Sahnewal and Lalton Kalan – Dhandhari were allotted as late as in September 2010 and November 2010, respectively. However, the work relating to LILO line for Lalton Kalan – Jagraon 220 KV DC line was allotted in January 2008. LILO lines for Lalton Kalan – Jagraon, Lalton Kalan – Dhandhari and Lalton Kalan – Sahnewal were completed in June 2008, July 2011 and August 2011, respectively. Resultantly, the Company was able to utilise only 200 – 250 MVA capacity between June/July 2008 and May 2011 against the available total ICTs capacity of 945 MVA. Audit observed that the delay in construction of LILOs was due to delay in making plan, changing the plan of work and delay in start of the execution of works.

[10] Loop in Loop out

Under utilisation of capacity of substation due to non construction of lines in time resulted in unfruitful payment of transmission charges of ₹ 30.64 crore.

Thus, due to non construction of the 220 KV lines in time, the Company could not utilise the available capacity of ICTs for evacuation of power from PGCIL 400 KV substation and paid the transmission charges of ₹ 30.64 crore for the unutilised capacity i.e. June 2008 to May 2011.

Management stated (September 2012) that lines were delayed solely because of the right of way problem. We find that the major reason for delay was at the stage of planning of lines, changing the plan and start of execution of work.

Performance of transmission system

2.1.14 The performance of the Company mainly depends on efficient maintenance of its Extra High Tension (EHT) transmission network for supply of quality power with minimum interruptions. In the course of operation of substations and lines, the supply-demand profile within the constituent sub systems is identified and system improvement schemes are undertaken to reduce line losses and ensure reliability of power by improving voltage profile. These schemes are for augmentation of existing transformer capacity, installation of additional transformers, laying of additional lines and installation of capacitor banks. The performance of the Company with regard to O&M of the system is discussed in the succeeding paragraphs.

Transmission capacity

2.1.15 The Company in order to evacuate the power from the Generating Stations and to meet the load growth in different areas of the State constructs lines and SSs at different EHT voltages. Through a transformer voltage levels can be stepped up or down to obtain an increase or decrease of Alternating Current (AC) voltage with minimum loss in the process, the evacuation is done at 132 KV and 220 KV SSs. In order to cater to the demand/ connected load, the transmission capacity should be adequate. The ideal ratio of transmission capacity to the connected load is 1:1. The table below indicates the details of transmission capacity at 220 KV and 132 KV substations and the connected load of the consumers in the State during the period from 2007-12:

(in MVA)

Year	Transmission capacity	Connected load	Gap in transmission capacity	Ratio of transmission capacity to connected load
2007-08	15,220	25,464	10,244	0.60:1
2008-09	16,100	26,935	10,835	0.60:1
2009-10	16,915	29,470	12,555	0.57:1
2010-11	19,145	31,119	11,974	0.62:1
2011-12	21,250	32,470	11,220	0.65:1

It can be seen from the above table that the Company failed to add adequate transmission capacity and the ratio of transmission capacity to the total connected load ranged between 0.57:1 and 0.65:1. This represented a wide gap of transmission capacity. Such a high gap of transmission capacity leads to

overloading of the system resulting in frequent tripping of power supply and adverse voltage fluctuations coupled with higher quantum of energy losses. The Company needs to take actions for narrowing down the huge gap.

Management replied (September 2012) that load fed at a time was far less due to staggering of Agriculture Pumpsets (AP) load in 3 stages and diversity factor in case of general loads. We still find that ratio of transmission capacity was 0.80:1 even after consideration of staggering of AP load in 3 stages during March 2012 which is far lesser than the ideal situations. We recommended the Company to make efforts to make efforts to bridge the gap.

Substations

Adequacy of substations

2.1.16 Manual on Transmission Planning Criteria (MTPC) stipulates the permissible maximum capacity for different substations (SSs) i.e., 320 MVA for 220 KV and 150 MVA for 132 KV SSs. Scrutiny of the maximum capacity levels of SSs revealed that 13 numbers of 220 KV SSs exceeded the permitted levels, resulting in overloading of the transmission system.

Voltage management

2.1.17 The licensees using intra-state transmission system should make all possible efforts to ensure that grid voltage always remain within limits. As per Indian Electricity Grid code, State Transmission Utilities should maintain voltages ranging between 380-420 KV, 198-245 KV and 119-145 KV in 400 KV, 220 KV and 132 KV line respectively. The performance audit of the 220/132 KV bus voltages in seven selected P&M divisions[11] for the period from April 2007 to March 2012 revealed that in nine SSs of 220 KV, the voltage recorded ranged between 167 and 250 KV on 78 occasions, while in 11 SSs of 132 KV, voltage recorded ranged between 103 and 149 KV on 189 occasions. Thus, to provide quality power and reduce the transmission losses the Company should ensure that the maximum and minimum voltages are maintained as per the norms.

Lines

EHT lines

2.1.18 As per MTPC permissible line loading cannot normally be more than the Thermal Loading Limit (TLL). The TLL limits the temperature attained by the energised conductors and restricts sag and loss of tensile strength of the lines. The TLL limits the maximum power flow of the lines. As per MTPC the TLL of 132 KV line with ACSR[12] Panther 210 sq. mm. conductor and 220 KV line with ACSR Zebra 420 sq mm conductor was 366 amperes and 546 amperes respectively. Scrutiny of the line loadings on the feeders of seven selected P&M divisions for the period 2007-12 revealed that, seven out of 30, 132 KV feeders were found to be loaded above 366 amperes on 78 occasions

[11] Amritsar, Patti, Ferozpur, Jagraon, Lalton Kalan, Mandi Gobindgarh-I and Patran.
[12] Aluminium Conductor Steel Reinforced.

and 10 out of 41, 220 KV feeders were found to be loaded above 546 amperes on 39 occasions. Loading of the lines beyond capacity resulted in voltage fluctuations, higher transmission losses and frequent interruptions/ breakdowns.

Management admitted (September 2012) the facts and stated that heavily loaded 132 KV and 220 KV transmission lines would get relief after completion of ongoing 17 nos. 220 KV lines from 400 KV Transmission System by June 2013.

Bus Bar Protection Panel (BBPP)

2.1.19 Bus bar is used as an application for interconnection of the incoming and outgoing transmission lines and transformers at an electrical substation. BBPP limits the impact of the bus bar faults on the entire power network which prevents unnecessary tripping and selective to trip only those breakers necessary to clear the bus bar fault. As per Grid norms and Best Practices in Transmission System, BBPP was to be kept in service for all 220 KV SSs to maintain system stability during Grid disturbances and to provide faster clearance of faults on 220 KV buses. We observed that out of 62, 220 KV SSs, (37 were single bus SSs and 25 were double bus SSs) where BBPP was required to be installed, Company provided the panel at only five SSs having double bus bar (8.1 *per cent*) and in the remaining 57 SSs the BBPP was not provided (March 2012). It was further observed that out of five SSs where BBPP was available; only two were in service. Thus, actual working BBPPs were available at mere 3.23 *per cent* of total 62 substations. The Company has thus left its system vulnerable.

Inadequate installation of Shunt Capacitors

2.1.19.1 The State consumes 32.49 *per cent* of its energy in the agricultural sector, 34.01 *per cent* in the industrial sector and the balance for other consumers. Both the agricultural and industrial loads are highly reactive due to the use of induction motors. The excessive reactive load causes low voltage and low power factor conditions in the transmission system. The low voltage in turn causes overloading of the transmission lines and transformers and results in system losses. Northern Regional Power Committee (NRPC), in its meetings, issue directives to Power Utilities for installation of shunt capacitors in the transmission system to minimise reactive power flow in the system. Non compliance of these directives by the Power Utilities results in penal payment of reactive energy charges.

We observed that the Company did not fix the targets for installation of capacitor bank during 2007-12. However, the additional requirement (in MVAR)[13] for each year was worked out by NRPC. The Company failed to install the required shunt capacitor during 2007-12 (except 2009-10). As against the required capacity of 4,491 MVAR as assessed by NRPC, there was shortfall of 1,359 MVAR (30.26 *per cent*) during 2007-12. Had the requisite shunt capacitors been installed, the transmission losses could have been

[13] Mega volt ampere reactive.

Non installation of requisite shunt capacitors resulted in payment of penalty of reactive energy charges of ₹ 6.09 crore.

reduced to a large extent and penalty of reactive energy charges of ₹ 6.09 crore could have been avoided.

Management assured (September 2012) that additional capacity of capacitor banks would be installed by 2013-14 which would help clear the backlog.

Maintenance

Performance of Current transformers (CTs)

2.1.20 Current transformers are one of the most important and cost-intensive components of electrical energy supply networks, thus it is of special interest to prolong their life duration while reducing their maintenance expenditure. In order to gather detailed information about the operation conditions of CTs, various kinds of oil analysis like the standard oil and Dissolved Gas Analysis (DGA) tests are generally conducted. For CT insulation a combination of an insulating liquid and a solid insulation impregnated therewith are used. For an evaluation of the actual condition of this insulating system usually a DGA is used, as failures inside the CT lead to a degradation of the liquid insulation in such a way that the compound of the gases enables an identification of the failure cause. The table below indicates status of failure of transformers during 2007-12:

Year	No. of transformers at the beginning of the year	No. of transformers failed	No. of transformers failed within guarantee period	No. of transformers failed within normal working life			Expenditure on repair and maintenance (₹ in lakh)
				No. of transformers repaired	No. of transformers identified for survey off	Total	
2007-08	349	9	0	2	7	9	4.10
2008-09	351	8	1	4	3	7	60.10
2009-10	365	8	0	2	6	8	7.61
2010-11	382	6	0	3	3	6	45.58
2011-12	416	8	3	0	5	5	0.00
TOTAL		**39**	**4**	**11**	**24**	**35**	**117.39**

Failure of the Company to invoke purchase order clause resulted in loss of opportunity to earn penalty of ₹ 1.46 crore.

Three[14] PTRs, which damaged within their warranty period, were required to be repaired/replaced by the firms within six months of intimation of their defects to the firms. As per purchase orders, in case of delay in return of PTRs, the firms were liable to pay interest at the rate of 18 per cent per annum on the value of PTR from the date of damage upto the date of their re-commissioning after repair/replacement. Audit observed that these PTRs were returned by the firms after a delay ranging between 88 and 317 days. However, the Company did not invoke the penal interest clause of the purchase order. Consequently, there was a loss of opportunity to charge penalty of ₹ 1.46 crore[15] to its financial detriment.

[14] 100 MVA at GHTP, Lehra Mohabbat; 100 MVA at 220 KV SS, Khassa; & 100 MVA at 220 KV SS, Butari.

[15] Worked out at the rate of 18 per cent per annum after allowing a reasonable period of 15 days for giving intimation of damage of PTR to the firms and requisite period of six months for repair of the damaged PTRs.

An analysis of performance of power transformers revealed the following:

Damage of Power Transformers due to poor maintenance of feeders

Damage of Power transformers due to poor maintenance of feeders resulted in avoidable expenditure of ₹ 3.60 crore.

2.1.20.1 During 2007-12, 39 Power Transformers (PTRs) got damaged. An analysis of investigation reports of 15 damaged transformers revealed that four[16] Power Transformers were damaged due to poor maintenance of feeders attached to the grid and disturbances therein which resulted in frequent trippings at substations and ultimately damage of the PTRs.

Three PTRs declared irreparable were replaced with new ones for ₹ 3.45 crore and one was got repaired at a cost of ₹ 15.12 lakh.

Inadequate capital maintenance of Power Transformers

2.1.20.2 After getting details from Operation and P&M organisations, the Company decides the list of PTRs which need capital maintenance to keep the various parameters/systems within the permissible limits and control.

Audit observed that 124 PTRs were planned for capital maintenance during 2007-12, against only 27 PTRs was carried out. Due to lack of capital maintenance the PTRs are likely to get damaged, causing financial loss to the Company and also inconvenience to the public at large due to failure of supply of electricity.

Non installation of Disturbance Recorders

2.1.20.3 Disturbance Recorders (DRs) are required for complete analysis of any disturbance within the system as it provides the data regarding grid disturbance. Northern Regional Power Committee (NRPC) while monitoring the implementation of Action Plan prepared in view of Grid disturbance (January 2010) also stressed to ensure healthiness of DR's and time synchronisation using GPS.

Audit observed that out of 70 substations of 220 KV (as on 31 March 2012), DRs were installed only in eight substations and out of these, two DRs were lying defective – at 220 KV substation, Moga (since May 2008) and at 220 KV substation, Jamsher (since July 2011).

Management accepted and replied (September 2012) that the cost effective GPS system instead of DRs for time synchronisation was being undertaken for all 220 KV substations. However, target date for the same was not indicated.

Working of Hot Line Divisions

2.1.21 Regular and periodic maintenance of transmission system is of utmost importance for its uninterrupted operation. Apart from scheduled patrolling of lines, the following techniques are prescribed in the Report of the Committee

[16] 16/20 MVA at 220 KV SS, Dhandari Kalan; 16/20 MVA at 132 KV SS, Gidderbaha; 16/20 MVA at 132 KV SS, Phillaur; and 10/12.5 MVA at 132 KV SS, Muktsar.

for updating the Best practices of Transmission in the country for maintenance of lines:

- ❖ Hot Line Maintenance
- ❖ Hot Line Washing
- ❖ Hot line Puncture Detection of Insulators
- ❖ Preventive Maintenance by using portable earthing hot line tools
- ❖ Vibration Measurement of the line
- ❖ Thermo-scanning
- ❖ Pollution Measurement of the equipment

The hot line technique (HLT) envisages attending to maintenance works like hot spots, tightening of nut and bolts, damages to the conductor, replacement of insulators etc. of SSs and lines without switching off. This includes thermo scanning of all the lines and SSs towards preventive maintenance. HLT was introduced in India in 1958. As on April 2007, the Company had two Hot Line divisions at Jalandhar and Ludhiana with manpower strength of 20 personnel.

We observed that these divisions have been conducting only hot line maintenance and thermo scanning. Other techniques as mentioned above for updating the Best practices of Transmission are not being carried out by these divisions for want of trained staff. Hotline division, Jalandhar had two Thermo vision cameras which were non functional due to unsuitability/ defects.

Management replied (September 2012) that defective tools & plant (T&P) were being repaired/replaced.

