

# **Chapter-I**

## **General**



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#### 1.1 Introduction

This Report presents the financial performance of State Public Sector Enterprises (SPSEs) (State Government Companies, Statutory Corporations and Government Controlled Other Companies) set up under the Companies Act, 2013 (Act, 2013) and the statutes enacted by Parliament/State Legislature.

This Report also covers matters arising out of the Compliance Audit of the State Public Sector Enterprises (SPSEs). The primary purpose of this Report is to bring to the notice of the Legislature the important results of audit. Findings of audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations contributing to better governance.

The Report has been organised in six chapters as under:

- **Chapter-I** contains the authority for audit, accountability framework, role of the Government and the Legislature, Investment by the Government of Punjab in SPSEs, submission of accounts by SPSEs, Response of Auditee/Government to draft audit observations and follow-up action on Audit Reports.
- **Chapter-II** discusses financial performance of SPSEs.
- **Chapter-III** highlights significant comments of the Comptroller and Auditor General of India issued as supplement to the Statutory Auditors' Reports on the State Government Companies.
- **Chapter-IV** highlights the compliance of Corporate Governance provisions under the Act, 2013 and Regulations of Securities and Exchange Board of India by 29 SPSEs under the administrative control of various Departments of the State Government.
- **Chapter-V** contains observations of the Subject Specific Compliance Audit on 'Integrated Power Development Scheme' of Punjab State Power Corporation Limited.
- **Chapter-VI** contains individual observations relating to Compliance Audit of SPSEs.

## **1.2 Authority for audit**

Authority for audit by the Comptroller and Auditor General of India is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971.

The audit of Government Companies and Statutory Corporations is conducted by Comptroller and Auditor General of India under various provisions of Section 19 of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts (Amendments), 2020 and Auditing Standards issued by the Comptroller and Auditor General of India.

## **1.3 Accountability Framework**

The procedure for audit of Government Companies is laid down in Sections 139 and 143 of the Act, 2013.

The financial statements of the Government Companies (as defined in Section 2(45) of the Act, 2013) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India as per the provisions of Section 139(5) or 139(7) of the Act, 2013. The Statutory Auditors submit a copy of the Audit Report to the Comptroller and Auditor General of India including, among other things, financial statements of the Company under Section 143(5) of the Act, 2013. These financial statements are also subject to supplementary audit by the Comptroller and Auditor General of India within 60 days from the date of receipt of the audit report under the provisions of Section 143(6) of the Act, 2013.

As per Section 143(7) of the Act, 2013, the Comptroller and Auditor General of India may, in case of any Company covered under Section 139(5) or 139(7), if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or 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 is subject to audit by the Comptroller and Auditor General of India. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Audit of Statutory Corporations is governed by their respective legislations. Out of four Statutory Corporations, the Comptroller and Auditor General of India is the sole auditor for Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation. In respect of Punjab State Warehousing Corporation and Punjab Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the Comptroller and Auditor General of India.

#### 1.4 Submission of Accounts by State Public Sector Enterprises

##### *Need for timely submission*

According to Section 394 of the Act, 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation, placed before the legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the Comptroller and Auditor General of India. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the Companies from the Consolidated Fund of State.

Section 129(7) of the Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including Directors of the Company responsible for non-compliance with the provisions of Section 129 of the Act, 2013. However, the annual accounts of various SPSEs were pending as on 30 September 2023, as discussed in paragraphs 3.3.1.1.

#### 1.5 Investment by the Government of Punjab in State Public Sector Enterprises

The sector-wise investment by the State Government in equity and long-term loans in 33 SPSEs for the period of three years ending 31 March 2023 is given in **Table 1.1**:

**Table 1.1: Equity investment and long-term loans by the Government of Punjab in SPSEs**

(₹ in crore)

Sector	As on 31 March 2021			As on 31 March 2022			As on 31 March 2023		
	Equity	Long-term Loans	Total	Equity	Long-term Loans	Total	Equity	Long-term Loans	Total
Power Sector	22,315.61	14.07	22,329.68	22,315.61	8.86	22,324.47	22,315.61	3.64	22,319.25
Other than Power Sector	998.68	25,389.69	26,388.37	998.68	25,928.38	26,927.06	1,000.74	26,600.26	27,601.00
<b>Total</b>	<b>23,314.29</b>	<b>25,403.76</b>	<b>48,718.05</b>	<b>23,314.29</b>	<b>25,937.24</b>	<b>49,251.53</b>	<b>23,316.35</b>	<b>26,603.90</b>	<b>49,920.25</b>

