

Chapter-IV

Quality of Accounts and Financial Reporting Practices

Chapter-IV

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 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 ₹ 98.58 crore was required to be paid as interest on the balance of ₹ 2,714.77 crore lying under interest bearing deposits/Reserve Funds as on 1 April 2022 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 2022	Basis for calculation of interest	Amount of Interest not provisioned
1.	Defined Contribution Pension Scheme for Government employees	149.00	Interest calculated at the rate of 7.10 per cent as per interest payable to General Provident Fund.	10.58
2.	State Compensatory Afforestation Fund	1,108.00	Interest calculated at the rate of 3.35 per cent as per Ministry of Environment, Forest and climate change, Government of India letter (10 October 2022).	37.12
3.	Depreciation Reserve Fund (Motor Transport)	116.70	Interest calculated at the rate of 3.49 per cent taking into account conservative estimate of the borrowing cost during the year 2022-23 taking average Special Drawing Facility interest rate as 3.49 per cent for the year 2022-23.	4.07
4.	Depreciation Reserve Fund (Government Presses)	28.05		0.98
5.	General Reserve Fund (Motor Transport)	0.72		0.03

Sr. No.	Name/Head of the interest-bearing deposit	Opening Balance as on 1 April 2022	Basis for calculation of interest	Amount of Interest not provisioned
6.	Punjab Road Safety Fund	61.01	Interest calculated at the rate of 3.49 per cent taking into account conservative estimate of the borrowing cost during the year 2022-23 taking average Special Drawing Facility interest rate as 3.49 per cent for the year 2022-23.	2.13
7.	Deposits of Municipal Corporations and other Autonomous Bodies	0.15		0.01
8.	Deposits of Government companies, corporations, etc. and Miscellaneous Deposits	1,251.14		43.66
Total		2,714.77		98.58

Source: Finance Accounts

The State Government stated (December 2023) that the Finance Department would take up the matter with concerned quarters and necessary action would be taken as per their justification/reasons.

4.2 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 the State Budget from 2014-15 onwards. However, during the year 2022-23, Central share of ₹ 3,546.60 crore (12 Central Schemes exceeding ₹ ten crore each and 60 Central Schemes less than ₹ ten crore each) was transferred directly to the implementing agencies bypassing the Consolidated Fund of the State as detailed in **Appendix 4.1**. Of this, Central share of ₹ 1,194.33 crore under nine Centrally Sponsored Schemes (CSS) as detailed in **Appendix 4.2** was transferred directly to the implementing agencies. This constituted 4.05 per cent and 16.14 per cent of total revenue receipts (₹ 87,615.60 crore) and Grants-in-aid (₹ 21,976.84 crore) respectively. The direct transfer of funds to the implementing agencies has decreased by 36.87 per cent as compared to 2021-22 (from ₹ 5,617.90 crore in 2021-22 to ₹ 3,546.60 crore in 2022-23).

The State Government accounts for the year 2022-23 depicts only ₹ 3,776.79 crore under Central share of Centrally Sponsored Schemes. Thus, budget and expenditure to the extent of ₹ 3,546.60 crore remained outside the accounts of the State, thereby depicting an incomplete picture of the State's financial position. In all the nine Centrally Sponsored Schemes, the amount of direct transfer to the Implementing Agencies ranged from 4.22 per cent to 100 per cent of the total transfers under these schemes.

Issues related to transparency

4.3 Delay in submission of Utilisation Certificates

Rule 8.14 (b) 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 Grants-in-aid bill was drawn should be primarily responsible for certifying to the Accountant General, the fulfilment of the conditions attached to the grant. Utilisation Certificates (UCs) outstanding beyond the specified periods (i.e. 18 months from the sanction of grant) indicate absence of assurance on utilisation of the grants for intended purposes and the expenditure shown in the accounts to that extent cannot be treated as final.

During the year 2022-23, UCs amounting to ₹ 7,037.12 crore became due for submission (Grants-in-aid bills drawn during October 2020 to September 2021). In addition to that, UCs amounting to ₹ 1,800.45 crore were outstanding at the beginning of the year. During the year, outstanding UCs amounting to ₹ 5,163.52 crore were cleared, leaving outstanding UCs of ₹ 3,674.05 crore as on 31 March 2023 as given in **Table 4.2**.