Transmission losses

2.1.22 While energy is carried from the generating station to the consumers through the Transmission & Distribution (T&D) network, some energy is lost which is termed as T&D loss. Transmission loss is the difference between energy received from the generating station/Grid and energy sent to PSPCL.

During 2007-10, the erstwhile Board calculated T&D loss as composite by subtracting the sum total of metered energy, unmetered energy for Agricultural Pumpset (AP) consumption and other commercial losses from net input energy available for sale in the State due to non installation of energy meters on secondary side of 220 KV and 132 KV substations. The Company assured (November 2010) the PSERC that necessary steps would be taken to install the energy meters at various 220 KV and 132 KV substations by 31 December 2011 but the Company failed to do so even by June 2012. It also failed to ascertain the transmission losses separately as discussed in para 1.31 infra.

The details of transmission and distribution losses of the erstwhile Board from 2007-08 to 2009-10 are given below:

Particulars	Unit	Year				
		2007-08	2008-09	2009-10	2010-11	2011-12
Power received for Transmission and Distribution	MUs	39,039	37,226	39,822	39,909	41,530
Net power sold[17]	MUs	30,243	29,810	31,934	32,740	34,295
Actual Transmission and Distribution losses	MUs	8,796	7,416	7,888	7,169	7,235
	percentage	22.53	19.92	19.81	17.96	17.42
Transmission and distribution losses allowed as per PSERC Tariff Orders	percentage	19.50	19.50	22.00[18]	20.00	19.42
Transmission and distribution losses in excess of PSERC norm	MUs	1,183	156	-	-	-
	Rate per unit (in ₹)	3.45	3.65	-	-	-
	₹ in crore	408.14	56.94	-	-	-

T&D losses in excess of norms fixed by PSERC during 2007-09 were 1,339 MU valued at ₹ 465.08 crore.

It could be seen from the above that the transmission and distribution losses suffered by the erstwhile Board in excess of the norm fixed by the PSERC for the period 2007-08 to 2008-09 were 1,339 MU valued at ₹ 465.08 crore.

Grid Management

Maintenance of Grid and performance of SLDC

2.1.23 Transmission and Grid Management are essential functions for smooth evacuation of power from generating stations to the Distribution Companies/consumers. Grid Management ensures moment-to-moment power balance in the interconnected power system to take care of reliability, security, economy and efficiency of the power system. Grid management in India is carried out in accordance with the standards/directions given in the Grid Code issued by Central Electricity Authority (CEA). National Grid consists of five regions viz., Northern, Eastern, Western, North Eastern and Southern Grids, each of these having a Regional Load Despatch Centre (RLDC), an apex body to ensure integrated operation of the power system in the concerned region. The Punjab State Load Despatch Centre (SLDC), a constituent of Northern Regional Load Despatch Centre (NRLDC), New Delhi, ensures integrated operation of power system in the State. The State Government notified 1993/April 2010 that the SLDC shall be operated by the erstwhile Board/Company. The SLDC is assisted by two Area Load Despatch Centres (ALDCs) – one at Lalton Kalan and the other at Jamsher for data acquisition and transfer to SLDC and supervisory control of 220 KV, 132 KV and 33 KV equipments. The SLDC levies and collect such fees and charges from the generating companies and licensees engaged in intra-state transmission of electricity as specified by the PSERC.

[17] This excludes sales outside State (2007-08: 1,879 MUs, 2008-09: 2,817 MUs, 2009-10: 416 MUs, 2010-11: 3,025 MUs and 2011-12: 3,293 MUs).

[18] Percentage of T&D losses allowed was increased to 22 *per cent* during 2009-10 on the basis of reassessment of consumption of AP consumers got conducted through an independent agency by the PSERC.

Infrastructure for load monitoring

2.1.24 Remote Terminal Units/Substation Management Systems (RTUs/SMSs) are essential for monitoring the efficiency of the transmission system and the loads during emergency in load despatch centres as per the Grid norms for all SSs. We observed that there were 152 substations (70 of 220 KV and 82 of 132 KV) and 14 generators, out of which 39 substations (25.66 *per cent*) (9 of 132 KV SS and 30 of 220 KV SS) and 10 generators (71.43 *per cent*) were provided with RTUs (installed up to 2005) for recording real time data for efficient Energy Management System. However, no progress was made during five years (2006-11) but during October 2011 a purchase order/work order cum contract agreement for procurement, erection and commissioning of 47 RTUs was placed but supply thereagainst (except one pilot RTU installed at 220 KV Rajla substation) was awaited (September 2012).

Grid discipline by frequency management

2.1.25 As per Grid Code, the transmission utilities are required to maintain Grid discipline for efficient functioning of the Grid. All the constituent members of the Grid were expected to maintain a system frequency between 49 and 50.5 Hertz (Hz) during April 2006 to March 2009, 49.2 and 50.3 Hz during April 2009 to 2 May 2010 and 49.5 and 50.2 Hz with effect from 3 May 2010 onwards. SLDC shall ensure that load shedding is carried out so that there is no overdrawl below frequency limit. However, due to various reasons such as shortages in generating capacities, high demand, Grid indiscipline in maintaining load generation balance, inadequate load monitoring and management, Grid frequency goes below or above the permitted frequency levels.

To enforce the Grid discipline, the Northern Regional Load Dispatch Centre (NRLDC) issues three types of violation messages (A, B, C). Message A is issued when the frequency is less than 49.2 Hz and overdrawl is more than 50 MW or 10 *per cent* of schedule whichever is less. Violation B message is issued when frequency is less than 49.2 Hz and overdrawl is between 50 MWs and 200 MWs for more than ten minutes or 200 MW for more than five minutes. Message C (serious nature) is issued 15 minutes after the issue of message B when frequency continues to be less than 49.2 Hz and overdrawl is more than 100 MW or ten *per cent* of the schedule whichever is less. Details of messages received in the Company from NRLDC during October 2010 to March 2012 were as under:

Type of message	Number of messages	
	October 2010- March 2011	2011-12
A	144	119
B	42	63
C	4	8

The receipt of type B and C category messages were indicative of the non maintenance of Grid discipline and led to levy of penalty by CERC as discussed in the succeeding paragraph. Besides this, the Company paid

₹ 106.52 crore during 2009-12 on account of additional unscheduled interchange charges due to overdrawl of electricity when the frequency was below 49.5 Hz as discussed in Paragraph 1.28 infra.

Management replied (September 2012) that an automated load disconnection system is proposed to be implemented for restricting overdrawls.

Grid discipline

2.1.26 For maintenance of Grid discipline, the CERC takes up *suo motu* petition on overdrawl of power from the Grid at a lower frequency thus putting the Grid to the risk. We noticed instance where the Company violated the Grid discipline for which penalty was levied and paid:

Sl.No.	Month and Year of violation	Number of occasions of violation	Penalty levied (₹ in lakh)
1	October 2008	6	3
2	April 2010	11	11

CERC imposed penalty of ₹ 3 lakh for six violations for overdrawing the power from grid under Unscheduled Interchange (UI) at frequency below 49.0 Hz during October 2008 at the rate of ₹ 50,000 per violation. Similarly, penalty of ₹ 11 lakh was imposed due to non compliance with directions of NRLDC during April 2010, though nine 'B' category messages and two 'C' category messages were issued to the Company.

We also observed that Company had not maintained proper MIS system for apprising the Management periodically the status of Grid Management and receipt of messages from NRLDC.

Loss of generation due to trippings caused by overdrawl of power

2.1.26.1 Overdrawl of Power from the Grid beyond Total Transfer Capacity (TTC) causes tripping of Transmission System and Generating Stations.

Trippings caused by overdrawl of power resulted in Loss of generation of 3.76 MUs depriving the Company of additional contribution of ₹ 67.37 lakh.

During the period 2007-11, there were 43 trippings due to Grid Disturbances in the three Thermal Stations viz GNDTP, Bathinda (2), GGSTP, Ropar (24) and GHTP, Lehra Mohabat (17). On 20 July 2011, overdrawl of power from Grid beyond TTC caused tripping of two interconnected transformers (ICT's) of 315 MVA each at Malerkotla and due to its cascading effect, the running units of GNDTP, Bathinda (Units 1, 2 and 4) and GHTP, Lehra Mohabat (Units 1, 2, 3 and 4) also tripped. The power from ICTs was restored after 9-10 minutes. However, the power from Units of GNDTP and GHTP could be restored after a period ranging between 2.05 Hours and 5.47 Hours, respectively which caused loss of generation of 3.76 MUs (GNDTP: 1.52 MUs & GHTP: 2.24 MUs) with the result the PSPCL could not earn additional contribution of ₹ 67.37 lakh.

The Management analysed (July 2011) that the main reasons for overdrawl of power from the system, was the shortfall in rains during July and increased consumption by domestic consumers. We conclude that trippings reflected the

poor management of grid system and non maintenance of the capital equipments.

Non installation of relays

2.1.26.2 As per Grid Code, automatic under frequency and defined frequency at definite time (df/dt) relays would be provided for load shedding in the transmission system to arrest frequency decline and to prevent collapse/disintegration of the grid. SLDC would ensure that these relays always remain functional.

Out of 62 SSs of 220 KV and 80 SSs of 132 KV under frequency and df/dt relays were installed only at 34 SSs of 220 KV (55 *per cen*t) and 32 SSs of 132 KV (40 *per cent*), out of which 7 (four at 220 KV SSs and three at 132 KV SSs) relays were non functional (March 2012). Moreover, NRPC observed (July 2012) that actual relief was 252 MW against target relief of 800 MW from under frequency relay and 68 MW against target relief of 1410 MW from df/dt relays.

Automatic load shedding in transmission system could not be ensured due to non installation of relays.

Thus, due to non installation of relays with regard to target of load relief fixed by NRPC and dysfunctional relays, the Company could not ensure automatic load shedding in its transmission system to arrest frequency decline and prevent collapse of grid and cascading tripping of generating units.

Backing Down Instructions

2.1.27 When the frequency exceeds the ideal limits i.e. situation where generation is more and drawl is less (at a frequency above 50 Hz) SLDC takes action by issuing Backing Down Instructions (BDI) to the Generators to reduce the generation for ensuring the integrated grid operations and for achieving maximum economy and efficiency in the operation of the power system in the State. Failure of the generators to follow the instructions of SLDC would constitute violation of the Grid code and would also entail penalties.

During 2007-12, there was a system in the Company to convey Backing Down Instructions by SLDC to the generators through telephonic messages, whenever the situation arises. It was, however, observed that there was no system to record confirmation of receipt of BDI. In the absence of this, the Company was unable to monitor the compliance of the Backing Down Instructions and audit also could not verify the same.

Planning for power procurement

2.1.28 The Company draws long term supply plan taking into account the contracted generation capacity, allocation from central sector and future committed projects and evolve net additional requirement of power in consultation with the PSPCL. The details of total requirement of the State, total power supplied and shortage of power during 2007-12 are given below:

(Figures in MUs)

Sl. No.	Details	2007-08	2008-09	2009-10	2010-11	2011-12
1	Total power requirement[19]	44,868	48,347	52,096	56,136	60,489
2	Total power supplied[20]	39,039	37,226	39,822	39,909	41,530
3	Power short supplied	5,829	11,121	12,274	16,227	18,959
4	Percentage of shortage	12.99	23.00	23.56	28.91	31.34

***Source: Electricity Statistics of Punjab for the period ending March* 2012.**

It could be seen from the above that the percentage of shortage of power is on the disturbingly increasing trend. The shortage rose from 12.99 *per cent* in 2007-08 to a high of 31.34 *per cent* by 2011-12.

The gap in demand supply position also leads to variation between actual generation or actual drawl and scheduled generation or scheduled drawl which is accounted through Unscheduled Interchange (UI) charges, worked out by SLDC for each 15 minutes time block. UI charges are levied for the supply and consumption of energy in variation from the pre-committed daily schedule. This charge varies inversely with the system frequency prevailing at the time of supply/consumption. Hence it reflects the marginal value of energy at the time of supply. The levying of UI charges acts as a commercial deterrent to curb overdrawls from CGS[21] during low frequency conditions.

A paragraph relating to unplanned purchase of power through short term and panic measures at high cost was included in the Performance Audit on the working of PSPCL (erstwhile Board) as Paragraph 2.2.18 of Comptroller and Auditor General of India's report, Government of Punjab (Commercial) for the year ended 31 March 2011.

Besides this, as per CERC Regulations, 2009 the overdrawl of electricity should not exceed 12 *per cent* of its scheduled drawl or 150 MW (whichever is lower) when frequency is below 49.5 Hz and 3 *per cen*t on a daily aggregate basis for all the time blocks when the frequency is below 49.5 Hz. Otherwise, an additional UI charges at 40 *per cent* of the UI Rate payable corresponding to frequency below 49.2 Hz, shall be payable for overdrawl for each time-block.

Overdrawl of power resulted in avoidable payment of additional unscheduled interchange charges of ₹ 106.52 crore.

Audit observed that during April 2009 to March 2012, the Company had violated the above Regulations by drawing excess power and paid ₹ 106.52 crore (₹ 21.79 crore for 2009-10, ₹ 62.12 crore for 2010-11 and ₹ 22.61 crore for 2011-12) on account of additional UI charges.

Disaster Management

2.1.29 Disaster Management (DM) aims at mitigating the impact of a major breakdown on the system and restoring it in the shortest possible time. As per the Best Practices, DM should be set up by all power utilities for immediate restoration of transmission system in the event of a major failure. It is carried

[19] As per 17 Electric Power Survey.
[20] This includes total power sold and transmission and distribution losses but excludes power sold outside state.
[21] Central Generating Stations.

out by deploying Emergency Restoration System, DG sets, vehicles, fire fighting equipments, skilled and specialised manpower.

Disaster Management Centre, National Load Dispatch Centre, New Delhi will act as a Central Control Room in case of disasters for starting up generating stations during black start[22] operations. As per Indian Electricity Grid Code, mock trial runs of the procedures for different sub-systems shall be carried out by the Company at least once every six months under intimation to NRLDC. It was observed that there was no practice of carrying out mock drill for black out operation at generating stations.

Inadequate facilities for DM

2.1.30 The NRLDC had not identified any generating station in the State for black start facilities. This indicates the inadequacy in the preparedness for DM.

