

Chapter-I

General

1.1 Introduction

This Report covers matters arising out of the Performance Audit and Compliance Audit of the Departments of the State Government. The primary purpose of this Report is to bring to the notice of the Legislature the important results of audit. The findings of audit are expected to enable the Executive to take corrective action and to frame policies and directives that will lead to improved financial management of the organisations, thereby contributing to better governance.

The Report has been organised in six chapters as under:

Chapter-I contains a brief profile of the State Government with the budget profile for the year 2022-23, the authority for audit, 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 Performance Audit Report on ‘Information Systems Audit of e-Procurement’.

Chapter-III contains Performance Audit Report on ‘Quality of School Education in Punjab’.

Chapter-IV contains Subject Specific Compliance Audit Report on ‘Basic Amenities for Inmates in Jails’.

Chapter-V contains Subject Specific Compliance Audit Report on ‘Functioning of Punjab Labour Welfare Board’.

Chapter-VI contains individual observations relating to Compliance Audit of Departments.

1.2 Budget Profile

There are 42 departments¹ and 57 autonomous bodies in the State. The status of budget estimates and actual expenditure incurred by the State Government during 2018-2023 is given in **Table 1.1**.

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

Table 1.1: Budget estimates and actual expenditure of the State during 2018-2023

(₹ in crore)

Expenditure	2018-19		2019-20		2020-21		2021-22		2022-23	
	Budget Estimates	Actuals								
Revenue expenditure										
General Services	37,493.10	36,930.51	39,449.00	38,614.35	43,540.25	43,253.01	47,421.79	47,239.77	53,617.47	54,002.90
Social Services	20,097.54	18,320.37	21,878.19	19,483.85	24,982.03	21,674.90	29,329.73	25,334.31	31,046.22	28,849.10
Economic Services	21,185.35	17,888.17	18,754.94	14,551.12	17,532.96	15,445.40	20,944.10	20,203.74	27,801.13	26,996.39
Grants-in-aid and Contributions	3,541.98	2,264.66	6,519.95	3,210.32	6,717.05	5,971.31	4,749.91	3,858.69	4,989.16	3,812.28
Total	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	1,17,453.98	1,13,660.67
Capital expenditure	4,871.57	2,412.24	19,641.30	17,827.73	6,821.68	4,382.32	10,078.80	8,009.98	8,513.20	6,667.21
Loans and Advances disbursed	1,602.64	1,361.05	820.87	783.88	923.63	955.79	1,592.76	1,575.81	1,412.14	1,381.67
Repayment of Public Debt (including Ways and Means Advances)	38,623.32	37,770.93	44,632.68	39,573.90	39,482.08	34,633.53	22,358.95	19,278.55	59,946.00	58,375.71
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*	18,282.51	62,271.76	16,014.61	64,328.24	59,068.32	74,470.97	91,442.87	87,659.49	81,881.10	97,620.01
Closing Cash Balance	--	1,324.83	--	2,125.06	--	9,247.83	--	6,871.64	--	9,009.46
Total	63,380.04	1,05,140.81	81,109.46	2,76,358.09	1,06,295.71	1,23,690.44	1,25,473.38	1,23,395.47	1,51,752.44	1,73,054.06
Grand Total	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	2,69,206.42	2,86,714.73

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 ₹ 2,69,206.42 crore, the application of resources was ₹ 2,86,714.73 crore during the year 2022-23. The total expenditure² of the State increased by 53.72 per cent from ₹ 79,177 crore to ₹ 1,21,710 crore during the period 2018-19 to 2022-23. Revenue expenditure of the State increased by 50.74 per cent from ₹ 75,404 crore in 2018-19 to ₹ 1,13,661 crore in 2022-23 and capital expenditure increased by 176.41 per cent from ₹ 2,412 crore in 2018-19 to ₹ 6,667 crore in 2022-23. However, when compared to the previous year, revenue expenditure grew by 17.62 per cent, while capital expenditure declined by 16.76 per cent. Revenue expenditure ranged between 80 and 95 per cent of the total expenditure while capital expenditure ranged between three and eight per cent during 2018-2023 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.

² Total of Revenue Expenditure, Capital Expenditure and Loans & Advances.

During the period from 2018-19 to 2022-23, revenue expenditure increased at an annual average growth rate of 13 *per cent* whereas revenue receipts grew at an annual average rate of 11 *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 13³ 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 14⁴ 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.

