

Chapter-III
Budgetary Management

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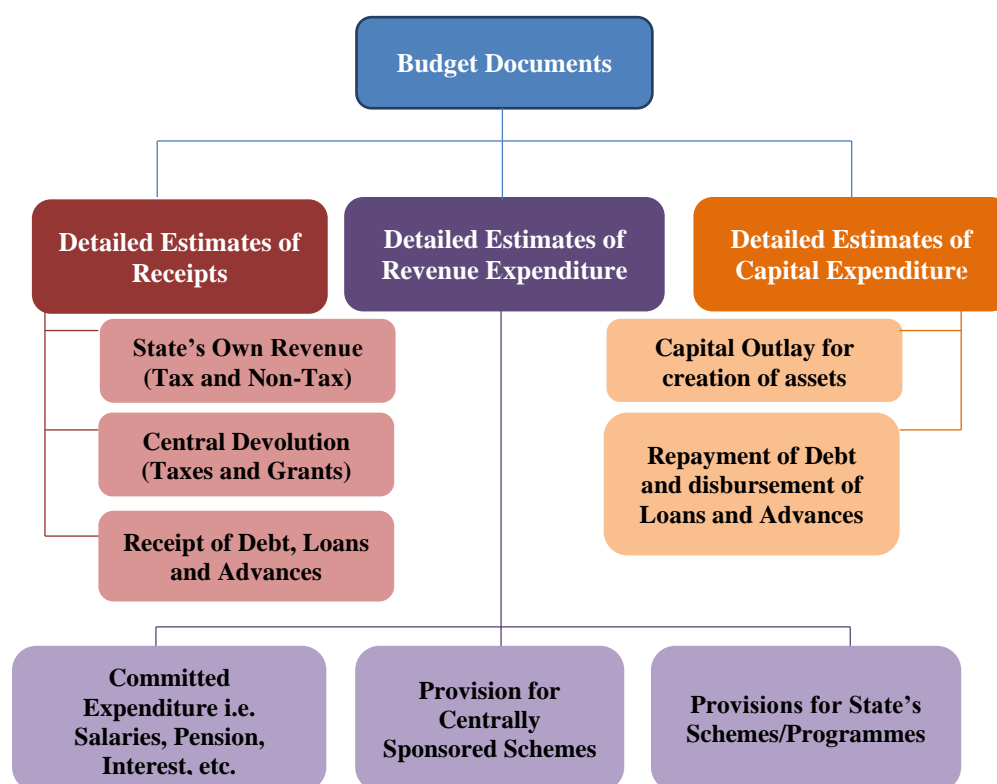
Budgetary Management

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**.

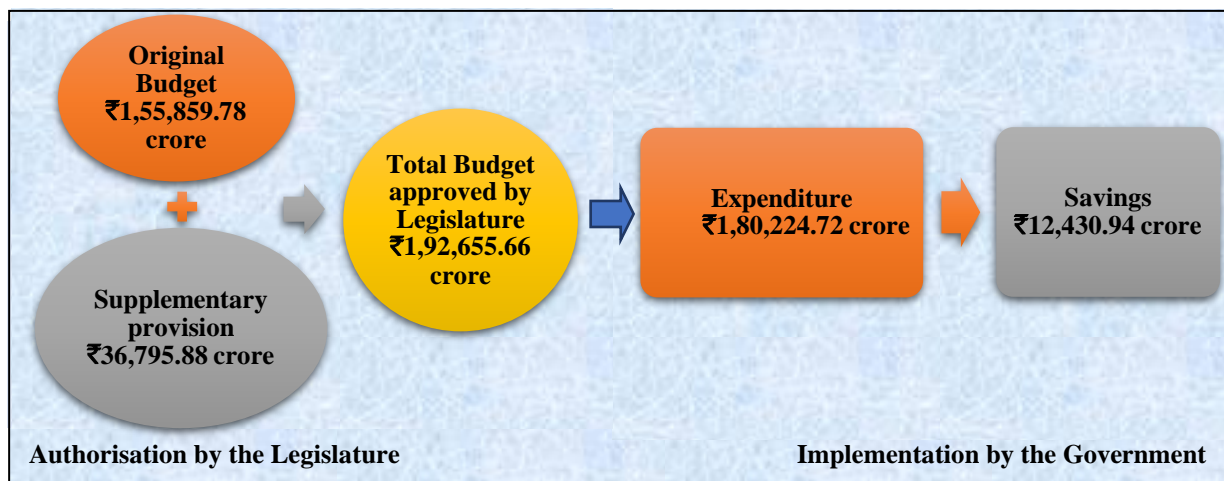
Chart 3.1: Details of State Budget Documents



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 **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 2022-23

A summarised position of total budget provisions, disbursements and savings with its further bifurcation into voted/charged during 2022-23 for total 42 grants/appropriations is given in **Table 3.1**.

Table 3.1: Budget provisions, disbursements and savings during the financial year 2022-23

(₹ in crore)

Description	Total Budget provisions		Disbursements		Savings	
	Voted	Charged	Voted	Charged	Voted	Charged
Revenue	95,606.62	23,439.75	90,502.11	23,235.70	5,104.51	204.05
Capital	12,239.21	0.00	6,729.52	0.00	5,509.69	0.00
Loans and Advances	1,424.08	0.00	1,381.68	0.00	42.40	0.00
Public Debt	0.00	59,946.00	0.00	58,375.71	0.00	1,570.29
Total	1,09,269.91	83,385.75	98,613.31	81,611.41	10,656.60	1,774.34

Source: Appropriation Accounts

3.1.2 Charged and voted disbursements

Table 3.2: Break-up of total disbursements into Charged and Voted during the last five years (2018-2023)

(₹ in crore)

Year	Disbursements		Savings	
	Voted	Charged	Voted	Charged
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
2021-22	86,173.21	40,397.27	23,236.63	29,597.87
2022-23	98,613.31	81,611.41	10,656.60	1,774.34

Source: Appropriation Accounts

3.1.3 Budget marksmanship

3.1.3.1 Aggregate Expenditure Outturn

Aggregate expenditure outturn measures the deviation in actual expenditure (Actuals) compared with the Budget Estimate (BE) originally approved, both in terms of less than and in excess of approval, as given in **Table 3.3**.

