

Chapter-III
Oversight role of CAG

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3.1 Audit of State Public Sector Enterprises

Comptroller and Auditor General of India (CAG) appoints the Statutory Auditors of a State Government Company⁴³ and Government Controlled Other Company under Section 139(5) and 139(7) of the Companies Act, 2013 (Act, 2013). The CAG has a right to conduct a supplementary audit and comment upon or supplement the Audit Report of the Statutory Auditor. Accounts of Statutory Corporations are audited by the CAG as required by their Statutes governing them and a report is submitted to the State Legislature.

3.2 Appointment of Statutory Auditors of State Public Sector Enterprises by the CAG

Section 139(5) of the Act, 2013 provides that the Statutory Auditors in case of a State Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

The Statutory Auditors of the State Public Sector Enterprises (SPSEs) registered under the Act, 2013 and Punjab State Warehousing Corporation were appointed by the CAG during October to December 2022. Further, the Statutory Auditors of Punjab Financial Corporation are appointed by shareholders in the Annual General Meeting out of panel of auditors approved by Reserve Bank of India and the CAG is the sole auditor for the remaining two Statutory Corporations.

3.3 Submission of Accounts by SPSEs

3.3.1 Need for timely submission

According to Section 394 and 395 of the 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) and laid before the House or both Houses of the State Legislature, as early as may be, 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. This mechanism provides the necessary legislative

⁴³ A Government Company is defined in Section 2(45) of the Companies Act, 2013 as a Company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Governments, or partly by the Central Government and partly by one or more State Governments and includes a Company which is a subsidiary of a Government Company.

control over the utilisation of public funds invested in the Companies from the Consolidated Fund of the State.

Section 96 of the Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129(2) and 136 of the Act, 2013 stipulates that the audited Financial Statements for the financial year has to be placed in the said AGM.

Section 129(7) of the Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the Company responsible for non-compliance with the provisions of Section 129 of the Act, 2013.

Despite the above, annual accounts of 43 SPSEs (*i.e.* 39 Government Companies and 4 Statutory Corporations) were pending as on 30 September 2023, as detailed in the following paragraph.

3.3.1.1 Timeliness in Preparation of Accounts by the State Government Companies, Government Controlled Other Companies and Statutory Corporations

As of 31 March 2023, there were 42 State Government Companies (one listed and 41 unlisted) and three Government Controlled Other Companies under the CAG's audit purview. Of these, Accounts for the year 2022-23 were due from 41⁴⁴ State Government Companies and three Government Controlled Other Companies. A total of five Government Companies submitted their accounts for the year 2022-23 for audit by CAG on or before 30 September 2023. 217 Accounts of 39 State Government Companies were in arrears for various reasons.

Table 3.1: Arrears in submission of accounts by the State Government Companies and Government Controlled Other Companies

Particulars	State Government Companies/Government Controlled Other Companies					
	State Government Companies		Government Controlled Other Companies		Total	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Total number of Companies under the purview of CAG's audit as on 31 March 2023	42		03		45	
Listed/Unlisted	01	41	-	03	01	44
Less: New Companies from which accounts for 2022-23 were not due	-	01	-	-	-	01
Number of Companies from which accounts for 2022-23 were due	01	40	-	03	01	43

⁴⁴ Excluding one SPSE *i.e.*, Punjab Rural Water Utility incorporated during March 2022 whose first AGM was not due as the first AGM is to be held within a period of nine months from the closing of the first financial year of the Company (Section 96 of the Companies Act, 2013).

Particulars	State Government Companies/Government Controlled Other Companies						
	State Government Companies		Government Controlled Other Companies		Total		
Number of Companies which presented the accounts for the year 2022-23 for the CAG's audit by 30 September 2023	01	04	-	-	01	04	
Number of Companies with accounts in arrears	-	36	-	03	-	39	
Number of accounts in arrears	-	210	-	07	-	217	
Breakup of Arrears	(i) Under Liquidation	-	91	-	-	-	91
	(ii) Inactive	-	79	-	-	-	79
	(iii) First Accounts not submitted	-	-	-	-	-	-
	(iv) Others	-	40	-	07	-	47
Age-wise analysis of arrears against 'Others' category	One year (2022-23)	-	13	-	-	-	13
	Two years (2020-21 and 2021-22)	-	02	-	04	-	06
	Three years and more	-	25	-	03	-	28

Source: Compiled on the basis of annual accounts received during the period October 2022 to September 2023

Audit of Statutory Corporations is governed by their respective legislations. Out of four Statutory Corporations, the CAG is sole auditor for Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation. In respect of Punjab State Warehousing Corporation and Punjab Financial Corporation, audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG. None of the four Statutory Corporations submitted their accounts for the financial year 2022-23 upto 30 September 2023.

