REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2006

COMMERCIAL
GOVERNMENT OF PUNJAB

---

www.cag.gov.in

TABLE OF CONTENTS

Preface

Government commercial enterprises, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

- Government companies,
- Statutory corporations, and
- Departmentally managed commercial undertakings.

2. This report deals with the results of audit of Government companies and Statutory corporations including Punjab State Electricity Board and has been prepared for submission to the Government of Punjab under Section 19A of the Comptroller and Auditor General's (CAG) (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil)-Government of Punjab.

3. Audit of the accounts of Government companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of PEPSU Road Transport Corporation, Punjab State Electricity Board and Punjab Scheduled Castes Land Development and Finance Corporation, which are Statutory corporations, the Comptroller and Auditor General of India is the sole Auditor. As per the State Financial Corporations (Amendment) Act, 2000, CAG has the right to conduct the audit of accounts of Punjab Financial Corporation in addition to the audit conducted by the Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Punjab State Warehousing Corporation, he has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. In respect of Punjab State Electricity Regulatory Commission, CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations/commission are forwarded separately to the State Government.

5. The cases mentioned in this Report are those, which came to notice in the course of audit during the year 2005-06 as well as those, which came to notice in earlier years, but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2005-06 have also been included, wherever considered necessary.

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2006, the State had 57 Public Sector Undertakings (PSUs) comprising 52 Government companies and five Statutory corporations as against 57 PSUs as on 31 March 2005. Out of 52 Government companies, 22 were working and 30 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 2006.

(Paragraphs 1.1 and 1.39)

The total investment in working PSUs decreased from Rs.13,983.88 crore as on 31 March 2005 to Rs.12,986.51 crore as on 31 March 2006. The total investment in 30 non-working PSUs increased from Rs. 39.60 crore to Rs. 60.16 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 decreased from Rs. 2,327.12 crore in 2004-05 to Rs. 1,639.44 crore in 2005-06. The State Government guaranteed loans aggregating Rs. 10,922.44 crore in respect of eight working PSUs during 2005-06. The total amount of outstanding loans guaranteed by the State Government to working PSUs as on 31 March 2006 was Rs. 6,715.39 crore.

(Paragraph 1.5)

Only four working Government companies and two Statutory corporations finalised their accounts for the year 2005-06. The accounts of remaining 18 working Government companies and three working Statutory corporations were in arrears for periods ranging from one to four years as on 30 September 2006. Out of 30 non-working Government companies, one company finalised its accounts for the year 2005-06. Seven companies were under liquidation. One company was yet to complete the financial year after incorporation and 11 companies were likely to be dissolved. The accounts of the remaining 10 companies were in arrears for periods ranging from one to 15 years as on 30 September 2006.

(Paragraphs 1.6 and 1.20)

According to the latest finalised accounts, 11 working Government companies earned an aggregate profit of Rs. 100.73 crore. Only two working Government companies declared dividend of Rs. 1.61 crore. Against this, 13 working PSUs (eight Government companies and five Statutory corporations) incurred **an** aggregate loss of Rs. 3,934.72 crore as per their latest finalised accounts. Of the loss incurring working Government companies, six companies had accumulated losses aggregating Rs. 130.78 crore which exceeded their aggregate paid-up capital of Rs. 10.40 crore by more than 12 times. Four loss incurring Statutory corporations had accumulated losses aggregating Rs. 5,004.18 crore, which exceeded their paid-up capital of Rs. 2,965.68 crore.

(Paragraphs 1.7, 1.8, 1.9 and 1.11)

Even after completion of more than 27 years of their existence, the individual turnover of four Government companies (three 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 five consecutive years as per their latest finalised accounts leading to negative net worth. Besides, one non working company despite being in existence for more than 14 years could not commence business activities. The Government may either improve their performance or consider their closure.

(Paragraph 1.37)

2. Performance review relating to Government company

Punjab Agro Foodgrains Corporation Limited

Procurement, Storage and milling of paddy for central pool

The performance of Punjab Agro Foodgrains Corporation Limited (Company) with respect to procurement, storage and milling of paddy was sub optimal due to lack of control over milling operations and non-following the terms of custom milling policy and agreement with the millers.

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

The Company 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 16,834 metric tonne rice in six district offices with resultant non-recovery of Rs. 31.95 crore.

(Paragraph 2.16)

Against the specified period of 200, 175, 121 and 60 days for which interest was provided in the rates by the Government of India for the crop years 2000-01, 2001-02, 2002-03 and 2003-04 the Company took average period of 236, 212, 152 and 133 days, respectively, for milling and delivery of rice to

Food Corporation of India (FCI). Failure of the Company to get the paddy milled in time resulted in loss of interest of Rs. 18 crore in six district offices.

(Paragraph 2.20)

Inclusion of depreciation on lower number of gunny bags in the rates of rice for the crop years 2003-05 resulted in short recovery of Rs. 2.66 crore from FCI.

(Paragraph 2.23)

The Company had no system to ensure raising of interest claims on delayed payments by FCI due to which it failed to raise interest claims of Rs. 3.50 crore in six district offices.

(Paragraph 2.26)

Instead of allowing driage at one *per cent* of minimum support price, the Company allowed driage at one *per cent* on quantity of paddy delivered for milling for the crop years 2000-04. This resulted in loss of Rs. 2.03 crore in six district offices of the Company.

(Paragraph 2.17)

Incorrect billing for differential cost of rice and interest thereon resulted in short recovery of Rs. 4.26 crore. The Company recovered Rs. 4.03 crore at the instance of Audit.

(Paragraph 2.27)

3. Performance reviews relating to Statutory corporations

Punjab State Electricity Board

3.1 Erection, augmentation and maintenance of transmission lines and sub-stations

The performance of the Punjab State Electricity Board (Board) with regard to erection of transmission lines and sub-stations was substantially lower than the targets. Delayed execution of transmission works led to mismatch in construction of lines and sub stations, time and cost overrun and non accrual of the envisaged benefit of reduction in transmission losses.

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

Physical achievement during 2001-06 in respect of transmission lines and sub-stations was only 50.49 and 64.84 *per cent* respectively of the targets.

(Paragraph 3.1.8)

Shortfall in installation of shunt capacitors in the transmission system during 2001-05 resulted in non-reduction of transmission losses of 44.19 million units valued at Rs. 11.19 crore. The Board also had to pay Rs. 2.28 crore as reactive energy charges due to non-installation of shunt capacitors during December 2002-November 2005.

(Paragraph 3.1.26)

Delay in construction of transmission lines due to deficient planning, poor monitoring and lack of co-ordination resulted in cost overrun of Rs. 9.23 crore. The delay also deprived the Board of anticipated saving of Rs. 1.91 crore due to non-reduction of transmission and distribution losses.

(Paragraphs 3.1.11, 3.1.12 and 3.1.13)

Defective construction and poor quality control resulted in extra expenditure of Rs. 3.90 crore on strengthening of weak foundations and re-erection of towers damaged due to defective foundations.

(Paragraph 3.1.14)

Inadequate planning and poor monitoring resulted in unfruitful investment of Rs. 2.04 crore on stubbing work of two transmission lines and civil works of four sub-staions.

(Paragraphs 3.1.15, 3.1.16 and 3.1.20)

PEPSU Road Transport Corporation

3.2 Operational performance

The overall operational performance of PEPSU Road Transport Corporation (Corporation) was sub optimal mainly due to overaged fleet, low occupancy ratio, large number of uneconomical routes, consumption of fuel in excess of the norms and non-linkage of bus fare with the cost of fuel.

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

Out of total 561 routes as on 31 March 2006, 99.11 *per cent* routes were uneconomical. The operation of uneconomical routes resulted in financial burden of Rs. 76.66 crore on the Corporation during 2001-06.

(Paragraph 3.2.12)

Non linkage of bus fare with the increase in the cost of diesel deprived the Corporation of additional revenue of Rs. 53.66 crore.

(Paragraph 3.2.22)

Non compliance with the provisions of Punjab Motor Vehicles Taxation (Amendment) Act, 1993 resulted in non refund of Special Road Tax of Rs. 3.04 crore.

(Paragraph 3.2.19)

Non inclusion of toll tax, being paid by the Corporation, in the bus fare resulted in loss of Rs 2.79 crore during May 2002-March 2006.

(Paragraph 3.2.23)

Excess consumption of 8.31 lakh litres of fuel over the norms resulted in loss of Rs. 1.60 crore during 2001-06 in five depots.

(Paragraph 3.2.18)

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 instances of loss amounting to Rs. 58.16 crore due to:
  - ➢ One time settlement with profit making units;
  - ➢ lack of system;
  - ➢ bearing voluntary retirement expenses of subsidiary company; and
  - ➢ favour to consumers.

(Paragraphs 4.1, 4.2, 4.10, 4.15 and 4.18)

- There was loss of interest of Rs. 8.28 crore due to:
  - ➢ Poor fund management;
  - ➢ delay in raising claims/sending documents ;
  - ➢ excess purchase/non transfer of funds; and
  - ➢ delay in recovery.

(Paragraphs 4.4, 4.5, 4.9, 4.11, 4.12, 4.13 and 4.14)

- There were cases of excess expenditure/ contribution and overpayment amounting to Rs. 8.55 crore.

(Paragraphs 4.3, 4.11, 4.16, 4.19 and 4.23)

- Two cases of short reimbursement of the cost of gunny bags amounting to Rs. 5.54 crore.

(Paragraphs 4.6 and 4.8)

- Two cases of non recovery/doubtful recovery amounting to Rs. 0.83 crore.

(Paragraphs 4.20 and 4.21)

- Cases of avoidable payment of Rs. 0.83 crore.

(Paragraphs 4.7, 4.17 and 4.22)

- Short accountal of storage gain of Rs. 0.59 crore.

(Paragraph 4.24)

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

One time settlement with profit making units resulted in loss of Rs. 31.91 crore to the **Punjab State Industrial Development Corporation Limited**.

(Paragraph 4.1)

Allowing one time settlement to a profit making rehabilitated unit resulted in loss of Rs. 17.49 crore to the **Punjab State Industrial Development Corporation Limited**.

(Paragraph 4.2)

Failure of the **Punjab State Tubewell Corporation Limited** to limit employer's contribution towards Employees Provident Fund as prescribed in the Employees' Provident Funds Scheme, 1952 resulted in excess contribution of Rs. 7.03 crore.

(Paragraph 4.3)

Inclusion of depreciation on less quantity of gunny bags in the rates of rice resulted in short reimbursement of Rs. 3.05 crore to the **Punjab State Civil Supplies Corporation Limited**.

(Paragraph 4.8)

Failure of the **Punjab State Civil Supplies Corporation Limited** to promptly raise claims of transportation charges on Food Corporation of India resulted in blockage of Rs. 29.13 crore and consequential loss of interest of Rs.2.34 crore.

(Paragraph 4.9)

Failure of the **Punjab State Grains Procurement Corporation Limited** to promptly raise claims of transportation charges on Food Corporation of India resulted in blockage of Rs. 32.94 crore and consequential loss of interest of Rs. 3.97 crore.

(Paragraph 4.5)

Delay in transfer of funds by the holding company earmarked for the contract farming programme resulted in interest loss of Rs. 0.81 crore to the **Punjab Agro Foodgrains Corporation Limited.**

(Paragraph 4.13)

Deficient instructions of the **Punjab State Electricity Board** in contravention of the Electricity Act resulted in discriminatory treatment of consumers and loss of Rs.7.74 crore.

(Paragraph 4.18)

CHAPTER 1

1.Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2006, there were 52 Government companies (22 working and 30 non-working companies*) and five Statutory corporations (all working) as against 52 Government companies (24 working and 28 non-working companies) and five Statutory corporations as on 31 March 2005 under the control of the State Government. During the year, the name of one company (Reliance Hotels Limited) was struck off from the register of Companies under Section 560 (5) of the Companies Act, 1956 and one company (Queen's Flower Tourist Resorts Limited) was disinvested. Notices under Section 560 (3) of the Companies Act, 1956 were published in the official gazette in respect of 11$^{\Delta}$ companies for striking off their names from the register of Registrar of Companies whereas one Company, i.e., Punjab Digital Industrial Systems Limited became non working and had filed a petition with the High Court of Punjab and Haryana for winding up. Two$^{\Upsilon}$ new companies were incorporated during 2005-06. In addition, the State had formed Punjab State Electricity Regulatory Commission whose audit is also being conducted by the Comptroller & Auditor General of India (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 appointed by the 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

* 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.

$^{\Delta}$ Serial Nos. C-8, 15,19,21 to 28 of ***Annexure 1.***

$^{\Upsilon}$ Serial Nos. C-4 and C-5 of ***Annexure 1***.

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

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

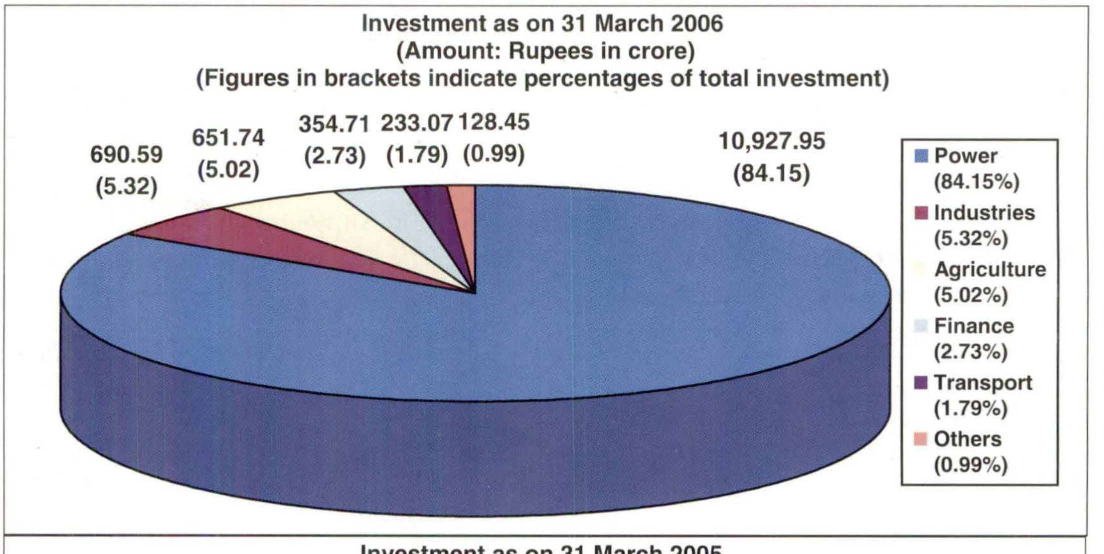
Working Public Sector Undertakings (PSUs)

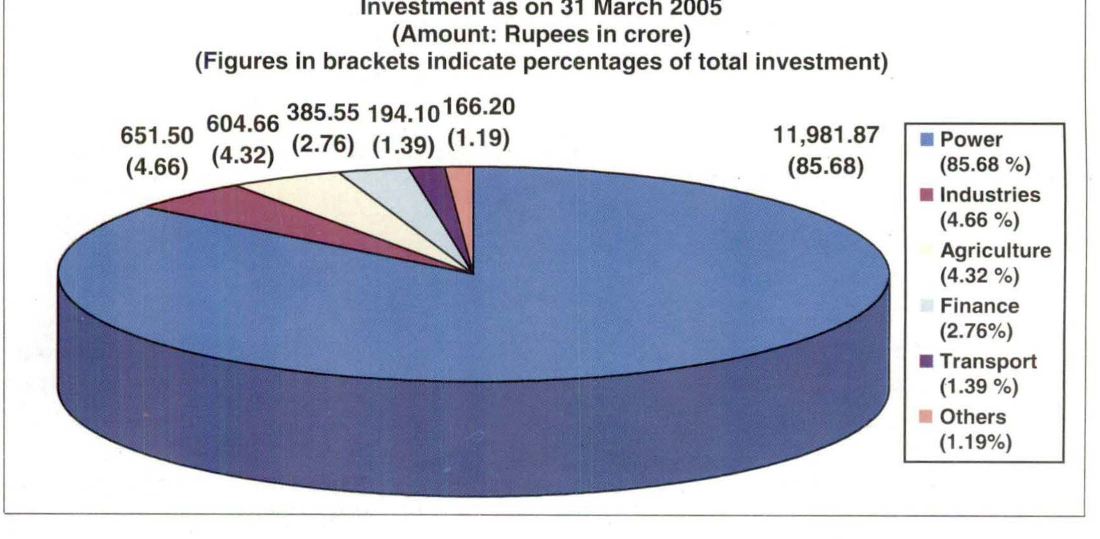
Investment in working PSUs

1.2 As on 31 March 2006, the total investment in 27 working PSUs (22 Government companies and five Statutory corporations) was Rs.12,986.51 crore (equity: Rs. 3,528.78 crore; long-term loans[ζ]: Rs. 9,370.18 crore and share application money: Rs. 87.55 crore) as against a total investment of Rs.13,983.88 crore (equity: Rs. 3,379.05 crore; long-term loans: Rs.10,538.29 crore and share application money: Rs. 66.54 crore) in 29 working PSUs (24 Government companies and five Statutory corporations) as on 31 March 2005. An analysis of investment in the 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 2006 and March 2005 are indicated below in the pie charts:





[ζ] Long-term loans mentioned in paras 1.2, 1.3 and 1.17 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 2005 and March 2006 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Equity	Share application money	Long – term loans	Total
2004-05	24	370.92	66.54	908.61	**1,346.07**
2005-06	22	380.65	87.55	915.08	**1,383.28**

As on 31 March 2006, the total investment of working Government companies comprised 33.85 *per cent* equity capital and 66.15 *per cent* loans as against 32.50 *per cent* equity and 67.50 *per cent* loans as on 31 March 2005.

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 increase in long term loans in the Transport Sector, the debt equity ratio increased from 2.93 in 2004-05 to 8.10 in 2005-06. In Agriculture & Allied and Construction sector, the debt equity ratio decreased from 1.23 and 305.72 in 2004-05 to 1.07 and 195.02 in 2005-06, respectively due to decrease in long term loans.

Working Statutory corporations

1.4 Total investment in five statutory corporations at the end of March 2005 and March 2006 was as follows:

(Amount: Rupees in crore)

Sl. No.	Name of the Corporation	2004-05		2005-06	
		Capital	**Loans**	**Capital**	**Loans**
1.	Punjab State Electricity Board	2,806.11	9,175.76	2,946.11	7,981.84
2.	PEPSU Road Transport Corporation	111.18	58.75	111.18	65.93
3	Punjab Scheduled Castes Land Development and Finance Corporation	42.45	2.74	42.45	3.44
4.	Punjab Financial Corporation	40.39	345.16	40.39	314.32
5.	Punjab State Warehousing Corporation	8.00	47.27	8.00	89.57
	Total	**3,008.13**	**9,629.68**	**3,148.13**	**8,455.10**

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 2006, the total investment in working Statutory corporations comprised 27.13 *per cent* equity capital and 72.87 *per cent* loans as against 23.80 and 76.20 *per cent*, respectively, as on 31 March 2005. Due to significant increase in long term loans in Agriculture sector, the debt equity ratio increased from 5.91 in 2004-05 to 11.20 in 2005-06. In Power and Finance sector, the debt equity ratio decreased from

3.27 and 8.55 in 2004-05 to 2.71 and 7.78 in 2005-06, respectively, due to decrease 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 2005-06 are given below:

(Amount: Rupees in crore)

Particulars	2003-04				2004-05				2005-06			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.*	Amt.	No.	Amt.
(1) Equity capital	2	7.50	-	-	1	10.87	-	-	2	30.12	1	140.00
(2) Loans	-	-	-	-	-	-	-	-	-	-	-	-
(3) Grants/ Subsidy towards												
- Project/ Programmes/ Schemes	1	33.03	1	1,704.25	1	31.06	1	2,285.19	2	33.40	1	1,435.92
- Other subsidy	-	-	-	-	-	-	-	-	-	-	-	-
Total subsidy	1	33.03	1	1,704.25	1	31.06	1	2,285.19	2	33.40	1	1,435.92
Total outgo (1+2+3)		**40.53**		**1,704.25**	**-**	**41.93**	**-**	**2,285.19**	**3[@]**	**63.52**	**1[@]**	**1,575.92**
Guarantees	4	6,623.38	2	1,569.25	5	6,583.09	3	2,197.97	5	8,209.55	3	2,712.89

During the year 2005-06, the Government had guaranteed the loans aggregating Rs. 10,922.44 crore obtained by five working Government companies (Rs. 8,209.55 crore) and three working Statutory corporations (Rs. 2,712.89 crore). At the end of the year, guarantees amounting to Rs. 6,715.39 crore against eight Government companies (Rs. 3,093.72 crore) and four working Statutory corporations (Rs. 3,621.67 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 2005-06 was Rs. 12.46 crore and Rs. 8.99 crore, respectively.

Finalisation of accounts by working PSUs

1.6 Out of 22 working Government companies and five Statutory corporations, only four companies and two Statutory corporations had finalised their accounts for the year 2005-06, up to 30 September 2006 as can be seen from ***Annexure 2***. During the period from October 2005 to 30 September 2006, 12 working Government companies finalised 14 accounts for previous years. Similarly, during this period, five working statutory corporations finalised five accounts for previous years.

[@] Actual number of companies/corporation, which received budgetary support in the form of equity, loans, grants and subsidy for the State Government.

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

The accounts of 18 working Government companies and three Statutory corporations were in arrears for periods ranging from one to four years as on 30 September 2006 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.	03	-	2002-03 to 2005-06	04	A-2,16 and 22	-
2.	02	-	2003-04 to 2005-06	03	A-7 and 10	-
3.	09	-	2004-05 to 2005-06	02	A-3,5,8,9,14,17, 18, 19 and 20	-
4.	04	03	2005-06	01	A-1,11,12 and 13	B-1, 2 and 3
Total	**18**	**03**				

The administrative departments need to over see and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials 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, eight companies and five corporations had incurred an aggregate loss of Rs. 36.23 crore and Rs. 3,898.49 crore, respectively; 11 companies earned an aggregate profit of Rs. 100.73 crore; one company (Sl. No.A-7 of ***Annexure 2***) had not finalised its first accounts (30 September 2006) and 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 Two Government companies (Sl. Nos. A-4 and 6 of ***Annexure 2***) finalised their accounts for the year 2005-06 by 30 September 2006 and earned profits of Rs. 17.05 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 12 working Government companies which finalised their accounts for previous years seven companies (eight accounts) earned an aggregate profit of Rs. 79.40 crore and only two companies (Sl. Nos. A-11 and 16 of ***Annexure 2***) declared dividend of Rs 1.61 crore while one company (Sl. No. A-8 of ***Annexure 2***) which earned profit for two or more successive years did not declare dividend.

Loss incurring working Government companies

1.9 Out of four working Government companies which finalised their accounts for 2005-06, one company viz., Punjab Communications Limited incurred loss of Rs. 6.42 crore during the year. Of the loss incurring working Government companies (as per their latest finalised accounts), six companies♦ had accumulated losses aggregating Rs. 130.78 crore which exceeded their aggregate paid-up capital of Rs. 10.40 crore by more than 12 times.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Two Statutory corporations had finalised their accounts for 2005-06 and five corporations had finalised their accounts for the year 2004-05 during the year but none of them earned profit.

Loss incurring statutory corporations

1.11 Of the five loss incurring working Statutory corporations, four corporations (Sl. Nos. B-1, B-2, B-4 and B-5 of ***Annexure 2***) had accumulated losses aggregating Rs. 5,004.18 crore, which exceeded their aggregate paid-up capital of Rs. 2,965.68 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:

Punjab State Electricity Board

1.13 Transmission and distribution losses increased from 24.27 *per cent* in 2004-05 to 25.07 in 2005-06 *per cent* and were higher than the optimal target of 18 *per cent* which was to be achieved by March 2003.

Return on capital employed

1.14 As per the latest finalised accounts (up to 30 September 2006), the capital employed* worked out to Rs. 3,208.79 crore in 22 working Government companies and total return# thereon amounted to Rs. 324.45 crore, which is 10.11 *per cent* as

♦ Sl. Nos. A-10,14, 17, 18, 19 and 20 of ***Annexure 2*** of which three companies (Sl. Nos. A-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 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.

compared to total return of Rs. 296.76 crore (8.84 per *cent*) in 2004-05. 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 2006) worked out to Rs. 12,898.69 crore and Rs. (-) 2,870.61 crore, respectively, as against the total return of Rs. 1,310.59 crore (9.53 *per cent*) in 2004-05. 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

Status of implementation of Memorandum of Understanding between the State Government and the Central Government

1.15 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 Ministry of Power, Government of India and Department of Irrigation and Power, Government of Punjab as a joint commitment for implementation of a reforms programme in the power sector with identified milestones. Status of implementation of reforms programme against each commitment made in the MOU is detailed below:

Sl. No.	Commitment as per MOU Commitments made by the State Government	Targeted completion schedule	Status (As on 31 March 2006)
1.	Reduction in transmission and distribution losses	18 *per cent* by March 2003	25.07 *per cent* during 2005-06
2.	100 *per cent* metering of all 11 KV distribution feeders	September 2001	Achieved
3.	100 *per cent* metering of all consumers	30 June 2002	Out of 9.31 lakh agricultural consumers, 8.32 lakh consumers were unmetered.
4.	Securitise outstanding dues of Central Public Sector Undertakings	Not given	Securitised
5.	State Electricity Regulatory Commission (SERC)		
	Establishment of SERC	Not given	Constituted
	Implementation of tariff orders issued by SERC during 2002-06.	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	21.57 lakh electronic meters have been installed against 48.74 lakh metered consumers (March 2006).
	General		
8.	Monitoring of MOU	Monitoring was required on quarterly basis.	Steering Committee monitored the position only 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, T&D losses were 25.07 *per cent* during the year 2005-06. Further, against the target of 100 *per cent* metering of all consumers by June 2002, the Board had installed meters for 0.99 lakh (out of 9.31 lakh) agricultural consumers as on 31 March 2006. Achievements on the replacement of electromagnetic meters (Sl. No. 7) with electronic meters were only 44.26 *per cent* as against the target of 100 *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 objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issuance 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 the Consolidated Fund of the State. The Commission had finalised its accounts upto 2005-06. During 2005-06 the Commission scrutinised and disposed off 16 petitions.

Non-working PSUs

Investment in non-working PSUs

1.17 As on 31 March 2006, the total investment[@] in 30 non-working Government companies was Rs. 60.16 crore (equity: Rs. 28.38 crore; long-term loans: Rs. 18.82 crore and share application money: Rs. 12.96 crore) as against total investment of Rs. 39.60 crore (equity: Rs. 19.64 crore; long-term loans: Rs. 18.55 crore and share application money: Rs. 1.41 crore) in 28 non-working Government companies as on 31 March 2005.

Increase in equity was mainly due to formation of two new companies (which are yet to start their activities) and conversion of one working company to a non working company as mentioned in paragraph 1.1 *supra.*

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[ς]
2	Under closure	10	14.90	7.96[$]
3	Others	13	23.48	0
	Total	**30**	**41.34**	**18.82**

Of the above non working PSUs, 17 Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for one to 23 years. Substantial investment of Rs. 36.68 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

1.18 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

[#] Since replaced by the Electricity Act, 2003.
[@] Reconciliation of figures with Finance Accounts is under progress.
[*] Includes Rs. 0.13 crore equity from others.
[ς] Includes Rs. 9.33 crore loan from others.
[$] Includes Rs. 0.50 crore loans from others.

PSUs during 2005-06 (***Annexures 1*** and ***3***).

Total establishment expenditure of non-working PSUs

1.19 The year wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2005-06 are given below:

(Amount: Rupees in crore)

Year	Number of Non working PSUs	Total establishment expenditure	Financed by	
			Disposal of investment/ assets	Others
2003-04	38	0.13^	0.11	0.02
2004-05	28	0.45	0.11	0.34
2005-06	30	0.60	0.17	0.43

Finalisation of accounts by non-working companies

1.20 Out of 30 non-working companies, one Company (C-17 of ***Annexure 2***) had finalised accounts for 2005-06 and three companies (Sl. No. C-3, 9 and 20 of ***Annexure 2***) finalised four accounts for previous years. Seven[#] companies are under liquidation. One company was yet to complete the financial year after incorporation and 11 companies were likely to be dissolved as mentioned in paragraph 1.1 *supra.* Accounts of remaining 10 companies were in arrears for periods ranging from one to 15 years.

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 19[$] non-working Government companies against their paid-up capital of Rs. 20.87 crore was Rs. 30.56 crore. These companies suffered a cash loss of Rs. 2.01 crore and their accumulated losses worked out to Rs. 56.40 crore.

According to the latest finalised accounts of these 19[$] non-working Government companies, 14 companies had incurred an aggregate loss of Rs. 3.52 crore and accumulated losses of Rs. 57.05 crore which exceeded their aggregate paid-up capital of Rs. 19.13 crore.

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

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 before

^ There was no establishment expenditure during 2003-04 in respect of 12 newly formed companies.

[#] Serial Numbers C-2, 10,11,12,13,16 and 30 of ***Annexure 2.***

[$] This excludes eight companies formed during 2003-04 which had not submitted their first accounts, two companies incorporated during 2005-06 and one company which has been converted into non working during the year.

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	Under finalisation	-
2	PEPSU Road Transport Corporation	2003-04	2004-05	16 June 2006	Under Print
3	Punjab Financial Corporation	2003-04	2004-05	23 August 2006	-
4	Punjab State Warehousing Corporation	1999-2000	2000-01	13 July 2004	Sent to State Government for placement in the Legislature
			2001-02	23 November 2004	-do-
			2002-03	23 March 2005	-do-
			2003-04	29 September 2005	-do-
			2004-05	23 February 2006	-do-
5	Punjab Scheduled Castes Land Development and Finance Corporation	2001-02	2002-03	11 August 2004	Under print
			2003-04	21 December 2005	Under print
			2004-05	Under finalisation	-

Disinvestment, Privatisation and Restructuring@ of Public Sector Undertakings

1.23 One company was disinvested during the year as mentioned in Paragraph 1.1 *supra*. In case of 11 companies (Sl. Nos. C-8, 15, 19 and 21 to 28 of ***Annexure 2***), notices were issued (April, May 2006) by the Ministry of Law, Justice and Company Affairs, Department of Company Affairs under Section 560(3) of the Companies Act, 1956 for striking off the names of these companies from the ROC. The name of one company (Reliance Hotels Limited) was struck off from the ROC.

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

1.24 During the period from October 2005 to September 2006, the accounts of 14 Government companies (12 working and two non-working) and five Statutory corporations (all working) were selected for review. As a result of the observations made by the CAG on these accounts, including accounts selected during earlier periods but in respect of which CAG's observations were finalised during the above

@ Restructuring includes merger and closure of PSUs.

period, the net impact of the important audit observations was as follows:

Sl. No.	Details	Number of accounts: Government companies – Working	Number of accounts: Government companies – Non-working	Number of accounts: Working Statutory corporations	Amount (Rupees in crore): Government companies – Working	Amount (Rupees in crore): Government companies – Non-Working	Amount (Rupees in crore): Working Statutory corporations
1.	Decrease in profit	2	-	-	8.76	-	-
2.	Increase in profit	3	-	-	39.17	-	-
3.	Increase in loss	1	1	2	0.51	0.71	15.58

Errors and omissions noticed in case of Government companies

Some of the important comments under Section 619(4) of the Companies Act, 1956 on the accounts of Government companies noticed during the period October 2005 to September 2006 were as follows:

Punjab Agro Foodgrains Corporation Limited (2003-04)

1.25 Non accounting of claims of Rs.24.54 crore recoverable from Food Corporation of India in respect of enhancement in rates, made after the Balance Sheet date but before its approval, was in contravention of Accounting Standard-4 which resulted in understatement of sundry debtors and reserves and surplus to the extent of Rs. 24.54 crore.

Punjab Information and Communication Technology Corporation Limited (2004-05)

1.26 Non provision for diminution in the value of investments resulted in overstatement of investments as well as profit by Rs,8.30 crore.

Punjab Genco Limited (2004-05)

1.27 Non provision of Rs. 72.66 lakh, being irrecoverable amount from Punjab State Electricity Board, resulted in overstatement of loans and advances by Rs. 72.66 lakh.

Punjab State Civil Supplies Corporation Limited (2004-05)

1.28.1 The State Government charges guarantee fee on the entire cash credit sanctioned/ availed whereas it is reimbursed by FCI on the minimum support price. The Company paid guarantee fee of Rs. 3.78 crore for the crop year 2003-04, and got reimbursement of Rs. 2.97 crore. The balance amount of Rs. 0.81 crore had not been written off/provided for, which resulted in understatement of accumulated losses by Rs. 0.81 crore.

1.28.2 Non accounting of transportation charges of Rs. 3.83 crore recoverable from FCI, resulted in understatement of sundry debtors and overstatement of accumulated losses by Rs. 3.83 crore.

Punjab State Civil Supplies Corporation Limited (2005-06)

1.29 Non inclusion of Rs.10.35 crore, reimbursable by the State Government against loss due to fall in the outturn ratio for custom milled rice, in other income resulted in understatement of sundry debtors as well as profit for the year by Rs. 10.35 crore.

Punjab State Hosiery and Knitwear Development Corporation Limited (2004-05)

1.30 Non-provision of interest on loan of Rs. 50 lakh received in November 1999 in the accounts for the year 1999-2000 onwards in terms of Section 209(3)(a)(b) of the Companies Act, 1956 resulted in understatement of unsecured loans & accumulated loss by Rs. 45.27 lakh each.

Errors and omissions noticed in case of Statutory corporations

Punjab State Electricity Board (2004-05)

1.31 Non inclusion of additional subsidy of Rs. 68.25 crore sanctioned by the State Government on account of truing[@] up of agricultural load/consumption for the year 2003-04 (Rs. 20.05 crore) and 2004-05 (Rs.48.20 crore) as receivable resulted in understatement of tariff compensation from the State Government and overstatement of deficit by Rs. 68.25 crore.

1.32 Inclusion of Rs. 1,480.13 crore in capital work in progress, being the share of assets of the Irrigation Branch of the State Government in Ranjit Sagar Dam project yet to be transferred to the Irrigation Branch, resulted in overstatement of capital expenditure in progress as well as funds from the State Government.

1.33 Employee's cost was understated by Rs. 46.71 crore due to non-provision of liability for payment of solatium in lieu of compassionate employment to the heirs of deceased employees in respect of pending applications. This resulted in understatement of deficit by Rs. 46.71 crore.

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 2005-06 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 would be as given below:

(Amount: Rupees in crore)

Sl. No.	Particulars	2003-04	2004-05	2005-06 (Provisional)
1.	Net surplus/ deficit (-) as per books of accounts	174.92	(-) 3,833.58	33.66
2.	Subsidy from the State Government	838.15	923.66	1,435.92
3.	Net surplus/deficit (-) before subsidy from the State Government (1-2)	(-) 663.23	(-) 4,757.24	(-) 1,402.26
4.	Net increase/decrease in net surplus/ deficit (-) on account of audit comments on the annual accounts of the PSEB	19.31	(-) 15.51	Under finalisation
5.	Net surplus/ deficit (-) after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-) 643.92	(-) 4,772.75	N A
6.	Total return on capital employed[#]	492.72	(-) 3,779.91	NA
7.	Percentage of total return on capital employed	4.34	-	NA

[@] Bring into required position.

[#] 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.

Keeping in view the sanction of the Government of Punjab, Rural Electrification (RE) subsidy is to be restricted to interest on Government loan. As such, the excess RE subsidy over and above the interest on Government loan for the period 1.4.98 to 31.03.2002, i.e., Rs. 3,242.00 crore is written off during the year 2004-05 as approved by the Board.

Recoveries at the instance of Audit

1.35 Test check of records of the State Electricity Board/other PSUs conducted during 2005-06 disclosed non recovery of cost of deposit works/lines/broken seals/ burnt meters, reconnection fees, short realisation of revenue or other observations aggregating Rs. 100.21 crore in 205 cases. A sum of Rs. 5.52 crores relating to 273 audit observations was, however, recovered at the instance of Audit.

In addition, recovery of Rs. 4.03 crore as pointed out in Paragraph 2.27 *infra* was also made at the instance of Audit.

Internal audit/ Internal control

1.36 The Statutory Auditors (Chartered Accountants) are to furnish a detailed report upon various aspects including the internal control/internal audit systems in the companies audited in accordance with the 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 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	2	A- 6 and 8
3	No internal control/ Inadequate internal audit system	6	A-2, 4, 6, 8, 15 and 16
4	Non/improper maintenance of fixed assets register	4	A-2, 8, 11 and 16
5	Maximum-minimum limits of stocks was not prescribed	3	A-11, 16 and 21
6	Non-accountal of missing/obsolete and other devalued stocks	1	A-16
7	Non-formulation/following of price fixation policy formed by management	2	A-8 and 15
8	The effect of realisable value of old and slow moving stocks not given in accounts	1	A-8
9	Non identification of idle time of labour, wasteful overhead etc.	2	A- 15 and 17
10	Non preparation of activity wise profit and loss account	1	A- 15
11	Non preparation of cost accounts	2	A-15 and 17
12	Preparation of technical estimates after commencement of work	1	A-21
13	Deviation from Accounting Standard-2, 9, 13 and 15	5	A-8, 12, 16, 17 and 21
14	Audit committee does not exist	1	A-6
15	Non following the principle of FIFO in respect of issue of stock	1	A-6

Recommendations for closure of PSUs

1.37 Even after more than 27 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 rupees 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. Besides, one company (Sl. Nos. C-14 of ***Annexure 2)*** despite being in existence for more than 14 years could not commence business activities.

In view of poor turnover, continuous losses and non-commencement of business activities, the Government may either improve the performance of these seven 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 discussed by COPU as on 30 September 2006 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	22
2000-01	3	18	2	13
2001-02	4	17	-	7
2002-03	3	20	-	8
2003-04	2	20	-	-
2004-05	2	21	-	-
Total	**25**	**164**	**8**	**88**

During October 2005 to September 2006, COPU met 23 times and took up four reviews and 27 paragraphs and finalised 11 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 their latest finalised accounts.

Chapter II

2. Performance review relating to Government Company

Punjab Agro Foodgrains Corporation Limited

Procurement, Storage and Milling of Paddy for Central Pool

Highlights

The Company 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 16,834 metric tonne rice in six district offices with resultant non-recovery of Rs. 31.95 crore.

(Paragraph 2.16)

Against the specified period of 200, 175, 121 and 60 days for which interest was provided in the rates by the Government of India for the crop years 2000-01, 2001-02, 2002-03 and 2003-04 the Company took average period of 236, 212, 152 and 133 days, respectively, for milling and delivery of rice to Food Corporation of India (FCI). Failure of the Company to get the paddy milled in time resulted in loss of interest of Rs. 18 crore in six district offices.

(Paragraph 2.20)

Inclusion of depreciation on lower number of gunny bags in the rates of rice for the crop years 2003-05 resulted in short recovery of Rs. 2.66 crore from FCI.

(Paragraph 2.23)

The Company had no system to ensure raising of interest claims on delayed payments by FCI due to which it failed to raise interest claims of Rs. 3.50 crore in six district offices.

(Paragraph 2.26)

Instead of allowing driage at one *per cent* of Minimum Support Price, the Company allowed driage at one *per cent* on quantity of paddy delivered for milling for the crop years 2000-04. This resulted in loss of Rs. 2.03 crore in six district offices of the Company.

(Paragraph 2.17)

Delayed action by the Company to raise claims with FCI for reimbursement of transportation cost of Rs. 6.65 crore beyond eight kilometers resulted in loss of interest of Rs. 88.42 lakh during 2003-05.

(Paragraph 2.13)

Failure of the Company to match the value of hypothecated stock of paddy with cash credit outstanding as required under agreement with the bank resulted in additional interest payment of Rs. 1.10 crore to the bank during 2000-05.