³ Audit of (i) all expenditure from the Consolidated Fund of State; (ii) all transactions relating to Contingency Fund and Public Accounts; and (iii) all trading, manufacturing, profit and loss accounts, balance-sheets and other subsidiary accounts.

⁴ 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.

During 2022-23, compliance audit of 2,259 entities (including implementing units) of the State was conducted by the office of the Principal Accountant General (Audit), Punjab. An amount of ₹ 24.48 crore was recovered during 2022-23 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, 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 reply to the audit 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 2023, 17,844 Inspection Reports containing 64,482 observations (issued up to March 2023) involving money value of ₹ 79,727.63 crore, were outstanding, of which 11,518 IRs containing 33,852 observations involving money value of ₹ 22,016.72 crore pertained to the period prior to April 2018 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 2018	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Inspection Reports	11,518	1,366	1,346	783	1,935	896	17,844
Observations	33,852	6,597	7,071	4,541	5,991	6,430	64,482
Money value (₹ in crore)	22,016.72	18,223.98	10,327.74	12,629.01	7,980.97	8,549.21	79,727.63

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 observations merits urgent attention of the Government for addressing the issues raised by Audit. The departmental officers did not take action on observations contained in IRs within the prescribed time frame, which may

affect overall 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 131 audit observations involving money value of ₹ 1.17 crore were settled in 31 Audit Committee meetings held with 59 auditee units (AU) under 11 Departments⁵ during 2022-23.

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 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), all Administrative Departments are to initiate *suo motu* action on all Compliance Audit Observations and Performance Audits featuring in the Audit

⁵ (i) Rural Development and Panchayats (5 AUs); (ii) Water Supply and Sanitation (8 AUs); (iii) Home Affairs and Justice (1 AU); (iv) Elections (4 AUs); (v) Dairy Development, Fisheries & Animal Husbandry (24 AUs); (vi) Labour (1 AU); (vii) Employment Generation and Training (1 AU); (viii) Higher Education (1 AU); (ix) School Education (1 AU); (x) Social Security and Women & Child Development (1 AU); and (xi) Water Resources (12 AUs).

Reports of the Comptroller and Auditor General of India, regardless of whether these are taken up for examination by the PAC 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. Despite these provisions, the explanatory notes on audit observations of the Reports were being delayed inordinately.

The status regarding non-receipt of Action Taken Notes (ATN) on the observations included in the Audit Reports of Social, General and Economic Departments up to the period ended 31 March 2024 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	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 March 2024
Social, General and Economic Sectors (Non-PSUs)	2016-17	Agriculture and Farmers' Welfare	22.03.2018	21.06.2018	1
		Tourism and Cultural Affairs			1
		Revenue, Rehabilitation and Disaster Management			2
		Housing and Urban Development			1
		Social Justice and Empowerment of Minorities			1
	2017-18	Agriculture and Farmers' Welfare	27.02.2020	26.05.2020	1 [#]
		Health and Family Welfare			1
		Home Affairs and Justice			2
		Industries and Commerce			1 [#]
		Science and Technology			1 [#]
Social, General, Revenue and Economic Sectors (Non-PSUs)	2018-19	Health and Family Welfare	29.06.2022	28.09.2022	1
		Housing and Urban Development			1 ^{&}
		Personnel			1 [@]
		Home Affairs and Justice			1 [@]
		Public Works (B&R)			1
		Revenue, Rehabilitation and Disaster Management			1
		School Education			1 [*]
		Finance			1 [*] 1 ^{&} 1
Social, General and Economic Sectors	2019-20	Public Works (B&R)	29.06.2022	28.09.2022	3
		Social Security and Women & Child Development			1
Compliance Audit	2020-21	Water Supply and Sanitation	07.03.2023	06.06.2023	1
		Agriculture and Farmers' Welfare			1
		Public Works (B&R)			1
		Technical Education and Industrial Training			3
		Water Resources			1

CAG Audit Report	Year	Department	Date of presentation of Audit Report in the State Legislature	Due date for receipt of ATNs	ATNs pending as of 31 March 2024
Performance Audit of 'Direct Benefit Transfer (Cash Transfer)'	Report No. 1 of 2022	Social Security and Women & Child Development	29.06.2022	28.09.2022	28
Performance Audit of 'Outcomes of Higher Education in Punjab'	Report No. 2 of 2022	Higher Education	29.06.2022	28.09.2022	31
Total					88

Source: Office records

One observation of the Audit Report 2017-18 pertains to three 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 two Departments.