

Chapter-III
Budgetary Management

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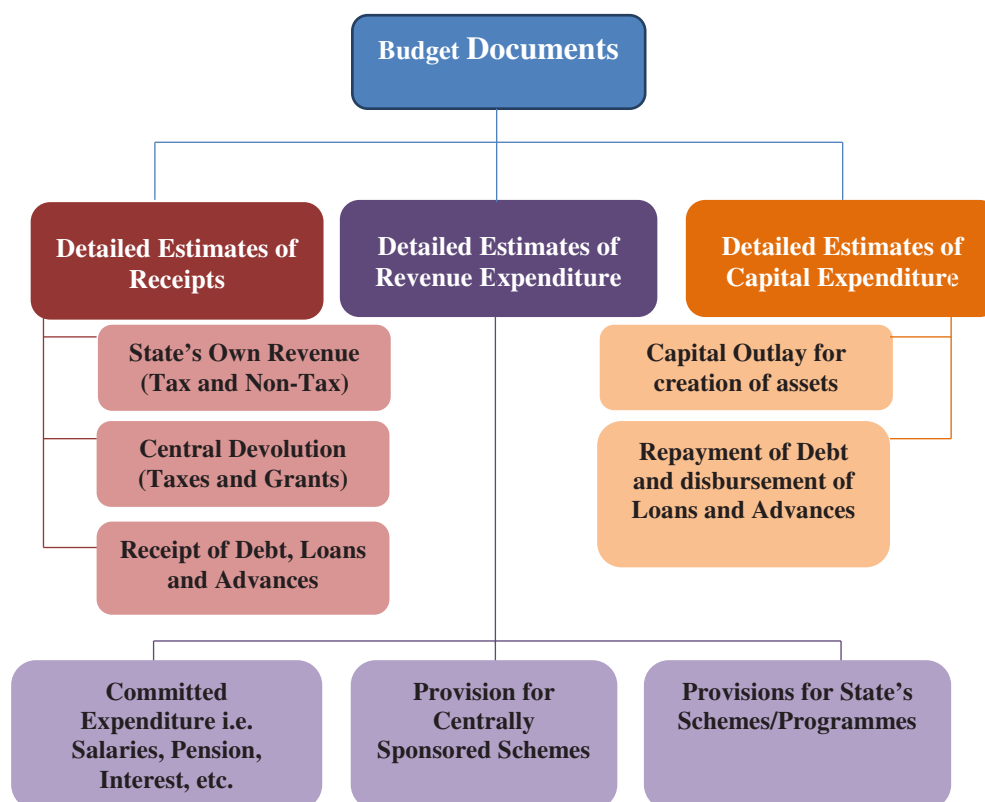
Budgetary Management

3.1 Budget Process

In compliance with Article 202 of the Constitution of India, in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year, called “the annual financial statement (Budget)” is to be laid before the State Legislature. The estimates of the expenditure show ‘charged’ and ‘voted’ items¹ of expenditure separately and distinguish expenditure on revenue account from other expenditure. Legislative authorisation is necessary before incurring any expenditure by the State Government.

As per the Punjab Budget Manual, the Finance Department is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called ‘Demand for Grants’. The State budget comprises following documents as given in *Chart 3.1*.

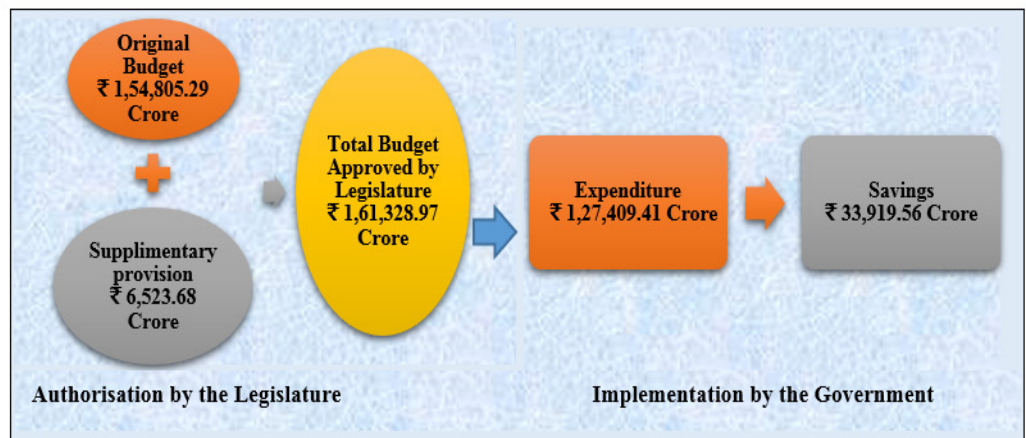
Chart 3.1: Details of State Budget Documents



¹ **Charged expenditure:** Certain categories of expenditure (e.g. salaries of Constitutional authorities, loan repayments, etc.), constitute a charge on the Consolidated Fund of the State and are not subject to vote by the Legislature. **Voted expenditure:** All other expenditure is voted by the Legislature.

The various components of budget are depicted in the *Chart 3.2*.

Chart 3.2: Flow chart of budget implementation



Source: Appropriation Accounts

3.1.1 Summary of total provisions, actual disbursements and savings during financial year 2020-21

A summarised position of total budget provision, disbursement and saving/excess with its further bifurcation into voted/charged during 2020-21 for the total 42 grants/appropriations is given in **Table 3.1**.

Table 3.1: Budget provision, disbursement and savings during the financial year 2020-21

(₹ in crore)

	Total Budget provision		Disbursements		Saving	
	Voted	Charged	Voted	Charged	Voted	Charged
Revenue	82276.80	19736.36	67948.58	19286.13	14328.22	450.23
Capital	10325.87	0	4585.38	0	5740.49	0
Loans and Advances	1062.09	0	955.79	0	106.30	0
Public Debt	0	47927.85	0	34633.53	0	13294.32
Total	93664.76	67664.21	73489.75	53919.66	20175.01	13744.55

Source: Appropriation Accounts

3.1.2 Charged and voted disbursements

Table 3.2: Break-up of total disbursement into charged and voted during the last five years (2016-21)

(₹ in crore)

Year	Disbursements		Saving (-)/Excess (+)	
	Voted	Charged	Voted	Charged
2016-17	89,712.60	44,273.75	(+)21,667.63	(+)731.96
2017-18	50,617.81	50,499.83	(-)18,842.61	(+)75.58
2018-19	63,196.26	54,259.02	(-)16,027.89	(-)872.72
2019-20	77,284.43	57,597.68	(-)22,051.09	(-)5,126.89
2020-21	73,489.75	53,919.66	(-)20,175.01	(-)13,744.55

Source: Appropriation Accounts

3.2 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 of the Constitution of India. Appropriation Accounts are on Gross basis. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both Charged and Voted items of budget. Appropriation Accounts, thus, facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Integrity of budgetary and accounting process

3.3.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of Article 204 of the Constitution. Paragraph 14.1 of the Punjab Budget Manual provides that expenditure on new scheme should not be incurred 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 ₹ 754.80 crore (*Appendix 3.1*), was incurred in 21 cases (₹ one crore or more in each case) under various components of eight grants during the year 2020-21 without having any provision in the original budget estimates/supplementary demands and without issuing any re-appropriation orders to this effect.

