

EXECUTIVE SUMMARY

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 2015-16 *vis-à-vis* the Budget Estimates, the targets as recommended by the Fourteenth Finance Commission and analysis of the dominant trends and structural profile of Government's receipts and disbursements. Recommendations of Thirteenth Finance Commission have also been referenced, wherever required.

Based on the audited accounts of the Government of Punjab for the year ended 31 March 2016 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 2016. 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

The revenue receipts increased from ₹ 26,234 crore in 2011-12 to ₹ 41,523 crore in 2015-16 at an annual average growth rate of 8.86 *per cent*, whereas the revenue expenditure grew at an annual average growth rate of 8.95 *per cent*. The revenue expenditure continued to constitute a dominant proportion (85 to 95 *per cent*) of the total expenditure during the years 2011-16.

The capital expenditure decreased by ₹ 59 crore (1.89 *per cent*) over the previous year. The capital expenditure incurred during 2015-16 was just 62.98 *per cent* of budget estimates which indicates that asset creation was not given as much priority as intended in the budget estimates.

Eleven projects, scheduled for completion between 2008-09 and 2015-16 were incomplete. The expenditure of ₹ 446.75 crore incurred on these incomplete projects is yet to yield the intended benefits and the major irrigation projects caused the State Government to suffer a loss of ₹ 294.76 crore during 2015-16.

The return on investment from Co-operative Banks and Societies and Statutory Corporations, Joint Stock Companies and Government Companies was only between 0.01 and 0.05 *per cent* during 2011-16 while the average rate of interest paid by the Government of Punjab on its borrowings ranged between 7.79 and 8.35 *per cent* during the same period.

During 2015-16, there was increase of ₹ 5,698 crore in the advancement of loans and advances, which was mainly due to loan of ₹ 5,597 crore to Punjab State Power Corporation Limited for repayment of its loans related to the implementation of the Ujwal Discom Assurance Yojna. Another transaction of ₹ 4,262.65 crore carried out on 31 March 2016 as a cashless transaction through Reserve Bank of India, for repayment of loans of Punjab State Power Corporation Limited by the State Government under Ujwal Discom Assurance Yojna was not accounted for by the State Government. As such, loans of the State Government were understated to the extent of ₹ 4,262.65 crore.

The ratio of Financial Assets to Liabilities rose to 36.49 *per cent* in 2015-16 from 34.21 *per cent* in the previous year.

Total debt (including other liabilities) increased from ₹ 64,161 crore in 2010-11 to ₹ 1,03,195 crore in 2015-16. The Debt/GSDP ratio exhibited reverse trend, as it increased from 0.62 in 2011-12 to 1.37 in 2015-16. There was no improvement in the ratio of interest payments to revenue receipts during 2011-16, which is indicative of no significant improvement in debt sustainability. The percentage of debt repayments to debt receipts decreased by 12.71 *per cent* over the previous year.

The revenue deficit rose to ₹ 8,550 crore (2.09 *per cent* of GSDP) in the current year from ₹ 6,811 crore (2.55 *per cent* of GSDP) in the year 2011-12.

The fiscal deficit increased from ₹ 8,491 crore (3.18 *per cent* of GSDP) in 2011-12 to ₹ 17,360 crore in 2015-16 (4.25 *per cent* of GSDP).

The primary deficit was ₹ 2,211 crore (0.83 *per cent* of GSDP) in 2011-12 and rose to the level of ₹ 7,578 crore (1.85 *per cent* of GSDP) in the current year.

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 ₹ 5,727.08 crore incurred during 2011-16 required regularization. Expenditure of ₹ 319.17 crore was incurred without making any budget provision. In 18 cases, augmentation of provision of funds by re-appropriation orders proved unnecessary because expenditure did not come even up to the level of the budget provisions and in other six cases reduction of provision also proved injudicious as there was excess expenditure under these cases. Anticipated savings of ₹ 9,350.08 crore were not surrendered leaving no scope for utilizing these funds for other developmental purposes.

¹ Savings means shortage in utilization of funds.

Chapter III: Financial Reporting

There were delays in furnishing utilization certificates against grants released by various Government Departments. Non-submission/ delayed submission of annual accounts and Separate Audit Reports by four and three autonomous bodies respectively set up by the State Government were also noticed. There were 194 instances of theft, loss and misappropriation involving an amount of ₹ 10.74 crore. As many as 976 Abstract Contingent bills for ₹ 2,044.97 crore were awaiting adjustment as on 31 March 2016. As much as 35.92 *per cent* of the total funds drawn during 2013-16 were through Abstract Contingent bills. Of which, 83.29 *per cent* were for meeting Capital expenditure. System to ensure submission of Detail Contingent bills was not in place with District Treasury Officers, as a result Detail Contingent bills for 53.32 *per cent* of funds were outstanding. As much as 61 *per cent* of the funds drawn under capital heads through Abstract Contingent bills remained unutilised.