

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2008, the State had 46 Public Sector Undertakings (PSUs) comprising 41 Government companies and five Statutory corporations as against equal number of PSUs as on 31 March 2007. Out of 41 Government companies, 24 were working and 17 were non-working Government companies. All the five Statutory corporations were working corporations. In addition, there were four companies (all working) under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2008.

(Paragraphs 1.1 and 1.31)

The total investment in working PSUs increased from Rs. 13,915.01 crore as on 31 March 2007 to Rs. 13,940.34 crore as on 31 March 2008. The total investment in non-working PSUs decreased from Rs. 93.90 crore as on 31 March 2007 to Rs. 40.49 crore as on 31 March 2008.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs. 1,518.85 crore in 2006-07 to Rs. 2,951.89 crore in 2007-08. The State Government guaranteed loans aggregating Rs. 12,718.28 crore in respect of five working PSUs during 2007-08. As on 31 March 2008, guarantees of Rs. 9,894.99 crore were outstanding against seven working Government companies and four working Statutory corporations.

(Paragraph 1.5)

Only two working Government companies and one Statutory corporation finalised their accounts for the year 2007-08 as on 30 September 2008. The accounts of 22 working Government companies and four working Statutory corporations were in arrears for periods ranging from one to five years as on 30 September 2008. Out of 17 non-working Government companies, seven companies were under liquidation and the accounts of remaining 10 defunct companies were in arrears for periods ranging from one to 17 years as on 30 September 2008.

(Paragraphs 1.6 and 1.19)

According to the latest finalised accounts, 12 working PSUs (11 Government companies and one Statutory corporation) earned an aggregate profit of Rs. 38.73 crore and only three working Government companies declared dividend of Rs. 2.02 crore. Against this, 13 working PSUs (Nine Government companies and four Statutory corporations) incurred an aggregate loss of

Rs.1,898.70 crore. Of the loss incurring working Government companies, seven companies had accumulated losses aggregating Rs. 538.42 crore which exceeded their aggregate paid-up capital of Rs. 82.97 crore. The four loss incurring Statutory corporations had accumulated losses aggregating Rs. 6,686.17 crore, which exceeded their paid-up capital of Rs. 3,105.68 crore.

(Paragraphs 1.7, 1.9 and 1.11)

2. Performance review relating to Government company

Punjab State Grains Procurement Corporation Limited

Custom Milling of Paddy and Delivery of Rice to FCI

The performance of the Company with regard to custom milling of paddy and delivery of rice to FCI was sub optimal due to absence of any system to analyse the rates fixed by GOI to ensure that all elements of cost are reimbursed to the Company. There was no system to ensure timely raising of sale bills on FCI and claims of interest due to delay in making payment by FCI.

Some of the important points noticed are as under:

- Failure of the Company to take up the matter regarding reimbursement of interest and custody and maintenance charges for average stock holding period of paddy with the State Government/FCI resulted in short reimbursement of Rs. 121.23 crore.
- Non inclusion of element of interest on the cost of gunny bags for the average stock holding period of paddy resulted in non reimbursement of Rs. 16.95 crore by FCI to the Company.
- Despite inclusion of transportation charges in respect of paddy transported within eight kilometers in the rate of milling charges, the company incurred the transportation cost and failed to recover the same from the millers resulting in loss of Rs. 8.20 crore.
- The Company failed to devise any system to raise claims on FCI for transportation of paddy beyond eight kilometres immediately after the completion of paddy season. This resulted in loss of interest of Rs. 6.28 crore to the Company due to non-raising of claim for Rs. 36.12 crore and delay in raising of claim for Rs. 14.20 crore.

(Chapter 2)

3. Performance reviews relating to Statutory Corporations

Punjab Scheduled Castes Land Development and Finance Corporation

3.1 Sanction, Disbursement and Recovery of Loans

The overall performance of the Corporation with regards to socio-economic upliftment of SC population in the State was far from satisfactory because the Corporation could cover only a small fraction of the targeted population. The achievement of targets in physical and financial terms was very low. In majority of cases, loans disbursed were misutilised due to wrong selection of beneficiaries, delayed disbursement of loans and non conducting of physical verification of assets created by the beneficiaries.

Some of the important points noticed are as under:

- Out of 3.18 lakh below poverty line (BPL) families, the Corporation could provide financial assistance to only 0.23 lakh families during 2003-08 which consisted only 7.23 *per cent* of the total BPL families of the State.
- Against the targets for disbursement of Rs. 196.43 crore to 1,11,080 beneficiaries, the Corporation disbursed only Rs. 37.18 crore to 25,576 beneficiaries during 2003-08, which reflected its poor performance in rendering assistance to SC community.
- There was lack of proper monitoring, delayed action and poor pursuance by the Corporation which resulted in increase of overdue amount of recovery from Rs.28.91 crore (2002-03) to Rs. 43.50 crore (including interest of Rs. 19.98 crore) in 2006-07.
- The Corporation had to refund Rupees four crore due to non utilisation of funds under Economic Venture scheme during 2003-07.
- The failure of the Corporation to invoke the provision of loan regulations led to misutilisation of loan amount by 607 loanees involving Rs. 2.86 crore under Direct Lending scheme and National Scheduled Castes Finance and Development Corporation's schemes during 2002-07.
- Against the norm of 35 days for sanction and disbursement of loan, the Corporation took period ranging from 50 days to more than two years in 1,277 cases during 2003-07.
- The Corporation failed to evolve an effective monitoring and evaluation system which affected the efficiency and effectiveness of various loan schemes.

