

# **Chapter II**

## **Financial Management and Budgetary Control**



## CHAPTER II

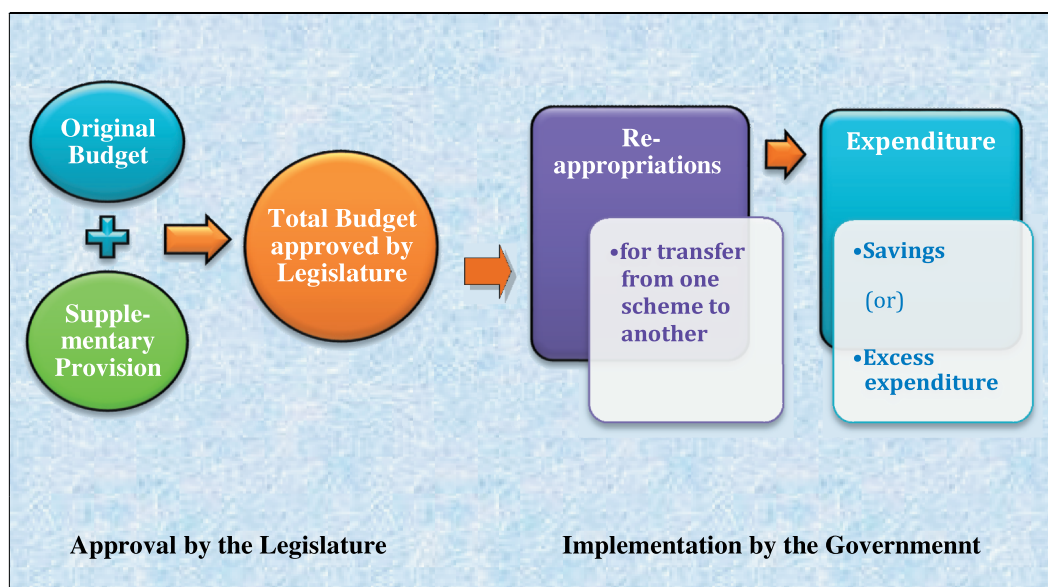
### FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

#### 2.1 Introduction

This Chapter analyses the Appropriation Accounts of the Government for the year 2018-19. Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year, compared with the amounts of voted grants and appropriations charged for different purposes, as specified in the schedules appended to the Appropriation Act. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual revenue and capital expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of the budget. Appropriation Accounts, thus, facilitate the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Appropriation Accounts captures the data along the entire process of budget formulation and implementation (**Chart 2.1**).

**Chart 2.1: Flow chart of budget implementation**



Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts

Audit of appropriation accounts by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

### 2.1.1 Categories under Budget

- **Charged and voted:** The Government expenditure is classified into two categories, viz., charged expenditure and voted expenditure. Charged expenditure is not subject to the vote of the Legislature.
- The Government income and expenditure is categorised into three sections (i) **Capital account**<sup>1</sup>, (ii) **Revenue account**<sup>2</sup> and (iii) **Public Debt**<sup>3</sup>.

### 2.2 Summary of the Appropriation Accounts

The summarised position of actual expenditure *vis-à-vis* budgetary provision during 2018-19 for the total 42 grants/appropriations is given in the **Table 2.1**.

**Table 2.1: Actual expenditure *vis-à-vis* budget provision**

(₹ in crore)

Nature of expenditure		Grant/ Appropriation		Total budget provision	Actual expenditure <sup>4</sup>	Saving (-)/ Excess (+)	Saving surrendered		
		Original	Supplementary				During the year	Of which, on 31March 2019	
								Amount	Percentage
1		2	3	4=(2+3)	5	6=(4-5)	7	8	9=(8/7x100)
Voted	Revenue	69,914.06	1,003.89	70,917.95	59,243.24	(-)11,674.71	6,279.70	2,007.46	31.97
	Capital	6,385.32	289.79	6,675.11	2,591.97	(-)4,083.14	1,772.00	1,119.93	63.20
	Loans and Advances	851.05	780.04	1,631.09	1,361.05	(-)270.04	28.45	28.45	100.00
Total Voted		77,150.43	2,073.72	79,224.15	63,196.26	(-) 16,027.89	8,080.15	3,155.84	39.06
Charged	Revenue	16,437.21	71.21	16,508.42	16,488.09	(-)20.33	5.98	0.32	5.35
	Capital	0	0	0	0	0	0	0	0
	Public Debt Repayment	36,109.99	2,513.33	38,623.32	37770.93	(-)852.39	0	0	0
Total Charged		52,547.20	2,584.54	55,131.74	54,259.02	(-)872.72	5.98	0.32	5.35
Appropriation to Contingency Fund		0	0	0	0	0	0	0	0
Grand Total		1,29,697.63	4,658.26	1,34,355.89	1,17,455.28	(-) 16,900.61	8,086.13	3,156.16	39.03

