

CHAPTER 2

Financial Management and Budgetary Control

This chapter outlines the Government's financial accountability and budgetary practices.

Box 2.1

Appropriation Accounts

Appropriation Accounts are accounts of the expenditure, voted and charged of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations and indicate the actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of budget. The Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of the appropriations seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given in the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution of India is so charged. It also ascertains whether the expenditure incurred is in conformity with the law, relevant rules, regulations and instructions.

2.1 Summary of the Appropriation Accounts

The summarized position of actual expenditure vis a vis budgetary provisions during 2009-10 for the total 30 grants/appropriations is given in the **Table 2.1**.

Table 2.1: Summarized position of actual expenditure vis-à-vis original/supplementary provisions
(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	24909.61	1125.98	26035.59	22835.70	(-)3199.89
	II Capital	3565.65	476.78	4042.43	2243.46	(-)1798.97
	III Loans and Advances	27.60	0	27.60	28.84	(+)1.24
Total Voted		28502.86	1602.76	30105.62	25108.00	(-)4997.62
Charged	IV Revenue	5403.51	74.14	5477.65	5079.74	(-)397.91
	V Capital	0	0	0	0	0
	VI Public Debt- Repayment	6362.62	0	6362.62	5308.36	(-)1054.26
Total Charged		11766.13	74.14	11840.27	10388.10	(-)1452.17
Appropriation to Contingency Fund		0	0	0	0	0
Grand Total		40268.99	1676.90	41945.89	35496.10	(-)6449.79

Source: Appropriation Accounts

Note: The expenditure includes the recoveries of ₹ 507.50 crore adjusted as reduction of expenditure under Revenue expenditure and ₹ 77.06 crore under Capital expenditure.

The actual expenditure during 2009-10 was ₹ 35,496.10 crore against the original budgetary provisions of ₹ 40,268.99 crore. The supplementary provisions of ₹ 1,676.90 crore were, thus, found unnecessary. The overall saving of ₹ 6,449.79 crore (15.38 per cent) was the net result of savings of ₹ 6,910.56 crore in 29 grants (*Appendix 2.1*) set off by excess of ₹ 460.77 crore in four grants (*Table 2.4*).

The savings/excesses were intimated by the Accountant General (Accounts and Entitlement), Punjab to the Controlling Officers requesting them to furnish reasons for the significant variations, but the same were not furnished (October 2010).

2.2 Financial Accountability and Budget Management

2.2.1 Appropriation vis-à-vis allocative priorities

The outcome of audit of the appropriations reveals that in 23 cases (17 out of the total 30 grants), the savings exceeded by ₹ 50 crore or by more than 20 per cent of the total provision in each case as detailed below in **Table-2.2**. Of these, in 17 cases¹ the savings ranged between 21.45 per cent to 99.72 per cent of the total provision.

Table 2.2: List of grants having savings of ₹ 50 crore and more

(₹ in crore)

Sr. No.	Number and Name of the grant	Original grant	Supplementary grant	Total	Actual expenditure	Savings	Percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	(Revenue-Voted)						
1	1-Agriculture and Forests	573.06	29.63	602.69	438.18	164.51	27.30
2	2-Animal Husbandry and Fisheries	263.45	7.78	271.23	213.05	58.18	21.45
3	5-Education	3933.54	142.44	4075.98	3600.22	475.76	11.67
4	8-Finance	8195.58	1.14	8196.72	7398.38	798.34	9.74
5	9-Food and Supplies	362.69	2.82	365.51	60.69	304.82	83.40
6	11-Health and Family Welfare	1017.96	116.73	1134.69	1022.24	112.45	9.91
7	13-Industries	138.77	0.01	138.78	34.44	104.34	75.18
8	15-Irrigation and Power	3354.81	641.96	3996.77	3663.74	333.03	8.33
9	17-Local Government, Housing and Urban Development	330.02	0	330.02	97.25	232.77	70.53
10	22-Revenue and Rehabilitation	935.99	0	935.99	666.95	269.04	28.74
11	23-Rural Development and Panchayats	757.39	0	757.39	474.01	283.38	37.42

¹ Serial No.1, 2, 5, 7, 9, 10, 11, 12, 14, 15, 16, 17, 18, 19, 20, 21 and 22 of the Table 2.2.

