

Chapter-I

General

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1.1 Introduction

This Report covers matters arising out of the Compliance Audit of the Departments of the State Government and State Public Sector Enterprises (SPSE). The primary purpose of this Report is to bring to the notice of the Legislature the important results of audit. Findings of audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations contributing to better governance.

The Report has been organised in eight chapters as under:

- **Chapter-I** contains a brief profile of the State Government with the receipt and expenditure for the year 2020-21, the authority for audit, audit jurisdiction, planning and conduct of audit, response of the Government to various audit products namely Inspection Reports, individual observations/paragraphs and follow-up action on Audit Reports.
- **Chapter-II** contains observations of the Subject Specific Compliance Audit on ‘Evaluation of schemes for installation of Water Treatment Plants’.
- **Chapter-III** contains observations of the Subject Specific Compliance Audit on ‘Transitional Credit under Goods and Services Tax’.
- **Chapter-IV** contains observations of the Subject Specific Compliance Audit on ‘Processing of refund claims under Goods and Services Tax’.
- **Chapter-V** contains observations of the Subject Specific Compliance Audit on ‘Execution of Transmission Works’ by Punjab State Transmission Corporation Limited.
- **Chapter-VI** contains observations of the Subject Specific Compliance Audit on ‘Disbursement and recovery of financial assistance’ by Punjab Scheduled Castes Land Development and Finance Corporation.
- **Chapter-VII** contains individual observations relating to Compliance Audit of Departments.
- **Chapter-VIII** contains individual observations relating to Compliance Audit of State Public Sector Enterprises.

1.2 Receipts and Expenditure

Table 1.1 provides the details of actual financial results *vis-à-vis* budget estimates for the year 2020-21.

Table 1.1: Actual financial results *vis-à-vis* Budget Estimates

(₹ in crore)

Sr. No.	Components	2020-21 (Budget Estimates)	2020-21 (Actuals)
1	State's Tax Revenue	35,824.45	30,052.83
2	State's Non-Tax Revenue	8,045.99	4,152.13
3	Share of Union taxes/duties	14,021.16	10,638.21 [€]
4	Grants-in-aid and Contributions	30,112.71	24,205.01 [¥]
5	Revenue Receipts (1+2+3+4)	88,004.31	69,048.18
6	Recovery of Loans and Advances	45.40	50.37 ^{\$}
7	Other Receipts	0.00	0.02
8	Borrowings and other Liabilities*	18,827.73	22,584.16 [^]
9	Capital Receipts (6+7+8)	18,873.13	22,634.55
10	Total Receipts (5+9)	1,06,877.44	91,682.73
11	Revenue Expenditure of which,	95,716.04	86,344.62
12	Interest payments [#]	19,075.09	18,152.50
13	Capital Expenditure	11,161.40	5,338.11
14	Capital outlay	10,279.58	4,382.32 ^{\$}
15	Disbursement of Loans and advances	881.82	955.79
16	Total Expenditure (11+13)	1,06,877.44	91,682.73

Source: Finance Accounts and State's budget documents

[€] This includes amount of ₹ 3,179.01 crore received from the Government of India as share of Central Goods and Services Tax.

[¥] This includes amount of ₹ 9,694.05 crore received from the Government of India as compensation of loss due to implementation of 'Goods and Services Tax' and ₹ 7,658.90 crore on account of 'Post Devolution Revenue Deficit Grant'.

^{\$} The substantial decrease in recovery of loans and advances and capital outlay during the current year was mainly due to recovery of ₹ 15,628 crore from Punjab State Power Corporation Limited (PSPCL) on account of conversion of UDAY loans into equity during 2019-20.

* Borrowings and other liabilities: Net (Receipts - Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

[^] Includes ₹ 8,359 crore as back-to-back loans from GoI in lieu of GST Compensation shortfall.

[#] Included in the Revenue Expenditure shown at Sr. No. 11.

The tax and non-tax revenue raised by the Government of Punjab, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-aid received from the Government of India during the year 2020-21 and the corresponding figures for the preceding four years are depicted in Table 1.2.

Table 1.2: Trend of revenue receipts

(₹ in crore)

