

CHAPTER 1

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2007, there were 41 Government companies (22 working and 19 non-working companies*) and five Statutory corporations (all working) as against 52 Government companies (22 working and 30 non-working companies) and five Statutory corporations as on 31 March 2006 under the control of the State Government. During the year, the names of 11 companies[⊗] were struck off from the register of Companies under Section 560 (5) of the Companies Act, 1956. 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 Comptroller & Auditor General of India (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

The State had formed (31 March 1999) Punjab State Electricity Regulatory Commission (PSERC) whose audit is also being conducted by the CAG under Section 104(2) of the Electricity Act, 2003[^].

* 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.

⊗ (1) Punjab Tyres Limited (2) Zimag India Limited (3) Sutlej Shoddy Spinners Limited (4) Sukh Chain Tourist Complex Limited. (5) Pathankot Tourist Complex Limited (6) Faridkot Tourist Complex Limited (7) Kapurthala Tourist Complex Limited (8) Pinkcassia Tourist Complex Limited (9) Aam Khas Bagh Tourist Complex Limited (10) Surajmukhi Tourist Complex Limited (11) Sanghol Tourist Complex Limited.

§ The earlier provision of Section 69(2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003.

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

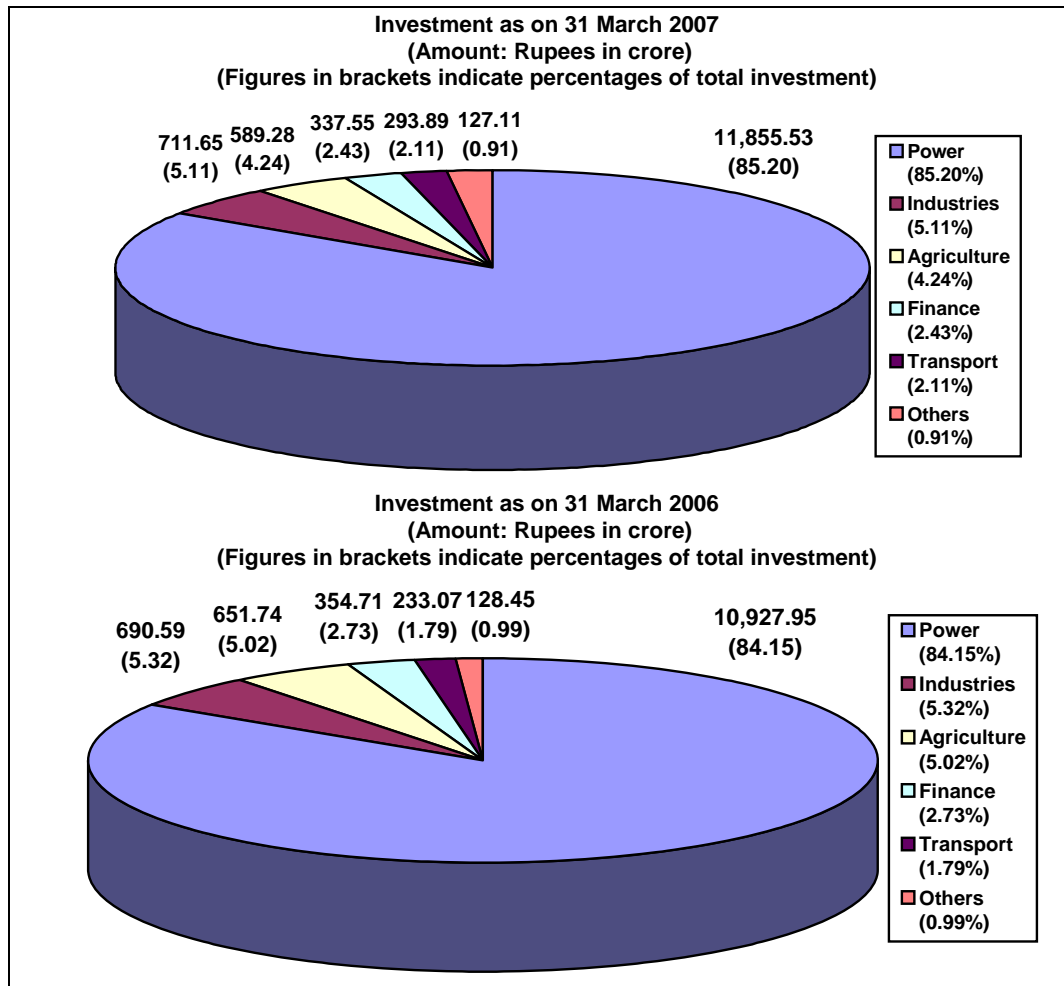
Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2007, the total investment in 27 working PSUs (22 Government companies and five Statutory corporations) was Rs.13,915.01^Y crore (equity: Rs.3,580.71 crore; long-term loans[§]: Rs.10,227.15 crore and share application money: Rs.107.15 crore) against the total investment of Rs.12,986.51 crore (equity: Rs.3,528.78 crore; long-term loans: Rs.9,370.18 crore and share application money: Rs.87.55 crore) in 27 working PSUs (22 Government companies and five Statutory corporations) as on 31 March 2006. An analysis of investment in the working 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 2007 and March 2006 are indicated below in the pie charts:



