

Chapter-III

Budgetary Management

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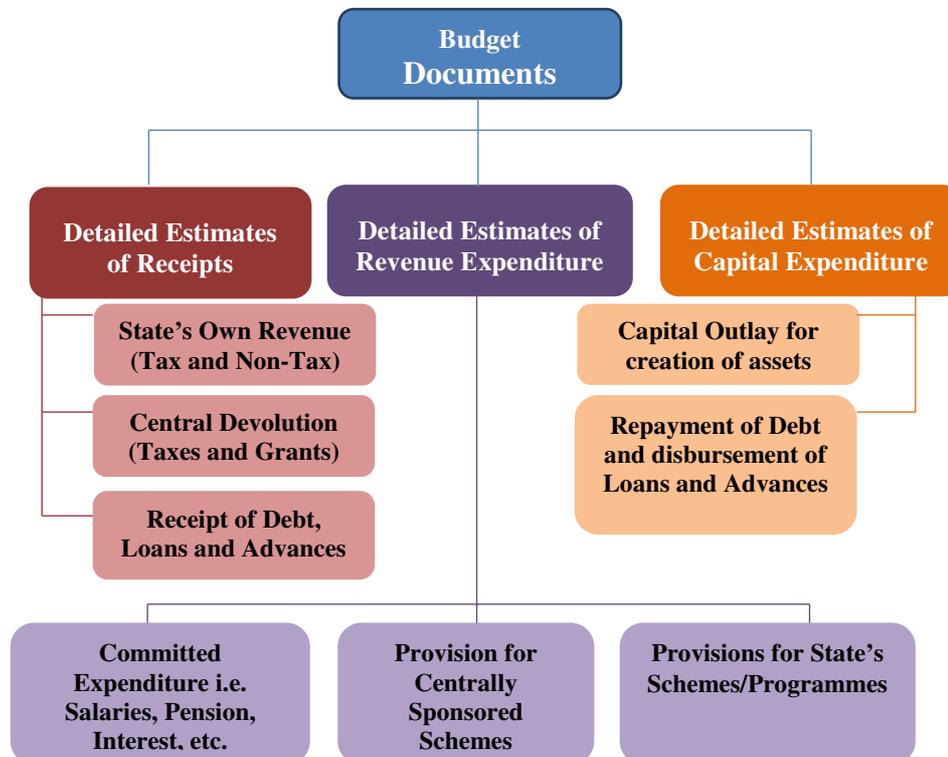
Budgetary Management

3.1 Budget Process

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

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

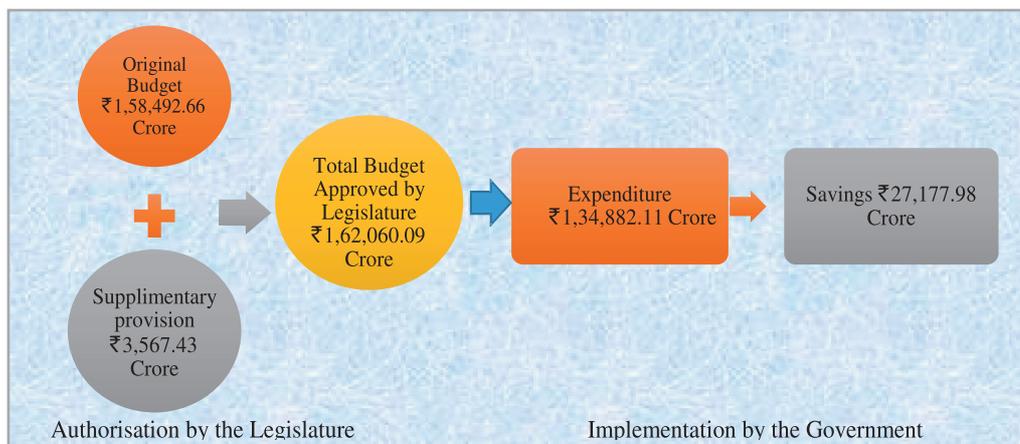
Chart 3.1: Details of State Budget Documents



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

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

Chart 3.2: Flow chart of budget implementation



Source: Appropriation Accounts

3.1.1 Summary of total provisions, actual disbursements and savings during financial year 2019-20

A summarised position of total budget provision, disbursement and saving/excess with its further bifurcation into voted/charged during 2019-20 for the total 42 grants/appropriations is given in **Table 3.1**.

Table 3.1: Budget provision, disbursement and savings/excess during the financial year 2019-20

(₹ in crore)

	Total Budget provision		Disbursements		Saving	
	Voted	Charged	Voted	Charged	Voted	Charged
Revenue	75,421.32	18,084.65	58,376.67	18,023.78	17,044.65	60.87
Capital	22,940.43	0.00	18,123.88	0.00	4,816.55	0.00
Loans and Advances	973.77	0.00	783.88	0.00	189.89	0.00
Public Debt	0.00	44,639.92	0.00	39,573.90	0.00	5,066.02
Total	99,335.52	62,724.57	77,284.43	57,597.68	22,051.09	5,126.89

Source: Appropriation Accounts

3.1.2 Charged and voted disbursements

Table 3.2: Break-up of total disbursement into charged and voted during the last five years (2015-20)

(₹ in crore)

Year	Disbursements		Saving (-)/Excess (+)	
	Voted	Charged	Voted	Charged
2015-16	50,233.44	31,996.19	(-)13,981.07	(+)803.66
2016-17	89,712.60	44,273.75	(+)21,667.63	(+)731.96
2017-18	50,617.81	50,499.83	(-)18,842.61	(+)75.58
2018-19	63,196.26	54,259.02	(-)16,027.89	(-)872.71
2019-20	77,284.43	57,597.68	(-)22,051.09	(-)5,126.89

Source: Appropriation Accounts

3.2 Appropriation Accounts

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

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

3.3 Integrity of budgetary and accounting process

3.3.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of article 204 of the constitution. Paragraph 14.1 of the Punjab Budget Manual provides that expenditure on new scheme should not be incurred without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State. It was, however, observed that an expenditure of ₹ 2,113.58 crore (*Appendix 3.1*), was incurred in 13 cases (₹ one crore or more in each case) under various components of six grants during the year 2019-20 without having any provision in the original budget estimates/supplementary demands and without issuing any re-appropriation orders to this effect.

