

CHAPTER 1

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2004, there were 59 Government companies (21 working companies and 38 non-working companies*) and five Statutory corporations (all working) as against 50 Government companies (22 working companies and 28 non-working companies) and five Statutory corporations as on 31 March 2003 under the control of the State Government. During the year 2003-04, 12 new companies@ came under the audit purview of Comptroller and Auditor General of India (CAG). Name of two Government companies viz., Punjab Housing Finance Corporation Limited and Punjab Processors Limited were struck off from the Register of Companies under Section 560 (5) of the Companies Act, 1956 from January and July 2003, respectively and Punjab Agro News Prints Limited was merged with Punjab Agro Industries Corporation Limited from April 2002. In addition, the State had formed Punjab State Electricity Regulatory Commission whose audit is also being conducted by the 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 audit 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. ⁵	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

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

*

Non-working companies are those which are under the process of liquidation/closure/merger etc. and include 12 companies incorporated in July/November 2003 which are yet to start their activities.

@ Serial Number C-25,26,27,28,29,30,31,32,33,34,35 and 36 of **Annexure 2**

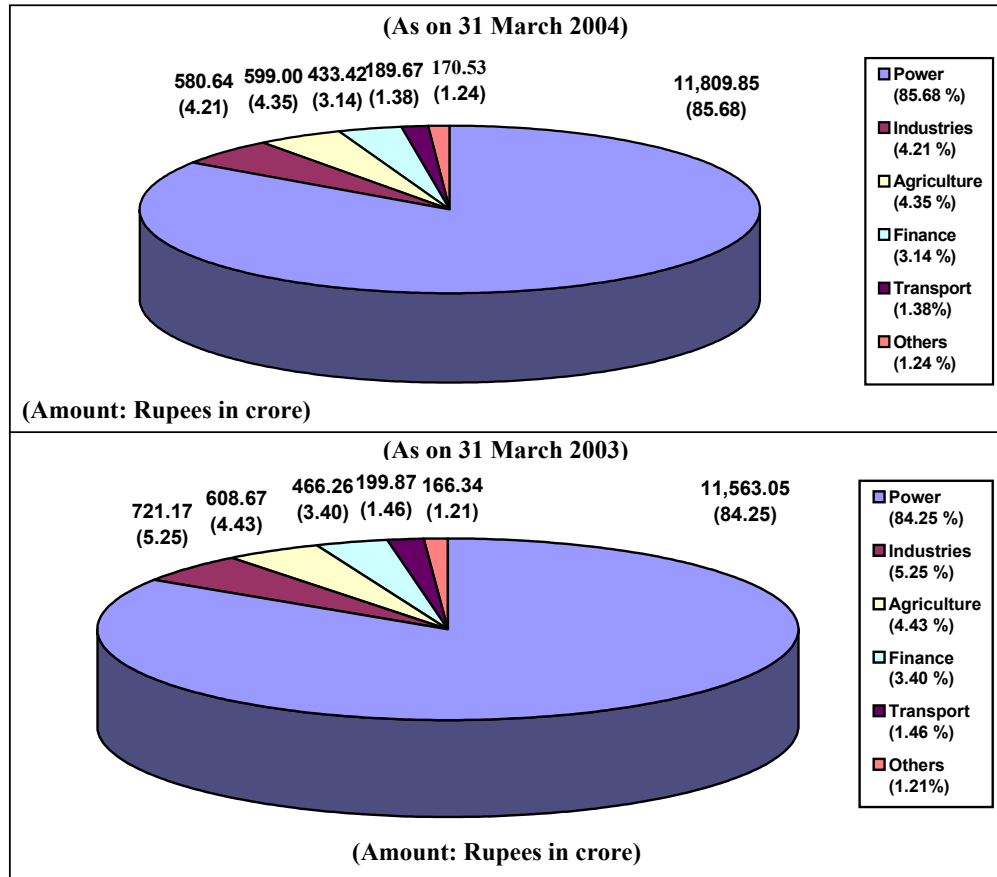
Erstwhile Electricity Regulatory Commissions Act, 1998 replaced by the Electricity Act, 2003.

