

Chapter-III

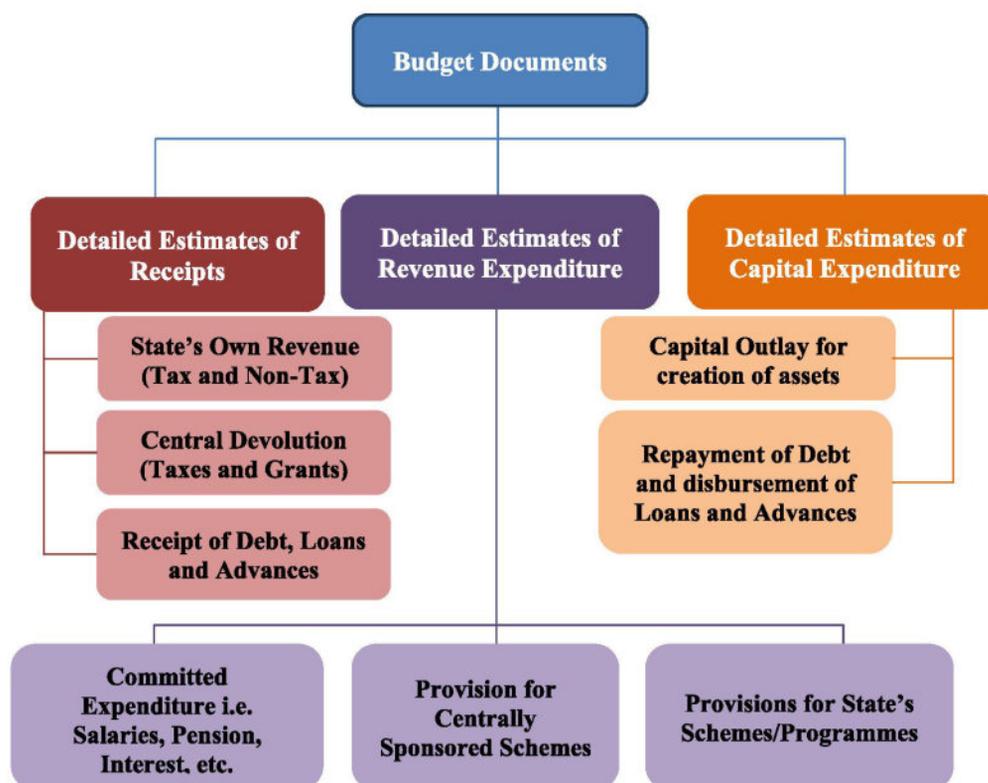
Budgetary Management

3.1 Budget Process

In compliance with Article 202 of the Constitution of India, in respect of every financial year, a statement of the estimated receipts and expenditure of the State for that year, called “the Annual Financial Statement (Budget)” is to be laid before the State Legislature. The estimates of the expenditure show ‘charged’ and ‘voted’ items¹ of expenditure separately and distinguish expenditure on revenue account from other expenditure. Legislative authorisation is necessary before incurring any expenditure by the State Government.

As per the Punjab Budget Manual, the Finance Department is responsible for preparation of the annual budget by obtaining estimates from various Departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the Head of Departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called ‘Demand for Grants’. The State Budget comprises following documents as given in **Chart 3.1**.

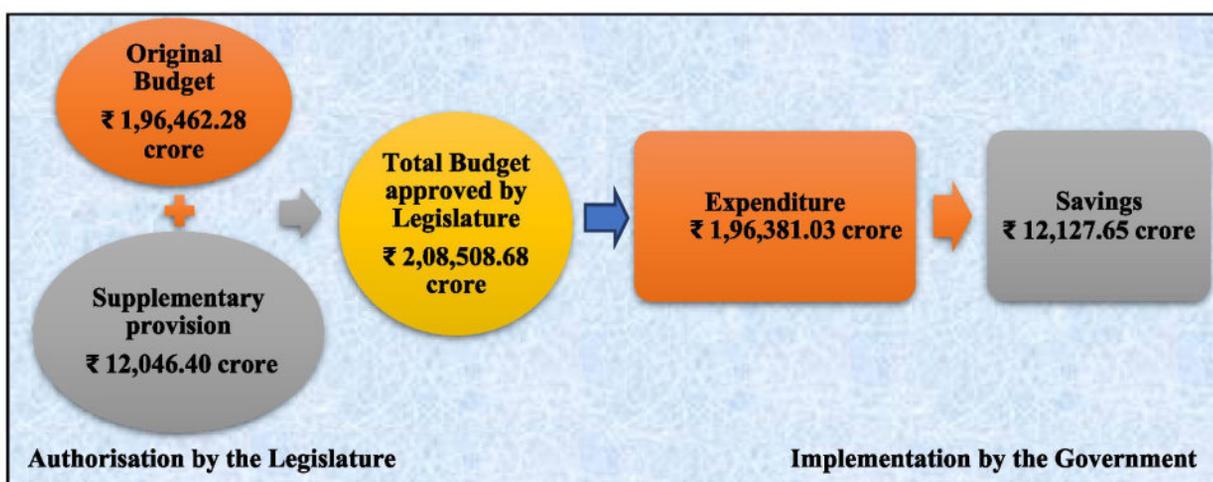
Chart 3.1: Details of State Budget Documents



¹ **Charged expenditure:** Certain categories of expenditure (e.g. salaries of Constitutional authorities, loan repayments, etc.), constitute a charge on the Consolidated Fund of the State and are not subject to vote by the Legislature. **Voted expenditure:** All other expenditure is voted by the Legislature.

Various components of the budget for the year 2023-24 are depicted in **Chart 3.2**.

Chart 3.2: Flow chart of budget implementation



Source: Appropriation Accounts

3.1.1 Gender Responsive Budgeting

Gender Responsive Budgeting (GRB) is an effective tool to ensure that resources are better targeted towards addressing gender gaps, inequalities and implementing a gender transformative agenda. The Government of Punjab (GoP) has introduced Gender Budgeting during 2023-24 to ensure integration of gender equity and equality in all the development processes and plans of the State. The Department of Social Security, Women and Child Development has been designated as the nodal Department for implementing Gender Responsive Budgeting in the State. The Gender Budget Statement (GBS) presented by Government of Punjab for the year 2023-24 includes information under three categories:

Part A - 100 per cent women specific schemes: All policies/programs/schemes which are wholly targeted for women and girl beneficiaries were placed in this part. There were 26 schemes under this category, of which four schemes were having original budget provision exceeding ₹ 50 crore (*Appendix 3.1*).

Part B - Schemes with 30 per cent to 99 per cent expenditure on women related components: There were 35 schemes under this category, of which 11 schemes were having original budget provisions of ₹ 50 crore or more (*Appendix 3.1*).

Part C - Schemes with less than 30 per cent expenditure on women related components: There were 19 schemes under this category, of which four schemes were having original budget provisions of ₹ 50 crore or more (*Appendix 3.1*).

It is vital that the process of planning and designing of policies, schemes and programmes should ensure a gender responsive approach backed by adequate resource allocation. It was, however, noticed that original budget provisions ranging between ₹ 11.74 crore and ₹ 221.46 crore under 13 schemes were

withdrawn through re-appropriation (*Appendix 3.1*). Further, savings exceeding ₹ 100.00 crore were noticed under two² schemes and no expenditure was incurred under one³ scheme.

