

Chapter-IV

**Quality of Accounts and
Financial Reporting Practices**

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Quality of Accounts and Financial Reporting Practices

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, besides collecting royalty for mining activities. The Finance Department did not provide the information/data regarding total number of cesses levied in the State. Audit, however, collected information/data regarding some of the 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 Consolidated Fund of the State.

It was, however, noticed that an amount of ₹ 5.15 crore which was required to be deposited in the Consolidated Fund of the State was lying with the collecting agencies¹ as on 31 March, 2021.

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 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 ₹ 7.47 crore which was required to be deposited in the Consolidated Fund of the State was lying with the collecting agencies³ as on 31 March, 2021.

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 deposited with PUDA. The amount collected as Education Cess was to be deposited into Government Accounts.

It was, however, noticed that an amount of ₹ 2.51 crore which was required to be deposited in the Consolidated Fund of the State was lying with the PUDA as on 31 March, 2021.

4.1.4 Royalty

As per Rule 23 of Punjab Minor Mineral Rules 2013, the holder of the mining lease shall pay royalty in respect of any mineral removed by him from the

¹ (i) Public Works Department (Buildings and Roads)(PWD): ₹ 5.08 crore; and (ii) Punjab Urban Planning and Development Authority (PUDA) : ₹ 0.07 crore.

² Punjab State Cancer and Drug Addiction Treatment Infrastructure Board

³ (i) PWD: ₹ 1.39 crore; (ii) PUDA: ₹ 6.07 crore; and (iii) Cane Commissioner SUGARFED: ₹ 0.01 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; and (vi) PUDA, Patiala.

lease area. Further, as per notification (June 2013), the royalty will be deposited into the Consolidated Fund of the State.

The Water Resources Department (WRD) collects royalty for mining activities. It was, however, noticed that an amount of ₹ 34.79 crore collected as royalty which was required to be deposited in the Consolidated Fund of the State was lying with the WRD as on 31 March, 2021.

4.1.5 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.

The Department supplied (October 2021) tentative figures of market fee for the year 2020-21 according to which there was an opening balance of ₹ 464.19 crore, receipts during the year were ₹ 1,999.39 crore and expenditure was ₹ 2,062.96 crore thereby leaving unutilised amount of ₹ 400.62 crore at the end of the year with the Board, without routing through the Consolidated Fund of the State.

The State Government stated (January 2022) that it was under contemplation that the departments which had levied cess would open the receipt head of cess levied and deposit in the Consolidated Fund of the State. The expenditure would be made by making budget provision in the concerned expenditure head of account against the receipt of cess after studying the relevant notifications of cess levied.

4.1.6 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 ₹ 7.22 crore though collected by the collecting agencies⁵, was not transferred to the concerned Board as on 31 March, 2021.

4.1.7 Urban Infrastructure Development Cess

As per guidelines issued (December 2010) by Government of Punjab, Department of 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 with the Department and the Department will credit it to Urban Infrastructure Development Fund.

It was observed that, the Department collected UIDC ₹ 64.04 crore upto 31 March 2020 and during the year 2020-21, an amount of ₹ 42.29 crore was also collected as UIDC. Thus, total available balance of ₹ 106.33 crore was lying with Department which was not transferred to the dedicated Fund as on 31 March 2021.

4.2 Off-Budget liabilities of State Government

The Fifteenth Finance Commission recommended that all committed expenditure and developmental expenditure are met from the augmented borrowing space without resort to off budget or any non-transparent means of financing for any expenditure. It was observed that State Government had an off-budget liability of ₹ 10,550.62 crore (not reflected in the accounts) towards various Financial Institutions⁶ in addition to the budgeted liabilities of ₹ 2,48,236.23 crore as on 31 March 2021.

4.3 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.

⁵ (i) Water Supply and Sanitation Department: ₹ 0.93 crore; (ii) PWD: ₹ 2.40 crore; (iii) PUDA : ₹ 3.77 crore; and (iv) Punjab Small Industries Export Corporation Limited: ₹ 0.12 crore.

⁶ Punjab State Civil Supplies Corporation Limited: ₹ 1,677.38 crore; Punjab State Warehousing Corporation: ₹ 3.56 crore; Punjab Agro Food Corporation Limited: ₹ 99.65 crore; Punjab State Co-operative Supply and Marketing Federation Limited: ₹ 531.57 crore and Punjab State Power Corporation Limited (PSPCL): ₹ 8,238.46 crore.

