

CHAPTER II

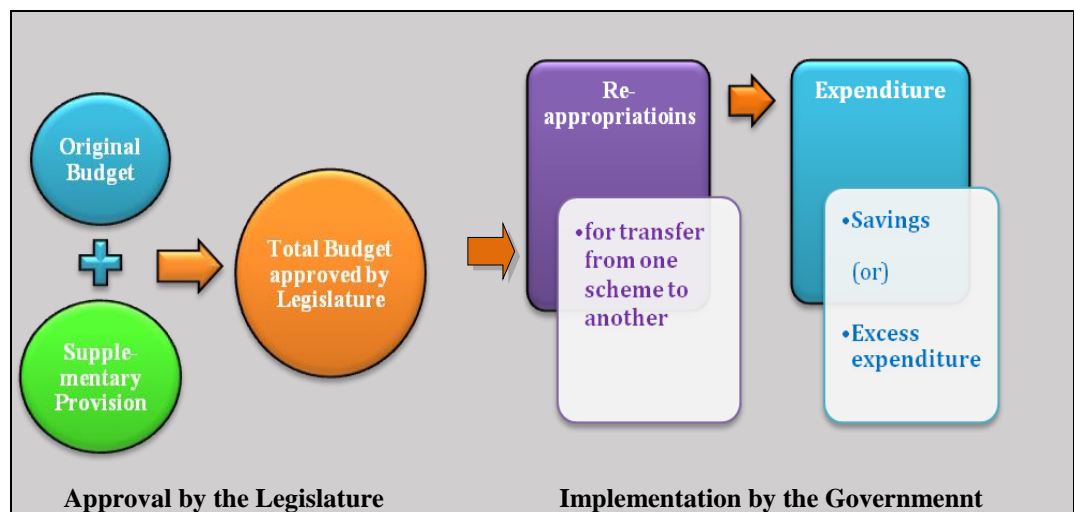
FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

This Chapter analyses the Appropriation Accounts of the Government for the year 2017-18. Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year, compared with the amounts of voted grants and appropriations charged for different purposes, as specified in the schedules appended to the Appropriation Act. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual revenue and capital expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of the budget. Appropriation Accounts, thus, facilitate the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Appropriation Accounts captures the data along the entire process of budget formulation and implementation (**Chart 2.1**).

Chart 2.1: Flow chart of budget implementation



Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts

Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.1.1 Categories under Budget

- **Charged and voted:** The Government expenditure is classified into two categories, *viz.*, charged expenditure and voted expenditure. Charged

expenditure is not to be submitted to the vote of the Legislature. Examples are interest payments (which is a committed item), salaries of constitutional authorities such as High Court judges, etc. The remaining items are voted by the Legislature.

- The Government income and expenditure is categorised into three sections (i) Capital account¹, (ii) Revenue account² and (iii) Public Debt³.

2.2 Summary of the Appropriation Accounts

The summarized position of actual expenditure *vis-à-vis* budgetary provision during 2017-18 for the total 30 grants/appropriations is given in the Table 2.1.

Table 2.1: Actual expenditure *vis-à-vis* budget provision

(₹ in crore)

Nature of expenditure	Grant/ Appropriation		Total budget provision	Actual expenditure ⁴	Saving (-)/ Excess (+)	Saving surrendered			
	Original	Supplementary				During the year	Of which, on 31 March 2018		
							Amount	Percentage	
1	2	3	4=(2+3)	5	6=(4-5)	7	8	9=(8/7x100)	
Voted	Revenue	59,745.77	930.38	60,676.15	47,324.45	(-) 13,351.70	3,164.72	2,967.14	93.76
	Capital	6,157.08	397.07	6,554.15	2,533.32	(-) 4,020.83	1,035.73	971.05	93.76
	Loans and Advances	2,230.12	0	2,230.12	760.04	(-) 1,470.08	0	0	0
Total Voted		68,132.97	1,327.45	69,460.42	50,617.81	(-) 18,842.61	4,200.45	3,938.19	93.76
Charged	Revenue	15,118.96	275.65	15,394.61	15,529.92	(+) 135.31	0.51	0.51	100.00
	Capital	0	0	0	0.33	(+) 0.33	0	0	0
	Public Debt Repayment	34,985.96	43.68	35,029.64	34,969.58	(-) 60.06	0	0	0
Total Charged		50,104.92	319.33	50,424.25	50,499.83	(+) 75.58	0.51	0.51	100.00
Appropriation to Contingency Fund		0	0	0	0	0	0	0	0
Grand Total		1,18,237.89	1,646.78	1,19,884.67	1,01,117.64	(-) 18,767.03	4,200.96	3,938.70	93.76

Source: Appropriation Accounts

¹ Capital Expenditure means expenditure of a Capital nature such as construction of irrigation projects, bridges, buildings, laying of roads, irrigation and electricity projects, etc.

