

CHAPTER I

Overview of Government companies and Statutory corporations

1.1. Introduction

As on 31 March 2002, there were 48 Government companies (20 working companies and 28 non-working companies*) and five Statutory corporations (all working) as against the same number of PSUs as on 31 March 2001 under the control of the State Government. In addition, the State had formed Punjab State Electricity Regulatory Commission whose audit is also being conducted by Comptroller and Auditor General of India (CAG). The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by CAG as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Punjab State Electricity Board (PSEB)	Section 69(2) of the Electricity (Supply) Act, 1948.	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.	Chartered Accountants and supplementary audit by CAG
5.	Punjab State Warehousing Corporation (PSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962.	Chartered Accountants and supplementary audit by CAG

*Non-working companies are those which are under the process of liquidation/closure/merger, etc.

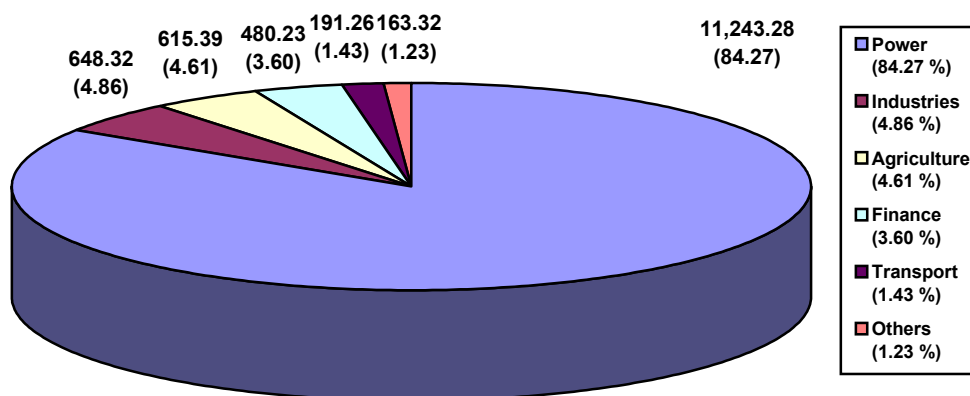
1.2 Working Public Sector Undertakings (PSUs)

1.2.1 Investment in working PSUs

As on 31 March 2002, the total investment in 25 working PSUs (20 Government companies and 5 Statutory corporations) was Rs.13,341.80 crore (equity: Rs.3,368.16 crore; long-term loans: Rs.9,958.82[@] crore and share application money: Rs.14.82 crore) as against 25 working PSUs (20 Government companies and five Statutory corporations) with a total investment of Rs. 12,948.92 crore (equity: Rs. 3,284.21 crore; long-term loans: Rs. 9,584.64 crore and share application money: Rs. 80.07 crore) as on 31 March 2001. The analysis of investment in PSUs is given in the following paragraphs. The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2002 and 31 March 2001 are indicated below in the pie charts.

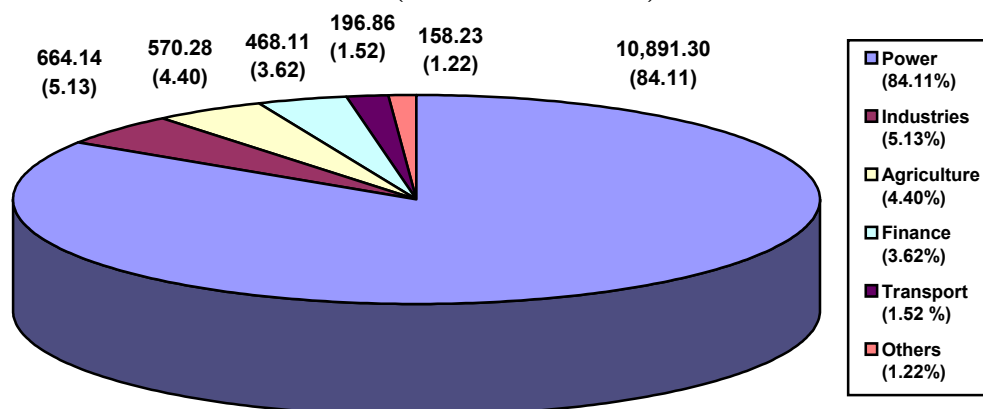
Sector wise investment in working Government companies and Statutory corporations

(As on 31 March 2002)



(Amount: Rupees in crore)

(As on 31 March 2001)



(Amount: Rupees in crore)

[@] Long-term loans mentioned in para 1.2, 1.2.1 and 1.2.2 are excluding interest accrued and due on such loans.