Audit observed that ₹ 103.24 crore were required to be paid as interest on the balance of ₹ 1,955.94 crore lying under interest bearing deposits/Reserve Funds as on 31 March 2020 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 2020	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 7.50 per cent per annum taking into account conservative estimate of the borrowing cost during the year 2020-21 taking average interest rate of Ways and Means Advances.	0.01
2.	Deposits of Government companies, corporations etc. and Miscellaneous Deposits	574.40		43.10
3.	Punjab Road Safety Fund	22.53		1.69
4.	General Reserve Fund (Motor Transport)	0.75		0.06
5.	Depreciation Reserve Fund (Motor Transport)	115.97		8.70
6.	Defined Contribution Pension Scheme for Government	201.30		14.29
7.	State Compensatory Afforestation Fund	1,040.84		35.39
Total		1,955.94		103.24

Source: Finance Accounts

4.4 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 2020-21, the GoI transferred ₹ 4,913.92 crore directly to various implementing agencies in Punjab as detailed in **Appendix 4.1** which was 7.96 per cent more than the amount released in 2019-20 (₹ 4,551.70 crore). This is 170.60 per cent of the amount (₹ 2,880.41 crore) released by the GoI for centrally sponsored scheme as Grants-in-Aid, through the state budget. The total amount transferred by the Central Government to the State during the year 2020-21 was ₹ 29,067.22 crore (including amount transferred through RBI) out of which ₹ 2,779.77 crore was the Central Assistance/share related to Direct Benefit Transfer.

Issues related to transparency

4.5 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), Punjab as on 31 March of respective years is given in **Table 4.2**.

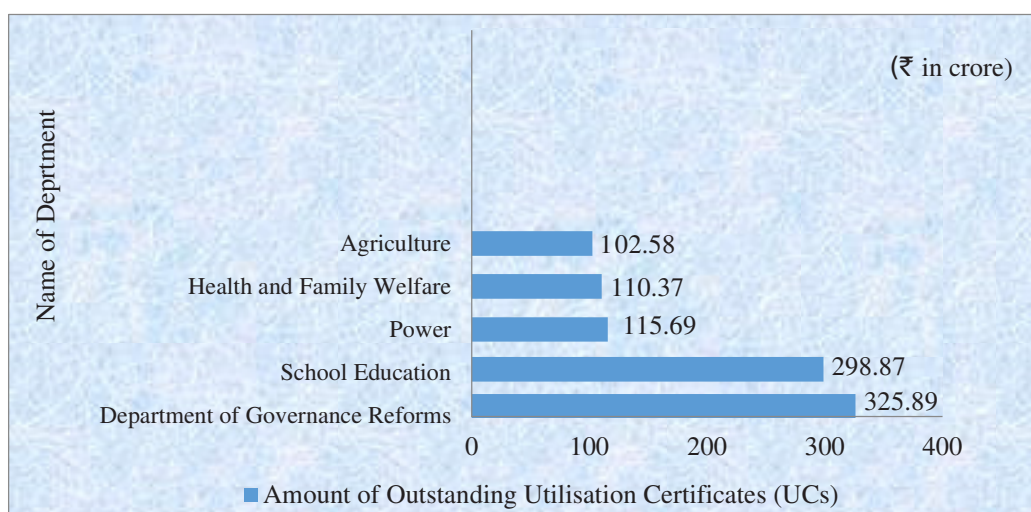
Table 4.2: Age-wise pendency of Utilisation Certificates

Year *	No. of UCs	Amount (₹ in crore)
Up to 2018-19	16	67.13
2019-20	47	193.71
2020-21 (Drawn upto September 2019)	218	1160.27
Total	281	1421.11

Source: Finance Accounts

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

Chart 4.1: Outstanding UCs in respect of five major Departments as on 31 March 2021



Source: Finance Accounts

It was evident from above that ₹ 953.40 crore i.e. 67.09 per cent of the total outstanding amount of ₹ 1,421.11 crore pertain to five Departments viz. Department of Governance Reforms (₹ 325.89 crore), School Education (₹ 298.87 crore), Power (₹ 115.69 crore), Health and Family Welfare (₹ 110.37 crore) and Agriculture (₹ 102.58 crore). Further, it was also noticed that three number of UCs amounting to ₹ 18.85 crore out of the total outstanding UCs were for creation of capital assets.

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.