The position of arrears of accounts of the State Government Companies, Government Controlled Other Companies and Statutory Corporations are indicated in **Appendix 3.1**.

In case of three⁴⁵ major working SPSEs, there were accounts in arrears ranging from five to seven years. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The State Government investment in these SPSEs, therefore, remained outside the scrutiny of the State Legislature.

⁴⁵ Punjab State Bus Stand Management Company Limited, Punjab State Grains Procurement Corporation Limited and PEPSU Road Transport Corporation

This not only led to delay in finalisation of accounts but also non-compliance of the relevant provisions.

3.4 CAG's Oversight – Audit of Accounts and Supplementary Audit

3.4.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government in consultation with National Financial Reporting Authority⁴⁶. The Statutory Corporations are required to prepare their accounts in the format prescribed under their respective Acts and Rules.

3.4.2 Audit of Accounts of the State Government Companies by Statutory Auditors

The Statutory Auditors appointed by the CAG under Section 139 of the Act 2013, conduct audit of accounts of the State Government Companies and submit their reports thereon in accordance with Section 143 of the Act, 2013.

The CAG plays an oversight role by monitoring the performance of the Statutory Auditors in audit of Public Sector Enterprises with the overall objective that the Statutory Auditors discharge the functions assigned to them effectively. This function is discharged by the CAG by exercising the powers:

- to issue directions to the Statutory Auditors under Section 143(5) of the Act, 2013 and
- to supplement or comment upon the Statutory Auditor's Report under Section 143(6) of the Act, 2013.

3.4.3 Supplementary Audit of Accounts of Government Companies

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Act, 2013 or other relevant Act is of the Management of the entity.

The Statutory Auditors appointed by the CAG under Section 139 of the Act, 2013 are responsible for expressing an opinion on the financial statements under Section 143 of the Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India and directions given by the CAG. The Statutory Auditors are required to submit the Audit Report to the CAG under Section 143 of the Act, 2013.

⁴⁶ Effective from 1 October 2018.

The certified accounts of selected State Government Companies along with the report of the Statutory Auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143(6) of the Act, 2013 to be placed before the Annual General Meeting.

3.5 Result of CAG's Oversight Role

3.5.1 Audit of accounts of the State Government Companies/Government Controlled Other Companies under Section 143 of the Companies Act, 2013

Five Standalone Financial Statements (SFS) and one⁴⁷ Consolidated Financial Statement (CFS) pertaining to five working State Government Companies for the financial year 2022-23 were received by 30 September 2023. Of these accounts received, Non-review certificate⁴⁸ was issued to three⁴⁹ Companies and audit of two Companies⁵⁰ was conducted. The results of the review conducted and finalised by the CAG during the period October 2022 to September 2023 are detailed in the succeeding paragraphs.

3.5.2 Significant comments of the CAG issued as supplement to the Statutory Auditors' reports on SPSEs or as Sole Auditor

The list of SPSEs in respect of whom comments were issued during the period from October 2022 to September 2023 is given in *Appendix 3.2*. Significant comments issued on financial statements of SPSEs have been tabulated below. The financial impact of comments of CAG on the profitability of SPSEs was ₹ 17.13 crore. Significant comments on the profitability are detailed in the **Table 3.2**, significant comments on the Financial Position in the **Table 3.3**, significant comments on the Disclosures in the **Table 3.4** and significant comments on Statutory Auditors Report in the **Table 3.5**:

Table: 3.2 Comments on profitability

Sr. No.	Name of the SPSE	Comments
1.	Punjab State Transmission Corporation Limited (FY 2022-23)	The Company has booked ₹ 0.87 crore recoverable from Power utility of Rajasthan for the period 1991-2004 as Operation and Maintenance charges of 66 KV transmission lines which were not under the jurisdiction of the Company.

⁴⁷ Punjab State Power Corporation Limited

⁴⁸ Non-review certificate is issued on the financial statements which are not selected for audit as per the criteria for selection of SPSEs for Supplementary Audit of financial statements.

⁴⁹ Gidderbaha Power Limited, Punjab Thermal Generation Limited and Punjab Communication's Limited.