Table 3.3: Comparison of Budget Estimates and Actual Outturn during the year 2022-23

(₹ in crore)

Description	Approved Budget (Original + Supplementary) (BE)	Actual Outturn	Difference between Actual and BE*
(1)	(2)	(3)	(4=2-3)
Revenue	1,19,046.37	1,13,737.81	(-) 5,308.56
Capital	73,609.29	66,486.91	(-) 7,122.38
Total	1,92,655.66	1,80,224.72	(-) 12,430.94

Source: Appropriation Accounts

* Excess of actuals over original provision is denoted as (+) figure and shortage of actuals over original provision is denoted as (-) figure

In the Revenue section, there was saving of 4.46 per cent compared with Budget Estimates (BE). This was due to excess/saving up to 25 per cent in 30 grants, between 25 per cent and 50 per cent in nine grants; and between 50 per cent and 100 per cent in three grants (**Appendix 3.1**).

In the Capital section, there was saving of 9.68 per cent compared with BE. This was due to saving up to 25 per cent in 11 grants, between 25 per cent and 50 per cent in 9 grants; and between 50 per cent and 100 per cent in 17 grants. No provision was made in respect of five grants of the Capital section. (**Appendix 3.2**).

3.1.3.2 Expenditure Composition Outturn

Expenditure Composition Outturn measures the extent to which re-allocations between the main budget categories during execution have contributed to variance in expenditure composition as given in **Table 3.4**.

Table 3.4: Comparison of Budget Estimates, Revised Estimates and Actual Outturn during the year 2022-23

(₹ in crore)

Description	Budget Estimates (BE)	Revised Estimates (RE)	Actual Outturn	Difference between BE & RE	Difference between Actual and RE*
(1)	(2)	(3)	(4)	(5=2-3)	(6=3-4)
Revenue	1,19,046.37	1,17,453.98	1,13,737.81	1,592.39	(-)3,716.17
Capital	73,609.29	69,871.34	66,486.91	3,737.95	(-)3,384.43
Total	1,92,655.66	1,87,325.32	1,80,224.72	5,330.34	(-)7,100.60

Source: Appropriation Accounts (2022-23) and Demand for Grants (2023-24)

* Excess of actuals over revised estimate is denoted as (+) figure and shortage of actuals over original provision is denoted as (-) figure

In the Revenue section, there was saving of 3.16 *per cent* compared with Revised Estimates (RE). This was due to excess/saving up to 25 *per cent* in 38 grants, between 25 *per cent* and 50 *per cent* in three grants and between 50 *per cent* and 100 *per cent* in one grant. (**Appendix 3.3**).

In the Capital section, there was saving of 4.84 *per cent* compared with RE. This was due to saving up to 25 *per cent* in 20 grants, between 25 *per cent* and 50 *per cent* in five grants, between 50 *per cent* and 100 *per cent* in six grants and equal to 100 *per cent* in four grants. Revised provision of ₹ 1,000 was made in Grant No. 7 while no provision was, however, made in respect of six grants (Grant Nos. 10, 14, 18, 26, 32 and 37) of the Capital section (**Appendix 3.4**).

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 provisions, 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, 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 no expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorised by the Appropriation Act for a financial year, except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund. It was, however, observed that an expenditure of ₹ 364.78 crore (**Appendix 3.5**) was incurred in 16 schemes (more than ₹ one crore in each scheme) under eight grants during the year 2022-23

without having any provision in the original budget estimates/ supplementary demands and without issuing any re-appropriation orders to this effect.

The State Government, while attributing the reasons for expenditure without budget to failure of the departments concerned to obtain supplementary budget provisions, stated (November 2023) that requisite changes would be made in IFMS to eliminate such instances.

3.3.2 Incorrect classification of Head of Account in Budget Estimates

During scrutiny of the budget, it was noticed that an amount of ₹ 388.71 crore under six schemes (exceeding ₹ one crore in each scheme) was booked under the wrong head of account as given in **Table 3.5**.

Table 3.5: Budget provision under wrong Head of Account during 2022-23

Sr. No.	Head of Account printed in budget document	Amount (₹ in crore)	Head of Account approved by PAG (A&E) office
1.	2202-01-101-35-Government Aid to Primary Schools	22.55	2202-01-101-30-Government Aid to Primary Schools
2.	2202-01-101-34-EDS-57-Attendance Scholarship to SC Primary Girls Students	6.28	2202-01-789-19-EDS-57-Attendance Scholarship to SC Primary Girls Students
3.	2202-03-103-50-Internet Allowance to the Students Studying in Higher Education in the State	43.00	2202-03-102-25-Internet Allowance to the Students Studying in Higher Education in the State
4.	4217-60-051-20-Punjab Municipal Services Improvement Project (PMSIP) World Bank Project -99-53-Major Works	300.00	4217-60-051-18-Punjab Municipal Services Improvement Project (PMSIP) World Bank Project -99-53-Major Works
5.	4515-00-789-41-Modernization and Improvement of SC villages having more than 50 per cent SC population-99-53-Major Works	10.00	4515-00-789-08-Modernization and Improvement of SC villages having more than 50 per cent SC population-99-53-Major Works
6.	4515-00-789-44-RDO (S) 18-To make one joint cremation ground in a village-99-53-Major Works	6.88	4515-00-789-21-RDO(S) 18-To make one joint cremation ground in a village-99-53-Major Works
Total		388.71	

Source: O/o the Accountant General (Accounts & Entitlement), Punjab and Demand for Grants

The State Government stated (December 2023) that the observation had been noted and necessary changes would be made in the budget estimates for the year 2024-25, if feasible.

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 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.

It was noticed that supplementary provisions of ₹ 2,249.49 crore during the year 2022-23 in 17 cases (more than ₹ one crore in each case) proved unnecessary (**Appendix 3.6**) as the expenditure did not come up even to the level of original provisions. Similarly, supplementary provisions of ₹ 3,207.85 crore in 21 cases (more than ₹ one crore in each case) proved excessive (**Appendix 3.7**) as full amount of supplementary provisions could not be utilised.

The State Government stated (November 2023) the departments were unable to utilise the sanctioned amount due to various reasons. It was ensured that due diligence would be made while preparing budget estimates for the financial year 2024-25.