The State Government stated (January 2022) that reasons for expenditure without budget provision would be sought from the concerned departments and necessary action would be taken after laying down the Finance Accounts for the year 2020-21 in the Punjab Vidhan Sabha.

3.3.2 Incorrect classification of Head of Account in Budget Estimates

During scrutiny of budget, it was noticed that an amount of ₹ 79.16 crore was booked under wrong head of account as given in **Table 3.3**.

Table 3.3: Budget provision under wrong Head of Account during 2020-21
(₹ in crore)

Sr. No.	Head of Account	Amount	Remarks
1	2202-01-101-34-EDS-57 Attendance Scholarship to SC Primary Girls Students-99-34-Scholarship/Stipends	9.16	Correct sub-head is 19 instead of 34 as approved by Principal Accountant General (A&E) Punjab.
2	2210-01-001-87-Upgradation /maintenance of Health Infrastructure (CHC's, PHC's and Sub- Centres)-99-27-Minor Works, Maintenance	50.00	Sub-head 87 is not approved by Principal Accountant General (A&E) Punjab.
3	4515-00-789-41-Modernisation and Improvement of SC villages having more than 50 per cent SC population 99-53-Major Works	10.00	Correct sub-head is 08 instead of 41 as approved by Principal Accountant General (A&E) Punjab.
4	3055-00-190-04-Assistance to PEPSU Road Transport Corporation for Construction of bus Stands-02-New Bus Stand at Patiala-35-Grant-in-Aid for creation of capital assets	10.00	Detailed-head 02 is not approved by Principal Accountant General (A&E) Punjab.
Total		79.16	

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

3.3.3 Unnecessary/excessive supplementary grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year. When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the grant to cover the excess by re-appropriation, the Secretary in the Department concerned proposes to the Finance Department for supplementary or additional grant or appropriation.

Audit analysis showed that supplementary provisions of ₹ 1,764.71 crore during the year 2020-21 in 17 cases (₹ one crore or more in each case) proved unnecessary (*Appendix 3.2*) as the expenditure did not come up even to the level of original provision. Similarly, supplementary provisions of ₹ 2,104.80 crore in 11 cases (₹ one crore or more in each case) proved excessive (*Appendix 3.3*) as full amount of supplementary provisions could not be utilised.

3.3.4 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 2020-21, 41 re-appropriation orders for ₹ 31,808.75 crore were issued, of which 38 re-appropriation orders for ₹ 31,455.43 crore (98.89 per cent) were issued on 31 March 2021.

Further, in two cases (*Appendix 3.4 - Sr. Nos. 9 and 10*) out of 22 re-appropriation cases exceeding ₹ one crore, reduction of provision by re-appropriation orders effected by various departments proved injudicious as there was excess expenditure under these cases. In the remaining 20 cases, augmentation of provision also proved unnecessary because expenditure was either equal to or 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.

3.3.5 Unspent amount and surrendered appropriation and/or Large Savings/Surrenders

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or unrealistic estimating, it is a matter of concern. All Estimating Officers should strive to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should consider this while exercising final check on the estimates.

Budgetary allocations based on unrealistic proposals, overstretching the potential of resource mobilisation, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year. Excessive savings in some heads also deprive other Departments of the funds which they could have utilised.

The audit of grants and appropriations showed that in 16 cases (under 13 grants), the savings (excluding surrenders) exceeded ₹ 100 crore in each case (*Appendix 3.5*). It was further noticed that in four grants no expenditure vis-à-vis total grant amounting to ₹ 215.15 crore as given in **Table 3.4** was incurred during the year.

Table 3.4: Entire grant remaining unutilised during the financial year 2020-21

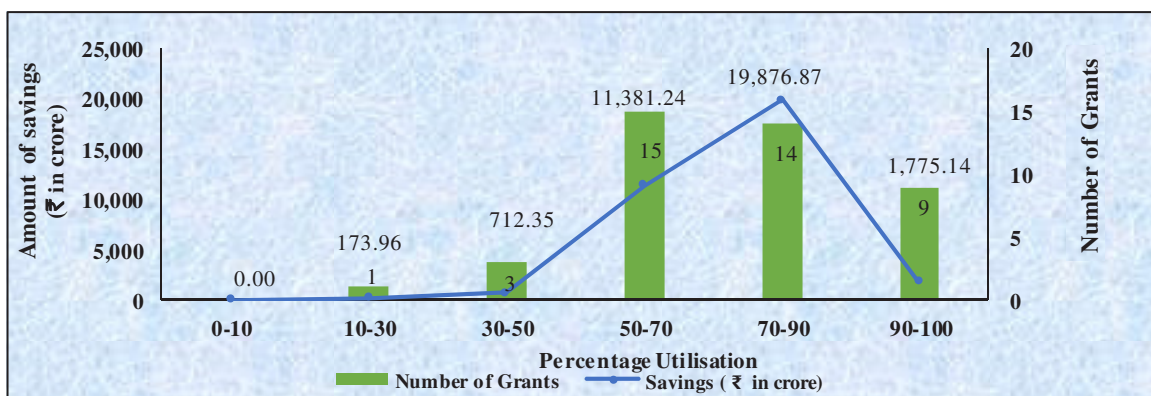
(₹ in crore)		
Sr. No.	Number and Name of grant	Amount
1	04-Defence Services Welfare (Capital – Voted)	0.22
2	25-Science, Technology and Environment (Revenue-Charged)	0.11
3	27-Technical Education and Training (Capital – Voted)	214.36
4	39-Printing and Stationary (Revenue- Charged)	0.46
Total		215.15

Source: Appropriation Accounts

Further, it was also observed that in 17 cases under 15 grants, there was persistent saving exceeding ₹ 100 crore in each case (*Appendix 3.6*) during 2018-19 to 2020-21.