1.2.1.1 Working Government companies

Total investment in 20 working Government companies as on 31 March 2002 was Rs.1,346.44 crore (equity: Rs.364.01 crore; long-term loans: Rs.967.61 crore; share application money: Rs.14.82 crore) as against total investment of Rs.1,361.26 crore (equity: Rs.279.91 crore; long-term loans: Rs. 1,001.28 crore; share application money: Rs.80.07 crore) as on 31 March 2001. The decrease in investment was mainly due to repayment of loans during the year. The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in *Annexure 1*.

As on 31 March 2002, the total investment of working Government companies comprised of 28.14 *per cent* equity capital and 71.86 *per cent* loans as compared to 26.45 *per cent* and 73.55 *per cent*, respectively, as on 31 March 2001.

Due to significant decrease in long-term loans in Agriculture, Industries and Transport sectors, the debt-equity ratio in these sectors decreased from 1.60, 6.50 and 4.23 in 2000-01 to 1.46, 6.29 and 3.35 in 2001-02, respectively.

1.2.1.2 Working Statutory corporations

The total investment in five Statutory corporations at the end of March 2002 and March 2001 was as follows:

(Amount: Rupees in crore)

Sl. No.	Name of corporation	2000-01		2001-02	
		Capital	Loans	Capital	Loans
1.	Punjab State Electricity Board	2,806.11	8,085.20	2,806.11	8,437.17
2.	PEPSU Road Transport Corporation	111.18	53.55	111.18	53.34
3.	Punjab Financial Corporation	40.54	427.57	40.39	439.84
4.	Punjab State Warehousing Corporation	8.00	13.42	8.00	58.22
5.	Punjab Scheduled Castes Land Development and Finance Corporation	38.47	3.62	38.47	2.64
	Total	3,004.30	8,583.36	3,004.15	8,991.21

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in *Annexure 1*.

As on 31 March 2002, the total investment in working Statutory corporations comprised of 25.04 per cent equity capital and 74.96 per cent loans as compared to 25.93 per cent and 74.07 per cent, respectively, as on 31 March 2001. Due to significant increase in long-term loans of Power sector, the debt-equity ratio increased from 2.88:1 in 2000-01 to 3:1 in 2001-02.

1.2.2. Budgetary outgo, grants/ subsidies, guarantees, waiver of dues and conversion of loans into equity

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in *Annexure 1 and Annexure 3*.

The budgetary outgo in the form of equity capital, loans and grants/subsidies from the State Government to six working Government companies and two working Statutory corporations for the three years up to 2001-02 are given below:

(Amount: Rupees in crore)

Particulars	1999-2000				2000-01				2001-02			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital	2	10.50	-	-	2	11.20	-	-	3	16.34	-	-
Loans	-	-	1	176.18	1	6.00	1	190.12	-	-	1	0.02
Grants/ Subsidy towards												
(i) Project/ Programmes/ Schemes	2	21.95	-	-	3	28.79	-	-	4	40.42	2	12.63
(ii) Other subsidy	-	-	1	403.68	-	-	1	604.58	-	-	-	-
(iii) Total subsidy	2	21.95	1	403.68	3	28.79	1	604.58	4	40.42	2	12.63
Total outgo	3	32.45	1	579.86	5	45.99	1	794.70	6	56.76	2	12.65
Waiver of dues (percentage)	-	-	1	3.65 (27.04)	1	60.46 (65.31)	-	-	-	-	-	-
Guarantees	3	2,532.08	3	3,046.50	7	3,303.54	2	2,290.00	6	4,803.72	2	3,233.07

During the year 2001-02, the Government had guaranteed the loans aggregating Rs.8,036.79 crore obtained by six working Government companies (Rs.4,803.72 crore) and two working Statutory corporations (Rs.3,233.07 crore). At the end of the year, guarantees amounting to Rs.13,240.29 crore against eight Government companies (Rs.6,304.42 crore) and four working Statutory corporations (Rs.6,935.87 crore) were outstanding. There was no default in repayment of guaranteed loans during the year. The Government had forgone Rs. 1,069.54 crore by way of loans written off or interest waived or giving moratorium on loan repayment in one corporation during 2001-02. The guarantee commission paid/payable to Government by Government companies and Statutory corporations during 2001-02 was Rs. 7.90 crore and Rs.10.82 crore respectively.