⁵ The earlier provision of Section 69(2) of the Electricity (Supply) Act, 1948 was repealed by the Electricity Act, 2003.

1.2 As on 31 March 2004, the total investment in 26 working PSUs (21 Government companies and five Statutory corporations) was 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 against 27 working PSUs (22 Government companies and five Statutory corporations) with a total investment of Rs.13,725.36 crore (equity: Rs.3,368.56 crore; long-term loans: Rs.10,330.23 crore and share application money: Rs.26.57 crore) as on 31 March 2003. 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 31 March 2004 and 31 March 2003 are indicated below in the pie charts:



Working Government companies

* Details regarding reconciliation of figures with Finance Accounts is indicated in Annexure-1.

@ Long-term loans mentioned in paras 1.2, 1.3 and 1.17 are excluding interest accrued and due on such loans.

1.3 The total investment in working Government companies at the end of March 2003 and March 2004 was as follows:

(Rs. in crore)

Year	Number of working Government companies	Equity	Share application money	Long – term loans	Total
2002-03	22	364.41	26.57	1,039.76	1,430.74
2003-04	21	371.81	56.82	854.33	1,282.96

As on 31 March 2004, the total investment of working Government companies comprised 33.41 *per cent* equity capital and 66.59 *per cent* loans as against 27.33 and 72.67 *per cent*, respectively, as on 31 March 2003.

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 decrease in long-term loans in Industries and Transport sectors, the debt-equity ratio in these sectors decreased from 7.11 and 4.58 in 2002-03 to 3.88 and 3.28 in 2003-04, respectively. In Public Distribution sector, debt-equity ratio decreased from 8.50 in 2002-03 to 6.74 in 2003-04 due to increase in paid-up capital. In Construction sector, debt-equity ratio increased from 383.55 in 2002-03 to 426.47 in 2003-04 due to increase in long-term loans.

Working Statutory corporations

1.4 The total investment in five Statutory corporations at the end of March 2003 and March 2004 was as follows:

(Amount: Rupees in crore)

Sl. No.	Name of corporation	2002-03		2003-04	
		Capital	Loans	Capital	Loans
1.	Punjab State Electricity Board	2,806.11	8,756.94	2,806.11	9,003.74
2.	PEPSU Road Transport Corporation	111.18	54.40	111.18	52.20
3.	Punjab Financial Corporation	40.39	425.87	40.39	393.04
4.	Punjab State Warehousing Corporation	8.00	49.67	8.00	44.06
5.	Punjab Scheduled Castes Land Development and Finance Corporation	38.47	3.59	38.47	2.96
	Total	3,004.15	9,290.47	3,004.15	9,496.00

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 2004, the total investment in working Statutory corporations comprised 24.03 per cent equity capital and 75.97 per cent loans as against 24.43 and 75.57 per cent, respectively, as on 31 March 2003. Due to increase in long-term loans of Power sector, the debt-equity ratio increased from 3.12 in 2002-03 to 3.21 in 2003-04. Due to significant decrease in long-term loans in Finance and Agriculture sectors, the debt-equity ratio decreased in these sectors from 10.54 and 6.21 in 2002-03 to 9.73 and 5.51 in 2003-04, respectively.

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 2003-04 are given below:

(Amount: Rupees in crore)

Particulars	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No	Amt.	No	Amt.	No.	Amt.	No	Amt.	No	Amt.	No	Amt.
Equity capital	3	16.34	-	-	5	7.10	-	-	2	7.50	-	-
Loans	-	-	1	0.02	-	-	-	-	-	-	-	-
Grants/ Subsidy towards												
1 Project/ Programmes/ Schemes	4	40.42	2	12.63	3	56.73	1	950.14	1	33.03	1	1,704.25
2 Other subsidy	-	-	-	-	1	5.85	-	-	-	-	-	-
3 Total subsidy	4	40.42	2	12.63	4	62.58	1	950.14	1	33.03	1	1,704.25
Total outgo		56.76		12.65		69.68		950.14		40.53		1,704.25
Guarantees	6	4,803.72	2	3,233.07	4	2,811.04	2	2,575.53	4	6,623.38	2	1,569.25