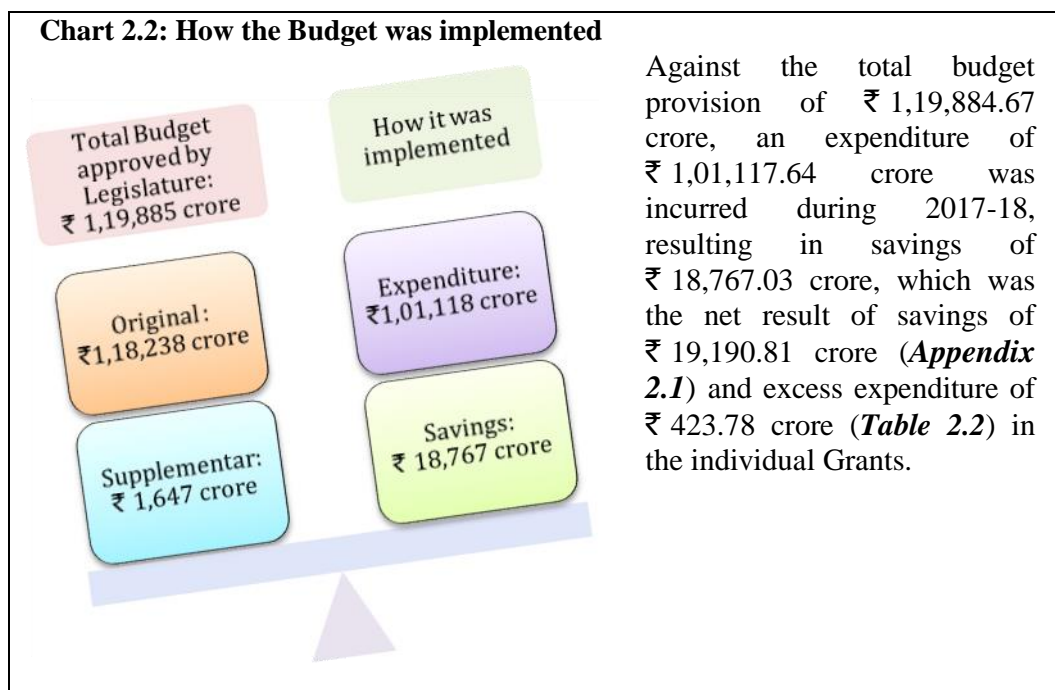
² Revenue expenditure is the account of current expenditure of the State. For example, wages, salaries, maintenance works, repairs, etc.

³ Public Debt is the account of public debt incurred and discharged and loans and advances made by the State Government to local bodies, employees and others and recovered from them;

⁴ The expenditure is without adjustment of the recoveries of ₹ 389.51 crore adjusted as reduction of expenditure under Revenue heads and ₹ 181.57 crore under Capital heads in the Appropriation Accounts.

2.2.1 Analysis of Appropriation Accounts: 2017-18

Chart 2.2: How the Budget was implemented



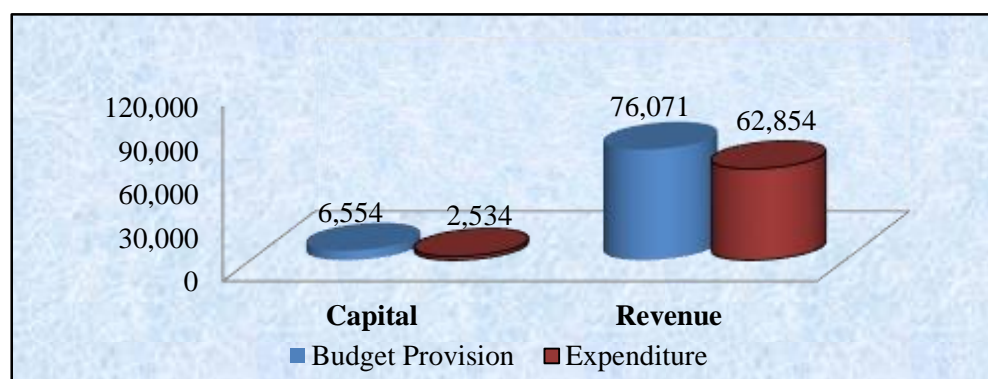
Source: Appropriation Accounts

2.2.2 Capital and Revenue

Savings were observed in both Capital and Revenue Account (**Chart 2.3**). **In Capital Account, only less than 40 per cent of the budget provision was actually spent.** In Revenue Account, expenditure (₹ 62,854.37 crore) was lower than the Budget Estimates (₹ 76,070.76 crore) by 17.37 per cent.

Chart 2.3: Budget provision and expenditure under Capital and Revenue sections

(₹ in crore)

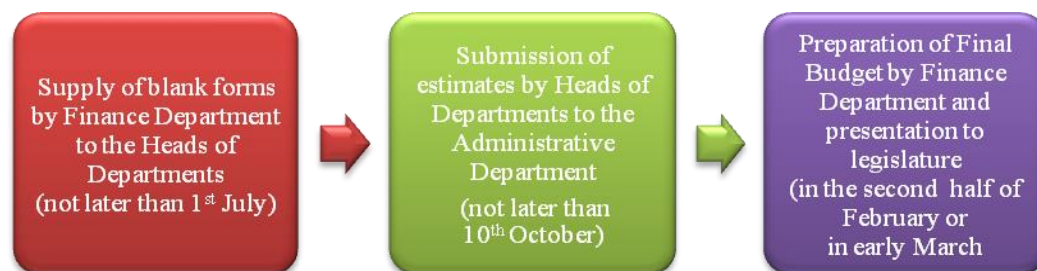


Source: Appropriation Accounts

2.3 Financial accountability and budget management

The flow chart of budget preparation process is given below:

Chart 2.4: Flow chart of Budget preparation process



Source: Punjab Budget Manual

Some of the inconsistencies noticed in budget management are discussed below:

2.3.1 Excess expenditure over provisions requiring regularization

Article 205(1)(b) of the Constitution of India provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess.

Audit observed that **excess expenditure amounting to ₹ 40,185.88 crore⁵ for the year 2011-17 had not been got regularized** (September 2018) under the provision of Article 205(1)(b) of the Constitution of India despite repeated reminders to the Department of Finance.

Besides, **excess expenditure of ₹ 423.78 crore (Table 2.2) in three grants during the year 2017-18 also required regularization** under the above mentioned provisions.

Table 2.2: Excess of expenditure over budget provision during 2017-18 requiring regularization

(₹ in crore)					
Sr. No.	Grant No.	Title of grant	Total grant/ Appropriation	Expenditure	Excess expenditure
Voted Grant					
1	21	Public Works (Revenue)	1,084.85	1,349.05	264.20
Charged Appropriation					
2	8	Finance (Revenue)	15,174.72	15,333.97	159.25
3	10	General Administration (Capital)	0	0.33	0.33
Total			16,259.57	16,683.35	423.78

Source: Appropriation Accounts

⁵ 2011-12 (₹901.36 crore), 2012-13 (₹769.60 crore), 2013-14 (₹386.38 crore), 2014-15 (₹1,608.08 crore), 2015-16 (₹2,061.66 crore) and 2016-17 (₹34,458.80 crore) = Total ₹40,185.88 crore.