Source: Appropriation Accounts

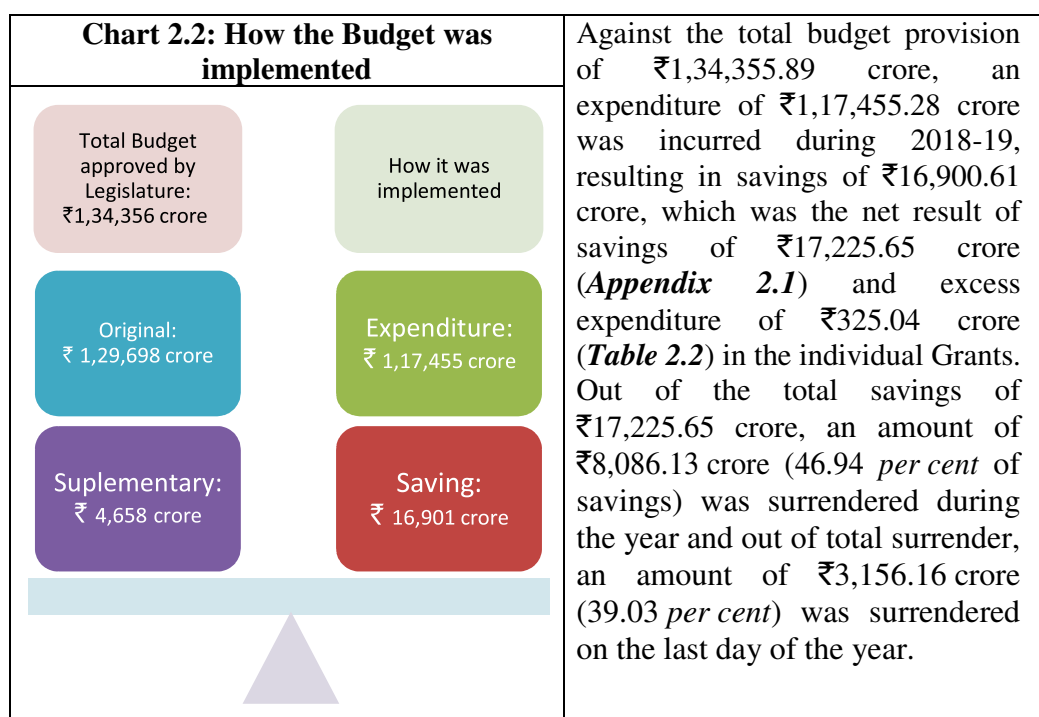
<sup>1</sup> Capital account is the account of expenditure of Capital nature such as construction of irrigation projects, bridges, buildings, laying of roads, irrigation and electricity projects, etc.

<sup>2</sup> Revenue account is the account of the current income of Government, derived mainly from taxes and duties, fees for service rendered, fines and penalties, etc. and the expenditure met from that income.

<sup>3</sup> Public Debt is the account of public debt incurred and discharged and loans and advances made by the State Government to local bodies, employees and others and recovered from them.

<sup>4</sup> The expenditure is without adjustment of the recoveries of ₹327.62 crore adjusted as reduction of expenditure under Revenue heads and ₹179.74 crore under Capital heads in the Appropriation Accounts.

### 2.2.1 Analysis of Appropriation Accounts: 2018-19



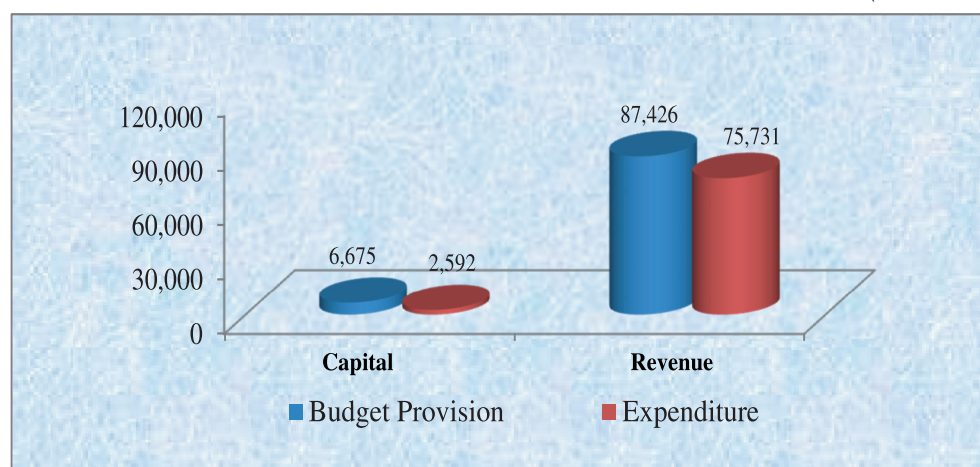
Source: Appropriation Accounts

### 2.2.2 Capital and Revenue

Savings were observed in both Capital and Revenue Account (**Chart 2.3**). In Capital Account, less than 40 *per cent* of the budget provision was actually spent. In Revenue Account, expenditure (₹75,731.33 crore) was lower than the Budget Estimates (₹87,426.37 crore) by 13.38 *per cent*.