Detail of grants grouped by the percentage of utilisation along with total savings during 2020-21 has been shown in *Appendix 3.7*.

Chart 3.3: The distribution of the number of Grants/Appropriations grouped by the percentage of Savings along with total savings



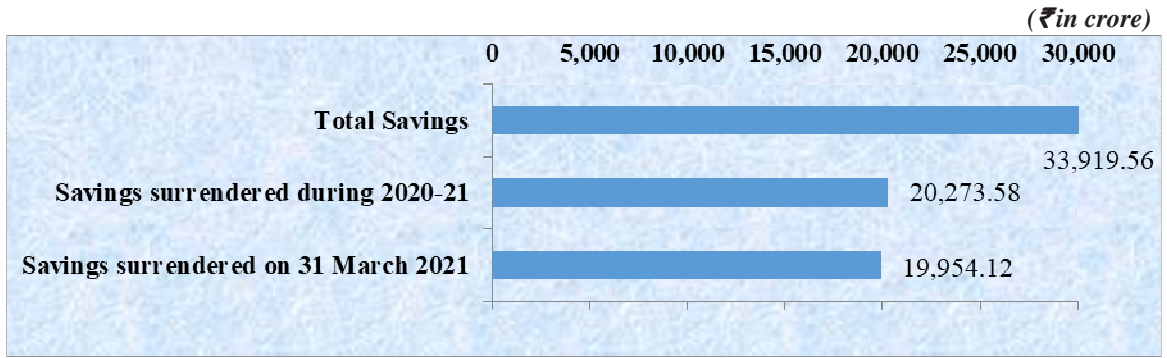
Source: Appropriation Accounts

No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. If this is not done, other spending Departments are deprived of the funds which they could have utilised and thus avoidable demands for Supplementary Grants are preferred. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and watch over the progress of last month's expenditure should enable a Controlling Officer to fix upon his final requirements with a reasonable degree of exactness.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

It was noticed that savings under 11 Grants and five Appropriations amounting to ₹ 2,602.38 crore (*Appendix 3.8*) were not surrendered at all. Details of savings (exceeding ₹ 10 crore in each case) surrendered on the last day of March 2021 is given in *Appendix 3.9*.

Chart 3.4: Savings and surrenders for the year 2020-21



Source: Appropriation Accounts

Analysis of Chart revealed that 98 per cent savings were surrendered on 31 March 2021 out of total surrendered amount of ₹ 20,273.58 crore, which could not be re-appropriated.

3.3.6 Excess expenditure and its regularisation

As per Article 204 of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of the Article. Further, as per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee.

3.3.6.1 Excess expenditure

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose.

There was no excess expenditure during 2020-21 (overall grant wise). However, Major Head wise excess disbursement within grant over the authorisation is given in *Appendix 3.10*.

3.3.6.2 Persistent excesses in certain Grants

Despite Public Accounts Committee's recommendations to minimise the cases of excesses, persistent excesses were noticed in two grants. 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 is in violation of the will of the State Legislature. Strictly, not a rupee can be spent without prior legislative authorisation and,

therefore, this is to be viewed seriously. Persistent excesses may be due to improper estimation at the time of preparation of budget.

Scrutiny revealed that in three cases of two grants, there was persistent excess expenditure of more than ₹ 10 crore in each case during the last five years as detailed in **Table 3.5**. In two cases (Sr. No.2 and 3), the expenditure was incurred without any budget provision during 2016-20.

Table 3.5: Persistent excess expenditure during 2016-17 to 2020-21

(₹ in crore)

Sr. No.	Description of Grant/Appropriation	2016-17	2017-18	2018-19	2019-20	2020-21
1.	Grant No.-08-Finance 2071-Pensions and other Retirement benefits 01-Civil 101-Superannuation and Retirement Allowances 01-Pension and other Retirement Benefits Grant	4,678.76	5,574.45	6,000.00	6,300.00	7,400.00
	Expenditure	5,376.74	6,191.40	6,290.39	6,487.05	8,031.84
	Excess	697.98	616.95	290.39	187.05	631.84
2.	Grant No.-21-Public Works 2059-Public Works 80-General 001-Direction and Administration 07-Establishment Charges paid to Public Health Department for Works done by that Department Grant	0.00	0.00	0.00	0.00	165.41
	Expenditure	136.71	146.84	97.58	118.91	178.33
	Excess	136.71	146.84	97.58	118.91	12.92
3.	Grant No.-21-Public Works 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 Grant	0.00	0.00	0.00	0.00	160.00
	Expenditure	94.10	141.29	169.87	213.90	192.51
	Excess	94.10	141.29	169.87	213.90	32.51

Source: Appropriation Accounts

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.

The State Government attributed (January 2022) the reasons for excess expenditure in Grant No. 8 during the year 2020-21 to excessive expenditure on account of retirement of employees above the age of 58 years. As regards excess expenditure in Grant No. 21, it was stated that the concerned department had been asked to make some budget provision on this account in future.

3.3.6.3 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining un-regularised for extended periods dilutes Legislative control over the executive. Excess disbursements of ₹ 37,737.49 crore pertaining to 2015-16 to 2019-20 as shown in **Table 3.6** are yet to be regularised from the State Legislature.

Table 3.6: Excess expenditure relating to previous years requiring regularisation

(₹ in crore)

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
2015-16	02	Animal Husbandry and Fisheries (Revenue-Charged)	0.04	Not regularised
	08	Finance (Revenue-Voted)	456.24	
		Finance (Capital -Charged)	952.79	
	21	Public Works (Revenue-Voted)	221.51	
	22	Revenue and Rehabilitation (Revenue-Voted)	430.88	
	26	State Legislature (Revenue-Charged)	0.20	
2016-17	08	Finance (Revenue-Voted)	400.48	
		Finance (Capital -Charged)	921.19	
	09	Food and Supplies (Revenue-Voted)	29,081.45	
	12	Home Affairs and Justice (Capital -Charged)	1.15	
	15	Irrigation and Power (Capital-Voted)	3,852.06	
	21	Public Works (Revenue-Voted)	182.71	
		Public Works (Revenue-Charged)	0.40	
		Public Works (Capital -Charged)	19.36	
2017-18	08	Finance (Revenue-Charged)	159.25	
	10	General Administration (Capital-Charged)	0.33	
	21	Public Works (Revenue-Voted)	264.20	
2018-19	09	Food and Supplies (Revenue-Charged)	0.53	
	10	General Administration (Capital-Voted)	7.77	
	21	Public Works (Revenue-Voted)	315.75	
		Public Works (Revenue-Charged)	0.99	
2019-20	21	Public Works (Revenue-Voted)	437.84	
	37	Law and Justice (Revenue-Charged)	4.18	
	41	Water Supply and Sanitation (Revenue-Voted)	26.19	
Total			37,737.49	

Source: Appropriation Accounts

The 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.