Diesel generating (DG) sets and synchroscopes[23] form part of DM facilities at EHT SSs connecting major generating stations. Out of 70 substations of 220 KV, DG sets were available only in 14 substations, while no synchroscope was available. Further, the Company did not identify vulnerable installations for provision of metal detectors and handing over the security of the sites to the equipped personnel to meet crisis arising due to terrorist attacks, sabotage and other man made threats.

Energy Accounting and Audit

2.1.31 Energy accounting and audit is necessary to assess and reduce the transmission losses. The transmission losses are calculated from the Meter Reading Instrument (MRI) readings obtained from Generation to Transmission (GT) and Transmission to Distribution (TD) Boundary metering points. As on 31 March 2012 there were 621 interfaces Boundary metering points in the Company (TD-302 and GT-319). As per stipulation of Punjab State Grid Code these Intra State Boundary interface points need to be covered by installing 0.2s[24] class accuracy ABT[25] Type Energy Meters. We, however, observed that no such meter was installed (March 2012) by the Company. Besides this, there were 600 meter points where conventional energy meters (CEMs) were required for energy accounting. Against which only 200 CEMs were installed (March 2012) which were also required to be integrated with the Centralised Energy Centre planned by the Company.

Further, analysis of data for the period 2011-12 of selected seven P&M divisions with 83 feeders indicated existence of high percentage of losses in

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22 The procedure necessary to recover from partial or a total blackout.

23 In an AC (alternating current) electrical power system it is a device that indicates the degree to which two systems (generators or power networks) are synchronised with each other.

24 Technical specification of accuracy class of the metering instrument for the measurement of alternating current in the range of 45 Hz to 55 Hz.

25 Availability based tariff.

37 feeders ranging between 0.08 to 39 *per cent*, 21 feeders had no meters, meters at 12 feeders were defective and strangely negative losses ranging between (-) 0.09 to (-) 7.43 *per cent* in 13 feeders were noticed. This indicates that the installation of meters was inadequate and energy accounting and transmission losses worked out by the Company were defective.

Non installation of Intra State Boundary Meters

2.1.31.1 PGCIL was engaged (December 2004), at the total cost of ₹ 75 lakh, as a consultant for implementation of ABT based Intra State Boundary metering project in Punjab. PGCIL submitted (December 2005) the draft technical specifications which were found to be based on old technology. As a result, no further progress in this regard was made and ₹ 41.32 lakh paid to PGCIL during March 2005 to March 2006 became infructuous.

To adopt the latest technology, the Board revised (2006) the technical specifications and floated (June 2006) a tender enquiry for boundary metering scheme. The purchase proposal was dropped (February 2007) on the plea that this is a case of single bid and the Board had not yet been unbundled.

We observed that the Company did not provide the boundary meters (June 2012) as required under Grid Code and also failed to implement the Energy Accounting/Audit rather it incurred unfruitful expenditure of ₹ 41.32 lakh.

Financial Management

2.1.32 One of the major objectives of the National Electricity Policy, 2005 was ensuring financial turnaround and commercial viability of Power Sector. The financial position of the erstwhile Board, as a vertically integrated agency up to the financial year 2009-10 had already been commented upon in Paragraph 2.2.5 of Report of the Comptroller and Auditor General of India (Commercial), Government of Punjab for the year ended 31 March 2011. As a part of power sector reforms the erstwhile Board was unbundled on 16 April 2010. However, the financial reconstruction of the erstwhile Board had not been finalised so far (September 2012), in the absence of which Profit and Loss Account and Balance Sheet of the Company had not been prepared for the years 2010-11 and 2011-12.

Though the Board was unbundled on 16 April 2010, the financial reconstruction of the erstwhile Board had not been finalised so far (September 2012)

Management stated (September 2012) that annual accounts would be finalised after notification of opening balance sheet by the State Government. We are unable to comment on the financial position as the Company is yet to finalise its accounts.

A few cases showing the shortcomings in financial management are discussed in the succeeding paragraphs which adversely affected the financials:

Non recovery of cost of deposit work

2.1.32.1 The erstwhile Board decided (February 2007) to create Nabha Power Limited (NPL), a wholly owned subsidiary to act as Special Purpose Vehicle (SPV) for selection of Developer and getting various clearances for

installing of a coal based Thermal Power Project at village Nalash, Rajpura on Build, Own and Operate (BOO) basis. After the bidding process, NPL issued (November 2009) a letter of intent (LOI) to L&T Power Development Limited (L&TPDL), Mumbai being lowest bidder. Power purchase agreement was entered into between erstwhile Board and NPL on 18 January 2010 and whole assets and liabilities of NPL were transferred to L&TPDL on the same date.

NPL requested (January 2010) the Board that 220 KV Rajpura – Mohali DC line which was passing through the land acquired by NPL (site of proposed thermal plant) be shifted outside the project area as it was creating hindrance in the development of project. An estimate was sanctioned (April 2010) for ₹ 3.19 crore for shifting of the 220 KV line to be executed as deposit work and NPL was requested (April 2010) to deposit the amount so that the work of shifting of line from the site of proposed Thermal Plant be undertaken.

The Company extended undue favour to Nabha Power Limited by shifting transmission line at its own cost of ₹ 1.82 crore.

However, in the meeting of Project Coordination Committee for 1,320 MW Rajpura Thermal Power Project held on 08 April 2010, it was decided that the cost of shifting would be borne by the erstwhile Board on the plea of NPL that the cost of shifting of line was not indicated in the RFQ/RFP[26] document due to which the same could not be factored in the cost evaluation for tariff calculation by them. Managing Committee[27] decided (May 2010) to shift the line at the cost of the Company. The work of shifting of line was completed by 30 September 2010 by incurring expenditure of ₹ 1.82 crore by the Company. The shifting of line at the cost of the Company is clearly an undue favour to NPL as bidder was required to satisfy itself with regard to conditions, circumstances and factors that might have the effect on the bid.

Management replied (September 2012) that as per RFQ, land was to be made available to the successful bidder free of encumbrances. The reply was inadequate as the cost of shifting of line could not be recovered from NPL because of its failure to include the cost of shifting of line initially in RFQ/RFP documents.

Non recovery of wheeling, operation & maintenance and reactive energy charges

2.1.32.2 Details of outstanding operation and maintenance (O&M) charges, wheeling charges and reactive energy charges are enumerated in the following table:

[26] Request of Qualification / Request for proposal.
[27] Managing Committee temporarily constituted by State Government for administrating the Board/ two successor Companies formed after unbundling of the Board.

(Amount: ₹ in crore)

Name of the Electricity Board/ Corporation	Particulars	Period	Amount	Remarks
Union Territory, Chandigarh	O&M charges for 220 KV Ganguwal – Mohali line (1st circuit) and 220 KV Substation, Mohali.	2011-12 2012-13	1.07 1.18	Recovery was due in April 2011 and April 2012. The Company did not raise the bills. Besides this, previous outstanding dues (₹ 1.90 crore) pertaining to period upto 2003-04 were also not recovered even after lapse of eight years.
	Wheeling charges for power wheeled through the 66 KV Mohali – Chandigarh line.	July 1988 to December 1991	0.88	Wheeling charges bill of ₹ 1.77 crore was raised in August 2003. Out of which, ₹ 0.89 crore was received (upto July 2005) and the remaining ₹ 0.88 crore was still outstanding.
Erstwhile Haryana State Electricity Board (HSEB)	O&M charges for the 132 KV Bays at Ropar substation.	Upto March 2012	23.25	The erstwhile HSEB was to pay these charges on the basis of a MoU signed on 19 November 1997. However, these charges have not been paid so far.
	Wheeling charges for the 132 KV Kotla – Ropar DC line.	Upto March 2012	5.03	
Jammu & Kashmir	Wheeling charges for drawl of power from Central Sector Stations.	Upto February 2012	19.27	-
	Reactive Energy charges conveyed by Northern Regional Power Committee (NRPC).	Accumulated upto March 2012	1.02	In case of persistent default in payment, the matter was to be reported to NRPC for initiating remedial action. The Company had not taken up the matter with NRPC so far (May 2012).
Himachal Pardesh State Electricity Board	Wheeling charges	Since 1999 to November 2010	1.48	-
Power Grid Corporation of India Limited (PGCIL)	O&M charges of three Bays at two 220 KV substations viz. Dasuya and Sarna.	April 1992 to March 2011	1.18	As per understanding held in April 2010, ₹ 2.61 crore was payable by PGCIL for the period from April 1992 to March 2011. Out of which, ₹ 1.43 crore was received upto September 2011 and remaining ₹ 1.18 crore were still outstanding.

Audit analysis revealed that the Company had failed to recover these outstanding dues by not effectively pursuing with various SEBs/Corporations.

Management replied (September 2012) that steps were being taken to raise bills and recover the arrears from concerned states/power utilities.

Tariff Fixation

2.1.33 As per Regulation 13 of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005, the Company files an ARR with PSERC for the revenue required to meet the cost pertaining to the transmission business for each financial year which would be permitted to be recovered through tariffs and charges by the PSERC. Thus, the main source of revenue of the Company is transmission and SLDC charges.

The ARR proposals made by the Company and approved by the PSERC are given below:

Transmission Tariff						
Year	**Proposed by Company**			**Approved by PSERC**		
	Total capacity for transmission (MW)	**Revenue Requirement (₹ in crore)**	**Tariff, ₹/KW/ Month**	**Total capacity for transmission (MW)**	**Revenue Requirement (₹ in crore)**	**Tariff, ₹/KW/ Month**
Transmission business						
2011-12	7,990.18	824.08	85.947	7,990.18	468.10	48.820
SLDC business						
2011-12	7,990.18	26.76	2.791	7,990.18	23.35	2.435

As per the PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005, the PSERC shall undertake an exercise to finalise actual figures as per the audited accounts called truing up, whenever there is a gain or loss (excess/short) in the controllable items (O&M, Return on capital employed, Depreciation and non tariff income) the Company shall file before the PSERC, which would review the same and make appropriate adjustments wherever required.

Audit observed that the Company had not finalised its profit and loss accounts and balance sheet for the years 2010-11 and 2011-12 as a result the revised status of total costs could not be submitted to PSERC. This resulted in non adjustment of excess or short expenditure incurred.

Management replied (September 2012) that application for truing up would be filed with PSERC after finalisation of Financial Restructuring Plan.

An analysis of expenditure disapproved by PSERC revealed the shortcomings on the part of the Company as detailed below:

Disallowance of employees cost by PSERC

2.1.33.1 The erstwhile Board submitted (February 2008) to the PSERC that to control employees cost it had engaged (August 2007) Price Waterhouse Coopers (PWC) to study its manpower requirement, whose report was scheduled to be submitted within 25 months. However, the report was received (September 2008) after delay of 9 months. After considering the feedback given by the Company and position of unbundling, the final report of the PWC was received in October 2010.

PSERC observed (April 2010) that there was continuous failure of the Board to get its study report finalised for determining manpower norms and take further action on that basis and disallowed ₹ 100 crore (out of which Company's share was ₹ 6.69 crore) from the employee cost allowable for the year 2010-11.

Non determination of manpower norms caused disallowance of employee cost of ₹ 6.69 crore by the PSERC.

We observed that the report was delayed by more than two years mainly on account of delay in submission of report by PWC (9 months) and delay in giving feedback by the Company/unbundling of erstwhile Board (16 months). During May 2011, PSERC directed the Company to submit the implementation Action Plan of the report to it. However, Company had not taken any concrete steps during one year (October 2010 to October 2011) to implement the report except constituting a committee for examining the report and put up its recommendations to the management.

Diversion of loans for revenue purpose

2.1.33.2 The PSERC determined that there was diversion of funds of ₹ 2,458.56 crore during 2010-12 due to inefficiencies in the functioning of the erstwhile Board and disallowed ₹ 200 crore of interest cost for two years. Out of this, ₹ 21.52 crore was to be borne by the Company and ₹ 30.23 crore (2010-11: ₹ 14.47 crore and 2011-12: ₹ 15.76 crore) by the State Government as it had not paid compensation for free electricity to Agricultural Pumpset consumers. This amount was to be recovered from the State Government. But the Company had not initiated any action for recovery of ₹ 30.23 crore.

Management stated (February 2012) that due to non availability of opening balances of assets and liabilities as on the date of incorporation of the Company, the action to recover this amount could not be taken. The reply is not acceptable as the PSERC had already disallowed the interest cost for inefficiency of the erstwhile Board and the Company should have demanded ₹ 30.23 crore from the State Government. To avoid further disallowance of expenditure, the Company needs to avoid diversion of funds.

Material Management

2.1.34 The key functions in material management are laying down inventory control policy, procurement of materials and disposal of obsolete inventory. The Company had laid down (1981) the system, procedures, rules and regulations for purchase of materials in its Purchase Regulations and the Commercial Accounting System. As per the policy, the respective Chief Engineers assess their material requirements keeping in view various capital and revenue works, availability of funds, stock position and expected delivery of material.

Shortcomings noticed during audit of material management are discussed in the succeeding paragraphs:

2.1.35 Scrutiny of the records of the Company revealed the following:

The details of consumption of stock per annum/per month and closing stock in terms of month's consumption for the period 2007-12 is detailed below:

(₹ in crore)

Year	Consumption (per annum)	Consumption (per month)	Net Closing stock	Closing stock in terms of months' consumption
2007-08	302.02	25.17	54.00	2.15
2008-09	354.99	29.58	57.78	1.95
2009-10	348.28	29.02	70.68	2.44
2010-11	553.33	46.11	95.24	2.07
2011-12	615.73	51.31	183.28	3.57

Source: Data supplied by the Company.

We observed that although the closing stock of the Company in terms of months consumption had increased from 2.15 months during 2007-08 to 3.57 months by 2011-12. The Company had neither made any ABC analysis, nor fixed any standard minimum level or reorder level of their material requirement to ensure the optimum level and to reduce the inventory.

Management replied (September 2012) that ABC analysis would be made to ensure optimal level and to reduce inventory.