During the year 2003-04, the Government had guaranteed the loans aggregating Rs. 8,192.63 crore obtained by four working Government companies (Rs. 6,623.38 crore) and two working Statutory corporations (Rs. 1,569.25 crore). At the end of the year, guarantees amounting to Rs. 8,787.76 crore against nine Government companies (Rs. 3,933.41 crore) and four working Statutory corporations (Rs. 4,854.35 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 2003-04 was Rs. 20.17 crore and Rs. 2.60 crore, respectively.

* Details regarding reconciliation of figures with Finance Accounts is indicated in **Annexures 1 and 3**.

Finalisation of accounts by working PSUs

1.6 Out of 21 working Government companies and five Statutory corporations, only six companies and none of the Statutory corporations had finalised their accounts for the year 2003-04 up to 30 September 2004 as could be noticed from *Annexure 2*. During the period from October 2003 to September 2004, 14 working Government companies finalised 17 accounts for previous years. Similarly, during this period, three working Statutory corporations finalised four accounts for previous years.

The accounts of 15 working Government companies and five Statutory corporations were in arrears for period ranging from one to six years as on 30 September 2004 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	--	1998-99 to 2003-04	06	A- 18	--
2.	02	--	1999-2000 to 2003-04	05	A-3 and 21	--
3.	04	01	2002-03 to 2003-04	02	A-1, 9,11 and 15	B-5
4.	08	04	2003-04	01	A-4, 5,6,7,8, 10,12 and 19	B-1, 2,3 and 4
	15	05				

Reasons for delay in finalisation of accounts of working PSUs in general and of four PSUs test checked in audit, where accounts were in arrears for two years and above in particular, have been fully discussed in paragraph 3.18 of Chapter III.

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 are given in *Annexures 4* and *5*, respectively.

According to the latest finalised accounts of 21 working Government companies and five working Statutory corporations, 11 companies and four corporations had incurred an aggregate loss of Rs. 345.10 crore and Rs. 568.73 crore, respectively; seven companies and one corporation earned an aggregate profit of Rs. 16.96 crore and Rs. 1.08 crore, respectively; one company had not finalised

its first accounts (September 2004) and two companies (Sl. Nos. A-15 and 20 of

Annexure 2) were operating on 'no profit no loss' basis.

Working Government companies

Profit earning working Government companies and dividend

1.8 Two Government companies (viz. Punjab Agro Industries Corporation Limited and Punjab Communications Limited) finalised their accounts for the year 2003-04 up to 30 September 2004 and earned profit of Rs. 3.40 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 14 working Government companies, which finalised their accounts for previous years by 30 September 2004, six companies (seven accounts) earned an aggregate profit of Rs. 23.67 crore, only two companies (Sl. Nos. 12 and 18 of *Annexure 2*) declared dividend of Rs. 1.09 crore while four companies earned profit for two or more successive years.

Loss incurring working Government companies

1.9 Out of six working Government companies which finalised their accounts for 2003-04, three companies (Sl. Nos. A-13, 14 and 16 of *Annexure 2*) incurred an aggregate loss of Rs. 26.15 crore during the year. Of the loss incurring working Government companies (as per their latest finalised accounts), nine companies had accumulated losses aggregating Rs. 798.90 crore which exceeded their aggregate paid-up capital of Rs. 102.18 crore.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Profit earning Statutory corporation (Sl. No. B-3 of *Annexure 2*) had not finalised its accounts for 2003-04 by September 2004.

Two working Statutory corporations (Sl. Nos. B-3 and 5 of *Annexure 2*), which finalised their accounts for previous year by September 2004, had earned an aggregate profit of Rs. 3.47 crore but only one corporation (Sl. No. B-5 of *Annexure 2*) had declared dividend (Rs. 20 lakh) at the rate of 2.50 *per cent*.

