

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2007, the State had 46 Public Sector Undertakings (PSUs) comprising 41 Government companies and five Statutory corporations as against 57 PSUs as on 31 March 2006. Out of 41 Government companies, 22 were working and 19 were non-working Government companies. All the five Statutory corporations were working corporations. In addition, there were two companies (both working) under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2007.

(Paragraphs 1.1 and 1.32)

The total investment in working PSUs increased from Rs.12,986.51 crore as on 31 March 2006 to Rs.13,915.01 crore as on 31 March 2007. The total investment in non-working PSUs increased from Rs. 60.16 crore as on 31 March 2006 to Rs. 93.90 crore as on 31 March 2007.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs decreased from Rs. 1,639.44 crore in 2005-06 to Rs. 1,518.85 crore in 2006-07. The State Government guaranteed loans aggregating Rs. 10,875.84 crore in respect of 11 working PSUs during 2006-07. As on 31 March 2007, guarantees of Rs.8,355.23 crore were outstanding against eight working Government companies and four working Statutory corporations.

(Paragraph 1.5)

Only four working Government companies and one Statutory corporation finalised their accounts for the year 2006-07 as on 30 September 2007. The accounts of 18 working Government companies and four working Statutory corporations were in arrears for periods ranging from one to four years as on 30 September 2007. Out of 19 non-working Government companies, seven companies were under liquidation and the accounts of remaining 12 defunct companies were in arrears for periods ranging from one to 16 years as on 30 September 2007.

(Paragraphs 1.6 and 1.19)

According to the latest finalised accounts, 10 working PSUs (nine Government companies and one Statutory corporation) earned an aggregate profit of Rs. 91.90 crore and only two working Government companies declared dividend of Rs. 1.69 crore. Against this, 15 working PSUs (11 Government companies and four Statutory corporations) incurred an aggregate loss of

Rs.203.19 crore. Of the loss incurring working Government companies, 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. Three of the loss incurring Statutory corporations had accumulated losses aggregating Rs. 674.50 crore, which exceeded their paid-up capital of Rs. 159.57 crore.

(Paragraphs 1.7, 1.8, 1.9 and 1.11)

2. Performance reviews relating to Government companies

Punjab State Industrial Development Corporation Limited

2.1 Investments and Disinvestments

The funds realised through disinvestments were utilised for repayment of loans/bonds instead of utilizing the same for investment purposes. This defeated the objective of promotion of new industries in the State. The Company resorted to huge borrowings through issue of bonds in order to repay the loans to the Financial Institutions. The major reasons for fall in disinvestments of equity by the Company were that the existing Financial Collaboration Agreements (FCAs) were having deficient provisions regarding legal mechanism for enforcement, etc. The provisions of One Time Settlement (OTS) scheme for equity disinvestment in the profit earning units were not in the financial interest of the Company.

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

During 2001-07, the investments (Rs.1.40 crore) were negligible mainly because of non-generation of funds due to inadequate disinvestments (ranging between nil *per cent* and 26.45 *per cent* of disinvestments due) caused due to deficient provisions in the Financial Collaboration Agreements.

(Paragraphs 2.1.8, 2.1.9 and 2.1.11)

The Company allowed OTS to the collaborators of profit making units without taking up the matter with the State Government to exclude such units. This resulted in undue benefit of Rs. 78.86 crore to the collaborators.

(Paragraph 2.1.21)

The Company failed to disinvest its investment of Rs.30.46 crore in an erstwhile subsidiary company, resulting, not only in non-realisation of the same, but, also non-generation of funds badly required for repayment of loans/bonds.

(Paragraph 2.1.17)

There was doubtful recoveries of Rs. 14.85 crore, as, the securities available as per Financial Collaboration Agreements were not effective.

(Paragraphs 2.1.12, 2.1.13 and 2.1.14)

The Company failed to dispose of 1.50 lakh shares when there was a purchase offer and there was dire need of funds. This resulted in loss of Rs.7.65 crore, as these shares were sold at a lower rate subsequently.

