

Overview

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This Report contains 18 paragraphs and two performance audits i.e. 'Procurement, Storage and Custom Milling of Paddy' and 'Purchase and Inventory Control' involving amount to the extent of ₹ 844.86 crore due to non-compliance with rules, directives and procedures; non safeguarding their financial interests; defective/ deficient planning and inadequate/ deficient monitoring etc. Some of the major findings are mentioned below:

1. About the State Public Sector Undertakings

Investments in PSUs

As on 31 March 2015, the investment (capital and long-term loans) in 54 PSUs was ₹ 22536.71 crore consisting of ₹ 7,939.64 crore as capital and ₹ 14597.07 crore as long term loans. The total investment has grown by 57.15 per cent from ₹ 14341.28 crore in 2010-11 to ₹ 22536.71 crore in 2014-15. The thrust of investment in the State was mainly in power sector. The Government contributed ₹ 3,099.42 crore towards equity/ loans and grants/ subsidies during 2014-15.

(Paragraphs 1.6 to 1.8)

Performance of PSUs

During the period from October 2014 to September 2015, 32 accounts were received in respect of 24 working Companies. Of these 11 accounts reflected profit of ₹ 683.07 crore and 15 accounts reflected loss of ₹ 863.64 crore. Three accounts were prepared on 'no profit no loss' basis and for three accounts in respect of two PSUs profit and loss account were not prepared. One working PSU has not prepared its first accounts. The major contributors to profit were PSUs viz. PSPCL (₹ 249.31 crore), Punjab State Transmission Corporation Limited (PSTCL) (₹ 380.52 crore) Punjab Financial Corporation (PFC) (₹ 30.26 crore), Punjab State Container and Warehousing Corporation Limited (₹ 16.74 crore), Punjab Small Industries and Exports Corporation Limited (₹ 6.79 crore) and Punjab State Forest Development Corporation Limited (₹ 3.11 crore). Heavy losses were incurred by Punjab State Grains Procurement Corporation Limited (₹ 491.17 crore), Punjab State Warehousing Corporation (PSWC) (₹ 277.04 crore), Punjab State Industrial Development Corporation Limited (PSIDC) (₹ 42.35 crore) and PEPSU Road Transport Corporation (PRTC) (₹ 11.11 crore).

(Paragraph 1.16)

Quality of accounts

The quality of accounts of PSUs needs improvement. Of the 32 accounts in respect of 24 working companies, forwarded to Audit during the period 1 October 2014 to 30 September 2015, the statutory auditors had given unqualified certificates for 14 accounts, qualified certificates for 16 accounts, adverse certificates (which mean that accounts do not reflect a true and fair position) for two accounts. Two accounts of Statutory corporations (PFC and PSWC) received qualified certificates.

(Paragraphs 1.21 and 1.22)

Arrears in accounts and winding up

25 working PSUs had arrears of 38 accounts as on 30 September 2015.

(Paragraph 1.10)

2. Performance audit of Government Companies

Performance audit of 'Procurement, Storage and Custom Milling of Paddy' in Punjab Agro Foodgrains Corporation Limited and 'Purchase and Inventory Control' in Punjab State Power Corporation Limited (PSPCL) was conducted. Important Audit findings are as under:

Procurement, Storage and Custom Milling of Paddy in Punjab Agro Foodgrains Corporation Limited

Company did not consider the desirability to fix the transportation rate on per quintal per km basis to bring uniformity which resulted in extra burden of ₹ 4.03 crore on the Company during 2010-14.

(Paragraph 2.1.8.2)

Expenditure amounting to ₹ 20.71 crore on transportation of paddy to rice mills within 8 kms was not recovered from the millers though these were inbuilt in the milling charges.

(Paragraph 2.1.8.3)

Against the weighted average period of two months allowed by GoI for milling of paddy, the State Government without compensating the Company allowed excess milling period in the CMPs resulting in loss of interest of ₹ 188.87 crore during crop years 2010-14.

(Paragraph 2.1.9.1)

An amount of ₹ 143.11 crore was recoverable from the millers on account of short delivered/ misappropriated rice, cost of gunnies and other recoveries.

(Paragraph 2.1.9.2)

The Company neither preferred reimbursement of ₹ 13.07 crore, the remaining cost of bags from FCI as per the guidelines nor took up the matter with GoI for finalisation of rates for once used gunny bags.

(Paragraph 2.1.10.3)

Purchase and Inventory Control in Punjab State Power Corporation Limited

Purchase of transformers in excess of requirement valuing ₹ 15.46 crore and excess stock of cables without required accessories worth ₹ 3.81 crore were noticed.