(Paragraph 2.7)

Incorrect billing for differential cost of rice and interest thereon resulted in short recovery of Rs. 4.26 crore. The Company recovered Rs. 4.03 crore at the instance of Audit.

(Paragraph 2.27)

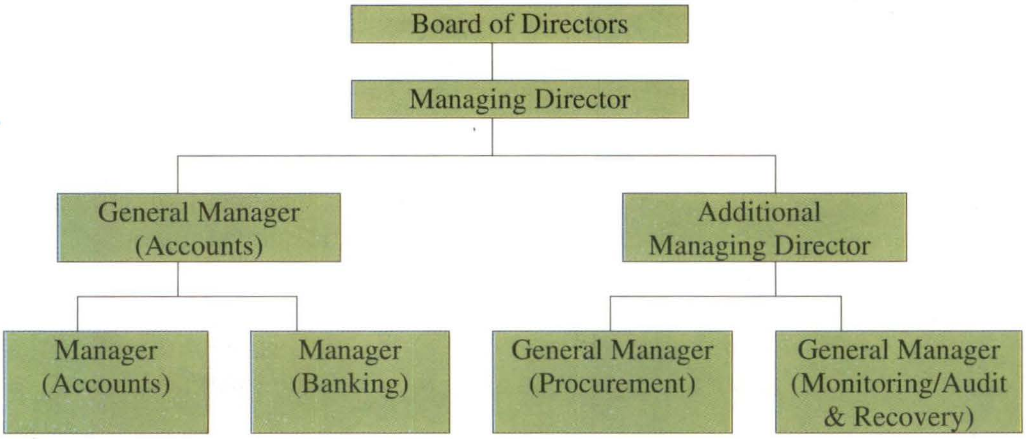
Introduction

2.1 Punjab Agro Foodgrains Corporation Limited (Company) was incorporated in July 2002 as a wholly owned subsidiary Company of Punjab Agro Industries Corporation Limited (holding company) mainly for handling the activities relating to the procurement of foodgrains. The Company, along with other procuring agencies, procures paddy from various *mandis* allotted to it by Food & Supplies Department (F&SD) on Minimum Support Price (MSP) fixed by the Government of India (GOI) for each crop year. Paddy procured by the State procuring agencies is got milled from the selected rice millers at specified rates under custom milling policy* framed by the State Government for each year. The resultant rice is delivered to Food Corporation of India (FCI) for Central Pool at the rates fixed by the GOI for each crop year. The holding company carried out these activities during April 1997-September 2002, which were transferred to the Company in October 2002.

The organisational set up relating to procurement, storage and milling

* Custom milling policy is a policy relating to the activities of procurement, storage and milling of paddy finalised by F&SD for each crop year.

activities of the Company is as follows:



As on 31 March 2006, the Company had 17[*] district offices headed by District Managers (DMs) for carrying out procurement, storage and milling operations. Working of the holding company was last reviewed in the Report of Comptroller and Auditor General of India for the year 1998-99 (Commercial), Government of Punjab, which was discussed by the Committee on Public Undertakings in October 2003.

Scope of Audit

2.2 The present performance review conducted during December 2005-March 2006 evaluates the performance of the Company relating to procurement, storage and milling of paddy for Central Pool carried out by the holding company during April 2000-September 2002 and by the Company during October 2002-March 2005. This performance review covers the activities of the Company for the period of five years up to 2004-05 as the figures for the year 2005-06 will be available only after the activities relating to the procurement, storage and milling of paddy for the crop year 2005-06 are completed during 2006-07. The audit findings are based on audit procedures applied to a sample of six[•] (35 *per cent*) out of 17 district offices selected on random sampling basis, in addition to the Head Office of the Company. The sample covers more than 50 *per cent* of the transactions relating to procurement, storage and milling of paddy during 2000-05.

Audit objectives

2.3 The audit objectives were to ascertain whether:

- the Company executed the functions relating to procurement, storage and milling of paddy in an efficient, effective and economical manner and as per the prescribed norms;

[*] Amritsar, Bathinda, Fatehgarh Sahib, Faridkot, Ferozepur, Gurdaspur, Hoshiarpur, Jalandhar, Kapurthala, Ludhiana, Moga, Muktsar, Mansa, Nawanshahar, Patiala, Ropar and Sangrur.

[•] Ferozepur, Gurdaspur, Kapurthala, Ludhiana, Patiala and Sangrur.

- the Company delivered rice to FCI within the stipulated/ extended period fixed by the GOI, and raised bills accurately and within the stipulated period in accordance with the rates fixed by GOI;
- the Company was able to utilise sanctioned cash credit limit efficiently and economically;
- the Company obtained full reimbursement of guarantee fee and other statutory levies imposed by the State Government;
- the Company had devised and made operational a reliable system of monitoring and oversight at the highest level to ensure that the objectives were achieved in an efficient and economic manner; and
- the Internal Control System was commensurate with the size and activities of the Company.

Audit criteria

2.4 The following audit criteria were adopted:

- Targets fixed for procurement, milling of paddy and delivery of resultant rice to FCI within the stipulated/ extended period prescribed by GOI as per milling schedule.
- Milling capacity of the allotted millers vis-à-vis targets fixed for procurement of paddy.
- Terms and conditions of handling & transport contracts.
- Norms/rates for timely raising of bills for rice and other related expenses fixed by GOI.
- Internal Control/Internal Audit system.

Audit methodology

2.5 Audit followed a mix of the following methodologies:

- Scrutiny of minutes /agenda of meetings of the Board of Directors, custom milling policies, instructions issued by the State Government in this regard and milling progress reports received from district offices.
- Examination of records relating to delivery of rice to FCI, raising of claims for sale of rice, differential claims,[@] interest claims and receipt of payments thereagainst.
- Scrutiny of records relating to cash credit, payment of guarantee fee and other charges and their reimbursement from FCI.
- Examination of Internal Audit Reports and action taken thereagainst.

[@] Difference between provisional and final rates of rice.

Audit findings

2.6 The audit findings were reported to the Government/management in April 2006 and discussed in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 14 July 2006, where representatives of the State Government and the Company were present. Views of the Government/management have been incorporated in the review.

The audit findings are discussed in the succeeding paragraphs:

Procurement of paddy

Cash credit facility

2.7 The Company was availing cash credit (CC) facility from State Bank of India (SBI) for procurement of paddy against hypothecation of stock and guarantee given by the State Government. The agreement between SBI and the State Government (on behalf of State procuring agencies) provided that the value of hypothecated stock should be fully matched with the CC outstanding failing which the Company was liable to pay additional interest at the rate of two *per cent* per annum on the shortfall. The details of CC limit sanctioned, availed, outstanding and value of closing stock at the end of each year during 2000-05 are as under:

(Rupees in crore)

Crop Year	CC limit sanctioned	Maximum CC limit availed	Outstanding at the end of the year	Value of closing stock at the end of the year	Excess of CC over closing stock
1	2	3	4	5	6
2000-01	430.00	380.00	229.54	221.49	8.05
2001-02	617.00	617.00	464.77	272.43	192.34
2002-03	613.00	596.47	312.96	138.00	174.96
2003-04	715.00	634.00	281.76	59.11	222.65
2004-05	745.00	658.43	256.29	88.26	168.03

The Company paid additional interest of Rs. 1.10 crore to bank, as value of hypothecated stock was not as per agreement.

As could be seen from the table above there was mismatch between the closing stock and CC outstanding, which ranged between Rs. 8.05 crore and Rs. 222.65 crore during 2000-05. Thus, due to non matching of CC outstanding with the value of hypothecated stock as required under the agreement, the bank charged additional interest of Rs. 1.10 crore.

The management stated (January 2006) that the paddy stock could not be matched with CC outstanding because the bank considered valuation of stock on original cost of paddy whereas CC outstanding included interest, which was compounded on quarterly/ monthly[@] basis. Besides, the mismatch of stock with CC limit was also due to delay in payments by FCI, non-revision of incidentals for a long period, non-refund of guarantee fee by the State Government, delay in submission of stock statements by the F&SD to the bank, and time consumed between raising of bills after delivery of foodgrains, its realisation and deposit with the bank.

The reply is not tenable as the mismatch could have been minimised by proper planning and monitoring in timely raising of sale bills, guarantee fee claims, getting the paddy milled timely from the millers, correct raising of differential

[@] On monthly basis from April 2002.

claims, control over milling operations to avoid misappropriation, claiming interest from FCI on delayed payments and by getting transfer of funds from field offices in time as discussed in the succeeding paragraphs:

Transfer of sale proceeds from field offices

2.8 After getting the paddy milled from the millers, the rice is delivered to FCI and payment thereagainst is received by cheque in the district offices, which is deposited into the bank.

The Procurement Manual of the Company provides that the cheques received should be deposited in the bank on the same day and the DM should simultaneously request the bank for telegraphic transfer/mail transfer of surplus funds to the head office for credit in the CC account.

Delay in transfer of sale proceeds from field offices to head office resulted in loss of interest of Rs. 22.61 lakh.

Audit scrutiny revealed that the district offices did not comply with the above provision as there were delays in transfer of funds ranging between one and 28 days (after giving margin of two days excluding the date of credit) which not only resulted in avoidable payment of interest of Rs. 22.61[#] lakh on CC limit but also contributed towards imposition of additional interest due to mismatch between the value of hypothecated stock and CC outstanding.

The management stated (June 2006) that the general instructions for transfer of funds to the head office twice a week (Wednesday and Saturday) were issued at the time of opening of bank accounts to the respective branches of banks having accounts with district offices. In some cases, however, these instructions were not followed.

The reply is not tenable as the management failed to monitor compliance of the instructions for prompt transfer of funds to the head office for credit in the CC account. In the ARCPSE meeting, the management assured expeditious transfer of funds in future.

Guarantee fee

2.9 The guarantee fee paid to the State Government by the Company on account of CC limit sanctioned for procurement of paddy is reimbursed by FCI as per the instructions of GOI. Audit scrutiny revealed as under:

Guarantee fee of Rs. 3.47 crore was not reimbursed by the FCI/State Government on which loss of interest worked out to Rs. 2.40 crore.

2.10 Up to 1996-97, the State Government was charging guarantee fee at the rate of 1/8 *per cent* on sanctioned CC limit and the same was reimbursed by FCI. The State Government increased the guarantee fee from 1/8 *per cent* to two *per cent* of CC limit during 1997-1999 and again reduced it to 1/8 *per cent* of CC limit from 1999-2000 and onwards. FCI, however, reimbursed guarantee fee at the rate of 1/8 *per cent* of MSP of paddy procured instead of on sanctioned CC limit. Thus, FCI reimbursed guarantee fee of Rs. 0.23 crore during 1997-1999 against the payment of Rs. 3.70 crore by the Company to the State Government. This resulted in non-reimbursement of Rs. 3.47 crore. Besides, the Company also suffered interest loss of Rs. 2.40 crore up to September 2006.

The management stated (June 2006) that the State Finance Department had rejected its claim due to financial crunch in the State. Thus, action of the State

[#] Worked out at the prevailing CC interest rates during the period.

Government to levy increased rate of guarantee fee has put additional financial burden of Rs.3.47 crore on the Company.

2.11 Up to 1998-99, the guarantee fee paid by the Company to the State Government against actual CC limit (on the basis of cost of estimated quantity of paddy to be procured, i.e., MSP, cost of gunny bags, transportation charges and mandi charges, etc.) was reimbursed by FCI on submission of treasury challans of the fee paid subject to 1/8 *per cent* of MSP only on estimated quantity of paddy procured. In October 1999, the GOI decided to reimburse guarantee fee at 1/8 *per cent* of MSP (calculated on the quantity of paddy against which rice was actually delivered to FCI). With the introduction of these instructions the Company was not entitled to reimbursement on undelivered rice and had to bear interest burden for delayed reimbursement of guarantee fee on account of delayed milling or raising of bills. The above instructions came into effect from the crop year 2000-01.

Against payment of guarantee fee on sanctioned cash credit limit, reimbursement by FCI was on the MSP of paddy, which resulted in loss of Rs. 89.51 lakh.

The Company paid guarantee fee of Rs. 3.72 crore to the State Government for the crop years 2000-05 on actual CC limit sanctioned, but FCI was liable to reimburse Rs. 2.82 crore only (as worked out by the Company) on the quantity of paddy (based on MSP only) procured during the above period. This resulted in loss of Rs. 89.51 lakh on account of short reimbursement of guarantee fee.

Audit scrutiny revealed that the Company had failed to evolve any system for timely raising of claims with FCI, with the result that the guarantee fee claims were raised after abnormal delays. During 2000-05, guarantee fee claims were raised after delays ranging between 101 and 1,292 days (computed after allowing one month from the date of completion of supply of rice for the concerned crop year). This delay resulted in loss of interest of Rs. 19.36 lakh.

The management stated (June 2006) that it was not aware of the date of decision of GOI of October 1999 regarding change in the rate of reimbursement of guarantee fee. It further stated that instructions had since been issued (June 2006) to all DMs to claim guarantee fee on quarterly basis. The reply is not tenable as change in system of reimbursement of guarantee fee was included in custom milled rice (CMR) rates fixed by GOI for crop year 1999-2000 and onwards and the Company being in the business of procurement and milling, should have been aware of these facts. Further, it failed to take action against the erring officials for abnormal delay in raising claims.

During the ARCPSE meeting, the management intimated that Chartered Accountants were being appointed in every district office to improve Internal Controls to avoid such delays.

Non-recovery of infrastructure development cess

2.12 As per the standard milling agreements, the millers were liable to make good the loss at CMR rates plus interest and penalty due to short delivery of rice. The State Government levied (January 1999) infrastructure development (ID) cess at the rate of one *per cent* on MSP of all agricultural produce including paddy. Since GOI did not include the element of ID cess in CMR rates, despite claims lodged by procuring agencies, FCI did not reimburse the amount of ID cess. On pursuance, GOI agreed (March 2004) to reimburse the same from the crop year 2002-03. Reimbursement of ID cess of Rs.7.73 crore pertaining to crop years 1999-2002 had not been received (March 2006) and the State Government was pursuing the matter with GOI.

It was noticed during audit that ID cess could not be recovered from the millers also in respect of paddy/rice misappropriated by them because in spite of levy of ID cess in January 1999, the agreements with the millers were not modified to enable the Company to recover ID cess from them. Thus, ID cess of Rs. 26.26 lakh on misappropriated paddy (rice not delivered thereagainst) for the crop years 1999-2002 could not be recovered.

The management stated (June 2006) that wherever the cases with the millers were pending with the Arbitrators, the DMs had been advised to file supplementary claims for recovery of ID cess before the Arbitrators. The reply is not tenable as in the absence of enabling clause in the agreement the recovery of ID cess from millers can not be enforced.

Non- recovery of transportation charges

2.13 Provisional as well as final rates for crop year 2003-04 and provisional rates for 2004-05 of CMR fixed by GOI provide for reimbursement by FCI of expenditure on transportation of paddy for a distance beyond eight Km. It was noticed that though the Company had incurred an expenditure of Rs. 6.65 crore during 2003-05 on transportation of paddy beyond eight Kms yet it did not claim reimbursement of the same from FCI. At the instance of Audit, five district offices raised claims, after abnormal delay, as under:

(Rupees in crore)

Sl. No.	District	Crop year	Expenditure on transportation beyond eight Kms	Month of raising of claim	Amount claimed	Status of payment
1	Ferozepur	2003-04 to 2004-05	1.12	January 2006	1.12	Awaited
2	Gurdaspur	2003-04 to 2004-05	0.19	January 2006	0.19	Awaited
3	Ludhiana	2003-04 to 2004-05	1.85	August 2005	1.85	Awaited
4	Patiala	2003-04 to 2004-05	0.41	January 2006	0.41	Awaited
5	Sangrur	2003-04 to 2004-05	3.08	January 2006	3.08	Awaited
	Total		**6.65**		**6.65**	

Belated raising of claims of transportation charges resulted in loss of interest of Rs. 88.42 lakh.

The table above shows that the Company failed to devise any system to raise such claims on a regular basis, immediately after completion of the paddy season, which resulted in loss of interest of Rs 88.42 lakh[@] calculated after allowing one month from the closing of the procurement season for raising bills.

The management stated that as it was not in the interest of the Company to claim expenditure on actual basis, the State Government had taken up (July 2004) the matter with GOI to allow transportation charges on flat rate for rice delivered (equivalent to paddy) to FCI by indexing last year's final rates of these charges.

The reply is not tenable as the request of the State Government was not acceded to by the GOI as is evident from the final/provisional CMR rates

[@] Worked out at the prevailing CC interest rates during the period (up to March 2006).

fixed by the GOI for the crop years 2003-06. Thus, belated raising of claims of transportation charges resulted in loss of interest.

2.14 Up to the crop year 2002-03, the element of transportation charges was included in the rates of CMR; as such the transportation charges incurred by the Company within eight Kms, i.e., from *mandis* to the mills were covered in these rates. For the crop year 2003-04, however, GOI included the element of transportation charges within eight Kms in milling charges. Audit scrutiny revealed that the Company incurred transportation charges from *mandis* to mills whereas transportation charges included in the milling charges covered transportation from mill to FCI godown only, which were already being borne by the millers. As such, the element of transportation charges included in the milling charges was inadequate. The rates for the crop year 2004-05, however, covered transportation charges for both sides only in the case of parboiled[@] rice and milling charges for raw rice covered transportation charges for one side (from mill to FCI godown) only. Thus, these rates were also silent about reimbursement of transportation charges from *mandis* to mills in respect of raw rice.

Non recovery of transportation charges causing loss of interest to the tune of Rs. 84.87 lakh.

Audit scrutiny revealed that transportation charges of Rs 4.16 crore incurred by the Company from *mandis* to mills for the crop years 2003-05 in respect of six district offices were not recovered either from the millers or from FCI. This also resulted in loss of interest of Rs. 84.87 lakh on these unrecovered transportation charges (September 2006).

The management stated (June 2006) that the State Government had clarified that transportation charges within eight Kms included in the milling charges by GOI would not to be recovered from the millers and these charges were likely to be compensated by GOI while finalising CMR rates. The reply is not tenable as there was nothing on record to show the commitment of the GOI in this regard.

Storage of paddy

2.15 Minimum Support Price scheme of GOI covers the activity of procurement, storage and milling of paddy under the custom milling policy framed by the State Government. The paddy procured from *mandis* is stored in the premises of millers under joint custody. Custom milling policy of the State Government for each crop year and standard terms of agreement between the rice millers and the Company, *inter alia*, provide that rice millers would deliver CMR to FCI within the stipulated/extended period. During audit the following irregularities relating to storage of paddy were noticed:

Misappropriation of rice

2.16 Reports of the Comptroller and Auditor General of India for the year 2000-01, 2001-02 and 2004-05 (Commercial), Government of Punjab had

[@] Partly cooked by heating.

pointed out misappropriation of rice/paddy worth Rs. 29.02 crore due to lack of control over milling operations and violation of the terms of the custom milling policy. The State Government as well as the Company, however, failed to take remedial measures; resultantly, misappropriation of paddy/rice continued.

Violation of terms of custom milling policy facilitated misappropriation of paddy with consequential non-recovery of Rs. 31.95 crore.

Audit scrutiny revealed that 58,031 MT of paddy of crop years 2000-05 was allotted to 23 millers for milling as per details given in ***Annexure 8***. **The millers falling under six district offices short delivered/misappropriated 16,834 MT of rice worth Rs. 31.95 crore.**

Main reasons contributing to misappropriation of paddy/rice and accumulation of heavy outstanding were as under:

- The Company did not obtain bank guarantee/bond or advance rice before delivery of paddy, as per the terms of agreements.
- The Company failed to conduct physical verification of paddy stocks on fortnightly basis in accordance with the custom milling policy.
- The Company did not ensure insurance of paddy/rice lying with the millers as per the terms of agreements.
- District Level Committee comprising district heads of all procuring agencies was to ensure that defaulter millers were not considered for future allotment of paddy. The Company, however, allotted 7,230 MT of paddy to five[&] defaulter millers.
- In the standard milling agreements (to be entered into by procuring agencies with the millers) for the crop years 2002-04, finalised by F&SD, there was no clause to appoint an arbitrator in case of a dispute. The Company did not take up the matter with F&SD for incorporating this clause. Resultantly, arbitration proceedings against two[#] millers could not be initiated.
- In one[*] case, 361 MT of paddy for the crop year 2000-01was delivered to an unallotted miller. Though, he short delivered 180 MT of rice, no action against him had been initiated so far (June 2006).

Out of 23 defaulter millers, the Company lodged FIRs against 15 millers during January 2002 to September 2004. In the remaining eight[@] cases involving misappropriation of rice and other storage material valuing Rs. 13.63 crore, no FIRs were lodged (March 2006) by the concerned DMs. There were no reasons on record for not lodging the FIRs.

The management stated (June 2006) that millers deliver advance rice in lieu of bank guarantee and they were not ready to insure paddy due to high insurance

[&] Sl. Nos. 3,15, 19, 20 and 23 of ***Annexure 8.***

[#] Sl. Nos.14 and 20 of ***Annexure 8.***

[*] Sl. No. 16 of ***Annexure 8.***

[@] Sl. Nos. 8,9,16,17,18,20,21 and 23 of ***Annexure 8.***

premium and low milling charges. It further stated that though the paddy was to be stored with the millers in joint custody but practically it did not have effective control over the paddy stored in the godowns/premises of the millers. For paddy allotted to the defaulter millers, it stated that the millers were allotted by the F&SD. The reply is not tenable as advance rice was not taken and insurance of stock of paddy was required to be done as per the agreements. Regarding allotment of rice to defaulter millers, the Company, being duly represented in the committee deciding the allotment of millers should have raised the issue and prevented such allotments.

Driage allowed to millers

2.17 GOI, while fixing final rates of CMR for the crop years 2000-04 and provisional rates for crop year 2004-05 allowed driage at one *per cent* on MSP of paddy. Audit scrutiny revealed that the Company allowed driage to millers on the quantity instead of MSP of paddy issued for the crop year 2000-03 resulting in loss of Rs. 1.84 crore to the Company.

F&SD also directed (March 2004) all the procuring agencies to allow driage to the millers at one *per cent* on MSP from crop year 2003-04. Audit scrutiny revealed that three district offices (Ferozepur, Gurdaspur and Ludhiana) belatedly adopted these instructions from crop year 2004-05 only resulting in loss of Rs. 0.19 crore.

Allowing driage on quantity of paddy instead of MSP resulted in loss of Rs. 2.03 crore.

Thus, non-recovery of driage as per the rate of GOI, resulted in loss of Rs. 2.03 crore to the Company during 2000-04.

The management stated (June 2006) that driage was allowed at one *per cent* on the quantity of paddy issued to millers during 2000-03 on the basis of State Government's instructions. The matter had, however, been taken up with the GOI for allowing driage at one *per cent* of acquisition cost. The reply is not tenable as the management could not produce instructions of the State Government in support of their contention.

Arbitration cases

2.18 As per the terms of the agreements with the millers, all disputes were to be referred to the sole arbitrator, *i.e.*, Managing Director of the Company or any other person appointed by him. Award of arbitrator would be final and binding on both the parties.

Non-adherence to the provisions of the custom milling policy encouraged the millers to misappropriate paddy/rice. Consequently, the Company had to refer the claims to arbitrators for recovery of the cost of balance rice. The table below shows year-wise position of arbitration cases for the crop years from 1998-99 to 2004-05 as on 31 May 2006:

Out of 59 arbitration cases involving Rs. 59.31 crore, 11 cases involving Rs. 14.23 crore were pending.

(Amount: Rs. in crore)

Crop Year	Number of cases	Amount involved	Cases decided				Cases pending	
			In favour of the Company		Against the Company			
			Number	Amount	Number	Amount	Number	Amount
1998-2000	18	13.15	16	9.04	1	0.69	1	3.42
2000-01	10	12.93	9	11.01	-	-	1	1.92
2001-02	27	31.22	20	23.45	-	-	7	7.77
2003-04	2	0.89	2	0.89	-	-	-	-
2004-05	2	1.12	-	-	-	-	2	1.12
Total	**59**	**59.31**	**47**	**44.39**	**1**	**0.69**	**11**	**14.23**

The Company did not prescribe any time limit for the arbitrator to issue the award. Out of 11 pending cases, four cases (Rs. 4.24 crore) were pending with arbitrators since April-September 2004 (as on 31 May 2006).

The management stated (June 2006) that since arbitration proceedings involve legal formalities/requirements, it could not fix time limit for giving the arbitration award. The contention of the management is not tenable as it was in the interest of the Company to fix reasonable time limit for expeditious finalisation of arbitration cases as non-fixation of time limit tends to encourage delay.

Milling of paddy

2.19 The paddy stored in the premises of millers under joint custody is got milled from the millers as per the terms of custom milling policy of the State Government and agreements executed with the millers. The table below gives details of the paddy procured, rice delivered/ short delivered and value of rice short delivered during 2000-05:

(Quantity in metric tonnes)

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	Total
Paddy procured	4,99,204	6,31,872	8,23,700	9,72,582	10,29,620	**39,56,978**
Rice due	3,16,296	4,19,121	5,46,360	6,45,114	6,89,845	**26,16,736**
Rice delivered	3,06,415	4,05,989	5,46,200	6,43,965	6,85,404	**25,87,973**
Rice short delivered	9,881	13,132	160	1,149	4,441	**28,763**
Value of rice short delivered (Rs. in crore)	**10.60**	**14.00**	**0.18**	**1.24**	**4.87**	**30.89**

The Company was not maintaining any consolidated record to show the quantity of rice delivered within the stipulated, extended period and thereafter. This indicated poor monitoring of the Company over milling operations. Audit findings on short delivery of rice have been discussed in paragraph 2.16 *supra*.

Loss of interest due to delayed milling

Excess time taken for delivery of rice resulted in loss of interest of Rs. 18 crore.

2.20 GOI had specified weighted average period of 200, 175, 121 and 60 days for delivery of rice for which interest was provided in the rates for the crop years 2000-01, 2001-02, 2002-03 and 2003-04 against which the Company took average period of 236, 212, 152 and 133 days, respectively, for milling and delivery of rice to FCI. Failure of the Company to get the paddy milled in time resulted in loss of interest of Rs. 18[Ψ] crore in six district offices during 2000-04[#]. Audit analysis revealed that for the crop year 2003-04, while GOI had allowed interest for 60 days only, the average stock holding period of the Company worked out to 117 days on the basis of delivery schedule prescribed in the custom milling policy.

The management stated (June 2006) that the State procuring agencies were allowed interest on the weighted average period of the stock blocked on actual basis. The reply is not tenable as FCI reimbursed interest to the Company for the days fixed by GOI and not on actual days taken by the Company for milling of paddy.

Short reimbursement of custody and maintenance charges

2.21 The final rate of rice fixed by GOI for each crop year included the elements of custody and maintenance charges at specified rates for the specified periods of delivery of rice to FCI.

Excess time taken in milling of paddy resulted in less reimbursement of Rs. 3.76 crore.

Audit scrutiny revealed that delivery of rice was delayed as the Company failed to get the paddy milled even during the extended period granted for milling. Excess time taken in milling and delivery of rice resulted in short reimbursement of custody and maintenance charges of Rs. 3.76 crore as FCI made reimbursement only for the specific period mentioned in the rates of rice.

The management while admitting the facts stated (June 2006) that excess time taken was due to operational problems and the officials had been directed to expedite delivery of rice.

Sale of rice

2.22 The millers, after milling of paddy, deliver rice direct to FCI. The concerned DM of the Company raises bills on receipt of despatch documents from the millers. Initially, the Company raises the bills at provisional rates fixed by the GOI. On receipt of final rates, the Company raises supplementary bills for recovery of the differential amounts. After receipt of payment thereagainst, claims for interest from the date of payment of provisional bills till the date of payment of supplementary claims are raised.

[Ψ] Worked out at proportionate interest rates for crop years 2000-04 mentioned in the final rates.

[#] The final rates of CMR for the crop year 2004-05 were yet to be finalised by GOI (June 2006).

GOI had finalised rates of rice for crop years 1997-2004 between September 2000 and October 2004. Rates of rice for the crop year 2004-05 were not yet finalised (June 2006). In this regard, the following points were noticed during audit:

Fixation of depreciated cost of gunny bags

2.23 Paddy was delivered to the millers in gunny bags out of which some bags were passed on to FCI at the time of delivery of milled rice. As per the GOI policy, cost of gunny bags delivered with rice and 40 *per cent* of the cost of gunny bags retained by the millers was paid by FCI to the procuring agencies. The remaining 60 *per cent* cost of gunny bags retained by the millers was required to be recovered from the millers.

Audit scrutiny revealed that for every 1,000 paddy filled gunny bags supplied to the millers, 469 (rice filled) gunny bags were delivered to FCI and balance 531 empty gunny bags were retained by the millers in case of raw rice. In case of parboiled[#] rice 476 (rice filled) gunny bags were delivered to FCI and balance 524 empty gunny bags were retained by the millers. The Company received 60 *per cent* of the cost of gunny bags from millers and balance 40 *per cent* cost was to be paid by FCI as depreciated cost of the gunny bags. GOI while fixing CMP of rice for the crop years 2003-04 (final) and 2004-05 (provisional) erroneously provided depreciation on 469 gunny bags instead of 531 gunny bags in case of raw rice and 476 gunny bags instead of 524 gunny bags in case of parboiled rice for every 1,000 bags. The Company could recover depreciation from FCI on lesser number of gunny bags than actually retained by the millers which resulted in short recovery of Rs. 2.66 crore for the crop years 2003-05.

Inclusion of depreciation on lower number of gunny bags in the rates of rice by GOI resulted in short recovery of Rs. 2.66 crore.

The management, while accepting the audit findings during the ARCPSE meeting, stated that the matter had been taken up with GOI through the State Government.

Recovery of rice at low outturn ratio

2.24 GOI fixed (12 October 2000) the provisional rates of rice for the crop year 2000-01 on the basis of outturn ratio[φ] of 67 and 68 *per cent* for raw and parboiled rice, respectively, for the paddy purchased from 21 September 2000 and onwards. Due to unseasonal rains, the paddy for the crop year 2000-01 was damaged. Consequently, GOI decided (15 October 2000) to obtain rice at respective outturn ratio of 64 and 65 *per cent* effective from 21 September 2000 and conveyed (27 November 2000) the rates of rice based on revised outturn ratio. The GOI, however, again revised (June 2001) the rates of rice based on original outturn ratio of 67 and 68 *per cent*. The final rates for the

[#] Partly cooked by boiling.

[φ] Outturn ratio denotes percentage of rice required to be obtained from the millers against the paddy and is determined by GOI.

crop year 2000-01 fixed on 27 January 2004 were as under:

Particulars	Rates of Rice (per quintal)	
	Raw Rice (Outturn ratio)	**Parboiled** (Outturn ratio)
Paddy procured up to 15 October 2000	Rs.1, 025.65 (67 *per cent*)	Rs. 1,017.84 (68 *per cent*)
Paddy procured after 15 October 2000	Rs.1, 072.95 (64 *per cent*)	Rs.1, 064.08 (65 *per cent*)

The Company suffered loss of Rs. 1.94 crore due to recovery of rice at lower outturn ratio from millers.

Audit scrutiny in three* district offices revealed that the Company obtained rice at outturn ratio of 64 and 65 *per cent* instead of 67 and 68 *per cent* even against paddy procured up to 15 October 2000 without seeking clarification of cut off date for obtaining rice at reduced outturn ratio. FCI, however, made payment only at the rates based on higher outturn ratio of 67 and 68 *per cent* for paddy procured up to 15 October 2000. These rates were lower than the rates fixed for lower outturn ratio. This resulted in loss of Rs 1.94 crore on account of short recovery of 1,898 MT of rice from the millers.

The management stated (June 2006) that as per the decision (15 October 2000) of the Group of Ministers (GOM), it was decided to allow 64 *per cent* outturn ratio for paddy purchased from 21 September 2000 but later on GOM amended its own instructions and decided to reduce the outturn ratio for paddy purchased from 15 October 2000 only. The reply is not tenable as GOI had conveyed revised provisional rates prescribing higher outturn ratio of 67 and 68 *per cent* in June 2001 but the Company continued to get the rice from the millers at reduced outturn for the period prior to 15 October 2000 even thereafter. So, the Company should have sought clarification from GOI regarding cut off date for obtaining the yield from the millers.

Delay in raising of sale bills

2.25 As per the terms of agreements for milling of paddy for the crop years 2000-05, the rice millers (after delivery of rice to FCI) were required to submit despatch documents to district office concerned within seven days (for crop years 2000-02 and 2004-05) and within three days (for crop years 2002-04) failing which they were liable to pay interest at 21, 15 and 12 *per cent* per annum for the crop years 2000-03, 2003-04 and 2004-05, respectively, for the period of delay.

Delay in raising of sale bills resulted in loss of interest of Rs. 46.70 lakh.

Audit scrutiny revealed that the Company had not maintained the records showing the date wise delivery of rice by the millers and receipt of documents thereagainst by the Company. In the absence of requisite records, the sale bills for delivery of rice to FCI by the millers were raised in consolidated form (without showing date wise breakup of consignment of rice) after delays up to 86@ days causing loss of interest of Rs. 46.70 lakh. As such, the Company failed to recover the interest from the millers.

The management stated (June 2006) that charging of interest on delayed submission of sale documents by the millers was exempted (September 2005)

* Ferozepur, Kapurthala and Patiala.

@ After allowing a margin of five days for crop year 2002-04 and eight days for crop year 2000-02 and 2004-05 from the date of delivery of last consignment of rice.

by the State Government. DMs had, however, been directed to ensure that bills were raised promptly and at the ARCPSE meeting, it stated that the district offices had since been instructed to maintain records of submission of despatch documents by the millers. The reply is not tenable as the Company is only a nodal agency getting no profit from any agency for these operations and any cost borne by it is required to be recovered. The Company had, however, not taken up the matter with the State Government to compensate it for the loss in this regard.

Loss due to non-claiming of interest

2.26 In terms of the instructions of FCI issued in December 1970 payments for the rice supplied were to be made within 24 hours of the presentation of the sale bills. F&SD also conveyed (December 2001) instructions of the GOI under which FCI was liable to pay interest at bank rate in case of delay in release of payment beyond the prescribed period.

It was noticed during audit that Company had not devised any system to ensure timely claiming of interest from FCI, as the bills for interest on the delayed payments were not raised. The position of interest claims yet to be raised for the crop years 2000-05 was as under:

(Rupees in lakh)

District Office	Claims for interest not raised	
	Crop year	Amount
Sangrur	2003-05	26.23
Patiala*	2000-03 and 2004-05	72.67
Kapurthala	2000-05	3.59
Gurdaspur	2000-05	142.56
Ferozepur	2000-01 and 2002-05	3.98
Ludhiana	2000-05	101.38
Total		**350.41**

The Company did not raise claims of interest of Rs. 3.50 crore on delayed payments by FCI.

It was further noticed that though the Company received payments of sale bills from FCI after delays upto 413 days (computed after allowing a margin of seven days), it failed to raise claims for interest on delayed payments. Not raising claims for interest on the delayed payments resulted in non-recovery of interest of Rs 3.50[φ] crore.

The management stated (June 2006) that since GOI had allowed interest for a block period, it was not binding on FCI to release payment within fixed time. It added that no interest was payable for delays as per the instructions issued (February 2000) by FCI. The reply is not tenable as FCI had reiterated (March 2005) its earlier instructions of June 1999 for allowing interest on delayed payments to the procuring agencies. Besides, two district offices of the Company had received payment of interest for delayed payments for crop years 2000-03.

* Register showing payments received against sale bills for 2003-04 was not furnished to Audit.

φ Worked out at the prevailing CC interest rates during the period.

Incorrect raising of differential claims

2.27 The Company claims difference of provisional and final rates of CMR from FCI after receipt of final rates for each crop year. The claim for interest on differential amount is required to be raised immediately after receipt of such payment.

Audit scrutiny revealed that the Company had short claimed the amount from FCI due to application of incorrect rates and period for claiming interest, causing short recovery of differential amount of Rs. 2.91 crore and interest thereon amounting to Rs. 1.35 crore as detailed below:

(Rupees in lakh)

Name of district office	Crop year	Differential amount			Interest on differential amount	
		Required to be claimed	Claimed	Short claimed	Claimed	Short claimed
1	2	3	4	5	6	7
Patiala	2002-03	335.96	164.85	171.11	36.09	46.02
Ferozepur	2000-01	154.60	150.32	4.28	65.57	2.64
Ferozepur	2001-02	310.49	197.72	112.77	85.18	72.69
Gurdaspur	1999-2000	19.89	16.80	3.09	11.37	2.63
Ludhiana	1998-99	115.42	115.42	Nil	21.47	10.74
Total		**936.36**	**645.11**	**291.25**	**219.68**	**134.72**

Incorrect billing resulted in short recovery of Rs. 4.26 crore. At the instance of audit, it recovered Rs. 4.03 crore.

Short claim of differential amount of CMR of Rs. 2.91 crore and interest of Rs. 1.35 crore thereon was pointed out by Audit in June 2005-May 2006. The Company, acting on the Audit finding, recovered (July 2005-May 2006) differential amount of Rs. 2.84 crore and interest of Rs.1.19 crore. The balance differential amount of Rs. 7.37 lakh and interest of Rs. 16.01 lakh was still outstanding (May 2006).

It was also noticed during audit that the above mentioned bills of differential amount/interest were not checked by the officials of the Company due to which short billing could not be detected. This indicates poor internal control in the Company.

The management stated (June 2006) that the DMs had been directed to be more vigilant and prompt in lodging claims with FCI and internal audit was also being strengthened.

Loss due to delay in claiming of interest

2.28 The instructions of GOI for claiming of differential amount for each crop year envisaged payment of interest on the differential amount. The Company was required to raise claims of interest on FCI immediately after receipt of the differential amount.

Delayed raising of claims of interest resulted in loss of interest of Rs. 76.74 lakh.

Audit scrutiny revealed that there were delays in raising of interest claims ranging between 30 and 1,186 days (computed after allowing a margin of 10 days) resulting in interest loss of Rs. 76.74[#] lakh. In one district office (Ludhiana) the payment of interest (Rs 68.33 lakh) raised (September 2001)

[#] Worked out at the prevailing CC interest rates during the period.

on differential amount for crop years 1997-99 had not been received from FCI (May 2006) which resulted in further loss of interest of Rs. 31.58 lakh (March 2006).

The management stated (June 2006) that the DMs had been directed to ensure prompt claiming of interest on differential amounts.

Non-claiming of interest on differential cost and depreciation on gunny bags

Non-claiming of interest of Rs. 44.50 lakh on differential cost of gunny bags and depreciation on gunny bags resulted in interest loss of Rs. 25.15 lakh.

2.29 GOI clarified (August 2001) that the State procuring agencies were entitled to claim interest on differential[ϕ] amount of depreciation on gunny bags (retained by the millers). Audit analysis revealed that such interest claims amounting to Rs. 44.50 lakh were not raised (March 2006) on FCI by the following two district offices:

(Rupees in lakh)

Name of district office	Crop year	Amount of differential claims of depreciation on gunny bags	Date of receipt of payment	Interest amount not claimed	Loss of interest[#]
Sangrur	1997-98	39.99	2 December 2000	13.91	**8.48**
	1998-99	51.42	12 June 2001	14.05	**7.67**
Patiala	1997-98	20.65	18 June 2001	9.32	**5.07**
	1998-99	26.73	18 June 2001	7.22	**3.93**
Total				**44.50**	**25.15**

This also shows that the Company failed to evolve an effective monitoring system to ensure timely raising of interest claims on differential claims of depreciation on gunny bags, which resulted in interest loss of Rs. 25.15 lakh on interest not claimed during December 2000 to September 2006.

