

## Chapter-I

### General

#### 1.1 Introduction

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

The Report has been organised in four chapters as under:

**Chapter-I** contains a brief profile of the State Government with the budget profile for the year 2023-24, the authority for audit, planning and conduct of audit, response of the Government to various audit products namely Inspection Reports, individual observations/paragraphs and follow-up action on Audit Reports.

**Chapter-II** contains Subject Specific Compliance Audit on ‘Implementation of Jal Jeevan Mission’.

**Chapter-III** contains Subject Specific Compliance Audit on ‘Implementation of Emergency Response Support System – ‘Dial 112’ in Punjab’.

**Chapter-IV** contains individual observations relating to Compliance Audit of Departments.

#### 1.2 Budget Profile

There are 43 departments and 60 autonomous bodies in the State<sup>1</sup>. The status of budget estimates and actual expenditure incurred by the State Government during 2019-2024 is given in **Table 1.1**.

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<sup>1</sup> Social, General and Economic Departments (other than Revenue Departments and Public Sector Undertakings).

**Table 1.1: Budget and actual expenditure of the State during 2019-2024**

(₹ in crore)

Expenditure	2019-20		2020-21		2021-22		2022-23		2023-24	
	Budget Estimates	Actuals								
<b>Revenue expenditure</b>										
General Services	39,449.00	38,614.35	43,540.25	43,253.01	47,421.79	47,239.77	53,617.47	54,002.90	56,234.55	57,118.45
Social Services	21,878.19	19,483.85	24,982.03	21,674.90	29,329.73	25,334.31	31,046.22	28,849.10	33,504.05	31,960.96
Economic Services	18,754.94	14,551.12	17,532.96	15,445.40	20,944.10	20,203.74	27,801.13	26,996.39	28,013.81	25,031.91
Grants-in-aid and Contributions	6,519.95	3,210.32	6,717.05	5,971.31	4,749.91	3,858.69	4,989.16	3,812.28	4,999.05	3,296.07
<b>Total</b>	<b>86,602.08</b>	<b>75,859.64</b>	<b>92,772.29</b>	<b>86,344.62</b>	<b>1,02,445.53</b>	<b>96,636.51</b>	<b>1,17,453.98</b>	<b>1,13,660.67</b>	<b>1,22,751.46</b>	<b>1,17,407.39</b>
Capital expenditure	19,641.30	17,827.73	6,821.68	4,382.32	10,078.80	8,009.98	8,513.20	6,667.21	6,406.29	4,742.81
Loans and Advances disbursed	820.87	783.88	923.63	955.79	1,592.76	1,575.81	1,412.14	1,381.67	292.61	195.82
Repayment of Public Debt (including Ways and Means Advances)	44,632.68	39,573.90	39,482.08	34,633.53	22,358.95	19,278.55	59,946.00	58,375.71	69,626.00	73,451.79
Contingency Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Account disbursements*	16,014.61	64,328.24	59,068.32	74,470.97	91,442.87	87,659.49	81,881.10	97,620.01	97,268.67	94,561.12
Closing Cash Balance	--	2,125.06	--	9,247.83	--	6,871.64	--	9,009.46	--	10,158.43
<b>Total</b>	<b>81,109.46</b>	<b>2,76,358.09</b>	<b>1,06,295.71</b>	<b>1,23,690.44</b>	<b>1,25,473.38</b>	<b>1,23,395.47</b>	<b>1,51,752.44</b>	<b>1,73,054.06</b>	<b>1,73,593.57</b>	<b>1,83,109.97</b>
<b>Grand Total</b>	<b>1,67,711.54</b>	<b>2,00,498.45</b>	<b>1,99,068.00</b>	<b>2,10,035.06</b>	<b>2,27,918.91</b>	<b>2,20,031.98</b>	<b>2,69,206.42</b>	<b>2,86,714.73</b>	<b>2,96,345.03</b>	<b>3,00,517.36</b>

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

\* Excludes transactions of investment of cash balances, departmental cash in chests and deposits with Reserve Bank of India.