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 2022-23, re-appropriation orders under 40 grants (for grant no. 19, no amount was proposed) amounting to ₹ 27,218.91 crore were issued. All re-appropriation orders were issued on 31 March 2023.

Further, in nine schemes (**Appendix 3.8 - Sr. Nos. 2, 3, 5, 6, 7, 8, 10, 13 and 14**), reduction of provision (exceeding ₹ one crore in each scheme) through re-appropriation orders effected by various departments proved injudicious as there was excess expenditure under these cases. In 20 schemes, augmentation of provision proved unnecessary because expenditure did not come up to the level of original/supplementary budget provision.

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 and 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.

Analysis of grants and appropriations showed that in 19 cases (under 15 grants) during the year 2022-23, savings (excluding surrenders) exceeded ₹ 100 crore in each case (**Appendix 3.9**). It was further noticed that

in three grants, no expenditure *vis-à-vis* total grant amounting to ₹ 94.70 crore (Table 3.6) was incurred during the current year.

Table 3.6: Entire grant remaining unutilised during the year 2022-23

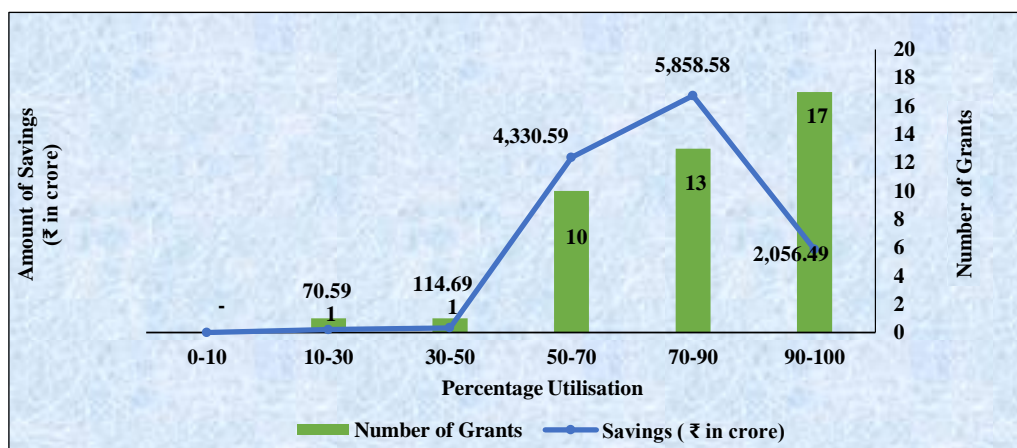
(₹ in crore)		
Sr. No.	Number and Name of grant	Amount
1.	04-Defence Services Welfare (Capital – Voted)	25.78
2.	16-Labour (Capital – Voted)	67.21
3.	39-Printing and Stationery (Capital – Voted)	1.71
Total		94.70

Source: Appropriation Accounts

Further, it was also observed that in 16 cases under 13 grants, there were persistent savings exceeding ₹ 100 crore in each case during 2020-21 to 2022-23 (Appendix 3.10).

Details of grants grouped by percentage of utilisation along with total savings during 2022-23 is shown in Appendix 3.11 and Chart 3.3.

Chart 3.3: Distribution of number of Grants/Appropriations grouped by percentage of utilisation along with total savings



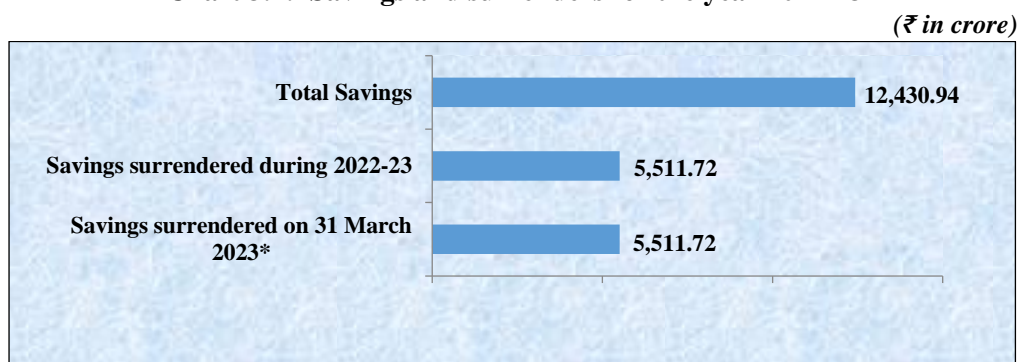
Source: Appropriation Accounts

No objective 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 funds which they could have utilised. 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 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 (exceeding ₹ one crore in each case) under 18 Grants and two Appropriations amounting to ₹ 3,865.67 crore (*Appendix 3.12*) were not surrendered at all. Details of savings (exceeding ₹ 10 crore in each case) surrendered on the last day of March 2023 are given in *Appendix 3.13*. Further, it was also noticed that an amount of ₹ 61.42 crore was surrendered under Grant 21-Public Works (Revenue-Voted) though there was an excess expenditure of ₹ 52.93 crore thereunder.

Chart 3.4: Savings and surrenders for the year 2022-23



Source: Appropriation Accounts

* the entire savings were surrendered on last day of 31 March 2023

Chart 3.4 shows that only 44.34 per cent of the savings were surrendered and that too on the last day of the financial year i.e. 31 March 2023.

As regards audit observations raised under paragraphs 3.3.3, 3.3.4 and 3.3.5, the State Government stated (November 2023) that necessary checks would be incorporated in IFMS to restrain such cases of expenditure without provision, unnecessary supplementary provisions, etc. in future.

3.3.6 Excess expenditure and its regularisation

As per Article 204 of the Constitution of India, 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 the Article *ibid*. Further, Article 205(1)(b) of the Constitution 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. This implies that 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 the budget made for the purpose.

The details of excess expenditure during the year 2022-23 requiring regularisation by the Legislature are given in **Table 3.7**.

Table 3.7: Excess expenditure during 2022-23 requiring regularisation

(₹ in crore)		
Grant No./ Appropriation	Grant/Appropriation details	Excess expenditure requiring regularisation
08	Finance (Revenue – Voted)	1,405.65
21	Public Works (Revenue – Voted)	52.93
41	Water Supply and Sanitation (Revenue – Voted)	16.53
Total		1,475.11

Source: Appropriation Accounts

Table 3.7 shows that there was an excess disbursement of ₹ 1,475.11 crore over the authorisation made by the State Legislature under three Grants during 2022-23.

