

CHAPTER 1

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2006, there were 52 Government companies (22 working and 30 non-working companies^{*}) and five Statutory corporations (all working) as against 52 Government companies (24 working and 28 non-working companies) and five Statutory corporations as on 31 March 2005 under the control of the State Government. During the year, the name of one company (Reliance Hotels Limited) was struck off from the register of Companies under Section 560 (5) of the Companies Act, 1956 and one company (Queen's Flower Tourist Resorts Limited) was disinvested. Notices under Section 560 (3) of the Companies Act, 1956 were published in the official gazette in respect of 11[^] companies for striking off their names from the register of Registrar of Companies whereas one Company, i.e., Punjab Digital Industrial Systems Limited became non working and had filed a petition with the High Court of Punjab and Haryana for winding up. Two^Y new companies were incorporated during 2005-06. In addition, the State had formed Punjab State Electricity Regulatory Commission whose audit is also being conducted by the Comptroller & Auditor General of India (CAG) under Section 104(2) of the Electricity Act, 2003[^]. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors appointed by the CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG, as per the provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Punjab State Electricity Board (PSEB)	Under Rule 14 of the Electricity (Supply) (Annual accounts) Rules, 1985 read with Section 172(a) and 185(2) (d) of the Electricity Act, 2003. [§]	Sole audit by CAG
2.	PEPSU Road Transport Corporation (PRTC)	Section 33(2) of the Road Transport Corporations Act, 1950.	Sole audit by CAG
3.	Punjab Scheduled Castes Land Development and Finance Corporation (PSCLDFC)	Section 20(1) of CAG's (DPC) Act, 1971.	Sole audit by CAG.
4.	Punjab Financial Corporation (PFC)	Section 37(6) of the State Financial Corporations Act, 1951.	Audit by Chartered Accountants and supplementary audit by CAG
5.	Punjab State Warehousing Corporation (PSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962.	Audit by Chartered Accountants and supplementary audit by CAG

^{*} Non-working companies are those which are under the process of liquidation/closure/merger etc. and include two companies incorporated during 2005-06, which are yet to start their activities.

[^] Serial Nos. C-8, 15,19,21 to 28 of *Annexure I*.

^Y Serial Nos. C-4 and C-5 of *Annexure I*.

[^] Erstwhile Electricity Regulatory Commissions Act, 1998 replaced by the Electricity Act, 2003.

[§] The earlier provision of Section 69(2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003.