Avoidable additional expenditure

2.1.35.1 Chief Engineer (Substations) placed (June 2010) a purchase order (PO) on Bharat Heavy Electricals Limited (BHEL), Chandigarh for supply of nine 100 MVA 220/66 KV power transformers (PTRs) at the rate of ₹ 4.72 crore per PTR. Against the scheduled delivery period of February 2011 to complete the supply of nine PTRs, BHEL was able to supply only one PTR upto February 2011. In view of the revised requirement and to meet the exigency during Paddy season, the Company decided (16 February 2011) to procure four 100 MVA 220/66 KV additional PTRs from BHEL at the same rate, terms and conditions and issued (23 February 2011) letter of intent with delivery schedule of two PTRs each in the month of May and June 2011. But BHEL requested (28 February 2011) to reschedule the delivery to two PTRs each in the month of June and July 2011 quoting bottlenecks in arranging Cold Rolled Grain Oriented (CRGO).

In the meantime, the Company floated another tender enquiry with revised technical specifications for procurement of 28 nos. 100 MVA 220/66 KV PTRs. Price bids were opened on 21 March 2011 and L-1 rates of BHEL were ₹ 3.53 crore (less than the above mentioned PO by ₹ 1.19 crore). In view of this, the decision of the Company for procurement of additional four 100 MVA 220/66 KV PTRs was required to be reconsidered due to the following reasons:

(1) The firm had already requested to reschedule the delivery of these PTRs and keeping in view the status of supplies against ongoing PO, there was every likelihood that supplies of additional four PTRs would

be delayed beyond June 2011. So, the very purpose of the repeat order would be got defeated.

(2) The prices against latest tender enquiry were lower by ₹ 1.19 crore per PTR and confirmed purchase order for supply of additional four PTRs was not yet issued.

The Company incurred avoidable expenditure of ₹ 4.76 crore in the purchase of power transformers at higher price.

We observed that the Company instead of reconsidering its decision, placed (18 April 2011) a purchase order on BHEL for supply of four additional PTRs. Audit further observed that BHEL supplied nine PTRs during February 2011 to October 2011 and additional four PTRs during November 2011 to January 2012 i.e. after the paddy season was over. Resultantly, an avoidable extra expenditure of ₹ 4.76 crore was caused to the Company.

Non conducting of physical verification of stocks

2.1.36 There are eight[28] Area Stores under the control of the Company, out of which, two[29] were transferred to the PSPCL in November 2011 under unbundling scheme. We observed that the physical verification (PV) of the stores was not being conducted annually. The PV of only three[30] Area Stores out of eight was done regularly each year and PV of one[31] store was not conducted at all during 2007-12.

The value of non moving, surplus, obsolete, unserviceable and scrap material in the last five years is given below:

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Surplus/obsolete/ unserviceable/ scrap	1.24	1.49	2.00	2.11	2.29
Non moving	2.53	2.95	3.55	3.76	3.81
Total	**3.77**	**4.44**	**5.55**	**5.87**	**6.10**

The above table reveals that the value of the scrap, obsolete and non moving stock was on increasing trend during 2007-12. The Company had not taken action to conduct survey reports and dispose of the scrap/obsolete material, which could have earned revenue and also resulted in creation of space for stocking other materials.

Management stated (September 2012) that efforts would be made to reduce scrap, surplus and obsolete stores.

Non disposal of damaged power transformers

2.1.36.1 Whenever a power transformer (PTR) is declared irreparable, survey off report is prepared for disposal.

[28] Ablowal, Jamsher, Jalandhar, Moga, Mandi Gobindgarh, Verpal, Sahnewal & Ludhiana.
[29] Mandi Gobindgarh & Verpal.
[30] Verpal, Ludhiana & Jamsher.
[31] Mandi Gobindgarh.

Audit observed that 25 PTRs damaged during July 2004 and July 2011 were still (April 2012) lying pending for disposal. An analysis of which revealed that the Company took no action to dispose of/auction these PTRs and delays worked out were upto 87 months (March 2012). The following table indicates delays at various stages and loss of interest:

Stage at which PTRs were delayed	No. of PTRs	Range of delay (in months)	Approx. disposal value (₹ lakh)	Loss of interest (₹ lakh)
Non preparation of survey off report	9	3 to 50	435.00	36.05
Non approval of survey off report	10	14 to 87	610.41	246.31
Non disposal even after approval of survey off report	4	17 to 67	225.00	101.80
TOTAL	**23**	**3 to 87**	**1270.41**	**384.16**

Non disposal of damaged PTRs resulted in loss of interest of ₹ 3.84 crore.

Thus, non disposal of 23 damaged PTRs (approximate valuing ₹ 12.70 crore) resulted in loss of interest of ₹ 3.84 crore upto March 2012.

Further, two Power Transformers (PTRs) were damaged during October 2005 to September 2007. After inspection, it was decided to repair these PTRs by replacing their damaged parts. The Management observed (May 2011) after a lapse of 44 and 67 months that these PTRs could not be repaired economically and decided to dispose of the damaged PTRs. The details of these PTRs and expected salvage value are as under:

Sr. No.	Particulars of the damaged PTR & Name of the substation, where it damaged	Date of damage	Expected salvage value of the PTR (₹ in lakh)	Period from the date of damage to May 2011
1.	16/20 MVA, 132/11 KV, 132 KV substation, Tangra.	12 October 2005	36.14	67 months
2.	20 MVA, 132/11 KV, 220 KV substation, Civil Lines, Amritsar.	September 2007	53.29	44 months
		TOTAL	**89.43**	

The Management finalised the survey of reports of PTR at Sr. No. 1 in the month of June 2012 and at Sr. No. 2 in the month of August 2011. However, these damaged PTRs have not been disposed of so far (September 2012). Thus, delay in taking decision to declare these PTRs as irreparable coupled with delay in action to dispose of these PTRs resulted in non realisation of expected salvage value of ₹ 89.43 lakh.

Monitoring and Control

2.1.37 The performance of the SSs and lines of 220 KV/132 KV on various parameters like maximum and minimum voltage levels, breakdowns, voltage profiles should be recorded/maintained as per the Grid code standards. We noted that the year-wise cumulative performance of the SSs and lines were neither being maintained nor consolidated for evaluation of annual performance of the SSs and lines. However, the field Divisions of transmission system units compile the monthly MIS reports indicating the

performance of the units as well as equipments installed. These reports are forwarded to the Corporate Office. Further, verification of MIS reports of the seven selected P&M divisions revealed that details regarding programmed overhauls of equipments like circuit breakers, due dates of next oil change, OLTC[32] operations, dates of maintenance works, performance of SS batteries, performance of relays, cause-wise analysis of feeder breakdowns were not being furnished to the Corporate Office. The performance of lines and SSs and steps taken for further improvement of the system were not being appraised to the Board of Directors of the Company either annually/quarterly/monthly reflecting that minimal importance was being given to the MIS reports.

Review of the envisaged benefits of T&D schemes

2.1.38 The Company executed and commissioned 29 EHT SSs and erected a total length of 1,047 CKMs of EHT lines during 2007-12. While approving the T&D schemes, the Company envisaged benefits in terms of reduction in line losses, improvement in voltage levels and the load growth to be achieved by the new schemes. It was, however, observed that the Company had not evolved any mechanism/ system to assess the benefits actually derived on implementation of the T&D schemes after commissioning of the new projects as required feedback was not received from the concerned field offices.

Internal Controls and Internal Audit

2.1.39 Internal control is a process designed for providing reasonable assurance for efficiency of operations, reliability of financial reporting and compliance with applicable laws and statutes which is designed to ensure proper functioning as well as effectiveness of the internal control system and detection of errors and frauds.

We observed that internal control system of the Company was deficient particularly in areas of maintenance of records of assets. The Company had not maintained its fixed assets records as required in Companies Auditor Report Order, 2003. Balances of Fixed Asset Register did not tally with balance of Fixed Assets in the Accounts. Stock inventory as per Store record was also not reconciled with the inventory reflecting in the books of Accounts of the Division (March 2012). Coordination between the different related wings during execution of the transmission works was inadequate. Timely submission of material at site (MAS) accounts by the Junior Engineers was not ensured.

Management stated (September 2012) that function of preparation of development of Fixed Assets Register has been outsourced.

Internal Audit

In the erstwhile Board, there was a separate internal audit wing headed by Chief Auditor. However, after unbundling in April 2010 there was no such

[32] On Load Tap Changer

arrangement in the Company. The management therefore decided (June 2011) to outsource the internal audit function. For this purpose, organisation of the Company was divided into four audit units and five firms were appointed as Internal Auditors for the financial years 2010-11 and 2011-12. Audit for 2010-11 had been conducted and for 2011-12 was in progress.

Audit Committee

2.1.40 The Company constituted an Audit Committee as required under Section 292A of the Companies Act, 1956. As per the Terms of Reference of the Audit Committee, it should have met two times in a year but we observed that it met only on one occasion during 2011-12 to review the status of compliance of internal audit observations for the year 2010-11. As per Section 292A (5), the internal auditors should also attend all the meetings, but only one out of five internal auditors attended the meeting.

Conclusion

- **The Company failed to achieve the planned additions/ augmentations/ upgradations of the transmission system during 2007-12. Further, the Company also failed to adhere to the time schedule in the execution of a number of transmission works resulting in cost overrun and time overrun in case of three substations and eight transmission lines.**

- **The Company failed to add adequate transmission capacity to cater to total connected load/ demand in the State.**

- **The Company failed to provide adequate shunt capacitors to avoid the payment of reactive energy charges.**

- **The Company failed to provide adequate differential relays, Bus Bar Protection Panels and Disturbance Recorders for preventive maintenance and also failed to carry out the requisite/ planned capital maintenance of power transformers.**

- **The Company failed to carry out the grid maintenance in accordance with the instructions of Central Electricity Authority as it indulged in overdrawal of power below the prescribed frequency resulting in payment of additional unscheduled interchange charges and causing of tripping of thermal power generating stations.**

- **The Company failed to provide adequate meters at the interstate boundary metering points to ensure proper accounting and audit of energy transmitted.**

Recommendations

The Company needs to:

- **evolve an effective system to monitor the execution of planned additions/ augmentations/ upgradations of the transmission system within the specified time schedule.**

- **add adequate transmission capacity to cater to the total connected load/ demand in the State.**

- **provide adequate shunt capacitors to avoid payment of reactive energy charges.**

- **provide adequate differential relays, Bus Bar Protection Panels and Disturbance Recorders for preventive maintenance and evolve a monitoring system to ensure that all the requisite/ planned capital maintenance of power transformers is carried out within the scheduled period.**

- **carry out the grid maintenance in accordance with the instructions of the Central Electricity Authority to avoid additional payment of unscheduled interchange charges and tripping of power generating units.**

- **provide adequate meters at the inter-state boundary metering points to ensure proper accounting and audit of energy transmitted.**

2.2 Working of "Punjab Small Industries & Export Corporation Limited"

Executive Summary

The Punjab Small Industries and Export Corporation Limited was incorporated with the objective of aiding, promoting and protecting the interests of small scale industries in the State by developing industrial focal points to provide infrastructural facilities and by providing financial, technical, managerial and marketing assistance. The audit findings are summarized below:

Non development of existing Industrial focal points

The Company failed to allot entire plots at its industrial and residential focal points even after lapse of 12 to 15 years since the development of focal points. As of 31 March 2012, out of 15,085 industrial and residential plots, 2,582 plots were lying unallotted. The Company failed to allot even a single plot at Mansa focal point. The Company also failed to evolve an effective policy for floating of advertisements for allotment of plots at periodical intervals.

Irregularities in revision of reserve price

The reserve price of all the focal points was not revised at same time in one go on yearly basis. The reserve price was being revised in an adhoc policy. In respect of eight focal points, revision in reserve price was carried out during July 2011 after a gap of six to seven years. This has resulted in loss of revenue of ₹ 10.92 crore.

Telecommunication Policy

The Company got approved its Telecommunication Policy in January 2005 from the State Government for installation of telecommunication towers at its industrial plots but did not conduct any survey to determine the total number of telecommunication towers actually installed in its focal points. The Company also failed to regularise installation of telecommunication tower at two industrial plots and in another case regularised the installation of tower at a rate lower than the prescribed fee, resulting in favour to allottees and non/ short recovery of ₹3.04 crore along with interest there upon.

Non transfer of maintenance of focal points

In accordance with State Government's decision (September 1999), the Company failed to assess the deficiencies in the infrastructure provided in its focal points. This has resulted in non transfer of maintenance of focal points to Municipal Corporations/ Committees resulting in avoidable expenditure of ₹10.18 crore on repair and maintenance and ₹ 14.67 crore on account of payment of wages to the workcharged employees.

Reconciliation of funds released to Collector Land Acquisition

The Company had not evolved any system for carrying out periodical reconciliation of funds released to Collector Land Acquisition (CLA) to ensure that funds, if any, remaining surplus with CLA on account of non payment of compensation/ excess payment made were refunded to the Company without any loss of time. This resulted in surplus funds of ₹13.26 crore lying with CLA during 2004-10.

Export Promotion – ASIDE Scheme

The Company was made the nodal agency for the implementation of Government of India's scheme 'ASIDE' for extending assistance for developing export infrastructure and allied activities in the State. The Company failed to perform nodal function effectively and released funds of ₹ 8.62 crore to ineligible units. The Company itself utilised ₹ 37 crore received under 'ASIDE' on upgradation works at different industrial focal points which were not directly linked with promotion of exports in violation of scheme's guidelines resulting in diversion of funds.

Internal Audit and Internal Controls

Internal audit and Internal control mechanism of the Company was weak. There was no system of reporting the results of internal audit periodically to the Board of Directors. The Company had not prepared its internal audit manual even after lapse of 50 years since its incorporation.

Conclusion and recommendations

The Company failed to allot all the plots at its industrial and residential focal points even after lapse of more than 15 years from the development of focal points. It failed to transfer the focal points to local bodies even after lapse of gestation period of five years for development and incurred huge expenditure on the maintenance thereof. The system to watch the recovery from the allottees was deficient and prone to delay/ non – recovery of enhanced compensation, interest and other levies as the Company did not maintain allottee wise ledger. All emporia of the Company except one were continuously running in losses and the Company also failed to disburse central funds received under "Assistance to States for Developing Export Infrastructure and Allied Activities" scheme to eligible units.