3.1.2 Summary of total provisions, actual disbursements and savings during financial year 2023-24

A summarised position of total budget provisions, disbursements and savings with its further bifurcation into voted/charged during 2023-24 for total 42 grants/appropriations is given in **Table 3.1**.

Table 3.1: Budget provisions, disbursements and savings during the year 2023-24

(₹ in crore)

Description	Total Budget provisions		Disbursements		Savings (-)/Excess (+)	
	Voted	Charged	Voted	Charged	Voted	Charged
Revenue	1,02,498.62	24,600.93	93,209.66	24,624.09	(-)9,288.96	(+)23.16
Capital	10,699.81	0.00	4,899.67	0.00	(-)5,800.14	0.00
Loans and Advances	1,083.32	0.00	195.82	0.00	(-)887.50	0.00
Public Debt	0.00	69,626.00	0.00	73,451.79	0.00	(+)3,825.79
Total	1,14,281.75	94,226.93	98,305.15	98,075.88	(-)15,976.60	(+)3,848.95

Source: Appropriation Accounts

3.1.3 Charged and voted disbursements

Table 3.2: Break-up of total disbursements into Charged and Voted during the years 2019-2024

(₹ in crore)

Year	Disbursements		Savings(-)/Excess(+)	
	Voted	Charged	Voted	Charged
2019-20	77,284.43	57,597.68	(-)22,051.09	(-)5,126.89
2020-21	73,489.75	53,919.66	(-)20,175.01	(-)13,744.55
2021-22	86,173.21	40,397.27	(-)23,236.63	(-)29,597.87
2022-23	98,613.31	81,611.41	(-)10,656.60	(-)1,774.34
2023-24	98,305.15	98,075.88	(-)15,976.60	(+)3,848.95

Source: Appropriation Accounts

3.1.4 Budget Marksmanship

3.1.4.1 Aggregate Expenditure Outturn

Aggregate expenditure outturn measures the deviation in actual expenditure (Actuals) compared with the Budget Estimate (BE) originally approved, both in terms of less than and in excess of approval, as given in **Table 3.3**.

² (i) Mahatma Gandhi National Rural Employment Guarantee Scheme (₹ 138.40 crore); and (ii) Grant recommended by 15th Finance Commission for Panchayati Raj Institutions (₹ 702.85 crore).

³ Post-matric Scholarship to Other Backward Classes for Study in India.

Table 3.3: Comparison of Budget Estimates and Actual Outturn during the year 2023-24

(₹ in crore)

Description	Approved Budget (Original + Supplementary) (BE)	Actual Outturn	Difference between Actual and BE*
(1)	(2)	(3)	(4=3-2)
Revenue	1,27,099.55	1,17,833.75	(-9,265.80)
Capital	81,409.13	78,547.28	(-2,861.85)
Total	2,08,508.68	1,96,381.03	(-12,127.65)

Source: Appropriation Accounts

* Shortage of actuals over original provision is denoted as (-) figure

In the Revenue section, there was overall saving of 7.29 per cent compared with Budget Estimates (BE). This was due to excess/saving up to 25 per cent in 35 Grants; between 25 per cent and 50 per cent in three Grants; and between 50 per cent and 100 per cent in four Grants (*Appendix 3.2*).

In the Capital section, there was saving of 3.52 per cent compared with BE. This was due to excess/saving up to 25 per cent in five Grants, between 25 per cent and 50 per cent in three Grants; and between 50 per cent and 100 per cent in 28 Grants, of which no expenditure was incurred in six Grants. No budget provision was made in six Grants (*Appendix 3.3*).

3.1.4.2 Expenditure Composition Outturn

Expenditure Composition Outturn measures the extent to which re-allocations between the main budget categories during execution have contributed to variance in expenditure composition as given in **Table 3.4**.

Table 3.4: Comparison of Budget Estimates, Revised Estimates and Actual Outturn during the year 2023-24

(₹ in crore)

Description	Budget Estimates (BE)	Revised Estimates (RE)	Actual Outturn	Difference between BE and RE	Difference between Actual and RE*
(1)	(2)	(3)	(4)	(5=2-3)	(6=4-3)
Revenue	1,27,099.55	1,22,751.46	1,17,833.75	4,348.09	(-4,917.71)
Capital	81,409.13	76,324.90	78,547.28	5,084.23	(+2,222.38)
Total	2,08,508.68	1,99,076.36	1,96,381.03	9,432.32	(-2,695.33)

Source: Appropriation Accounts (2023-24) and Annual Financial Statement (2024-25)

* Excess of actuals over revised estimate is denoted as (+) and shortage of actuals over revised estimates is denoted as (-).

In the Revenue section, there was saving of 4.01 per cent compared with Revised Estimates (RE). This was due to excess/saving up to 25 per cent in 40 Grants, saving between 25 per cent and 50 per cent in one Grant and excess between 50 per cent and 100 per cent in one Grant (*Appendix 3.4*).

In the Capital section, there was excess expenditure of 2.91 per cent compared with RE. This was due to excess/saving up to 25 per cent in 16 Grants (including

no variation in one grant), between 25 per cent and 50 per cent in four Grants, between 50 per cent and 100 per cent in 14 Grants, of which no expenditure was incurred in four Grants. No budget provision was, however, made in respect of eight Grants (Grant Nos. 10, 14, 16, 18, 22, 26, 32 and 37) (*Appendix 3.5*).

3.2 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amount of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 of the Constitution of India. Appropriation Accounts are on gross basis. These Accounts depict the original budget provisions, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both Charged and Voted items of budget. Appropriation Accounts, thus, facilitate understanding of utilisation of funds, management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Integrity of budgetary and accounting process

3.3.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of Article 204 of the Constitution. Paragraph 14.1 of the Punjab Budget Manual provides that no expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorised by the Appropriation Act for a financial year, except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund. It was, however, observed that an expenditure of ₹ 2,340.79 crore was incurred in 18 schemes (more than ₹ one crore in each scheme) under five grants during the year 2023-24 without having any provision in the original budget estimates/supplementary demands and without issuing any re-appropriation orders to this effect (*Appendix 3.6*). The State Government stated (December 2024) that the matter would be looked into.

3.3.2 Unnecessary/excessive supplementary grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year but not after expiry of the current financial year. When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the grant to cover the excess by re-appropriation, the Secretary in the Department concerned proposes to the Finance Department for supplementary or additional grant or appropriation.

It was noticed that supplementary provisions of ₹ 1,147.64 crore during the year 2023-24 in 20 cases (more than ₹ one crore in each case) proved unnecessary (*Appendix 3.7*) as the expenditure did not come up even to the level of original provisions. Similarly, supplementary provisions of ₹ 356.61 crore in seven cases (more than ₹ one crore in each case) proved excessive (*Appendix 3.8*) as full amount of supplementary provisions could not be utilised.

3.3.3 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 2023-24, re-appropriation orders under 41 grants amounting to ₹ 19,045.57 crore were issued of which 37 re-appropriation orders amounting to ₹ 17,283.41 crore were issued on 31 March 2024.

Further, in seven schemes (*Appendix 3.9 - Sr. Nos. 5, 11, 12, 14, 16, 18 and 26*), reduction of provision (₹ one crore or more in each scheme) through re-appropriation orders effected by various Departments proved injudicious as there was excess expenditure under these cases. In 22 schemes, augmentation of provision through re-appropriation orders proved unnecessary because expenditure did not come up to the level of original/supplementary budget provision.