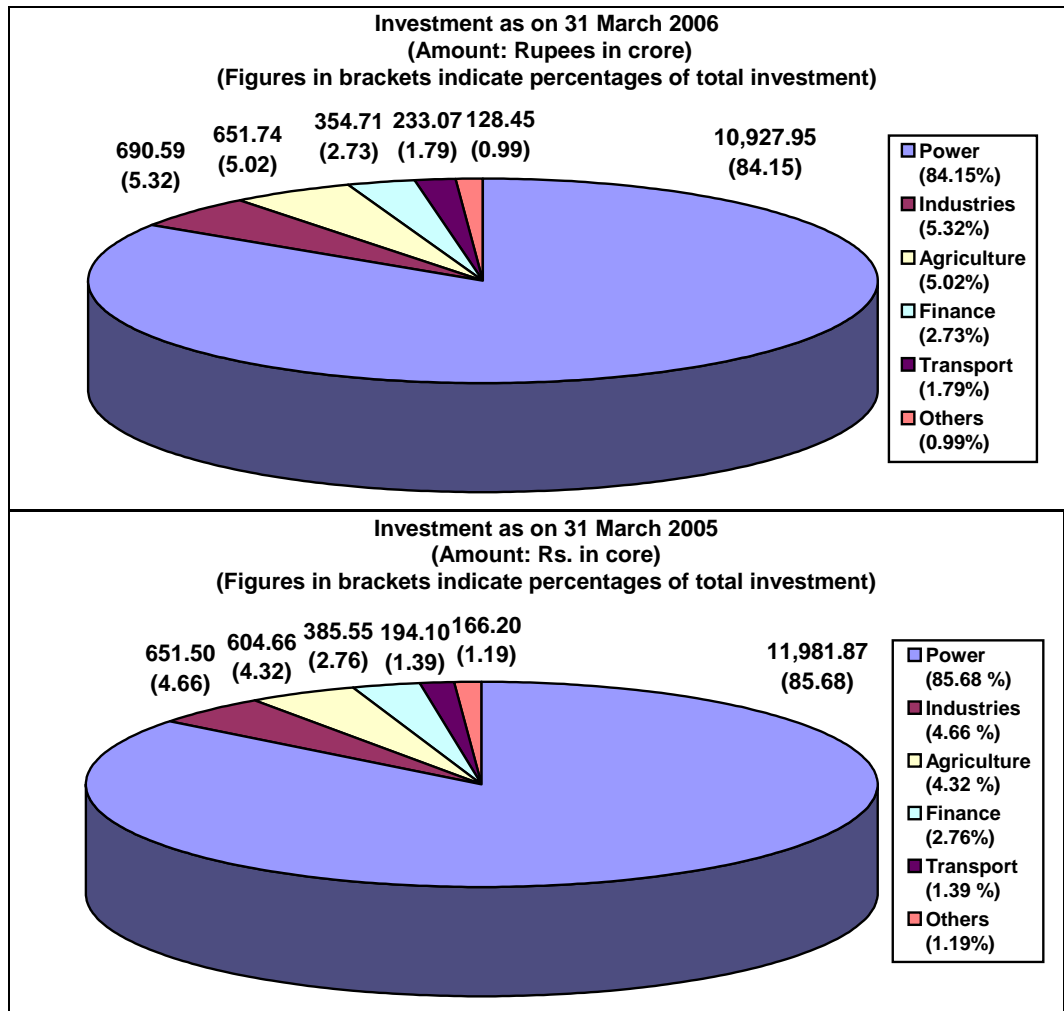
Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2006, the total investment in 27 working PSUs (22 Government companies and five Statutory corporations) was Rs.12,986.51 crore (equity: Rs. 3,528.78 crore; long-term loans⁵: Rs. 9,370.18 crore and share application money: Rs. 87.55 crore) as against a total investment of Rs.13,983.88 crore (equity: Rs. 3,379.05 crore; long-term loans: Rs.10,538.29 crore and share application money: Rs. 66.54 crore) in 29 working PSUs (24 Government companies and five Statutory corporations) as on 31 March 2005. An analysis of investment in the PSUs is given in the following paragraphs:

Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of March 2006 and March 2005 are indicated below in the pie charts:



⁵ Long-term loans mentioned in paras 1.2, 1.3 and 1.17 are excluding interest accrued and due on such loans.

Working Government companies

1.3 Total investment in working Government companies at the end of March 2005 and March 2006 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Equity	Share application money	Long – term loans	Total
2004-05	24	370.92	66.54	908.61	1,346.07
2005-06	22	380.65	87.55	915.08	1,383.28

As on 31 March 2006, the total investment of working Government companies comprised 33.85 per cent equity capital and 66.15 per cent loans as against 32.50 per cent equity and 67.50 per cent loans as on 31 March 2005.

The summarised position of Government investment in working Government companies in the form of equity and loans is detailed in *Annexure 1*.

Due to significant increase in long term loans in the Transport Sector, the debt equity ratio increased from 2.93 in 2004-05 to 8.10 in 2005-06. In Agriculture & Allied and Construction sector, the debt equity ratio decreased from 1.23 and 305.72 in 2004-05 to 1.07 and 195.02 in 2005-06, respectively due to decrease in long term loans.

Working Statutory corporations

1.4 Total investment in five statutory corporations at the end of March 2005 and March 2006 was as follows:

(Amount: Rupees in crore)

Sl. No.	Name of the Corporation	2004-05		2005-06	
		Capital	Loans	Capital	Loans
1.	Punjab State Electricity Board	2,806.11	9,175.76	2,946.11	7,981.84
2.	PEPSU Road Transport Corporation	111.18	58.75	111.18	65.93
3.	Punjab Scheduled Castes Land Development and Finance Corporation	42.45	2.74	42.45	3.44
4.	Punjab Financial Corporation	40.39	345.16	40.39	314.32
5.	Punjab State Warehousing Corporation	8.00	47.27	8.00	89.57
	Total	3,008.13	9,629.68	3,148.13	8,455.10

