CHAPTER 1

1.Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2005, there were 52 Government companies (24 working companies and 28 non-working companies[*]) and five Statutory corporations (all working) as against 59 Government companies (21 working companies and 38 non-working companies) and five Statutory corporations as on 31 March 2004 under the control of the State Government. During the year, names of seven Government companies[**] were struck off by the Registrar of Companies (ROC) under Section 560(5) of the Companies Act, 1956 and nine more companies[ζ] had applied (December 2003 and July 2005) to ROC for striking off their names under Simplified Exit Scheme. Four non-working companies[#] became working companies as these had started commercial operation whereas one working company (Punjab Poultry Development Corporation Limited) had become non-working as its activities were discontinued (October 2004). 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 who are appointed by CAG as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audits conducted by the CAG, as per 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 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 eight companies incorporated in November 2003 which are yet to start their activities.

[**] Punjab Dairy Development Corporation Limited, Polytex Processors Limited, Doaba Shoddy Spinning Mills Limited, Doaba Worsted Spinners Limited, Nakodar Cotton Waste Spinning Mills Limited, Ludhiana Worsted Spinning Mills Limited and Sangrur Worsted Spinning Mills Limited

[ζ] Serial No.C-18 to C-26 of ***Annexure 1***.

[#] Serial No A-19, 20,21and 22 of ***Annexure 1***.

[^] 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)

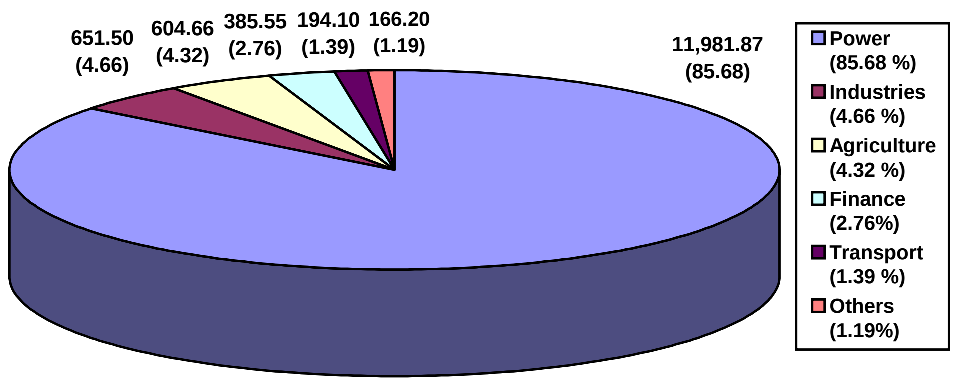
Investment in working PSUs

1.2 As on 31 March 2005, the total investment in 29 working PSUs (24 Government companies and five Statutory corporations) was Rs.13,983.88 crore (equity: Rs. 3,379.05 crore; long-term loans[ζ]: Rs.10,538.29 crore and share application money: Rs.66.54 crore) as against 26 working PSUs (21 Government companies and five Statutory corporations) with a total investment of Rs.13,783.11 crore (equity: Rs. 3,375.96 crore; long-term loans: Rs.10,350.33 crore and share application money: Rs.56.82 crore) as on 31 March 2004. The analysis of investment in PSUs is given in the following paragraphs:

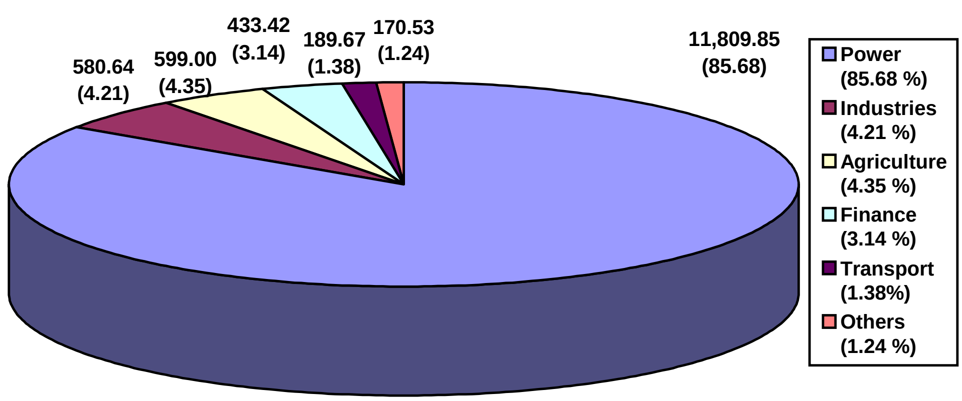
Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of March 2005 and March 2004 are indicated below in the pie charts:

Investment as on 31 March 2005
(Amount: Rupees in crore)
(Figures in bracket indicate percentage of total investment)



Investment as on 31 March 2004
(Amount: Rupees in crore)
(Figures in bracket indicate percentage of total investment)



[ζ] 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 2004 and March 2005 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Equity	Share application money	Long – term loans	Total
2003-04	21	371.81	56.82	854.33	**1,282.96**
2004-05	24	370.92	66.54	908.61	**1,346.07**

As on 31 March 2005, the total investment of working Government companies comprised 32.50 *per cent* equity capital and 67.50 *per cent* loans as against 33.41 and 66.59 *per cent*, respectively, as on 31 March 2004.

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 Industries and Tourism sectors, the debt-equity ratio in these sectors increased from 3.88 and nil in 2003-04 to 4.48 and 0.13 in 2004-05, respectively. In Electronics, Construction and Transport sectors debt equity ratio decreased from 0.27, 426.47 and 3.28 in 2003-04 to 0.19, 305.72 and 2.93 in 2004-05, respectively, due to decrease in long-term loans.

Working Statutory corporations

1.4 Total investment in five Statutory corporations at the end of March 2004 and March 2005 was as follows:

(Amount: Rupees in crore)

Sl. No.	Name of corporation	2003-04		2004-05	
		Capital	**Loans**	**Capital**	**Loans**
1.	Punjab State Electricity Board	2,806.11	9,003.74	2,806.11	9,175.76
2.	PEPSU Road Transport Corporation	111.18	52.20	111.18	58.75
3.	Punjab Financial Corporation	40.39	393.04	40.39	345.16
4.	Punjab State Warehousing Corporation	8.00	44.06	8.00	47.27
5.	Punjab Scheduled Castes Land Development and Finance Corporation	38.47	2.96	42.45	2.74
	Total	**3,004.15**	**9,496.00**	**3,008.13**	**9,629.68**

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 2005, the total investment in working Statutory corporations comprised 23.80 *per cent* equity capital and 76.20 *per cent* loans as against 24.03 and 75.97 *per cent*, respectively, as on 31 March 2004. Due to increase in long-term loans of Power, Transport and Agriculture sectors, the debt-equity ratio increased from 3.21, 0.47 and 5.51 in 2003-04 to 3.27,0.53 and 5.91 in 2004-05, respectively. Due to significant decrease in long-term loans in Finance sector, the debt-equity ratio decreased from 9.73 in 2003-04 to 8.55 in 2004-05.

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 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 2004-05 are given below:

(Amount: Rupees in crore)

Particulars	2002-03				2003-04				2004-05			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
(1) Equity capital	5	7.10	-	-	2	7.50	-	-	1	10.87	-	-
(2) Loans	-	-	-	-	-	-	-	-	-	-	-	-
(3) Grants/ Subsidy towards												
- Project/ Programmes/ Schemes	3	56.73	1	950.14	1	33.03	1	1,704.25	1	31.06	1	2,285.19
- Other subsidy	1	5.85	-	-	-	-	-	-	-	-	-	-
Total subsidy	4	62.58	1	950.14	1	33.03	1	1,704.25	1	31.06	1	2,285.19
Total outgo (1+2+3)		**69.68**		**950.14**		**40.53**		**1,704.25**	-	**41.93**	-	**2,285.19**
Guarantees	4	2,811.04	2	2,575.53	4	6,623.38	2	1,569.25	5	6,583.09	3	2,197.97

During the year 2004-05, the Government had guaranteed the loans aggregating Rs. 8,781.06 crore obtained by five working Government companies (Rs. 6,583.09 crore) and three working Statutory corporations (Rs. 2,197.97 crore). At the end of the year, guarantees amounting to Rs. 5,991.49 crore against eight Government companies (Rs. 2,140.47 crore) and four working Statutory corporations (Rs. 3,851.02 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 2004-05 was Rs. 9.50 crore and Rs.0.96 crore, respectively.