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 one grant. Persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on a realistic basis. Such repeated excess expenditure is in violation of the will of the 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.

Audit noticed that in one scheme under Grant-08-Finance, there was persistent excess expenditure of more than ₹ 10 crore during the last five years, as detailed in **Table 3.8**.

Table 3.8: Persistent excess expenditure during 2018-19 to 2022-23

(₹ in crore)						
Sr. No.	Description of Grant/ Appropriation	2018-19	2019-20	2020-21	2021-22	2022-23
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	6,000.00	6,300.00	7,400.00	8,100.00	10,180.00
	Expenditure	6,290.39	6,487.05	8,031.84	8,796.77	10,644.66
	Excess	290.39	187.05	631.84	696.77	464.66

Source: Appropriation Accounts

The State Government attributed (November 2023) the reason for excess expenditure mainly to increase in number of pension cases, exact estimate of which was not possible and ensured that due care would be taken in this regard while preparing the revised estimates in the next financial year.

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 2022-23 was ₹ 1,92,655.66 crore. The actual gross expenditure during the year was ₹ 1,80,224.72 crore. This resulted in savings of ₹ 12,430.94 crore in 2022-23 of which only ₹ 5,511.72 crore (44.34 per cent) was surrendered and that too on the last day of the financial year i.e. 31 March 2023. The details are given in **Table 3.9**.

Table 3.9: Actual expenditure vis-à-vis budget provisions during the year 2022-23

(₹ in crore)

Nature of expenditure		Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total Budget	Actual expenditure	Savings	Surrenders	
							Amount	Per cent
Voted	I. Revenue	8,6591.84	9,014.78	95,606.62	90,502.11	5,104.51	2,314.68	45.35
	II. Capital	10,981.09	1,258.12	12,239.21	6,729.52	5,509.69	3,184.12	57.79
	III. Loans & Advances	1,000.24	423.84	1,424.08	1,381.68	42.40	11.93	28.14
Total		98,573.17	10,696.74	1,09,269.91	98,613.31	10,656.60	5,510.73	51.71
Charged	V. Revenue	21,340.24	2,099.51	23,439.75	23,235.70	204.05	0.99	0.49
	VII. Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VIII. Public Debt-Repayment	35,946.37	23,999.63	59,946.00	58,375.71	1,570.29	0.00	0.00
Total		57,286.61	26,099.14	83,385.75	81,611.41	1,774.34	0.99	0.06
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grand Total		1,55,859.78	36,795.88	1,92,655.66	1,80,224.72	12,430.94	5,511.72	44.34

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 (₹ 77.16 crore) and Capital Heads (₹ 62.30 crore).

Composition of expenditure is given in **Table 3.10**.

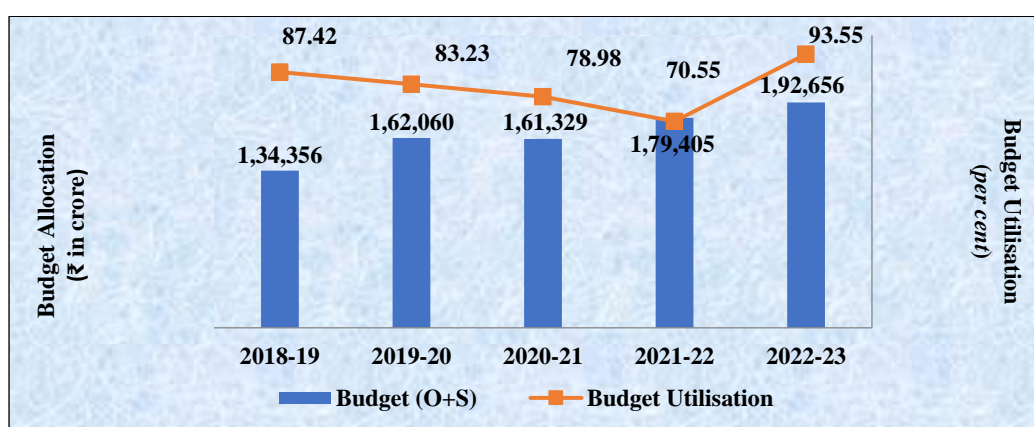
Table 3.10: Composition of expenditure

Parameters	Amount	Percentage
Revenue expenditure	1,13,737.81	63.11
Capital expenditure	6,729.52	3.73
Loans and Advances	1,381.68	0.77
Public Debt	58,375.71	32.39
Total expenditure	1,80,224.72	100.00

Source: Appropriation Accounts.

The position of budget utilisation during the previous five years is given in **Chart 3.5**.

Chart 3.5: Budget utilisation during 2018-19 to 2022-23



Source: Appropriation Accounts

('O'-Original; 'S'-Supplementary)

Trends in the original and supplementary budget, revised estimate and actual expenditure for the period 2018-19 to 2022-23 are given in **Table 3.11**.

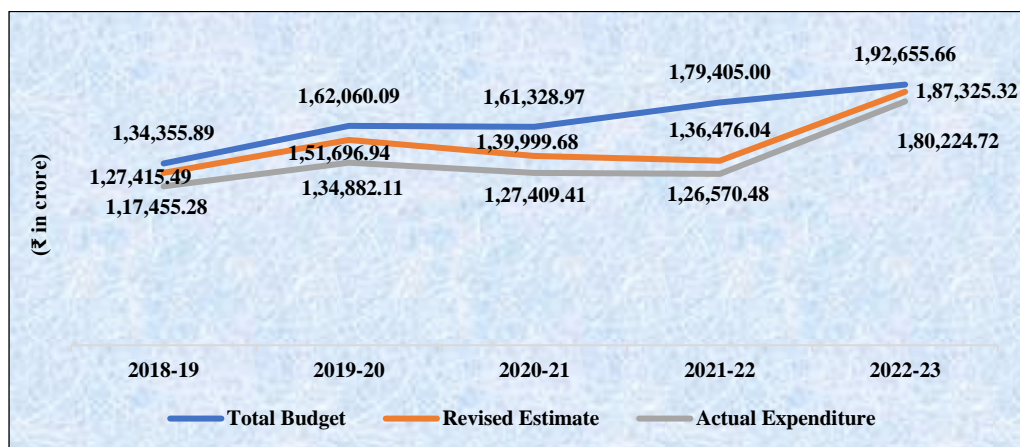
Table 3.11: Original Budget, Supplementary Budget, Revised Estimate and Actual Expenditure during 2018-2023