The summarised position of Government investment in working statutory corporations in the form of equity and loans is detailed in *Annexure 1*. As on 31 March 2006, the total investment in working Statutory corporations comprised 27.13 per cent equity capital and 72.87 per cent loans as against 23.80 and 76.20 per cent, respectively, as on 31 March 2005. Due to significant increase in long term loans in Agriculture sector, the debt equity ratio increased from 5.91 in 2004-05 to

11.20 in 2005-06. In power and finance sector, the debt equity ratio decreased from 3.27 and 8.55 in 2004-05 to 2.71 and 7.78 in 2005-06, respectively, due to decrease in long term loans.

Budgetary outgo, grants/ subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies and Statutory corporations are given in *Annexures 1* and *3*.

The budgetary outgo in the form of equity capital, loans and grants/subsidies from the State Government to working Government companies and Statutory corporations for the three years up to 2005-06 are given below:

(Amount: Rupees in crore)

Particulars	2003-04				2004-05				2005-06			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
(1) Equity capital	2	7.50	-	-	1	10.87	-	-	2	30.12	1	140.00
(2) Loans	-	-	-	-	-	-	-	-	-	-	-	-
(3) Grants/ Subsidy towards												
- Project/ Programmes/ Schemes	1	33.03	1	1,704.25	1	31.06	1	2,285.19	2	33.40	1	1,435.92
- Other subsidy	-	-	-	-	-	-	-	-	-	-	-	-
Total subsidy	1	33.03	1	1,704.25	1	31.06	1	2,285.19	2	33.40	1	1,435.92
Total outgo (1+2+3)		40.53		1,704.25	-	41.93	-	2,285.19	3[@]	63.52	1[@]	1,575.92
Guarantees	4	6,623.38	2	1,569.25	5	6,583.09	3	2,197.97	5	8,209.55	3	2,712.89

During the year 2005-06, the Government had guaranteed the loans aggregating Rs. 10,922.44 crore obtained by five working Government companies (Rs. 8,209.55 crore) and three working Statutory corporations (Rs. 2,712.89 crore). At the end of the year, guarantees amounting to Rs. 6,715.39 crore against eight Government companies (Rs. 3,093.72 crore) and four working Statutory corporations (Rs. 3,621.67 crore) were outstanding. There was no default in repayment of guaranteed loans during the year. The guarantee commission paid and payable to Government by Government companies* and Statutory corporations during 2005-06 was Rs. 12.46 crore and Rs. 8.99 crore, respectively.

Finalisation of accounts by working PSUs

1.6 Out of 22 working Government companies and five Statutory corporations, only four companies and two Statutory corporations had finalised their accounts for the year 2005-06, up to 30 September 2006 as can be seen from *Annexure 2*. During the period from October 2005 to 30 September 2006, 12 working Government companies finalised 14 accounts for previous years. Similarly, during this period, five working statutory corporations finalised five accounts for previous years.

[@] Actual number of companies/corporation, which received budgetary support in the form of equity, loans, grants and subsidy for the State Government.

* Guarantee commission payable to the State Government by PSIDC is yet to be decided, hence excluded.

The accounts of 18 working Government companies and three Statutory corporations were in arrears for periods ranging from one to four years as on 30 September 2006 as detailed below:

Sl. No.	Number of working companies/ corporations		Period for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Serial No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	03	-	2002-03 to 2005-06	04	A-2,16 and 22	-
2.	02	-	2003-04 to 2005-06	03	A-7 and 10	-
3.	09	-	2004-05 to 2005-06	02	A-3,5,8,9,14,17, 18, 19 and 20	-
4.	04	03	2005-06	01	A-1,11,12 and 13	B-1, 2 and 3
Total	18	03				

The administrative departments need to over see and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by Audit regarding arrears in finalisation of accounts, adequate measures had not been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure 2**. Besides, statements showing the financial position and working results of individual working Statutory corporations for the latest three years for which accounts were finalised, are given in **Annexures 4** and **5**, respectively.

