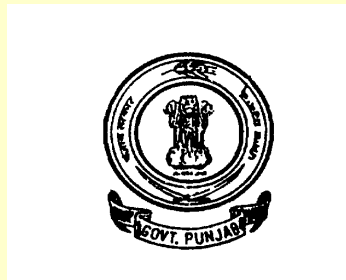




**Report of the  
Comptroller and Auditor General of India**

**on**

**Public Sector Undertakings  
(Social, General and Economic Sectors)  
for the year ended 31 March 2017**



**Government of Punjab**  
**Report No. 4 of the year 2017**

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## PREFACE

This report deals with the results of audit of Government companies and statutory corporations for the year ended 31 March 2017.

The accounts of Government companies (including companies deemed to be government companies as per the provisions of the Companies Act, 2013) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of the Companies Act as amended from time to time. The accounts certified by the statutory auditors (Chartered Accountants) appointed by the CAG are subject to supplementary audit by officers of the CAG and CAG gives his comments or supplements the reports of the statutory auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government company or corporation are submitted to the Government by the CAG for placing before the State Legislature under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

In respect of two statutory corporations viz. PEPSU Road Transport Corporation and Punjab Scheduled Castes Land Development & Finance Corporation, the CAG is the sole auditor.

The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2016-17 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. Matters relating to the period subsequent to 2016-17 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

# Overview





## Overview

This Report contains 17 paragraphs and one performance audit on Procurement, Storage and Delivery of wheat by Punjab State Grains Procurement Corporation Limited having a financial implication of ₹1,028.62 crore due to non-compliance with rules, directives and procedures, injudicious decision-making and deficient planning and ineffective monitoring. Some of the major findings are highlighted below.

### 1. Financial management of State Public Sector Undertakings

#### Investment in PSUs

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 consisting of ₹7,889.59 crore as capital, ₹24,979.63 crore as long term loans and ₹987.67 crore as free reserves. 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. The growth in investment was mainly in power sector. The Government contributed ₹11,898.26 crore towards equity/loans and grants/subsidies during 2016-17.

*(Paragraphs 1.6 to 1.8)*

#### Performance of PSUs

The working PSUs recorded a turnover of ₹57,795.90 crore as per their finalised accounts as of 30 September 2017. Of the Working PSUs, the percentage of Return on Equity (RoE) 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. During the period from 1 October 2016 to 30 September 2017, 28 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. Three accounts were prepared on 'no profit no loss' basis and for two accounts in respect of two PSUs, profit and loss account was not prepared. The 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). Heavy losses were incurred by Punjab State Power Corporation Limited (₹1694.85 crore) and Punjab State Civil Supplies Corporation Limited (₹995.78 crore).

*(Paragraphs 1.15, 1.16 and 1.17)*

#### Quality of accounts of Companies

Of the 24 accounts in respect of 22 working companies forwarded to Audit during the period 1 October 2016 to 30 September 2017, the statutory auditors had given 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.

*(Paragraphs 1.21)*

### Arrears in accounts

Twenty six working PSUs had arrears of 43 accounts as on 30 September 2017.

(Paragraph 1.10)

## 2. Performance audit of Government Companies

A performance audit of the Procurement, Storage and Delivery of wheat by Punjab State Grains Procurement Corporation Limited brought out, *inter alia*, the following:

### Procurement, Storage and Delivery of wheat

The Company had awarded the work relating to preservation, maintenance and security services (PMS) under the Private Entrepreneurs Guarantee Scheme to a single PMS agency. The interests of the Company were compromised on numerous instances i.e. selection of ineligible agency, granting relaxation in obtaining performance security, passing of enhancement of rates to PMS agency, extension of contracts despite its poor performance and non-recovery of deductions made from the bills of the private agency.

(Paragraph 2.1.9.1)

The Company awarded the silo at Amritsar at equity internal rate of return of 27 per cent for 30 year concession period against 15 per cent envisaged as per feasibility report which resulted in payment of higher service charges to the concessionaire for ₹115.02 crore during the concession period.

(Paragraph 2.1.11)

The Company awarded 26 silos under Design, Build, Operate and Own (DBOO) model in contravention of the State Government policy for creating silos in Design, Build, Operate and Transfer (DBOT) model and without conducting feasibility study to arrive at the optimal model. Consequently, there was no basis for the decision to extend higher storage rates to silos constructed under DBOO vis-à-vis DBOT model. Further, 14 silos were awarded to eight ineligible bidders under the DBOO.

(Paragraphs 2.1.13)

There was delay in claiming subsidy under National Food Security Act resulting in avoidable interest cost of ₹108.60 crore.

(Paragraph 2.1.16.a)

The internal control was weak. Evaluation of technical and financial bids for construction of silos was deficient and oversight mechanism for inspection of storage facilities was inadequate.

(Paragraph 2.1.18.1)

## 3. Audit of Transactions

### Punjab State Power Corporation Limited

- Total cost of repair per transformer was more in Transformer Repair Workshops as compared to repair through private parties which led to extra expenditure of ₹24.13 crore. 2,238 transformers valuing ₹13.43 crore

were not returned after repair and 551 transformers valuing ₹3.14 crore which failed within warranty period were not lifted by the contractors.

*(Paragraph 3.1)*

- To improve the lifting of coal by washery firm, the Company amended its agreement with the firm and waived off its past claims there against. Additionally, the Company waived off past under loading and over-loading charges, resulting in extending of undue financial benefit of ₹ 15.40 crore to the firm.

*(Paragraph 3.4)*

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

- Non-reconciliation/ settlement of bales exchanged on loan basis against the directives of Director, Food, Civil Supplies and Consumer Affairs, Punjab, resulted in non-recovery of ₹132.62 crore, interest loss of ₹58.07 crore to the State foodgrain procuring agencies, shortage of bales worth ₹ 1.19 crore, excess deductions of ₹ 9.30 crore made by FCI and non-deposit of VAT of ₹ 4.15 crore.

*(Paragraph 3.7)*

- Delay in forwarding the final rates of Custom Milled Rice by the Department, coupled with delay in raising claims by district offices of State Procurement Agencies with FCI led to avoidable interest burden of ₹7.49 crore.

*(Paragraph 3.8)*

**Punjab State Civil Supplies Corporation Limited and Punjab Agro Foodgrains Corporation Limited**

- Non observance of storage instructions of FCI regarding storage of fresh wheat resulted in damage of 20,209 MTs of wheat valuing ₹ 47.06 crore.

*(Paragraph 3.10)*

**Punjab State Civil Supplies Corporation Limited**

- Failure of procurement agencies to adhere to the safeguards provided in the Custom Milling Policy 2015-16 facilitated misappropriation of paddy by the millers and non-recovery of rice worth ₹12.69 crore.

*(Paragraph 3.11)*

**Punjab Financial Corporation**

- Non-adjustment of sale proceeds of assets as per the mortgage deeds favoured the loanee units and resulted in loss of ₹2.45 crore to the Corporation

*(Paragraph 3.16)*