3.3.2 Misclassification of Revenue Expenditure as Capital Expenditure

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

However, it was observed that in three cases object heads meant for Revenue Expenditure were operated under Capital Major Heads as given in **Table 3.3**.

Table 3.3: Detail of Revenue expenditure booked under Capital expenditure

(₹ in crore)				
Sr. No.	Number and name of grant	Type of Misclassification	Head of account	Amount
1.	12-Home Affairs	Revenue Expenditure booked as Capital Expenditure	4055-207-08-22- Arms and Ammunition	4.11
2.	29-Transport		5055-001-01-21- Supplies and Materials	0.77
3.			5055-201-20-21- Supplies and Materials	0.45
Total				5.33

Source: Demand for grants 2019-20.

3.3.3 Unnecessary/excessive supplementary grants

As per article 205 of the Constitution of India, 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.

Audit analysis showed that supplementary provisions (₹ one crore or more in each case) in seven cases (**Appendix 3.2 - Sr. Nos. 2, 7, 13, 18, 22, 23 and 30**) during the year 2019-20 proved excessive as full amount of supplementary provisions could not be utilised. Similarly, supplementary provisions in remaining 24 cases proved unnecessary as the expenditure did not come up even to the level of original provision. No justification was provided by Government for obtaining excessive/unnecessary supplementary grants.

The State Government stated (June 2021) that the supplementary provisions proved unnecessary due to non-release of funds from the treasury because of paucity of funds.

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 2019-20, 37 re-appropriation orders for ₹ 12,207.03 crore were issued, of which 27 re-appropriation orders for ₹ 9,209.17 crore (75.44 per cent) were issued on 31 March 2020.

Further, in two cases (**Appendix 3.3 - Sr. No. 23 and 25**) out of 35 re-appropriation cases exceeding ₹ one crore, reduction of provision by re-appropriation orders effected by various departments proved injudicious as there was excess expenditure under these cases. In the remaining 33 cases

augmentation of provision also proved unnecessary because expenditure was either equal to or did not come up to the level of original/supplementary budget provision.

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

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

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

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

The audit of grants and appropriations showed that in 20 cases (under 17 grants), the savings (excluding surrenders) exceeded the total provision by ₹ 100 crore in each case (*Appendix 3.4*). It was further noticed that no expenditure *vis-à-vis* total grant amounting to ₹ 92.98 crore (exceeding ₹ one crore) under eight Grants (Capital-Voted) was incurred (*Appendix 3.5*). Detail of grants/appropriations with budget utilisation less than 50 *per cent* during 2015-20 is given in **Table 3.4**.

Table 3.4: Grants/Appropriations with lesser Budget Utilisation

(₹ in crore)

Sr. No.	Grants	Budget Utilisation (<i>per cent</i>)					Number of Years*	Budget 2019-20	Total Budget Years
		2015-16	2016-17	2017-18	2018-19	2019-20			
1.	13-Industries	31	28	17	42	85	4	2,175.19	5
2.	19-Planning	17	70	16	30	54	3	324.05	5
3.	23-Rural Development and Panchayats	59	42	37	38	33	4	4,357.87	5

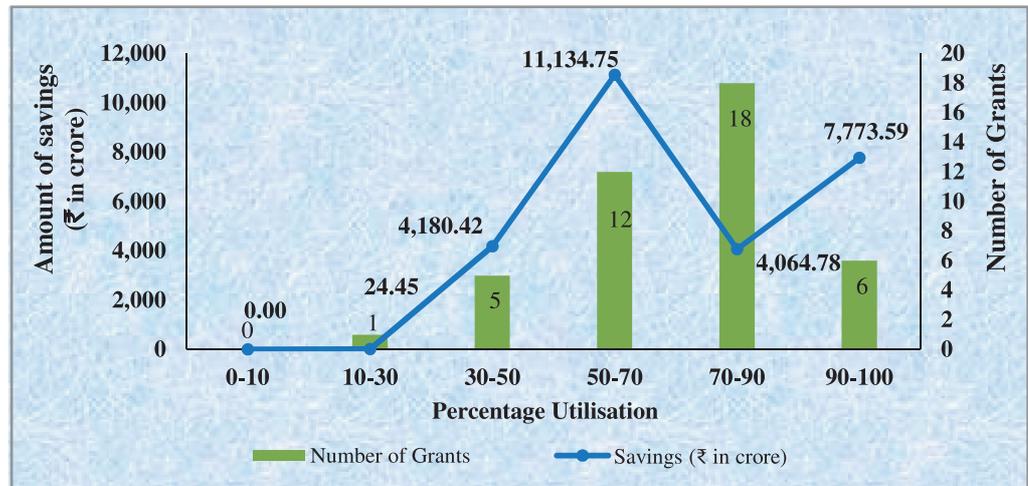
Source: Appropriation Accounts

* Number of years with utilisation below 50 *per cent*

The above grants relate to Industries, Planning and Rural Development. Government has not been able to ensure that clearances and sanctions are accorded on time so as to ensure that the envisaged benefits accrued to the targeted beneficiaries. Improving Rural Infrastructure is a challenge faced by State and the low utilisation of the grants is a cause for concern. The reason of repeated low utilisation in these grants may be examined by Government, and corrective action taken.

Detail of grants grouped by the percentage of utilisation along with total savings has been shown in (*Appendix 3.6*).

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



Source: Appropriation Accounts

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

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

It was noticed that savings under nine Appropriations and 15 Grants amounting to ₹ 8,254.63 crore (*Appendix 3.7*) were not surrendered at all.

Table 3.5: Details of surrender of funds in excess of ₹ 10 crore at the end of March 2020

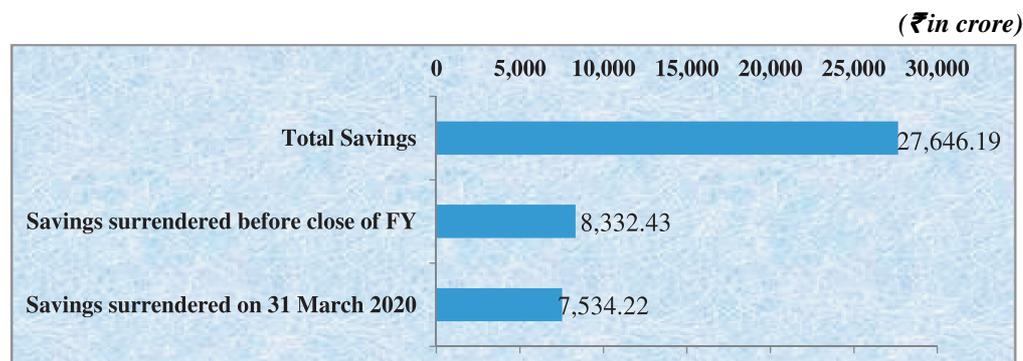
(₹ in crore)