12	25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes	969.56	53.60	1023.16	710.78	312.38	30.53
	(Revenue-Charged)						
13	8-Finance	5348.65	40.13	5388.78	5010.99	377.79	7.01
	(Capital-Voted)						
14	5-Education	199.02	0.10	199.12	88.57	110.55	55.52
15	11-Health and Family Welfare	131.61	0	131.61	9.74	121.87	92.60
16	12-Home Affairs and Justice	117.85	0.01	117.86	57.03	60.83	51.61
17	13-Industries	73.31	17.35	90.66	0.25	90.41	99.72
18	17-Local Government, Housing and Urban Development	660.39	2.16	662.55	252.29	410.26	61.92
19	19-Planning	191.46	0	191.46	94.22	97.24	50.79
20	21-Public Works	1102.54	316.01	1418.55	900.45	518.10	36.52
21	23-Rural Development and Panchayats	151.31	65.81	217.12	93.15	123.97	57.10
22	27-Technical Education and Industrial Training	152.14	0.10	152.24	39.02	113.22	74.37
	(Capital-Charged)						
23	8-Finance	6362.62	0	6362.62	5308.36	1054.26	16.57
	Total	35323.72	1437.78	36761.50	30234.00	6527.50	17.76

Source: Appropriation Accounts

There were major savings in the grants relating to Food and Supplies, Industries, Health and Family Welfare and Technical Education and Industrial Training departments. The departments did not intimate the reasons for the savings (October 2010). Such large savings in more than 50 *per cent* of the grants reflect weak budgeting and controls.

2.2.2 *Persistent savings*

In four cases, during the last five years there were persistent savings of more than ₹ 1 crore in each case and also by 20 *per cent* or more of the total grant. Under one Centrally Sponsored Scheme (CSS), there was savings of 100 *per cent* during the last five years which shows weak financial control as detailed in **Table 2.3**.

Table 2.3: List of grants having persistent savings during 2005-10

(₹ in crore)

Sr. No.	Number and Name of the grant/Head of Account	Amount of savings (percentage of savings in bracket)				
		2005-06	2006-07	2007-08	2008-09	2009-10
Revenue-voted						
1	21-Public Works 2215-Water Supply and Sanitation –Water Supply – Direction and Administration	75.26 (46.32)	57.48 (33.43)	43.62 (23.25)	71.89 (32.60)	54.53 (23.69)
Capital-Voted						
2	15-Irrigation and Power 4711-Capital Outlay on Flood Control Projects – Flood Control – Civil Works – Construction of Flood Protection and Drainage Works – Works expenditure (CSS)	10.00 (100)	10.00 (100)	7.20 (72.00)	7.07 (88.38)	1.70 (24.29)
3	15-Irrigation and Power 4711-Capital Outlay on Flood Control Projects-Flood Control-Civil Works-Works Expenditure Counter Protective Measures on Left Side of River Ravi (CSS)	10.00 (100)	8.38 (83.80)	10.00 (100)	8.00 (100)	7.00 (100)
4	17-Local Government, Housing and Urban Development 4217-Capital Outlay on Urban Development – Other Urban Development Schemes – Other expenditure-Prevention of Pollution of River Sutlej –Cost of land (CSS)	70.00 (100)	50.00 (100)	36.20 (100)	7.40 (100)	1.00 (100)

Source: Appropriation Accounts

The savings/excesses were intimated by the Accountant General (Accounts & Entitlement), Punjab to the Finance Department (November 2009, January 2010 and February 2010) requesting them to explain the reasons for significant variations. In reply, it was stated (June 2010) that in respect of voted expenditure for the years 2005-06 to 2007-08, the savings were mainly due to non-timely clearance of plan schemes and centrally sponsored schemes by the Government and non-release of funds by the treasury on account of fiscal exigencies. Reasons for the years 2008-09 and 2009-10 were not intimated by the departments (October 2010).

