

Executive Summary

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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 2018-19 *vis-à-vis* the Budget Estimates, the targets as recommended by the Fourteenth Finance Commission (FFC) and analyses the dominant trends and structural profile of Government's receipts and disbursements. Recommendations of the 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 2019 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 2019. It provides an account of time series of receipts and disbursements, market borrowings, quality of expenditure, financial analysis of government expenditure and investment, debt sustainability and the fiscal imbalances.

Chapter-II is based on Appropriation Accounts and it gives the grant-wise description of appropriations. It elaborates on financial accountability and budget management, deficiencies in working of treasuries and outcome of review of selected grants.

Chapter-III is an inventory of the Punjab Government's compliance with various reporting requirements and financial rules.

Audit findings

Chapter I: Finances of the State Government

The State is on a fiscal correction path. However, the State has not yet amended the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 as recommended by Fourteenth Finance Commission.

[Paragraph 1.1.3]

During the period 2014-15 to 2018-19, revenue receipts and capital receipts increased from ₹39,023 crore and ₹11,501 crore to ₹62,269 crore and ₹23,788 crore respectively. The revenue receipts increased at an annual average growth rate of 12.21 *per cent* during the same period. The net public account receipts also exhibited an increasing trend during 2014-19, as it increased from ₹1,698 crore in 2014-15 to ₹1,827 crore in 2018-19. Overall, the total receipts increased by 68.29 *per cent*, from ₹52,222 crore in 2014-15 to ₹87,884 crore in 2018-19.

[Paragraphs 1.2.1 & 1.3]

The revenue expenditure increased by ₹12,939 crore (20.71 *per cent*) during the current year over the previous year. It continued to constitute a dominant proportion (85 to 95 *per cent*) of the total expenditure during 2014-19, except for in 2016-17 (55 *per cent*), and grew at an annual average growth rate of 12.69 *per cent* during this period.

[Paragraph 1.6.1]

Share of committed expenditure in total revenue expenditure of the State has been high. During the current year committed expenditure accounted for 80.42 *per cent* of the total revenue expenditure.

[Paragraph 1.6.2]

The share of development expenditure in aggregate expenditure (50.24 *per cent*) was below the General Category States (GCS) average (67.04 *per cent*). Further, there was decline in this share from 52.04 *per cent* in 2014-15 to 50.24 *per cent* in 2018-19. Proportion of expenditure on education and health was also below the GCS average. Expenditure on education declined from 15.25 *per cent* in 2014-15 to 12.99 *per cent* in 2018-19 while the share of expenditure on health in aggregate expenditure decreased from 4.73 *per cent* to 4.10 *per cent* during the period 2014-15 and 2018-19.

The ratio of capital expenditure to aggregate expenditure was far below the GCS average during the period 2014-15 to 2018-19 and declined from the already low level of 6.24 *per cent* in 2014-15 to 3.05 *per cent* in 2018-19.

[Paragraph 1.7.1]

Cess amounting to ₹1,018.78 crore collected under Building and Other Construction Workers' Welfare Cess Act, 1996 was lying unspent as on 31 March 2019.

[Paragraph 1.7.3 (iii)]

Nine major irrigation projects caused the State Government to suffer a net loss of ₹390.90 crore during 2018-19. Fifty three projects, scheduled for completion between 2008-09 and 2018-19 were incomplete. The expenditure of ₹892.33 crore incurred on these incomplete projects was yet to yield the intended benefits.

[Paragraphs 1.8.1 & 1.8.2]

The return on investment (on historical cost and not on net present value basis) from Co-operative Banks and Societies, Joint Stock Companies and Government Companies was only between 0.04 *per cent* and 0.11 *per cent* during 2014-19 while the average rate of interest paid by the Government of Punjab on its borrowings was between 7.48 *per cent* and 8.35 *per cent* during the same period.

[Paragraph 1.8.3]

Cash balance of ₹1,324.83 crore at the close of the year 2018-19 was far less than the earmarked reserve funds amounting to ₹6,402.59 crore which indicates that reserve funds were used for other than intended purpose.

[Paragraph 1.8.5]

Overall fiscal liabilities of the State were ₹2,11,917 crore as on 31 March 2019. Fiscal liabilities were 40.61 *per cent* of GSDP and 340.33 *per cent* of the revenue receipts.

[Paragraph 1.9.2]

The State Government had not invested funds of ₹6,263.50 crore lying in balance under State Disaster Response Fund (SDRF) as on 31 March 2019.

[Paragraph 1.9.3.1]

Total public debt increased by 106.33 *per cent* from ₹86,818 crore in 2014-15 to ₹1,79,130 crore in 2018-19. The ratio of interest payments to revenue receipts ranged between 17.79 *per cent* and 25.08 *per cent* during 2014-19. The percentage of debt repayments to debt receipts decreased from 73.90 *per cent* in 2014-15 to 72.50 *per cent* in 2018-19. Availability of net debt to State increased from ₹1,208 crore in 2014-15 to ₹41,462 crore in 2016-17. However, net debt available during 2017-18 was negative ((-) ₹2,263 crore), which was ₹212 crore during 2018-19.

[Paragraph 1.10.2]

The State continued to be a revenue deficit State. The revenue deficit increased to ₹13,135 crore (2.52 *per cent* of GSDP) in the current year from ₹7,591 crore (2.14 *per cent* of GSDP) in the year 2014-15. There was an increase of ₹3,565 crore (29 *per cent*) in fiscal deficit during the current year over the previous year. However, there was primary surplus of ₹247 crore (0.05 *per cent* of GSDP) during the current year.

[Paragraph 1.11.1]

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. 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. Out of the total savings of ₹17,225.65 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.

[Paragraphs 2.2 & 2.2.1]

Excess expenditure of ₹37,269.28 crore incurred during 2015-19 required regularisation. Expenditure of ₹2,964.65 crore was incurred without making budget provision. In 62 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. Anticipated savings of ₹9,139.52 crore were not surrendered leaving no scope for utilising these funds for other developmental purposes.

[Paragraphs 2.3.1, 2.3.5, 2.3.7 & 2.3.8]

Chapter III: Financial Reporting

The State Government has not complied with Indian Government Accounting Standards (IGAS)-2: Accounting and Classification of Grants-in-Aid; and (IGAS)-3: Loans and Advances made by Government. Disclosures regarding total value of the Grants-in Aid given in kind; and loans sanctioned without specific terms and conditions could not be made, as the requisite information was not provided by the State Government.

[Paragraph 3.1]

Forty five utilisation certificates in respect of grants amounting to ₹292.42 crore were pending for submission by the Departmental Officers. The State Government may review whether they should continue to give more grants to the departments with high pendency of utilisation certificates.

[Paragraph 3.2]

There were delays in submission of 17 annual accounts by five Autonomous Bodies to Audit; and Separate Audit Reports to the Legislature by six Autonomous Bodies.

[Paragraph 3.3]

Eighteen instances of misappropriation, losses, theft, etc involving an amount of ₹3.91 crore were pending.

[Paragraph 3.5]

As many as 789 Abstract Contingent bills for ₹3,083.31 crore were awaiting adjustment as on 31 March 2019. Advances drawn and not accounted for increased the possibility of wastage/ misappropriation/ malfeasance, etc.

[Paragraph 3.6]