3.3.4 Unspent amount and surrendered appropriation and/or large savings/surrenders

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, it is a matter of concern. All Estimating Officers should strive to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should consider this while carrying out a final check on the estimates.

Budgetary allocations based on unrealistic proposals, overstretching the potential of resource mobilisation, poor expenditure monitoring mechanism and weak scheme implementation capacities/weak internal controls promote release

of funds towards the end of the financial year. Excessive savings in some heads also deprive other Departments of the funds which they could have utilised.

Analysis of grants and appropriations for the year 2023-24 showed savings (excluding surrenders) exceeded ₹ 100 crore in each case in 15 cases (under 12 grants) (*Appendix 3.10*). It was further noticed that in six grants, no expenditure *vis-à-vis* total budget amounting to ₹ 116.76 crore (*Table 3.5*) was incurred during the current year.

Table 3.5: Entire grant (exceeding ₹ one crore) remaining unutilised during the year 2023-24

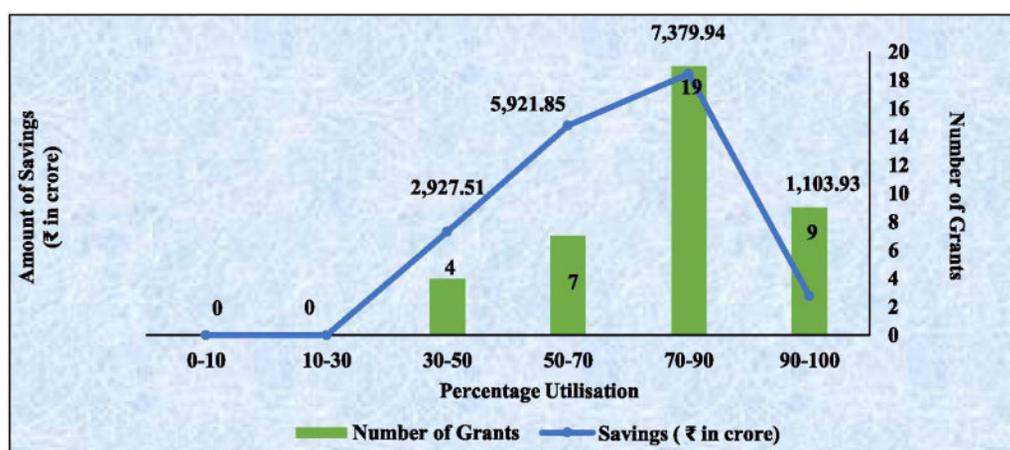
(₹ in crore)		
Sr. No.	Number and Name of grant	Amount
1.	01-Agriculture (Capital – Voted)	48.79
2.	07-Excise and Taxation (Capital – Voted)	25.00
3.	16-Labour (Capital – Voted)	5.00
4.	22-Revenue, Rehabilitation and Disaster Management (Capital – Voted)	8.00
5.	34-Horticulture (Capital – Voted)	25.97
6.	39-Printing and Stationery (Capital – Voted)	4.00
Total		116.76

Source: Appropriation Accounts

Further, it was observed that in 15 cases under 12 grants, there were persistent savings exceeding ₹ 100 crore in each case during 2021-22 to 2023-24 (*Appendix 3.11*).

Details of grants grouped by percentage of utilisation along with total savings during 2023-24 is shown in *Appendix 3.12* and *Chart 3.3*.

Chart 3.3: Distribution of number of Grants/Appropriations grouped by percentage of utilisation along with total savings



Source: Appropriation Accounts

In three grants there was more than 100 per cent utilization (Grant no. 04, 08 and 22).

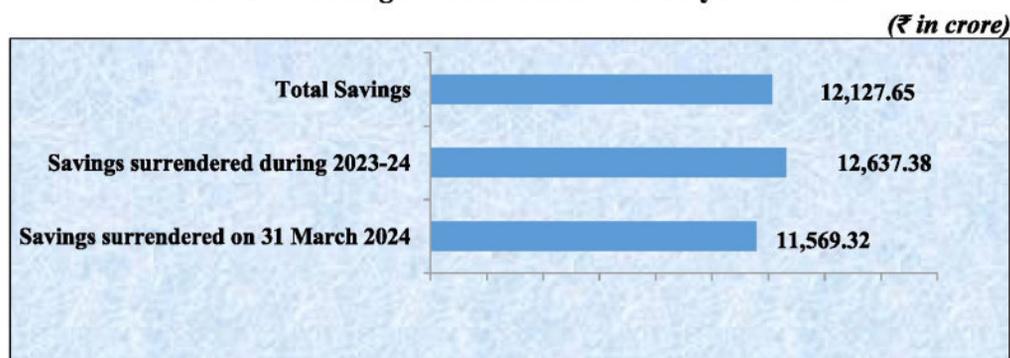
No objective is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain

unspent must be reported for surrender as early as possible. If this is not done, other spending Departments are deprived of funds which they could have utilised. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and watch over the progress of last month's expenditure should enable a Controlling Officer to fix his final requirements with a reasonable degree of exactness.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts they can surrender. The aim should be to surrender as much as possible to keep the expenditure just within the modified grant.

It was noticed that savings (exceeding ₹ one crore in each case) under 14 grants and one appropriation amounting to ₹ 3,245.71 crore (*Appendix 3.13*) were not surrendered at all. Details of savings (exceeding ₹ 10 crore in each case) surrendered on the last day of March 2024 (₹ 11,503.12 crore) are given in *Appendix 3.14*. Further, an amount of ₹ 4,500.00 crore was surrendered under Grant 08-Finance (Capital-Charged) and ₹ 1.70 crore under Grant 04-Defence Services Welfare (Revenue-Voted) though there was an excess expenditure of ₹ 3,825.79 crore and ₹ 41.79 crore respectively thereunder.

Chart 3.4: Savings and surrenders for the year 2023-24



Source: Appropriation Accounts

Chart 3.4 shows that 91.55 per cent of the savings surrendered was made on the last day of the financial year i.e. 31 March 2024.

3.3.5 Excess expenditure and its regularisation

As per Article 204 of the Constitution of India, no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of the Article *ibid*. Further, Article 205(1)(b) of the Constitution 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. This implies that it is mandatory for a State Government to get excesses 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.

3.3.5.1 Excess expenditure

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring legislative sanction but also indicative of bad planning, which could be avoided by keeping track of expenditure progression with the budget made for the purpose.

The details of excess expenditure during the year 2023-24 requiring regularisation by the Legislature are given in **Table 3.6**.

Table 3.6: Excess expenditure during 2023-24 requiring regularisation

(₹ in crore)		
Grant No./ Appropriation	Grant/Appropriation details	Excess expenditure requiring regularisation
04	Defence Services Welfare (Revenue – Voted)	41.79
08	Finance (Revenue – Voted)	1,146.84
	Finance (Revenue – Charged)	51.93
	Finance (Capital – Charged)	3,825.79
22	Revenue, Rehabilitation and Disaster Management (Capital – Voted)	176.40
Total		5,242.75

Source: Appropriation Accounts

Table 3.6 shows that there was an excess disbursement of ₹ 5,242.75 crore over the authorisation made by the State Legislature under three Grants during 2023-24.