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Original Budget	1,29,697.63	1,58,492.66	1,54,805.29	1,68,015.19	1,55,859.78
Supplementary budget	4,658.26	3,567.43	6,523.68	11,389.81	36,795.88
Total budget (TB)	1,34,355.89	1,62,060.09	1,61,328.97	1,79,405.00	1,92,655.66
Revised Estimate (RE)	1,27,415.49	1,51,696.94	1,39,999.68	1,36,476.04	1,87,325.32
Actual Expenditure (AE)	1,17,455.28	1,34,882.11	1,27,409.41	1,26,570.48	1,80,224.72
Savings	16,900.61	27,177.98	33,919.56	52,834.52	12,430.94
Percentage of supplementary to the original provision	3.59	2.25	4.21	6.78	23.61
Percentage of overall savings to the overall provisions	12.58	16.77	21.02	29.45	6.45
TB-RE	6,940.40	10,363.15	21,329.29	42,928.96	5,330.34
RE-AE	9,960.21	16,814.83	12,590.27	9,905.56	7,100.60
(TB-RE) as per cent of TB	5.17	6.39	13.22	23.93	2.77
(RE-AE) as per cent of TB	7.41	10.38	7.80	5.52	3.69

Source: Annual Financial Statement and Appropriation Accounts

Trend showing budget estimates (BE), revised estimates (RE) and actuals is depicted in **Chart 3.6**.

Chart 3.6: Trend showing BE, RE and Actuals during 2018-2023



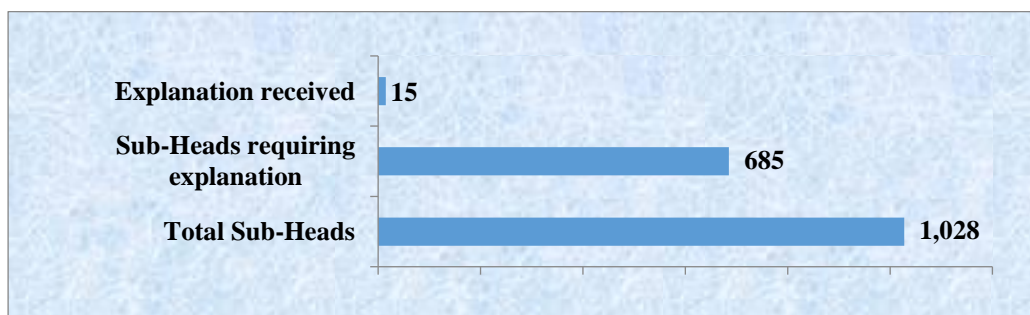
Source: Annual Financial Statement and Appropriation Accounts

Table 3.11 and **Chart 3.6** show that over the years from 2018-19 to 2022-23, RE was always lower than TB of the State. The gap between RE and TB showed an increasing trend during the first four years i.e. 2018-19 (5.17 per cent) to 2021-22 (23.93 per cent) though it came down to 2.77 per cent during the current year. The supplementary provisions during the years 2018-19 to 2022-23 constituted 2.25 per cent to 23.61 per cent of the original provisions. However, the supplementary provisions proved unnecessary as the expenditure did not come up even to the level of original budget provisions during the same period except for the year 2022-23 when 66.22 per cent of the supplementary budget was utilised during this year. The overall savings remained between 6.45 per cent and 29.45 per cent of the budget provisions during the period 2018-2023.

This reflects that the budgetary allocations were based on unrealistic proposals. The State Government stated (November 2023) that the Finance Department would make efforts to minimise the difference between RE and AE.

Status of explanations received in case of variations in Appropriation Accounts is depicted in **Chart 3.7**.

Chart 3.7: Status of explanations for variation in Appropriation Accounts



Source: Office of the Accountant General (Accounts & Entitlement), Punjab

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 deprive other departments of the funds which they could have utilised.

It was observed that under three schemes², there was a budget provision of ₹ 20,296.96 crore (₹ 100 crore or more in each scheme) which was further revised to ₹ 4,214.06 crore through re-appropriation (*Appendix 3.14*). However, no expenditure was incurred in these schemes.

As regards Grant No. 8-Finance, the State Government stated (November 2023) that earlier they were availing Ways and Means Advances and Overdraft from RBI for which budget provision was being made under head of account '6003-00-110-01'. From the current year, the State Government had started obtaining short term loans from RBI under Special Drawing Facility. Accordingly, a new head of account '6003-00-112-01' was opened and an amount of ₹ 16,000 crore was re-appropriated to this head of account from '6003-00-110-01'. However, the State Government did not furnish reasons for non-utilisation of the entire charged appropriation under Grant No. 8 (Finance). As regards Grant Nos. 17 and 23, it was stated (November 2023) that the matter would be taken up with the departments concerned to obtain their justification.

Further, under 11 schemes, there was approved outlay of ₹ 618.19 crore which was fully withdrawn in the revised outlay, as shown in *Appendix 3.15*. This reflects that budgetary allocations were based on unrealistic proposals.

The State Government stated (November 2023) the Finance Department would monitor the sanctions of re-appropriation orders before sending these to the office of the Accountant General (A&E), Punjab. It was added that necessary checks would also be incorporated in IFMS to avoid such instances/lapses.

Audit further noticed that out of total 16 schemes i.e. two³ core of core schemes and 14 core schemes⁴ (as categorised by GoI) were being implemented by the State Government during 2022-23. Of these, 11 schemes had original budget

² (i) Grant No. 8-Finance (6003-00-110-01-Loans and Advances from Reserve Bank of India); (ii) Grant No. 17-Local Government (4217-60-051-14-Mission for Development of 100 Smart Cities 03-Development of Sultanpur Lodhi); and (iii) Grant No. 23-Rural Development and Panchayats (3604-00-200-29- Grants-in-aid to PRIs as per recommendations of 15th Central Finance commission 01-Health Sector Grant for Public health Units at Block level.