In addition to the above, two district offices (Patiala & Ferozepur) did not raise the claims of differential cost of gunny bags amounting to Rs.6.02 lakh for the year 2000-01.

The management stated that DMs have now been directed (June 2006) to ensure that claims are promptly lodged with FCI.

Corporate governance

2.30 Loss of Rs. 31.97 crore suffered by the Company due to delayed milling, insufficient rates fixed by GOI and delayed payments against claims of the Company by FCI was discussed in the paragraphs 2.7, 2.10, 2.11, 2.12, 2.13, 2.14, 2.20, 2.21, 2.23 and 2.24 *supra*. Although, these were vital issues affecting the financial health of the Company adversely, the Board of Directors of the Company did not discuss these issues (along with their impact on the working of the Company) in any of the meetings held during April 2000-March 2006.

[ϕ] Differential amount of depreciation represents difference between depreciation on gunny bags as provided in provisional rates and in the final rates for any crop year.

[#] Worked out at the prevailing CC interest rates during the period.

Internal control/internal audit

Internal control

2.31 The internal control system in the Company in relation to the activity covered in the Performance Audit was deficient because it lacked a reliable mechanism to ensure:

- timely and accurately raising of supplementary bills of differential rates of rice, gunny bags and incidentals along with interest thereon;
- expeditious transfer of funds from district offices to head office;
- maintenance of requisite bank book for recording payments received from FCI;
- strict implementation of custom milling policy framed by the State Government;
- timely raising of sale bills, reimbursement of guarantee fee and recovery thereof from FCI;
- physical existence of paddy lying in millers' premises;
- preparation of activity wise working results;
- rendition of information to the management regarding raising of sale bills against date wise rice delivered, raising of guarantee fee claims, receipt of sale proceeds and transfer of funds to CC accounts thereagainst; and
- maintenance of consolidated records to show quantity of rice delivered within the stipulated period, extended period or thereafter.

The management stated during the ARCPSE meeting that the observations of Audit had been noted and Chartered Accountants were being engaged to improve the Internal Control System.

Internal Audit

2.32 The Company has an internal audit wing under the control of General Manager (Monitoring/Audit & Recovery). A review of the internal audit system of the Company revealed as under:

- no internal audit manual defining the scope of work, duties and responsibilities of internal audit wing existed;
- there was no prescribed system to prepare action plans for Internal Audit resulting in the audit of units being conducted without deciding the priorities;
- coverage of Internal Audit was inadequate as only eight out of 20 units up to March 2005 were audited (June 2006);

- unit wise number of Inspection Report paras outstanding was not being compiled to monitor the overall position of pending audit observations; and

- results of Internal Audit were not brought to the notice of the Board of Directors for perusal and remedial action.

The management stated (June 2006) that Internal Audit was being strengthened and action was being taken on audit observations.

Conclusion

The performance of the Company with regard to procurement, storage and milling of paddy was sub optimal due to lack of 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. The Company's hypothecated stock of paddy was not matching with the outstanding cash credit limit resulting in payment of additional interest. There was no system in the Company to ensure timely and accurately raising of bills on the Food Corporation of India and to monitor receipt of payments thereagainst.

Recommendations

The Company may:

- **devise a system of effective control over stock and milling operations to avoid interest burden on cash credit and to check misappropriation of paddy.**
- **issue directions to ensure that the required bills/claims are raised without delay.**
- **manage its cash credit limit in a way so as to minimise interest burden.**
- **ensure that all admissible elements of cost are included in the final rates of rice fixed by Government of India.**

The above matter was referred to Government in April 2006; reply had not been received (September 2006).

Chapter III

3. Performance reviews relating to Statutory corporations

Punjab State Electricity Board

3.1 Erection, augmentation and maintenance of transmission lines and sub-stations

Highlights

Performance of the Board with regard to erection of transmission lines and sub - stations was substantially lower than the targets. Physical achievement during 2001-06 in respect of transmission lines and sub - stations was only 50.49 and 64.84 *per cent* of the targets.

(Paragraph 3.1.8)

Shortfall in installation of shunt capacitors in the transmission system during 2001-05 resulted in non - reduction of transmission losses of 44.19 million units valued at Rs. 11.19 crore. The Board had to pay Rs. 2.28 crore as reactive energy charges due to non- installation of shunt capacitors during December 2002 - November 2005.

(Paragraph 3.1.26)

Delay in construction of transmission lines due to deficient planning, poor monitoring and lack of co-ordination resulted in cost overrun of Rs. 9.23 crore. The delay also deprived the Board of anticipated saving of Rs. 1.91 crore due to non-reduction of transmission and distribution losses.

(Paragraphs 3.1.11, 3.1.12 and 3.1.13)

Defective construction and poor quality control resulted in extra expenditure of Rs. 3.90 crore on strengthening of weak foundations and re-erection of towers damaged due to defective foundations.

(Paragraph 3.1.14)

Inadequate planning and poor monitoring resulted in unfruitful investment of Rs. 2.04 crore, on stubbing work of two transmission lines and civil works of four sub-stations.

(Paragraphs 3.1.15, 3.1.16 and 3.1.20)

Belated commissioning of a sub-station and subsequent underutilisation on account of deficient planning and non-completion of related works not only resulted in cost overrun of Rs. 1.85 crore but also defeated the very purpose of upgradation of the sub-station.

(Paragraph 3.1.18)

Delayed implementation of decision regarding shifting of surplus labour from transmission lines organisation resulted in payment of idle wages of Rs. 1.34 crore.

(Paragraph 3.1.27)

Damage to power transformers due to inadequate protection system, negligence and poor maintenance of lines and equipment resulted in avoidable expenditure of Rs. 6.71 crore.

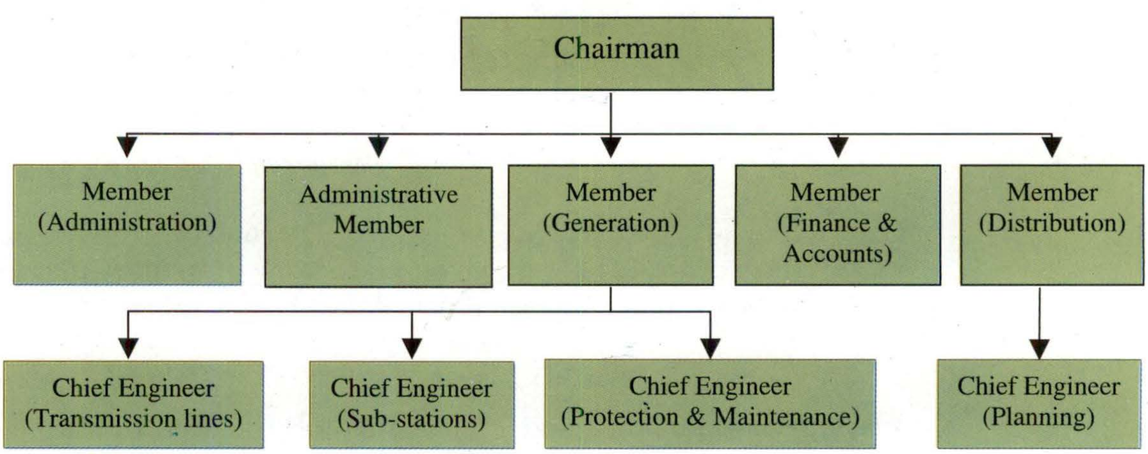
(Paragraph 3.1.22)

Introduction

3.1.1 Punjab State Electricity Board (Board) transmits power from generating stations through a network of 220 KV[#], 132 KV, 66 KV and 33 KV transmission lines and sub-stations. Sub-stations/transmission lines are erected/augmented/ upgraded keeping in view the power to be evacuated from various projects, future loads, system voltage profile and other system constraints.

At the end of March 2006, the Board had a network of 14,076 Circuit Kilometres[♦] (Ckms) of transmission lines and 621 sub-stations.

Organisational set-up for erection, augmentation and maintenance of transmission lines and sub-stations in the Board is given below:



[#] Kilo volt.

[♦] Three conductors running together each having length of 1,000 meters and representing each phase of electricity.

There are two circles of transmission lines organisation (four divisions), three circles of sub-station organisation (10 divisions) and five circles of protection and maintenance (P&M) organisation (42 divisions) for erection, augmentation and maintenance of transmission works.

The working of the Transmission and Distribution System of the Board was last reviewed in the Report of the Comptroller and Auditor General of India for the year 2000-01(Commercial), Government of Punjab which is under discussion with Committee on Public Undertakings (COPU) (August 2006).

Scope of Audit

3.1.2 The present performance review conducted during November 2005-March 2006 covers erection, augmentation and maintenance of transmission lines and sub-stations of the Board during 2001-06. Records at the head office and 30[@] out of total 56 divisions were test checked in audit. The sample selected on random basis constitutes 53.57 *per cent* of the total number of divisions.

Audit objectives

3.1.3 The audit objectives of the review were to ascertain whether:

- annual plans were prepared keeping in view current as well as future requirements of the transmission system;
- planning ensured synchronised completion of lines and sub-stations;
- efficient and effective steps were taken to achieve the targets;
- there was adequate financial planning to meet the projected targets;
- estimates for execution of works were prepared on realistic basis and works were executed after sanction of the estimates;
- there was adequate provision of material and manpower;
- maintenance of lines and sub-stations was done regularly and as per the norms;
- estimated cost was recovered from the consumers before commencement of deposit works;

[@] Tower Line, Survey and Construction (TLSC) Division- Bathinda, Jalandhar and Patiala (three); Grid Construction Division-Amritsar, Jalandhar, Ludhiana; Civil Works Division- Jalandhar (four); P&M Division- Bathinda, Dasuya, Dhandari Kalan, Ferozepur, Jagraon, Jamsher, Kapurthala, Lalton Kalan, Mahilpur, Mandi Gobindgarh I & II, Moga, Muktsar, Protection Division- Bathinda I & II, Ferozepur, Hoshiarur, Jalandhar I & II, Ludhiana I & II, Mandi Gobindgarh and Moga (23).

- growth of sub-transmission system was adequate to cope up with the increased demand load; and
- there was an adequate monitoring/oversight mechanism, *i.e.*, management information system and the internal control system was effective.

Audit criteria

3.1.4 The following audit criteria were adopted:

- plans/project reports prepared for construction of transmission lines and sub-stations;
- project reports prepared on the basis of detailed surveys;
- norms/targets fixed for erection, augmentation and maintenance of transmission lines and sub-stations ;
- prescribed time schedule for completion of erection, augmentation and maintenance works of transmission lines and sub-stations;
- instructions/guidelines issued by the Board from time to time; and
- provisions/norms/guidelines/reports of Central Electricity Authority, Electricity Act, Northern Regional Electricity Board (NREB) and National Council of Power Utilities (NCPU).

Audit methodology

3.1.5 Audit followed the following mix of methodologies:

- analysis of Board's records relating to preparation of annual plans, fixing of targets, fixation of priorities for erection, augmentation and maintenance of transmission lines and sub-stations;
- analysis of data from annual budgets, works lists, estimate registers, capital expenditure statements/registers, initial work registers, completion reports, equipment maintenance registers and other relevant record; and
- scrutiny of decisions taken in the meetings of Board/ Whole Time Members (WTMs).

Audit findings

3.1.6 The audit findings were reported to the Government/management in May 2006 and discussed in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 26 July 2006, where representatives of the State Government and the Board were present. Views of the Government/management expressed in the meeting and given in subsequent replies (August 2006) have been considered while finalising the performance review.

The audit findings are discussed in the succeeding paragraphs:

Growth of transmission system

3.1.7 Details of the transmission/sub-transmission and distribution system at the end of five years up to March 2006 are as under:

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
1.	HT lines (33 KV & above) (Ckms)	13,113	13,295	13,616	13,846	14,076
2.	11 KV lines (Ckms)	98,779	1,02,533	1,05,601	1,09,525	1,16,172
3.	Total HT lines (Ckms)	1,11,892	1,15,828	1,19,217	1,23,371	1,30,248
4.	LT lines (Ckms)	1,59,513	1,62,037	1,64,579	1,67,866	1,71,066,
5.	Ratio of LT lines to HT lines (Sl. No.4/Sl. No.3)	1.43:1	1.40:1	1.38:1	1.36:1	1.31:1

Though NCPU had suggested (July 1987) bringing down the LT/HT* line length ratio to 1:1 as distribution of energy at lower voltage results in higher energy loss, yet the Board could not achieve the desired ratio and the actual ratio ranged between 1.43:1 and 1.31:1 as could be seen from the above table. This resulted in higher voltage drop and distribution loss.

The management/Government while admitting the facts stated (August/September 2006) that exercise was being done to reduce LT/HT ratio.

Targets and actuals

3.1.8 The following table indicates funds available and actual expenditure, physical targets and achievements in the construction of new transmission lines and sub-stations during 2001-06:

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	Total
Financial targets and achievements	**Rupees in crore**					
Funds available	157.70	180.07	75.99	128.59	208.68	751.03
Actual expenditure	118.87 (75.38)	85.97 (47.74)	76.02 (100.04)	98.01 (76.22)	194.86 (93.38)	573.73 (76.39)
Physical targets and achievements						
Transmission lines (in Ckms)						
Targets	943.000	544.000	544.000#	544.000#	530.000	3,105.000
Achievements	296.685 (31.46)	148.452 (27.29)	378.471 (69.57)	305.010 (56.07)	439.210 (82.87)	1,567.828 (50.49)
Sub-stations	**Capacity of sub-stations in MVA**					
Targets	1,218.00	1,347.00	1,347.00#	1,347.00#	1,686.00	6,945.00
Achievements	742.50 (60.96)	1,037.50 (77.02)	674.50 (50.07)	1,010.00 (74.98)	1,038.75 (61.61)	4,503.25 (64.84)

(Figures in brackets indicate percentages)

The table above shows that the overall physical achievements in construction of transmission lines and sub-stations during 2001-06 were 50.49 and 64.84

* Low tension/High tension

As the physical targets for the year were not fixed so targets of the previous year were taken as the targets for the year.

Despite availability of sufficient funds the Board failed to achieve the targets fixed.

per cent of the targets, respectively, while aggregate expenditure was 76.39 *per cent* of the funds available. This indicates that a substantial part of the work on transmission lines and sub-stations was incomplete. The main reasons for poor achievement as analysed in Audit were delayed execution of works, mismatch in construction of sub-stations and related transmission lines as well as poor monitoring as discussed in paragraphs 3.1.9 to 3.1.14 *infra*.

The management/Government stated (August/September 2006) that the targets could not be achieved due to decrease in labour force and execution of deposit works. The reply is not tenable as the targets were fixed keeping in view all these factors but the Board failed to achieve the targets and utilise the available funds during 2001-06.

Erection and augmentation of lines and sub-stations

3.1.9. Augmentation of existing works as well as construction of new works are planned to extend relief to the existing over-loaded system and effect reduction in Transmission and Distribution (T&D)[ϖ] losses. Laying of transmission system of the Board involves different wings related with civil works, sub-stations and transmission lines. Since the laying of lines should coincide with erection of sub-stations, the whole process requires effective planning and monitoring so as to avoid blockage of funds due to uneven growth of the system and consequential loss to the Board. Audit scrutiny, however, revealed that the Board failed to co-ordinate the execution of schemes effectively. The details of works, the commissioning of which was delayed due to non-completion of their related works have been given in ***Annexure* 9.**

The Board suffered loss of interest of Rs. 73.61 lakh on idle investment on account of delay in completion of related works.

A perusal of ***Annexure 9*** would reveal that during 2000-06 Board's funds ranging between Rs. 36.24 lakh and Rs. 3.76 crore remained idle for periods ranging between three and 15 months due to deficient planning/co-ordination between different wings of the Board. The delays not only put the Board to loss of interest of Rs. 73.61[*] lakh on idle investment, but also prevented the Board from achieving the targeted relief to the existing overloaded system and reducing T&D losses. The delay also denied the intended benefit to the consumers for the period of delay.

The management/Government stated (August/September 2006) that mismatch occurred due to non clearance of route by the Forest Department, Railways, etc., and some unforeseen bottlenecks which could not be avoided. The reply is not tenable as the stated reasons contributing towards mismatch could all be foreseen and factored into planning. These were clear cases of lack of co-ordination amongst different wings of the Board as well as deficient planning.

[ϖ] When energy is carried from the generating stations to the consumers through the transmission and distribution network, some energy is lost which is termed as transmission and distribution loss.

[*] Worked out at the rate of 8.5 *per cent* per annum at which the Board availed loan from Power Finance Corporation during 2000-05.

Erection of transmission lines

3.1.10 The Board erected 1,567.828 Ckms of transmission lines against the target of 3,105.000 Ckms during 2001-06. The deficiencies relating to erection of the lines noticed in Audit are discussed in the succeeding paragraphs:

Deficient planning

3.1.11 For the improvement of system voltage in the area, the Board planned (2001-02) construction of 220 KV Patran-Sunam single circuit (SC) line (35.66 Kms) on double circuit (DC) towers at an estimated cost of Rs.4.54 crore. The work was started (May 2002) in anticipation of sanction of the estimate and was scheduled to be completed within 24 months (by April 2004). After expiry of the stipulated time the detailed estimate for Rs.5.32 crore was approved (June 2004). The work of construction of the line was completed in December 2005 at a total cost of Rs.5.64 crore.

Deficient planning led to cost overrun of Rs. 1.10 crore.

Audit noticed that the line could not be completed in time due to frequent revisions (thrice) in route plan during execution on account of deficient initial survey, delay in finalisation of foundation design, delay in re-erection of five towers that collapsed in a storm due to defective construction, delay in obtaining permission from the Forest Department/ Bhakra-Beas Management Board/ Railways, etc. The delay of 20 months in completion of the line resulted in cost overrun of Rs. 1.10 crore (24.23 *per cent*).

The management/Government stated (August/September 2006) that obtaining clearances from the Forest Department and Railways was a lengthy process and the work was held up for want of enquiry reports of the towers that collapsed due to storm. The reply is not tenable as all these factors were controllable. These delays could have been avoided by approaching the concerned authorities well in advance and by better coordination, planning and monitoring.

Cost overrun of Rs.1.20 crore due to deficient planning.

3.1.12 The Board started (May 2003) construction of 66 KV DC line from 220 KV sub-station, Kartarpur to Sports and Surgical (S&S) Complex, Jalandhar at an estimated cost of Rs. 2.64 crore, which was scheduled to be completed by 31 March 2004. The line was completed (November 2005) at an actual cost of Rs.3.84 crore. Audit analysis revealed that the time overrun of 20 months and cost overrun of Rs. 1.20 crore were due to:

- delay in decision regarding design of the foundations of the line;
- changes in route plan attributable to defective survey; and
- delay in obtaining clearance from the railways on account of deficient planning.

Thus, delay in finalisation of the design of foundations coupled with deficient route plan resulted in belated completion of line and consequent cost overrun of Rs. 1.20 crore.

The management/Government accepted (August/September 2006) the audit findings.

3.1.13 For drawal of power (share of the Board) from Nathpa Jhakri Hydroelectric Power Corporation (NJPC) project, construction of 220 KV DC Nalagarh-Mohali transmission line was taken up (July 2002) at an estimated cost of Rs.9.85 crore. The line was required to be erected before the start of generation of power by NJPC. Though, NJPC project started generating power in March 2004 yet the Nalagarh- Mohali line had not been erected (June 2006) resulting in estimated cost overrun by Rs.6.48 crore (Revised estimated cost Rs.16.33 crore less Rs. 9.85 crore).

Audit noticed that the survey work for preparing the route plan of the said line was completed in October 2005 but the work for construction of line was allotted only in June 2006.

Similarly, the Board planned (2004-05) four 220 KV outlets for power evacuation. For this, loop-in and loop-out≈ (LILO) arrangement of 220 KV Ablowal (District Patiala)-Rajpura DC line was to be made at 400 KV sub-station of Power Grid Corporation of India Limited (PGCIL) at Phagan Majra (Patiala) at an estimated cost of Rs.2.40 crore. Erection of LILO line should have been matched with the completion of 400 KV sub-station of PGCIL (*i.e.,* December 2005). The work on LILO line was started in December 2004 and was scheduled to be completed by June 2005.

Audit noticed that though the 400 KV sub-station of PGCIL was completed in September 2005, the LILO line was completed (April 2006) after delay of 10 months and cost overrun of Rs. 45 lakh (18.75 *per cent*).

While stressing the need for timely erection of the above transmission lines the Board had projected (April 2004) that completion of these lines would result in reduction of T&D losses of Rs.5.73 crore per annum.

Delay in completion of transmission lines resulted in cost overrun of Rs. 6.93 crore as well as non-reduction of T&D losses of Rs. 1.91 crore.

Delay in completion of both the transmission lines not only resulted in cost overrun of Rs. 6.93 crore (Rs.6.48 crore + Rs. 0.45 crore) over the estimated cost of Rs.12.25 crore but also deprived the Board of projected saving of Rs.1.91 crore (December 2005-March 2006) due to non reduction of T&D losses.

While admitting the facts the management/Government stated (June/ September 2006) that since the Board had not incurred any additional cost for evacuation of its share of power there was no financial loss on account of delay in completion of these two lines. The reply is not tenable as the delay in erection of lines not only resulted in cost overrun but also deprived the Board of the envisaged saving in T&D losses.

≈ It is an arrangement for feeding a new sub station from an existing transmission line to improve voltage profile.

Re-erection and strengthening of towers

3.1.14 The Board was following design of under-reamed^ pile foundations for construction of various types of 220 KV/132 KV DC towers since 1986. This design was adopted to save time and manpower as compared to open pit foundations. During 1998-2003, 68 towers of 220 KV transmission lines on under-reamed pile foundations had collapsed. The design of foundations was got checked from a private consultant who opined (September 2000) that pile foundations were safe and failure thereof was due to shortcomings in construction. Various committees* appointed by the Board from time to time also pointed out that the towers had collapsed due to shortcomings in construction and lack of quality control. In order to avoid collapsing of towers in future, seven lines on under-reamed pile foundations were got checked during 2002-04 from the Central Building Research Institute (CBRI), Roorkee. The reports of CBRI showed that 67.45 to 88.89 *per cent* of the pile foundations did not meet the design requirements and needed to be strengthened. Weak foundations of the five lines were strengthened during 2001-06.

Re-erection of towers damaged due to defective foundations and strengthening of weak foundations resulted in extra expenditure of Rs. 3.90 crore.

Audit noticed that instead of imparting adequate training to its work force to enable it to lay under-reamed pile foundations under proper and strict supervision at higher levels as recommended by the consultant, the Board resorted (September 2003) to the old costlier design of open pit foundations. Due to this the Board was not only deprived of saving in time and manpower but also suffered a loss of Rs. 2.51 crore on re-erection of 68 collapsed towers of eight$ lines during 1998-2003 and Rs. 1.39 crore on strengthening of weak foundations of 376 towers of five lines$^{\Sigma}$ during 2001-06.

The management/Government stated (August/September 2006) that there is no facility in the Board for imparting training in laying of pile foundations.

Abandoned/incomplete lines

3.1.15 Satia Paper Mills Limited, Rupana (firm) having existing power load of 4,997.163 KW applied (February 1997) for additional load of 5,500 KW. The firm was allowed (February 1998) feasibility clearance from 132 KV sub-station, Muktsar. As per the feasibility clearance a 66 KV Double Circuit (DC) on DC towers line was to be constructed from 132 KV sub-station, Muktsar to 66 KV sub-station, Rupana, on equal sharing basis between the firm and the Board. The line was to be constructed using the existing H-rail pole line path. Both the firm and the Board anticipated (August 1997 and March 1998) right of way problem in the erection of the line on the proposed route.

^ It is bored foundation, in which one or more concrete bulbs are formed by using an under reaming tool.

* Various committtes consisting of different Chief Engineers formed at different times.

$ 220 KV Wadala Granthian-Fatehgarh Churian, 220 KV Sarna- Wadala Granthian, 220 KV Malerkotla-Dhuri, 220 KV Ropar Thermal Plant-Gobindgarh, 220 KV Moga-Ferozepur, 220 KV Moga-Muktsar, LILO of 220 KV Moga-Ferozepur line at Botianwala and 220 KV GHTP Lehra Mohabbat-Mansa-Sunam DC line.

$^{\Sigma}$ 220 KV Moga Ferozepur, 220 KV Moga- Muktsar,220 KV Wadala Granthian-Fatehgarh Churian, LILO of 220 KV Moga-Ferozepur Line at Botianwala and 220 KV Fatehgarh Churian- Civil Line, Amritsar.

As per the Manual of Capital Expenditure and Fixed Assets, the firm was required to pay Rs. 85 lakh (firm's share of the estimated cost) before starting the erection of the line, it being a deposit work. The firm, however, deposited (February 1998) only 40 *per cent*, *i.e.,* Rs. 34 lakh before the start of the work.

A connection was released to the firm by making temporary arrangements (June 1998) erecting a T-off line from the existing H-rail pole line and the work of laying of foundations of the line was completed in April 1999 at a cost of Rs. 41.05 lakh. Further work on the line could not be completed due to unauthorised construction of a building in the path of the line and non-receipt of the balance estimated cost from the firm. In view of the right of way problem and available load scenario, the Board decided (July 2005) to abandon the work.

Meanwhile, on the protests of the firm, revised feasibility clearance was allowed (November 2002) to it from the existing 66 KV sub-station, Rupana. Under revised feasibility, the firm was required to pay Rs. 40.24 lakh (Rs.74.24 lakh being the total cost of revised feasibility less Rs.34 lakh already paid), which the firm had deposited during 2005-06.

Audit noticed that due to availability of adequate infrastructure and load position, feasibility clearance could have been given from the 66 KV sub-station Rupana in the first instance instead of erecting a separate costlier and longer route line from 132 KV sub-station Muktsar.

Wrong feasibility clearance resulted in unfruitful expenditure of Rs. 41.05 lakh.

Thus, issuance of feasibility clearance for a separate line instead of allowing additional load from the existing line resulted in loss of Rs. 41.05 lakh due to wasteful expenditure on foundations work and loss of interest of Rs. 10.26[@] lakh due to late receipt of balance amount of Rs. 40.24 lakh.

The management/Government stated (August/September 2006) that the matter would be put up before the competent authority for considering recovery from the firm.

3.1.16 The Commercial Accounting Systems, Volume VI, *inter alia*, provides that no expenditure is to be incurred on any work unless the competent authority sanctions the technical estimate of the work. The proposed 220 KV Sarna-Kotli Surat Malhi DC line was basically a power evacuation line to be used for optimum evacuation of power from Ranjit Sagar Dam (RSD) hydel project and power transmitted from J&K. In anticipation of sanction, the stubbing work of the above line was started (December 1999) by the erstwhile Tower Line Survey Construction (TLSC) division, Pathankot and 43 stubs had been laid (December 1999-March 2000) when the work was transferred (April 2000) to TLSC division, Jalandhar. The Jalandhar division completed stubbing work of 70 (including 43 stubs laid by TLSC division, Pathankot) out of total 185 stubs during April-November 2002 at a cost of Rs. 62.73[Ψ] lakh. Thereafter, the work was lying incomplete (July 2006) without assigning any reasons though the targeted date of completion was 30 September 2003.

[@] Worked out at 8.5 *per cent* per annum from December 2002 to November 2005.

[Ψ] Including expenditure incurred by TLSC division, Pathankot.

Audit noticed that 43 stubs were laid by Pathankot Division without any approved specifications. Further, estimate of Rs. 2.12 crore submitted (June 2002) by TLSC circle, Jalandhar, was not sanctioned (March 2006).

Execution of work without approval resulted in unfruitful expenditure of Rs. 62.73 lakh.

Thus, execution of foundation work without any approved specifications rendered the investment of Rs. 62.73 lakh unfruitful and resulted in loss of interest of Rs.19.55[$] lakh on idle investment.

The management/Government stated (August/September 2006) that 'the foundations were laid probably as discussed with Design Directorate who had suggested to lay the foundations as per actual site conditions'. The management further stated that the balance work of stubbing of the line had been included in the planning work list for 2006-07. The reply is not tenable and shows that the management itself is not sure about whether the work was done on the suggestion of the Design Directorate or not. Moreover, it was the Design Directorate which had raised the objections for laying of foundations without approved specifications.

Non- dismantlement of idle lines

3.1.17 Planning wing of the Board while declaring (2002-03) the following four lines as idle directed the concerned TLSC divisions to dismantle the same:

(Rupees in lakh)

Sl. No.	Name of idle line	Estimated value of material to be dismantled	Month of permission by planning wing	Cost of dismantlement
1.	A portion of 33 KV Nakodar-Nurmahal line	15.27	March 2003	3.47
2.	66 KV line from 220 KV Handiya SS[@] to 66 KV Dhanoula	13.31	September 2002	4.20
3.	66 KV line from 66 KV Sunam SS to Mehla Chowk	9.82	November 2002	2.62
4.	132 KV UBDC Power house I to Power House II	2.18	March 2003	1.34
	Total	**40.58**		**11.63**

These idle lines having reusable material worth Rs. 40.58 lakh have not been dismantled so far (June 2006) even after the lapse of more than three years resulting in blockage of Board's funds of Rs. 28.95 lakh (Rs. 40.58 lakh–Rs. 11.63 lakh) for more than three years. Besides, the chances of pilferage of the above material can not be ruled out.

The management/Government stated (August/September 2006) that the lines could not be dismantled due to shortage of labour/engagement of labour on other planned/targeted works. The reply is not tenable as sufficient labour was available in the Transmission Lines organisation and even idle wages were paid to the labour as mentioned in paragraph 3.1.27 *infra*.

[$] Worked out at 8.5 *per cent* per annum at which the Board availed loan from Power Finance Corporation from December 2002 to July 2006.

[@] Sub Station.

Erection and augmentation of sub-stations

Upgradation of 220 KV sub-station at Kohara

3.1.18 In order to accommodate the load growth of Ludhiana and its surrounding areas as also to give relief to 220 KV sub station, Dhandari Kalan where transformers were fully loaded and unable to accommodate future urban/intensive industrial load, the Board decided (2001-02) to upgrade 66 KV sub-station, Kohara to 220 KV level. Accordingly, the work of upgradation of the sub-station was taken up in December 2001 at an estimated cost of Rs.5.02 crore. The target date of completion of the work was 31 October 2002. The work of upgradation was held up several times due to non availability of drawings, non-completion of civil works, non shifting of 11 KV lines and panels from the site. The work was completed and the transformer was commissioned in September 2004 at a cost of Rs. 6.87 crore. This also resulted in cost overrun of Rs.1.85 crore and time overrun of 23 months.

There was cost overrun of Rs. 1.85 crore due to delay in construction of a sub-station.

Audit noticed that a power transformer valuing Rs.3.15 crore, specifically purchased (November 2002) for this sub-station could not be commissioned till September 2004 due to non-completion of related works. This rendered Board's funds of Rs.3.15 crore blocked for 19 months resulting in interest loss of Rs. 42.39[@] lakh. Audit further noticed that the transformer was running at capacity ranging between 21.71 and 36.57 *per cent* since commissioning due to non shifting of load of Focal Point and Gaunsgarh sub-stations, thereby, defeating the very purpose of upgradation of the sub-station.

While admitting the facts, the management/Government stated (June/ September 2006) that commissioning of the transformer was delayed because the Operation wing of the Board failed to arrange lengthy shut downs for timely shifting of 11 KV panels and the capacity was underutilised because the load of Focal Point and Gaunsgarh sub-stations could not be shifted from Dhandari Kalan sub-station to Kohara sub-station due to non availability of right of way for the 66 KV lines. The management further stated (August 2006) that the plan had since been changed and load of other three[$] 66 KV sub-stations was being put on the 220 KV sub-station Kohara.

Thus, deficient planning and lack of co-ordination between different wings of the Board contributed to the inordinate delay in completion of upgradation of 220 KV sub-station, Kohara and its sub-optimal utilisation.

220 KV sub-station Mandi Gobindgrah-II

3.1.19 With the objective to give relief to the existing 220 KV sub-station, Gobindgarh-I the load of which was likely to exceed the permissible limit, an additional 100 MVA power transformer was installed at 220 KV sub-station, Gobindgrah-II in October 2005 at a cost of Rs.3.79 crore. Consequently, the 66 KV capacity of the sub-station increased from 200 Mega Volt Ampere (MVA) to 300 MVA (2,600 amperes) and for optimum utilisation of these

[@] Worked out at the rate of 8.5 *per cent* from the date of payment (February 2003) of transformer to date of commissioning (August 2004).

[$] Bhaini Sahib, Chauke and Tajpura Road, Ludhiana.

three transformers, two bus bars[#] were needed. There, however, existed only a single bus bar. With this arrangement loading capacity of the bus bar was approximately 1,800 amperes whereas the loading capacity of the three transformers was approximately 2,600 amperes. As such, the transformers could not be utilised to their optimum capacity. Instead of installing second bus bar, Engineer-in-Chief (SS) decided (March 2006) to augment the capacity of the existing bus bar. The work of augmentation of the existing bus bar was under execution (May 2006). Due to mis-match, the grid sub-station was running only at 67.55 *per cent* capacity and the expenditure of Rs.3.79 crore incurred on the installation of the third transformer without providing second bus bar/augmenting the capacity of existing bus bar remained largely unfruitful.

Incomplete sub-stations

3.1.20 Construction of 66 KV sub-stations at four[@] villages, under Civil Works division, Jalandhar was planned during 2000-02. Technical civil works of these sub-stations were assigned to contractors during March 2001-February 2002.

The Board incurred unproductive expenditure of rupees one crore on civil works.

Audit noticed that after executing 79.7 to 100 *per cent* of the civil works and incurring expenditure of rupees one crore these sub-stations were lying incomplete since September 2002. This was due to the Board's failure to include these sub-stations in the planning list for executing the remaining work by the concerned Grid Construction divisions and releasing the required funds for completion. Thus, defective planning by the Board resulted in blockage of funds of rupees one crore and consequential interest loss of Rs. 29.77[#] lakh besides expenses of Rs. 6.60 lakh (up to March 2006) on the security of incomplete sub-stations.

The management/Government stated (August/September 2006) that the two sub-stations (Gohalwar and Mehsumpur) had been commissioned in March and August 2006 and other two sub-stations were planned to be commissioned during 2006-07. Careful planning could have prevented the Board's funds of rupees one crore remaining blocked for more than three years and also the expenditure on their watch and ward.

Non-recovery of the cost of deposit works

3.1.21 Commercial Accounting Systems of the Board provide that no deposit work is to be commenced until a written approval of the estimate and design is received from the client and the deposit amount is received. Further, when the Board anticipates that the expenditure is likely to exceed the amount of original estimate, additional deposit which is to be deposited within 30 days from the date of demand, is to be called for from the client, failing which interest at the prevailing market rate is to be charged on the additional demand, from the date of such demand.

[#] It is a static conductor to receive and deliver power from/to other sub-station.

[@] Lakhna, Gohalwar, Bhattian-Jattan and Mehsumpur.

[#] Calculated at 8.5 *per cent* per annum (at which the Board availed loan from Power Finance Corporation) from October 2002 to March 2006.

A test check of records of Grid Construction division, Amritsar revealed that it had executed nine deposit works on behalf of Thein Dam Authority during March 1994 -March 2001 costing Rs. 2.09 crore against which it had received only Rs.1.67 crore and the remaining Rs. 0.42 crore were still recoverable (February 2006).

Non-recovery of Rs. 0.42 crore in advance in contravention of the extant rules resulted in blockage of funds and consequential loss of interest of Rs. 35.32[$] lakh (March 2006).

While admitting the facts, the management/Government stated (June/ September 2006) that Rs.4.78 lakh had since been recovered and for the remaining amount of Rs. 37.52 lakh the matter was being taken up at higher levels. During the ARCPSE meeting the Secretary (Power) intimated that the matter had been taken up with the Secretary (Irrigation) for release of funds to the Board. Further progress is awaited (July 2006).

Maintenance of lines and sub-stations

3.1.22 Prior to 2003 there was no prescribed schedule for the maintenance of the equipment installed at various sub-stations and transmission lines. The Board issued (April 2003) a schedule for maintenance of sub-stations and transmission lines. The schedule provides periodic checks by the staff deployed at the respective sub-stations and transmission lines for preventive maintenance of the transmission system.

Power transformers damaged due to inadequate protection system, negligence and poor maintenance were replaced at a cost of Rs. 6.71 crore.

Protection staff of the Board tests the protection system of each sub-station after every six months. The defects pointed out by the protection staff are attended to by the maintenance staff. Audit noticed that the Board did not carry out any survey to evaluate its protection system (March 2006). During 2000-05, 103 power transformers were damaged. Records of 74 cases of damaged transformers test checked in audit revealed that 16 transformers (***Annexure 10***) were damaged due to inadequate protection system/ negligence/poor maintenance of lines. These 16 transformers were replaced at a cost of Rs. 6.71 crore. A few such cases have been discussed in detail in the succeeding paragraphs:

Inadequate protection system

3.1.23 A 100 MVA 220/132 KV power transformer, installed (18 April 1989) at sub-station, Patti was recommissioned after capital maintenance[#] on 25 June 2002. The transformer got damaged on 18 June 2003 due to fire.

The investigation committee identified (August 2003) the following main weaknesses in the protection system which caused fire:

- There was no specific instruction to the operator not to switch on the

[$] Worked out at 8.5 *per cent* per annum at which the Board availed loan from Power Finance Corporation.

[#] Complete overhauling of transformer.

transformer after operation of High Set Unit relay, till its clearance from the protection staff.

- The operation indicator of the deferential relay was inoperative (sticky).
- The protection fuse was blown off due to which direct current supply to the 86 relay was cut off. Resultantly, this relay did not operate and breaker failed to trip thereby contributing to the catching of fire.
- There were no fire protection measures on the transformer.
- Control cables of all the three 220 KV line breakers and three 100 MVA transformers were in common trench.

The Committee while identifying the above weaknesses observed that damage to the transformer could have been avoided had timely remedial measures been taken. Audit noticed that despite such observations, the Committee did not hold anybody responsible for the lapses in the protection system.

The damaged transformer was replaced at a cost of Rs.1.68 crore. The removed transformer having depreciated value of Rs. 20 lakh was surveyed off[$].

Poor maintenance of lines

3.1.24 A 100 MVA 220/66 KV, power transformer was damaged (11 October 2003) at sub-station, Patti. After preliminary investigations the Senior Executive Engineer (XEN), Protection division, Verpal reported (October 2003) that the transformer had faced 716 trippings since its commissioning (July 1995), which indicated lack of proper maintenance of the sub-station and transmission lines. Due to frequent trippings interturn insulation of the transformer got weakened. The transformer had to be replaced at a cost of Rs.1.94 crore.

Though the investigation committee agreed (January 2004) that the internal weakness of the transformer was due to large number of trippings no official/ officer was held responsible for the damage, as was done in similar other cases[@] where line maintenance staff was held responsible for damage due to frequent trippings/ poor maintenance of lines.

The management/Government stated (June/September 2006) that efforts were being made to maintain the transmission lines as per the maintenance schedule.

[$] Declaring transformer unfit for further use.

[@] 132 KV sub-station, Moga (damage on 15 July 2001), 132 KV sub-station, Nakodar (damage on 12 September 2003).

3.1.25 A 20/25 MVA 132/33 KV, power transformer installed (December 1982) at sub-station, Bhogpur was recommissioned on 3 November 2003 after capital maintenance. This transformer got damaged on 17 July 2004 and was surveyed off (March 2005), but had not been disposed off so far (February 2006).

A Committee constituted (July 2004) to investigate the causes of failure of the power transformer observed (11 August 2004) that the transformer failed due to repeated trippings of 33 KV Bullowal line on 13,14, 16 and 17 July 2004.