(Paragraph 2.1.16)

The Company suffered a loss of Rs. 7.60 crore by covering ineligible collaborators under one time settlement scheme.

(Paragraph 2.1.27)

Punjab State Civil Supplies Corporation Limited

2.2 Disposal of damaged wheat under Open Market Sale Scheme

The performance of the Company with regard to disposal of damaged wheat was sub optimal, mainly due to failure of the Company to strictly observe FIFO method in despatch of wheat stocks resulting in accumulation of old wheat stocks and its further deterioration. The Company also failed in getting the damaged wheat stocks categorised and disposed of timely with the result, it had to bear carrying cost. There was no system to ensure timely raising of differential claims and interest claims on FCI.

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

During lifting of damaged wheat in eight district offices, shortages of 0.38 lakh MT of damaged wheat valuing Rs. 44.29 crore was noticed. The Company had not taken final action against delinquent officials so far.

(Paragraph 2.2.20)

Recovery from Food Corporation of India (FCI) of Rs. 44 crore being difference between Open Market Sale Scheme (OMSS) rates and actual sale price realised for the sale of damaged wheat was doubtful as damage to wheat stocks was above the norms suggested by the Committee formed by FCI in this regard.

(Paragraph 2.2.15)

The Company failed to dispose of entire quantity of damaged wheat by the stipulated period for reimbursement of carry over charges which resulted in doubtful reimbursement of carry over charges of Rs. 11.35 crore from FCI in respect of eight district offices.

(Paragraph 2.2.19)

The fixation of reserve price for the disposal of Group I of damaged wheat was not based on commercial prudence. Taking into account the quantity of average healthy grains as the criteria for fixation of reserve price of Group II category of damaged wheat, reserve price fixed for Group I was on lower side which resulted in loss of Rs. 2.92 crore in eight district offices.

(Paragraphs 2.2.11 and 2.2.12)

Delayed/short raising of differential claims on FCI resulted in loss of interest of Rs. 1.01 crore in eight district offices.

(Paragraph 2.2.16)

3. Performance reviews relating to Statutory Corporations

Punjab State Warehousing Corporation

3.1 Procurement, Storage and Milling of Paddy for central pool

The performance of the Corporation with regard to procurement, storage and milling of paddy was sub optimal due to lack of business like approach, control over milling operations and failure to follow the terms of the custom milling policy and agreements with the millers which facilitated misappropriation of paddy/rice by the millers.

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

Delivery of paddy to a defaulter miller against its policy coupled with delayed action against him for non delivery of full rice resulted in doubtful recovery of Rs. 49.86 crore as the claim was time barred.

(Paragraph 3.1.15)

Against the specified period ranging between 60 and 175 days for which the Government of India provided interest in the rates for the crop years 2001-06, the Corporation took average period of 102.15 to 232.74 days for milling and delivery of rice to FCI. Failure of the Corporation to get the paddy milled within the stipulated period resulted in loss of interest of Rs. 45.66 crore in six district offices.

(Paragraph 3.1.22)

Instead of allowing driage at one *per cent* of minimum support price, the Corporation allowed driage at one *per cent* on quantity of paddy delivered for milling for the crop years 1999-2003. This resulted in extension of undue benefit to the millers and loss of Rs. 7.56 crore to the Corporation.

(Paragraph 3.1.20)

The Corporation 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 6,548.44 metric tonne rice costing Rs. 7.07 crore in six district offices.

(Paragraph 3.1.14)

Non-framing of a system to raise the transportation claims immediately after the procurement of paddy season resulted in non-recovery of claim of Rs. 15.68 crore from FCI and resultant loss of interest of Rs. 4.61 crore during 2003-06.

(Paragraph 3.1.10)

Punjab State Electricity Board

3.2 Power Sector Reforms- signing of Memorandum of Understanding and implementation thereof

The performance of the Board with regard to power sector reforms was sub optimal. The directives of Punjab State Electricity Regulatory Commission (PSERC) were not fully complied with, due to which, the Board was suffering losses on account of underbilling, higher interest on Government loans, etc. There was short fall in achievements of targets in the Accelerated Power Development and Reforms Programme.

