

Chapter-1

Introduction

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1.1 Budget profile

There are 39 departments and 19 autonomous bodies in the State. The position of budget and expenditure incurred thereagainst by the State Government during 2009-14 is given in **Table 1.1**.

Table 1.1: Budget and expenditure

(₹ in crore)

| Disbursement | 2009-10 | | 2010-11 | | 2011-12 | | 2012-13 | | 2013-14 | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|
| | Budget | Expenditure | Budget | Expenditure | Budget | Expenditure | Budget | Expenditure | Budget | Expenditure |
| Revenue expenditure | | | | | | | | | | |
| General Services | 15859.39 | 15525.28 | 17465.85 | 18597.73 | 16434.11 | 16787.95 | 18818.97 | 18572.15 | 20093.58 | 20192.19 |
| Social Services | 7296.23 | 6217.13 | 8600.00 | 7260.85 | 11387.32 | 9246.50 | 13672.14 | 11189.97 | 13717.31 | 11319.09 |
| Economic Services | 5927.18 | 5218.62 | 6795.03 | 6398.94 | 7018.77 | 6264.07 | 10764.24 | 9152.09 | 10499.78 | 9599.73 |
| Grants-in-aid and Contributions | 520.95 | 446.91 | 1319.39 | 639.66 | 1759.22 | 746.80 | 772.30 | 543.73 | 798.97 | 529.66 |
| Total | 29603.75 | 27407.94 | 34180.27 | 32897.18 | 36599.42 | 33045.32 | 44027.65 | 39457.94 | 45109.64 | 41640.67 |
| Capital expenditure | | | | | | | | | | |
| Capital Outlay | 3603.46 | 2166.41 | 4029.43 | 2384.09 | 3959.66 | 1598.12 | 4527.53 | 1915.82 | 4232.54 | 2200.61 |
| Loans and Advances disbursed | 27.67 | 28.84 | 68.27 | 68.40 | 176.84 | 176.61 | 247.28 | 197.53 | 177.89 | 165.13 |
| Repayment of Public Debt (including Ways and Means Advances) | 5902.89 | 5308.36 | 7385.58 | 5952.88 | 8624.92 | 8947.24 | 14661.91 | 15115.79 | 16544.35 | 16682.94 |
| 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 | 22618.88 | 20721.04 | 23011.37 | 25836.98 | 29020.27 | 28771.75 | 27505.16 | 33531.20 | 34654.60 | 33994.60 |
| Closing Cash Balance | -- | -- | -- | -- | -- | -178.30 | -- | -303.61 | -- | 630.42 |
| Total | 32152.90 | 28224.65 | 34494.65 | 34242.35 | 41781.69 | 39315.42 | 46941.88 | 50456.73 | 55609.38 | 53673.70 |
| Grand Total | 61756.65 | 55632.59 | 68674.92 | 67139.53 | 78381.11 | 72360.74 | 90969.53 | 89914.67 | 100719.02 | 95314.37 |

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 2013-14, against the total budget outlay of ₹ 1,00,719 crore, expenditure of ₹ 95,314 crore was incurred. The total expenditure¹ of the State increased by 48.66 per cent from ₹ 29,603 crore in 2009-10 to ₹ 44,007 crore in 2013-14. Revenue expenditure increased by 51.93 per cent from ₹ 27,408 crore to ₹ 41,641 crore; non-plan revenue expenditure increased by 48.19 per cent from ₹ 25,984 crore to ₹ 38,506 crore; and capital expenditure increased by 1.62 per cent from ₹ 2,166 crore to ₹ 2,201 crore during the period 2009-14.

Revenue expenditure constituted a dominant proportion (93 to 95 per cent) of the total expenditure during the years 2009-14 leaving small fund for capital expenditure (5 to 7 per cent). During this period, it grew at an annual average growth rate of 10.39 per cent, whereas revenue receipts grew at an annual average of 11.69 per cent during 2009-14.