The State Government stated (December 2021 and January 2022) that the concerned departments were instructed on monthly basis to submit pending utilisation certificates to Accountant General (A&E) in time. It was assured that corrective action would be taken in this regard.

4.6 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 2021 is given in **Table 4.3**.

Table 4.3: Age-wise pendency of DC bills

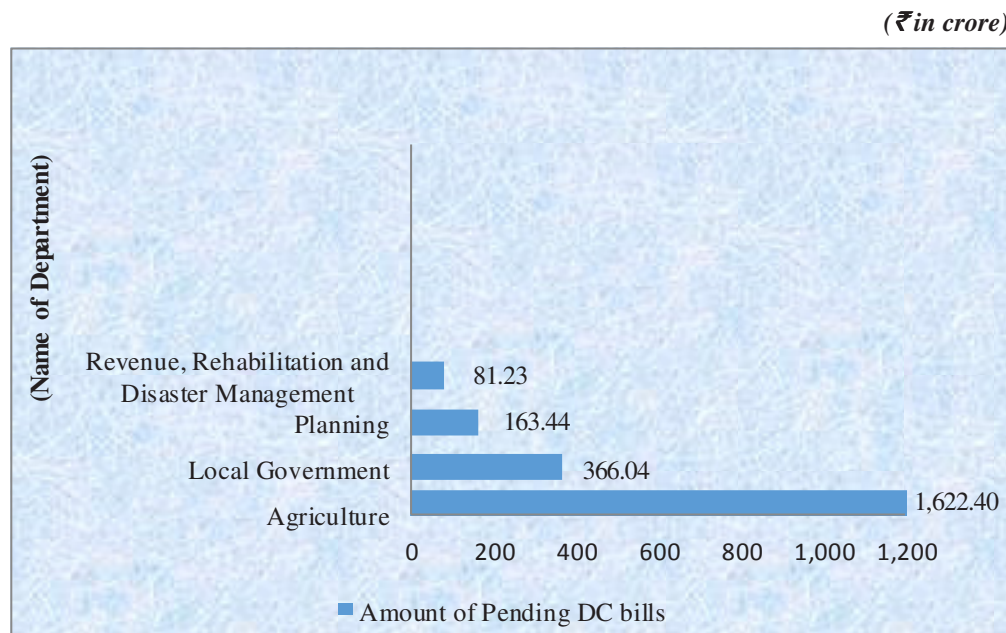
(₹ in crore)		
Year of Grant	No. of DC bills	Amount
Up to 2018-19	105	138.08
2019-20	172	1163.37
2020-21(drawn upto September 2020)	762	1325.18
Total	1039	2626.63

Source: Finance Accounts

It was observed that total 2168 AC bills amounting to ₹ 3,460.88 crore were drawn during 2020-21, out of which 862 AC bills amounting to ₹ 1,795.33 crore (51.87 per cent) were drawn in March 2021. Out of total bills drawn in March 2021, 332 AC bills amounting to ₹ 524.96 crore were

drawn on the last day of March. Further, it was also noticed that 457 number of AC bills amounting to ₹ 756.05 crore out of the total AC bills drawn during the year were for creation of capital assets.

Chart 4.2: Pending DC Bills in respect of major Departments



Source: Finance Accounts

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 asserted as correct or final.

The State Government stated (January 2022) that provision had been made in the IFMS restricting the department to submit its further bills until the detailed contingent bill of the amounts previously drawn against the advanced contingent bill was submitted.

4.7 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 2020-21, ₹ 3,648.53 crore under various Major Heads of accounts, constituting 4.02 per cent of the total Revenue and

Capital expenditure (₹ 90,726.94 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 4.2**.

Similarly, ₹ 4,695.05 crore under various Major Heads of Account, constituting 6.80 per cent of the total Revenue Receipts (₹ 69,048.18 crore) was classified under Minor Head 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 4.3**.

Issues related to measurement

4.8 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 4.4**.

