

Chapter-I

General

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1.1 Introduction

This Report covers matters arising out of the Compliance Audit of the Departments of the State Government and State Public Sector Enterprises (SPSEs). The primary purpose of this Report is to bring to the notice of the Legislature the important results of audit. Findings of audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations contributing to better governance.

The Report has been organised in seven chapters as under:

- **Chapter-I** contains a brief profile of the State Government with the budget profile for the year 2021-22, the authority for audit, audit jurisdiction, planning and conduct of audit, response of the Government to various audit products namely Inspection Reports, individual observations/paragraphs and follow-up action on Audit Reports.
- **Chapter-II** contains observations in respect of the Subject Specific Compliance Audit on ‘Welfare of Building and Other Construction Workers’.
- **Chapter-III** contains observations in respect of the Subject Specific Compliance Audit on ‘Creation, maintenance and utilisation of sports facilities’.
- **Chapter-IV** contains observations in respect of the Subject Specific Compliance Audit on ‘Operation, repair and maintenance of Hydro Electric Projects’ in Punjab State Power Corporation Limited.
- **Chapter-V** contains observations in respect of the Subject Specific Compliance Audit on ‘Management-cum-analysis of Non-Performing Assets and recovery of loans’ of Punjab State Industrial Development Corporation Limited.
- **Chapter-VI** contains individual observations relating to Compliance Audit of Departments.
- **Chapter-VII** contains individual observations relating to Compliance Audit of State Public Sector Enterprises.

1.2 Budget profile

There are 38 departments¹, 55 autonomous bodies and 49² State Public Sector Enterprises (SPSEs) in the State. The status of budget estimates and actual expenditure incurred by the State Government during 2017-2022 is given in Table 1.1.

Table 1.1: Budget and actual expenditure of the State during 2017-2022

Expenditure	2017-18		2018-19		2019-20		2020-21		2021-22	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
<i>(₹ in crore)</i>										
Revenue expenditure										
General Services	34,091.34	34,499.50	37,493.10	36,930.51	39,449.00	38,614.35	43,540.25	43,253.01	47,421.79	47,239.77
Social Services	19,072.44	15,469.74	20,097.54	18,320.37	21,878.19	19,483.85	24,982.03	21,674.90	29,329.73	25,334.31
Economic Services	15,341.16	11,194.41	21,185.35	17,888.17	18,754.94	14,551.12	17,532.96	15,445.40	20,944.10	20,203.74
Grants-in-aid and Contributions	2,676.96	1,301.20	3,541.98	2,264.66	6,519.95	3,210.32	6,717.05	5,971.31	4,749.91	3,858.69
Total	71,181.90	62,464.85	82,317.97	75,403.71	86,602.08	75,859.64	92,772.29	86,344.62	1,02,445.53	96,636.51
Capital expenditure	4,388.76	2,352.08	4,871.57	2,412.24	19,641.30	17,827.73	6,821.68	4,382.32	10,078.80	8,009.98
Loans and Advances disbursed	2,197.12	760.05	1,602.64	1,361.05	820.87	783.88	923.63	955.79	1,592.76	1,575.81
Repayment of Public Debt (including Ways and Means Advances)	35,029.64	34,969.58	38,623.32	37,770.93	44,632.68	39,573.90	39,482.08	34,633.53	22,358.95	19,278.55
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*	13,238.24	45,525.90	18,282.51	62,271.76	16,014.61	64,328.24	59,068.32	74,470.97	91,442.87	87,659.49
Closing Cash Balance	--	488.45	--	1,324.83	--	2,125.06	--	9,247.83	--	6,871.64
Total	54,853.76	84,096.06	63,380.04	1,05,140.81	81,109.46	276,358.09	1,06,295.71	1,23,690.44	1,25,473.38	1,23,395.47
Grand Total	1,26,035.66	1,46,560.91	1,45,698.01	1,80,544.52	1,67,711.54	2,00,498.45	1,99,068.00	2,10,035.06	2,27,918.91	2,20,031.98

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

* Excludes transactions of investment of cash balances, departmental cash in chests and deposits with Reserve Bank of India.