⁵⁰ Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited. Comments of Punjab State Power Corporation Limited (both SFS and CFS) were under finalisation (as on 30 September 2023).

Sr. No.	Name of the SPSE	Comments
		This has resulted in overstatement of non-current assets and profit by ₹ 0.87 crore.
2.	Punjab State Industrial Development Corporation Limited (FY 2021-22)	Investment of ₹ 13.91 crore made in 12 Companies, which have already been liquidated/struck off/dissolved as on Balance Sheet date, should have been written off. This has resulted in overstatement of non-current assets and profit for the year by ₹ 13.91 crore each.
3.	Punjab Small Industries and Export Corporation Limited (FY 2020-21)	The Company did not account for administrative expenses of ₹ 1.15 crore to be charged from Punjab Infotech on account of its plots sold by the Company as per the decision (December 2017) of the State Government. This has resulted in understatement of 'Profit for the year' and 'Current Assets' by ₹ 1.15 crore.
4.	Punjab Water Resources Management and Development Corporation Limited (FY 2021-22)	Administrative Expenses does not include an amount of ₹ 0.39 crore towards office rent payable by the Company for various buildings at Head Office and Divisional level. This has resulted in understatement of 'Administrative Expenses' and 'Current Liabilities' by ₹ 0.39 crore each.
5.	Punjab Scheduled Castes Land Development and Finance Corporation (FY 2021-22)	Excess loan waiver amounting to ₹ 0.20 crore has not been recognised as payable to the Government of Punjab. This has resulted in understatement of Current Liabilities and loss by ₹ 0.20 crore.
6.	Punjab Recorders Limited (FY 2020-21)	The liability of ₹ 0.61 crore towards Punjab Information and Communication Technology Corporation Limited (Holding Company) on account of payment of loan of the Company to its creditors under One Time Settlement Scheme was written back and directly credited to the Reserves & Surplus – Surplus in the Statement of Profit & Loss. This has resulted in understatement of 'Liability written off' and overstatement of 'Loss' for the year by ₹ 0.61 crore.

Source: Comments on Financial Statements of SPSEs as finalised by the CAG

Table 3.3: Comments on Financial Position

Sr. No.	Name of the SPSE	Comments
1.	Punjab Agri Export Corporation Limited (FY 2021-22)	The transfer of Share capital of ₹ 50 crore of Punjab Agro Juices Limited from the Government of Punjab to the Company being in the nature of promoter's contribution should have been credited to the Capital Reserve instead of crediting to Surplus in Statement of Profit and Loss as per the Accounting Standard 12. The Company had credited the same to the Surplus in the Statement of Profit and Loss during previous year. This has resulted in understatement of Capital Reserve and overstatement of Surplus in Statement of Profit and Loss by ₹ 50 crore.
2.	Punjab State Seeds Corporation Limited (FY 2021-22)	As per the rules, no Input Tax Credit (ITC) is available on goods or services which are for personal use. The Company claimed ITC amounting to ₹ 0.48 crore for payment to

Sr. No.	Name of the SPSE	Comments
		contractor for hiring of staff and computer/machinery repair <i>etc.</i> which cannot be claimed as ITC as it is end user of the goods or services. This has resulted in overstatement of Short-term Loans & Advances and Surplus under Reserve & Surplus by ₹ 0.48 crore.
3.	Punjab State Transmission Corporation Limited (FY 2022-23)	<p>Pursuant to the implementation of Punjab Power Sector Reforms Transfer Scheme 2010, Consumer's contribution, grants and subsidies of ₹ 338.97 crore were wrongly converted into capital of the State Government in equity of the Company. This has resulted in overstatement of 'equity share capital' and understatement of 'Other equity – General Reserves' by ₹ 338.97 crore.</p> <p>Capital work-in-progress includes expenditure of ₹ 34.62 crore incurred on eight capital works which have been completed during the year but have not been capitalised resulting in overstatement of 'Capital Work in Progress' and understatement of 'Property, Plant and Equipment' by ₹ 34.62 crore.</p>
4.	Punjab Small Industries and Export Corporation Limited (FY 2020-21)	<p>Non-adjustment of 'Work-in-Progress' of ₹ 20.81 crore, against the adopted accounting policy of the Company, has resulted in overstatement of 'Work-in-Progress' by ₹ 20.81 crore, Project Liability by ₹ 4.32 crore and "Other Equity (Retained Earnings)" by ₹ 16.49 crore.</p> <p>Trade receivables include an amount of ₹ 3.09 crore in respect of Raw Material Depot at Batala which has been arrived at after adjusting an amount of ₹ 25.32 crore in respect of the balances of creditors transferred to the depot from Head Office. This resulted in understatement of 'Trade Receivables' and Trade Payables by ₹ 25.32 crore each.</p> <p>Project Liability includes ₹ 15.69 crore in respect of eight IFPs which had already been transferred to the respective Local Bodies but the Project Liability against the same has not been written back in the Accounts.</p> <p>This has resulted in overstatement of "Other Long-term Liabilities (Project Liability)" and understatement of "Other Equity (Retained Earnings)" by ₹ 15.69 crore.</p>
5.	Punjab Recorders Limited (FY 2020-21)	Classification of unsecured outstanding against Punjab Infotech as long-term provision has resulted in overstatement of 'Long-term Provision' and understatement of 'Other Non-Current Liabilities' by ₹ 1.81 crore.
6.	Punjab Information and Communication Technology Corporation Limited (FY 2021-22) (SFS as well as CFS)	<p>Investments of ₹ 0.21 crore in a Subsidiary Company Consumer Electronics Punjab Limited which stands dissolved. However, neither any provision against the investment of ₹ 0.21 crore was made nor the same was written off. This has resulted in overstatement of Investment and Other Equity by ₹ 0.21 crore.</p> <p>The classification of ₹ 10.40 crore of balances with Banks as Fixed Deposits having maturity date more than 12 months ahead of the Balance Sheet date in the Cash and Cash equivalents was inconsistent with instructions of Schedule III</p>