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

1.3 Persistent savings

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

Table 1.2: List of grants having persistent savings during 2009-14

(₹ in crore)

| Sr. No. | Number and Name of the Grant/Head of Account/Schemes | Amount of savings (percentage of savings in bracket) | | | | |
|----------------------|--|--|-------------------|-------------------|--------------------|------------------|
| | | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Revenue-voted | | | | | | |
| 1 | 05-Education 2202-General Education 02-Secondary Education 105-Teachers Training 01-Teachers Education Establishment of DIETS (CSS) | 42.86 (89.74) | 29.34 (83.26) | 21.08 (73.65) | 18.14 (67.97) | 29.32 (96.45) |
| 2 | 12-Home Affairs and Justice 2055-Police 109-District Police 01-District Police (Proper) | 30.23 (2.54) | 24.37 (1.72) | 28.36 (1.59) | 24.70 (1.08) | 55.78 (2.19) |
| 3 | 15-Irrigation and Power 2700-Major Irrigation 01-Sirhind Canal System (Commercial) 001-Direction and Administration 01-Direction and Administration | 58.26 (20.69) | 50.84 (17.09) | 58.65 (16.94) | 47.16 (12.72) | 60.83 (14.62) |
| 4 | 15-Irrigation and Power 2701-Medium Irrigation 80-General 001-Direction and Administration 01-Direction | 96.75 (97.41) | 110.92 (99.99) | 131.61 (99.26) | 148.81 (100.00) | 64.19 (41.21) |
| 5 | 22-Revenue and Rehabilitation 2245-Relief on Account of National Calamities 02-Flood Cyclones etc. 101-Gratutious Relief 01-Gratutious Relief | 43.81 (87.62) | 5.54 (10.45) | 5.30 (8.15) | 17.76 (88.80) | 10.70 (9.73) |
| Capital-Voted | | | | | | |
| 6 | 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) | 7.00 (100.00) | 5.00 (100.00) | 5.00 (100.00) | 5.00 (100.00) | 7.50 (100.00) |

Source: Appropriation Accounts

At Sr. No. 6, there was 100 *per cent* saving during 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 2013-14, Government of India (GOI) directly transferred ₹ 1751.30 crore to various State implementing agencies (Para 1.2.3 of Comptroller and Auditor General's Audit Report on State Finances for the year 2013-14 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 2009-14 are given in Table 1.3.

| Table 1.3: Grants-in-aid from GOI | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| (₹ in crore) | | | | | |
| Particulars | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Non-plan Grants | 390.31 | 720.81 | 874.11 | 894.91 | 1064.11 |
| Total non-plan grants | 390.31 | 720.81 | 874.11 | 894.91 | 1064.11 |
| Plan Grants of which | | | | | |
| Grants for State Plan Schemes | 1279.25 | 954.65 | 694.06 | 684.19 | 1058.26 |
| Grants for Central Plan Schemes | 38.20 | 64.40 | 5.68 | 60.63 | 7.67 |
| Grants for Centrally Sponsored Schemes | 612.54 | 659.39 | 866.79 | 1135.84 | 1271.34 |
| Total plan grants | 1929.99 | 1678.44 | 1566.53 | 1880.66 | 2337.27 |
| Grand total | 2320.30 | 2399.25 | 2440.64 | 2775.57 | 3401.38 |
| Percentage of increase over previous year | 36.92 | 3.40 | 1.73 | 13.72 | 22.55 |
| Revenue Receipts | 22156.58 | 27608.47 | 26234.41 | 32051.15 | 35103.54 |
| Percentage increase of Revenue Receipts | 6.97 | 24.61 | -4.98 | 22.17 | 9.53 |
| Percentage of total grants with Revenue Receipts | 10.47 | 8.69 | 9.30 | 8.66 | 9.69 |

Source: Finance Accounts

Total grants-in-aid from GOI increased at an annual average rate of 9.32 *per cent* during the period 2009-14. However, it increased by 22.55 *per cent* over the previous year. During this period, on an average, 9.36 *per cent* of the revenue receipts were contributed by grants-in-aid from GOI.

