

Chapter - 1
Introduction

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1.1 Budget profile

There are 44 departments and 26 autonomous bodies in the State. The position of budget and expenditure incurred thereagainst by the State Government during 2008-13 is given in **Table 1.1**.

Table 1.1: Budget and expenditure

(₹ in crore)

Disbursement	2008-09		2009-10		2010-11		2011-12		2012-13	
	Budget	Expenditure	Budget	Expenditure	Budget	Expenditure	Budget	Expenditure	Budget	Expenditure
Revenue expenditure										
General Services	13997.31	14032.13	15859.39	15525.28	17465.85	18597.73	16434.11	16787.95	18818.97	18572.15
Social Services	6394.72	5482.68	7296.23	6217.13	8600.00	7260.85	11387.32	9246.50	13672.14	11189.97
Economic Services	5477.74	4744.49	5927.18	5218.62	6795.03	6398.94	7018.77	6264.07	10764.24	9152.09
Grants-in-aid and Contributions	861.29	309.69	520.95	446.91	1319.39	639.66	1759.22	746.80	772.30	543.73
Total	26731.06	24568.99	29603.75	27407.94	34180.27	32897.18	36599.42	33045.32	44027.65	39457.94
Capital expenditure										
Capital Outlay	4664.19	2857.93	3603.46	2166.41	4029.43	2384.09	3959.66	1598.12	4527.53	1915.82
Loans and Advances disbursed	40.06	55.07	27.67	28.84	68.27	68.40	176.84	176.61	247.28	197.53
Repayment of Public Debt (including Ways and Means Advances)	2408.03	2288.52	5902.89	5308.36	7385.58	5952.88	8624.92	8947.24	14661.91	15115.79
Contingency Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Account disbursements	22688.57	22590.85	22618.88	20721.04	23011.37	25836.98	29020.27	28771.75	27505.16	33531.20
Closing Cash Balance	--	--	--	--	--	--	--	-178.30	--	-303.61
Total	29800.85	27792.37	32152.90	28224.65	34494.65	34242.35	41781.69	39315.42	46941.88	50456.73
Grand Total	56531.91	52361.36	61756.65	55632.59	68674.92	67139.53	78381.11	72360.74	90969.53	89914.67

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

1.2 Application of resources of the State Government

During 2012-13, against the total budget outlay of ₹ 90,970 crore, total expenditure of ₹ 89,915 crore was incurred. The total expenditure¹ of the State increased by 51.27 per cent from ₹ 27,482 crore in 2008-09 to ₹ 41,571 crore in 2012-13. The revenue expenditure increased by 60.60 per cent from ₹ 24,569 crore to ₹ 39,458 crore; non-plan revenue expenditure increased by 57.23 per cent from ₹ 23,147 crore to ₹ 36,395 crore; and capital expenditure decreased by 32.96 per cent from ₹ 2,858 crore to ₹ 1,916 crore during the period 2008-13.

The revenue expenditure constituted a dominant proportion (89 to 95 per cent) of the total expenditure during the years 2008-13 leaving small fund for capital expenditure (5 to 11 per cent). During this period, it grew at an annual average growth rate of 12.12 per cent, whereas revenue receipts grew at an annual average of 10.95 per cent during 2008-13.

The plan revenue expenditure contributed just five to eight per cent of the total revenue expenditure, whereas the Non-Plan revenue expenditure was 92 to 95 per cent during the period 2008-13.

¹ Total expenditure includes revenue expenditure; capital expenditure; and loans and advances.

1.3 Persistent savings

In seven cases, during the last five years, there were persistent savings of ₹ five crore or more in each case as per details given in **Table 1.2**.