2.2.3 Excess over provisions during 2009-10 requiring regularization

Article 205(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, cause to be laid before the House or the Houses of the Legislature of the State another statement showing the estimated amount of that expenditure or cause to be presented to the Legislative Assembly of the State a demand for such excess, as the case may be.

The excess expenditure of ₹ 460.77 crore in four grants during the year 2009-10 require regularization under the above mentioned article as detailed in **Table 2.4.**

Table 2.4: Excess over provisions requiring regularization during 2009-10
(₹ in crore)

Sr. No.	Number and title of grant		Total grant/ appropriation	Expenditure	Excess
Voted Grants					
1.	3	Co-operation (Revenue)	83.40	90.69	7.29
2.	8	Finance (Capital)	27.60	28.84	1.24
3.	21	Public Works (Revenue)	792.62	1242.40	449.78
Charged Grants					
4.	5	Education (Revenue)	16.78	19.24	2.46
Total			920.40	1381.17	460.77

Source: Appropriation Accounts

2.2.4 Grant where expenditure in a case exceeded more than ₹ 10 crore and more than 20 per cent of the provision

In the Grant No. 21-Public Works, there was excess expenditure by more than ₹ 10 crore and also more than 20 per cent of the total provision consistently for the last four years as detailed in **Table 2.5** depicting another example of poor budgeting.

Table 2.5: Excess expenditure more than ₹ 10 crore and more than 20 per cent of the provision

(₹ in crore)

Year	Provision	Expenditure	Excess expenditure	
			Amount	Percentage
2006-07	718.64	1148.39	429.75	59.80
2007-08	725.72	1018.68	292.96	40.37
2008-09	772.49	1056.13	283.64	36.72
2009-10	792.62	1242.40	449.78	56.75

Source: Appropriation Accounts

The matter was taken up with the Government (November 2010), no reply has been received.

2.2.5 Excess over provisions relating to the previous years requiring regularization

The excess expenditure amounting to ₹ 5,616.08 crore for the years 2004-09 had not yet been regularized under the provision of Article 205 (b) of the Constitution of India. In this regard no replies were furnished by the departments concerned (October 2010). The year-wise details of excess expenditure requiring regularization is summarized in **Table 2.6**.

Table 2.6: Excess over provisions requiring regularization

(₹ in crore)

Year	Total number of Grants/ appropriations	Grant/ appropriation number	Amount of excess over provision
2004-05	4	8, 12, 21, 26	395.52
2005-06	2	17, 19	65.65
2006-07	5	5, 8, 21, 27, 30	3753.43
2007-08	6	8, 9, 12, 15, 19, 21	895.34
2008-09	4	3, 8, 12, 21	506.14
Total			5616.08

Source: Appropriation Accounts

2.2.6 Persistent excess expenditure

In four cases, there was persistent excess of more than ₹ one crore in each case or by more than 20 per cent of the total grant during the last five years. Under two schemes, there was 100 per cent excess expenditure during the last five years as shown in the **Table 2.7**.

Table 2.7: List of grants having persistent excess expenditure during 2005-10

(₹ in crore)

Sr. No.	Number and Name of the grant	Amount of excess expenditure (percentage of excess expenditure in brackets)				
		2005-06	2006-07	2007-08	2008-09	2009-10
Revenue-Voted						
08-Finance						
1	2071-Pensions and other Retirement benefits-01-Civil 105-Family Pensions	5.69 (4.83)	65.96 (46.47)	69.24 (48.90)	54.71 (24.28)	31.31 (9.98)
21-Public Works						
2	2059-Public Works 80-General 001-Direction and Administration 07-Establishment Charges paid to Public Health Department for Work done by the Department	21.33 (100.00)	25.77 (100.00)	28.54 (100.00)	22.02 (100.00)	27.29 (100.00)
3	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	34.63 (100.00)	86.20 (100.00)	48.13 (100.00)	42.62 (100.00)	74.72 (100.00)

Source: Appropriation Accounts

The departments did not intimate the reasons for excess expenditure (October 2010).

