

Chapter-I
Functioning of
State Public Sector
Undertakings

Chapter-1

Functioning of State Public Sector Undertakings

Introduction

1.1 State Public Sector Undertakings (PSUs) are established to carry out activities of commercial nature and occupy an important place in the State economy. As on 31 March 2017, there were 51¹ PSUs. Of these, one² company was listed on the stock exchange(s). The details of the State PSUs as on 31 March 2017 are given in table 1.1 below.

Table 1.1: Total number of PSUs as on 31 March 2017

Type of PSUs	Working PSUs	Non-working PSUs ³	Total
Government Companies	26	21 ⁴	47
Statutory Corporations	4	-	4
Total	30	21	51

The working PSUs registered a turnover of ₹57,795.90 crore as per their latest finalised accounts as of 30 September 2017. This turnover was equal to 13.53 *per cent* of the Gross State Domestic Product (GSDP)⁵ for 2016-17. The working PSUs incurred an accumulated loss of ₹8,852.26 crore as per their latest finalised accounts as of 30 September 2017. They had 47,905 employees at the end of March 2017.

Accountability framework

1.2 Audit of Government companies is governed by Section 143 (6) of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s) and includes a subsidiary of a Government company. Further, as per Section 143 (7) of the Act, in case of any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments, the Comptroller and Auditor General of India (CAG) may, if he considers necessary, cause test audit to be conducted of the accounts of such companies and provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to such test audit. Audit of the financial statements in respect of the financial years that commenced earlier than 01 April 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

¹ Including Mohali Biotechnology Park which was incorporated on 25 January 2011 but the information of its incorporation was received during 2016-17.

² Punjab Communications limited

³ Non-working PSUs are those which have ceased to carry on their operations.

⁴ During the year, one company i.e. Punjab Agro Power Corporation Limited became non-working.

⁵ GSDP figure ₹ 4,27,297 crore as per Government of India, Ministry of Finance letter dated 29 March 2016.

Statutory Audit

1.3 The financial statements of the Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Companies Act, 2013. As per provisions of Section 143 (6) of the Act *ibid*, these financial statements are also subject to supplementary audit to be conducted by the CAG within 60 days from the date of receipt of the audit report under section 143 (5).

Audit of statutory corporations is governed by their respective legislations. Out of the four statutory corporations⁶, CAG is the sole auditor for the Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU⁷ Road Transport Corporation. In respect of Punjab State Warehousing Corporation and Punjab Financial Corporation, the audit is conducted by chartered accountants and the supplementary audit by CAG.

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG in respect of State Government companies, and Separate Audit Reports in case of statutory corporations, are to be placed before the Legislature within three months of their finalisation or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Punjab

1.5 The State Government has substantial financial stake in these PSUs. This is mainly of three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from financial institutions.

⁶ Punjab Financial Corporation, Punjab State Warehousing Corporation, Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation.

⁷ Formerly known as Patiala and East Punjab States Union (PEPSU)

Investment in State PSUs

1.6 As per latest finalised accounts of working PSUs as of 30 September 2017, the investment (paid up capital + long-term loans + free reserves) in 30 working PSUs was ₹33,856.89 crore as given in table 1.2 below.