^Y State Government's investment was Rs.7, 578.12 crore (Others: Rs.6, 336.89 crore). Figure as per Finance Accounts 2006-07 is Rs7,987.16 crore. The difference is under reconciliation.

[§] Long-term loans mentioned in paras 1.2, 1.3 and 1.16 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 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Equity	Share application money	Long term loans	Total
2005-06	22	380.65	87.55	915.08	1,383.28
2006-07	22	430.62	107.15	894.97	1,432.74

Investment in the current year increased over the previous year due to increase in equity investment in Transport, Agriculture and Allied sectors.

As on 31 March 2007, the total investment of working Government companies comprised 37.53 per cent equity capital and 62.47 per cent loans as against 33.85 per cent equity and 66.15 per cent loans as on 31 March 2006.

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

Working Statutory corporations

1.4 The total investment in five Statutory Corporations at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Sl. No.	Name of the Corporation	2005-06		2006-07	
		Capital	Loans	Capital	Loans
1.	Punjab State Electricity Board	2,946.11	7,981.66	2,946.11	8,909.42
2.	PEPSU Road Transport Corporation	111.18	65.93	111.18	66.99
3.	Punjab Scheduled Castes Land Development and Finance Corporation	42.46	3.41	44.42	4.36
4.	Punjab Financial Corporation	40.39	314.32	40.39	297.16
5.	Punjab State Warehousing Corporation	8.00	89.57	8.00	54.25
	Total	3,148.14	8,454.89	3,150.10	9,332.18

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 2007, the total investment in working Statutory corporations comprised 25.24 per cent equity capital and 74.76 per cent loans as against 27.13 and 72.87 per cent, respectively, as on 31 March 2006. Due to significant decrease in long-term loans in the Agriculture and Finance sectors, the debt equity ratio decreased from 11.20 in 2005-06 to 6.78 in 2006-07 and from 7.78 in 2005-06 to 7.36 in 2006-07, respectively. In the Power sector, the debt equity ratio increased from 2.71 in 2005-06 to 3.02 in 2006-07 due to increase 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 2006-07 are given below:

(Amount: Rupees in crore)

Particulars	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
(1) Equity capital	1	10.87	-	-	2	30.12	1	140.00	1 ^s	19.59	1	1.00
(2) Loans	-	-	-	-	-	-	-	-	-	-	-	-
(3) Grants/ Subsidy towards												
- Project/ Programmes/ Schemes	1	31.06	1	2,285.19	2	33.40	1	1,435.92	2	74.45	1	1,423.81
- Other subsidy	-	-	-	-	-	-	-	-	-	-	-	-
Total subsidy	1	31.06	1	2,285.19	2	33.40	1	1,435.92	2	74.45	1	1,423.81
Total outgo (1+2+3)	2	41.93	1	2,285.19	3^o	63.52	1^o	1,575.92	2^o	94.04	2^o	1,424.81
Guarantees	5	6,583.09	3	2,197.97	5	8,209.55	3	2,712.89	7	8,790.88	4	2,084.96

