

Chapter-I

Introduction

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1.1 Budget profile

There are 39 departments and 36 autonomous bodies in the State. The position of budget and expenditure incurred there against by the State Government during 2013-18 is given in **Table 1.1** below:

Table 1.1: Budget and actual expenditure during 2013-18

(₹ in crore)

Expenditure	2013-14		2014-15		2015-16		2016-17		2017-18	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
Revenue expenditure										
General Services	20,093.58	20,192.19	22,781.77	23,043.09	24,324.90	24,713.44	28,964.59	28,487.93	34,091.34	34,499.50
Social Services	13,717.31	11,319.09	15,659.68	13,729.05	16,845.48	14,897.86	17,872.31	15,672.10	19,072.44	15,469.74
Economic Services	10,499.78	9,599.73	10,073.54	9,237.32	11,011.59	9,756.04	13,859.37	10,217.61	15,341.16	11,194.41
Grants-in-aid and Contributions	798.97	529.66	467.75	604.03	982.56	706.15	2,037.53	918.41	2,676.96	1,301.20
Total	45,109.64	41,640.67	48,982.74	46,613.49	53,164.53	50,073.49	62,733.80	55,296.05	71,181.90	62,464.85
Capital expenditure										
Capital Outlay	4,232.54	2,200.61	3,948.28	3,118.44	4,353.57	3,059.42	6,117.46	4,346.30	4,388.76	2,352.08
Loans and Advances disbursed	177.89	165.13	326.89	270.27	445.20	5,968.59	42,870.86	41,364.12	2,197.12	760.05
Repayment of Public Debt (including Ways and Means Advances)	16,544.35	16,682.94	21,673.04	23,074.72	20,636.48	22,051.13	32,791.86	32,443.29	35,029.64	34,969.58
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*	34,654.60	33,994.60	40,593.44	40,526.50	46,227.64	53,446.58	51,520.73	50,599.95	15,987.07	45,525.90
Closing Cash Balance	--	630.42	--	-137.76	-	(-) 14.63		395.28		488.45
Total	55,609.38	53,673.70	66,541.65	66,852.17	71,662.89	84,511.09	1,33,300.91	1,29,148.94	57,602.59	84,096.06
Grand Total	1,00,719.02	95,314.37	1,15,524.39	1,13,465.66	1,24,827.42	1,34,584.58	1,96,034.71	1,84,444.99	1,28,784.49	1,46,560.91

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

* Excludes transactions of investment of cash balances and departmental cash in chests.

1.2 Application of resources of the State Government

During 2017-18, against the total budget outlay of ₹ 1,28,784.49 crore, the State Government incurred an expenditure of ₹ 1,46,560.91 crore. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of the State increased by 129.52 per cent from ₹ 44,007 crore in 2013-14 to ₹ 1,01,006 crore in 2016-17, but decreased to ₹ 65,577 crore in 2017-18. It decreased by ₹ 35,429 crore (35.08 per cent) from the previous year. The revenue expenditure increased by ₹ 20,824 crore (50 per cent) from ₹ 41,641 crore to ₹ 62,465 crore and capital expenditure increased by 6.86 per cent from ₹ 2,201 crore to ₹ 2,352 crore during the period 2013-18.

The revenue expenditure constituted 85 to 95 per cent of the total expenditure during the years 2013-18. During this period, the revenue expenditure grew at an annual average rate of 9.66 per cent whereas revenue receipts grew at an annual average rate of 10.62 per cent.

1.3 Grants-in-aid from Government of India

Details of grants-in-aid received from Government of India (GoI) during the years 2013-18 are given in **Table 1.2** below:

Table 1.2: Grants-in-aid from Government of India

Particulars	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Non-plan grants	1,064.11	2,003.87	1,274.64	1,610.35	0.00
Total non-plan grants	1,064.11	2,003.87	1,274.64	1,610.35	0.00¹
Plan grants of which					
Grants for State Plan Schemes	1,058.26	3,597.61	2,320.12	2,523.14	162.81
Grants for Central Plan Schemes	7.67	80.06	341.76	78.65	3,096.13
Grants for Centrally Sponsored Plan Schemes	1,271.34	188.41	237.20	563.69	(-) 0.63
Finance Commission Grants	-	-	-	-	355.69
Other Transfer/Grants to States (GST/Compensation)	-	-	-	-	4,037.00
Total plan grants	2,337.27	3,866.08	2,899.08	3,165.48	3,614.00
Total grants	3,401.38	5,869.95	4,173.72	4,775.83	7,651.00
Percentage increase in grants over previous year	22.55	72.58	(-)28.90	14.43	60.20
Percentage of total grants to revenue receipts	9.69	15.04	10.05	9.95	14.43

Source: Finance Accounts

Grants-in-aid from GoI increased at an annual average rate of 28.17 per cent during the period 2013-14 to 2017-18. It decreased by 28.90 per cent in 2015-16 over 2014-15 and again increased by 60.20 per cent in the current year over the previous year. This significant increase was mainly because the total grant of ₹ 7,651 crore received during the year 2017-18 included compensation of ₹ 4,037 crore on account of loss of revenue arising out of implementation of Goods and Services Tax (GST) Act which is 52.76 per cent of total grant. The contribution of grants-in-aid towards revenue receipts increased from 9.69 per cent in 2013-14 to 14.43 per cent in 2017-18.