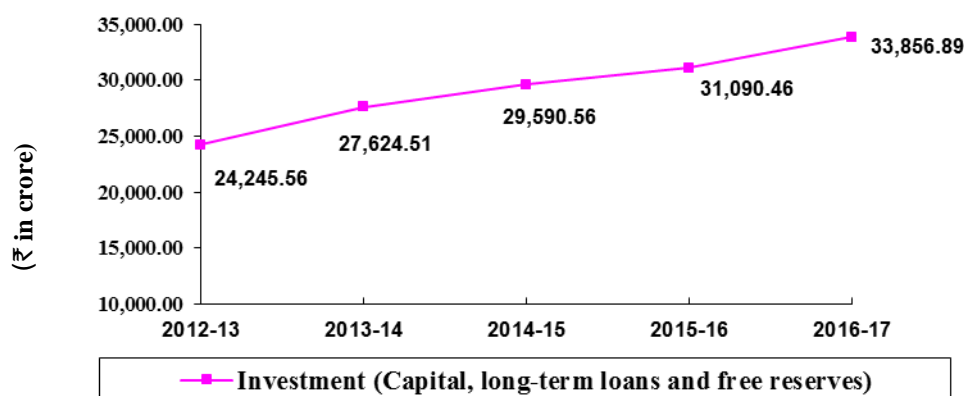
Table 1.2: Investment in Working PSUs

		(₹ in crore)			
Type of PSUs		Paid up Capital	Long Term Loans	Free reserves	Grand Total
Working Government Companies		7,443.43	23,786.04	961.19	32,190.66
Working Statutory Corporations		446.16	1193.59	26.48	1,666.23
Total		7,889.59	24,979.63	987.67	33,856.89

Source: Information provided by PSUs

As on 31 March 2017, of the total investment in working State PSUs, 95.08 per cent was in working government companies and the remaining 4.92 per cent in working Statutory corporations. This total investment consisted of 23.30 per cent towards paid up capital, 73.78 per cent in long-term loans and 2.92 per cent towards free reserves. The total investment has grown by 39.64 per cent from ₹24,245.56 crore in 2012-13 to ₹33,856.89 crore in 2016-17, as shown in chart 1.1 below.

Chart 1.1: Total investment in PSUs



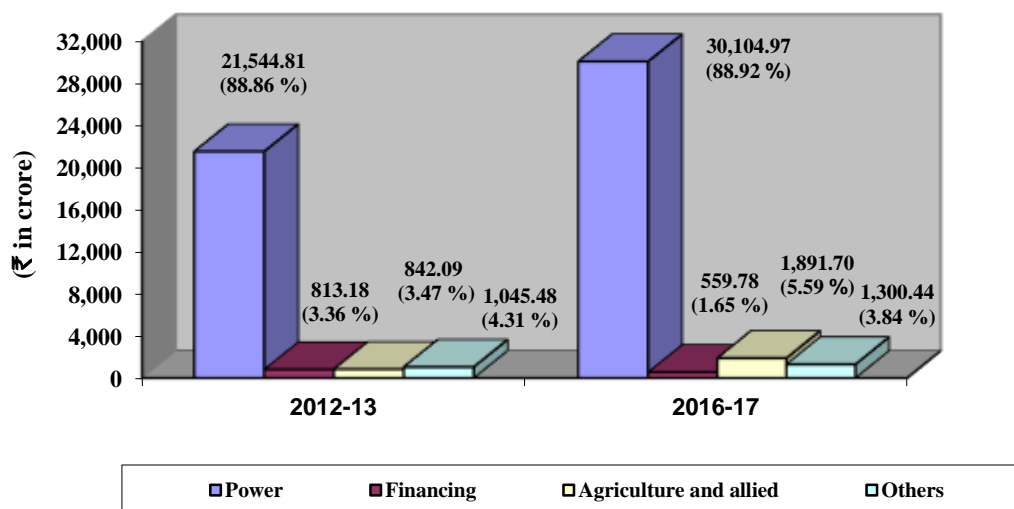
During the years 2015-16 and 2016-17, loans of ₹9859.92 crore and ₹5768.54 crore respectively were extended to Punjab State Power Corporation Limited (PSPCL) under Ujwal Discom Assurance Yojana (UDAY) scheme. Further, during 2016-17, State Government has discharged cash credit liability of ₹23,484.16 crore⁸ of State Procuring Agencies (SPAs) upto the year 2014-15 and has converted this amount into long term loans to SPAs.

1.7 The investment in four significant sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are indicated in chart 1.2 below. The growth in investment was mainly in power sector. The investment in

⁸ Figure is excluding Markfed (₹ 7099.95 crore) which is not under audit purview.

power sector increased from 88.86 per cent in 2012-13 to 88.92 per cent in 2016-17, as a percentage of the overall investment.

Chart 1.2: Sector wise investment in PSUs



Special support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived off in respect of State PSUs are given in table 1.3 below for three years ended 2016-17.