During the year 2006-07, the Government had guaranteed loans aggregating Rs.10,875.84 crore, obtained by seven working Government companies (Rs.8,790.88 crore) and four working Statutory corporations (Rs.2,084.96 crore). At the end of the year, guarantees amounting to Rs.8,355.23 crore against eight Government companies (Rs.4,417.16 crore) and four working Statutory corporations (Rs.3,938.07 crore) were outstanding. There was no default in repayment of guaranteed loans during the year. The guarantee commission paid and payable to the State Government by Government companies* and Statutory corporations during 2006-07 was Rs.15.16 crore and Rs.5.07 crore, respectively.

Finalisation of accounts by working PSUs

1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. These are also to be laid before the Legislature within nine months from the end of relevant financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

^s Excluding the contribution of Rs.50 crore by the State Government towards equity capital of one Company (Punjab State Bus Stand Management Company Limited) by way of transfer of Assets.

^o Actual number of companies/corporations which received budgetary support in the form of equity, loans, grants and subsidy from the State Government.

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

Out of 22 working Government companies and five Statutory corporations, only four companies and one Statutory corporation had finalised their accounts for the year 2006-07, up to 30 September 2007 as can be seen from **Annexure 2**. During the period from October 2006 to 30 September 2007, 13 working Government companies finalised 16 accounts for previous years. Similarly, during this period, two working Statutory corporations finalised two accounts for previous years.

The accounts of 18 working Government companies and four Statutory corporations were in arrears for periods ranging from one to four years as on 30 September 2007 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.	02	-	2003-04 to 2006-07	04	A-10 and 16	-
2.	06	-	2004-05 to 2006-07	03	A-2, 7, 9, 18, 19 and 20	-
3.	06	01	2005-06 to 2006-07	02	A-3,5,8, 14,17 and 22	B- 3
4.	04	03	2006-07	01	A-1, 11,12 and 13	B-1, 2 and 5
Total	18	04				

The administrative departments need to oversee and ensure, that, the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments 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, 11 companies and four corporations had incurred an aggregate loss of Rs.138.44 crore and Rs.64.75 crore respectively; nine companies and one corporation earned an aggregate profit of Rs. 79.01 crore and Rs.12.89 crore respectively; 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 One Government Company (Sl. No. A-4) finalised its accounts for the year 2006-07 by 30 September 2007 and earned profit of Rs. 4.46 crore. Though the State Government formulated (March 1993 and July 1994) a dividend policy for the payment of minimum four *per cent* dividend by the PSUs, the Company did not

declare any dividend. Similarly, out of all the 22 working Government companies which finalised their accounts for previous years by 30 September 2007, nine companies earned an aggregate profit of Rs. 79.01 crore and only two companies (Sl. Nos. A-11 and 16 of *Annexure 2*) declared dividend of Rs 1.69 crore while four companies (Sl. Nos. A-1, 5, 8 and 12 of *Annexure 2*) which earned profit for two or more successive years did not declare any dividend.

Loss incurring working Government companies

1.9 Of the loss incurring working Government companies, (as per their latest finalised accounts), eight companies[♦] had accumulated losses aggregating Rs. 685.53 crore which exceeded their aggregate paid-up capital of Rs.15.13 crore by more than 45 times.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Only one corporation had finalised its accounts for the year 2006-07. Out of remaining four corporations which had finalised their accounts for previous years by 30 September 2007, only one Corporation (Sl. No. B-1 of *Annexure 2*) earned profit of Rs.12.89 crore. Though the Corporation as per the latest finalised accounts, earned profit, it had accumulated losses of Rs.4,354.14 crore, which exceeded its paid up capital of Rs.2,946.11 crore.