We have made six recommendations to improve the performance of the Company. Exploration of opportunities to allot all the plots at its industrial and residential focal points, initiation of process of transfer of focal points to Municipal Corporations/ Committees at the earliest to save huge expenditure on maintenance, maintaining allottee-wise ledgers to monitor the recovery from allottees effectively, emphasizing on the need to channelise the central funds towards eligible projects having direct linkage with development and growth of exports, etc. are some of these recommendations.

Introduction

2.2.1 The Punjab Small Industries Corporation Limited was incorporated in March 1962 with the main objective of aiding, promoting and protecting the interests of small scale industries (SSIs) in the State by developing industrial focal points to provide infrastructural facilities and by providing financial, technical, managerial and marketing assistance. The Company was renamed as Punjab Small Industries and Export Corporation Limited (Company) in October 1982 so as to indicate the export promotion activity also. The Company was appointed (March 2002) as the nodal agency for implementation of Government of India's ASIDE[1] scheme for providing assistance to State Government for creating appropriate infrastructure for development and growth of exports. **Major activities of the Company were development and maintenance of industrial focal points.**

The Company has developed 39 industrial focal points in 28 towns and carved out 11,023 industrial plots of which 10,170 plots had been allotted upto March 2012. In 17 residential focal points, 4,062 residential plots were carved out of which 2,368 plots were allotted upto March 2012. The total area coverage of these industrial focal points (including residential area) was 7,262.10 acres.

The Management of the Company is vested in a Board of Directors (BOD). As on 31 March 2012, there were 11 directors appointed by the State Government including a Managing Director and a Chairman. The Managing Director is the Chief Executive of the Company and is assisted by functional heads incharge of various activities viz. Raw material, Emporia, Estate, Export promotion, Personnel and a Superintending Engineer incharge of Engineering Wing.

Scope and Methodology of Audit

2.2.2 The activities of the Company for the period 1996- 2001 were last reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2002 – Government of Punjab. Committee on Public Undertakings (COPU) of State Legislature discussed the performance audit in parts in August and September 2006, October 2010 and September 2012. COPU directed (September 2012) the Company to fix the responsibility of Company officials for non recovery of development charges from industrial units which were in existence at the industrial sites and were not uprooted and to initiate action to recover these charges from the concerned units {Paragraph 2A.8.1.4 (iii)}.

The present performance audit was conducted between December 2011 and June 2012 with a view to evaluate the performance of the Company with regard to the improvement in its activities namely development of focal points for development and promotion of industries through the development of industrial infrastructure namely industrial focal points (IFP); allotment of plots in focal points; running of a chain of emporia under the brand name 'Phulkari'

[1] Assistance to States for Developing Export Infrastructure and Allied Activities.

to promote the interests of small scale units and craftsmen by selling their products through the emporia network; procurement of raw materials from the main producers/ departments and its distribution to SSI units from its network of depots as an assistance to the SSI units; undertaking of deposit works for building projects through its Engineering Wing; promotion of exports as a nodal agency of the State Government and implementation of Central Government scheme namely ‘Assistance to State Governments for Development of Export Infrastructure and Allied activities (ASIDE)’.

The methodology adopted for attaining the audit objectives consisted of explaining audit objectives and audit criteria to the top management, scrutiny of records, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the management and issue of draft performance audit report to the management for comments. During the review period, the Company developed only one focal point at Kapurthala. The performance audit involved the scrutiny of the process of the development of said focal point and allotment of residual industrial/ residential plots in other existing developed focal points. The audit examination involved scrutiny of records at head office, of nine[2] out of 28 industrial focal points (IFPs), five[3] out of 17 residential focal points (RFPs), three[4] out of nine raw material depots and three[5] out of seven emporia selected on the basis of statistical sampling following the Probability Proportional to Size technique.

Audit Objectives

2.2.3 The objectives of the performance audit were to assess whether:

Planning

- Sites selected for development of focal points were appropriate;

Project development and Industrial promotion

- Development and maintenance of focal points, carving out of plots and construction thereon were as per the approved programme/ plans,
- The allotment of plots was as per land allotment policy of the State Government and the Company;

Financial management

- Reserve price of land allotment of all the focal points was correctly fixed and recovered by the Company,
- Recoveries from the allottees were as per the terms and conditions of allotment/ policies of the Company;
- Company’s decisions were based upon principles of financial propriety.

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[2] Pathankot, Nawan Shahar, Ludhiana, Raikot, Amritsar, Muktsar, Patiala, Goindwal and Tanda.

[3] Bathinda, Patiala, Goindwal, Raikot and Mohali.

[4] Kartarpur, Ludhiana and Mandi Gobindgarh.

[5] Chandigarh, New Delhi and Kolkata.

Marketing of produce/ emporia

- The emporia were fulfilling the objectives for which these were established and are working economically and efficiently,
- Raw material depots were catering to the needs of small industrial units of the State,
- The activities of handling agency business were running economically and efficiently;

Export promotion

- Export promotion activities were being carried out efficiently and effectively for achieving desired objectives; and

Evaluation and monitoring

- The internal control mechanism and internal audit system in the Company were adequate and effective.

Audit Criteria

2.2.4 The audit criteria adopted for assessing the achievement of the audit objectives were:

- Policy of the State Government for development and maintenance of focal points;
- Policy of the State Government for allotment of plots under different categories;
- Policy for fixation of reserve price for allotment of plots;
- Objectives for opening emporia;
- Objectives and targets fixed for export promotion under ASIDE; and
- Rules and guidelines issued by the State Government relating to the development of focal points.

Audit Findings

2.2.5 We explained the audit objectives and criteria to the Company during an Entry Conference held on 9 January 2012. Subsequently, audit findings were reported to the Company and the Government in September 2012 and discussed in an Exit Conference held on 29 November 2012. The Joint Controller of Finance and Accounts represented the State Government. The Company also earlier replied to audit findings in October/ November 2012. The views expressed by the Management in the exit conference have been considered and suitably incorporated in performance audit report. We acknowledge the cooperation and assistance extended by the Company/ Government in the conduct of the performance audit.

Financial position and working results

2.2.6 The financial position and the working results of the Company for the last five years upto 2011-12 have been given at ***Annexure-9***. The Company had finalised its accounts up to 2009-10 and accounts from 2010-11 and 2011-12 were in arrears.

The details of total income, expenditure and profit for 2007-12 were as under:

(₹ in crore)

Sl No	Particulars	2007-08	2008-09	2009-10	2010-11 (Provisional)	2011-12 (Provisional)
(i)	Sales	165.48	177.16	173.19	198.72	246.82
(ii)	Handling income	4.53	7.01	4.33	4.52	3.79
(iii)	Total operating income	170.01	184.17	177.52	203.24	250.61
(iv)	Total expenses[6]	185.43	196.33	197.32	233.96	288.42
(v)	**Operating Profit/ (Loss)**	**(15.42)**	**(12.16)**	**(19.80)**	**(30.72)**	**(37.81)**
(vi)	Percentage of expenditure to operating income	109.07	106.60	111.15	115.12	115.09
(vii)	Depreciation and financial expenses	2.81	3.98	2.92	2.33	4.14
(viii)	Other Income	31.33	40.57	29.10	38.98	49.20
(ix)	**Profit before tax**	**13.10**	**24.43**	**6.38**	**5.93**	**7.25**

- From the above, it would be seen that the Company incurred operating losses during the period 2007-12 which increased by 145 *per cent* during the performance audit period, from ₹ 15.42 crore in 2007-08 to ₹ 37.81 crore in 2011-12. The profit was generated by the Company due to its Other Income. The profit of the Company had decreased from ₹ 24.43 crore in 2008-09 to ₹ 7.25 crore during 2011-12. We observed that this was mainly due to non revision of reserve price or sale price annually of plots, non initiation of effective steps for recovery of maintenance charges, non adjustment of excess amounts deposited with Collector Land Acquisition (CLA) etc. During scrutiny of records we noticed that IFP Phase VIII, Dhandari Kalan, Ludhiana though completed and handed over to the Municipal Corporation, Ludhiana in January 2005 had not been capitalised, which led to non accountal of sale of 732 out of 736 plots and profit of ₹ 11.46 crore accruing thereon in its working results. Leather Complex at Jalandhar, initially developed by Punjab State Leather Development Corporation Limited (PSLDC) was transferred to the Company in October 1992. However, the Company even after lapse of 20 years, had not merged the accounts of Leather Complex, Jalandhar with its

[6] It includes stock adjustments but excludes depreciation and financial expenses.

operations. This resulted in non accountal of accumulated profits of ₹ 12.93 crore upto March 2010 from Leather Complex in its working results.

- The Company had authorised capital of ₹ 60 crore divided into 60 lakh equity shares of ₹ 100 each. The paid up capital of the Company as on 31 March 2011 was ₹ 50.01 crore almost wholly subscribed by State Government (₹ 49.86 crore) and Central Government (₹ 0.15 crore). The Company was liable to declare minimum dividend at the rate of four *per cent* which was subsequently revised (July 2011) to five *per cent* on the capital subscribed by the State Government. We however, observed that the Company had not declared any dividend on the equity of the State Government during 2007-10.

Appraisal of activities

Development of Industrial Focal Points

2.2.7 The Company was assigned the work of development of industrial focal points (IFPs) in State since 1972-73. The Company did not have any short term/ long term plan or took up any new project at its own initiative for development of IFPs during the review period except development of Mixed Use Integrated Industrial Park at Kapurthala which was in preliminary stage. It had developed 39[7] IFPs in 28 towns. The status of focal points developed, total plots carved out, plots allotted and plots remained unallotted during 2007-12 is given in ***Annexure-10***. Audit observed that out of 11,023 industrial plots of various sizes in these focal points, 10,170 plots were allotted during 2007-12 and 888 plots were lying unallotted as on 31 March 2012. In this regard, audit observed as under:

Non development of existing Industrial Focal Points

2.2.7.1 While discussing Paragraph 2A.8.1.1 of Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 (Commercial) – Government of Punjab, COPU directed (October 2010) the Industry Department and the Company to make efforts for allotment of unallotted plots. Despite COPU's directive, the Company failed to allot entire industrial plots at five earmarked focal points as of 31 March 2012 as discussed in the succeeding paragraphs:

- The Company acquired 51.98 acres land for ₹ 3.10 crore for setting up IFP, Mansa in April 2000. The BOD considered (April 2003) to make a reference to the State Government for denotifying the land acquired for development of IFP, Mansa as the project was not commercially viable. However, it decided (May 2003) to make a reference to the Director of Industries, Punjab to know whether land was required by any other Public Sector Undertaking/ Government Departments and in case encouraging response was not received, then the Company might explore the possibility to offer this land to the original land owners. The Company after a long period of more than seven years, approved (December 2010) the estimate for

[7] IFP Mansa where land was acquired in April 2000 but it was yet to be developed.

development of Mini Industrial Growth Centre at Mansa at a cost of ₹ 29.18 crore citing huge response had been received by the Company. However, the development work was kept in abeyance on the plea that upgradation of the existing focal points was to be given priority over the development of new industrial focal points as per the decision (July 2011) of Government. Up to March 2012, the Company could not allot even a single plot out of total 185 industrial plots at IFP, Mansa.

The Management stated (November 2012) that advertisements for allotment of plots were issued in the years 2000, 2001 and 2005 but no applications except one for 500 sq. yards plot was received by the Company. The subsequent proposals to transfer land to Home Department, Government of Punjab for setting up of police line and to another industrialist for setting up Agri Mega project also could not fructify. The Management further stated that now the proposal for transfer of land to PUDA for housing purpose was under consideration, which would attract better returns to the Company.

Conceivement of focal point without demand resulted in blockade of ₹ 3.10 crore alongwith loss of interest of ₹ 5.58 crore.

Thus, the decision (April 2000) to develop focal point at Mansa and subsequent lack of response from industrialists is evidence of the fact that the project was not conceived due to demand. This resulted in blockade of funds of ₹ 3.10 crore along with loss of interest of ₹ 5.58 crore[8] up to March 2012.

- For development of IFPs at Abohar, Muktsar and Raikot, the Company acquired land during 1996, 1997 and 2000, respectively. The Company carved out (up to October 2002) 590 plots of various sizes and up to 31 March 2007, the Company was able to allot (March 2007) only 22 plots: 3 out of 237 at Abohar and 19 out of 187 at Raikot. The Company could not allot even a single plot out of total 166 plots at Muktsar. Subsequently, the Company increased/ decreased the number of plots at these focal points without recording any reason and allotted 96 plots in 2011-12. The revised status is given in the following table:

Sl No	Name of Focal Point	Total plots carved (Nos)	Status of Plots as on 31 March 2011		Plots allotted during 2011-12 (Nos)	Plots remained unallotted as on 31 March 2012 (Nos)
			Allotted (Nos)	Unallotted (Nos)		
1	Abohar	79	5	74	21	53
2	Muktsar	215	0	215	60	155
3	Raikot	187	19	168	15	153
	Total	**481**	**24**	**457**	**96**	**361**

Above table shows that even after a lapse of 12 to 15 years, the Company failed to allot 361 out of total 481 industrial plots which indicates that development of focal points at these places was not taken up after a proper demand survey and the Company failed to achieve the objective of development of IFPs.

The Management stated (November 2012) that efforts were being made to motivate the entrepreneurs to seek allotment of residual plots. The reply is not

[8] Calculated at the rate of 15 *per cent* per annum.

convincing as the Company did not initiate any effort during 2007-11 to allot the residual plots as only two plots were allotted during that period.

Further, allotment of plots at Abohar and Muktsar was made at unrevised reserve price of March 2009 in 2011-12, which has been commented in paragraph 8.1infra.

Lackadaisical and non transparent approach in allotment of Industrial Plots

2.2.7.2 The Company had allotted only 375 plots during 2007-11 and 357 plots during 2011-12. As on 31 March 2012, 527 industrial plots developed by the Company, were lying unallotted at the remaining 36 focal points in 25 towns, developed by the Company (as per details given in ***Annexure-10***). Scrutiny of records revealed that the Company had issued advertisements for allotment of industrial plots under General scheme during 2005 and thereafter in July/ September 2011 i.e. after a gap of about six years indicating that the Company had not framed any policy regarding periodicity for floating of advertisements for allotment of plots.