Table 1.3: Details regarding budgetary support to PSUs

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	72.07	2	32.24	2	10.83
2.	Loans given from budget	-	-	1	9859.92	1	5,768.54
3.	Grants/Subsidy from budget	4	3,027.35	6	5,355.45	4	6,118.89
4.	Total Outgo (1+2+3)		3,099.42		15247.61		11,898.26
5.	Waiver of loans and interest	-	-	-	-	2	6.47
6.	Guarantees issued	9	31,271.89	4	6,282.68	2	1,993.26
7.	Guarantee Commitment	11	49,058.42	12	38,658.45	9	10,152.77

Source: Information provided by PSUs

The Punjab State Power Corporation Limited received loans of ₹9859.92 crore and ₹5,768.54 crore from State Government during 2015-16 and 2016-17

under UDAY Scheme respectively. In order to enable PSUs to obtain financial assistance from banks and financial institutions, the State Government gives guarantee under Punjab Fiscal Responsibility and Budget Management Act, 2003 subject to the limits prescribed by the Constitution of India, for which a guarantee fee is charged. The State Government charged guarantee fee at the rate of 0.5 to two *per cent* from the PSUs. During the year, three PSUs paid guarantee fee of ₹31.96 crore (including ₹1.96 crore pertaining to previous years) out of ₹61.09 crore payable, leaving a balance of ₹29.13 crore. The defaulters were Punjab State Industrial Development Corporation Limited (PSIDC) (₹26.63 crore) and Punjab State Power Corporation Limited (PSPCL) (₹2.50 crore). The guarantee commitment decreased to ₹10,152.77 crore during 2016-17 from ₹38,658.45 crore in 2015-16 as the State Government has discharged cash credit liability of SPAs upto the year 2014-15, against which guarantees were issued.

Reconciliation with Finance Accounts

1.9 The figures in respect of State Government equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2017 is given in table 1.4 below.

Table 1.4: Equity, loans, guarantees outstanding as per finance accounts vis a vis records of PSUs

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference for the year 2016-17	Differences recorded in the year 2015-16
Equity	3,608.50	7,844.52	4,236.02	4197.18
Loans	41,191.88 ⁹	39,782.51	1,409.37	2960.40
Guarantees	10,178.61	10,152.77	25.84	1.43

Source: Finance Accounts and Information provided by PSUs

Audit observed that the differences occurred in respect of 29 PSUs. As compared with previous year, the difference in Loans decreased while that of Equity and Guarantees increased. Some of the differences were pending reconciliation since 1985-86. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Arrears in accounts

1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e. by September end, in accordance with the provisions of Section 96 (1) read with Section 129 (2) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act *ibid.*

⁹ Figure of ₹ 22974.19 crore included in respect of SPAs (excluding Markfed ₹ 6945.77 crore) has been calculated on pro-rata basis as SPA wise break-up of loans to SPAs outstanding as on 31 March 2017 was not available. This excludes the first installment already paid by the State Government before 31st March 2017.

Similarly, in case of statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Table 1.5 below provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2017.

Table 1.5: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of Working PSUs	31	29	31	31	30
2.	Number of accounts finalised during the year	31	26	35	28	28
3.	Number of accounts in arrears	41	42	39	42	43
4.	Number of Working PSUs with arrears in accounts	24	26	25	26	26
5.	Extent of arrears (numbers in years)	1 to 4	1 to 4	1 to 4	1 to 5	1 to 4

In respect of the four statutory corporations, one had arrear of accounts for three years, one had arrear of accounts for two years and two had arrears of account for one year each.

PSUs having arrears of accounts need to take effective measures for early clearance of backlog and make the accounts up-to-date. The PSUs should also ensure that at least one year's accounts are finalised every year so as to restrict further accumulation of arrears. The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments of the Government were informed half yearly by the Principal Accountant General (Audit), Punjab, of the arrears in finalisation of accounts, adequate remedial measures were not taken. As a result of this, the present net worth of these PSUs could not be assessed in audit.

1.11 The State Government had invested ₹12,295.63 crore out of budget in eight PSUs (equity: ₹68.07 crore, loans: ₹5,768.54 crore and grants/subsidy ₹6,459.02 crore) during the years for which accounts have not been finalised as detailed in *Annexure 1*. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not. Thus, Government's investment in such PSUs could not be subjected to the control of the State Legislature.