Table 4.4: Balances under Suspense and Remittance Heads

(₹ in crore)

Head of Account		2018-19		2019-20		2020-21	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
	1						
8658	Suspense Account						
101	Pay and Accounts Office-Suspense	55.24	0.03	70.75	0.04	110.53	106.87
	Net Debit (Dr.) / Credit (Cr.)	55.21 Dr.		70.71 Dr.		3.66 Dr.	
102	Suspense Account-(Civil)	29.53	..	18.30	..	53.13	..
	Net Debit (Dr.) / Credit (Cr.)	29.53 Dr.		18.30 Dr.		53.13 Dr.	
109	Reserve Bank Suspense-(Headquarters)	0.66	..	0.33	..	0.28	..
	Net Debit (Dr.) / Credit (Cr.)	0.66 Dr.		0.33 Dr.		0.28 Dr.	
110	Reserve Bank Suspense- (Central Accounts Office)	0.69	..	22.27	..	151.86	..
	Net Debit (Dr.) / Credit (Cr.)	0.69 Dr.		22.27 Dr.		151.86 Dr.	
112	Tax Deducted at Source (TDS) Suspense	..	1,24.06	..	119.96	..	311.47
	Net Debit (Dr.) / Credit (Cr.)		124.06 Cr.		119.96 Cr.		311.47 Cr.
123	AIS Officers' Group Insurance Scheme	..	0.09	..	0.11	..	0.15
	Net Debit (Dr.) / Credit (Cr.)		0.09 Cr.		0.11 Cr.		0.15 Cr.
8782	Cash Remittance and adjustments between officers rendering account to the same Accounts Officer						
102	Public Works Remittances	(-) 9.02	..	(-) 3.51	..	19.55	..
	Net Debit (Dr.) / Credit (Cr.)	(-) 9.02 Dr.		(-) 3.51 Dr.		19.55 Dr.	
103	Forest Remittances	6.19	..	21.30	..
	Net Debit (Dr.) / Credit (Cr.)	..		6.19 Dr.		21.30 Dr.	
8793	Inter-State Suspense Account						
	Net Debit (Dr.) / Credit (Cr.)	11.93 Dr.		22.59 Dr.		43.05 Dr.	

Source: Finance Accounts

4.9 Reconciliation of Cash Balances

The Cash Balance of the State Government for 2020-21 as per Accounts of the Principal Accountant General (A&E) was ₹ 194.40 crore (Debit) while the same was reported as ₹ 19.63 crore (Debit) by the Reserve Bank of India. As such, there was an un-reconciled difference of ₹ 214.03 crore (Debit).

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.

4.10 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 2021, an amount of ₹ 1131.59 crore was still lying under Major Head '8671-Departmental Balances with Departmental Officers' in 195 Divisions (Public Works Departments: 92, Water Resources Department: 50 and Water Supply and Sanitation: 53). Of this, an amount of ₹ 1128.43 crore was lying as balance as per Divisional Cash Book, ₹ 2.56 crore in cash chest and ₹ 0.60 crore as cash in transit. However, there was a balance of ₹ 1120.92 crore as per bank balance under 562 bank accounts. These bank accounts remained operative as is evident from the transactions *viz.* ₹ 599.33 crore (receipts) and ₹ 1005.38 crore (disbursements) made during 2020-21. 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

4.11 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 2020-21 is detailed in **Table 4.5**.

Table 4.5: 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	Not complied (Statements 9 and 20 of Finance Accounts)	Although sector-wise details of guarantees given by the State Government have been disclosed, class-wise details were not incorporated in Finance Accounts of the State.
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)	In respect of old loans amounting to ₹ 282.54 crore involving eight Departments, recoveries of principal and interest have not been effected during the past several years as detailed in Appendix 4.4 . Terms and conditions of repayment of loans have not been settled for loans amounting to ₹ 931.87 crore to Statutory Bodies/Other entities. Consequently, the receivables of the State Government on this account could not be estimated. The Principal Accountant General (A&E) annually communicates loan balances to the loan sanctioning departments for verification and acceptance. Only six out of the 25 loanees have confirmed the balances as detailed in Appendix 4.5 .

Source: Finance Accounts

The State Government stated (January 2022) that necessary action in this regard would be taken.

4.12 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 2021, 23 accounts in respect of six out of nine autonomous bodies from 2006-07 to 2019-20 were pending as detailed in **Table 4.6**.

Table 4.6: Arrears of accounts of Autonomous Bodies as on 31 March 2021

Sr. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending
1.	Punjab Legal Services Authority, Chandigarh	2019-20	1
2.	Punjab Khadi and Village Industries Board, Chandigarh	2017-18	3
3.	Punjab State Human Rights Commission, Chandigarh	-	0
4.	Punjab Labour Welfare Board, Chandigarh	2006-07	14
5.	Pushpa Gujral Science City, Kapurthala	2019-20	1
6.	Punjab Building and Other Construction Workers Welfare Board, SAS Nagar	2018-19	2
7.	Punjab Bus Metro Society	2018-19	2
8.	Punjab State Electricity Regulatory Commission, Chandigarh	-	0
9.	Real Estate Regulatory Authority, Chandigarh	-	0
Total			23

Source: Departmental data/information.