1.2.3 Finalisation of accounts by working PSUs

The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Sections 166, 210, 230, 619 and 619 B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from *Annexure 2*, out of 20 working Government companies, only five companies and out of five working Statutory corporations, only three corporations had finalised their accounts for the year 2001-02 up to September 2002. During the period from October 2001 to September 2002, 12 working Government companies finalised 14 accounts for previous years. Similarly, during this period, three working Statutory corporations finalised four accounts for previous years.

The accounts of 15 working Government companies and two Statutory corporations were in arrears for periods ranging from one year to eight years as on 30 September 2002 as detailed below:

Sl. No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Number of working companies/corporations		Reference to serial No. of Annexure 1 and Annexure 2	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1.	1994-95	8	1	--	17	--
2.	1995-96	7	1	--	2	--
3.	1997-98	5	1	--	20	--
4.	1998-99	4	1	1	4	5
5.	1999-2000	3	2	--	6,18	--
6.	2000-01	2	2	--	1,8	--
7.	2001-02	1	7	1	3,5,9,10, 11, 14,15	3

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures had been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

1.2.4 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in ***Annexure 2***. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised, are given in ***Annexure 4*** and ***Annexure 5***, respectively.

According to the latest finalised accounts of 20 working Government companies and five working Statutory corporations, eight companies and three corporations had incurred an aggregate loss of Rs.297.64 crore and Rs.48.81 crore, respectively; eight companies and two corporations earned an aggregate profit of Rs.12.86 crore and Rs.9.92 crore, respectively; two companies had not commenced commercial activities and two companies were operating on 'no profit no loss' basis.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working companies and dividend

Out of five working Government companies, which finalised their accounts for 2001-02 by September 2002, three companies earned an aggregate profit of Rs.5.08 crore but only one company viz., Punjab Communications Limited (a subsidiary of Punjab State Electronics Development and Production Corporation Limited) declared dividend of Rs.2.41 crore. The dividend as percentage of share capital worked out to 15. The State Government had formulated (March 1993 and July 1994) a dividend policy for the payment of minimum four *per cent* dividend. However, only one company complied with these guidelines.

Similarly, out of 12 working Government companies, which finalised their accounts for previous years by September 2002, four companies earned an aggregate profit of Rs.6.72 crore. Only one company (Sl. No. 11 of ***Annexure 2***) declared dividend amounting to Rs. 0.80 crore while three companies earned profit for two or more successive years.

1.2.4.1.2 Loss incurring working Government companies

Of the 12 working Government companies with accumulated loss, eight companies had accumulated losses aggregating Rs.666.29 crore which exceeded their aggregate paid up capital of Rs.100.73 crore.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards subsidy. According to the available information, the total financial support so provided by the State Government by way of subsidy during 2001-02 to one company, out of these eight companies, amounted to Rs.2.22 crore.

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Profit earning Statutory corporations and dividend

None of the two profit earning Statutory corporations (Sl. No. 3 and 5 of *Annexure 2*) had finalised their accounts for 2001-02 during the period from October 2001 to September 2002.

Two working Statutory corporations (Sl. No. 3 and 5 of *Annexure 2*), which finalised their accounts for previous years by September 2002, had earned an aggregate profit of Rs. 9.92 crore but only one corporation declared dividend (Rs. 0.80 crore) at the rate of 10 *per cent*.

1.2.4.2.2 Loss incurring Statutory corporations

Of the five working Statutory corporations, which had finalised their accounts for current year (three) and previous years (three)* during the period from October 2001 to September 2002, two loss incurring Statutory corporations (Sl. No. 2 and 4 of *Annexure 2*) had accumulated losses aggregating Rs. 586.67 crore which exceeded their aggregate paid up capital of Rs. 151.57 crore.

* Include one corporation which also finalised accounts for the current year.

1.2.4.2.3 Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations is given in **Annexure 6**. The following observations are made:

Punjab State Electricity Board

Plant load factor in respect of Guru Hargobind Thermal Plant, Lehra Mohabbat decreased from 87.71 *per cent* in 2000-01 to 83.56 *per cent* in 2001-02.

PEPSU Road Transport Corporation

Operating revenue per kilometre had decreased from Rs.13.34 in 2000-01 to Rs.13.04 in 2001-02.

Average number of breakdowns per lakh kilometres increased from 6 in 2000-01 to 8.20 in 2001-02.