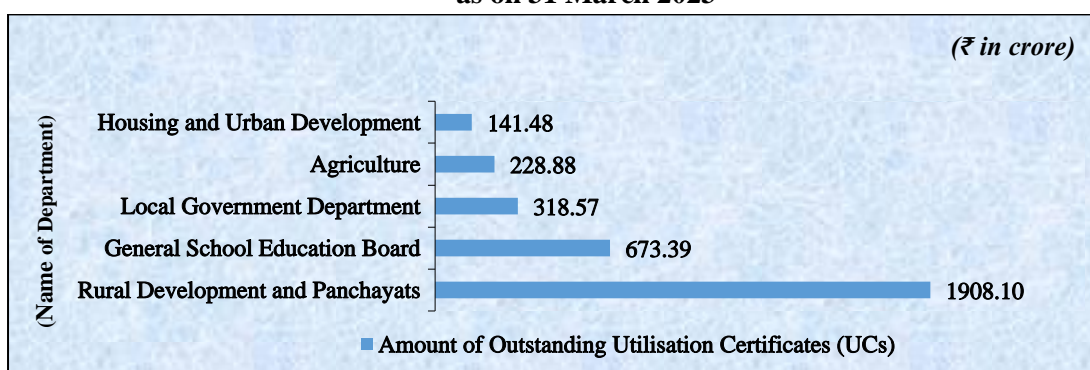
Table 4.2: Age-wise pendency of Utilisation Certificates

UC due year*	No. of UCs	Amount (₹ in crore)
2017-18	1	50.00
2018-19	4	1.52
2019-20	18	54.12
2020-21	79	55.94
2021-22	92	199.79
2022-23 (Drawn upto September 2021)	598	3,312.68
Total	792	3,674.05

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 five major Departments
as on 31 March 2023**



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

From **Chart 4.1**, it is evident that ₹ 3,270.42 crore i.e. 89.01 *per cent* of the total outstanding UCs (₹ 3,674.05 crore) pertain to five Departments viz. Rural Development and Panchayats (₹ 1,908.10 crore), General School Education Board (₹ 673.39 crore), Local Government (₹ 318.57 crore), Agriculture (₹ 228.88 crore) and Housing and Urban Development (₹ 141.48 crore). It was further noticed that outstanding UCs in respect of Rural Development and Panchayats Department has increased by 135.27 *per cent* in 2022-23 as compared to the year 2021-22¹.

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 persons concerned accountable for submission of UCs in a timely manner.

The State Government stated (November 2023) that a technical solution in IFMS for UCs was under process to bring transparency in the system and to make submission of UCs possible in a time bound manner.

4.4 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 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 drawing 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, pending adjustment, as on 31 March 2023 is given in **Table 4.3**.

Table 4.3: Age-wise pending adjustment of AC bills

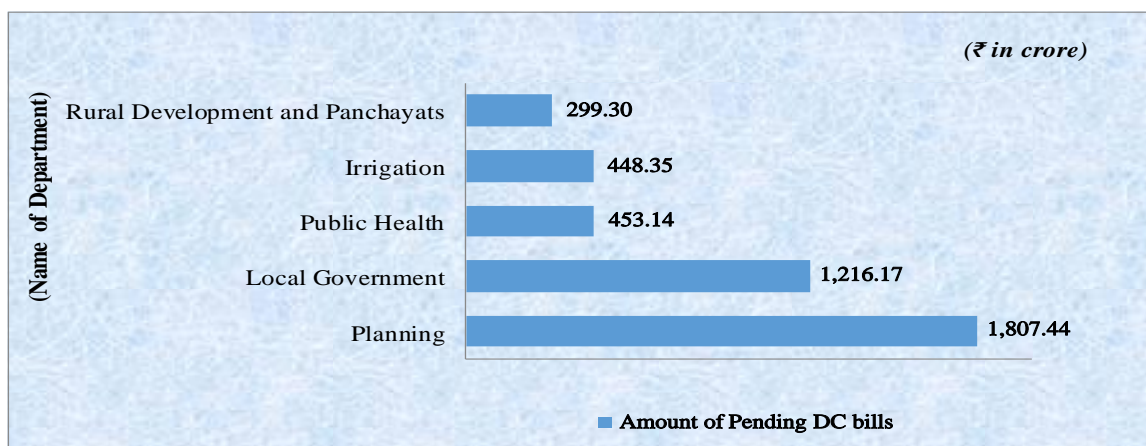
Due Year	No. of AC bills	(₹ in crore)
		Amount
2014-15	6	12.85
2015-16	11	1.72
2016-17	7	3.84
2017-18	13	4.94
2018-19	19	29.23
2019-20	75	52.59
2020-21	89	100.96
2021-22	786	1,756.50
2022-23 (drawn upto September 2022)	1,068	3,805.41
Total	2,074	5,768.04