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

Finalisation of accounts by working PSUs

1.6 Out of 24 working Government companies and five Statutory corporations, only six companies and none of the Statutory corporations had finalised their accounts for the year 2004-05, up to 30 September 2005 as could be noticed from ***Annexure 2***. During the period from October 2004 to 30 September 2005, 11 working Government companies finalised 14 accounts for previous years. Similarly, during this period, five working Statutory corporations finalised six accounts for previous years**.**

The accounts of 18 working Government companies and five Statutory corporations were in arrears for periods ranging from one to five years as on 30 September 2005 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.	01	-	2000-01 to 2004-05	05	A-24	-
2.	02	-	2001-02 to 2004-05	04	A-2 and A-17	-
3.	06	-	2003-04 to 2004-05	02	A-5, 7, 8, 9, 10 and 14	-
4.	09	05	2004-05	01	A-3, 11,12,15,18, 19,20,21 and 22	B-1, 2,3,4 and 5
Total	**18**	**5**				

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 the Audit regarding arrears in finalisation of accounts, sufficient 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 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 24 working Government companies and five working Statutory corporations, eight companies and three corporations had incurred an aggregate loss of Rs.124.86 crore and Rs. 49.11 crore, respectively; nine companies and two corporations earned an aggregate profit of Rs. 73.53 crore and Rs**.** 175.70 crore, respectively; five companies (Sl. Nos. A-7,19,20, 21 and 22) had not finalised their first accounts (30 September 2005) and two companies (Sl. Nos. A-14 and 23 of ***Annexure 2***) were operating on 'no profit no loss' basis.

Working Government companies

Profit earning working Government companies and dividend

1.8 Four Government companies (viz. Punjab Agro Industries Corporation Limited, Punjab State Container and Warehousing Corporation Limited, Punjab State Civil Supplies Corporation Limited[*] and Punjab Digital Industrial Systems Limited**)** finalised their accounts for the year 2004-05 by 30 September 2005 and earned profit of Rs. 59.93 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 eleven working Government companies**,** which finalised their accounts for the previous years by 30 September 2005, five companies (seven accounts) earned an aggregate profit of Rs. 21.43 crore and only two companies (Sl. Nos. A-11 and 17 of ***Annexure 2***) declared dividend of Rs. 1.52 crore while two companies which earned profit for two or more successive years did not declare dividend.

Loss incurring working Government companies

1.9 Out of six working Government companies which finalised their accounts for 2004-05, one company viz., Punjab Communications Limited incurred loss of Rs. 9.45 crore during the year. Of the loss incurring working Government companies (as per their latest finalised accounts)**,** five companies had accumulated losses aggregating Rs**.** 457.80 crore which exceeded their aggregate paid-up capital of Rs**.** 89.58 crore by more than five times.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Two profit earning Statutory corporations (Sl. No. B-1 and B-3 of ***Annexure 2)*** had not finalised their accounts for 2004-05 by 30 September 2005. However, these two working Statutory corporations finalised their accounts for previous years by 30 September 2005 and had earned an aggregate profit of Rs. 175.70 crore**.** One corporation (Sl. No. B-5) which had finalised two accounts for the previous years, i.e., for 2002-03 and 2003-04 earned profit of Rs. 63.75 crore and loss of Rs. 31.94 crore, respectively, declared dividend (Rs. 80 lakh) at the rate of 10 *per cent* for 2002-03.

[*] The Company had earned profit during the current year but the accumulated losses had exceeded its paid up capital by more than 117 times.

Loss incurring Statutory corporations

1.11 Of the three loss incurring working Statutory corporations (Sl. Nos. B-2, B-4 and B- 5 of ***Annexure 2***), none had finalised its accounts for 2004-05. Two loss incurring working Statutory corporations (Sl. Nos. B-2 and B-4 of ***Annexure 2***) which finalised their accounts of previous years had accumulated losses aggregating Rs. 533.02 crore, which exceeded their aggregate paid-up capital of Rs. 151.57 crore by more than three times.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in ***Annexure 6.*** Following observations are made:

Punjab State Electricity Board

1.13 Transmission and distribution losses though decreased from 25.35 *per cent* in 2003-04 to 24.27 *per cent* in 2004-05 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 2005), the capital employed[*] worked out to Rs. 3,358.14 crore in 24 working Government companies and total return[#] thereon amounted to Rs. 296.76 crore, which is 8.84 *per cent* as compared to total return of Rs. 223.39 crore (4.11 *per cent*) in 2003-04. 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 2005) worked out to Rs. 13,745.22 crore and Rs. 1,310.59 crore (9.53 *per cent*), respectively, as against the total return of Rs. 725.54 crore (4.86 *per cent*) in 2003-04. 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 power sector

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

1.15 In pursuance of Chief Ministers' conference on power sector reforms held

[*] 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.