1.6 Planning and conduct of audit

The Audit process starts with a 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, covering those offices/entities which are vulnerable to significant risks.

After completion of audit of each office, an 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 its receipt. The important audit

observations 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 2013-14, compliance audit of 1562 drawing and disbursing officers of the State, 419 PRIs/ULBs and 15 autonomous bodies was conducted by the office of the Principal 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 response to draft performance audit reports/draft paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks of their receipt. 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 Principal Accountant General to discuss the draft reports of performance audits and draft audit paragraphs. The performance audits and the draft 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 and 22 draft paragraphs on compliance audit were forwarded to the concerned Administrative Secretaries. Reply of the Government has been received in five³ 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 further investigation and recovery of the same under intimation to Audit. On being pointed out in Audit, ₹ 4.47 crore were recovered during 2013-14.

² (i) Rashtriya Krishi Vikas Yojana; (ii) Working of Printing and Stationary Department; (iii) Management and disposal of bio-medical waste; and (iv) Working of Social Security and Women and Child Development Department.

³ (i) Purchase of helicopter in a non-transparent manner; (ii) Avoidable burden on State exchequer; (iii) Inadmissible expenditure from State Disaster Response Fund; (iv) Unfruitful expenditure on modernization of cattle fair ground; and (v) Non-percolation of intended benefits to rural BPL youth.

1.9 Lack of responsiveness of Government to Audit

The Principal Accountant General (Audit), Punjab conducts periodical inspection of Government Departments by test-check of transactions and verifies 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) which are required to be replied to within four weeks of their receipt. Serious irregularities are also brought to the notice of the heads of the departments by the office of the Principal Accountant General (Audit), Punjab through a half yearly report of pending IRs sent to the Principal Secretary (Finance).

As of March 2014, 20229 IRs containing 40975 paragraphs were outstanding, of which, 13221 IRs containing 17953 paragraphs pertained to the period prior to April 2009 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 2009 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | Total |
|---------------------------|---------------------|---------|---------|---------|---------|---------|--------------|
| Inspection Reports | 13221 | 1175 | 1232 | 1342 | 1583 | 1676 | 20229 |
| Paragraphs | 17953 | 2489 | 2800 | 4051 | 5674 | 8008 | 40975 |

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

1.10 Follow-up action on Audit Reports

At the instance of the Public Accounts Committee (PAC), the Finance Department issued (August 1992) instructions to all the Departments to initiate *suo moto* concrete action on all paragraphs and reviews featuring in the Audit Reports irrespective of whether the cases were taken up for examination by PAC or not. The Departments were also required to furnish to PAC 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 presentation of the Reports to the State Legislature.

As regards the Audit Reports relating to the period 2009-13 which have been laid before the State Legislature, detailed notes in respect of 22 paragraphs and six performance audits had not been received in the Audit office as on 31 October 2014 (**Appendix 1.1**) 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

Twelve Separate Audit Reports (SAR) in respect of four autonomous bodies (as detailed in **Table 1.5**) issued between November 2009 and July 2014 were pending for placement before the Legislature.

Table 1.5: Details of SARs pending for placement before Legislature as on 31 March 2014

| 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 Khadi and Village Industry Board | 2010-11 |
| 3. | Punjab State Human Rights Commission | 2009-10 to 2012-13 |
| 4. | 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 2011-13

| Year | Performance Audit | | Paragraphs | | Replies received | |
|---------|-------------------|--------------------------|------------|--------------------------|-------------------|------------|
| | Number | Money value (₹ in crore) | Number | Money value (₹ in crore) | Performance Audit | Paragraphs |
| 2011-12 | 3 | 199.47 | 13 | 54.79 | 3 | 3 |
| 2012-13 | 4 | 50.18 | 16 | 56.61 | 4 | - |

During 2013-14, four performance audits and 22 paragraphs involving money value of ₹ 294.26 crore have been included in this Report. Out of this, replies to five paragraphs were received (February 2015).