According to the latest finalised accounts of 22 working Government companies and five working Statutory corporations, eight companies and five corporations had incurred an aggregate loss of Rs. 36.23 crore and Rs. 3,898.49 crore, respectively; 11 companies earned an aggregate profit of Rs. 100.73 crore; one company (Sl. No.A-7 of **Annexure 2**) had not finalised its first accounts (30 September 2006) and two companies (Sl. Nos. A-13 and 21 of **Annexure 2**) were operating on 'no profit no loss' basis.

Working Government companies

Profit earning working Government companies and dividend

1.8 Two Government companies (Sl. Nos. A-4 and 6 of **Annexure 2**) finalised their accounts for the year 2005-06 by 30 September 2006 and earned profits of Rs. 17.05 crore. Though the State Government formulated (March 1993 and July 1994) a dividend policy for the payment of minimum four *per cent* dividend, the Companies did not declare any dividend. Similarly, out of 12 working Government companies which finalised their accounts for previous years seven companies (eight

accounts) earned an aggregate profit of Rs. 79.40 crore and only two companies (Sl. Nos. A-11 and 16 of **Annexure 2**) declared dividend of Rs 1.61 crore while one company (Sl. No. A-8 of **Annexure 2**) which earned profit for two or more successive years did not declare dividend.

Loss incurring working Government companies

1.9 Out of four working Government companies which finalised their accounts for 2005-06, one company viz., Punjab Communications Limited incurred loss of Rs. 6.42 crore during the year. Of the loss incurring working Government companies (as per their latest finalised accounts), six companies[♦] had accumulated losses aggregating Rs. 130.78 crore which exceeded their aggregate paid-up capital of Rs. 10.40 crore by more than 12 times.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Two Statutory corporations had finalised their accounts for 2005-06 and five corporations had finalised their accounts for the year 2004-05 during the year but none of them earned profit.

Loss incurring statutory corporations

1.11 Of the five loss incurring working Statutory corporations, four corporations (Sl. Nos. B-1, B-2, B-4 and B-5 of **Annexure 2**) had accumulated losses aggregating Rs. 5,004.18 crore, which exceeded their aggregate paid-up capital of Rs. 2,965.68 crore.

Operational performance of working statutory corporations

1.12 The operational performance of the working statutory corporations is given in **Annexure 6**. The following observations are made in this connection:

Punjab State Electricity Board

1.13 Transmission and distribution losses increased from 24.27 *per cent* in 2004-05 to 25.07 in 2005-06 *per cent* and were higher than the optimal target of 18 *per cent* which was to be achieved by March 2003.

Return on capital employed

1.14 As per the latest finalised accounts (up to 30 September 2006), the capital employed^{*} worked out to Rs. 3,208.79 crore in 22 working Government companies and total return[#] thereon amounted to Rs. 324.45 crore, which is 10.11 *per cent* as

[♦]Sl. Nos. A-10,14, 17, 18, 19 and 20 of **Annexure 2** of which three companies (Sl. Nos. A-18, 19 and 20 of **Annexure 2**) had prepared their first accounts.

^{*} Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balance of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

[#] For calculating total return on capital employed, interest on borrowed funds has been added to net profit/subtracted from the loss as disclosed in the profit and loss account.

compared to total return of Rs. 296.76 crore (8.84 per cent) in 2004-05. Similarly, the capital employed and total return thereon in case of five working Statutory corporations as per their latest finalised accounts (up to 30 September 2006) worked out to Rs. 12,898.69 crore and Rs. (-) 2,870.61 crore, respectively, as against the total return of Rs. 1,310.59 crore (9.53 per cent) in 2004-05. The details of capital employed and total return on capital employed in case of working Government companies and statutory corporations are given in *Annexure 2*.

