

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/Public Account of the State and dedicated Funds

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.

The State Government imposed various Cess for meeting expenditure for specific purposes. Audit collected information/data regarding cesses being levied by the Departments concerned which are discussed below:

4.1.1 Cultural Cess

The State Government imposed (April 2013) cultural cess at the rate of one *per cent* on construction cost of roads, bridges, flyovers, road over bridges/road under bridges, irrigation works etc. and on buildings 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 the Consolidated Fund of the State.

It was, however, noticed that an amount of ₹ 7.84 crore which was required to be deposited in the Consolidated Fund of the State was lying with the collecting agencies¹ as on 31 March 2022 and was neither deposited in the Consolidated Fund nor the Public Account of the State. It was in addition to the total amount deposited (₹ 37.64 crore) under Major Head 0202-Education, Sports, Art and Culture, 04-Art and Culture, 800-Other Receipts during the year 2021-22.

4.1.2 Cancer and Drug Addiction Treatment Fund

The State Government notified (April 2013) the Punjab State Cancer and Drug Addiction Treatment and Infrastructure Fund Act, 2013 under which Cancer and Drug Addiction Treatment Fund was constituted. The contribution to the Fund would be made as specified under Section 6 of the Act and will be credited to the Consolidated Fund of the State. The fund would be administered by a Board² constituted under the Act and it could be utilised for specific purposes as mentioned under Section 5 of the Act.

It was, however, noticed that an amount of ₹ 7.60 crore which was required to be deposited in the Consolidated Fund of the State was lying with the collecting agencies³ as on 31 March 2022 and was neither deposited in the Consolidated Fund nor the Public Account of the State. It was in addition to the total amount deposited (₹ 85.71 crore) under Major Head 0210-Medical and Public Health, 80-General, 800-Other Receipts during the year 2021-22.

4.1.3 Education Cess

Government of Punjab, Punjab Urban Planning and Development Authority (PUDA) issued (March 2008) instructions that Education Cess at the rate of five *per cent* of the total money collected from bidders be imposed on all properties auctioned by six development authorities⁴ after 1 April 2007 and be deposited into Government Accounts.

It was, however, noticed that an amount of ₹ 2.45 crore which was required to be deposited in the Consolidated Fund of the State was lying with the Jalandhar Development Authority (JDA) as on 31 March 2022 and was neither deposited in the Consolidated Fund nor the Public Account of the State.

¹ (i) Public Works Department: ₹ 5.63 crore; (ii) Executive Engineer under Punjab Mandi Board: ₹ 1.44 crore; and (iii) GMADA: ₹ 0.77 crore.

² Punjab State Cancer and Drug Addiction Treatment Infrastructure Board.

³ (i) PWD: ₹ 1.47 crore; (ii) PUDA: ₹ 2.55 crore; (iii) Punjab Small Industries and Export Corporation Limited: ₹ 2.72 crore; (iv) PEPSU Township Development Board Rajpura: ₹ 0.53 crore; and (v) GMADA: ₹ 0.33 crore.

⁴ (i) Greater Mohali Area Development Authority; (ii) Greater Ludhiana Area Development Authority (iii) Jalandhar Development Authority, (iv) Amritsar Development Authority; (v) Bathinda Development Authority; (vi) PUDA, Patiala.

4.1.4 Market Fee

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 market 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 market 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.

There was an opening balance of ₹ 623.45 crore, receipts during the year were ₹ 1,980.04 crore and expenditure was ₹ 2,128.76 crore thereby leaving unutilised amount of ₹ 474.73 crore at the end of the year with the Board.

4.1.5 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 all construction and also from individuals who got approved building plan for own residence having cost ₹ 10 lakh or more, 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.

However, it was noticed that labour cess amounting to ₹ 10.58 crore though collected by the collecting agencies⁵, was not transferred to the concerned Board as on 31 March 2022.

⁵ (i) GMADA: ₹ 4.34 crore; (ii) Public Works Department: ₹ 3.50 crore; (iii) GLADA: ₹ 0.84 crore; (iv) Water Supply and Sanitation Department: ₹ 0.63 crore; (v) Executive Engineer, Punjab Mandi Board: ₹ 0.34 crore; (vi) Amritsar Development Authority: ₹ 0.33 crore; (vii) Jalandhar Development Authority: ₹ 0.11 crore; (viii) Executive Engineer, Panchayati Raj: ₹ 0.08 crore; (ix) Patiala Development Authority: ₹ 0.20 crore; (x) Punjab Small Industries Export Corporation Limited: ₹ 0.04 crore; (xi) Department of Soil and Water Conservation: ₹ 0.02 crore; and (xii) Ludhiana Smart City Ltd: ₹ 0.02 crore; and (xiii) PUDA: ₹ 0.13 crore.