Loss incurring Statutory corporations

1.11 Of the four loss incurring working Statutory corporations, (Sl. Nos. B-1, 2, 4 and 5 of *Annexure 2*) none had finalised its accounts for 2003-04. Three loss incurring working Statutory corporations (Sl Nos. B-2, 4 and 5 of *Annexure 2*) had accumulated loss aggregating Rs. 530.86 crore, which was more than three times of 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:

Punjab State Electricity Board

1.13 Percentage of expenditure on staff to total revenue expenditure increased from 25.46 in 2002-03 to 27.24 in 2003-04.

Transmission and distribution losses increased from 24.67 *per cent* in 2002-03 to 25.35 *per cent* in 2003-04.

Return on capital employed

1.14 As per the latest finalised accounts (up to 30 September 2004), the capital employed[@] worked out to Rs. 5,434.76 crore in 21 working Government companies and total return[#] thereon amounted to Rs. 223.39 crore, which is 4.11 *per cent* as compared to total return of Rs. 202.22 crore (3.69 *per cent*) in 2002-03. 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 2004) worked out to Rs. 14,925.27 crore and Rs. 725.54 crore (4.86 *per cent*), respectively, as against the total return of Rs. 848.64 crore (6.40 *per cent*) in 2002-03. 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 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

[@]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.

each commitment made in the MOU is detailed below:

Sl. No.	Commitment as per MOU	Targeted completion schedule	Status (As on 31 March 2004)
Commitments made by the State Government			
1.	Reduction in transmission and distribution losses	18 <i>per cent</i> by March 2003	25.35 <i>per cent</i> during 2003-04.
2.	100 <i>per cent</i> metering of all 11 KV distribution feeders	September 2001	Achieved
3.	100 <i>per cent</i> metering of all consumers	30 June 2002	Out of 8.81 lakh agricultural consumers, 8.64 lakh consumers were unmetered.
4.	Securitize outstanding dues of Central Public Sector Undertakings	Not given	Securitized
5.	State Electricity Regulatory Commission (SERC)		
	Establishment of SERC	Not given	Constituted
	Implementation of tariff orders issued by SERC during 2002-04.	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	11.53 lakh electronic meters have been installed up to 31.03.2004 against 45.54 lakh metered consumers assessed as on 31.03.2003.
General			
8.	Monitoring of MOU	Monitoring was required on quarterly basis.	Steering Committee monitored the position 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 transmission and distribution losses were 25.35 *per cent* during the year 2003-04. Audit observed that instead of decrease in T&D losses, there was an increase in T&D losses by 0.68 *per cent* (24.67 to 25.35 *per cent*) over the previous year losses. Further, against the target of 100 *per cent* metering of all consumers by June 2003 (Sl. No. 3), the Board had installed meters on 0.17 lakh (out of 8.81 lakh) agricultural consumers as on 31 March 2004. Achievements in the replacement of electromagnetic meters (Sl. No. 7) with electronic meters was only 25.32 *per cent* as against proportionate expected achievement of 60 *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 issue 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 2002-03. During 2003-04 the Commission scrutinised and disposed of 23 petitions.

Non-working PSUs

Investment in non-working PSUs

1.17 As on 31 March 2004, the total investment* in 38 non-working Government companies was Rs. 41.43 crore (equity: Rs. 21.41 crore; long-term loans: Rs. 18.61 crore and share application money: Rs. 1.41 crore) as against total investment of Rs 42.17 crore (equity: Rs. 19.83 crore; long-term loans: Rs. 15.93 crore and share application money: Rs. 6.41 crore) in 28 non-working Government companies as on 31 March 2003.

Decrease in share application money was due to merger of Punjab Agro News Prints Limited with Punjab Agro Industries Corporation Limited.