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

In spite of decision (December 2004) of the Empowered Committee of the State Government to unbundle the Board, as required under Electricity Act, 2003 by forming a generation company, a transmission company and three distribution companies, the Board is still to be restructured.

(Paragraph 3.2.1)

PSERC did not allow Rs. 1,296.28 crore to be passed on to the consumers while fixing the tariff for the years 2002-07 due to excessive transmission and distribution (T&D) losses, employees cost and diversion of funds. The Board failed to initiate corrective measures and consequently suffered a loss of Rs. 1,296.28 crore.

(Paragraphs 3.2.10, 3.2.14 and 3.2.15)

PSERC approved levy of voltage surcharge on all large supply consumers catered at 11 KV line and having specified contract demand. The Board failed to levy voltage surcharge on all such consumers resulting in under billing of Rs. 266.24 crore.

(Paragraph 3.2.9)

The State Government did not restructure its loans which deprived the Board of saving of interest liability of Rs.229.65 crore during 2004-06.

(Paragraph 3.2.11)

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 cases of less reimbursement of interest and custody and maintenance charges amounting to Rs. 53.76 crore.

(Paragraph 4.1)

- There were two cases of non recovery of dues amounting to Rs.45.55 crore.

(Paragraphs 4.14.6 and 4.11)

- There was loss of Rs. 22.31 crore due to:
 - Delay in disposal of material/injudicious purchase;
 - delay in submission of documents ;
 - non-clubbing of connections/non-claiming of interest;
 - belated surrender of plot/non-construction of own building; and
 - non-amendment in agreement/non implementation of terms of agreements.

(Paragraphs 4.3, 4.4, 4.6, 4.7, 4.12, 4.14.3, 4.14.4, 4.14.5, 4.14.7, 4.14.8, 4.18, 4.19 and 4.20)

- There were instances of avoidable payment of Rs. 23.09 crore.

(Paragraphs 4.2, 4.5, 4.10, 4.13, 4.15, 4.16 and 4.17)

- In two cases undue favour amounting to Rs. 2.64 crore was extended to private parties.

(Paragraphs 4.8 and 4.9)

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

Failure of **Punjab State Civil Supplies Corporation Limited and Punjab State Grains Procurement Corporation Limited** to take up the issue regarding reimbursement of interest and custody and maintenance charges for average period of holding of paddy stock with the State Government/Food

Corporation of India resulted in loss of Rs. 53.76 crore.

(Paragraph 4.1)

Non-recovery of transportation charges from the millers in respect of paddy transported within eight kilometers resulted in loss of Rs. 19.10 crore to the **Punjab State Civil Supplies Corporation Limited and Punjab State Grains Procurement Corporation Limited.**

(Paragraphs 4.2 and 4.5)

Non revision of reserve prices of big size plots resulted in loss of Rs. 4.95 crore to the **Punjab Small Industries and Export Corporation Limited** on allotment of four plots.

(Paragraph 4.6)

Mobilisation of funds through arrangers by the **Punjab State Electricity Board** instead of directly from the commercial banks resulted in avoidable payment of arranger's fee of Rs.1.62 crore.

(Paragraph 4.15)

Procurement of material in the absence of specific orders from the customers resulted in loss of Rs. 1.32 crore to the **Punjab Small Industries and Export Corporation Limited** due to its sale at lower rates.

(Paragraph 4.7)

Failure of the **Punjab Agro Foodgrains Corporation Limited** to obtain bank guarantee coupled with deviation from the terms of agreement resulted in doubtful recovery of Rs. 28.65 crore.

(Paragraph 4.14.6)

Failure of the **Punjab Agro Foodgrains Corporation Limited** in providing adequate number of polythene covers for wheat stored in open plinth coupled with delay in initiating action for its disposal resulted in loss of Rs. 2.23 crore.

(Paragraph 4.12)