Sr. No.	Grant Number	Original Budget	Supplementary	Total Provision	Actual expenditure	Saving(-) Excess (+)	Amount Surrendered
Voted (Revenue)							
1.	1-Agriculture	13,292.10	0	13,292.10	7,499.91	(-)5,792.19	2,650.59
2.	3-Co-operation	151.02	0	151.02	90.41	(-)60.61	58.28
3.	5-Education	12,078.32	98.38	12,176.70	10,674.04	(-)1,502.66	962.05
4.	6-Elections	334.41	0	334.41	195.41	(-)139.00	86.37
5.	9-Food and Supplies	369.18	0	369.18	190.91	(-)178.27	172.75
6.	11-Health and Family Welfare	3,447.46	129.50	3,576.96	3,095.87	(-)481.09	180.37
7.	15- Water Resources	1,315.61	85.66	1,401.27	1,164.12	(-)237.15	189.00
8.	21-Public Works	631.04	0	631.04	1,068.88	437.84	125.80
9.	22-Revenue and Rehabilitation	1,377.81	336.31	1,714.12	1,336.37	(-)377.75	61.70
10.	23-Rural Development and Panchayats	3,239.87	248.70	3,488.57	1,304.21	(-)2,184.36	131.70
11.	25-Social Security, Women and Child Welfare	2,804.66	299.46	3,104.12	2,819.16	(-)284.96	59.01
12.	31-Employment	156.49	75.81	232.30	83.82	(-)148.48	70.63
13.	35-Housing and Urban Development	374.42	0	374.42	279.94	(-)94.48	21.01
14.	36-Jails	246.55	23.42	269.97	245.34	(-)24.63	15.50
15.	38-Medical Education and Research	466.53	0	466.53	410.04	(-)56.49	46.30
16.	42-Welfare of SC, ST, OBC and Minorities	1,164.94	0	1,164.94	451.47	(-)713.47	71.78
Total		41,450.41	1297.24	42,747.65	30,909.90	(-)11,837.75	4,902.84
Voted (Capital)							
17.	3-Co-operation	262.14	0	262.14	130.28	(-)131.86	131.58
18.	5-Education	156.63	0	156.63	47.03	(-)109.60	63.65
19.	15- Water Resources	950.81	0	950.81	478.59	(-)472.22	153.42
20.	17-Local Government	1,187.10	0	1187.10	323.86	(-)863.24	611.58
21.	19-Planning	252.88	8.66	261.54	133.66	(-)127.88	84.50
22.	21-Public Works	1,367.28	0	1367.28	636.03	(-)731.25	520.14
23.	23-Rural Development and Panchayats	869.31	0	869.31	133.17	(-)736.14	620.27
24.	28-Tourism and Cultural Affairs	487.84	0	487.84	233.58	(-)254.26	167.24
25.	36-Jails	30.37	0	30.37	3.00	(-)27.37	15.93
26.	38-Medical Education and Research	343.11	0	343.11	122.87	(-)220.24	160.25
27.	42-Welfare of SC, ST, OBC and Minorities	63.23	0	63.23	6.87	(-)56.36	11.46
Total		5,970.70	8.66	5,979.36	2,248.94	(-)3,730.42	2,540.02
Grand Total		47,421.11	1,305.90	48,727.01	33,158.84	(-)15,568.17	7,442.86

Source: Appropriation Accounts

No reasons for low utilisation of budgetary provisions were furnished by the Government.

Chart 3.4: Savings* and surrenders before close of financial year 2019-20



Source: Appropriation Accounts

* Total savings without deducting excess of ₹468.21 crore under three grants/appropriations

Analysis of Chart revealed that 90 per cent savings were surrendered on 31 March 2020 out of total surrendered amount of ₹ 8,332.43 crore, which could not be re-appropriated. No reasons for the surrender of savings on the last day of the financial year were furnished by the Government. The State Government attributed (June 2021) the reasons for these savings to non-release of funds from treasury because of paucity of funds, but they did not furnish any reasons for non-surrendering of savings.

3.3.6 Excess expenditure and its regularisation

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

3.3.6.1 Excess expenditure

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

Table 3.6: Summary of excess disbursements over grants/ appropriation during the financial year 2019-20*(₹in crore)*

		Name of Department			
		Public Works	Water Supply and Sanitation	Law and Justice	Total
Voted	Revenue	437.84	26.19	0.00	464.03
Charged	Revenue	0.00	0.00	4.18	4.18
No. of Grants/Appropriations		01	01	01	03
Total Excess Expenditure		437.84	26.19	4.18	468.21
Grand Total		468.21			

Source: Appropriation Accounts

There was an excess disbursement of ₹ 468.21 crore over the authorisation made by the State Legislature under two Grants and one Appropriation during the financial year 2019-20. Major Head wise excess disbursement over the authorisation from the Consolidated Fund of State during 2019-20 is given in *Appendix 3.8* which is yet to be regularised from the State Legislature. Reasons for the excess expenditure were not furnished by the Government.

3.3.6.2 Persistent excesses in certain Grants

A number of grants witness excess expenditure year after year. Despite Public Accounts Committee's recommendations to minimise the cases of excesses, persistent excesses were noticed in the grants. The persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis. Such repeated excess expenditure is in violation of the will of the State Legislature. Strictly, not a rupee can be spent without prior legislative authorisation and, therefore, this is to be viewed seriously. Persistent excesses may be due to improper estimation at the time of preparation of budget.

Scrutiny revealed that in three cases, there was persistent excess expenditure of more than ₹50 crore in each case during the last five years as detailed in **Table 3.7**. In two cases (Sr. No. 2 and 3), the expenditure was incurred without any budget provision during 2015-20.