Sr. No.	Name of the SPSE	Comments
		to the Act, 2013. This has resulted in overstatement of Current Assets and understatement of Non-Current Assets to the extent of ₹ 10.40 crore.
7.	Punjab Scheduled Castes Land Development and Finance Corporation (FY 2021-22)	The Corporation received (September 2016) ₹ 11 crore as share capital from the Government of Punjab but incorrectly adjusted the same against outstanding dues of deceased loanees. This incorrect treatment has resulted in understatement of paid-up share capital as well as loans & advances by ₹ 11 crore.

Source: Comments on Financial Statements of SPSEs as finalised by the CAG

Table 3.4: Comments on disclosures

Sr. No.	Name of the SPSE	Comments
1.	Punjab State Power Corporation Limited (FY 2021-22) (SFS as well as CFS)	The liability of ₹ 130.46 core in respect of outstanding payments to be made to the vendors of the Joint Venture Company PANEM Coal Mines Limited for operationalisation of mines allocated to the Company has not been disclosed.
2.	Punjab State Transmission Corporation Limited (FY 2022-23)	The Company has not disclosed its share (11.36 per cent) of liability for terminal benefits as required under Punjab Power Sector Reforms Transfer (First amendment) Scheme, 2012, in respect of employees on secondment/deputation from PSPCL, the cumulative terminal benefit liability for all employees being ₹ 46,960.67 crore. The Company has not disclosed delay in payments of ₹ 4.02 crore to 29 firms covered under Micro, Small and Medium Enterprises Development Act, 2006.
3.	Punjab Information and Communication Technology Corporation Limited (FY 2021-22) (SFS as well as CFS)	Trade Payables include ₹ 0.12 crore as principal amount payable to a MSME unit outstanding since 2007 against which a legal notice for recovery of the principal along with compound interest/damages/losses totaling to ₹ 1.02 crore as per Micro, Small and Medium Enterprises Development Act, 2006 has been served. The Company has not disclosed this fact in the financial statements.
4.	Punjab Scheduled Castes Land Development and Finance Corporation (FY 2021-22)	Loans and advances include ₹ 2.10 crore given to 60 parties against their immovable properties, the papers of which were found forged. A departmental inquiry has been initiated against the responsible officers/officials. These loans & advances were shown as secured which should have been shown under unsecured loans & advances and the fact should also have been disclosed in its notes to accounts.
5.	Punjab State Warehousing Corporation (FY 2019-20)	The contingent liabilities amounting to ₹ 4.03 crore have not been disclosed.
6.	Punjab Agro Industries Corporation Limited (CFS FY 2020-21)	The Company in its consolidated Financial statements disclosed that Interest earned on unspent funds out of ₹ 7.60 crore received by a subsidiary from Punjab Rural Development Board for processing of fruits and vegetables