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 reforms programme in power sector with identified milestones. Status of implementation of reform 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 2005)**
	Commitments made by the State Government		
1.	Reduction in transmission and distribution losses	18 *per cent* by March 2003	24.27 *per cent* during 2004-05.
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 9.13 lakh agricultural consumers, 8.18 lakh consumers were unmetered.
4.	Securitise outstanding dues of Central Public Sector Undertakings	Not given	Securitised
5.	State Electricity Regulatory Commission (SERC)		
	Establishment of SERC	Not given	Constituted
	Implementation of tariff orders issued by SERC during 2002-05.	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	18.58 lakh electronic meters have been installed against 48.74 lakh metered consumers (May 2005).
	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 24.27 *per cent* during the year 2004-05. Further, against the target of 100 *per cent* metering of all consumers by June 2002 (Sl. No. 3), the Board had installed meters for 0.95 lakh (out of 9.13 lakh) agricultural consumers as on 31 March 2005. Achievements in the replacement of electromagnetic meters (Sl. No. 7) with electronic meters was only 38.12 *per cent* as against proportionate expected achievement of 83 *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 object 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 Consolidated Fund of the State. The Commission had finalised its accounts upto 2004-05. During 2004-05 the Commission scrutinised and disposed of one petition.

Non-working PSUs

Investment in non-working PSUs

1.17 As on 31 March 2005, the total investment in 28 non-working Government companies was Rs. 39.60 crore (equity: Rs. 19.64 crore; long-term loans: Rs. 18.55 crore and share application money: Rs. 1.41 crore) as against total investment of Rs. 41.43 crore (equity: Rs. 21.41 crore; long-term loans: Rs. 18.61 crore and share application money: Rs. 1.41 crore) in 38 non-working Government companies as on 31 March 2004.

Decrease in equity was mainly due to striking off of the names of the seven companies mentioned in paragraph 1.1 *supra* and due to starting of operations by four companies now included in working companies at Sl. No. A-19, 20, 21 and 22 of ***Annexure 1***.

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	6	2.76*	10.86**
2	Under closure	11	14.86	7.69***
3	Others	11	3.43	0
	Total	**28**	**21.05**	**18.55**

Reasons for delay in closure/ non closure of 17 non working companies (six companies under liquidation and 11 companies under closure) have been discussed in paragraph 3.20 of Chapter III

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

Since replaced by the Electricity Act, 2003.

* Includes Rs. 0.13 crore equity from others.

** Includes Rs. 9.33 crore loan from others.

*** Includes Rs. 0.50 crore loans from others.

of dues or conversion of loans into equity by the State Government to non-working PSUs during 2004-05 (***Annexures 1*** and ***3***)

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 2004-05 are given below:

(Amount: Rupees in crore)

Year	Number of Non working PSUs	Total establishment expenditure	Financed by	
			Disposal of investment/ assets	Others
2002-03	28	0.20	0.01	0.19
2003-04	38	0.13^	0.11	0.02
2004-05	28	0.45	0.11	0.34

Finalisation of accounts by non-working companies

1.20 Out of 28 non-working companies, two companies (Sl Nos. C-14 &C-15 of ***Annexure-2)*** finalised their accounts for 2004-05 and five companies finalised eight accounts for previous years. Six[#] companies are under liquidation. The accounts of remaining 20 companies were in arrears for periods ranging from one year to 31 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 20[$] non-working companies against their paid-up capital of Rs. 20.87 crore was Rs. (-) 29.29 crore. These companies suffered a cash loss of Rs. 2.23 crore and their accumulated losses worked out to Rs. 55.30 crore.