Sr. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1.	Revenue raised by the State Government					
	Tax Revenue, of which	27,746.66	30,423.24	31,574.28	29,994.79	30,052.83
	VAT/CST	17,586.71	11,160.30	6,571.92	5,222.58	5,372.02
	State Goods and Services Tax (SGST)	--	7,901.14	13,273.15	12,751.20	11,818.93
	State Excise	4,406.00	5,135.68	5,072.40	4,865.01	6,164.32
	Stamp duty and Registration fees	2,043.61	2,135.13	2,297.54	2,258.07	2,470.33
	Taxes and duties on Electricity	1,993.01	2,053.07	2,329.55	2,696.56	2,541.84
	Taxes on Vehicles	1,548.12	1,911.20	1,861.39	1,994.32	1,472.13
	Others ¹	169.21	126.72	168.33	207.05	213.26
	Non-Tax Revenue, of which	5,863.20	4,318.39	7,582.29	6,654.08	4,152.13
	Miscellaneous General Services ²	3,028.08	1,478.97	4,851.51	2,743.87	2,208.41
	Interest receipts	1,293.80	1,404.94	1,455.26	2,105.51	144.38
	Other Administrative Services ³	133.46	165.85	150.63	145.23	233.92
	Police	98.52	61.78	73.38	60.93	89.76
	Medical and Public Health	135.47	253.34	263.42	250.57	287.61
	Irrigation ⁴	93.63	71.40	24.22	94.32	94.35
	Non-ferrous Mining and Metallurgical Industries	42.08	122.40	36.13	90.88	120.56
	Public Works	67.96	83.30	28.81	21.71	14.26
	Forestry and Wildlife	20.92	48.67	15.66	19.53	30.88
	Co-operation	3.37	2.82	3.31	7.09	7.47
	Education, Sports, Art and Culture	95.89	41.87	56.75	196.22	137.70
	Others ⁵	850.02	583.05	623.21	918.22	782.83
	Total	33,609.86	34,741.63	39,156.57	36,648.87	34,204.96

¹ Revenue receipts of four heads of accounts i.e. Land Revenue (₹ 67.63 crore which is 1.90 per cent higher than previous year's receipt of ₹ 66.37 crore), other taxes and duties on commodities and services (₹ 0.22 crore, which is 91.06 per cent lesser than previous year's receipt of ₹ 2.46 crore), Other Taxes on Income and Expenditure (₹ 142.70 crore, which is 3.24 per cent higher than previous year's receipt of ₹ 138.22 crore) and Taxes on Goods and Passengers (₹ 2.71 crore, against which there was no receipt during the previous year) are less than one per cent of Total Tax Revenue Receipts. Hence, Revenue receipts of these heads have been merged in 'Others'.

² This head includes receipts from 'Unclaimed Deposit', 'State Lotteries', 'Guarantee Fee' and 'Other Receipts'.

³ This head *inter-alia* includes receipts from 'Administration of Justice', 'Election' and 'Other Receipts' (Home Guards, Marriage Fee, Fee for Government Audit, Receipts from Guest Houses).

⁴ This includes Major Irrigation, Medium Irrigation and Minor Irrigation.

⁵ This includes 30 Heads of revenue, which are not covered under the Heads of revenue mentioned under sub-heading 'Non-Tax Revenue' in the table. The details of receipts for the year 2020-21 under Heads of Revenue included in 'Others' are available at **Appendix I.1** to this Report.

Sr. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
2.	Receipts from the Government of India					
	Share of net proceeds of divisible Union taxes and duties	9,599.73	10,616.94	12,005.14	10,345.85	10,638.21 ⁶
	Grants-in-aid	4,775.83	7,651.01	11,107.37	14,580.03	24,205.01 ⁷
	Total	14,375.56	18,267.95	23,112.51	24,925.88	34,843.22
3.	Total revenue receipts of the State Government (1 and 2)	47,985.42	53,009.58	62,269.08	61,574.75	69,048.18
State's own revenue as a per cent of total revenue		70	66	63	60	50

Source: Finance Accounts

During the year 2020-21, the State Government raised 50 per cent (₹ 34,204.96 crore) of the total revenue receipts from own sources. Balance 50 per cent (₹ 34,843.22 crore) of the receipts was from the Government of India as share of net proceeds of divisible Union taxes and duties, and grants-in-aid. The share of State's own revenue decreased from 70.04 per cent of total receipts in 2016-17 to 49.54 per cent in 2020-21. However, the grants-in-aid increased from 9.95 per cent (₹ 4,775.83 crore) in 2016-17 to 35.06 per cent (₹ 24,205.01 crore) in 2020-21. The main reason for increase in grants-in-aid was receipt of ₹ 9,694.05 crore from the Government of India on account of compensation of loss due to implementation of 'Goods and Services Tax' and ₹ 7,658.90 crore on account of 'Post Devolution Revenue Deficit Grant'. The 'Post Devolution Revenue Deficit Grant' was received by the State Government for the first time in the year 2020-21.

There are 45 departments, 49 autonomous bodies and 49⁸ State Public Sector Enterprises (SPSEs) in the State. The status of budget estimates and actual expenditure incurred by the State Government, during 2016-21, is given in **Table 1.3**.

⁶ This includes amount of ₹ 3,179.01 crore received from the Government of India as share of Central Goods and Services Tax.

⁷ This includes amount of ₹ 9,694.05 crore received from the Government of India as compensation of loss due to implementation of 'Goods and Services Tax' and ₹ 7,658.90 crore on account of 'Post Devolution Revenue Deficit Grant'.