Reforms in the Power sector

Status of implementation of Memorandum of Understanding between the State Government and the Central Government

1.15 In pursuance of the decisions taken at the Chief Ministers' conference on power sector reforms held in March 2001, a Memorandum of Understanding (MOU) was signed on 30 March 2001 between the Ministry of Power, Government of India and Department of Irrigation and Power, Government of Punjab as a joint commitment for implementation of a reforms programme in the power sector with identified milestones. Status of implementation of reforms programme against each commitment made in the MOU is detailed below:

Sl. No.	Commitment as per MOU	Targeted completion schedule	Status (As on 31 March 2006)
	Commitments made by the State Government		
1.	Reduction in transmission and distribution losses	18 per cent by March 2003	25.07 per cent during 2005-06
2.	100 per cent metering of all 11 KV distribution feeders	September 2001	Achieved
3.	100 per cent metering of all consumers	30 June 2002	Out of 9.31 lakh agricultural consumers, 8.32 lakh consumers were unmetered.
4.	Securitize outstanding dues of Central Public Sector Undertakings	Not given	Securitized
5.	State Electricity Regulatory Commission (SERC)		
	Establishment of SERC	Not given	Constituted
	Implementation of tariff orders issued by SERC during 2002-06.	Orders for distribution tariff were to be implemented from 1 August 2002	Since implemented
6.	Installation of energy meters on grid/generating stations	30 September 2001	Installed
7.	Replacement of electro magnetic meters with electronic meters	March 2006	21.57 lakh electronic meters have been installed against 48.74 lakh metered consumers (March 2006).
General			
8.	Monitoring of MOU	Monitoring was required on quarterly basis.	Steering Committee monitored the position only once in a year.

It would be seen from the table that as against the target of bringing down transmission and distribution (T&D) losses to 18 per cent by March 2003, T&D losses were 25.07 per cent during the year 2005-06. Further, against the target of 100 per cent metering of all consumers by June 2002, the Board had installed meters for 0.99 lakh (out of 9.31 lakh) agricultural consumers as on 31 March 2006. Achievements on the replacement of electromagnetic meters (Sl. No. 7) with electronic meters were only 44.26 per cent as against the target of 100 per cent as per MOU.

State Electricity Regulatory Commission

1.16 The Punjab State Electricity Regulatory Commission (Commission) was formed on 31 March 1999 under Section 17 of the Electricity Regulatory Commissions Act, 1998[#] with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issuance of licences. The Commission is a body corporate and comprises three members including a Chairperson who are appointed by the State Government. All expenditure of the Commission is to be charged to the Consolidated Fund of the State. The Commission had finalised its accounts upto 2005-06. During 2005-06 the Commission scrutinised and disposed off 16 petitions.

Non-working PSUs

Investment in non-working PSUs

1.17 As on 31 March 2006, the total investment[@] in 30 non-working Government companies was Rs. 60.16 crore (equity: Rs. 28.38 crore; long-term loans: Rs. 18.82 crore and share application money: Rs. 12.96 crore) as against total investment of Rs. 39.60 crore (equity: Rs. 19.64 crore; long-term loans: Rs. 18.55 crore and share application money: Rs. 1.41 crore) in 28 non-working Government companies as on 31 March 2005.

Increase in equity was mainly due to formation of two new companies (which are yet to start their activities) and conversion of one working company to a non working company as mentioned in paragraph 1.1 *supra*.

The classification of the non-working PSUs was as under:

(Investment: Rupees in crore)				
Sl. No.	Status of non-working PSUs	Number of companies	Equity	Long- term loans
1	Under liquidation	7	2.96 [*]	10.86 [‡]
2	Under closure	10	14.90	7.96 [§]
3	Others	13	23.48	0
	Total	30	41.34	18.82

Of the above non working PSUs, 17 Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for one to 23 years. Substantial investment of Rs. 36.68 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.18 There was no budgetary outgo, grants/subsidies, guarantees issued, waiver of dues or conversion of loans into equity by the State Government to non-working PSUs during 2005-06 (*Annexures 1 and 3*).

[#] Since replaced by the Electricity Act, 2003.

[@] Reconciliation of figures with Finance Accounts is under progress.

^{*} Includes Rs. 0.13 crore equity from others.

[‡] Includes Rs. 9.33 crore loan from others.

[§] Includes Rs. 0.50 crore loans from others.

