

PART - I

Social, General and Economic Sectors (Non-Public Sector Undertakings)

Chapter - I
Introduction

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Introduction

1.1 Budget profile

There are 40 departments and 42 autonomous bodies functioning in the State¹. The position of budget estimates and actual expenditure there-against by the State Government during 2014-19 is given in **Table 1.1**.

Table 1.1: Budget and actual expenditure of the State during 2014-19

(₹ in crore)

Expenditure	2014-15		2015-16		2016-17		2017-18		2018-19	
	Budget Estimates	Actuals								
Revenue expenditure										
General Services	22,781.77	23,043.09	24,324.90	24,713.44	28,964.59	28,487.93	34,091.34	34,499.50	37,493.10	36,930.51
Social Services	15,659.68	13,729.05	16,845.48	14,897.86	17,872.31	15,672.10	19,072.44	15,469.74	20,097.54	18,320.37
Economic Services	10,073.54	9,237.32	11,011.59	9,756.04	13,859.37	10,217.61	15,341.16	11,194.41	21,185.35	17,888.17
Grants-in-aid and Contributions	467.75	604.03	982.56	706.15	2,037.53	918.41	2,676.96	1,301.20	3,541.98	2,264.66
Total	48,982.74	46,613.49	53,164.53	50,073.49	62,733.80	55,296.05	71,181.90	62,464.85	82,317.97	75,403.71
Capital Outlay	3,948.28	3,118.44	4,353.57	3,059.42	6,117.46	4,346.30	4,388.76	2,352.08	4,871.57	2,412.24
Loans and Advances disbursed	326.89	270.27	445.20	5,968.59	42,870.86	41,364.12	2,197.12	760.05	1,602.64	1,361.05
Repayment of Public Debt (including Ways and Means Advances)	21,673.04	23,074.72	20,636.48	22,051.13	32,791.86	32,443.29	35,029.64	34,969.58	38,623.32	37,770.93
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*	40,593.44	40,526.50	46,227.64	53,446.58	51,520.73	50,599.95	13,238.24	45,525.90	18,282.51	62,271.76
Closing Cash Balance	-	(-) 137.76	-	(-) 14.63	-	395.28	-	488.45	-	1,324.83
Total	66,541.65	66,852.17	71,662.89	84,511.09	1,33,300.91	1,29,148.94	54,853.76	84,096.06	63,380.04	1,05,140.81
Grand Total	1,15,524.39	1,13,465.66	1,24,827.42	1,34,584.58	1,96,034.71	1,84,444.99	1,26,035.66	1,46,560.91	1,45,698.01	1,80,544.52

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

* Excludes transactions of investment of cash balances and departmental cash in chests.

1.2 Application of resources of the State Government

As against the total budget outlay of ₹ 1,45,698.01 crore, the application of resources was ₹ 1,80,544.52 crore during 2018-19. The total expenditure² of the State increased by 58.35 per cent from ₹ 50,002 crore to ₹ 79,177 crore during the period 2014-15 to 2018-19 while the revenue expenditure increased by 61.76 per cent from ₹ 46,614 crore to ₹ 75,404 crore during the same period. The revenue expenditure constituted 85 to 95 per cent of the total expenditure (except for the year 2016-17 when it was 55 per cent) while the capital expenditure was three to six per cent during the period from 2014-15 to 2018-19.

During the period from 2014-15 to 2018-19, the revenue expenditure increased at an annual average growth rate of 12.69 per cent whereas revenue receipts grew at an annual average rate of 12.21 per cent.

¹ Pertaining to Social, General and Economic Sectors (Non-Public Sector Undertakings).

² Total of Revenue Expenditure, Capital Outlay and Loans and Advances.

1.3 Persistent excess expenditure

During the last five years, in three cases (Table 1.2), there was persistent excess expenditure of more than ₹ 10 crore in each case. In two cases (Sr. No. 2 and 3), the expenditure was incurred without any budget provision during 2014-19.