**Chart 2.3: Budget provision and expenditure under Capital and Revenue sections**

(₹in crore)

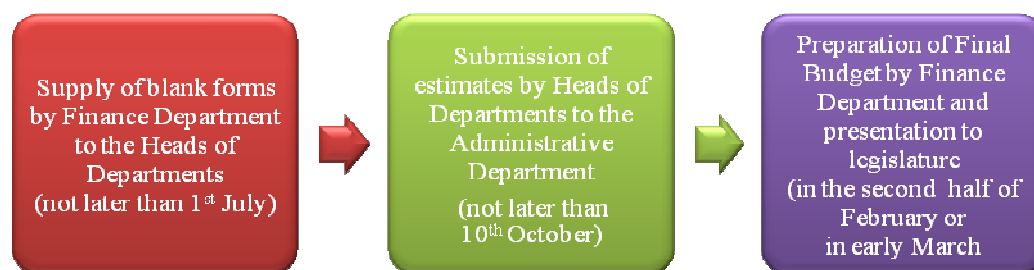


Source: Appropriation Accounts

## 2.3 Financial accountability and budget management

The flow chart of budget preparation process is given below:

**Chart 2.4: Flow chart of Budget preparation process**



Source: Punjab Budget Manual

Some of the inconsistencies noticed in budget management are discussed below:

### 2.3.1 Excess expenditure over provisions requiring regularisation

As per Article 204 of the Constitution of India, no money shall be withdrawn from Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of the Article. Further, as per Article 205 of the Constitution of India, it is mandatory for a State Government to get excess over grants/appropriations regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee.

**Table 2.2: Excess of expenditure over budget provision during 2018-19 requiring regularisation**

( <i>₹ in crore</i> )					
Sr. No.	Grant No.	Title of grant	Total grant/ Appropriation	Expenditure	Excess expenditure
<b>Voted Grant</b>					
1	10	General Administration (Capital)	0.00	7.77	7.77
2	21	Public Works (Revenue)	659.68	975.43	315.75
<b>Charged Appropriation</b>					
3	9	Food and Supplies (Revenue)	0.04	0.57	0.53
4	21	Public Works (Revenue)	1.84	2.83	0.99
<b>Total</b>			<b>661.56</b>	<b>986.60</b>	<b>325.04</b>

Source: Appropriation Accounts

There was an excess disbursement of ₹325.04 crore over the authorisation made by the State Legislature under two Grants and two Appropriations during the financial year 2018-19. Excess disbursements of ₹36,944.24 crore under eight Grants and nine Appropriations pertaining to the years 2015-16 to 2017-18 are yet to be regularised by the State Legislature. This is in violation of Articles 204 and 205 of the Constitution which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary

and financial control and encourages financial indiscipline in management of public resources.

### 2.3.2 Persistent excess expenditure

In three cases (**Table 2.3**), there was persistent excess expenditure of more than ₹10 crore in each case during the last five years. In two cases (Sr. No. 2 and 3), the expenditure was incurred without any budget provision during 2014-19.

**Table 2.3: List of cases having persistent excess expenditure during 2014-19**

(₹ in crore)

Sr. No	Number and Name of the grant/ case	Amount of excess expenditure				
		2014-15	2015-16	2016-17	2017-18	2018-19
	<b>Revenue-Voted</b>					
	<b>08-Finance</b>					
1	2071-Pensions and other Retirement benefits 01-Civil 101-Superannuation and Retirement Allowances 01-Pension and other Retirement Benefits	407.74	664.92	697.98	616.95	290.39
	<b>21-Public Works</b>					
2	2059-Public Works 80-General 001-Direction and Administration 07-Establishment Charges paid to Public Health Department for Works done by that Department	97.77	108.53	136.71	146.84	97.58
3	3054-Roads and Bridges 80-General 001-Direction and Administration 01-Establishment charges transferred on pro-rata basis to the Major Head 3054-Roads and Bridges	19.79	135.53	94.10	141.29	169.87

Source: Appropriation Accounts

The persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on a realistic basis. Such repeated excess expenditure over grants approved by the State Legislature are in violation of the will of the Legislature and the basic principle of democracy that not a rupee can be spent without the approval of the State Legislative Assembly, and, therefore, need to be viewed seriously. All the existing cases of excess expenditure need to be got regularised at the earliest and, in future, such un-voted expenditure may be completely stopped, except in case(s) of dire and extreme emergency, the cost of which cannot be met from the Contingency Fund.

