

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2006, the State had 57 Public Sector Undertakings (PSUs) comprising 52 Government companies and five Statutory corporations as against 57 PSUs as on 31 March 2005. Out of 52 Government companies, 22 were working and 30 were non-working Government companies. All the five Statutory corporations were working corporations. In addition, there were two companies under Section 619-B of the Companies Act, 1956 as on 31 March 2006.

(Paragraphs 1.1 and 1.39)

The total investment in working PSUs decreased from Rs.13,983.88 crore as on 31 March 2005 to Rs.12,986.51 crore as on 31 March 2006. The total investment in 30 non-working PSUs increased from Rs. 39.60 crore to Rs. 60.16 crore during the same period.

(Paragraphs 1.2 and 1.17)

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs decreased from Rs. 2,327.12 crore in 2004-05 to Rs. 1,639.44 crore in 2005-06. The State Government guaranteed loans aggregating Rs. 10,922.44 crore in respect of eight working PSUs during 2005-06. The total amount of outstanding loans guaranteed by the State Government to working PSUs as on 31 March 2006 was Rs. 6,715.39 crore.

(Paragraph 1.5)

Only four working Government companies and two Statutory corporations finalised their accounts for the year 2005-06. The accounts of remaining 18 working Government companies and three working Statutory corporations were in arrears for periods ranging from one to four years as on 30 September 2006. Out of 30 non-working Government companies, one company finalised its accounts for the year 2005-06. Seven companies were under liquidation. One company was yet to complete the financial year after incorporation and 11 companies were likely to be dissolved. The accounts of the remaining 10 companies were in arrears for periods ranging from one to 15 years as on 30 September 2006.

(Paragraphs 1.6 and 1.20)

According to the latest finalised accounts, 11 working Government companies earned an aggregate profit of Rs. 100.73 crore. Only two working Government companies declared dividend of Rs. 1.61 crore. Against this, 13 working PSUs (eight Government companies and five Statutory corporations) incurred an

aggregate loss of Rs. 3,934.72 crore as per their latest finalised accounts. Of the loss incurring working Government companies, 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. Four loss incurring Statutory corporations had accumulated losses aggregating Rs. 5,004.18 crore, which exceeded their paid-up capital of Rs. 2,965.68 crore.

(Paragraphs 1.7, 1.8, 1.9 and 1.11)

Even after completion of more than 27 years of their existence, the individual turnover of four Government companies (three working and one non-working) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, two working Government companies had been incurring losses for five consecutive years as per their latest finalised accounts leading to negative net worth. Besides, one non working company despite being in existence for more than 14 years could not commence business activities. The Government may either improve their performance or consider their closure.

(Paragraph 1.37)

2. Performance review relating to Government company

Punjab Agro Foodgrains Corporation Limited

Procurement, Storage and milling of paddy for central pool

The performance of Punjab Agro Foodgrains Corporation Limited (Company) with respect to procurement, storage and milling of paddy was sub-optimal due to lack of control over milling operations and non-following the terms of custom milling policy and agreement with the millers.

Some of the important points noticed during the performance review are as under:

The Company failed to take remedial measures to ensure delivery of full quantity of rice by the millers despite the reports of the Comptroller and Auditor General of India of previous years having pointed out misappropriation of rice/paddy by rice millers. There was further misappropriation of 16,834 metric tonne rice in six district offices with resultant non-recovery of Rs. 31.95 crore.

(Paragraph 2.16)

Against the specified period of 200, 175, 121 and 60 days for which interest was provided in the rates by the Government of India for the crop years 2000-01, 2001-02, 2002-03 and 2003-04 the Company took average period of 236, 212, 152 and 133 days, respectively, for milling and delivery of rice to

Food Corporation of India (FCI). Failure of the Company to get the paddy milled in time resulted in loss of interest of Rs. 18 crore in six district offices.

(Paragraph 2.20)

Inclusion of depreciation on lower number of gunny bags in the rates of rice for the crop years 2003-05 resulted in short recovery of Rs. 2.66 crore from FCI.

(Paragraph 2.23)

The Company had no system to ensure raising of interest claims on delayed payments by FCI due to which it failed to raise interest claims of Rs. 3.50 crore in six district offices.

(Paragraph 2.26)

Instead of allowing driage at one *per cent* of minimum support price, the Company allowed driage at one *per cent* on quantity of paddy delivered for milling for the crop years 2000-04. This resulted in loss of Rs. 2.03 crore in six district offices of the Company.

(Paragraph 2.17)

Incorrect billing for differential cost of rice and interest thereon resulted in short recovery of Rs. 4.26 crore. The Company recovered Rs. 4.03 crore at the instance of Audit.

(Paragraph 2.27)

3. Performance reviews relating to Statutory Corporations

Punjab State Electricity Board

3.1 Erection, augmentation and maintenance of transmission lines and sub-stations

The performance of the Punjab State Electricity Board (Board) with regard to erection of transmission lines and sub-stations was substantially lower than the targets. Delayed execution of transmission works led to mismatch in construction of lines and sub stations, time and cost overrun and non accrual of the envisaged benefit of reduction in transmission losses.

Some of the important points noticed during the performance review are as under:

Physical achievement during 2001-06 in respect of transmission lines and sub-stations was only 50.49 and 64.84 *per cent* respectively of the targets.

(Paragraph 3.1.8)

Shortfall in installation of shunt capacitors in the transmission system during 2001-05 resulted in non-reduction of transmission losses of 44.19 million units valued at Rs. 11.19 crore. The Board also had to pay Rs. 2.28 crore as reactive energy charges due to non-installation of shunt capacitors during December 2002-November 2005.