According to the latest finalised accounts of 20[$] non-working Government companies, 14 companies had incurred an aggregate loss of Rs. 3.74 crore and accumulated losses of Rs. 55.95 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

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

[#] Serial Numbers C-2,8,9,10,11 and 28 of ***Annexure 2.***

[$] This excludes 8 companies formed during 2003-04 which had not submitted their first accounts.

before 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	2002-03	2003-04	3 March 2005	Sent to State Government for placement in the Legislature.
2	PEPSU Road Transport Corporation	2002-03	2003-04	16 September 2005	Under print.
3	Punjab Financial Corporation	2002-03	2003-04	26 June 2005	Sent to State Government for placement in the Legislature.
4	Punjab State Warehousing Corporation	1999-2000	2000-01 2001-02 2002-03	13 July 2004 23 November 2004 20 March 2005	Sent to State Government for placement in the Legislature. Sent to State Government for placement in the Legislature. Sent to State Government for placement in the Legislature.
5	Punjab Scheduled Castes Land Development and Finance Corporation	2000-01	2001-02 2002-03 2003-04	30 January 2004 11 August 2004 -	Sent to State Government for placement in the Legislature. Under print. Under finalisation

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

1.23 No disinvestment or privatisation of Public Sector Undertakings has taken place during the year 2004-05. In case of seven companies, notices were published (9 May 1998 to 13 March 2003) in the official gazettes by Ministry of Law, Justice and Company Affairs, Department of Company Affairs under Section 560 (3) of the Companies Act, 1956 and names of these companies were struck off (July 2004 to October 2004) from the register of companies.

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

1.24 During the period from October 2004 to September 2005, the accounts of 16 Government companies (working: 14 and non working: two) and five Statutory corporations (all working) were selected for review. As a result of the observations made by the CAG on above accounts including accounts selected during earlier period but CAG's observations finalised during the above period, the net impact of

[@] Restructuring includes merger and closure of PSUs.

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	1	-	-	0.29	-	-
2.	Increase in profit	-	-	1	-	-	19.31
3.	Increase in loss	1	-	2	2.34	-	0.55
4.	Non-disclosure of material facts	1	1	-	0.11	0.06	-
5.	Errors of classification	-	-	1	-	-	1,487.43

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 2004 to September 2005 were as follows:

Punjab State Tubewell Corporation Limited (1998-99)

1.25.1 Provision of Rs. 2.03 crore and Rs. 8.74 lakh for energy charges and pay and allowances respectively had not been made in the accounts which resulted in understatement of provision for expenses as well as accumulated losses by Rs. 2.12 crore.

1.25.2 Debtors included Rs. 22.52 lakh on account of erroneously raising of a double demand against beneficiaries on account of sale of water. This resulted in overstatement of sundry debtors and understatement of accumulated losses by Rs. 22.52 lakh.

Punjab Small Industries and Export Corporation Limited (2002-03)

1.26 The loans and advances of Rs. 18.80 crore included Rs. 28.90 lakh shown as recoverable from Government of Punjab on account of expenditure on India International Trade Fair which had been refused (March 2001) by the Government of Punjab. This resulted in over-statement of loans and advances as well as accumulated profit to that extent.

Errors and omissions noticed in case of Statutory corporations

Punjab State Electricity Board (2003-04)

1.27.1 Punjab Government sanctioned (March 2004) subsidy of Rs. 857 crore for power supply to agricultural consumers and free supply to scheduled caste domestic consumers. Out of this Rs. 837.69 crore were adjusted against the amount payable to the Government. Balance of Rs. 19.31 crore was not shown as receivable and thus resulted in understatement of surplus to that extent.

1.27.2 Fixed assets valuing Rs. 38.60 crore completed by construction divisions were not transferred to operation divisions. Depreciation (not ascertainable due to non supply of record) on these assets was not provided.

Punjab Financial Corporation (2003-04)

1.28 Buildings were understated by Rs. 42.27 lakh (after adjusting Rs. 9.68 lakh for depreciation) as the capital work in progress (Rs. 3.95 lakh) and capital advance (Rs. 48 lakh) against the building under construction was not adjusted though the building had already been completed. This resulted in overstatement of capital work-in-progress by Rs. 3.95 lakh, capital advance by Rs. 48 lakh and understatement of loss by Rs. 9.68 lakh.

PEPSU Road Transport Corporation (2003-04)

1.29 Cumulative loss was understated by Rs. 45.20 lakh due to accounting of works relating to laying of premix carpet as Fixed Assets instead of Deferred Revenue Expenditure.