The classification of the non-working PSUs was as under:

Sl. No.	Status of non-working PSUs	Number of companies	Investment (Rs. in crore)	
			Equity	Long- term loans
1	Under liquidation	6	2.76	10.86
2	Under closure	12	13.65	4.03
3	Others [§]	20	6.41	3.72
	Total	38	22.82	18.61

Of the above non-working PSUs, 18 Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for one to ten years and substantial investment of Rs. 31.30 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity

1.18 There was no budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to non-working PSUs during 2003-04 (*Annexures 1 and 3*).

Total establishment expenditure of non-working PSUs

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

* Details regarding reconciliation of figures with Finance Accounts is indicated in *Annexure 1*

1.19 The year wise detail of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2003-04 are given below:

(Amount: Rupees in crore)

Year	Number of Non working PSUs	Total establishment expenditure	Financed by	
			Disposal of investment/ assets	Others
2001-02	28	0.25	0.17	0.08
2002-03	28	0.20	0.01	0.19
2003-04	38	0.13 [@]	0.11	0.02

Finalisation of accounts by non-working companies

1.20 Out of 38 non-working companies, two companies (Sl. Nos. C-14 and 15 of **Annexure 2**) finalised their accounts for 2003-04 and the accounts of 11 companies were in arrears for period ranging from one year to 30 years. Six companies[#] are under liquidation and seven companies[§] had been issued notices under Section 560 (3) of the Companies Act, 1956 for striking off their names from the Register of companies and the accounts of 12 newly incorporated companies were not due as on 30 September 2004 as could be noticed from **Annexure 2**.

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 26^{*} non-working companies against their paid-up capital of Rs. 22.59 crore was Rs. (-) 27.34 crore. These companies suffered a cash loss of Rs. 4.99 crore and their accumulated loss worked out to Rs. 52.91 crore.

According to the latest finalised accounts of 26* non-working Government companies, 14 companies had incurred an aggregate loss of Rs. 6.54 crore.

Of the 14 loss incurring non-working companies, 13 companies had accumulated losses aggregating Rs. 48.77 crore which exceeded their aggregate paid-up capital of Rs. 16.04 crore.

Status of placement of Separate Audit Reports of Statutory corporations in Legislature

[§] Under construction: 14, Defunct: 6

[@] There was no establishment expenditure in respect of 12 newly formed companies.

[#] Serial Numbers C-3,8,9,10,11 and 38 of **Annexure 2**.

[§] Serial Numbers C-2, 16,17,18,19,20 and 21 of **Annexure 2**.

^{*} This excludes 12 newly formed companies.

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 in 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	2001-02	2002-03 2003-04	20 January 2004 Accounts under audit.	Sent to State Government for placement in legislature. --
2	PEPSU Road Transport Corporation	2001-02	2002-03	17 August 2004	Under print.
3	Punjab Financial Corporation	2001-02	2002-03	18 May 2004	Sent to State Government for placement in Legislature.
4	Punjab State Warehousing Corporation	1999-2000	2000-01 2001-02	13 July 2004 Accounts under audit	Under print --
5	Punjab Scheduled Castes Land Development and Finance Corporation	2000-01	2001-02 2002-03	30 January 2004 11 August 2004	Under print Under print

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

1.23 No disinvestment and privatisation of Public Sector Undertakings has taken place during the year 2003-04. 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 that after the expiry of three months from the date of such notices, unless otherwise shown to the contrary, the names of these companies would be struck off from the register and companies would be dissolved. The final orders regarding striking off their names from the register and dissolution had not been issued (September 2004).

The investment in six companies by the holding company, i.e., Punjab State Handloom and Textiles Development Corporation Limited (Rs. 2.50 lakh), and in one company by State Government (Rs. 4.80 crore) was as detailed below:

Sl. No.	Name of the company	Paid-up capital (Rs. In lakh)	Date of notification
1	Doaba Worsted Spinners Limited	0.50	9 May 1998

[@] Restructuring includes merger and closure of PSUs.