(Paragraph 3.1.26)

Delay in construction of transmission lines due to deficient planning, poor monitoring and lack of co-ordination resulted in cost overrun of Rs. 9.23 crore. The delay also deprived the Board of anticipated saving of Rs. 1.91 crore due to non-reduction of transmission and distribution losses.

(Paragraphs 3.1.11, 3.1.12 and 3.1.13)

Defective construction and poor quality control resulted in extra expenditure of Rs. 3.90 crore on strengthening of weak foundations and re-erection of towers damaged due to defective foundations.

(Paragraph 3.1.14)

Inadequate planning and poor monitoring resulted in unfruitful investment of Rs. 2.04 crore on stubbing work of two transmission lines and civil works of four sub-stations.

(Paragraphs 3.1.15, 3.1.16 and 3.1.20)

PEPSU Road Transport Corporation

3.2 Operational performance

The overall operational performance of PEPSU Road Transport Corporation (Corporation) was sub-optimal mainly due to overaged fleet, low occupancy ratio, large number of uneconomical routes, consumption of fuel in excess of the norms and non-linkage of bus fare with the cost of fuel.

Some of the important points noticed during the performance review are as under:

Out of total 561 routes as on 31 March 2006, 99.11 *per cent* routes were uneconomical. The operation of uneconomical routes resulted in financial burden of Rs. 76.66 crore on the Corporation during 2001-06.

(Paragraph 3.2.12)

Non linkage of bus fare with the increase in the cost of diesel deprived the Corporation of additional revenue of Rs. 53.66 crore.

(Paragraph 3.2.22)

Non compliance with the provisions of Punjab Motor Vehicles Taxation (Amendment) Act, 1993 resulted in non refund of Special Road Tax of Rs. 3.04 crore.

(Paragraph 3.2.19)

Non inclusion of toll tax, being paid by the Corporation, in the bus fare resulted in loss of Rs 2.79 crore during May 2002-March 2006.

(Paragraph 3.2.23)

Excess consumption of 8.31 lakh litres of fuel over the norms resulted in loss of Rs. 1.60 crore during 2001-06 in five depots.

(Paragraph 3.2.18)

4. Transaction audit observations

Transaction audit observations included in the Report highlight deficiencies in the management of PSUs, which had serious financial implications, as categorised below:

- There were instances of loss amounting to Rs. 58.16 crore due to:
 - One time settlement with profit making units;
 - lack of system;
 - bearing voluntary retirement expenses of subsidiary company; and
 - favour to consumers.

(Paragraphs 4.1, 4.2, 4.10, 4.15 and 4.18)

- There was loss of interest of Rs. 8.28 crore due to:
 - Poor fund management;
 - delay in raising claims/sending documents ;
 - excess purchase/non transfer of funds; and
 - delay in recovery.

(Paragraphs 4.4, 4.5, 4.9, 4.11, 4.12, 4.13 and 4.14)

- There were cases of excess expenditure/ contribution and overpayment amounting to Rs. 8.55 crore.

(Paragraphs 4.3, 4.11, 4.16, 4.19 and 4.23)

- Two cases of short reimbursement of the cost of gunny bags amounting to Rs. 5.54 crore.

(Paragraphs 4.6 and 4.8)

- Two cases of non recovery/doubtful recovery amounting to Rs. 0.83 crore.

(Paragraphs 4.20 and 4.21)

- Cases of avoidable payment of Rs. 0.83 crore.

(Paragraphs 4.7, 4.17 and 4.22)

- Short accountal of storage gain of Rs. 0.59 crore.

(Paragraph 4.24)

Gist of some of the important audit observations is given below:

One time settlement with profit making units resulted in loss of Rs. 31.91 crore to the **Punjab State Industrial Development Corporation Limited**.

(Paragraph 4.1)

Allowing one time settlement to a profit making rehabilitated unit resulted in loss of Rs. 17.49 crore to the **Punjab State Industrial Development Corporation Limited**.

(Paragraph 4.2)

Failure of the **Punjab State Tubewell Corporation Limited** to limit employer's contribution towards Employees Provident Fund as prescribed in the Employees' Provident Fund Scheme, 1952 resulted in excess contribution of Rs. 7.03 crore.

(Paragraph 4.3)

Inclusion of depreciation on less quantity of gunny bags in the rates of rice resulted in short reimbursement of Rs. 3.05 crore to the **Punjab State Civil Supplies Corporation Limited**.

(Paragraph 4.8)

Failure of the **Punjab State Civil Supplies Corporation Limited** to promptly raise claims of transportation charges on Food Corporation of India resulted in

blockage of Rs. 29.13 crore and consequential loss of interest of Rs.2.34 crore.

(Paragraph 4.9)

Failure of the **Punjab State Grains Procurement Corporation Limited** to promptly raise claims of transportation charges on Food Corporation of India resulted in blockage of Rs. 32.94 crore and consequential loss of interest of Rs. 3.97 crore.

(Paragraph 4.5)

Delay in transfer of funds by the holding company earmarked for the contract farming programme resulted in interest loss of Rs. 0.81 crore to the **Punjab Agro Foodgrains Corporation Limited**.

(Paragraph 4.13)

Deficient instructions of the **Punjab State Electricity Board** in contravention of the Electricity Act resulted in discriminatory treatment of consumers and loss of Rs.7.74 crore.

(Paragraph 4.18)