

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 2016-17 *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 2017 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 2017. 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 period 2012-13 to 2016-17 revenue receipts and capital receipts increased from ₹ 32,051 crore and ₹ 10,898 crore to ₹ 47,985 crore and ₹ 55,415 crore respectively. The net public account receipts also exhibited an increasing trend during 2012-17, as it increased from ₹ 2,144 crore in 2012-13 to ₹ 7,553 crore in 2016-17. Overall, the total receipts increased by 146.05 *per cent*, from ₹ 45,093 crore in 2012-13 to ₹ 1,10,953 crore in 2016-17. During 2012-17, the revenue receipts increased at an annual average growth rate of 12.96 *per cent*.

The revenue expenditure increased by ₹ 5,223 crore (10.43 *per cent*) during the current year over the previous year. It continued to constitute a dominant proportion (55 to 95 *per cent*) of the total expenditure during 2012-17 and grew at an annual average growth rate of 10.95 *per cent* during this period. The capital expenditure increased by ₹ 1,287 crore (42.07 *per cent*) over the previous year. The capital expenditure during the current year was less by ₹ 4,346 crore than the projections made in the State Budget, which indicates that asset creation was not given as much priority as intended in the budget

estimates. Disbursement of loans and advances increased by ₹ 35,395 crore (593.03 *per cent*) during the current year over the previous year. The substantial increase in disbursement of loans and advances was due to disbursement of loans of ₹ 29,919.96 crore by the State Government for one time settlement of Legacy Cash Credit Account for food procurement operations and ₹ 10,031.19 crore to Punjab State Power Corporation Limited for clearing their debts in compliance to implementation of Ujwal Discom Assurance Yojna. As a result, the ratio of Financial Assets to Liabilities rose to 51.16 *per cent* in 2016-17 from 36.49 *per cent* in the previous year.

Twelve projects, scheduled for completion between 2008-09 and 2016-17 were incomplete. The expenditure of ₹ 435.35 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 ₹ 328.40 crore during 2016-17.

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 0.09 *per cent* during 2012-17 while the average rate of interest paid by the Government of Punjab on its borrowings was between 7.48 and 8.35 *per cent* during the same period.

Total public debt increased from ₹ 71,211 crore in 2012-13 to ₹ 1,53,773 crore in 2016-17. The Debt/Gross State Domestic Product ratio increased from 0.95 in 2012-13 to 4.49 in 2016-17. The ratio of interest payments to revenue receipts (from 21.31 to 24.26 *per cent*) also worsened during 2012-17. The percentage of debt repayments to debt receipts decreased substantially from 68.19 *per cent* in 2012-13 to 38.80 *per cent* in 2016-17. Availability of net debt to State increased from ₹ 1,593 crore in 2012-13 to ₹ 41,462 crore in 2016-17.

The revenue deficit declined to ₹ 7,311 crore (1.71 *per cent* of GSDP) in the current year from ₹ 7,407 crore (2.49 *per cent* of GSDP) in the year 2012-13.

However, there was a steep increase of ₹ 29,711 crore (171 *per cent*) in fiscal deficit during the current year over the previous year. Fiscal deficit, excluding ₹ 5,768.54 crore disbursed to Punjab State Power Corporation Limited under Ujwal Discom Assurance Yojna for taking DISCOMs debt, increased to ₹ 47,071 crore (11.00 *per cent* of GSDP) during the current year against ₹ 17,360 crore (4.43 *per cent* of GSDP) of the previous year. The increase was on account of disbursement of loan of ₹ 29,920 crore for one time settlement of Legacy Cash Credit Accounts for food procurement operations by State Government and ₹ 10,031 crore to Punjab State Power Corporation Limited for implementation of Ujwal Discom Assurance Yojna.

Chapter II: Financial Management and Budgetary Control

The State Government's budgetary process has not been sound during the year and there were savings under several grants. Excess expenditure of ₹ 40,185.88 crore incurred during 2011-17 required regularization.

Expenditure of ₹ 30,262.88 crore was incurred without making any budget provision. In 42 cases, augmentation of provision of funds by re-appropriation orders proved unnecessary because expenditure did not come even to the level of the budget provisions and in other 13 cases reduction of provision also proved injudicious as there was excess expenditure under these cases. Anticipated savings of ₹ 9,405.13 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 grants released by various Government Departments. Non-submission/delayed submission of annual accounts and Separate Audit Reports by four and five autonomous bodies respectively set up by the State Government were also noticed. There were 26 instances of theft, loss and misappropriation involving an amount of ₹ 6.37 crore. As many as 453 Abstract Contingent bills for ₹ 701.75 crore were awaiting adjustment as on 31 March 2017.