The maintenance staff failed to identify the exact cause of trippings and gave incorrect reasons without verifying the actual cause of trippings. When the line was patrolled (July 2004) on the direction of Senior XEN, P&M division, Dasuya, it was found that a house had been constructed between span number 3 & 4 near 132 KV sub-station, Bhogpur. It was noticed that the faults developed due to inadequate clearance from the building below the said line. The Committee concluded that the Sub Divisional Officer (SDO) and JE incharge of the line failed to analyse the fault properly and held them responsible for the damage.

Thus, failure of the maintenance staff to properly analyse the reasons of the fault resulted in damage to the power transformer and consequential avoidable expenditure of Rs. 25.97 lakh on its replacement.

The management/Government stated (August/September 2006) that charge sheet had been issued (September 2005) to the SDO and three increments of the JE without future effect had been stopped (March 2006). Final action against the SDO is awaited (August 2006).

Inadequate shunt capacitors

3.1.26 Punjab being primarily an agricultural State consumes 24-26 *per cent* of its energy in the agricultural sector, 37 *per cent* in the industrial sector and the balance for general consumers. Both the agricultural and industrial loads are highly reactive[#] due to the use of induction motors. The excessive reactive load causes low voltage and low power factor conditions in the transmission system. The low voltage in turn causes overloading of the transmission lines and transformers and results in increase in system losses. To minimise reactive power flow in the system, Northern Regional Electricity Board had, in its yearly meetings, issued directives to power utilities for installation of shunt capacitors in the transmission system. Non-compliance of these directives by the power utilities results in payment of reactive energy charges.

The table below indicates planned *vis-a-vis* installed capacity of shunt

[#] Reactive power is part of current flow in the system to be used by an electro-magnetic circuit of motors, transformers, etc.

capacitors during 2001-06:

(Capacity in MVAR[@])

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
Capacity as planned at the end of the year	5,144.552	5,144.552	5,641.008	5,902.041	6,043.333
Installed capacity as at the end of the year.	4,630.090	4,707.485	4,721.095	5,000.575	5,215.375
Shortfall (Percentage)	**514.462 (10.00)**	**437.067 (8.50)**	**919.913 (16.31)**	**901.466 (15.27)**	**827.958 (13.70)**

Shortfall in installation of shunt capacitors resulted in non-reduction of transmission losses of 44.19 MUs valued at Rs. 11.19 crore.

The shortfall in the shunt capacitors ranged between 437.067 MVAR (8.50 *per cent*) and 919.913 (16.31 *per cent*) MVAR during 2001-06. This shortfall resulted in non-reduction of transmission losses of 44.19 MUs as worked out by the management and loss of potential revenue of Rs. 11.19 crore during 2001-05[⊕]. Besides, the Board paid Rs. 2.28 crore as reactive energy charges to Northern Regional Electricity Board for non-installation of shunt capacitors during December 2002-November 2005.

The management/Government stated (June/September 2006) that shortfall in installation of shunt capacitors was due to delay in receipt of annual plan from Chief Engineer (Planning) of the Board. The reply is not tenable as it was the responsibility of the Board to ensure proper co-ordination between its different wings.

Idle wages

3.1.27 During 2001-02, work charged labour was rendered surplus due to non-availability of material in the Transmission Lines organisation. WTMs decided (May 2002) that surplus work charged labour from Transmission Lines organisation should be shifted to fill vacancies in Transformer Repair Workshops, Protection and Maintenance wing, Ranjit Sagar Dam and those with 'matric' qualification could be adjusted as bill distributors with the Operation organisation. WTMs also agreed that if need arose in future the work could be got executed through outside agencies.

Accordingly, the surplus labour was transferred to fill vacancies in other wings of the Board and work charged labour was reduced from 1,244 (April 2002) to 534 (November 2003).

Delayed implementation of the decision resulted in payment of idle wages of Rs. 1.34 crore.

Audit noticed that the decision of the WTMs to transfer the surplus labour was not implemented immediately and it was only after March 2003, (*i.e.*, after ten months) that the action to transfer the surplus labour to other wings was initiated. This delay from October 2002[#]-October 2003 in implementation of decision of the WTMs resulted in payment of idle wages of Rs.1.34 crore.

[@] Mega Volt Ampere Rating.

[⊕] The losses during 2005-06 on this account are yet to be intimated by the Board.

[#] After allowing margin of four months from the decision of the WTMs.

The management/Government stated (June/September 2006) that due to poor financial health of the Board, no material for transmission works could be procured and the labour was rendered surplus. It was further stated that transfer of surplus labour to other wings was a lengthy process.

The reply is not tenable as even the funds available during 2001-06 were not utilised by the transmission wing. Further, while calculating the idle wages, Audit had considered a sufficient period of four months for implementation of the WTMs decision requiring to transfer the surplus labour to other wings of the Board.

Internal audit/Internal control

Internal audit

3.1.28 The Board established (March 1974) an Internal Audit wing for checking receipts and expenditure in different offices of the Board.

Internal Audit wing conducts works audit of divisions of Transmission Lines and Sub-station organisations annually whereas works audit of divisions of Protection and Maintenance organisation is conducted biannually/triennially. Results of audit are presented to the Board annually. As of March 2006, 2,467 paras of 430 Inspection Reports (IRs) pertaining to the activities covered in this performance review were pending, out of which 855 paras of 191 IRs were pending for six to 15 years and 453 paras of 74 IRs were more than 15 years old.

The management/Government stated (August/September 2006) that it had evolved a system to convene quarterly meetings with SEs (Headquarters). The system evolved, however, is not effective as more than 15 years old paras are still lying outstanding.

Internal control system

3.1.29 Internal Control System is an essential pre-requisite for efficient and effective management of an organisation. Though a mechanism for reporting, monitoring and feedback was in place yet the Internal Control System in the Board could not ensure:

- preparation of detailed estimates before commencement of each work;
- co-ordination between the different related wings during execution of the transmission works;
- timely action to dismantle idle lines;
- physical verification of stores at regular intervals;
- timely submission of Material at Site (MAS) accounts by the JEs; and

- fixation of targets for construction of transmission lines and sub-stations during 2003-05.

A few cases of weak/non-operational Internal Controls are discussed in the succeeding paragraphs:

Misappropriation of idle line

3.1.30 Transmission line (132 KV) between Batala-Fatehgarh Churian was declared idle in April 1995. Due to non-initiation of timely action to dismantle this idle line, **the Board's officials misappropriated (May 2003) 135 rail poles and 3,346 Kg of channels and angles valuing Rs.13.93 lakh** of the line for which an FIR was lodged in May 2003 and enquiry ordered belatedly in September 2005 against the delinquent officials. The outcome of the enquiry is awaited (August 2006).

Shortage /misappropriation of tower material stock

Shortage of tower material of Rs. 42.80 lakh.

3.1.31 During verification of stock of Stores and Transport (Transmission) sub-division, Ablowal (District Patiala), Joint Verification Committee detected (31 August and 2 September 2002) **shortage of tower material valuing Rs. 42.80 lakh.** Charge sheet was issued (July 2005) to the delinquent official after lapse of about three years. As against the codal provision of one month for completion, the proceedings of investigations have not been completed so far (June 2006), though the delinquent official had retired in May 2006.

The management/Government attributed (June/September 2006) the shortage to intermixing of members[#] of various towers due to non-allocation of specific code for each KV rating and type of tower. The reply confirms lack of internal control. During the ARCPSE meeting the management stated that an FIR was lodged (August 2005) against the delinquent official and the matter was under investigation (July 2006).

Non-rendering/finalisation of Material at Site (MAS) Accounts

Material at site accounts for Rs. 41.40 crore were not rendered/ finalised.

3.1.32 As against the norm of one month for rendering of MAS account by the Junior Engineer and three months for its finalisation by the divisional office after completion of work, accounts of seven works valuing Rs. 4.47 crore had not been rendered and accounts of 62 works valuing Rs. 36.93 crore though rendered were not finalised up to 31 March 2006 in spite of the fact that these transmission works were completed during 1998-2005.

Audit further noticed that no MAS account prior to 1998 was shown outstanding despite the fact that one JE of TLSC division, Jalandhar had not rendered 10 MAS accounts for Rs. 2.22 crore and had submitted five incomplete MAS accounts for Rs. 1.22 crore in respect of works executed by him during 1977-90. The XEN had, however, issued (June 1991) him rendition certificate without actual submission of accounts and on the basis of which the JE had filed (June 2002) a case in the court for issue of no demand certificate. No action against the concerned XEN was taken by the Board.

[#] Different parts of tower material.

The Board had also not taken any action (July 2006) to recover Rs. 13.27 lakh on account of shortage of material in respect of accounts rendered by the JE earlier though he had retired in July 2005.

Conclusion

The performance of the Board with regard to erection of transmission lines and sub-stations suffered due to the Board's failure to achieve its targets for laying of transmission lines and addition in transformation capacity despite having sufficient funds. Delayed execution of transmission works due to deficient planning, poor monitoring and lack of co-ordination led to mis-match in construction of lines and sub-stations, time and cost overrun and non-accrual of envisaged benefits of reduction in transmission losses. Inadequate installation of shunt capacitors contributed towards non-reduction of transmission losses. There were instances of damage to power transformers due to poor maintenance of the system. No survey was conducted to evaluate the system.

Recommendations

The Board may:

- **improve planning, strengthen the monitoring and follow-up mechanism in order to achieve the targets and to avoid time and cost overrun on account of delay in execution of transmission works.**
- **ensure proper co-ordination among various related wings to avoid mis-match in construction of lines and sub-stations.**
- **take effective steps to install adequate shunt capacitors to reduce transmission losses.**
- **evaluate its protection and maintenance system to minimise the risk of damage to costly equipment.**

PEPSU Road Transport Corporation

3.2 Operational performance

Highlights

The overall operational performance of the Corporation was found to be sub-optimal. Out of total 561 routes as on 31 March 2006, 99.11 *per cent* routes were uneconomical. The operation of uneconomical routes resulted in financial burden of Rs. 76.66 crore on the Corporation during 2001-06.

(Paragraph 3.2.12)

Non linkage of bus fare with the increase in the cost of diesel deprived the Corporation of additional revenue of Rs. 53.66 crore.

(Paragraph 3.2.22)

Non compliance with the provisions of the Punjab Motor Vehicles Taxation (Amendment) Act, 1993 resulted in non refund of Special Road Tax of Rs. 3.04 crore.

(Paragraph 3.2.19)

Non inclusion of toll tax, being paid by the Corporation, in the bus fare resulted in loss of Rs. 2.79 crore during May 2002- March 2006.

(Paragraph 3.2.23)

Excess consumption of 8.31 lakh litres of fuel over the norms resulted in loss of Rs. 1.60 crore during 2001-06 in respect of five depots test checked.

(Paragraph 3.2.18)

Delay in overhauling of engines resulted in loss of Rs. 80.55 lakh due to non operation of 8.47 lakh Km.

(Paragraph 3.2.14)

Underutilisation of installed capacity of the Body Fabrication Cell resulted in unfruitful establishment cost of Rs. 60.66 lakh during 2001-05.

(Paragraph 3.2.9)

Introduction

3.2.1 PEPSU Road Transport Corporation (Corporation) was established on 7 January 1956, under the Road Transport Corporations Act, 1950 (Act) with the main objective to provide an efficient, adequate, economical and properly coordinated road transport service in the State and in any extended area.

The organisational chart of the Corporation is as follows:

The management of the Corporation is vested in a Board of Directors (BOD) consisting of 12 members of which six were official members. Eleven members, including the Chairman and Managing Director are appointed by the State Government and one member by the Central Government. As on 31 March 2006, the BOD of the Corporation comprised 11 directors. The Corporation had nine[@] depots and a central workshop at Patiala, each headed by a General Manager. The Corporation also has a tyre retreading plant and a bus body fabrication cell. Besides operating its own fleet, the Corporation also hired private buses under kilometre (Km) scheme with effect from 12 November 1999 under the control of General Manager (Special Cell), Patiala.

Operational performance of the Corporation, last reviewed in the Report of Comptroller and Auditor General of India for the year ended 31 March 2000 (Commercial)- Government of Punjab, was discussed by the Committee on Public Undertakings (COPU) in the meetings held in September/November 2003. Implementation or otherwise of the recommendations of COPU have been discussed in the review.

Scope of Audit

3.2.2 The present performance review conducted during July 2005 to March 2006 covers the operational performance of the Corporation during 2001-06.

Chief Automobile Engineer cum Technical Advisor.

* Chief Accounts Officer cum Financial Advisor.

~ General Manager.

^ Includes nine GMs in depots and one for special cell.

@ Barnala, Bathinda, Budhlada, Chandigarh, Faridkot, Kapurthala, Ludhiana, Patiala and Sangrur.

Audit reviewed the records of the central workshop, tyre retreading plant, body fabrication cell, special cell and five* out of nine depots. These five depots were selected on random basis to cover at least 50 *per cent* of the depots.

Audit objectives

3.2.3 The main objectives of the performance review were to ascertain whether:

- the plan for replacement of overaged buses was properly drawn to achieve the targets and objectives;
- norms for manpower, preventive maintenance and consumption of fuel were adhered to;
- the Corporation had assessed the economic viability of the routes being operated and whether proper cost control system existed;
- taxes were paid as per the norms and claims for excess payment were raised and received in time;
- the installed capacity of the central workshop and body fabrication cell was optimally utilised and their activities were performed efficiently, economically and effectively;
- the internal control and internal audit systems were adequate and effective;
- kilometre scheme of private buses was operated economically, efficiently and effectively; and
- due revision of fare was taken up in time.

Audit criteria

3.2.4 The following audit criteria were adopted:

- Physical and financial targets/norms fixed by the Corporation.
- Provisions of the Punjab Motor Vehicles Taxation (Amendment) Act, 1993 and the Motor Vehicles Act, 1988.
- General principles of financial and operational management vis-a-vis their

* Three depots operating Leyland buses: Barnala, Chandigarh, Ludhiana and two depots operating Tata buses: Patiala, Sangrur.

application in the functioning of the Corporation.

- Association of State Road Transport Undertakings (ASRTU) norms wherever applicable.
- Manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, etc.
- Terms and conditions of the agreements with private bus owners for hiring of buses.
- Directions of the Government of India (GOI), State Government, BOD and other relevant rules and regulations.

Audit methodology

3.2.5 Audit followed a mix of the following methodologies:

- analysis of the Corporation's working with regard to operation and maintenance of transport services, scrutiny of the agenda notes/minutes of the meetings of the BOD, officers' meetings, guidelines issued by the State Government, etc;
- analysis of statistical data in respect of performance of the Corporation on various physical and financial parameters;
- analysis of the age profile of the fleet as compared to the norms fixed by ASRTU; and
- analysis of the fare structure, refund claims of Special Road Tax (SRT) and agreements with the private bus owners for hiring of buses.

Audit findings

3.2.6 The audit findings were reported to the Government/Corporation in April 2006 and discussed in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 24 May 2006 where representatives of the Corporation were present. Views of the management have been considered while finalising the performance review.

The audit findings are discussed in the succeeding paragraphs:

Operational performance

Fleet acquisition, composition, replacement

3.2.7 For providing efficient and satisfactory transport service to the public, maintenance of adequate fleet of buses for operation of scheduled routes is required. Acquisition of new buses was necessary, not only for augmenting the fleet but also for replacing the old and un-road worthy buses. ASRTU had recommended (1971) the normal life of a bus as eight years or five lakh Km of operation and that a minimum of 60 *per cent* of the fleet strength should consist of buses with less than four years of operation. The Corporation, however, fixed (April 2000) the life of a bus as eight years and 6.50 lakh Km of operation keeping in view practical experience and improvement in technology. The following table indicates the age wise position of buses during 2001-06:

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Number of buses in the beginning of the year	992	970	912	900	920
2.	Buses declared obsolete	42	108	12	72	67
3.	New buses inducted	20	50	Nil	92	97
4.	Total buses at the end of the year	970	912	900	920	950
5.	Number of overaged buses at the end of the year (more than eight years of age)	428	440	497	493	501
6.	Percentage of overaged buses (Sl. No.5/Sl. No.1)x100	44.12	48.25	55.22	53.59	52.74
7.	Percentage of overaged buses replaced (Sl. No.3/Sl. No.5)x100	4.67	11.36	Nil	18.66	19.36
8.	Average life of the fleet (years)	7.90	8.02	8.96	8.66	8.40

Note: Overaged buses based on Km operated was not available.

The table reveals that:

More than 50 *per cent* of the total fleet had already outlived its life.

- During 2001-06, the Corporation condemned 301 obsolete buses but inducted only 259 buses resulting in net decrease in the fleet strength by 42 buses. The replacement of obsolete buses was even less than 50 *per cent* during 2001-04.

- The number of buses in operation aged eight years or more had increased from 428 (44.12 *per cent*) in 2001-02 to 501 (52.74 *per cent*) in 2005-06. The buses in operation for four years or less during 2001-06 ranged between 239 (25.16 *per cent)* and 90 (10 *per cent)* as against the recommendation of 60 *per cent* of the fleet by ASRTU.

- The replacement of buses was very slow. During 2001-06, replacement of overaged buses ranged between nil (no replacement) and 97 (19.36 *per cent* of the requirement).

The Corporation stated (May 2006) that it could not replace buses due to paucity of funds and that to cover the schedules it had hired 150 buses under Km scheme; more buses could not be hired as the Hon'ble High Court had stayed the induction of more new buses under the scheme (November 2002).

Audit, however, noticed that the Corporation failed to maintain even the existing level of hired fleet of 150 buses though extension of their agreements had not been stayed. Hired buses decreased to 93 in March 2006. Further, no attempt was made to replace the required number of overaged buses by borrowing funds, which could not only have reduced the operating cost but could also enhance the quality of service to the public.

Performance of the fleet

3.2.8 Operational performance of the fleet under various operating parameters during 2001-06 is given in ***Annexure 11.*** Audit noticed that due to non replacement of overaged buses the incidence of breakdowns was higher than the all India average. The average number of breakdowns of the Corporation's buses per lakh km was 6.6 to 8.2 as against the all India average of 3.9 to 4.1 during 2001-04. Further, the average number of buses on road decreased from 942 (2001-02) to 884 (2005-06). This also contributed towards increase in average expenditure from 1,616 paisa per Km (2001-02) to 1,919 paisa per Km (2005-06) which was more than the revenue earned (ranging between 1,303 paisa and 1,782 paisa per Km) and added to the losses. The expenditure incurred per Km was on the higher side when compared with three[$] State Transport Companies (STCs) of Tamil Nadu (1,303 paisa per Km to 1,412 paisa per Km) during 2002-04 despite the fact that their fleet was older than the fleet of the Corporation.

Expenditure incurred per Km was higher than the three State Transport Companies of Tamilnadu having comparatively older fleet.

Audit further noticed that all India averages of fuel consumption in respect of State Road Transport Undertakings (SRTUs) were 4.55 to 4.73 kilometre per litre (KMPL) as against 4.39 to 4.41 KMPL achieved by the Corporation during 2001-04.

Audit scrutiny revealed that the average bus utilisation per bus per day of 603 overaged buses during 2004-06 ranged between 213 and 296 Km as against the overall bus utilisation of 279 to 340 Km. Loss of contribution towards fixed cost on this account was Rs. 12.75 crore during 2004-06.

The management stated (May 2006) that the bus utilisation had increased and the loss decreased during 2004-05. The reply is not tenable as the bus utilisation was still lower than the all India average as well as that of the three STCs of Tamil Nadu.

Body fabrication cell

Capacity utilisation

3.2.9 The Corporation had set up (May 1981) a body fabrication cell (BFC) at Patiala with a capacity to fabricate 240 bus bodies a year. The Corporation was also carrying out repair work of accidented bus bodies so as to minimise the delay in outshedding of such buses. The Corporation had, however, not prescribed any time limit for the repair of damaged/accidented bus bodies though it provided 25 days for the fabrication of a new bus body.

The following table shows installed capacity, number of bus bodies actually

[$] Tamil Nadu State Transport Corporation Limited (TNSTC) (Villupuram), TNSTC (Coimbtore) and TNSTC (Madurai).

fabricated and shortfall during the last five years ended March 2006:

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Installed capacity	240	240	240	240	240
2.	New bus bodies fabricated	20	50	Nil	92	97
3.	Old bus bodies repaired/ renovated	95	89	107	119	143
4.	Shortfall [1-(2+3)]	125	101	133	29	Nil
5.	Percentage of shortfall	52	42	55	12	Nil
6.	Establishment expenditure (Rs. in lakh)	33.53	36.97	41.08	42.48	53.24
7.	**Unfruitful expenditure (Rs. in lakh)** (Sl. No.5xSl. No.6/100)	**17.44**	**15.53**	**22.59**	**5.10**	**Nil**

Unfruitful expenditure of Rs. 60.66 lakh on staff due to under utilisation of installed capacity.

The table above reveals that during 2001-05 there was shortfall of up to 55 *per cent* in utilisation of the installed capacity resulting in unfruitful expenditure of Rs. 60.66 lakh due to underutilisation of the staff to that extent.

The management stated (May 2006) that the capacity utilisation could not be adhered to due to non purchase of new buses owing to paucity of funds. The reply is not tenable because the Corporation neither explored the possibility of fabricating bus bodies of other SRTCs nor borrowed sufficient funds from banks/financial institutions for the purchase of much needed new chassis.

Delay in renovation/repair of bus bodies

3.2.10 Workshops are the backbone of the Corporation. Efficiency in operations depends, to a large extent, on efficient working of the workshops. Audit scrutiny revealed that out of 553 bus bodies repaired/renovated during 2001-06 there were delays in 51 cases. The delays in repair/ renovation of bus bodies ranged between one and 70 days computed after allowing 25 days[@] required for fabrication of a new bus body. The bus days thus lost worked out to 440 (missed 1,27,403 Km) during 2001-06 resulting in loss of contribution of Rs.12.65 lakh towards fixed cost.

The management stated (January/May 2006) that no time frame could be fixed for renovation/ repair of damaged buses, as it could be assessed only after dismantling of the damaged portion. After dismantling, the requirement for material is assessed and the Store section is asked to arrange the material. If not readily available with the stores, the Purchase section is requested for arranging the said material. The Purchase section arranges the material after following the prescribed procedure, which is a time consuming process. The management further stated that accidented buses not only involve body renovation but also require repair of chassis and engine defects, etc., which was either attended to by the depots or the central workshop. Besides, the staff perform the work in a single shift.

[@] Haryana Roadways has fixed a limit of 15 days for the repair of accidented bus bodies.

The reply is not tenable as it reflects unprofessional and deficient store management and inventory control system that resulted in sub-optimal utilisation of the installed capacity as also of the staff deployed. Moreover, during 2001-06 there was adequate staff for fabricating 240 bus bodies at full capacity against which the Corporation was fabricating/repairing bus bodies ranging between 45 and 100 *per cent* of the installed capacity. Further, better planning and synchronised action between BFC and depots/central workshop could have prevented the delays/waste of mandays in repair of chassis/ engines.

Occupancy ratio

Occupancy ratio was less than the break-even occupancy ratio.

3.2.11 Occupancy ratio denotes the percentage of passenger Km performed to seat Km offered. In order to assess the economic viability of fleet operations, it is compared with breakeven occupancy ratio which indicates the occupancy ratio at no profit no loss level of operation. The Corporation, however, did not work out the break-even occupancy ratio. A perusal of ***Annexure 11*** would reveal that the occupancy ratio achieved by the Corporation during 2001-06 ranged from 64 to 74 *per cent*, which was less than the required break-even occupancy ratio of 72 to 77 *per cent* as worked out in audit, for the same period. Audit noticed that non-replacement of old fleet and frequent breakdowns contributed to low occupancy.

The management attributed (September 2005/May 2006) low occupancy ratio to frequency divided between the Corporation and the private operators, increase in private operators' services on all routes and illegal operations. The reply is not tenable as it was not supported by any evidence. Moreover, there was nothing on record to show that the matter of illegal operation of buses by the private operators was ever taken up by the Corporation with the concerned authorities.

Uneconomical routes

Uneconomical routes ranged between 97.22 and 99.24 *per cent* on which operating loss was Rs. 76.66 crore.

3.2.12 The Corporation operated 513 to 561 routes during 2001-06 of which 505 to 556 (ranging between 97.22 and 99.24 *per cent)* routes were uneconomical as their average route receipt was less than their average operating cost. The Corporation incurred loss of Rs.76.66 crore in operation of these uneconomical routes as per the details given below:

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Number of routes operated	513	515	539	528	561
2.	Operating Cost (Paisa/per Km)	1,616	1,646	1,662	1,753	1,919
3.	Number of routes earning less than the operating cost (percentage)	505 (98.44)	506 (98.25)	524 (97.22)	524 (99.24)	556 (99.11)
4.	Operating loss on uneconomical routes (Rs. in crore)	29.39	11.91	8.86	13.79	12.71

During 2001-06 the Corporation surrendered 90 routes having average route receipt ranging between 756 and 1,543 paisa per Km. Audit scrutiny revealed that the Corporation had not followed any specific criterion for surrendering these routes as 46 to 492 routes having route receipt in the same range and eight routes having lesser route receipts were not surrendered.

The management stated (May 2006) that routes earning more than the variable cost could not be treated as uneconomical and the routes were operated in view of their public utility even though these were uneconomical. The reply does not explain why 90 routes earning more than the variable cost were surrendered treating them as uneconomical. Further, there was nothing on record to show that the Corporation had carried out any exercise to identify uneconomical routes which were not to be surrendered due to their public utility. In order to sustain the public utility routes the Corporation had not approached the State Government for a viable solution.

Preventive maintenance

3.2.13 Preventive maintenance of buses is an important aspect of bus operation to reduce breakdowns and possibility of accidents due to mechanical failures. The Corporation prescribed (1983) the following schedule for servicing:

Type of Service	TATA make buses	Leyland make buses
A Service	Every 9,000 Km	Every 8,000 Km
B Service	Every 18,000 Km	Every 18,000 Km
C Service	Every 80,000 Km	Every 80,000 Km

Breakdown of buses was higher due to shortfall in preventive maintenance servicing.

Mention was made in the Report of the Comptroller and Auditor General of India for the year 1999-2000 (Commercial), Government of Punjab about the shortfall in all types of servicing of the buses. Audit noticed that shortfall in servicing of the buses persisted during 2001-06. Out of 31,055, 14,406 and 3,236 services required to be done, there was shortfall of 11,195 (36.05 *per cent*), 2,936 (20.38 *per cent*) and 1,724 (53.28 *per cent*) in A, B and C type servicing, respectively. Audit further noticed that the average number of breakdowns per lakh Km ranged between 6.50 and 8.20 during 2001-06, which was higher than the all India average of 4.10 and 3.90 (2001-04) per lakh Km. Had the Corporation adhered to the schedule of servicing it could have reduced the breakdowns of buses, premature failure of major assemblies like engines, gearboxes, etc. and missed Km, besides improving fuel efficiency of its fleet of buses.

Overhauling of engines

Delay in overhauling of engines

3.2.14 The Corporation prescribed (September 1980) a maximum period of two days for overhauling of an engine in the central workshop which was subsequently (January 1999) revised to five days. The table below shows the engines received for overhauling, delay in overhauling after allowing a margin of five days and Km missed due to delay during the period 2001-06:

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	Total
1.	Engines received for overhauling	298	338	316	284	253	1,489
2.	Delay in overhauling	Number of engines (bus days lost)					
a	1-5 days	11 (49)	85 (330)	29 (99)	38 (146)	31 (82)	194 (706)
b	6-10 days	38 (321)	64 (495)	27 (199)	19 (152)	3 (20)	151 (1,187)
c	11-15 days	22 (288)	15 (183)	3 (35)	11 (140)	1 (14)	52 (660)

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	Total
d	More than 15 days	22 (455)	2 (42)	1 (20)	2 (35)	Nil	27 (552)
	Total	**93 (1,113)**	**166 (1,050)**	**60 (353)**	**70 (473)**	**35 (116)**	**424 (3,105)**
3.	Percentage of engines delayed in overhauling	31.21	49.11	18.99	24.65	13.83	28.48
4.	Km missed (Average effective Km covered per bus per day x bus days lost)	2,88,267	2,80,350	1,01,664	1,40,481	35,844	8,46,606
5.	Contribution per Km (Rs.)	8.22	10.18	10.25	10.00	10.71	
6.	**Contribution loss (Rs. in lakh)**	**23.70**	**28.54**	**10.42**	**14.05**	**3.84**	**80.55**

Delay in overhauling of engines resulted in loss of Rs. 80.55 lakh due to non operation of 8.47 lakh Km.

The table above reveals that during 2001-06 overhauling of 35 (13.83 *per cent*) to 166 (49.11 *per cent*) engines was delayed due to which 3,105 bus days were lost. This resulted in missing of 8.47 lakh Km and loss of contribution towards fixed cost of Rs. 80.55 lakh.

The management stated (May 2006) that the job was delayed due to non-availability of spare parts. The reply is not tenable as failure to arrange essential spare parts reflects ineffective planning, material management and inventory control by Corporation.

Performance of hired buses

3.2.15 The Corporation started (November 1999) hiring private buses on Km payment basis (Km Scheme) to cover Km being missed due to its old fleet and also to avoid expenditure on Special Road Tax (SRT) being paid on these missed Km. Agreements with the private bus owners were initially entered into for a period of three years. The owners of these buses were required to provide buses with drivers and to incur all expenditure for the running of the buses. The Corporation was to provide conductors and make payment as per the actual Km operated by the hired buses. During 2001-06, the Corporation earned a net profit of Rs. 8.33 crore from the operation of 93 to 150 hired buses.

During the performance review of the above scheme for 2001-06, Audit noticed the following:

3.2.16 In three Depots* and the Special Cell, the Corporation did not extend the agreements with the private bus owners immediately after expiry of the previous agreements. The delay in extending the agreements resulted in non-operation of 14.96 lakh Km. Consequently, the Corporation lost contribution of Rs. 16.47 lakh during November 2002 to September 2003. Besides, the Corporation had made advance payment of SRT of Rs. 38.86 lakh on the basis of scheduled Km which could not be operated rendering the expenditure unfruitful.

The management stated (May 2006) that the private bus owners had approached the Hon'ble High Court against the decision of the Corporation to hire private buses. The reply is not tenable as the court had stayed only fresh

* Ludhiana, Sangrur and Kapurthala

induction of buses under the Km scheme and there was no bar on the continuation of the existing hired buses.

Cost of operation

3.2.17 The following table shows the various components of cost of operation in the Corporation *vis-a-vis* those in the neighboring Roadways/State Road Transport Corporations (SRTCs) viz. Haryana Roadways, Rajasthan SRTC and Uttar Pradesh SRTC for the two years ended March 2004.[$]

(Cost per Km in paisa)

Sl. No.	Particulars	PEPSU RTC		Rajasthan SRTC		Uttar Pradesh SRTC		Haryana Roadways	
		2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
1.	Material cost	522.1	559.1	455.7	463.3	487.1	501.5	475.0	517.2
2.	Fuel cost[*]	413.1	454.1	364.8	383.1	368.2	403.3	386.1	436.1
3.	Staff cost	688.6	657.2	486.4	487.0	611.6	503.4	488.3	503.0
4.	Taxes	348.7	371.7	154.1	158.5	12.5	12.5	438.3	454.2
5.	Miscellaneous and others	50.0	34.1	60.2	54.6	54.7	32.3	86.7	87.8
6.	Depreciation	39.7	38.2	63.9	69.6	93.7	107.0	63.2	83.3
7.	**Total**	**1,649.1**	**1,660.3**	**1,220.3**	**1,233.0**	**1,259.6**	**1,156.7**	**1,551.5**	**1,645.5**

Operational cost was higher than that in the neighbouring states.

The table above shows that total operational cost of the Corporation was higher ranging from 1,649 to 1,660 paisa per Km as against 1,157 to 1,646 paisa in the neighbouring Roadways/SRTCs. Further, the staff cost was higher by 31 to *42 per cent* and the fuel cost by four to 19 *per cent* during 2002-04. Audit analysis revealed that the fuel cost of the Corporation was higher due to low KMPL and the staff cost was higher due to higher wage structure.

Consumption of fuel

3.2.18 Fuel efficiency is measured in the KMPL of fuel consumed.

Excess consumption of 8.31 lakh litres of fuel resulted in loss of Rs. 1.60 crore during 2001-06.

Audit scrutiny revealed that the Corporation failed to achieve the targets of KMPL norms fixed by the State Planning Commission for buses. This resulted in excess consumption of 8.31 lakh litre of fuel valued at Rs. 1.60 crore during 2001-06 as per details given below:

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Km operated (In lakh)	493.09	485.53	493.16	510.58	553.07
2.	Fuel consumed (in lakh litres)	113.54	111.98	114.38	114.86	120.19
3.	Actual KMPL achieved	4.34	4.33	4.31	4.44	4.60
4.	Norms of KMPL	4.39	4.42	4.44	4.51	4.50
5.	Consumption as per norms (in lakh litres)	112.32	109.85	111.07	113.21	122.90
6.	Excess consumption (in lakh litres)	1.22	2.13	3.31	1.65	Nil
7.	Average rate of fuel (Rs. per litre)	16.19	17.65	19.45	23.44	Nil
8.	**Excess expenditure (Rs. in lakh)**	**19.75**	**37.59**	**64.38**	**38.68**	**Nil**

$ Source: State Transport Undertakings- Profile and Performance for the year 2003-04 published by the Central Institute of Road Transport, Pune.

* Included in material cost.

Audit noticed that the KMPL of the Corporation during 2001-04[@] was also less than the all India average which ranged from 4.55 to 4.73.

The management stated (May 2006) that the overall KMPL for the years 2004-05 had improved to 4.5 and all out efforts were being made to further improve the same; the KMPL of the buses depends on other factors such as age of buses, road conditions, load factor, model of buses and driving habits.

The reply is not tenable as the norms were fixed after taking into consideration all these factors and the load factor was low in the case of the Corporation's buses.

Non refund of special road tax

3.2.19 Punjab Motor Vehicles Taxation (Amendment) Act, 1993 provides for proportionate refund of SRT, when any person who had paid the tax proves to the satisfaction of the Commissioner in the prescribed manner that the transport bus in respect of which such tax had been paid, had not been used for a continuous period of not less than one month since the tax was last paid.

Non refund of SRT of Rs. 3.04 crore due to non compliance with the provision of Punjab Motor Vehicles Taxation Act.

Audit noticed that the Corporation approached (October-November 2003) the concerned District Transport Officers (DTOs) for refund of SRT paid during 1997-2003 for the buses actually not operated for more than 30 days. The claims were rejected (December 2003) by the DTOs on the ground that the Corporation had neither deposited the required Registration Certificates (RCs) nor had sent advance intimation regarding their intention not to use buses during the period for which refund was claimed. Thus, failure of the Corporation to ensure compliance with the extant provisions resulted in loss of Rs. 3.04[#] crore. Chances of refund of this amount were remote as an appeal of the Corporation filed (December 2003) before the Additional State Transport Commissioner (ASTC), Punjab, Chandigarh against the orders of DTOs had been dismissed (May 2005).

The Corporation had filed (February 2006) writ petition before the Hon'ble High Court against the above orders which had further relegated (August 2006) the petition to the Committee set up to resolve disputes between PSUs and the State. Further developments are awaited (September 2006).

Non recovery of hiring charges

3.2.20 Accounting Rules of the Corporation provide that for hiring out of buses, an approximate amount of hire charges calculated on the basis of

[@] Comparison for 2001-04 was made as all India data for subsequent years was not available.

[#] Barnala (Rs. 89.72 lakh), Chandigarh (Rs. 13.32 lakh), Ludhiana (Rs. 91.30 lakh), Patiala (Rs. 57.79 lakh) and Sangrur (Rs. 51.56 lakh).

mileage to be run, proposed detention period, etc., plus passenger tax would be recovered in advance from the party concerned.

The State Government requested (April 1999) the Deputy Commissioners (DCs) for requisition of buses from the Corporation to facilitate transportation of devotees visiting Anandpur Sahib in connection with tercentenary celebrations during 7-14 April 1999. It was also conveyed that the Anandpur Sahib Foundation would make the payment. The Corporation, in violation of its rules, provided buses from ten depots without obtaining any advance. The bills for payment of hiring charges of Rs. 35.55 lakh were later sent (April 1999) to the Chief Executive Officer, Anandpur Sahib Foundation, Chandigarh but no payment was received.

The Corporation took up the matter (April 1999) with the Director, State Transport, Punjab to get the payment released but the same was not received (March 2006). Not obtaining hiring charges in advance resulted in loss of interest of Rs. 20.61[@] lakh on blockage of funds (September 2006) as the Corporation operated on borrowed funds from the banks/ State Government during the above period.

Non receipt of hiring charges resulted in blockage of Rs. 78.23 lakh and consequential interest loss of Rs. 37.60 lakh.

Audit further noticed that the State Government had also requisitioned buses from the Corporation in connection with the inauguration of Thein Dam and celebration of coronation of Maharaja Ranjit Singh at Amritsar on 4 March 2001 and 18 November 2001, respectively. The Corporation sent buses on both the occasions without obtaining the requisite advance payments. Out of the claims for Rs. 57.94 lakh (Rs. 24.44 lakh and Rs. 33.50 lakh, respectively), Rs. 42.68 lakh had not been recovered (September 2006). Non-receipt of Rs. 42.68 lakh resulted in loss of interest of Rs. 16.99 lakh[@] (September 2006). The Corporation requested (April 2005) the State Government either to make payment or adjust the same towards SRT. The Government had not responded to the proposal so far (September 2006).

Fare structure

3.2.21 As per the Accounting Rules of the Corporation passenger fare for areas falling in the geographical territory of Punjab State is worked out at the rate sanctioned by the State Government from time to time. For territories falling in other States, the fare is worked out at such rates as sanctioned by the Governments of the respective States. Audit noticed the following in this regard:

Non-linkage of fare with the cost of diesel

3.2.22 The Cabinet Sub Committee (CSC) on strategy of fiscal management for the State had allowed (October 1999) the Transport Department to increase the fare by 0.20 *per cent* for each unit *per cent* increase in diesel rates. Before

[@] Worked out at eight *per cent* rate of interest on which Corporation had obtained loan from the State Government.

this decision, the bus fares were increased (July 1998) to 36 paisa per passenger Km when the rate of diesel was Rs.9.38 per litre. Thereafter, the State Government increased the fare to 39 paisa, 41 paisa, 42 paisa and 46 paisa per passenger Km in November 1999, May 2002, February 2003 and July 2005, respectively, due to increase in the rates of diesel.

Due to non-linkage of fare with the increase in the cost of diesel the Corporation was deprived of additional revenue of Rs. 53.66 crore.

Audit scrutiny revealed that during 2001-06, the increase in bus fare was neither adequate nor directly linked to the increase in prices of diesel as recommended by the CSC. Had the Government hiked the fare with the cost of diesel at least twice a year the Corporation would have earned additional revenue of Rs. 53.66 crore during 2001-06.

While accepting the audit observation, the management stated (May 2006) that the matter for revision of bus fare was being taken up regularly. The reply is not tenable as the prices of diesel were increased 21 times during 2001-06 against which the matter for increase in fare was taken up by the Corporation eight times only and that too was not in consonance with the recommendations of the CSC.

Non inclusion of toll tax in bus fare

3.2.23 Ministry of Road Transport and Highways, Government of India, entrusted (December 2001) the stretch from Km 96 to Km 372 of National Highway No.1 to the National Highways Authority of India (NHAI) and notified (May 2002) that the buses plying on the said stretch of the highway would have to pay toll tax to NHAI at the rates prescribed by the Central Government. The Corporation started payment of toll tax at the prescribed rates to NHAI at Karnal, Shambhu and Doraha barriers.

Audit scrutiny revealed that though the Corporation started (May 2002) paying toll tax at the prescribed rates of Rs. 175, Rs. 160 and Rs. 105 per bus for each one way trip at Karnal, Doraha and Shambhu barriers, respectively, it failed to include the element of toll tax in its fare structure in respect of Doraha and Shambhu barriers to recover the same from the passengers.