⁸ Including four Statutory Corporations and 42 Government Companies (including 16 inactive Government companies) and three Government Controlled Other Companies (GCOC) under the audit jurisdiction of the CAG.

Table 1.3: Budget and actual expenditure of the State during 2016-2021

(₹ in crore)

Expenditure	2016-17		2017-18		2018-19		2019-20		2020-21	
	Budget Estimates	Actuals								
Revenue expenditure										
General Services	28,964.59	28,487.93	34,091.34	34,499.50	37,493.10	36,930.51	39,449.00	38,614.35	43,540.25	43,253.01
Social Services	17,872.31	15,672.10	19,072.44	15,469.74	20,097.54	18,320.37	21,878.19	19,483.85	24,982.03	21,674.90
Economic Services	13,859.37	10,217.61	15,341.16	11,194.41	21,185.35	17,888.17	18,754.94	14,551.12	17,532.96	15,445.40
Grants-in-aid and Contributions	2,037.53	918.41	2,676.96	1,301.20	3,541.98	2,264.66	6,519.95	3,210.32	6,717.05	5,971.31
Total	62,733.80	55,296.05	71,181.90	62,464.85	82,317.97	75,403.71	86,602.08	75,859.64	92,772.29	86,344.62
Capital expenditure										
Capital Outlay	6,117.46	4,346.30	4,388.76	2,352.08	4,871.57	2,412.24	19,641.30	17,827.73	6,821.68	4,382.32
Loans and Advances disbursed	42,870.86	41,364.12	2,197.12	760.05	1,602.64	1,361.05	820.87	783.88	923.63	955.79
Repayment of Public Debt (including Ways and Means Advances)	32,791.86	32,443.29	35,029.64	34,969.58	38,623.32	37,770.93	44,632.68	39,573.90	39,482.08	34,633.53
Contingency Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Account disbursements*	51,520.73	50,599.95	13,238.24	45,525.90	18,282.51	62,271.76	16,014.61	64,328.24	59,068.32	74,470.97
Closing Cash Balance	-	395.28	-	488.45	-	1,324.83	-	2,125.06	-	9,247.83
Total	1,33,300.91	1,29,148.94	54,853.76	84,096.06	63,380.04	1,05,140.81	81,109.46	1,24,638.81	1,06,295.71	1,23,690.44
Grand Total	1,96,034.71	1,84,444.99	1,26,035.66	1,46,560.91	1,45,698.01	1,80,544.52	1,67,711.54	2,00,498.45	1,99,068.00	2,10,035.06

Source: Annual Financial Statements and Explanatory Memorandum of the Budget of the Government of Punjab

* Excludes transactions of investment of cash balances and departmental cash in chests.

Revenue expenditure of the State increased by 56 per cent from ₹ 55,296 crore in 2016-17 to ₹ 86,344 crore in 2020-21 and the capital outlay increased by 0.83 per cent from ₹ 4,346 crore in 2016-17 to ₹ 4,382 crore in 2020-21. The revenue expenditure constituted 80 to 95 per cent of the total expenditure (except for the year 2016-17 when it was 55 per cent⁹) while the capital outlay ranged between three and five per cent during 2016-2021 except for the year 2019-20 when it was 19 per cent due to conversion of UDAY loans amounting to ₹ 15,628 crore into equity in Punjab State Power Corporation Limited.

During the period from 2016-17 to 2020-21, the revenue expenditure increased at an annual average growth rate of 11.70 per cent whereas revenue receipts grew at an annual average rate of 10.91 per cent.

1.3 Authority for audit

Authority for audit by the Comptroller and Auditor General of India (CAG) is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). The CAG conducts audit of expenditure of State Government Departments under

⁹ Though the revenue expenditure increased by 10.43 per cent during the year, it depicted a small proportion (55 per cent) of total expenditure due to the increase in the disbursement of loans and advances by 593.03 per cent.

Section 13¹⁰ of the CAG's DPC Act. In addition, CAG also conducts audit of other Autonomous Bodies which are substantially financed by the Government under Section 14¹¹ of DPC Act. Section 16 of the CAG's DPC Act authorises CAG to audit all receipts (both revenue and capital) of the Government of India and of Government of each State and of each Union Territory having a legislative assembly and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts (Amendments), 2020 and Auditing Standards issued by the Indian Audit and Accounts Department.

1.4 Planning and conduct of audit

In Civil Compliance audit, the audit process commences with a risk assessment of various Departments, Autonomous Bodies, schemes/projects, considering the criticality/complexity of activities, level of delegated financial powers, internal controls, concerns of stakeholders and previous audit findings. Based on this risk assessment, the scope of audit is decided and an Annual Audit Plan is formulated.