The State Government stated (January 2022) that the excess expenditure up to the year 2014-15 had been regularised by the State Legislative Assembly and the process for regularising the excess expenditure for the years 2015-16 to 2018-19 had been initiated, which would be regularised in the coming Budget Session.

3.4 Effectiveness of budgetary and accounting process

3.4.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities and weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprive other departments of the funds, which they could have utilised.

The total provision for expenditure in 2020-21 was ₹1,61,328.97 crore. The actual gross expenditure during the year was ₹1,27,409.41 crore. This resulted in savings of ₹33,919.56 crore in 2020-21 of which only ₹20,273.58 crore (59.77 per cent) were surrendered during the year. Out of total savings surrendered during the year, an amount of ₹19,954.12 crore (98.42 per cent) were surrendered on the last day of March 2021. The details are given in **Table 3.7**.

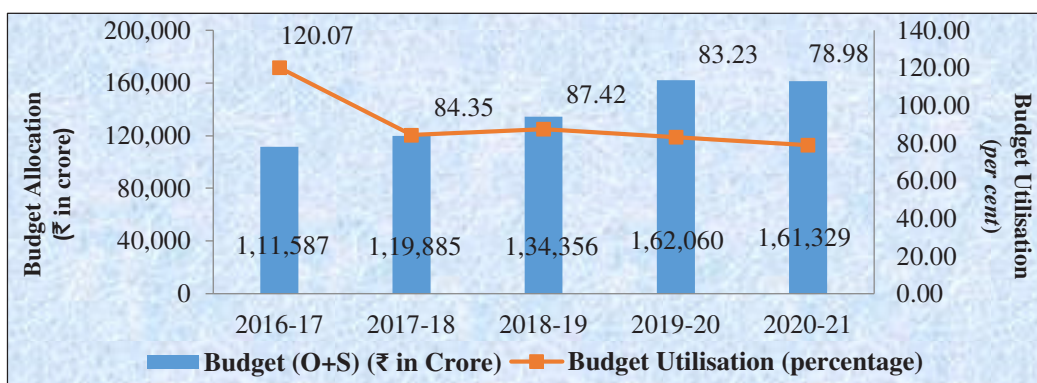
Table 3.7: Actual expenditure vis-à-vis budget provision during the financial year 2020-21

(₹ in crore)

	Nature of expenditure	Original Grant/ App.	Supplementary Grant/ App.	Total Budget	Actual expenditure	Savings	Surrender during 2020-21	
							Amount	Per cent
Voted	I. Revenue	76185.38	6091.42	82276.80	67948.58	14328.22	8873.59	61.93
	II. Capital	10279.58	46.29	10325.87	4585.38	5740.49	2384.54	41.54
	III. Loans & Advances	881.82	180.27	1062.09	955.79	106.30	79.43	74.72
Total		87346.78	6317.98	93664.76	73489.75	20175.01	11337.56	56.20
Charged	V. Revenue	19530.66	205.70	19736.36	19286.13	450.23	83.29	18.50
	VII. Capital	0	0	0	0	0	0	0
	VIII. Public Debt- Repayment	47927.85	0	47927.85	34633.53	13294.32	8852.73	66.59
Total		67458.51	205.70	67664.21	53919.66	13744.55	8936.02	65.02
Appropriation to Contingency Fund (if any)		0	0	0	0	0	0	0
Grand Total		154805.29	6523.68	161328.97	127409.41	33919.56	20273.58	59.77

Source: Appropriation Accounts.

Note: The expenditure shown above are gross figures without taking into account the recoveries adjusted in the accounts as reduction of expenditure under Revenue Heads (₹890.09 crore) and Capital Heads (₹203.07 crore).

Chart 3.5: Budget Utilisation during 2016-17 to 2020-21

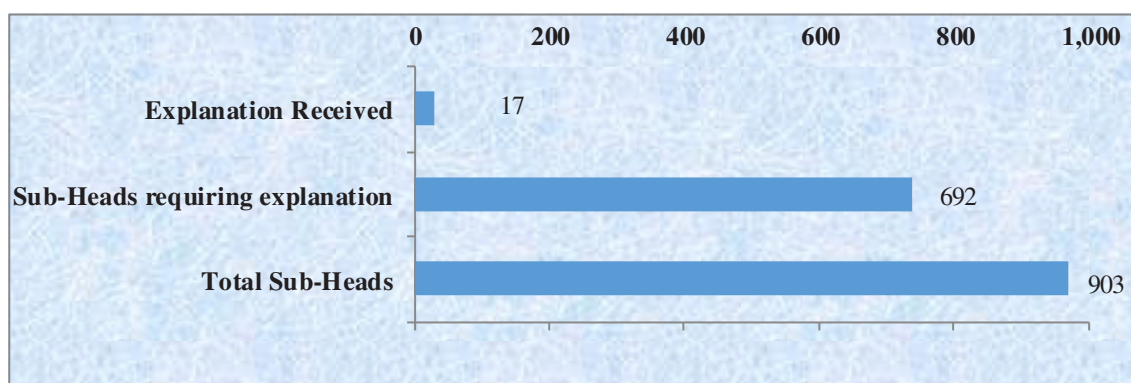
Source: Appropriation Accounts

Trends in the original budget, revised estimate, actual expenditure for the period 2016-17 to 2020-21 are given in **Table 3.8**.