As against the total budget outlay of ₹ 2,27,918.91 crore, the application of resources was ₹ 2,20,031.98 crore during the year 2021-22. The total expenditure³ of the State increased by 61.98 per cent from ₹ 65,576.98 crore to ₹ 1,06,222.30 crore during the period 2017-18 to 2021-22. Revenue expenditure of the State increased by 54.71 per cent from ₹ 62,464.85 crore in 2017-18 to ₹ 96,636.51 crore in 2021-22 and capital expenditure increased by 240.55 per cent from ₹ 2,352.08 crore in 2017-18 to ₹ 8,009.98 crore in 2021-22. Revenue expenditure constituted 80 to 95 per cent of the total expenditure while capital expenditure ranged between three and eight per cent during 2017-2022 except for the year 2019-20 when it was 19 per cent due to conversion of Ujjwal Discom Assurance Yojana (UDAY) loans amounting to ₹ 15,628 crore into equity capital in Punjab State Power Corporation Limited.

¹ Social, General and Economic Departments (other than Revenue Departments).

² Including four Statutory Corporations and 42 Government Companies (including 16 inactive Government companies) and three Government Controlled Other Companies (GCOC) under the audit jurisdiction of the CAG.

³ Total of Revenue Expenditure, Capital Expenditure and Loans and Advances.

During the period from 2017-18 to 2021-22, revenue expenditure increased at an annual average growth rate of 12.00 *per cent* whereas revenue receipts grew at an annual average rate of 10.43 *per cent*.

1.3 Authority for audit

Authority for audit by the Comptroller and Auditor General of India (CAG) is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). The CAG conducts audit of expenditure of State Government Departments under Section 13⁴ of the CAG's DPC Act. In addition, CAG also conducts audit of other Autonomous Bodies which are substantially financed by the Government under Section 14⁵ of DPC Act. Section 16 of the CAG's DPC Act authorises CAG to audit all receipts (both revenue and capital) of the Government of India and of Government of each State and of each Union Territory having a legislative assembly and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts (Amendments), 2020 and Auditing Standards issued by the Indian Audit and Accounts Department.

1.4 Planning and conduct of audit

The audit process commences with a risk assessment of various Departments, Autonomous Bodies, schemes/projects, considering the criticality/complexity of activities, level of delegated financial powers, internal controls, concerns of stakeholders and previous audit findings. Based on this risk assessment, the scope of audit is decided and an Annual Audit Plan is formulated.

After completion of audit, an Inspection Report containing audit findings is issued to the head of the office with the request to furnish replies within four weeks. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India which are to be submitted to the Governor of Punjab under Article 151(2) of the Constitution of India.

During 2021-22, compliance audit of 1,339 Drawing and Disbursing Officers (DDO), 26 autonomous bodies and 19 SPSEs of the State was conducted by

⁴ Audit of (i) all expenditure from the Consolidated Fund of State; (ii) all transactions relating to Contingency Funds and Public Accounts; and (iii) all trading, manufacturing, profit and loss accounts, balance-sheets and other subsidiary accounts.

⁵ Several non-Commercial Autonomous/Semi-Autonomous Bodies, established to implement Schemes for employment generation, poverty alleviation, spread of literacy, health for all and prevention of diseases, environment, etc., and substantially financed by the Government, are audited under Section 14.

the office of the Principal Accountant General (Audit), Punjab. An amount of ₹ 28.12 lakh was recovered during 2021-22 by various departments after being pointed out by Audit through Inspection Reports.

1.5 Lack of response of Government to Audit

The Principal Accountant General (Audit), Punjab (PAG), conducts periodic inspection of the Government Departments to test-check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with Inspection Reports (IR) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action.

The heads of the offices are required to comply with the observations contained in the IRs within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

As of June 2022, 18,729 Inspection Reports containing 64,656 observations (issued up to March 2022) having money value of ₹ 61,065 crore, were outstanding, of which 12,245 IRs containing 29,272 observations having money value of ₹ 17,200 crore pertained to the period prior to April 2017 i.e. more than five years old. The year-wise position of outstanding Inspection Reports/ observations along with their money value is given in **Table 1.2**.