Further it was also noticed that there was un-transferred amount of Labour Cess from Major Head 0230-Labour and Employment of ₹ 12.17 crore as on 31 March 2021. During the year 2021-22, the Government collected ₹ 15.96 crore as Labour Cess under Major Head 0230-Labour and Employment and did not transfer any amount to Building and other Construction Workers Welfare Board. Thus, the un-transferred amount from Major Head 0230-Labour and Employment was ₹ 28.13 crore as on 31 March 2022.

4.1.6 Urban Infrastructure Development Cess

As per guidelines issued (December 2010) by Government of Punjab, Local Government Department, all the Improvement Trusts will collect four *per cent* of the sale proceeds of the properties of Improvement Trusts as Urban Infrastructure Development Cess (UIDC) which will be deposited in a separate Fund (Urban Infrastructure Development Fund) maintained for this purpose.

It was observed that, the Department collected UIDC amounting to ₹ 1.06 crore upto 31 March 2021 and during the year 2021-22, an amount of ₹ 1.24 crore was collected as UIDC. Thus, total available balance of ₹ 2.30 crore was lying with Department which was not transferred to the dedicated Fund as on 31 March 2022.

The State Government stated (December 2022) that a comprehensive analysis was being done in this regard and acts/rules through which these cess were implemented were being analyzed.

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

The Government has a liability to provide and pay interest on the amounts in the Interest-bearing Deposits/Reserve Funds.

Audit observed that ₹ 82.13 crore were required to be paid as interest on the balance of ₹ 2,104.40 crore lying under interest bearing deposits/Reserve Funds as on 1 April 2021 as shown in **Table 4.1**. Non-payment of interest liability has resulted in understatement of Revenue Deficit and Fiscal Deficit to that extent.

Table 4.1: Details of non-discharge of liability in respect of interest towards interest bearing deposits/Reserve Funds

(₹ in crore)				
Sr. No.	Name/Head of the interest bearing deposit	Opening Balance as on 1 April 2021	Basis for calculation of interest	Amount of Interest not provisioned
1.	Deposits of Municipal Corporations and other Autonomous Bodies	0.15	Interest calculated at the rate of 4.00 <i>per cent</i> taking into account conservative estimate of the borrowing cost during the year 2021-22 taking average Ways and Means interest rate as 4 <i>per cent</i> for the year 2021-22.	0.01
2.	Deposits of Government companies, corporations etc. and Miscellaneous Deposits	728.62		29.14
3.	Punjab Road Safety Fund	44.01		1.76

Sr. No.	Name/Head of the interest bearing deposit	Opening Balance as on 1 April 2021	Basis for calculation of interest	Amount of Interest not provisioned
4.	General Reserve Fund (Motor Transport)	22.22		0.89
5.	Depreciation Reserve Fund (Motor Transport)	116.35		4.65
6.	Defined Contribution Pension Scheme for Government employees	152.21	Interest calculated at the rate of 7.10 per cent as per interest payable to General Provident Fund.	10.81
7.	State Compensatory Afforestation Fund	1,040.84	Interest calculated at the rate of 3.35 per cent as per Ministry of Environment, Forest and climate change, Government of India letter (11 January 2022).	34.87
Total		2,104.40		82.13

Source: Finance Accounts

4.3 Funds transferred directly to State implementing agencies

The Government of India (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 the year 2021-22, central share of ₹ 5,617.90 crore under 28 Central Schemes as detailed in *Appendix 4.1* was transferred directly to the Implementing Agencies bypassing the Consolidated Fund of the State. Of this, central share of ₹ 1,387.70 crore under 15 Centrally Sponsored Schemes (CSS) as detailed in *Appendix 4.2* was transferred directly to the Implementing Agencies. This constituted 7.19 per cent and 27.05 per cent of total Revenue Receipts (₹ 78,168.31 crore) and Grants-in Aid (₹ 20,768.89 crore) respectively. The State Government accounts for the year 2021-22 depicts only ₹ 3,678.16 crore under central share of Centrally Sponsored Schemes. Besides contracting the budget and expenditure of State Government to the extent of ₹ 5,617.90 crore, the assets created and expenditure for the Public were out of the State Government Accounts making it incomplete. In all the 15 Centrally Sponsored Schemes, the amount of direct transfer to the Implementing Agencies ranged from 1.61 per cent to 100 per cent of the total transfers under these schemes.