2.2.7 Expenditure without provision of funds

As per Para 14.1 of the Punjab Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 790.93 crore was incurred in 69 cases under eight grants during 2009-10, as detailed in *Appendix 2.2* without making any provision in the original estimates/supplementary demands and without issuing any re-appropriation orders to this effect. No replies were furnished by the departments (October 2010)

2.2.8 Unnecessary supplementary provisions

Supplementary provision aggregating to ₹ 771.49 crore obtained in 19 cases, ₹ one crore or more in each case, during the year 2009-10 proved unnecessary as the expenditure did not come upto the level of even the original provisions as detailed in *Appendix 2.3*. Some of the departments which made unnecessary supplementary provisions were Education, Social Welfare, Public Works (B&R), Water Supply and Sanitation and Rural Development and Panchayats.

2.2.9 Excess/inadequate 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 2009-10, injudicious re-appropriations effected by the departments proved excessive or insufficient and resulted in savings of ₹ 1,575.77 crore in 70 sub-heads and excess of ₹ 497.53 crore in 17 sub-heads by more than ₹ one crore in each case. The excess/savings were more than ₹ 10 crore each under 31 sub-heads as detailed in *Appendix 2.4*. In 29² cases, the re-appropriation of funds proved excessive as the savings were more than the funds provided through re-appropriation. Similarly, in seven³ cases, reduction of provisions through re-appropriation proved injudicious as the excess expenditure was more than the provisions reduced through re-appropriations.

Some of the departments which made excess/inadequate re-appropriation of funds are Agriculture, Elections, Finance, Information and Public Relations, Irrigation and Power, Public Works (B&R), Social Welfare and Technical Education and Industrial Training.

The departments did not intimate the reasons for the excess/inadequate re-appropriation of funds (October 2010).

2.2.10 Anticipated savings not surrendered

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 the savings are anticipated. At the close of the year 2009-10, in 32 cases there were savings ranging between ₹ 2.31 crore and ₹ 410.26 crore, but no part of the anticipated savings was surrendered by the concerned departments. The total amount involved in these cases was ₹ 2,814.51 crore, the details of which are given in

² Sr. No. 6, 10, 14, 21, 22, 32, 33, 41, 42, 45, 46, 48, 53, 54, 55, 56, 66, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78 and 79 of the Appendix 2.4.

³ Sr. No. 24, 37, 38, 57, 63, 64 and 87 of the Appendix 2.4.

Appendix 2.5. The Health and Family Welfare, Industries, Local Government, Revenue and Rehabilitation, Rural Development and Panchayats and Finance Departments were some of the departments which had not surrendered the anticipated savings. The departments did not furnish any reasons regarding non-surrendering of the savings (October 2010).

Similarly, in 13 cases, after effecting partial surrender, savings ranging between ₹ 10.08 crore and ₹ 594.53 crore aggregating to ₹ 2,463.77 crore were not surrendered. The details are given in **Appendix 2.6**. Some of the departments which surrendered the savings partially were Education, Social Welfare, Public Works (B&R), Water Supply and Sanitation and Finance Department.

2.2.11 Surrender in excess of the actual savings

In two cases, the amount surrendered (₹ 50 crore or more in each case) was in excess of the actual savings indicating lack of or inadequate budgetary control in the Finance and Irrigation and Power departments. As against savings of ₹ 829.16 crore, the amount surrendered was ₹ 1,123.55 crore resulting in excess surrender of ₹ 294.39 crore. The details are given in **Table 2.8**.

Table 2.8: Surrender in excess of the actual savings (₹ 50 crore or more)
(₹ in crore)

Sr. No.	Number and name of the grant/appropriation	Total grant/appropriation	Savings	Amount surrendered	Amount surrendered in excess
	(Revenue-Voted)				
1	8-Finance	8196.72	798.34	1060.05	261.71
	(Capital-Voted)				
2	15-Irrigation and Power	692.77	30.82	63.50	32.68
	Total	8889.49	829.16	1123.55	294.39

The departments did not intimate the reasons for the surrender in excess of savings (October 2010).