This is contrary to legislative intent and defeats the objective of ensuring accountability of the executive over utilisation of public money. Excess expenditure remaining unregularised for such extended period needs to be viewed seriously as this dilutes the parliamentary control over the exchequer and therefore all the existing cases of excess expenditure need to be got regularised at the earliest and strict departmental action is taken against controlling officer who exceed the budget.

2.3.2 Persistent excess expenditure

In three cases (Table 2.3), there was persistent excess expenditure of more than ₹ 10 crore in each case during the last five years. In two cases (Sr. No. 2 and 3), the expenditure was incurred without any budget provision during 2013-18.

Table 2.3: List of cases having persistent excess expenditure during 2013-18

(₹ in crore)

Sr. No	Number and Name of the grant/ case	Amount of excess expenditure				
		2013-14	2014-15	2015-16	2016-17	2017-18
Revenue-Voted						
08-Finance						
1	2071-Pensions and other Retirement benefits 01-Civil 101-Superannuation and Retirement Allowances 01-Pension and other Retirement Benefits	123.66	407.74	664.92	697.98	616.95
21-Public Works						
2	2059-Public Works 80-General 001-Direction and Administration 07-Establishment Charges paid to Public Health Department for Works done by that Department	82.72	97.77	108.53	136.71	146.84
3	3054-Roads and Bridges 80-General 001-Direction and Administration 01-Establishment charges transferred on pro-rata basis to the Major Head 3054-Roads and Bridges	58.02	19.79	135.53	94.10	141.29

Source: Appropriation Accounts

The persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis. Such repeated excess expenditure over grants approved by the State Legislature are in violation of the will of the Legislature and the basic principle of democracy that not a rupee can be spent without the approval of the State Legislative Assembly, and, therefore, need to be viewed seriously. All the existing cases of excess expenditure need to be got regularised at the earliest and, in future, such un-voted expenditure may be completely stopped, except in case(s) of dire and extreme emergency, the cost of which cannot be met from the Contingency Fund.

2.3.3 Outcome of analysis of budgetary assumptions

2.3.3.1 Unrealistic budget estimates

The original budget of ₹ 1,18,237.90 crore prepared by the State Government for the year 2017-18 was revised to ₹ 1,12,797.42 crore. Against this, an actual expenditure of ₹ 1,00,546.55 crore was incurred during 2017-18. Details of the original budget, revised estimate and actual expenditure for the period 2013-18 is given in **Table 2.4**.

Table 2.4: Original budget, revised estimate and actual expenditure during 2013-18

	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Original Budget	69,051.79	73,592.76	79,313.87	86,386.96	1,18,237.90
Revised Estimate	66,064.42	74,930.95	78,599.78	1,44,513.99	1,12,797.42
Actual Expenditure	60,689.34	73,076.92	81,152.63	1,33,449.76	1,00,546.55
Savings/Excess (-)	5,375.08	1,854.03	(-)2,552.85	11,064.23	12,250.87

Source: Annual Financial Statements and Finance Accounts

Similarly, the estimated receipt of ₹ 1,05,514.84 crore were revised to ₹ 1,02,679.77 crore against which only ₹ 99,082.19 crore were actually realized during 2017-18 as per details given in **Table 2.5**.

Table 2.5: Details of Receipts

	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Original Budget	66,760.14	71,751.86	78,085.37	85,595.27	1,05,514.84
Revised Estimate	65,067.94	72,595.75	77,263.65	1,35,402.81	1,02,679.77
Actual Receipt	59,356.84	70,384.06	80,170.13	1,31,793.88	99,082.19
Variation	5,711.10	2,211.69	(-)2,906.48	3,608.93	3,597.58

Source: Annual Financial Statements and Finance Accounts

2.3.3.2 Unrealistic forecasting of resources

As per Rule 4.2 of the Punjab State Budget Manual, the revised estimates are forecast, as accurate as it is possible to make at the time, of what the actual receipts of the year will be; and the most important guide to their preparation will, therefore, ordinarily be found in the actual receipts of those months of the year which have already elapsed. If an officer observes that the actual receipts from a particular source of revenue reveal a growth or a diminution compared with those of the corresponding period of the previous year, he will be justified in assuming a continuance of the growth or decline at the same rate during the remaining months. Thus, estimates should always be prepared after taking into account all the factors affecting the receipts and expenditure of the Government and should be as accurate as possible. However, it was noticed that the revised estimates for 2017-18 for Non-tax revenue were ₹ 5,096.18 crore while actual realization was ₹ 4,318.39 crore resulting in downward variation of ₹ 777.79 crore. Similarly, tax revenue for the year

2017-18 was projected at ₹ 46,107.34 crore while actual realization was ₹ 30,423.25 crore resulting again variation of ₹ 15,684.09 crore below the projection. The projections for the last five years are appended below in the **Table 2.6.**

Table 2.6: Projections of Tax Revenue and Non- Tax Revenue vis-à-vis actual

(₹ in crore)

Year	Description	Revised estimates	Actual	Variation
2013-14	Tax Revenue	30,919.59	28,510.66	2,408.93
	Non- Tax Revenue	3,565.03	3,191.49	373.54
2014-15	Tax Revenue	33,960.89	30,273.17	3,687.72
	Non- Tax Revenue	2,973.05	2,879.73	93.32
2015-16	Tax Revenue	36,523.50	34,699.38	1,824.12
	Non- Tax Revenue	4,061.88	2,650.27	1,411.61
2016-17	Tax Revenue	39,851.55	37,346.39	2,505.16
	Non- Tax Revenue	6,260.58	5,863.20	397.38
2017-18	Tax Revenue	46,107.34	30,423.25	15,684.09
	Non- Tax Revenue	5,096.18	4,318.39	777.79