The State Government stated (December 2022) that Government of Punjab had taken up the matter with GoI.

CSS, where funds directly transferred exceeded ₹ 400 crore, were Mahatma Gandhi National Rural Employment Guarantee Programme (MGNREGP) and Jal Jeevan Mission (JJM). As per Public Financial Management System (PFMS) portal, under MGNREGP (75:25), only ₹ 37.01 crore were released as matching contribution by the State Government against proportionate share of ₹ 120.00 crore and ₹ 79.02 crore were released by the State Government out of ₹ 360 crore released by GoI to the State Government. No matching contribution

was released by the State Government against ₹ 402.24 crore released by GoI under the JJM (50:50) during 2021-22.

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 on 31 March 2022 is given in **Table 4.2**.

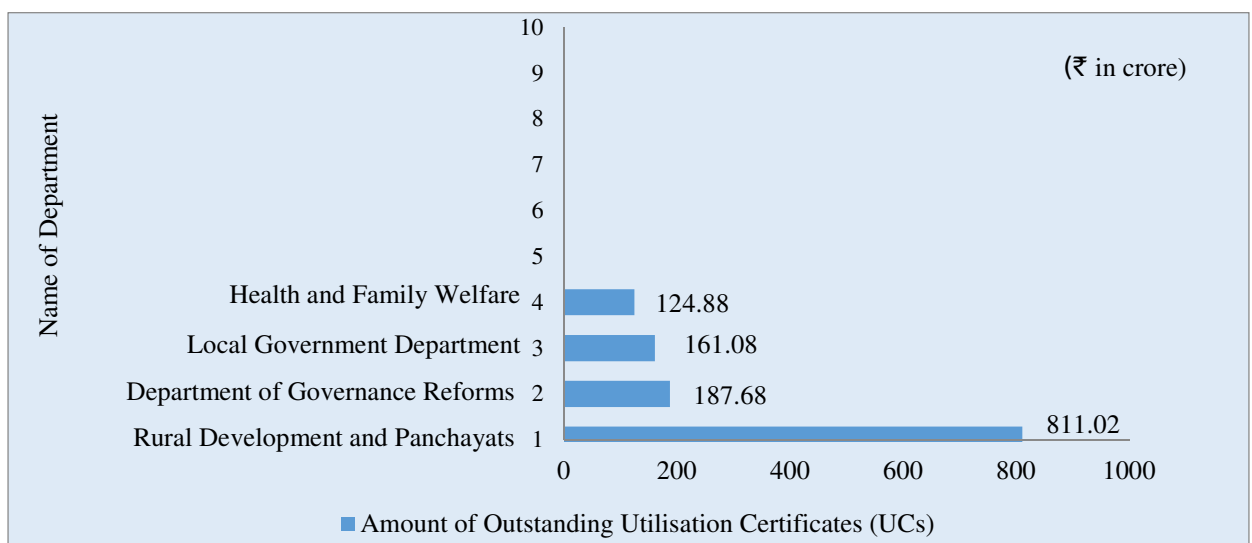
Table 4.2: Age-wise pendency of Utilisation Certificates

Year *	No. of UCs	Amount (₹ in crore)
Upto 2019-20	22	93.97
2020-21	86	178.66
2021-22 (Drawn upto September 2020)	169	1,527.82
Total	277	1,800.45

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

*The year mentioned above relates to "Due year" i.e. after 18 months of actual drawal.

Chart 4.1: Outstanding UCs in respect of four major Departments as on 31 March 2022



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

From **Chart 4.1**, it is evident that ₹ 1,284.66 crore i.e. 71.35 *per cent* of the total outstanding UCs (₹ 1,800.45 crore) pertains to four Departments viz. Rural Development and Panchayats (₹ 811.02 crore), Governance Reforms (₹ 187.68 crore), Local Government (₹ 161.08 crore) and Health and Family Welfare (₹ 124.88 crore).