Table 1.2: Outstanding Inspection Reports/Observations

Particulars	Prior to April 2017	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Inspection Reports	12,245	1,305	1,355	1,526	1,132	1,166	18,729
Observations	29,272	5,779	6,728	8,931	6,518	7,428	64,656
Money value (₹ in crore)	17,200.06	4,711.26	5,874.61	4,712.88	13,357.08	15,208.91	61,064.80

Source: Office records

The purpose of audit is to check whether prescribed rules, laws and procedures are being adhered to, and to highlight cases of non-compliance, systemic weaknesses and failures. The large number of pending IRs and audit observations pending settlement indicate inadequate response to audit observations. The lack of action on these audit observations weakens accountability and raises the risk of loss of revenue. Increasing pendency of audit paragraphs merits urgent attention of the Government for addressing the issues consistently raised by Audit. The departmental officers failed to take action on observations contained in IRs within the prescribed time frame, resulting in erosion of accountability. It is recommended that the Government should ensure prompt and proper response to audit observations.

1.5.1 Departmental audit committee meetings

The Government has set up departmental audit committees to monitor and expedite progress of the settlement of the audit observations contained in the Inspection Reports.

As many as 317 audit observations involving money value of ₹ 550.14 crore were settled in 52 audit committee meetings held with 68 auditee units (AU) under 18 departments⁶ during 2021-22.

The Government may ensure holding audit committee meetings at regular intervals with all the Departments.

1.6 Response of Departments to draft Audit Observations

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 adversely impacting the success of programmes and functioning of the departments. The focus was on auditing specific programmes/schemes in order to offer suitable recommendations to the Executive for taking corrective action and improving service delivery to the citizens.

The draft audit observations proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Principal Accountant General (Audit) to the Principal Secretaries/Secretaries of the Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments/Government is invariably indicated at the end of such observations included in the Audit Report.

1.7 Follow-up on Audit Reports

The follow-up on Audit Reports have been found to be inadequate as given below:

1.7.1 Non-submission of Action Taken Notes

According to the Rules and Procedure for the Public Accounts Committee (PAC)/Committee on Public Undertakings (COPU), all administrative departments are to initiate *suo motu* action on all Compliance Audit

⁶ (i) Agriculture (3 AUs); (ii) Cooperation (1 AU); (iii) Defence Services Welfare (1 AU); (iv) Elections (1 AU); (v) General Administration (1 AU); (vi) Higher Education (3 AUs); (vii) Home Affairs and Justice (1 AU); (viii) Information and Public Relations (1 AU); (ix) Power (7 AUs); (x) Printing & Stationery (1 AU); (xi) Revenue, Rehabilitation and Disaster Management (6 AUs); (xii) Rural Development and Panchayats (3 AUs); (xiii) School Education (2 AUs); (xiv) Social Security and Women and Child Development (23 AUs); (xv) Social Justice, Empowerment and Minorities (1 AU); (xvi) Soil and Water Conservation (1 AU); (xvii) Tourism, Cultural Affairs and Museums and Archaeology (11 AUs); and (xviii) Water Supply and Sanitation (1 AU).

Observations and Performance Audits featuring in the Audit Reports of the Comptroller and Auditor General of India, regardless of whether these are taken up for examination by the PAC/COPU or not. They are also to furnish detailed notes, duly vetted by audit, indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Reports to the State Legislature. In spite of these provisions, the explanatory notes on audit observations of the Reports were being delayed inordinately.

The status regarding non-receipt of Action Taken Notes on the observations included in the Audit Reports of Social, General and Economic Departments up to the period ended 31 March 2023 is given in **Table 1.3**.

