

Overview

This Report contains thirteen paragraphs, two performance audits on 'Procurement and custom milling of paddy in Punjab State Civil Supplies Corporation Limited', 'Fuel Management in power generating stations of Punjab State Power Corporation Limited' and an Information technology audit of 'e-procurement system' in Punjab Information and Communication Technology Corporation Limited involving controllable losses/ avoidable expenditure to the extent of ₹ 3285.09 crore due to non compliance with rules, directives and procedures; non safeguarding their financial interests; defective/ deficient planning and inadequate/ deficient monitoring etc. Some of the major findings are mentioned below:

1. About the State Public Sector Undertakings

Investments in PSUs

As on 31 March 2013, the investment in 52 PSUs was ₹ 20,678.63 crore consisting of ₹ 7,838.80 crore as capital and ₹ 12,839.83 crore as long term loans. The capital investment has grown by 104.64 per cent from ₹ 3,830.56 crore in 2008-09 to ₹ 7,838.80 crore in 2012-13 whereas the loan investment has grown by 9.21 percent from ₹ 11,756.98 crore in 2008-09 to ₹ 12,839.83 crore in 2012-13. The thrust of investment in the State was mainly in power sector. Power Sector accounted for 85.19 per cent of the total investment in 2012-13. The Government contributed ₹ 3,743.87 crore towards equity and grants/ subsidies during 2012-13.

(Paragraphs 1.7 to 1.10)

Performance of PSUs

Out of 31 working PSUs for which the accounts were received upto 30 September 2013, 14 PSUs earned profit of ₹ 66.53 crore and 12 PSUs incurred loss of ₹ 2,121.81 crore. Three working PSUs prepared their accounts on 'no profit no loss' basis and two working PSUs are yet to start commercial activities. The major contributors to profit were four PSUs viz. Punjab State Forest Development Corporation Limited (₹ 16.99 crore), Punjab Genco Limited (₹ 13.75 crore), Punjab State Container and Warehousing Corporation Limited (₹ 13.24 crore), and Punjab Financial Corporation (₹ 7.33 crore). The heavy losses were incurred by four PSUs viz. Punjab State Power Corporation Limited (₹ 1,639.77 crore), Punjab State Warehousing Corporation (₹ 222.02 crore), Punjab State Grains Procurement Corporation Limited (₹ 129.72 crore), and Punjab State Transmission Corporation Limited (₹ 56.47 crore).

(Paragraph 1.14)

Quality of accounts

The quality of accounts of PSUs needs improvement. Of the 27 accounts of working companies finalised during October 2012 to 30 September 2013, the statutory auditors had given unqualified certificates for six accounts, qualified certificates for nineteen accounts, adverse certificates for two accounts. All four accounts of

Statutory corporations finalised during October 2012 to 30 September 2013 received qualified certificates. The Reports of the statutory auditors on internal control of the companies indicated several weak areas.

(Paragraphs 1.25 to 1.28)

Arrears in accounts and winding up

Twenty four working PSUs had arrears of 41 accounts as of 30 September 2013. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There were 21 non-working companies. As no purpose is served by keeping these PSUs in existence, Government needs to expedite closing down of the non working PSUs.

(Paragraphs 1.16 to 1.24)

2. Performance audit of Government Companies

Performance audit of 'Procurement and custom milling of paddy by Punjab State Civil Supplies Corporation Limited' and 'Fuel management in power generating stations of Punjab State Power Corporation Limited' was conducted. Important Audit findings are as under:

The **Punjab State Civil Supplies Corporation Limited** is one of the five State foodgrains procurement agencies entrusted with procurement of wheat and paddy in the State for the central pool. Performance audit of procurement and custom milling of paddy by the Company was taken up. The audit findings are summarised below:

The Company could not get reimbursement of guarantee fee of ₹ 2.26 crore. Excess purchase of gunny bales resulted in blockade of ₹ 74.81 crore for at least five months and consequential loss of interest of ₹ 4.05 crore.

(Paragraphs 2.1.9 and 2.1.10)

Failure of the Company to raise transportation charges claims timely and without requisite certified documents resulted in non recovery of transportation charges of ₹ 57.10 crore from FCI as well as irrecoverable loss of interest ₹ 16.97 crore to the Company.

(Paragraph 2.1.12)

Failure of the Company to get paddy milled by millers within stipulated period resulted in loss of interest, custody and maintenance charges of ₹ 1,432.28 crore. Non conducting of physical verifications (PVs) on fortnightly basis resulted in shortage of paddy of ₹ 35.04 crore.

(Paragraphs 2.1.15 and 2.1.16)

Inadequate control on milling operations of paddy resulted in short delivery/ misappropriation of paddy/ rice amounting to ₹ 149.94 crore by the millers.

(Paragraph 2.1.17)

As on 31 March 2013, there were 780 arbitration cases involving ₹ 565.53 crore, on account of shortage of paddy/ short delivery of rice by millers since 1992-93.

(Paragraph 2.1.18)

There was no internal audit system in the Company.

(Paragraph 2.1.32)

Performance audit of fuel management at power generating stations of Punjab State Power Corporation Limited (Company) was conducted. The Company operates three coal based thermal power stations Guru Gobind Singh Super Thermal Plant (GGSSTP) at Roopnagar (1260 MW capacity), Guru Hargobind Thermal Plant (GHTP) at Lehra Mohabbat (920 MW capacity) and Guru Nanak Dev Thermal Plant (GNDTP) at Bathinda (450 MW capacity).