### 2.3.3 Outcome of analysis of budgetary assumptions

#### 2.3.3.1 Unrealistic budget estimates

The original budget of ₹1,29,697.63 crore prepared by the State Government for the year 2018-19 was revised to ₹1,27,415.49 crore. Against this, an actual expenditure of ₹1,16,947.93 crore was incurred during 2018-19. Details of the

original budget, revised estimate and actual expenditure for the period 2014-19 is given in **Table 2.4**.

**Table 2.4: Original budget, revised estimate and actual expenditure during 2014-19**

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Original Budget</b>	73,592.76	79,313.87	86,386.96	1,18,237.90	1,29,697.63
<b>Revised Estimate</b>	74,930.95	78,599.78	1,44,513.99	1,12,797.42	1,27,415.49
<b>Actual Expenditure*</b>	73,076.92	81,152.63	1,33,449.76	1,00,546.55	1,16,947.93
<b>Savings/Excess (-)</b>	1,854.03	(-)2,552.85	11,064.23	12,250.87	10,467.56

Source: Annual Financial Statements and Finance Accounts

\* The expenditure is after adjustment of the recoveries adjusted as reduction of expenditure in the Appropriation Accounts.

Similarly, the estimated receipts of ₹1,22,922.58 crore were revised to ₹1,25,089.59 crore against which only ₹1,15,216.15 crore were actually realized during 2018-19 as per details given in **Table 2.5**.

**Table 2.5: Details of Receipts**

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Original Budget</b>	71,751.86	78,085.37	85,595.27	1,05,514.84	1,22,922.58
<b>Revised Estimate</b>	72,595.75	77,263.65	1,35,402.81	1,02,679.77	1,25,089.59
<b>Actual Receipt</b>	70,384.06	80,170.13	1,31,793.88	99,082.19	1,15,216.15
<b>Variation</b>	2,211.69	(-)2,906.48	3,608.93	3,597.58	9,873.44

Source: Annual Financial Statements and Finance Accounts

### 2.3.3.2 Unrealistic forecasting of resources

As per Rule 4.2 of the Punjab State Budget Manual, the revised estimates are forecast, as accurate as it is possible to make at the time, of what the actual receipts of the year will be; and the most important guide to their preparation will, therefore, ordinarily be found in the actual receipts of those months of the year which have already elapsed. If an officer observes that the actual receipts from a particular source of revenue reveal a growth or a diminution compared to those of the corresponding period of the previous year, he will be justified in assuming a continuance of the growth or decline at the same rate during the remaining months. Thus, estimates should always be prepared after taking into account all the factors affecting the receipts and expenditure of the Government and should be as accurate as possible. However, it was noticed that the revised estimates for 2018-19 for Non-tax revenue were ₹9,929.97 crore while actual realization was ₹7,582.29 crore resulting in downward variation of ₹2,347.68 crore. Similarly, tax revenue for the year 2018-19 was projected at ₹44,750.72 crore while actual realization was ₹31,574.28 crore resulting in variation of ₹13,176.44 crore below the projection. The projections for the last five years are detailed below in the **Table 2.6**.



**Table 2.6: Projections of Tax Revenue and Non-Tax Revenue vis-à-vis actual***(₹ in crore)*

Year	Description	Revised estimates	Actual	Variation
2014-15	Tax Revenue	33,960.89	30,273.17	3,687.72
	Non-Tax Revenue	2,973.05	2,879.73	93.32
2015-16	Tax Revenue	36,523.50	34,699.38	1,824.12
	Non-Tax Revenue	4,061.88	2,650.27	1,411.61
2016-17	Tax Revenue	39,851.55	37,346.39	2,505.16
	Non-Tax Revenue	6,260.58	5,863.20	397.38
2017-18	Tax Revenue	46,107.34	30,423.25	15,684.09
	Non-Tax Revenue	5,096.18	4,318.39	777.79
2018-19	Tax Revenue	44,750.72	31,574.28	13,176.44
	Non-Tax Revenue	9,929.97	7,582.29	2,347.68

Source: Annual Financial Statements and Finance Accounts

### 2.3.3.3 Non-making of budget provision for recording Grant-in-Aid received from the Central Government

Government of India provides grant from the Central Road Fund to State for specific road projects. Under the accounting procedure, the grants received are booked under Revenue Receipt Major head '1601-Grants-in-Aid from Central Government' and are simultaneously transferred to Public Account Major Head '8449-Other Deposit, 103-Subvention from Central Road Fund' through debit to Revenue Expenditure Major Head '3054-Road and Bridges' as prescribed in Rule 3.4 of the General Direction forming part of list of Major Heads and Minor Heads of Account of Union and States. The paired operation of Major Heads 1601 and 3054 is in keeping with the principle that Grants-in-Aid will be recorded in the Revenue Section irrespective of the end utilization.

It was observed that no budget provision was made under Major Head 3054 for recording the Grants-in-Aid received from the Central Government as discussed in paragraph 2.3.5 (*Sr. No. 21 of Appendix 2.2*).