As on 31 March 2011, there were 68 unallotted plots at IFP Mohali. But, the Company advertised (July 2011) for allotment of 83 plots of various sizes ranging between 500 square yards and 5,000 square yards. However, it allotted 101 industrial plots (including 22 plots of 2,500 square yards as against 13 offered through advertisement and 14 plots of 3,500 square yards as against five offered through advertisement) against initial advertisement for 83 plots. The Company did not furnish the circumstances as to how it could allot plots in excess of land bank put up for allotment. Similarly, the Company had made allotment of four plots (500 square yards each) against only two available unallotted plots at IFP Hoshiarpur as on 31 March 2011. While**,** residual six plots of IFP Jalandhar (five) and Nawanshahar (one) were not offered for allotment at all.

Non framing of any policy regarding periodicity for floating of advertisements for allotment of plots, increasing/ decreasing the size/ number of plots and non offering of some plots for allotment indicates lackadaisical and non transparent approach of the Company in allotment of industrial plots resulted in defeating the very purpose of providing infrastructural facilities for promoting the interest of small industries in the State.

The Management stated (November 2012) that the Company issued advertisement for allotment of plots only in September 2011 as the industry had been passing through recession in the past. As regards increase in number of plots actually allotted at Mohali on the basis of advertisement of 2011, the same became available as a result of replanning of some areas. The Management also informed that possibility of making allotment of residual plots to entrepreneurs in focal point, Jalandhar would be explored.

Reply of the Management is not convincing as the Company did not issue any open advertisement during 2006-11 even to explore/ assess the demand for residual plots whereas it allotted 375 plots during 2007-11 on off the shelf

basis. Increase in number of plots allotted at Focal point, Mohali, did not match with supporting records of the Company.

Failure to allot plots at Residential Focal Points

2.2.7.3 On the proposal (November 2001) of the Company, the State Government had approved (December 2001) to earmark 20-30 *per cent* area for industrial housing in the existing/ coming-up IFPs and growth centres developed by the Company with the objective of providing integrated industrial and residential facilities to the entrepreneurs. The details of total plots developed, allotted and remained unallotted during the five years ended 31 March 2012 are given in ***Annexure-11***. The scrutiny of the Annexure will reveal that:

- At 17 Residential Focal Points (RFPs), 1,694 plots out of 4,062 plots were still to be allotted as on 31 March 2012. No plot was allotted in any RFP during 2007-12.

- The Company could not allot even a single residential plot at Raikot, Abohar, Malout, Tanda and Mansa focal points since their inception.

We observed that the Company did not float any advertisement for allotment of plots at residential focal points during 2007-12. Lack of clear cut policy relating to allotment of residential plots/ inaction on the part of the Company in making allotment of plots at different RFPs resulted not only in blockade of funds but also in non-achievement of objective of providing integrated facilities to the entrepreneurs/ labourers for speedy growth of industry in the State.

The Management accepted and stated (November 2012) that during last 6-7 years entrepreneurs did not come forward seeking allotment of residential plots in its focal points and as a result the Company did not release advertisement for allotment of residential plots during September 2011. Besides, industrial activity had not picked up at focal points Raikot, Abohar, Malout and Tanda. The Company assured of efforts to invite applications for residential plots at these focal points as and when industrial activity gets stimulus in these areas.

Irregularities in revision of reserve price

2.2.8 The Company allots the industrial plots at its various focal points at reserve price fixed from time to time. In August 1995, a committee constituted for revision of rates of different focal points decided that the Company may fix reserve price in the range of 65 *per cent* to 70 *per cent* of the market price. The committee further desired that there should be a Standing Committee comprising of representatives from the Company and Directorate of Industries, Punjab so that yearly market rates could be ascertained.

Scrutiny of records revealed that reserve price of all the focal points was not revised at the same time in one go on yearly basis. We observed that the

reserve price was being revised from time to time in an adhoc policy. In respect of eight focal points, revision in reserve price was carried out during July 2011 after a gap of six to seven years. This had resulted in loss of revenue as discussed in succeeding paragraphs.

Non-revision of reserve price

2.2.8.1 The Company revised reserve price of plots of its focal points in January 2011 and July 2011 by 25 to 114 *per cent* before floating fresh advertisement for allotment of residual industrial plots lying at different focal points. However, reserve price of plots at Muktsar, Abohar and Pathankot focal points was not revised since March/ October 2009.

Non revision of reserve price of focal points at Muktsar, Abohar and Pathankot resulted in loss of revenue of ₹ 2.01 crore.

On the basis of advertisement (September 2011), the Company allotted 107 plots (99,750 square yards) during 2011-12 - Pathankot: 26 plots measuring 25,000 square yards, Muktsar: 60 plots measuring 44,000 square yards and Abohar: 21 plots measuring 30,750 square yards at their respective unrevised reserve prices. Non-revision of reserve price at these focal points resulted in loss of revenue of ₹ 2.01 crore[9].

Deviation from established practice of single reserve price for different sizes of plots

2.2.8.2 The Company was having an established practice of reserve price fixed on the basis of uniform rate of per square yard (psy) irrespective of the size of plots at each focal point in the State. However, for Mohali focal point, the reserve price of plots was not revised uniformly in accordance with practice of the Company.

We observed that the reserve price for plots measuring up to 500 square yards was enhanced (December 2005) to ₹ 6,000 psy. However, the reserve price for plots of more than 500 square yards was kept unchanged at ₹ 2,700 psy. In April 2006, the Company again revised the rates to ₹ 4,500 psy for plots measuring more than 500 square yards to 1,000 square yards but kept the same rate of ₹ 2,700 psy for plots measuring more than 1,000 square yards which was contrary to the established practice of charging uniform rates for all sizes of plots.

Charging of different reserve price for different sizes of plots resulted in extension of undue favour of ₹ 8.91 crore to the allottees.

The Company Off the shelf allotted 13 plots during 2008-09 at IFP, Mohali: 10 plots of more than 1,000 square yards at the rate of ₹ 2,700 psy and three plots of 1,000 square yards at the rate of ₹ 4,500 psy. The charging of different reserve price for different sizes of plots resulted in extension of undue favour of ₹ 8.91 crore to the allottees to the financial detriment of the Company.

Non compliance of terms and conditions of allotment

[9] Worked out by taking minimum increase of 25 *per cent* of their previously fixed reserve price which the Company adopted in the year 2011 in other cases

2.2.9 The terms and conditions of allotment of plots in focal points *inter alia* provided for payment of 40 *per cent* of tentative cost of plot at the time of allotment and remaining 60 *per cent* either in lump sum within 60 days from the date of allotment or in specified number of equated installments along with specified rate of interest. The allottee was required to take possession of the plot within 90 days from the date of issue of allotment letter. Further, the allottee was required to commence production within three years from the date of allotment of the plot which was extendable by another period of two years on payment of extension fee. The allottee was required to produce SSI registration certificate of the unit as a proof of having brought the unit into production. In case of non compliance with any of the above conditions by the allottee, the Company was liable to initiate action for cancellation/ resumption of plots and forfeiture of the money deposited.

2.2.9.1 ***Vacant and under construction plots***

The Company conducted (March 2009) a survey of allotted plots and found that out of 9,402 plots allotted, only 4,880 were under production, 2,619 plots were lying vacant and 1,903 were under construction as per details given in ***Annexure 12***. As the last allotment was made by the Company during the year 2005, so the period for bringing these units into production had already elapsed. Thus, the allotment of 4,522 vacant and under construction plots was liable for cancellation and resumption as per the terms and conditions of allotment letters. Audit, however, observed that:

- The Company did not initiate any action as per the terms and conditions of allotment letters in respect of plots still under construction or lying vacant.
- The Company did not conduct fresh survey to determine the status of industrial plots after 31 March 2009.

The higher percentage (48) of vacant plots/ plots under construction has defeated the very purpose of allotment of these plots which was for industrialisation of the State and creation of employment.

2.2.9.2 The Company allotted (28 October 1996) plot measuring 5,000 square yards to Sh. Manjinder Singh (allottee) for manufacture of leather footwear in Leather Complex, Jalandhar. The allottee took the possession of the plot after April 2001 and requested (April 2003) for setting up of tanning unit along with leather footwear unit on the above plot. The Company approved (September 2003) the request subject to clearance of outstanding dues of ₹ 7.21 lakh on or before 28 October 2003. The outstanding dues were not deposited except for ₹ two lakh in March 2004. The remaining amount was paid on 17 June 2010 i.e. at the time of seeking transfer of the plot to another person. The transfer was allowed by the Company on 25 June 2010 (within a week).

Non cancellation/ resumption of plot due to non taking of possession/ non payment of dues resulted in undue favour and benefit of ₹ 0.89 crore to the allottee.

Failure of the Company to initiate action for cancellation and resumption of the plot due to abnormal delay of about five years in taking possession of the plot and non payment of dues and subsequently allowing the transfer of the

plot in June 2010 resulted in undue favour to the allottee and benefit of ₹ 0.89 crore[10] to the transferee.

2.2.9.3 Shalimar Estates Private Limited (allottee) was allotted (December 2005) a Multiplex/ Shopping Mall/ Hotel Site measuring 4,042.22 square yards at Mohali through auction for ₹ 30 crore and handed over the possession on 20 December 2005. The allottee paid ₹ 7.50 crore (25 *per cent* of cost) and remaining 75 *per cent* was payable in five annual installments along with normal interest @ 11 *per cent* per annum. The allottee failed to pay any of the installments and deposited only ₹ 30 lakh upto December 2008. The allottee also failed to commence its operations within a period of three years i.e. by December 2008. The Company issued show cause notices in November 2008, October 2009 and April 2012 for action under Clause 31 of allotment letter in view of violation of schedule of repayments, yet no action was initiated to cancel the allotment, forfeit the money deposited and for resumption of plot so far (November 2012).

2.2.9.4 The Company allotted (December 2005) an industrial site for Multiplex/ Shopping Mall/ Hotel Site measuring 8,787.78 square yards to Parsvnath Developers Limited at Mohali through auction for ₹ 56.31 crore and handed over its possession on 29 December 2005. The allottee deposited ₹ 14.08 crore (25 *per cent* of price) and balance 75 *per cent* was payable in five annual installments together with interest @ 11 *per cent* per annum. The allottee deposited only two installments (due in December 2006 and 2007) and requested (November 2009) for rescheduling of the remaining three installments to December 2010, December 2011 and December 2012 and also for waiver of interest/ penal interest for the entire period of delay. The Company neither rescheduled the remaining three installments nor issued any notice until August 2011. Parsvnath developers also failed to commence its operations within three years i.e. by December 2008. Though, the Company issued show cause notice for cancellation of allotment of plot in September 2011 and April 2012, yet no action was initiated for cancellation of allotment, forfeiture of amount deposited and for resumption of plot so far (November 2012).

2.2.9.5 A plot measuring 123.67 acres allotted (June 1995) to Ranbaxy Laboratories Limited (Ranbaxy) in Phase VIII, Mohali was cancelled (August 1999) owing to non implementation of the unit within the prescribed period. The Empowered Committee (EC) of the State Government approved (April 2003) a special package under Mega Project on the request made by Ranbaxy for restoration of cancelled allotment and payment of dues which included waiver of extension fee of ₹ 1.83 crore already deposited by the Ranbaxy and enhancement of additional period of three years from the date of restoration of the plot without levy of any extension fee for setting up of the project. In the event of failure to adhere to the prescribed time schedule for commencement of project, the package was to be withdrawn and the Company was free to take necessary action in terms of the allotment letter. Area of 80 acres of the plot

[10] Based upon reserve price of ₹ 2,000 psy at the time of transfer.

(after surrender of 43.67 acres by Ranbaxy) was restored (January 2004) to Ranbaxy.

We observed that Ranbaxy did not bring the unit into production at its plot upto July 2011 in violation of spirit of Special Package granted in April 2003. Hence, the benefits of special package allowed in January 2004 at the time of restoration of plot was required to be withdrawn in January 2007 and the waived off extension fee of ₹ 1.83 crore was to be recovered as per terms of special package. Further, the plot was to be resumed as per terms of allotment. Audit, however, observed that the Company did not initiate any action in this regard (November 2012).

The Management stated (November 2012) that since the issues concerning re-allotment made to Ranbaxy were dealt with by the State Government, the audit observations had been forwarded to Director of Industries & Commerce, Punjab, for further action and clarification. Further developments were awaited.

Non enforcement of zoning/ building bye-laws

2.2.10 The allottee of the industrial plot was required to abide by zoning plan/ building bye-laws of the Company. The Company also approved (February 2005) a policy for dealing with the cases of zoning/building bye-laws violations. The policy provided that no compromise was to be done in respect of major violations where demolition was the only solution and prescribed rates for compounding of minor violations.

Audit observed that the Company failed to enforce the policy of charging compounding fee for minor violations as well as initiating punitive action for major violations by the defaulting plot owners.

With a view to facilitate the allottees for obtaining permission to convert leasehold industrial plots into freehold, the Company decided (March 2010) not to obtain the field verification reports regarding zoning and building bye-laws violations and instead opted to obtain an undertaking from the plot holders for abiding the zoning/ building bye-laws. Otherwise he would be liable to act as per policy of the Company in case of violations.

In response to the above decision of the Company, the Department of Disinvestment of State Government directed (April 2010) the Company to obtain the field verification report of zoning & building bye-laws violations and also to remove unauthorized construction/ violation at the cost of plot holders in case they fail to do so on their own. Instead of implementing the State Government's above directives, the Company decided (September 2011) to do away with the system of even obtaining the undertaking as per its earlier decision of March 2010 on the directives of the Government. This decision of the Company resulted in jeopardizing the safety measures and non-enforcement of its own zoning/ building bye-laws.

We observed that the Company had not conducted any survey of its industrial plots having violations of zoning plans/ building bye-laws at its focal points.

Thus, there was complete absence of any internal control mechanism to safeguard the interests of the men and machines lying at concerned industrial units, neighbouring industrial units as well as public at large. A case in point is a building (Shital Fibres Limited) constructed at IFP Jalandhar collapsed on 15 April 2012, whose status regarding submission of building plan and/ or extent of zoning/ building bye-laws violations was not on record (July 2012).

The Management stated (November 2012) that the allottees had been asked through public notice (July 2012) for demolishing the offending portions in violation of zoning plans/ building bye laws which affect the safety of the structures. The Management's contention of having not jeopardized the safety measures does not stand scrutiny as it diluted its decision of March 2010 in its decision of September 2011.