³ (i) Mahatma Gandhi National Rural Employment Guarantee Program; and (ii) National Social Assistance Program.

⁴ Ayushman Bharat Health Infrastructure Mission Scheme is a sub-component of Assistance to National Health Mission Scheme and therefore, it has not been considered as a separate scheme.

provisions of ₹ 100.00 crore or more. The position of budget allotment under these 11 schemes showed that original budget provisions ranging between 23 per cent and 98 per cent were withdrawn through re-appropriation under nine schemes (*Appendix 3.16 - Scheme No. II to VII and IX to XI*). This shows lack of budget intent on the part of the State Government, thereby affecting the implementation of the respective schemes.

3.4.3 New Schemes

The details of amounts to be spent on 11 new schemes as per Annual Financial Statement (₹ 100 crore or more in each scheme), budget provisions made and expenditure incurred there against during 2022-23 are given in *Appendix 3.17*.

It was noticed that less expenditure than the amount envisaged in the Annual Financial Statement was incurred under these new schemes during the year 2022-23. This was due to the fact that either budget provision was withdrawn through re-appropriation and/or budget provision was not fully utilised.

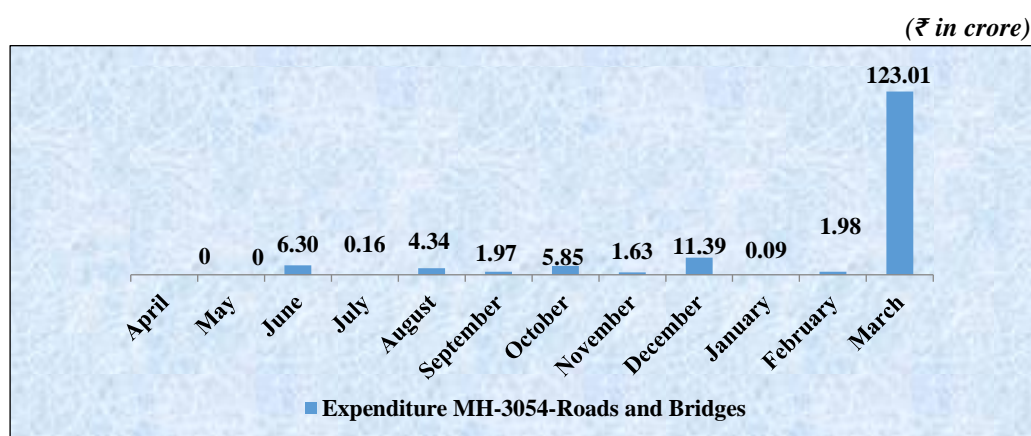
3.4.4 Rush of expenditure

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.

Government funds should be spent evenly throughout the year. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalances and temporary cash crunches arising out of unanticipated heavy expenditure.

Audit noticed that under nine major heads expenditure incurred during the month of March 2023 ranged between 50.63 per cent and 100 per cent of the total expenditure, as detailed in *Appendix 3.18*. Month-wise expenditure under Major Head 3054-Roads and Bridges during 2022-23 is detailed in **Chart 3.8**.

Chart 3.8: Month-wise expenditure under Major Head 3054-Roads and Bridges during 2022-23



Source: Office of the Accountant General (Accounts & Entitlement), Punjab

Chart 3.8 shows that under Major Head-3054, 78.49 *per cent* (₹ 123.01 crore) of the total expenditure of ₹ 156.72 crore was incurred in the month of March 2023.

Further, the entire expenditure of ₹ 6,453.44 crore in 27 sub-heads (exceeding ₹ 10 crore in each case) was incurred in the month of March 2023 (**Appendix 3.19**).

The State Government stated (November 2023) that the Finance Department had issued (July 2022) comprehensive directions for better management of financial resources to all the departments. It was further stated (December 2023) that the Department of Finance would maximise its efforts to balance the expenditure throughout the financial year.

3.4.5 Review of selected grants

A review of budgetary procedure and control over expenditure in respect of two selected grants i.e. '22-Revenue and Rehabilitation' and '23-Rural Development and Panchayats' was conducted wherein the magnitude of variations in original grants, supplementary demands and actual expenditure were analysed.

3.4.5.1 Grant No. 22-Revenue and Rehabilitation

(i) Introduction

Grant No. '22-Revenue and Rehabilitation includes Major Heads '2029-Land Revenue', '2030-Stamps and Registration', '2052-Secretariat-General Services', '2053-District Administration', '2235-Social Security and Welfare', '2245-Relief on account of Natural Calamities', '2250-Other Social Services' and '4059- Capital Outlay on Public Works'.

(ii) Budget and Expenditure

The overall position of budget provisions, expenditure and savings under Grant No. 22 for the last three years (2020-21 to 2022-23) is given in **Table 3.12**.

Table 3.12: Budget and Expenditure under Grant No. 22 during 2020-2023

(₹ in crore)					
Year	Section	Budget provision	Total	Expenditure	Unutilised provision (percentage)
2020-21	Revenue-Original (V)	1,756.23	2,829.73	1,955.05	874.68
	Supplementary	1,073.50			(30.91)
	Revenue-Original (C)	0.25	0.25	0.16	0.09
	Supplementary	0.00			(36.00)
	Capital-Original (V)	0.02	3.71	3.70	0.01
	Supplementary	3.69			(0.27)

Year	Section	Budget provision	Total	Expenditure	Unutilised provision (percentage)
2021-22	Revenue-Original (V)	1,715.12	2,966.02	2,776.34	189.68 (6.40)
	Supplementary	1,250.90			
	Revenue-Original (C)	0.13	0.20	0.17	0.03 (15.00)
	Supplementary	0.07			
	Capital-Original (V)	0.02	0.02	0.00	0.02 (100)
	Supplementary	0.00			
2022-23	Revenue-Original (V)	1,884.86	1,983.86	1,384.36	599.50 (30.22)
	Supplementary	99.00			
	Revenue-Original (C)	0.30	0.30	0.18	0.12 (40.00)
	Supplementary	0.00			
	Capital-Original (V)	0.00	3.10	3.10	0.00 (0.00)
	Supplementary	3.10			

Source: Appropriation Accounts

Table 3.12 shows that unutilised budget provision under Revenue (Voted) ranged between 6 per cent and 31 per cent during the period 2020-2023.

