

# **Chapter-I**

## **Introduction**



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#### 1.1 Budget profile

There are 41 departments, 49 autonomous bodies and 49 State Public Sector Enterprises (SPSE) in the State<sup>1</sup>. The position of budget and expenditure incurred there-against by the State Government during 2015-20 is given in **Table 1.1**.

**Table 1.1: Budget and actual expenditure of the State during 2015-20**

(₹ in crore)

Expenditure	2015-16		2016-17		2017-18		2018-19		2019-20	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
<b>Revenue expenditure</b>										
General Services	24,324.90	24,713.44	28,964.59	28,487.93	34,091.34	34,499.50	37,493.10	36,930.51	43,540.25	38,614.35
Social Services	16,845.48	14,897.86	17,872.31	15,672.10	19,072.44	15,469.74	20,097.54	18,320.37	24,982.03	19,483.85
Economic Services	11,011.59	9,756.04	13,859.37	10,217.61	15,341.16	11,194.41	21,185.35	17,888.17	17,532.96	14,551.12
Grants-in-aid and Contributions	982.56	706.15	2,037.53	918.41	2,676.96	1,301.20	3,541.98	2,264.66	6,717.05	3,210.32
<b>Total</b>	<b>53,164.53</b>	<b>50,073.49</b>	<b>62,733.80</b>	<b>55,296.05</b>	<b>71,181.90</b>	<b>62,464.85</b>	<b>82,317.97</b>	<b>75,403.71</b>	<b>92,772.29</b>	<b>75,859.64</b>
<b>Capital expenditure</b>										
Capital Outlay	4,353.57	3,059.42	6,117.46	4,346.30	4,388.76	2,352.08	4,871.57	2,412.24	6,821.68	17,827.73
Loans and Advances disbursed	445.20	5,968.59	42,870.86	41,364.12	2,197.12	760.05	1,602.64	1,361.05	923.63	783.88
Repayment of Public Debt (including Ways and Means Advances)	20,636.48	22,051.13	32,791.86	32,443.29	35,029.64	34,969.58	38,623.32	37,770.93	39,482.08	39,573.90
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*	46,227.64	53,446.58	51,520.73	50,599.95	13,238.24	45,525.90	18,282.51	62,271.76	59,068.32	64,328.24
Closing Cash Balance	-	(-) 14.63	-	395.28	-	488.45	-	1,324.83	-	2,125.06
<b>Total</b>	<b>71,662.89</b>	<b>84,511.09</b>	<b>1,33,300.91</b>	<b>1,29,148.94</b>	<b>54,853.76</b>	<b>84,096.06</b>	<b>63,380.04</b>	<b>1,05,140.81</b>	<b>1,06,295.71</b>	<b>1,24,638.81</b>
<b>Grand Total</b>	<b>1,24,827.42</b>	<b>1,34,584.58</b>	<b>1,96,034.71</b>	<b>1,84,444.99</b>	<b>1,26,035.66</b>	<b>1,46,560.91</b>	<b>1,45,698.01</b>	<b>1,80,544.52</b>	<b>1,99,068.00</b>	<b>2,00,498.45</b>

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 ₹ 1,99,068 crore, the application of resources was ₹ 2,00,498.45 crore during 2019-20. The total expenditure<sup>2</sup> of the State increased by 60 per cent from ₹ 59,101 crore to ₹ 94,471 crore during the period 2015-16 to 2019-20 while the revenue expenditure increased by 51 per cent from ₹ 50,073 crore to ₹ 75,860 crore during the same period. The revenue expenditure constituted 80 to 95 per cent of the total expenditure (except for the year 2016-17 when it was 55 per cent<sup>3</sup>) while the capital

<sup>1</sup> Pertaining to Social, General and Economic Sectors.

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

<sup>3</sup> Though the revenue expenditure increased by 10.43 per cent during the year, it depicted a small proportion (55 per cent) of total expenditure due to the increase in the disbursement of loans and advances by 593.03 per cent.

expenditure was three to five *per cent* of total expenditure during 2015-20 except for the year 2019-20 when it increased to 19 *per cent* due to conversion of loans amounting to ₹ 15,628 crore into equity in Punjab State Power Corporation Limited under Ujwal DISCOM Assurance Yojana (UDAY).

During the period from 2015-16 to 2019-20, the revenue expenditure increased at an annual average growth rate of 10.42 *per cent* whereas revenue receipts grew at an annual average rate of 9.76 *per cent*.

### 1.3 Persistent excess expenditure

During the last five years, in three cases, there was persistent excess expenditure of more than ₹ 50 crore in each case, as detailed in **Table 1.2**. In two cases (Sr. No. 2 and 3), the expenditure was incurred without any budget provision during 2015-20.