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

¹ Outstanding UCs at the end of 2021-22 were ₹ 811.02 crore.

It was observed that a total of 1,749 AC bills amounting to ₹ 6,073.26 crore were drawn during 2022-23, out of which 1,068 AC bills though due were not adjusted as on 31 March 2023. Further, it was noticed that 551 AC bills amounting to ₹ 1,921.18 crore (31.63 per cent) were drawn in March 2023. Expenditure against AC bills at the end of the financial year indicates poor management of public expenditure as it could be that AC bills were being drawn primarily to exhaust the budget provision.

Chart 4.2: Pending DC Bills in respect of five major Departments



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

It is evident from the above chart that ₹ 4,224.40 crore i.e. 73.23 per cent of the total outstanding AC bills amounting to ₹ 5,768.04 crore pertained to five Departments.

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 (November 2023) that regular meetings were being held with the line departments for clearance of pending AC bills. It was added that a requisite check had also been incorporated in IFMS to make sure that in case of non-submission of DC bill within six months of drawing of AC bill of a particular scheme, no new AC bill would be allowed to be drawn in that scheme by the department.

4.5 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. Regular 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 2022-23, ₹ 5,308.09 crore under 46 Major Heads of account, constituting 4.41 *per cent* of the total Revenue and Capital expenditure (₹ 1,20,327.84 crore) was classified under the Minor Head-800-Other Expenditure in the accounts. Of these, ₹ 539.05 crore under two Major Heads i.e. '4700-Capital Outlay on Major Irrigation' and '4701-Capital Outlay on Medium Irrigation' was classified under Minor Head-800-Other Expenditure despite availability of appropriate Minor Heads thereunder. Details of substantial expenditure (more than ₹ 10 crore and 50 *per cent* or above of the total expenditure under each Major Head) booked under Minor Head-800-Other Expenditure are given at **Appendix 4.3**.

Similarly, ₹ 8,098.88 crore under 49 Major Heads of Account, constituting 9.24 *per cent* of the total Revenue and Capital Receipts (₹ 87,615.81 crore) was classified under 800-Other Receipts in the accounts. Details of substantial receipts (more than ₹ 10 crore and 50 *per cent* or above of the total receipts under each Major Head) booked under the Minor Head 800-Other Receipts are given in **Appendix 4.4**.

The State Government stated (December 2023) that due diligence would be taken while preparing budget estimates for the financial year 2024-25.

Issues related to measurement

4.6 Outstanding balance under major Suspense and DDR Heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Significant suspense items balances for the last three years have been shown in **Table 4.4**.