In the Revenue side, during the year 2020-21, there were 395 auditable units¹² related to tax revenue, of which 131 units¹³ were planned on the basis of risk analysis. Out of 131 planned units, 97 units¹⁴ of Sales Tax/Value Added Tax, State Excise, Taxes on Motor Vehicles and other Departmental offices could be audited due to the Covid-19 pandemic restrictions and far away units were substituted by nearby units. Test check of the records of the audited units showed under-assessment/short levy/loss of revenue aggregating ₹ 153.32 crore in 14,765 cases. The Departments recovered ₹ 4.78 crore in 1,116 cases during 2020-21, out of which ₹ 0.04 crore in four cases pertains to the audit conducted during 2020-21 and remaining cases relate to previous years.

In Social, General and Economic Departments¹⁵, the compliance audit of 985 Drawing and Disbursing Officers (DDO), 25 autonomous bodies and

¹⁰ Audit of (i) all expenditure from the Consolidated Fund of State; (ii) all transactions relating to Contingency Funds and Public Accounts; and (iii) all trading, manufacturing, profit and loss accounts, balance-sheets and other subsidiary accounts.

¹¹ Several non-Commercial Autonomous/Semi-Autonomous Bodies, established to implement Schemes for employment generation, poverty alleviation, spread of literacy, health for all and prevention of diseases, environment, etc., and substantially financed by the Government, are audited under Section 14.

¹² MH 0029: 88 units, MH 0030: 178 units, MH 0039: 75 units, MH 0040: 39 units and MH 0041: 15 units.

¹³ MH 0029: 59 units, MH 0030: 27 units, MH 0039: 20 units, MH 0040: 19 units and MH 0041: 6 units.

¹⁴ MH 0029: 25 units, MH 0030: 40 units, MH 0039: 18 units, MH 0040: 8 units and MH 0041: 6 units.

¹⁵ Except for Revenue Departments.

33 SPSEs of the State, under Sections 19(2), 19(3) and 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, was conducted during the year 2020-21. An amount of ₹ 6.43 lakh was recovered during 2020-21 by various departments after being pointed out by Audit through Inspection Reports.

1.5 Lack of response of Government to Audit

The Principal Accountant General (Audit), Punjab (PAG), conducts periodic inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action.

The heads of the offices are required to comply with the observations contained in the IRs within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

In the Revenue Departments, 111 Inspection Reports¹⁶ for the year 2020-21 were issued to Heads of Departments, out of which Audit did not receive reply for any of the Inspection Report within the stipulated time of four weeks. Further, the Inspection Reports issued up to March 2021 reveal that 9,624 observations¹⁷ involving ₹ 2,609.25 crore¹⁸ relating to 2,367 Inspection Reports¹⁹ remained outstanding at the end of June 2021.

Similarly, in Social, General and Economic Departments, as of June 2021, 18,102 Inspection Reports containing 64,471 observations (issued up to March 2021) having money value of ₹ 49,180 crore, were outstanding, of which 11,480 IRs containing 30,884 observations having money value of ₹ 13,114 crore pertained to the period prior to April 2016 i.e. more than five years old. The year-wise position of outstanding Inspection Reports/ observations along with their money value is given in **Table 1.4**.

¹⁶ Forestry and Wildlife (4), Land Revenue (25), Motor Vehicle Tax (6), State Excise (18), Stamp Duty (50) and VAT (8).

¹⁷ Entertainment and Luxury Tax (215), Forestry and Wildlife (193), Land Revenue (943), Motor Vehicle Tax (1,581), State Excise (372), State Lotteries (27), Stamp Duty (4,674) and VAT (1,619).

¹⁸ Entertainment and Luxury Tax (₹ 16.54 crore), Forestry and Wildlife (₹ 190.26 crore), Land Revenue (₹ 467.44 crore), Motor Vehicle Tax (₹ 254.85 crore), State Excise (₹ 371.00 crore), State Lotteries (₹ 5.49 crore), Stamp Duty (₹ 605.03 crore) and VAT (₹ 698.64 crore).

¹⁹ Entertainment and Luxury Tax (95), Forestry and Wildlife (103), Land Revenue (306), Motor Vehicle Tax (194), State Excise (271), State Lotteries (7), Stamp Duty (1,064) and VAT (327).

Table 1.4: Outstanding Inspection Reports/Observations

Particulars	Prior to April 2016	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Inspection Reports	11,480	1,236	1,428	1,548	1,574	836	18,102
Observations	30,884	4,826	6,268	7,566	9,295	5,632	64,471
Money value (₹ in crore)	13,113.59	4,296.31	4,811.69	7,271.24	5,948.56	13,738.79	49,180.18

Source: Office records

The purpose of audit is to check whether prescribed rules, laws and procedures are being adhered to, and to highlight cases of non-compliance, systemic weaknesses, and failures. The large number of pending IRs and audit observations pending settlement indicate inadequate response to audit observations. The lack of action on these audit observations weakens accountability and raises the risk of loss of revenue. Increasing pendency of audit paragraphs merits urgent attention of the Government for addressing the issues consistently raised by Audit. The departmental officers failed to take action on observations contained in IRs within the prescribed time frame, resulting in erosion of accountability. It is recommended that the Government should ensure prompt and proper response to audit observations.