Fuel cost varied from 75 to 85 per cent of total generation cost in different plants during 2008-13. Against linkage of 679.61 lakh MT, the Company could secure receipt of 609.34 lakh MT of coal during 2008-13. Due to poor linkage materialisation by one source, the Company had to draw excess coal supplies over and above the ACQ from other sources and had to pay (August 2010) performance incentive of ₹ 9.14 crore on account thereof and failed to recover compensation of ₹ 115.44 crore for short delivery of coal.

(Paragraphs 2.2.7, 2.2.8.1 and 2.2.8.2)

The Company entered into contracts with washeries to get beneficiated coal. In respect of the washeries, the Company failed to recover commitment charges (₹ 13.19 crore), settle the issue of statutory levies (₹ 19.51 crore) and address the deficiency in contracts with Washerries (₹ 2.02 crore).

(Paragraphs 2.2.9.1, 2.2.9.2 and 2.2.9.4)

Inadequacy of unloading infrastructure/ facilities at the three thermal power stations resulted in avoidable payment of demurrage charges of ₹ 56.75 crore during 2008-13. No effective action was taken to recover underloading and overloading charges of ₹ 68.98 crore.

(Paragraphs 2.2.10.2 and 2.2.10.4)

Coal supply agreements were deficient regarding quality assurance - there was no provision for consideration of grade slippage at the unloading end. The actual consumption of coal was higher than the norms prescribed by PSERC. The excess consumption was valued at ₹ 426.60 crore.

(Paragraphs 2.2.11 and 2.2.12)

Deficient financial management led to non-realisation of claims (₹ 43.41 crore) and release of injudicious advances to suppliers and service providers (₹ 1.25 crore).

(Paragraphs 2.2.14.1 and 2.2.14.2)

Internal control system was found deficient – imbalances in materialisation of coal linkages; non recovery of compensation claims/ sizing/ commitment charges/ debtors etc. were noticed.

(Paragraph 2.2.15.1)

An information technology audit of ‘e – procurement system’ implemented by the **Punjab Information and Communication Technology Corporation Limited** (Punjab Infotech) in the Departments and PSUs in the state was conducted.

‘e-Procurement system’ has been implemented in 36 out of 45 departments in the State. Four out of nine modules have not been implemented even after elapse of more than two years of contract. Non implementation of the full software affected the transparency and efficacy of procurement and optimal benefits could not be achieved.

(Paragraphs 2.3.6.1 and 2.3.6.2)

Punjab Infotech assigned the work of e-Procurement project to M/s ITI Ltd without inviting any open competitive bids in contravention of the guidelines of Central Vigilance Commission (CVC). The departure from the standard practice of inviting competitive bids deprived the Punjab Infotech from getting competitive rates.

(Paragraph 2.3.7.1)

Input and Access Controls in system were weak, thereby, affecting the accuracy and completeness of data.

(Paragraphs 2.3.8.1 and 2.3.9)

Lack of Business Continuity/ Disaster Recovery Plan resulted in non availability of parallel database at a location other than the primary server location to ensure uninterrupted availability of the system.

(Paragraph 2.3.10.3)

3. Transaction audit observations

Gist of the audit observations is given below:

Punjab State Power Corporation Limited’s

- failure to enforce its divisional authorities to check excessive energy losses in respect of independent feeders resulted in revenue loss of ₹ 6.18 crore.

(Paragraph 3.5)

- purchase of rails in advance with the borrowed funds from REC without proper planning and co-ordination resulted into the blockade of funds of ₹ 7.13 crore coupled with consequential loss of interest of ₹ 1.30 crore.

(Paragraph 3.6)

Punjab State Warehousing Corporation, Punjab State Civil Supplies Corporation Limited and Punjab Agro Foodgrains Corporation Limited’s allotment and storing of paddy with the miller in violations of Custom Milling Policy caused financial loss of ₹ 59.10 crore.

(Paragraph 3.7)

Punjab State Warehousing Corporation, Punjab Agro Foodgrains Corporation Limited, Punjab State Grains Procurement Corporation Limited and Punjab State Civil Supplies Corporation Limited's

- delay in recovery of incidental charges of ₹ 159.20 crore and non recovery of bonus and incidental charges of ₹ 18.73 crore resulted in loss of interest of ₹ 6.30 crore.

(Paragraph 3.8(b))

- failure to introduce an effective monitoring system for the procurement of gunny bales and non evolving a crop year wise time bound programme for reconciliation of advance payments resulted in financial loss of ₹ 29.15 crore

(Paragraph 3.9)

Punjab State Industrial Development Corporation Limited's non recovery of interest on expenses, extending OTS to profit making units, accepting OTS after expiry of last date, non exercising of diligence regarding willful default, incorrect covering of unit under riot affected category and favour to ineligible units resulted in financial loss of ₹ 147.80 crore.

(Paragraph 3.10)

Punjab Agro Foodgrains Corporation Limited's failure to maintain the quality of wheat stocks and delivery to FCI in acceptable condition resulted in non reimbursement of carry over charges of ₹ 10.59 crore.

(Paragraph 3.11)