Table 1.2: List of grants having persistent savings during 2008-13

Sr. No.	Number and Name of the Grant/Head of Account/Schemes	Amount of savings (percentage of savings in bracket)				
		2008-09	2009-10	2010-11	2011-12	2012-13
<i>(₹ in crore)</i>						
Revenue-voted						
1	05-Education 2202-General Education 02-Secondary Education 105-Teachers Training 01-Teachers Education Establishment of DIETS/(CSS)	13.96 (75.05)	42.86 (89.74)	29.34 (83.26)	21.08 (73.65)	18.14 (67.97)
2	12-Home Affairs and Justice 2055-Police 109-District Police 01-District Police (Proper)	18.39 (1.82)	30.23 (2.54)	24.37 (1.72)	28.36 (1.59)	24.70 (1.08)
3	15-Irrigation and Power 2700-Major Irrigation 01-Sirhind Canal System (Commercial) 001-Direction and Administration 01-Direction and Administration	60.12 (27.15)	58.26 (20.69)	50.84 (17.09)	58.65 (16.94)	47.16 (12.72)
4	15-Irrigation and Power 2701-Medium Irrigation 80-General 001-Direction and Administration 01-Direction	82.02 (95.31)	96.75 (97.41)	110.92 (99.99)	131.61 (99.26)	148.81 (100.00)
5	21-Public Works 2215-Water Supply and Sanitation 01-Water Supply 001- Direction and Administration	71.89 (32.60)	54.53 (23.69)	80.54 (29.57)	83.08 (23.18)	128.92 (29.60)
6	22-Revenue and Rehabilitation 2245-Relief on Account of National Calamities 02-Floods, Cyclones etc. 101-Gratuitous Relief 01-Gratuitous Relief	42.10 (59.30)	43.81 (87.62)	5.54 (10.45)	5.30 (8.15)	17.76 (88.80)
Capital-Voted						
7	15-Irrigation and Power 4711-Capital Outlay on Flood Control Projects-01-Flood Control 103-Civil Works 08-Works Expenditure Counter Protective Measures on Left Side of River Ravi (CSS)	8.00 (100.00)	7.00 (100.00)	5.00 (100.00)	5.00 (100.00)	5.00 (100.00)

Source: Appropriation Accounts

At Sr. No. 4 and 7, there was saving ranging from 95 to 100 *per cent* during all the last five years, which shows non-implementation of schemes as well as weak financial control.

1.4 Funds transferred to State implementing agencies outside State budget

During 2012-13, Government of India (GOI) directly transferred ₹ 1002 crore to various State implementing agencies (Para 1.2.3 of Comptroller and Auditor General of India's Audit Report on State Finances for the year 2012-2013 refers). Since these funds do not pass through the State budget, the Annual

Finance Accounts of the State do not present a complete picture of fund flow of Central Government resources into the State.

1.5 Grants-in-aid from Government of India

The Grants-in-aid received from GOI during the years 2008-09 to 2012-13 are given in **Table 1.3**.

Table 1.3: Grants-in-aid from GOI					
<i>(₹ in crore)</i>					
Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Non-plan grants	491.79	390.31	720.81	874.11	894.91
Total non-plan grants	491.79	390.31	720.81	874.11	894.91
Plan grants <i>of which</i>					
Grants for State Plan Schemes	629.45	1279.25	954.65	694.06	684.19
Grants for Central Plan Schemes	29.28	38.20	64.40	5.68	60.63
Grants for Centrally sponsored Schemes	544.16	612.54	659.39	866.79	1135.84
Total plan grants	1202.89	1929.99	1678.44	1566.53	1880.66
Grand total	1694.68	2320.30	2399.25	2440.64	2775.57
Percentage of increase over previous year	-19.66	36.92	3.40	1.73	13.72
Revenue Receipts	20712.79	22156.58	27608.47	26234.41	32051.15
Percentage increase of Revenue Receipts	7.67	6.97	24.61	-4.98	22.17
Percentage of total grants with Revenue Receipts	8.18	10.47	8.69	9.30	8.66

Source: Finance Accounts

Total grants-in-aid from GOI increased by ₹ 1,080.89 crore from ₹ 1,694.68 crore in 2008-09 to 2,775.57 crore in 2012-13. However, it increased by 13.72 per cent over the previous year. During this period, on an average, 9.06 per cent of the revenue receipts were contributed by the grants-in-aid from GOI.

1.6 Planning and conduct of audit

The Audit process starts with the risk assessment of various departments, autonomous bodies, schemes/projects, etc. based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, internal controls and concerns of stake holders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated to conduct audit. The audit plan covers those offices/entities which are vulnerable to significant risks as per our assessment.

After completion of audit of each office, Inspection Report containing audit findings is issued to the head of the office with request to furnish replies to the audit findings within four weeks of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled, if the replies are found

satisfactory, or further action for compliance is advised. The 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 submitted to the Governor of Punjab under Article 151 of the Constitution of India.

During 2012-13, compliance audit of 1138 drawing and disbursing officers of the State, 381 PRIs and 10 autonomous bodies was conducted by the office of the Accountant General (Audit), Punjab. Besides, four performance audits² were also conducted.

1.7 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 impact on the success of programmes and functioning of the departments. The focus was on auditing the specific programmes/schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per instructions issued by the Finance Department, Government of Punjab in August 1992 and provision of Comptroller and Auditor General of India's Regulations on Audit and Accounts, 2007, the departments are required to send their responses to draft performance audit reports/draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks. It was brought to their personal attention that in view of likely inclusion of such paragraphs in the Reports of the Comptroller and Auditor General of India, to be placed before the Punjab Legislature, it would be desirable to include their comments in the matter. They were also advised to have meetings with the Accountant General to discuss the draft reports of Performance Audits and draft audit paragraphs. These draft reports and paragraphs proposed for inclusion in this Report were also forwarded to the Principal Secretaries/Secretaries concerned for seeking their replies. For the present Audit Report, draft reports on four performance audits, 16 draft paragraphs were forwarded to the concerned Administrative Secretaries. But reply of the Government has been received in four³ cases only.