Table 3.8: Original Budget, Revised Estimate and Actual Expenditure during 2016-21

	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Original Budget	86,386.96	1,18,237.89	1,29,697.63	1,58,492.66	1,54,805.29
Supplementary budget	25,199.80	1,646.78	4,658.26	3,567.43	6,523.68
Total budget	1,11,586.76	1,19,884.67	1,34,355.89	1,62,060.09	1,61,328.97
Revised Estimate	1,44,513.99	1,12,797.42	1,27,415.49	1,51,696.94	1,39,999.68
Actual Expenditure	1,33,986.35	1,01,117.64	1,17,455.28	1,34,882.11	1,27,409.41
Savings (-) / Excess (+)	(+)22,399.59	(-)18,767.03	(-)16,900.61	(-)27,177.98	(-)33,919.56
Percentage of supplementary to the original provision	29.17	1.39	3.59	2.25	4.21
Percentage of overall saving/excess to the overall provision	20.07	15.65	12.58	16.77	21.02

Source: Annual Financial Statement and Appropriation Accounts

Chart 3.6: Summary of Explanation for Variation in Appropriation Accounts

Source: Information supplied by office of the Pr. Accountant General (Accounts & Entitlement), Punjab

Table 3.8 shows that supplementary provision of ₹ 6,523.68 crore during 2020-21 constituted 4.21 *per cent* of the original provision as against 2.25 *per cent* in the previous year. However, the supplementary provisions during the years 2017-18 to 2020-21 proved unnecessary as the expenditure did not come up even to the level of original budget provisions.

This reflects that budgetary allocations were based on unrealistic proposals.

3.4.2 Major policy pronouncements in budget and their actual funding for ensuring implementation

Several policy initiatives taken up by the Government are wholly or partially not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, non-release of budget, etc. This deprives the beneficiaries of intended benefits. Savings in such schemes deprives other Departments of the funds which they could have utilised.

It was observed that under nine schemes, there was approved outlay of ₹ 7,325.48 crore (₹ 100 crore or more in each scheme) but no expenditure was incurred resulting in non-implementation of schemes as detailed in **Table-3.9**.

Table 3.9: Details of the schemes for which provision (₹ 100 crore and above) was made but was either withdrawn or no expenditure was incurred

(₹ in crore)

Sr. No.	Grant No.	Head of Account	Approved Outlay (Original + Supplementary)	Revised Outlay (after re-appropriation)
1.	01-Agriculture	2401-00-789-42- Debt Relief to Farmers	120.00	66.00
2.		2401-00-800-22- Debt Relief to Farmers	1880.00	1034.00
3.	08-Finance	2070-00-800-08-Provision for Implementation of Recommendations of 6th Punjab Pay Commission	4004.00	4.00
4.	21-Public Works	5054-03-101-46-Pradhan Mantri Gram Sadak Yojana-03-NABARD -(Rural Infrastructure Development Fund) (XXIV)	100.00	60.00
5.	23-Rural Development and Panchayats	4515-00-103-42-01-Smart Village Scheme	360.00	360.00
6.		4515-00-789-27-Punjab Pendu Awas Yojana	200.00	200.00
7.		4515-00-789-31-Smart Village Scheme	240.00	240.00

Sr. No.	Grant No.	Head of Account	Approved Outlay (Original + Supplementary)	Revised Outlay (after re-appropriation)
8.	29-Transport	3055-00-190-04-Assistance to Pepsu Road Transport Corporation- 03-Payment of arrear of SRT/MVT/Token Tax/Passenger Tax etc	241.48	267.94
9.	32-Forestry and Wild Life	2406-02-904-01-State Compensatory Afforestation Fund (SCAF)	180.00	180.00
Total			7325.48	2411.94

Source: Appropriation Accounts.

Further, under 11 schemes, there was approved out lay of ₹ 426.32 crore which was withdrawn in revised outlay as detailed in **Table 3.10**. This reflects that budgetary allocations were based on unrealistic proposals.

Table 3.10: Details of the schemes for which provision (₹ 10 crore and above) was made but were withdrawn fully through re-appropriation

(₹ in crore)			
Sr. No.	Grant No.	Head of Account	Approved Outlay
1.	03-Co-operation	2425-00-107-19-Grants-in-Aid to Primary Agricultural/Multipurpose Co-operative Societies-05-Computerization of Primary Agricultural/Multipurpose Co-operative Societies	45.50
2.		6425-00-190-08-Loans to Co-operative Sugar Mills for Installation and Modernisation of Co-operative Sugar Mills	50.00
3.	17-Local Government	2216-02-789-01-Pradhan Mantri Awas Yojana Housing for all (Urban) 01-Assistance under in-situ Slum Rehabilitation Scheme	11.00
4.	21-Public works	4059-80-051-68-Construction of Residential Buildings for DC's/ADC's in Newly Created Districts	10.00
5.		5054-04-789-03-Pradhan Mantri Gram Sadak Yojana- 01-Phase III	12.50
6.	23-Rural Development and Panchayats	2501-01-001-09-Integrated Watershed Management Programme	26.53
7.		2501-01-789-09-Integrated Watershed Management Programme	10.83
8.	28-Tourism and Cultural Affairs	5452-80-800-01-Integrated Development of Heritage Circuits in Punjab under Swadesh Darshan Scheme	99.96
9.	35-Housing and Urban Development	2216-02-190-03-Assistance to Patiala Development Authority-02-Rejuvenation Project Badi Nadi and Chotti Nadi, Patiala	60.00
10.	40-Sports and Youth Services	2204-00-789-16-Free Smart Mobile Phone Sets to Youth	32.00
11.		2204-00-800-01-Free Smart Mobile Phone Sets to Youth	68.00
Total			426.32

Source: Appropriation Accounts.

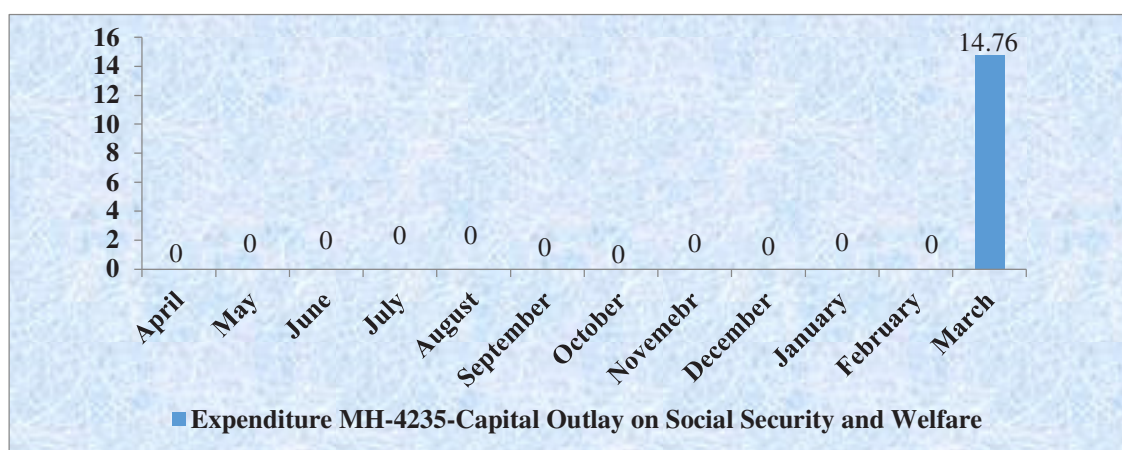
3.4.3 Rush of expenditure

Rule 62(3) of the General Financial Rules provides that rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial propriety and should be avoided.

