

Introduction

Functioning of State Public Sector Undertakings

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General

1. State Public Sector Undertakings (PSUs) consist of State Government Companies, Statutory Corporations and Government Controlled Other Companies (GCOC). State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2019, there were 52 PSUs in Punjab, including four¹ Statutory Corporations, 45 Government Companies (including nineteen inactive² Government Companies) and three GCOCs under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). Of these, one³ Company was listed on the stock exchange. During the year, one⁴ PSU was struck off from the Register of Companies by the Registrar of Companies under Section 248 (5) of the Companies Act, 2013.

2. The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2019 is covered in this report. The nature of PSUs and the position of accounts are indicated in table below:

Table 1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period ⁵				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2019
		Accounts for 2018-19	Accounts for 2017-18	Accounts upto 2016-17	Total	
Working Government Companies ⁶	29	8	13	6	27	21 (30)
Statutory Corporations	4	1	2	1	4	3 (4)
Total working PSUs	33	9	15	7	31	24 (34)
Inactive Government Companies	19	2	2	0	4	17 (216)
Total	52	11	17	7	35	41 (250)

¹ Punjab Scheduled Castes Land Development and Finance Corporation, PEPSU Road Transport Corporation, Punjab State Warehousing Corporation and Punjab Financial Corporation.

² Inactive PSUs are those which have ceased to carry out their operations.

³ Punjab Communications Limited

⁴ Punjab Agro Power Corporation Limited

⁵ From October 2018 to September 2019.

⁶ Government PSUs include other Companies referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013.

The working PSUs registered an annual turnover of ₹ 72,923.70 crore as per their latest finalised accounts as on 30 September 2019. This turnover was equal to 13.97 *per cent* of State Gross Domestic Product (GDP) for the year 2018-19 (₹ 5,21,861.00 crore at current prices and advance estimates). The working PSUs incurred an accumulated loss of ₹ 14,558.90 crore as per their latest finalised accounts. As on March 2019, the State PSUs had employed around 45,227 employees.

There are nineteen⁷ inactive PSUs which were non-functional for last five to 28 years having an investment of ₹ 56.20 crore towards capital (₹ 24.13 crore) and long term loans (₹ 32.07 crore). This is a critical area as the investments in inactive PSUs do not contribute to the economic growth of the State.

Accountability framework

3. The procedure for audit of Government companies are laid down in Sections 139 and 143 of the Companies Act, 2013 (Act, 2013). According to Section 2 (45) of the Act, 2013, a Government Company means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Other Companies (GCOC).

The Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Act, 2013. Section 139 (5) of the Act, 2013, provides that the Statutory Auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the Comptroller and Auditor General of India within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Act, 2013, provides that in case of a Government Company or Government Controlled Other Company, the first auditors are to be appointed by the Comptroller and Auditor General of India within sixty days from the date of registration of the Company and in case the Comptroller and Auditor General of India does not appoint such an auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such an auditor.

Further, as per sub-Section (7) of Section 143 of the Act, 2013, the Comptroller and Auditor General of India may, in case of any Company covered under sub-Section (5) or sub-Section (7) of Section 139, 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

⁷ Sl. No. 22 to 26, 30 to 43 of *Annexure 4*.

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.

Statutory audit

4. 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 (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 sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act, 2013.

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.

Submission of accounts by PSUs

Need for timely finalisation and submission

5. According to Section 394 and 395 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, laid before the House or both the Houses of State 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 the State.

Section 96 of the Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Act, 2013 stipulates that the audited financial

statements for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Act, 2013 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.

Role of the Government and Legislature

6. The State Government exercises control over the affairs of these PSUs 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 PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the Comptroller and Auditor General of India, in respect of 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 of India's (Duties, Powers and Conditions of Service) Act, 1971.

Investment by Government of Punjab in State Public Sector Undertakings (PSUs)

7. The Government of Punjab (GoP) has high financial stakes in the PSUs. This is mainly of three types:

- **Share capital and loans** – In addition to the share capital contribution, the GoP also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support** – GoP provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** – GoP also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