1.5.1 Departmental audit committee meetings

The Government has set up departmental audit committees to monitor and expedite progress of the settlement of the audit observations contained in the Inspection Reports.

Out of 46,532 outstanding audit observations as of June 2020 in respect of Social, General and Economic Departments, 823 observations involving money value of ₹ 143.64 crore were settled in 28 audit committee meetings held with 16 departments/auditee units²⁰ during 2020-21. In Revenue Departments, no audit committee meeting was held during 2020-21.

The Government may ensure holding audit committee meetings at regular intervals with all the Departments.

1.6 Response of Departments to Draft Audit Observations and Detailed Compliance Audit Observations

Regulations on Audit and Accounts (Amendments), 2020 stipulate that responses to draft audit observations proposed for inclusion in the Report of the Comptroller and Auditor General of India should be sent within six weeks.

²⁰ (i) Power; (ii) Rural Development; (iii) Dairy Development; (iv) Horticulture; (v) Water supply and Sanitation; (vi) Punjab Home Guards; (vii) Director, Sports; (viii) Director, Youth Services; (ix) Director, Employment Generation, Skill Development and Training; (x) Director, Technical Education (Polytechnic); (xi) Director, Industrial Training Institutes; (xii) District Education Officer, Mohali; (xiii) District Education Officer, Fatehgarh Sahib; (xiv) Printing and Stationery; (xv) Punjab Scheduled Castes Land Development and Finance Corporation; and (xvi) Chief Electoral Office.

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected departments adversely impacting the success of programmes and functioning of the departments. The focus was on auditing specific programmes/schemes in order to offer suitable recommendations to the Executive for taking corrective action and improving service delivery to the citizens.

The draft audit observations proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Principal Accountant General (Audit) to the Principal Secretaries/Secretaries of the Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments/Government is invariably indicated at the end of such observations included in the Audit Report.

1.7 Follow-up on Audit Reports

The follow-up on Audit Reports have been found to be inadequate as given below:

1.7.1 Non-submission of Action Taken Notes

According to the Rules and Procedure for the Public Accounts Committee (PAC)/Committee on Public Undertakings (COPU), all administrative departments are to initiate *suo motu* action on all Compliance Audit observations and Performance Audits featuring in the Audit Reports of the Comptroller and Auditor General of India, regardless of whether these are taken up for examination by the PAC/COPU or not. They are also to furnish detailed notes, duly vetted by audit, indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Reports to the State Legislature.

In spite of these provisions, the explanatory notes on audit observations of the Reports were being delayed inordinately. A total of 144 observations (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Departments of the Government of Punjab for the years ended 31 March 2014 to 2020 were placed before the State Legislative Assembly between 20 March 2015 and 29 June 2022. The Action Taken Notes (ATNs) in respect of 92 paragraphs under eight Heads²¹ of Accounts were not received²². However, remaining 52 ATNs were received

²¹ (i) Sales Tax/VAT; (ii) Goods and Services Tax; (iii) Stamp Duty and Registration Fee; (iv) State Excise (v) Taxes on Vehicles; (vi) Land Revenue; (vii) Forest and Wildlife; and (viii) Entertainment and other tax.

²² Status of ATNs in respect of 60 paragraphs for the Audit Reports for the period 2013-14 to 2017-18 is as on 31 March 2021. The status of ATNs in respect of 32 paragraphs for the Audit Reports for the period 2018-19 and 2019-20 is as on 23 August 2022.

with average delay ranging between one and 71 months as depicted in **Table 1.5**.

Table 1.5: Delay in receipt of ATNs

Sr. No.	Year of Audit Report	No. of paragraphs (including Performance Audit) included	Date of laying of Audit Report in legislature	ATNs received during the period	Delay in receipt of ATN	No. of paragraphs in which ATNs not received
1.	2013-14	22	20/03/2015	2016 to 2021	13 to 71 months	11
2.	2014-15	27	14/03/2016	2016 to 2021	1 to 59 months	06
3.	2015-16	22	29/03/2017	2018 to 2021	9 to 47 months	13
4.	2016-17	23	22/03/2018	2018 to 2021	3 to 35 months	12
5.	2017-18	18	27/02/2020	2021	9 to 12 months	18
6.	2018-19	19	29/06/2022	Not received		19
7.	2019-20	13	29/06/2022	Not received		13
Total		144				92

Source: Office records

By 31 March 2021, PAC discussed 38 selected observations pertaining to the CAG's Audit Reports for the years from 2013-14 to 2016-17. PAC had given 70 recommendations²³ in respect of CAG's Audit Reports for the years from 2010-11 to 2016-17 and these recommendations were incorporated in six PAC Reports²⁴. ATNs on 34 recommendations were received up to 31 March 2021. However, no ATN against 36 recommendations²⁵ incorporated in PAC Reports for the years 2017-18 and 2019-20 was received from three Departments up to 31 March 2021.

