

Chapter-IV

Quality of Accounts and Financial Reporting Practices

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A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

Issues related to completeness of accounts

4.1 Funds outside Consolidated Fund or Public Account of the State

Article 266 (1) of the Constitution of India subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled “the Consolidated Fund of the State”. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the public account of the State, as the case may be.

The Department of Finance, GoP directed (February 2018) that no State levies (taxes, duties, fees, user charges etc.) and receipts shall be retained by any Administrative Department or any other agencies under it. These shall be deposited in the Consolidated Fund of the State under the relevant head of account. Any retention or diversion of such funds shall be only with a specific authorisation from the Finance Department, which shall be obtained afresh by 31 March 2018.

It has been observed that funds meant to be credited to Consolidated Fund were kept outside the Consolidated Fund of the State as discussed below:

Collection of levies like; Cess/Royalty: The State Government imposed various Cess for meeting out expenditure for specific purposes. Some of the Cess are discussed below;

(i) Cultural Cess

The State Government imposed (April 2013) a cultural cess at the rate of one *per cent* on construction cost of roads, bridges, flyovers, road over bridges/road under bridges, etc. costing more than ₹ 50 crore (revised to

₹ 15 crore with effect from December 2013) under the Punjab Ancient, Historical Monuments, Archeological Sites and Cultural Heritage Maintenance Board Act, 2013. The proceeds of the cess were to be credited by the concerned agencies directly into Consolidated Fund of the State (CFS).

It was, however, noticed that an amount of ₹ 4.14 crore which was required to be deposited in the Consolidated Fund of the State was lying with the collecting agencies as of March 2020. The State Government stated (June 2021) necessary instructions would be issued to the concerned departments to do the needful.

(ii) Market Fee collected under Punjab Agricultural Produce Markets Act, 1961

In order to regulate the purchase, sale, storage, processing of agriculture produce and the establishment of markets for the purpose in the State of Punjab, the State Government notified (May 1961) the Punjab Agricultural Produce Markets Act, 1961 (PAPM Act) under which Punjab State Agricultural Marketing Board (PSAMB) was established. As per Section 23 of the Act, a fee on *ad valorem* basis, at the rate of one rupee and fifty paise for every one hundred rupees on the agricultural produce bought or sold by licensee in the notified market area was levied. The fee was revised (2017) as (i) fee on agriculture produce bought or sold by a licensee in the notified market area at the rate not exceeding three rupees for every one hundred rupees; and (ii) additional fee on the agriculture produce when sold by a producer to a licensee in the notified market area at a rate not exceeding one rupee for every one hundred rupees.

During 2019-20, there was an opening balance of ₹ 388.90 crore, receipts during the year were ₹ 1,803.95 crore and expenditure was ₹ 1,738.61 crore thereby leaving unutilised amount of ₹ 454.24 crore at the end of the year with the Board, without routing through the Consolidated Fund of the State.

(iii) Rural Development Fee collected under Punjab Rural Development Act, 1987

In order to accelerate rural development, augment agricultural production, improve facilities to the dealers and purchasers of agricultural produce and to provide for relief for loss of agricultural produce due to natural calamities, the State Government notified (April 1987) the Punjab Rural Development Act, 1987 (PRD Act) under which Punjab Rural Development Board (PRDB) was established. As per Section 5 of the PRD Act, a fee on *ad valorem* basis, at the rate of rupees two, revised (December 2017) to rupees three for every one hundred rupees, in respect of the agricultural produce, bought or sold in the notified market area was levied.

On being enquired (June-July 2021), the State Government/PRDB did not provide the details/status of Rural Development Fee lying with the PRDB (July 2021).

The Additional Chief Secretary (Development), Punjab Rural Development Board (PRDB) stated (July 2021) that since separate funds had been created under the respective Acts (PAPM Act and PRD Act), there was no need to transfer Market Fee and Rural Development Fee to the Consolidated Fund of the State. It was added that executive letter of the Finance Department (February 2018) could not override the provisions of the statutes. The reply of PRDB was contrary to the Constitutional provisions and instructions issued by the Finance Department.