Pendency in submission of accounts ranged between one to 14 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 may consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies 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 existence of the Board may be reviewed by the Government.

The State Government stated (January 2022) that the matter regarding non/late submission of accounts had been taken with the concerned bodies.

4.13 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 26 Public Sector Undertakings (PSU)/Corporations were in arrears, of which 18⁷ were loss making. Further, audit noticed that a budgetary support of ₹ 1528.25 crore was provided to nine PSUs/Corporations during the last three years despite their accounts being in arrears as detailed in **Table 4.7**.

Table 4.7: Year wise details of Budgetary support to Commercial Undertakings/Corporations/Companies

(₹ in crore)

Sr. No.	Name of Company/Corporations	Budgetary support			
		2018-19	2019-20	2020-21	Total
1.	Punjab Small Industries and Export Corporation Limited	9.48	17.00	20.00	46.48
2.	Punjab Water Resources Management and Development Corporation Limited	150.14	97.51	73.38	321.03
3.	Punjab State Civil Supplies Corporation Limited	0.00	122.43	247.02	369.45
4.	PEPSU Road Transport Corporation	55.62	50.98	65.62	172.22
5.	Punjab Financial Corporation	5.00	4.00	8.00	17.00
6.	Jalandhar Smart City Limited	0.00	25.00	0.00	25.00
7.	Ludhiana Smart City Limited	0.00	0.00	25.00	25.00
8.	Punjab State Warehousing Corporation	63.45	10.00	67.47	140.92
9.	Punjab State Grains Procurement Corporation Limited	220.70	35.00	155.45	411.15
Total		504.39	361.92	661.94	1,528.25

Source: Information provided by the PSUs

Age profile of PSUs/Corporations having accounts in arrear is given in **Table 4.8**.

Table 4.8: Age profile of PSUs/Corporations having accounts in arrear

Range in years	Number of PSUs/Corporations
0-1	10
1-3	07
3-5	03
>5	06
Total	26

Source: Information supplied by the PSUs

Table 4.8 shows that accounts in respect of six 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,

⁷ (i) Punjab State Grains Procurement Corporation Limited, (ii) Punjab Water Resources Management and Development Corporation Limited, (iii) Punjab State Civil Supplies Corporation Limited, (iv) Punjab State Warehousing Corporation, (v) PEPSU Road Transport Corporation, (vi) Punjab Micro Nutrients Limited, (vii) Punjab Poultry Development Corporation Limited, (viii) Punjab Financial Corporation, (ix) Punjab Film and News Corporation Limited, (x) Electronic Systems Punjab Limited, (xi) Punjab Bio-Medical Equipments Limited, (xii) Punjab Footwears Limited, (xiii) Punjab Power Packs Limited, (xiv) Punjab State Handloom and Textile Development Corporation Limited, (xv) Punjab State Hosiery and Knitwear Development Corporation Limited, (xvi) Punjab State Leather Development Corporation Limited, (xvii) Ludhiana Smart City Limited and (xviii) Punjab Recorders Limited.

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.

