

Overview

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This Report contains 17 paragraphs and two performance audits i.e., ‘Working of Punjab State Warehousing Corporation’ and ‘Micro Hydel Projects in Punjab’ involving controllable losses/ avoidable expenditure to the extent of ₹ 1,906.28 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 2014, the investment in 52 Public Sector Undertakings (PSUs) was ₹ 21,551.05 crore consisting of ₹ 7,867.47 crore as capital and ₹ 13,683.58 crore as long term loans. The capital investment has grown by 104.70 *per cent* from ₹ 3,843.37 crore in 2009-10 to ₹ 7,867.47 crore in 2013-14 whereas the loan investment has grown by 6.78 *per cent* from ₹ 12,814.83 crore in 2009-10 to ₹ 13,683.58 crore in 2013-14. The thrust of investment in the State was mainly in power sector. Power Sector accounted for 84.73 *per cent* of the total investment in 2013-14. The Government contributed ₹ 3,167.17 crore towards equity/loans and grants/subsidies during 2013-14.

(Paragraphs 1.7 to 1.10)

Performance of PSUs

Out of 29 working PSUs for which the accounts were received upto 30 September 2014, 12 PSUs earned profit of ₹ 498.42 crore and 12 PSUs incurred loss of ₹ 758.92 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 seven PSUs viz. Punjab State Power Corporation Limited (₹ 260.55 crore), Punjab State Transmission Corporation Limited (₹ 158.66 crore), Punjab Financial Corporation (₹ 16.69 crore), Punjab State Forest Development Corporation Limited (₹ 16.99 crore), Punjab State Container and Warehousing Corporation Limited (₹ 13.24 crore), Punjab Small Industries and Export Corporation Limited (₹ 15.08 crore) and Punjab Genco Limited (₹ 12.07 crore). Heavy losses were incurred by four PSUs viz. Punjab State Grains Procurement Corporation Limited (₹ 413.86 crore), Punjab State Warehousing Corporation (₹ 267.86 crore), Punjab State Industrial Development Corporation Limited (₹ 43.27 crore) and Pepsu Road Transport Corporation (₹ 10.97 crore).

(Paragraph 1.14)

Quality of accounts

The quality of accounts of PSUs needs improvement. Of the 22 accounts of working companies forwarded to Audit during 2013-14, the statutory auditors had given unqualified certificates for seven accounts, qualified certificates for

fourteen accounts, adverse certificate for one account. Two accounts of Statutory corporations finalised during October 2013 to 30 September 2014 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 six working PSUs had arrears of 42 accounts as on 30 September 2014.

(Paragraph 1.16)

2. Performance audit of Government Companies

Performance audit of 'Working of Punjab State Warehousing Corporation' and 'Micro Hydel Projects in Punjab' was conducted. Important Audit findings are as under:

Working of Punjab State Warehousing Corporation

Non/ delayed availing of cheaper loan from National Bank for Agriculture and Rural Development resulted in loss of ₹ 2.58 crore.

(Paragraph 2.1.10)

Delay in handing over godowns to Food Corporation of India resulted in loss of ₹ 7.68 crore.

(Paragraph 2.1.11.1)

Non adoption of FCI rice driage norms, non-execution of MOUs and delay in lodging of claims resulted in loss of ₹ 158.83 crore.

(Paragraphs 2.1.12.2 to 2.1.12.4)

Poor storage and lack of preservation measures damaged 15,453 MT of wheat valuing ₹ 32.23 crore.

(Paragraph 2.1.14.1)

Failure of the Corporation to get the paddy milled within the stipulated period resulted in loss of interest and custody & maintenance charges of ₹ 556.44 crore and inadequate control on milling operations of paddy resulted in short delivery/misappropriation of paddy/rice amounting to ₹ 62.86 crore by millers.

(Paragraph 2.1.15 and 2.1.15.1)

Transportation charges of ₹ 22.34 crore were not recovered from the millers.

(Paragraph 2.1.15.2)

Micro Hydel Projects in Punjab

149.92 MW power potential could not be harnessed due to non-resolution of inter-state water dispute, delay in implementation of project by PSPCL and lack of efforts by PEDDA to harness potential on run-off-river and distributaries.

(Paragraph 2.2.6)

Only 17.65 MW potential was harnessed during 2006-07 to 2013-14 against the target of 200 MW potential as envisaged in NRSE Policy 2006.

(Paragraph 2.2.7)

Out of 22 projects (26.90 MW) commissioned by independent power producers during the years 2003-04 to 2013-14, 21 projects (26.25 MW) were commissioned with delay ranging between 3 and 86 months.

(Paragraph 2.2.8)

Handing over the operation and maintenance of four MHPs of Punjab State Power Corporation Limited to a contractor was not successful due to not ensuring preventive & routine maintenance. There was theft of major components, closure of the projects with consequential loss of generation of 10 MUs of power each year.

(Paragraph 2.2.11)

Punjab Irrigation Department delayed recovery of charges of ₹ 2.15 crore from various developers of micro hydel projects on account of various facilities provided by the government on concessional rates.

(Paragraph 2.2.14)

3. Transaction audit observations

Gist of important audit observations is given below:

Punjab State Power Corporation Limited

- Process for selecting JV partner through tenders were full of ambiguity yet the Company did not consider the desirability of inviting the bids afresh despite expert opinion. Rates for supply of coal were based on CIL rates instead of being based on production cost plus profit. Non determination of coal price on cost to produce basis resulted in extra payment of ₹ 29.59 crore to PANEM/ EMTA in respect of grade D coal supplied to PSPCL during 2013-14 alone. The structure of share capital was not followed as per agreement. Partnership firm was allowed to convert into a company and PANEM was allowed to book expenditure incurred by EMTA without verification. The mining operations were sub contracted to EMTA. There was delay in commencement of mining activities; washery and railway siding were not installed by JV partner, EMTA. Supply of entire mined coal as per its quality was not assured. PANEM was not impressed upon to discharge liability for mine closure plan.

(Paragraph 3.1)

- Failure to make timely payments of material to small scale industrial units resulted in extra burden of interest of ₹ 47.81 crore.

(Paragraph 3.3)

- Contribution of ₹ 25 crore to Punjab State Cancer and Drug Addiction Treatment Infrastructure Fund by the Company was against the provisions of Government of Punjab, Department of Health & Family Welfare notification and the provisions of Companies Act.

(Paragraph 3.7)

Punjab Financial Corporation

- Extension of One Time Settlement (OTS) Policy without the approval of State Government, less/ non charging of interest, non-adherence to OTS Policy, irregular implementation, favour to a loanee unit and unjustified OTS to a defaulter resulted in loss of ₹ 163.47 crore.

(Paragraph 3.8)

Punjab State Grains Procurement Corporation Limited

- Failure to take up with the State Government the matter of making a provision of compensation in lieu of waiver/ non incorporation of penal interest clause for extended/ delayed period of milling of paddy and delivery of rice for KMS 2010-11 and 2011-12 resulted in financial loss of ₹ 415.50 crore.

(Paragraph 3.13)

- Failure to recover cost element of transportation of paddy up to 8 Kms included in milling charges from the millers resulted in financial loss of ₹ 103.01 crore.

(Paragraph 3.14)