1.8 Recoveries at the instance of audit

The audit findings involving recoveries that came to notice during audit were referred to the departments/State Government through Inspection Reports for

² (i) Water pollution in Punjab; (ii) Implementation of Indira Awaas Yojana; (iii) Remodelling/Construction of distributaries and minors; and (iv) Working of Co-operation Department.

³ Performance Audits on (i) Water pollution in Punjab; (ii) Implementation of Indira Awaas Yojana; (iii) Remodelling/Construction of distributaries and minors; and (iv) Working of Co-operation Department.

further investigation and recovery of the same under intimation to Audit. On being pointed out in Audit, ₹ 2.43 crore⁴ were recovered during 2012-13.

1.9 Lack of responsiveness of Government to Audit

The Accountant General (Audit), Punjab conducts periodical inspection of Government Departments by test check of transactions and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Inspection Reports (IR). When important irregularities, etc. detected during audit observations are not settled on the spot, these IRs are issued to the heads of offices inspected, with a copy to the next higher authorities.

The heads of offices and next higher authorities are required to report their compliance to the Accountant General (Audit) within four weeks of receipt of IRs. Serious irregularities are also brought to the notice of the heads of the departments by the office of the Accountant General (Audit), Punjab through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

As of March 2013, 19510 IRs containing 37453 paragraphs were outstanding, of which, 12244 IRs containing 17535 paragraphs pertained to the period prior to April 2008 i.e. more than five years old. The year-wise position of outstanding IRs/paragraphs is given in **Table 1.4**.

Table 1.4: Outstanding Inspection Reports/paragraphs

Particulars	Prior to April 2008	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Inspection Reports	12244	1795	1368	1299	1310	1494	19510
Paragraphs	17535	3500	3211	3415	4641	5151	37453

Lack of action on Inspection Reports/paragraphs had resulted in accretion of financial irregularities.

1.10 Follow-up action on Audit Reports

The Comptroller and Auditor General of India's Audit Reports represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and departments of the State Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. At the instance of the Public Accounts Committee, the Finance Department issued (August 1992) instructions to all the departments to initiate concrete action *suo moto* on all paragraphs and reviews figuring in the Audit Reports, irrespective of whether the cases were taken up for examination by the Public Accounts Committee or not. The departments were also required to furnish to the Public Accounts Committee detailed notes duly vetted by Audit indicating the remedial action taken or proposed to be taken by them within a period of three months of the

⁴ General Sector: ₹ 1.16 crore; Economic Sector: ₹ 1.11 crore; Social Sector-I: ₹ 0.02 crore; and Social Sector-II: ₹ 0.14 crore.

presentation of the Reports to the State Legislature. As regards the Audit Reports relating to the period 2008-09 to 2011-12, which had already been laid before the State Legislature, detailed notes in respect of 33 paragraphs and six performance audits (*Appendix 1.1 and 1.2*) had not been received in the Audit office as of 30 September 2013, even after lapse of the prescribed period of three months.

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

Nine Separate Audit Reports (SAR) in respect of three autonomous bodies (as detailed in **Table 1.5**) issued between May 2008 and February 2012 were pending for placement before the Legislature.

Table 1.5: Detail of SARs pending for placement before Legislature as on 31 March 2013

Sr. No.	Name of autonomous body	Years for which SARs were pending for placement before Legislature
1.	Punjab Legal Services Authority	2006-07 to 2010-11
2.	Punjab State Human Rights Commission	2009-10 and 2010-11
3.	Punjab Labour Welfare Board	2000-01 and 2001-02

Source: Departmental information

1.12 Year-wise details of performance audits and paragraphs appeared in Audit Reports

The year-wise details of performance audits and paragraphs that appeared in the Audit Report for the last two years along with their money value is given in **Table 1.6**.

Table 1.6: Details of performance audits and paragraphs appeared in the Audit Reports during 2010-12

Year	Performance Audit		Paragraphs		Replies received	
	Number	Money value (₹ in crore)	Number	Money value (₹ in crore)	Performance Audit	Paragraphs
2010-11	2	45.84	17	154.02	--	--
2011-12	3	199.47	13	54.79	3	3

During 2012-13, four performance audits involving money value of ₹ 50.18 crore and 16 paragraphs involving ₹ 56.61 crore have been included in this Report. Out of this, replies to four performance audits were received (December 2013).