Non inclusion of toll tax in the bus fare resulted in loss of Rs. 2.79 crore.

The Corporation belatedly took up (January 2003) the matter with the State Government, but the order in this regard had not been issued so far (September 2006). This had resulted in loss of Rs. 2.79[#] crore to the Corporation on account of toll tax paid during May 2002 to March 2006 out of its own revenue.

While admitting the facts, the management stated (May 2006) that the matter for inclusion of toll tax in the bus fare was being constantly taken up with the State Government.

[#] Doraha: Rs. 1.86 crore and Shambhu: Rs. 0.93 crore

Non conversion of capital contribution and borrowings into equity

Non conversion of capital contribution into equity resulted in interest liability of Rs. 37.99 crore.

3.2.24 In terms of Section 23 of the Road Transport Corporations Act, equity share capital from the State and Central Government was agreed to be in the ratio of 2:1. The equity share capital of the Corporation as on 31 March 2005 was Rs. 73.05 crore (State Government: Rs. 48.70 crore and Central Government: Rs. 24.35 crore). The Central Government decided (June 1988) that in future additional capital contribution would be released only to those State Road Transport Corporations (SRTCs) which were not incurring any net loss or which were running at break-even point. The State Government had also given (during 1988-94) an additional capital contribution of Rs. 38.12 crore at an interest rate of 6.25 *per cent* per annum. As the Corporation was running into losses from 1987-88 onwards, it could not get matching capital contribution of Rs. 19.06 crore from the Central Government. As a result of this, additional contribution could not be converted into equity. Non-conversion of Rs. 38.12 crore into share capital of the Corporation resulted in interest liability of Rs. 37.99 crore (March 2005) which could not be discharged due to paucity of funds.

The management stated (May 2006) that the matter for conversion was being taken up with the State Government from time to time.

State Government loan was not converted into equity despite recommendations of COPU.

3.2.25 As on 31 March 2005 the total borrowings of the Corporation were Rs. 58.71 crore (State Government: Rs. 46.29 crore and nationalised banks: Rs. 12.42 crore). Interest of Rs. 52.69 crore on State Government loans was payable as on 31 March 2005. COPU had recommended (September 2003) that the State Government should convert loan of Rs. 46.29 crore (along with interest accrued thereon) into equity, which had not been done so far (September 2006).

The management stated (January/May 2006) that it could not repay the loans of the State Government along with interest thereon due to continued losses and paucity of funds. The proposal for conversion of loan along with interest into equity had, however, been taken up with the State Government.

Manpower analysis

Deployment of excess staff

3.2.26 The Corporation had fixed the norm of 1.3 drivers and 1.3 conductors per bus. In addition, four drivers were required for outshedding the buses from the workshop and four conductors for preparing ticket boxes in each depot and thirty drivers for other miscellaneous duties viz. yard duty, recovery vans, mobile vans, staff cars, trucks, etc.

Audit noticed that while the average number of buses decreased from 1,032 in 2003-04 to 1,025 in 2005-06, the men in position (drivers and conductors) increased from 2,558 to 3,042 during this period due to hiring on contract

Deployment of staff in excess of the norms resulted in avoidable expenditure of Rs. 1.91 crore.

basis. Hiring of operational manpower in excess of the norms resulted in avoidable expenditure of Rs. 1.91 crore during 2004-06.

The management stated (May 2006) that there were only 23 conductors in excess of the norm during 2004-05 and these were provided in lieu of shortage of 48 sub inspectors. The reply is not tenable as 58 conductors and 40 drivers during 2004-05 and 270 conductors and 121 drivers during 2005-06 were in excess of the norms. Further, drivers and conductors are recruited for the specialised job of bus operation and their deployment on other duties is not justified. Moreover, when recruitment of drivers and conductors was on contract basis it should have been restricted to the actual requirement to avoid extra expenditure.

Non plying of buses for want of crew

Non operation of 10,349 bus days for want of crew in two depots resulted in loss of contribution of Rs. 3.13 crore.

3.2.27 Audit noticed that although the deployment of drivers and conductors was in excess of the norms yet during 2003-06 buses ranging between one and 15 per day in Barnala and one and 23 per day in Ludhiana depot, respectively, were not operated for want of crew. The table below shows that 10,349 bus days were lost due to non-operation of buses for want of crew resulting in loss of contribution towards fixed cost amounting to Rs. 3.13 crore to the Corporation:

Sl. No.	Depot	No. of buses	Pairs of drivers and conductors required as per norms	Pairs of drivers and conductors deployed	Pairs of drivers and conductors excess deployed	Bus days lost	Average utilisation per bus per day (Km)	Contribution per Km (Rs.)	Loss of contribution (Rs. in lakh)
1.	**Ludhiana**								
	2003-04	96	125	126	1	2,017	288	10.25	59.54
	2004-05	99	129	134	5	2,862	297	10.00	85.00
	2005-06	103	134	158	24	790	309	10.71	26.14
2.	**Barnala**								
	2003-04	82	107	113	6	1,859	288	10.25	54.88
	2004-05	84	109	117	8	1,720	297	10.00	51.08
	2005-06	87	113	119	6	1,101	309	10.71	36.44
	Total					**10,349**			**313.08**

The management stated (May 2006) that conductors deployed on hired buses in Ludhiana depot were not considered by Audit. The reply is not tenable as even after taking into account the conductors required for hired buses, there were sufficient pairs of drivers and conductors to operate own buses.

Internal audit/Internal control

Internal audit

3.2.28 The Corporation has an Internal Audit Wing under the Chief Accounts officer-cum-Financial Advisor who also works as Chief Audit Officer.

Audit scrutiny revealed that the Internal Audit in the Corporation was not commensurate with the size and activities of the Corporation in view of the following:

- the Corporation had not fixed the periodicity of audit of depots. Only 16 inspections were conducted in respect of nine depots during the last five years ended March 2006;

- though purchases of fuel worth Rs. 202.49 crore and of spare parts, lubricants, tyres and tubes, batteries, retreading material, etc., valuing Rs. 46.14 crore were made by the head office during 2000-05, yet its internal audit was not conducted despite the recommendations of COPU (June 1992). Internal audit was also not conducted in respect of the body fabrication cell, central workshop, tyre retreading plant, booking section and bill section.

Audit further noticed that 802 Internal Audit paras in respect of various depots were outstanding as on 31 March 2006. Out of these, 237 paras were five to 10 years old and 178 paras were more than 10 years old which indicate that the Internal Audit was not effective and GMs of the depots were not making concerted efforts to comply with the audit objections to get them settled within a reasonable time.

Internal control

3.2.29 Internal Control mechanism in the Corporation to monitor its working was inadequate as is evident from the following:

- though the Board of Directors decided (September 1985) to introduce double entry system of accounts with effect from 1 April 1986 yet the Corporation failed to introduce it on the plea of non availability of trained/qualified staff ;

- proposals for increase in bus fare were not submitted to the State Government in accordance with the recommendations of CSC;

- provisions of Punjab Motor Vehicles Taxation (Amendment) Act, 1993 were not complied with to get refund of SRT; and

- capacity of BFC was not fully utilised despite having sufficient manpower.

Conclusion

The performance of the Corporation on various operational parameters was found to be sub-optimal mainly due to overaged fleet, low occupancy ratio, large number of uneconomical routes, consumption of fuel in excess of the norms and non-linkage of bus fare with the cost of fuel.
There was ineffective monitoring of various activities viz. body fabrication, engine overhauling, extension in the agreements of hired buses, non-refund of Special Road Tax and non-recovery of toll tax from passengers.

Recommendations

The Corporation may:

- **phase out overaged buses to avoid excessive expenditure on repair and spares to achieve ideal fleet composition;**
- **assess the route behaviour in order to facilitate rational routing;**
- **evolve a mechanism to link the bus fares with every increase in diesel rates; and**
- **effectively monitor body fabrication and overhauling of engines to avoid delay and recover toll tax from the passengers.**

The above matter was referred to the Government in March 2006; reply had not been received (September 2006).

Chapter IV

4. Transaction audit observations

Important audit findings emerging from test check of transactions made by the State Government companies and Statutory corporations have been included in this chapter.

Government companies

Punjab State Industrial Development Corporation Limited

4.1 Loss due to one time settlement with profit making units

Allowing one time settlement to profit making units resulted in a loss of Rs. 31.91 crore.

A reference is invited to paragraph 3.1 of the Report of the Comptroller and Auditor General of India (Commercial) – Government of Punjab for the year ended 31 March 2005 pointing out the loss of Rs. 26.58 crore due to application of a one time settlement scheme. Audit observed a further loss of Rs. 31.91 crore in five more cases as discussed below:

The Company entered (August 1991 to June 1999) into five financial collaboration agreements (FCAs) with four collaborators for setting up specific projects as detailed below:

Sl. No.	Name of Collaborator (Year of FCA)	Name of the Unit	Shareholding released to the collaborator (Rs. in crore) (Period of release)	Date of commercial production	Due date of buy back	Profit earned (Rs. in crore) (Period)	Buy back amount due as on 31 March 2003 (Rs. in crore)
1	Shushil Singhal (June 1999)	Fertichem Cotspin Limited (FCL)	0.63 (September 1999 to February 2000)	10 November 1999	10 November 2002	2.05 (2000- 04)	1.14
2	Sanjay Gupta (August 1995)	Supreme Yarns Limited (SYL*)	2.26 (September 1995 to February 1996)	20 March 1996	19 March 2001	2.10 (2001-04)	5.21

*Formerly named as Supreme Woolen Mills Limited.

Sl. No.	Name of Collaborator (Year of FCA)	Name of the Unit	Shareholding released to the collaborator (Rs. in crore) (Period of release)	Date of commercial production	Due date of buy back	Profit earned (Rs. in crore) (Period)	Buy back amount due as on 31 March 2003 (Rs. in crore)
3	Varindra Agro Chemicals Limited (August 1991)	Abhishek Industries Limited (AIL) (Project-I)	5.42 (September 1991 to December 1992)	1 April 1993	31March 1998	73.10 (2000-2003)	23.67
4	Varindra Agro Chemicals Limited (May 1997)	AIL (Project II)	10.84 (July 1997 to January 1998)	1 July 1999	30 June 2002	73.10 (2000-2003)	29.39
5	Rajinder Gupta (March 1996)	Abhishek Spinfeb Corporation Limited$ (AIL Project III)	14.56 (March 1996 to September 1997)	1 April 1998	31 March 2003	73.10 (2000-2003)	30.65

As per the terms of FCA the collaborators were required to buy back the shareholding of the Company in the units along with interest, after expiry of the agreed period of three to five years from the date of commencement of commercial production. In case the collaborators failed to buy back the shares, the Company was entitled to appoint its nominees as Managing Directors of the units or to sell its shareholding at the risk and cost of the collaborators.

Audit noticed that the collaborators failed to buy back the Company's shareholdings as per the terms of FCA. The Company, however, did not take any action to recover its dues. The State Government introduced (March 2003) a one time settlement scheme (OTS) under the Industrial Policy 2003, for facilitating buy back of shares by collaborators. The Company instead of invoking the provisions of the FCA to recover its dues from those profit making collaborators, offered (April 2003) OTS to the collaborators. The collaborators of the units accepted the offer (July 2003, July 2003 and May 2003) and paid Rs. 8.76 lakh, Rs. 40 lakh and Rs. 5.33 crore (for all the three projects of AIL- Project I: Rs. 1.11 crore, Project II: Rs. 1.74 crore and Project III: Rs. 2.48 crore) between July and August 2003 being 10 *per cent* of the OTS amount in respect of FCL, SYL and AIL, respectively. As per the OTS scheme, the balance 90 *per cent* amount was to be paid within three years from the date of acceptance of the offer.

In respect of AIL-Project I and II, the collaborator paid (June 2005) Rs. 10.37 crore and Rs. 18.89 crore, respectively, (including interest on OTS amount) towards total consideration and shares were transferred to the collaborators in June 2005. In respect of other units balance payments were not received (May 2006).

Audit noticed that OTS to these profit making wilful defaulters were not in the Company's interest as all these units were in sound financial position and earning profits whereas the Company on its part was paying interest to the financial institutions on the loans taken for investment in units and was running in losses.

$ This unit was subsequently merged (May 1999) with AIL.

Thus, offering OTS to these collaborators lacked justification and resulted in loss of Rs. 31.91[@] crore to the Company.

The management stated (March 2006) that it had implemented the scheme and programme of the Government without any deviation. The reply is not tenable as it does not explain why the Company did not enforce the agreed terms of the FCAs for periods up to five years. Further, covering profit making units capable of buying back shares without taking up the matter with the State Government was not in the Company's interest.

The matter was referred to Government in February 2006; reply had not been received (September 2006).

4.2 Loss due to one time settlement with a profit making rehabilitated unit

Allowing one time settlement to a profit making rehabilitated unit resulted in loss of Rs. 17.49 crore.

The Company entered (September 1993) into a financial collaboration agreement (FCA) with a collaborator[⊕] for setting up a vanaspati and refined oil unit[Σ]. As per the terms of the FCA, the collaborator was required to buy back the shareholding of the Company in the unit with interest[*] after the expiry of five years from the date of commencement of commercial production. In case the collaborator failed to buy back the shares, the Company was entitled to appoint its nominee as Managing Director of the unit or to sell its shareholding at the risk and cost of the collaborator.

The Company released Rs. 5.59 crore during February 1994-March 1995 towards equity of the unit. The unit started commercial production on 30 March 1995. Thus, buy back of Company's shareholding by the collaborator became due on 29 March 2000. The Collaborator failed to buy back the Company's shareholding as per the terms of the FCA. In the meantime (February 2001), the unit was provided rehabilitation by the Board for Industrial and Financial Reconstruction (BIFR).

The State Government introduced (March 2003) a one time settlement (OTS) scheme under the Industrial Policy 2003 for facilitating buy back of shares by collaborators. The Company offered (April 2003) OTS to the collaborator but he did not respond.

The State Government extended (June 2004) OTS scheme with some additional

---

@ Buy back amount due on 31 March 2003 less OTS amount (FCL: Rs. 1.14 crore Rs. 0.85 crore, SYL: Rs. 5.21 crore-Rs. 3.94 crore, AIL-Project I: Rs. 23.67 crore-Rs. 11.15 crore, AIL-Project II: Rs. 29.39 crore-Rs. 17.43 crore and AIL-Project III: Rs. 30.65 crore- Rs. 24.78 crore).

⊕ Suraj Gupta.

Σ Suraj Solvent and Vanaspati Industries Limited.

* At the prevalent lending rate of the financial institutions/banks at the time of purchase of shares by the Company.

concessions for the units which were with BIFR, without making any distinction between the units which, though with BIFR, were earning profits after taking concessions/benefits under the rehabilitation scheme and those which were with BIFR but were not rehabilitated by the time of introduction of OTS. The Company offered (June 2004) to sell its shareholding to the collaborator as per the amended OTS scheme.

The collaborator opted (June 2004) to buy back the equity under the amended OTS scheme and paid Rs. 55.90 lakh (June 2004) at 10 *per cent* of the consideration amount. The balance amount of Rs. 5.03 crore was payable in ten half yearly interest free instalments with effect from June 2005.

Audit noticed that the unit had been rehabilitated and after availment of benefits under the rehabilitation scheme of BIFR, was earning profits continuously for the last two years (ended March 2004) and was also having positive net worth. Implementation of OTS without taking up the matter with the State Government for making a distinction between the units earning profits after rehabilitation by BIFR and those yet to be rehabilitated was not in the Company's interest because the unit was earning profit whereas the Company was paying interest on the loans taken for investment in the unit and was running in loss. Implementation of the scheme which covered profit making units also, resulted in loss of Rs. 17.49 crore to the Company.

The management stated (March 2006) that one of the main factors owing to which the unit showed profits was non-charging of future interest by the lending institutions and writing off of Rs. 30.33 crore of outstanding interest under BIFR scheme and that the unit was still with BIFR. The reply is not tenable as the Company had not taken up the matter with the State Government not to extend the OTS scheme to units that had already been rehabilitated after giving concessions under BIFR and that were now earning profit.

The matter was referred to Government in January 2006; reply had not been received (September 2006).

Punjab State Tubewell Corporation Limited

4.3 Excess EPF contribution

Failure to limit employer's contribution towards Employees Provident Fund as prescribed in the Employees' Provident Funds Scheme, 1952 resulted in excess contribution of Rs. 7.03 crore.

Para 29(1) of the Employees' Provident Funds Scheme, 1952 provides that the contribution payable by an employer under the Scheme shall be 12 *per cent* of the basic wages, dearness allowance and retaining allowance payable to each employee. Para 26 A (2) of the Scheme provides that where the monthly pay of an employee exceeds Rs. 6,500 (Rs. 5,000 up to May 2001), the contribution payable by the employer shall be limited to the amount payable on a monthly pay of Rs. 5,000 or Rs. 6,500, as the case may be. Section 29(2) of the Scheme also provides that the contribution payable by an employee to whom the Scheme applies, if he so desires, could be an amount exceeding the above limit subject to the condition that employer shall not be under obligation to pay contribution over and above the amount of contribution payable under the Scheme. Accordingly, all Public Sector Undertakings covered under the Scheme were required to restrict their contribution to the prescribed limit.

Test check of records of the Company for the period April 2001-March 2006 revealed that the Company contributed employer's share at the rate of 12 *per cent* of the pay without applying the prescribed limit of Rs. 5,000 or Rs. 6,500 in contravention of the provisions of the Scheme, *ibid*. This resulted in excess contribution of Rs. 7.03 crore during April 2001 - March 2006 by the Company in contravention to the provisions of the Scheme.

The management stated (April 2006) that the employer's contribution in excess of the wage limit of Rs. 6,500 is being made on the analogy of some other corporations. The reply is not tenable as such contribution was in violation of the Employees Provident Funds Scheme, 1952.

The matter was referred to Government in January 2006; reply had not been received (September 2006).

4.4 Loss due to poor fund management

The Company kept its surplus funds in non interest bearing accounts instead of interest bearing accounts which resulted in interest loss of Rs. 15.68 lakh.

The Company receives funds from the State Government in the shape of seed money and subsidy for the operation and maintenance of tubewells and lining of water courses. The Company distributes funds to its District offices for the above purpose and also receives funds collected by District offices on account of sale of water. The Company was maintaining 11 current accounts in three banks[µ] at Chandigarh.

Audit noticed that fortnightly balances relating to four[$] bank accounts ranging between Rs. 1.99 lakh and Rs. 45.54 crore were lying idle in these accounts during April 2002-April 2006. The Company did not evolve any cash management system to assess its surplus funds to optimise returns. Since the current accounts do not earn any interest, it would have been financially prudent for the Company to assess the surplus funds and invest them in term deposits which earn interest. Due to parking of surplus

[µ] Punjab and Sind Bank, Punjab National Bank and State Bank of India

[$] State Bank of India account No. 70490 (new account No. 1050669548) and 70484 (new account No. 1050669526) and Punjab National Bank account Nos. (19276 and 19434).

funds in current accounts, the Company suffered loss of interest of Rs.15.68 lakh during April 2002-April 2006 calculated at the interest rate applicable on short term deposits for 15 days on minimum fortnightly balance ranging between Rs 0.06 lakh and Rs. 9.21 crore (after allowing minimum required balance of Rs. 10 lakh in each account).

Thus, unprofessional cash management by the Company resulted in loss of Rs. 15.68 lakh (April 2006) to the Company when it was already incurring heavy losses.

The management stated (May 2006) that State Bank of India (SBI) was asked (March 2005) to open Corporate Liquid Term Deposit account with short term fixed deposit of all the amount lying in the current account except Rs. 10 lakh. It further stated that in other bank accounts, the amount was kept for emergency needs like expenditure on telephone bills, electricity bills, court cases and timely deposit of EPF, etc. The reply is not tenable because the interest loss has been worked out by Audit on actual minimum fortnightly balances lying in these accounts after allowing a margin of Rs.10 lakh. For meeting miscellaneous expenses the Company has separate Bank accounts.

The matter was referred to Government in March 2006, reply had not been received (September 2006).

Punjab State Grains Procurement Corporation Limited

4.5 Loss due to delay in raising claims of transportation charges

Failure of the Company to promptly raise claims of transportation charges on Food Corporation of India resulted in blockage of Rs. 32.94 crore and consequential loss of interest of Rs. 3.97 crore.

The Company procures paddy from *mandis* on behalf of Food Corporation of India (FCI) for Central Pool, gets it milled from the allotted rice millers and delivers the resultant rice to the FCI as per the State Government's custom milling policy[@] in respect of each crop year. Government of India (GOI) initially fixes provisional rates of custom milled rice (CMR) for each crop year on the basis of which claims are raised by the procuring agencies on FCI which in turn is required to make payment within 24 hours of receipt of claims or pay additional incidentals for the delay, if any. Supplementary claims are raised on FCI on the basis of final rates fixed by the GOI.

Up to the crop year 2002-03, expenditure incurred on the transportation of paddy for

[@] Custom milling policy is a policy relating to the activities of procurement, storage and milling of paddy finalised by F&SD for each crop year.

the rice delivered was reimbursed to the Company at the final rates specified. From the crop years 2003-04 onwards, however, separate rates of transportation were not fixed. The transportation charges within eight Km were included in the milling charges and transportation charges beyond eight Km were recoverable from FCI on the basis of the rates fixed by the District Collectors of the State or at FCI rates or actuals[♣] whichever were lower.

Test check of records of nine[*] (out of 17) district offices of the Company revealed that the Company incurred an expenditure of Rs. 32.94 crore for the crop years 2003-05 on transportation of paddy beyond eight Km. Audit noticed that whereas four[#] district offices had raised the claims of their own, the other four[Φ] district offices raised the same, after delays ranging between 73 and 865 days (calculated after allowing a margin of one month after the procurement season) after this was pointed out by Audit. District office, Amritsar had not raised the claim (Rs. 29.13 lakh) so far (June 2006). Audit further noticed that district office, Mansa short claimed Rs. 0.93 crore from FCI.

Thus, delay in raising claims and short claims resulted in blockage of Rs. 32.94 crore and consequential loss of interest of Rs. 3.97 crore[α] to the Company.

The matter was referred to the Government/ management in March 2006; their replies had not been received (September 2006).

4.6 Short reimbursement of cost of gunny bags

Inclusion of depreciation of less quantity of gunny bags in the rates of rice resulted in short reimbursement of Rs. 2.49 crore to the Company.

The Company procures paddy from the mandis in gunny bags on behalf of Food Corporation of India (FCI) for the central pool and delivers the rice to FCI after getting it milled from the allotted rice millers. As per the prevailing policy/ agreements, the outturn[*] ratio is 67 *per cent* for raw rice and 68 *per cent* for parboiled[@] rice. From the year 2003-04, both paddy and rice are filled in 50 Kg bags. Paddy being lighter in weight than rice, only 35 Kg paddy can be filled in a bag as

[♣] The Company adopted transportation rates as approved by the District Collector.
[*] Amritsar, Faridkot, Ferozepur, Gurdaspur, Ludhiana, Moga, Mansa, Patiala and Sangrur.
[#] Faridkot, Gurdaspur, Patiala and Sangrur.
[Φ] Ferozpur, Ludhiana, Moga and Mansa.
[α] Calculated from one month after the procurement season (i.e. from January of each crop year) and at 9.10 *per cent* per annum being the minimum interest rate on cash credit limit availed by the Company during 2003-05.
[*] Outturn ratio: ratio that the resultant rice bear to the paddy.
[@] Partly cooked by heating.

against 50 Kg of rice. Resultantly, 46.9 *per cent*[$] (raw rice) and 47.6 *per cent* (parboiled rice) gunny bags are delivered to FCI along with rice and remaining 53.1 and 52.4 *per cent* gunny bags, respectively, remain with the millers for which 60 *per cent* cost (in the form of depreciation) is recoverable from the millers and 40 *per cent* from FCI.

Audit noticed that for the crop year 2003-04, Government of India (GOI) fixed provisional and final rates (December 2003 and October 2004) of raw and parboiled rice including depreciation of gunny bags (Rs.15.65 per quintal rice) which represented 40 *per cent* of those bags which were delivered (46.9 and 47.6 *per cent*) to FCI but did not cover bags actually retained (53.1 and 52.4 *per cent)* by the millers. Consequently, when the Company raised the claims on FCI for the quantity of rice delivered for the crop year 2003-04, it claimed depreciation for 46.9/47.6 *per cent* of gunny bags which were delivered to FCI along with resultant rice (raw and parboiled) and not on 53.1/52.4 *per cent* of gunny bags which remained with the millers. This resulted in short reimbursement of depreciation of gunny bags worth Rs. 2.49 crore[*] on 11.46 lakh MT raw rice and 0.75 lakh MT parboiled rice delivered to FCI.

The Government/management while admitting the facts stated (June 2006) that the Government of India had been requested (June 2006) to revise gunny bags depreciation for the crop year 2003-04 and the differential amount of depreciation would be claimed from FCI after revision of rates.

4.7 Avoidable payment of interest

Retention of funds in the current account by the district office of the Company instead of transferring the same to headquarters office to liquidate cash credit account resulted in avoidable payment of interest of Rs. 20.43 lakh.

The Company procures wheat and paddy from *mandis* in the State on behalf of Food Corporation of India (FCI) for the central pool. The Company had been availing cash credit facility from State Bank of India against hypothecation of stock and guarantee given by the State Government. After delivery of stock to FCI, district offices of the Company raise sales bills on FCI and receive payments thereagainst. The sales proceeds are deposited in the current accounts maintained at field level banks. The district offices are required to transfer the funds promptly to the head office of the Company so as to enable the latter to liquidate cash credit to that extent to minimise interest liability.

[$] In 1,000 gunny bags, 350 quintals of paddy is filled. Due to 67 *per cent* out-turn ratio, 350 quintals of paddy will be converted into 234.5 quintals of raw rice, for which out of 1,000 bags, 469 bags (one bag contains 50 Kg rice) will be required, i.e., 46.9 *per cent* bags are sent to the FCI along with raw rice and 53.1 *per cent* bags remain with millers.

[*] At Rs. 2.07 (Rs. 15.65/46.9x53.1) and Rs. 1.58 (Rs. 15.65/47.6x52.4) per quintal for 11.46 lakh MT raw and 0.75 lakh MT parboiled rice, respectively.

Test check of records of the District Manager, Mansa of the Company for the period April 2004-March 2005 revealed that the district office had been retaining huge daily balances ranging between rupees 10 lakh and Rs. 16.91 crore in current account during this period. The minimum closing balance for each month during this period ranged between rupees 10 lakh and 12 crore. Retention of such huge balances in current account instead of transferring the same to the cash credit account resulted in avoidable payment of interest of Rs. 20.43 lakh[♣] during April-September 2004 and December 2004 to March 2005.

The matter was referred to the Government/management in March 2006; their replies had not been received (September 2006).

Punjab State Civil Supplies Corporation Limited

4.8 Short reimbursement of cost of gunny bags

Inclusion of depreciation of less quantity of gunny bags in the rates of rice resulted in short reimbursement of Rs. 3.05 crore to the Company.

The Company procures paddy from the *mandis* in gunny bags on behalf of Food Corporation of India (FCI) for the central pool and after getting it milled from the allotted rice millers delivers the resultant rice to FCI. As per the prevailing policy/agreements, the outturn ratio[#] is 67 *per cent* for raw rice and 68 *per cent* for parboiled rice. From the year 2003-04, both paddy and rice are being filled in 50 Kg bags. Paddy being lighter in weight than rice, only 35 Kg paddy can be filled in a bag as against 50 Kg of rice. Resultantly, 46.9 *per cent* (raw rice) and 47.6 per *cent* (parboiled rice) gunny bags are delivered to FCI along with the rice and remaining 53.1 and 52.4 *per cent* gunny bags, respectively remain with the millers for which 60 *per cent* cost (in the form of depreciation) is recoverable from the millers and 40 *per cent* cost is recoverable from FCI.

Audit noticed that for the crop year 2003-04, the Government of India (GOI) fixed the provisional and final rates (December 2003 and October 2004) of raw and parboiled rice including element of depreciation on bags (Rs.15.65 per quintal) which represented 40 *per cent* of those bags which were delivered (46.9 and 47.6 *per cent*) to FCI and not those which remained (53.1 and 52.4 *per cent)* with the millers. Consequently, when the Company raised claims on FCI for the quantity of rice delivered for the crop year 2003-04, it claimed depreciation for 46.9 and 47.6 *per cent* of gunny bags, respectively, which were delivered to FCI along with the resultant rice (raw and parboiled) and not on 53.1 and 52.4 *per cent* bags which remained with the millers. This resulted in short reimbursement of depreciation of gunny bags of

[♣] Worked out @ 9.1 *per cent* cash credit rate on minimum balances retained in each month during above period and after allowing four days for transfer of funds.

[#] Outturn ratio: ratio that the resultant rice bear to the paddy.

Rs. 3.05 crore* on 13.37 lakh MT raw rice and 1.79 lakh MT parboiled rice delivered to FCI.

Thus, inclusion of depreciation in the rates of rice on less quantity of gunny bags resulted in short reimbursement of Rs. 3.05 crore. The Company had not taken up the matter with the FCI (February 2006).

The matter was referred to Government/management in February 2006; their replies had not been received (September 2006).

4.9 Loss of interest due to delay in raising claims of transportation charges

Failure of the Company to promptly raise claims of transportation charges on Food Corporation of India resulted in blockage of Rs. 29.13 crore and consequential loss of interest of Rs.2.34 crore.

The Company procures paddy from *mandis* on behalf of Food Corporation of India (FCI) for the central pool, gets it milled from the allotted rice millers and delivers the resultant rice to FCI as per the State Government's custom milling policy in respect of each crop year. Government of India (GOI) initially fixes provisional rates of custom milled rice (CMR) for each crop year on the basis of which claims are raised by the procuring agencies on FCI. The procuring agencies raise supplementary claims when final rates are fixed by the GOI. Up to the crop year 2002-03, the expenditure incurred on the transportation of paddy for the rice delivered was reimbursed to the Company through the final rates fixed by GOI.

From the crop years 2003-04 onwards, however, separate rates of transportation were not fixed. The transportation charges within eight kilometers were included in the milling charges and transportation charges beyond eight kilometers were recoverable from FCI on the basis of the rates fixed by the District Collector of the State or at FCI rates or actuals♣ whichever were the least.

Test check of records of ten* districts of the Company revealed that the Company incurred an expenditure of Rs. 29.13 crore for the crop years 2003-04 (Rs.13.13 crore) and 2004-05 (Rs. 16 crore) for transportation of paddy beyond eight Km. Whereas five district offices (Bathinda, Gurdaspur, Ludhiana, Mansa and Ropar) raised (February 2004 to November 2005) claims (Rs. 11.36 crore) at the instance of Audit, the remaining four district offices raised (November 2005 to May 2006) the claims (Rs. 17.35 crore) of their own, after delays ranging between 55 and 866 days (computed after allowing a margin of one month after the procurement season). One district office (Kapurthala) had not raised the claims (Rs. 42.28 lakh) for 2004-05 so

* At Rs. 2.07 and Rs. 1.58 per quintal for 13.37 lakh MT raw and 1.79 lakh MT parboiled rice, respectively.

♣ Transport expenditure actually incurred was as per rates approved by the District Collector.

* Amritsar, Ludhiana, Patiala, Faridkot, Kapurthala, Gurdaspur, Ropar, Mansa, Sangrur and Bathinda.

far (April 2006). Thus, delayed submission of claims to FCI resulted in blockage of Rs. 29.13 crore and consequential loss of interest of Rs. 2.34 crore.[@]

The matter was referred to the Government/ management in February 2006; their replies had not been received (September 2006).

4.10 Loss due to lack of system

The Company had no system of obtaining legally binding commitments from the millers before allotment of paddy, which resulted in loss of Rs. 78.46 lakh by way of transportation of paddy to other districts on refusal by the millers to accept the allotted paddy for milling.

The Company is one of the procuring agencies that procures paddy from the *mandis* for the Central Pool for delivery of rice to Food Corporation of India (FCI). Food and Supplies Department (FSD), Government of Punjab receives requests from the millers for allotment of paddy for milling. FSD then allots paddy to millers from various *mandis* according to their milling capacity and keeping in view procurement targets of various procuring agencies. Thereafter, FSD issues to all the procuring agencies custom milling policy and draft agreements for each kharif season to be executed with the millers. Though the Company has a representative in the committee for allotment of paddy to the millers yet it has not devised any system to bind the millers through agreement, etc., to avoid loss of transportation charges in case of refusal by the miller to accept the allotted paddy.

Detailed scrutiny of the records of district office, Amritsar for the crop year 2002-03 revealed that the district office had to transport 5,84,460 quintals (68.6 *per cent* of the total quantity) of paddy procured to other districts due to refusal of the millers to accept allotted paddy and spent Rs. 78.46 lakh on transportation over and above Rs. 86.09 lakh which were reimbursable by FCI on the transportation from *mandis* to miller's premises within the allotted districts.

Audit noticed that due to non-formulation of any system of converting requests of millers for allotment of paddy into legally binding commitments before delivery, the Company had to transport paddy to other districts at farther places and suffered a loss of Rs. 78.46 lakh. Inspite of this it failed to take up the matter with FSD/State Government.

The management stated (May 2006) that the millers allotted to the Company in Amritsar district did not come forward to execute the agreement/store paddy and with the shifting of paddy to other districts, it got the paddy milled well before the extended period resulting in saving of Rs. 1.20 crore towards interest after deducting the excess transportation cost incurred. The reply is not relevant as the Audit has pointed out the

[@] Calculated at 9.10 *per cent* per annum being minimum interest rate on cash credit limit availed by the Company during 2003-05.

lack of a system of conversion of requests of the millers for allotment of paddy into legally binding commitments before delivery of paddy to them. Had the requests of the millers been so converted prior to delivery of paddy, both the delay in milling and consequent loss of Rs. 78.46 lakh on transportation could have been avoided.

The matter was referred to Government in November 2005; reply had not been received (September 2006).

4.11 Loss due to excess purchase of gunny bales

Non consideration of stock of gunny bales already in hand while working out future requirement resulted in blockage of Rs. 5.64 crore and consequential loss of interest of Rs. 38.51 lakh besides extra expenditure of Rs. 22.80 lakh as the subsequent order for bales was placed at a lower rate.

The Company purchases gunny bales through the Director, Food, Civil Supplies and Consumer Affairs, (DFCSCA) Punjab who places consolidated indent on behalf of all the State procuring agencies, with the Director General of Supplies and Disposals (DGS&D), Kolkata for supply of gunny bales. The payment for the gunny bales is made to the DFCSCA by the procuring agencies in advance for onward transfer to the DGS&D.

The DFCSCA placed (December 2003) an indent on the DGS&D for supply of 3,18,500 gunny bales* of 50 Kg capacity bags (including 83,980 bales for the Company) to be supplied during December 2003 to March 2004 for use in the Rabi$-2004 season and requested (December 2003) the procuring agencies to intimate change, if any, in their requirement of bales. The Company paid (December 2003) Rs. 24.97 crore on account of 25,220 bales allocated for the month of December 2003 at the rate of Rs. 9,900 per bale.

Audit scrutiny revealed that the Company already had a balance of 5,700 gunny bales and the requirement of 83,980 bales had been determined on the basis of the procurement target without taking into account the stock in hand. Whereas the target for procurement was subsequently reduced (March 2004), corresponding reduction in the requirement of bales was not worked out and intimated to DFCSCA to avoid accumulation of unnecessary stock. The Company's closing stock in May 2004 rose to 16,249 bales.

Thus, non consideration of stock of bales already available with the Company while assessing requirement as also not reviewing the requirement on reduction of procurement target resulted in blockage of Rs. 5.64 crore (5,700 bales at Rs. 9,900 per

* One gunny bale contains 500 bags.

$ Procurement for Rabi season is from April to May and Kharif season from September to December.

bale) and consequential loss of interest of Rs. 38.51[#] lakh up to September 2004[*].

Audit further noticed that the subsequent purchase of 1,25,580 gunny bales was made (May 2004) at Rs. 9,500 per bale against the earlier (December 2003) rate of Rs. 9,900 per bale entailing extra expenditure of Rs. 22.80[@] lakh on excess procurement of 5,700 bales during December 2003.

The matter was referred to Government/management in February 2006; their replies had not been received (September 2006).

4.12 Loss of interest

Failure of the field staff to submit despatch documents in time resulted in loss of Rs. 28.05 lakh for which no action against the delinquent officials was taken by the Company.

The Company procures wheat for the Central Pool on behalf of Food Corporation of India (FCI) and gets reimbursement of its cost along with incidentals and carry over charges from FCI after delivery of stock. The rates of incidentals and carry over charges are fixed by the Government of India for each crop year.

As per the instructions (April 1981) of the Company, field staff was required to submit despatch documents to district offices within four days of despatch of wheat stock to FCI so that the sale bills could be prepared and submitted to FCI in time. FCI was required to make payment within 24 hours of the submission of the bills. In case, the time taken in submission of despatch documents to district offices of the Company was more than four days from the date of delivery of wheat stock to FCI, the interest lost was to be recovered from the delinquent officials.

Audit scrutiny revealed that in Ferozepur and Amritsar district offices of the Company there were delays ranging from three to 55 days[#] in submission of despatch documents by the field staff. The amounts involved ranged from Rs. 0.21 lakh to Rs. 3.90 crore during 2003-06[$].

The failure of the field staff in submitting the despatch documents in time resulted in delay in preparation/submission of bills and subsequent realisation of dues from FCI. The delay resulted in loss of interest of Rs. 28.05[*] lakh to the Company, which was recoverable from the officials responsible for the delay. The Company, however, had

[#] Worked out at the cash credit rate of 9.1 *per cent* per annum.
[*] Excess purchase of gunny bags was utilised thereafter.
[@] 5,700 bales x Rs. 400 (Rs. 9,900-Rs. 9,500).
[#] After allowing margin of required period of four days.
[$] Period for Amritsar district is 2004-06.
[*] Worked out at 9.35 *per cent* for 2003-04 and at 9.10 per cent for 2004-05, i.e., the rate of interest paid on cash credit availed by the Company during the said period.

not taken any action so far (August 2006).

The matter was referred to the Government/management in March 2006; their replies had not been received (September 2006).

Punjab Agro Foodgrains Corporation Limited

4.13 Loss of interest

Delay in transfer of funds by the holding company earmarked for the contract farming programme resulted in interest loss of Rs. 0.81 crore to the Company.

The Company implemented (December 2002) the scheme of diversification of agriculture on behalf of the State Government through contract farming plan for various crops in the State. Under the contract farming scheme, the Company was to purchase the harvested crop at a guaranteed price and to bear all expenses on mass awareness, publicity, etc. For this, purpose the State Government was to provide Rs. 25 crore.

Audit scrutiny revealed that the holding company received (June -August 2003) Rs. 15 crore for the above scheme. Out of this, the holding company transferred (June 2003-February 2006) Rs. 6.82 crore only to the Company and the balance amount was invested in short term deposits instead of transferring the entire amount to the Company for implementing the scheme. The holding Company further transferred (April 2006) Rs. 2.18 crore alongwith interest of Rs. 0.98 crore earned on short term deposits to the Company and rupees six crore to three[#] Councils formed (February 2006) by the State Government. The Company, without taking up the matter with the holding company for full release of interest free loan/grant, incurred expenditure above Rs. 25 crore on the contract farming scheme from its own funds (*i.e.,* sale proceeds of foodgrains) instead of depositing the same in the cash credit account to avoid interest payment on cash credit availed. Consequently the Company suffered an interest loss of Rs. 0.81[*] crore.