(Paragraphs 2.2.7 a and 2.2.7 b)

Inefficient tendering process resulting in failure to place purchase order within the original validity period resulted in extra expenditure of ₹ 16.58 crore.

(Paragraph 2.2.8.1)

Material valuing ₹ 5.45 crore remained un-utilised even after five years of the corporatisation of the two Companies (PSPCL and PSTCL), due to non-finalisation of modalities.

(Paragraph 2.2.9.2)

No MIS mechanism had been evolved to ensure timely rendering of material at site accounts and finalisation thereof within the stipulated period. Accounts of 4788 works, involving material worth ₹ 103.05 crore, had not been finalised.

(Paragraph 2.2.10.1)

Company had neither framed its own internal audit manual nor updated the internal audit manual of the erstwhile Board, which it had adopted, to match with the size and nature of its business.

(Paragraph 2.2.10.5)

3. Transaction audit observations

Gist of important audit observations is given below:

Punjab State Power Corporation Limited, Punjab State Transmission Corporation Limited and Government of Punjab

- While unbundling the erstwhile Punjab State Electricity Board, Government of Punjab placed a financial burden of ₹ 25097.64 crore on the two successor entities – PSPCL and PSTCL - by passing unfunded liabilities to them. The State Government sought to refurbish their balance sheets by (i) inflating its equity capital in the two entities by ₹ 3741.34 crore by reflecting consumer contributions and grants and subsidies as equity capital and (ii) including revalued land assets of ₹ 4874.41 crore whose ownership was not vested in the two successor entities.

(Paragraph 3.1)

Punjab State Power Corporation Limited

- After accounting for the impact of Auditors' qualifications, the Company incurred huge loss during 2010-13. It had a long-term debt of ₹ 15953.88 crore at the end of 2013-14. Non transfer of correct balances of assets and liabilities, incorrect account of loss and failure to limit expenditures within the fixed norms resulted in Company contracting loans much above the investment plan loans and working capital loans approved by the PSERC. It incurred heavy finance and interest cost of ₹ 1914.52 crore and avoidable payment of penal interest of ₹ 20.86 crore which affected the fund position. Failure to implement measures suggested by the Regulatory Commission resulted in non-recovery of ₹ 4373.64 crore.

(Paragraph 3.2)

- Failure to get the bank guarantee renewed timely resulted in the Company extending undue benefit of ₹ 20.09 crore to a firm.

(Paragraph 3.3)

- Company shut down its own thermal plants and purchased short term power at higher rates resulting in an avoidable expenditure of ₹5.73 crore.

(Paragraph 3.6)

Punjab State Bus Stand Management Company Limited

- Concessionaires were allowed longer concession period which enabled them to earn higher than reasonable return of 16 per cent, determined by PIDB. A concessionaire was given undue benefit of ₹ 28.26 crore, by not reducing the concession period for failure to develop infrastructure facilities and passengers' amenities as per the concession agreements.

(Paragraph 3.7)

Pepsu Road Transport Corporation

- Despite huge financial support from the State Government, the Corporation was unable to discharge even its committed liabilities. Weak fund management resulted in revenue loss of ₹ 6.87 crore and loss of interest of ₹ 11.30 crore.

(Paragraph 3.9)

Punjab State Civil Supplies Corporation Limited, Punjab Agro Foodgrains Corporation Limited, Punjab State Warehousing Corporation Limited and Punjab State Grains Procurement Corporation Limited

- The State Procurement Agencies (SPA) had accumulated losses of ₹3268.77 crore by 2013-14 and were showing ₹16356.33 crore as recoverable, of which ₹11385.18 crore had been qualified as doubtful. There was a mismatch of ₹21562.82 crore between outstanding CC limit and stock of foodgrains held by these Agencies. The SPAs were financing their losses and nonoperational expenditure from cash credit limits. Inefficiencies in milling operations, non recovery of costs from millers, delayed/ non raising of claims on FCI/ millers, failure to enforce terms of contracts, damages to stocks, etc. contributed to deteriorating financial health.

(Paragraph 3.12)

- Filling of 35 kg of paddy in a 50 kg bag against the GoI norm of 37.5 kg paddy per 50 kg bag resulted into excess consumption of gunny bags and extra cost of ₹ 125.49 crore to the SPAs.

(Paragraph 3.13)

Punjab Agri Export Corporation Limited

- Purchase of onions without considering the commercial and safety angle of the operation caused a loss of ₹ 2.79 crore.

(Paragraph 3.14)