### 2.3.3.4 Non-inclusion of estimates of expenditure relating to a new service in Schedule of New Expenditure

Paragraph 5.1 (I) (a) of Punjab Budget Manual (Manual) lays down that, while preparing budget estimates, provision for expenditure, relating to a new service for which the legislature has not previously voted, should be included in the 'Schedule of New Expenditure'. Further, paragraph 5.1 (I) (d) of the Manual lays down that any non-recurring grant-in-aid, contribution or donation, though provision was made for it in the original or supplementary estimates of the current year, will be included in the 'Schedule of New Expenditure'. Paragraph 1.8 of the Manual *inter-alia* lays down that the 'Schedule of New Expenditure' has to be prepared by the heads of departments and after scrutiny by the Administrative and Finance Departments, is to be passed by the Council of Ministers with reference to the funds available and the comparative urgency of the proposals. Further, as per paragraph 15.4 of

the Manual, expenditure on a new service not covered by the vote of the Vidhan Sabha, unless the requisite funds have been arranged by obtaining an advance from the contingency fund before incurring expenditure is a financial irregularity. Two instances (**Table 2.7**) of new items not previously voted by the Legislature having provision of funds amounting to ₹30.48 crore during 2018-19 were not classified as new services in the budget estimates, which is in contravention of the above provisions of the Punjab Budget Manual.

**Table 2.7: Non-inclusion of expenditure relating to a new service in Schedule of New Expenditure in Annual Financial Statements during 2018-19.**

(₹ in crore)			
Sr. No.	Grant No.	Classification	Amount
1	11	2210-01-001-01-31-Grant-in-Aid General (Salary)	29.48
2	33	2052-092-35-99-36- Grant-in-Aid General (Non-Salary)	1.00
<b>Total</b>			<b>30.48</b>

Source: Demand for grants

#### 2.3.3.5 Non-disclosure of list of grantees

Paragraph 1.5 of Punjab Budget Manual (Manual) lays down that, in the budget, separate provisions for individual grant-in-aid to be paid/paid to an institution need not be exhibited. The entire provision for grant-in-aid under the sub-head will be grouped together and shown under the standard object of classification “Grant-in-Aid”. However, the detailed provision will be shown in the form of statement at the end of each grant. Further note to the above paragraph says that grant-in-aid to the tune of ₹5,000 and above would be shown individually in the statement and the amount less than ₹5,000 will be grouped together and shown accordingly at the end of statement.

It was noticed that no such statement was attached at the end of any Grant.

#### 2.3.4 Savings vis-à-vis allocations

The audit of grants and appropriations showed that in 13 cases (11 grants out of 42 grants), the savings (excluding surrenders) exceeded the total provision by 10 per cent and ₹100 crore in each case. In three cases (Sr. No. 1, 7 and 10), the savings exceeded the total provisions by more than 50 per cent. Details are given in **Table 2.8**.

**Table 2.8: List of grants having large savings during 2018-19**

(₹ in crore)						
Sr. No.	Number and Name of the grant	Total Budget Provision	Actual expenditure	Savings	Surrender	Savings excluding surrender
1	2	3	4	5 (3-4)	6	7 (5-6)
	<b>Revenue-Voted</b>					
1	13-Industries	1,652.50	706.84	945.66	101.20	844.46 (51.10)
2	17-Local Government	2,370.98	1,803.53	567.45	23.91	543.54 (22.92)
3	20-Power	2,960.41	2,202.18	758.23	0	758.23 (25.61)

Sr. No.	Number and Name of the grant	Total Budget Provision	Actual expenditure	Savings	Surrender	Savings excluding surrender
1	2	3	4	5 (3-4)	6	7 (5-6)
4	22-Revenue and Rehabilitation	1,422.28	1,172.23	250.05	93.58	156.47 (11.00)
5	23-Rural Development and Panchayats	2,727.79	937.01	1,790.78	873.67	917.11 (33.62)
6	41-Water Supply and Sanitation	572.24	440.03	132.21	0	132.21 (23.10)
	<b>Capital-Voted</b>					
7	5-Education	318.83	80.86	237.97	72.40	165.57 (51.93)
8	9-Food and Supplies	1,268.77	1,068.73	200.04	0	200.04 (15.77)
9	15-Water Resources	838.46	261.37	577.09	233.85	343.24 (40.94)
10	17-Local Government	1,404.99	495.35	909.64	147.01	762.63 (54.28)
11	28-Tourism	384.13	143.44	240.69	69.68	171.01 (44.52)
12	38-Medical Education and Research	358.80	98.79	260.01	149.90	110.11 (30.69)
13	41-Water Supply and Sanitation	915.11	257.55	657.56	504.99	152.57 (16.67)
	<b>Total</b>	<b>17,195.29</b>	<b>9,667.91</b>	<b>7,527.38</b>	<b>2270.19</b>	<b>5,257.19 (30.57)</b>

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total budget provision

Such large savings indicate that assessment of funds requirement was not made correctly.