Non implementation of Telecommunication Policy

2.2.11 The Company got approved (January 2005) from the State Government its Telecommunication Policy for installation of telecommunication towers in its focal points which *inter alia* provided for charging of regularisation fee equivalent to 50 *per cent* of amount paid by the Cellular Companies to the allottees or ₹ 2,000 per month for roof towers and ₹ one lakh per month for high rise telecommunication towers, whichever was higher. The Company/ State Government further made (May 2006) provision to charge interest on arrears at the rate of 11 *per cent* per annum plus penal interest at the rate of three *per cent* per annum. The Company received 14 requests from Cellular Companies/ individual allottees for regularisation of already installed telecommunication towers in focal points on which no action was taken as per its Telecommunication Policy. The Company had not conducted any survey to determine the total number of towers actually installed in its different focal points thereby defeating its Telecommunication Policy which was aimed at tapping new sources of revenue generation.

We observed

- The Company issued (September 2004) notice to Kumar Steels and Engineering Works (firm) for installation of high rise telecommunication tower in their plot no. C-50 at focal point, Jalandhar. The firm represented (November 2011) against Company's policy. The Company had not taken any decision in this regard so far (November 2012). This resulted in non recovery of ₹ 0.98 crore (November 2012).

- The Company issued (April 2005) show cause notice to Spice Telecommunications Private Limited (firm) for installation of high rise telecommunication tower in their plot no. C-105 at Phase-VIII, Focal Point, Mohali. The firm's request (November 2008) to reduce the monthly rent has not been decided so far (November 2012). This resulted in non recovery of ₹ 0.92 crore (November 2012).

- The Company regularised (November 2006) the installation of high rise tower installed in April 2003 by Mahindra Industries in their plot

Delay in taking decision as per Telecommunication Policy resulted in

no. K-62 at Phase-VIII, Focal Point, Ludhiana for a period of five years from April 2003 at a monthly fee of ₹ 2,000 instead of ₹ one lakh per month applicable for high rise telecommunication towers. This resulted in short recovery of ₹ 1.14 crore (November 2012).

The Company's delay in taking decision as per Telecommunication Policy resulted in non/ short recovery of ₹ 3.04 crore besides loss of interest which led to extension of favour to these three allottees at the cost and expense of the Company.

Maintenance of Focal Point

Non-transfer of maintenance of focal points

2.2.12 The Company had developed focal points in 27 towns as of 31 March 2012 (excluding focal point Mansa where no progress was achieved). In view of the gestation period of five years for industrial units to come into production, the project cost estimates for development of focal points contained provision for maintenance of essential services for the initial period of five years and thereafter these were to be the transferred to the respective Municipal Committee/ Corporation (MC).

The State Government decided (September 1999) that the Managing Director of the Company and concerned Municipal Commissioners would jointly assess the deficiencies in the infrastructure provided in the focal points and finalise the estimated cost for bringing the services up to the level originally envisaged and the Company was to deposit the amount against such estimates with local bodies at the time of transfer of focal points. The Company would not pay for any strengthening/ upgradation/ widening/ replacement of any additional work. MC would take over the need based maintenance staff from the Company.

We observed that only seven[11] focal points were transferred during 1980 and 2000. Though the joint survey of another six[12] focal points was carried out, but the same were yet to be transferred and for the remaining 14 focal points, even joint survey was not carried out (July 2012).

We further noticed that even though the Company had deposited (March 2006) ₹ 0.22 crore towards estimated cost of development of focal point, Jalandhar with the Municipal Corporation but the transfer was yet to be made (July 2012).

Thus, failure of the Company to transfer the remaining focal points resulted in avoidable expenditure on maintenance beyond the period of five years as discussed in succeeding paragraphs.

The Management stated (October 2012) that a draft Memorandum of Understanding for transfer of focal points, Jalandhar to MC had been sent to

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[11] Bathinda (Old and IGC), Mohali (except Phase VIII A & B), Amritsar, Rajpura, Khanna, Dhandari Kalan (Ludhiana) and Patiala.

[12] Jalandhar (Old & Expansion, SSGC, Leather Complex), Derabassi, Hoshiarpur, Naya Nangal, Sangrur, Tarn Taran.

Commissioner for acceptance. The MC assured to take over the focal points, Jalandhar after getting the resolution passed in the House of MC, Jalandhar.

Extra expenditure due to non-recovery of maintenance charges

Incurring of expenditure on repair and maintenance and non initiation of action for recovery of the same from the allottees resulted in extra burden of ₹ 10.18 crore.

2.2.12.1 The Company decided (September 2003) to recover ₹ six psy per annum from September 2003 till the maintenance of the focal points was taken over by MCs. It was also decided that focal point wise joint accounts would be opened and the maintenance expenditure would be met out of such receipts**.** We observed that no action for recovery of maintenance charges was taken and rather it incurred an expenditure of ₹ 10.18 crore on repair and maintenance of the focal points during 2007-12 which was an extra burden on the Company (July 2012).

The Management stated (October 2012) that notices were issued to Industrial Associations for depositing requisite maintenance charges but the Associations did not deposit any amount. The fact remains that non recovery of maintenance charges from allottees resulted in avoidable burden of maintenance expenses on the Company.

Payment of idle wages

2.2.12.2 The Disinvestment Commission constituted by the State Government reviewed the activities undertaken by various State Public Sector Undertakings (PSUs) vis-à-vis their staff strength and in respect of the Company, it recommended for reduction of manpower from 1,444 (including daily wagers and work charged employees) to 500 within one year with 25 *per cent* reduction in each quarter. Moreover, in view of change (March 2003) in Industrial Policy, the Company was not to develop any more IFP on its own and Public-Private partnership for development of infrastructure was to be followed. Resultantly, the entire workforce of daily wagers and work charged establishment was rendered surplus.

In view of the above, the Company requested (September 2005) the State Government for granting permission to retrench daily wage and work charged employees. The State Government directed (December 2005) the Company to approach Labour Commissioner, Punjab as per section 25N of the Industrial Disputes Act, 1947 at its own level in this regard.

Non taking up of action to retrench daily wagers and work charged employees resulted in payment of idle wages of ₹ 14.67 crore during 2007-12.

We noticed (July 2012) that the Company neither took up the matter with the Labour Commissioner, Punjab nor took any decision to retrench the daily wagers and work charged employees though seven years had already elapsed. Thus, continuation of services of 384 daily wagers and 74 work charged employees in contravention of the recommendations of the State Disinvestment Commission resulted in payment of idle wages of ₹ 14.67 crore during 2007-12.

The Management stated (November 2012) that the case for regularization of daily wage and work charged employees fulfilling the required criteria as per State Government policy guidelines issued in November 2012 was forwarded through its Administrative Department to the State Government. The

Management further stated that work force was fully utilised as a lot of construction/ developmental works were undertaken during 2007-11. However, the Company did not take up any new development of focal point except the one at Kapurthala where development works were not executed by the Company through its own work force but were awarded to outside contractors.

Avoidable expenditure on upgradation of IFPs

2.2.12.3 The Company took up upgradation works of nine focal points (five[13] developed by Industries Department and four[14] developed by the Company) aggregating to ₹ 67.32 crore out of its own funds as per the decision taken by Principal Secretary, Industries and Commerce, Punjab in a meeting held on 30 August 2011.

Avoidable expenditure of ₹ 10.10 crore on upgradation works of focal points already transferred to MCs.

We observed that these IFPs were already transferred during 1980-2000 to respective Municipal Corporations/ Committees (MCs) for which responsibility for maintenance was of the respective MCs and the decision taken was in contravention of the already approved policy of the Company.

Thus, Company incurred an avoidable expenditure of ₹ 10.10 crore (expenditure up to December 2011) on upgradation works of focal points already transferred to MCs.

Reconciliation of funds released to Collector Land Acquisition

2.2.13 The Company had been releasing funds to Collector Land Acquisition (CLA) for making payment of land compensation to land owners by that office. We observed that the Company had not evolved any system for carrying out periodical reconciliation to ensure that funds, if any, remaining surplus with CLA on account of non payment of compensation/ excess payment made were refunded to the Company without any loss of time. The Company had not maintained proper records of payments made to CLA and adjustments made thereagainst. There were huge differences between the payments made by the Company and acknowledged by CLA as per details given in ***Annexure-13***. This resulted in non adjustment of excess amounts which remained outstanding with CLA.

₹ 13.26 crore were lying unutilised with CLA.

- The Company's funds to the tune of ₹ 13.26 crore (as per details given in ***Annexure-13***) were lying unutilised with CLA upto 31 March 2010.

Belated implementation of Supreme Court's decision resulted in excess payment of interest on solatium of ₹ 14.31 crore.

- Supreme Court ordered (September 2001) interest on solatium[15] can be allowed by Execution Court in pending execution petitions for the period from 19 September 2001 onwards and not for any prior period even in those cases where the interest on solatium has not been specifically allowed but the claim for interest on solatium has not been

[13] Phagwara (Kapurthala), Hoshiarpur, Ferozepur, Batala (Gurdaspur) and Malerkotla.
[14] Bathinda (Old/ IGC), Khanna (Ludhiana), Ludhiana and Mohali.
[15] A form of compensation for emotional rather than physical or financial harm.

expressly or impliedly rejected by reference Court or the Appellate Court. Thus, interest on solatium should not be paid for any period prior to 19 September 2001. However, CLA implemented the decision belatedly from 5 September 2008 i.e. after a gap of seven years resulting in excess payment of interest on solatium amounting to ₹ 14.31 crore.

The Management stated (October 2012) that interest on solatium would be taken into consideration while finalization cost sheet for recovery of enhanced land compensation from allottees. Further developments were awaited.

- The Consultant engaged for reconciliation work had also pointed out (October 2004) excess payment of ₹ 0.92 crore made by the CLA to land owners of focal points Bathinda (₹ 0.31 crore), Ludhiana (₹ 0.51 crore), Mandi Gobindgarh (₹ 0.02 crore) and Mohali (₹ 0.08 crore). The amounts were yet to be recovered despite lapse of about eight years.

- The Company's funds of ₹ 0.51 crore were utilised (June 2005) by CLA for other parties i.e. Punjab National Fertilizers Corporation Limited, Ropar (₹ 0.37 crore), Cement Corporation of India, Bathinda (₹ 0.09 crore) and Vardhman Polytex, Bathinda (₹ 0.05 crore). The amounts were yet to be refunded/ adjusted by the CLA (July 2012).

Recovery from allottees

Non recovery of enhanced compensation

2.2.14.1 Enhancement of compensation of land awarded by the Courts or otherwise was payable within 30 days from the date of demand raised by the Company. The amount of compensation paid by the Company was debited to allottees account and notices were issued in respect of plots already allotted. The details of actual payments on account of enhanced compensation vis-à-vis demand raised by the Company i.e. amount booked towards enhancement cost are given below:

(₹ in crore)

Year	Amount of enhanced compensation paid by the Company	Amount of enhancement booked in allottees' accounts	Amount of enhancement not booked in allottees' accounts
(1)	(2)	(3)	(4) = (3) – (2)
2004-05	20.55	14.98	5.57
2005-06	61.22	20.30	40.92
2006-07	44.19	41.01	3.18
2007-08	5.01	-	5.01
2008-09	7.70	7.68	0.02
2009-10	15.81	15.81	-
2010-11	12.73	11.89	0.84
Total	**167.21**	**111.67**	**55.54**

The system to watch the recovery was prone to delay/ non recovery from the allottees as the Company had

Thus**,** the Company had not booked ₹ 55.54 crore in allottees account during the period 2004-11, for which no reasons were on record.

We also noticed that the accuracy of the amount recoverable from allottees could not be confirmed as the Company had not maintained allottee-wise ledgers and recovery position was watched through allottees' files only, in the absence of which, age wise analysis/ recovery from allottees and instances of perpetual defaulters were not determinable. The system was, thus, prone to delay/non-recovery of enhanced compensation, interest and other levies.

Non-recovery of water and sewerage charges

2.2.14.2 The Company approved (January 2004) the water and sewerage charges as notified by the Government of Punjab. During the special survey conducted by the Company it was noticed that these charges were not being paid by all the entrepreneurs. In order to ensure foolproof recovery of these charges, the Company fixed (September 2009) water charges for construction of plots, disconnection charges, reconnection charges and rates for running own tube wells by the entrepreneurs and sewerage charges to be levied after one year from the release of water connection for construction or on installation of water meter, whichever was earlier.

Water and sewerage charges were being collected by two divisions' viz. Division 1, Chandigarh and Division 4, Jalandhar from the allottees of different focal points under their respective jurisdiction.
We noticed Division 1 did not prepare any MIS report and produced records relating to billing and collection of water and sewerage charges and were unauditable.

At Division 4, Jalandhar outstanding amount of ₹ 4.59 crore comprised of ₹ 2.74 crore due to court cases and the remaining ₹ 1.85 crore in arrears as on November 2011.

Thus, it shows that the Company had not evolved any internal control mechanism for regular recovery of water and sewerage charges from the allottees.

Working of emporia

2.2.15 With the object of rendering marketing assistance to the artisans and craftsmen engaged in the manufacture of handicrafts, handloom and other cottage cum small scale industries, seven emporia were being run by the Company under the brand name 'Phulkari'.

The Company's sales at its emporia consisted of direct sales, consignment sales and contract sales. The following table indicates the actual sales, cost of goods sold, percentage of cost of goods sold to sales and percentage of other costs to sales during the last four years ending March 2011. The accounts for 2011-12 were yet to be prepared by the Company (July 2012).