The status regarding non-receipt of ATNs on the observations included in the Audit Reports of Social, General and Economic Departments up to the period ended 31 March 2022 is given in **Table 1.6**.

²³ Department of Agriculture (7) + Department of Electricity (10) + Department of Revenue (15) + Department of Transport (38).

²⁴ Report 193 of 2014-15, Report 198 of 2015-16, Report 202 of 2017-18, Report 204 of 2018-19, Report 209 of 2019-20 and Report 212 of 2020-21.

²⁵ Department of Agriculture (3) + Department of Revenue (15) + Department of Transport (18).

Table 1.6: Status regarding non-receipt of ATNs on the paras included in the Audit Reports

CAG Audit Report	Year	Department/SPSE	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 March 2022	
Social, General and Economic Departments	2013-14	Agriculture and Farmers' Welfare	20.03.2015	19.06.2015	01*	
		Animal Husbandry, Dairy Development and Fisheries			01*	
		Soil and Water Conservation			01*	
		Finance			01	
	2014-15	Finance	14.09.2016	13.12.2016	02#	
		Local Government			01#	
		Public Grievances and Governance Reforms			01	
	2015-16	Finance	29.03.2017	28.06.2017	01	
		Revenue, Rehabilitation and Disaster Management			02	
	2016-17	Agriculture and Farmers' Welfare	22.03.2018	21.06.2018	01	
		Tourism and Cultural Affairs			01	
		Public Grievances and Governance Reforms			01	
		Revenue, Rehabilitation and Disaster Management			02	
		Housing and Urban Development			01	
		Welfare of SCs and BCs			01	
	2017-18	Agriculture and Farmers' Welfare	27.02.2020	26.05.2020	01 ^s	
		Tourism and Cultural Affairs			01 [^]	
		Finance			01 [@]	
		Health and Family Welfare			01	
		School Education			01 [@]	
		Home Affairs and Justice			03	
		Public Works (B & R)			02 ^{^@}	
		Town and Country Planning			01	
		Soil and Water Conservation			01 ^s	
	Social, General and Economic Departments (State Public Sector Enterprises)	2012-13	Punjab State Power Corporation Limited	22.07.2014	21.10.2014	6
			Punjab State Civil Supplies Corporation Limited			2 ^l
			Punjab State Grain Procurement Corporation Limited			1 ^l
			Punjab State Warehousing Corporation			1 ^l
2013-14		Punjab State Civil Supplies Corporation Limited	20.03.2015	19.06.2015	1 ^{>}	
		Punjab State Grain Procurement Corporation Limited			2	
		Punjab State Warehousing Corporation			2 ^{>}	

Compliance Audit Report for the year ended 31 March 2021

CAG Audit Report	Year	Department/SPSE	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 March 2022
		Punjab Agro Foodgrain Corporation Limited			1 ^{>}
		Punjab State Forest development Corporation Limited			1
		Punjab Energy Development Agency, Punjab Irrigation Department and Punjab State Power Corporation			1
	2014-15	Punjab State Civil Supplies Corporation Limited	14.03.2016	13.06.2016	2 ⁼
		Punjab State Grain Procurement Corporation Limited			2 ⁼
		Punjab State Industrial Development Corporation Limited			1
		Punjab Agri Export Corporation Limited			1
		Punjab State Warehousing Corporation			2 ⁼
	2015-16	Punjab State Civil Supplies Corporation Limited	29.03.2017	28.06.2017	2
		Punjab State Grain Procurement Corporation Limited			1 [^]
		Punjab Small Industry and Export Corporation Limited			1
		Punjab Agro Industries Corporation Limited			1
		Punjab State Warehousing Corporation			2 [^]
		Punjab Agro Foodgrain Corporation Limited			1 [^]
	2016-17	Punjab State Civil Supplies Corporation Limited	22.03.2018	21.06.2018	6 ^{&%}
		Punjab State Grain Procurement Corporation Limited			3 ^{&}
		Punjab Financial Corporation			1
		Punjab Small Industry and Export Corporation Limited			2
		Punjab State Warehousing Corporation			3 ^{&}
		Punjab Agro Foodgrain Corporation Limited			5 ^{&%}
		Punjab Agro Juices Limited			1
	2017-18	Punjab State Power Corporation Limited	27.02.2020	26.05.2020	9
		Punjab State Transmission Corporation Limited			2
		Punjab State Civil Supplies Corporation Limited			3 [?]