(Chapter 3.1)

Punjab State Electricity Board

3.2 Purchases and Inventory Control

The performance of the Board with regard to purchases and inventory control was sub optimal as system of procurement lacked efficient and scientific material management in assessment of requirement and utilisation of the material. The Board incurred extra expenditure in procurement of material due to incorrect assessment of requirement, non placement of orders at lowest acceptable tendered rates, delay in finalisation of tenders leading to increase in prices, undue benefit to suppliers and payment of price escalation and statutory levies in contravention of the terms of orders.

Some of the important points noticed are as under:

- The Board failed to plan its requirements of material before start of financial year resulting in extra expenditure of Rs. 6.40 crore.
- Failure to safeguarding its interest by inserting risk and purchase clause in purchase orders resulted in extra expenditure of Rs. 3.79 crore and loss of Rs. 19.22 lakh on account of default in supply of material by the suppliers.
- The Board paid price variation amounting to Rs. 1.20 crore by making payments against firm prices in contravention of terms of purchase orders.
- Delayed finalisation of tenders resulted in extra expenditure of Rs. 77.66 lakh on account of cost escalation due to increased price variation.
- Ineffective inventory management by the Board resulted in shortage of material valuing Rs. 3.69 crore besides blockage of Rs. 14.97 crore in inventories lying in the stores without any use.

(Chapter 3.2)

4. Transaction audit observations

Transaction audit observations included in this Report highlight deficiencies in the management of Public Sector Undertakings which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature :

There were eight cases of loss of revenue amounting to Rs. 83.01 crore on account of :

- Non-reimbursement of interest on elements of cost.
- Incorrect assessment of requirements.

- Non-analysis of the increased cost of rice.
- Delay in repair of damaged runner.
- Initiating acquisition proceedings in respect of disputed land.
- Construction of godown at a site other than approved by FCI.
- Deficiencies in disposal of damaged wheat.

(Paragraphs 4.1, 4.3, 4.4, 4.5, 4.11, 4.16, 4.17 and 4.19)

There were five instances of avoidable expenditure/payment, injudicious payment amounting to Rs. 12.71 crore due to:

- Incurring expenditure in contravention of direction of GOI.
- Non-obtaining of assurance/guarantee from State Government.
- Extension of bank guarantee despite exemption.
- Payment in contravention of Board's instructions.
- Excess EPF contribution.

(Paragraphs 4.2, 4.6, 4.9, 4.14 and 4.20)

Besides one case of embezzlement of funds (Rs. 0.12 crore), there were six cases of undue favour to allottee, consumers and private parties amounting to Rs. 5.57 crore on account of:

- Release of financial assistance ignoring recommendation of Investment Management Committee.
- Non-cancellation of allotment.
- Inaction to insist on minimum lease rent.
- Inadequate Power Factor surcharge.
- Sanctioning permanent connection instead of temporary connection.
- Allowing lifting of stocks without obtaining adequate letters of credit and bank guarantee.

(Paragraphs 4.7, 4.8, 4.10, 4.12, 4.13, 4.15 and 4.18)

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

Punjab State Civil Supplies Corporation Limited incurred expenditure on transportation of paddy within eight kms in first instance which resulted in avoidable loss of Rs. 3.58 crore being excess expenditure incurred and non recovery of Rs. 3.26 crore from the millers towards transportation of paddy.

(Paragraph 4.2)

Punjab State Civil Supplies Corporation Limited failed to take up the matter with Government of India/State Government regarding reimbursement of interest on the elements of drought relief, transportation/movement of wheat and cost of gunny bags which resulted in loss of interest of Rs. 2.60 crore.

(Paragraph 4.3)

Failure of **Punjab Financial Corporation** to limit employer's contribution towards employees' provident fund as prescribed in the Employees' Provident Fund Scheme, 1952 resulted in excess contribution of Rs. 1.59 crore.

(Paragraph 4.20)

In case of **Punjab State Warehousing Corporation**, there were shortages of wheat stocks involving financial loss of Rs. 55.52 crore but the Corporation failed to take final action against the delinquent officials.

(Paragraph 4.19.8)

Punjab State Warehousing Corporation allowed lifting of stock of wheat and rice for export without obtaining adequate letters of credit and bank guarantees, amounting to favour to the Associate which led to doubtful recovery of Rs. 3.88 crore.

(Paragraph 4.18)