Punjab Financial Corporation

Percentage of overdue to total loans outstanding increased from 20.73 in 2000-01 to 21.87 in 2001-02.

1.2.5 Return on capital employed

As per the latest finalised accounts (up to September 2002), the capital employed[@] worked out to Rs. 5,960.67 crore in 20 working companies and total return[#] thereon amounted to Rs.301.32 crore, which was 5.06 *per cent* as compared to total return of 227.48 crore (7.63 *per cent*) in 2000-01. Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2002) worked out to Rs.12,378.50 crore and Rs.1,259.92 crore (10.18 *per cent*), respectively, as against the total return of Rs.917.99 crore (7.43 *per cent*) for 2000-01. The details of capital employed and total return on capital employed in case of working Government companies and corporations are given in **Annexure 2**.

[@] 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 balances of paid up capital, free reserves and borrowings (including refinance).

[#]For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

1.2.6 Reforms in Power Sector

(A) Status of implementation of MOU between the State Government and the Central Government

In pursuance of Chief Ministers' conference on Power Sector Reforms, held in March 2001, a Memorandum of Understanding (MOU) was signed on 30 March 2001 between Government of Punjab and the Government of India as a joint commitment for implementation of reform programme in Power Sector with identified milestones. Status of implementation of reform programme is discussed in paragraph 3B of Chapter III.

(B) Punjab State Electricity Regulatory Commission

Punjab State Electricity Regulatory Commission (Commission) was formed on 31 March 1999 under Section 17 of the Electricity Regulatory Commissions Act, 1998 (Act) with the object of determining electricity tariff, advising in matters relating to electricity generation, transmission, distribution, etc., in the State. The Commission is a body corporate and comprises of three members including a Chairman, who are appointed by the State Government. The audit of accounts of the Commission has been entrusted to CAG under Section 34 of the Act, *ibid*. The Commission had not finalised its first accounts so far (30 September 2002).

1.3 Non-working PSUs

1.3.1 Investment in non-working PSUs

As on 31 March 2002, the total investment in 28 non-working Government companies was Rs.42.20 crore (equity: Rs.19.83 crore, long-term loans: Rs. 15.93 crore and share application money: Rs.6.44 crore) which was same as in the previous year. The classification of the non-working PSUs was as under:

Sl. No.	Status of non-working PSUs	Number of companies	Investment (Rs. in crore)	
			Equity	Long-term loans
i	Under liquidation	14	2.78	10.86
ii	Under closure	4	12.18	1.35
iii	Under merger	1	5.00	-
iv	Others ^s	9	6.31	3.72
	Total	28	26.27	15.93

Of the above non-working PSUs, 18 Government companies were under liquidation or closure under Section 560 of the Companies Act, 1956 for one to eight years and substantial investment of Rs.27.17 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

^s Under construction:3, Defunct:6

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

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to non-working PSUs are given in *Annexures 1* and *3*. The guarantee of Rs.1.87 crore was outstanding in respect of two non-working companies as on 31 March 2002.

1.3.3 Total establishment expenditure of non-working PSUs

The year wise detail of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2001-02 are given below:

(Amount: Rupees in crore)

Years	Number of PSUs	Total establishment expenditure	Financed by				
			Disposal of investment/assets	Loans from private parties	Government by way of		Others
					Loans	Grants	
1999-2000	28	1.32	-	-	-	-	1.32
2000-01	28	0.78	-	-	-	-	0.78
2001-02	28	0.25	0.17	-	-	-	0.08

The State Government had not incurred any amount towards establishment expenses of the 14 companies under liquidation. Expeditious action is necessary for winding up of these companies to avoid any non-productive expenditure in these companies.

1.3.4 Finalisation of accounts by non-working companies

Out of 28 non-working companies, the accounts of 27 companies were in arrears for periods ranging from one year to 28 years as on 30 September 2002 as could be noticed from *Annexure 2*.

1.3.5 Financial position and working results of non-working PSUs

The summarised financial results of non-working Government companies as per their latest finalised accounts are given in *Annexure 2*.

The net worth of 28 non-working companies against their paid up capital of Rs. 26.17 crore was Rs. (-) 13.31 crore. These companies suffered a cash loss of Rs. 7.29 crore and their accumulated loss worked out to Rs. 40.91 crore.

According to latest finalised accounts of 28 non-working Government companies, 14 companies had incurred an aggregate loss of Rs.7.73 crore.