Both the Acts provide for creation of separate funds for crediting the fees collected. The fees collected are transferred to the Boards without routing these through the Consolidated Fund of the State which is against the provisions of Rule 7(1) of the Punjab Treasury Rules and Subsidiary Treasury Rules issued thereunder read with Article 266(1) of the Constitution of India according to which all money received by or tendered to the State Government shall without delay be paid in full to the treasury and shall be included in the Consolidated Fund of the State.

(iv) Building and Other Construction Workers Welfare Cess (Labour Cess)

The State Government instructed (November 2008) all the heads of the Department/Boards/Autonomous Bodies/Local Authorities to collect cess at the rate of one *per cent* of cost of construction, as notified (September 1996) by the Central Government, and deposit it with the Punjab Building and Other Construction Workers' Welfare Board. The cess so collected was required to be spent for the social security schemes and welfare measures adopted by the Board for the benefit of the building and other construction workers in the State.

(v) Cancer Cess

The State Government notified (April 2013) the Punjab State Cancer and Drug Addiction Treatment Infrastructure Fund Act, 2013 under which cancer cess was imposed. The cess would be collected as a percentage of cost of infrastructure development projects having worth of more than 50 crore and on other works as specified under Section 6 of the Act. The fund would be administered by a Board constituted under the Act and it could be utilised for specific purposes as mentioned under Section 5 of the Act.

However, it was noticed that labour cess and cancer cess, though collected by the collecting agencies, were transferred partially to the concerned authorities (Boards) during 2019-20 as shown in **Table 4.1**.

Table 4.1: Details of cesses not transferred to the designated Authorities/Boards*(₹ in crore)*

Sr. No.	Name of Cess	Opening balance as on 1 April 2019	Amount of Cess collected	Total	Cess transferred to Designated Authority (Boards)	Balance amount with the collecting agency
1.	Labour Cess	5.09	19.27	24.36	18.00	6.36
2.	Cancer Cess	9.21	9.61	18.82	10.98	7.84
Total						14.20

*Sources: Departmental Information***4.1.1 Funds of Regulators outside Government Account:**

Research Laboratory, Patiala under the Department of Public Works (Building and Roads) conducts the various tests required during the execution of civil works and to check the quality of work executed. This includes testing of bearing capacity of soil of buildings, bitumen penetration test, job mix formulae for road works, mix design for bitumen mixes, etc. The Chief Engineer (CE), cum Chief Vigilance Officer and Director, Quality Control Cell, Public Works (B&R) Department, Mohali sought (October 2009) approval of rates/fees to be recovered for various tests to be conducted by Research Laboratory, Patiala alongwith proposal to deposit the fee so collected with Punjab Roads and Bridges Development Board (PRBDB), Mohali. Department of Public Works, Government of Punjab approved the proposal in May 2010. Thereafter, the Department of Finance (FD), Government of Punjab, has instructed (February 2018) all administrative departments to deposit all state levies and receipts in the Consolidated Fund of the State under the relevant head of account. Further, any retention or diversion of such funds will require a specific authorisation from the FD, which shall be obtained afresh by 31 March 2018.

Scrutiny of records (January 2020), revealed that PRBDB was having balance of ₹ 0.51 crore as on April 2018 and thereafter collected fees amounting to ₹ 1.12 crore during 2018-19 and 2019-20. As per above mentioned instruction of FD, the total amount of ₹ 1.63 crore was required to be deposited in the Consolidated Fund of the State. However, Research Laboratory, Patiala deposited this amount with PRBDB without obtaining the specific authorisation from FD in violation of the *ibid* instructions.

4.2 Non-discharge of liability in respect of interest towards interest bearing deposits

The Government has a liability to provide and pay interest on the amounts in the Interest-bearing Deposits under Major Head-8338 and 8342.