CAG Audit Report	Year	Department/SPSE	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 March 2022
		Punjab State Grain Procurement Corporation Limited			2 [?]
		Punjab Small Industry and Export Corporation Limited			3
		Punjab State Warehousing Corporation			1
		Punjab Agro Foodgrain Corporation Limited			3 ⁺
		Punjab State Bus Stand Management Company Limited			1
	2018-19	Punjab State Power Corporation Limited	05.03.2021	04.03.2021	9
		Punjab State Civil Supplies Corporation Limited			1
		Punjab State Grain Procurement Corporation Limited			4 [!]
		Punjab Small Industry and Export Corporation Limited			1
		Punjab State Warehousing Corporation			1 [!]

Source: Office records

* One observation of the Audit Report 2013-14 pertains to three departments.

One observation of the Audit Report 2014-15 pertains to two departments.

\$ One observation of the Audit Report 2017-18 pertains to two departments.

^ One observation of the Audit Report 2017-18 pertains to two departments.

@ One observation of the Audit Report 2017-18 pertains to three departments.

] One observation of the Audit Report 2012-13 pertains to three SPSEs.

> One observation of the Audit Report 2013-14 pertains to three SPSEs.

= Two observations of the Audit Report 2014-15 pertains to three SPSEs.

^ One observation of the Audit Report 2015-16 pertains to three SPSEs.

& Three observations of the Audit Report 2016-17 pertain to four SPSEs.

% One observation of the Audit Report 2016-17 pertains to two SPSEs.

+ One observation of the Audit Report 2017-18 pertains to two SPSEs.

? Two observations of the Audit Report 2017-18 pertains to four SPSEs.

! One observation of the Audit Report 2018-19 pertains to two SPSEs.

1.7.2 Delays in submission of Accounts/Separate Audit Reports of Autonomous Bodies/Authorities

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 1.7**.

Table 1.7: 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, Amritsar	2018-19	2
8.	Punjab State Electricity Regulatory Commission, Chandigarh	-	0
9.	Real Estate Regulatory Authority, Chandigarh	-	0
Total			23

Source: Office records

Pendency in submission of accounts ranged between one and 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.

1.8 Equity holding and Loans in SPSEs

The sector-wise Total Equity, Equity Contribution by State Government and Long-Term Loans including the loans given by State Government in 33 working SPSEs as on 31 March 2021 is given in **Table 1.8**.

Table 1.8: Sector-wise investment in SPSEs

Name of Sector	Investment ²⁶ (₹ in crore)				
	Total Equity	State Government Equity	Total Long Term Loans	State Government Loans	Total Equity and Long Term Loans
Power	22,338.61	22,315.61	17,654.91	14.07	39,993.52
Finance	249.75	175.61	705.70	9.84	955.45
Industries and Infrastructure	81.39	69.16	1,270.33	0.00	1,351.72
Agriculture and Allied	452.86	384.00	25,799.85	25,356.10	26,252.71
Service	394.32	369.91	89.68	23.75	484.00
Total	23,516.93	23,314.29	45,520.47	25,403.76	69,037.40

Source: Information provided by SPSEs

²⁶ Investment includes equity and long-term loans.

The thrust of SPSEs investment was mainly on power sector. This sector had received 57.93 per cent (₹ 39,993.52 crore) of total investment of ₹ 69,037.40 crore.

1.8.1 Budgetary support by Government of Punjab to SPSEs

The Government of Punjab (GoP) provides financial support to State Public Sector Enterprises (SPSE) in various forms through annual budget from time to time. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity in respect of SPSEs during the last three years ending 31 March 2021 are given in Table 1.9.

Table 1.9: Details of budgetary support to SPSEs

(₹ in crore)

Particulars ²⁷	2018-19		2019-20		2020-21	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity Capital	-	-	2	15,629.35	1	5.42
Loans given	-	-	1	(15,628.26)	0	0
Grants/Subsidies provided	9	9,364.50	11	9,769.82	10	10,047.87
Total Outgo		9,364.50		9,770.91		10,053.29
Loan repayment/written off	-	-	1	0.84	-	-
Loans converted into equity	-	-	1	15,628.26	-	-
Guarantees issued during the year	3	2,983.89	3	4,164.35	4	4,773.51
Guarantee Commitment/outstanding	12	12,518.16	12	16,276.20	12	15,724.37

Source: Compiled based on information received from SPSEs

Equity was infused by the State Government during 2020-21 in Punjab Scheduled Caste Land Development and Finance Corporation. The State Government has not provided loans to any SPSE during 2021-22. Major portion of grants/subsidies was provided by the State Government to Punjab State Power Corporation Limited (₹ 9,656.59 crore).

1.9 Submission of accounts by SPSEs

1.9.1 Need for timely submission

According to Section 394 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) and as soon as may be after

²⁷ Amount represents outgo from State Budget only.

such preparation before the 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. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of State.