Total establishment expenditure of non-working PSUs

1.19 The year wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2005-06 are given below:

(Amount: Rupees in crore)

Year	Number of Non working PSUs	Total establishment expenditure	Financed by	
			Disposal of investment/ assets	Others
2003-04	38	0.13 [^]	0.11	0.02
2004-05	28	0.45	0.11	0.34
2005-06	30	0.60	0.17	0.43

Finalisation of accounts by non-working companies

1.20 Out of 30 non-working companies, one Company (C-17 of *Annexure 2*) had finalised accounts for 2005-06 and three companies (Sl. No. C-3, 9 and 20 of *Annexure 2*) finalised four accounts for previous years. Seven[#] companies are under liquidation. One company was yet to complete the financial year after incorporation and 11 companies were likely to be dissolved as mentioned in paragraph 1.1 *supra*. Accounts of remaining 10 companies were in arrears for periods ranging from one to 15 years.

Financial position and working results of non-working PSUs

1.21 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in *Annexure 2*.

The net worth of 19^{\$} non-working Government companies against their paid-up capital of Rs. 20.87 crore was Rs. 30.56 crore. These companies suffered a cash loss of Rs. 2.01 crore and their accumulated losses worked out to Rs. 56.40 crore.

According to the latest finalised accounts of these 19^{\$} non-working Government companies, 14 companies had incurred an aggregate loss of Rs. 3.52 crore and accumulated losses of Rs. 57.05 crore which exceeded their aggregate paid-up capital of Rs. 19.13 crore.

Status of placement of Separate Audit Reports on the accounts of Statutory corporations in Legislature

1.22 The following table gives the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG before

[^] There was no establishment expenditure during 2003-04 in respect of 12 newly formed companies.

[#] Serial Numbers C-2, 10,11,12,13,16 and 30 of *Annexure 2*.

^{\$} This excludes eight companies formed during 2003-04 which had not submitted their first accounts, two companies incorporated during 2005-06 and one company which has been converted into non working during the year.

the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Year up to which SAR placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1	Punjab State Electricity Board	2004-05	2005-06	Under finalisation	-
2	PEPSU Road Transport Corporation	2003-04	2004-05	16 June 2006	Under Print
3	Punjab Financial Corporation	2003-04	2004-05	23 August 2006	-
4	Punjab State Warehousing Corporation	1999-2000	2000-01	13 July 2004	Sent to State Government for placement in the Legislature -do- -do- -do- -do-
			2001-02	23 November 2004	
			2002-03	23 March 2005	
			2003-04	29 September 2005	
5	Punjab Scheduled Castes Land Development and Finance Corporation	2001-02	2004-05	23 February 2006	-do-
			2002-03	11 August 2004	Under print
			2003-04	21 December 2005	Under print
			2004-05	Under finalisation	-

Disinvestment, Privatisation and Restructuring[@] of Public Sector Undertakings

1.23 One company was disinvested during the year as mentioned in Paragraph 1.1 *supra*. In case of 11 companies (Sl. Nos. C-8, 15, 19 and 21 to 28 of **Annexure 2**), notices were issued (April, May 2006) by the Ministry of Law, Justice and Company Affairs, Department of Company Affairs under Section 560(3) of the Companies Act, 1956 for striking off the names of these companies from the ROC. The name of one company (Reliance Hotels Limited) was struck off from the ROC.

Results of audit of accounts of PSUs by Comptroller and Auditor General of India

1.24 During the period from October 2005 to September 2006, the accounts of 14 Government companies (12 working and two non working) and five Statutory corporations (all working) were selected for review. As a result of the observations made by the CAG on these accounts, including accounts selected during earlier periods but in respect of which CAG's observations were finalised during the above

[@] Restructuring includes merger and closure of PSUs.

period, the net impact of the important audit observations was as follows:

Sl. No.	Details	Number of accounts			Amount (Rupees in crore)		
		Government companies		Working Statutory corporations	Government companies		Working Statutory corporations
		Working	Non-working		Working	Non-Working	
1.	Decrease in profit	2	-	-	8.76	-	-
2.	Increase in profit	3	-	-	39.17	-	-
3.	Increase in loss	1	1	2	0.51	0.71	15.58

Errors and omissions noticed in case of Government companies

Some of the important comments under Section 619(4) of the Companies Act, 1956 on the accounts of Government companies noticed during the period October 2005 to September 2006 were as follows:

Punjab Agro Foodgrains Corporation Limited (2003-04)

1.25 Non accounting of claims of Rs 24.54 crore recoverable from Food Corporation of India in respect of enhancement in rates, made after the Balance Sheet date but before its approval, was in contravention of Accounting Standard-4 which resulted in understatement of sundry debtors and reserves and surplus to the extent of Rs. 24.54 crore.