Source: Annual Financial Statements and Finance Accounts

2.3.3.3 Non-making of budget provision for recording Grant-in-Aid received from the Central Government

Government of India provides grant from the Central Road Fund to State for specific road projects. Under the accounting procedure, the grants received are booked under Revenue Receipt Major head '1601-Grants-in-Aid from Central Government' and are simultaneously transferred to Public Account Major Head '8449-Other Deposit, 103-Subvention from Central Road Fund' through debit to Revenue Expenditure Major Head '3054-Road and Bridges' as prescribed in Rule 3.4 of the General Direction forming part of list of Major Heads and Minor Heads of Account of Union and States. The paired operation of Major Heads 1601 and 3054 is in keeping with the principle that Grants-in-Aid will be recorded in the Revenue Section irrespective of the end utilization.

It was observed that no budget provision was made under Major Head 3054 for recording the Grants-in-Aid received from the Central Government as discussed in paragraph 2.3.5 (*Sr. No. 13 of Appendix 2.3*).

2.3.3.4 Non-inclusion of estimates of expenditure relating to a new service in Schedule of New Expenditure

Paragraph 5.1(I)(a) of Punjab Budget Manual (Manual) lays down that, while preparing budget estimates, provision for expenditure, relating to a new service for which the legislature has not previously voted, should be included in the 'Schedule of New Expenditure'. Further, paragraph 5.1(I)(d) of the Manual lays down that any non-recurring grant-in-aid, contribution or donation, even if provision has been made for it in the original or supplementary estimates of the current year, will be included in the 'Schedule

of New Expenditure'. Paragraph 1.8 of the Manual *inter-alia* lays down that the 'Schedule of New Expenditure' has to be prepared by the heads of departments and after scrutiny by the Administrative and Finance Departments, is to be passed by the Council of Ministers with reference to the funds available and the comparative urgency of the proposals. Further, as per paragraph 15.4 of the Manual, expenditure on a new service not covered by the vote of the Vidhan Sabha, unless the requisite funds have been arranged by obtaining an advance from the contingency fund before incurring expenditure is a financial irregularity. Some instances of new items not previously voted by the Legislature having provision of funds amounting to ₹ 1,772.09 crore during 2017-18 (**Appendix 2.2**) were not classified as new services in the budget estimates, which is in contravention of the above provisions of the Punjab Budget Manual.

2.3.4 Savings vis-à-vis allocations

The audit of grants and appropriations showed that in 19 cases (14 grants out of the total 30 grants), the savings (excluding surrenders) exceeded the total provision by 10 per cent and ₹ 100 crore in each case. In nine cases (Sr. No. 4, 7, 9, 12, 13, 14, 16, 18 and 19), the savings exceeded the total provisions by more than 50 per cent. Details are given in **Table 2.7**.

Table 2.7: List of grants having large savings during 2017-18

(₹ in crore)

Sr. No.	Number and Name of the grant	Total Budget Provision	Actual expenditure	Savings	Surrender s	Savings excluding surrender
1	2	3	4	5 (3-4)	6	7 (5-6)
	Revenue-Voted					
1	1-Agriculture and Forests	10,657.13	6,923.03	3,734.10	1,305.11	2,428.99 (22.79)
2	5- Education	10,525.94	9,317.26	1,208.68	0	1,208.68 (11.48)
3	11-Health and Family Welfare	3,527.75	2,827.62	700.13	63.44	636.69 (18.05)
4	13-Industries	317.25	56.24	261.01	0	261.01 (82.27)
5	15-Irrigation and Power	3,985.06	2,499.81	1,485.25	0	1,485.25 (37.27)
6	17-Local Government, Housing and Urban Development	3,042.48	1,505.27	1,537.21	325.00	1,212.21 (39.84)
7	19-Planning	203.61	36.58	167.03	0	167.03 (82.03)
8	22-Revenue and Rehabilitation	1,420.03	1,026.66	393.37	148.02	245.35 (17.28)
9	23-Rural Development and Panchayats	1,317.42	531.69	785.73	0	785.73 (59.64)
10	25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes	3,370.60	1,816.18	1,554.42	670.95	883.47 (26.21)
11	29-Transport	489.20	325.31	163.89	0	163.89 (33.50)
	Capital-Voted					
12	5-Education	300.93	44.52	256.41	0	256.41 (85.21)

Sr. No.	Number and Name of the grant	Total Budget Provision	Actual expenditure	Savings	Surrender s	Savings excluding surrender
1	2	3	4	5 (3-4)	6	7 (5-6)
13	9-Food and Supplies	2,000.07	615.00	1,385.07	0	1,385.07 (69.25)
14	15-Irrigation and Power	923.73	333.96	589.77	0	589.77 (63.85)
15	17-Local Government, Housing and Urban Development	1,568.11	280.95	1,287.16	619.62	667.54 (42.57)
16	19-Planning	273.65	37.94	235.71	0	235.71 (86.14)
17	21-Public Works	2,155.00	1,437.22	717.78	0	717.78 (33.31)
18	23-Rural Development and Panchayats	339.86	80.54	259.32	0	259.32 (76.30)
19	28-Tourism and Cultural Affairs	186.10	75.29	110.81	0	110.81 (59.54)
	Total	46,603.92	29,771.07	16,832.85	3,132.14	13,700.71 (29.40)

Source: Appropriation Accounts

(Figures in bracket represent percentage to total budget provision)

Such large savings indicate that assessment of fund requirement was not done correctly.

It was further observed that after excluding salary and establishment components, there were savings of ₹ 11,379.79 crore (including surrenders, if any), ranging between 25.59 per cent and 99.82 per cent under 24 Major Heads, **which shows failure of the Government to utilise funds earmarked in the budget for developmental expenditure/creation of assets.**

The Government may consider preparing realistic budget estimates to avoid large savings and supplementary provisions.