Section 129 (7) of the Companies 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 Companies Act, 2013. The annual accounts of various SPSEs were pending as on 30 November 2021.

1.9.2 Timeliness in preparation of accounts by Government Companies and Government Controlled Other Companies

As of 31 March 2021, there were 45 Companies²⁸ (42 Government Companies and three²⁹ Government Controlled Other Companies) under the purview of CAG's audit. Of these, 11³⁰ Companies submitted their accounts for the year 2020-21 and out of remaining 34 Companies, 15 Companies submitted their accounts for the year 2019-20 or prior years. 36³¹ annual accounts of 26³² Companies were submitted for audit and out of these 31 annual accounts of 24 Companies were finalized by CAG on or before 30 November 2021³³. The value addition made by Supplementary Audit of financial statements of these Companies was ₹ 46.36³⁴ crore on profitability and ₹ 346.97 crore on assets/ liabilities. 183 annual accounts of 34 Companies were in arrears for various reasons as of 30 November 2021. Details of annual accounts which were in arrears in respect of 34 Companies (Government Companies: 31 and Government Controlled Other Companies: 3) are given in **Table 1.10**.

²⁸ Excluding four Statutory Corporations – (i) Punjab State Warehousing Corporation; (ii) PEPUSU Road Transport Corporation; (iii) Punjab Financial Corporation; and (iv) Punjab Scheduled Castes Land Development and Finance Corporation.

²⁹ (i) Amritsar Smart City Limited; (ii) Jalandhar Smart City Limited; and (iii) Ludhiana Smart City Limited.

³⁰ (i) Punjab Venture Capital Limited; (ii) Punjab State Biotech Corporation; (iii) Punjab Thermal Generation Limited; (iv) Punjab Communications Limited; (v) Punjab State Transmission Corporation Limited; (vi) Gidderbaha Power Limited; (vii) Punjab State Power Corporation Limited; (viii) Punjab Police Security Corporation Limited; (ix) Punjab Police Housing Corporation Limited; (x) Punjab State Container and Warehousing Corporation Limited; and (xi) Punjab Agro Industries Corporation Limited.

³¹ Punjab State Leather Development Corporation Limited and Punjab Footwears Limited: four each and Punjab Venture Capital Limited, Punjab State Biotech Corporation, Punjab Small Industries and Export Corporation Limited and Punjab State Seeds Corporation: two each and twenty SPSEs: One each.

³² 25 Government Companies and one Government Controlled Other Company.

³³ Date of holding AGM of Companies for the financial year 2020-21 was extended up to 30 November 2021 by Registrar of Companies, Punjab and Chandigarh in accordance with Government of India, Ministry of Corporate Affairs order dated 23 September 2021.

³⁴ Overstatement: {Profit (₹ 17.17 crore)} and understatement: {Profit (₹ 29.19 crore)}.

Table 1.10: Details of number of Companies, accounts finalised and accounts in arrears as of 30 November 2021

Particulars	Government Companies	Government Controlled Other Companies	Total
Total number of Companies under the purview of CAG's audit as on 31 March 2021	42	3	45
Number of accounts in arrears as on 1 January 2021	171	3	174
Number of Companies, accounts of which became due for the year 2020-21	42	3	45
Total number of accounts due for Supplementary Audit	213	6	219
Number of companies which presented the accounts for CAG's audit from 1 January 2021 to 30 November 2021	35	1	36
Number of accounts finalised	35	1	36
Number of accounts in arrears as on 30 November 2021	178	5	183
Age-wise analysis of arrears of accounts	Number of SPSEs (accounts in arrears of SPSEs as on 30 November 2021)		
One year	12(12)	1(1)	13(13)
Between Two years and Three years	10(25)	02(4)	12(29)
More than Three years	09(141)	0(0)	09(141)
Total	31(178)	3(5)	34(183)

Source: Office records

The matter of arrears of accounts was taken up (August 2021) with the Chief Secretary of Government of Punjab and respective Administrative Department. However, there were still nine Companies whose accounts were in arrears for more than three years as of 30 November 2021.

1.9.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of Statutory Corporations is governed by their respective legislations. Audit of four³⁵ statutory corporations is conducted by the CAG and out of these, for two³⁶ Statutory Corporations, CAG is the sole auditor. Four Statutory Corporations did not present the accounts for the year 2020-21 for audit before 30 November 2021. As on 30 November 2021, a total of eight accounts of four Statutory Corporations were pending.

³⁵ (i) Punjab State Warehousing Corporation; (ii) PEPSU Road Transport Corporation; (iii) Punjab Financial Corporation; and (iv) Punjab Scheduled Castes Land Development and Finance Corporation.

³⁶ (i) Punjab Scheduled Castes Land Development Finance Corporation; and (ii) PEPSU Road Transport Corporation.