Audit scrutiny revealed that under 18 major heads as given in *Appendix 3.11*, the expenditure incurred during 4th quarter of the year ranged between 55.14 per cent and 100 per cent against the target of 20 per cent and the expenditure incurred during the month of March 2021 alone ranged between 51.79 and 100 per cent.

Chart 3.7: Month wise expenditure of Major Head 4235-Capital Outlay on Social Security and Welfare during 2020-21

(₹ in crore)



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

It was also observed that out of 18 major heads, in three major heads (Sr. Nos. 12, 13 and 17 of *Appendix 3.11*) 100 per cent expenditure (₹ 27.63 crore) was incurred in March 2021.

Further entire expenditure of ₹ 7248.71 crore in 34 sub-heads was incurred in the month of March 2021 alone (*Appendix 3.12*).

3.4.4 Review of selected grants

A review of budgetary procedure and control over expenditure in respect of two selected grants i.e. 12-Home Affairs and 15-Water Resources was conducted wherein magnitude of variations in original grants, supplementary demands and actual expenditure were analysed.

3.4.4.1 Grant No. 12-Home Affairs

(i) Introduction

Grant 12-Home Affairs includes Major Heads 2014-Administration of Justice, 2053-District Administration, 2055-Police, 2070-Other Administrative Services, 2075-Miscellaneous General Services, 2250-Other Social Services, 4055-Capital Outlay on Police and 4070-Capital Outlay on Other Administrative Services.

(ii) 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 (2018-19 to 2020-21) is given in **Table 3.11**.

Table 3.11: Budget and Expenditure during the year 2018-19 to 2020-21

(₹ in crore)

Year	Section	Budget provision	Total	Expenditure	Un-utilized provision and its percentage
2018-19	Revenue-Original (V)	6285.10	6313.78	6120.68	193.10
	Supplementary	28.68			(3.06)
	Revenue-Original (C)	1.10	2.15	2.08	0.07
	Supplementary	1.05			(3.26)
	Capital-Original (V)	154.14	157.28	88.28	69.00
	Supplementary	3.14			(43.87)
2019-20	Revenue-Original (V)	6893.61	6893.61	6396.86	496.75
	Supplementary	0			(7.21)
	Revenue-Original (C)	1.08	1.45	1.02	0.43
	Supplementary	0.37			(29.66)
	Capital-Original (V)	130.18	135.29	56.49	78.80
	Supplementary	5.11			(58.25)
2020-21	Revenue-Original (V)	7049.00	7050.31	6675.10	375.21
	Supplementary	1.31			(5.32)
	Revenue-Original (C)	1.13	1.75	1.39	0.36
	Supplementary	0.62			(20.57)
	Capital-Original (V)	245.14	245.14	81.39	163.75
	Supplementary	0			(66.80)

Source: Appropriation Accounts

Un-utilised budget provision ranged between 3.06 per cent and 66.80 per cent during 2018-21.

(iii) 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. The position of savings and surrenders under Grant-12-Home Affairs during 2018-21 has been depicted in **Table 3.12**.

Table 3.12: Non-surrender of savings*(₹ in crore)*

Year	Savings			Amount surrendered (percentage)		
	Revenue(V)	Revenue(C)	Capital(V)	Revenue(V)	Revenue(C)	Capital(V)
2018-19	193.10	0.07	69.00	40.99 (21.23)	0.00	17.67 (25.61)
2019-20	496.75	0.43	78.80	329.71 (66.37)	0.00	5.53 (7.02)
2020-21	375.21	0.36	163.75	292.98 (78.08)	0.00	64.39 (39.32)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total savings

(iv) Persistent savings

It was observed that a substantial portion of the budget allocation remained unutilised every year under two heads of accounts of this grant during 2018-19 to 2020-21, indicating non-achievement of the projected financial outlays in the respective years as shown in the **Table 3.13**.

Table 3.13: Persistent savings under Grant No. 12*(₹ in crore)*

Sr. No.	Head of Account	2018-19	2019-20	2020-21
1.	2055-00-190-01-Police Housing Corporation-01-Repayment of Loan taken from HUDCO	1.75 (68.63)	1.42 (35.50)	0.24 (2.87)
2.	4055-00-207-01-Criminal Investigation Department	0.77 (36.32)	1.56 (57.78)	3.63 (47.20)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of savings to total provisions

(v) Entire provision remained unutilised

It was observed that entire budget allocation remained unutilised under three schemes during 2020-21, indicating non-implementation of schemes as shown in the **Table 3.14**.

Table 3.14: Entire provision ₹ one crore or more remained unutilised under Grant No. 12*(₹ in crore)*

Sr. No.	Head of Account	Original Budget	Re-appropriation	Savings
1.	4055-00-207- 18-Better Policing- 01-National Emergency Response System	11.00	-10.00	1.00
2.	4055-00-207-18-Better Policing- 03-Setting up of Police Control Room to Dial No.112	6.00	-2.00	4.00
3.	4070-00-003-04-Construction of Civil Defence and Home Guards Specialized Training Institute at Sundra, Tehsil Derabassi (Mohali)	3.00	-1.66	1.34

Source: Appropriation Accounts

(vi) Unnecessary/excessive supplementary grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year. When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the grant to cover the excess by re-appropriation, the Secretary in the Department concerned proposes to the Finance Department for supplementary or additional grant or appropriation.

Audit analysis showed that supplementary provisions of ₹ 1.31 crore (Revenue Voted) during the year 2020-21 proved unnecessary as the expenditure of ₹ 6675.10 crore did not come up even to the level of original provision of ₹ 7049.00 crore.

The State Government stated (January 2022) that the matter would be taken up with the concerned Administrative Departments, to provide justification and avoid such cases in future.

(vii) 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 2020-21, under major head 4055-00-207-18-Better Policing- 05-Project of Strengthening of Forensic Science Laboratory for DNA Analysis and Cyber Forensic and related Facilities, augmentation of provision of ₹ 2.03 crore proved unnecessary because expenditure of ₹ 0.70 crore did not come up to the level of original/supplementary budget provision of ₹ 2.44 crore.