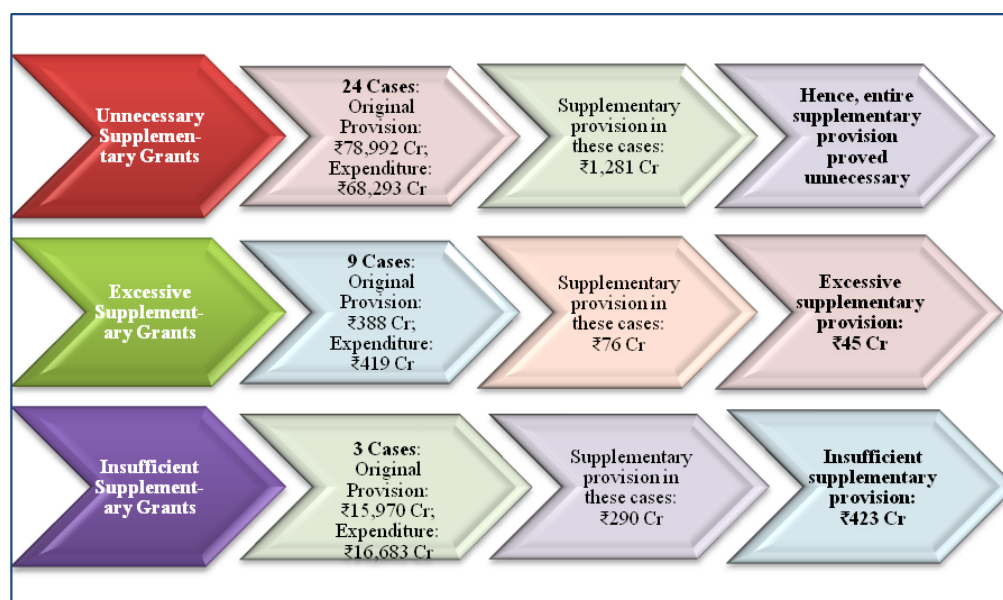
2.3.5 Expenditure without provision of funds

As per paragraph 14.1 of the Punjab Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State. It was, however, observed that **an expenditure of ₹ 3,199.43 crore (Appendix 2.3), was incurred in 23 cases (₹ one crore or more in each case) under nine grants during the year 2017-18 without having any provision in the original budget estimates/ supplementary demands and without issuing any re-appropriation orders to this effect.**

2.3.6 Supplementary grants

Audit analysis showed that **supplementary grant of ₹ 1,281.20 crore i.e., 77.80 per cent of total supplementary grant was unnecessary in 24 cases.** On the other hand, in three cases the supplementary grant of ₹ 289.92 crore was not adequate to meet the requirement and resulted in excess expenditure (Chart 2.5).

Chart 2.5: Unnecessary, Excessive and Insufficient Supplementary Provisions



Source: Appropriation Accounts

Supplementary provisions of ₹ one crore or more in each case, aggregating to **₹ 1,235.65 crore obtained in 15 cases under 13 grants, during the year 2017-18 proved unnecessary as the expenditure did not come up even to the level of original provision (Appendix 2.4).**

The Government may consider preparing realistic budget estimates to avoid unnecessary and excessive/insufficient supplementary provisions.

2.3.7 Unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. During the year 2017-18, 26 re-appropriation orders for ₹ 8,642.09 crore were issued, of which **19 re-appropriation orders for ₹ 6,777.42 crore (78.42 per cent) were issued on 31 March 2018.** Out of these, nine re-appropriation orders for ₹ 2,806.73 crore were rejected by the office of the Accountant General (A&E), Punjab for various deficiencies⁶ therein.

Further, in 59 cases (**Appendix 2.5**), augmentation of provision through re-appropriation orders proved unnecessary because expenditure did not come up to the level of original/supplementary budget provision.

The Government may consider putting in place stringent mechanism for monitoring expenditure and projected requirements for avoiding unnecessary re-appropriations.

⁶ Re-appropriation orders were not in prescribed format, funds have been re-appropriated under non-existent schemes, reasons for savings as well as excess were not logical, re-appropriation orders were not sanctioned by the Finance Department, re-appropriation of funds was not permissible after close of the financial year, summary was prepared in Non-Plan and Plan type whereas the budget was in the form of Revenue and Capital.

2.3.8 Non-surrendering of anticipated savings

As per Rule 17.20 of the Punjab Financial Rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. **At the close of the year 2017-18, savings of ₹ 14,989.85 crore (78.11 per cent of total savings of ₹ 19,190.81 crore; Appendix 2.1) were not surrendered by the concerned departments which indicate inadequate budgetary control as these could not be utilized for other developmental purposes.** Details of grants/appropriations in which savings exceeding ₹ 10 crore were not surrendered and grants/appropriations in which there were savings of ₹ 10 crore and above even after partial surrender have been given in *Appendix 2.6* and *Appendix 2.7* respectively.

The Government may consider monitoring expenditure and anticipated savings so that the unutilised amounts are surrendered on time to enable utilization on other schemes.

2.3.9 Rush of expenditure

According to paragraph 18.15 of the Manual of Instructions of the Finance Department, Government funds should be evenly spent throughout the year. The rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Audit scrutiny of expenditure incurred by the State Government in the year 2017-18 showed that **in nine cases (Table 2.8), the expenditure incurred during the last quarter of the year ranged between 44.61 and 100 per cent of total expenditure incurred under the relevant major head of account during the year. In all these cases, the expenditure incurred during the month of March 2018 alone ranged between 44.61 and 99.75 per cent of the total expenditure incurred under the relevant major head of account during the year.** It was further noticed that up to 100 per cent of the expenditure (₹ 61.12 crore) in March 2018 under five Major Heads was incurred through drawl of 69 Abstract Contingent (AC) bills, against which only five Detailed Contingent (DC) bills (₹ 13.33 crore) had been submitted by the DDOs concerned between August and November 2018.