Table 3.7: 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 Grant	4,240.00	4,678.76	5,574.45	6,000.00	6,300.00
	Expenditure	4,904.92	5,376.74	6,191.40	6,290.39	6,487.05
	Excess	664.92	697.98	616.95	290.39	187.05

Sr. No.	Description of Grant/Appropriation	2015-16	2016-17	2017-18	2018-19	2019-20
2.	Grant No.-21-Public Works 2059-Public Works 80-General 001-Direction and Administration 07-Establishment Charges paid to Public Health Department for Works done by that Department					
	Grant	0.00	0.00	0.00	0.00	0.00
	Expenditure	108.53	136.71	146.84	97.58	118.91
	Excess	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					
	Grant	0.00	0.00	0.00	0.00	0.00
	Expenditure	135.53	94.10	141.29	169.87	213.90
	Excess	135.53	94.10	141.29	169.87	213.90

Source: Appropriation Accounts

All the existing cases of excess expenditure need to be got regularised at the earliest and, in future, such un-voted expenditure may be completely stopped. No justification was given by the Government for persistent excess expenditure.

3.3.6.3 Regularisation of excess expenditure of previous financial years

Excess expenditure remaining un-regularised for extended periods dilutes Legislative control over the executive. Excess disbursements of ₹ 37,269.28 crore pertaining to 2015-16 to 2018-19 as shown in **Table 3.8** are yet to be regularised from the State Legislature.

Table 3.8: Excess expenditure relating to previous years requiring regularisation

(₹ in crore)

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
2015-16	02	Animal Husbandry and Fisheries (Revenue-Charged)	0.04	Not regularised
	08	Finance (Revenue-Voted)	456.24	
		Finance (Capital -Charged)	952.79	
	21	Public Works (Revenue-Voted)	221.51	
	22	Revenue and Rehabilitation (Revenue-Voted)	430.88	
26	State Legislature (Revenue-Charged)	0.20		

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
2016-17	08	Finance (Revenue-Voted)	400.48	
		Finance (Capital -Charged)	921.19	
	09	Food and Supplies (Revenue-Voted)	29,081.45	
	12	Home Affairs and Justice (Capital -Charged)	1.15	
	15	Irrigation and Power (Capital-Voted)	3,852.06	
	21	Public Works (Revenue-Voted)	182.71	
		Public Works (Revenue-Charged)	0.40	
Public Works (Capital -Charged)		19.36		
2017-18	08	Finance (Revenue-Charged)	159.25	
	10	General Administration (Capital-Charged)	0.33	
	21	Public Works (Revenue-Voted)	264.20	
2018-19	09	Food and Supplies (Revenue-Charged)	0.53	
		General Administration (Capital-Voted)	7.77	
	21	Public Works (Revenue-Voted)	315.75	
		Public Works (Revenue-Charged)	0.99	
Total			37,269.28	

Source: Appropriation Accounts

The excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis. Such repeated excess expenditure over grants approved by the State Legislature are in violation of the will of the Legislature and the basic principle of democracy that not a rupee can be spent without the approval of the State Legislative Assembly, and, therefore, need to be viewed seriously. All the existing cases of excess expenditure need to be got regularised at the earliest.

The Government stated (June 2021) that the process for regularising the excess expenditure for the years 2015-16 to 2018-19 had been initiated. However, reasons for excess expenditure were not furnished by the Government.

3.4 Transparency of budgetary and accounting process

3.4.1 Lump Sum budgetary provisions

As per scheme for standardisation of object heads for classification of expenditure issued (December 1994) by Government of India, lump sum provision, in the budget, can be made for expenditure up to ₹ 10 lakh only and, in other cases, break-up of expenditure must be given so as to reflect exact object of expenditure.

However, it was noticed that the Government of Punjab made lump sum provision of ₹ 0.98 crore and ₹ 1.13 crore during 2015-16 and 2016-17 and ₹ 0.50 crore each during 2017-18 to 2019-20 in State budget under Major head 2230-03-789-04-42 under Grant-27-Technical Education and Training, which was irregular. Though the percentage of lump sum provision is very meagre yet it should not be made as a matter of routine.

3.5 Effectiveness of budgetary and accounting process

3.5.1 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 2019-20 was ₹ 1,62,060.09 crore. The actual gross expenditure during the year was ₹ 1,34,882.11 crore. This resulted in savings of ₹ 27,177.98 crore in 2019-20. The details are given in **Table 3.9**.

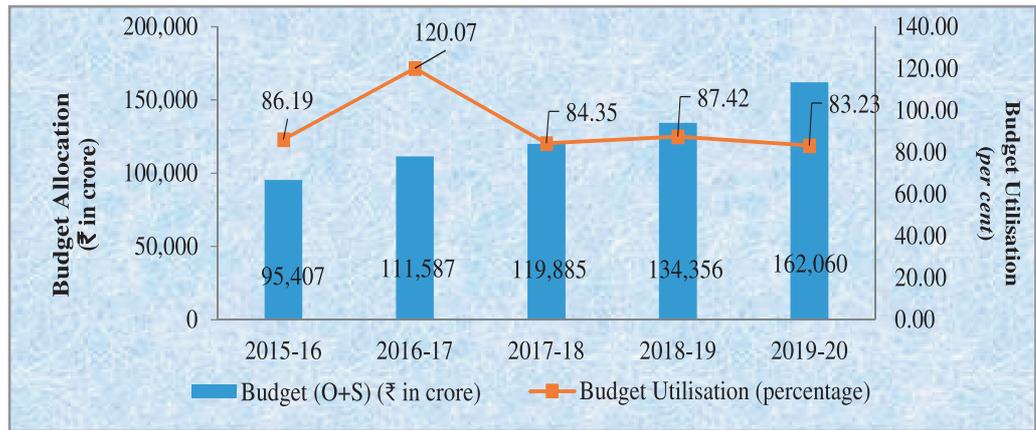
Table 3.9: Actual expenditure vis-à-vis budget provision during the financial year 2019-20

(₹ in crore)

	Nature of expenditure	Original Grant/ App.	Supplementary Grant/ App.	Total	Actual expenditure	Net Savings	Surrender during 2019-20	
							Amount	Per cent
Voted	I. Revenue	72,346.48	3,074.84	75,421.32	58,376.67	17,044.65	5,677.83	33.31
	II. Capital	22,842.05	98.38	22,940.43	18,123.88	4,816.55	2,522.93	52.38
	III. Loans & Advances	813.73	160.04	973.77	783.88	189.89	131.58	69.29
Total		96,002.26	3,333.26	99,335.52	77,284.43	22,051.09	8,332.34	37.79
Charged	V. Revenue	17,850.48	234.17	18,084.65	18,023.78	60.87	0.09	0.15
	VII. Capital	0	0	0	0	0	0	0
	VIII. Public Debt- Repayment	44,639.92	0	44,639.92	39,573.90	5,066.02	0	0
Total		62,490.40	234.17	62,724.57	57,597.68	5,126.89	0.09	0
Appropriation to Contingency Fund (if any)		0	0	0	0	0	0	0
Grand Total		1,58,492.66	3,567.43	1,62,060.09	1,34,882.11	27,177.98	8,332.43	30.66

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 (₹540.81 crore) and Capital Heads (₹296.15 crore).