Table 1.2: List of cases having persistent excess expenditure during 2014-19

Sr. No.	Number and Name of the grant/case	Amount of excess expenditure				
		2014-15	2015-16	2016-17	2017-18	2018-19
<i>(₹ in crore)</i>						
Revenue-Voted						
08-Finance						
1.	2071-Pensions and Other Retirement Benefits 01-Civil 101-Superannuation and Retirement Allowances 01-Pensions and Other Retirement Benefits	407.74	664.92	697.98	616.95	290.39
21-Public Works						
2.	2059-Public Works 80-General 001-Direction and Administration 07-Establishment Charges paid to Public Health Department for works done by that Department	97.77	108.53	136.71	146.84	97.58
3.	3054-Roads and Bridges 80-General 001-Direction and Administration 01-Establishment charges transferred on pro-rata basis to the Major Head 3054	19.79	135.53	94.10	141.29	169.87

Source: Appropriation Accounts

1.4 Grants-in-aid from the Government of India

The Grants-in-aid (GIA) from the Government of India (GoI) increased by ₹ 3,456 crore (45.18 per cent) in 2018-19 over the previous year as shown in Table 1.3.

Table 1.3: Grants-in-aid received from Government of India

Particulars	Amount of excess expenditure				
	2014-15	2015-16	2016-17	2017-18	2018-19
<i>(₹ in crore)</i>					
Non-plan Grants	2,003.87	1,274.64	1,610.35	0.00*	0.00
Grants for State Plan Schemes	3,597.61	2,320.12	2,523.14	162.81	241.34
Grants for Central Plan Schemes	80.06	341.76	78.65	3,096.13	3,091.70
Grants for Centrally sponsored Plan Schemes	188.41	237.20	563.69	(-)0.63	(-)74.21
Finance Commission Grants	-	-	-	355.69	719.54
Other Transfer/Grants to States (GST Compensation)	-	-	-	4,037.00	7,129.00
Total	5,869.95	4,173.72	4,775.83	7,651.00	11,107.37
Percentage of increase over previous year	72.58	(-)28.90	14.43	60.20	45.18
Percentage of Total Grants to Revenue Receipts	15.04	10.05	9.95	14.43	17.84

Source: Finance Accounts

* Non-plan and plan grants merged with effect from 01 April 2017.

The increase in GIA during 2018-19 was due to substantial increase in GST compensation by ₹ 3,092 crore (76.59 per cent) over the previous year.

In addition to the above, the GoI had been transferring sizeable funds directly to the State implementing agencies for implementation of various schemes. The GoI decided to route these funds through State budget from 2014-15 onwards. However, during 2018-19, the GoI transferred ₹ 2,508.36 crore directly to various implementing agencies/Non-Governmental Organizations of the State.

1.5 Planning and conduct of audit

The audit process commences with risk assessment of various departments, autonomous bodies and schemes/projects which involves assessing the criticality/complexity of activities, the level of delegated financial powers, internal controls and concerns of stake holders and previous audit findings. Based on the risk assessment, the frequency and extent of audit are 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 of the Constitution of India.

During 2018-19, compliance audit of 1,494 Drawing and Disbursing Officers (DDOs) and 26 autonomous bodies of the State under Sections 19(2), 19(3) and 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, was conducted by the office of the Principal Accountant General (Audit), Punjab. In addition, performance audit on 'Soil and water conservation in Punjab for sustainable agriculture' was also conducted.

1.6 Significant audit observations and response of the Government to audit

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 which have negative impact on the success of programmes and functioning of the departments. The focus was on offering suitable recommendations to the Executive for taking corrective action and improving service delivery to the citizens. The departments are required to send their responses to draft performance audit reports/draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks.

Part-I of the Audit Report contains one performance audit and 10 compliance audit paragraphs which were forwarded to the concerned Administrative

Secretaries. The total financial implication of these is ₹ 726.23 crore. Replies from the administrative departments have been received for three compliance audit paragraphs³, which have been suitably incorporated in the Audit Report.