1.12 In addition to above, there were arrears in finalisation of accounts by non-working PSUs. Out of 21 non-working PSUs, six¹⁰ were in the process of liquidation whose accounts were in arrears for three to 25 years. Out of remaining 15 non-working PSUs, 11 had arrears of accounts ranging from one year to 26 years.

¹⁰ Companies at Sl. No. C-2,8,9,10,11 and13 of *Annexure 2*

Placement of Separate Audit Reports

1.13 Table 1.6 below depicts the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2017) on the accounts of statutory corporations in the Legislature.

Table 1.6: Status of placement of SARs in Legislature

Sl. No.	Name of statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/ Present Status
1	Punjab Financial Corporation	2013-14	2014-15 2015-16	08-02-2017 28-03-2017
2	Punjab Scheduled Castes Land Development and Finance Corporation	2012-13	2013-14	08-04-2016
3	PEPSU Road Transport Corporation	2013-14	Further SARs not finalised	
4	Punjab State Warehousing Corporation	2014-15	Further SARs not finalised	

Source: Information provided by PSUs

Impact of non-finalisation of accounts

1.14 Delay in finalisation of accounts may result in risk of fraud and leakage of public money, apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the GSDP for the year 2016-17 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

Performance of PSUs as per their latest finalised accounts

1.15 The financial position and working results of working Government companies and statutory corporations are detailed in *Annexure 2*. A ratio of PSUs turnover to GSDP shows the extent of PSUs activities in the State economy. Table 1.7 below provides the details of turnover of working PSUs and GSDP for a period of five years ending 2016-17.

Table 1.7: Details of working PSUs turnover vis-a vis GSDP

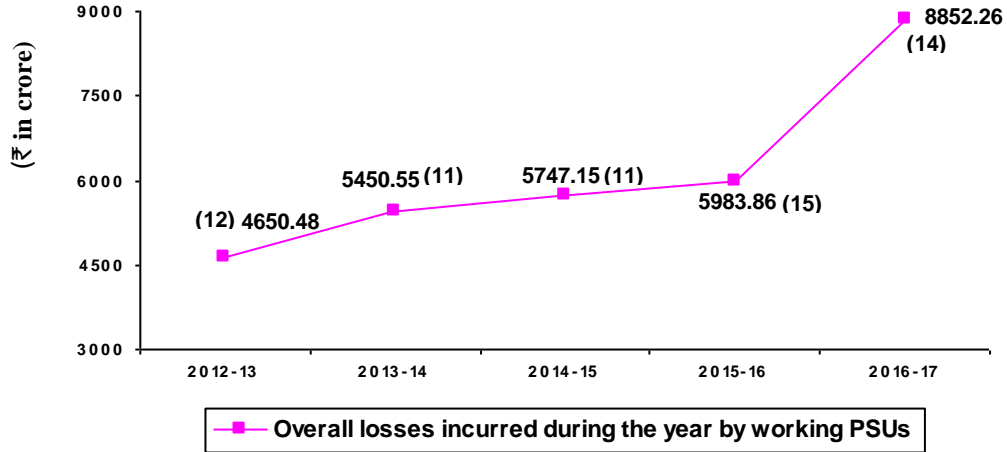
Particulars	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover ¹¹	37,090.63	44,746.29	52,733.04	55,693.63	57,795.90
GSDP	2,85,119	3,17,556	3,49,826	4,08,815	4,27,297
Percentage of Turnover to GSDP	13.01	14.09	15.07	13.62	13.53

The turnover of State PSUs to the GSDP in percentage terms increased from 13.01 in 2012-13 to 15.07 in 2014-15. However, it decreased to 13.53 in 2016-17.

¹¹ Turnover as per the latest finalised accounts as of 30 September of respective years.