Table 2.8: Rush of expenditure towards the end of the financial year*(₹ in crore)*

Sr. No	Major Head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2018		Expenditure through AC Bills in March 2018	
			Amount	Percentage to total expenditure	Amount	Percentage to total expenditure	Amount	Percentage to expenditure during March 2018
1	2047-Other Fiscal Services	12.33	10.53	85.40	10.17	82.48	0	0.00
2	2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	293.05	258.66	88.26	253.33	86.45	3.93	1.55
3	4070-Capital Outlay on Other Administrative Services	7.43	7.42	99.87	6.82	91.79	0	0.00
4	4202-Capital Outlay on Education, Sports and Art and Culture	69.67	42.04 [#]	60.34	35.98 [#]	51.64	35.98	100.00
5	4210-Capital Outlay on Medical and Public Health	1.39	0.89	64.03	0.85	61.15	0	0.00
6	4250-Capital Outlay on Other Social Services	17.76	17.76	100.00	16.57	93.30	10.00	60.35
7	4403-Capital Outlay on Animal Husbandry	4.02	4.01	99.75	4.01	99.75	0	0.00
8	4705-Capital Outlay on Command Area Development	13.76	10.87	79.00	7.15	52.57	0.39	5.45
9	5475-Capital Outlay on Other General Economic Services	38.00	16.95	44.61	16.95	44.61	10.82	63.83

Source: Office of the Accountant General (A&E), Punjab.

[#] Expenditure under Major Head 4202 includes ₹22.39 crore pertaining to Centrally Sponsored Scheme – Sarva Siksha Abhiyan incurred during last quarter/month of the year out of the funds of ₹221.22 crore released by GoI between April and July 2017.

Reasons for rush of expenditure were called for (July 2018) from the Finance Department; reply was awaited (May 2019).

The State Government may consider devising suitable mechanism to avoid rush of expenditure in the last quarter/month of the financial year, etc.

2.4 Deficiencies noticed in working of treasuries

Some of the significant deficiencies noticed in the working of treasuries during inspection for the year 2017-18 conducted by the Accountant General (Accounts and Entitlement), Punjab are discussed below:

2.4.1 Delay in submission of monthly accounts by treasuries

As per Rule 61 of Punjab Treasury Rules (PTR) Volume-I, District Treasuries are required to submit first list of payment along with vouchers/schedules complete in all respect between 13th and 15th of the same month and second list by 7th of the following month. During the period from April 2017 to February 2018, accounts were received late in 64 cases (first list: 43 cases; and second list: 21 cases). **The delay in submission of initial accounts caused consequent delay in compiling Monthly Civil Accounts by the AG (A&E).**

2.4.2. Drawl of funds through AC bills not in concurrence with nature of expenditure

During test-check of records/ECS report in the office of District Treasury Officer (DTO) Mohali, it was observed that during the year 2016-17, the Department of Agriculture had drawn funds of ₹ 400 crore under Head of Account '5054-Capital Outlay on Roads and Bridges; 04-District and other roads; 337-Road Works; 05-Strengthening of Rural Roads' through two Abstract Contingent (AC) bills amounting to ₹ 300 crore (drawn on 21 May 2016) and ₹ 100 crore (drawn on 25 July 2016). The Department concerned submitted Detail Contingent (DC) bills against these two AC bills. Scrutiny of DC bills revealed that:

- Some of the DC Bills submitted for clearance of AC bills pertained to the period prior to drawal of AC bills which implied that the AC bills had been drawn for the expenditure which had already been incurred. Thus, the drawal was not of urgent/contingent nature; rather, fully vouched bills could have been raised.
- The vouchers attached with the DC Bills pertained to construction/strengthening of rural roads for which 'works bill' had been raised which did not fall in the category of "Contingent Charges", as the same was subjected to proper planning and estimation. The reasons for drawal of funds through AC Bills had not been explained in the sanction.
- Although the expenditure was not of contingent nature, yet the payment was made to the intermediary agency i.e. Punjab Mandi Board instead of direct payment to the ultimate beneficiary i.e. the contractor concerned.

Resultantly, the State exchequer had to bear the loss of liquidity and interest on the sum drawn for the period from its drawal to its final utilization (ranging between 21 May 2016 and 01 March 2017).

2.5 Outcome of review of selected grants

A review of budgetary procedures followed, and expenditure control exercised, in respect of two selected grants i.e. 05-Education and 17-Local Government, Housing and Urban Development over a three year period 2015-16 to 2017-18 showed the following:

2.5.1 Grant No. 5 – Education

2.5.1.1 Introduction

Grant 5-Education includes Major Heads 2058-Stationery and Printing, 2071-Pension and Other retirement benefits, 2075-Miscellaneous General Services, 2202-General Education, 2204-Sports and Youth Services, 2205-Art and Culture, 2235-Social Security and Welfare, 4058-Capital Outlay on Stationery and Printing and 4202-Capital outlay on Education, Sports, Art and Culture. The Education Department is responsible for imparting quality education to the students in the State. It implements various schemes like Sarva Shiksha Abhiyan, Mid Day Meals, EDUSAT, Scholarship and incentives and assistance to non-Government schools.

2.5.1.2 Budget and Expenditure

The overall position of budget provisions, actual disbursement and savings under the functional Heads of the grant for the last three years (2015-16 to 2017-18) is given in **Table 2.9**.