8. The total sector-wise summary of investment (GoP and others) in the PSUs as on 31 March 2019 is given in table 2:

Table 2: Sector-wise investment in PSUs

Name of sector	Government Companies		Statutory Corporations		Total	Investment ⁸ (₹ in crore)							Total (₹ in crore)	
	Active	Inactive	Active	Inactive		Equity			Long term loans			Grants/ Subsidies GoP	GoP	Others
						GoP	Others	Total	GoP	Others	Total			
Power	5	-	-	-	5	6,687.35	23.00	6,710.35	15,662.13	13,128.45	28,790.58	38,211.76	60,561.24	13,151.45
Finance	1	3	2	-	6	170.61	62.09	232.70	9.99	718.34	728.33	50.41	231.01	780.43
Agriculture & Allied	8	3	1	-	12	409.81	19.11	428.92	15,911.62	113.42	16,025.04	2,326.21	18,647.64	132.53
Others	15	13	1	-	29	478.80	43.37	522.17	8,329.54	1,654.71	9,984.25	170.34	8,978.68	1,698.08
Total	29	19	4	-	52	7,746.57	147.57	7,894.14	39,913.28	15,614.92	55,528.20	40,758.72	88,418.57	15,762.49

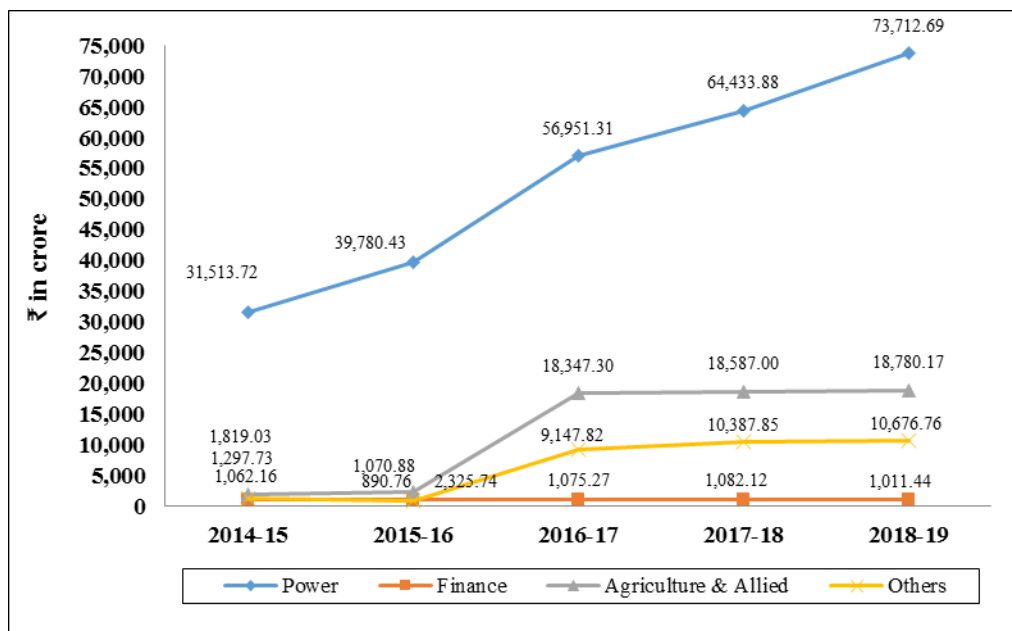
Source: Compiled based on information received from PSUs.

Grants/Subsidies of ₹ 40,758.72 crore represent the amount given by GoP during the period 2011-12 to 2018-19 out of which ₹ 38,211.76 crore was given to Power Sector PSU (PSPCL) on account of tariff compensation for subsidised supply of power to the consumers and ₹ 465.32 crore (out of ₹ 2,546.96 crore) to other than Power Sector PSUs for the purpose not meant for operational and management expenses.

The thrust of investment in PSUs was mainly on Power and Agriculture and Allied Sectors, which received investment of ₹ 42,198.97 crore (61.62 per cent) and ₹ 16,961.14 crore (24.77 per cent) respectively out of the total investment of ₹ 68,488.42 crore made during the period from 2014-15 to 2018-19.

9. The total investment in various important sectors at the end of 31 March 2015 to 31 March 2019 is indicated in following chart:

Chart 1: Sector-wise investment in PSUs



⁸ Investment includes equity, long term loans and grants/subsidies.

Keeping in view the high level of investment in Power Sector, we are presenting the results of audit of five power sector PSUs in Part I⁹ of this report and of the 47 PSUs (other than power sector) in the Part II¹⁰ of the report.

⁹ The Part I includes Chapter-I (Functioning of Power Sector Undertakings) and Chapter-II (Compliance Audit observations relating to Power Sector Undertakings).

¹⁰ The Part II includes Chapter-III (Functioning of PSUs other than Power Sector), Chapter-IV (Performance Audit relating to PSUs other than Power Sector) and Chapter-V (Compliance Audit observations relating to PSUs other than Power Sector).