Since non-submission of UCs is fraught with the risk of misutilisation, 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.

4.4.1 Recording of Grantee Institution as ‘Others’

Out of total Grants-in-Aid (GIA) of ₹ 11,900.02 crore during 2021-22, name of grantee institutions was mentioned as ‘Others’ in respect of ₹ 1,951.38 crore (16.40 *per cent* of total GIA). Out of this, ₹ 56.52 crore was meant for creation of capital assets. Position of GIA disbursed to ‘Others’ during 2017-22 is shown in **Table 4.3**.

Table 4.3: Grants-in-Aid to Grantee Institution of Type ‘Others’

(₹ in crore)

Year	Total GIA amount	Amount to Grantee Institutions of Type ‘Others’	Percentage to total GIA
2017-18	6,163.22	283.25	4.60
2018-19	8,864.36	512.70	5.78
2019-20	9,883.28	369.60	3.74
2020-21	15,022.45	928.09	6.18
2021-22	11,900.02	1,951.38	16.40

Source: Finance Accounts

Grants-in-Aid constituted 9.48 *per cent* of the total expenditure of ₹ 1,25,500.84 crore (excluding recovery) of the State. In the absence of name of each grantee institution, it is not possible to monitor the submission of UCs outstanding against each institution.

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. Rule 274 of Punjab Treasury Rules as amended by State Government in November and December 2016 provides that Drawing and Disbursing Officers (DDOs) are required to present Detailed Contingent (DC) bills containing vouchers in support of financial expenditure within six months from the date of drawal of such advance. 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 2022 is given in **Table 4.4**.

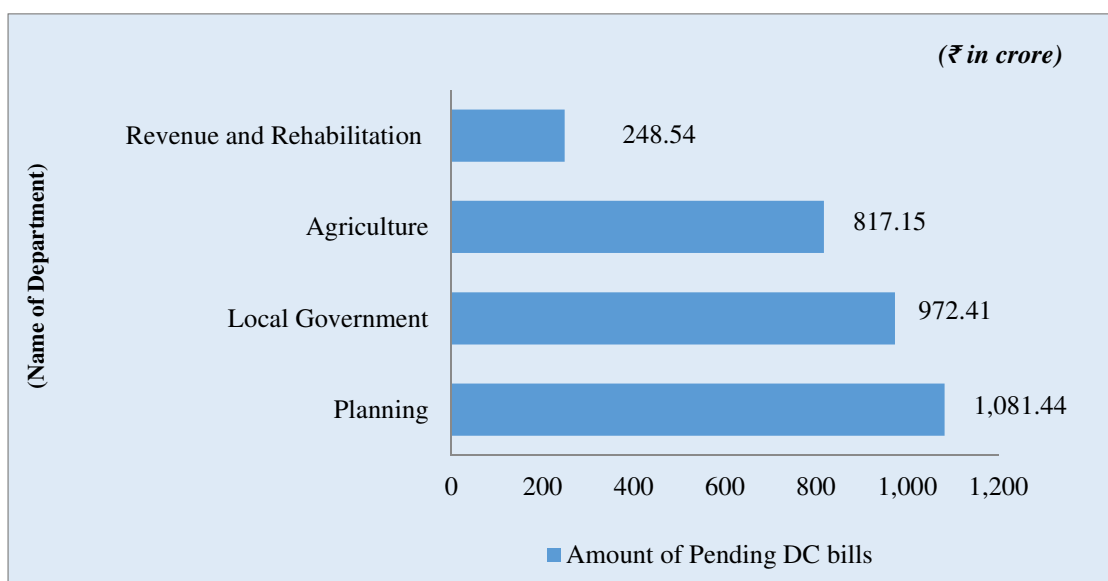
Table 4.4: Age-wise pendency of AC bills

(₹ in crore)		
Year of Grant	No. of AC bills	Amount
Upto 2019-20	186	191.69
2020-21	335	764.02
2021-22(drawn upto September 2021)	1154	3,125.91
Total	1675	4,081.62

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

It was observed that total 1835 AC bills amounting to ₹ 7,821.89 crore were drawn during 2021-22, out of which 189 AC bills amounting to ₹ 724.96 crore (9.27 per cent) were drawn in March 2022. Out of total bills drawn in March 2022, 80 AC bills amounting to ₹ 481.81 crore were drawn on the last day of March. 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.