Table 2.9: Budget and Expenditure

(₹ in crore)

Year	Section	Budget provision	Total	Expenditure	Un-utilized provision and its percentage
2015-16	Revenue-Original (V)	8,964.75	9,360.60	8,595.55	765.05 (8.17)
	Supplementary	395.85			
	Revenue-Original (C)	20.10	27.11	26.96	0.15 (0.55)
	Supplementary	7.01			
	Capital-Original (V)	250.31	250.31	143.62	106.69 (42.62)
	Supplementary	0.00			
2016-17	Revenue-Original (V)	9,519.12	9,630.22	8,814.30	815.92 (8.47)
	Supplementary	111.10			
	Revenue-Original (C)	26.64	26.96	26.80	0.16 (0.59)
	Supplementary	0.32			
	Capital-Original (V)	232.89	232.89	87.38	145.51 (62.48)
	Supplementary	0.00			
2017-18	Revenue-Original (V)	10,163.58	10,525.94	9,317.26	1,208.68 (11.48)
	Supplementary	362.36			
	Revenue-Original (C)	33.82	35.19	33.41	1.78 (5.06)
	Supplementary	1.37			
	Capital-Original (V)	300.93	300.93	44.52	256.41 (85.21)
	Supplementary	0.00			

Source: Appropriation Accounts

During 2015-16 to 2017-18, as a percentage of total provision, unutilized provision ranged between 0.55 per cent and 11.48 per cent under Revenue

Section and under Capital Section, it was between 42.62 *per cent* and 85.21 *per cent*.

2.5.1.3 Misclassification of provision/expenditure under Capital Head

According to Indian Government Accounting Standards-2 (IGAS-2), all grants-in-aid are in the nature of pass through grants and shall be classified and accounted as revenue expenditure in financial statements of the Union/State Governments, irrespective of the purpose for which such grants are spent by the ultimate grantee.

It was observed that the provision of Grant-in-aid of ₹ 55 crore for strengthening of 162 Senior Secondary Girls School and opening of two new meritorious schools was made under Capital Head 4202 instead of its functional Revenue Head 2202, in contravention of the provisions *ibid*.

2.5.1.4 Non-surrender of savings

As per Rule 17.20 of the Punjab Financial Rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. This provision was violated as no amount was surrendered during 2015-16 and 2017-18 and only 19.76 *per cent* under Revenue Section and 34.28 *per cent* under Capital Section was surrendered during 2016-17 despite having savings under all sections during all of these three years. The position of surrender of unutilized provision is brought out in **Table 2.10**.

Table 2.10: Non-surrender of savings

(₹ in crore)

Year	Savings			Amount surrendered (percentage)		
	Revenue(V)	Revenue(C)	Capital(V)	Revenue(V)	Revenue(C)	Capital(V)
2015-16	765.05	0.15	106.69	0.00	0.00	0.00
2016-17	815.92	0.16	145.51	161.21 (19.76)	0.00	49.88 (34.28)
2017-18	1,208.68	1.78	256.41	0.00	0.00	0.00

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total savings

2.5.1.5 Persistent savings

It was observed that a substantial portion of the budget allocation remained unutilized every year under certain heads of accounts during 2015-16 to 2017-18, indicating non-achievement of the projected financial outlays in the respective years as shown in the **Table 2.11**.

Table 2.11: Persistent savings under Grant No. 5*(₹ in crore)*

Sr. No	Head of Account	2015-16	2016-17	2017-18
1	2202-01-101-01-Government Primary Schools	84.01 (4.42)	210.60 (9.96)	272.19 (11.19)
2	2202-01-109-01-Government Secondary Schools Sports and youth services	517.15 (11.70)	314.60 (7.30)	261.58 (5.58)
3	2202-03-103-01- Government Arts Colleges	3.24 (1.84)	12.27 (6.85)	24.89 (13.38)
4	2202-03-104-01-Assistance to non-government colleges and institution	64.40 (13.17)	2.05 (0.68)	66.54 (26.62)
5	2204-00-001-01-Direction and Administration	32.30 (37.34)	37.40 (38.85)	37.43 (37.20)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of savings to total provisions

Persistent savings under the above two major heads indicate that either the schemes under the respective departments did not receive the priority of the Government or there was inefficiency in implementation by the departments concerned/implementing agencies.

2.5.1.6 Irregularities in preparation of re-appropriation orders

The Deputy Controller (Finance & Accounts), Director of Public Institution, Punjab issued re-appropriation order amounting to ₹ 538.71 crore during the year 2017-18. The office of the Accountant General (A&E), Punjab found a number of irregularities in preparation of the re-appropriation orders viz. the re-appropriation order was not in the prescribed format as laid down in paragraph 13.7 (b) of Punjab Budget Manual, reasons for saving and excess mentioned in the re-appropriation orders were not logical, etc. Hence, the re-appropriation order was rejected. This resulted in non-utilisation of savings towards other purposes where additional funds were required.

2.5.1.7 Excess expenditure over provisions requiring regularization

Article 205(1)(b) of the Constitution of India provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess.

Audit observed that excess expenditure of ₹ 217.22 crore (**Table 2.12**) during the year 2017-18 was incurred in five cases which may be got regularized under the above mentioned provisions.

Table 2.12: Excess of expenditure over budget provision during 2017-18 requiring regularization*(₹ in crore)*

Sr. No.	Major/Minor head	Total grant/ Appropriation	Expenditure	Excess expenditure
1	2202-01-101-16-Setting up of Model schools at Block level in educationally backward blocks	13.60	15.20	1.60
2	2202-01-111-01-Education Guarantee scheme, 04-Provision for salary of Inclusive Education Volunteers	0.01	2.17	2.16
3	2202-03-103-23-Assistance to parents Teachers Association Fund for guest Faculty	8.25	13.71	5.46
4	2202-05-200-01-Direction and Administration	0.19	2.73	2.54
5	2071-01-109-01-Pension to employees of Aided Educational Institutions (Schools)	0	205.36	205.36
	Total	22.05	239.17	217.12

Source: Appropriation Accounts

The Government may consider taking up the matter with Public Accounts Committee secretariat for regularisation of excess expenditure.