Sr. No.	Name of the SPSE	Comments
		with the terms and conditions that unspent amount of funds along-with earned interest be refunded to PRDB. As the subsidiary did not maintain the grant-wise details of Fixed Deposits, the impact of the incorrect treatment of interest earned as its income could not be ascertained in Audit. The utilisation certificates for the grants were not furnished by the subsidiary to the PRDB. This fact has not been disclosed in Notes to Accounts.
		1,563.85 MTs of damaged wheat of crop years 2018-19 and 2019-20 lying with Punjab Agro Foodgrains Corporation Limited was valued at full cost in the Closing Stock. The fact regarding the said stock being damaged has not been disclosed in the Accounts.
		The note on Principle of Consolidation is incorrect as material disclosures contained in the financial statements of the subsidiaries have not been included in the Consolidated Financial Statements. Further, intra group balances have not been eliminated from the Consolidated Financial Statements.
7.	Punjab Agro Industries Corporation Limited (CFS FY 2021-22)	The Consolidated financial statements do not disclose the fact of approval (January 2023) of the Ministry of Corporate Affairs, Government of India of the Scheme of amalgamation of the subsidiary – Punjab Agro Juices Limited – into another subsidiary – Punjab Agri Export Corporation Limited – and that the scheme is effective from 01 April 2021.

Source: Comments on Financial Statements of SPSEs as finalised by the CAG

Table 3.5: Comments on Statutory Auditors' Report

Sr. No.	Name of the SPSE	Comments
1.	Punjab Agro Industries Corporation Limited (CFS FY 2020-21)	Statutory Auditors of Punjab Agro Foodgrains Corporation Limited stated that inclusion of interest cost in the cost of inventories has resulted in understatement of loss and overstatement of Inventories by ₹ 2.82 crore. The qualification is deficient to the extent of ₹ 50.96 crore as interest cost of ₹ 53.78 crore has been included in the cost of inventories instead of ₹ 2.82 crore.

Source: Comments on Financial Statements of SPSEs as finalised by the CAG

In addition to the above, the issue of consolidation of Annual Accounts of subsidiaries, into the Consolidated Financial Statements (CFS) of Punjab Agro Industries Corporation Limited, not being as per the requirements of AS-21 has been commented upon in the CFS of the Company for the years 2020-21 and 2021-22.

3.6 Non-compliance with provisions of Accounting Standards/Ind AS

In exercise of the powers conferred by Section 469 of the Act, 2013, read with Section 129(1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016. Non-compliance with mandatory Accounting Standards/Ind AS reported by Statutory Auditors is listed in *Appendix 3.3*.

During the course of supplementary audit, the CAG observed that the following Companies had also not complied with the Accounting Standards/Ind AS, which were not reported by their Statutory Auditors as given in the **Table 3.6** below:

Table 3.6: Comments on Accounting Standards/Ind-AS

Sr. No.	Name of the SPSE	Accounting Standards/Ind AS	Comment
1.	Punjab Information and Communication Technology Corporation Limited (FY 2021-22) (SFS as well as CFS)	Government Grant (Ind AS-20)	The Company has shown grant-in-aid of ₹ 1.15 crore (ASIDE Scheme), ₹ 4.84 crore (Start-up), ₹ 0.30 crore (Stand up), ₹ 0.30 crore (Wish Scheme) and ₹ 0.11 crore (Scap Project) under Other Current Liabilities as on 31 March 2022. However, the Company has not made the disclosure in respect of Grant in aid as required under Ind AS-20.
		Revenue Recognition (Ind AS-115)	Accounting Policy for Revenue Recognition – Sale of Plots as adopted by the Company is not in conformity to guidance of Ind AS-115.
2.	Punjab Agro Juices Limited (now merged with Punjab Agri Export Corporation Limited) (FY 2021-22)	Net Profit or Loss for the Period, Prior Period Items & Changes in Accounting Policies (AS-5)	Prior Period Expenses of ₹ 0.15 crore have not been shown separately as per requirements of AS-5.
		Cash Flow Statements (AS-3)	Cash and Cash Equivalents include an amount of ₹ 0.60 crore and ₹ 1.06 crore towards Term Deposits with maturity of more than twelve months ahead of the Balance Sheet date and not being Cash equivalent as per Accounting Standard-3. Hence, the inclusion is incorrect to that extent.