2.2.12 Defective Re-appropriation

During the year 2009-10, 34 re-appropriation orders for ₹ 3,074.12 crore were issued. Apart from issue of so many re-appropriation orders which dilutes the process of budget-making and expenditure control, all the re-appropriation orders were issued on 31 March 2010. This clearly indicates that re-appropriation orders were issued by the departments as *ex post facto* short-cut remedies to avoid excesses/savings with reference to the budgetary allotment. Besides, 11 out of the 34 re-appropriation orders for ₹ 352.46 crore were found inappropriate and hence had to be ignored by the Accountant General (A&E), Punjab as per details given in **Appendix 2.7**.

2.2.13 Rush of expenditure

According to para 18.15 of the Manual of Instructions of the Finance Department, Government funds should be evenly spent throughout the year. The rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Scrutiny of expenditure incurred by the State

Government in the year 2009-10 revealed that an expenditure of ₹ 3,551.02 crore (12 per cent of the total expenditure of ₹ 29,574.35 crore) was incurred during March 2010 and the expenditure incurred on the last day of the financial year was ₹ 1,069.42 crore. It was further noticed that in seven cases, the expenditure during the 4th quarter of the year ranged between 50.20 and 86.73 per cent of the total expenditure under the concerned head of accounts and the expenditure incurred during the month of March 2010 alone constituted 35.35 per cent of the total expenditure under the concerned head of accounts during the year. The details are given in Table 2.9.

Table 2.9: Rush of expenditure towards the end of the financial year 2009-10

(₹ in crore)

Sr. No.	Major Head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2010	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2401	183.48	92.11	50.20	50.63	27.59
2.	2404	36.40	31.57	86.73	30.37	83.43
3.	4055	55.56	32.36	58.24	26.87	48.36
4.	4202	176.31	124.22	70.46	80.68	45.76
5.	4217	248.01	169.00	68.14	59.19	23.87
6.	4250	17.97	14.69	81.75	10.66	59.32
7.	4705	96.64	49.30	51.01	29.51	30.54
	Total	814.37	513.25	63.02	287.91	35.35

Source: Monthly Accounts compiled by A.G. (A&E)

The foregoing details show that in various departments there was large scale persistent excess expenditure, expenditure was incurred without budget provisions, supplementary provisions were either found excess or inadequate and anticipated savings were either not surrendered or surrendered in excess of the actual savings. The analysis of these aspects indicate weak budgetary control in the State and therefore the budgetary process needs close monitoring to ensure that the budget estimates are prepared with due care so that there are no huge surrender of funds/excess over the estimates.

2.3 Outcome of review of selected Grants

2.3.1 A review of budgetary procedure and control over expenditure in two test checked grants i.e. Grant No. 09-Food and Supplies and Grant No. 25- Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes for the period 2007-10 revealed the following:-

(i) Unrealistic budget provisions

Scrutiny of Grant No. 9 and 25 revealed that the departments either made unrealistic budget provisions or did not disburse the fund during 2009-10 as savings of ₹ one crore and more and also 100 per cent in each case aggregating ₹ 365.16 crore were found in 19 schemes (Grant No. 9-one scheme: ₹ 300 crore and Grant No. 25-18 schemes: ₹ 65.16 crore). Some of the schemes that had huge savings were Distribution of wheat and pulses to BPL families at subsidized rates (Atta Dal Scheme), pre-matric scholarship for

students belonging to the Minority Communities, Construction of hostels under Babu Jagjiwan Ram Chhatrawas Yojana and Vocational Training in ITIs for the SC students. Thus, the original budgetary provisions proved unnecessary or the departments did not bother to use the funds at all. Total surrender of the fund earmarked for the welfare of SC/ST communities reflects the scant attention given by the department (details given in **Appendix 2.8**).