The management stated (August 2006) that out of revolving fund of Rs. 10 crore received for implementation of comfort price mechanism Rs. 8.18 crore were not transferred as there was a proposal to transfer funds to other schemes of the State Government. Later on Rs. six crore were transferred (April 2006) to three councils and balance amount of Rs. 2.18 crore along with interest earned was also transferred to the Company and as such there is no interest loss.

[#] Organic Farming Council of Punjab, Council of Value Added Horticulture in Punjab and Viticulture Council of Punjab.

[*] Rs. 1.79 crore, worked out at the prevailing cash credit rate of 9.10 *per cent* from April 2004 when the Company started incurring expenditure on the scheme to March 2006 less Rs. 0.98 crore interest received from the holding Company.

The reply is not tenable as there was only proposal for constitution of Councils and transfer of funds to other programmes in June 2005 whereas Councils for these programmes were actually constituted in February 2006. Until the constitution of these Councils non transfer of these funds for the scheme for which these were originally provided was not justified and resulted in interest loss to the Company.

Thus, the failure of the Company to obtain the earmarked funds from the holding Company resulted in avoidable interest payment of Rs. 0.81 crore.

The matter was referred to the Government in February 2006; the reply had not been received (September 2006).

4.14 Loss of interest due to delay in recovery of carry over charges

Failure of the Company to deliver wheat stock to FCI in acceptable condition in the first instance resulted in delayed payment of carry over charges of Rs. 2.20 crore and loss of interest of Rs. 33.37 lakh.

The Company procures wheat for the Central Pool on behalf of the Food Corporation of India (FCI) and stores the same till its despatch/disposal as per the instructions of FCI. The Company is responsible for the good health of wheat stored till despatch to FCI. The wheat is delivered when wheat specials (railway wagons) are arranged by FCI. The quality of wheat is checked and accepted by the quality control wing of FCI at the respective storage centres of the Company before loading into the wagons. The carry over charges comprising interest, handling and storage charges are claimed by the Company from FCI at the rates specified for each crop year after the delivery of the stock. In case of rejection of stock, due to its not being in acceptable condition, FCI does not allow carry over charges from the date of rejection till despatch thereof after upgradation of quality.

Test check of records of the Amritsar District office of the Company revealed that FCI had rejected (February-May 2003) 3,04,980 quintals of wheat of crop years 1998-99 to 2001-02 as 'damaged wheat.' Audit noticed that the wheat was damaged due to improper maintenance by the Company. The stock was desptached after upgradation during February 2003 to May 2004. Consequently, FCI deducted (March 2003 to July 2004) Rs. 2.20 crore (on the basis of final rates) from the sales bills on account of carry over charges for the period from the dates of rejection till the dates of despatch of the stocks after upgradation. FCI later released (June 2006) Rs. 2.20 crore on a request made by the Company.

Audit noticed that failure of the Company to deliver wheat stocks to FCI in acceptable condition in the first instance resulted in delayed payment and consequential loss of interest of Rs. 33.37[@] lakh to the Company.

[@] Calculated on Rs. 2.20 crore at the prevailing cash credit rate from August 2004 to March 2006.

The Company had called for (July 2004) the explanation of officials. No responsibility had, however, been fixed (December 2005).

The matter was referred to Government/management in October 2005; their replies had not been received (September 2006).

Punjab Communications Limited

4.15 Loss due to incurring voluntary retirement expenses of subsidiary company without taking prior approval

Failure to fulfill basic conditions for getting funds from the State Government for implementation of voluntary retirement scheme in its subsidiary resulted in loss of Rs. 24.38 lakh.

Punjab Digital Industrial Systems Limited (PDISL) was a wholly owned subsidiary of the Company. The assets and liabilities of PDISL were taken over (2002-03) by the Company as it was under winding up. The State Government announced (2002-03) a voluntary retirement scheme (VRS) for the State public sector undertakings (PSUs). As per the VRS, resolution of the Board of Directors (BOD) to implement the scheme was to be approved by its Administrative Department. PSUs, requiring budgetary or any other external support, were required to obtain the approval of Finance Department also. Further, under the scheme, the budgetary support was to be provided only if bank credit was not available to the PSU.

Audit analysis revealed that PDISL was running in losses (accumulated losses Rs. 54.86 lakh upto 2002-03) and bank credit was not available to it. As such, the BOD of the PDISL was required to pass a resolution to implement the VRS and obtain approval of the Administrative Department and Finance Department to get requisite funds from the State Government to meet VRS expenses. PDISL, however, did not take the requisite action. Instead the Company decided (January 2003) to implement the VRS in the subsidiary company at its own cost. Accordingly, the Company paid (2002-03) Rs. 56.84 lakh towards VRS expenses. The Company belatedly took up (March 2003) the matter with the State Government for reimbursement of VRS expenses followed by reminders (January - June 2004). The Company finally closed (October 2004) the matter considering that there was no probability of getting reimbursement of VRS expenses from the State Government.

Audit noticed that since PDISL had not fulfilled the basic conditions to seek prior approval of the Administrative and Finance Departments for funding of the VRS expenses, no response from the State Government was received. Another Company[@] which had obtained prior approval of the Government for implementation of VRS had

[@] Punjab Recorders Limited (PRL).

received funds from the Government. Had the Company advised its subsidiary Company to obtain prior approval for implementation of VRS it could have received VRS expenses and avoided expenditure of Rs. 24.38# lakh.

Thus, due to belated action of the Company for reimbursement without having followed the prescribed procedure, the Company could not obtain funds from the Government which resulted in loss of Rs. 24.38 lakh.

The management stated (July 2006) that the VRS of PDISL was an independent VRS and the State Government's VRS was taken as a base model duly adopted with modifications as approved by its BOD, which was competent for the same. It was further stated that the main purpose of VRS was to attract favourable bids for the disinvestment of the Company, which was also closely monitored by the State Government, hence the decision of VRS was duly approved by the State Government and the reimbursement claim was still pending with the Finance Department. The reply is not tenable as the VRS adopted by the Company was the same as announced by the State Government. Further, close monitoring of disinvestment of the Company by the State Government does not constitute specific prior approval of the State Government of the VRS of PDISL.

The matter was referred to the Government in April 2006; reply had not been received (September 2006).

4.16 Overpayment of daily allowance

Despite recommendation of the Committee on Public Undertakings for recovery of overpayment of Rs. 10.92 lakh from 27 officers as pointed out in Audit Report for 2000-01, the Company continued making such payments resulting in overpayment of Rs. 19.06 lakh during 2001-04.

Finance Department, Bureau of Public Enterprises of the Government of Punjab issued (March/October 1980 and August 1998) directions to all Financial Commissioners and Administrative Secretaries stipulating that public sector undertakings would pay the same rates of travelling allowance as sanctioned by the State Government to its employees and the rates of daily allowance (DA) for tour to abroad would be the same as prescribed by the GOI for its comparable ranks. Besides laying down the normal daily rates for various countries, GOI had also prescribed reimbursement of actual room rentals of hotels on the approved panel including service charges, taxes and other charges but excluding tips.

The Report of the Comptroller and Auditor General of India for 2000-01 (Commercial)-Government of Punjab had pointed out overpayment of daily allowance

Rs. 56.84 lakh VRS expenses less Rs. 32.46 lakh proportional expenses which were likely to be incurred on the salary of employees for eight months, the time for obtaining VRS benefits from the State Government as in the case of Punjab Recorders Limited.

of Rs. 10.92 lakh to 27 officers of the Company who had made trips to various countries during 1996-99. The Committee on Public Undertakings (COPU) recommended (May 2005) that the Company should make recoveries from the concerned officers. The Company, while considering recommendations of COPU decided (July 2005) to regularise these overpayments because most of the employees (24) had left the Company and it was not possible to effect recovery from them.

Audit noticed that besides non-recovery of overpayment from the employees while they were in service, the Company continued making overpayments on this account to its other employees. During 2001-04, the Company paid excess DA to 15 officers for their 28 foreign tours resulting in overpayment of Rs. 19.06 lakh.

The management stated (June 2006) that higher DA paid included actual expenses such as hotel rentals, conveyance expenses, etc. The reply is not tenable as proof in support of actual expenses which was a pre-condition for reimbursement of actual expenses was not obtained. In the absence of any proof in support of actual expenses, such expenditure was not reimbursable.

The matter was referred to the Government in April 2006; reply had not been received (September 2006).

Punjab Tourism Development Corporation Limited

4.17 Avoidable payment of damages and interest

Delayed deposit of Employees' Provident Fund dues by the Company resulted in avoidable payment of damages and interest of Rs. 20.13 lakh.

The employees of the Company are covered under the Employees Provident Funds Scheme. As per Employees Provident Fund and Miscellaneous Provisions Act (Act), 1952, the Company was required to deposit provident fund contributions both towards employee's and employer's contribution to the Regional Provident Fund Commissioner (RPFC) within 15 days from the close of every month failing which damages and simple interest at the rate of 12 *per cent* per annum or at such higher rate as might be specified in the scheme, from the date the amount became due till the date of actual payment were payable.

Audit noticed that the Company was not regular in depositing the EPF dues. The Assistant Provident Fund Commissioner (AFC) levied damages of Rs. 2.19 lakh and interest of Rs. 0.46 lakh for delay in depositing of dues prior to April 2001 which were deposited by the Company in December 2003. Despite this, the Company failed to deposit Rs. 78 lakh during February 2003-December 2004 which were deposited during August 2003- February 2006 after delays ranging between 32 and 944 days. Resultantly, the RPFC imposed (March 2006) penalty of Rs. 17.48 lakh (interest: Rs. 12.09 lakh and damages: Rs. 5.39 lakh) which were deposited (March 2006) by the Company.

Thus, delayed remittance of EPF dues by the Company resulted in payment of interest of Rs. 12.55 lakh and damages of Rs. 7.58 lakh.

The management, while admitting the facts, stated (June 2006) that the EPF dues could not be deposited in time due to precarious financial position. The reply is not tenable because the Company was liable to pay statutory dues in time and shortage of funds could not be a valid ground for committing default in payment of statutory dues.

The matter was referred to the Government in January 2006; reply was awaited (September 2006).

Statutory corporations

Punjab State Electricity Board

4.18 Loss due to favour to consumers

Deficient instructions of the Board in contravention of the Electricity Act resulted in discriminatory treatment with the consumers and loss of Rs. 7.74 crore.

The Board's instructions (July 2000) provided that the supply to large consumers with contract demand (CD) above 2,500 KVA was to be given at 33 KV or above according to their specified category and these consumers were required to construct their own sub-stations to get supply at 33 KV line or above.

Keeping in view the hardship to such consumers who had to invest money on construction of sub-stations and transmission lines, the Board issued (June 2003) instructions to allow them to take supply from 11 KV line provided they bore transformation losses, incremental line losses and service charges. For this purpose the energy recorded over and above 2,500 KVA was to be enhanced by 10 *per cent* for billing purposes.

Audit noticed that these instructions (June 2003) covered only those consumers who would apply (either existing or prospective) under these instructions and not to those who had not applied for the same though drawing power at more than 2,500 KVA CD from 11 KV line. As such, these consumers escaped from paying transformation losses, incremental line losses and service charges or 17.5 *per cent* surcharge. Audit further noticed that these instructions were in contravention of the provisions of the Electricity Act, 2003 which prohibits favour to some consumers of the same load factor, power factor, period and nature of supply. Consequently, six large supply consumers under Central Billing Cells at Jalandhar, Ludhiana and Patiala were not charged transformation losses, incremental line losses, service charges or 17.5 *per cent* surcharge which resulted in inadmissible favour to such consumers and non-recovery of Rs. 7.74 crore*.

The management stated (March 2006) that the existing consumers were not to be charged 17.5 *per cent* surcharge if they did not increase their CD, as per the instructions issued in 1999. The reply is not tenable because the instructions of July 2000 covered all the consumers, existing as well as new and exempted only consumers with CD up to 2,500 KVA. Since all the consumers pointed out in Audit had CD of above 2,500 KVA, they were liable to pay the surcharge. The instructions of June 2003 were discriminatory as these were in contravention of the provisions of the Electricity Act, 2003.

The matter was referred to the Government in February 2006; reply had not been received (September 2006).

4.19 Extra expenditure in purchase of PCC poles

The decision of the Board to insist on L-1 firms to supply material at its quoted fixed rates instead of variable rates was imprudent when price hike was indicated by the other participating firms and there was also no risk purchase clause in the agreements. This resulted in extra expenditure of Rs. 74.39 lakh in subsequent purchase at higher rates.

The Board invited (January 2004) tenders for the procurement of 1,10,000 PCC# poles of eight metre length. As per clause 11 of the tender documents, (Technical Specifications), bidders were required to quote variable rates based on average rate of steel and cement as on 1 December 2003 and those quoting fixed rates were likely to be ignored. In all 15 firms quoted (January 2004). Three firms with total offered quantity of 70,000 poles quoting fixed rate of Rs. 847 per pole were at L-1$ and two firms which quoted fixed rates of Rs. 870 and Rs. 896.23 for 15,000 and 7,000 poles, respectively, were at L-2 and L-3 position. Eight firms with offered quantity of 91,000 poles quoting variable rate of Rs. 911 per pole were at L-4 position.

The Board placed (February 2004) letter of intent for procurement of 1,21,000 poles at the fixed rate of Rs. 847 per pole (70,000 poles on L-1 firms and 51,000 poles amongst all the remaining bidders, at L-1 rates) on the recommendation (January 2004) of the Central Purchase Committee. Due to steep rise in the rates of cement, steel wire and diesel, L-1 firms requested (February 2004) for variable rates instead of fixed rates as quoted earlier. The firms at L-2 and L-3 also refused (February 2004) to

* Worked out from July 2003 to December 2005.

Prestressed cement concrete.

$ Amar Cement (P) Limited, Kakrali, Punjab Construction Company, Kakrali, K.B. Concrete Fabs Panchkula.

accept the counter offer of the Board and offered variable rate of Rs. 950 per pole. The Board, ignoring the representation of L-1 firms issued (26 February 2004) purchase orders (POs) for 70,000 poles on them. Negotiations for balance 51,000 poles were held (19 March 2004) with other firms and the Board placed (7 April 2004) purchase orders for 30,500 poles at a variable rate of Rs. 911 per pole. Audit noticed that L-1 firms did not supply any pole though their delivery schedule expired on 10 April 2005. Major supplies against POs placed on variable rate were received. The L-1 firms were blacklisted (January 2006). The quantity of poles not received against these POs was purchased against subsequent enquiry floated in October 2004 at variable rate of Rs.1, 138 per pole.

Audit noticed that the Board was aware of the rising trend in prices of raw materials due to which it was specifically mentioned in the tender enquiry that variable rate based on latest average rates of raw materials should be quoted. Further, when L-1 firms had shown their inability to supply the material at their quoted fixed rates because of abnormal hike in the prices of raw material, it was not prudent on the part of the Board to insist on L-1 firms to supply the material at their quoted fixed rates especially in the absence of any risk purchase clause in the purchase order cum contract agreements.

Thus, imprudent decision of the Board to insist on L-1 firms for supply of material at fixed rates though there was abnormal hike in the prices of raw material and not revising the POs of these firms at variable rates, resulted in extra expenditure of Rs. 74.39 lakh[#] on the purchase of 54,837 poles up to October 2005.

The Government/management stated (March 2006) that all the L-1 firms had been blacklisted for five years. The fact remains that the Board suffered loss due to non acceptance of offer of variable rates of L-1 firms.

4.20 Non-recovery due to inaction

Failure of the Board to club connections resulted in accumulation of recoverable amount of Rs. 34.73 lakh.

Sales Manual of the Board provides that not more than one connection is to be allowed within the same premises in the same or different name to avoid loss of revenue on account of application of lower industrial tariffs on split connections. Board's instructions (May 1991) also provided that all general industrial consumers having load/demand above 5,000 KVA[@] (2,500 KVA from March 1999) and getting supply at 11 KV were to be levied 17.5 *per cent* (10 *per cent* from 24 June 2003) surcharge till conversion of their supply to 33 KV or higher voltage. In July and December 2002, the Board also issued One Time Settlement (OTS) scheme for consumers already identified for clubbing of their connections and for those who would opt for

[#] 54,837 poles x Rs. 135.66 (Rs. 1,138-Rs.1002.34)

[@] Kilo Volt Ampere.

clubbing of connections of their own. This OTS scheme provided for levy of three *per cent* transformation charges for a minimum period of three years instead of 17.5/10 *per cent* surcharge in addition to cost of conversion of their supply to higher voltage.

Senior Executive Engineer (XEN), Grid Maintenance Division, Khanna during checking of metres of large supply consumers found (September 2004) that two connections* under Commercial Sub-Division, Gobindgarh having sanctioned load of 1,729 KW (contract demand: 1,820 KVA) and 998.950 KW (contract demand: 995 KVA), respectively, were running in the same premises. The Enforcement Wing of the Board also confirmed (September 2004) this. Accordingly, the consumer was asked (October 2004) to get both the connections clubbed. Since the clubbed sanctioned load of the consumer was 2,727.950 KW (total contract demand 2,815 KVA) against the permissible limit of 2,500 KVA on 11 KV supply, the supply was required to be converted to 33/66 KV. The Sub-division overhauled the accounts of both the connections from October 2001-October 2004 as per OTS and asked (October 2004) the consumer to deposit a sum of Rs. 12.53 lakh (calculated at three *per cent* transformation charges). The consumer neither deposited the amount nor opted for converting his supply to 33/66 KV. The Board also did not take any further action to effect recovery or to disconnect the supply of the consumer (March 2006).

Audit noticed that as the consumer had not opted for the OTS the Board was required to levy 17.5/10 *per cent* surcharge which worked out to be Rs. 34.73 lakh.

Thus, failure of the Board to enforce its own rules resulted in accumulation of recoverable amount of Rs. 34.73 lakh from October 2001 to June 2003 whereas no surcharge was payable thereafter due to revised instructions circulated in October 2004.

The matter was referred to Government/management in April 2006; their replies had not been received (September 2006).

4.21 Doubtful recovery

Non finalisation of disputed case for more than six years against prescribed period of 60 days resulted in accumulation of recoverable amount of Rs. 47.73 lakh, the recovery of which was doubtful as the connections of the consumers were permanently disconnected.

Sales Manual of the Board provides that not more than one connection is allowed within the same premises in the same or different name to avoid loss of revenue due to application of lower tariff on the split load. The Sales Manual further provides that in case a consumer challenges the compensation demanded by the Board arising out of malpractice on the part of the consumer, his representation is to be considered by the

* Patiala Strips (P) Limited and Patiala Cold Rolling Mill (P) Limited.

Dispute Settlement Committee/Dispute Settlement Authority (DSC/DSA). If the consumer is not satisfied with the decision of DSC/DSA, he will be at liberty to file an appeal before the Appellate Authority as constituted by the Board from time to time. All-out efforts are required to be made by the competent authority to ensure that no case remains pending for more than 60 days from the date of receipt of representation/appeal.

Audit noticed that three medium supply (MS) consumers* with connected load of 98.534 KW, 98.794 KW and 68.942 KW, respectively, were running their industries under Operation Division, Ahmedgarh. Flying Squad, Sangrur discovered (March 1993 and December1993) that all the three connections were running in the same premises. City Sub-Division, Ahmedgarh was accordingly directed to get these connections clubbed into one large supply (LS) connection. Accordingly, demands for Rs.0.29 lakh, Rs.0.28 lakh and Rs.0.30 lakh (difference of LS tariff and MS tariff plus surcharge) were raised (December 1994) and the consumers were asked to get their connections clubbed. The consumers approached (January1995) the Civil Court, Malerkotla which directed (August 1998) to obtain the decision from DSC. The case was, therefore, referred to DSC which referred (February 1999) the same to the clubbing committee. The clubbing committee in its report (April 2003) pointed out that all the three connections were clubbable as there was no partition wall in between the connections and intermixing of electric supply was possible. The Board worked out the recoverable amount of Rs.30.06 lakh for the period January 1994-April 2003 but since the disputed amount was above rupees five lakh, DSC referred (August 2003) the case to DSA. The consumers represented (January 2004) their case to DSA but before the decision in the case could be taken, the consumers were allowed (November/December 2005) to get their supply disconnected permanently without bringing the matter of disconnection of supply to the notice of DSA.

Audit noticed that the consumers had not submitted any document to substantiate their claims regarding distinct premises and resultantly DSC had referred the case to the clubbing committee in February 1999 for recommending the case after visiting the site. The clubbing committee, however, took four years to visit (February 2003) the site. DSA also failed to finalise the case even after more than two and a half years from the date of decision (April 2003) of the clubbing committee.

Thus, even after more than six years, against the stipulated period of 60 days, the Board failed to decide the case. The recoverable amount by the time of disconnection (October 2005) had accumulated to Rs. 47.73 lakh out of which Rs.18.25 lakh could have been avoided had the case been decided within six months. The recovery of outstanding amount is doubtful as connections of the consumers were disconnected permanently. Moreover, the purpose of constitution of DSC/DSA to have speedy decision, also got defeated in this case.

The Board while admitting the facts stated (May 2006) that show cause notices had been issued to the delinquent officers/officials. Further progress was awaited.

* Bimal Kumar, Romashwer Dass and Balkrishan.

The mater was referred to the Government in February 2006; reply had not been received (September 2006).

4.22 Avoidable expenditure

Non-finalisation of purchase proposal within the validity period resulted in avoidable expenditure of Rs. 42.22 lakh.

The Board invited (August 2003) tenders for the procurement of two 100 MVA[@], 220/ 132 KV[#] Auto Transformers, which were opened on 18 November 2003. The offers of all the four eligible firms were valid up to February 2004. The all-inclusive rate of Rs. 336.23 lakh (ex works price Rs. 270 lakh) of ABB was the lowest.

Audit noticed that the Board did not finalise the purchase proposal within the validity period (February 2004) and requested (thrice: January/ February, April & June 2004) all the bidders to extend the period of validity of their offers. The first and the fourth lowest firms (ABB and ALSTOM)[*] refused to extend the validity beyond 30 April 2004 whereas second and third lowest firms (TELK[$] and BHEL[^]) extended their offers up to 31 July 2004. The Purchase Proposal Committee recommended (11 June 2004) procurement of only one transformer from the second lowest firm (TELK) at all inclusive rate of Rs. 368.90 lakh. The Board, however, decided (29 June 2004) to constitute a Committee to negotiate with TELK to accept the rates quoted by the lowest firm (ABB) and also to fix responsibility for letting the validity of the offer of the lowest firm to expire thereby causing financial loss to the Board. TELK did not accept the counter offer and, as a result, the Negotiation Committee recommended purchase from TELK at its quoted rates. The Board, however, instead of accepting the recommendations of the Negotiation Committee authorised (16 August 2004) the Whole Time Members (WTMs) to negotiate with ABB both for the rate and the terms of extending the validity of offer. ABB in turn offered (23 August 2004) the unit fixed ex-works price of Rs. 287.50 lakh (exclusive of ED & CST) against its original offer of Rs. 270 lakh. The WTMs accepted the revised offers and placed purchase order on 7 October 2004. The firm supplied the same within the stipulated period.

Thus, non-finalisation of the purchase proposal within validity period of offer resulted in avoidable expenditure of Rs. 42.22[Δ] lakh to the Board.

The Board, while admitting (April 2006) the facts, stated that they had decided to deduct five *per cent* pension of one officer for one year. The reply is not tenable as by

---

@ Mega Volt Ampere.

\# Kilovolt.

* ABB Limited, ALSTOM Limited.

$ Transformers and Electricals Kerala Limited.

^ Bharat Heavy Electricals Limited.

Δ Rs. 287.50 lakh–270 lakh =Rs. 17.50 lakh x 2 No.= Rs. 35 lakh +Rs. 5.60 lakh (ED at 16 *per cent*)+Rs. 1.62 lakh (CST at 4 *per cent*).

taking action against a single official, the Board cannot absolve itself of its responsibility to devise a system to ensure that the purchase proposal was finalised within the validity period.

The matter was referred to the Government in November 2005; reply had not been received (September 2006).

4.23 Extra expenditure on purchase of GI Pins

Unjustified denial of the Board to accept bank guarantee for a long period forced the supplier to refuse the supply of material resulting in extra expenditure of Rs. 36.39 lakh in purchase of material subsequently at higher rates.

The Board placed (June 2004) a purchase order on Ashoka Galvanising Works (AGW), Kolkata for two lakh Galvanised Steel Pins (GI Pins) at FOR destination at the all inclusive fixed rate of Rs. 64.74 per piece. The supply was to be made as per the purchase order and an amount of Rs. 2.59 lakh equivalent to two *per cent* of total value of the purchase order (PO) was to be furnished by the supplier in the form of Bank Guarantee (BG) valid upto three months beyond the date of warranty period.

Audit noticed that AGW offered (17 July 2004) to furnish the requisite BG issued by Canara bank, but the Board refused (July 2004) to accept the BG issued by Canara bank due to un cooperative attitude of the Canara Bank in allowing encashment of BG in case of another PO. The issue remained unresolved up to March 2005, when the Board accepted the BG issued by the Canara bank and requested the firm to supply the material, but the firm refused (March 2005) to keep the offer alive for such a long period. The Board issued (March 2005) a notice to the firm for breach of contract as the delivery schedule was yet to expire on 30 June 2005. After negotiations (May 2005) the firm agreed (July 2005) to supply part quantity of material (*i.e.,* 50,000 GI Pins only) during the last quarter provided delivery period was extended up to November 2005. The Board, keeping in view mild punitive action of suspending business dealings with the firm available under the terms and conditions of PO, reduced (October 2005) the quantity of the PO to 50,000 GI pins and cancelled the order for the balance quantity. The balance quantity of 1,50,000 GI Pins not supplied by the firm was subsequently purchased by incurring additional expenditure of Rs. 36.39 lakh[#].

Audit noticed that the Board's refusal to accept the BG of a nationalised bank for a long period lacked justification. Besides, there was no condition in the tender document for furnishing the BG of a specific bank.

The Board stated (April 2006) that the decision of the Board not to accept the BG issued by Canara bank was a minor issue as all suppliers had supplied BGs issued by banks other than Canara bank of their own and so specific mention was not required to

---

[#] Rs. 89- Rs. 64.74= Rs. 24.26 x 1,50,000 = Rs. 36,39,000.

be made in the notice inviting tender. The reply is silent about why the Board did not accept the valid BG and incurred the loss.

The matter was referred to the Government in January 2006; reply had not been received (September 2006).

Punjab State Warehousing Corporation

4.24 Short accountal of storage gain

Non-accounting of 'storage gain' in wheat as per norms resulted in short accountal of stock valuing Rs. 59.17 lakh.

The Corporation procures wheat for the central pool on behalf of the Food Corporation of India (FCI) and stores the same till its delivery to FCI. During its storage, the wheat gains weight due to absorption of moisture for which FCI has to be compensated. Government of Punjab fixed (April 1999) the norms for such 'storage gain' in wheat as one *per cent* (for covered godowns) and 0.7 *per cent* (for open godowns) for the first year of storage. GOI approved (November 1999) the above 'storage gain' norms from Rabi marketing season 1999-2000 which was accepted by FCI and also adopted by the Corporation in December 1999.

Audit scrutiny revealed that whereas the officials of the Corporation had been accounting for less moisture gain than the norms approved (November 1999) by GOI, FCI made deductions on account of storage gain from the dues of the Corporation as per the norms. Although, these deductions on account of non delivery of moisture gain as per the norms amounted to pilferage by the officials yet the Corporation neither recovered the differential amount from the officials responsible nor took any action against them. Test check of record for 2004-05 revealed that the storage gain less delivered worked out to 9,392.37 quintals of wheat worth Rs. 59.17 lakh[#] for the recovery of which the Corporation had taken no action (June 2006).

The management stated (May 2006) that the Punjab and Haryana High Court had decided (July 1994) that action of the Corporation against the employees who failed to provide storage gain was unsustainable in law and leave petition of the Corporation against this decision was still pending in the court which had stayed (September 1994) recovery of storage gain. The reply is not tenable as there were further developments in the case and it was only on the directions (March 1998) of the Supreme Court, that the matter of storage gain was considered (August 1998 and December 1998) by the Council of Ministers and the norms of April 1999 fixed.

The matter was referred to Government in April 2006; reply had not been received

[#] Calculated at minimum support price of Rs. 630 per quintal.

(September 2006).

General

4.25 Follow-up action on Audit Reports

Explanatory Notes Outstanding

4.25.1 Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny, starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. Finance Department, Government of Punjab issued instructions (August 1992) to all Administrative Departments to submit detailed notes, duly vetted by Audit indicating the corrective / remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports, within three months of their presentation to the Legislature.

Though the Audit Reports for the years 1997-98, 1998-99, 2002-03, 2003-04 and 2004-05 were presented to the State Legislature in September 1999, September 2000, June 2004, March 2005 and March 2006, respectively, seven out of 12 departments which were commented upon in these Audit Reports did not submit detailed notes on 36 paragraphs/reviews out of 120 paragraphs/ reviews as on 30 September 2006, as indicated below:

Year of the Audit Report (Commercial)	Total no. of paragraphs/ reviews in Audit Report	Number of paragraphs/reviews for which detailed notes were not received.
1997-98	26	2
1998-99	26	1
2002-03	23	3
2003-04	22	10
2004-05	23	20
Total	**120**	**36**

Department-wise analysis is given in ***Annexure 12.*** The departments largely responsible for non-submission of detailed notes were Agriculture, Finance, Power, Industries and Food and Supplies. The Government did not respond to important reviews highlighting investment/ disinvestment, delay in taking action against defaulting millers/ loanees, lower recovery of timber from standing trees, delay in taking over defaulting units and performance of workshops.

Action Taken Notes on Reports of Committee on Public Undertakings (COPU)

4.25.2 As per rule 25 of the Internal Working Rules of COPU, Punjab Legislative Assembly, replies to the recommendations in the form of Action Taken Notes (ATNs) are to be submitted by the administrative department of the PSU within six months from the date of placement of the Report of COPU in the State Legislature. Replies to nine paragraphs pertaining to the 78^{th}, 81^{st} and 82^{nd} Reports of the COPU presented to the State Legislature had not been received (September 2006). These Reports contained 14 recommendations in respect of paragraphs pertaining to Power, Public distribution, Agriculture, Industries and Social Welfare departments which appeared in Audit Reports for 1997-98 to2002-03.

Action taken on persistent irregularities

4.25.3 With a view to assist and facilitate discussion of irregularities of persistent nature by the State COPU, an exercise had been carried out to verify the extent of corrective action taken by the concerned auditee organisations. The results are indicated in the ***Annexure 13*** and ***14.***

Government companies

Irregularities having financial implication of Rs.29.02 crore {Punjab Agro Industries Corporation Limited/Punjab Agro Foodgrains Corporation Limited (activities transferred to this company from October 2002)} including Rs.5.18 crore in respect of persistent irregularities already mentioned in Para 3.19.3 of the Audit Report (Commercial) 2003-04, and Rs. 29.95 crore (Punjab State Industrial Development Corporation Limited) were included in the Reports of the Comptroller and Auditor General of India for the years 2000-02 and 2003-05 (Commercial)-Government of Punjab. These irregularities had been persisting with the companies over periods ranging between two and five years. Scrutiny in Audit revealed that action taken by the companies/ State Government on the irregularities was inadequate as per details given in ***Annexure 13.***

Statutory corporations

Various irregularities having financial implication of Rs.184.12 crore (Punjab State Electricity Board) including Rs.178.93 crore in respect of persistent irregularities mentioned in Para 3.21.3 of Audit Report (Commercial) 2004-05 were included in the Reports of the Comptroller and Auditor General of India (Commercial)- Government of Punjab for the years 2001-05. The irregularities were persisting with the Board over periods ranging between two and four years. Scrutiny in Audit revealed that action taken by the Board/ State Government on the irregularities was inadequate as per the details given in ***Annexure 14.***

The matter was referred (April 2006) to Government/ management; their replies had not been received (September 2006).

Response to Inspection Reports, Draft Paras and Reviews

4.25.4 Audit observations noticed during audit and not settled on the spot are communicated to the heads of the concerned PSUs and departments of the State Government through Inspection Reports. The heads of PSUs are required to give replies to the Inspection Reports through the respective heads of departments within a period of six weeks. Review of Inspection Reports issued up to March 2006 revealed that 3,865 paragraphs relating to 1,288 Inspection Reports pertaining to 33 PSUs were outstanding at the end of 30 September 2006. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2006 is given in ***Annexure 15.***

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Audit, however, observed that 23 draft paragraphs and two draft reviews forwarded to various departments during October 2005 to May 2006 as detailed in ***Annexure 16*** had not been replied to (September 2006).

It is recommended that the Government may ensure that: (a) procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/reviews and ATNs to recommendations of COPU, as per the prescribed time schedule; (b) action to recover loss/outstanding advances/ overpayments is taken within the prescribed period and (c) the system of responding to audit observations is revamped.

CHANDIGARH
The 18 DEC 2006

(R.P. Singh)
Principal Accountant General (Audit), Punjab

Countersigned

NEW DELHI
The 20 DEC 2006

(Vijayendra N.Kaul)
Comptroller and Auditor General of India

Annexure-1

Statement showing particulars of up-to-date paid-up capital, equity/loans received out of budget, other loans received and loans outstanding as on 31 March 2006 in respect of Government companies and Statutory corporations

(Referred to in paragraphs 1.1,1.3, 1.4, 1.5 and 1.18)

(Figures in column 3(a) to 4(f) are rupees in lakh)

Sl. No.	Sector and name of the Company	Paid-up capital as at the end of the current year					Equity/ loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2005-06			Debt equity ratio for 2005-06 (Previous year) 4(f) /3(e)
		State Government	Central Government	Holding companies	Others	Total	Equity	Loans		Government	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A.	**Working Government companies**												
	Agriculture and Allied												
1	Punjab Agro Industries Corporation Limited	4,546.36	124.50	-	250.00	4,920.86	-	-	-	600.00[Ǝ]	600.00	1,200.00	0.24:1 (0.33:1)
2	Punjab State Tubewell Corporation Limited	18,255.36[♠] (5,755.36)	-	-	-	18,255.36 (5,755.36)	2,011.79	-	-	25,329.52[#]	-	25,329.52	1.39:1 (1.57:1)
3	Punjab State Seeds Corporation Limited	450.99[♦] (0.07)	-	-	101.97	552.96 (0.07)	-	-		-	700.00	700.00	1.27:1 (1.27:1)
4	Punjab State Container and Warehousing Corporation Limited	2,500.00	-	-	-	2,500.00	-	-	-	-	1,458.86	1,458.86	0.58:1 (1.07:1)
5	Punjab Agro Foodgrains Corporation Limited	-	-	500.00	-	500.00	-	-	-	-			-
	Sectorwise Total	**25,752.71 (5,755.43)**	**124.50**	**500.00**	**351.97**	**26,729.18 (5,755.43)**	**2,011.79**	**-**	**-**	**25,929.52**	**2,758.86**	**28,688.38**	**1.07:1 (1.23:1)**
	Public Distribution												
6	Punjab State Civil Supplies Corporation Limited	373.00	-	-	-	373.00	-	-	-	-[Ψ]	-	-	- (8.63:1)
7	Punjab State Grains Procurement Corporation Limited	105.00	-	-	-	105.00	-	-	-	-	-	-	-
	Sectorwise Total	**478.00**	**-**	**-**	**-**	**478.00**	**-**	**-**	**-**	**-**	**-**	**-**	**- (6.74:1)**

Ǝ Figure as per Finance Accounts (2005-06) is Rs. 1,264.67 lakh. Difference of Rs. 664.67 lakh is under reconciliation.

♠ Figure as per Finance Accounts (2005-06) is Rs. 15,687.12 lakh. Difference of Rs. 2,568.24 lakh is under reconciliation.

\# Figure as per Finance Accounts (2005-06) is Rs. 51,531.53 lakh. Difference of Rs. 26,202.01 lakh is under reconciliation.

♦ Figure as per Finance Accounts (2005-06) is Rs. 370.00 lakh. Difference of Rs. 80.99 is explained in Finance accounts (2005-06).

Ψ Figure as per Finance Accounts (2005-06) is Rs. 4,074.16 lakh. Difference of Rs. 4,074.16 lakh is under reconciliation.

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	Industries												
8	Punjab Small Industries and Export Corporation Limited	2,985.82* (1,000.00)	2,015.00 (2,000.00)	-	-	5,000.82 (3,000.00)	1,000.00	-	-	-	137.50	137.50	0.03:1 (0.12:1)
9	Punjab State Industrial Development Corporation Limited	7,821.50	-	-	-	7,821.50	-	-	18,428.00	-	55,949.00	55,949.00	7.15:1 (6.74:1)
10	Punjab Recorders Limited	-	-	71.00	-	71.00	-	-	-	-	79.31	79.31	1.12:1 (1.12:1)
	Sectorwise Total	**10,807.32 (1,000.00)**	**2,015.00 (2,000.00)**	**71.00**	**-**	**12,893.32 (3,000.00)**	**1,000.00**	**-**	**18,428.00**	**-**	**56,165.81**	**56,165.81**	**4.36:1 (4.48:1)**
	Engineering												
11	Punjab Genco Limited	1,954.05	-	-	-	1,954.05	-	-	-	-	-	-	-
	Sectorwise Total	**1,954.05**	**-**	**-**		**1,954.05**	**-**	**-**		**-**	**-**	**-**	**-**
	Electronics												
12	Punjab Information & Communication Technology Corporation Limited	1,922.68	-	-	-	1,922.68	-	-	-	-	-	-	-
13	Consumer Electronics (Punjab) Limited	-	-	21.24	-	21.24	-	-	-	-	-	-	-
14	Electronic Systems Punjab Limited	-	-	299.57	-	299.57	-	-	-	-	609.57	609.57	2.03:1 (2.10:1)
15	Punjab Communications Limited	-	-	856.38	348.42	1,204.80	-	-	-	-	-	-	-
	Sectorwise Total	**1,922.68**	**-**	**1,177.19**	**348.42**	**3,448.29**	**-**	**-**	**-**	**-**	**609.57**	**609.57**	**0.18:1 (0.19:1)**
	Forest												
16	Punjab State Forest Development Corporation Limited	25.00	-	-	-	25.00	-	-	-	-	-	-	-
	Sectorwise Total	**25.00**	**-**	**-**	**-**	**25.00**		**-**	**-**	**-**	**-**	**-**	**-**
	Tourism												
17	Punjab Tourism Development Corporation Limited	666.11•	-	-	-	666.11	-	-	-	88.16[B]	-	88.16	0.13:1 (0.13:1)
18	Amritsar Hotel Limited	2.00	-	-	-	2.00	-	-	-	-	-	-	-
19	Gulmohar Tourist Complex (Holiday Home) Limited	2.00	-	-	-	2.00	-	-	-	-	-	-	-

* Figure as per Finance Accounts (2005-06) is Rs. 952.48 lakh. Difference of Rs. 2,033.34 lakh is under reconciliation.

• Figure as per Finance Accounts (2005-06) is Rs. 397.37 lakh. Difference of Rs. 268.74 lakh is explained in Finance Accounts.

B Figure as per Finance Accounts (2005-06) is nil. Difference of Rs. 88.16 lakh is under reconciliation.