Chart 3.5: Budget Utilisation during 2015-16 to 2019-20

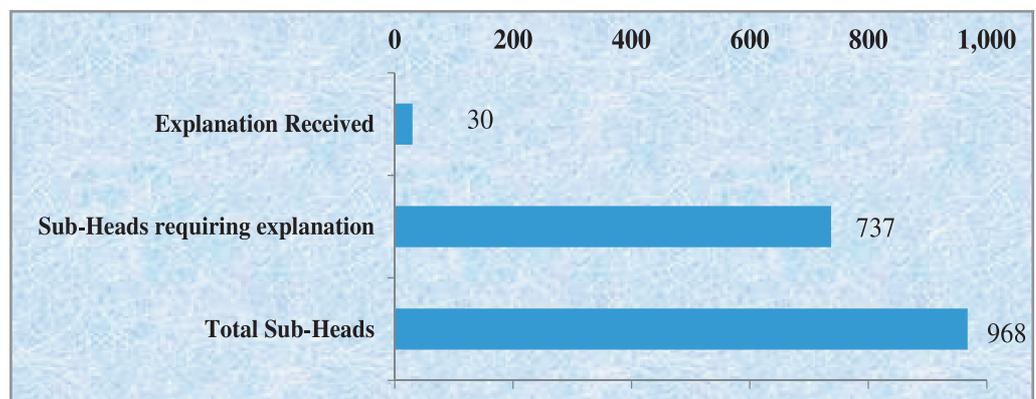
Source: Appropriation Accounts

Trends in the original budget, revised estimate, actual expenditure for the period 2015-16 to 2019-20 are given in **Table 3.10**.

Table 3.10: Original Budget, Revised Estimate and Actual Expenditure during 2015-20

	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Original Budget	79,313.87	86,386.96	1,18,237.89	1,29,697.63	1,58,492.66
Supplementary budget	16,093.17	25,199.80	1,646.78	4,658.26	3,567.43
Total budget	95,407.03	1,11,586.76	1,19,884.67	1,34,355.89	1,62,060.09
Revised Estimate	78,599.78	1,44,513.99	1,12,797.42	1,27,415.49	1,51,696.94
Actual Expenditure	82,229.63	1,33,986.35	1,01,117.64	1,17,455.28	1,34,882.11
Savings	13,177.40	22,399.59	18,767.03	16,900.61	27,177.98
Percentage of supplementary to the original provision	20.29	29.17	1.39	3.59	2.25
Percentage of overall saving to the overall provision	13.81	20.07	15.65	12.58	16.77

Source: Annual Financial Statement and Appropriation Accounts

Chart 3.6: Summary of Explanation for Variation in Appropriation Accounts

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

Table 3.10 shows that supplementary provision of ₹ 3,567.43 crore constituted 2.25 per cent of the original provision as against 3.59 per cent in the previous year. However, the supplementary provisions during the year 2019-20 proved

unnecessary as the expenditure (₹ 1,34,882.11 crore) did not come up even to the level of original budget provisions (₹ 1,58,492.66 crore).

The State Government stated (June 2021) that the matter would be taken up with the concerned quarters for reasons and intimated to Audit. It was added that an amount of ₹ 5,045 crore was saved due to non-availment of repayment of ways and mean advances (WMA)/overdraft from Reserve Bank of India (RBI).

This reflects that budgetary allocations were based on unrealistic proposals.

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

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

It was observed that under 10 schemes, there was approved outlay of ₹ 2,488.00 crore (₹ 100 crore or more in each scheme) but no expenditure was incurred resulting in non-implementation of schemes as detailed in **Table 3.11**.

Table 3.11: Details of the schemes for which provision (₹ 100 crore and above) was made but no expenditure was incurred

(₹ in crore)				
Sr. No.	Grant No.	Head of Account	Approved Outlay	Revised Outlay
1.	01-Agriculture	2401-00-109-14- Rashtriya Krishi Vikas Yojna	168.00	84.00
2.	08-Finance	6003-00-101-01- Market Loans bearing Interest-61-8.83 per cent Punjab Government Stock 2018	1,000.00	1,000.00
3.		6003-00-101-01- Market Loans bearing Interest-83.8.44 per cent Punjab Government Stock 2020	200.00	200.00
4.	17-Local Government	3604-00-200-12-Grants-in-Aid to Municipal Committees/Corporations/ Notified Area Committees in lieu of Abolition of Octroi on Liquor in the State	155.00	170.90
5.		4217-60-789-38-Urban Rejuvenation Mission-500 Habitations	115.00	64.40
6.	20-Power	2801-80-101-02-Assistance to Punjab Power Corporation Limited-01- Compensation for loss under UDAY Schemes as per clause 1.2(1)	150.00	150.00

Sr. No.	Grant No.	Head of Account	Approved Outlay	Revised Outlay
7.	21-Public Works	5054-03-337-46- Pradhan Mantri Gram Sadak Yojna-03-NABARD (Rural Infrastructure Development Fund)-(XXIV)	100.00	110.00
8.	23-Rural	4515-00-103-42-Smart Village Scheme	300.00	16.20
9.	Development and Panchayats	4515-00-789-31-Smart Village Scheme	200.00	10.80
10.	32-Forestry and Wild Life	2406-04-904-01-State Compensatory Afforestation Fund (SCAF)	100.00	100.00
Total			2,488.00	1,906.30

Source: Appropriation Accounts.

Further, under 15 schemes, there was approved out lay of ₹ 606.95 crore which was withdrawn in revised outlay as detailed in **Table 3.12**. This reflects that budgetary allocations were based on unrealistic proposals.

