Overview

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This Report contains 17 paragraphs and two performance audits viz. on 'Working of Punjab Water Resources Management & Development Corporation Limited' and on 'Billing and Collection of Revenue by Punjab State Power Corporation Limited' having a financial implication of ₹ 1,712.97 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

Investments in PSUs

As on 31 March 2016, the investment (capital and long-term loans) in 53 PSUs was ₹25,556.43 crore consisting of ₹ 7,976.79 crore as capital and ₹17579.64 crore as long term loans. The investment has grown by 58.99 *per cent* from ₹ 16,073.75 crore in 2011-12 to ₹ 25,556.43 crore in 2015-16. The thrust of investment in the State was mainly in the power sector. The Government contributed ₹5,387.69 crore towards equity/loans and grants/subsidies during 2015-16.

(Paragraphs 1.6 to 1.8)

Performance of PSUs

During the period from October 2015 to 30 September 2016, 28 accounts were received in respect of 23 working PSUs. Of these, eight accounts reflected book profit of ₹ 231.44 crore and 15 accounts reflected loss of ₹ 877.32 crore. Two accounts were prepared on 'no profit no loss' basis while no profit and loss account was prepared for three accounts in respect of three PSUs. The major contributors to profit were Punjab State Power Corporation Limited (₹ 165.91 crore), Punjab Small Industries and Export Corporation Limited (₹ 42.21 crore) and Punjab State Container and Warehousing Corporation Limited (₹ 14.40 crore). Heavy losses were incurred by Punjab State Grains Procurement Corporation Limited (₹ 370.76 crore), Punjab State Warehousing Corporation (₹ 189.19 crore), Punjab Agro Foodgrains Corporation Limited (₹ 96.44 crore) and Punjab State Civil Supplies Corporation Limited (₹ 90.51 crore).

(Paragraph 1.16)

Quality of accounts

The quality of accounts of PSUs needs improvement. Of the 25 accounts in respect of 21 working companies forwarded to Audit during the period 1 October 2015 to 30 September 2016, the statutory auditors had given unqualified certificates for 16 accounts, qualified certificates for seven accounts and adverse certificates (which mean that accounts do not reflect a true and fair position) for two accounts. One account of a statutory corporation (PSWC) received a qualified certificate.

(Paragraphs 1.21and 1.22)

Arrears in accounts and winding up

Twenty six working PSUs had arrears of 42 accounts as on 30 September 2016.

(Paragraph 1.10)

2. Performance audit of Government Companies

A performance audit of the Working of Punjab Water Resources Management & Development Corporation Limited and Billing and Collection of Revenue by Punjab State Power Corporation Limited (PSPCL) brought out, *inter alia*, the following:

Working of Punjab Water Resources Management & Development Corporation Limited

NABARD and Government of India had released ₹ 1,101.09 crore to the State Government for installation of tubewells and lining of water courses projects. The State Government in turn released only ₹ 940.98 crore to the Company with delays ranging from three to 973 days which resulted in delay in execution of projects.

(Paragraph 2.1.6)

The Company had not framed any procedure for identification of beneficiaries, selection of sites, prioritisation of project sites and for ensuring involvement of beneficiaries at the time of project planning.

(Paragraph 2.1.7)

The Company procured items valuing ₹ 9.87 crores through short term tenders and repeat orders from single qualified bidders without inviting fresh tenders thereby forgoing the benefit of competitive rates.

(Paragraph 2.1.9)

The operation and maintenance of tube wells was not handed over to the Water User Associations and its outsourcing resulted in avoidable committed expenditure of ₹ 34.41 crore.

(Paragraph 2.1.10.2)

During 2011-16, the Company handed over 1,291 water courses (covering 4.01 lakh hectares) to WUAs and an amount of ₹ 36.07 crore became due for release to the Associations as one time functional grant (OTFG) but such amount was neither asked from GoI (central share) nor released to the WUAs.

(Paragraph 2.1.12.1)

Billing and Collection of Revenue by Punjab State Power Corporation Limited

Mandatory replacement of electro-mechanical meters with electronic meters was not completed in violation of provisions of Electricity Act, 2003 and defective/ burnt meters were not replaced within prescribed time.