3.3.5.2 Persistent excesses in certain Grants

Despite Public Accounts Committee's recommendations to minimise the cases of excesses, persistent excesses were noticed in one grant. 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 is in violation of the will of the Legislature. Strictly, not a rupee can be spent without prior legislative authorisation and, therefore, this is to be viewed seriously. Persistent excesses may be due to improper estimation at the time of preparation of budget.

Audit noticed that in one scheme under Grant-08-Finance, there was persistent excess expenditure of more than ₹ 10 crore during the last five years, as detailed in **Table 3.7**.

Table 3.7: Persistent excess expenditure during 2019-20 to 2023-24

(₹ in crore)						
Sr. No.	Description of Grant/ Appropriation	2019-20	2020-21	2021-22	2022-23	2023-24
1.	Grant No.-08-Finance 2071-Pensions and other Retirement benefits 01-Civil, 101-Superannuation and Retirement Allowances 01-Pension and other Retirement Benefits					
	Total Budget	6,300.00	7,400.00	8,100.00	10,180.00	11,189.42
	Expenditure	6,487.05	8,031.84	8,796.77	10,644.66	11,811.90
	Excess	187.05	631.84	696.77	464.66	622.48

Source: Appropriation Accounts

3.3.5.3 Regularisation of excess expenditure of previous financial year

Excess expenditure remaining unregularised for extended periods dilutes Legislative control over the Executive. Excess disbursement of ₹ 1,475.11 crore pertaining to the year 2022-23, as shown in Table 3.8, is yet to be regularised by the State Legislature.

Table 3.8: Excess expenditure relating to previous year requiring regularisation

(₹ in crore)			
Year	Grant No./ Appropriation	Grant/Appropriation details	Excess expenditure requiring regularisation
2022-2023	08	Finance (Revenue-Voted)	1,405.65
	21	Public Works (Revenue-Voted)	52.93
	41	Water Supply and Sanitation (Revenue-Voted)	16.53
Total			1,475.11

Source: Appropriation Accounts

The excess expenditure indicates that the budgetary control in the Department was ineffective, and budget estimates were not prepared on realistic basis. Such repeated excess expenditure over grants approved by the State Legislature is 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, therefore, need to be viewed seriously. All the existing cases of excess expenditure need to be regularised at the earliest and, in future, such unvoted expenditure may be completely stopped.

3.4 Effectiveness of budgetary and accounting process

3.4.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities and weak internal controls lead to sub-optimal allocation among various developmental

needs. Excessive savings in some Departments deprive other Departments of the funds which they could have utilised.

The total provision for expenditure in 2023-24 was ₹ 2,08,508.68 crore. The actual gross expenditure during the year was ₹ 1,96,381.03 crore. This resulted in savings of ₹ 12,127.65 crore. An amount of ₹ 12,637.38 crore was surrendered during the year of which ₹ 11,569.32 crore (91.55 per cent) were surrendered on the last day of the financial year i.e. 31 March 2024. The details are given in Table 3.9.

Table 3.9: Actual expenditure vis-à-vis budget provisions during the year 2023-24

(₹ in crore)

Nature of expenditure		Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total Budget	Actual expenditure	Savings (-) /Excess (+)	Surrenders	
							Amount	Per cent
Voted	I. Revenue	1,00,149.28	2,349.34	1,02,498.62	93,209.66	(-)9,288.96	3,196.36	34.41
	II. Capital	10,354.53	345.28	10,699.81	4,899.67	(-)5,800.14	4,214.81	72.67
	III. Loans & Advances	1,040.84	42.48	1,083.32	195.82	(-)887.50	720.00	81.12
	Total	1,11,544.65	2,737.10	1,14,281.75	98,305.15	(-)15,976.60	8,131.17	50.90
Charged	IV. Revenue	23,291.63	1,309.30	24,600.93	24,624.09	(+)23.16	6.21	-
	V. Capital	0	0	0	0	0	0	0
	VI. Public Debt- Repayment	61,626.00	8,000.00	69,626.00	73,451.79	(+)3,825.79	4,500.00	-
	Total	84,917.63	9,309.30	94,226.93	98,075.88	(+)3,848.95	4,506.21	-
Appropriation to Contingency Fund (if any)		0	0	0	0	0	0	0
Grand Total		1,96,462.28	12,046.40	2,08,508.68	1,96,381.03	(-)12,127.65	12,637.38	-

Source: Appropriation Accounts

Note: The expenditure shown above are gross figures without taking into account the recoveries adjusted in the accounts as reduction of expenditure under Revenue Heads (₹ 426.39 crore) and Capital Heads (₹ 156.88 crore).

Composition of expenditure during 2023-24 is given in Table 3.10.

Table 3.10: Composition of expenditure

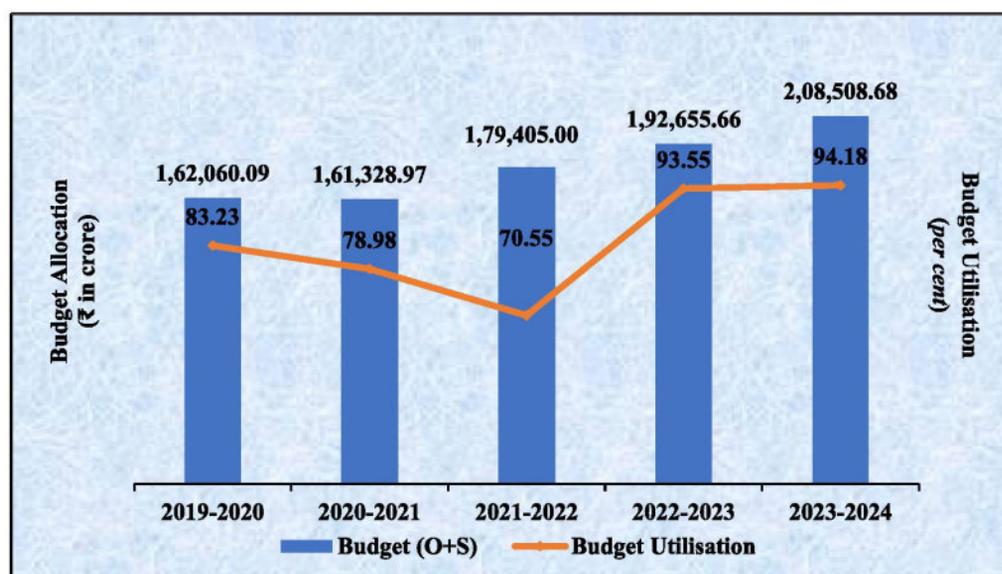
(₹ in crore)

Parameters	Amount	Percentage
Revenue expenditure	1,17,833.75	60.00
Capital expenditure	4,899.67	2.50
Loans and Advances	195.82	0.10
Public Debt	73,451.79	37.40
Total expenditure	1,96,381.03	100.00

Source: Appropriation Accounts.

The position of budget utilisation during the previous five years is given in Chart 3.5.

Chart 3.5: Budget utilisation during 2019-20 to 2023-24



Source: Appropriation Accounts

('O'-Original; 'S'-Supplementary)

Trends in the original and supplementary budget, revised estimate and actual expenditure for the period 2019-20 to 2023-24 are given in Table 3.11.