The Government may consider preparing realistic budget estimates to avoid large savings and supplementary provisions.

### 2.3.5 Expenditure without provision of funds

Paragraph 14.1 of the Punjab Budget Manual provides that expenditure should not be incurred on a scheme/service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State. It was, however, observed that an expenditure of ₹2,964.65 crore (**Appendix 2.2**), was incurred in 25 cases (₹ one crore or more in each case) under various components of nine grants during the year 2018-19 without having any provision in the original budget estimates/ supplementary demands and without issuing any re-appropriation orders to this effect.

### 2.3.6 Supplementary grants

Audit analysis showed that Supplementary provisions of ₹ one crore or more in each case, aggregating to ₹888.34 crore obtained in 24 cases under 21 grants, during the year 2018-19 proved unnecessary as the expenditure did not come up even to the level of original provision (**Appendix 2.3**).

The Government may consider preparing realistic budget estimates to avoid unnecessary and excessive supplementary provisions.

### **2.3.7 Unnecessary re-appropriation of funds**

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. During the year 2018-19, 40 re-appropriation orders for ₹11,309.91 crore were issued, of which 13 re-appropriation orders for ₹3,851.72 crore (34.06 *per cent*) were issued on 31 March 2019.

Further, in 13 cases out of 75 (**Appendix 2.4- Sr. No. 2, 8, 17, 19, 23, 27, 35, 39, 50, 51, 55, 67, and 71**), reduction of provision by re-appropriation orders effected by various departments proved injudicious as there was excess expenditure under these cases. In the remaining 62 cases augmentation of provision also proved unnecessary because expenditure was either equal to or did not come up to the level of original/supplementary budget provision.

The Government may consider putting in place stringent mechanism for monitoring expenditure and projected requirements for avoiding unnecessary re-appropriations.

### **2.3.8 Non-surrender of anticipated savings**

As per Rule 17.20 of the Punjab Financial Rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2018-19, savings of ₹9,139.52 crore (53.06 *per cent* of total savings of ₹17,225.65 crore; **Appendix 2.1**) were not surrendered by the concerned departments which indicate inadequate budgetary control as these could not be utilized for other developmental purposes. Details of grants/appropriations in which savings of ₹10 crore or more were not surrendered and grants/appropriations in which there were savings of ₹10 crore and above even after partial surrender have been given in **Appendix 2.5** and **Appendix 2.6** respectively.

The Government may consider monitoring expenditure and anticipated savings so that the unutilised amounts are surrendered on time to enable utilization on other schemes.

## **2.4 Deficiencies noticed in working of treasuries**

Some of the significant deficiencies noticed in the working of treasuries during inspection for the year 2018-19 conducted by the Accountant General (Accounts and Entitlement), Punjab are discussed below:

### **2.4.1 Delay in submission of monthly accounts by treasuries**

As per Rule 61 of Punjab Treasury Rules (PTR) Volume-I, District Treasuries are required to submit first list of payment along with vouchers/schedules complete in all respect between 13<sup>th</sup> and 15<sup>th</sup> of the same month and second list by 7<sup>th</sup> of the following month. During the period from April 2018 to March 2019, accounts were received late in 98 cases as detailed in **Table 2.9**.

**Table 2.9: Detail of delay in submission of monthly accounts**

List	Number of cases	Delay (in days)
I	55	1-17
II	43	1-9

Source: Office of the Accountant General (A & E) Punjab

The delay in submission of initial accounts caused consequent delay in compiling Monthly Civil Accounts by the AG (A&E).

#### **2.4.2 Non-closing of in-operative Personal Deposit Accounts**

As per Rule 380 (2) of Punjab Treasury Rules Volume-I, if a Personal Deposit Account (PDA), not being a PDA created by debit to Consolidated Fund of the State is not operated for the period of complete five years, the same shall be closed by the Treasury Officer by credit to the receipt head of the department concerned in the account for March. Seven inoperative PDAs since March 2013 involving ₹9.05 lakh in respect of four District Treasuries have not been closed by the treasuries concerned as detailed in **Table 2.10**.

