

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 64 Public Sector Undertakings (PSUs) comprising 59 Government companies and five Statutory corporations as against 55 PSUs as on 31 March 2003. Out of 59 Government companies, 21 were working and 38 were non-working Government companies. All the five Statutory corporations were working corporations. In addition, there were two companies under Section 619-B of the Companies Act, 1956 as on 31 March 2004.

(Paragraphs 1.1 and 1.39)

The total investment in working PSUs increased from Rs.13,725.36 crore as on 31 March 2003 to Rs.13,783.11 crore as on 31 March 2004. The total investment in 38 non-working PSUs decreased marginally from Rs. 42.17 crore to Rs. 41.43 crore during the same period.

(Paragraphs 1.2 and 1.17)

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs. 1,019.82 crore in 2002-03 to Rs. 1,744.78 crore in 2003-04. The State Government guaranteed loans aggregating Rs. 8,192.63 crore in respect of six working PSUs during 2003-04. The total amount of outstanding loans guaranteed by the State Government to all PSUs as on 31 March 2004 was Rs. 8,787.76 crore.

(Paragraph 1.5)

Six working Government companies and none of Statutory corporations finalised their accounts for the year 2003-04. The accounts of remaining 15 working Government companies and five working Statutory corporations were in arrears for period ranging from one to six years as on 30 September 2004. Out of 38 non-working Government companies, two companies finalised their accounts for the year 2003-04. The accounts of 11 companies were in arrears for period ranging from one to 30 years as on 30 September 2004. Six companies were under liquidation, seven companies had been issued notices under Section 560(3) of the Companies Act and the accounts of 12 newly incorporated companies were not due.

(Paragraphs 1.6 and 1.20)

According to the latest finalised accounts, eight working PSUs (seven Government companies and one Statutory corporation) earned aggregate profit of Rs. 18.04 crore. Two working Government companies and one Statutory corporation declared dividend of Rs. 1.09 crore and Rs. 20.00 lakh,

respectively. Against this, 15 working PSUs (11 Government companies and four Statutory corporations) incurred an aggregate loss of Rs. 913.83 crore as per their latest finalised accounts. Of the loss incurring working Government companies, nine companies had accumulated losses aggregating Rs. 798.90 crore which exceeded their aggregate paid-up capital of Rs. 102.18 crore. Three loss incurring Statutory corporations had accumulated losses aggregating Rs. 530.86 crore, which exceeded their paid-up capital of Rs. 159.57 crore by more than three times.

(Paragraphs 1.7, 1.8, 1.9, 1.10 and 1.11)

Even after completion of more than 25 years of their existence, the individual turnover of six Government companies (five working and one non-working) had been less than rupees five crore in each of the preceding five years, as per their latest finalised accounts. Further, two working Government companies had been incurring losses for consecutive five years, as per their latest finalised accounts leading to negative net worth. Besides, three companies despite being in existence for more than 12 years could not commence business activities. As such, the Government may either improve their performance or consider their closure.

(Paragraph 1.37)

2. Reviews relating to Government companies

Punjab State Civil Supplies Corporation Limited

2.1 Procurement and milling of paddy for Central Pool

The Company was incorporated in February 1974 and has been engaged in the activity of procurement and milling of paddy from authorised millers at specified rates under milling policy framed by State Government each year for delivery of rice in Central Pool since August 1980. The Company was suffering heavy losses in the activity of procurement and milling of paddy for Central Pool. Besides, the Company had not evolved any system to monitor and ensure timely raising of supplementary bills on Food Corporation of India and recovery thereof.

Some of the important points noticed during review were as under:

Against the period of 180 and 200 days allowed by the Government of India for the crop years 1999-2000 and 2000-01, the Company took average period of 204 and 234 days, respectively, for milling and delivery of rice to Food Corporation of India. Failure of the Company to get the paddy milled in time resulted in loss of interest of Rs. 17.13 crore.

(Paragraph 2.1.7)

The Company failed to get the paddy milled within stipulated period as per milling policy. Resultantly, paddy was damaged and found short due to prolonged storage and lack of control over stock. Inadequate control over milling operations and violation of milling policies resulted in loss of Rs. 5.25 crore.

(Paragraph 2.1.9)

Reports of Comptroller and Auditor General of India of previous years pointed out misappropriation of rice/paddy by rice millers up to crop year 2000-01. The Company did not take remedial measures to ensure delivery of full rice by the millers. There was further misappropriation of 23,122 metric tonnes of rice in eight district offices with resultant non-recovery of Rs. 32.92 crore.

(Paragraph 2.1.12)

As per provisional rates of rice fixed by Government of India for kharif 2001-02 and 2002-03, the Company was to claim reimbursement of expenditure from Food Corporation of India on transportation of paddy beyond eight kilometers. Against the actual expenditure of Rs. 22.63 crore during 2001-03, the Company had raised belatedly claims for Rs. 8.94 crore only. Non/belated claiming of transportation charges beyond eight kilometres from Food Corporation of India resulted in non-recovery of Rs. 22.63 crore.