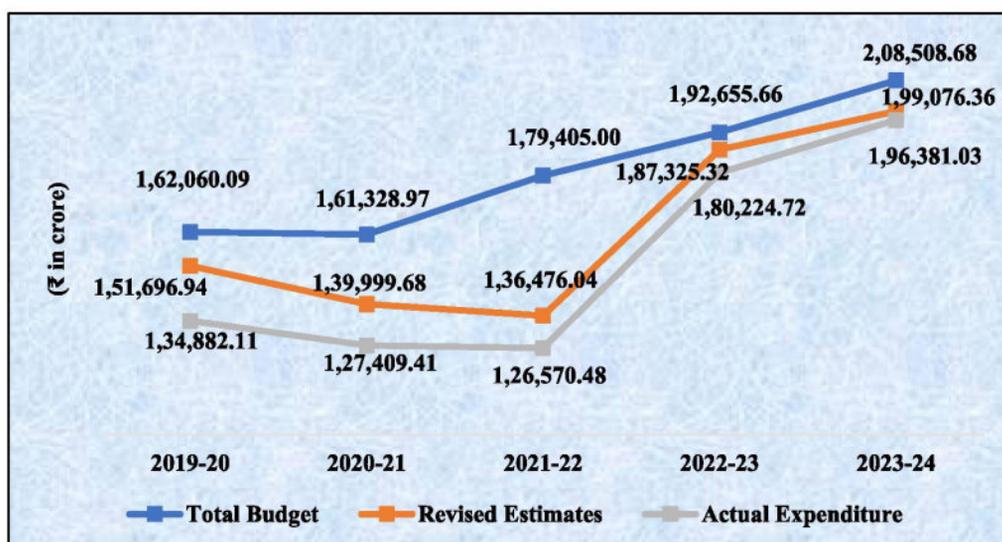
Table 3.11: Original Budget, Supplementary Budget, Revised Estimate and Actual Expenditure during 2019-2024

Particulars	₹ in crore)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Original Budget	1,58,492.66	1,54,805.29	1,68,015.19	1,55,859.78	1,96,462.28
Supplementary budget	3,567.43	6,523.68	11,389.81	36,795.88	12,046.40
Total budget (TB)	1,62,060.09	1,61,328.97	1,79,405.00	1,92,655.66	2,08,508.68
Revised Estimate (RE)	1,51,696.94	1,39,999.68	1,36,476.04	1,87,325.32	1,99,076.36
Actual Expenditure (AE)	1,34,882.11	1,27,409.41	1,26,570.48	1,80,224.72	1,96,381.03
Savings	27,177.98	33,919.56	52,834.52	12,430.94	12,127.65
Percentage of supplementary to the original provision	2.25	4.21	6.78	23.61	6.13
Percentage of overall savings to the overall provisions	16.77	21.02	29.45	6.45	5.82
TB-RE	10,363.15	21,329.29	42,928.96	5,330.34	9,432.32
RE-AE	16,814.83	12,590.27	9,905.56	7,100.60	2,695.33
(TB-RE) as per cent of TB	6.39	13.22	23.93	2.77	4.52
(RE-AE) as per cent of TB	10.38	7.80	5.52	3.69	1.29

Source: Annual Financial Statement and Appropriation Accounts

Trend showing total budget (TB), revised estimates (RE) and actuals is depicted in Chart 3.6.

Chart 3.6: Trend showing TB, RE and Actuals during 2019-2024

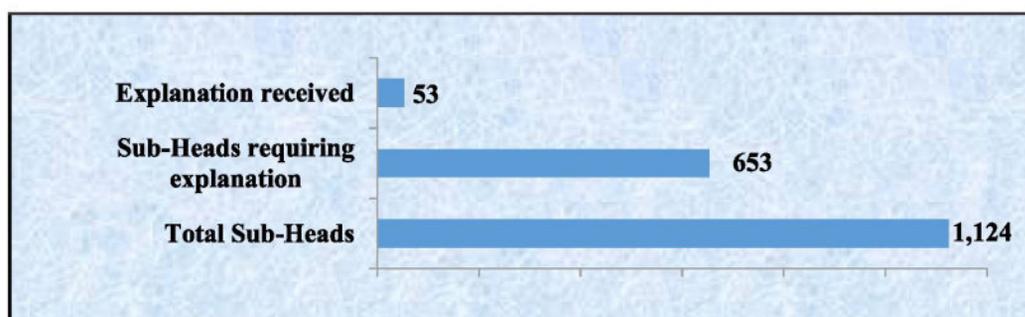


Source: Annual Financial Statement and Appropriation Accounts

Table 3.11 and **Chart 3.6** show that over the years from 2019-20 to 2023-24, RE was always lower than Total Budget of the State. The gap between RE and TB showed an increasing trend during the first three years i.e. 2019-20 (6.39 per cent) to 2021-22 (23.93 per cent) though it came down to 2.77 per cent during 2022-23 and again increased to 4.52 per cent during the current year. The supplementary provisions proved unnecessary as the expenditure did not come up even to the level of original budget provisions during last five years except for the year 2022-23. The overall savings ranged between 5.82 per cent and 29.45 per cent of the budget provisions during the period 2019-2024 though the savings remained less than 10 per cent during last two years i.e. 2022-23 and 2023-24.

Status of explanations received in case of variations in Appropriation Accounts is depicted in **Chart 3.7**.

Chart 3.7: Status of explanations for variation in Appropriation Accounts



Source: Office of the Accountant General (Accounts & Entitlement), Punjab

3.4.2 Major policy pronouncements in budget and their actual funding for ensuring implementation

Several policy initiatives taken up by the Government are wholly or partially not executed due to non-approval of scheme guidelines/modalities,

non-commencement of works for want of administrative sanction, non-release of budget, etc. This deprives the beneficiaries of intended benefits. Savings in such schemes deprive other Departments of the funds which they could have utilised.

It was observed that under 12 schemes, there was a budget provision of ₹ 4,090.86 crore (₹ 100 crore or more in each scheme) which was further revised to ₹ 2,196.56 crore through re-appropriation (**Appendix 3.15**). However, no expenditure was incurred in these schemes.

Further, under 24 schemes, there was approved outlay of ₹ 6,488.94 crore (₹ 10 crore or more in each scheme) which was fully withdrawn through re-appropriation orders, as shown in **Appendix 3.16**. This reflects that budgetary allocations were based on unrealistic proposals.

Audit further noticed that out of total 37 schemes i.e. six core of core schemes and 31 core schemes (as categorised by GoI during 2022-23), 21 schemes i.e. two core of core schemes and 19 core schemes were being implemented by the State Government during 2023-24. Of these, ten schemes had original budget provisions exceeding ₹ 100.00 crore (**Appendix 3.17**). The position of budget allotment under these ten schemes showed that original budget provision under eight schemes (**Appendix 3.17 - Scheme No. I to IX**) ranging between five per cent and 69 per cent was withdrawn through re-appropriation. This shows lack of budget intent on the part of the State Government, thereby affecting the implementation of the respective schemes.

3.4.3 New Schemes

There were 102 new schemes/services which were being implemented by the State Government during 2023-24. The details of budget provisions (more than ₹ 100 crore in each scheme) and expenditure incurred there against under 12 new schemes are given in **Appendix 3.18**.