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

(viii) Misclassification of Revenue Expenditure as Capital Expenditure

There are specific object heads meant for obtaining provision for acquisition of Capital Assets and other Capital Expenditure. These object heads pertain to booking of expenditure of capital nature which should correspond with capital major heads only.

However, it was observed that original budget provision for ₹ 14.40 crore was made which was augmented to the tune of ₹ 0.15 crore through re-appropriation making total budget provision of ₹ 14.55 crore under Grant No. 12-Home Affairs; Major Head 4055-207-08-22- Arms and Ammunition as Capital Expenditure. Against this provision, an amount of ₹ 5.84 crore was incurred and booked as Capital Expenditure, whereas it should have

been booked under the Revenue Head because object head 'Arms and Ammunition' pertains to revenue nature.

3.4.4.2 Grant No. 15-Water Resources

(i) Introduction

Grant 15-Water Resources includes Major Heads 2700-Major Irrigation, 2701-Medium Irrigation, 2702-Minor Irrigation, 2711-Flood Control and Drainage, 4700- Capital Outlay on Major Irrigation, 4701- Capital Outlay on Medium Irrigation, 4702- Capital Outlay on Minor Irrigation, 4705- Capital Outlay on Command Area Development and 4711- Capital Outlay on Flood Control Projects.

(ii) 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 is given in Table 3.15.

Table 3.15: Budget and Expenditure during the year 2018-19 to 2020-21

(₹ in crore)

Year	Section	Budget provision	Total	Expenditure	Un-utilised provision and its percentage
2018-19	Revenue-Original (V)	1269.21	1277.43	1169.78	107.65 (8.43)
	Supplementary	8.22			
	Revenue-Original (C)	0	0	0	0
	Supplementary	0			
	Capital-Original (V)	838.46	838.46	261.37	577.09 (68.83)
	Supplementary	0			
	Capital-Original (C)	0	0	0	0
	Supplementary	0			
2019-20	Revenue-Original (V)	1315.61	1401.27	1164.12	237.15 (16.92)
	Supplementary	85.66			
	Revenue-Original (C)	0	11.27	11.27	0
	Supplementary	11.27			
	Capital-Original (V)	950.81	950.81	478.59	472.22 (49.67)
	Supplementary	0			
	Capital-Original (C)	0	0	0	0
	Supplementary	0			
2020-21	Revenue-Original (V)	1197.33	1199.58	1009.83	189.75 (15.82)
	Supplementary	2.25			
	Revenue-Original (C)	0	0	0	0
	Supplementary	0			
	Capital-Original (V)	1312.71	1312.71	756.78	555.93 (42.35)
	Supplementary	0			
	Capital-Original (C)	0	0	0	0
	Supplementary	0			

Source: Appropriation Accounts

During 2018-19 to 2020-21, unutilised budget provision ranged between 8.43 per cent and 68.83 per cent.

(iii) Non-surrender of savings

Rule 17.20 of the Punjab Financial Rules provides that, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. The position of surrender of unutilised provision is depicted in **Table 3.16**.

Table 3.16: Non-surrender of savings*(₹ in crore)*

Year	Savings				Amount surrendered (percentage)			
	Revenue (V)	Revenue (C)	Capital (V)	Capital (C)	Revenue (V)	Revenue (C)	Capital (V)	Capital (C)
2018-19	107.65	0	577.09	0	69.80 (64.84)	0	233.85 (40.52)	0
2019-20	237.15	0	472.22	0	189.00 (79.70)	0	153.42 (32.49)	0
2020-21	189.75	0	555.93	0	134.00 (70.62)	0	16.29 (2.93)	0

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total savings

The State Government stated (January 2022) that all the departments would be asked to prepare excess and surrender statement on the basis of budget estimates and actual expenditure incurred during the year. It was added that necessary provision in this regard would be made in IFMS too.

(iv) Persistent savings

It was further observed that a substantial portion of the budget allocation remained unutilised every year under seven heads of accounts of this grant during 2018-19 to 2020-21, indicating non-achievement of the projected financial outlays in the respective years as detailed in the **Table 3.17**.

Table 3.17: Persistent savings (exceeding ₹ one crore)*(₹ in crore)*

Sr. No.	Head of Account	2018-19	2019-20	2020-21
Revenue (V)				
1.	2701-80-001-01- Direction	2.32 (2.51)	1.19 (1.26)	1.73 (2.72)
2.	2701-80-800-08- Works Expenditure	3.13 (22.36)	21.52 (45.79)	15.55 (36.02)
Capital (V)				
3.	4700-05-001-02-Supervision	1.61 (9.19)	1.07 (6.45)	1.78 (11.96)
4.	4700-05-001-08- Works Expenditure	54.66 (89.39)	67.44 (46.62)	65.72 (46.06)
5.	4701-06-001-08- Works Expenditure	6.80 (20.92)	11.64 (70.89)	6.87 (33.19)
6.	4701-53-800-08- Works Expenditure	61.85 (99.85)	17.85 (36.06)	37.36 (26.74)
7.	4700-01-800-08- Works Expenditure	12.07 (67.06)	11.95 (58.32)	2.29 (6.03)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of savings to total provisions

(v) Persistent Excess

Under Major Head 2700-04-001-01-Direction there was persistent excess expenditure of more than ₹ five crore during the last three years (₹ 6.17 crore during 2018-19, ₹ 13.85 crore during 2019-20 and ₹ 15.00 crore during 2020-21).

(vi) Entire Provision remained unutilised

It was observed that entire budget allocation remained unutilised under certain heads of accounts during 2020-21, indicating non-implementation of schemes as shown in the **Table 3.18**.

Table 3.18: Entire Provision remained unutilised

<i>(₹ in crore)</i>				
Sr. No.	Head of Account	Original Budget	Re-appropriation	Savings
1.	4700-05-789-01-Construction of Shahpur Kandi Dam Project	7.51	0.00	7.51
2.	4701-13-800-08-Works Expenditure- 05-Repairs and Reconstruction of Distributaries/Minors (Rural Infrastructure Development Fund-XX)	23.50	-20.68	2.82
3.	4701-51-789-01-Relining of Rajasthan Feeder	25.81	0.00	25.81
4.	4701-51-800-08-Works Expenditure	232.32	0.00	232.32
5.	4701-53-789-01- Relining of Sirhind Feeder (Accelerated Irrigation Benefit Programme)	17.90	-12.80	5.10
6.	4701-57-800- 02- Reconstruction of Distributaries- 01-Reconstruction of Punjawa, Abohar (Rural Infrastructure Development Fund XXIII)	5.50	-4.40	1.10
7.	4711-01-001-08- Works Expenditure	100.00	-35.00	65.00

Source: Appropriation Accounts

(vii) Entire Provision remained withdrawn

It was observed that entire budget allocation was withdrawn under two schemes during 2020-21, indicating non-implementation of schemes as shown in the **Table 3.19**.