1.16 Overall losses incurred by State working PSUs during 2012-13 to 2016-17 are given below in chart 1.3 below.

Chart 1.3 : Losses of working PSUs



(Overall losses is net effect of accumulated profit/loss during the year for which accounts were finalised and figures in brackets show the number of working PSUs in respective years which had accumulated losses)

During the period from 1 October 2016 to 30 September 2017, 28¹² accounts were received in respect of 25 working PSUs. Of these, 12 accounts reflected profit of ₹66.32 crore and 11 accounts reflected loss of ₹2993.36 crore. Three¹³ accounts were prepared on 'no profit no loss' basis and for two¹⁴ accounts in respect of two PSUs, profit and loss account was not prepared. The major contributors to profit were the Punjab Small Industries and Export Corporation limited (₹29.36 crore), the Punjab State Container and Warehousing Corporation Limited (₹14.67 crore) and the Punjab Genco Limited (₹9.53 crore). The sharp spike in the accumulated losses during the year was due to heavy losses incurred by the Punjab State Power Corporation Limited (₹1694.85 crore) and the Punjab State Civil Supplies Corporation Limited (PUNSUP) (₹995.78 crore).

¹² For the year 2011-12 (one account); 2012-13 (two accounts); 2013-14 (one account); 2014-15 (five accounts), 2015-16 (15 accounts) and 2016-17 (four accounts).

¹³ Punjab Police Housing Corporation Limited, Punjab Police Security Corporation Limited and Punjab Municipal Infrastructure Development Company Limited.

¹⁴ Gidderbaha Power Limited and Punjab Thermal Generation Limited.

1.17 Some other key parameters of PSUs are given in table 1.8 below.

Table 1.8: Key Parameters of State PSUs

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Equity	3,199.77	2,385.03	2,097.10	1,875.44	(-921.82)
Investment	24,245.56	27,624.51	29,590.56	31,090.46	33,856.89
Profit before Interest, tax and dividend	215.88	2,504.98	2,717.15	2,286.41	140.64
Net profit after tax and preference dividend	(-2,055.48)	(-260.72)	(-148.99)	(-628.20)	(-3,306.50)
Return on Equity ¹⁵ (per cent) [§]	(-64.24)	(-10.93)	(-7.10)	(-33.50)	**
Return on Investment ¹⁶ (per cent) [§]	0.89	9.07	9.18	7.35	0.42
Debt ¹⁷	12,839.83	13,683.58	14,597.07	25,002.79	52,899.11
Turnover [§]	37,090.63	44,746.29	52,733.04	55,693.63	57,795.90
Debt/ Turnover Ratio	0.35:1	0.30:1	0.28:1	0.45:1	0.92:1
Interest Payments	4,522.37	5,918.58	6,442.72	7,154.12	6,940.19
Accumulated losses	5,011.15	5,870.08	6,236.66	6,473.81	9,343.46

(§- Figures in respect of working PSUs only as per latest finalised accounts as of 30 September of respective year).

** - Not measurable as Equity is negative during the year

The percentage of Return on Equity (RoE) of working PSUs showed a fluctuating trend. It improved from (-)64.24 per cent in 2012-13 to (-)7.10 per cent in 2014-15 and declined to (-)33.50 per cent in 2015-16. It was not measurable during 2016-17 as Equity was negative. In the same period, the Return on Investment (RoI), of working PSUs, increased from 0.89 per cent in 2012-13 to 9.18 per cent in 2014-15 and declined to 0.42 per cent in 2016-17.

The ratio of debt to turnover which was 35 per cent in 2012-13 decreased gradually and reached 28 per cent in 2014-15. It, however, increased to 45 per cent in 2015-16 and further increased to 92 per cent in 2016-17 due to loans given by State Government to Punjab State Power Corporation Limited under UDAY Scheme and discharging of cash credit liability of SPAs by the State Government and its conversion into long term loans.

1.18 The State Government had directed (July 2011) all its PSUs to pay a minimum return of five per cent on the funds invested by the State Government. As per their latest finalised accounts, 10 PSUs earned an aggregate profit of ₹65.16 crore and four PSUs declared a dividend of ₹3.95 crore (0.46 per cent of State equity in profit making PSUs) at rates ranging from 4.7 per cent to 100 per cent. The remaining six PSUs did not declare dividend despite earning profit of ₹38.63 crore.

¹⁵ Return on Equity = (Net Profit after tax and preference dividend)/Equity x100;
Equity = Paid up Capital + Free Reserves – Accumulated losses - Deferred Revenue Expenditure

¹⁶ Return on Investment = Net Profit before Interest, tax and dividend/ Investment x100;
Investment = Paid up Capital + Free Reserves + long term loans

¹⁷ Outstanding at the end of respective year.