It was noticed that less expenditure than the amount envisaged in original budget provision was incurred under these new schemes during the year 2023-24. This was due to the fact that either budget provision was withdrawn through re-appropriation and/or budget provision was not fully utilised.

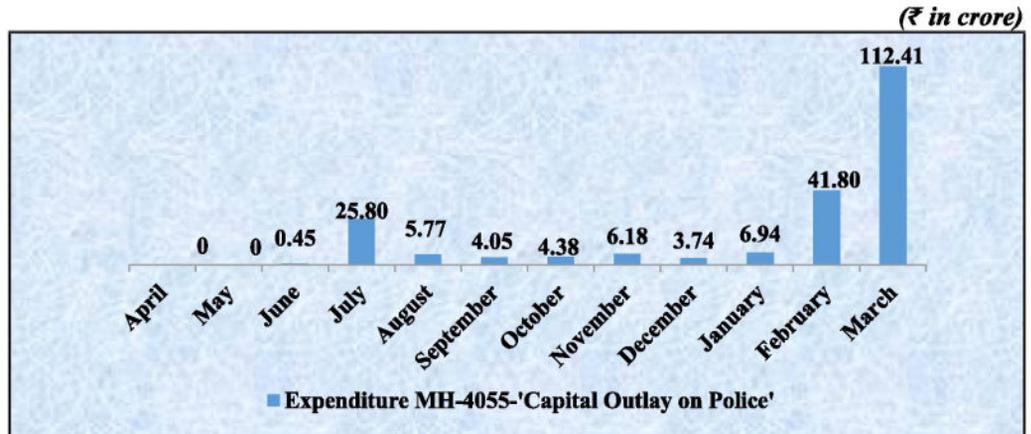
3.4.4 Rush of expenditure

Government funds should be spent evenly throughout the year. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalances and temporary cash crunches arising out of unanticipated heavy expenditure.

Audit noticed that under eight major heads, expenditure incurred during the month of March 2024 ranged between 50.43 per cent and 93.02 per cent of the total expenditure, as detailed in **Appendix 3.19**. Month-wise expenditure under

Major Head 4055-‘Capital Outlay on Police’ having highest expenditure amongst these eight major heads during 2023-24 is detailed in **Chart 3.8**.

Chart 3.8: Month-wise expenditure under Major Head 4055-‘Capital Outlay on Police’ during 2023-24



Source: Office of the Accountant General (Accounts & Entitlement), Punjab

Chart 3.8 shows that under Major Head-4055, 53.14 per cent (₹ 112.41 crore) of the total expenditure of ₹ 211.52 crore was incurred in the month of March 2024.

Further, the entire expenditure of ₹ 3,106.45 crore in 18 sub-heads (exceeding ₹ 10 crore in each case) was incurred in the month of March 2024 (**Appendix 3.20**).

3.4.5 Review of selected grants

A review of budgetary procedure and control over expenditure in respect of two selected grants i.e. ‘01-Agriculture’ and ‘17-Local Government’ was conducted wherein the magnitude of variations in original grants, supplementary demands and actual expenditure were analysed.

3.4.5.1 Grant No. 1-Agriculture

(i) Introduction

Grant No. 01-Agriculture includes Major Heads ‘2401-Crop Husbandry’, ‘2402-Soil and Water Conservation’, ‘2415-Agricultural Research and Education’, ‘2435-Other Agriculture Programmes’, ‘4401-Capital Outlay on Crop Husbandry’ and ‘6401-Loans for Crop Husbandry’.

(ii) Budget and Expenditure

The overall position of budget provisions, expenditure and savings under Grant No. 01 for the last three years (2021-22 to 2023-24) is given in **Table 3.12**.

Table 3.12: Budget and Expenditure under Grant No. 01 during 2021-2024

(₹ in crore)

Year	Section	Budget provision	Total	Expenditure	Unutilised provision (percentage)
2021-22	Revenue-Original (V)	10,795.53	10,795.53	9,095.93	1,699.60
	Supplementary	0.00			(15.74)
	Revenue-Original (C)	0.06	0.06	0.02	0.04
	Supplementary	0.00			(66.67)
	Capital-Original (V)	145.46	145.46	2.26	143.20
	Supplementary	0.00			(98.45)
2022-23	Revenue-Original (V)	9,389.64	11,069.73	10,516.91	552.82
	Supplementary	1,680.09			(4.99)
	Revenue-Original (C)	0.08	0.52	0.47	0.05
	Supplementary	0.44			(9.62)
	Capital-Original (V)	8.36	81.33	5.62	75.71
	Supplementary	72.97			(93.09)
2023-24	Revenue-Original (V)	11,961.10	11,978.81	10,710.17	1,268.64
	Supplementary	17.71			(10.59)
	Revenue-Original (C)	0.10	0.10	0.08	0.02
	Supplementary	0.00			(20.00)
	Capital-Original (V)	6.31	48.79	0.00	48.79
	Supplementary	42.48			(100.00)

Source: Appropriation Accounts

Table 3.12 shows that unutilised budget provision under Revenue (Voted) ranged between 5 per cent and 16 per cent and under Capital (Voted) it ranged between 93 per cent and 100 per cent during the period 2021-2024.

The overall position of budget provisions, expenditure and savings under 21 programmes (having original budget provisions or total budget provisions of ₹ 10 crore or more) implemented under Grant No. 01 (**Appendix 3.21**) shows that there were substantial savings of more than 20 per cent in three programmes and no expenditure was incurred in seven programmes (**Sr. No. 11 to 16 and 21 of Appendix 3.21**).

(iii) 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. The position of savings and surrenders under Grant No. 01-Agriculture during 2021-2024 is depicted in **Table 3.13**.

Table 3.13: Non-surrender of savings under Grant No. 01 during 2021-2024*(₹ in crore)*

Year	Savings			Amount surrendered (percentage)		
	Revenue(V)	Revenue(C)	Capital(V)	Revenue(V)	Revenue(C)	Capital(V)
2021-22	1,699.60	0.04	143.20	2,245.12 (132.10)	0.02 (50.00)	142.10 (99.23)
2022-23	552.82	0.05	75.71	302.67 (54.75)	0	1.08 (1.43)
2023-24	1,268.64	0.02	48.79	391.33 (30.85)	0	3.79 (7.77)

Source: Appropriation Accounts.

V-Voted, C-Charged.

Figures in parenthesis indicate percentage to total savings.

Table 3.13 shows that only 30.85 per cent of savings under Revenue (Voted) and 7.77 per cent under Capital (Voted) was surrendered during the year 2023-2024; thereby depriving the other Departments of the funds to that extent which they could have utilised for other purposes.

(iv) Entire provision remained unutilised

It was observed that the entire budget allocation (₹ one crore or more in each case) remained unutilised under six schemes (Grant No. 01) during 2023-24, indicating non-implementation of the schemes, as shown in **Table 3.14**.