Audit observed that ₹ 60.61 crore were required to be paid as interest (taking average interest rate of Ways and Means Advance for the year 2019-20 at 7.50 per cent per annum) on the balance of ₹ 808.08 crore lying under interest bearing deposit heads viz. Minor Head 101-Deposits of Municipal Corporations and 104-Deposits of other Autonomous Bodies below Major Head 8338-Deposits of Local Funds and Minor Head 103-Deposits of Government Companies, Corporations etc. and Minor Head 117-Define Contribution Pension Scheme for Government Employees and Minor Head 120-Miscellaneous Deposits below Major Head 8342-Other Deposits as on 31 March 2019 as shown in **Table 4.2**. Non-payment of interest liability has resulted in understatement of Revenue Deficit and Fiscal Deficit to that extent.

Table 4.2: Details of non-discharge of liability in respect of interest towards interest bearing deposits

(₹ in crore)

Sr. No.	Name/Head of the interest bearing deposit	Opening Balance as on 1 April 2019	Receipts	Disbursements	Balance as on 31 March 2020	Amount of Interest not provisioned
1.	8338-101-Deposits of Municipal Corporations	0.08	0	0	0.08	0.01
2.	8338-104-Deposits of Other Autonomous Bodies	0.07	0	0	0.07	0.01
3.	8342-103-Deposits of Government companies, corporations etc.	145.00	0	0	145.00	10.88
4.	8342-117-Define Contribution Pension Scheme for Government Employees	183.37	746.67	728.72	201.32	13.75
5.	8342-120-Miscellaneous Deposits	479.56	650.14	700.00	429.70	35.96
Total		808.08	1,396.81	1,428.72	776.17	60.61

Source: Finance Accounts

4.3 Funds transferred directly to State implementing agencies

The GoI has been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes. GoI decided to route these funds through State Budget from 2014-15 onwards. However, during 2019-20, the GoI transferred ₹ 4,551.70 crore directly to various implementing agencies/Non-Governmental organisations of the State as detailed in (*Appendix 4.1*) which was more by 81.46 per cent than the amount released in 2018-19 (₹ 2,508.36 crore). This is 159 per cent of the amount (₹ 2,864.31 crore) released by the GoI for centrally sponsored scheme as Grants-in-Aid, through the state budget.

Issues related to transparency

4.4 Delay in submission of Utilisation Certificates

Rule 8.14 of the Punjab Financial Rules, Volume-1 prescribes that where grants are sanctioned and cases in which conditions are attached to the Utilisation of Grant in the form of specification of particular objects of expenditure or the time within which the money must be spent or otherwise, the departmental officer on whose signature or countersignature the Grant-in-Aid bill was drawn should be primarily responsible for certifying to the Accountant General, the fulfilment of the conditions attaching to the grant. Utilisation Certificates (UCs) outstanding beyond the specified periods indicate absence of assurance on utilisation of the grants for intended purposes and the expenditure shown in the accounts to that extent can't be treated as final. The status of outstanding UCs as per records of the Accountant General (Accounts and Entitlements) is given in **Table 4.3(a&b)**.

Table 4.3(a): Arrears in submission of Utilisation Certificates

(₹ in crore)

Year*	Opening Balance		Addition		Clearance		Closing Balance	
	No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount	No. of UCs	Amount
2016-17	05	4.47	128	1,031.65	120	448.31	13	587.81
2017-18	13	587.81	117	531.35	85	826.74	45	292.42
2018-19	45	292.42	234	2,912.87	185	2,759.10	94	446.19

Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

* The year mentioned above relates to 'Grant year' which becomes due after eighteen months of actual drawl.

Table 4.3(b): Age-wise pendency of Utilisation Certificates

(₹ in crore)

Year of Grant	No. of UCs	Amount
Up to 2016-17	19	72.47
2017-18	36	94.90
2018-19	39	278.82
Total	94	446.19

Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

Chart 4.1: Outstanding UCs in respect of 10 major Departments**(₹ in crore)**

Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

Analysis revealed that Major outstanding Utilisation Certificates pertain to the Department of Rural Development and Panchayats, (16). It was further observed that ₹ 223.76 crore i.e. 50.15 *per cent* of the total outstanding amount of ₹ 446.19 crore pertain to three Departments viz. Department of Rural Development and Panchayats (₹ 132.76 crore), Excise and Taxation (₹ 50.00 crore) and Sports and Youth Services (₹ 41.00 crore).

Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner. The State Government stated (June 2021) directions were being issued to the concerned departments on monthly basis for submission of UCs.

4.5 Abstract Contingent bills

When money is required in advance or when they are not able to calculate the exact amount required, Drawing and Disbursing Officers (DDOs) are permitted to draw money without supporting documents, through Abstract Contingent (AC) bills, by debiting service heads and the expenditure is reflected as an expense under the service head. These amounts are held under objection pending submission of Detailed Contingent (DC) bills to the PAG (A&E) within six months. Delayed submission or prolonged non-submission of DC bills may affect the completeness and correctness of accounts.

The details of AC bills, under objection, pending adjustment, as on 31 March 2020 is given in **Table 4.4(a&b)**.

Table 4.4(a): Details of non-submission of DC bills

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No. of bills	Amount	No. of bills	Amount	No. of bills	Amount	No. of bills	Amount
2017-18	453	701.75	26	163.23	65	103.45	414	761.53
2018-19	414	761.53	944	3,567.26	569	1,245.48	789	3,083.31
2019-20	789	3,083.31	1336	3,857.03	1,530	5,148.32	595	1,792.02

Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

Table 4.4(b): Age-wise pendency of DC bills

(₹ in crore)

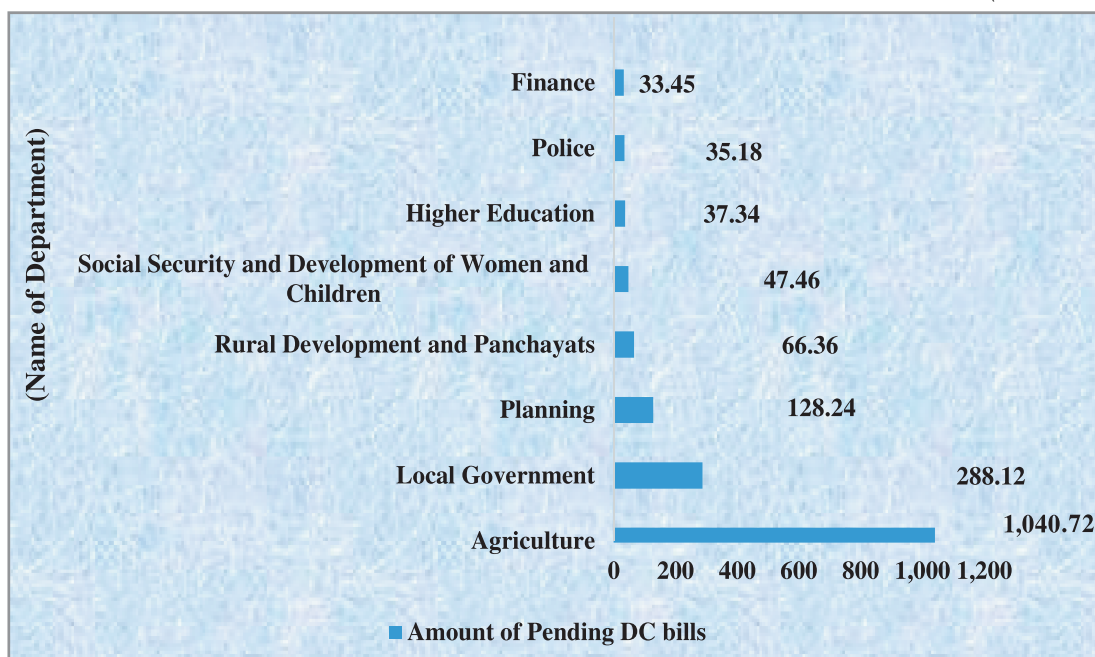
Year of Grant	No. of DC bills	Amount
Up to 2017-18	147	258.88
2018-19	183	1,308.20
2019-20	265	224.94
Total	595	1,792.02

Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

It was observed that out of 595 pending AC bills, 251 bills amounting to ₹ 628.44 crore were drawn for creation of capital assets. Further, out of 1264 AC bills amounting to ₹ 1,819.03 crore drawn during 2019-20, 321 bills amounting to ₹ 390.78 crore were drawn in March 2020.