2	Doaba Shoddy Spinning Mills Limited	0.50	-do-
3	Ludhiana Worsted Spinning Mills Limited	0.50	-do-
4	Sangrur Worsted Spinning Mills Limited	0.50	23 January 1999
5	Polytex Processors Limited	0.50	-do-
6	Nakodar Cotton Waste Spinning Mills Limited	#	16 January 2001
7	Punjab Dairy Development Corporation Limited	479.54	13 March 2003
	Total	482.04	

1.24 One company (Punjab Tyres Limited) was pending with Registrar of Companies for striking off its name from the register under Section 560 of the Companies Act, 1956 since May 1994. The investment in this company by the holding company was Rs. 5.50 lakh.

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

1.25 During the period from October 2003 to September 2004, the accounts of 21 Government companies (working: 16 and non-working: five) and three Statutory corporations (all working) were selected for review. As a result of the observations made by the CAG, the net impact of 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	--	2	0.51	--	15.07
2.	Increase in loss	4	--	2	209.02	--	0.47
3.	Decrease in loss	--	1	1	--	0.08	0.95
4.	Non-disclosure of material facts	2	--	3	231.98	--	4,153.51
5.	Errors of classification	--	1	4	--	0.01	1,630.42

Some of the major errors and omissions noticed during review of annual accounts of some of the above companies and corporations are mentioned below:

Errors and omissions noticed in case of Government companies

Some of the important comments under Section 619(4) of the Companies Act,

Paid-up capital was Rs.70 only.

1956 on the accounts of Government companies noticed during the course of audit conducted during the period October 2003 to September 2004 were as follows:

Punjab Agro Industries Corporation Limited (2002-03)

1.26 The Company, in violation of Accounting Standard 9, had booked interest income of Rs.3.65 crore as recoverable from Food Corporation of India (FCI) upto 31 March 2003 (including Rs. 82.77 lakh for the year 2002-03) on account of guarantee fee not reimbursed by FCI. This resulted in understatement of loss for the year 2002-03 by Rs.82.77 lakh and accumulated loss by Rs.3.65 crore.

Punjab State Seeds Corporation Limited (2002-03)

1.27 The accounting of grant in aid received from Government of India for construction of seed stores (Rs. 25.00 lakh) and for purchase of computers (Rs.3.50 lakh) as income instead of 'Deferred Government grants' pending its utilisation had resulted in understatement of net loss and deferred Government grants by Rs.28.50 lakh.

Punjab State Civil Supplies Corporation Limited (2002-03)

1.28 Interest loss of Rs. 204.86 crore, claims for which were unconfirmed and doubtful, was booked as recoverable from Government, in violation of Accounting Standard-9. This resulted in overstatement of current assets, loans and advances and understatement of accumulated loss by Rs. 204.86 crore.

Punjab Information and Communication Technology Corporation Limited (2002-03)

1.29 Non provision of penal interest of Rs. 51.10 lakh on loans from Punjab Government had resulted in understatement of interest accrued and due and overstatement of Reserves and Surplus by Rs. 51.10 lakh.

Punjab State Industrial Development Corporation Limited (2002-03)

1.30 The Company had shown Rs. 21.92 lakh as other income being the amount of rent recoverable on account of space of building occupied by Udyog Sahayak for the period April 2002 - March 2003 without any agreement/ acceptance. This was in contravention of Accounting Standard-9 and had resulted in overstatement of 'Other Income' and understatement of loss for the year by Rs. 21.92 lakh.

Errors and omissions noticed in case of Statutory corporations

Punjab State Electricity Board (2002-03)

1.31 Deficit was overstated by Rs. 95 lakh due to charging of expenditure of capital nature to revenue. This has also resulted in understatement of fixed assets.

1.32 According to sanction given (November 1997) by Government of Punjab, subsidy for rural electrification was to be restricted to interest payable by the Board on the loan advanced to it by the Punjab Government in a particular year. During 1997- 2002, subsidy was not restricted to the interest payable on loans and was overstated by Rs.3,557.62 crore.