Of the 14 loss incurring non-working companies, 12 companies had accumulated losses aggregating Rs.34.07 crore which exceeded their aggregate paid up capital of Rs.12.62 crore.

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

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG in the Legislature by the Government:

Sl. No	Name of Statutory corporation	Year up to which SAR placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1	Punjab State Electricity Board	1999-2000	2000-01	9 April 2002	Being presented by Board to State Govt. for placement in Legislature
2	PEPSU Road Transport Corporation	1999-2000	2000-01	Under finalisation	-
3	Punjab Financial Corporation	1999-2000	2000-01	Under finalisation	-
4	Punjab State Warehousing Corporation	1996-97	1997-98	9 August 2002	Under printing
5	Punjab Scheduled Castes Land Development and Finance Corporation	1997-98	1998-99 1999-2000	2 May 2002 Under finalisation	Under printing -

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

(a) No disinvestment and privatisation of Public Sector Undertakings has taken place during the year 2001-02. In case of following eight companies, notices were published in the official gazettes (9 May 1998 to 12 April 2002) by Ministry of Law, Justice and Company Affairs, Department of Company Affairs under Sub-Section 3 of Section 560 of the Companies Act, 1956 that after the expiry of three months from the date of such notices, unless otherwise shown to the contrary, the names of these companies would be struck off from the register and companies would be dissolved. However, the final orders regarding striking off their names from the register and dissolution had not been issued (September 2002).

The investment in seven companies by the holding company, i.e., Punjab State Handloom and Textiles Development Corporation Limited (Rs. 2.50 lakh) and in one company by Punjab Urban Development Authority (Rs 0.02 lakh) was as detailed below:

[@] Restructuring includes merger and closure of PSUs

Sl. No	Name of the company	Paid up capital (Rs. in lakh)	Date of notification
1	Doaba Worsted Spinners Limited	0.50	9 May 1998
2	Doaba Shoddy Spinning Mills Limited	0.50	-do-
3	Ludhiana Worsted Spinning Mills Limited	0.50	-do-
4	Sangrur Worsted Spinning Mills Limited	0.50	23 January 1999
5	Polytex Processors Limited	0.50	-do-
6	Punjab Processors Limited	#	27 December 2000
7	Nakodar Cotton Waste Spinning Mills Limited	#	16 January 2001
8	Punjab Housing Finance Corporation Limited	0.02	12 April 2002
	Total	2.52	

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

(c) The State Government had decided to merge Punjab Agro News Print Limited with Punjab Agro Industries Corporation Limited with effect from 31 March 2001. The Government of India, Ministry of Law, Justice and Company Affairs issued (14 June 2002) draft order of amalgamation of these two companies under Section 396 (1) of the Companies Act, 1956 for inviting objections/suggestions from shareholders, creditors and others. The process of merger was underway (September 2002).

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

During the period from October 2001 to September 2002, the audit of accounts of 15 Government companies (working: 12, non-working: three) and five Statutory corporations (all working) were selected for review. As a result of the observations made by the CAG, the net impact of the important audit observations was as follows:

Details	Number of accounts				Amount (Rupees in crore)			
	Government companies		Statutory corporations		Government companies		Statutory corporations	
	Working	Non Working	Working	Non Working	Working	Non Working	Working	Non Working
Decrease in profit	1	-	-	-	0.30	-	-	-
Increase in loss	1	1	1	-	1.18	0.51	921.81	-
Decrease in loss	1	-	1	-	0.11	-	1.17	-

Paid up capital was Rs. 70 only.

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

1.6.1. 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 course of audit conducted during the period October 2001 to September 2002 were as follows:

Punjab State Industrial Development Corporation Limited (2000-01)

(i) Loss was understated by Rs. 105.35 lakh due to non-provision for non-performing assets identified as loss assets in respect of loans and advances recoverable.

(ii) Loss was understated by Rs. 12.81 lakh due to treating the amount, representing recoveries from borrowers towards charges, expenses, other costs/principal as interest income for the year, instead of adjusting against loans and advances.

(iii) Loss was overstated by Rs. 11.21 lakh on account of provision of ex-gratia for the year 2000-01 which was not approved by the Board of Directors.

Punjab Genco Limited (2000-01)

Sundry debtors included Rs 29.83 lakh on account of deductions made by Punjab State Electricity Board, which were not refundable in view of Supplementary Power Purchase Agreement- II resulting in overstatement of sundry debtors and profit by Rs. 29.83 lakh each.