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
20	Neem Chameli Tourist Complex Limited	2.00	-	-	-	2.00	-	-	-	-	-	-	-
	Sectorwise Total	**672.11**	-	-	-	**672.11**	-	-	-	**88.16**	-	**88.16**	**0.13:1 (0.13:1)**
	Construction												
21	Punjab Police Housing Corporation Limited	5.00♦	-	-	-	5.00	-	-	-	-	975.10	975.10	195.02:1 (305.72:1)
	Sectorwise Total	**5.00**			-	**5.00**	-	-	-	-	**975.10**	**975.10**	**195.02:1 (305.72:1)**
	Transport												
22	Punjab State Bus Stand Management Company Limited	615.00	-	-	-	615.00	-	-	4,360.38	-	4,980.59	4,980.59	8.10:1 (2.93:1)
	Sectorwise Total	**615.00**		-	-	**615.00**	-	-	**4,360.38**	-	**4,980.59**	**4,980.59**	**8.10:1 (2.93:1)**
	Total A	**42,231.87 (6,755.43)**	**2,139.50 (2,000.00)**	**1,748.19**	**700.39**	**46,819.95 (8,755.43)**	**3,011.79**	-	**22,788.38**	**26,017.68**	**65,489.93**	**91,507.61**	**1.95:1 (2.08:1)**
B	**Working Statutory corporations**												
	Power												
1	Punjab State Electricity Board	2,94,611.00	-	-	-	2,94,611.00	14,000.00	-	1,16,824.24	3,71,225.61®	4,26,958.01	7,98,183.62	2.71:1 (3.27:1)
	Transport												
2	PEPSU Road Transport Corporation	8,682.16	2,435.55	-	-	11,117.71	-	-	1,162.00	4,629.00	1,964.00	6,593.00	0.59:1 (0.53:1)
	Social Welfare												
3	Punjab Scheduled Castes Land Development and Finance Corporation	2,232.24#	2,013.30	-	-	4,245.54	-	-	181.22	-	343.95	343.95	0.08:1 (0.06:1)
	Finance												
4	Punjab Financial Corporation	2,931.29	-	-	1,107.85	4,039.14	-	-	5,186.00	984.00θ	30,448.00	31,432.00	7.78:1 (8.55:1)
	Agriculture												
5	Punjab State Warehousing Corporation	400.00	400.00	-	-	800.00	-	-	5,637.00	-	8,957.05	8,957.05	11.20:1 (5.91:1)
	Total B	**3,08,856.69**	**4,848.85**	-	**1,107.85**	**3,14,813.39**	**14,000.00**	-	**1,28,990.46**	**3,76,838.61**	**4,68,671.01**	**8,45,509.62**	**2.69:1 (3.20:1)**
	Grand Total (A+B)	**3,51,088.56 (6,755.43)**	**6,988.35 (2,000.00)**	**1,748.19**	**1,808.24**	**3,61,633.34 (8,755.43)**	**17,011.79**	-	**1,51,778.84**	**4,02,856.29**	**5,34,160.94**	**9,37,017.23**	**2.59:1 (3.06:1)**

♦ Figure as per Finance Accounts (2005-06) is nil. Difference of Rs 5.00 lakh is under reconciliation.

® Figure as per Finance Accounts (2005-06) is Rs. 4,37,080.29 lakh. Difference of Rs. 65,854.68 lakh is under reconciliation.

Figure as per Finance Accounts (2005-06) is Rs. 3,504.59 lakh. Difference of Rs. 1,272.35 lakh is explained in Finance Accounts.

θ Figure as per Finance Accounts (2005-06) is Rs.1,489.34 lakh. Difference of Rs. 505.34 lakh is under reconciliation.

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
C	**Non working Government companies**												
	Agriculture & Allied												
1	Punjab Land Development and Reclamation Corporation Limited	145.00	-	-	-	145.00	-	-	-	352.50[β]	50.00	402.50	2.78:1 (2.78:1)
2	Punjab Micro Nutrients Limited	-	-	25.00	-	25.00	-	-	-	35.58	-	35.58	1.42:1 (1.42:1)
3	Punjab Poultry Development Corporation Limited	309.09[Σ]	-	-	-	309.09	-	-	-	-[φ]	-	-	-
4	Punjab Agro Power Corporation Limited	-	-	5.00	-	5.00	-	-	-	-	-	-	-
5	Punjab Agro Juices Limited	2,000.00 (1,154.99)	-	-	-	2,000.00 (1,154.99)	-	-	-	-	-	-	-
	Sectorwise Total	**2,454.09 (1,154.99)**	**-**	**30.00**	**-**	**2,484.09 (1,154.99)**	**-**	**-**	**-**	**388.08**	**50.00**	**438.08**	**0.18:1 (0.91:1)**
	Industries												
6	Punjab Footwears Limited	-	-	14.66	-	14.66	-	-	-	4.00	-	4.00	0.27:1 (0.27:1)
7	Punjab Tanneries Limited	-	-	52.00	-	52.00	-	-	-	128.00	-	128.00	2.46:1 (2.46:1)
8	Punjab Tyres Limited	-	-	5.50	-	5.50	-	-	-	-	-	-	-
9	Punjab State Leather Development Corporation Limited	341.90	-	-	-	341.90	-	-	-	-	-	-	-
	Sectorwise Total	**341.90**	**-**	**72.16**	**-**	**414.06**	**-**	**-**	**-**	**132.00**	**-**	**132.00**	**0.32:1 (0.32:1)**
	Engineering												
10	Punjab Power Products Limited	-	-	18.50	12.14	30.64	-	-	-	-	66.34	66.34	2.17:1 (2.17:1)
11	Punjab Power Packs Limited	-	-	154.97	-	154.97	-	-	-	65.18	739.21	804.39	5.19:1 (5.19:1)
	Sectorwise Total	**-**	**-**	**173.47**	**12.14**	**185.61**	**-**	**-**	**-**	**65.18**	**805.55**	**870.73**	**4.69:1 (4.69:1)**
	Electronics												
12	Punjab Bio-Medical Equipments Limited	-	-	43.44	-	43.44	-	-	-	-	41.07	41.07	0.95:1 (0.95:1)
13	Punjab Electro Optics Systems Limited	-	-	11.74	-	11.74	-	-	-	-	86.72	86.72	7.39:1 (7.39:1)

[β] Figure as per Finance Accounts(2005-06) is Rs. 12.96 lakh. Difference of 339.54 lakh is explained in Finance Accounts.
[Σ] Figure as per Finance Accounts(2005-06) is Rs.275.00 lakh. Difference of Rs. 34.09 lakh is explained in Finance Accounts.
[φ] Figure as per Finance Accounts(2005-06) is Rs.24.86 lakh. Difference of Rs. Rs. 24.86 lakh is under reconciliation.

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
14	Intermagnetic India Limited	-	-	4.40	16.00 (16.00)	20.40 (16.00)	-	-	-	-	-	-	-
15	Zimag India Limited	-	-	2.46	3.17 (3.17)	5.63 (3.17)	-	-	-	-	-	-	-
16	PCL Telecom Limited	-	-	19.63	-	19.63	-	-	-	-	-	-	-
17	Punjab Digital Industrial Systems Limited	-	-	24.66	-	3(c)	-	-	-	-	26.44	3(c)	1.07:1 (1.07:1)
	Sectorwise Total	-	-	**106.33**	**19.1 (19.1)**	**125.50 (19.17)**	-	-	-	-	**154.23**	**154.23**	**1.23:1 (1.27:1)**
	Textiles												
18	Punjab State Hosiery and Knitwear Development Corporation Limited	390.70	-	-	-	390.70	-	-	-	1.09[•]	-	1.09	0.003:1 (0.003:1)
19	Sutlej Shoddy Spinners Limited	-	-	2.00 (2.00)	-	2.00 (2.00)	-	-	-	-	-	-	-
	Sectorwise Total	**390 70**	-	**2.00 (2.00)**	-	**392.70 (2.00)**	-	-	-	**1.09**	-	**1.09**	**0.003:1 (0.003:1)**
	Handloom & Handicrafts												
20	Punjab State Handloom and Textile Development Corporation Limited	363.00 (120.00)	-	-	-	363.00 (120.00)	-	-	-	233.51[Σ]	-	233.51	0.64:1 (0.64:1)
	Sectorwise Total	**363.00 (120.00)**	-	-	-	**363.00 (120.00)**	-	-	-	**233.51**	-	**233.51**	**0.64:1 (0.64:1)**
	Tourism												
21	Sukhchain Tourist Complex Limited	100	-	-	-	100	-	-	-	-	-	-	-
22	Pathankot Tourist Complex Limited	100	-	-	-	100	-	-	-	-	-	-	-
23	Faridkot Tourist Complex Limited	100	-	-	-	100	-	-	-	-	-	-	-
24	Kapurthala Tourist Complex Limited	100	-	-	-	100	-	-	-	-	-	-	-
25	Pinkcassia Tourist Complex Limited	100	-	-	-	100	-	-	-	-	-	-	-
26	Aam Khas Bagh Tourist Complex Limited	100	-	-	-	100	-	-	-	-	-	-	-
27	Surajmukhi Tourist Complex Limited	100	-	-	-	100	-	-	-	-	-	-	-
28	Sanghol Tourist Complex Limited	100	-	-	-	100	-	-	-	-	-	-	-
	Sectorwise Total	**800**	-	-	-	**800**	-	-	-	-	-	-	-

• Figure as per Finance Accounts (2005-06) is nil. Difference of Rs. 1.09 lakh is under reconciliation.

Σ Figure as per Finance Accounts (2005-06) is nil. Difference of Rs. 233.51 lakh is under reconciliation.

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	Miscellaneous												
29	Punjab Film and News Corporation Limited	151.34	-	-	-	151.34	-	-	-	-	-	-	-
30	Punjab Export Corporation Limited	9.40[⊔]	-	-	0.60	10.00	-	-	-	51.91[Φ]	-	51.91	5.19:1 (5.19:1)
	Sector wise Total	**160.74**	-	-	**0.60**	**161.34**	-	-	-	**51.91**	-	**51.91**	**0.32:1 (0.32:1)**
	Total C	**3,718.43 (1,274.99)**	-	**383.96 (2.00)**	**31.91 (19.17)**	**4,134.30 (1,296.16)**	-	-	-	**871.77**	**1,009.78**	**1,881.55**	**0.46:1 (0.88:1)**
	Grand Total (A+B+C)	**3,54,806.99 (8,030.42)**	**6,988.35 (2,000.00)**	**2,132.15 (2.00)**	**1,840.15 (19.17)**	**3,65,767.64 (10,051.59)**	**17,011.79**	-	**1,51,778.84**	**4,03,728.06**	**5,35,170.72**	**9,38,898.78**	**2.57:1 (3.05:1)**

Note: (i) Except in respect of companies and corporations which finalised their accounts for 2005-06 (Serial No. A-4, 6,15,21,B-4, 5 & C-17) figures are provisional and as given by the companies and corporations.

(ii) Loans outstanding at the close of 2005-06 represent long term loans only.

(iii) Other loans received during the year include bonds, debentures, inter corporate deposits etc.

(iv) Companies at Serial No. A-5,10,13,14,15, C-2,4,6,7,8,10,11,12,13,14,15,16, 17 and 19 are subsidiaries.

(v) Figures in bracket in columns 3(a) to 3(e) represent share application money, included in paid-up capital.

(vi) Since companies at Sl. Nos. C-1,2,6,7,10,11,12,13,16,19,21 to 28 and 30 are with official liquidator/under closure, previous years figures have been taken.

(vii) Companies at Sl. Nos. C-8,15,19, 21 to 28 have been issued notice under Section 560 (3) of the Companies Act, 1956 and are likely to be dissolved.

(viii) Companies at Sl. Nos. A-7, 11, 18,19, 20, C-2, 5, 6,7,11, 21,22,23,24,25,26,27 and 28 are not appearing in Statement No. 14 and 18 of Finance Accounts (2005-06).

[⊔] Figure as per Finance Accounts (2005-06) is Rs. 19.40 lakh. Difference of Rs. 10.00 lakh is explained in Finance Accounts.

[Φ] Figure as per Finance Accounts (2005-06) is Rs. 6.00 lakh. Difference of Rs. 45.91 lakh is under reconciliation.

Annexure 2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Referred to in paragraphs 1.6,1.7,1.8, 1.9,1.11,1.14, 1.20,1.21, 1.23, 1.36 and 1.37)

(Figures in columns 7 to 12 and 15 are rupees in lakh)

Sl. No.	Sector and name of Company	Name of Department	Date of incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+) /Loss (-)	Net impact of audit comments	Paid-up capital	Accumulated Profit (+)/ loss(-)	Capital employed (A)	Total return on capital employed (D)	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover	Number of employees as on 31-03-2006
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
A	**Working Government companies**														
Agriculture and Allied															
1	Punjab Agro Industries Corporation Limited	Agriculture	11 February 1966	2004-05	2005-06	297.40	50.73	4,920.86	(-)695.94	2,323.77	411.71	17.72	1	-	735
2	Punjab State Tubewell Corporation Limited	Irrigation	26 December 1970	2001-02	2005-06	(-) 149.28	Nil	13,767.20	(-)5,240.09	36,752.71	(-) 147.77	-	4	Nil	2,696
3	Punjab State Seeds Corporation Limited	Agriculture	27 March 1976	2003-04	2004-05	130.81	Nil	552.97	(-)465.44	1,061.02	141.33	13.32	2	1,357.24	72
4	Punjab State Container and Warehousing Corporation Limited	Agriculture	26 April 1995	2005-06	2006-07	368.72	Nil	2,500.00	(-) 97.71	7,558.41	804.41	10.64	-	2,661.43	67
5	Punjab Agro Food Grains Corporation Limited	Agriculture	8 July 2002	2003-04	2005-06	89.85	2,454.00	500.00	116.03	1,36,113.02	541.30	0.40	2	2,40,365.15	Nil
	Sector wise Total					**737.50**	**2,504.73**	**22,241.03**	**(-)6,383.15**	**1,83,808.93**	**1,750.98**	**0.95**		**2,44,383.82**	**3,570**
Public Distribution															
6	Punjab State Civil Supplies Corporation Limited	Food and Supplies	14 February 1974	2005-06	2006-07	1,336.28	1,161.00	373.00	(-)42,935.32	99,942.63	18,878.55	18.89	-	3,52,194.31	2,495

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
7	Punjab State Grains Procurement Corporation Limited	Food and Supplies	10 March 2003	First Accounts Not received (B)									3		-
	Sector wise Total					**1,336.28**	**1,161.00**	**373.00**	**(-)42,935.32**	**99,942.63**	**18,878.55**	**18.89**		**3,52,194.31**	**2,495**
	Industries														
8	Punjab Small Industries and Export Corporation Limited	Industries	17 March 1962	2003-04	2005-06	118.35	Nil	5,000.82	2,623.76	9,762.99	118.35	1.21	2	14,976.52	642
9	Punjab State Industrial Development Corporation Limited	-do-	31 January 1966	2003-04	2006-07	5,386.63	Under finalisation	7,821.50	(-)26,467.68	2,594.22	10,735.33	413.82	2	15,100.24	104
10	Punjab Recorders Limited	-do-	4 January 1977	2002-03	2004-05	(-) 138.71	Nil	71.00	(-) 487.81	75.27	(-)127.99	-	3	33.22	15
	Sector wise Total					**5,366.27**	**-**	**12,893.32**	**(-)24,331.73**	**12,432.48**	**10,725.69**	**86.27**		**30,109.98**	**761**
	Engineering														
11	Punjab Genco Limited	-do-	5 March 1998	2004-05	2005-06	414.45	88.77	1,954.05	1,983.66	7,711.77	617.12	8.00	1	1,047.13	18
	Sector wise Total					**414.45**	**88.77**	**1,954.05**	**1,983.66**	**7,711.77**	**617.12**	**8.00**		**1,047.13**	**18**
	Electronics														
12	Punjab Information & Communication Technology Corporation Limited	-do-	27 March 1976	2004-05	2005-06	1,410.40	787.39	1,922.68	1,554.57	1,126.63	1,473.18	130.76	1	155.51	41
13	Consumer Electronics (Punjab) Limited	-do-	12 January 1978	2004-05	2005-06	C	Nil	21.24	Nil	75.21	Nil	-	1	-	5
14	Electronic Systems Punjab Limited	-do-	22 September 1980	2003-04	2004-05	(-)2,520.19	Nil	299.57	(-)11,322.40	(-)370.30	(-)887.25	-	2	704.23	10
15	Punjab Communications Limited	-do-	21 July 1981	2005-06	2006-07	(-)641.60	Nil	1,204.80	2,926.57	10,682.81	(-)633.06	-	-	6,132.89	359
	Sector wise Total					**(-) 1,751.39**	**787.39**	**3,448.29**	**(-) 6,841.26**	**11,514.35**	**(-) 47.13**	**-**	**-**	**6,992.63**	**415**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Forest														
16	Punjab State Forest Development Corporation Limited	Forest	23 May 1983	2001-02	2006-07	196.06	Nil	25.00	1,066.32	1,091.89	201.76	18.48	4	3,643.31	324
	Sector wise Total					**196.06**	-	**25.00**	**1,066.32**	**1,091.89**	**201.76**	**18.48**		**3,643.31**	**324**
	Tourism														
17	Punjab Tourism Development Corporation Limited	Tourism	26 March 1979	2003-04	2005-06	(-)103.72	Nil	666.11	(-)1,187.64	(-)543.55	(-)103.42	-	2	2,066.62	236
18	Amritsar Hotel Limited	Tourism	9 July 2003	2003-04	2005-06	(-)40.27	Not selected	1.00	(-)40.27	(-)15.32	(-)40.27	-	2	72.96	8
19	Gulmohar Tourist Complex (Holiday Home) Limited	Tourism	9 July 2003	2003-04	2005-06	(-)28.34	Not selected	1.00	(-)38.07	165.29	(-)28.34	-	2	3.28	5
20	Neem Chameli Tourist Complex Limited	Tourism	9 July 2003	2003-04	2005-06	(-)1.38	Not selected	1.00	(-)1.38	2.76	(-)1.38	-	2	1.43	Nil
	Sector wise Total					**(-) 173.71**	-	**669.11**	**(-)1,267.36**	**(-)390.82**	**(-)173.41**	-		**2,144.29**	**249**
	Construction														
21	Punjab Police Housing Corporation Limited	Home	30 March 1989	2005-06	2006-07	C	Under finalisation	5.00	Nil	980.10	Nil	-	-	-	164
	Sector wise Total							**5.00**	-	**980.10**		-	-	-	**164**
	Transport														
22	Punjab State Bus Stand Management Company Limited	Transport	7 March 1995	2001-02	2006-07	324.21	Not selected	615.00	(-)691.61	3,787.97	491.13	12.97	4	877.65	Nil
	Sector wise Total					**324.21**		**615.00**	**(-) 691.61**	**3,787.97**	**491.13**	**12.97**		**877.65**	**Nil**
	Total A	**Government companies**				**6,449.67**	**4,541.89**	**42,223.80**	**(-)79,400.45**	**3,20,879.30**	**32,444.69**	**10.11**	-	**6,41,393.12**	**7,996**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
B	**Working Statutory corporations**														
	Power														
1	Punjab State Electricity Board	Power	May 1967	2004-05	2005-06	(-)3,83,358.06[@]	1,551.00	2,80,611.00	(-)4,36,703.47	11,77,189.37	(-)2,84,074.13	-	1	6,06,250.91	76,853
	Transport														
2	PEPSU Road Transport Corporation	Transport	7 January 1956	2004-05	2005-06	(-) 1,150.19	7.36	11,117.71	(-)30,621.00	(-)13,577.32	(-)475.05	-	1	18,139.55	5,002
	Social Welfare														
3	Punjab Scheduled Castes Land Development and Finance Corporation	Social Welfare	January 1971	2004-05	2006-07	(-) 22.89	Under finalisation	4,245.54	1,777.12	6,691.60	(-)11.70	-	1	435.87	274
	Finance														
4	Punjab Financial Corporation	Industries	February 1953	2005-06	2006-07	(-) 669.10	Under finalisation	4,039.14	(-)24,604.50	37,179.20	1,254.68	3.37	-	2,130.28	288
	Agriculture														
5	Punjab State Warehousing Corporation	Agriculture	November 1967	2005-06	2006-07	(-) 4,649.03	Nil	800.00	(-)8,488.96	82,385.89	(-)3,755.18	-	-	2,07,843.96	1,756
	Total B	**Statutory corporations**				**(-) 3,89,849.27**	**1,558.36**	**3,00,813.39**	**(-)4,98,640.81**	**12,89,868.74**	**(-)2,87,061.38**	**-**	**-**	**8,34,800.57**	**84,173**
	Grand Total (A+B)					**(-)3,83,399.60**	**6,100.25**	**3,43,037.19**	**(-)5,78,041.26**	**16,10,748.04**	**(-)2,54,616.69**	**-**		**14,76,193.69**	**92,169**
C	**Non- working Government companies**														
	Agriculture and Allied														
1	Punjab Land Development and Reclamation Corporation Limited	Agriculture	22 March 1965	1994-95	2000-01	106.99	48.49	145.00	65.37	556.16	146.97	26.43	11	985.46	Nil
2	Punjab Micro Nutrients Limited	Agriculture	1 February 1983	1991-92	1994-95	(-) 11.62	Not selected	25.00	(-)60.85	13.45	(-)7.05	-	Under liquidation[#]	4.76	Nil
3	Punjab Poultry Development Corporation Limited	Animal Husbandry	15 September 1964	2003-04	2005-06	(-) 42.27	Not selected	309.09	(-)632.08	(-)112.66	(-)42.27	-	2	12.96	Nil

[@] Keeping in view the sanction of the Government of Punjab, Rural Electrification (RE) subsidy is to be restricted to interest on Government loan. As such, the excess RE subsidy over and above the interest on Government loan for the period 1.4.98 to 31.03.2002 i.e., Rs. 3,242.00 crore is written off during the year 2004-05 as approved by the Board.

[#] Since 1994.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
4	Punjab Agro Power Corporation Limited	Agriculture	8 July 2005	B				5.00					1		
5	Punjab Agro Juices Limited	-do-	1 February 2006	First account not due.				2,000.00							1
	Sector wise Total					**53.10**	**48.49**	**2,484.09**	**(-) 627.56**	**456.95**	**97.65**	**21.37**		**1,003.18**	**1**
	Industries														
6	Punjab Footwears Limited	Industries	15 July 1969	1990-91	1995-96	(-) 9.59	Nil	14.66	(-) 83.13	(-) 39.47	(-) 4.71	-	15	17.97	Nil
7	Punjab Tanneries Limited	-do-	29 October 1969	1991-92	1993-94	(-) 93.20	Nil	52.00	(-) 498.39	33.39	(-) 9.52	-	14	7.70	Nil
8	Punjab Tyres Limited	-do-	11 July1974	B									F	Nil	Nil
9	Punjab State Leather Development Corporation Limited	-do-	23 February 1981	1999-2000	2006-07	(-) 30.77	Under finalisation	341.90	(-) 749.52	33.37	(-) 30.77	-	6	Nil	2
	Sector wise Total					**(-) 133.56**	**-**	**408.56**	**(-) 1,331.04**	**27.29**	**(-) 45.00**	**-**	**-**	**25.67**	**2**
	Engineering														
10	Punjab Power Products Limited	Industries	13 March 1979	1982-83	1983-84	(-) 11.77	Nil	25.64	(-) 26.64	105.00	(-) 5.81	-	Under liquidation since 1993	Not available	Nil-
11	Punjab Power Packs Limited	-do-	28 September 1981	1997-98	1999-2000	(-) 111.77	0.32	154.97	(-) 553.47	362.83	(-) 103.43	-	Under liquidation since 2001	197.35	Nil
	Sector wise Total					**(-) 123.54**	**0.32**	**180.61**	**(-) 580.11**	**467.83**	**(-) 109.24**			**197.35**	**-**
	Electronics														
12	Punjab Bio Medical Equipments Limited	-do-	4 January 1977	1996-97	2001-02	(-) 3.40	Not selected	43.44	(-) 111.90	19.30	(-) 3.40	-	Under liquidation since 2001	-	Nil
13	Punjab Electro Optics Systems Limited	-do-	12 January1978	1996-97	1997-98	(-) 0.58	Nil	11.74	(-) 127.92	(-) 70.48	(-) 0.58	-	Under liquidation since 2001	-	Nil
14	Intermagnetic India Limited	-do-	6 June 1991	1997-98	2004-05	E	Nil	21.40	-	26.32	-	-	8	E	1
15	Zimag India Limited	-do-	20 August 1991	1999-2000	2000-2001	E	Not selected	5.63	-	5.14	-	-	F	E	Nil
16	PCL Telecom Limited	-do-	6 April 1993	2004-05	2005-06	(-) 0.06	Not selected	19.63	(-) 58.65	(-) 39.02	(-)0.06	-	Under liquidation since 2005	-	Nil

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
17	Punjab Digital Industrial Systems Limited	Industries	4 January 1977	2005-06	2006-07	(-)23.68	Nil	24.66	(-) 6.73	(-) 47.79	(-) 23.67	-	-	Nil	5
	Sector wise Total					**(-)27.72**	**Nil**	**126.50**	**(-) 305.20**	**(-) 106.53**	**(-) 27.71**	**-**	-	**-**	**6**
	Textiles														
18	Punjab State Hosiery and Knitwear Development Corporation Limited	Industries	21 February 1977	2004-05	2005-06	(-) 14.49	70.62	390.70	(-) 1,677.27	86.78	(-) 12.93	-	1	Nil	Nil
19	Sutlej Shoddy Spinners Limited	-do-	20 November 1982	1983-84	1994-95	Nil	Not selected	2.00	-	-	-	-	F	Nil	Nil
	Sector wise Total					**(-) 14.49**	**70.62**	**392.70**	**(-) 1,677.27**	**86.78**	**(-) 12.93**	**-**	**-**	**Nil**	**Nil**
	Handloom and Handicraft														
20	Punjab State Handloom and Textiles Development Corporation Limited	Industries	27 March 1976	2004-05	2005-06	(-) 11.74	Not selected	363.00	(-) 896.63	(-) 11.15	(-) 11.74	-	1	Nil	2
	Sector wise Total					**(-) 11.74**	**-**	**363.00**	**(-) 896.63**	**(-) 11.15**	**(-) 11.74**	**-**	**1**	**-**	**2**
	Tourism														
21	Sukhchain Tourist Complex Limited.	Tourism	28 November 2003	B				1.00	-	1.00	-	-	F	-	-
22	Pathankot Tourist Complex Limited	Tourism	28 November 2003	B				1.00	-	1.00	-	-	F	-	-
23	Faridkot Tourist Complex Limited	Tourism	28 November 2003	B				1.00	-	1.00	-	-	F	-	-
24	Kapurthala Tourist Complex Limited	Tourism	28 November 2003	B				1.00	-	1.00	-	-	F	-	-
25	Pinkcassia Tourist Complex Limited	Tourism	28 November 2003	B				1.00	-	1.00	-	-	F	-	-
26	Aam Khas Bagh Tourist Complex Limited	Tourism	28 November 2003	B				1.00	-	1.00	-	-	F	-	-
27	Surajmukhi Tourist Complex Limited	Tourism	28 November 2003	B				1.00	-	1.00	-	-	F	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
28	Sanghol Tourist Complex Limited	Tourism	28 November 2003	B				1.00	-	1.00	-	-	F	-	-
	Sector wise Total							**8.00**		**8.00**					
	Miscellaneous														
29	Punjab Film and News Corporation Limited	Cultural Affairs	26 June 1973	1997-98	2005-06	(-) 1.24	Not selected	151.34	(-) 201.45	(-) 25.78	(-) 1.24	-	8	Nil	1
30	Punjab Export Corporation Limited	Industries	17 June 1963	1977-78	1979-80	(-) 9.17	Nil	10.00	(-) 27.21	7.44	(-) 6.36	-	Under liquidation since 1983	-	Nil
	Sector wise Total					**(-) 10.41**	**-**	**161.34**	**(-) 228.66**	**(-) 18.34**	**(-) 7.60**				**1**
	Total C					**(-) 268.36**	**119.43**	**4,124.80**	**(-) 5,646.47**	**910.83**	**(-) 116.57**	**-**	**-**	**1,226.20**	**12**
	Grand Total (A+B+C)					**(-)3,83,667.96**	**6,219.68**	**3,47,161.99**	**(-) 5,83,687.73**	**16,11,658.87**	**(-) 2,54,733.26**	**-**	**-**	**14,77,419.89**	**92,181**

Note:- Companies at Serial No. A-5,10,13,14,15, C-2,4, 6,7, 8,10,11,12,13,14,15,16,17 and 19 are subsidiaries 2,10,11,12,13,16 and 30 are under liquidation.
Sl. Nos. C 1,6,7,8,9,17,18,19,20 and 29 are under closure. Sl. Nos. C 4,5 and 14 are under construction.

(A) Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in case of finance companies/corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

(B) Companies have not finalised their first accounts.

(C) Excess of expenditure over income capitalised and no profit and loss account prepared.

(D) 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.

(E) Company has not started commercial activity. Entire expenditure treated as deferred revenue expenditure.

(F) Notice under Section 560(3) of the Companies Act,1956 has been issued by the Registrar of Companies.

Annexure 3

Statement showing grants /subsidy received/receivable, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and guarantees outstanding at the end of March 2006.

(Referred to in Paragraphs 1.5 and 1.18)

(Figures in columns 3(a) to 7 are in rupees in lakh)

Sl. No	Name of the Public Sector Undertaking	Subsidy received during the year [#]				Guarantees received during the year and outstanding at the end of the year [@]					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Govern-ment	State Government	Others	Total	Cash Credits from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
A	Working Government companies															
1	Punjab State Tubewell Corporation Limited	-	3,190.97	-	3,190.97	-	-	-	-	-	-	-	-	-	-	-
2	Punjab State Seeds Corporation Limited	-	149.00	-	149.00	-	-	-	-	-	-	-	-	-	-	-
3	Punjab State Container and Warehousing Corporation Limited	-	-	-	-	-	- (1,458.86)	-	-	- (1,458.86)	-	-	-	-	-	-
4	Punjab Agro Foodgrains Corporation Limited	-	-	-	-	1,77,800.00 (99,803.00)	-	-	-	1,77,800.00 (99,803.00)	-	-	-	-	-	-
5	Punjab State Civil Supplies Corporation Limited	-	-	-	-	3,48,300.00 (1,12,500.82)	-	-	-	3,48,300.00 (1,12,500.82)[ϒ]	-	-	-	-	-	-
6	Punjab State Grains Procurement Corporation Limited	-	-	-	-	2,72,461.00 (33,782.00)	-	-	-	2,72,461.00 (33,782.00)[†]	-	-	-	-	-	-
7	Punjab Small Industries and Export Corporation Limited	-	-	-	-	-	- (137.50)	-	-	- (137.50)	-	-	-	-	-	

[#] Subsidy receivable at the end of year is shown in brackets.

[@] Figures in brackets indicate guarantees outstanding at the end of the year.

[ϒ] Figure as per Finance Account (2005-06) is Rs. 1,11,964.00 lakh. Difference of Rs.536.82 lakh is under reconciliation.

[†] The Company is not appearing in Statement No.6 of Finance Accounts (2005-06).

1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
8	Punjab State Industrial Development Corporation Limited	-	-	-	-	-	18,428.00 (55,949.00)	-	-	18,428.00 (55,949.00)	-	-	-	-	-	-
9	Punjab Police Housing Corporation Limited	-	-	-	-	-	- (975.10)	-	-	- (975.10)	-	-	-	-	-	-
10	Punjab State Bus Stand Management Company Limited	-	-	-	-	-	3,966.38 (4,765.49)	-	-	3,966.38 (4,765.49)[π]	-	-	-	-	-	-
	Total A	**-**	**3,339.97**	**-**	**3,339.97**	**7,98,561.00 (2,46,085.82)**	**22,394.38 (63,285.95)**	**-**	**-**	**8,20,955.38 (3,09,371.77)**						
B	**Working Statutory corporations**															
1	Punjab State Electricity Board	-	1,43,592.00 (1.02)	-	1,43,592.00 (1.02)	-	86,824.00 (2,56,398.00)	-	-	86,824.00 (2,56,398.00)	-	-	-	-	1,16,824.24	1,46,262.00
2	Punjab Scheduled Castes Land Development and Finance Corporation	1,300.00	-	-	1,300.00	-	164.57 (273.86)	-	-	164.57 (273.86)[ψ]	-	-	-	-	-	-
3	Punjab Financial Corporation	-	-	-	-	-	- (18,914.00)	-	-	- (18,914.00)[γ]	-	-	-	-	-	-
4	Punjab State Warehousing Corporation	-	-	-	-	1,84,300.00 (86,581.14)	-	-	-	1,84,300.00 (86,581.14)	-	-	-	-	-	-
	Total B	**1,300.00**	**1,43,592.00 (1.02)**	**-**	**1,44,892.00 (1.02)**	**1,84,300.00 (86,581.14)**	**86,988.57 (2,75,585.86)**	**-**	**-**	**2,71,288.57 (3,62,167.00)**	**-**	**-**	**-**	**-**	**1,16,824.24**	**1,46,262.00**
	Grand Total (A+B)	**1300.00**	**1,46,931.97 (1.02)**	**-**	**1,48,231.97 (1.02)**	**9,82,861.00 (3,32,666.96)**	**1,09,382.95 (3,38,871.81)**	**-**	**-**	**10,92,243.95 (6,71,538.77)**	**-**	**-**	**-**	**-**	**1,16,824.24**	**1,46,262.00**

Note: Figures except in case of Sl. Nos. A-3, 5,9,B-3 and 4 are provisional and as given by the companies/corporations.

[π] The Company is not appearing in Statement No.6 of Finance Accounts (2005-06).

[ψ] Figure as per Finance Accounts (2005-06) is Rs. 1,000.00 lakh. Difference of Rs. 726.14 lakh is under reconciliation.

[γ] Figure as per Finance Accounts (2005-06) is Rs. 13,727.50 lakh. Difference of Rs. 5,186.50 lakh is under reconciliation.

Annexure 4
Statement showing financial position of Statutory corporations

1 Punjab State Electricity Board

(Referred to in paragraph 1.7)

(Rupees in crore)

	Particulars	2003-04	2004-05	2005-06 (Provisional)
A	**Liabilities**			
	Equity Capital	2,806.11	2,806.11	2,946.11
	Loans from Government	5,174.88	5,174.87	3,712.25
	(a) Other long term loans (including bonds)	3,839.64	3,998.76	4,269.58
	(b) Other loans	3,420.46	2,933.28	3,270.36
	Reserves and Surplus	1,425.00	1,529.62	1,615.00
	Current liabilities and provisions	2,280.20	2,458.15	2,325.61
	Total A	**18,946.29**	**18,900.79**	**18,138.91**
B	**Assets**			
	Gross fixed assets	13,407.35	14,000.71	14,778.62
	Less: Depreciation	4,947.70	5,491.74	6,074.31
	Net fixed assets	8,459.65	8,508.97	8,704.31
	Capital works-in-progress	2,382.49	2,680.41	2,046.54
	Deferred cost	9.78	8.71	8.44
	Current assets	2,750.77	2,978.75	2,733.17
	Investments	152.30	295.00	253.79
	Assets not in use	53.91	61.91	59.28
	Subsidy receivable	4,603.94	0.01	0.01
	Accumulated losses (Deficit)	533.45	4,367.03	4,333.37
	Total B	**18,946.29**	**18,900.79**	**18,138.91**
C	**Capital employed** *	**11,366.62**	**11,771.89**	**11,217.69**

*Capital employed represents net fixed assets including capital work-in-progress and assets not in use *plus* working capital.

2. PEPSU Road Transport Corporation

(Rupees in crore)

	Particulars	2003-04	2004-05	2005-06 (Provisional)
A	**Liabilities**			
	Capital (including capital loan and equity capital)	111.18	111.18	111.18
	Borrowings:			
	Government	46.29	46.29	46.29
	Others	5.92	12.42	19.64
	Funds*	0.08	0.08	0.08
	Trade dues and other current liabilities (including provisions)	169.92	181.04	199.18
	Grant in aid of Bus Stand (Talwandi Sabo)	0.50	0.50	0.50
	Total	**333.89**	**351.51**	**376.87**
B	**Assets**			
	Gross Block	70.90	76.29	86.38
	Less: Depreciation	48.15	48.32	51.96
	Net fixed assets	22.75	27.97	34.42
	Capital works-in-progress (including cost of chassis)	0.84	1.09	2.41
	Investments	0.03	0.03	0.03
	Current assets, loans and advances	15.17	16.21	17.13
	Accumulated losses	295.10#	306.21#	322.88
	Total	**333.89**	**351.51**	**376.87**
C	**Capital employed@**	**(-)131.16**	**(-)135.77**	**(-) 145.21**

*Excluding Depreciation funds.

Accumulated losses have been arrived at after adjustment of Rs. 98.68 crore received from the State Government for providing free/ concessional travel and refund of Special Road Tax relating to previous years.

@ Capital employed represents net fixed assets including capital work-in- progress plus working capital.

3. Punjab Scheduled Castes Land Development and Finance Corporation

(Rupees in crore)

	Particulars	**2003-04**	**2004-05**	**2005-06 (Provisional)**
A	**Liabilities**			
	Paid-up capital	38.47	42.46	42.46
	Reserves and surplus	23.94	23.37	22.77
	Borrowings:			
	(a) Government	-	-	-
	(b) Others	2.88	2.71	3.41
	Trade dues and current liabilities (including provisions)	14.93	14.86	20.63
	Total A	**80.22**	**83.40**	**89.27**
B	**Assets**			
	Gross Block	1.03	1.04	1.04
	Less: Depreciation	0.70	0.74	0.77
	Net Fixed Assets	0.33	0.30	0.27
	Capital works-in-progress	-	-	-
	Investments	0.05	0.05	0.05
	Current assets, loans and advances	79.84	83.05	88.95
	Total B	**80.22**	**83.40**	**89.27**
C	**Capital employed***	**65.40**	**66.92**	**68.59**

* Capital employed represents mean of aggregate of opening and closing balances of paid-up capital, borrowings and reserves and surplus.

4. Punjab Financial Corporation

(Rupees in crore)

	Particulars	2003-04	2004-05	2005-06
A	**Liabilities**			
	Paid-up capital	40.39	40.39	40.39
	Share application money	-	-	-
	Reserve Fund and other reserves and surplus	10.71	10.71	10.71
	Borrowings			
1	Bonds and Debentures	219.98	195.73	189.14
2	Fixed Deposits	-	-	-
3	Industrial Development Bank of India and Small Industries Development Bank of India	163.22	139.59	115.34
4	Reserve Bank of India	-	-	-
5	Loan in lieu of share capital	-	-	-
(a)	State Government	-	-	-
(b)	Industrial Development Bank of India	-	-	-
6	Others (including State Government)	9.84	9.84	9.84
	Other liabilities and provisions	23.13	20.60	20.93
	Total A	**467.27**	**416.86**	**386.35**
B	**Assets**			
	Cash and bank balances	20.98	10.79	10.73
	Investments	0.82	0.82	0.82
	Loans and advances	197.76	151.05	120.49
	Net fixed assets	0.98	0.89	0.81
	Other assets	8.81	8.32	7.46
	Accumulated loss (including miscellaneous expenditure)	237.92	244.99	246.04
	Total B	**467.27**	**416.86**	**386.35**
C	**Capital employed***	**452.99**	**411.56**	**371.79**

*Capital employed represents the mean of aggregate of opening and closing balances of paid up capital, loan in lieu of capital, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

5. Punjab State Warehousing Corporation

(Rupees in crore)

	Particulars	**2003-04**	**2004-05**	**2005-06**
A	**Liabilities**			
	Paid-up capital	8.00	8.00	8.00
	Reserves and surplus	52.23	26.48	26.48
	Borrowings			
	(a) Government:	--	--	--
	(b) Others:	2,031.73	1,056.26	955.38
	Trade dues and current liabilities (including provisions)	321.42	363.05	410.25
	Total A	**2,413.38**	**1,453.79**	**1,400.11**
B	**Assets**			
	Gross Block	257.30	257.54	256.82
	Less: Depreciation	59.64	70.14	79.23
	Net fixed assets	197.66	187.40	177.59
	Capital works-in-progress	-	--	--
	Investments	1.07	--	--
	Current assets, loans and advances	2,115.13	1,147.75	1,056.52
	Accumulated losses (including deferred revenue expenditure)	99.52	118.64	166.00
	Total B	**2,413.38**	**1,453.79**	**1,400.11**
C	**Capital employed**[$]	**1,991.37**	**972.10**	**823.86**

[$] Capital employed represents net fixed assets including capital work-in-progress plus working capital.