Loss incurring Statutory corporations

1.11 Of the four loss incurring working Statutory corporations, three corporations (Sl. Nos. B-2, B-4 and B-5 of *Annexure 2*) had accumulated losses aggregating Rs.674.50 crore, which exceeded their aggregate paid-up capital of Rs.159.57 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:

Return on capital employed

1.13 As per the latest finalised annual accounts of PSUs (up to 30 September 2007), the capital employed^{*} worked out to Rs.3,674.62 crore in 22 working Government companies and total return[#] thereon amounted to Rs.341.76 crore, which is 9.30 *per cent* as compared to total return of Rs.324.45 crore (10.11 *per cent*) in the previous year (accounts finalised up to September 2006). 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 2007) worked out to Rs.12,291.61 crore and

[♦] Sl. Nos. A-6,7, 10,14, 17, 18, 19 and 20 of *Annexure 2* of which four companies (Sl. Nos. A-7,18, 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 balances 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.

Rs. 936.37 crore (7.62 per cent), respectively, as against the total return of Rs.(-) 2,870.61 crore in previous year (accounts finalised up to September 2006). 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

Implementation of Memorandum of Understanding between the State Government and the Central Government

1.14 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 Union Ministry of Power and Department of Irrigation and Power of the State as a joint commitment for implementation of reforms programme in the power sector with identified milestones. The implementation of reforms programme against each commitment made in the MOU was reviewed separately and findings thereof are included in Chapter 3.2 of the Audit Report.

State Electricity Regulatory Commission

1.15 The Punjab State Electricity Regulatory Commission (PSERC) 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 PSERC is a body corporate and comprises of three members including a Chairperson who are appointed by the State Government. All expenditure of the PSERC is to be charged to the Consolidated Fund of the State. The PSERC had finalised its accounts upto 2005-06. During 2006-07 the PSERC scrutinised 26 petitions on matters relating to fixation of tariff and finally disposed off 19 petitions.

Non-working PSUs

Investment in non-working PSUs

1.16 As on 31 March 2007, the total investment in 19 non-working Government companies was Rs.93.90[@] crore, (equity: Rs.69.77 crore; long-term loans: Rs.22.77 crore and share application money: Rs.1.36 crore) as against, the total investment of Rs.60.16 crore, (equity: Rs.28.38 crore; long-term loans: Rs.18.82 crore and share application money: Rs.12.96 crore) in 30 non-working Government companies as on 31 March 2006.

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

[@] State Government's investment was Rs.76.28 crore (others: Rs.17.62 crore). Figure as per Finance Accounts, 2006-07 is Rs.18.53 crore. The difference is under reconciliation.

Increase in equity was mainly due to additional investment by the Rural Development Board in the equity of one company (Punjab Agro Juices Limited) during the year.

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	8 [°]	14.83	8.41 [§]
3.	Others	4	53.34	3.50
	Total	19	71.13	22.77

Of the above non working PSUs, 15 Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for two to 24 years. Substantial investment of Rs.37.06 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

1.17 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 2006-07 (*Annexures 1 and 3*).

Total establishment expenditure of non-working PSUs

1.18 The year wise details of total establishment expenditure of non-working PSUs (all Government companies) and the sources of financing them during last three years up to 2006-07 are given below:

(Amount: Rupees in crore)

Year	Number of non working PSUs	Total establishment expenditure	Financed by	
			Disposal of investment/ assets	Others
2004-05	28	0.45	0.11	0.34
2005-06	30	0.60	0.17	0.43
2006-07	19	1.09	0.21	0.88

Finalisation of accounts by non-working companies

1.19 Seven companies out of 19 non working Government companies were under liquidation and remaining 12 companies were defunct. The accounts of all 12 defunct companies were in arrear for a periods ranging from one to 16 years as could be seen from *Annexure 2*. During the period of October 2006 to 30 September 2007, four companies (Serial Nos. C-4,8,16 and 17 of *Annexure 2*) finalised four accounts for previous years.

[†] Serial Nos. C-2,9,10,11,12,14 and 19 of *Annexure 1*.

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

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

[°] Serial Nos. C-1,6,7,8,15,16,17 and 18 of *Annexure 1*.

[§] Includes Rs.0.76 crore loan from others.