## **1.6 Role of the Government and Legislature**

The State Government exercises control over the affairs of these SPSEs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State Government. The State Legislature also monitors the accounting and utilisation of Government investment in the SPSEs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the Comptroller and Auditor General of India, in respect of the State Government Companies and Separate Audit Reports in case of Statutory Corporations, are to be placed before the State Legislature under Section 394 of the Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the Comptroller and Auditor General of India are submitted to the Government under Section 19A of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971.

## **1.7 Response of Auditee/Government to draft Audit Observations**

Para 137 of the Regulations on Audit and Accounts (Amendments), 2020 stipulates that responses to draft audit observations proposed for inclusion in the Report of the Comptroller and Auditor General of India should be sent within six weeks.

Audit has from time to time, reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected SPSEs adversely impacting the success of programmes and their functioning. The focus was on auditing specific programmes/schemes in order to offer suitable recommendations to the Executive for taking corrective action and improving service delivery to the citizens.

The draft audit observations proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Principal Accountant General (Audit) to the Principal Secretaries/Secretaries of the Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. Responses of the Departments are invariably included in the relevant paragraphs and whenever no response, is received, the fact of non-receipt of replies from the SPSEs/Government is indicated at the end of such observations included in the Audit Report.

## **1.8 Follow-up on Audit Reports**

The follow-up on Audit Reports has been found to be inadequate as given in the subsequent paragraphs:

### 1.8.1 Non-submission of Action Taken Notes

According to the Rules and Procedure for the Committee on Public Undertakings (COPU), all administrative departments are to initiate *suo motu* action on all Compliance Audit Observations and Performance Audits featuring in the Audit Reports of the Comptroller and Auditor General of India pertaining to SPSEs, regardless of whether these are taken up for examination by the COPU or not. They are also to furnish detailed notes, duly vetted by audit, indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Reports to the State Legislature. In spite of these provisions, the explanatory notes on audit observations of the Reports were being delayed inordinately.

The status regarding non-receipt of Action Taken Notes (ATNs) on the observations included in the Audit Reports pertaining to SPSEs up to the period ended 31<sup>st</sup> January 2025 is given in **Table 1.2**.

**Table 1.2: Status regarding non-receipt of ATNs on the paragraphs included in the Audit Reports**

Name of the Audit Report	Year	Name of the SPSE	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 January 2025
Report on Public Sector Undertakings (Social, General and Economic Sectors)	2016-17	Punjab State Civil Supplies Corporation Limited	22 March 2018	21 June 2018	3
Report on Public Sector Undertakings (Social, General and Economic Sectors)	2018-19	Punjab State Power Corporation Limited	05 March 2021	04 June 2021	1
		Punjab State Civil Supplies Corporation Limited			1
		Punjab State Grains Procurement Corporation Limited			3
		Punjab Small Industries and Export Corporation Limited			1
Report on Social, General and Economic Sectors	2019-20	Punjab State Power Corporation Limited	29 June 2022	29 September 2022	2
		Punjab State Civil Supplies Corporation Limited			1

*Compliance Audit Report on SPSEs for the period ended March 2023*

Name of the Audit Report	Year	Name of the SPSE	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 January 2025
Report on Compliance Audit	2020-21	Punjab State Bus Stand Management Company Limited	07 March 2023	07 June 2023	1
		Punjab Small Industries and Export Corporation Limited			1
Report on Compliance Audit	2021-22	Punjab State Power Corporation Limited	04 September 2024	04 December 2024	7
		Punjab State Transmission Corporation Limited			1
		Punjab State Civil Supplies Corporation Limited			2
		Punjab State Industrial Development Corporation			2
		Punjab State Grains Procurement Corporation Limited			1
		Punjab State Civil Supplies Corporation Limited, Punjab State Warehouse Corporation and Punjab State Grains Procurement Corporation Limited			1
		<b>Total</b>			

*Source: Compiled based on the discussions of COPU on the Audit Reports*