Chart 4.2: Pending DC Bills in respect of major Departments

(₹ in crore)



Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

Expenditure against AC bills at the end of the year indicates poor public expenditure management and may point to the drawal being done primarily to exhaust the budget provision. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DC bills. Further, to the extent of non-receipt of DC bills, the expenditure shown in the Finance Accounts cannot be treated as final. The State Government stated (June 2021) that directions were being issued to the departments from time to time for clearance of pending AC bills.

Issues related to measurement

4.6 Outstanding balance under major Suspense and DDR heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out aggregating the outstanding debit and credit balances separately under various heads. Significant suspense items have been shown as gross debit and credit balances for the last three years, in **Table 4.5**.

Table 4.5: Balances under Suspense and Remittance Heads

(₹ in crore)

Head of Account		2017-18		2018-19		2019-20	
1		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
8658	Suspense Account -						
101	Pay and Accounts Office-Suspense	70.63	4.44	55.24	0.03	70.75	0.04
	Net Debit (Dr.) / Credit (Cr.)	66.19 Dr.		55.21 Dr.		70.71 Dr.	
102	Suspense Account-(Civil)	0.19	..	29.53	..	18.30	..
	Net Debit (Dr.) / Credit (Cr.)	0.19 Dr.		29.53 Dr.		18.30 Dr.	
109	Reserve Bank Suspense-(Headquarters)	0.04	..	0.66	..	0.33	..
	Net Debit (Dr.) / Credit (Cr.)	0.04 Dr.		0.66 Dr.		0.33 Dr.	
110	Reserve Bank Suspense- (Central Accounts Office)	0.69	..	22.27	..
	Net Debit (Dr.) / Credit (Cr.)	..		0.69 Dr.		22.27 Dr.	
112	Tax Deducted at Source (TDS) Suspense	..	15.42	..	124.06	..	119.96
	Net Debit (Dr.) / Credit (Cr.)	15.42 Cr.		124.06 Cr.		119.96 Cr.	
123	AIS Officers' Group Insurance Scheme	..	0.14	..	0.09	..	0.11
	Net Debit (Dr.) / Credit (Cr.)	0.14 Cr.		0.09 Cr.		0.11 Cr.	
8782	Cash Remittance and adjustments between officers rendering account to the same Accounts Officer						
102	Public Works Remittances	0.10	..	(-) 9.02	..	(-) 3.51	..
	Net Debit (Dr.) / Credit (Cr.)	0.10 Dr.		(-) 9.02 Dr.		(-) 3.51 Dr.	
103	Forest Remittances	(-) 0.01	6.19	..
	Net Debit (Dr.) / Credit (Cr.)	(-) 0.01 Dr.		..		6.19 Dr.	
8793	Inter-State Suspense Account	13.50	..	11.93	..	22.59	..
	Net Debit (Dr.) / Credit (Cr.)	13.50 Dr.		11.93 Dr.		22.59 Dr.	

Source: Finance Accounts

4.7 Reconciliation of Cash Balances

The Cash Balance of the State Government for 2019-20 as per Accounts of the AG (A&E) was ₹ 509.95 crore (Credit) while the same was reported as ₹ 446.78 crore (Credit) by the Reserve Bank of India. As such, there was an un-reconciled difference of ₹ 956.73 crore (Credit).

The difference was mainly due to wrong reporting and non-reconciliation of figures by Agency Banks with treasuries, which is under review. After integration of e-Kuber system (of the RBI) with State Integrated Financial Management System (IFMS) for payments in the State, the difference in reporting transactions has also led to the increase in difference, as the State IFMS reports on transaction date basis whereas the e-Kuber system reports the transactions on scroll date basis. As on 31 July 2020 (the date of closure of March Supplementary Accounts), there was a difference of ₹ 101.24 crore (net credit).

The State Government is required to claim interest for delayed credit of collections by the Agency Banks as per procedure laid down in Para 5.11 of 'Memorandum of Instructions on Accounting and Reconciliation-State Government transactions' which has not been done. As such, delayed interest calculated by the Accountant General (A&E) based on Cash Balance Reconciliation was conveyed to the State Government, which raised penal interest claims of ₹ 5.23 crore with Agency Banks. These claims have not yet been settled.