2.5.1.8 Unnecessary supplementary provisions

Supplementary provisions of ₹ one crore or more in each case, aggregating to ₹ 363.70 crore obtained in four cases, during the year 2017-18 proved unnecessary as the expenditure did not come up even to the level of original provision (Table 2.13).

Table 2.13: Unnecessary supplementary provisions*(₹ in crore)*

Sr. No.	Major/Minor head	Original provision	Supplementary provision	Total provision	Expenditure	Saving
1	2202-01-101-01-Government Primary Schools	2,199.54	233.11	2,432.65	2,160.45	272.20
2	2202-01-789-10-Sarva Shiksha Abhiyan (including Education Guarantee Scheme), National Programme for education of Girls at Elementary Level and Kasturba Gandhi Balika Vidyalaya	403.00	29.25	432.25	295.33	136.92
3	2202-02-109-01-Government Secondary Schools Sports and Youth Services	4,584.03	100.00	4,684.03	4,422.45	261.58
4	2202-05-200-01-Direction and Administration	0	1.34	1.34	0	1.34
	Total	7,186.57	363.70	7,550.27	6,878.23	672.04

Source: Appropriation Accounts

2.5.2 Grant No. 17-Local Government, Housing and Urban Development**2.5.2.1 Introduction**

Grant 17-Local Government, Housing and Urban Development includes Major Heads 2216-Housing, 2217-Urban Development, 3454-Census Surveys and Statistics, 3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions, 4216-Capital Outlay on Housing and 4217-Capital Outlay on Urban Development. The Urban Development Department implements various schemes like Swachh Bharat Mission, National Urban Livelihoods Mission, Urban Renewal Programme, etc.

The Housing Department implements various schemes like Pradhan Mantri Awaas Yojana and Mukh Mantri Awaas Yojana.

2.5.2.2 Budget and Expenditure

The overall position of budget provisions, actual disbursement and savings under the functional Heads of the grant for the last three years (2015-16 to 2017-18) is given in **Table 2.14**.

Table 2.14: Budget and Expenditure

					(₹ in crore)
Year	Section	Budget provision	Total	Expenditure	Un-utilized provision and its percentage
2015-16	Revenue-Original (V)	887.99	968.97	908.81	60.16 (6.21)
	Supplementary	80.98			
	Capital-Original (V)	70.33	334.82	216.16	118.66 (35.44)
	Supplementary	264.49			
2016-17	Revenue-Original (V)	1,732.67	1,742.15	878.99	863.16 (49.55)
	Supplementary	9.48			
	Capital-Original (V)	535.52	834.39	292.37	542.02 (64.96)
	Supplementary	298.87			
2017-18	Revenue-Original (V)	3,042.48	3,042.48	1,505.27	1,537.21 (50.52)
	Supplementary	0.00			
	Capital-Original (V)	1,568.11	1,568.11	280.95	1,287.16 (82.08)
	Supplementary	0.00			

Source: Appropriation Accounts

During 2015-16 to 2017-18, as a percentage of total provision, unutilized provision ranged between 6.21 per cent and 50.52 per cent under Revenue Section and under Capital Section it was between 35.44 per cent and 82.08 per cent.

2.5.2.3 Non-surrender of savings

As per Rule 17.20 of the Punjab Financial Rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. This provision was violated as no amount was surrendered during 2015-16 despite having savings under Revenue (V) and Capital (V) sections and only 35.77 per cent and 21.14 per cent under Revenue Section and 13.73 per cent and 48.14 per cent under Capital Section was surrendered during 2016-17 and 2017-18 respectively. The position of surrender of unutilized provision is brought out in **Table 2.15**.

Table 2.15: Non-surrender of savings

Year	Savings		Amount Surrendered (percentage)	
	Revenue (V)	Capital (V)	Revenue (V)	Capital (V)
2015-16	60.16	118.66	0.00	0.00
2016-17	863.16	542.02	308.76 (35.77)	74.42 (13.73)
2017-18	1,537.21	1,287.16	325.00 (21.14)	619.62 (48.14)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total savings

2.5.2.4 Persistent savings

It was observed that a substantial portion of the budget allocation remained unutilized every year under certain heads of accounts during 2015-16 to 2017-18, indicating non-achievement of the projected financial outlays in the respective years as shown in the **Table 2.16**.

Table 2.16: Persistent savings under Grant No. 17

Sr. No.	Head of Account	2015-16			2016-17			2017-18		
		2015-16	2016-17	2017-18	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
1	2217-80-001-04-Town Planner	3.58 (14.73)	0.66 (3.02)	1.05 (4.57)						
2	3454-01-800-01-Census Establishment	7.53 (62.28)	7.86 (65.12)	4.69 (38.57)						
3	3604-00-200-12-Grants-in-aid to Municipal Committees/ Corporations notified area committees in lieu of abolition of Octroi on liquor in the State	0.19 (0.19)	126.85 (30.00)	226.85 (68.72)						

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of savings to total provisions

2.6 Conclusions

During 2017-18, expenditure of ₹ 1,01,117.64 crore was incurred against total budget provision of ₹ 1,19,884.67 crore resulting in net savings of

₹ 18,767.03 crore. The net savings was the result of gross savings of ₹ 19,190.81 crore set off by excess of ₹ 423.78 crore. An amount of ₹ 4,200.96 crore (21.89 *per cent* of savings) was surrendered during the year and out of total surrender, an amount of ₹ 3,938.70 crore (93.76 *per cent*) was surrendered on the last day of the year.

Excess expenditure of ₹ 40,609.66 crore during 2011-18 required regularization under Article 205(1) (b) of the Constitution of India. There were persistent excesses in two grants. Augmentation of budget provisions by re-appropriation orders proved unnecessary in 59 cases because expenditure did not come up even to the level of original/supplementary budget provisions. There was rush of expenditure towards the end of financial year. In nine cases, more than 44 *per cent* of budget provisions was utilized in last month of the year.