Punjab Information and Communication Technology Corporation Limited (2004-05)

1.26 Non provision for diminution in the value of investments resulted in overstatement of investments as well as profit by Rs 8.30 crore.

Punjab Genco Limited (2004-05)

1.27 Non provision of Rs. 72.66 lakh, being irrecoverable amount from Punjab State Electricity Board, resulted in overstatement of loans and advances by Rs. 72.66 lakh.

Punjab State Civil Supplies Corporation Limited (2004-05)

1.28.1 The State Government charges guarantee fee on the entire cash credit sanctioned/ availed whereas it is reimbursed by FCI on the minimum support price. The Company paid guarantee fee of Rs. 3.78 crore for the crop year 2003-04, and got reimbursement of Rs. 2.97 crore. The balance amount of Rs. 0.81 crore had not been written off/provided for, which resulted in understatement of accumulated losses by Rs. 0.81 crore.

1.28.2 Non accounting of transportation charges of Rs. 3.83 crore recoverable from FCI, resulted in understatement of sundry debtors and overstatement of accumulated losses by Rs. 3.83 crore.

Punjab State Civil Supplies Corporation Limited (2005-06)

1.29 Non inclusion of Rs. 10.35 crore, reimbursable by the State Government against loss due to fall in the outturn ratio for custom milled rice, in other income resulted in understatement of sundry debtors as well as profit for the year by Rs. 10.35 crore.

Punjab State Hosiery and Knitwear Development Corporation Limited (2004-05)

1.30 Non-provision of interest on loan of Rs. 50 lakh received in November 1999 in the accounts for the year 1999-2000 onwards in terms of Section 209(3)(a)(b) of the Companies Act, 1956 resulted in understatement of unsecured loans & accumulated loss by Rs. 45.27 lakh each.

Errors and omissions noticed in case of Statutory corporations

Punjab State Electricity Board (2004-05)

1.31 Non inclusion of additional subsidy of Rs. 68.25 crore sanctioned by the State Government on account of truing[@] up of agricultural load/consumption for the year 2003-04 (Rs. 20.05 crore) and 2004-05 (Rs.48.20 crore) as receivable resulted in understatement of tariff compensation from the State Government and overstatement of deficit by Rs. 68.25 crore.

1.32 Inclusion of Rs. 1,480.13 crore in capital work in progress, being the share of assets of the Irrigation Branch of the State Government in Ranjit Sagar Dam project yet to be transferred to the Irrigation Branch, resulted in overstatement of capital expenditure in progress as well as funds from the State Government.

1.33 Employee's cost was understated by Rs. 46.71 crore due to non-provision of liability for payment of solatium in lieu of compassionate employment to the heirs of deceased employees in respect of pending applications. This resulted in understatement of deficit by Rs. 46.71 crore.

Audit assessment of the working results of Punjab State Electricity Board (PSEB)

1.34 Based on the audit assessment of the working results of the PSEB for three years up to 2005-06 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the PSEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of the Board would be as given below:

(Amount: Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06 (Provisional)
1.	Net surplus/ deficit (-) as per books of accounts	174.92	(-) 3,833.58	33.66
2.	Subsidy from the State Government	838.15	923.66	1,435.92
3.	Net surplus/deficit (-) before subsidy from the State Government (1-2)	(-) 663.23	(-) 4,757.24	(-) 1,402.26
4.	Net increase/decrease in net surplus/ deficit (-) on account of audit comments on the annual accounts of the PSEB	19.31	(-) 15.51	Under finalisation
5.	Net surplus/ deficit (-) after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-) 643.92	(-) 4,772.75	N A
6.	Total return on capital employed [#]	492.72	(-) 3,779.91	NA
7.	Percentage of total return on capital employed	4.34	-	NA

[@] Bring into required position.