As against the total budget outlay of ₹ 2,96,345 crore, the application of resources was ₹ 3,00,517 crore during the year 2023-24. The total expenditure<sup>2</sup> of the State increased by 29.51 per cent from ₹ 94,471 crore to ₹ 1,22,346 crore during the period 2019-20 to 2023-24. Revenue expenditure of the State increased by 54.77 per cent from ₹ 75,860 crore in 2019-20 to ₹ 1,17,407 crore in 2023-24. However, the revenue expenditure constituted 80-96 per cent of the total expenditure while capital expenditure ranged between four per cent and eight per cent during 2019-2024 except for the year 2019-20 when it was 19 per cent due to conversion of Ujjwal Discom Assurance Yojana (UDAY) loans amounting to ₹ 15,628 crore into equity capital in Punjab State Power Corporation Limited.

During the period from 2019-20 to 2023-24, revenue expenditure increased at compound annual growth rate of 11.54 per cent whereas revenue receipts grew at compound annual average rate of 9.71 per cent.

<sup>2</sup> Total of Revenue Expenditure, Capital Expenditure and Loans & Advances.

### 1.3 Authority for Audit

Authority for audit by the Comptroller and Auditor General of India (CAG) is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). The CAG conducts audit of expenditure of State Government Departments under Section 13<sup>3</sup> of the CAG's DPC Act. In addition, CAG also conducts audit of other Autonomous Bodies which are substantially financed by the Government under Section 14<sup>4</sup> of DPC Act. Section 16 of the CAG's DPC Act authorises CAG to audit all receipts (both revenue and capital) of the Government of India and of Government of each State and of each Union Territory having a legislative assembly and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts (Amendments), 2020 and Auditing Standards issued by the Indian Audit and Accounts Department.

### 1.4 Planning and Conduct of Audit

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

After completion of audit, an Inspection Report containing audit findings is issued to the head of the office with the request to furnish replies within four weeks. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India which are to be submitted to the Governor of Punjab under Article 151(2) of the Constitution of India.

During 2023-24, compliance audit of 980 entities (including implementing units) of the State was conducted by the office of the Principal Accountant General (Audit), Punjab. An amount of ₹ 0.06 crore was recovered during

<sup>3</sup> Audit of (i) all expenditure from the Consolidated Fund of State; (ii) all transactions relating to Contingency Fund and Public Accounts; and (iii) all trading, manufacturing, profit and loss accounts, balance-sheets and other subsidiary accounts.

<sup>4</sup> Several non-commercial autonomous/semi-autonomous bodies, established to implement Schemes for employment generation, poverty alleviation, spread of literacy, health for all and prevention of diseases, environment, etc., and substantially financed by the Government, are audited under Section 14.

2023-24 by various Departments after being pointed out by Audit through Inspection Reports.

### **1.5 Lack of Response of Government to Audit**

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

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

As of June 2024, 17,245 Inspection Reports containing 67,816 observations (issued up to March 2024) having money value of ₹ 73,534.62 crore, were not settled, of which 12,608 IRs containing 38,934 observations having money value of ₹ 34,646.13 crore pertained to the period prior to April 2019 i.e., more than five years old. The year-wise position of outstanding Inspection Reports/observations along with their money value is given in **Table 1.2**.

**Table 1.2: Outstanding Inspection Reports/observations**

Particulars	Prior to April 2019	2019-20	2020-21	2021-22	2022-23	2023-24	Total
<b>Inspection Reports</b>	12,608	1,335	721	1,012	802	767	<b>17,245</b>
<b>Observations</b>	38,934	6,754	3,905	5,836	5,848	6,539	<b>67,816</b>
<b>Money value (₹ in crore)</b>	<b>34,646.13</b>	<b>10,239.84</b>	<b>8,820.82</b>	<b>7,680.63</b>	<b>8,335.22</b>	<b>3,811.98</b>	<b>73,534.62</b>

*Source: Office records*

The purpose of audit is to check whether prescribed rules, laws and procedures are being adhered to and to highlight cases of non-compliance, systemic weaknesses and failures. The large number of pending IRs and audit observations pending settlement indicate inadequate response to audit observations. The lack of action on these audit observations weakens accountability and raises the risk of loss of revenue. Increasing pendency of audit paragraphs merits urgent attention of the Government for addressing the issues consistently raised by Audit. The departmental officers did not take action on observations contained in IRs within the prescribed time frame, resulting in erosion of accountability. It is recommended that the Government should ensure prompt and proper response to audit observations.