Table 3.14: Entire provision (₹ one crore or more) remained unutilised under Grant No. 01 during 2023-24*(₹ in crore)*

Sr. No.	Head of Account	Original Budget	Supplementary	Re-appropriation	Total Budget
1.	2401-00-104-03- Save Water Earn Money Scheme of Direct Benefit Transfer for Electricity to Agriculture Consumers	1.00	0.00	0.00	1.00
2.	2401-00-105-15- National Mission for Sustainable Agriculture Soil Health Management-08- Soil Health Card Scheme	10.95	0.00	(-)9.32	1.63
3.	2401-00-109-14- Rashtriya Krishi Vikas Yojana	85.83	0.00	61.17	147.00
4.	2401-00-789-19- Rashtriya Krishi Vikas Yojana	13.97	0.00	14.03	28.00
5.	2401-00-789-35- Sub Mission on Agricultural Mechanization	58.10	0.00	(-)16.82	41.28
6.	6401-00-190-04- Loan to Punjab Agri Export Corporation (PAGRFXCOI) under SIDBI Cluster Development Scheme Fund (SCDF)	0.00	42.48	2.52	45.00

Source: Appropriation Accounts

(v) Submission of wrong Utilisation Certificates

During review of Grant No. 1, Audit noticed that

(a) The Department of Agriculture and Farmers Welfare, Punjab approved the project “Strengthening of State Agmark Laboratories” under the Centrally Sponsored Scheme - Rastriya Krishi Vikas Yojana (RKVY) during 2018-19 with an outlay of ₹ 2.11 crore. Accordingly, the Department released ₹ 0.60 crore (March 2021) and ₹ 1.50 crore (April 2021) to the Joint Director (Cash Crops) and Assistant Marketing Officer (AMO), SAS Nagar respectively. Of these, funds of ₹ 1.39 crore were released to the Executive Engineer (EE), Provincial Division, PWD (B&R), Faridkot in June 2021 (₹ 0.35 crore) and August 2023 (₹ 1.04 crore) for construction of State Agmark Laboratory in Agriculture Office Complex at Faridkot. The work was allotted to a contractor at a cost of ₹ 1.29 crore. The work was started in March 2023, which was to be completed by September 2023⁴.

It was noticed that though EE submitted (April 2024) the provisional UC amounting to ₹ 0.72 crore against the receipt of ₹ 1.39 crore, the Joint Director furnished (May 2024) UC for ₹ 1.39 crore to GoI. The Department did not furnish specific reply.

Thus, furnishing of UCs without actual utilisation of funds was irregular.

3.4.5.2 Grant No. 17-Local Government

(i) Introduction

Grant No. 17-Local Government includes Major Heads 2216-Housing, ‘2217-Urban Development’, ‘3604-Compensation and Assignments to Local Bodies and Panchayati Raj Institutions’ and ‘4217-Capital Outlay on Urban Development’.

(ii) Budget and Expenditure

The overall position of budget provisions, expenditure and savings under the Grant for the last three years is given in **Table 3.15**.

⁴ The work was yet to be completed (September 2024).

Table 3.15: Budget and Expenditure under Grant No. 17 during 2021-2024

(₹ in crore)

Year	Section	Budget provision	Total budget provision	Expenditure	Unutilised provision (percentage)
2021-22	Revenue-Original (V)	3,342.43	3,342.43	2,495.65	846.78
	Supplementary	0			(25.33)
	Revenue-Original (C)	0	0	0	0
	Supplementary	0			
	Capital-Original (V)	3,849.78	3,849.78	1,918.93	1,930.85
	Supplementary	0			(50.15)
2022-23	Revenue-Original (V)	3,237.81	3,241.30	2,623.73	617.57
	Supplementary	3.49			(19.05)
	Revenue-Original (C)	0	0	0	0
	Supplementary	0			
	Capital-Original (V)	3,098.19	3,459.99	2,270.02	1,189.97
	Supplementary	361.80			(34.39)
2023-24	Revenue-Original (V)	4,008.72	4,008.72	2,668.38	1,340.34
	Supplementary	0			(33.44)
	Revenue-Original (C)	0	0	0	0
	Supplementary	0			
	Capital-Original (V)	2,422.56	2,422.56	1,103.51	1,319.05
	Supplementary	0			(54.45)

Source: Appropriation Accounts

Table 3.15 shows that unutilised budget provision under Revenue (Voted) ranged between 19 per cent and 33 per cent and under Capital (Voted) it ranged between 34 per cent and 54 per cent during 2021-22 to 2023-24, which reflected inadequate performance on the part of the State Government.

The Department attributed (October 2024) the reasons for savings during 2023-24 to non-release of 15th FC grant under Health Sector by GoI; release of funds under various Centrally Sponsored Schemes on 31 March 2024; and non-clearance of bills under various schemes by the State Government.

The overall position of budget provisions, expenditure and savings under 28 programmes (having original budget provisions or total budget provisions of ₹ 10 crore or more) implemented under Grant No. 17 (**Appendix 3.22**) shows that there were substantial savings of more than 20 per cent in 14 programmes and no expenditure was incurred in five programmes (**Sr. Nos. 10 to 12, 23 and 24 of Appendix 3.22**).

(iii) Non-surrender of savings

Rule 17.20 of the Punjab Financial Rules provides that the spending Departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. The position of surrender of unutilised provision is depicted in **Table 3.16**.

Table 3.16: Non-surrender of savings under Grant No. 17 during 2021-2024

(₹ in crore)

Year	Savings			Amount surrendered (percentage)		
	Revenue (V)	Revenue (C)	Capital (V)	Revenue (V)	Revenue (C)	Capital (V)
2021-22	846.78	0	1,930.85	230.85 (27.26)	0	1,724.24 (89.30)
2022-23	617.57	0	1,189.97	35.84 (5.80)	0	296.67 (24.93)
2023-24	1,340.34	0	1,319.05	534.04 (39.84)	0	660.12 (50.05)

Source: Appropriation Accounts

V-Voted, C-Charged

Figures in parenthesis indicate percentage to total savings.

Table 3.16 shows that only 39.84 per cent and 50.05 per cent savings were surrendered during 2023-24 under Revenue-Voted and Capital-Voted section respectively resulting in depriving other Departments of the funds which they could have utilised.

The Department stated (October 2024) that excessive budget provisions were made in anticipation of receipt of funds under various Central Schemes, but the requisite funds were not received from GoI during the year. The Department also attributed the reasons for non-surrender of unutilised funds to non-clearance of bills by the State Government under various schemes.

(iv) Persistent savings

A substantial portion of the budget allocation remained unutilised (exceeding ₹ one crore in each case) under three schemes during 2021-22 to 2023-24, indicating non-achievement of the projected financial outlays in the respective years, as detailed in **Table 3.17**.

Table 3.17: Persistent savings (exceeding ₹ one crore) under Grant No. 17 during 2021-2024

(₹ in crore)

Sr. No.	Head of Account	2021-22	2022-23	2023-24	Reasons/Reply of Department (October 2024)
Revenue (V)					
1.	2217-80-001-02- Local Government Directorate	1.94 (16.97)	1.68 (11.23)	1.36 (10.45)	Due to non-clearance of arrear bills under salary and medical heads and receipt of less bills under hiring of vehicles, petrol oil lubricant, office expenses, telephone expenses and electricity expenses heads.
2.	2216-02-800-01- Pradhan Mantri Awas Yojana Housing for all (Urban)-01- Preparation of Action Plan and Establishment of Technical Cell	5.07 (100)	1.28 (24.57)	1.42 (44.10)	Due to non-release of funds by GoI.
3.	3604-00-200-28- Grants-in-Aid to Urban Local Bodies as per recommendations of 15 th Central Finance Commission-01- General Basic Grant	212.25 (26.57)	545.21 (56.04)	273.63 (39.09)	Due to non-clearance of bills by the State Government and non-release of tied grant under Health Sector by GoI.