4.8 Cash with divisional officers

In terms of Rule 2.10 (b) (5) of Punjab Financial Rules Vol.-I, no money should be withdrawn from the treasury unless it is required for immediate disbursement or has already been paid out of the permanent advance. It is not permissible to draw advances from the treasury for the execution of works the completion of which is likely to take a considerable time.

As per instructions (March 2015) of Finance Department, the Public Works Department (PWD) Drawing and Disbursing Officers (DDO) will keep funds of deposit works related to non-Government agencies under head '8443-Civil Deposits 108-PW Deposit'. The PWD DDOs can draw funds from their deposit accounts by presenting bills to the treasury under the same head of account.

It was further directed that all bank accounts should be closed and unspent amounts kept under head '8671-Departmental Balances 101-Civil' should be remitted into Government account (under head '8443-Civil Deposits) by 31 March 2015 and no bank accounts would be operated w.e.f. April 2015.

In contravention of the instructions *ibid*, as on 31 March 2020, an amount of ₹ 725.54 crore was still lying under Major Head 8671-Departmental Balances

with Departmental Officers' in 188 Public Works Divisions. Of this, amount of ₹ 710.74 crore was lying in 593 bank accounts (as per divisional cash books), ₹ 13.48 crore in cash chest and ₹ 1.32 crore cash-in-transit. These bank accounts remained operative as is evident from the transactions viz. ₹ 810.79 crore (credit) and ₹ 701.12 crore (debit) made during 2019-20. Had these funds been deposited in the Government account (under head '8443-Civil Deposits'), borrowings to this extent could have been avoided.

Issues related to disclosure

4.9 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India (CAG), prescribe the form of accounts of the Union and of the States. On the advice of the CAG, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Punjab as well as deficiencies therein during 2019-20 is detailed in **Table 4.6**.

Table 4.6: Compliance to Accounting Standards

Sr. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	IGAS-1:	Guarantees Given by the Government – Disclosure requirements	Complied (Statements 9 and 20 of Finance Accounts)	NIL
2.	IGAS-2:	Accounting and Classification of Grants-in-aid	Not complied (Statement 10 of Finance Accounts)	Information regarding total value of Grants-in-aid in kind and value of Grants-in-aid in kind being Capital Assets in nature could not be made as this information was not provided by the State Government.
3.	IGAS-3:	Loans and Advances made by Government	Not complied (Statement 7 and 18 of Finance Accounts)	Disclosure regarding interest payment in arrears, rate of interest and moratorium period (if any) in respect of fresh Loans and Advances given during the year, those given to the loanee entities from whom repayments of earlier loans are in arrears and loans sanctioned without specific terms and conditions could not be made as this information was not provided by the State Government.

Source: Finance Accounts and O/o the Accountant General (A&E) Punjab

The State Government stated (June 2021) that necessary action would be taken in this regard.

4.10 Submission of Accounts of Autonomous Bodies

Several autonomous bodies have been set up by the Government in the fields of Urban Development, Housing, Labour Welfare, Agriculture and Justice. As on 31 March 2020, 20 accounts in respect of five out of nine autonomous bodies from 2006-07 to 2018-19 were pending as detailed in **Table 4.7**.

Table 4.7: Arrears of accounts of bodies or authorities as on 31 March 2020

Sr. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to FY 2019-20
1.	Punjab Legal Services Authority, Chandigarh	2018-19	1
2.	Punjab Khadi and Village Industries, Board, Chandigarh	2017-18	2
3.	Punjab State Human Rights Commission, Chandigarh	--	0
4.	Punjab Labour Welfare Board, Chandigarh	2006-07	13
5.	Pushpa Gujral Science City, Kapurthala	--	0
6.	Punjab Building and Other Construction Workers Welfare Board, SAS Nagar	2017-18	2
7.	Punjab Bus Metro Society, Amritsar	2017-18	2
8.	Punjab State Electricity Regulatory Commission, Chandigarh	--	0
9.	Real Estate Regulatory Authority, Chandigarh	--	0
Total			20

Source: Office records

Note: Cut-off date of the pendency of any previous Financial Year is to be taken as 30 September of succeeding Financial Year.