Sr. No.	Name of the SPSE	Accounting Standards/Ind AS	Comment
3.	Punjab Small Industries and Export Corporation Limited (FY 2020-21)	Revenue Recognition (Ind AS-115)	The accounting policy on Revenue Recognition is not in conformity to guidance of Ind AS-115.
4.	Punjab Agri Export Corporation Limited (FY 2021-22)	Net Profit or Loss for the Period, Prior Period Items & Changes in Accounting Policies (AS-5)	Prior Period Expenses of ₹ 0.38 crore have not been shown separately as per requirements of AS-5.
5.	Punjab State Power Corporation Limited (FY 2021-22) (SFS as well as CFS)	Operating Segments (Ind AS-108)	The disclosure in the note on “Disclosure in respect of Ind AS-108 Operating Segments” is deficient to the extent that detailed information (e.g., segment result, segment assets and liability, etc.) relating to its operating segments <i>i.e.</i> , generation of power and distribution of power as per the requirement of Ind AS-108 has not been given.
6.	Punjab Agro Industries Corporation Limited (CFS FY 2020-21)	Segment Reporting (AS-17)	Segment reporting has not been done as per requirements of Para 7 of AS-17 in spite of the group dealing in products and services with significantly differing risks and returns.
7.	Punjab Agro Industries Corporation Limited (CFS FY 2021-22)	Accounting for Government Grants (AS-12)	Above includes grant of ₹ 50 crore received from Punjab Rural Development Board Fund and transferred to Punjab Agro Juices Limited (PAJL) for setting up Fruit processing units at Hoshiarpur and Abohar. Against these funds, the share capital was issued in the name of the Government of Punjab. However, Share Capital was transferred (December 2020) in the name of Punjab Agri Export Corporation Limited as per orders of the State Government. As per Para 10 of AS-12, the said funds being in the nature of promoter contribution, should have been credited to Capital Reserve instead of crediting to Surplus in Profit and Loss account during the year 2020-21. This has resulted in understatement of Capital Reserve and overstatement of Surplus by ₹ 50 crore.

Sr. No.	Name of the SPSE	Accounting Standards/Ind AS	Comment
		Consolidated Financial Statements (AS-21)	In contravention to the Principle of Consolidation, Intra group balances have not been eliminated from the Consolidated Financial Statements. The Long-term Loans and Advances include ₹ 11.23 lakh recoverable by Punjab Agri Export Corporation Limited from Punjab Agro Foodgrains Corporation Limited. This has not been reconciled amongst the two subsidiaries in non-compliance of guidance of AS-21 nor any disclosure has been made in the financial statements.
		Cash Flow Statements (AS-3)	Cash and Cash Equivalents include an amount of ₹ 0.60 crore and ₹ 1.06 crore towards term deposits, in respect of Punjab Agro Juices Limited, with maturity of more than twelve months ahead of the balance sheet date and not being cash equivalents as per Accounting Standard-3. Hence, the disclosure is incorrect to that extent.

Source: Comments on Financial Statements of SPSEs as finalised by the CAG

3.7 Management Letters

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of SPSEs were reported as comments by the CAG under Section 143(6) of the Act, 2013. Besides these comments, irregularities or deficiencies observed by the CAG in the financial reports or in the reporting process, were also communicated to the Management through a 'Management Letter' for taking corrective action. These deficiencies generally related to:

- application and interpretation of accounting policies and practices;
- adjustments arising out of audit that could have a significant effect on the financial statements; and
- inadequate or non-disclosure of certain information on which Management of the concerned SPSE gave assurances that corrective action would be taken in the subsequent year.

During the year, irregularities and deficiencies in the financial reports or in the reporting process observed during audit of 21 SFS and five CFS which were not material, were communicated to the Management of 21 SPSEs through 'Management Letter' for taking corrective action (*Appendix 3.2*).

3.8 Conclusion

Accounts for the year 2022-23 were due from 41 State Government Companies and three Government Controlled Other Companies. Five Government Companies submitted their accounts for the year 2022-23 for audit by the CAG on or before 30 September 2023. Thirty-nine State Government Companies had 217 accounts in arrears for various reasons. The financial impact of comments of the CAG on the profitability of SPSEs was ₹ 17.13 crore. During the course of supplementary audit, the CAG observed that six SPSEs had also not complied with the Accounting Standards/Ind AS, which were not reported by their Statutory Auditors. Irregularities and deficiencies in the financial reports or in the reporting process observed during audit of 21 SFS and five CFS, which were not material, were communicated to their Management through 'Management Letter' for taking corrective action.

3.9 Recommendation

The State Government may impress upon the SPSEs with arrears in accounts for early finalisation of their financial statements. Without the financial statements, government investments in these SPSEs lack legislative oversight.