On being pointed out (July 2010), the Department of Food and Supplies stated (August 2010) that the savings were due to non-release of funds by the Government. In respect of the Grant number 25, no reply was received from the department (October 2010).

(ii) Unnecessary supplementary grants/re-appropriations

Scrutiny of the Grant number 25 revealed that the departments obtained supplementary grants/re-appropriations in three cases that were much in excess of the original budgetary provisions during 2009-10 (60 to 78 per cent). Such unnecessary supplementary grants/re-appropriation indicate unrealistic budgetary projections as detailed in **Table 2.10**.

Table 2.10: Unnecessary supplementary grants/re-appropriations

(₹ in crore)

Sr. No.	Sub-Head	Original	Supplementary(S)/ Re-appropriation (R)	Total	Expenditure	Savings (-) Excess (+)	Saving/(-) excess (+) (percentage of total)
1.	2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes 01-Welfare of Schedule Castes - 277-Education 01-Scholarship for Post-Matric Students for Schedule Castes	14.50	S 24.49	38.99	15.51	(-) 23.48	(-) 60.22
2.	2235-Social Security and Welfare 02-Social Welfare 800-Other Expenditure 02-Grant-in-aid to Social Welfare Advisory Board and Voluntary Welfare Organisations	0.62	S 0.72 R 0.91	2.25	0.62	(-) 1.63	(-) 72.44
3.	2225-Welfare of Scheduled Tribes and Other Backward Classes 01-Welfare of Scheduled Castes- 277-Education- 07-Grants to Scheduled Castes Girls studying in Post Matric and Post Graduate Classes	0.50	S 0.32	0.82	0.18	(-) 0.64	(-) 78.05

On being pointed out (November 2010), the Director, Social Security and Women and Child Development Department stated (November 2010) that in respect of item at serial number two above, the savings were due to non-passing of bills by the treasury and non-release of funds by the Government. In respect of serial numbers one and three above, the Director, Welfare of Scheduled Castes and Backward Classes stated (November 2010) that the savings were due to non-clearance of scheme by the Government of India and non-passing of bills by the treasury respectively.

(iii) Non-surrender of unspent funds

Rule 17.20 of the Punjab Financial Rules, volume I provides that unspent provisions in a grant or appropriation are to be surrendered to the Government as soon as these are foreseen, without waiting for the end of the financial year. Unspent provisions should not be held in reserve for any possible future purposes. Test check revealed that the departments retained major portion of the unspent provisions and surrendered very little amount that too in the last month of the financial year as detailed in **Table 2.11**.

Table 2.11: Non-surrender of the un-spent provisions

(₹ in crore)

Grant No.	Unspent provision	Amount surrendered in March 2010	Amount not surrendered
	Revenue	Revenue	Revenue
9	304.82	1.52	303.30
25	312.38	11.80	300.58

Had the huge unspent provisions been surrendered as soon as these were foreseen, these could have been fruitfully utilized on some other schemes/projects of the Government. On being pointed out (July 2010), the departments did not intimate the reasons for non-surrender of the unspent provisions.

2.4 Retention of receipts outside the control of State Legislature

Articles 266 and 283 of the Constitution of India provide that all receipts of the State should be credited to the Consolidated Fund of the State and withdrawal of money therefrom should be regulated by law made by the Legislature of the State.

The Punjab Infrastructure Development Board (PIDB) was established under the Punjab Infrastructure (Development and Regulation) Act, 2002 (PIDB Act) for the development of infrastructure sectors in the State of Punjab.

Infrastructure fee on purchase of all agricultural produces except fruits, vegetables and pulses and sale of petrol and diesel in the State of Punjab is levied and collected as per the PIDB Act and is paid into a fund called Development Fund which vests in the PIDB. The funds are used for the development of infrastructure in the State for the benefit of the persons from whom the fee has been charged and collected and for the public at large.

