

Executive Summary

EXECUTIVE SUMMARY

Background

This Report on the finances of the Government of Punjab is brought out to assess the financial performance of the State during the year 2013-14 *vis-à-vis* the Budget Estimates and the targets set under the Fiscal Responsibility and Budget Management Act, 2003 as amended and analyses the dominant trends and structural profile of Government's receipts and disbursements.

Based on the audited accounts of the Government of Punjab for the year ended 31 March 2014 and additional data collated from several sources such as the Economic Survey brought out by the State Government and Census, this report provides an analytical review of the Annual Accounts of the State Government in three Chapters.

Chapter-I is based on the Finance Accounts and makes an assessment of Punjab Government's fiscal position as on 31 March 2014. It provides an insight into trends and profile of key fiscal aggregates, committed expenditure, borrowing pattern, etc.

Chapter-II is based on Appropriation Accounts and it gives the grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter-III details Government's compliance with various reporting requirements and financial rules and submission of accounts.

Audit findings

Chapter I

Finances of the State Government

During the year 2013-14, the revenue expenditure was ₹ 41,641 crore and the revenue receipts were ₹ 35,104 crore. The revenue receipts grew at an annual average rate of 11.69 *per cent* during 2009-10 to 2013-14 whereas revenue expenditure grew at an annual average rate of 10.39 *per cent*. The revenue expenditure continued to constitute a dominant portion (93 to 95 *per cent*) of the total expenditure during this period.

Punjab passed the Fiscal Responsibility and Budget Management Act in 2003. The State could not contain its revenue deficit as per targets fixed by the Fiscal Responsibility and Budget Management Act. During the current year it was 2.06 *per cent* as against the target of 0.60 *per cent* of Gross State Domestic Product (GSDP) in Fiscal Responsibility and Budget Management Act. However, the fiscal deficit at 2.77 *per cent* of GSDP in the current year was within the target of 3.00 *per cent* fixed under the Fiscal Responsibility and Budget Management (Amendment) Act, 2011.

The capital expenditure during the current year was only 28.21 *per cent* and 30.22 *per cent* of the projections made in the Fiscal Consolidation Roadmap of the State and budget estimates, respectively. This shows that due priority was not accorded to capital expenditure.

GoI directly transferred ₹ 1,751.30 crore to State implementing agencies during the current year. Since these funds do not pass through the State Budget, the Annual Finance Accounts of the State do not present a complete picture of fund flow of Central Government resources into the State.

The average return on Punjab Government's investments in Statutory Corporations, Joint Stock Companies, Cooperative Societies, etc. was almost negligible (0.01 to 0.05 *per cent*) during the period 2009-10 to 2013-14, while the average rate of interest paid by the Government of Punjab on its borrowings was between 7.72 and 8.04 *per cent* during the same period.

Though the debt-GSDP ratio at 32.24 *per cent* was within the target fixed (39.80 *per cent*) under Fiscal Responsibility and Budget Management Act, yet the borrowed funds were mostly used for redemption of past debts. As much as 22 *per cent* of the revenue receipts were used to meet the burden of interest payments.

At the end of the year 2012-13, ₹ 158.07 crore were outstanding as ways and means advances. During 2013-14, the Government obtained ₹ 7,244.06 crore as ways and means advances from Reserve Bank of India on 89 occasions, out of which ₹ 6,855.24 crore were repaid during the year leaving a balance of ₹ 546.89 crore. An amount of ₹ 15.58 crore was paid as interest on these advances.

As on 31 March 2014, the State Government owes ₹ 1,814.62 crore (pertaining to the period August 2007 to March 2014) to Punjab State Civil Supplies Corporation Limited on account of payment of differential cost (i.e. difference between purchase cost and the issue price to beneficiaries) under Atta Dal scheme.

During 2009-10 to 2013-14 total public debt increased from ₹ 53,252 crore in 2009-10 to ₹ 78,669 crore in 2013-14 registering annual average growth of 9.55 *per cent*. The share of market borrowings in total public debt went up from 42 *per cent* in 2009-10 to 64 *per cent* in 2013-14.

The State Government has constituted a Sinking Fund for redemption/amortization of loans raised by it in the open market. But no contribution was made in sinking fund during 2013-14 and there was no balance in this fund. In the absence of this fund, the Government has no option but to raise new debt every year to repay the debt of earlier years. As many as 69.11 *per cent* of current debt was utilized for repayment of earlier debt during 2013-14.

Chapter II

Financial Management and Budgetary Control

The State Government's budgetary process has not been sound during the year with errors in budgeting and persistent savings¹. Excess expenditure of ₹ 5,362.17 crore incurred during 2007-13 require regularization. An expenditure of ₹ 528.78 crore was incurred without making any budget provision. In 25 cases, re-appropriation orders proved unnecessary because expenditure did not come even upto the level of budget provisions and in other 12 cases reduction of provision also proves injudicious as there was excess expenditure under these cases. In many cases, anticipated savings of ₹ 9,357.92 crore were not surrendered leaving no scope for utilizing these funds for other developmental purposes.

Chapter III

Financial reporting

There were inordinate delays in furnishing utilization certificates against the grants released by various Government Departments as 132 utilization certificates amounting to ₹ 134.85 crore were not furnished to the Pr. Accountant General (A&E) as on 31 March 2014. Non-submission/delayed submission of annual accounts and Separate Audit Reports by four autonomous bodies set up by the State Government were also noticed. There were 161 instances of theft, loss and misappropriation involving an amount of ₹ 1.39 crore. As many as 675 AC bills amounting to ₹ 1,772.10 crore were awaiting adjustment as on 31 March 2014.

¹ Savings means shortage in utilization of funds.