Winding up of non-working PSUs

1.19 There were 21 non-working PSUs (all Companies) as on 31 March 2017. Of these, six PSUs have commenced liquidation process.

During 2016-17, non-working PSUs incurred an expenditure of ₹1.19 crore towards salary and establishment expenditure. This expenditure was met through the sale of assets of these PSUs and other resources viz. borrowings from common pool fund of PSUs under liquidation, interest on investments etc.

1.20 The stages of closure in respect of non-working PSUs are given in table 1.9 below.

Table 1.9: Closure of Non working PSUs

Sl. No.	Particulars	Companies
1.	Total number of non-working PSUs	21
2.	Of (1) above, the number under	
(a)	Liquidation by Court (liquidator appointed)	-
(b)	Voluntary winding up (liquidator appointed)	6
(c)	Closure i.e. closing orders/instructions issued but liquidation process not yet started.	7

The companies which have taken the route of voluntary winding up under the Companies Act are under liquidation for a period ranging from two to 23 years. During the year 2016-17, no company was wound up. The Government (Directorate of Disinvestment)¹⁸ may expedite decisions regarding winding up of the non-working PSUs which have become defunct.

Comments on Accounts

1.21 Twenty two working companies forwarded their 24 audited accounts to Principal Accountant General (PAG) during the period from October 2016 to 30 September 2017. Of these, 23 accounts of 21 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given in table 1.10 below.

Table 1.10: Impact of audit comments on working Companies

(Amount: ₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of instances	Amount	No. of instances	Amount	No. of instances	Amount
1.	Decrease in profit	7	3,313.96	3	1,760.39	5	15.68
2.	Increase in profit	1	4.30	2	1.36	-	-
3.	Decrease in loss	-	-	1	0.05	-	-
4..	Increase in loss	3	102.65	4	1,602.09	8	6,385.65
5.	Non-disclosure of material facts	9	166.29	5	27.05	4	241.31
6.	Errors of classification	11	1,271.36	5	11,207.25	9	474.29

¹⁸ A cell established for disinvestment of State Government equity in State PSUs/ subsidiaries and for restructuring/privatisation etc. of these PSUs.

During the year, the statutory auditors gave unqualified certificates for nine accounts, qualified certificates for 12 accounts, adverse certificate (i.e. accounts do not reflect a true and fair position) for two accounts and disclaimer certificate (which mean that the auditor is unable to give any opinion about true and fair view) for one account. Qualifications by Statutory Auditors had the effect of increasing the reported loss (₹1,694.85 crore) of PSPCL¹⁹ to ₹4,421.49 crore for the year 2015-16. In addition to the above, after taking into consideration the effect of CAG's qualifications on the accounts of PSPCL, the loss for the year 2015-16 (after Statutory Auditors qualification) of ₹4,421.49 crore would increase to ₹5,210.71 crore. Similarly, qualifications of statutory auditors and those of the CAG had the effect of increasing the reported loss (₹120.27 crore) of PAFCL²⁰ and reported loss (₹995.78 crore) of PUNSUP²¹ for the year 2015-16 to ₹1599.12 crore and ₹2,295.67 crore respectively. The compliance of companies with the Accounting Standards remained poor. There were 44 instances of non-compliance in 15 accounts during the year.

1.22 Three working statutory corporations²² forwarded their four accounts to the PAG during the period from October 2016 to 30 September 2017. The accounts of Punjab Scheduled Castes Land Development and Finance Corporation pertained to sole audit while supplementary audit was conducted in respect of the remaining three accounts (PFC and PSWC). The Audit Reports of statutory auditors and the sole/supplementary audit of CAG indicated the need to improve the quality of maintenance of the accounts. The details of money value of comments of CAG on accounts audited during the last three years are given in table 1.11 below.

Table 1.11 : Impact of audit comments on Statutory Corporations

(Amount: ₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of instances	Amount	No. of instances	Amount	No. of instances	Amount
1.	Increase in profit					2	5.01
2.	Increase in loss	-	-	2	1.07	1	1.86
3.	Non-disclosure of material facts	-	-	-	-	8	18.55
4.	Errors of classification	-	-	-	-	6	22.01

During the year, accounts of PFC received a qualified opinion and PSWC received an unqualified opinion.