A fee is a charge for a specific service rendered to a specific area or class and by and large it is a quid pro quo for the services rendered whereas taxation is an imposition made for a public purpose without reference to any special benefit to be conferred on the payer of tax. As the infrastructure fee collected under the PIDB Act is applied for the development of infrastructure in the whole of the State and not only for the payers of the fee, the infrastructure fee levied and collected under this Act has the features of tax and required to be deposited in the Consolidated Fund of the State.

Besides, the above, the Council of Ministers, Punjab decided (August, 2007) to transfer the Optimum Utilization of Vacant Government Land (OUVGL) Scheme from the Punjab Urban Development Authority to PIDB with the objective of generating resources through commercial exploitation of some under-utilised or vacant properties for creation of infrastructure in the State of Punjab. The entire proceeds realized from the commercial exploitation of the properties were credited to the Development Fund of PIDB. As this receipt is also general receipt of the State, it should be accounted for in the Consolidated Fund of the State.

As per Receipt and Expenditure Account of the PIDB for the year ended 31 March, 2009 an amount of ₹ 561.68 crore was realized by the PIDB (infrastructure fee on account of purchase of agricultural produces and sale of petrol and diesel: ₹ 538.95 crore and receipt under the OUVGL Scheme: ₹ 22.73 crore) and credited in its fund.

The fee and receipts were directly credited to the Development Fund of PIDB instead of the Consolidated Fund of the State resulting in reduction of receipts of the State Government to that extent. It also resulted in incurring of huge expenditure by the PIDB without budgetary control of the State Legislature.

2.5 Booking of funds of the autonomous bodies as Government receipts

In view of the financial constraints during 2009-10, the State Government decided (September 2009) to implement various developmental schemes by getting funds from the autonomous bodies viz Punjab Rural Development Board (PRDB) and Punjab Infrastructure Development Board (PIDB). The Finance Department directed the bodies to deposit the funds in the State Government's Account, in the Major revenue head 0075-Miscellaneous General Services. Accordingly, the PIDB deposited ₹ 381.23 crore (₹325.46 crore in the Major head 0075- Miscellaneous General Services and ₹ 55.77 crore in the Major head 8443-Civil Deposits which were finally transferred to the Major head 0075- Miscellaneous General Services). The PRDB deposited ₹ 297.02 crore in the Major head 0075- Miscellaneous General Services between April 2009 and March 2010. The deposits by the autonomous bodies can not be considered as revenue receipts of the State Government. Thus, crediting of the amount to the revenue head of Government resulted in overstatement of the State revenue by ₹ 678.25 crore. Taking revenue of the autonomous bodies as revenue of the State Government without any budgetary provisions defeats the principle of financial propriety.

2.6 Conclusion and recommendations

Audit of Appropriation Accounts for the year 2009-10 revealed that there was an overall net saving of ₹ 6,449.79 crore (15.38 per cent) during the year. There were savings in excess of ₹ 50 crore or by more than 20 per cent of the provision in each case in 17 out of the total 30 Grants. Excess expenditure of ₹ 5,616.08 crore relating to the period 2004-05 to 2008-09 awaited regularization by the State Legislature, besides expenditure of ₹ 460.77 crore incurred during 2009-10 in excess of the provision also requiring regularization. In eight grants, expenditure of ₹ 790.93 crore was incurred without provision of funds. During the year, the re-appropriation orders effected by the departments either proved excessive or insufficient and resulted in saving of ₹ 1,575.77 crore in 70 sub-heads and excess of ₹ 497.53 crore in 17 sub-heads. During the year 2009-10, 34 re-appropriation orders for ₹ 3,074.12 crore were issued on the last day of the financial year i.e. 31 March 2010.

Budgetary control needs to be strengthened in all the Government departments, particularly in the departments, where savings/excesses persisted. Budget estimates should be prepared with due care and on realistic basis so that there are no huge surrenders or excess over the estimates. Issuance of re-appropriation/surrender orders at the end of the year should be avoided. Excess expenditure over provision during the previous years should be got regularized. Anticipated savings should be surrendered as and when these are expected so that the amount could be got utilized on other schemes.