**Table 1.2: Persistent excess expenditure during 2015-16 to 2019-20**

(₹ in crore)						
Sr. No.	Description of Grant/Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
1.	Grant No.-08-Finance 2071-Pensions and other Retirement benefits 01-Civil 101-Superannuation and Retirement Allowances 01-Pension and other Retirement Benefits	664.92	697.98	616.95	290.39	187.05
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	108.53	136.71	146.84	97.58	118.91
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	135.53	94.10	141.29	169.87	213.90

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 ₹ 3,473 crore (31.26 *per cent*) in 2019-20 over the previous year as shown in **Table 1.3**.

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

(₹ in crore)					
Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants*	1,274.64	1,610.35	--	--	--
Grants for State Plan Schemes*	2,320.12	2,523.14	--	--	--
Grants for Centrally Sponsored Plan Schemes*	237.20	563.69	(-)0.63	(-)74.21	(-)68.84
Grants for Centrally Sponsored Schemes	341.76	78.65	3,096.13	3,091.70	2,864.31
Finance Commission Grants	--	--	355.69	719.54	2,710.13
Other transfers/Grants to States/ Union Territories with Legislature <sup>4</sup>	--	--	4,199.81	7,370.34	9,074.43
<b>Total</b>	<b>4,173.72</b>	<b>4,775.83</b>	<b>7,651.00</b>	<b>11,107.37</b>	<b>14,580.03</b>
Percentage of increase over the previous year	(-) 28.90	14.43	60.20	45.18	31.26
Percentage of GIA to Revenue Receipts	10.05	9.95	14.43	17.84	23.68

Source: Finance Accounts

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

The GIA from GoI increased at an annual average rate of 24.43 *per cent* during the period 2015-16 to 2019-20. Other transfers to State include GST Compensation of ₹ 8,805 crore during 2019-20. The increase in GIA during the current year was due to substantial increase in GST compensation by ₹ 1,676 crore<sup>5</sup> (23.51 *per cent*); and Finance Commission grants by ₹ 1,991 crore (276.65 *per cent*) over the previous year. Further, the contribution of GIA towards revenue receipts increased from 10.05 *per cent* in 2015-16 to 23.68 *per cent* in 2019-20.

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 2019-20, the GoI transferred ₹ 4,551.70 crore directly to various implementing agencies/Non-Governmental Organizations of the State. Also, the Central Government infused ₹ 5.79 crore in equity of Punjab Scheduled Castes Land Development and Finance Corporation in 2019-20.

## 1.5 Planning and conduct of audit

The audit process commences with risk assessment of various departments, autonomous bodies, SPSEs and schemes/projects which involves assessing the criticality/complexity of activities, the level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on the risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

<sup>4</sup> Includes Grants for State Plan Schemes and GST compensation.

<sup>5</sup> ₹ 8,804.54 crore (2019-20) - ₹ 7,129.00 crore (2018-19) = ₹ 1,675.54 crore.

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 2019-20, compliance audit of 1,658 Drawing and Disbursing Officers (DDO) and 19 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.

## **1.6 Significant audit observations and response of 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 paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks.

Chapter-II of this Audit Report contains 13 compliance audit paragraphs pertaining to SPSEs which were forwarded to the concerned Administrative Secretaries. The total financial implication of these paragraphs is ₹ 85.31 crore. Replies to ten paragraphs were received from the Management of SPSEs and replies to only three compliance audit paragraphs<sup>6</sup> have been received from the Administrative Departments which have been suitably incorporated in the Audit Report.

Chapter-III of this Audit Report contains seven compliance audit paragraphs which were forwarded to the concerned Administrative Secretaries. The total financial implication of these paragraphs is ₹ 28.23 crore. Replies to only two compliance audit paragraphs<sup>7</sup> have been received from the Administrative Departments, which have been suitably incorporated in the Audit Report.

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<sup>6</sup> Paragraph Nos. 2.1, 2.3 and 2.8.

<sup>7</sup> Paragraph Nos. 3.1 and 3.4.

### 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 ₹ 0.36 crore was recovered during 2019-20 by various departments after being pointed out by Audit through Inspection Reports.