Delay in respect of five autonomous bodies out of nine ranged between one to thirteen years, of which the Punjab Labour Welfare Board had not submitted its accounts since 2006-07. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalised and submitted to Audit at the earliest. The State Government stated (June 2021) that matter was being pursued with the concerned PSUs for submission of accounts and directions had also been issued to the Director Public Enterprises and Disinvestment, who oversees the work of Autonomous Bodies, to take further necessary action.

The State Government may consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position. Further, since the Punjab Labour Welfare Board has not submitted its accounts since 2006-07 i.e. more than thirteen years, the matter may be taken up for review by the Government.

4.11 Departmental Commercial Undertakings/Corporations/Companies

According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report should be laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations.

The above mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies and corporations from the Consolidated Fund of the State.

It was observed that accounts of 27 Public Sector Undertakings (PSU)/Corporations were in arrears, of which five¹ were loss making. Further, audit noticed that a budgetary support of ₹ 730.78 crore was provided to six PSUs/Corporations during the last three years despite their accounts being in arrears as detailed in **Table 4.8**.

Table 4.8: Year wise details of Budgetary support to Commercial Undertakings/Corporations/Companies

(₹ in crore)

Sr. No.	Name of Company/Corporations	Budgetary support			
		2017-18	2018-19	2019-20	Total
1.	Punjab Small Industries and Export Corporation Limited	0.00	9.48	17.00	26.48
2.	Punjab Water Resources Management and Development Corporation Limited	114.62	150.14	97.51	362.27
3.	Punjab State Civil Supplies Corporation Limited	0.00	0.00	122.43	122.43
4.	PEPSU Road Transport Corporation	54.00	55.62	50.98	160.60
5.	Punjab Financial Corporation	0.00	5.00	4.00	9.00
6.	Jalandhar Smart City Limited	25.00	0.00	25.00	50.00
Total		193.62	220.24	316.92	730.78

Source: Information supplied by PSUs

Age profile of PSUs/Corporations having accounts in arrear is given in **Table 4.9**.

¹ (i) Punjab State Grains Procurement Corporation Limited, (ii) Punjab Water Resources Management and Development Corporation Limited, (iii) Punjab State Civil Supplies Corporation Limited, (iv) PEPSU Road Transport Corporation and (v) Punjab Financial Corporation.

Table 4.9: Age profile of PSUs/Corporations having accounts in arrear

Range in years	Number of PSUs/Corporations
0-1	12
1-3	02
3-5	03
>5	10
Total	27

Source: Office records

Table 4.9 shows that accounts in respect of 10 PSUs were in arrears for more than five years. In the absence of timely finalisation of accounts, results of investments of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Risk of fraud and mis-utilisation of public money cannot be ruled out. **The State Government may take up the matter with the PSUs for non-submission of accounts for more than five years.**

Other Issues

4.12 Misappropriations, losses, thefts, etc.

Rule 2.33 of the Punjab Financial Rules, stipulates that every Government employee would be held personally responsible for any loss sustained by Government through fraud or negligence on his part or any loss arising from fraud or negligence on the part of any other Government employee to the extent that he contributed to the loss by his own action or negligence. Further, as per rule 2.34 *ibid*, the cases of defalcations and losses are required to be reported to the AG (A&E).

As on 31 March 2020, 17 cases of misappropriation, losses, theft, etc. involving ₹ 33.55 crore were pending. The department-wise break-up of pending cases is given in **Table 4.10**.

Table 4.10: Details of pending cases of misappropriation, losses, theft, etc.**(₹ in crore)**

Name of Department/ Corporation	Cases of misappropriation/ losses /theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.					
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal Proceedings finalised but recovery of the amount pending	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Election	1	0	0	0	1	0	0	0
Punjab State Warehousing Corporation	6	11.73	0	0	0	0	0	0
Punjab Agro Food grains Corporations	7	14.51	0	0	0	0	0	0
Agriculture	1	0.11	1	0.11	0	0	0	0
Food and Supply	2	7.20	1	0.13	0	0	1	7.07
Total	17*	33.55	2	0.24	1	0	1	7.07

Source: Departmental data/information

* Status in respect of remaining 13 cases were not available.