**Table 2.10: Detail of inoperative PDA not closed**

Sr. No.	Treasury	PDA holder name	(₹ in lakh)
			Amount
1	Amritsar	Principal, ITI, Amritsar	3.02
2	Amritsar	Government Industrial School for Girls, Rayya	1.19
3	Amritsar	Art & Craft Institute, Amritsar	1.22
4	Amritsar	I.C.C.O.-II	0.35
5	Tarn Taran	Government college, Tarn Taran	1.79
6	Gurdaspur	General Manager, Punjab Roadways, Pathankot	0.38
7	Muktsar	Divisional Forest Officer, Muktsar	1.10
<b>Total</b>			<b>9.05</b>

Source: Office of the Accountant General (A & E) Punjab

#### **2.5 Outcome of review of selected grants**

A review of budgetary procedures followed, and expenditure control exercised, in respect of two selected grants i.e. 13-Industries and 41-Water Supply and Sanitation over a three year period 2016-17 to 2018-19 showed the following:

##### **2.5.1 Grant No. 13 – Industries**

###### **2.5.1.1 Introduction**

Grant 13-Industries includes Major Heads 2057-Supplies and Disposals, 2230-Labour and Employment, 2851-Village and Small Industries, 2852-Industries, 2853-Non-ferrous Mining and Metallurgical Industries, 4851-Capital Outlay on Village and Small Industries and 6801-Loans for Power Projects.

**2.5.1.2 Budget and Expenditure**

The overall position of budget provisions, actual disbursement and savings under the functional Heads of the grant for the last three years (2016-17 to 2018-19) is given in **Table 2.11**.

**Table 2.11: Budget and Expenditure***(₹ in crore)*

Year	Section	Budget provision	Total	Expenditure	Un-utilized provision and its percentage
2016-17	Revenue-Original (V)	210.37	210.52	60.89	149.63
	Supplementary	0.15			(71.08)
	Revenue-Original (C)	0.00	1.74	1.46	0.28
	Supplementary	1.74			(16.09)
	Capital-Original (V)	13.01	13.01	0.00	13.01
	Supplementary	0.00			(100)
2017-18	Revenue-Original (V)	313.95	317.25	56.24	261.01
	Supplementary	3.30			(82.27)
	Revenue-Original (C)	12.00	12.00	0.04	11.96
	Supplementary	0.00			(99.67)
	Capital-Original (V)	10.34	10.90	0.00	10.90
	Supplementary	0.56			(100)
2018-19	Revenue-Original (V)	1,652.50	1,652.50	706.84	945.66
	Supplementary	0.00			(57.23)
	Revenue-Original (C)	6.00	6.00	0.20	5.80
	Supplementary	0.00			(96.67)
	Capital-Original (V)	17.14	17.14	0.00	17.14
	Supplementary	0.00			(100)

Source: Appropriation Accounts

During 2016-17 to 2018-19, as a percentage of total provision, unutilized provision ranged between 16.09 *per cent* and 99.67 *per cent* under Revenue Section and under Capital Section, it was 100 *per cent*.

**2.5.1.3 Non-surrender of savings**

As per Rule 17.20 of the Punjab Financial Rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. This provision was violated as no savings were surrendered during 2016-17 and 2017-18 despite having savings under all sections during both years. The position of surrender of unutilized provision is brought out in **Table 2.12**.

**Table 2.12: Non-surrender of savings***(₹ in crore)*

Year	Savings			Amount surrendered (percentage)		
	Revenue(V)	Revenue(C)	Capital(V)	Revenue(V)	Revenue(C)	Capital(V)
2016-17	149.63	0.28	13.01	0.00	0.00	0.00
2017-18	261.01	11.96	10.90	0.00	0.00	0.00
2018-19	945.66	5.80	17.14	101.20 (10.70)	5.00 (86.21)	13.07 (76.25)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total savings

**2.5.1.4 Excess expenditure over provisions requiring regularisation**

Article 205 (1) (b) of the Constitution of India provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess.

Audit observed that excess expenditure of ₹251.43 crore (**Table 2.13**) during the year 2018-19 was incurred under one scheme which may be got regularised under the above mentioned provision.

**Table 2.13: Excess of expenditure over budget provision during 2018-19 requiring regularisation**

(₹ in crore)

Sr. No.	Major/Minor head	Total grant/ Appropriation	Expenditure	Excess expenditure
1	2852-80-800-01-Incentive under Various Industrial Policies	5.44	256.87	251.43
	<b>Total</b>	<b>5.44</b>	<b>256.87</b>	<b>251.43</b>

Source: Appropriation Accounts

The Government may consider taking up necessary action to regularise the excess expenditure.

**2.5.2 Grant No. 41-Water Supply and sanitation****2.5.2.1 Introduction**

Grant 41-Water Supply and sanitation was bifurcated from Grant 21-Public Works with effect from the year 2018-19 and includes Major Heads 2215- Water Supply and sanitation and 4215-Capital Outlay on Water Supply and sanitation.

**2.5.2.2 Budget and Expenditure**

The overall position of budget provisions, actual disbursement and savings under the functional Heads of the grant for the last three years (2016-17 to 2018-19) is given in **Table 2.14**.