1.7 Recoveries at the instance of audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the Government departments were referred to the various departmental Drawing and Disbursing Officers for confirmation and further necessary action under intimation to Audit. An amount of ₹ 12.23 crore was recovered during 2018-19 by various departments after being pointed out by the Audit through Inspection Reports.

1.8 Responsiveness of the Government to audit

1.8.1 Inspection Reports

After periodical inspection of the Government departments, the Principal Accountant General (Audit), Punjab issues the Inspection Reports (IR) to the head of offices audited, with copies to the next higher authority. The executive authorities are expected to promptly rectify the defects and omissions pointed out and report compliances to the Principal Accountant General (Audit) within four weeks. Half-yearly reports of IRs pending for more than six months are also sent to the concerned Administrative Secretaries of the departments to facilitate monitoring and compliance of the audit observations in the pending IRs.

As of June 2019, 15,549 IRs containing 49,344 paragraphs (issued up to March 2019) having money value of ₹ 16,557.27 crore were outstanding, of which 9,742 IRs containing 23,492 paragraphs having money value of ₹ 4,156.28 crore pertained to the period prior to April 2014 i.e. were more than five years old. The year-wise position of outstanding Inspection Reports/paragraphs along with their money value is given in **Table 1.4**.

Table 1.4: Outstanding Inspection Reports/Paragraphs

Particulars	Prior to April 2014	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Inspection Reports	9,742	1,042	1,081	1,086	1,266	1,332	15,549
Paragraphs	23,492	3,414	3,894	4,504	6,708	7,332	49,344
Money value (₹ in crore)	4,156.28	596.11	2,445.33	2,062.35	6,089.70	1,207.50	16,557.27

Source: Office records

Pendency of such large number of paragraphs indicated lack of responsiveness of the Government departments to Audit.

1.8.2 Follow-up action on Audit Reports

At the instance of the Public Accounts Committee (PAC), the Finance Department issued (August 1992) instructions to all the administrative

³ (i) Irregular operation of posts under Apex Scale and Higher Administrative Grade.
(ii) Suspected fraudulent drawal and disbursement of pay and allowances - Part-(i).
(iii) Undue extra burden on the State exchequer.

departments to initiate *suo motu* action on all audit paragraphs and reviews (performance audits) figuring in the Audit Reports of the Comptroller and Auditor General irrespective of whether the cases were taken up for examination by the PAC or not. The administrative departments were also required to furnish detailed notes to the PAC, duly vetted by Audit, indicating the remedial action taken or proposed to be taken by them within a period of three months of the presentation of the Reports to the State Legislature.

As regards the Audit Reports relating to the periods 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 which have been laid before the State Legislature, detailed notes in respect of eight performance audits and 41 paragraphs had not been received in the Audit office as on 31 March 2020 (*Appendix 1.1*).

1.9 Status of placement of Separate Audit Reports of autonomous bodies in the State Legislature

Several autonomous bodies have been set up by the Government in the fields of Home Affairs and Justice, Labour Welfare, Industries, etc. Twenty-one Separate Audit Reports (SARs) in respect of six autonomous bodies, as detailed in **Table 1.5**, issued between July 2015 and August 2019 were pending for placement before the State Legislature.

Table 1.5: Details of SARs pending for placement before the State Legislature as on 31 March 2019

Sr. No.	Name of autonomous body	Years for which SARs were pending for placement before the State Legislature
1.	Punjab Legal Services Authority	2011-12, 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17
2.	Punjab Khadi and Villages Industries Board	2012-13, 2013-14, 2014-15 and 2015-16
3.	Punjab State Human Rights Commission	2016-17 and 2017-18
4.	Punjab Labour Welfare Board	2003-04, 2004-05 and 2005-06
5.	Punjab Building and Other Construction Workers' Welfare Board	2013-14, 2014-15, 2015-16 and 2016-17
6.	Punjab State Electricity Regulatory Commission	2016-17 and 2017-18

Source: Departmental information