Chart 4.2: Pending DC Bills in respect of major Departments



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

It was evident from above chart that ₹ 3,119.54 crore i.e. 76.43 per cent of the total outstanding AC bills amounting to ₹ 4,081.62 crore pertains to four Departments viz. Planning (₹ 1,081.44 crore), Local Government (₹ 972.41 crore), Agriculture (₹ 817.15 crore) and Revenue, Rehabilitation and Disaster Management (₹ 248.54 crore).

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 asserted as correct or final.

4.6 Indiscriminate use of Minor Head-800

Minor Head-800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head-800 is to be discouraged, since it renders the accounts opaque. Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

It was observed that during the year 2021-22, ₹ 5,119.05 crore under 48 Major Heads of account, constituting 4.89 *per cent* of the total Revenue and Capital expenditure (₹ 1,04,646.49 crore) was classified under the Minor Head-800-Other Expenditure in the accounts. Details of substantial expenditure (50 *per cent* and above) booked under Minor Head-800-Other Expenditure are given at *Appendix 4.3*.

Similarly, ₹ 5,152.15 crore under 49 Major Heads of Account, constituting 6.59 *per cent* of the total Revenue Receipts (₹ 78,168.31 crore) was classified under 800 - Other Receipts in the accounts. Details of substantial receipts (50 *per cent* and above) booked under the Minor Head 800-Other Receipts are given in *Appendix 4.4*.

Issues related to measurement

4.7 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 by 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

Head of Account		2019-20		2020-21		2021-22	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
1							
8658	Suspense Account						
101	Pay and Accounts Office-Suspense	70.75	0.04	110.53	106.87	113.19	0.07
	Net Debit (Dr.) / Credit (Cr.)	70.71 Dr.		3.66 Dr.		113.12 Dr.	
102	Suspense Account-(Civil)	18.30	..	53.13	..	147.49	57.09
	Net Debit (Dr.) / Credit (Cr.)	18.30 Dr.		53.13 Dr.		90.40 Dr.	

(₹ in crore)

Head of Account		2019-20		2020-21		2021-22	
109	Reserve Bank Suspense-(Headquarters)	0.33	..	0.28	..	0.42	..
	Net Debit (Dr.) / Credit (Cr.)	0.33 Dr.		0.28 Dr.		0.42 Dr.	
110	Reserve Bank Suspense- (Central Accounts Office)	22.27	..	151.86	..	32.11	..
	Net Debit (Dr.) / Credit (Cr.)	22.27 Dr.		151.86 Dr.		32.11 Dr.	
112	Tax Deducted at Source (TDS) Suspense	..	119.96	..	311.47	..	106.11
	Net Debit (Dr.) / Credit (Cr.)	119.96 Cr.		311.47 Cr.		106.11 Cr.	
123	AIS Officers' Group Insurance Scheme	..	0.11	..	0.15	..	0.22
	Net Debit (Dr.) / Credit (Cr.)	0.11 Cr.		0.15 Cr.		0.22 Cr.	
8782	Cash Remittance and adjustments between officers rendering account to the same Accounts Officer						
102	Public Works Remittances	(-) 3.51	..	19.55	..	0.12	..
	Net Debit (Dr.) / Credit (Cr.)	(-) 3.51 Dr.		19.55 Dr.		0.12 Dr.	
103	Forest Remittances	6.19	..	21.30	..	17.93	..
	Net Debit (Dr.) / Credit (Cr.)	6.19 Dr.		21.30 Dr.		17.93 Dr.	
8793	Inter-State Suspense Account	22.59	..	43.05	..	57.40	..
	Net Debit (Dr.) / Credit (Cr.)	22.59 Dr.		43.05 Dr.		57.40 Dr.	

Source: Finance Accounts

4.8 Reconciliation of Cash Balances

The Cash Balance of the State Government as on 31 March 2022 as per Accounts of the Principal Accountant General (A&E) was ₹ 129.76 crore (Debit) while the same was reported as ₹ 209.30 crore (Debit) by the Reserve Bank of India. As such, there was an un-reconciled difference of ₹ 339.06 crore (Debit).