(Paragraphs 2.2.9.1 and 2.2.9.2)

Prescribed time periods for issue and for payment of energy bills were not being adhered to leading to loss of interest amounting to ₹ 24.32 crore during 2011-16.

(Paragraphs 2.2.9.3 to 2.2.9.6)

Consumers were not paid interest on their security deposits. This short payment was to the extent of ₹ 385.26 crore during 2011-15.

(Paragraph 2.2.9.8)

Company had not completed 100 *per cent* metering of agricultural pump-set consumers though this was required under the Electricity Act, 2003. This resulted in the PSERC disallowing □ 10.00 crore in its tariff orders for the years 2014-16.

(Paragraph 2.2.10.1)

Outstanding dues against the defaulting consumers had increased from ₹ 705.67 crore to ₹ 1,083.56 crore during 2012-16.

(Paragraph 2.2.10.3)

3. Audit of Transactions

Punjab Scheduled Castes Land Development and Finance Corporation

- The actual receipts of the Corporation was only ₹ 64.85 crore against planned financial resources of ₹ 145.56 crore during 2013–16 which impaired its capacity to implement welfare schemes. The Corporation's physical achievement of targets ranged from four *per cent* to 28 *per cent* in schemes undertaken in collaboration with re-finance institutions. There were pending applications from intending beneficiaries while it parked ₹ 6.83 crore in fixed deposits instead of disbursing assistance to eligible beneficiaries.

(Paragraph 3.1)

Punjab State Industrial Development Corporation Limited

- Poor operational performance in investment in equity and loans and extension of guarantees to loanee units led the Company to default in redemption of bonds. As the bonds in default are guaranteed by the State Government, the financial liability of redemption may eventually devolve onto the State exchequer.There were delays ranging from six months to over 19 years in initiating effective action to recover loans from defaulters while poor record keeping of details of guarantors resulted in non-recovery of ₹ 197.70 crores in just two out of five cases test checked in audit.

(Paragraph 3.2)

Punjab Agro Industries Corporation Limited

- Under valuation of the Company's equity holding in a unit while disinvesting resulted in undue benefit of □ 4.08 crore to the collaborator.

(Paragraph 3.4)

Punjab Financial Corporation

- The Corporation extended irregular benefit of ₹ 1.91 crore to a loanee by settling its case under an expired One Time Settlement policy.

(Paragraph 3.5)

Punjab State Civil Supplies Corporation Limited

- Poor preservation and maintenance of wheat stock coupled with not initiating timely action to upgrade the same resulted in a loss of ₹ 93.29 crore.

(Paragraph 3.7)

Punjab Water Resources Management & Development Corporation Limited

- Delay in settlement of retirement dues of superannuated employees resulted in the Company having to bear additional expenditure of ₹ 1.07 crore on interest payments.

(Paragraph 3.9)

Punjab State Warehousing Corporation

- Allotment of paddy to a miller against the provisions of the Customs Milling Policy and failure to shift the un-milled paddy to other millers resulted in loss of □ 5.94 crores.

(Paragraph 3.10)

Punjab State Power Corporation Limited

- The Company had to purchase power from traders/unscheduled interchange due to low plant loads factor at its own thermal stations resulting in higher financial burden of ₹ 374.96 crore. It also failed to avail of rebate amounting to ₹ 22.33 lakh for timely payment of power purchased. The Company made excess payment of ₹ 2,249.61 crore of which ₹ 1,427.84 crore was passed to consumers.

(Paragraph 3.11)

- Failure to take definitive action or disconnect electric supply of a defaulting consumer as provided for under the PSERC's (Electricity Supply Code and Related Matters) Regulations for non-deposit of security of ₹ 14.48 crore along with penal interest of ₹ 9.74 crore undermined its ability to ensure submission of deposits by consumers as well as led to accumulation of outstanding dues of ₹ 53.36 crore.

(Paragraph 3.12)

- The Company paid additional levy of ₹ 391.46 crore though it was to be paid by a Joint Venture Company which was a separate legal entity.

(Paragraph 3.13)