Table 3.12: Details of the schemes for which provision (₹ 10 crore and above) was made but were withdrawn in revised outlay

(₹ in crore)

Sr. No.	Grant No.	Head of Account	Approved Outlay	Revised Outlay
1.	05-Education	4202-01-203-25-Construction of New Colleges-02-Setting up of Bebe Nanki Government College (Girls) at Sultanpur Lodhi-	10.00	00
2.	09-Food and Supplies	2408-01-103-01-Gram Samridhi Yojana (India Food Processing and Programme)-	90.00	00
3.		2408-01-789-01-Gram Samridhi Yojana (India Food Processing and Value Addition Pilot Programme)-	30.00	00
4.	15-Water Resources	4711-03-103-63- Integrated project to address Water Logging problem in South-Western Districts of Punjab (Additional Central Assistance)	112.80	00
5.	17-Local Government	4217-60-051-14- Mission for Development of 100 Smart Cities-01-Green Public Transportation	80.00	00
6.		4217-60-051-14- Mission for Development of 100 Smart Cities-02-Iconic City Amritsar	10.00	00
7.		4217-60-051-15- Urban Rejuvenation Mission-500 Habitations- AMRUT-01-Canal Based Water Supply for Patiala (ADB)	50.00	00
8.		4217-60-051-15- Urban Rejuvenation Mission-500 Habitations- AMRUT-02-Canal Based Water Supply for Jalandhar (ADB)	50.00	00
9.		4217-60-051-15- Urban Rejuvenation Mission-500 Habitations- AMRUT-03-Canal Based Water Supply for Amritsar (World Bank)	50.00	00
10.		4217-60-051-15- Urban Rejuvenation Mission-500 Habitations- AMRUT-04-Canal Based Water Supply for Ludhiana (World Bank)	50.00	00
11.		4217-60-789-12- Jawahar Lal Nehru Urban Renewal Mission (1) Urban Infrastructure and Governance	17.02	00

Sr. No.	Grant No.	Head of Account	Approved Outlay	Revised Outlay
12.	25-Social Security, Women and Child Welfare	4235-02-101-04- Scheme for implementation of the persons with Disability Act 1995 (SPIDA)	10.50	00
13.	27-Technical Education and Training	2203-00-102-02-Assistance to Maharaja Ranjeet Singh Punjab Technical University Bathinda	17.00	00
14.		2230-03-003-66- Grants-in-Aid to Punjab Skill Development Mission Society-03-Pradhan Mantri Kaushal Vikas Yojna	13.88	00
15.		2501-06-102-01- Assistance to Punjab Skill Development Mission Society-01-Deendayal Upadhyay Grameen Kaushalaya Yojna	15.75	00
Total			606.95	00

Source: Appropriation Accounts.

Justification for unrealistic budget allocations, which led to non-implementation of schemes, was not furnished by the Government.

3.5.3 Financial power being flouted in relation to re-appropriation

Para 14.5 (v) of Punjab Budget Manual provides that re-appropriations are not permissible after the close of the financial year. It was, however, noticed that three re-appropriation orders amounting to ₹ 2,054.71 crore were rejected by Accountant General (A&E) Punjab because these were issued after the close of the financial year and were issued without any logical reasons.

Further, no re-appropriation shall be made for any purpose whatsoever from Supplementary Grants voted by the Assembly for definite purpose, so as to ensure that Supplementary Grants could be used for the purpose for which these were voted and for no other purpose. It was, however, noticed that two re-appropriations amounting to ₹ 18 crore were issued from the Supplementary Grants voted by the Assembly for definite purpose as detailed in **Table 3.13**.

Table 3.13: Details of re-appropriation issued from the Supplementary Grants

Sr. No.	Head of Account	Original Budget	Supple-mentary	Re-appropriation	Total	(₹ in crore)	
						Expenditure	Savings
1.	3604-00-200-27-Punjab Municipal Infrastructure Development Fund (PMIDF Act 2011)	100.00	17.41	(-)17.41	100.00	100.00	0
2.	3053-80-800-01-Maintenance of Air Craft	10.13	5.50	(-)0.59	15.04	12.03	(-)3.01
Total		110.13	22.91	(-)18.00	115.04	112.03	(-)3.01

Source: Appropriation Accounts.

3.5.4 Rush of expenditure

Rule 56 of the General Financial Rules provides that rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial propriety and should be avoided.

Audit scrutiny revealed that in four cases as given in **Table 3.14**, the expenditure incurred during 4th quarter of the year ranged between 53.64 *per cent* and 96.52 *per cent* against the target of 20 *per cent* and the expenditure incurred during the month of March 2020 alone ranged between 51.58 *per cent* and 87.18 *per cent*. Further entire expenditure of ₹ 21,483.93 crore in 21 sub-heads was incurred in the month of March 2020 alone (*Appendix 3.9*).

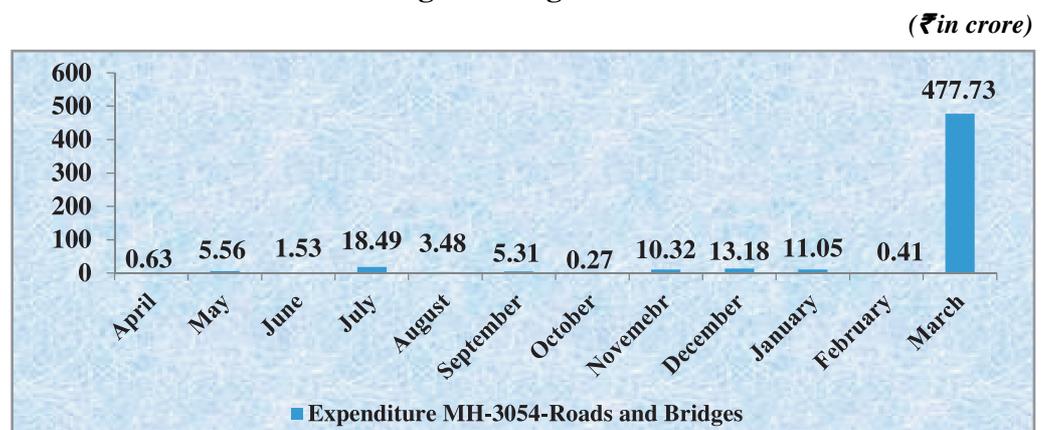
Table 3.14: Major Heads with more than 50 per cent of expenditure in March 2020 alone

(₹ in crore)

Sr. No.	Major Head	Description	4 th Quarter	Total expenditure during 2019-20	Expenditure during March 2020	Expenditure in 4 th Quarter as percentage of total expenditure	Expenditure in March 2020 as percentage of total expenditure
1.	2852	Industries	1,696.34	1,757.49	1,182.61	96.52	67.29
2.	3054	Roads and Bridges	489.19	547.96	477.73	89.27	87.18
3.	4217	Capital Outlay on Urban Development	173.72	323.86	167.05	53.64	51.58
4.	4700	Capital Outlay on Major Irrigation	92.96	132.54	87.29	70.14	65.86

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

Chart 3.7: Month wise expenditure of Major Head 3054-Roads and Bridges during 2019-20



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

It was observed that heavy expenditure of ₹ 477.73 crore (87 per cent) was incurred in March 2020 against the full year expenditure of ₹ 547.96 crore under Major Head-3054 – Roads and Bridges but no justification for this was provided by the Government.