1.4 Planning and conduct of audit

The audit process commences with risk assessment of various departments, autonomous bodies and schemes/projects 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 the risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit of each office, an Inspection Report containing audit findings is issued to the head of the office with a request to furnish replies to the audit findings within four weeks of its receipt. Important audit observations are processed for inclusion in the Audit Reports of the

¹ Non-plan and Plan grants merged with effect from 01 April 2018.

Comptroller and Auditor General of India which are submitted to the Governor of Punjab under Article 151 of the Constitution of India.

During 2017-18, compliance audit of 1,413 drawing and disbursing officers of the State, 121 Panchayati Raj Institutions/Urban Local Bodies and 28 autonomous bodies was conducted by the office of the Principal Accountant General (Audit), Punjab. In addition, two² performance audits were also conducted.

1.5 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 the programmes and functioning of the departments. The focus was on offering suitable recommendations to the Executive for taking corrective action and improving service delivery to the citizens. 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. Two performance audits and 19 draft paragraphs on compliance audit proposed for inclusion in this Audit Report were forwarded to the concerned Administrative Secretaries of Departments. Reply of the Government has been received in only eight cases³ (August 2019).

1.6 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 under intimation to Audit. An amount of ₹ 2.75 crore was recovered by various departments during 2017-18.

1.7 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 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 Inspection Reports sent to the Principal Secretary (Finance).

² (i) Information Technology Audit of e-Aushadhi; and (ii) Working of Punjab Building and Other Construction Workers' Welfare Board.

³ (i) Information Technology Audit of e-Aushadhi; (ii) Suspected fraudulent drawal of pay and allowances (Part-A); (iii) Security mechanism in jails; (iv) Avoidable extra payment of interest; (v) Construction, upgradation and repair of link roads by Public Works Department (Buildings & Roads) with Punjab Mandi Board and State Budgetary funds; (vi) Idle expenditure on consultancy; (vii) Avoidable payment of interest; and (viii) Unfruitful expenditure on amphibious bus project.

As of June 2018, 15,678 Inspection Reports containing 40,207 paragraphs (issued upto March 2018) were outstanding, of which 8,891 IRs containing 13,628 paragraphs pertained to the period prior to April 2013 i.e. were more than five years old. The year-wise position of outstanding Inspection Reports/paragraphs is given in **Table 1.3** below:

Table 1.3: Outstanding Inspection Reports/paragraphs

Particulars	Prior to April 2013	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Inspection Reports	8,891	1,314	1,510	1,404	1,234	1,325	15,678
Paragraphs	13,628	4,446	4,750	5,200	4,900	7,283	40,207

Source: Office records

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

1.8 Follow-up action on Audit Reports

At the instance of the Public Accounts Committee (PAC), the Finance Department issued (August 1992) instructions to all administrative departments to initiate *suo motu* action on all paragraphs and reviews figuring in the Audit Reports irrespective of whether the cases were taken up for examination by the PAC or not. The administrative departments were also required to furnish to the 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 periods 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 which have been laid before the State Legislature, detailed notes in respect of 37 paragraphs and six performance audits had not been received in the Audit office as on 31 March 2019 (*Appendix 1.1*) even after lapse of the prescribed period of three months.

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

Fifteen Separate Audit Reports (SAR) in respect of six autonomous bodies, as detailed in **Table 1.4** below, issued between July 2015 and June 2018 were pending for placement before the Legislature.

Table 1.4: Details of SARs pending for placement before Legislature as on 31 March 2018

Sr. No.	Name of autonomous body	Years for which SARs were pending for placement before Legislature
1.	Punjab Legal Services Authority, Chandigarh	2011-12, 2012-13 and 2013-14
2.	Punjab Khadi and Villages Industries Board Chandigarh	2012-13, 2013-14 and 2014-15
3.	Punjab State Human Rights Commission, Chandigarh	2016-17
4.	Punjab Labour Welfare Board, Chandigarh	2003-04, 2004-05 and 2005-06

Sr. No.	Name of autonomous body	Years for which SARs were pending for placement before Legislature
5.	Punjab Building and Other Construction Workers' Welfare Board	2013-14, 2014-15, 2015-16 and 2016-17
6.	Punjab State Electricity Regulatory Commission	2016-17

Source: Departmental information

1.10 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 1.5** below:

Table 1.5: Details of performance audits and paragraphs appeared in the Audit Reports during 2015-17

Year	Performance Audit		Paragraphs		Replies received	
	Number	Money value (₹ in crore)	Number	Money value (₹ in crore)	Performance Audit	Paragraphs
2015-16	4	42.96	20	183.27	1	1
2016-17	4	60.63	27	218.84	-	4

Two performance audits (₹ 83.43 crore) and 19 paragraphs (₹ 111.10 crore) involving money value of ₹ 194.53 crore have been included in this Report for the year ended March 2018.