Financial position and working results of non-working PSUs

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

The summarised details of paid-up capital, net worth,[◇] cash loss and accumulated loss of 18^Y out of 19 non-working companies as per their latest finalised accounts are given below:

(Rupees in crore)				
Particulars	Paid-up capital	Net worth	Cash loss	Accumulated loss
Non-working companies	21.09	(-) 30.39	1.18	56.29

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

1.21 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 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	10 April 2007	Printed Report sent by the Corporation to the State Government for placement in the Legislature.
2.	PEPSU Road Transport Corporation	2004-05	2005-06	25 June 2007	Annual accounts along with Audit Report is under print by the Corporation.
3.	Punjab Financial Corporation	2004-05	2005-06	14 February 2007	Printed Report sent by the Corporation to the State Government for placement in the Legislature.
4.	Punjab State Warehousing Corporation	2004-05	2005-06	29 September 2006	Under print by the Corporation. The printing was delayed due to delay in translation of Audit Report in Punjabi language.
5.	Punjab Scheduled Castes Land Development and Finance Corporation	2001-02	2002-03	11 August 2004	Printed Report sent (May 2007) by the Corporation to the State Government for placement in the Legislature.
			2003-04	21 December 2005	-do-
			2004-05	26 October 2006	Annual accounts along with Audit Report is under print by the Corporation.

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

1.22 During the period from October 2006 to 30 September 2007, the accounts of

[◇] Net worth represents paid-up capital plus free reserves less intangible assets.

^Y This includes one company (Sl. No. C-5 of **Annexure 2**) formed during 2005-06, which has not submitted its first accounts.

17 Government companies (15 working and two non-working) and two Statutory corporations (all working) were selected for review. The net impact of the important audit observations as a result of audit of accounts of these PSUs 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	-	-	35.28	-	-
2.	Increase in profit	1	-	1	0.04	-	53.56
3.	Increase in loss	1	-	2	0.25	-	7.67

Some of the major errors and omissions noticed in the course of audit of annual accounts of some of the above companies and corporations are mentioned below:

Errors and omissions noticed in case of Government companies

Punjab Agro Foodgrains Corporation Limited (2004-05)

1.23 Inappropriate account of interest income of Rs 0.59 crore, in respect of two cases of doubtful recovery under the head Sundry Debtors, resulted in overstatement of Sundry Debtors and Reserves and Surplus by Rs 0.59 crore.

Punjab State Industrial Development Corporation Limited (2003-04)

1.24.1 Short provision against the non-performing assets resulted in overstatement of profit by Rs.6.32 crore of the Company.

1.24.2 The Company settled guarantees given to various financial institutions and paid Rs.28.37 crore on behalf of Punjab National Fertilisers and Chemical Limited before finalisation of the accounts but the same were disclosed as contingent liabilities in the notes on accounts in violation of Accounting Standard-4. As the amount so paid was doubtful of recovery, non-accounting of the same in current year accounts resulted in understatement of current liabilities and overstatement of profit by Rs 28.37 crore.

Errors and omissions noticed in case of Statutory Corporations

Punjab Scheduled Caste Land Development and Finance Corporation (2004-05)

1.25 The Corporation had an inter-corporate deposit of Rs.7.42 crore in a company under liquidation and so it was doubtful of recovery. Non-provision of this amount resulted in overstatement of current assets, loans and advances and understatement of loss by Rs.7.42 crore.

Punjab State Electricity Board (2005-06)

1.26.1 The Board received subsidy of Rs.150 crore from the State Government during the years 2002-03 to 2004-05 on account of free supply of power to scheduled castes domestic consumers at the rate of Rs.50 crore per year. However, actual expenditure against this was only Rs.37 crore. PSERC decided (May 2006) to effect recovery of excess subsidy of Rs.113 crore during the year 2006-07. No liability on this account was provided which resulted in understatement of liabilities and overstatement of surplus by Rs.113 crore.

1.26.2 PSERC while reviewing the actual consumption of electricity of AP consumers for the year 2004-05, granted enhancement in AP subsidy to the extent of Rs.16.13 crore payable by the State Government. This was not shown as receivable, resulting in understatement of tariff compensation from the State Government and understatement of surplus by Rs.16.13 crore.

