

Executive Summary

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Background

This Report on the finances of the Government of Punjab is brought out to assess the financial performance of the State during the year 2014-15 *vis-à-vis* the Budget Estimates and the targets set under the Fiscal Responsibility and Budget Management Act, 2003 (as amended) and analysis of the dominant trends and structural profile of Government's receipts and disbursements.

Based on the audited accounts of the Government of Punjab for the year ended 31 March 2015 and additional data collated from several sources such as the Economic Survey brought out by the State Government and Census, this report provides an analytical review of the Annual Accounts of the State Government in three Chapters.

Chapter-I is based on the Finance Accounts and makes an assessment of Punjab Government's fiscal position as on 31 March 2015. It provides an insight into trends and profile of key fiscal aggregates, committed expenditure, borrowing pattern, etc.

Chapter-II is based on Appropriation Accounts and it gives the grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter-III details Government's compliance with various reporting requirements and financial rules and submission of accounts.

Audit findings

Chapter I : Finances of the State Government

During the year 2014-15, the revenue expenditure of the Government of Punjab was ₹ 46,614 crore while the revenue receipts were ₹ 39,023 crore. The revenue receipts grew at an annual average rate of 8.27 *per cent* during 2010-11 to 2014-15 whereas revenue expenditure grew at an annual average rate of 8.34 *per cent*. The revenue expenditure continued to constitute a dominant portion (93 to 95 *per cent*) of the total expenditure during this period.

During the current year the capital expenditure increased by ₹ 917 crore (41.66 *per cent*) over the previous year. The capital expenditure during the current year (₹ 3,118 crore) was only 33.30 *per cent* of the projections made in the Fiscal Consolidation Roadmap (₹ 9,362 crore).

Thirty four projects, which were scheduled to be completed between 2008-09 and 2014-15, were incomplete. An amount of ₹ 654.32 crore was blocked in these incomplete projects.

The return on investment made by the Government in Statutory corporations, Government companies, Cooperative banks and Societies was between 0.01 and 0.05 *per cent* during 2010-11 to 2014-15, while the average rate of interest paid by the Government of Punjab on its borrowings was between 7.73 and 8.35 *per cent* during the same period.

The ratio of financial assets to liabilities came down to 34.21 *per cent* in 2014-15 from 35.13 *per cent* in 2013-14.

Though the debt-GSDP ratio at 32.12 *per cent* was within the target fixed (38.7 *per cent*) under Fiscal Responsibility and Budget Management Act, yet the borrowed funds were mostly used for redemption of past debts. As much as 23 *per cent* of the revenue receipts were used to meet the burden of interest payments during current year.

During 2010-11 to 2014-15 total public debt (including other liabilities) increased from ₹ 74,784 crore in 2010-11 to ₹ 1,12,366 crore in 2014-15.

Major portion of borrowings was utilised for repayment of earlier borrowings (47 to 70 *per cent*) and revenue expenditure (20 to 39 *per cent*). Only 8 to 19 *per cent* of the borrowings were utilized for capital expenditure during 2010-15. If this practice continues, Punjab would not be able to generate additional revenue to service its debt and it would have no option but to raise new borrowings every year to repay the borrowings of earlier years.

During the current year, the revenue deficit rose to the level of ₹ 7,591 crore from a deficit of ₹ 5,289 crore in 2010-11. The State Government did not contain the revenue deficit within limit of zero *per cent* prescribed in the FRBM (Amendment) Act, 2011 and FCR.

Chapter II: Financial Management and Budgetary Control

The State Government's budgetary process has not been sound during the year and there were persistent savings¹. Excess expenditure of ₹ 2,057.34 crore incurred during 2011-14 required regularization. An expenditure of ₹ 352.69 crore was incurred without making any budget provision. In six cases, re-appropriation orders proved unnecessary because expenditure did not come even up to the level of budget provisions and in other seven cases reduction of provision also proved injudicious as there was excess expenditure under these cases. In many cases, anticipated savings of ₹ 5,846.86 crore were not surrendered leaving no scope for utilizing these funds for other developmental purposes.

Chapter III: Financial Reporting

There were delays in furnishing utilization certificates against the grants released by various Government Departments. Non-submission/ delayed submission of annual accounts and Separate Audit Reports by four

¹ Savings means shortage in utilization of funds.

autonomous bodies set up by the State Government were also noticed. There were 168 instances of theft, loss and misappropriation involving an amount of ₹ 1.58 crore. As many as 1133 AC bills for ₹ 2,629.22 crore were awaiting adjustment as on 31 March 2015. Classification of large amounts booked under the Minor Heads ‘800-Other receipts/expenditure’ did not give a complete picture in the financial reporting. As many as 176 Personal Deposit Accounts involving a sum of ₹ 262.46 crore were not closed as on 31 March 2015, resulting in blockade of funds.