(Paragraph 2.1.19)

2.2 Punjab State Forest Development Corporation Limited

The Company was incorporated in May 1983 with a view to carry on the business of buying and felling of trees, converting and selling timber logs, development of forestry and raising plantations for industrial use and making timber available to consumers by eliminating the middlemen. The Company was engaged mainly in harvesting of standing trees obtained from the State Forest Department against royalty, auction of timber, sawing of timber, manufacturing and trading of furniture, wooden crates, etc. There was no system in the Company to review the performance of its saw mills periodically. Even after more than 20 years of its incorporation, it had not pursued its other main objectives relating to forestry.

Some of the important points noticed during review were as under:

Fixation of lower output norms for standing eucalyptus trees, as compared to the norms of a similar company of Haryana, resulted in short account of wood valuing Rs. 1.86 crore and also loss of royalty of Rs. 1.06 crore to the State Government

(Paragraph 2.2.12)

Actual recovery of timber from shisham and poplar trees during 1999-2003 was lower than the minimum recovery norm by 2,185 cum valuing Rs.93.26 lakh.

(Paragraph 2.2.13)

Out of 3.88 lakh battens as on 31 March 2003 at five sawmills, 3.80 lakh battens were more than three years old and have been defective due to lack of timely use/disposal. Realisable value of these battens was Rs. 4.29 lakh against their normal value of Rs. 95.67 lakh thereby resulting in loss of Rs. 91.38 lakh.

(Paragraph 2.2.17)

3. Transaction audit observations

Transaction audit observations included in the Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- Misappropriation/embezzlement amounting to Rs. 29.55 crore in two cases.

(Paragraphs 3.13.4 and 3.14)

- Loss of revenue of Rs. 18.56 crore in two cases due to non-clubbing of connections and delay in finalisation of a theft case.

(Paragraphs 3.11 and 3.12)

- Avoidable expenditure of Rs. 5.91 crore in six cases.

(Paragraphs 3.8, 3.9.1, 3.9.4, 3.10.10, 3.15 and 3.17)

- Loss of Rs. 6.45 crore due to improper maintenance of quality of wheat in one case.

(Paragraph 3.1)

- Loss of Rs. 3.79 crore on account of allowing one time settlement which favoured loanees in three cases.

(Paragraphs 3.3, 3.4 and 3.5)

- Loss of interest of Rs. 21.14 crore in nine cases.

(Paragraphs 3.2, 3.6, 3.7, 3.10.4, 3.10.6, 3.10.7, 3.10.8, 3.10.9 and 3.16)

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

Punjab Agro Foodgrains Corporation Limited

The Company suffered a loss of Rs. 6.45 crore on the disposal of wheat damaged due to improper maintenance and failure of the Company to upgrade the damaged wheat.

(Paragraph 3.1)

Punjab State Industrial Development Corporation Limited

One time settlement policy introduced by the State Government was deficient because financial health of a unit was not considered for covering it under the policy. As a result, allowing one time settlement to a profit making unit resulted in loss of Rs. 3.37 crore.

(Paragraph 3.3)

Punjab State Electricity Board

Due to non-revision of advance consumption deposit immediately after the revision of tariff, the Board could not receive additional interest free fund of Rs. 56.90 crore from the consumers on the connections/additional load released during November 1998 to April 2001. This would have saved interest expenditure of Rs. 16.75 crore up to March 2003.

(Paragraph 3.10.4)

Failure to ensure daily transfer of Board's fund from field branches of banks, delay in crediting fund transferred from field branches to their respective bank accounts at Patiala and delayed transfer of fund by banks at Patiala to Board's main account with State Bank of Patiala resulted in loss of interest of Rs. 2.54 crore during 1998-2003.

(Paragraphs 3.10.6, 3.10.7 and 3.10.8)

Failure of the Board to implement instructions regarding clubbing of more than one connection running in the same premises resulted in loss of revenue of Rs. 17.53 crore due to non levy of surcharge.

(Paragraph 3.11)

A consumer involved in theft of energy was favoured by delay in communicating the decision of Dispute Settlement Authority and accepting the appeal without requisite deposit which resulted in non recovery of Rs. 1.03 crore.

(Paragraph 3.12)

Punjab State Warehousing Corporation

Misappropriation of rice/paddy amounting to Rs.194.46 crore by rice millers due to lack of control over milling operations and non-adherence to milling policy by the Corporation had been pointed out earlier in the Report of Comptroller and Auditor General of India for 1999-2000. Neither the State Government nor the Corporation took remedial measures to ensure delivery of full rice by the millers. Consequently, there was further misappropriation of 14,841.79 tonne of rice in five district offices with resultant non-recovery of Rs.29.33 crore.

(Paragraph 3.14)

Modification in godown rent agreements to allow enhancement in rent to parties against fixed rates resulted in excess payment of Rs. 1.73 crore to private parties.

(Paragraph 3.15)