The overall position of budget provisions, expenditure and savings under seven programmes (having original budget provisions or total budget provisions of ₹ 10 crore or more) implemented under Grant No. 22 (**Appendix 3.20**) shows that there were substantial savings of more than 20 per cent in four programmes and no expenditure was incurred in one programme (**Sr. No. 1 of Appendix 3.20**).

(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 No. 22-Revenue and Rehabilitation during 2020-2023 is depicted in **Table 3.13**.

Table 3.13: Non-surrender of savings under Grant No. 22 during 2020-2023

Year	Savings			Amount surrendered (percentage)		
	Revenue(V)	Revenue(C)	Capital(V)	Revenue(V)	Revenue(C)	Capital(V)
2020-21	874.68	0.09	0.01	0 (0)	0 (0)	0 (0)
2021-22	189.68	0.03	0.02	0 (0)	0 (0)	0 (0)
2022-23	599.50	0.12	0.00	0 (0)	0 (0)	0 (0)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total savings.

Table 3.13 shows that no amount was surrendered during three years period i.e. 2020-2023 despite having large savings under Revenue (Voted) section of the Grant.

(iv) Entire provision remained unutilised

It was observed that the entire budget allocation (₹ one crore or more in each case) remained unutilised under three schemes (Grant No. 22) during 2022-23, indicating non-implementation of the schemes as shown in **Table 3.14**.

Table 3.14: Entire provision (₹ one crore or more) remained unutilised under Grant No. 22 during 2022-23

(₹ in crore)

Sr. No.	Head of Account	Original Budget	Re-appropriation/ Supplementary	Net Budget
1.	2029-00-103-04-National Land Records Modernisation Programme	49.64	-31.65	17.99
2.	2245-02-122-01-Repairs and restoration of damaged irrigation and flood control works	2.00	0.00	2.00
3.	4059-01-051-06-Division offices and District Tehsil Complexes	0.00	2.00	2.00

Source: Appropriation Accounts

(v) Excessive 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 2022-23, it was observed that augmentation of provision of ₹ 170.92 crore under four schemes proved excessive as there were savings under all these schemes as detailed in **Table 3.15**.

Table 3.15: Statement showing excessive re-appropriation of funds under Grant No. 22 during 2022-23

(₹ in crore)

Sr. No.	Head of Account	Original grant	Supplementary grant	Re-appropriation	Total	Expenditure	Savings
1.	2053-00-093-01-District Establishments	391.18	0.00	36.11	427.29	400.99	26.30
2.	2245-02-111-01-Ex-gratia payments to bereaved families	0.65	0.00	19.84	20.49	15.66	4.83
3.	2245-02-113-01-Assistance for repairs/reconstruction of Houses	2.50	0.00	4.00	6.50	5.31	1.19
4.	2245-08-797-01-State Disaster Mitigation Fund	0.00	99.00	171.60	270.60	132.00	138.60
Total		394.33	99.00	231.55	724.88	553.96	170.92

Source: Appropriation Accounts

3.4.5.2 Grant No. 23-Rural Development and Panchayats**(i) Introduction**

Grant No. '23-Rural Development and Panchayats' includes Major Heads '2202-General Education', '2415-Agricultural Research and Education', '2501-Special Programmes for Rural Development', '2515-Other Rural Development Programmes', '3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions' and '4515-Capital Outlay on Other Rural Development Programmes'.

(ii) Budget and Expenditure

The overall position of budget provisions, expenditure and savings under the Grant for the last three years is given in **Table 3.16**.

Table 3.16: Budget and Expenditure under Grant No. 23 during 2020-2023*(₹ in crore)*

Year	Section	Budget provision	Total budget provision	Expenditure	Unutilised provision (percentage)
2020-21	Revenue-Original (V)	2,330.38	4,700.01	3,774.16	925.85 (19.70)
	Supplementary	2,369.63			
	Revenue-Original (C)	0.00	0.04	0.04	0.00 (0.00)
	Supplementary	0.04			
	Capital-Original (V)	1,499.57	1,499.57	214.37	1,285.20 (85.70)
	Supplementary	0.00			
2021-22	Revenue-Original (V)	2,019.23	2,947.74	1,994.98	952.76 (32.32)
	Supplementary	928.51			
	Revenue-Original (C)	0.00	0.33	0.24	0.09 (27.27)
	Supplementary	0.33			
	Capital-Original (V)	1,724.49	1,724.49	356.00	1,368.49 (79.36)
	Supplementary	0.00			
2022-23	Revenue-Original (V)	2,405.43	3,107.72	2,295.07	812.65 (26.15)
	Supplementary	702.29			
	Revenue-Original (C)	0.09	0.19	0.19	0.00 (0.00)
	Supplementary	0.10			
	Capital-Original (V)	597.27	597.27	297.88	299.39 (50.13)
	Supplementary	0.00			

Source: Appropriation Accounts

Table 3.16 shows that unutilised budget provision under Capital (Voted) ranged between 50 per cent and 86 per cent during 2020-21 to 2022-23, which reflected inadequate performance on the part of the State Government.

The overall position of budget provisions, expenditure and savings under 21 programmes (having original budget provisions or total budget provisions of ₹ 10 crore or more) implemented under Grant No. 23 (**Appendix 3.21**)

shows that there were substantial savings of more than 20 per cent in nine programmes and no expenditure was incurred in one programme (Sr. No. 16 of Appendix 3.21).

(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 3.17**.

Table 3.17: Non-surrender of savings under Grant No. 23 during 2020-2023

Year	Savings			Amount surrendered (percentage)		
	Revenue (V)	Revenue (C)	Capital (V)	Revenue (V)	Revenue (C)	Capital (V)
2020-21	925.85	0.00	1,285.20	45.24 (4.89)	0.00 (0.00)	74.14 (5.77)
2021-22	952.76	0.09	1,368.49	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
2022-23	812.65	0.00	299.39	0.00 (0.00)	0.00 (0.00)	196.85 (65.75)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total savings.