Table 4.4: Balances under Suspense and Remittance Heads*(₹ in crore)*

Head of Account		2020-21		2021-22		2022-23	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
	1						
8658	Suspense Account						
101	Pay and Accounts Office-Suspense	110.53	106.87	113.19	0.07	60.45	0.05
	Net Debit (Dr.) / Credit (Cr.)	3.66 Dr.		113.12 Dr.		60.40 Dr.	
102	Suspense Account-(Civil)	53.13	..	147.49	57.09	108.83	16.10
	Net Debit (Dr.) / Credit (Cr.)	53.13 Dr.		90.40 Dr.		92.73 Dr.	
109	Reserve Bank Suspense-(Headquarters)	0.28	..	0.42	..	0.01	..
	Net Debit (Dr.) / Credit (Cr.)	0.28 Dr.		0.42 Dr.		0.01 Dr.	
110	Reserve Bank Suspense- (Central Accounts Office)	151.86	..	32.11	..	45.52	..
	Net Debit (Dr.) / Credit (Cr.)	151.86 Dr.		32.11 Dr.		45.52 Dr.	
112	Tax Deducted at Source (TDS) Suspense	..	311.47	..	106.12	..	430.84
	Net Debit (Dr.) / Credit (Cr.)	311.47 Cr.		106.12 Cr.		430.84 Cr.	
123	AIS Officers' Group Insurance Scheme	..	0.15	..	0.22	..	0.26
	Net Debit (Dr.) / Credit (Cr.)	0.15 Cr.		0.22 Cr.		0.26 Cr.	
8782	Cash Remittance and adjustments between officers rendering account to the same Accounts Officer						
102	Public Works Remittances	19.55	..	0.12	..	2.87	..
	Net Debit (Dr.) / Credit (Cr.)	19.55 Dr.		0.12 Dr.		2.87 Dr.	
103	Forest Remittances	21.30	..	17.93	..	5.54	..
	Net Debit (Dr.) / Credit (Cr.)	21.30 Dr.		17.93 Dr.		5.54 Dr.	
8793	Inter-State Suspense Account	43.05	..	57.40	..	35.85	..
	Net Debit (Dr.) / Credit (Cr.)	43.05 Dr.		57.40 Dr.		35.85 Dr.	

Source: Finance Accounts

Non-clearance of outstanding balances under these heads affects the accuracy of receipt/expenditure figures and balances under different heads of Accounts (which are carried forward from year to year) of the State Government.

4.7 Reconciliation of Cash Balances

As per accounts of the Accountant General (A&E) Punjab, the Cash Balance of the State Government as on 31 March 2023 was ₹ 365.90 crore (Debit) while the same was reported as ₹ 13.47 crore (Debit) by the Reserve Bank of India. As such, there was an un-reconciled difference of ₹ 379.37 crore (Debit).

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 are on transaction date basis whereas the e-Kuber system reports the transactions on scroll date basis.

4.8 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 the 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 them into the Government Accounts and thus are 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 the 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 2023, an amount of ₹ 1,311.70 crore was lying in the bank accounts of 177 Public Works Divisional Officers as per their cashbooks. Had the funds been deposited in the treasury, the same would have impacted on the daily Cash Balance of the State Government.

Department-wise details of the amounts lying in bank accounts being operated by Divisional Officers is detailed in **Table 4.5**.

Table 4.5: 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)	69	580.38
2.	Rural Development and Panchayats (Panchayati Raj Divisions)	19	182.06
3.	Water Resources	36	443.44
4.	Water Supply and Sanitation	53	105.82
Total		177	1,311.70

Source: Finance Accounts

The State Government stated (November 2023) that the Finance Department had issued instructions in this regard time and again to the departments concerned.

Issues related to disclosure

4.9 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India (CAG), prescribe the form of accounts of the Union and of the States. On the advice of the CAG, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by Government of Punjab as well as deficiencies therein during 2022-23 is detailed in **Table 4.6**.

Table 4.6: 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	Complied (Statement 10 of Finance Accounts)	-
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 2023 need to be reconciled by the Loanee Entities/State Government.

Source: Finance Accounts

The State Government stated (December 2023) that necessary action in this regard would be taken in consultation with the Accountant General (A&E), Punjab office.

4.10 Submission of accounts of Autonomous Bodies

As on 31 March 2023, 18 accounts in respect of six Autonomous Bodies (ABs) were pending from 2017-18 to 2021-22 as detailed in **Table 4.7**.

Table 4.7: Arrears of accounts of Autonomous Bodies as on 31 March 2023

Sr. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending
1.	Punjab Building and Other Construction Workers Welfare Board, SAS Nagar	2020-21	2
2.	Punjab Bus Metro Society	2018-19	4
3.	Punjab Labour Welfare Board, Chandigarh	2017-18	5
4.	Punjab Khadi and Village Industries, Board, Chandigarh	2017-18	5
5.	Real Estate Regulatory Authority, Chandigarh	2021-22	1
6.	Punjab State Human Rights Commission, Chandigarh	2021-22	1
Total			18

Source: Departmental data/information

Pendency in submission of accounts ranged between one to five years, of which the Punjab Labour Welfare Board and Punjab Khadi and Village Industries, Board had not submitted their accounts since 2017-18. 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 State Co-operative Supply and Marketing Federation (MARKFED), Regional Spinal Injuries Centre (RSIC) SAS Nagar and Punjab Land Records Society (PLRS) Jalandhar could not be taken up due to non-entrustment to The Comptroller and Auditor General of India 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, besides entrustment of audit of three bodies/authorities viz. MARKFED, RSIC and PLRS in order to assess their financial position.