¹⁹ Punjab State Power Corporation Limited.

²⁰ Punjab Agro Foodgrains Corporation Limited.

²¹ Punjab State Civil Supplies Corporation Limited.

²² Punjab Financial Corporation (PFC) (two accounts), Punjab State Warehousing Corporation (PSWC) (one account) and Punjab Scheduled Castes Land Development and Finance Corporation (one account).

Response of the Government to Audit

Performance Audits and Paragraphs

1.23 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2017, one performance audit and 17 compliance audit paragraphs were issued to the Principal Secretaries/ Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of 14 compliance audit paragraphs were awaited from the State Government as of 30 September 2017.

Follow up action on Audit Reports

Replies outstanding

1.24 The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The State Finance Department, Government of Punjab issued (August 1992) instructions to all administrative departments to submit replies/explanatory notes to paragraphs/Performance Audits included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature without waiting for any questionnaires from the COPU. However, explanatory notes were not received in over 38 *per cent* of the performance audits and over 48 *per cent* of the audit paragraphs as on 30 September 2017 as depicted in table 1.12 below.

Table No.1.12: Explanatory notes not received (as on 30 September 2017)

Year of the Audit Report (Commercial /PSU)	Date of placement of Audit Report in the State Legislature	Total performance audits (PAs) and paragraphs in the Audit Report		Number of PAs/ paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2008-09	March 2010	3	19	-	6
2009-10	March 2011	2	16	-	1
2010-11	March 2012	2	13	1	3
2011-12	March 2013	2	17	-	2
2012-13	July 2014	3	12	2	9
2013-14	March 2015	2	17	2	9
2014-15	March 2016	2	18	1	16
2015-16	March 2017	2	16	1	16
Total		18	128	7	62

Discussion of Audit Reports by COPU

1.25 The status as on 30 September 2017 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) is given in table 1.13 below.

Table No.1.13: Performance Audits (PAs)/Paras appeared in Audit Reports vis-a-vis discussed as on 30 September 2017

Period of Audit Report	Number of PAs/ paragraphs			
	Appeared in Audit Report		Paras Discussed by COPU	
	PAs	Paragraphs	PAs	Paragraphs
2008-09	3	19	3	10
2009-10	2	16	-	6
2010-11	2	13	1	6
2011-12	2	17	-	4
2012-13	3	12	-	1
2013-14	2	17	-	-
2014-15	2	18	-	-
2015-16	2	16	-	-
Total	18	128	4	27

Compliance to Reports of Committee on Public Undertakings (COPU)

1.26 Action Taken Notes (ATN) to 77 paragraphs pertaining to 11 Reports of COPU presented to the State Legislature between March 2009 and March 2016 had not been received (30 September 2017) as indicated in table 1.14 below:

Table No.1.14 : Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
2008-09	1	6	2
2010-11	1	4	3
2012-13	2	14	6
2013-14	2	18	8
2014-15	3	23	22
2015-16	2	26	20
Total	11	91	61

These reports of COPU contained recommendations in respect of paragraphs pertaining to six departments, which appeared in the Reports of the CAG of India for the years 2003-04 to 2012-13.

In order to strengthen legislative oversight and accountability, Government may ensure sending of replies to inspection reports/draft paragraphs/performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule²³ and recovery of loss/ outstanding advances/ overpayments within the prescribed period.

Disinvestment, Restructuring and Privatisation of PSUs

1.27 The State Government established (July 2002) the Directorate of Disinvestment under the Department of Finance, with the objective of disinvestment of State Government equity held in PSUs and their subsidiaries/promoted companies and restructuring/privatisation of PSUs.

²³ Six months for ATNs and six weeks for Draft Paragraphs and Performance Audits

During the year 2016-17, no PSU was completely disinvested by the Directorate.

Coverage of Report

1.28 This Report contains 17 paragraphs and one performance audit i.e. “Procurement, Storage and Delivery of wheat by Punjab State Grains Procurement Corporation Limited” involving financial effect of ₹1028.62 crore. The managements of five Companies/Corporations did not reply to eight paragraphs having financial effect of ₹140.04 crore. Similarly, Government of Punjab did not give replies to 14 paragraphs having financial effect of ₹326.39 crore.