Table 3.17 shows that only 4.89 per cent and 5.77 per cent savings were surrendered during 2020-21 under Revenue-Voted and Capital-Voted section respectively. No savings were surrendered during the year 2021-22 while 65.75 per cent of the savings under Capital-Voted section were surrendered during 2022-23.

(iv) Persistent savings

A substantial portion of the budget allocation remained unutilised (exceeding ₹ one crore in each case) under four schemes during 2020-21 to 2022-23, indicating non-achievement of the projected financial outlays in the respective years, as detailed in **Table 3.18**.

Table 3.18: Persistent savings (exceeding ₹ one crore) under Grant No. 23 during 2020-2023

Sr. No.	Head of Account	Amount (₹ in crore)		
		2020-21	2021-22	2022-23
Revenue (V)				
1.	2515-00-101- 10-Rashtriya Gram Swaraj Abhiyan	52.75 (77.57)	55.78 (82.03)	2.91 (8.73)
2.	2515-00-104- 01-Strengthening/ Administration of District Rural Development Agencies/Zila Parishads	29.72 (74.43)	32.05 (80.27)	3.68 (46.70)

Sr. No.	Head of Account	2020-21	2021-22	2022-23
3.	2515-00-789-06-Mahatma Gandhi National Rural Employment Guarantee Scheme	66.25 (22.08)	155.17 (35.27)	91.77 (17.69)
4.	2515-00-789-11-Strengthening/ Administration of District Rural Development Agencies in the State	9.81 (73.70)	10.33 (77.63)	1.23 (46.67)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of savings to total provisions.

(v) *Entire provision remained unutilised*

The entire budget allocation (exceeding ₹ one crore in each case) remained unutilised under two schemes during 2022-23, indicating non-implementation of schemes as shown in **Table 3.19**.

Table 3.19: Entire provision (exceeding ₹ one crore in each case) remained unutilised under Grant No. 23 during 2022-23

(₹ in crore)					
Sr. No.	Head of Account	Original Budget	Supplementary	Re-appropriation	Net Budget
1.	2515-00-800-29-Mahatma Gandhi National Rural Employment Guarantee Scheme- 01-Social Audit	0.00	3.00	0.00	3.00
2.	3604-00-200-29-Grants-in-aid to PRIs as per recommendations of 15th Central Finance Commission- 01-Health Sector Grant for Public Health Units at Block Level	83.77	85.29	0.00	169.06

Source: Appropriation Accounts

(vi) *Entire provision withdrawn*

The entire budget allocation of ₹ 1.50 crore was withdrawn under the scheme 2515-00-102-04-Friends of Punjab-NRI-Mukh Mantri "Garima Gram Yojana" during 2022-23 due to non-release of funds by the Finance Department, indicating non-implementation of the scheme in the current year.

(vii) *Unnecessary supplementary provisions/re-appropriation*

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.

It was observed that under Grant No. 23, supplementary provisions of ₹ 387.62 crore under six schemes as well as re-appropriation of ₹ 40.43 crore under the head of account '3604-00-200-29-Grants-in-aid to PRI's as per Recommendations of 15th Central Finance Commission-04-Tied Grant (Sr.No.6) during the year 2022-23 proved unnecessary, as the expenditure was either equal or did not come up even to the level of the original budget provisions, as shown in **Table 3.20**.

Table 3.20: Unnecessary/excessive supplementary provisions under Grant No. 23 during 2022-23

(₹ in crore)							
Sr. No.	Head of Account	Original grant	Supplementary provision	Re-appropriation	Total	Expenditure	Savings
1.	2515-00-104- 01- Strengthening/ Administration of District Rural Development Agencies/Zila Parishads	10.50	3.68	-6.30	7.88	4.20	3.68
2.	2515-00-789-06- Mahatma Gandhi National Rural Employment Guarantee Scheme	480.00	38.70	0.00	518.70	426.93	91.77
3.	2515-00-789-11- Strengthening/ Administration of District Rural Development Agencies in the State	3.50	1.23	-2.10	2.63	1.40	1.23
4.	2515-00-800- 29- Mahatma Gandhi National Rural Employment Guarantee Scheme	120.00	9.68	0.00	129.68	108.34	21.34
5.	3604-00-200-29-Grants-in-aid to PRIs as per recommendations of 15th Central Finance Commission- 02-Health Sector Grant for Building-less Sub-Centers, PHCs & CHCs	66.93	66.96	0.00	133.89	66.93	66.96
6.	3604-00-200-29-Grants-in-aid to PRIs as per recommendations of 15th Central Finance Commission- 04-Tied Grant	637.20	267.37	40.43	945.00	626.40	318.60
Total		1,318.13	387.62	32.03	1,737.78	1,234.20	503.58

Source: Appropriation Accounts

The State Government stated (November and December 2023) that unnecessary supplementary provisions, excessive supplementary provisions and savings occurred due to various issues in line departments. For example, in Revenue Department, the budget provision made under State Disaster Response Fund remained unutilised as no natural calamity occurred. It was

added that the Finance Department would take up the matter with the departments concerned to obtain their justification.

3.5 Conclusion

The overall utilisation of budget was 93.55 *per cent* of total grants and appropriations during 2022-23.

Expenditure of ₹ 364.78 crore was incurred in 16 schemes under eight grants during the year 2022-23 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 a realistic basis as in 17 cases, the supplementary provisions of ₹ 2,249.49 crore proved unnecessary as the expenditure did not come up even to the level of the original provisions. Budgetary allocations were based on unrealistic proposals as in 15 out of 42 grants, savings excluding surrenders were more than ₹ 100 crore.

The excess expenditure of ₹ 1,475.11 crore for the current year 2022-23 was required to be regularised by the State Legislature.

Under three schemes, there was an approved outlay of ₹ 20,296.96 crore (₹ 100 crore or more in each scheme) which was revised to ₹ 4,214.06 crore, but no expenditure was incurred. Further, under 11 schemes, there was approved outlay of ₹ 618.19 crore which was fully withdrawn through re-appropriation orders, thereby depriving the beneficiaries of the intended benefits.

There was rush of expenditure at fag end of the year. In nine major heads, more than 50 *per cent* of the expenditure under each major head was incurred in the month of March 2023.

3.6 Recommendations

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

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