The State Government stated (December 2023) that Punjab Government had a dedicated Directorate of Disinvestment and Public Enterprises (DPED) to deal with matters of PSUs. The DPED was continuously monitoring the matter and it was expected that submission of accounts would improve.

4.11 Departmental Commercial Undertakings/Corporations/Companies

According to Sections 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. 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 43 Public Sector Undertakings (PSUs)/Corporations whose accounts were in arrears (accounts of year ended 31 March 2023 were not received upto 30 September 2023), of which 12 were non-working and four were under-liquidation. Out of the remaining 27 working PSUs, 12² were loss making. Further, audit noticed that budgetary support of ₹ 4,355.63 crore was provided to 14 working PSUs/Corporations during each of the last three years despite their accounts being in arrears as detailed in **Table 4.8**.

² (i) Punjab State Grains Procurement Corporation Limited; (ii) Gulmohar Tourist Complex (Holiday Home) Limited; (iii) Punjab State Civil Supplies Corporation Limited; (iv) Punjab State Warehousing Corporation; (v) PEPSU Road Transport Corporation; (vi) Ludhiana Smart City Limited; and (vii) Punjab Financial Corporation; (viii) Punjab Agro Foodgrains Corporation Limited; (ix) Punjab Water Resources Management and Development Corporation Limited; (x) Punjab State Industrial Development Corporation Limited; (xi) Punjab Schedule casts Land development and Finance Corporation; and (xii) Jalandhar Smart City Limited.

Table 4.8: Year-wise details of budgetary support to loss making Commercial Undertakings/Corporations/Companies*(₹ in crore)*

Sr. No.	Name of Company/Corporation	Budgetary support			
		2020-21	2021-22	2022-23	Total
1.	Punjab State Grains Procurement Corporation Limited (PUNGRAIN)	155.45	250.47	202.00	607.92
2.	Punjab Small Industries and Export Corporation Limited	20.00	38.00	45.25	103.25
3.	Punjab State Civil Supplies Corporation Limited (PUNSUP)	247.02	571.07	487.10	1,305.19
4.	Punjab State Warehousing Corporation	67.47	60.08	59.00	186.55
5.	PEPSU Road Transport Corporation	65.62	353.11	74.12	492.85
6.	Amritsar Smart City Limited	36.40	95.24	143.36	275.00
7.	Ludhiana Smart City Limited	25.00	222.76	152.24	400.00
8.	Punjab Financial Corporation	8.00	8.00	92.41	108.41
9.	Punjab Agro Industries Corporation Limited	3.28	5.22	19.25	27.75
10.	Punjab Water Resources Management & Development Corporation Limited	120.56	130.35	145.44	396.35
11.	Punjab Agri Export Corporation Limited	23.44	28.82	22.71	74.97
12.	Punjab Information & Communication Technology Corporation Limited	11.27	13.00	8.70	32.97
13.	Punjab State Industrial Development Corporation Limited	17.38	49.00	254.09	320.47
14.	Punjab Scheduled Castes Land Development and Finance	5.42	41.48	2.05	48.95
Total		806.31	1866.60	1682.72	4355.63

Source: Information provided by PSUs

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

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

Range in years	Number of PSUs/Corporations
0-1	17
1-3	13
3-5	4
>5	9
Total	43

Source: Information supplied by PSUs

Table 4.9 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 the 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 their up-to

date accounts (i.e., last preceding year) for making them eligible for financial support of the State Government, if required.

Other Issues

4.12 Misappropriations, losses, thefts, etc.

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

As on 31 March 2023, 36 cases of misappropriation, losses, theft, etc. involving ₹ 97.56 crore were pending. The department-wise break-up of pending cases is given in **Table 4.10**.