### 1.5.1 Departmental Audit Committee Meetings

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

As many as 575 audit observations involving money value of ₹ 62.91 crore were settled in 45 Audit Committee meetings held with 26 auditee units (AU) under 15 Departments<sup>5</sup> during 2023-24.

The Government may ensure holding Audit Committee meetings at regular intervals with all the Departments.

### 1.6 Response of Departments to Draft Audit Observations

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

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

### 1.7 Follow-up on Audit Reports

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

#### 1.7.1 Non-Submission of Action Taken Notes

According to the Rules and Procedure for the Public Accounts Committee (PAC), all Administrative Departments are to initiate *suo motu* action on all Compliance Audit Observations and Performance Audits featuring in the Audit Reports of the Comptroller and Auditor General of India, regardless of whether

<sup>5</sup> (i) Governance Reforms and Public Grievances (1 AU); (ii) Revenue, Rehabilitation and Disaster Management (4 AUs); (iii) Rural Development and Panchayats (3 AUs); (iv) Housing and Urban Development (1 AU); (v) Water Supply and Sanitation (1 AU); (vi) Public Works (B&R) (1 AU); (vii) Water Resources (1 AU); (viii) Industry and Commerce (1 AU); (ix) Tourism (2 AUs); (x) Social Security and Women & Child Development (1 AU); (xi) Defence Services and Welfare (1 AU); (xii) Social Justice, Empowerment and Minorities (1 AU); (xiii) Sports and Youth Services (2 AUs); (xiv) Higher Education and Languages (5 AUs); and (xv) School Education (1 AU).

these are taken up for examination by the PAC or not. They are also to furnish detailed notes, duly vetted by audit, indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Reports to the State Legislature. Despite these provisions, the explanatory notes on audit observations of the Reports were being delayed inordinately.

The status regarding non-receipt of Action Taken Notes (ATN) on the observations included in the Audit Reports of Social, General and Economic Departments up to the period ended 31 March 2025 is given in **Table 1.3**.

**Table 1.3: Status regarding non-receipt of ATNs on the paragraphs included in the Audit Reports**

CAG Audit Report	Year	Department	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 March 2025
Social, General and Economic Sectors (Non-PSUs)	2016-17	Agriculture and Farmers' Welfare	22.03.2018	21.06.2018	1
		Revenue, Rehabilitation and Disaster Management			2
		Social Justice and Empowerment of Minorities			1
	2017-18	Health and Family Welfare	27.02.2020	26.05.2020	1
		Home Affairs and Justice			2
Social, General, Revenue and Economic Sectors (Non-PSUs)	2018-19	Health and Family Welfare	29.06.2022	28.09.2022	1
		Housing and Urban Development			1&
		Finance			1& 2
Compliance Audit of Social, General and Economic Sectors (Non-PSUs)	2019-20	Social Security and Women & Child Development	29.06.2022	28.09.2022	1
Compliance Audit (Civil)	2020-21	Water Supply and Sanitation	07.03.2023	06.06.2023	1
		Public Works (B&R)			1
		Technical Education and Industrial Training			3
	2021-22	Animal Husbandry, Dairy Development and Fisheries	04.09.2024	03.12.2024	1
		Forest and Wild Life Preservation			1*
		Higher Education			1@

CAG Audit Report	Year	Department	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 March 2025
		Home Affairs and Justice			1
		Housing and Urban Development			1
		Labour			1
		Local Government			1
		Public Works (B&R)			1*
		Rural Development & Panchayats			1
		Technical education and Industrial Training			1@ 2
		Water Resources			1
		Sports & Youth Services			1
Performance Audit of 'Direct Benefit Transfer (Cash Transfer)'	Report No. 1 of 2022	Social Security and Women & Child Development	29.06.2022	28.09.2022	28
Performance Audit of 'Outcomes of Higher Education in Punjab'	Report No. 2 of 2022	Higher Education	29.06.2022	28.09.2022	31
<b>Total</b>					<b>88</b>

Source: Office records

& One observation of the Audit Report 2018-19 pertains to two departments.

\* One observation of the Audit Report 2021-22 pertains to two departments.

@ One observation of the Audit Report 2021-22 pertains to two departments.