Annexure 5
Statement showing working results of Statutory corporations

(Referred to in paragraph 1.7)

(Rupees in crore)

1	**Punjab State Electricity Board**			
Sl. No.	**Particulars**	**2003-04**	**2004-05**	**2005-06 (Provisional)**
1	(a) Revenue receipts	6,283.09	6,243.91	6,899.53
	(b) Subsidy/Subvention from Government	838.15	923.65	1,435.92
	Total	7,121.24	7,167.56	8,335.45
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	5,064.79	9,481.31	6,712.72
3	Gross surplus(+)/deficit(-) for the year (1-2)	2,056.45	(-) 2,313.75	1,622.73
4	Adjustments relating to previous years	(-) 182.40	47.74	(-) 50.64
5	Final gross surplus(+)/deficit(-) for the year (3+4)	1,874.05	(-) 2,266.01	1,572.09
6	Appropriations			
(a)	Depreciation (less capitalised)	562.50	574.73	583.40
(b)	Interest on Government loans	483.09	480.73	480.73
(c)	Interest on others, bonds, advance, etc., and finance charges	709.83	573.54	571.74
(d)	Total interest on loans and finance charges (b+c)	1,192.92	1,054.27	1,052.47
(e)	Less: Interest capitalised	56.29	61.43	101.83
(f)	Net interest charged to revenue (d-e)	1,136.63	992.84	950.64
(g)	Total appropriations (a+f)	1,699.13	1,567.57	1,534.04
7	Surplus(+)/deficit(-) before accounting for subsidy from State Government{5-6(g)-1(b)}	(-) 663.23	(-) 4,757.23	(-) 1,397.87
8	Net surplus(+)/deficit(-) {5-6(g)}	174.92	(-) 3,833.58[@]	38.05
9	Total return on capital employed[$]	1,311.56	(-) 2,840.74	988.69
10	Percentage of return on capital employed	11.54	-	8.81

[@] Keeping in view the sanction of Government of Punjab, Rural Electrification (RE) subsidy is to be restricted to interest on Government loan. As such, the excess RE subsidy over and above the interest on Government loan for the period 1.4.98 to 31.03.2002 i.e., Rs. 3,242.00 crore is written off during the year 2004-05 as approved by the Board

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

(Rupees in crore)

2	**PEPSU Road Transport Corporation**			
Sl. No.	**Particulars**	**2003-04**	**2004-05**	**2005-06 (Provisional)**
	Operating			
(a)	Revenue	174.19	181.22	202.18
(b)	Expenditure	180.97	194.36	214.75
(c)	Surplus (+)/Deficit(-)	(-)6.78	(-)13.14	(-) 12.57
	Non operating			
(a)	Revenue	7.04	8.41	7.32
(b)	Expenditure	6.80	6.78	7.25
(c)	Surplus(+)/Deficit(-)	0.24	1.63	0.07
	Total			
(a)	Revenue	181.23	189.63	209.50
(b)	Expenditure	187.77	201.14	222.00
(c)	Net profit(+)/Loss (-)	(-)6.54	(-) 11.51	(-)12.50
	Interest on capital and loans	6.78	6.76	7.25
	Total return on capital employed[$]	0.24	(-)4.75	(-)5.25

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

(Rupees in crore)

3	Punjab Scheduled Castes Land Development and Finance Corporation			
Sl. No.	**Particulars**	**2003-04**	**2004-05**	**2005-06 (Provisional)**
1	Income	5.72	5.31	5.49
	Total-1	**5.72**	**5.31**	**5.49**
2	Expenses			
(a)	Establishment charges	4.16	4.78	5.01
(b)	Other expenses	0.78	0.76	0.78
	Total-2	**4.94**	**5.54**	**5.79**
3	Profit(+)/Loss(-) (1-2)	0.78	(-)0.23	(-)0.30
4	Other appropriations	0.36	0.34	0.30
5	Amount available for dividend	0.42	-	-
6	Dividend for the year	-	-	-
7	Total capital employed	65.40	66.92	68.63
8	Return on capital employed $	0.91	(-) 0.12	-NA-
9	Percentage of return on capital employed	1.39	-	-

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

(Rupees in crore)

4	Punjab Financial Corporation			
Sl. No.	Particulars	2003-04	2004-05	2005-06
1	**Income**			
(a)	Interest on loans	30.32	25.97	20.56
(b)	Other income	1.68	1.21	2.02
	Total-1	**32.00**	**27.18**	**22.58**
2	Expenses			
(a)	Interest on long-term loans and short-term loans	34.48	26.24	19.23
(b)	Provision for non-performing assets	-	-	-
(c)	Other expenses	8.15	11.54	10.04
	Total-2	**42.63**	**37.78**	**29.27**
3	Profit(+)/Loss(-) before tax (1-2)	(-) 10.63	(-) 10.60	(-) 6.69
4	Prior period adjustments	-	3.53	5.66
5	Provision for tax	-	-	(-)0.02
6	Profit(+)/Loss(-) after tax	(-) 10.63	(-) 7.07	(-) 1.05
7	Other appropriations	-	-	-
	(i) Reserve for bad and doubtful debts	-	-	-
	(ii)Transfer to statutory reserve	-	-	-
8	Amount available for dividend	-	-	-
9	Dividend paid/payable	-	-	-
10	Total return on capital employed	23.85	15.63	12.54
11	Percentage of return on capital employed	5.27	3.80	3.37

(Rupees in crore)

5.	**Punjab State Warehousing Corporation**			
Sl. No.	**Particulars**	**2003-04**	**2004-05**	**2005-06**
1	Income			
(a)	Warehousing charges	211.38	171.89	168.20
(b)	Other income	6.09	9.89	10.27
	Total-1	**217.47**	**181.78**	**178.47**
2	Expenses			
(a)	Establishment charges	28.50	33.53	34.47
(b)	Other expenses	220.91	176.01	190.49
	Total-2	**249.41**	**209.54**	**224.96**
3	Profit(+)/Loss(-) before tax	(-) 31.94	(-) 27.76	(-) 46.49
4	Provision for tax	-	-	-
5	Prior period adjustments	(+) 13.16	(-) 14.73	(-) 9.95
6	Other appropriations	3.63	0.71	10.52
7	Amount available for dividend	-	-	-
8	Dividend for the year	-	-	-
9	Total return on capital employed#	(-)25.96	(-) 20.61	(-) 37.55
10	Percentage of return on capital employed	-	-	-

Total return on capital employed represents profit before tax plus interest charged in P&L Account.

Annexure 6

Statement showing operational performance of Statutory Corporations

1 Punjab State Electricity Board

(Referred to in paragraph 1.12)

Sl. No.	Particulars	2003-04	2004-05	2005-06 (Provisional)
1	**Installed capacity**	(MW)	(MW)	(MW)
(a)	Thermal	2,120.000	2,120.00	2,120.00
(b)	Hydro	2,337.985	2,341.435	2,301.116
	Total	**4,457.985**	**4,461.435**	**4,421.116**
	Normal maximum demand (MW)	5,538	5,574	6,092
2	**Power Generated**	**MKWH**	**MKWH**	**MKWH**
(a)	Thermal	14,235.54	14,384.41	14,834.40
(b)	Hydro	9,305.31	6,912.19	9,808.19
	Total	**23,540.85**	**21,296.60**	**2,4642.59**
3	**Less: Auxiliary consumption**			
(a)	Thermal (percentage)	1,236.13 (8.68)	1,339.41 (9.31)	1,364.91 (9.20)
(b)	Hydro (percentage)	8.90 (0.10)	56.08 (0.81)	73.79 (0.75)
	Total **(percentage)**	**1,245.03** **(5.29)**	**1,395.49** **(6.55)**	**1,438.70** **(5.84)**
4	Net power generated (2 - 3)	22,295.82	19,901.11	23,203.89
5	**Power purchased:**			
(a)	Within the State			
	-Government	108.90	28.26	168.08
	- Private	13.30	85.55	58.22
(b)	Other States	1,133.70	1,829.42	2,183.88
(c)	Central Grid	7,270.06	8,957.65	8,037.03
	Total power available for sale (4+5)	**30,821.78**	**30,801.99**	**33,651.10**
6	**Power sold**	**MKWH**	**MKWH**	**MKWH**
(a)	Within the State*	22,527.46	22,962.23	24,656.46
(b)	Outside the State	553.02	359.89	690.68
	Transmission and distribution losses	7,577.76	7,301.00	8,187.48
	Load factor (Percentage)			
	Thermal GGSTP, Ropar	74.70	82.28	84.52
	Thermal GNDTP, Bathinda	66.01	51.69	57.84
	Thermal GHTP, Lehra Mohabbat	91.63	89.94	85.51
	Percentage of transmission and distribution losses to total power available for sale	25.35	24.27	25.07
	Number of villages/towns electrified	12,428	12,428	12,428
	Number of pump sets/wells energised	8,80,902	9,12,114	9,29,536
	Number of sub-stations	582	601	622

* This does not include 163.54 MUs detected by "OP" staff on account of theft etc. during 2003-04, 178.87 MUs during 2004-05. and 116.48 MUs during 2005-06.

Sl. No.	Particulars	2003-04	2004-05	2005-06 (Provisional)
7	**Transmission/distribution lines (in kms)**			
(a)	High/medium voltage	1,15,191	1,19,346	1,27,223
(b)	Low voltage	1,64,579	1,67,866	1,71,066
	Connected load (in MW)	17,199	18,803	19,688
	Number of consumers	57,05,745	58,97,583	60,33,653
	Number of employees	83,810	79,680	76,853
	Consumer/employees ratio	68:1	74:1	79:1
	Total expenditure on staff during the year (Rupees in crore)	1,378.83	1,541.24	1,619.45
	Percentage of expenditure on staff to total revenue expenditure	27.22	16.26	24.13
8	**Units sold**	**MKWH**	**MKWH**	**MKWH**
(a)	Agriculture	6,245.19	6,471.57	7,317.13
	(Percentage share to total units sold)	(27.06)	(27.75)	(28.87)
(b)	Industrial	8,845.61	9,009.16	9,571.12
	(Percentage share to total units sold)	(38.33)	(38.63)	(37.76)
(c)	Commercial	1,285.75	1,342.01	1,456.15
	(Percentage share to total units sold)	(5.57)	(5.75)	(5.74)
(d)	Domestic	5,217.57	5,124.81	5,334.79
	(Percentage share to total units sold)	(22.61)	(21.97)	(21.05)
(e)	Others	1,486.36	1,374.57	1,667.95
	(Percentage share to total units sold)	(6.43)	(5.90)	(6.58)
	Total	**23,080.48**	**23,322.12**	**25,347.14**
9		**(Paise per KWH)**		
(a)	Revenue (excluding subsidy from Government)	272.23	267.72	272.20
(b)	Expenditure*	247.14	434.59	290.91
(c)	Profit(+)/Loss(-)	25.09	(-)166.87	(-)18.71
(d)	Average subsidy claimed from Government (in Rupees)	0.37	0.40	0.58
(e)	Average interest charges (net interest charged to revenue - in Rupees)	0.50	0.43	0.39

* Revenue Expenditure includes depreciation but excludes interest on long term loans

2 PEPSU Road Transport Corporation

Sl. No.	Particulars	2003-04	2004-05	2005-06 (Provisional)
	Average number of vehicles held	911	914	932
	Average number of vehicles on road	867	865	884
	Percentage of utilisation of vehicles	95	95	95
	Number of employees	4,488	4,669	5,017
	Employee vehicle ratio	4.93:1	5.11:1	5.38:1
	Number of routes operated at the end of the year	539	528	561
	Route Kilometres (in lakh)	1,183.20	1,181.64	1,194.29
	Kilometres operated (in lakh) (including hired buses)			
(a)	Gross	1,142.80	1,154.95	1,204.24
(b)	Effective	1,128.54	1,139.70	1,187.18
(c)	Dead	14.26	15.25	17.06
	Percentage of dead kilometres to gross kilometers	1.25	1.32	1.42
	Average kilometres covered per bus per day (effective)	288	297	309
	Increase in revenue per km over previous year (*per cent*)	2.95	2.67	10.41
	Operating revenue per kilometre (paise)	1,572	1,614	1782
	Average expenditure per kilometre (paise)	1,662	1,753	1,919
	Increase in operating expenditure per kilometre over previous year's expenditure (*per cent*)	0.97	5.48	9.47
	Profit(+)/Loss(-) per kilometer (paise)	(-) 90	(-) 139	(-) 137
	Number of operating depots	10	10	10
	Average number of break downs per lakh kilometers	6.60	6.50	7.60
	Average number of accidents per lakh kilometers	0.22	0.24	0.30
	Passenger kilometers operated (in crore)	410.79	432.63	456.83
	Occupancy ratio (*per cent*)	70	73	74
	Kilometres obtained per litre of			
(a)	Diesel oil	4.40	4.50	4.62
(b)	Engine oil	589.71	691.91	NA

3. Punjab Scheduled Castes Land Development and Finance Corporation

(Amount: Rupees in crore)

Sl. No.	Particulars	2003-04		2004-05		2005-06 (Provisional)	
		Number	Amount	Number	Amount	Number	Amount
(i)	Applications pending at the beginning of the year	6,163	NA	5,624	NA	5,739	N.A.
(ii)	Applications received	371	NA	371	NA	930	NA
(iii)	**Total**	**6,534**	**NA**	**5,995**	**NA**	**6,669**	**NA**
(iv)	Applications sanctioned	250	1.12	150	0.61	727	342.10
(v)	Applications cancelled/ withdrawn/rejected/ amount reduced	660	NA	106	NA	80	NA
(vi)	Applications pending at the close of the year	5,624	NA	5,739	NA	5,862	NA
(vii)	Loans disbursed	210	1.01	219	1.05	466	209.14
viii)	Loans outstanding at the close of the year (including interest)	NA	54.32	NA	55.12	NA	56.00
(ix)	Amount overdue for recovery at the close of the year						
(a)	Principal	NA	20.92	NA	23.91	NA	23.06
(b)	Interest	NA	13.33	NA	15.49	NA	16.99
	Total (a+b)	**NA**	**34.25**	**NA**	**39.40**	NA	**40.05**
(x)	Amount involved in recovery certificate cases	5,937	21.70	6,560	25.16	5,971	24.77
(xi)	Percentage of default to total loans outstanding	NA	63.05	NA	71.48	NA	71.51

4. Punjab Financial Corporation

(Amount Rupees in crore)

Sl. No.	Particulars	2003-04		2004-05		2005-06	
		Number	Amount	Number	Amount	Number	Amount
(i)	Applications pending at the beginning of the year	28	6.91	-	-	3	1.60
(ii)	Applications received	Nil	Nil	3	1.60	6	2.87
(iii)	**Total**	**28**	**6.91**	**3**	**1.60**	**9**	**4.47**
(iv)	Applications sanctioned	Nil	Nil	-	-	5	2.76
(v)	Applications cancelled/ withdrawn/rejected/reduced	28	6.91	-	-	2	1.52
(vi)	**Applications pending at the close of the year**	Nil	Nil	3	1.60	2	0.19
(vii)	Loans disbursed	NA	3.48	NA	0.26	NA	0.46
viii)	Loans outstanding at the close of the year	NA	365.69	NA	316.32	NA	279.86
(ix)	Amount overdue for recovery at the close of the year						
(a)	Principal	NA	68.00		71.30		37.39
(b)	Interest	NA	8.40		2.79		20.75
	Total (a+b)	**-**	**76.40**	**-**	**74.09**		**58.14**
(x)	Amount involved in recovery certificate cases	NA	30.46	87	40.40	56	29.30
(xi)	Percentage of overdue to total loans outstanding	-	20.89	-	23.42	-	20.77

5. Punjab State Warehousing Corporation

Sl. No.	Particulars	2003-04	2004-05	2005-06
	Number of stations covered	117	117	115
	Storage capacity created up to the end of the year (tonne in lakh)			
(a)	Owned	28.46	28.46	28.46
(b)	Hired	39.96	32.92	30.55
	Total	**68.42**	**61.38**	**59.01**
	Average capacity utilised during the year (tonne in lakh)	52.85	44.99	37.48
	Percentage of utilisation	77.24	73.30	64.00
	Average revenue per tonne per year (Rupees)	NA	NA	NA
	Average expenses per tonne per year (Rupees)	NA	NA	NA
	Profit(+)/Loss(-) per tonne (Rupees)	NA	NA	NA

Annexure 7

Statement showing paid-up capital, investment and summarised working results of 619-B companies

(Referred to in paragraph 1.39)

(Figures in column 5 to 19 are in Rupees in lakh)

Sl. No.	Name of company	Status (Working/ non-working)	Year of account	Paid-up capital	Equity by			Loans by			Grants by			Total investment by way of equity, loans and grants			Profit (+)/ Loss(-)	Accumulated profit (+)/accumu-lated loss (-)
					State Govt.*	State Govt. PSUs*	Central Govt. and their PSUs*	State Govt.	State Govt. PSUs	Central Govt. and their PSUs	State Govt.	State Govt. PSUs	Central Govt. and their PSUs	State Govt.	State Govt. PSUs	Central Govt. and their PSUs		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
1.	Punjab Venture Capital Limited	Working	2002-03	5.00		3.33 (66.6)	1.67 (33.4)	-	-	-	-	-	-	-	3.33	1.67	1.27	10.52
2.	Punjab Venture Investors Trust Limited	Working	2003-04	5.00		3.33 (66.6)	1.67 (33.4)	-	-	-	-	-	-	-	3.33	1.67	0.22	0.90
	Total			**10.00**	**-**	**6.66**	**3.34**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6.66**	**3.34**	**1.49**	**11.42**

Figures in brackets in column 7 and 8 represent percentage of paid-up capital of equity.

Annexure 8
Statement showing misappropriation of paddy and amount recoverable from millers

(Referred to in paragraph 2.16)

Sl. No.	District/Name of the miller	Crop year	Net paddy allotted (MT)	Rice to be delivered (MT)	Rice actually delivered (MT)	Rice short delivered (MT)	Cost of balance rice after adjusting milling charges (Rs. in lakh)	Cost of gunnies wooden crates (Rs. in lakh)	Interest (Rs. in lakh)	Total amount recoverable (Rs. in lakh)	Date of FIR	Date of appointment of arbitrator	Date of arbitration award
1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Sangrur												
1	Singla Gram Udyog Samiti, Bhawnigarh	2000-01	3,766	2,410	1,836	574	56.87	12.19	27.04	96.10	17.6.03	23.6.04	1.12.05
2	Sardar Rice Udyog Samiti, Badrukhan	2001-02	977	655	358	297	28.78	3.81	6.85	39.44	1.8.02	13.2.04	21.5.04
3	Mohit Rice Mill, Dhuri	2001-02	1,708	1,144	886	258	23.93	4.43	5.96	34.32	8.10.02	25.2.04	21.5.04
4	Gilson Rice Gram Udyog Samiti, Sheron	2000-01	1,363	872	629	243	23.13	3.23	11.72	38.08	28.05.02	28.03.03	17.12.03
5	G.K. Traders, Sunam	2001-02	495	332	149	183	16.31	1.67	3.78	21.76	5.2.03	16.9.03	19.03.04
6	Guru Kripa Rice Mills, Sunam	2001-02	1,830	1,226	1,173	53	3.14	4.22	1.55	8.91	12.3.03	16.9.03	6.1.04
	Patiala												
7	Satguru Rice & Gen. Mills, Khera Ganju Rajpura	2001-02	3,363	2,253	898	1,355	117.3	18.97	112.17	248.44	10.5.02	27.1.04	6.6.05
8	Shiv Jyoti Rice Mill, Nabha	2004-05	3,117	2,088	1,650	438	47.56	1.21	0.00	48.77	Not yet lodged	18.7.05	Not yet decided
9	G.B. Rice Mills, Nabha	2004-05	3,267	2,189	1,248	941	97.11	6.01	0.00	103.12	Not yet lodged	9.6.06	Award awaited
	Gurdaspur												
10	Padda Food Products, Batala	2001-02	1,944	1,289	980	309	30.99	9.74	24.89	65.62	14.11.02	2.8.04	17.1.06
11	Golden Rice Mill, Batala	2001-02	5,027	3,334	2,307	1,027	92.82	21.78	81.05	195.65	31.8.02	19.7.04	20.1.06

1	2	3	4	5	6	7	8	9	10	11	12	13	14
12	Raj Mukhtiar Rice Mills, Ghoman	2001-02	1,210	803	24	779	39.02	7.29	71.80	118.11	31.1.02	19.7.04	25.10.2005
13	KK Rice & Gen. Mills, Dera Baba Nanak	2001-02	1,827	1,212	727	485	28.83	10.10	42.18	81.11	7.10.02	30.07.04	Not yet decided
14	Shakti Rice Mills,Batala	2003-04	3,226	2,143	1,844	299	23.35	11.96	6.45	41.76	8.9.04	No arbitration clause in agreement	NA
	Kapurthala												
15	Kapurthala Rice Mills, Kapurthala	2000-01	2,012	1,288	998	290	27.51	11.63	26.93	66.07	30.9.02	12.8.03	9.5.05
		2001-02	1,930	1,293	0	1,293	135.35	14.31	78.53	228.19	30.9.02	8.10.03	9.5.05
	Ferozepur												
16	Gupta Rice Mills,Talwandi Bhai	2000-01	361	235	55	180	18.06	1.48	24.26	43.80	Not yet lodged	Arbitrator not appointed	NA
17	Vikas Rice Mills, Jalalabad	2001-02	3,532	2,402	1,990	412	55.04	13.53	35.36	103.93	Not yet lodged	27.9.04	Not yet decided
18	Jai Durga Rice Mill, Talwandi Bhai	2001-02	2,476	1,684	1,118	566	55.83	10.29	30.66	96.78	Not yet lodged	27.9.04	Not yet decided
19	Luxmi Industries, Guru Har Sahai	2001-02	2,155	1,478	381	1,097	112.75	12.03	59.03	183.81	25.2.03	27.09.04	9.11.05
20	Shivalik Rice Mill, Guru Har Sahai	2001-02	284	193	0	193	20.15	1.74	15.16	37.05	Not yet lodged	29.07.05	Not yet decided
		2002-03	1,239	842	570	272	11.14	3.06	8.38	22.58	Not yet lodged	No arbitration clause in agreement	NA
	Ludhiana												
21	Jai Gurudev Gram Udyog Samiti	2000-01	6,970	4,596	1,595	3,001	279.32	38.17	439.23	756.72	Not yet lodged	Arbitrator not appointed	NA
22	Kuber rice Mill Khanna	2001-02	2,553	1,711	0	1,711	182.42	10.38	171.68	364.48	21.2.03	6.8.04	27.4.05
23	Jagdambay Gram Udyog Samiti Maloud	2001-02	1,201	805	360	445	47.46	3.77	74.71	125.94	Not yet lodged	2.05.06	Award awaited
		2003-04	198	133	0	133	14.36	1.32	8.41	24.09	Not yet lodged	Arbitrator not appointed	NA
			58,031	**38,610**	**21,776**	**16,834**	**1,588.53**	**238.32**	**1,367.78**	**3,194.63**			

Annexure 9

Statement showing delayed commissioning of transmission works

(Referred to in Paragraph 3.1.9)

Sl. No.	Name of the work	Month of completion	Month of commissioning	Period of delay (Months)	Cost of works (Rs. in lakh)	Reasons for delay	Interest on idle investment (Rs. in lakh)
1.	66 KV SS, Amroh	March 2000	November 2000	8	85.92	Non-completion of transmission line.	4.87
2.	132 KV SS, Bhikhiwind	July 2000	December 2000	5	93.40	Non-availability of incoming breakers.	3.31
3.	66 KV Hambra-Amaltas line.	July 2000	November 2000	4	234.14	Non-completion of sub-station.	6.63
4.	220 KV SS, Mahilpur	October 2000	January 2001	3	346.64	Non removal of defects in related equipments	7.37
5.	66 KV SS, Brampura	October 2000	June 2001	8	90.77	Non-completion of transmission line and other related works.	5.14
6.	66 KV SS, Bajeke	November 2000	March 2001	4	85.96	Non-completion of transmission line.	2.44
7.	33/66 KV SS, Bundala	January 2001	April 2001	3	36.24	Non-posting of sub-station staff.	0.77
8.	220 KV SS, Khassa	June 2001	March 2002	9	376.07	Non-completion of transmission line.	23.97
9.	66 KV SS, S&S complex, Jalandhar	May 2002	September 2002	4	87.90	Non-removal of defects in related equipments.	2.49
10.	LILO of first circuit of 220 KV Wadala Granthian-Fatehgrah Churian line at Kotli-Surat Malli.	April 2004	February 2005	10	129.24	Non-completion of sub-station.	9.15
11.	132 KV SS G.T. Road, Amritsar.	February 2005	May 2006	15	70.27	Non-completion of related sub-station.	7.47
	Total				**1,636.55**		**73.61**

Annexure 10

Statement showing power transformers damaged due to poor maintenance/negligence/ inadequate protection system.

(Referred to in Para 3.1.22)

Sl. No.	Name of sub-station	Particulars of the transformer (Make)	Date of damage	Expenditure on replacement (Rs. in lakh)	Cause of damage	Officer/official held responsible by the investigation committee	Action taken
1.	66 KV Badshahpur	16/20 MVA, 66/11 KV (HEL)	16 April 2001	38.66	Poor maintenance of lines and feeders	JEs and SDO concerned.	Action taken not made available to audit.
2.	132 KV Badal	6.3/8 MVA, 33/11 KV (CGL)	8 May 2001	0.84	Negligence	Assistant line man and sub-station Attendant.	Action taken not made available to audit.
3.	66 KV Chabhal	16/20 MVA, 66/11 KV (NGEF)	4 June 2001	36.79	Negligence of operator	JE and SDO concerned.	Action taken not made available to audit.
4.	66 KV Maqsoodpur	16/20 MVA, 66/11KV (HEL)	13 June 2001	12.87	Poor maintenance of lines	Staff responsible for maintenance of lines	Action taken not made available to audit.
5.	132 KV Moga	20/25 MVA, 132/33 KV (BBL)	15 July 2001	1.15	Poor maintenance of lines	JE incharge of 33 KV line	Action taken not made available to audit.
6.	132 KV Kotkapura	10/12.5 MVA, 132/11 KV (TELK)	11 February 2002	10.25	Poor maintenance of feeders	AEE and JEs incharge	Action taken not made available to audit.
7.	66 KV Naushera (Rajpura)	10/12.5 MVA, 66/11 KV (Voltas)	12 May 2002	15.77	Negligence	SDO, JEs and SSA	Action taken not made available to audit.
8.	132 KV Tanda	16/20 MVA 132/11 KV (GEC)	7 May 2003	39.82	Poor maintenance of feeders	JEs concerned	Only warning has been issued.
9.	132 KV Nakodar	16/20 MVA 132/11 KV (GEC)	12 September 2003	41.38	Poor maintenance of lines/feeders	JE concerned	Action taken not made available to audit.
10.	220 KV Patti	100 MVA 220/132 KV (GEC)	18 June 2003	167.84	Inadequate protection system	Nobody held responsible	--
11.	220 KV Patti	100 MVA 220/66 KV (BHEL)	11 October 2003	193.87	Poor maintenance of sub-station and lines.	Nobody held responsible	--
12	220 KV Hambra	10/12.5 MVA, 66/11 KV (ECE)	19 October 2003	7.86	Poor maintenance of lines	SDO, JE and line man	Action taken not made available to audit.
13.	132 KV Ropar	16/20 MVA, 132/11 KV (GEC)	23 December 2003	2.29	Negligence	SDO, SSE and JE	Action taken not made available to audit.
14.	66 KV Kupkalan	10/12.5 MVA 66/11 KV (BBL)	17 May 2004	4.19	Negligence	SDO and SSO	Action taken not made available to audit.
15.	132 KV Bhogpur	20/25 MVA, 132/33 KV (BBL)	17 July 2004	25.97	Poor maintenance of lines	SDO and JE concerned	Charge sheet was issued to SDO and three increments of the JE were stopped.
16.	220 KV Sultanpur Lodhi	100 MVA, 220/132 KV (BHEL)	6 August 2004	71.55	Negligence	SSO and SSE.	Action taken not made available to audit.
	Total			**671.10**			

Annexure 11

Statement showing operational performance of PEPSU Road Transport Corporation

(Referred to in paragraphs 3.2.8 and 3.2.11)

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06 (Provisional)
1	Total number of buses at the end of the year	970	912	900	920	950
2	Average number of buses held:					
	Own buses	992	956	911	914	932
	Hired buses	150	132	121	105	93
3	Average number of buses on road (own buses)	942	907	867	865	884
4	Percentage of utilisation (Sl. No.3/Sl. No.4)x100	95	95	95	95	95
5	Number of employees	5,184	4,796	4,488	4,669	5,017
6	Employee bus ratio	5.23:1	5.02:1	4.93:1	5.11:1	5.38:1
7	Number of sanctioned routes at the end of the year	513	515	539	528	561
8	Route Km (in lakh)	1,181.88	1,183.34	1,183.20	1,181.64	1,194.29
9	Km operated including hired buses (in lakh)					
	(a) Gross Km:					
	Own buses	955.17	948.02	973.71	1,007.63	1,069.53
	Hired buses	201.51	179.05	169.09	147.32	134.71
	Total	1,156.68	1,127.07	1,142.80	1,154.95	1,204.24
	(b) Effective Km:					
	Own buses	938.78	933.00	959.45	992.38	1,052.47
	Hired buses	201.51	179.05	169.09	147.32	134.71
	Total	1,140.29	1,112.05	1,128.54	1,139.70	1,187.18
	(c) Dead Km:					
	Own buses	16.39	15.02	14.26	15.25	17.06
	Hired buses	NA[@]	NA	NA	NA	NA
	Total	16.39	15.02	14.26	15.25	17.06
10	Percentage of dead Km to gross Km (own buses)	1.72	1.58	1.46	1.51	1.60
11	Operational efficiency 9b/8	96.48	93.97	95.38	96.45	99.40
12	Average effective Km covered per day per bus	259	267	288	297	309
13	Average operating revenue per Km (paise)	1,303	1,527	1,572	1,614	1,782
14	Increase in revenue per Km over previous year *(per cent)*	(-) 2.32	17.19	2.95	2.67	10.41
15	Average operating expenditure (paise/Km)	1,616	1,646	1,662	1,753	1,919

[@] Not Applicable

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06 (Provisional)
16	Increase in operating expenditure per Km over previous year (*per cent)*	(-) 7.29	1.86	0.97	5.48	9.47
17	Average variable cost (paise/Km.)	481	509	547	614	711
18	Profit (+)/Loss (-) per Km (paise)	(-) 313	(-) 119	(-) 90	(-)139	(-)137
19	Number of operating depots*	12	10	10	10	10
20	Average number of breakdowns per lakh Km	8.2	7.80	6.60	6.50	7.60
21	Average number of accidents per lakh Km	0.22	0.24	0.22	0.24	0.30
22	Passenger Km operated (in crore)	379.49	410.56	410.79	432.63	456.83
23	Occupancy ratio (*per cent)*	64	71	70	73	74
24	Break even occupancy ratio (*per cent*)	77.16	73.65	71.88	75.65	74.89
25	Km obtained per litre of (a) Diesel oil (b) Engine oil	 4.41 502.76	 4.39 550.59	 4.40 589.71	 4.50 691.91	 4.62 Not Available

* Includes one depot (Special Cell, Patiala), which is operating buses under Km scheme.

Annexure 12

Statement showing paragraphs/reviews for which explanatory notes were not received.

(Referred to in paragraph 4.25.1)

Sl. No.	Name of the Department	1997-98	1998-99	2002-03	2003-04	2004-05	Total
1.	Agriculture	-	1	-	4	4	9
2.	Industries	2	-	-	-	2	4
3.	Social Welfare	-	-	1	1	-	2
4.	Food and Supplies	-	-	-	1	3	4
5.	Power	-	-	-	-	7	7
6.	Finance#	-	-	2	3	4	9
7.	Forest	-	-	-	1	-	1
	Total	**2**	**1**	**3**	**10**	**20**	**36**

These paragraphs relate to Agriculture, Animal Husbandry, Food & Supplies, Irrigation, Industries, Forest, Tourism, Home, Transport, Social Welfare, Power and Cultural Affairs, reply of which is being coordinated by the Finance Department.

ANNEXURE 13

Statement showing persistent irregularities pertaining to Government companies appeared in the Reports of CAG of India for the years 2000-01 to 2004-05 (Commercial), Government of Punjab

(Referred to in paragraph 4.25.3)

Sl. No.	Nature of persistent irregularity	Year of Audit Report/Para No.	Money value (Rs. in crore)	Gist of audit observations	Actionable points/Action to be taken	Details of action taken
A. Punjab Agro Industries Corporation Limited/ Punjab Agro Foodgrains Corporation Limited (Activities were transferred to this company from October 2002)						
1.	Misappropri-ation of paddy/ rice	2000-01 4.A.2.1	4.33	Lack of control over milling operations coupled with non-obtaining of bank guarantee or advance rice as required under milling policy resulted in misappropriation of 6,230.30 tonnes of paddy and non recovery of Rs. 4.33 crore.	The Committee on Public Undertakings (COPU) desired to know: • the reasons for not obtaining bank guarantee; • how the huge paddy stocks were misappropriated inspite of the fact that paddy was lying in the joint custody and were to be regularly checked by the Company's officials; • final outcome of the departmental action against the delinquent officials for the above lapses on their part; and • latest position of recovery/arbitration cases.	The Arbitration proceeding in some cases were initiated and in some cases Arbitration awards were filed in court for execution.
2.		2001-02 4.A.2.1 (b)	0.85	Due to issue of excess paddy than the millers' capacity, non obtaining of bank guarantee or advance rice coupled with inadequate control over the paddy had resulted in loss of Rs. 0.85 crore.	The COPU was not satisfied with the reply furnished by the Department/Corporation and desired to know the latest position in respect of court cases.	The matter was pending in the court (April 2006).

3.		2004-05 3.3	23.84	Lack of control over milling operations and non-adherence to milling policy by the Company resulted in misappropriation of 17,553.89 tonne of rice and non recovery of Rs. 23.84 crore.	The Company should have taken up the matter with the State Government for suitable amendments in terms of milling agreement to safeguard its financial interest through effective and preventive control over milling operations.	The Company stated (May 2006) that milling policies have been amended for the crop years 2003-05. However, the amendments were related to number of days provided for submission of despatch documents, interest to be charged in case of delay and time allowed for milling of paddy only. The provision of the policies/ agreements were still not strictly implemented.
Total			**29.02**			

B. Punjab State Industrial Development Corporation Limited

1.	Loss due to imprudent one time settlement policy	2003-04 3.3	3.37	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.	The Company should have taken the action available under Financial Collaboration Agreement (FCA) to force the unit to buy back the shareholding of the Company and pursued the matter with the State Government for not covering profit-making units in the one time settlement (OTS) policy.	The Company had not taken any action under the Financial Collaboration Agreement (FCA) and also it did not pursue the matter with the State Government for not covering profit making units in the one time settlement policy.
2.	Loss due to imprudent policy	2004-05 3.1	26.58	Faulty policy allowing one time settlement to profit making units resulted in loss of Rs. 26.58 crore.	The Company failed to take remedial action for about one and half year under FCAs. It should have taken up the matter with the State Government for not covering the profit making units (capable of buy back of shares) under OTS as it lacked financial prudence.	The Company had not taken any action under the Financial Collaboration Agreement (FCA) and also it did not pursue the matter with the State Government for not covering profit making units in the one time settlement policy.
Total			**29.95**			

ANNEXURE 14

Statement showing persistent irregularities pertaining to Statutory corporation appeared in the Report of CAG of India for the years 2001-02 to 2004-05 (Commercial), Government of Punjab

(Referred to in paragraph 4.25.3)

Sl. No.	Nature of persistent irregularity	Year of Audit Report/ Para No.	Money value (Rs. in crore)	Gist of audit observations	Actionable points/Action to be taken	Details of action taken
Punjab State Electricity Board						
1.	Implementation of reforms programme under Memorandum of Understanding (MOU) signed between the State Government and Government of India	2001-02 3B	161.40	No scheme was framed for metering of agricultural consumers and there was delay in filing of tariff petition before the State Electricity Regulatory Commission thereby resulting in delay in implementation of minimum tariff on agricultural consumers, which deprived the Board from earning additional revenue of Rs.161.40 crore.	Effective steps were required to be taken to implement the provisions of MOU.	Latest position is awaited from the Board.
		2002-03 3.1.23 to 3.1.27		The Board had been lagging behind in implementing the hundred *per cent* metering programme committed by the State Government in the MOU with the Central Government. The Board had also not taken any decision for metering the agricultural consumers.		

		2003-04 1.15		The Board had been lagging behind in: • reduction of transmission and distribution losses to 18 *per cent* by March 2003. • hundred *per cent* metering by June 2002. • replacement of electromagnetic meters with electronic meters by March 2006.		
		2004-05 1.15		The Board had been lagging behind in: • reduction of transmission and distribution losses to 18 *per cent* by March 2003. • hundred *per cent* metering by June 2002. • replacement of electromagnetic meters with electronic meters by March 2006.		
2.	Loss due to non-clubbing of connections	2003-04 3.11	17.53	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.	The connections were required to be clubbed as per rules of the Board.	The para is yet to be discussed in the COPU (April 2006).
		2004-05 3.12	5.19	Non clubbing of connections running in the same premises coupled with delayed action resulted in revenue loss of Rs. 5.19 crore.	The connections were required to be clubbed as per rules of the Board/ applicable instructions.	As above
Total			**184.12**			

Annexure 15

Statement showing department wise break up of Inspection Reports outstanding as on 30 September 2006

(Referred to in Paragraph 4.25.4)

Sl. No.	Name of Department	No. of PSUs	No. of IRs outstanding	No. of outstanding Paras	Years for which observations outstanding
A	**Working PSUs**				
1.	Agriculture	5	51	256	1987-88 to 2004-05
2.	Food and Supplies	2	130	634	1981-82 to 2004-05
3.	Irrigation	1	8	25	1995-96 to 2004-05
4.	Industry	11	78	427	1984-85 to 2004-05
5.	Forest	1	6	16	1998-99 to 2004-05
6.	Tourism	1	7	21	1999-2000 to 2004-05
7.	Home	1	5	10	1996-97 to 2004-05
8.	Transport	2	62	147	1986-87 to 2004-05
9.	Social Welfare	1	7	19	1996-97 to 2004-05
10.	Power	1	896	2,196	1991-92 to 2005-06
	Total A	**26**	**1,250**	**3,751**	
B	**Non working PSUs**				
1.	Agriculture	1	14	64	1991-92 to 2004-05
2.	Industry	5	16	36	1987-88 to 2002-03
3.	Animal Husbandry	1	8	14	1990-91 to 2004-05
	Total B	**7**	**38**	**114**	
	Grand Total (A+B)	**33**	**1,288**	**3,865**	

Annexure 16

Statement showing the department wise draft paragraphs/reviews, replies to which are awaited.

(Referred to in Paragraph 4.25.4)

Sl. No.	Name of Department	No. of Draft Paras	No. of reviews	Period of issue
1.	Power	5	-	November 2005 -April 2006
2.	Agriculture	3	1	October 2005- April 2006
3.	Industries	4	-	January- April 2006
4.	Food and Supplies	7	-	November 2005-April 2006
5.	Transport	-	1	March 2006
6.	Tourism	1	-	January 2006
7.	Irrigation	2	-	January- March 2006
8.	Finance	1	-	May 2006
	Total	**23**	**2**	