[#] Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised), less subsidy and after taking into account the impact of audit comments.

Keeping in view the sanction of the Government of Punjab, Rural Electrification (RE) subsidy is to be restricted to interest on Government loan. As such, the excess RE subsidy over and above the interest on Government loan for the period 1.4.98 to 31.03.2002, i.e., Rs. 3,242.00 crore is written off during the year 2004-05 as approved by the Board.

Recoveries at the instance of Audit

1.35 Test check of records of the State Electricity Board/other PSUs conducted during 2005-06 disclosed non recovery of cost of deposit works/lines/broken seals/ burnt meters, reconnection fees, short realisation of revenue or other observations aggregating Rs. 100.21 crore in 205 cases. A sum of Rs. 5.52 crores relating to 273 audit observations was, however, recovered at the instance of Audit.

In addition, recovery of Rs. 4.03 crore as pointed out in Paragraph 2.27 *infra* was also made at the instance of Audit.

Internal audit/ Internal control

1.36 The Statutory Auditors (Chartered Accountants) are to furnish a detailed report upon various aspects including the internal control/internal audit systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3) (a) of the Companies Act, 1956, and to identify areas which need improvement. An illustrative resume of the nature of major recommendations/comments made by the Statutory Auditors on possible improvements in the internal audit/internal control system in respect of State Government companies is indicated below:

Sl. No.	Nature of comment made by the Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Annexure 2
1	Non preparation/ Non analysis of variations of financial budget	3	A-16, 17 and 22
2	No regular/ satisfactory reconciliation of accounts	2	A- 6 and 8
3	No internal control/ Inadequate internal audit system	6	A-2, 4, 6, 8, 15 and 16
4	Non/improper maintenance of fixed assets register	4	A-2, 8, 11 and 16
5	Maximum-minimum limits of stocks was not prescribed	3	A-11, 16 and 21
6	Non-accountal of missing/obsolete and other devalued stocks	1	A-16
7	Non-formulation/following of price fixation policy formed by management	2	A-8 and 15
8	The effect of realisable value of old and slow moving stocks not given in accounts	1	A-8
9	Non identification of idle time of labour, wasteful overhead etc.	2	A- 15 and 17
10	Non preparation of activity wise profit and loss account	1	A- 15
11	Non preparation of cost accounts	2	A-15 and 17
12	Preparation of technical estimates after commencement of work	1	A-21
13	Deviation from Accounting Standard-2, 9, 13 and 15	5	A-8, 12, 16, 17 and 21
14	Audit committee does not exist	1	A-6
15	Non following the principle of FIFO in respect of issue of stock	1	A-6

Recommendations for closure of PSUs

1.37 Even after more than 27 years of their existence, the individual turnover of four Government companies (Sl. Nos. A-2, A-10, A-12 and C-3 of *Annexure 2*) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Similarly, two working Government companies (Sl. Nos. A-14 and A-17 of *Annexure 2*) had been incurring losses for five consecutive years (as per their latest finalised accounts) leading to negative net worth. Besides, one company (Sl. Nos. C-14 of *Annexure 2*) despite being in existence for more than 14 years could not commence business activities.

In view of poor turnover, continuous losses and non-commencement of business activities, the Government may either improve the performance of these seven Government companies or consider their closure.

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.38 The status of Audit Reports (Commercial) and their reviews/paragraphs discussed by COPU as on 30 September 2006 is as under:

Period of Audit Report	Number of reviews and paragraphs			
	Appeared in the Audit Report		Discussed	
	Reviews	Paras	Reviews	Paras
1997-98	3	23	1	19
1998-99	4	22	2	19
1999-2000	4	23	3	22
2000-01	3	18	2	13
2001-02	4	17	-	7
2002-03	3	20	-	8
2003-04	2	20	-	-
2004-05	2	21	-	-
Total	25	164	8	88

During October 2005 to September 2006, COPU met 23 times and took up four reviews and 27 paragraphs and finalised 11 paragraphs.

619-B Companies

1.39 There were two companies (both working) coming under Section 619-B of the Companies Act, 1956. *Annexure 7* gives the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest finalised accounts.