Table 3.19: Entire Provision remained unutilised*(₹ in crore)*

Sr. No.	Head of Account	Total Provision
1.	4700-04-800-08-Works Expenditure	15.00
2.	4705-00-789-10-Construction of Field Canals of Kotla Branch Phase-II System (Accelerated Irrigation Benefit Programme)	5.00

Source: Appropriation Accounts

(viii) Unnecessary/excessive supplementary grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after the expiry of the current financial year. When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the grant to cover the excess by re-appropriation, the Secretary in the Department concerned proposes to the Finance Department for supplementary or additional grant or appropriation.

Audit analysis showed that supplementary provisions of ₹ 2.25 crore (Revenue-Voted) during the year 2020-21 proved unnecessary as the expenditure of ₹ 1,009.84 crore did not come up even to the level of original provision of ₹ 1,197.34 crore.

(ix) 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 2020-21, reduction of provision (exceeding ₹ one crore in each case) by re-appropriation orders effected by Water Resources Department (**Sr. No. 2 of table 3.20**) proved injudicious as there was excess expenditure under this case. In the remaining cases, augmentation of provision also proved unnecessary because expenditure was either equal to or did not come up to the level of original/supplementary budget provision.

Table 3.20 Unnecessary re-appropriation of funds*(₹ in crore)*

Sr. No.	Number and Name of grant/Head of Account	Original grant	Supplementary grant	Re-appropriation	Total	Expenditure	Saving(-)/ Excess(+)
1.	2701-80-800-08-Works Expenditure	40.00	0	3.17	43.17	27.62	-15.55
2.	2700-04-001-01-Direction	142.33	0	-8.94	133.39	148.39	+15.00
3.	4700-05-001-03-Execution	28.61	0	191.89	220.50	20.30	-200.20

Sr. No.	Number and Name of grant/Head of Account	Original grant	Supplementary grant	Re-appropriation	Total	Expenditure	Saving(-)/ Excess(+)
4.	4702-00-102-11- Installation of Deep Tubewells-01-Installation of 96 Alternate Deep Tubewells	23.39	0	2.58	25.97	3.76	-22.21

Source: Appropriation Accounts

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

(x) Unspent amount and surrendered appropriation and/or Large Savings/Surrenders

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or unrealistic estimating, it is a matter of concern. All Estimating Officers should strive to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should consider this while exercising final check on the estimates.

Budgetary allocations based on unrealistic proposals, overstretching the potential of resource mobilisation, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year. Excessive savings in some heads also deprive other Departments of the funds which they could have utilised.

During the year 2020-21, total provision of ₹ 1312.71 crore (Capital-voted) was made against which only ₹ 756.78 crore was incurred resulted in huge saving of ₹ 539.64 crore (excluding surrenders of ₹ 16.29 crore).

The State Government stated (January 2022) that the matter would be taken up with the concerned Administrative Departments, to provide justification and avoid such cases in future.

(xi) Expenditure without budget provisions

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 under this grant excess expenditure of ₹ 225.75 crore was incurred under seven schemes during the year 2020-21 as detailed in the

Table 3.21 which may be got regularised under the above mentioned provisions.

**Table 3.21: Expenditure without budget provisions
(Exceeding ₹one Crore)**

		(₹in crore)
Sr. No.	Head of Account	Expenditure
	Capital (V)	
1.	4700-02- Ranjit Sagar Dam (Commercial)-799-Suspense	21.72
2.	4700-05-Shahpur Kandi Project (Commercial) -799-Suspense	1.77
3.	4701-13-789-02-Renovation and Modernisation of Regulators Structures in the State of Punjab (Rural Infrastructure Development Fund XXII)- 01-Renovation and Modernisation of Regulators Structures (Rural Infrastructure Development Fund XXII)	5.55
4.	4701-44-800-08- Works Expenditure	123.84
5.	4705-00-201-01-Rejuvenation /Up-gradation / Re-construction of Main Branches of Water Courses of Sirhind Feeder Canal in District Sri Muktsar Sahib (Rural Infrastructure Development Fund- XXII)	10.27
6.	4705-00-201-30-Construction of Field Channels of Kandi Canal Stage-I by Laying Under Ground Pipe Line in the Outlets of Canal (PMKSY)	9.84
7.	4711-01-001-01-Direction and Administration	52.76
Total		225.75

Source: Appropriation Accounts

The Government may consider taking up necessary action to regularise the excess expenditure.

3.5 Conclusions

An expenditure of ₹ 754.80 crore was incurred during the year 2020-21 without having any provision in the original budget estimates/ supplementary demands and without issuing any re-appropriation orders to this effect.

Supplementary provisions were also not on realistic basis as in 17 cases the supplementary provisions were unnecessary. Budgetary allocations were based on unrealistic proposals as out of total 42 grants, in 13 grants savings excluding surrenders were more than ₹ 100 crore.

The excess expenditure of ₹ 37,737.49 crore for the period 2015-16 to 2019-20 is required to be regularised from the State Legislature.

The budgetary system of the State Government was not upto the mark, as overall utilisation of budget was 78.97 per cent of total grants and appropriations during 2020-21.

Under nine schemes, there was approved out lay of ₹ 7,325.48 crore (₹ 100 crore or more in each scheme) but no expenditure was incurred. Further, under 11 schemes, there was approved out lay of ₹ 426.32 crore which was withdrawn in revised outlay which deprived the beneficiaries of intended benefits.

There was rush of expenditure at fag end of the year. In 18 major heads, more than 50 *per cent* of the expenditure under each major head was incurred in the month of March 2021.

3.6 Recommendations

- (i) Government should prepare realistic budget estimates, backed with correct assessment for availability of resources and potential to expend, to avoid large savings and supplementary provisions;
- (ii) Government should ensure strict compliance of provisions of budget manual in preparation of supplementary provisions and ensure transparency in estimation for avoiding unnecessary supplementary provisions;
- (iii) Government may consider formulating strategies for actual execution of major policy decisions in the State at the time of preparing budgetary estimates; and
- (iv) Government should adhere to quarterly targets fixed for incurring expenditure through periodic monitoring, to avoid rush of expenditure towards end of the year, and for proper utilisation of savings through timely surrender.