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

1.30 Based on the audit assessment of the working results of the PSEB for three years up to 2004-05 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 will be as given below:

(Amount: Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05 (Provisional)
1.	Net surplus/ deficit (-)as per books of accounts	(-)435.99	174.92	(-)595.84
2.	Subsidy from the State Government	950.14	838.15	923.66
3.	Net surplus/deficit (-) before subsidy from the State Government (1-2)	(-)1,386.13	(-) 663.23	(-) 1519.50
4.	Net increase/decrease in net surplus/ deficit (-) on account of audit comments on the annual accounts of the PSEB	0.95	19.31	Under finalisation
5.	Net surplus/ deficit (-) after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)1,385.18	(-) 643.92	N A
6.	Total return on capital employed[#]	(-)148.24	492.72	NA
7.	Percentage of total return on capital employed	(-)1.33	4.34	NA

Recoveries at the instance of audit

1.31 Test check of records of State Electricity Board/other PSUs conducted during 2004-05 disclosed wrong fixation of tariff/non levy/short levy of tariff/short realisation of revenue or other observations aggregating Rs. 117.04 crore in 254 cases. However, a sum of Rs. 86.87 lakh relating to 37 audit observations was

[#] 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.

recovered at the instance of Audit.

Reports of Statutory Auditors for improvement in internal audit/internal control on the directions of Comptroller and Auditor General of India

1.32 The Statutory Auditors (Chartered Accountants) are required to give a detailed report upon various aspects including the internal control/internal audit systems in companies audited in accordance with 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. Directions/sub directions under the Act, *ibid*, were issued to Statutory Auditors in respect of 11 Government companies involving 15 accounts received between October 2004 and September 2005. In pursuance of directions so issued, reports of Statutory Auditors involving 10 accounts of seven Government companies were received (September 2005).

An illustrative resume of nature of major recommendations/comments made by Statutory Auditors on possible improvements in the internal audit/internal control system in respect of State Government companies is indicated below:

Nature of recommendations/ comments made by the Statutory Auditors	**Number of companies where recommendations/ comments were made**	**Reference to serial number of *Annexure 2***
Inadequate financial control	1	A-3
Non-preparation of proper financial budget	1	A-17
No regular/ satisfactory reconciliation of accounts	3	A-3, 6 and 8
No internal control system exists	1	A-17
Inadequate internal audit system	4	A-1, 4, 6 and 8
Audit committee does not exists	2	A-3 and 6
Non-preparation of investment policy	1	A-4
Non/improper maintenance of fixed assets register	2	A-8 and 11
Non-following of principle of FIFO in respect of movement of stocks	1	A-6
Maximum-minimum limits of stocks was not prescribed	2	A-3 and11
Norms for losses/shortages were not fixed	1	A-3
Non-accountal of missing/obsolete and other devalued stocks	1	A-17
Employees in excess of norm	1	A-3
Non-following of price fixation policy formed by management	1	A-8
The effect of realisable value of old and slow moving stocks not given in accounts	1	A-8
Closing stocks were valued at reliasable value of product which was deviation from Accounting Standard-2	1	A-17

Recommendations for closure of PSUs

1.33 Even after more than 26 years of their existence, the individual turnover of five Government companies (Sl. Nos. A-2, A-10, A-12, C-3 and C-17* of ***Annexure 2)*** had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Similarly, three working Government companies (Sl. Nos. A-9, A-15 and A-18 of ***Annexure 2)*** had been incurring losses for five consecutive years (as per their latest finalised accounts) leading to negative net worth. Besides, two companies (Sl. Nos. C-12 and C-13 of ***Annexure 2)*** despite being in existence for more than 13 years could not commence business activities.

In view of poor turnover, continuous losses and non-commencement of business activities, the Government may either improve performance of these 10 Government companies or consider their closure.

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

1.34 The status of Audit Reports (Commercial) and their reviews/paragraphs pending for discussion at the end of September 2005 is as under:

Period of Audit Report	Number of reviews and paragraphs			
	Appeared in the Audit Report		Pending for discussion	
	Reviews	Paras	Reviews	Paras
1997-98	3	23	2	4
1998-99	4	22	2	4
1999-2000	4	23	1	3
2000-01	3	18	1	5
2001-02	4	17	4	12
2002-03	3	20	3	18
2003-04	2	20	2	20
Total	**23**	**143**	**15**	**66**

During April 2004 to September 2005, COPU met 32 times and took up seven reviews and 31 paragraphs and finalised 11 paragraphs.

619-B Companies

1.35 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 the latest finalised accounts.

* Turnover is nil.