Punjab Scheduled Castes Land Development and Finance Corporation (2002-03)

1.33 The Corporation has inter corporate deposit of Rs. 7.42 crore with Punwire which was under liquidation. Recovery of Rs.7.42 crore had become doubtful. Non provision for this doubtful amount had resulted in overstatement of current assets, loans and advances by Rs.7.42 crore and overstatement of profit by the same amount.

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

1.34 Based on the audit assessment of the working results of the PSEB for three years up to 2003-04 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: Rs. in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04 (Provisional)
1.	Net surplus/ deficit (-) as per books of accounts	(-)6.00	(-)435.99	179.60
2.	Subsidy from the State Government	1,862.26	950.14	838.15
3.	Net surplus/deficit (-) before subsidy from the State Government (1-2)	(-)1,868.26	(-)1,386.13	(-) 658.55
4.	Net increase/decrease in net surplus/ deficit (-) on account of audit comments on the annual accounts of the PSEB	(-)1,309.83	0.95	Under audit
5.	Net surplus/ deficit (-) after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)3,178.09	(-)1,385.18	-do-
6.	Total return on capital employed [#]	(-) 1,937.79	(-)148.24	-do-
7.	Percentage of total return on capital employed	(-) 17.49	(-)1.33	-do-

Recoveries at the instance of audit

1.35 Test check of records of State Electricity Board/other PSUs conducted during 2003-04 disclosed wrong fixation of tariff/non levy/short levy of tariff/short realisation of revenue or other observations aggregating Rs. 17.78 crore in 240 cases. The PSUs accepted the observations in 226 cases which had been pointed out by audit and sum of Rs. 1.20 crore relating to 46 audit observations was recovered at the instance of audit.

[#] Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

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

1.36 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 needed improvement. Directions/sub directions under the Act, *ibid*, were issued to Statutory Auditors in respect of 17 Government companies involving 20 accounts received between October 2003 and September 2004. In pursuance of directions so issued, reports of Statutory Auditors involving 13 accounts of 11 Government companies were received (September 2004).

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 arrangement for repayment of loans	2	10,16
Inadequate internal audit system	4	5,10, 11,12
Physical verification of fixed assets not done regularly	1	11
Non preparation of activity wise profit/loss account.	2	11,12
No system to determine unserviceable/ damaged stores	1	11
Non fixation of maximum, minimum limits and economic order quantity for procurement of stores and spares	3	4, 12,16
Non reconciliation of bank accounts regularly	1	16
Delegation of financial powers was not reviewed	1	4
Non fixation of norms for losses/wastage	1	4
Non-existence of internal audit wing	1	4
Employees in excess of norms	1	4
Inadequate/ non-maintenance of fixed assets register and non-reconciliation of physical quantities with the books	2	9,12
Non-identification of idle time of the labour, wasteful overhead etc.	2	9,12
Delay in disposal of obsolete/damaged stock	1	9
Inadequate control over the purchase or sale prices of the goods for sale at Emporia	1	9
Non-preparation of budgets for analysis of shortfall in performance	2	2,12
Physical verification of inventory not conducted	1	12

Recommendations for closure of PSUs

1.37 Even after the completion of more than 25 years of their existence, the individual turnover of six Government companies (Sl. Nos. A-1, A-3, A-11, A-13, A-15* and C-23* of *Annexure 2*) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Similarly, two working Government companies (Sl. Nos. A-4 and A-16 of *Annexure 2*) have been incurring losses for five consecutive years (as per their latest finalised accounts) leading to negative net worth. Besides, three companies (Sl. Nos. C-12, C-13 and C-22 of *Annexure 2*) despite being in existence for more than 12 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 above 11 Government companies or consider their closure.

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

1.38 The status of Audit Reports (Commercial) and their reviews/paragraphs pending for discussion at the end of March 2004 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	5
1998-99	4	22	2	5
1999-2000	4	23	1	6
2000-01	3	18	1	8
2001-02	4	17	4	13
Total	18	103	10	37

During the year 2003-04, COPU met 26 times and discussed 8 reviews and 50 paragraphs.

619-B Companies

1.39 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 available information.

* Turnover is nil.