The difference was mainly due to wrong reporting and non-reconciliation of figures by Agency Banks with the treasuries, which is under reconciliation. After integration of e-Kuber system (of the RBI) with State Integrated Financial Management System (IFMS) for payments in the State, the difference in reported transactions has increased as the State IFMS reports on transaction date basis whereas the e-Kuber system reports the transactions on scroll date basis.

4.9 Unspent amount lying with divisional officers

As per Codal provisions, funds received by Public Works Divisions towards Deposit Works from Non-Government Agencies are required to be credited under Minor Head 108 - Public Works Deposits below Major Head 8443 - Civil Deposits. The expenditure for related Deposit Works is also met from same head of account. In the Monthly Divisional Accounts un-remitted amount of such deposits are classified under Major Head 8671 -Departmental Balances, 101 - Civil, by the PW Divisions, under Public Account of the State and then form part of the Government Accounts. However, the funds received towards Deposits Works are being kept in the Bank Accounts of Divisional Officers operated by PW Divisions instead of remitting into the Government Accounts and thus not forming part of cash balance of the State with Reserve Bank of India.

The State Government directed (2 March 2015) Public Works Divisions to deposit the funds in the accounts to be opened at the Treasury under head 8443 - Civil Deposits 108 - Public Works Deposits. However, despite above order, the

Divisional Officers are still depositing the funds in their Bank Accounts. As on 31 March 2022, an amount of ₹ 1,374.99 crore was lying in the Bank Accounts of Public Works Divisional Officers as per their cashbooks. If the funds were deposited in treasury, the same would have impacted on the daily Cash Balance of the State Government.

Department-wise details of amount lying in Bank Accounts being operated by Divisional Officers is detailed in **Table 4.6**.

Table 4.6: Details showing unspent amount lying with Divisional Officers
(₹ in crore)

Sr. No.	Name of Department	Number of Divisional Officers operating Bank Accounts	Amount lying in Bank Accounts
1.	Public Works (Building and Roads Divisions)	70	618.44
2.	Rural Development and Panchayats (Panchayati Raj Divisions)	19	163.73
3.	Water Resources	38	459.13
4.	Water Supply and Sanitation	53	133.69
Total		180	1374.99

Source: Finance Accounts

Issues related to disclosure

4.10 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 2021-22 is detailed in **Table 4.7**.

Table 4.7: Compliance to Accounting Standards

Sr. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Deficiency
1.	IGAS-1:	Guarantees Given by the Government – Disclosure requirements	Complied (Statements 9 and 20 of Finance Accounts)	-
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 given in kind 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)	The closing balances of Loans and Advances made by the State Government as on 31 March 2022 need to be reconciled by the Loanee Entities/State Government.

Source: Finance Accounts

4.11 Submission of accounts of Autonomous Bodies

As on 31 March 2022, 15 accounts in respect of five out of nine autonomous bodies (ABs) from 2015-16 to 2020-21 were pending as detailed in **Table 4.8**.

Table 4.8: Arrears of accounts of Autonomous Bodies as on 31 March 2022

Sr. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending
1.	Punjab Legal Services Authority, Chandigarh	-	0
2.	Punjab Khadi and Village Industries Board, Chandigarh	2017-18	04
3.	Punjab State Human Rights Commission, Chandigarh	2020-21	01
4.	Punjab Labour Welfare Board, Chandigarh	2015-16	06
5.	Pushpa Gujral Science City, Kapurthala	-	0
6.	Punjab Building and Other Construction Workers Welfare Board, SAS Nagar	2020-21	01
7.	Punjab Bus Metro Society	2018-19	03
8.	Punjab State Electricity Regulatory Commission, Chandigarh	-	0
9.	Real Estate Regulatory Authority, Chandigarh	-	0
Total			15

Source: Departmental data/information.

Pendency in submission of accounts ranged between one to six years, of which the Punjab Labour Welfare Board had not submitted its accounts since 2015-16. 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.

Further, it was also noticed that audit of Punjab Infrastructure Development Board (PIDB), Punjab State Co-operative Supply and Marketing Federation (MARKFED) and Punjab Land Records Society (PLRS) Jalandhar could not be taken up due to non-entrustment despite repeated requests. Entrustment in respect of Punjab Labour Welfare Board was also upto the year 2019-20. No entrustment thereafter was provided despite repeated requests.

The State Government may consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and to entrust the audit of requested body/authority in order to assess their financial.