Table 4.10: Details of pending cases of misappropriation, losses, theft, etc.

(₹ in crore)

Name of Department/ Corporation	Cases of misappropriation/ losses /theft		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
Punjab Agro Foodgrains Corporation Limited	5	6.97	5	6.97	0	0	0	0
Punjab State Warehousing Corporation	11	12.23	10	11.89	1	0.34	0	0
Punjab State Seeds Corporation Limited	1*	4.10	0	0	0	0	0	0
PUNSUP	9	31.74	7	19.99	2	11.75	0	0
PUNGRAIN	8	41.87	6	19.18	2	22.69	0	0
Municipal Corporation, Patiala	2	0.65	0	0	2	0.65	0	0
Total	36	97.56	28	58.03	7	35.43	0	0

Source: Departmental data/information

* Status in respect of one case was not available.

Out of the total 36 cases, in respect of seven cases (₹ 35.43 crore), departmental action had been initiated but not finalised, while in 28 cases (₹ 58.03 crore) departmental and criminal proceedings were 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 4.11**.

Table 4.11: Profile of misappropriations, losses, defalcations, etc.

(₹ in crore)

Age-profile of the pending cases			Nature of the pending cases	Number of cases	Amount involved
Range in years	Number of cases	Amount involved			
0-5	26	79.08	Theft cases	9	0.88
			Misappropriation/ loss of Government material	17	78.20
5-10	8	15.57	Theft cases	2	0.77
			Misappropriation/ loss of Government material	6	14.80
10-15	2	2.91	Misappropriation/ loss of Government material	2	2.91
Total	36	97.56	Total	36	97.56

Source: Departmental data/information

Out of the total cases, 11 cases amounting to ₹ 1.65 crore were related to theft of Government money/stores, whereas two cases involving ₹ 2.91 crore pertaining to misappropriation/loss of Government material were pending for more than ten years.

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

The State Government stated (November 2023) that instructions would be issued by the Finance Department to all the concerned departments to take necessary action.

4.13 Follow up action on State Finances Audit Report

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

The matter regarding non submission of replies was discussed by PAC in different meetings who directed the Finance Department for submission of replies of State Finances Audit Reports for the years 2017-18 and 2019-20 to 2021-22. Replies for State Finances Audit Report for the years 2015-16, 2016-17 and 2018-19 have been received. The State Finances Audit Report for the year 2016-17 was discussed in a PAC meeting but discussion on State Finances Audit Report for the years 2015-16 and 2018-19 is still pending.

4.14 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 years 2021-22 to 2025-26 on 29 March 2022. The Commission recommended for devolution of 3.5 *per cent* share of State's Net Own Tax Revenues to the Local Bodies. The State Government has accepted the recommendation. On this basis, ₹ 1,316 crore and ₹ 1,353 crore for the years 2021-22 and 2022-23 respectively were required to be devolved to local bodies. However, no amount was devolved during 2021-22 and 2022-23.

The State Government attributed (December 2023) the reasons for this to laying of Report of the Sixth PFC on the table of Punjab Vidhan Sabha on 20 June 2023.

4.15 Conclusion

Utilisation Certificates (UCs) amounting to ₹ 3,674.05 crore (792 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 ₹ 5,768.04 crore (2,074 DC bills) were also awaited. There was an un-reconciled difference of ₹ 379.37 crore (Debit) in the Cash Balance of the State Government for 2022-23. An amount of ₹ 1,311.70 crore was still lying in the bank accounts of Divisions pertaining to four Departments.

Six autonomous bodies and 43 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 36 cases of theft, misappropriation and loss of Government material departmental action was pending for long periods. An amount of ₹ 2,669 crore was not devolved to the Local Bodies despite acceptance of recommendations of 6th Finance Commission by the State Government.

4.16 Recommendations

In light of the audit observations, the State Government may:

- (i) *ensure timely submission of utilisation certificates by the departments in respect of the grants released for specific purposes;*
- (ii) *ensure adjustment of Abstract Contingent bills within the stipulated period, as required under the Rules;*

- (iii) *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; and*
- (iv) *consider preparing a time bound framework for taking prompt action in cases of misappropriation, losses, theft, etc. and strengthening the internal control system to prevent recurrence of such cases.*