Punjab State Hosiery and Knitwear Development Corporation Limited (1995-96)

Loss was understated by Rs. 0.51 crore due to non-provision of interest liability on loan obtained by the Company.

1.6.2 Errors and omissions noticed in case of Statutory corporations

Punjab State Electricity Board (2000-01)

(i) Revenue from sale of power did not include Rs. 1.17 crore being wheeling charges and O & M charges recoverable from Haryana Vidyut Parasaran Nigam Ltd. for energy wheeled through Ropar -Pinjore circuit during 2000-01 resulting in understatement of current assets as well as overstatement of deficit to the extent of Rs. 1.17 crore.

(ii) The Board calculated the subsidy at the rate of 15 per cent of the average capital base without restricting it to interest payable on the loan from Punjab Government which resulted in overstatement of subsidy and understatement of loss by Rs. 921.81 crore in 2000-01.

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

Based on the audit assessment of the working results of the PSEB for three years up to 2001-02 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the PSEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of the Board will be as given below:

(Amount: Rs. in crore)				
Sl.No	Particulars	1999-2000	2000-01	2001-02 (Provisional)
1.	Net surplus/ deficit (-) as per books of accounts	4.51	(-) 31.95	(-) 1.31
2.	Subsidy from the State Government	1,218.59	1,461.64	1,833.85
3.	Net surplus/deficit (-) before subsidy from the State Government (1-2)	(-)1,214.08	(-)1,493.59	(-)1,835.16
4.	Net increase/decrease in net surplus/ deficit (-) on account of audit comments on the annual accounts of the PSEB	(-) 726.79	(-) 925.55	Under Audit
5.	Net surplus/deficit (-) after taking into account the impact of audit comments but before subsidy from the State Government (3-4).	(-)1,940.87	(-)2,419.14	-do-
6.	Total return [#] on capital employed.	(-)1,296.56	(-)1,460.74	-do-
7.	Percentage of total return on capital employed	(-)11.60	(-) 12.70	-do-

The deficit during the last three years ending March 2002 before accounting for subsidy and grants increased from Rs.1,214.08 crore in 1999-2000 to Rs.1,835.16 crore in 2001-02.

1.7 Recommendations for closure of PSUs

Even after the completion of more than 23 years of their existence, the turnover of five Government companies (Sl. No. A-1, A-4, A-10, A-14 and C-25 of *Annexure 2*) have been less than Rs. 5 crore in each of the preceding five years of latest finalised accounts. Similarly, two working Government companies (Sl. No. A-5 and A-15 of *Annexure 2*) have been incurring losses for five consecutive years (as per the latest finalised accounts) leading to negative net worth. Besides, five companies (Sl. No. C-3, C-12, C-13, C-24 and C-26 of *Annexure 2*), despite being in existence for more than 10 years, could not commence business activities.

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

In view of poor turnover, continuous losses and non-commencement of business activities, the Government may either improve performance of above 12 Government companies or consider their closure.

1.8 Response to Inspection Reports, Draft paras and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2002 pertaining to 37 PSUs disclosed that 6,413 paragraphs relating to 2,253 Inspection Reports remained outstanding at the end of September 2002. Of these, 52 Inspection Reports containing 224 paragraphs had not been replied to for more than one year. Department-wise break up of Inspection Reports and audit observations outstanding as on September 2002 is given in *Annexure 7*.

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. It was, however, observed that 19 draft paragraphs and four draft reviews forwarded to the various departments during January to September 2002 as detailed in *Annexure 8* had not been replied to so far (30 September 2002).

It is recommended that (a) procedure exists for action against the officials who failed to send replies to inspection reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment is taken in a time bound schedule and (c) system of responding to the audit observations is revamped.

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

The status of Audit Reports (Commercial) and their reviews/paragraphs pending for discussion at the end of March 2002 is as under:

Period of Audit Report	Number of reviews and paragraphs			
	Appeared in the Audit Report		Pending for discussion	
	Reviews	Paras	Reviews	Paras
1997-98	3	23	3	12
1998-99	4	22	4	22
Total	7	45	7	34

During the year 2001-02, COPU met 10 times and discussed 14 reviews and 39 paragraphs. Audit Reports (Commercial) for the years 1999-2000 and 2000-01 were placed before the State Legislature on 21 June 2002.

1.10 619-B Companies

There was no company covered under Section 619-B of the Companies Act, 1956.