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of savings to total provisions.

(v) Entire provision remained unutilised

The entire budget allocation (exceeding ₹ one crore in each case) remained unutilised under three schemes during 2023-24, indicating non-implementation of schemes as shown in **Table 3.18**.

Table 3.18: Entire provision (exceeding ₹ one crore in each case) remained unutilised under Grant No. 17 during 2023-24

(₹ in crore)

Sr. No.	Head of Account	Original Budget	Supplementary	Re-appropriation	Total Budget	Reasons/Reply of Department (October 2024)
1.	2217-80-004-01- Urban Rejuvenation Mission 500 Habitations AMRUT-03-AMRUT 2.0 Administrative and Office Expenses (A and OE)	9.80	0.00	(-)8.33	1.47	Expected funds were not released by GoI.
2.	2217-80-800-02- Building Fiscal and Institutional Resilience for Growth of Punjab	49.74	0.00	(-)47.74	2.00	Expected funds were not released by World Bank.
3.	4217-60-051-14- Mission for Development of 100 Smart Cities-03- Development of Sultanpur Lodhi	25.00	0.00	1.57	26.57	Due to late release of funds by GoI in March 2024, the State Government released the funds in 2024-25.

Source: Appropriation Accounts

(vi) Non-submission of Utilisation Certificate to GoI

Para No.10(vi) of the Operational Guidelines for implementation of the recommendations of 15th Finance Commission (FC) on Health Sector Grant

issued (July 2021) by Government of India (GoI), Ministry of Finance (MoF), Department of Expenditure (DoE) provides that the State Health Department shall get monthly progress (physical and financial) from all District Level Committees (FC-XV) and submit the progress quarterly to the State Level Committee for review and directions”. Further, Para No.10(vii) provides that on the basis of Utilisation Certificates collected from different entities, the State Health Department along with the Panchayati Raj Department shall prepare a joint Utilisation Certificate (UC) with the signatures of the Secretaries of both the Departments and submit the same to the State Finance Department for onward transmission to DoE, MoF and MoH&FW.

The Finance Commission Division (15th FC) released (November 2021) first instalment of ₹ 248.96 crore⁵ to the State Government for Health Sector Grant under for the year 2021-22. The Government of Punjab, Department of Local Government transferred (November 2021) the funds to the Secretary (Health)-cum-Mission Director (State Health Society), Punjab for utilisation as per the guidelines.

The GoI issued (24 March 2023) instructions regarding furnishing UCs for the grant released for the year 2021-22 so that eligibility for the release of Grant for the year 2022-23 could be considered.

It was noticed that the Health Department did not submit the requisite UCs to the Department of Local Government for onward submission to GoI. As a result thereof, GoI did not release Health Sector Grants of ₹ 510.36 crore for the years 2022-23 and 2023-24 (Table 3.19) as recommended by 15th FC.

Table 3.19: Non-Release of Health Sector Grants

(₹ in crore)

Year	Support diagnostic infrastructure to the primary healthcare facilities in Urban PHCs	Urban Health and Wellness Centres (UHCs)	Total
2022-23	7.21	241.75	248.96
2023-24	7.57	253.83	261.40
Total	14.78	495.58	510.36

Source: Information collected from department

The Department of Local Government stated (June 2024) that the Health Sector Grant was released to the Health Department directly through the State Government and this Department submitted bills of the grant only. The UCs were to be uploaded on the Portal of Central Government by the Health Department and there was no role of this Department. The Health Department did not furnish any reply.

⁵ ₹ 7.21 crore: To support diagnostic infrastructure to the primary healthcare facilities in Urban PHCs; and ₹ 241.75 crore: For Urban Health and Wellness Centres.

(vii) Non-Submission of DC Bills

When money is required in advance or when they are not able to calculate the exact amount required, Drawing and Disbursing Officers (DDO) are permitted to draw money, through Abstract Contingent (AC) bills, by debiting service heads and the expenditure is reflected as an expense under the service head. Rule 274 of Punjab Treasury Rules as amended by State Government in December 2016 provides that DDOs are required to present Detailed Contingent (DC) bills containing vouchers in support of financial expenditure within six months from the date of drawing of such advance. Delayed submission or prolonged non-submission of DC bills may affect the completeness and correctness of accounts.

During audit of Grant No. 17, it was noticed that following DC Bills were pending as on 31 March 2024.

Table 3.20: Detail of pending DC Bills

(₹ in crore)			
Sr. No.	Name of Scheme	No. of pending DC Bills	Amount
1.	Atal Mission for Rejuvenation and Urban Transformation (AMRUT) Scheme	68	1,021.13
2.	Swachh Bharat Mission - Urban	40	404.48
3.	Smart City Jalandhar	24	438.03
4.	Smart City Amritsar	25	388.91
5.	Smart City Ludhiana	12	230.00
Total		169	2,482.55

Source: Departmental information

Table 3.21: Age-wise pending DC bills

(₹ in crore)		
Due Year	No. of DC bills	Amount
2017-18	01	0.47
2018-19	01	4.27
2020-21	07	96.78
2021-22	24	56.23
2022-23	97	1,866.91
2023-24	39	457.89
Total		2,482.55

Source: Departmental information

The Department without taking cognizance of the Rules *ibid* stated (June 2024) that DC Bills would be submitted after incurring expenditure.

3.5 Conclusion

The overall utilisation of budget was 94.18 *per cent* of total grants and appropriations during 2023-24.

Expenditure of ₹ 2,340.79 crore was incurred in 18 schemes under five grants during the year 2023-24 without having any provision in the original budget estimates/supplementary demands and without issuing any re-appropriation orders to this effect.

Supplementary provisions were also not on a realistic basis as in 20 cases, the supplementary provisions of ₹ 1,147.64 crore proved unnecessary as the expenditure did not come up even to the level of the original provisions. Budgetary allocations were based on unrealistic proposals as in 12 out of 42 grants, savings excluding surrenders were more than ₹ 100 crore.

The excess expenditure of ₹ 5,242.75 crore for the current year 2023-24 and ₹ 1,475.11 crore for the year 2022-23 was required to be regularised by the State Legislature.

Under 12 schemes, there was an approved outlay of ₹ 4,090.86 crore (₹ 100 crore or more in each scheme) which was revised to ₹ 2,196.56 crore, but no expenditure was incurred. Further, under 24 schemes, there was approved outlay of ₹ 6,488.94 crore which was fully withdrawn through re-appropriation orders, thereby depriving the beneficiaries of the intended benefits.

There was rush of expenditure at fag end of the year. In eight major heads, more than 50 *per cent* of the expenditure under each major head was incurred in the month of March 2024.

3.6 Recommendations

In light of the audit observations, the State Government may

- (i) *prepare realistic budget estimates, backed with correct assessment of availability of resources and capacity to expend, to avoid large savings and supplementary provisions;*
- (ii) *ensure strict compliance of provisions of Budget Manual in preparation of supplementary provisions and ensure transparency in estimation for avoiding unnecessary supplementary provisions;*
- (iii) *consider formulating strategies for actual execution of major policy decisions in the State at the time of preparing budgetary estimates; and*
- (iv) *avoid rush of expenditure towards the end of the year, and for proper utilisation of savings through timely surrender.*