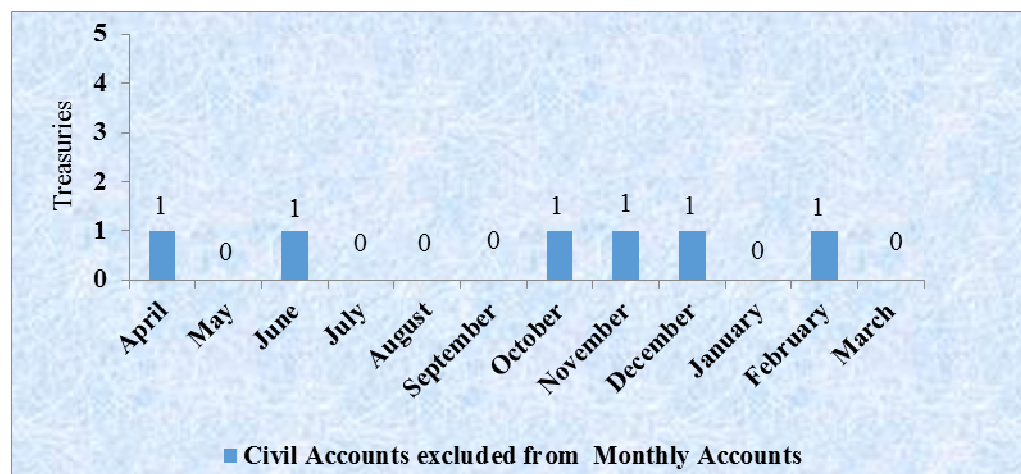
4.14 Timeliness and Quality of Accounts

The accounts of the State Government are compiled from initial accounts rendered by District Treasuries, Sub-Treasuries, Public Works Divisions and Forest Divisions apart from the Reserve Bank of India advices. There are often delays in rendition of monthly accounts. Due to the failure of account rendering units to furnish accounts on time, some accounts are excluded from the monthly civil accounts by the Accountant General (A&E).

Exclusion of accounts not only distorts the budgetary position of the Government but also impacts its monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes, providing intended benefits to the targeted beneficiaries, functioning of departments etc. during the year.

It was observed that six accounts of four⁸ treasuries were excluded from the compiled accounts due to late receipt of the same as depicted in **Chart 4.3**.

Chart 4.3: Civil Accounts excluded from Monthly Accounts during 2020-21



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

⁸ (i) Chandigarh Treasury: One; (ii) Hoshiarpur Treasury: One; (iii) Ludhiana Treasury : Three; and (iv) Mohali Treasury : One

Other Issues

4.15 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 2021, 18 cases of misappropriation, losses, theft, etc. involving ₹ 39.37 crore were pending. The department-wise break-up of pending cases is given in **Table 4.9**.

Table 4.9: 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
Punjab Agro Food grains Corporations	7	15.51	0	0	0	0	0	0
Punjab State Warehousing Corporation	7	11.85	1	0.11	0	0	0	0
Punjab Agro Juice Limited	1	0.71	0	0	0	0	0	0
Punjab State Seeds Corporation Limited	1	4.10	0	0	0	0	0	0
PUNSUP	2	7.20	1	0.13	0	0	1	7.07
Total	18*	39.37	2	0.24	0	0	1	7.07

Source: Departmental data/information

*Status in respect of 15 cases was not available.

Out of the total cases, four cases amounting to ₹ 7.43 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 total 18 cases of theft/misappropriation/loss of Government material, 11 cases of ₹ 24.60 crore were more than five years old.

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 4.10**.

Table 4.10: 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	7	14.77	Theft cases	3	7.31
			Misappropriation/ loss of Government material	4	7.46
5-10	11	24.60	Theft cases	1	0.12
			Misappropriation/ loss of Government material	10	24.48
Total	18	39.37	Total	18	39.37

Source: Departmental data/information

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

The State Government stated (January 2022) that strict instructions in this regard had been issued to all the respective administrative departments.

4.16 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 Finance Department within stipulated period.

The matter regarding non submission of reply was discussed by PAC on 05 July 2019, 22 October 2019 and 02 June 2020 who directed the Finance Department for submission of replies of State Finances Audit Reports for the year 2014-15 to 2016-17. Replies for State Finances Audit Report for the year 2015-16 and 2016-17 have been received. The State Finances Audit Report for the year 2016-17 was discussed on 7 September 2021 in PAC meeting.

4.17 Conclusions

Various Cess collected to the tune of ₹ 450.54 crore was not transferred to the Consolidated Fund of the State. Government departments did not transfer various cesses amounting to ₹ 113.55 crore to the concerned Boards. An amount of ₹ 2,312.16 crore remained unpaid by Government to Punjab State Civil Supplies Corporation Limited under Atta Dal Scheme. Similarly, an amount of ₹ 8,238.46 crore remained unpaid by Government to Punjab State

Power Corporation Limited on account of power subsidies to various consumers.

Utilisation Certificates (UC) amounting to ₹ 1,421.11 crore (281 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 ₹ 2,626.63 crore (1,039 DC bills) were also awaited. There was an un-reconciled difference of ₹ 214.03 crore (Debit) in the Cash Balance of the State Government for 2020-21. An amount of ₹ 1,120.92 crore was still lying in the bank accounts of Divisions pertaining to four Departments.

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 remained outside the purview of the State Legislature.

Further, in 18 cases of theft, misappropriation, loss of Government material and defalcation, departmental action was pending for long periods.

4.18 Recommendations

- (i) The Government should prescribe a proper accounting procedure for collection, depositing into Government account and utilisation of various cesses so that the details of cess and data are 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) 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.