3.5.5 Review of selected grants

A review of budgetary procedure and control over expenditure in respect of two selected grants i.e. 01-Agriculture and 08-Finance was conducted wherein magnitude of variations in original grants, supplementary demands and actual expenditure were analysed.

3.5.5.1 Grant No. 01 – Agriculture

(i) Introduction

Grant 01-Agriculture includes Major Heads 2401-Crop Husbandry, 2402-Soil and Water Conservation, 2406-Forestry and Wild Life, 2415-Agricultural Research and Education, 4059-Capital Outlay on Public Works and 4401- Capital Outlay on Crop Husbandry.

(ii) Budget and Expenditure

The overall position of budget provisions, actual disbursement and savings under the functional Heads of the grant for the last three years (2017-18 to 2019-20) is given in **Table 3.15**.

Table 3.15: Budget and Expenditure during the year 2017-18 to 2019-20

(₹ in crore)

Year	Section	Budget provision	Total	Expenditure	Un-utilized provision and its percentage
2017-18	Revenue-Original (V)	10,577.34	10,657.13	6,923.03	3,734.10 (35.04)
	Supplementary	79.79			
	Revenue-Original (C)	0.13	0.61	0.46	0.15 (24.59)
	Supplementary	0.48			
	Capital-Original (V)	3.52	3.52	(-)6.50	10.02 (284.66)
	Supplementary	0			
2018-19	Revenue-Original (V)	14,425.32	14,425.32	11,457.23	2,968.09 (20.58)
	Supplementary	0			
	Revenue-Original (C)	0.01	0.11	0.09	0.02 (18.18)
	Supplementary	0.10			
	Capital-Original (V)	2.04	2.04	1.90	0.14 (6.86)
	Supplementary	0			
2019-20	Revenue-Original (V)	13,292.10	13,292.10	7,499.91	5,792.19 (43.58)
	Supplementary	0			
	Revenue-Original (C)	0.03	1.20	1.00	0.20 (16.67)
	Supplementary	1.17			
	Capital-Original (V)	6.24	6.24	1.90	4.34 (69.55)
	Supplementary	0			

Source: Appropriation Accounts

Un-utilised budget provision ranged between 6.86 per cent and 284.66 per cent during 2017-20.

(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-1-Agriculture during 2017-20 has been depicted in **Table 3.16**.

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

Year	Savings			Amount surrendered (percentage)		
	Revenue(V)	Revenue(C)	Capital(V)	Revenue(V)	Revenue(C)	Capital(V)
2017-18	3,734.11	0.15	10.02	1,305.11 (34.95)	0.00	1.42 (14.17)
2018-19	2,968.09	0.02	0.14	2,592.03 (87.33)	0.00	0.09 (64.29)
2019-20	5,792.19	0.20	4.34	2,650.59 (45.76)	0.00	2.14 (49.31)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total savings

(iv) Persistent savings

It was observed that a substantial portion of the budget allocation remained unutilised every year under certain heads of accounts during 2017-18 to 2019-20, indicating non-achievement of the projected financial outlays in the respective years as shown in the **Table 3.17**.

Table 3.17: Persistent savings under Grant No. 01*(₹ in crore)*

Sr. No.	Head of Account	2017-18	2018-19	2019-20
1.	2401-00-001-01-Direction	9.30 (4.79)	20.01 (9.13)	15.24 (6.75)
2.	2401-00-111-05-Agriculture Census	0.99 (68.75)	0.36 (48)	1.02 (79.06)
3.	2401-00-111-07-Rationalisation of Irrigation Statistics	1.75 (77.43)	0.56 (36.36)	2.13 (93.01)
4.	2402-00-102-20-National Mission on Micro Irrigation	0.68 (57.63)	1.97 (58.81)	0.51 (15.22)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of savings to total provisions

3.5.5.2 Grant No. 08-Finance**(i) Introduction**

Grant 08-Finance includes Major Heads 2047-Other Fiscal Service, 2048-Appropriation for Reduction or Avoidance of Debt, 2049-Interest Payments, 2054-Treasury and Accounts Administration, 2070-Other Administrative Services, 2071-Pension and Other Retirement Benefits, 2075-Miscellaneous General Services, 2235-Social Security and Welfare, 3451- Secretariat – Economic Services, 6003-Internal Debt of the State Government, 6004-Loans and Advances from the Central Government, 7610-Loans to Government Servants etc. and 7615-Miscellaneous Loans.

(ii) Budget and Expenditure

The overall position of budget provisions, actual disbursement and savings under the functional Heads of the grant for the last three years is given in **Table 3.18**.

Table 3.18: Budget and Expenditure during the year 2017-18 to 2019-20*(₹ in crore)*

Year	Section	Budget provision	Total	Expenditure	Un-utilised provision and its percentage
2017-18	Revenue-Original (V)	11,087.10	11,087.10	10,737.64	349.46 (3.25)
	Supplementary	0			
	Revenue-Original (C)	14,910.50	15,174.73	15,333.97	Excess expenditure over budget provision
	Supplementary	264.23			
	Capital-Original (V)	50.11	50.11	37.78	12.33 (24.61)
	Supplementary	0			
	Capital-Original (C)	34,985.96	35,029.64	34,969.58	60.06 (0.17)
	Supplementary	43.68			
2018-19	Revenue-Original (V)	12,622.54	12,622.54	11,607.79	1,014.75 (8.04)
	Supplementary	0			
	Revenue-Original (C)	16,260.10	16,311.55	16,306.17	5.38 (0.03)
	Supplementary	51.45			
	Capital-Original (V)	74.70	74.70	34.06	40.64 (54.40)
	Supplementary	0			
	Capital-Original (C)	36,109.99	38,623.32	37,770.93	852.39 (2.21)
	Supplementary	2,513.33			
2019-20	Revenue-Original (V)	12,658.69	12,658.69	11,585.62	1,073.07 (8.48)
	Supplementary	0			
	Revenue-Original (C)	17,669.26	17,868.10	17,810.64	57.46 (0.32)
	Supplementary	198.84			
	Capital-Original (V)	51.60	51.60	30.06	21.54 (41.74)
	Supplementary	0			
	Capital-Original (C)	44,639.92	44,639.92	39,573.90	5,066.02 (11.35)
	Supplementary	0			

Source: Appropriation Accounts

During 2017-18, unutilised budget provision ranged between 0.17 per cent and 24.61 per cent under Revenue (V) and Capital Section. However, an excess expenditure over budget provision under Revenue Charged section was noticed during 2017-18. During 2018-19 and 2019-20, unutilised budget provision ranged between 0.03 per cent and 54.40 per cent.