Table 1.3: Status regarding non-receipt of ATNs on the paragraphs included in the Audit Reports

CAG Audit Report	Year	Department/SPSE	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 March 2023
Social, General and Economic Departments	2015-16	Finance	29.03.2017	28.06.2017	1
		Revenue, Rehabilitation and Disaster Management			2
	2016-17	Agriculture	22.03.2018	21.06.2018	1
		Tourism and Cultural Affairs			1
		Revenue, Rehabilitation and Disaster Management			2
		Housing and Urban Development			1
		Welfare of SCs and BCs			1
	2017-18	Agriculture	27.02.2020	26.05.2020	1
		Tourism and Cultural Affairs			1
		Finance			1
		Health and Family Welfare			1
		Home Affairs and Justice			2
		Town and Country Planning			1
	2018-19	Civil Aviation	29.06.2022	28.09.2022	1
		Health and Family Welfare			1
		Housing and Urban Development			2 ^{&}
		Personnel			1 [*]
		Home Affairs and Justice			1 [*]
		Public Works (B&R)			1
		Revenue, Rehabilitation and Disaster Management			1
School Education		1 [#]			
Finance		3 ^{#@&}			
Technical Education and Industrial Training		1 [@]			
Water Resources		1			
Water Supply and Sanitation		1 ^{&}			
Soil Conservation		1 [%]			
Agriculture and Farmers' Welfare	1 [%]				

CAG Audit Report	Year	Department/SPSE	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 March 2023
	2019-20	Public Works (B&R)	29.06.2022	28.09.2022	3
		Social Security and Women and Child Development			1
		Soil and Water Conservation			1 ^S
		Water Resources			3 ^S
Performance Audit on 'Efficacy of implementation of the Constitution (Seventy-fourth) Amendment Act, 1992'	Report No. 7 of 2021	Local Government	29.06.2022	28.09.2022	29
Performance Audit of 'Direct Benefit Transfer (Cash Transfer)'	Report No. 1 of 2022	Social Security and Women and Child Development	29.06.2022	28.09.2022	28
Performance Audit on 'Outcomes of Higher Education in Punjab'	Report No. 2 of 2022	Higher Education	29.06.2022	28.09.2022	31
Social, General and Economic Departments (State Public Sector Enterprises)	2014-15	Punjab State Civil Supplies Corporation Limited	14.03.2016	13.06.2016	2 [^]
		Punjab State Grains Procurement Corporation Limited			2 [^]
		Punjab State Industrial Development Corporation Limited			1
	2015-16	Punjab State Civil Supplies Corporation Limited	29.03.2017	28.06.2017	2
		Punjab State Grains Procurement Corporation Limited			1
		Punjab Small Industries and Export Corporation Limited			1
		Punjab Agro Industries Corporation Limited			1
	2016-17	Punjab State Civil Supplies Corporation Limited	22.03.2018	21.06.2018	6 ^{<}
		Punjab State Grains Procurement Corporation Limited			4 ^{<}
		Punjab Financial Corporation			1
		Punjab Small Industry and Export Corporation Limited			2
	2017-18	Punjab State Transmission Corporation Limited	27.02.2020	26.05.2020	2
		Punjab State Civil Supplies Corporation Limited			1
		Punjab Small Industry and Export Corporation Limited			3

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CAG Audit Report	Year	Department/SPSE	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 March 2023
	2018-19	Punjab State Power Corporation Limited	05.03.2021	04.06.2021	9
		Punjab State Civil Supplies Corporation Limited			1
		Punjab State Grains Procurement Corporation Limited			4
		Punjab Small Industry and Export Corporation Limited			1
Performance Audit of 'Pre and Post Ujjwal Discom Assurance Yojna'	Report No. 6 of 2021	Punjab State Power Corporation Limited	29.06.2022	29.09.2022	16
Social, General and Economic Departments (State Public Sector Enterprises)	2019-20	Punjab State Power Corporation Limited			6
		Punjab Agro Foodgrains Corporation Limited			2
		Punjab State Industrial Development Corporation Limited			2
		Punjab State Civil Supplies Corporation Limited			1

Source: Office records

- * One observation of the Audit Report 2018-19 pertains to two departments.
- # One observation of the Audit Report 2018-19 pertains to two departments.
- @ One observation of the Audit Report 2018-19 pertains to two departments.
- & One observation of the Audit Report 2018-19 pertains to three departments.
- % One observation of the Audit Report 2018-19 pertains to two departments.
- § One observation of the Audit Report 2019-20 pertains to two departments.
- ^ One observation of the Audit Report 2014-15 pertains to two SPSEs.
- < One observation of the Audit Report 2016-17 pertains to two SPSEs.