**Table 2.14: Budget and Expenditure**

(₹ in crore)

Year	Section	Budget provision	Total	Expenditure	Un-utilized provision and its percentage
2016-17	Revenue-Original (V)	480.38	540.16	501.29	38.87 (7.20)
	Supplementary	59.78			
	Revenue-Original (C)	0.05	0.05	0.07	Excess expenditure over budget provision
	Supplementary	0.00			
	Capital-Original (V)	407.51	407.51	486.15	Excess expenditure over budget provision
	Supplementary	0.00			
2017-18	Revenue-Original (V)	570.23	570.23	507.03	63.20 (11.08)
	Supplementary	0.00			
	Revenue-Original (C)	5.00	5.00	2.90	2.10 (42.00)
	Supplementary	0.00			
	Capital-Original (V)	877.85	938.05	541.62	396.43 (42.26)
	Supplementary	60.20			



Year	Section	Budget provision	Total	Expenditure	Un-utilized provision and its percentage
2018-19	Revenue-Original (V)	572.24	572.24	440.03	132.21
	Supplementary	0.00			(23.10)
	Revenue-Original (C)	2.00	8.00	5.50	2.50
	Supplementary	6.00			(31.25)
	Capital-Original (V)	915.11	915.11	257.55	657.56
	Supplementary	0.00			(71.86)

Source: Appropriation Accounts

During 2016-17 to 2018-19, unutilised budget provision ranged between 7.20 per cent and 42 per cent under Revenue Section and under Capital Section it was 42.26 per cent and 71.86 per cent during 2017-18 and 2018-19 respectively. During 2016-17, there was excess expenditure over budget provision.

### 2.5.2.3 Non-surrender of savings

As per Rule 17.20 of the Punjab Financial Rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. This provision was violated as no savings were surrendered during 2016-17 and 2017-18 and only 76.80 per cent under Capital Section was surrendered during 2018-19. The position of surrender of unutilised provision is brought out in **Table 2.15**.

**Table 2.15: Non-surrender of savings**

(₹ in crore)

Year	Savings			Amount surrendered (percentage)		
	Revenue(V)	Revenue(C)	Capital(V)	Revenue(V)	Revenue(C)	Capital(V)
2016-17	38.87	-	-	0	0	0
2017-18	63.20	2.10	396.43	0	0	0
2018-19	132.21	2.50	657.56	0	0	504.99 (76.80)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage to total savings

### 2.5.2.4 Persistent savings

It was observed that a substantial portion of the budget allocation remained unutilized every year under certain heads of accounts during 2016-17 to 2018-19, indicating non-achievement of the projected financial outlays in the respective years as shown in the **Table 2.16**.

**Table 2.16: Persistent savings under Grant No. 41**

(₹ in crore)

Sr. No.	Head of Account	2016-17	2017-18	2018-19
1	2215-01-001-01-Direction and Administration	46.83 (10.75)	19.94 (4.40)	33.78 (7.37)
2	2215-01-800-01-Maintenance of works	0.48 (0.46)	46.65 (39.70)	100.93 (96.58)
3	4215-01-789-16-Natoinal Rural Drinking Water Programme	1.60 (6.67)	17.04 (43.25)	31.50 (78.75)



Sr. No.	Head of Account	2016-17	2017-18	2018-19
4	4215-01-789-17-Second Punjab Rural Water Supply and Sanitation Sector Improvement Programme- World Bank Assisted Project	1.40 (1.40)	74.98 (41.66)	23.07 (28.84)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of savings to total provisions

### 2.5.2.5 Excess expenditure over provisions requiring regularization

Article 205 (1) (b) of the Constitution of India provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess.

Audit observed that excess expenditure of ₹4.96 crore (Table 2.17) during the year 2018-19 was incurred under two schemes which may be got regularized under the above mentioned provisions.

**Table 2.17: Excess of expenditure over budget provision during 2018-19 requiring regularization**

(₹ in crore)				
Sr. No.	Major/Minor head	Total grant/ Appropriation	Expenditure	Excess expenditure
1	2215-01-799-Suspense	0.00	3.69	3.69
2	4215-01-102-32- National Rural Drinking Water Programme	60.00	61.27	1.27
	<b>Total</b>	<b>60.00</b>	<b>64.96</b>	<b>4.96</b>

Source: Appropriation Accounts

The Government may consider taking up necessary action to regularise the excess expenditure.

## 2.6 Conclusions

During 2018-19, expenditure of ₹1,17,455.28 crore was incurred against total budget provision of ₹1,34,355.89 crore resulting in net savings of ₹16,900.61 crore. The net savings was the result of gross savings of ₹17,225.65 crore set off by excess of ₹325.04 crore. An amount of ₹8,086.13 crore (46.94 per cent of savings) was surrendered during the year and out of total surrender, an amount of ₹3,156.16 crore (39.03 per cent) was surrendered on the last day of the year.

Excess expenditure of ₹37,269.28 crore during 2015-19 required regularisation under Article 205 (1) (b) of the Constitution of India. There were persistent excesses of more than ₹10 crore in three cases. Augmentation of budget provisions by re-appropriation orders proved unnecessary in 62 cases because expenditure did not come up even to the level of original/supplementary budget provisions.