The State Government stated (December 2022) that the matter had been taken up with the concerned ABs.

4.12 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 40 Public Sector Undertakings (PSU)/Corporations whose accounts were due as arrears as on 31 March 2022 were not received upto 30 September 2022, of which 22⁶ were loss making. Further, audit noticed that a budgetary support of ₹ 2,653.93 crore was provided to nine PSUs/Corporations during the last three years despite their accounts being in arrears as detailed in **Table 4.9**.

Table 4.9: Year wise details of Budgetary support to loss making Commercial Undertakings/Corporations/Companies

(₹ in crore)

Sr. No.	Name of Company/Corporations	Budgetary support			
		2019-20	2020-21	2021-22	Total
1.	Punjab State Grains Procurement Corporation Limited (PUNGRAIN)	35.00	155.45	250.47	440.92
2.	Punjab Water Resources Management and Development Corporation Limited	97.51	73.38	90.22	261.11
3.	Punjab State Civil Supplies Corporation Limited (PUNSUP)	122.43	247.02	571.07	940.52
4.	Punjab State Industrial Development Corporation	22.00	17.38	49.00	88.38
5.	Ludhiana Smart City Limited	0.00	25.00	222.76	247.76
6.	Punjab State warehousing Corporation	10.00	67.47	60.08	137.55

⁶ (i) Punjab Agro Foodgrains Corporation Limited, (ii) Punjab State grain procurement Corporation Limited, (iii) Punjab Water Resources Management and Development Corporation Limited, (iv) Gulmohar Tourist Complex (Holiday Home) Limited, (v) Punjab State Civil Supplies Corporation Limited, (vi) Punjab State Industrial Development Corporation, (vii) Ludhiana Smart City Limited, (viii) Punjab State warehousing Corporation, (ix) Punjab Scheduled Casts Land Development and Finance Corporation, (x) PEPSU Road Transport Corporation, (xi) Punjab Financial Corporation, (xii) Punjab Poultry Development Corporation Limited, (xiii) Punjab Film and News Corporation Limited, (xiv) Punjab Footweares Limited, (xv) Punjab State Handloom and Textile Development Corporation Limited, (xvi) Punjab State Hosiery and Knitwear Development Corporation Limited, (xvii) Punjab State Leather Development Corporation Limited and (xviii) Punjab Venture Investors Trust Limited, (xix) Punjab Micro Nutrients Limited, (xx) Punjab Bio-Medical Equipments Limited, (xxi) Punjab Power packs Limited and (xxii) Electronic Systems Punjab Limited.

Sr. No.	Name of Company/Corporations	Budgetary support			
		2019-20	2020-21	2021-22	Total
7.	Punjab Scheduled Castes Land Development and Finance Corporation	1.09	5.41	41.48	47.98
8.	PEPSU Road Transport Corporation	50.98	65.62	353.11	469.71
9.	Punjab Financial Corporation	4.00	8.00	8.00	20.00
Total		343.01	664.73	1646.19	2653.93

Source: Information provided by the PSUs

Age profile of PSUs/Corporations having accounts in arrear is given in **Table 4.10**.

Table 4.10: Age profile of PSUs/Corporations having accounts in arrear

Range in years	Number of PSUs/Corporations
0-1	13
1-3	14
3-5	04
>5	09
Total	40

Source: Information supplied by the PSUs

Table 4.10 shows that accounts in respect of nine 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.

It is recommended that the State Government should evolve a system and direct the authorities of the PSUs/Corporations to complete its up-to date accounts (i.e., last preceding year) for making them eligible for financial support of the State Government, if required.

Other Issues

4.13 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 2022, 37 cases of misappropriation, losses, theft, etc. involving ₹ 74.72 crore were pending. The department-wise break-up of pending cases is given in **Table 4.11**.

Table 4.11: 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
Punjab Agro Foodgrains Corporation Limited	7	15.51	0	0	0	0	0	0	0
Punjab State Warehousing Corporation	11	12.22	1	0.11	0	0	0	0	0
Punjab Agro Juice Limited	1	0.71	0	0	0	0	0	0	0
Punjab State Seeds Corporation Limited	1	4.10	0	0	0	0	0	0	0
PUNSUP	6	19.86	1	0.13	0	0	1	7.07	
PUNGRAIN	5	19.10	0	0	0	0	0	0	0
Assistant Registrar Co-operative Societies	1	0.36	0	0	1	0.36	0	0	0
Municipal Corporation	2	0.65	0	0	2	0.65	0	0	0
Education	3	2.21	0	0	3	2.21	0	0	0
Total	37*	74.72	2	0.24	6	3.22	1	7.07	

Source: Departmental data/information

*Status in respect of 28 cases was not available.