### 1.8 Lack of responsiveness of Government to Audit

After periodical inspection of the Government departments, the Principal Accountant General (Audit), Punjab issues the Inspection Reports (IR) to the heads 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 2020, 14,887 Inspection Reports containing 46,532 paragraphs (issued up to March 2020) having money value of ₹ 39,347 crore were outstanding, of which 8,642 IRs containing 17,635 paragraphs having money value of ₹ 10,779 crore pertained to the period prior to April 2015 i.e. 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 2015	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Inspection Reports	8,642	1,009	1,091	1,207	1,386	1,552	14,887
Paragraphs	17,635	3,880	4,295	5,225	6,321	9,176	46,532
Money value (₹ in crore)	10,779.06	5,674.24	4,526.92	4,897.53	7,665.04	5,804.19	39,346.98

Source: Office records

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

### 1.9 Follow-up action on Audit Reports

The Finance Department issued (August 1992) instructions to all the Administrative 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 Committee on Public Undertakings (COPU)/Public

Accounts Committee (PAC). The Administrative Departments were also required to furnish detailed notes to the COPU/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 to be discussed in COPU relating to the periods 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 which were laid before the State Legislature, Action Taken notes in respect of seven performance audits and 51 paragraphs had not been received in the Audit office as on 31 March 2021 (*Appendix 1.1*).

As regards the Audit Reports to be discussed in PAC relating to the periods 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 which were laid before the State Legislature, Action Taken notes in respect of six performance audits and 30 paragraphs had not been received in the Audit office as on 31 March 2021 (*Appendix 1.2*).

## 1.10 Submission of accounts

### 1.10.1 Autonomous Bodies

Several autonomous bodies have been set up by the Government in the fields of Urban Development, Housing, Labour Welfare, Agriculture and Justice. As on 31 March 2020, 20 accounts in respect of five out of nine autonomous bodies from 2006-07 to 2018-19 were pending as detailed in **Table 1.5**.

**Table 1.5: Arrears of accounts of bodies or authorities as on 31 March 2020**

Sr. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to FY 2019-20
1.	Punjab Legal Services Authority, Chandigarh	2018-19	1
2.	Punjab Khadi and Village Industries Board, Chandigarh	2017-18	2
3.	Punjab State Human Rights Commission, Chandigarh	--	0
4.	Punjab Labour Welfare Board, Chandigarh	2006-07	13
5.	Pushpa Gujral Science City, Kapurthala	--	0
6.	Punjab Building and Other Construction Workers' Welfare Board, SAS Nagar	2017-18	2
7.	Punjab Bus Metro Society, Amritsar	2017-18	2
8.	Punjab State Electricity Regulatory Commission, Chandigarh	--	0
9.	Real Estate Regulatory Authority, Chandigarh	--	0
<b>Total</b>			<b>20</b>

Source: Departmental data/information

Note: Cut-off date of the pendency of any previous Financial Year is to be taken as 30 September of succeeding Financial Year.



Delay in respect of five autonomous bodies out of nine ranged between one to thirteen years, of which the Punjab Labour Welfare Board had not submitted its accounts since 2006-07. Delay in finalisation of accounts carries the risk of financial irregularities going undetected and, therefore, the accounts need to be finalised and submitted to Audit at the earliest.

### 1.10.2 State Public Sector Enterprises

Out of 33 working SPSEs, 12 SPSEs submitted their accounts for the year 2019-20 for audit by the Comptroller and Auditor General of India on or before 31 December 2020<sup>8</sup> as per statutory requirement.

Details of arrears in submission of accounts of working SPSEs<sup>9</sup> for the last three years ending 31 March 2020 are given in **Table 1.6**.

**Table 1.6: Position relating to submission of accounts by the SPSEs**

Sr. No.	Particulars	2017-18	2018-19	2019-20
1.	Number of working SPSEs	33	33	33
2.	Number of accounts submitted during current year	37	41	31
3.	Number of SPSEs which finalised accounts for the current year	9	9	12
4.	Number of previous year accounts finalised during current year	28	32	19
5.	Number of SPSEs with arrears in accounts	24	24	21
6.	Number of accounts in arrears	45	34	36
7.	Extent of arrears	One to eight years	One to four years	One to five years

*Source: Compiled from accounts of working other than Power Sector SPSEs received during the period October 2019 to December 2020*

Delay in finalisation of financial statements in respect of 21 SPSEs, out of 33 working SPSEs, ranged between one to five years. Further, 36 annual financial statements were in arrears in respect of these 21 SPSEs. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these SPSEs within the stipulated period. The concerned Departments were informed half yearly by the Principal Accountant General (Audit), Punjab regarding arrears in finalisation of accounts by the SPSEs.

In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. Due to the delay in finalisation of accounts, the GoP investment in these SPSEs remained outside the scrutiny of the State Legislature.

<sup>8</sup> Due date for holding of Annual General Meeting was extended up to 31 December 2020 for the financial year 2019-20 as per the Registrar of Companies order of 8 September 2020.

<sup>9</sup> Paragraph No. 1.1 and 2.1 of General Purpose Financial Report – State Public Sector Enterprises – Government of Punjab for the year 2019-20 refers.