1.26.3 The surplus was understated by Rs.123.50 crore being the unadjusted excess provision towards purchase of power pertaining to the period from 2001-02 to 2005-06 from National Thermal Power Corporation Limited.

1.26.4 Employees cost was understated by Rs.24.20 crore, due to non-provision of liability for payment of the solatium in lieu of compassionate employment to the legal heirs of the deceased employees in respect of pending applications. This resulted in overstatement of surplus by Rs.24.20 crore.

Audit assessment of the working results of Punjab State Electricity Board

1.27 Based on the audit assessment of the working results of the Board for three years up to 2006-07 and taking into consideration the major irregularities and omissions pointed out in the SARs, on the annual accounts of the Board 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 was as below:

(Amount: Rupees in crore)				
Sl. No.	Particulars	2004-05	2005-06	2006-07 (Provisional)
1.	Net surplus/ deficit (-) as per books of accounts	(-) 3,833.58	12.89	(-) 1,622.30
2.	Subsidy from the State Government	923.66	1,435.92	1,423.81
3.	Net surplus/deficit (-) before subsidy from the State Government (1-2)	(-) 4,757.24	(-) 1,423.03	(-) 3,046.11
4.	Net increase/decrease in net surplus/ deficit (-) on account of audit comments on the annual accounts of the PSEB	(-) 15.51	53.56	Under Finalisation
5.	Net surplus/ deficit (-) after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-) 4,772.75	(-) 1,369.47	Under Finalisation
6.	Total return on capital employed [#]	(-) 3,779.91	(-) 416.84	Under Finalisation
7.	Percentage of total return on capital employed	-	-	-

Recoveries at the instance of Audit

1.28 Test check of records of the Punjab State Electricity Board conducted during 2006-07 disclosed non recovery of cost of deposit works/lines/broken seals/ burnt meters, reconnection fees, short realisation of revenue or other observations aggregating Rs.189.74 crore in 144 cases. The Board accepted the audit observations and a sum of Rs.7.67 crore relating to 113 audit observations was recovered.

Internal audit/ Internal control

1.29 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit /internal control systems in the companies audited in accordance with the directions issued by the CAG under Section 619(3) (a) of the Companies Act, 1956, and to identify areas

[#] 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.

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	3	A- 3,7 and 17
3.	No internal control/ Inadequate internal audit system	6	A-2, 3, 7, 8, 16 and 17
4.	Non/improper maintenance of fixed assets register	6	A-2, 3,7, 8, 11 and 16
5.	Maximum-minimum limits of stocks not prescribed	6	A-3, 7, 8, 11, 16 and 21
6.	Non-accountal of missing/obsolete and other devalued stocks	1	A-16
7.	The effect of realisable value of old and slow moving stocks not given in accounts	1	A-8
8.	Non identification of idle time of labour, wasteful overheads etc.	4	A-3, 8, 14 and 22
9.	Deviation from Accounting Standard- 1, 2, 3, 10, 13 and 15	5	A-2, 8, 11, 16 and 17
10.	Audit committee does not exist	2	A-7 and 8
11.	Non-preparation of Accounting Manual	1	A-3
12.	Non-computerisation of operations	7	A-3, 4,7, 8, 16, 21 and 22
13.	Non-existence of system of proper documentation of software programme	3	A-3,4 and 5

Recommendations for closure of PSUs

1.30 Even after more than 28 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 Rs.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.

In view of poor turnover and continuous losses, the Government may either improve the performance of these six Government companies or consider their closure.

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

1.31 The status of Audit Reports (Commercial) discussed by COPU as on 30 September 2007 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	23
2000-01	3	18	2	13
2001-02	4	17	-	7
2002-03	3	20	-	8
2003-04	2	20	-	1
2004-05	2	21	-	-
2005-06	3	25		
Total	28	189	8	90

During October 2006 to 30 September 2007, COPU held 19 meetings and took up six reviews and 17 paragraphs relating to Audit Reports (Commercial) for the years 1997-98 to 2004-05 for examination and finalised two paragraphs.

619-B Companies

1.32 There were two companies (both working) falling under the purview of 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.