The age-profile of the pending cases and the number of cases pending in each category-theft and misappropriation/loss of Government material is summarised in **Table 4.11**.

Table 4.11: Profile of misappropriations, losses, defalcations, etc.**(₹ in crore)**

Age-profile of the pending cases			Nature of the pending cases		
Range in years	Number of cases	Amount involved		Number of cases	Amount involved
0-5	05	9.95	Theft cases	04	0.36
5-10	11	23.60			
10-15	01	0	Misappropriation/ loss of Government material	13	33.19
Total	17	33.55		17	33.55

Out of the total cases, four cases amounting to ₹ 0.36 crore were related to theft of Government money/store. Further, in respect of one case of loss, departmental action had not been finalised while in one case (₹ 7.07 crore) criminal proceedings were finalised but recovery of the amount was pending. It was further noticed that out of 17 cases of losses due to theft/ misappropriation, 12 cases of ₹ 23.60 crore were more than five years old, including one case which was more than 10 years old.

The Government may consider preparing a time bound framework for taking prompt action in cases of theft, misappropriation, etc. The State Government

stated (June 2021) that the requisite instructions had been issued to the respective administrative departments for taking appropriate action in this regard.

4.13 Follow up action on State Finances Audit Report

In every State, the Public Accounts Committee (PAC)/Finance Department require the line Departments to provide a *suo-motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports within one month of placing the Reports in the Legislature. The line Departments are also required to provide Action Taken Notes (ATNs) to the AG (for vetting and onward transmission to the PAC) within three months of tabling the Reports.

Discussion on the State Finance Audit Report for the year 2013-14 was held on 03 August 2015 in the PAC meeting and the Committee directed the Finance Department for submission of reply of all the paragraph within three weeks, but no reply had been received from Finance Department till date.

The matter regarding non submission of reply was discussed by PAC on 05 July 2019 and 22 October 2019 and directed the Finance Department for submission of replies of State Finance Audit Reports for the year 2014-15 to 2016-17 within 15 days. In PAC meeting held on 02 June 2020, Finance Department has requested to allow another four months to submit the replies to the State Finance Audit Reports and Committee agreed to allow the time. However, no reply except for the year 2016-17 had been received till date even after lapse of more than five months.

4.14 Conclusions

Culture Cess collected to the tune of ₹ 4.14 crore was not transferred to the Consolidated Fund of the State. Government departments did not transfer various cesses amounting to ₹ 14.20 crore to the concerned Boards. Similarly, receipts of ₹ 1.63 crore collected by Research Laboratory, PWD (B&R), Patiala were not credited to Consolidated Fund of the State up to March 2020.


There were substantial delays in submission of utilisation certificates, which indicates lack of internal control of administrative departments and is an indication of the tendency on the part of the Government to disburse fresh grants without ascertaining proper utilisation of earlier grants. A large number of autonomous bodies, and departmentally run commercial undertakings did not prepare their final accounts for considerable periods. As a result, their financial position could not be assessed and results of investments of the Government remain outside the purview of State Legislature.

Further, in cases of theft of Government money, misappropriation, loss of Government material and defalcation, departmental action was pending for long periods.

4.15 Recommendations

- (i) The Government should prescribe a proper accounting procedure for collection and utilisation of various cesses so that data is easily accessible from the State Accounts.
- (ii) The Government should ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.
- (iii) Finance Department should put in place a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position.
- (iv) The Government may consider preparing a time bound framework for taking prompt action in cases of misappropriation, loss, theft, etc. and strengthening the internal control system to prevent recurrence of such cases.
- (v) The Government should ensure adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.

Chandigarh
The 17 September 2021


(PUNAM PANDEY)
Principal Accountant General (Audit), Punjab

Countersigned

New Delhi
The 23 September 2021


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