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11 (Provisional)	2011-12 (Provisional)
Sales	11.47	6.32	5.95	7.68	10.08
Other income	0.10	0.05	0.02	0.07	0.03
Total income	**11.57**	**6.37**	**5.97**	**7.75**	**10.11**
Cost of goods sold[16]	9.62	4.89	4.59	6.23	8.99
Other cost[17]	1.72	2.06	1.64	1.85	1.27
Total cost	**11.34**	**6.95**	**6.23**	**8.08**	**10.26**
Profit (+) / Loss (-)	**0.23**	**(-)0.58**	**(-)0.26**	**(-)0.33**	**(-)0.15**
Percentage of cost of goods sold to sales	83.87	77.37	77.14	81.11	89.19
Percentage of other cost to sales	15.00	32.59	27.56	24.09	12.60

From the above, it would be seen that the Company is incurring losses since 2008-09. Emporia-wise results are given in ***Annexure-14***. Six emporia (Amritsar, Jalandhar, Kolkata, Ludhiana, New Delhi and Patiala) suffered losses of ₹ 2.01 crore during the five years ending 31.03.2012. Only one emporium at Chandigarh earned profits of ₹ two crore during 2007-12. The profit of Chandigarh emporia which was ₹ 0.58 crore during 2007-08 also decreased to ₹ 0.21 crore during 2011-12. The overall loss of emporia division of the Company was ₹ 0.01 crore during 2007-12. However, after apportionment of Head Office expenses of ₹ 1.08 crore it suffered a net loss of ₹ 1.09 crore.

The Company failed to initiate steps to turnaround the working of its six persistently loss making emporia. We observed that the continued losses were due to higher percentage of the cost of goods sold to sales which ranged between 77.14 *per cent* and 89.19 *per cent* of sales. Other costs were also increasing and ranged between 15.00 *per cent* and 32.59 *per cent* of sales which resulted in lesser profit margin.

The Management stated (August 2012) that major reason for increase in other cost is the revision of pay scale of staff. Besides, recessionary conditions prevailing worldwide have affected the sales/ profit. We noticed the Company did not initiate action on the recommendations of Disinvestment Commission which required the activities of emporia to be run on commercial lines in joint

[16] Cost of goods sold includes opening stock + purchases – closing stock.
[17] Other cost includes expenditure on salaries, administration expenses, financial expenses, selling & distribution expenses and depreciation.

collaboration with private parties through MOU with a provision that they ultimately will buy these emporia.

Procurement and distribution of raw material

2.2.16 With a view to assist small scale industrial (SSI) units, the Company procures iron and steel and coal from the manufacturers/ Coal India Limited and distributes it to SSI units at the rates fixed by the manufacturers from time to time by having a margin for the Company to meet its handling and overhead expenses. The table below gives details of quantities of iron and steel and coal allocated and lifted during the five years up to 2011-12.

(Quantity in MTs)

Particular	**Year**				
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**
(A) Iron and Steel					
Quantity allocated	68,777	89,839	89,838	89,838	89,838
Quantity lifted	38,391	25,443	36,264	35,523	30,897
Percentage of quantity lifted to allocated	**56**	**28**	**40**	**40**	**34**
(B) Coal					
Quantity allocated	15,000	2,18,000	2,18,000	2,18,000	2,18,000
Quantity lifted	12,270	14,433	29,774	99,295	77,411
Percentage of quantity lifted to allocated	**82**	**7**	**14**	**46**	**36**

The table shows that the Company had not been able to lift the allocated quantity of material during all the five years up to 2011-12 because of no demand due to freedom to purchase from producers/ other suppliers.

The Management stated (August 2012) that private sector is directly buying raw material from the main producers after decontrol of iron and steel and there was no binding on the SSIs to buy these materials from it.

Export Promotion – ASIDE SCHEME

2.2.17 The Government of India introduced (March 2002) a scheme for extending Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE). The objective of the scheme was to provide assistance to the State Governments for creating appropriate infrastructure for the development and growth of exports. The outlay under the scheme consisted of two components i.e. State component (80 *per cent*) and for Central component (20 *per cent*).

The Company was made nodal agency for the implementation of the scheme in the State. During 2007-12, the Company received ₹ 61.68 crore under State component and ₹ 8.40 crore (June 2005/ August 2009) under Central component under this scheme. The following irregularities were noticed by audit in implementation of this scheme:

Execution of Common Effluent Treatment Plant

2.2.17.1 The GOI approved (May 2005) setting up of second module of Common Effluent Treatment Plant at Leather Complex, Jalandhar under Central Component of the scheme and released ₹ four crore in June 2005. The GOI while approving (August 2009) release of second installment of ₹ 4.40 crore stipulated out of project cost of ₹ 16.80 crore, ₹ 8.40 crore would be utilised from GOI funds and ₹ 8.40 crore would be borne by Punjab Infrastructure Development Board (PIDB), escalation to be borne by the Company.

In terms of directions of Punjab & Haryana High Court, a Special Purpose Vehicle (SPV) namely Punjab Effluent Treatment Society for Tanneries (PETS), Jalandhar was created and registered (November 2006) for implementation of the project. PETS awarded (February 2009) the work for ₹ 18 crore. We observed:

The Company submitted Utilisation Certificates for ₹ 8.40 crore without obtaining detailed statement of accounts.

- The Company had submitted utilisation certificates for ₹ 8.40 crore (June 2009/ May 2011) to the GOI without obtaining detailed statement of accounts and proof relating to proper utilisation of funds released under the scheme.

- The original project cost of ₹ 18 crore was revised to ₹ 18.80 crore by PETS, against which ₹ 8.40 crore was provided by GOI and equal amount of ₹ 8.40 crore was to be contributed by PIDB. The remaining amount of ₹ 2 crore was to be borne by the Company. However, the Company had not released any amount from its own source for this purpose.

Resultantly, the execution/ completion of the project as envisaged could not be ensured in audit.

Release of funds to ineligible projects

2.2.17.2 As per ASIDE scheme, the State Level Export Promotion Committee (SLEPC) was to scrutinise and approve the projects. The proposed project should not be funded from annual plan of the Central Government/ State Government and should also not duplicate the efforts of any existing organisation in the same field.

(a) The SLEPC approved (September 2005) a project to set up multipurpose fruit and vegetable processing facilities at Hoshiarpur. The Company released (September 2006) ₹ 4.62 crore to Punjab Agro Juices Ltd. (PAJL) for this project.

Scrutiny of records revealed that PAJL was already disbursed (February 2006) ₹ 3.55 crore under 'Additional Central Assistance (ACA)' and ₹ two crore under 'National Horticulture Mission (NHM)' of GOI for the same project.

Release of ₹ 4.62 crore to an ineligible project of Punjab Agro Juices Limited resulted in violation of scheme guidelines.

We observed that the Company released (September 2006) ₹ 4.62 crore to an ineligible project, as the same was already financed under other schemes in violation of the scheme guidelines which prohibits for financing of the same project under two different schemes of GOI.

The Management stated (October 2012) that the grant of ₹ 4.62 crore under ASIDE was utilised for the purpose for which it was granted. The reply is not acceptable as the scheme guidelines prohibits funding of the same project under different schemes of Central/ State Government.

(b) SLEPC approved (January 2011) the project for upgradation of Punjab Bio-Technology Incubator's (PBTI) - Agri cum Food Testing Facilities at Mohali for ₹ 6.89 crore with contribution of ₹ 5.55 crore under the Scheme and rest of ₹ 1.34 crore was to be contributed from PBTI's own sources. The Company released ₹ four crore to PBTI between July 2011 and February 2012.

Release of ₹ 4 crore to an ineligible project of Punjab Bio-Technology Incubator resulted in violation of scheme guidelines.

We observed that setting up of PBTI was approved (March 2005) by Ministry of Science and Technology, GOI with ₹ seven crore as contribution of Department of Bio Technology (DBT) – GOI and State Government's share was ₹ 3.52 crore. PBTI received ₹ 6.22 crore as grant-in-aid from DBT and ₹ 4.40 crore from Punjab Government under Plan schemes during the period from 2005-11. Thus, ₹ four crore was released to an ineligible project as the same was already financed/ funded under other schemes of GOI and the State Government in violation of guidelines of the scheme.

The Management stated (October 2012) that GOI had not funded for the purchase of equipments for which ASIDE grant was released. Our contention stays that the project financed under the scheme was for upgradation of existing testing facilities, which was already financed under Central Government/ State Government schemes.

Non-Execution of works

2.2.17.3 SLEPC approved (March 2004) development of roads and other export infrastructure near Dry Port, Ludhiana with a cost of ₹ 15 crore consisting of ₹ three crore under the scheme and balance ₹ 12 crore from sources of Municipal Corporation (MC), Ludhiana. The Company released (March 2004) first installment of ₹ two crore. SLEPC decided (September 2005) that spot verification be done by the Managing Director of the Company before releasing remaining ₹ one crore and in case the funds provided under the scheme have been diverted to other projects, the State Government would ensure reimbursement of the funds already released. There was nothing on record which shows that the spot verification was done by the Managing Director in regard to utilisation of ASIDE funds. The MC, Ludhiana informed (June 2008) that the works for ₹ 9.46 crore were allotted as the scope of work was reduced in view of continuous problem of overflowing of sewer and only ₹ 4.35 crore had been incurred.

The Company released ₹ two crore for unidentified works for which no works could be identified

The results of joint inspection of roads for determining the details of roads constructed and/ or diversion of funds were not verifiable from records of the Company. Thus, ₹ two crore released for unidentified works for which no works could be identified, refund be sought.

Diversion of funds

2.2.17.4 The scheme guidelines provided that activities aimed at development of infrastructure for exports could be funded provided such activities had overwhelming export content and their linkage with exports was fully established. The scheme also envisaged creation of assets of capital nature only.

Releasing of ₹ 37 crore for upgradation of infrastructure/ roads which were neither of capital nature nor having direct linkage with exports resulted in violation of scheme

SLEPC approved (March 2004 – January 2011) ten projects amounting to ₹ 37 crore for upgradation of infrastructure, roads at existing focal points, SAIL stockyard and emporia of the Company. These projects were financed in violation of scheme guidelines which were neither of capital nature nor having direct linkage with exports and as such were ineligible for funding under the scheme.

Audit observed that SLEPC committed irregularity by approving ineligible works of the Company in violation of the scheme guidelines which resulted in diversion of funds of ₹ 28.56 crore incurred on these works up to December 2011.

The Management stated (October 2012) that projects funded under the scheme were scrutinized and approved by SLEPC headed by Chief Secretary, Punjab. It also stated that there was no mention in the scheme guidelines requiring creation of assets of capital nature and the projects having direct or indirect linkage to exports. The reply is not supported by terms of the scheme as projects having direct linkage with exports only were eligible for funding under the scheme and the scheme also envisaged creation of assets of capital nature only.

Execution of Deposit works

2.2.18 The Company also carried out the deposit works of various institutions/ societies. Scrutiny of record of the execution of deposit works revealed as under:

Irregular waive-off of supervision charges

Waival of supervision charges resulted in non recovery of ₹ 0.98 crore from NIIFT.

- The construction of Northern India Institute of Fashion and Technology (NIIFT) campus, Mohali, was entrusted (November 2010) to the Company as a deposit work for which it was to be paid supervision charges @ 7.50 *per cent* of the actual construction cost. The deposit work was completed in December 2011 at a cost of ₹ 16.74 crore on which supervision charges of ₹ 1.26 crore were recoverable. The NIIFT paid only ₹ 0.28 crore as supervision charges. On NIIFT's request, the Company waived off (April 2012) the balance supervision charges of ₹ 0.98 crore. The Company should not have waived off the supervision charges recoverable as per agreement with NIIFT, a registered society under the Societies Registration Act, 1960.

Thus, irregular decision of the Company resulted in loss of revenue of ₹ 0.98 crore.

- Similarly, the Company got executed the construction work of NIIFT centre, Jalandhar on which an expenditure of ₹ 5.34 crore was incurred up to (February 2012). The work stood abandoned for want of funds. The supervision charges of ₹ 0.40 crore had not been recovered so far (November 2012).

Internal audit and internal controls

2.2.19 Mention was made in paragraph 2A.9 and 2A.10 of the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1993 and 31 March 2002 (Commercial) – Government of Punjab, respectively regarding non-preparation of any Internal Audit Manual for laying down functions, scope and periodicity of audit. There was no system of reporting the results of internal audit periodically to the Board of Directors (BOD) of the Company. Audit observed that:

- The Company had not prepared any internal audit manual inspite of its multifarious activities even after lapse of more than 50 years since its incorporation.

- Results of internal audit were not submitted for the information of the BOD.

- The Company had not constituted 'Audit Committee' as required under section 292-A of The Companies Act, 1956 since December 2000 for which no reasons were apprised to Audit.

Thus, there is weak internal control and lack of internal audit mechanism in the Company.

The Management stated (November 2012) that internal audit manual had already been prepared and the concerned wing brought the serious irregularities to the notice of the BOD. However, we neither observed any audit manual nor noticed instances of serious irregularities brought up before its BOD during the period 2007-12.

Conclusion

The performance of Punjab Small Industries & Export Corporation Limited with regard to aiding and protecting the interest of small scale industries in the State by providing infrastructure facilities, arranging raw material and assisting in marketing their products was sub-optimal due to the following:

- **The Company failed to allot all the plots at its industrial and residential focal points even after lapse of more than 15 years from the development of focal points.**

- **The Company failed to initiate action for cancellation/ resumption of plots in cases of non-compliance of the terms and conditions of allotment of plots.**
- **The Company continued to incur heavy expenditure on the maintenance of 20 industrial focal points which were to be maintained by the local bodies after five years of their establishment.**
- **The system to watch the recovery from the allottees was deficient and prone to delay/ non – recovery of enhanced compensation, interest and other levies as the Company did not maintain allottee wise ledgers.**
- **All emporia except one were continuously running in losses and the Company failed to turnaround their operations.**
- **The Company as nodal agency for implementation of Government of India's scheme for extending "Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE)" in the State failed to achieve the desired objectives as funds were released to ineligible projects.**

Recommendations

We recommend that:

- **The Company should explore the opportunities to allot residual plots at its industrial and residential focal points so as to accelerate the pace of development of small scale industries in the State.**
- **The Company should initiate timely action for cancellation/ resumption of plots in case of non-compliance of terms and conditions of the allotment of plots to discourage inactive entrepreneurs.**
- **The Company should initiate the process of transfer of IFPs to Municipal Corporations/ Committees at the earliest so as to save its resources which are being utilised towards their maintenance.**
- **The Company should maintain allottee-wise ledgers to monitor the recovery from allottees effectively.**
- **The Company should endeavour to turnaround the working of its raw material depots and loss making emporia or consider their closure.**
- **The funds received under ASIDE scheme needs to be channelised towards eligible projects having direct linkage with development and growth of exports.**

We referred the matter to the State Government in September 2012; their replies are awaited (December 2012).