Out of the total 37 cases, in respect of six cases (₹ 3.22 crore), departmental action had not been finalised while in one case (₹ 7.07 crore) criminal proceedings were finalised but recovery of the amount was pending.

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 4.12**.

Table 4.12: 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	26	50.12	Theft cases	10	8.05
			Misappropriation/ loss of Government material	16	42.07
5-10	11	24.60	Theft cases	1	0.12
			Misappropriation/ loss of Government material	10	24.48
Total	37	74.72	Total	37	74.72

Source: Departmental data/information

Out of the total cases, 11 cases amounting to ₹ 8.17 crore were related to theft of Government money/store. It was, further, noticed that out of total 37 cases of theft/misappropriation/loss of Government material, 11 cases of ₹ 24.60 crore were more than five years old.

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

4.14 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 Finances 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 paragraphs within three weeks, but no reply was furnished by the Finance Department within stipulated period.

The matter regarding non submission of reply was discussed by PAC on 05 July 2019, 22 October 2019, 02 June 2020 and 12 September 2022 who directed the Finance Department for submission of replies of State Finances Audit Reports for the year 2014-15 to 2017-18. Replies for State Finances Audit Report for the year 2015-16 to 2017-18 have been received. The State Finances Audit Report for the year 2016-17 was discussed on 7 September 2021 in PAC meeting but discussion on State Finances Audit Report for the year 2015-16 is still pending. State Finance Audit Report for the years ended 31 March 2020 and 31 March 2021 were laid in the Legislature on 29 June 2022.

The State Government stated (December 2022) that the ADs were being instructed to take action on the observations/ recommendations made by audit in the State Finances Audit Report (SFAR). A digitized system was being evolved to speed up the submission of replies. Replies to SFAR for the year 2017-18 would be submitted shortly.

4.15 Implementation of Recommendations of Sixth Punjab Finance Commission on fiscal devolution

The Sixth Punjab Finance Commission was constituted by the State Government under section 3 (1) of the Punjab Finance Commission for Panchayats and Municipalities Act, 1994. The Commission submitted its report for the year 2021-22 on 29 January 2021. The Commission recommended four *per cent* share of State's Net Own Tax Revenues for vertical devolution to the Local Bodies. The State Government formed a Group of Ministers (GoM) to examine the proposal in entirety and to give its recommendations, but no recommendation was given by the GoM for the year 2021-22. Therefore, no vertical devolution of share in taxes took place during 2021-22.

The State Government stated (December 2022) that the matter was under active consideration of the Government.

4.16 Conclusions

Various Cess collected to the tune of ₹ 17.89 crore was not transferred to the Consolidated Fund of the State. Government departments did not transfer various cesses amounting to ₹ 12.88 crore to the concerned Boards.

Utilisation Certificates (UC) amounting to ₹ 1,800.45 crore (277 UCs) were awaited which indicates lack of internal control of administrative departments and tendency on the part of the Government to disburse fresh grants without ascertaining proper utilisation of earlier grants. Similarly Detailed Contingent (DC) bills amounting to ₹ 4,081.62 crore (1,675 DC bills) were also awaited. There was an un-reconciled difference of ₹ 339.06 crore (Debit) in the Cash Balance of the State Government for 2021-22. An amount of ₹ 1,374.99 crore was still lying in the bank accounts of Divisions pertaining to four Departments.

Five autonomous bodies and 40 Public Sector Undertakings/Corporations did not submit their final accounts for considerable periods. As a result, their financial position could not be assessed and results of investments of the Government remained outside the purview of the State Legislature.

Further, in 37 cases of theft, misappropriation, loss of Government material and defalcation, departmental action was pending for long periods.

4.17 Recommendations

- (i) The Government should prescribe a proper mechanism for collection, depositing and utilisation of various cesses so that the details of cess and data are easily accessible.
- (ii) The Government should ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes.
- (iii) The Government should ensure adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.
- (iv) The 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.
- (v) 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.