(iii) Non-surrender of savings

Rule 17.20 of the Punjab Financial Rules provides that, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. This provision was violated as no savings were surrendered during 2017-18 and 2019-20 and no savings were surrendered under Revenue and Capital (Charged) sections during 2018-19. The position of surrender of unutilised provision is depicted in **Table 3.19**.

Table 3.19: Non-surrender of savings*(₹ in crore)*

Year	Savings				Amount surrendered (percentage)			
	Revenue (V)	Revenue (C)	Capital (V)	Capital (C)	Revenue (V)	Revenue (C)	Capital (V)	Capital (C)
2017-18	349.45	0	12.33	60.06	0	0	0	0
2018-19	1,014.75	5.38	40.64	852.39	936.84 (92.32)	0	28.45 (70.00)	0
2019-20	1,073.07	57.46	21.54	5,066.02	0	0	0	0

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total savings

(iv) Persistent savings

It was observed that a substantial portion of the budget allocation remained unutilised every year under certain heads of accounts during 2017-18 to 2019-20, indicating non-achievement of the projected financial outlays in the respective years as detailed in the **Table 3.20**.

Table 3.20: Persistent savings under Grant No. 08*(₹ in crore)*

Sr. No.	Head of Account	2017-18	2018-19	2019-20
Revenue (V)				
1.	2054-00-097-01-Treasury Establishment	3.26 (10.23)	0.69 (2.46)	5.12 (15.83)
2.	2071-01-102-01-Commutated Value of Pensions	53.21 (19.26)	4.96 (1.95)	48.07 (17.94)
3.	2071-01-104-01-Gratuities	118.59 (10.24)	295.45 (27.51)	438.04 (40.03)
4.	2071-01-115-01-Leave Encashment Benefits	133.52 (17.84)	143.90 (20.56)	114.89 (15.63)
5.	2075-00-103-01-Prizes	12.96 (20.83)	6.35 (15.88)	627.16 (90.70)
6.	2075-00-103-02-Direction and Administration	1.06 (20.42)	0.33 (7.25)	6.46 (56.92)
7.	2235-60-104-01-Deposit Linked Insurance Scheme	0.86 (50.29)	0.93 (54.07)	0.93 (53.45)
8.	3451-00-092-01-Directorate of Financial Resources and Economic Intelligence	1.63 (62.69)	1.11 (41.11)	1.79 (51.44)
Revenue (C)				
9.	2049-01-115-01-Interest on Ways and Means Advances from Reserve Bank of India	12.50 (25)	5.30 (18.60)	10.10 (35.44)
Capital (V)				
10.	7610-00-800-01-Festival Advances	5.50 (23.91)	9.67 (38.68)	10.23 (40.92)
11.	7610-00-800-11-Wheat Advances	6.03 (23.19)	2.37 (11.29)	10.98 (42.23)
Capital (C)				
12.	6004-02-105-01-State Plan Loans Consolidated in terms of recommendations of the 12 th Finance Commission	24.34 (13.69)	24.34 (13.69)	24.34 (13.69)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of savings to total provisions

(v) Persistent Excess

In three cases there was persistent excess expenditure of more than ₹ one crore in each case during the last three years as detailed in **Table 3.21**.

Table 3.21: Persistent Excess expenditure over budget provision under Grant No. 08

(₹ in crore)				
Sr. No.	Head of Account	2017-18	2018-19	2019-20
Revenue (V)				
1.	2071-01-101-01-Pension and Other Retirement Benefits	616.95	290.39	187.05
2.	2049-01-101-01-Interest on Market Loan	1,324.01	1,306.95	85.23
3.	2049-04-101-01-Interest on Block Loans	23.46	32.11	8.17
Total		1,964.42	1,629.45	280.45

Source: Appropriation Accounts.

(vi) Excess expenditure over provisions requiring regularisation

Article 205 (1) (b) of the Constitution of India provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess.

Audit observed that excess expenditure of ₹ 552.33 crore (**Appendix 3.8, Sr. No. 2 to 13**) was incurred under 12 schemes during the year 2019-20 which may be got regularised under the above mentioned provisions.

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

3.6 Conclusions

The budgetary system of the State Government was not upto the mark, as overall utilisation of budget was 83.23 per cent of total grants and appropriations during 2019-20. Budgetary allocations were based on unrealistic proposals as out of total 42 grants, in 17 grants savings excluding surrenders were more than ₹ 100 crore.

An expenditure of ₹ 2,113.58 crore was incurred during the year 2019-20 without having any provision in the original budget estimates/ supplementary demands and without issuing any re-appropriation orders to this effect.

Supplementary provisions were also not on realistic basis as in 24 cases the supplementary provisions were unnecessary. There was rush of expenditure at fag end of the year. In four major heads, more than 50 per cent of the expenditure under each major head during 2019-20 was incurred in the month of March 2020.

In two grants and one appropriation, the expenditure of ₹ 468.21 crore during 2019-20 was excess over the authorisation made by the State Legislature which vitiates the system of budgetary and financial control. The excess expenditure of ₹ 37,269.28 crore for the period 2015-16 to 2018-19 is also required to be regularised from the State Legislature.

Under 10 schemes, there was approved out lay of ₹ 2,488.00 crore (₹ 100 crore or more in each scheme) but no expenditure was incurred. Further, under 15 schemes, there was approved out lay of ₹ 606.95 crore which was withdrawn in revised outlay which deprived the beneficiaries of intended benefits.

3.7 Recommendations

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

